



AGENDA REPORT

TO: Edward D. Reiskin
City Administrator

FROM: Erin Roseman
Director of Finance

SUBJECT: Economic Consulting Services
Agreement

DATE: April 28, 2022

City Administrator Approval 

Date: May 20, 2022

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Waiving The Competitive Bidding Process And Authorizing The City Administrator To Amend The Professional Services Agreement With Blue Sky Consulting Group For Economic Consulting Service To Increase The Amount By One Hundred Fifty Thousand Dollars (\$150,000) For A Total Contract Amount Not To Exceed Five Hundred Ninety-Five Thousand Dollars (\$595,000).

EXECUTIVE SUMMARY

This report seeks City Council authority to amend the professional service agreement with Blue Sky Consulting Group (“Blue Sky”), an Oakland-based public policy and economic analysis consulting firm, with over 17 years of experience specializing in the complex quantitative analyses, including forecasting, econometric analysis, simulation modeling and fiscal impact analyses. The requested authority to amend the agreement would allow for the Administration, on an as-needed basis, to utilize the experience and expertise of Blue Sky in areas directly relevant to forecasting and simulation models on topics that are most needed, especially the on-going needs for fiscal and economic analysis of several proposed ballot measures that would change the Business License Tax (“BLT”) structure and the upcoming work on budget-related baseline revenue, expenditures and forecast, including the Five-Year Financial Forecast (“5YFF”), in preparation for the Fiscal Year 2023-25 biennial budget.

The amendment will extend the term of the agreement through December 31, 2023 and increase the amount of the agreement by \$150,000, for a total contract amount not to exceed \$595,000.

BACKGROUND / LEGISLATIVE HISTORY

In July 2020, the City Council, on its own motion, adopted Resolution No. 88227 C.M.S., submitting to the voters at the November 8, 2022 General Municipal Election an ordinance repealing and replacing the current tax structure to create a progressive, modern, and equitable business tax structure. Included in the adopted resolution were the creation of the Business Tax Blue Ribbon Advisory Commission whose tasks, among others, such as conducting public meetings, are to “review, draft and submit in writing for the City Council consideration [the] recommended business tax rates...by June 30, 2021” and the allocation of \$100,000 towards an economic consultant to provide technical assistance to the commission.

City Council
May 31, 2022

In September 2020, the Finance Department released a Request for Qualifications (“RFQ”) seeking proposals from independent, experienced and qualified individuals or firms interested in providing services in connection with:

- 1) The development of the 5YFF of revenues and expenditures for each of the Fiscal Year 2021-2022 through FY 2025-26; and/or,
- 2) Analyzing the proposed Equitable Business Tax Update and serve as liaison on behalf of the City’s Finance Department to the Blue Ribbon that is responsible for providing advice and recommendations to the Oakland City Council by June 30, 2021 on how the City Council should revise and modernize the business tax structure.

In December 2020, the City Administrator, as duly authorized under the Oakland Municipal Code Section 2.04.020, entered an agreement for a total compensation not to exceed \$245,000 with Blue Sky, the sole proposer in response to the RFQ. The agreement required that Blue Sky 1) provide economic consulting services related to the development of the 5YFF for a fixed compensation of \$140,000; and 2) serve as a liaison to the Blue Ribbon Advisory Commission and conduct research and analysis of the proposed business tax rate structure or any variation thereof for a fixed compensation of \$85,000. The agreement included a reimbursement of up to \$10,000 for the purchasing of data or modeling software and an additional \$10,000 in contingency that required written authorization from the Administration.

In June 2021, the City Council adopted Resolution No. 88720 C.M.S., waiving the competitive bidding process and authorizing the City Administrator to amend the professional services agreement with Blue Sky to extend the term through December 31, 2023 and increase the amount by \$200,000 for a total contract amount not to exceed \$445,000.

ANALYSIS AND POLICY ALTERNATIVES

The following is a summary of the tasks Blue Sky has accomplished to date:

Development of 5YFF: Working with the Finance Department, the Blue Sky Consulting Group developed a model to forecast both revenues and expenditures for a five-year period. The resulting model is updateable and can be used for mid-cycle updates as well as the next 5YFF cycle. The Blue Sky team also drafted significant portions of the 5YFF report and presented the results to the City Council.

Support of the Blue Ribbon Business Tax Task Force: Blue Sky worked with the Blue Ribbon Business Tax Task Force to research tax rates in neighboring jurisdictions, provide detailed background information on the City’s economy and businesses, and analysis of the likely effects of different tax structures. The Blue Sky Team participated in all Task Force meetings and sub-committee meetings and developed a model to estimate the fiscal and economic effects of a range of proposals, which the Task Force used to analyze dozens of alternative rate structures. The Blue Sky team also assisted with drafting the Task Force’s report to the City Council and the staff report from the Finance Department; Blue Sky’s project lead, Matthew Newman, participated in the City Council meeting where the results of the Task Force’s work were presented.

