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Title: CONSIDER APPROVAL OF AMENDMENT NO. 1 TO THE AGREEMENT WITH ILLUMINAS CONSULTING, LLC FOR ON-CALL FISCAL AND ECONOMIC ANALYSIS CONSULTING SERVICES (CITY COUNCIL)

Sponsors:

Indexes:

Code sections:

Attachments: 1. Ex. No. 1 - Illuminas Executed Contract, 2. Ex. No. 2 - Draft Illuminas Amendment No. 1

Date	Ver.	Action By	Action	Result
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Report to Mayor and City Council

Tuesday, September 17, 2019

Consent

SUBJECT:

CONSIDER APPROVAL OF AMENDMENT NO. 1 TO THE AGREEMENT WITH ILLUMINAS CONSULTING, LLC FOR ON-CALL FISCAL AND ECONOMIC ANALYSIS CONSULTING SERVICES (CITY COUNCIL)

I. SUMMARY

On June 19, 2018, the City and Illuminas Consulting, LLC (Illuminas) entered into an agreement for on-call fiscal and economic analysis consulting services (Exhibit No. 1). These services are necessary to peer review Fiscal Impact Reports prepared by the applicants for development projects that require a General Plan Amendment. Very few projects fall into this category. Therefore, hiring specialized full time staff would not be economically feasible. The services provided by this consultant are very specialized and require an in-depth technical analysis of the fiscal impacts of the projects on the City's budget which staff is not able to provide.

Illuminas' scope of services consists of three components: (1) Peer review of economic and fiscal impact analysis provided by project developers relating to their proposed projects, (2) Independent economic and fiscal analysis of proposed projects, (3) Consultant will represent the Community Development/Planning project team at meetings/hearings and make presentations as necessary. The term of the agreement was from June 18,

2018 to June 17, 2019, with the City's option to renew the agreement for two additional one-year terms. The contract sum was a not-to-exceed amount of \$100,000 per year.

Staff is requesting approval of the proposed Amendment No. 1 (Exhibit No. 2) to extend the term of the contract for the first of the two optional years. This amendment is necessary to allow for continued fiscal and economic analysis consulting services for development proposals throughout the City over the next two years.

II. RECOMMENDATION

TAKE the following actions:

1. APPROVE Amendment No. 1 to the agreement with Illuminas Consulting, LLC for a one-year extension for on-call fiscal and economic analysis consulting services, from June 19, 2019 through June 18, 2020, at a cost not-to-exceed \$100,000.
2. AUTHORIZE the Mayor to execute the agreement, following approval as to form by the City Attorney.

III. ALTERNATIVES

TAKE any other action the City Council deems appropriate and is consistent with the requirements of law.

IV. BACKGROUND

The City retained Illuminas via a Request for Proposals (RFP) process in 2018. Staff issued a RFP on February 15, 2018 to identify, select, and recommend a qualified firm to assist the City in economic analysis consulting services. The RFP was advertised in "Our Weekly" and on the Planet Bids website. On March 1, 2018, the City received ten proposals from experienced firms. A selection committee reviewed the proposals and evaluated each firm on the criteria set forth in the RFP, including proposal completeness, qualification and experience, understanding of City issues and costs. After an extensive review, Illuminas was recommended by the selection committee.

The City will continue to use Illuminas on an as-needed basis to perform the following:

A. Peer review of economic and fiscal impact analysis provided by project developers relating to their proposed projects:

- (1) Perform a peer review of the developer's economic and fiscal impact analysis,

including detailed review of overall methodology, key assumptions, calculations and conclusions related to all applicable categories of project specific annual General Fund revenues (e.g., property taxes, sales tax, transient occupancy tax, utility tax, business license tax) and any one-time revenues (e.g., business license tax on contractor earnings, sales tax on certain construction materials and real estate transfer tax).

- (2) Review the methodology, key assumptions, calculations and conclusions about project-specific City service costs, and net fiscal impacts (i.e., revenues minus costs).

B. Independent economic and fiscal impact analysis:

- (1) Perform an estimate and forecast the net fiscal impacts of a proposed project on the fiscal condition of the City, particularly the project's net new recurring revenues and public service costs associated with the City's General Fund.
- (2) Estimate any one-time City tax revenues associated with construction of the proposed project (e.g., gross receipts tax on contractor earnings and sales tax on certain construction materials), and tax revenues associated with activity generated by new households (e.g., sales tax on household purchases, utility user's tax, fines and forfeitures) and annual operation of the proposed development (e.g., property tax, hotel transient occupancy tax, franchise tax, utility user's tax, gross receipts tax, on-site retail sales and use tax).
- (3) Estimate the average annual costs for the City to provide public services to the proposed project using a form of per-capita costing - i.e., expressing relevant categories of City service costs on a per-person basis, and then multiplying the resulting cost factors by the estimated residential population in these projects together with a high-level estimate of the number of employees, expressed as "resident equivalents," based on the average time they are present in the City. Consultant will then the costs of City services delivered to the proposed project against the tax revenues associated with the project's revenues to determine the net fiscal impact. Depending on City staff request, the net fiscal analysis will be performed to the project's anticipated stabilized year only and/or for a period following project stabilization.

C. Meetings/Hearings.

Consultant will represent the Community Development/Planning project team at up to two public hearings per project, making presentations necessary.

V. FISCAL IMPACT

This agreement has a not-to-exceed amount of \$100,000 per year. The entire cost incurred for consultant services are offset by funds deposited by developers. Funds for this service were budgeted in account 101-70-780-290-6004 for FY 2019/20.

VI. EXHIBITS

1. Agreement with Illuminas Consulting, LLC. (pgs. 4-30)

2. Draft
No. 1 with Illuminas Consulting, LLC. (pgs. 31-35)

Amendment

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