

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: May 25, 2011

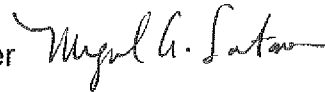
CAO File No. 0220-04582-0004

Council File No. 09-2722

Council District:

To: The Council

From: Miguel A. Santana, City Administrative Officer



Reference: Council Request (C.F. 09-2722) to Establish a Panel of Qualified Consultants to Perform Independent Economic Analysis

Subject: **REQUEST TO APPROVE A PANEL OF CONSULTANTS FOR THE OFFICE OF ECONOMIC ANALYSIS**

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### SUMMARY

The Office of the City Administrative Officer (CAO) requests Council and Mayor approval of the following panel of consultants to perform independent economic analysis on behalf of the City on an as-needed basis:

- |                             |                             |                           |
|-----------------------------|-----------------------------|---------------------------|
| ▪ AECOM                     | ▪ Aspen Environmental Group | ▪ BAE Urban Economics     |
| ▪ Blue Sky Consulting Group | ▪ EPS, Inc.                 | ▪ HDR Engineering, Inc.   |
| ▪ HR&A Advisors, Inc.       | ▪ ICF International         | ▪ Kosmont Companies       |
| ▪ Parsons Brinkerhoff       | ▪ The Rose Institute        | ▪ Tecolote Research, Inc. |
| ▪ Urban Community Economics |                             |                           |

On July 14, 2010, the Council established an Office of Economic Analysis (OEA) as a one-year Pilot Program in the CAO (C.F. 09-2722, Attachments A-1 and A-2). The purpose of the OEA is to incorporate the use of economic impact analysis into the City's legislative decision-making process. The Council also authorized the CAO to prepare and release a Request for Qualifications (RFQ) to create the panel of on-call economic consultants. The selected firms will be able to compete for specific projects during the term of the Pilot Program, based on available funding. The consultants will remain on the list for one year with an option to extend the term at the discretion of the City. The CAO also requests Council and Mayor approval of the proposed criteria and process described in this report for the OEA to operate during the Pilot Program.

### Funding for the OEA Pilot Program

As requests for economic analysis are submitted to the OEA, funding to hire economists to perform the work will need to be identified. Council District 13 allocated \$250,000 in office funds to begin the Pilot Program (C.F. 09-2722 and C.F. 10-0600, Motion Number 8, Attachment B). These funds were specifically provided for economic studies. Depending on the number and complexity of the requests for studies that are submitted, additional funds may be needed, as the OEA is utilizing existing CAO

staff for administration of the Program. It should be noted that the Council requested the Chief Legislative Analyst (CLA) and this Office to explore potential long-term funding for the OEA (Garcetti-Parks, C.F. 09-2722-S1, Attachments C-1 and C-2). The actual costs for the Pilot Program are not known at this time because the number and scope of the projects will be defined during the term of the Program. Compliance with City Financial Policies will be reviewed once the source of the funds for each request is determined.

### **San Francisco Office of Economic Analysis**

To assess how the OEA could function within the City of Los Angeles, the Council recommended (C.F. 09-2722) that City staff base its Pilot Program on a similar OEA in the City and County of San Francisco. While the City of Los Angeles and the City and County of San Francisco are structured differently, the San Francisco program can serve as a model for implementation during this Pilot phase. Upon completion of the one-year Pilot Program term, the CAO will evaluate the criteria, methodology, funding and other factors, and will make recommended adjustments as necessary, to meet the needs of the City of Los Angeles, should the Program be considered for a longer term. The evaluation and recommendations will be included in a report back to the Mayor and Council at the conclusion of the Pilot Program.

The San Francisco OEA (SFOEA) was created through a ballot measure (Proposition I) in 2004 and is part of the San Francisco Office of the Controller. A copy of the text of Proposition I is included in Attachment D. The primary role of the SFOEA is the economic analysis of legislation introduced by the Board of Supervisors, the Mayor or City Departments. During the eight years since SFOEA was created, the two economists on staff have produced 11 to 13 economic analysis reports per year. A more comprehensive explanation of the SFOEA is included in Attachment E, Statement of Ted Egan, PhD, Chief Economist, San Francisco Office of Economic Analysis to the Little Hoover Commission, October 28, 2010.

### **Los Angeles Office of Economic Analysis Pilot Program**

Due to the success and experience of the SFOEA, this Office recommends that the City follow a modified version of the San Francisco model during the Pilot Program. The SFOEA program is particularly helpful during this phase because the availability of a successful program from which to gain best practices and implementation insight will enhance the Program, given the limited resources currently allocated to the Program.

The Pilot Program will provide the Mayor and Council with an opportunity to utilize specialized economic consultant services and allow for a more informed and strategic approach to decision-making and resource allocation. The Program includes an evaluation and assessment of the proposed criteria and process to determine how the OEA Program will work best in Los Angeles. Consequently, at the conclusion of the Pilot Program, the criteria and process may be refined as a result of participant feedback. The proposed Pilot Program criteria and the economic analysis process are outlined below.

### Pilot Program Criteria

This Office recommends that the OEA Pilot Program apply the criteria described in Sections A and B below to requests for economic analysis. An economic analysis will be performed if the request first meets the criteria in Section A and then meets the criteria in Section B below:

#### *A. Request Categories*

At this time, it is recommended that the OEA prepare an economic analysis study for requests that fall into one of the following three categories:

1. Legislation that has been reviewed by the City Attorney;
2. Projects that are clearly defined and include enough data to be evaluated; or
3. Peer review of economic analysis that has been performed by sources outside the OEA.

#### *B. Material Economic Impact*

Once the OEA concludes that a request for analysis falls into one of the categories listed in Section A, the OEA would then determine whether or not the request also has a significant material impact. To have such an impact, the request should satisfy each of the following four criteria. Therefore, the request will be determined to have *no* impact if any of the criteria do not hold:

1. Material impact exceeding \$10 million per year.
2. Not an appropriation. (Does not contain an appropriation which applies a fixed amount of City revenue to different purposes. No grants.)
3. Real effect in law. (A real and clear effect in law and not a policy or a resolution where the behavior or outcome is not controlled or enforceable. This criterion may be excluded for projects and peer reviews.)
4. New City policy. (This criterion may be excluded for projects and peer reviews.)

Additional details regarding the criteria can be found in the Findings section of this report.

### Pilot Economic Analysis Process

It is anticipated that there will be significant interest in utilizing the Pilot Program for a variety of studies that would certainly add value and options to the City if resources were available to address them all. However, we recommend that the Pilot Program use the recommended criteria and process to select studies that will provide the most valuable and strategic economic impact for the legislative decision-making process, especially given the City's financial constraints. This proposed process and methodology is discussed in greater detail in the Findings section of this report.

### Pilot Program Evaluation

At the end of the Pilot Program, the OEA will report back to the Mayor and Council with an assessment of the project based on the experiences and input from the on-call economists, the

Council, Mayor, CAO, CLA, affected City departments, and businesses which have taken part in the Pilot Program.

## **RECOMMENDATIONS**

That the Council, subject to the approval of the Mayor:

1. Approve the results of the Request for Qualifications to select consultants to provide economic analysis services to the City as part of a one-year Pilot Program;
2. Approve the creation of a panel of 13 consultants for the service categories listed in Attachment F of this report to provide economic analysis services as part of a one-year Pilot Program to be administered by the Office of the City Administrative Officer (CAO), Office of Economic Analysis (OEA);
3. Adopt the proposed criteria and methodology for evaluating requests for economic studies and analysis to be performed by the OEA as contained in this report;
4. Authorize the CAO to enter into contracts with the 13 consultants listed in Attachment F of this report on an as-needed basis for a period of one year, subject to compliance with the City's contracting policies, approval of the City Attorney as to form, and funding availability;
5. Transfer \$250,000 from the Council District 13 Assembly Bill (AB) 1290 Tax Increment Fund to the CAO, Fund 100/10, Contractual Services Account 3040, to be used by the CAO, OEA to prepare economic analysis studies during the Pilot Program; and
6. Instruct the CAO, OEA to report quarterly to the Mayor and Council regarding the status of the Pilot Program, including studies requested, under review and completed.

## **FISCAL IMPACT STATEMENT**

The impact to the General Fund is unknown at this time. Funding in the amount of \$250,000 has been made available from Council District 13 Assembly Bill 1290 Tax Increment Funds to fund potentially some or all of the costs of the requested economic studies as part of the one-year Pilot Program. If the Mayor and Council adopt the recommendations in this report, the City Administrative Officer, Office of Economic Analysis would work with the Mayor and Council to identify funding to support the project. Compliance with City Financial Policies would be reviewed once the source of the funds is determined.

## **FINDINGS**

### **1. Basis for Report**

On July 14, 2010, the Council established an Office of Economic Analysis (OEA) as a Pilot Program in the Office of the City Administrative Officer (CAO) (C.F. 09-2722). The Council also authorized the CAO to prepare and release a Request for Qualifications (RFQ) to create a panel of on-call economists. In addition, the Council directed the CAO to report on the status of the Pilot Program to the Jobs and Business Development Committee every quarter and to the Council after one year. In this report, the CAO is responding to the request from Council to establish the OEA Pilot Program in the CAO and to establish the list of on-call economists.

