



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

July 9, 2010

Request for Proposals 2010-005

Cost Recovery and Containment Study

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SECTION I – SUMMARY

The Bay Area Air Quality Management District (District) requests proposals from qualified entities to conduct a Cost Recovery and Containment Study comparing the District's expenses associated with permit-related activities, to the revenue received from permit-related funding sources. The Contractor will review the District's current cost recovery efforts and analyze historical cost trends. The Study will include an analysis of the District's current cost containment strategies and provide recommendations to improve the management of the District's costs and the quality of services provided to stakeholders. In the preparation of this Request for Proposals (RFP) the terms "Bidder," "Contractor," and "Consultant" mean the same thing and are used interchangeably.

To respond to this RFP, an interested company should submit two hard (2) copies and one (1) electronic copy (in Microsoft Office or Adobe format) of its proposal to:

Tom Flannigan, Administrative Analyst, tflannigan@baaqmd.gov
Bay Area Air Quality Management District
939 Ellis Street, San Francisco, CA 94109

**Proposals must be received at the District offices at
939 Ellis Street, San Francisco, California, 94109 by 4:00 p.m. August 9, 2010.
Late proposals will not be considered.**

Proposals must address all information requested in this RFP. A proposal may add information not requested in this RFP, but the information should be in addition to, not instead of, the requested information and format. Minority business enterprises, women's business enterprises, veteran's business enterprises, and Certified Green Businesses are encouraged to submit proposals. **Any questions regarding this RFP should be directed to Joe Slamovich at: jslamovich@baaqmd.gov.**

SECTION II – BACKGROUND

A. District Overview

The Bay Area Air Quality Management District (District) was created by the California Legislature in 1955 as the first regional agency to deal with air pollution in California. The District jurisdiction includes Alameda, Contra Costa, Marin, Napa, Santa Clara, San Francisco, San Mateo, southwestern Solano, and southern Sonoma counties.

The State Legislature originally gave the District the authority to regulate stationary sources of air pollution, such as factories, oil refineries, chemical plants, gasoline stations, and agricultural burning. With more recent legislation, the District was granted authority to enact certain transportation and mobile source measures.

The District is governed by a twenty-three member Board of Directors, consisting of elected officials, including county supervisors, mayors, and city council members. The chief executive officer of the District is the Air Pollution Control Officer, a position currently held by Jack Broadbent.

B. Cost Recovery and Containment Study

The primary goal of this Cost Recovery and Containment Study is to provide the District with sound guidance and specific recommendations regarding cost recovery from the District's regulatory programs and the District's Cost containment strategies. The Study will compare the costs of permit-related program activities to the associated revenues received from permit funding sources, and analyze how these costs are apportioned amongst fee-payers. In addition, the Study will review the District's methodology for allocating costs, describe the nature of cost increases, and recommend strategies to contain costs. The Study will include an analysis of the District's current cost containment strategies and provide recommendations to improve the management of the District's costs and the quality of services provided to stakeholders. These analyses may be used to determine whether any modifications should be made to the District's current processes and fee structures, in order to recover the reasonable costs of District programs as allowed under State Law.

The District's air quality programs are primarily funded by revenue from regulatory fees, government grants and subventions, and county property taxes. Between 1955 and 1970, the District was funded entirely through property taxes. In 1970, the California Air Resources Board (CARB) and U.S. Environmental Protection Agency began providing grant funding to the District. After the passage of Proposition 13, the District qualified as a "special district" and became eligible for AB-8 funds, which currently make up the county revenue portion of the budget.

