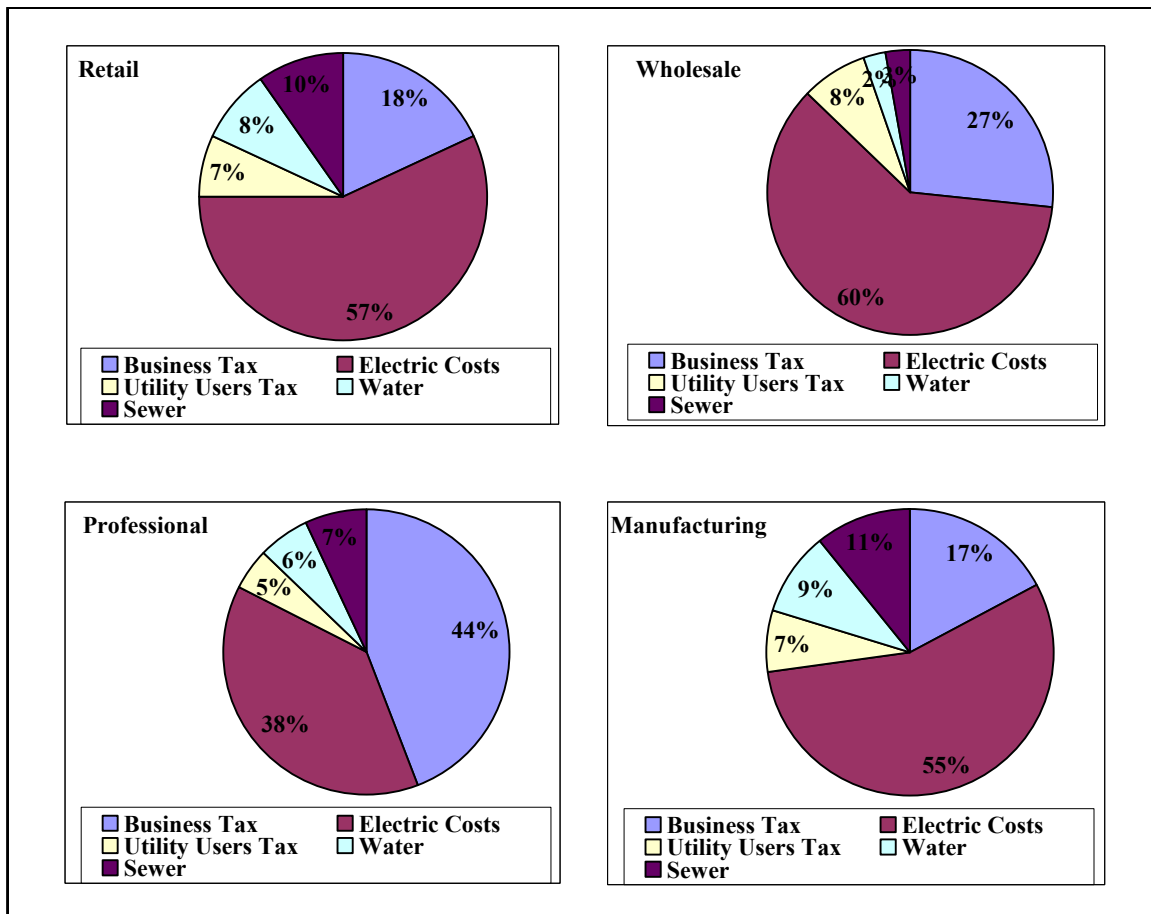


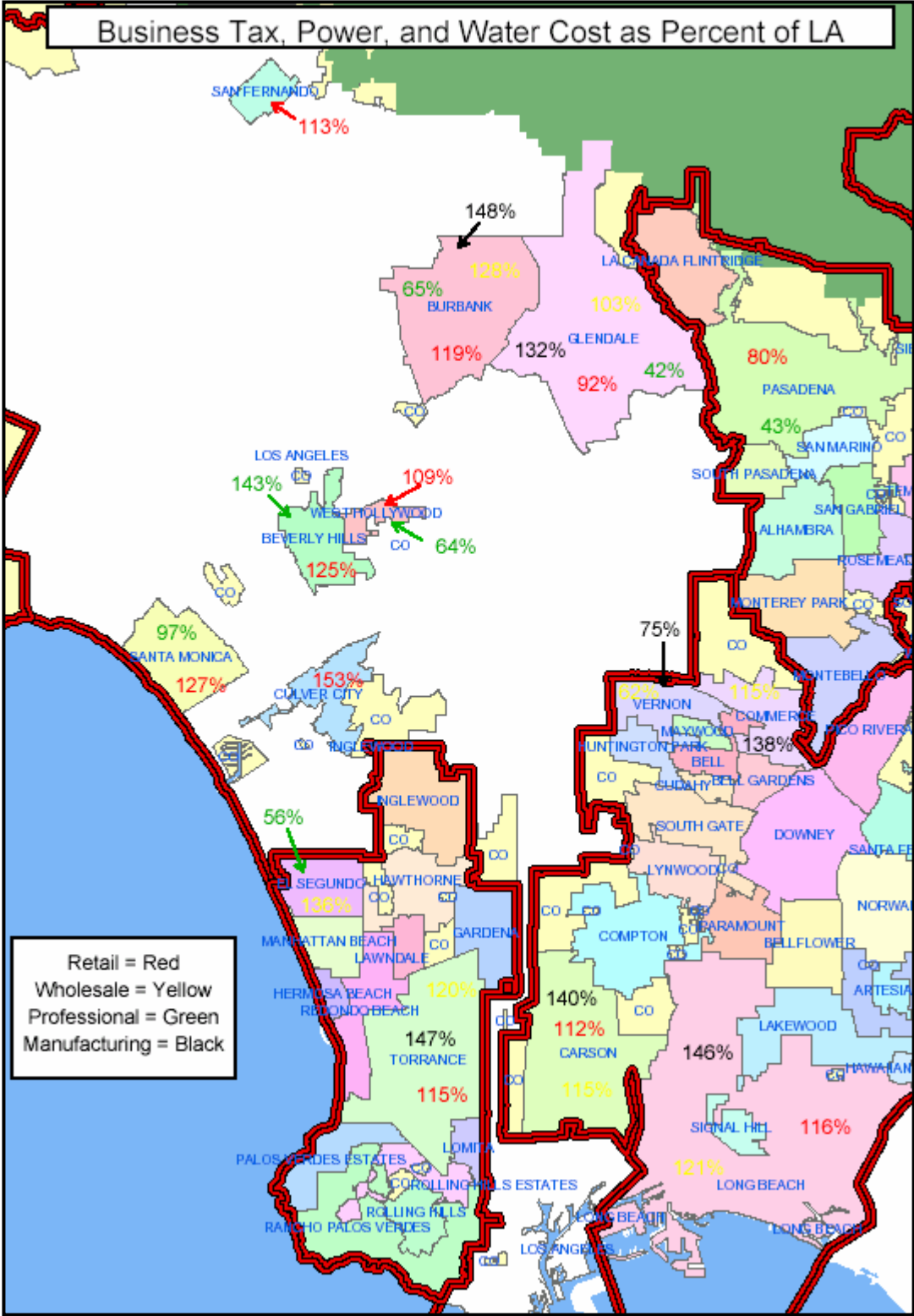
Municipal Business Costs: Los Angeles vs. Neighboring Cities

In considering the likely magnitude of responsiveness to tax relief, one question involves the extent to which tax relief would reduce the relative cost of doing business in the City compared with neighboring jurisdictions. This analysis takes into account business taxes, utility costs for water and power, and utility users taxes.

	Pre-Reform Business Tax, Electric & Water As % of LA				Post-Reform Business Tax, Electric & Water As % of LA			
	Retail	Whol	Prof Svcs	Manuf	Retail	Whol	Prof Svcs	Manuf
Median	115%	117%	64%	140%	118%	122%	69%	144%
Beverly Hills	125%		143%		129%		154%	
Burbank	119%	128%	65%	148%	123%	134%	70%	153%
Carson	112%	115%		140%	116%	120%		144%
Commerce		115%		138%		120%		142%
Culver City	153%				158%			
El Segundo		136%	56%			142%	61%	
Glendale	92%	103%	42%	132%	95%	108%	46%	136%
Long Beach	116%	121%		146%	120%	127%		150%
Pasadena	80%		43%		83%		46%	
San Fernando	113%				116%			
Santa Monica	127%		97%		131%		105%	
Torrance	115%	120%		147%	118%	125%		151%
Vernon		62%		75%		65%		77%
West Hollywood	109%		64%		113%		69%	



The pie charts shows that electric costs are the most significant of these various cost items for retail, wholesale and manufacturing in Los Angeles, and that the business tax is the most significant cost item for professional services. The map shows the location of the competitor cities, along with the cost difference.



Assumptions