### **2. Funding for the Office of Economic Analysis**

The OEA Pilot Program was created without the provision of additional resources to the CAO, and at this time, the OEA is supported by existing staff. Council District 13 provided their AB 1290 funds in the amount of \$250,000 to initiate the Program for use as compensation for the studies. Therefore, as requests for economic analysis are presented to the OEA, funding to hire economists will need to be identified, should additional funding beyond the initial \$250,000 be required.

A Motion (Garcetti-Parks, C.F. 09-2722-S1) adopted by Council on February 16, 2011, instructs the Chief Legislative Analyst (CLA) and the CAO, in conjunction with the City Attorney, the Office of Finance and the business community, to identify possible permanent sources of funding for the OEA. The CLA and CAO have begun exploring long-term funding options and will report under separate cover.

### **3. San Francisco Office of Economic Analysis**

To facilitate the Pilot Program implementation in the City of Los Angeles, the Council recommended that City staff review a similar OEA in the City and County of San Francisco, which was created through a ballot measure (Proposition I) in 2004 and is part of the San Francisco Office of the Controller.

The SFOEA is staffed by two full-time economists (one Chief Economist and one Senior Economist) who, under the authority of Proposition I, review each agenda for the Board of Supervisors to identify proposed legislation on which an economic analysis will be performed. By the time the item is included on the Board agenda, the City Attorney has approved the language of the ordinance or legislation as to form. The CAO has interviewed the staff of the San Francisco OEA (SFOEA) and has read the economic reports published by that Office.

Proposition I requires the SFOEA to "identify and report on all legislation introduced at the Board of Supervisors that might have a material impact on the City." Given resource and time constraints, the SFOEA states that a "material economic impact" means a net economic impact exceeding \$10 million on the entire San Francisco economy. In addition to the \$10 million impact, the SFOEA developed three more criteria to help manage their workload. The SFOEA has the authority to

update the criteria, as long as it supports the language of Proposition I. Based on their experience, the SFOEA staff states that to qualify for an economic analysis, the proposed legislation must have a material economic impact by satisfying each of the following criteria. Therefore, a request will be determined to have *no* impact if any of the criteria do not hold:

1. Material impact exceeding \$10 million per year.
2. Not an appropriation. (Does not contain an appropriation which applies a fixed amount of City revenue to different purposes. No grants.)
3. Real effect in law. (A real and clear effect in law and not a policy or a resolution where the behavior or outcome is not controlled or enforceable.)
4. New City policy.

The SFOEA prepares 12 to 13 economic impact reports per year on legislation encompassing affordable housing, a payroll expense tax, a parking tax increase, a parcel tax for Recreation and Parks, establishing the San Francisco Tourism District, and a local vehicle license fee, among others. In San Francisco, economic analysis and criteria are not applicable to tax proposals being placed before the voters, because those proposals involve political processes and also because they are usually, if not always, accompanied by independent economic analysis. In addition, the SFOEA staff generally does not review regulatory or administrative actions. The process to analyze proposed legislation in the SFOEA has been in place for many years, and according to staff, by using the four criteria listed above, the SFOEA has successfully met its mandate as described in Proposition I.

Once the staff of the SFOEA identifies an item for economic analysis, the Board of Supervisors withholds action on the item for one month while the economists perform the economic impact analysis and then report to the Board. If the Board of Supervisors considers an item before the economic study is complete, the item would need to be reconsidered in conjunction with the analysis.

The SFOEA economic analysis reports identify risk factors and mitigation measures which the Board must consider but is not obligated to approve or follow. An economic impact report may contain an overview or summary, tables and charts, factors to consider, costs, impacts, notes and assumptions, and conclusions.

The SFOEA staff notes the difference between an economic analysis function and an economic research function. From time to time staff provides input to the legislative process at the request of the Board. This research can assist the final language of an ordinance or legislation to be more precise. Generally, however, the purpose of the SFOEA is to provide economic analysis rather than research.

The annual budget for the SFOEA is approximately \$300,000 plus related costs for the two economists. The Office does not include other administrative or support staff. At this time, the SFOEA is funded by the General Fund. On occasion, the SFOEA hires pre-qualified economic firms to review work prepared by the SFOEA; however, the SFOEA does not hire outside economists to write the economic impact reports. According to the Chief Economist at the SFOEA, the Office is part of the San Francisco Controller's Office because that is where it can provide the greatest degree of

independence and credibility to the analysis. The San Francisco Controller is appointed to a 10-year term of office.

#### **4. Request for Qualifications**

On November 30, 2010, the CAO issued an RFQ to establish a panel of consultants to perform economic analysis on proposals pending before Council. The selected firms and individuals would be retained on an as-needed and as-requested basis to perform economic analysis. Based on the work available, the firms on the panel would be able to compete for specific projects. A letter regarding the availability of the RFQ was mailed to 48 prospective proposers. In addition, the RFQ was posted on the City's BAVN (Business Assistance Virtual Network) website and the CAO Internet site, and was published in the Daily Journal. Firms had the opportunity to submit questions about the scope of work and about the City's contract compliance requirements via e-mail and in writing. The questions and responses were posted on the CAO Internet site by December 22, 2010.

##### Scope of Work

The RFQ states that economists retained by the City will be expected to:

- Analyze the effect of proposed legislative or policy changes on businesses, visitors and residents of Los Angeles including the likely impacts on business attraction and retention, job creation, tax and fee revenues to the City, and other matters relating to the overall economic health of the City;
- Gather and analyze data using various means that may include statistical and/or mapping software, conduct interviews or surveys, and write reports on their findings;
- Identify trends in the economy and forecast future trends in areas applicable to the requested analysis;
- Demonstrate strong computer and quantitative skills and the ability to perform complex research;
- Prepare reports, including tables and charts, on research results; and,
- Present economic and statistical concepts in a clear and meaningful way to those who do not have a background in economics.

Economists retained by the City may also be expected to use sampling techniques to conduct surveys and to apply mathematical principles such as calculus and regression analysis to their research to formulate economic models to help explain economic relations that can be used to develop forecasts and identify potential impacts.

A general knowledge of basic economic principles is essential since economist services may include, but not be limited to, conducting research, collecting and analyzing data, monitoring economic trends and developing forecasts on a wide variety of issues as requested. Good communication skills are also useful because the economists retained by the City must be able to present their findings both orally and in writing in a clear, concise manner.

## Evaluation of Proposals

A total of 16 responses were submitted by the due date of December 30, 2010. After an evaluation for compliance with the RFQ requirements, three firms were identified as not responsive to the RFQ. The remaining 13 proposals were reviewed and evaluated by representatives from the CAO, the Chief Legislative Analyst (CLA), Los Angeles World Airports (LAWA), and the Port of Los Angeles (POLA). The review team conducted interviews with the 13 firms on February 22 and 23 and March 1, 2 and 3, 2011. Contact information for the proposed consultants is included in Attachment F.

The three firms that did not meet the basic RFQ criteria were Beacon Economics, Becton Consulting Firm and Marinovich Consulting.

- Beacon Economics did not comply with RFQ Section 2.0, which states that the response must not exceed 10 pages, excluding the cover letter, City forms and work samples. According to the City Attorney, the extra pages submitted by Beacon Economics could provide a material advantage to the firm.
- Becton Consulting Firm did not comply with the requirements in the RFQ, such as Section 2.1, a cover letter; Section 2.3, a description and history of the proposer; Section 2.3, a summary of capabilities and experience regarding economics, studies and analysis; Section 2.5, references for prior engagements; Section 2.6, proposed fee schedule; and Section 4.2, the City's contracting requirements.
- Marinovich Consulting did not comply with RFQ Section 3.1, which required an original signed proposal. The company only submitted an electronic copy of the proposal.

Before the City enters into any contracts with the recommended consultants, the firms must demonstrate compliance with the City's contracting requirements and business tax laws, and the contracts are subject to review and approval by the City Attorney.

Approval of the RFQ release required a Charter 1022 determination. The Personnel Department reported that although one civil service classification has the qualifications to carry out a portion of the economic analysis studies, no one in that classification is performing the required work, and there are not enough employees to perform the work. Since each economic analysis study is anticipated to be of short duration, the City could not continue to staff hired for the project after the completion of the analysis. Therefore, the CAO determined that it is more feasible to contract for this purpose.