State law authorizes the District to impose a schedule of fees to generate revenue to recover the costs of activities related to implementing and enforcing air quality programs. From time to time, the District has considered whether these fees result in the collection of a sufficient and appropriate amount of revenue in comparison to the cost of related program activities. In 1999, a comprehensive review of the District's fee structure and

revenue was completed by the firm KPMG Peat Marwick LLP (*Bay Area Air Quality Management District Cost Recovery Study, Final Report: Phase One – Evaluation of Fee Revenues and Activity Costs; February 16, 1999*). The Study recommended an activity-based costing model, which has been implemented. Also, as a result of that Study, the District has implemented a time-keeping system. These changes have improved the District's ability to track costs by programs and activities. The 1999 Cost Recovery Study indicated that fee revenue did not nearly offset the full costs of program activities associated with all of the sources subject to fees as authorized by State law. Property tax revenue (and in some years, fund balances) had consistently been used to close this cost recovery gap.

In 2004, the District's Board of Directors approved funding for an updated Cost Recovery Study that was conducted by the accounting firm Stonefield Josephson, Inc. (*Bay Area Air Quality Management District Cost Recovery Study, Final Report; March 30, 2005*). This Cost Recovery Study analyzed data collected during the three-year period FYE 2002 through FYE 2004. It compared the District's cost of program activities to the associated fee revenues, and analyzed how these costs are apportioned amongst the fee-payers. The Study indicated that a significant cost recovery gap existed. The results of the 2005 report and subsequent District-conducted cost recovery studies have been used by the District in its budgeting process, and to set various fee schedules.

In 2007 the District embarked upon a comprehensive business process improvement effort for Permitting and Compliance activities. The first phase of this effort culminated in 2009 with a set of recommended new policies, procedures and business processes that are designed to integrate with future automated systems towards the aim of optimizing efficiency for the District and the regulated community. The second phase of the project was to select technology, design and implement the future automated systems. When implemented these new systems will substantially impact the operational costs for programs within the District, and reduce the effort required by outside business entities that interact with the District. The analyses required by this study must include a review of the District's planned operational processes under the new system.

SECTION III – INSTRUCTIONS TO BIDDERS

A. General

1. All proposals must be made in accordance with the conditions of this RFP. Failure to address any of the requirements is grounds for rejection of this proposal.
2. All information should be complete, specific, and as concise as possible.
3. Proposals should include any additional information that the respondent deems pertinent to the understanding and evaluation of the bid.
4. The District may modify the RFP or issue supplementary information or guidelines during the proposal preparation period prior to the due date. Please check our website for updates.

5. Proposals shall constitute firm offers. Once submitted, proposals cannot be altered without the written consent of the District, but proposals may be withdrawn.
6. The District reserves the right to reject any and all proposals.
7. The total quotation for this project should not exceed one hundred and fifty thousand dollars (\$150,000).
8. All questions must be in written form and directed to Joe Slamovich and arrive no later than one week prior to RFP due date. All questions will be answered in writing and posted on the BAAQMD RFP webpage at least one week prior to the due date.
9. The cost for developing the proposal is the responsibility of the bidder, and shall not be chargeable to the District.

B. Submittal of Proposals

All proposals must be submitted according to the specifications set forth in Section V (A) – Contents of Proposal, and this section. Failure to adhere to these specifications may be cause for the rejection of the proposal.

1. Due Date – All proposals are due no later than 4:00 p.m., August 9, 2010 and should be directed to:

Tom Flannigan, Administrative Analyst, tflannigan@baaqmd.gov
Bay Area Air Quality Management District
939 Ellis Street
San Francisco, CA 94109

2. Proposals received after the time and date provided previously specified will not be considered.
3. Signature – All proposals should be signed by an authorized representative of the bidder.
4. Submittal – Submit two hard (2) copies and one (1) electronic copy (in Microsoft Office or Adobe format) of the proposal in a sealed envelope. Electronic submissions will be acknowledged with a return email. Plainly mark the upper, left-hand corner with the name and address of the bidder and the RFP number. Late proposals will not be accepted. Any correction or re-submission of proposals will not extend the submittal due date.
5. Grounds for Rejection – A proposal may be immediately rejected at any time if it arrives after the deadline; is not in the prescribed format; or is not signed by an individual authorized to represent the firm.
6. Disposition of the Proposals – All responses to this RFP become property of the District.