Mid-Cycle FY 2022-23 Financial Forecast Update: In January 2022, the Blue Sky team prepared an updated economic forecast for the City of Oakland; the team also prepared

estimates of current (FY 21-22) revenues as well as revenues for the budget year (FY2022-23).

Analysis of councilmembers voter initiative proposals to change the business license tax: Blue Sky has been primarily responsible for the analysis of the fiscal and economic effects of nine separate proposals to change the City's Business License Tax; results have been presented in a series of memos and reports to the Finance Department and through a presentation to the Rules Committee.

The following is a summary of the added tasks staff would engage Blue Sky during the remaining term of the amendment:

Continuing the fiscal and economic analysis of proposals to change the BLT structure: As mentioned above, Blue Sky has already assisted in the analysis of nine separate proposals since January 2022. Staff expects the number of analyses to rise in the remaining months before an official ballot measure is finalized and placed on 2022 November ballot.

Assist in the development FY 2023-25 Biennial Budget, including updating the 5YFF: Covid-19 pandemic and the ongoing geopolitical instability in Europe that includes increase in global energy prices, which may in turn prompt the Federal Reserve to take more immediate and significant action to counter inflation, have had significant impacts on the local economy. The continued use of highly experienced professionals specializing in statistical, economic, and public policy research and analysis would only enhance the probability of producing a realistic and achievable budget that the City Council and the public have expected from the Administration. The specific area of research and analysis are in the development of the next 5YFF and the review of budget-related baseline revenue, expenditures and forecast in preparation for the FY 2023-25 Biennial Budget in the spring of 2023.

As-needed revenue forecast or fiscal impact tasks: In addition to the aforementioned continuing work expected of Blue sky, the Administration would like to retain Blue Sky's services to work on selected revenue forecast program or fiscal impact to the budget, such as the recently proposed ballot measure by members of the public that would change the allocation of revenue generated from the cannabis industry from the General Purpose Fund to a special fund known as the "Emerald New Deal Fund" and Citywide Enhanced Infrastructure Financing District.

Based on the forgoing, staff recommends that the City Council authorize amendment of the existing agreement with Blue Sky Consulting Group to increase the amount by \$150,000. The agreement will include the following scope of services:

- Continuing to provide the Administration and/or the City Council with fiscal and economic analysis of proposals that would change the BLT structure as selected and requested by the Administration and/or the City Council;
- Providing the Administration with updated 5YFF and budget-related baseline revenue, expenditures and forecast in preparation for the FY 2023-25 biennial budget; and
- Providing the Administration with general support and consulting on local economic forecasting models and methodologies concerning topics to be selected and requested by the Administration.

FISCAL IMPACT

As part of the Midcycle Budget for FY 2022-23, staff will put forth a request for an increase of \$150,000 to the Finance's Department operating budget to pay for the amendment to the agreement with Blue Sky. The appropriation of funds will be included in the Proposed Policy Budget for fiscal year 2022-23.

PUBLIC OUTREACH / INTEREST

A formal request for qualifications (RFQ) was released in September 2020 seeking for qualified individuals or firms interested in providing the services discussed in this report. Blue Sky Consulting Group was selected based on its expertise and experience directly related to the work required and outlined in the RFQ. Staff also checked references and confirmed Blue Sky receiving very high favorable ratings from all references. This item will be posted on the City's website for the May 31, 2021 City Council meeting.

COORDINATION

This report has been coordinated with the Budget Bureau and City Attorney's Office.

SUSTAINABLE OPPORTUNITIES

Economic: Creating a progressive, modern, and equitable business tax structure with the goal of supporting small business and increasing annual revenue under a marginal business tax structure requires individuals or firms with "spot-on" expertise and experience. Blue Sky, an Oakland-based consulting firm principally owned and operated by an Oaklander, is such a firm.

Environmental: There are no environmental opportunities associated with this project.

Race & Equity: Including in the City Council's goal of supporting small businesses and increasing annual revenue under a marginal business tax structure is an equity analysis that could include procedures for using tax policy to repair harms of systemic racism, e.g., targeted tax breaks to businesses or sectors located in neighborhoods in need of services like grocery stores, banks, retail and other investment. Blue Sky's tasks include such research and analysis.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Waiving The Competitive Bidding Process And Authorizing The City Administrator To Amend The Professional Services Agreement With Blue Sky Consulting Group For Economic Consulting Services To Increase The Amount By One Hundred Fifty Thousand Dollars (\$150,000) For A Total Contract Amount Not To Exceed Five Hundred Ninety-Five Thousand Dollars (\$595,000).

For questions regarding this report, please contact Rogers Agaba, Acting Revenue & Tax Administrator, (510) 238-7009.

Respectfully submitted,



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Finance Department

Prepared by:
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