## **5. Pilot Program Categories of Services**

Initially, the evaluation team identified more than 70 types of economic studies and services provided by the firms. To simplify the Pilot Project process, the RFQ evaluation team then consolidated those areas of expertise into eight major categories. As a request to perform an economic analysis is approved and funding is identified, the OEA will issue a Request for Bids (RFB) to the firms with expertise in the category or categories that best match the content of the request. Therefore, the use of service categories should streamline the process because an RFB would be sent only to the



consultants with the most experience in the area of the request. The eight categories of services include:

- **Taxes, Revenue and Forecasting**  
Utility rates, property taxes, fees, policies, cost estimating, business analysis, finance, market supply and demand, public private partnerships, socio-economic impacts, and real estate development.
- **Legislation and Policy**  
Proposed federal and state legislation; City Charter amendments; Ordinances; changes to the tax code; development of policies; could be reactive or proactive and for any subject matter such as housing, transportation, and land use.
- **Labor and Employment**  
Industry analysis, business analysis, market supply and demand, and socio-economic impacts.
- **Housing**  
Affordable housing, workforce housing, historic preservation and resources, mixed use projects, new construction, rental housing, housing policies, and planning.
- **Transportation**  
Airports, ports and harbors, rail, streets, highways, traffic, transit-oriented districts and transit-oriented development, and infrastructure.
- **Real Estate and Urban Planning**  
Land use policy and planning, development, redevelopment, and land value.
- **Energy, Environment and Sustainability**  
Air quality, water quality, clean fuel, clean technology, climate action plan, development, environmental justice, green building, legislation, policy and planning, program analysis, urban forest and habitat, energy and water conservation, power plants, utility rates, and infrastructure.
- **Recreation and Entertainment**  
Stadium, arena, convention center, public facilities, parks, and events such as a marathon.

The RFQ evaluation team recommends that the proposed consultants be included in the following service categories:

Service Categories

Consultants	Taxes, Revenue and Forecasting	Legislation and Policy	Labor and Employment	Housing	Transportation	Real Estate and Urban Planning	Energy, Environment and Sustainability	Recreation and Entertainment
AECOM								
Aspen Environmental Group								
BAE Urban Economics								
Blue Sky Consulting Group								
EPS, Inc.								
HDR Engineering, Inc.								
HR&A Advisors, Inc.								
ICF International								
Kosmont Companies								
Parsons Brinkerhoff								
The Rose Institute								
Tecolote Research, Inc.								
Urban Community Economics								

**6. Pilot Program Criteria and Approval Process**

The process to analyze proposed legislation in the SFOEA has been in place for many years and according to staff has successfully met its mandate as described in Proposition I. The CAO recommends that the Los Angeles OEA staff and participants follow a modified version of the San Francisco model during the Pilot Program. Though Los Angeles and San Francisco have different governing structures, the SFOEA program will be helpful because the Los Angeles OEA does not have the resources to develop the criteria and process for a Pilot Program of this magnitude from the ground up.

During the Pilot Program, the OEA staff and participants will test and evaluate the proposed criteria and methodology to determine the viability of a long-term model that will best fit Los Angeles. Consequently, the criteria and process may be adjusted as a result of participant feedback, should the Program be approved for a longer term beyond the Pilot Program.

## Pilot Program Criteria

The CAO recommends that the OEA Pilot Program apply the criteria described in Sections A and B below to requests for economic analysis. An economic analysis will be performed if the request meets the criteria in Sections A and B below:

### *A. Request Categories*

The SFOEA performs economic analysis on only one type of requests, namely legislation which has been reviewed by the City Attorney which is pending before the Board of Supervisors. For the proposed Los Angeles OEA Pilot Program, the review team recommends that there should be three categories of requests that would be considered for an economic analysis:

1. Legislation that has been reviewed by the City Attorney;
2. Projects that are clearly defined and include enough data to be evaluated; or
3. Peer review of economic analysis that has been performed by sources outside the OEA.

The projects in Criteria Number 2 should be clearly defined and include enough data to be evaluated, including but not limited to: the assumptions; schedule; financial data including investors, funding plans and estimated revenues; employment projections; and other information. A peer review, Criteria Number 3, could be requested when the Mayor or Council choose to validate an economic impact analysis report that was provided by an outside organization. For example, the City may receive an economic impact study from outside consultants in conjunction with a development project. The Council and Mayor could request a peer review through the OEA to evaluate the quality and credibility of the outside economic analysis without having to perform an entirely new impact study.

### *B. Material Economic Impact*

The SFOEA analyzes legislation that has a material economic impact on the City. For the proposed OEA Pilot Program, we recommend using similar material impact requirements. The benefit to this methodology is to provide the Mayor and Council with strong guidelines for implementation that are geared toward maximum City value and impact. Once the OEA concludes that a request for analysis falls into one of the categories listed in Section A above, the OEA would then determine whether or not the request also has a significant material impact. To have such an impact, the request should satisfy each of the following four criteria. Therefore, the request will be determined to have *no* impact if any of the criteria do not hold:

1. Material impact exceeding \$10 million per year.
2. Not an appropriation. (Does not contain an appropriation which applies a fixed amount of City revenue to different purposes. No grants.)
3. Real effect in law. (A real and clear effect in law and not a policy or a resolution where the behavior or outcome is not controlled or enforceable. This criterion may be excluded for projects and peer reviews.)
4. New City policy. (This criterion may be excluded for projects and peer reviews.)

In the SFOEA, an economic analysis will not be recommended for preparation if the proposed legislation does not have a material impact of \$10 million or more per year. If a request includes an appropriation or grant funding, it should not be analyzed. To have a real effect in law, the request has to contain specific actions or directions instead of a statement of policy or governance changes. The request must represent a new policy, such as a new fee, rather than an increase in an existing fee. If the legislation meets all four of the criteria, the SFOEA will perform the economic analysis. If any of the four criteria are not met, the SFOEA will not study the request.

### Pilot Program Economic Analysis Process

The CAO anticipates Citywide interest in this Program and expects to receive many requests for economic analysis. The CAO considered two options for processing requests to perform economic analyses. One approach would be to analyze and perform an economic analysis for every request submitted to the OEA assuming funding was available. Under this method, all requests would be treated equally, regardless of their significance to the City. Since the OEA Pilot Program has limited personnel and financial resources, the OEA would most likely be unable to analyze every request that is submitted. Consequently, the OEA would need to develop a fair and unbiased method to prioritize the requests. In addition, the OEA may experience pressure from requestors to select non-priority requests. This approach to the process could create difficulty in managing expectations between the requestors and the OEA.

The second approach would be to adopt a process that provides a formal review structure. By identifying clear expectations for the requestors and the OEA at the start of the project, the Pilot Program is more likely to meet its goals. The requestors would also know what to expect from the process and would have clear guidelines for their requests. This approach would also reduce the number of smaller impact requests for economic analysis. The proposed process would establish independence from political considerations, which according to the SFOEA, is vital to the work of the Office. Therefore, the CAO recommends the following Pilot Program methodology:

1. The Mayor, Council and departments submit requests for economic analysis to the OEA. The requests should include potential sources of funding for the economic analysis.
2. The OEA will determine whether or not the requests meet the proposed criteria for an economic analysis. If funding is not identified for a request, the OEA will work with the Council Office, Mayor or Department to identify funds. Economic studies can be prepared if the requests meet the criteria and are funded.
3. The OEA will notify the requestor when a request is approved.
4. The OEA will prepare a Request for Bids (RFB) and will submit the RFB to the economists in the category or categories of services that best suit the content of the request.
5. The OEA will review bids from the economists and will select the best and most cost-effective firm for that request.
6. The OEA will establish contracts with the selected firms and will monitor the contracts. The contracts will include the schedule and the type and format of the deliverables. We recommend that the deliverables follow a format similar to the reports developed by the SFOEA. Their reports typically are prepared within a 30-day period and are geared toward

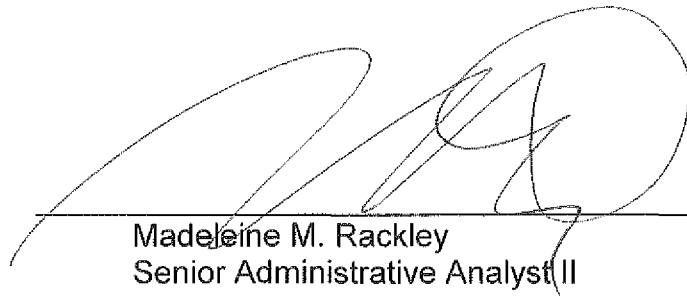
providing the decision-makers with the data and risk factors that meet their need for qualitative information.

The OEA will report to the Council and Mayor quarterly regarding the status of the Pilot Program.

**7. Analysis of Pilot Program Criteria and Approval Process**

At the end of the Pilot Program, the OEA will analyze the project based on the experiences and input from the on-call economists, the Council, Mayor, CAO, CLA, affected City departments, and businesses which have taken part in the Pilot Program. The OEA will prepare a report that includes recommendations about the economic analysis process, the evaluation criteria, the on-call economists, the categories of services, the impact on the City's legislative decision-making process, funding and staffing and other considerations should the policy decision be made to continue the Pilot Program beyond this initial period.


by:



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Madeleine M. Rackley  
Senior Administrative Analyst II

APPROVED:



Assistant City Administrative Officer

MAS:MMR:02110153C

Attachments

Attachment A-1  
**CITY OF LOS ANGELES**  
CALIFORNIA

**JUNE LAGMAY**  
City Clerk

**HOLLY L. WOLCOTT**  
Executive Officer



**ANTONIO R. VILLARAIGOSA**  
MAYOR

Office of the  
**CITY CLERK**

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[www.cityclerk.lacity.org](http://www.cityclerk.lacity.org)

July 15, 2010

To All Interested Parties:

The City Council adopted the action(s), as attached, under Council file  
No. 09-2722, at its meeting held July 14, 2010.