7. Modification – Once submitted, proposals, including the composition of the contracting team, cannot be altered without prior written consent of the District. All proposals shall constitute firm offers valid for ninety (90) days from the due date.

C. Interviews

1. The District, at its option, may interview bidders. The interviews will be for the purpose of clarifying the proposals.
2. Submittal of new proposal material at an interview will not be permitted.
3. Interviews may involve a presentation or a question-and-answer format or any combination of these.

SECTION IV – SCOPE OF WORK

STEERING COMMITTEE

Performance of this Study requires the selected contractor to conduct periodic meetings with District staff and a Steering Committee chaired by the District Project Administrator. Meetings will be conducted at the District headquarters. The District will provide the conference room and projection equipment, if required. The contractor shall provide eight (8) copies of the presentation material for the Steering Committee and shall assist in organizing and conducting the meeting.

The contractor shall also interact, as necessary, with an internal working group of key District staff organized with the specific purpose of coordinating the development of the Study by the contractor. In addition, the contractor shall be responsible for obtaining information concerning program costs, equipment/process information, fees and emissions data from District staff and shall coordinate with the District Project Administrator or designee prior to all formal meetings with District staff. Informal contact with District staff, such as phone conversations, e-mail exchanges and one-on-one meetings do not require prior coordination with the Project Manager.

WORK STATEMENT

The contractor shall design a Study to compare the costs of program activities to the revenues received from associated funding sources and analyze how costs are apportioned amongst the fee-payers. A methodology will be documented as a result of this Study that will assist the District in allocating estimated costs (direct and indirect) to various activities so that appropriate fee levels can be established in accordance with State law. The cost recovery portion of the Study shall review the District's cost and revenue data for the last three fiscal years (i.e. FYE 2008 through 2010).

TASKS

- 1.1 Identify and **document the costs associated with fee-related activities** through a review of District financial, permit, and time-accounting data, employee interviews and other data collection methods as necessary (including interviews with members of the regulated community). Consider direct costs and indirect costs (overhead, capital costs, and all other relevant costs). Review the District's existing cost allocation model and identify specific opportunities for enhancements to the model. **Provide written documentation of the cost allocation methodology.**
- 1.2 Identify and **document revenues associated with each Permit Fee Schedule and other fees.** Link the total relevant costs of activities to the appropriate fee schedule. **Provide a narrative and matrix/graph that clearly shows the comparison of costs to revenues.**
- 1.3 Identify and **document the nature of cost and revenue trends over the past ten fiscal years** through a review of District Program financial records.
- 1.4 **Document actions taken by the District to contain costs and develop recommendations to mitigate future cost increases** without decreasing the quality of services.
- 1.5 While performing Tasks 1.1 through 1.4, **document any observed opportunities to improve the quality, productivity, and efficiency** of the District's fee related programs, operations, or services, and develop recommendations for improvements to the quality, productivity and efficiency of such programs, operations and services, including recommendations on how the regulated community might work proactively with the District to that end.

DELIVERABLES

All deliverables are underlined in each task. The findings from each task will be summarized in the Report on Preliminary Findings. The completed deliverables for each task will be submitted as part of the Draft Report, and the revised deliverables will be due as part of the Final Report.

1. Preliminary Findings Report

The report will document preliminary findings and provide an explanation of the recommendations on the final report. This report will be delivered in writing and through informal verbal presentation to District management on **November 23, 2010**.

2. Draft Report

The deliverables of the Study as delineated in the above tasks will be incorporated into a comprehensive report, organized by objective.