In order to make comparisons of business taxes and utility costs across cities, we specify characteristics of an average business in four sectors: retail, wholesale, professional services and manufacturing. The sales, employment and payroll levels are averages from the 1997 Economic Census for Los Angeles, with adjustment for subsequent inflation. Electric and water consumption and load assumptions were derived from a prior study (1998) conducted for Los Angeles by Landmark Partners. The description of each firm is summarized below.

Business	Retail	Wholesale	Professional	Manufacturing
Sales	\$ 2,473,917	\$ 9,489,194	\$ 1,072,274	\$ 7,681,663
Employees	13	13	10	37
Payroll	\$ 247,870	\$ 516,502	\$ 414,577	\$ 1,330,747
Square Feet	7,643	39,278	2,577	22,329
Electric Consumption Assumptions				
KWH/year	137,573	392,781	38,657	529,198
KVA Load	440	530	340	210
KW Demand	352	424	272	168
Water Consumption Assumptions				
GPD per sq. ft.	.25	.03	.37	.25
HCF per year	932	575	465	2,724
Pipe	4 inch	4 inch	4 inch	6inch

Note: kW = kilowatts and kWh = kilowatt hours

There are a number of approaches used by utility providers to calculate electricity costs. In general, the electric rates include (1) demand charges per kW, (2) energy use charges per kWh, and (3) energy cost adjustment charges. For utility providers that had different rates for the summer season versus the winter season, 30% of usage was assumed to occur in the summer and 70% in the winter.

Providers charge various rates during a 24-hr period based on peak times of power usage (high, middle, and low). The high peak times vary for each provider but, for the most part included the hours between noon and 7:00 pm. The lower peak times are late night and early morning hours. The assumption regarding business hours for four sectors in question are summarized in the table below.

Retail Hours	9:00am to 9:00pm
Wholesale Hours	5:00am to 5:00pm
Professional Hours	8:00am to 6:00pm
Manufacturing Hours	24 hours