  
City Clerk  
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TO THE COUNCIL OF THE  
CITY OF LOS ANGELES

Your

BUDGET AND FINANCE

Committee

reports as follows:

BUDGET AND FINANCE COMMITTEE REPORT relative to the establishment of a proposed Office of Economic Analysis (OEA).

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. ESTABLISH an OEA as a pilot project in the Office of the City Administrative Officer (CAO), and AUTHORIZE the CAO to:
  - a. Prepare and release a Request for Qualifications to establish a panel of qualified as-needed consultants to perform economic analysis.
  - b. Establish the panel and use the qualified consultants to perform independent economic analysis of legislative proposals as requested.
  - c. Request funding as needed for approved studies from \$250,000 in Council District 13 Assembly Bill (AB) 1290 funds set aside to be used if there is created an economic analysis function within the Office of the CAO.
  - d. Report to the Council one year from the date of Council approval of the pilot on the number of studies conducted, the amount expended on those studies, and impacts of completed studies.
2. CONSIDER establishing an OEA within the Department of Economic Development as part of the deliberations on the creation of said new Department, with the functions, duties and criteria for its operation to be similar in substance to those of the San Francisco OEA.
- \*3. INSTRUCT the CAO to report back quarterly to the Jobs and Business Development Committee. (\*Alarcon – Garcetti)

Fiscal Impact Statement: The CAO and Chief Legislative Analyst (CLA) report that adoption of the recommendation to establish a pilot project to perform economic analysis as requested may have an impact on the General Fund at such time as an appropriation would be needed to retain a consultant. The recommendation that the Council and Mayor consider establishing an OEA as part of the creation of a new Department of Economic Development would not have an impact on the General Fund, particularly insofar as the function would be performed by utilizing the existing economic development resources which would be consolidated into this new Department. Additionally, during the recent deliberations on the Budget for 2010-2011, the Council adopted a Motion (Garcetti - Smith) which instructs the Community Redevelopment Agency to set aside \$250,000 in Council District 13 AB 1290 funds to be used if an economic analysis function is created within the Office of the CAO.

Community Impact Statement: None submitted.

Summary:

At its July 12, 2010 meeting, your Committee considered a joint report dated June 8, 2010 from the CAO and the CLA relative to the establishment of a proposed OEA. In said joint report, attached to the Council file, the CAO and CLA state that on November 25, 2009, the Council approved a Motion (Garcetti -Smith) that proposed the establishment of an economic impact analysis group and a process for incorporating the use of the economic impact analysis in legislative decision making. The Motion also recommended that the report be based upon the best practices established by the City/County of San Francisco, and that it include recommendations on where to locate the new office to ensure independence and objectivity. Lastly, the Motion requested the CAO and CLA to provide input on whether a Charter amendment is required to implement the program.

In the above-referenced joint report, the CAO and CLA provide the following options:

1. Controller - An OEA could be located within the Controller's Office, similar to San Francisco. However, the CAO and CLA state that the OEA would be more appropriately housed in an appointed office.
2. CAO - An OEA could also be located within the Office of the CAO, which is an independent office that reports to both the Mayor and Council. While technical in nature and highly specialized, identification of economic impacts of legislative proposals would be a useful tool and an appropriate element of the CAO's responsibilities.
3. Economic Development Department (EDD) - Alternatively, an OEA could be located within the proposed EDD. Since the EDD would be created by ordinance, the function could be authorized in that ordinance.

The CAO and CLA also report that any option that involves adding staff or increasing General Fund revenues would have to be considered within the context of the current budget crisis. Should the Mayor and Council decide that establishing the EDD is warranted at this time, the CAO and CLA propose that the new function be made part of the new Department. In the event that the Mayor and Council decide not to establish the EDD at this time, the economic analysis function could be implemented as a pilot project on an interim basis by the CAO using as-needed contract services from a panel of pre-qualified firms. Funding has been set aside for this purpose when the Council adopted a Budget Motion (Garcetti - Smith) instructing the Community Redevelopment Agency to set aside \$250,000 in Council District 13 AB 1290 funds to be used for economic analysis functions in the CAO's office.

The CAO and CLA recommend that the Council, pending final action on the creation of the EDD, establish an OEA as a pilot project in the CAO's office. The CAO and CLA also recommend that the Council consider establishing an OEA within the EDD with the functions, duties and criteria for its operation to be similar to the San Francisco OEA.

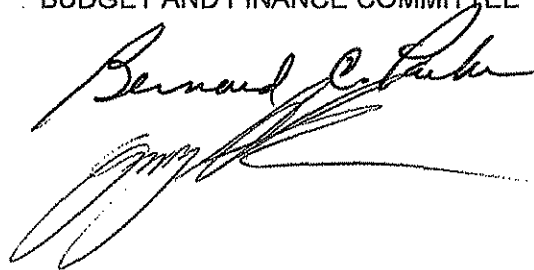
Lastly, the CAO and CLA report that according to the City Attorney, a Charter amendment would not be required to implement this proposal. The Charter allows functions to be added to offices and departments by ordinance. As a result, an OEA could be added to the Controller's Office, the CAO, or the new EDD by ordinance.



During the discussion of this item, the CAO provided a thorough overview of the joint CAO/CLA report and responded to various related questions posed by the Committee members. Such questions included but were not limited to the type of skills that will be needed to perform economic analysis for the City and the process to secure the services of the appropriate professionals in this area. After additional discussion on the need for the City to have independent professionals with specific skills that would be dedicated to encourage economic development and offering the opportunity for public comment, the Committee recommended that Council approve the recommendations contained in the joint CAO/CLA report with a modification to Recommendation No. 1. Said modification would delete the words, "pending final action on the creation of the Economic Development Department, and begin with establish an OEA....." as reflected above. This matter is now submitted to Council for its consideration.

Respectfully submitted,

BUDGET AND FINANCE COMMITTEE



<u>MEMBER</u>	<u>VOTE</u>
PARKS:	YES
SMITH:	YES
HUIZAR:	YES
KORETZ:	YES
ROSENDAHL	YES

09-2722\_rpt\_bfc\_07-13-10

**ADOPTED**  
\* AS AMENDED  
JUL 14 2010

**LOS ANGELES CITY COUNCIL**

- NOT OFFICIAL UNTIL COUNCIL ACTS -

Attachment A-2  
CITY OF LOS ANGELES

CALIFORNIA



ANTONIO R. VILLARAIGOSA  
MAYOR

JUNE LAGMAY  
City Clerk

KAREN E. KALFAYAN  
Executive Officer

HOLLY L. WOLCOTT  
Executive Officer

Office of the  
CITY CLERK

Council and Public Services  
Room 395, City Hall  
Los Angeles, CA 90012  
General Information - (213) 978-1133  
Fax: (213) 978-1040

KONRAD CARTER  
Acting Chief, Council and Public Services  
Division

[www.cityclerk.lacity.org](http://www.cityclerk.lacity.org)

December 4, 2009

To All Interested Parties:

**City Attorney (w/ blue slip)**

The City Council adopted the action(s), as attached, under Council file

No. 09-2722, at its meeting held November 25, 2009.

City Clerk  
et

09-2722

MOTION

JOBS & BUSINESS DEVELOPMENT

NOV 04 2009

31

The nation continues to face tough economic times, and while third quarter reports of the nation's economy show a 3 percent growth, unemployment in the City of Los Angeles has now reached 14 percent. The City is currently considering additional business tax reforms, programs and policies that create jobs and attract businesses. The establishment of a Green Corps to provide energy audits, as well as the creation of an Economic Development Department are two examples of the programs that the City is currently working on to create jobs and attract businesses. Over the next few years, the City must continue to respond in a manner that focuses on strengthening its foundation to better compete for new private-sector investment; retain current businesses; create good-paying jobs for Angelenos; and establish a global reputation as a "business-friendly" city.

As the City of Los Angeles develops policies to achieve these economic goals, it is increasingly important to understand the impact of new legislation on business attraction and retention, job creation, tax and fee revenues to the City as well as the overall economic climate. Currently, there is no requirement that the City conduct an Economic Impact Analysis to objectively evaluate new legislation. Having this information during the legislative process will improve the overall quality of legislation by identifying policies that have an impact on City revenue.

The City/County of San Francisco established an Office of Economic Analysis (OEA) in 2004. Staffed by two economists, the OEA evaluates the impact of introduced legislation that meets threshold criteria for their review. The staff also prepares a Monthly Economic Barometer, Quarterly Economic Briefing and supports the City's economic and workforce development policy efforts. The City of Los Angeles should refer to this model as it looks to develop it's own economic analysis group, and specifically look to house this either in the Chief Legislative Analyst's Office or in the City Administrative Officer's Office.

*\* and various stakeholder groups*

I THEREFORE MOVE that the Chief Legislative Analyst and the City Administrative Officer, in conjunction with the City Attorney, report back to the Budget & Finance Committee within sixty days on a proposal to develop a group that is responsible for economic impact analysis, as well as a process for incorporating the use of economic impact analysis in legislative decision making. This report should be based upon the best practices established by the City/County of San Francisco and also include recommendations on where to locate this new office to ensure independence and objectivity.

*\*(Garcetti - Smith)*

I FURTHER MOVE that the City Attorney and the Chief Legislative Analyst be requested to provide input on whether a Charter amendment is required to effectively implement such a program.

