

**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.

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

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