



Date: December 27, 2019

To: Sarah Langley
David McIntire

From: Rounds Consulting Group, Inc.

Re: Proposed Contract Amendment – Minimum Wage Study (Contract No. 2020-16)

Rounds Consulting Group (RCG), by City Council request, solicited and received a proposal from the Seidman Research Institute (Seidman) at Arizona State University (ASU) to collaborate on the analysis of the minimum wage impact on the city. The scope of Seidman's effort and fee is displayed in Attachment A. RCG will sign a contract with ASU for this subconsultant work upon approval by the city for the additional support and fee that has been requested. The resumes of the ASU economists are included in Attachment B.

Deliverables: The analysis will be developed in the same white paper format, with a reasonable number of additional materials such a presentation and handout files to be completed upon request. RCG, ASU, and RCG's other subconsultant (Mode Public Affairs) will be listed as authors under a collaborative work effort.

Timing: The duration of this study will be extended, with a preliminary findings date of February 11, 2020 (vs. January 7 under the original agreement). This will include an in-person presentation by RCG, Mode, and ASU if the university is able to participate (this has been requested). The final report will be delivered by February 21, 2020.

Modified Fees: The proposed additional fee for the effort is \$20,000 (see Seidman estimate in Attachment A). However, RCG will cover the \$5,000 of the cost increase, for a net additional fee of \$15,000 to the city.

If you have any questions, feel free to contact me directly at 602-739-0844.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jim Rounds', is written over a light blue background.

Jim Rounds, President
Rounds Consulting Group, Inc.



Attachment A

Seidman Institute Proposed Fee Language to RCG:

OBLIGATIONS OF CLIENT

2.1 Fee for Analysis; Taxes. In consideration for the Analysis provided under this Agreement, Client will pay a fee of \$20,000 under the terms outlined in Section 2.4 below. All costs and fees stated in this Agreement are net of any taxes. Upon request, the Institute will provide Client with any documentation Client needs for tax purposes.

2.2 Alteration Costs and Expenses. Client will pay any additional costs incurred by the Institute as a result of any changes or alterations that are directly requested by or result from any changes or alterations requested by Client to any aspect of the services provided under this Agreement. Such changes or alterations will be subject to the prior approval of the Institute and will be set forth in writing and signed by an authorized representative of each Party.

2.3 Independent Analysis. ASU neither makes nor will be deemed to have made any representation or warranty whatsoever (express or implied) regarding any outcome obtained or deliverable delivered hereunder including any outcome desired by Client. Client understands that it is engaging the Institute for an independent analysis based on available data and facts. If Client has suggestions for alternative ways to present or interpret information gathered and presented, the Institute will consider such requests for a period of 30 days after completion of the Analysis. The Institute reserves the right to express final conclusions in a manner consistent with its interpretation and analysis of the data.

2.4 Payment Schedule and Invoicing.

- (a) Fee for the Analysis: \$ 20,000
- (b) Client will pay \$2,000 within five (5) days of the Effective Date and will pay the balance of \$18,000 upon delivery of the Analysis.
- (c) All fees due under this Agreement will be made payable in U.S. dollars to "Arizona State University." ASU reserves the right to subject invoices not paid within thirty (30) days of the invoice date to a 4% per month late fee on the unpaid balance for any amounts not in dispute. Should it become necessary for ASU to commence collection proceedings or retain an attorney to enforce any of the terms of this Agreement, Client will pay all attorneys' fees and the costs of collection incurred by ASU.



Scope of Work to RCG:

Seidman will collaborate with the client to fulfill the terms of Solicitation 2020-16, Minimum Wage Study for the City of Flagstaff. Seidman understands that Rounds Consulting Group, Inc. has made considerable progress on the project to date but has been asked to obtain additional assistance. Issues ongoing...

1. Seidman will assist in establishing a baseline for variables of interest as specified in the Solicitation (or useful data proxies). Seidman assumes that most of the historical baseline variables have been/will be assembled by the Client.
2. Seidman will assist the Client in establishing relevant control groups and conducting statistical tests to determine the impact of the minimum wage laws in Flagstaff to date.
3. Seidman will assist in establishing a future baseline growth scenario for variables of interest as specified in the Solicitation (or useful data proxies) and assist the Client in determining how future increases in the minimum wage laws in Flagstaff will have an impact in the future levels of these economic variables.
4. Seidman assumes that the Client has been/will be assembling relevant case studies that can inform the Flagstaff circumstance, as specified in the Solicitation.
5. Seidman assumes that the Client has/will take primary responsibility in assembling the best practices toolkit as specified in the Solicitation

Importantly, Seidman will collaborate with the Client in responding to most of the requirements of the Solicitation and make significant contributions in control group specifications, statistical analysis, and in establishing baseline scenarios for the future growth with and without the imposition of future minimum wage law changes in Flagstaff. However, the Client will be responsible for determining whether some of the variables listed in the solicitation are in fact available and measurable or whether proxy variables may suffice for the purposes of the study. Moreover, the Client will be responsible for most of the direct engagement with the City, formal presentations, etc. Seidman will assist in these interactions as needed.



Attachment B

Seidman Institute Resumes:

Principal Investigator: Dr. Dennis Hoffman is Director of the Seidman Research Institute and Professor of Economics at the W.P. Carey School of Business at Arizona State University. He is also Director of the Office of the University Economist. Dr. Hoffman has deep expertise in the economics and fiscal footprint of Arizona. His current research interests include defining and measuring the role of research universities in regional development, quantifying the value of education investments to the economic prosperity of the region, and measuring the impact of various fiscal initiatives on regional development.

Dr. Hoffman served as the Principal Investigator on the economic impact of weight loss study for Isagenix. He has also contributed to health-related studies for Tenet Healthcare and Maricopa Integrated Health System, among others. Dr. Hoffman chaired the online retail and remote sales taxes working group for Governor Jan Brewer's Transaction Privilege Tax Simplification Task Force in fall 2012.

His other research and consulting clients have included:

American Express, APS, the Arizona, Commerce Authority, the Arizona Department of Environmental Quality, the Arizona Department of Transportation, the Arizona School Boards Association, Curis Arizona, Del Webb Corporation, the Economic Analysis Corporation, Excelsior Mining, the Greater Phoenix Leadership, Intel Corporation, Science Foundation Arizona, and Turf Paradise.

Dr. Hoffman earned his B.S. in Economics and Mathematics from Grand Valley University, and an M.A. and Ph.D. in Economics from Michigan State University.

Economic Modeler: Eva Madly is a Senior Research Economist at the L. William Seidman Institute. She is experienced in conducting extensive literature reviews and summaries, and in providing research support for scholarly work and report writing.

At Seidman, Ms. Madly is involved in economic analysis related to a variety of topics concerning mostly the Arizona economy, including infrastructure and renewable energy. She regularly provides research and analytical assistance for economic impact and base studies.

Ms. Madly specializes in two forms of economic impact modeling – IMPLAN and REMI. Her former clients include the Arizona Commerce Authority, Arizona projects concerning the labor market, such as simulating the impacts of certain policies, evaluating the effectiveness of employment services, and examining the adequacy of workers' compensation benefits.

Ms. Madly received a B.S. in Finance and Banking from Babes-Bolyai University (Romania); an M.S. in Business Management from Politehnica University of Bucharest (Romania); and an M.A. in Economics from Western Michigan University.