*Reconsidered*

RE- **ADOPTED**

NOV 25 2009  
*\* As Amended*  
LOS ANGELES CITY COUNCIL

**FORTHWITH**

NOV 4 2009

Presented by:

*Eric Garcetti*

ERIC GARCETTI  
Councilmember, 13<sup>th</sup> District

Seconded by:

*Greg Smith*

GREG SMITH  
Councilmember, 12<sup>th</sup> District

**ADOPTED**

NOV 24 2009

LOS ANGELES CITY COUNCIL

ORIGINAL

Attachment B

B10F  
032-AS

MOTION NUMBER 8

ADOPTED \_\_\_\_\_

NOT ADOPTED \_\_\_\_\_


**MOTION**

I MOVE that the Budget and Finance Committee report on the Mayor's Proposed Budget for 2010-11 be amended to instruct the Community Redevelopment Agency to set aside \$250,000 in Council District 13 Assembly Bill 1290 (AB 1290) funds to be used if there is created an Economic Analysis function within the Office of the City Administrative Officer.

TOTAL CHANGE \$0

Change such other affected totals, subtotals, summaries, schedules or supporting data as are necessary to conform to modifications hereinabove made.

PRESENTED BY:   
ERIC GARCETTI  
Councilmember, 13<sup>th</sup> District

SECONDED BY: 

FINANCIAL POLICY COMPLIANCE: Yes. No fiscal impact.

**ADOPTED**

MAY 17 2010

**LOS ANGELES CITY COUNCIL**

Attachment C-1  
CITY OF LOS ANGELES  
CALIFORNIA

JUNE LAGMAY  
City Clerk

HOLLY L. WOLCOTT  
Executive Officer



ANTONIO R. VILLARAIGOSA  
MAYOR

Office of the  
CITY CLERK

Council and Public Services  
Room 395, City Hall  
Los Angeles, CA 90012  
General Information - (213) 978-1133  
Fax: (213) 978-1040

[www.cityclerk.lacity.org](http://www.cityclerk.lacity.org)


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February 18, 2011

To All Interested Parties:

The City Council adopted the action(s), as attached, under

Council file No. 09-2722-S1, at its meeting held February 16, 2011.



City Clerk  
OS

19

TO THE COUNCIL OF THE  
CITY OF LOS ANGELES

Your **BUDGET AND FINANCE** Committee

reports as follows:

BUDGET AND FINANCE COMMITTEE REPORT relative to considering alternatives for a permanent source of funding for the Office of Economic Impact.

Recommendation for Council action, pursuant to Motion (Garcetti - Parks):

INSTRUCT the Chief Legislative Analyst (CLA) and the City Administrative Officer (CAO), in conjunction with the City Attorney, the Office of Finance and in consultation with the business community, to report back to the Budget and Finance Committee on alternatives for a permanent source of funding for the Office of Economic Impact.

Fiscal Impact Statement: Neither the CAO nor the CLA has completed a financial analysis of this report.

Community Impact Statement: None submitted.

SUMMARY

At its meeting of January 31, 2011, the Budget and Finance Committee considered a Motion (Garcetti - Parks) relative to reporting back on alternatives for a permanent source of funding for the Office of Economic Impact. According to the Motion, it is critical for City Officials to have full information when evaluating whether to adopt new programs or policies particularly as they affect the local and regional economy. Last July, the City approved to pilot an Office of Economic Impact to evaluate the impacts of proposed City ordinances on local businesses, job creation, sales tax generation, income growth and other economic factors. The funding for this project was allocated from existing AB 1290 funds in the amount of \$250,000 on a pilot basis. The Motion concludes that it is important to begin now to consider future permanent alternatives for funding should the pilot project for the Office of Economic Impact prove to be successful.

After consideration and an opportunity for public comment, the Budget and Finance Committee recommended approval of the recommendation contained in the Motion.

Respectfully submitted,

BUDGET AND FINANCE COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
PARKS:	YES
SMITH:	YES
ROSENDAHL:	YES
HUIZAR:	ABSENT
KORETZ:	YES



**ADOPTED**

FEB 16 2011

LOS ANGELES CITY COUNCIL

09-2722-S1

BUDGET & FINANCE

MOTION

It is critical for City Officials to have full information when evaluating whether to adopt new programs or policies particularly as they affect our local and regional economy.

Last July, the City approved to pilot an Office of Economic Impact (OEI) to evaluate the impacts of proposed City ordinances on local businesses, job creation, sales tax generation, income growth and other economic factors. The funding for this project was allocated from existing AB 1290 funds in the amount of \$250,000 on a pilot basis.

As the pilot project gets underway it is important to begin now to consider future permanent alternatives for funding this office should the project prove to be successful.

I THEREFORE MOVE that the Chief Legislative Analyst and the City Administrative Officer, in conjunction with the City Attorney, the Office of Finance and in consultation with the business community report back to the Budget & Finance Committee on alternatives for a permanent source of funding for this important office.

PRESENTED BY:

Eric Garcetti  
ERIC GARCETTI  
Councilmember, 13<sup>th</sup> District

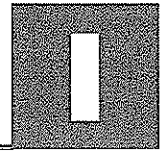
SECONDED BY:

Demetrius C. Smith

ORIGINAL

January 19, 2011

*[Handwritten signature]*



# Economic Analysis of Legislation

## PROPOSITION I

Shall the City hire economists to study proposed legislation and report on the likely impact on the local economy, and shall the City develop a long-term Economic Development Plan?

YES ←   
NO ←

### Digest

by the Ballot Simplification Committee

**THE WAY IT IS NOW:** The Board of Supervisors hires a Budget Analyst who reports on the costs of proposed City legislation and other financial issues.

The City's Economic and Workforce Development Department studies the local economy and oversees programs to develop the local economy, attract and retain business, and revitalize neighborhood commercial districts.

**THE PROPOSAL:** Proposition I is an ordinance that would create an Office of Economic Analysis. This Office would analyze proposed City legislation and report on the following:

- The likely impact of the legislation on the City's ability to attract and retain businesses;
- The likely impact of the legislation on the City's ability to create and retain jobs; and
- Other matters affecting the overall economic health of the City.

Proposition I would also require the City's Economic and Workforce Development Department to prepare a long-term Economic Development Plan for the City, and update that plan at least every three years. Among other things, the Plan would identify:

- Goals for creating private and non-profit jobs and for generating City revenue;
- Industries likely to create significant numbers of jobs in the City and the skills and other qualifications needed for those jobs;
- Industries and businesses likely to contribute significant tax revenue to the City; and
- Strategies to protect existing businesses from displacement by new businesses.

The Board of Supervisors could amend Proposition I without voter approval if the amendments promote economic planning and analysis.

Proposition I would make it City policy to provide sufficient funding for this ordinance.

**A "YES" VOTE MEANS:** If you vote "yes," you want to create an Office of Economic Analysis and require a long-term Economic Development Plan for the City.

**A "NO" VOTE MEANS:** If you vote "no," you do not want to create an Office of Economic Analysis and require a long-term Economic Development Plan for the City.

### Controller's Statement on "I"

City Controller Edward Harrington has issued the following statement on the fiscal impact of Proposition I:

Should the proposed ordinance be approved by the voters, in my opinion, it would not in and of itself increase the cost of government. However, the cost of the functions specified in the ordinance would be expected to range from \$250,000 to \$500,000, depending on how the measure is implemented. Any funding for the Office of Economic Analysis and for the studies to be carried out would be subject to Mayor and Board approval through the annual budget process.

The ordinance requires the City to employ two economists in a proposed Office of Economic Analysis under the Controller, and to carry out a variety of economic development and business studies in the Economic and Workforce Development Department. The salary and fringe benefit cost of staff economists can be expected

to be approximately \$250,000 annually depending on the qualifications desired. An estimated cost to provide basic staff support and funding for the survey and research work mandated in some years by the amendment can be expected to be at least \$250,000, and could range higher depending on the level and type of work performed. As an outcome of this work, however, City services may be improved or additional revenues generated, resulting in a benefit to the City.

### How "I" Got on the Ballot

On August 4, 2004 the Department of Elections received a proposed ordinance signed by Supervisors Alioto-Pier, Dufty, Hall, and Ma.

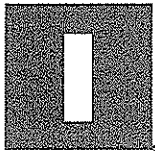
The City Elections Code allows four or more Supervisors to place an ordinance on the ballot in this manner.

**THIS MEASURE REQUIRES 50%+1 AFFIRMATIVE VOTES TO PASS.**

ARGUMENTS FOR AND AGAINST THIS MEASURE IMMEDIATELY FOLLOW THIS PAGE. THE FULL TEXT BEGINS ON PAGE 136. SOME OF THE WORDS USED IN THE BALLOT DIGEST ARE EXPLAINED ON PAGE 53.







# Economic Analysis of Legislation

## PROPONENT'S ARGUMENT IN FAVOR OF PROPOSITION I

The Board of Supervisors authorized the submission of the following argument. As of the date of the publication of this Voter Information Pamphlet, the following Supervisors endorse the measure: Supervisors Alioto-Pier, Dufty, Elsbernd, and Ma; oppose the measure: Supervisors Ammiano, Gonzalez, McGoldrick, and Peskin; take no position on the measure: Supervisors Daly, Maxwell, and Sandoval.

If these tough economic times have taught us anything, it is that San Francisco City government must do more with less.

We must work harder and work smarter – because we can't afford to make mistakes. We can't afford to pass legislation that creates hidden costs, drives away jobs, or hurts our economy.

Working smarter means developing an economic plan that reflects our values. It means making sure that every thing we do, every piece of legislation we pass, is consistent with that plan and moves us closer to our goals.

The Office of Economic Analysis will do just that. It will create and periodically update a long-term economic plan for the City. Professional economists will analyze each proposed law against the economic plan before the Board of Supervisors considers the law. Supervisors and San Franciscans will know the full impact of each law before it is adopted. And to make sure we do every thing we can for our economy, the office will survey local businesses about which laws and policies hurt our economy and our ability to create jobs so that we can work together to change those laws.

Working harder and working smarter is just common sense. San Francisco deserves no less. Please join me in voting Yes on Prop I.

*Supervisor Michela Alioto-Pier*

## REBUTTAL TO PROPONENT'S ARGUMENT IN FAVOR OF PROPOSITION I

### ANOTHER DO-NOTHING CITY AGENCY:

The current Board of Supervisors demanded and were unwisely given salaries for which they are sadly underqualified.

With the present election's Proposition D, they are seeking to change the City Charter to allow themselves more staff. With Proposition H, they are seeking to ban the City from getting millions of dollars of needed revenue for the San Francisco Recreation and Park Department by renting out the naming rights to Candlestick Park Stadium. With Proposition J, they are seeking to drive more local businesses and jobs south of the San Mateo County Line by raising the San Francisco sales tax. With Proposition F, they are yielding to the political demands of the local Green Party and seeking to give non-citizens the right to vote for the San Francisco Board of Education, in open violation of Article Two of the California State Constitution (which states voters must be U.S. citizens over the age of 18 years).

Now, with Proposition I, the Supervisors want to form still another City Planning Economic Agency. Proposition I will not help the City "do more with less," nor will it stop the Board of Supervisors from their above listed projects – which are exactly what: "creates hidden costs, drives away jobs, or hurts our economy."

**Proposition I will just create another City agency, further running up San Francisco's national record-setting ratio of governmental employees to taxpaying residents.**

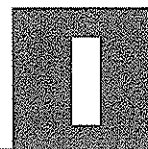
*-Dr. Terence Faulkner, J.D.*  
Chairman  
Golden Gate Taxpayers Association

*-Gail E. Neira*  
State Assembly Nominee  
(13<sup>th</sup> District)

Arguments printed on this page are the opinion of the authors and have not been checked for accuracy by any official agency.



# Economic Analysis of Legislation



## OPPONENT'S ARGUMENT AGAINST PROPOSITION I

### **JUST WHAT WE NEED – ANOTHER TAX WASTING CITY AGENCY!**

San Francisco does not need another city agency to make economic projections.

The San Francisco Civil Service already has plenty of people with good college degrees making plans for our airport, our shipping, our financial district, our small and large businesses, etc.

San Francisco has plenty of other people staffing our local universities and colleges with first-class training in economics.

### **ECONOMIC WASTE AND USELESS CITY AGENCIES ARE TWO OF SAN FRANCISCO'S WORST ECONOMIC PROBLEMS:**

The best "economic plan" for San Francisco would be to cut back on needless city agencies – such as the city agency to be created by needless and wasteful Proposition I.

Spend the money on repairing our San Francisco streets. They need repairs. Those repairs will benefit our San Francisco economy much more than another tax wasting city agency!

Producing endless economic reports that never get read will not create the jobs and businesses needed to fuel an improved local economy.

Halting tax waste in ever-expanding city agencies will do wonders for the local economy.

### **HELP SAN FRANCISCO'S ECONOMY – VOTE "NO" ON PROPOSITION I!**

San Francisco already has one of the highest ratios of city employees to city residents in the entire United States. Too many non-productive city employees are a drag on San Francisco's economy.

We do not need more city employees!

- *Stonestown and Park Merced Residents' Association*

- *Dr. Terence Faulkner, J.D.*

President of Stonestown and Park Merced Residents' Association

## REBUTTAL TO OPPONENT'S ARGUMENT AGAINST PROPOSITION I

### ***Prop. I Will Save Money By Making San Francisco City Government More Efficient.***

We spend nearly \$5 billion dollars per year in San Francisco. Are you getting your money's worth?

Proposition I requires that city politicians study the costs and consequences of their ideas before adopting new legislation. This office, though small in size, will have a giant impact on city government by helping to prevent expensive mistakes and working to eliminate waste and duplication.

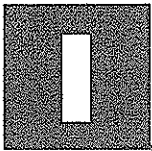
### ***By demanding that politicians look before they make us leap, we will save money and make city government more efficient.***

You work hard for your money. Let's make sure that before the politicians ask you to spend one cent – they have taken a close look at the true costs.

Vote YES on Proposition I to make sure our tax dollars are spent wisely.

*Supervisor Michela Alioto-Pier*





# Economic Analysis of Legislation

## PAID ARGUMENTS IN FAVOR OF PROPOSITION I

### S.F. Needs to Plan for Job Growth

San Francisco needs an economic plan, and that is what we will get with Prop. I – a plan to support job growth and improve the quality of life of everyone who lives in the city. Good economic planning will ensure both sustainable economic growth and that San Francisco maintains its special character. Prop I will also force the city to consider the real costs – **and the impact on jobs** – of every law that comes up before the Board of Supervisors. Good planning and careful oversight are smart business for San Francisco.

### Vote Yes on Prop. I

*San Francisco Chamber of Commerce*

The true source of funds used for the printing fee of this argument is the San Francisco Chamber of Commerce.

The San Francisco Black Chamber of Commerce and the San Francisco Hispanic Chamber of Commerce urge you to vote yes on Prop I.

San Francisco is poised for economic recovery, but the City needs a plan for retaining and attracting clean businesses and high-quality jobs for all San Franciscans. That's what Prop I does — it creates a citywide economic development plan.

Most major cities maintain an economic development plan — a blueprint for what types of employers and jobs a city seeks to attract, where it wants to locate them and the programs and tools it needs to lure them. But San Francisco has never had a plan.

Prop I helps planners plan for infrastructure needs and schools and colleges develop curricula so students in every neighborhood are prepared to win these jobs.

That's why Supervisor Alioto-Pier wrote Prop I — To lay out a plan to bring employers and jobs back to San Francisco. Vote YES on Prop I.

*Mel Washington*  
President, San Francisco Black Chamber of Commerce\*

*Richard Ventura*  
President, San Francisco Hispanic Chamber of Commerce

\* For identification purposes only

The true source of funds used for the printing fee of this argument is the San Francisco Hispanic Chamber of Commerce.

San Francisco's economic health is critical for both providing jobs to its residents and the effective delivery of services. San Francisco needs an economic plan that will assure its share of growth as it faces pressures of competitiveness in the Bay Area and the State. Such a plan would focus on creating employment opportunities and targeted industry growth.

A strong, diverse, economic base is essential to providing jobs for San Franciscans and to fund needed city services.

Currently, City government does not require an economic impact review of legislation that is passed by the Board of Supervisors.

Prop I requires the development of a comprehensive, long term economic development plan and a mechanism to update the plan. We need a clear strategy to maintain a healthy and diverse economy.

Prop I provides essential real-time economic analysis to elected leaders as they vote on new legislation.

Prop I will help San Francisco create more jobs and produce new revenues.

Prop I is about attracting new businesses – the right businesses for our future.

Prop I is about retaining and nurturing those businesses already here and looking to expand.

Prop I is about San Francisco's future and its place in the rapidly moving global economy.

We are proud to support Prop I. We ask you to **VOTE YES ON I**

*Nathan Nayman*, Executive Director, San Francisco Committee on Jobs

The true source of funds used for the printing fee of this argument is the Committee on Jobs.

### Increase Fiscal Responsibility—Vote YES on I

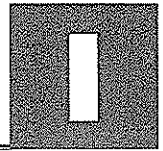
Too frequently, the Board of Supervisors takes action without knowing the economic effect the action will have. Proposition I will create the Office of Economic Analysis. The office will prepare an analysis of any legislation that is likely to have a material economic effect on the city. It also would prepare and periodically update a long-term economic development plan for the city to improve economic planning from year to year.

Proposition I will increase fiscal responsibility and deserves the support of all citizens, regardless of their political persuasions.

Arguments printed on this page are the opinion of the authors and have not been checked for accuracy by any official agency.



# Economic Analysis of Legislation



## PAID ARGUMENTS IN FAVOR OF PROPOSITION I

Vote YES on I.

*San Francisco Association of REALTORS®*

The true source of funds used for the printing fee of this argument is the San Francisco Association of REALTORS.

---

### **San Francisco must develop a smart economic plan.**

Prop I does two good things. First, it provides for a review of the impacts of new legislation on our economy. Second, it requires the City to develop a plan to create the right kinds of jobs, protect small businesses, and understand how tax revenues can be affected by our economy.

While this measure will not solve all of our economic problems, it is a sensible step in the right direction.

**VOTE YES ON I.**

*San Francisco Planning and Urban Research Association (SPUR)*

For more information visit [www.spur.org](http://www.spur.org)

The true source of funds used for the printing fee of this argument is the SPUR Urban Issues Committee.

The three largest contributors to the true source recipient committee are: 1. Oz Erickson 2. James Chappell 3. Evette Davis.

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## PAID ARGUMENTS AGAINST PROPOSITION I

**NO ON I! It's Illogical and Ill-advised!**

Here's more bureaucracy under the guise of economics. It's a cover for disdain of local businesses, adding city employees as another sly attempt to undermine our nationally recognized Budget Analyst (Harvey Rose) who's saved hundreds of millions of taxpayers' dollars despite frequent Board of Supervisors disregard of his economic analysis. The Controller can also do all the statistical analysis described in Prop I if he wants to.

*Mara Kopp*

*Fred Martin*

Good Government Alliance

The true source of funds used for the printing fee of this argument is the Kopp's Good Government Committee.

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Arguments printed on this page are the opinion of the authors and have not been checked for accuracy by any official agency.



# LEGAL TEXT OF PROPOSITION I

Ordinance amending the San Francisco Administrative Code by adding Sections 10.31, 10.32, and 10.33, to create an Office of Economic Analysis under the Controller, to require the Office of Economic Analysis to report on all pending City legislation having a potential material economic impact on the City, and to require the Economic and Workforce Development Department to prepare and periodically update an Economic Development Plan for the City; urging the Board of Supervisors to adopt appropriate rules and procedures to implement this measure; authorizing the Board to adopt appropriate amendments; and declaring it City policy to fully fund this measure.

Note: Additions are single-underline italics Times New Roman;  
deletions are ~~strikethrough italics Times New Roman~~.

Be it ordained by the People of the City and County of San Francisco:

Section 1. The San Francisco Administrative Code is hereby amended by adding Sections 10.31, 10.32, and 10.33, to read as follows:

## Article IV. Economic Analysis and Development Planning

### SEC. 10.31. OFFICE OF ECONOMIC ANALYSIS.

There shall be an Office of Economic Analysis under the Controller. The office shall consist of two economists and such other staff as provided subject to the budgetary and fiscal provisions of the Charter. The Mayor and the Board of Supervisors may each make recommendations to the Controller from a list of eligible candidates for the economist positions.

### SEC. 10.32. ECONOMIC ANALYSIS OF LEGISLATION.

The Office of Economic Analysis ("the Office") shall identify and report on all legislation introduced at the Board of Supervisors that might have a material economic impact on the City, as determined by the Office. The Office shall solicit assistance from the Board of Supervisors' Budget Analyst, the Economic and Workforce Development Department, and such public or private economists or other experts or professionals as may be appropriate to analyze the likely impacts of the legislation on business attraction and retention, job creation, tax and fee revenues to the City, and other matters relating to the overall economic health of the City. Upon implementation of Section 10.33, the Office's analysis shall address whether the proposed legislation would promote or impede the policies contained in the most recent versions of the Economic Development Plan or Survey on Barriers to Employment Retention and Attraction provided

for in that Section. The Office shall submit its analysis to the Board of Supervisors within 30 days of receiving the subject legislation from the Clerk of the Board, unless the President of the Board grants an extension for legislation of unusual scope or complexity. The Office's analysis shall be submitted to the Board of Supervisors prior to the legislation being heard in committee.

### SEC. 10.33. ECONOMIC DEVELOPMENT PLAN.

(a) Within six months of the effective date of this Section, the Economic and Workforce Development Department shall prepare and present to the Board of Supervisors for its approval by resolution a long-term Economic Development Plan for the City and County of San Francisco. The plan shall cover a period of not less than three years, and updates shall be prepared no less often than every three years. The Controller's Office of Economic Analysis shall work with the Economic and Workforce Development Department on preparation of the Plan and periodic updates.

(b) The plan and periodic updates shall address, but not be limited to:

(1) Employment in the City, by public and private industries and job classification;

(2) The City's tax revenues, by industry type and firm size;

(3) The industries most likely to create significant numbers of jobs in the City in the period covered by the plan, together with an assessment of the skills and education typically required to obtain such jobs;

(4) Goals for private and non-profit sector job and revenue generation, describing the industries, wage levels, skills and education required for the jobs the City would like to attract, and the anticipated tax revenue these new jobs would create;

(5) Goals and strategies for protecting existing small businesses and neighborhood-serving businesses from displacement, while also growing new businesses;

(6) Goals and strategies for increasing employment opportunities for people with disabilities and vulnerable populations; and

(7) Any other topic the Economic and Workforce Development Department deems useful or appropriate.

(c) The plan and periodic updates also shall include:

(1) An analysis of the office and industrial markets in the City;

(2) A review of the physical, financial, market and organizational factors impacting the City's ability to attract, retain and increase private and non-profit sector jobs;

(3) Identification and analysis of other significant public and private sector economic plans and initiatives intended to promote economic development within the City and the region;

(4) An assessment of the City's compet-

itive strengths and weaknesses with respect to other regional, state and national markets; and,

(5) The identification of best practices that other jurisdictions have successfully implemented to create private and non-profit sector jobs within their respective communities.

(d) As part of the initial plan required by this Section, and concurrent with any periodic update of the plan, the Economic and Workforce Development Department shall conduct a survey of key industries and significant employment generators that identifies impediments to business and employment retention in and attraction to the City, such as changes in zoning or permitted uses, permitting, taxes and fees, regulatory schemes and other City policies, requirements and other matters that may inhibit economic development and job creation within the City. The Economic and Workforce Development Department shall publish the results of the study, to be entitled "Survey on Barriers to Employment Retention and Attraction," in conjunction with and at the same time as promulgation of the first Economic Development Plan required by this Section.

Section 2. The voters urge the Board of Supervisors, upon the adoption of this measure, to adopt all necessary rules and procedures for its full implementation, including, but not limited to, a Rule of Order providing that the Board shall not consider or hold hearings on any proposed legislation until it has received the Office of Economic Analysis' report on the impact of the legislation, if any, on the San Francisco economy, and that the Board may waive this requirement by a two-thirds' vote if it finds that the public interest requires the immediate consideration of the measure.

Section 3. The Board of Supervisors may amend the provisions of this measure to promote or better achieve the underlying goal of comprehensive and professional economic planning and analysis.

Section 4. It shall be the policy of the people of the City and County of San Francisco to provide sufficient new funding to the Economic and Workforce Development Department and the Controller's Office of Economic Analysis to carry out the duties and responsibilities assigned to them under this measure.



Attachment E



**CITY AND COUNTY OF SAN FRANCISCO**  
**OFFICE OF THE CONTROLLER**

**Ben Rosenfield**  
**Controller**

**Monique Zmuda**  
**Deputy Controller**

October 28, 2010

Statement of Ted Egan, PhD,  
Chief Economist, San Francisco Office of Economic Analysis  
Little Hoover Commission  
Sacramento, California

**1. My job and background**

My name is Ted Egan and I am the Chief Economist of the City and County of San Francisco. I direct the Office of Economic Analysis (OEA), which is a division within the City Controller's Office responsible for economic impact analysis of pending legislation.

**2. The role of the OEA in San Francisco government**

*Proposition I and the formation of the OEA*

The OEA was established by Proposition I, a ballot proposition passed by San Francisco voters in November, 2004. The office's primary role is the economic analysis of legislation introduced at the Board of Supervisors, by the Mayor, members of the Board, or City departments. Other than pending legislation, the OEA does not generally review any other regulatory or administrative actions of the City.

Proposition I gave the OEA the discretion to determine which legislation would likely have a material economic impact on the city, and directed it to report on that impact to the Board of Supervisors before the Board acted on the legislation. Prop. I also urged, but did not require, the Board to adopt rules of order which would prohibit it from considering important legislation before receiving a report from the OEA.

In fact, this issue was the subject of litigation, after the Board adopted rules that allowed the Board President to waive economic impact review at his or her discretion. The judgment in that case affirmed both the OEA's sole discretion to make economic impact determinations, and the Board's ability to act without interference from the OEA. Current Board rules allow it to act on legislation before the OEA completes a report, but requires it to hold a hearing on any OEA report completed within 30 days of the legislation's introduction. In other words, under its rules, the Board could be required to hold a hearing on the economic impact of legislation after it had already been approved. In practice, this has never occurred.

*Political independence of the OEA*

Independence from political considerations is vital to the OEA's work. A key element of its independence is its location within the Controller's Office. Under San Francisco's Charter, the Controller is an appointed position with a ten-year term. Appointed by the Mayor and confirmed by the Board, the Controller can only be removed from office by the Mayor, with cause, and with a two-thirds approval of the Board. As Chief Economist, I report to the Controller.

Prior to the establishment of the OEA, the Controller's Office had established a role within city government as a source of independent, respected policy analysis. The Controller is the City's Chief Financial Officer and Chief Auditor. Several other divisions of the office produce analytical reports that are widely seen as objective, and form the basis for political debate in the city. In practice, I believe it's fair to say that the prior reputation of the Controller's Office has facilitated the acceptance of OEA reports, and that in turn the reception of OEA reports has strengthened the Controller's office as a source of important policy analysis. In these respects, placing the OEA in a strong, non-political, office like the Controller has significantly contributed to its effectiveness.

An additional area of potential political influence over the OEA is its budget. Proposition I provided for a minimum of two economists, but any additional resources depend on the City's budget. Throughout its existence, the OEA has never had more than two economists and one intern, and it is now staffed only with the minimal two economists. The office does not have a dedicated funding stream. It is funded by the City's General Fund, and does not receive any budget set-aside, unlike some other functions in City government. The annual decision to fund the OEA thus rests with the Mayor and the Board, and not with the Controller. While this budgetary situation has not prevented the OEA from working independently to date, it is probably an unusual arrangement for an independent review function, and could lead to a weakening of the office's independence in the future.

In addition, initiatives passed by the voters are not normally subject to amendment, and this could have provided an additional level of political independence for the OEA. However, the language of Proposition I itself gave the Board the power to amend the measure "to promote or better achieve the underlying goal of comprehensive and professional economic planning and analysis". Any future Board and Mayor could therefore eliminate or restructure the OEA in any way they like, provided their actions furthered that stated "underlying goal".

Despite the fact that it creates the potential for political interference, I believe that, on balance, including this clause in Prop. I was a good idea at the time. The OEA was not only a new function for San Francisco government; at the time of its creation the Controller could not find any other city in the United States that regularly produced independent economic impact reviews of pending legislation. An excessively rigid approach to what was, in essence, capacity-building could have had unintended consequences. As we develop more experience with the function, and learn from the experiences of other jurisdictions, more refined models can be developed.

### **3. Implementing Economic Impact Review**

The OEA's process for implementing Proposition I involves two main things. First, we review the complete list of legislation compiled by the Clerk of the Board after each Board meeting, assess them for material economic impact, and report that information back to the Clerk. We also post our determinations on our website, so the public knows our opinion on each piece of legislation introduced. Secondly, we analyze and prepare reports on the legislation we have selected. These reports are also posted on our website, as well as delivered to the Mayor, members of the Board of Supervisors, the media, and members of the public.

On the first issue, the primary judgment we exercise is in determining which legislation to review. The language of Prop I requires the OEA to "identify and report on all legislation introduced at the Board of Supervisors that might have a material economic impact on the City" It does not provide any guidance as to what is meant by "material economic impact", however. Given the resource and time constraints under which the OEA has to operate, we have maintained that a "material economic impact" means a *net* economic impact, on the entire San Francisco economy, exceeding \$10 million.

We estimate the overall size of the San Francisco economy, in GDP terms, is about \$100 billion. Any legislation causing an impact of less than \$10 million would therefore affect the economy, in positive or negative terms, by less than 0.01%. I do not consider an impact of this magnitude to be "material". In addition,

the impacts we report on are *net* impacts, on the economy as a whole. A report is not necessarily triggered by an impact—even a large impact—on a single party.

This issue arose when the City enacted legislation that banned cigarette sales at most pharmacies in San Francisco. We determined this legislation would not have a material economic impact, because while it would reduce cigarette sales at the affected businesses, smokers would simply divert their business to non-affected businesses, who would benefit from increased sales. Thus the total amount of spending in the city would not significantly change. When one affected chain of businesses sued the City, it charged the OEA's "failure" to file a report as an abuse of discretion on our part. In their view, their individual reduction in sales was sufficient in itself for the impact of the legislation to be "material". Our view of Prop I, to the contrary, has always been that it is net economic impacts to the city that matter. The court incidentally found that we did not abuse discretion in our decision.

In addition, the OEA has not generally written economic impact reports on appropriations, such as the City's annual budget. Our opinion has been that since the City spends the revenue it has in the local economy one way or the other, there is no material impact in the decision to spend it on one form of service or another. On the other hand, legislation that increases the size of the City budget, such as new taxes and major fees, has regularly been analyzed by our office. The OEA has also not reported on fee increases that occur because of increases in the cost of providing services, nor on statements of policy or governance changes whose economic impact cannot be clearly determined.

These guidelines are simply our internal rules of thumb, which the office developed after many months of reviewing legislation and trying to explain to interested parties the issues we weighed in making determinations. We use them in the context of managing our workload, and they may change in the future. While Proposition I *requires* the OEA to report on legislation having a material economic impact, as we determine it, nothing in it prohibits us from reporting on other matters.

In terms of the second issue, preparing economic impact reports, we aim to describe precisely how the legislation would affect the economy as clearly and simply as possible. In general, legislation will affect the economy in both positive and negative ways. For example, a payroll tax reduction will tend to expand the economy because it encourages hiring by reducing the cost of labor. On the other hand, the resulting reduction in General Fund revenue will shrink the economy by reducing the amount of local government spending. In another example, an amendment to the Building Code to improve indoor air quality standards will increase construction costs, harming the economy in the short term. In the long run however, it will improve health and productivity, and reduce health care costs. Our chief analytical challenge is quantifying these conflicting effects to arriving at an overall net assessment. We have found both that a cut to the payroll tax would grow the economy despite the reduction in local government spending, and that indoor air quality legislation improves the economy over the long term, despite the upfront cost.

We have been greatly aided in this analytical work by the City's investment in an econometric model of San Francisco economy, developed by REMI Inc. REMI is the leading company specializing in producing economic models for states and local governments to simulate the impact of policy changes. Essentially, REMI is a system of equations that describes all of the major sectors of the local economy. Running the model "as is" generates a baseline prediction of key economic indicators like employment, spending, population, property values, and so forth. We then analyze legislation to determine how it could affect equations in the model—an increase in the cost of construction, for example—and then re-run the projections to see the difference. REMI gives us an objective, credible basis for quantifying, and thus weighing, the different positive and negative economic effects that legislative changes can have.

#### **4. Thoughts on a State Economic Impact Review Function**

Because Prop I was an initiative ordinance and not an amendment to the City's charter, it could not limit the Board's authority to pass legislation, regardless of the findings of any OEA report. The OEA does not grant



approval to legislation, and in fact has no real authority at all, except to make a determination that pending legislation has economic impact, and to issue reports.

As a "weak" form of oversight, the OEA is useful only to the extent it produces new information that enlightens the policy debate in City Hall. This reality has meant that our reports focus on being thorough, deeply acquainted with the details of legislation, transparent, and quantitative wherever possible.

Some in San Francisco have had the opinion that the OEA should be issuing several reports per week, on any legislation that affected the economy in any minor way. According to this point of view, since it is relatively easy to develop a qualitative opinion on whether a piece of legislation is good or bad for private businesses, the OEA should be frequently issuing 1-2 page memos simply stating that fact.

The primary problem with this approach, in my opinion, is that it would do fairly little to affect the policy debate within City Hall. Economists are not valuable because they have opinions, they are valuable to the extent they can conduct analysis that clarifies economic questions for decision-makers. I think when we've succeeded, it's been because we've made decision-makers aware of unintended consequences and net impacts, after considering all points of view and all conceivable effects. I consider our reports

A related concern has to do with staffing and investment. Some have felt that the OEA function need not be staffed by professional economists, because its role was more a matter of cataloging the winners and losers that would result from a particular policy, and this is fairly straightforward work for any policy analyst. In fact, economic analysis is not the same thing as stakeholder analysis. Prop I requires the OEA to assess the impact on the net economic and employment impact on the entire city. As discussed above, doing so involves making a quantitative estimate of all of the economic impacts and then considering their combined effect to come up with a net assessment. Our office could not do that work had we not invested in the REMI model or something similar.

At a state level, it would seem the first question has to do with whether any desired review function be purely informational, like the OEA, or stronger, as part of a regulatory approval process. Legal issues aside, I believe the San Francisco experience would lead to the conclusion that a weak informational role can work, provided the conclusions are well-grounded, respected, and well-publicized. In fact, agencies may wish to work collaboratively with an economic analysis group prior to developing regulations, as sometimes happens with our group. I would recommend allowing an economic analysis group the authority to make its own decisions regarding legislation or regulation to be reviewed, perhaps augmented with additional recommendations from the Legislature, the Governor's Office, or state agencies themselves.

The location of the economic analysis is also vital to ensuring its independence, and a continuing investment in professional staffing and analytical capacity. Although I've not worked in State government and wouldn't claim to have a comprehensive understanding of its structure, four possible locations come to mind. The Legislative Analysts Office is certainly well-respected and has the sort of reputation for independence that can benefit a new government function, just as the prior reputation of the Controller's Office benefitted the OEA. Secondly, the State Controller's Office has already established a "Council of Economic Advisors". While this group is an outside advisory body that is more focused on providing insight on economic trends, as opposed to legislative and regulatory impact analysis, it could evolve into a peer review function that would be valuable in getting an economic analysis group off the ground. The Department of Finance has longstanding economic modeling and forecasting capacity, as of course does the Employment Development Department.

Finally, understanding resourcing and managing workload will be vital. From our experience in San Francisco, I would recommend establishing a clear and stable non-General Fund funding source; adequate attorney resources (simply to aid in understanding legislation), and some authority to establish timelines over when reports are required. In the process of balancing available staff resources, mandated reporting requirements, and aggressive timelines, analytical quality can suffer. In building a new government function, this should be prevented to the greatest extent possible.

## Attachment F

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