The contractor will provide District with electronic copies of all spreadsheets, tables, and analyses utilized in the performance of the Study. Documents and graphs shall be provided in Microsoft Word, Excel, Access, PowerPoint for Windows files, or other software as pre-approved by the District. Spreadsheets shall be provided in Excel for

Windows format, or as otherwise indicated by the Project Administrator. The contractor shall determine if models, spreadsheets, documents, and graphs are compatible with District hardware and existing software programs. A draft report will be provided for staff review and comments by **December 3, 2010**. (15 copies)

3. Final Report

A final report incorporating District staff comments is due **January 7, 2011**. (30 copies)

TIMETABLE

<u>Date</u>	<u>Activity/Product/Report</u>
September 1, 2010	Kick-off Meeting with District Management Staff
September 16, 2010	Presentation of Study Design to Steering Committee
November 23, 2010	Report on Preliminary Findings to Steering Committee
December 3, 2010	Draft Report Due
December 10, 2010	Discussion of Draft Report with Steering Committee
December 21, 2010	Comments on Draft due to Consultant
January 7, 2011	Final Report Due
January 14, 2011	Discussion of Final Report with Steering Committee
January 21, 2011	Presentation to Board Committee

This schedule is preliminary as it is contingent upon governing board action.

DISTRICT PROVIDED SOURCE MATERIALS

1. District Regulation 3 – Fees, including Fees Assessment Schedules (Schedules A through S)
2. District Regulation 2 - Permits
3. District Financial Audits for Fiscal Year Ending (FYE) 2008, 2009, 2010
4. Program Budgets, Fiscal Year Ending (FYE) 2001 through 2010
5. Time Accounting Data from the Payroll System available through the Division of Administrative Services
6. Invoice data by fee schedule, and other data as needed from the District's information systems
7. District Memorandum referencing Legal Principles Applicable to Bay Area AQMD Fees
8. Bay Area Air Quality Management District Cost Recovery Studies, Final Report, Years 2005 – 2010

SECTION V – PROPOSAL FORMAT, CONTENT, AND SUBMITTAL

A. Contents of Proposal

Submitted proposals must follow the format outlined below and include all requested information. Failure to submit proposals in the required format can result in the proposal being eliminated from evaluation and consideration.

1. Technical Proposal

- a. Cover Letter (Section I) – Must include the name, address, and telephone number of the company, and must be signed by the person(s) authorized to represent the firm.
- b. Firm Contact Information – Provide the following information about the firm:
 - Address and telephone number of office nearest to San Francisco, California and the address and phone number of the office that each of the proposed staff members are based out of if different.
 - Name of firm’s representative designated as the contact
 - Name of project manager, if different from the individual designated as the contact
- c. Table of Contents – Clearly identify material contained in the proposal by section
- d. Summary (Section II) – State overall approach to the Cost Recovery and Containment Study, including the objectives and scope of work.
- e. Program Schedule (Section III) – Provide projected milestones or benchmarks for completing the project within the total time allowed.
- f. Firm Organization (Section IV) – Provide a statement of your firm’s background and related experience in providing similar services to governmental organizations. Describe the technical capabilities of the firm and, in particular, the firm’s exposure with working with environmental regulations, if any. Provide references of other, similar projects including contact name, title, and telephone number for all references listed.
- g. Project Organization (Section V) – Describe the proposed management structure, program monitoring procedures, and organization of the engagement team. Provide a statement detailing your approach to the project, specifically address the firm’s ability and willingness to commit and maintain staffing to successfully conclude the project on the proposed schedule.
- h. Assigned Personnel (Section VI) – Provide the following information about the staff to be assigned to the project:

- List all key personnel assigned to the project by level and name. Provide a description of their background, along with a summary of their experience in providing similar services for governmental agencies, and any specialized expertise they may have. Background descriptions can be a resume, CV, or summary sheet. Substitution of project manager or staff will not be permitted without prior written approval of the District's assigned program manager.
 - Provide a statement of the availability of staff in any local office with requisite qualifications and experience to conduct the requested project.
 - Provide a statement of education and training programs provided to, or required of, the staff identified for participation in the project. Make particular mention of with reference to experience dealing with governmental agencies, procedures, and environmental regulations.
- i. Retention of Working Papers (Section VII) – All working papers are the property of the District. Include a statement acknowledging that if your firm is awarded the contract, you will retain project related papers and related reports for a minimum of five (5) years.
 - j. Subcontractors (Section VIII) – List any subcontractors that will be used, the work to be performed by them, and the total number of hours or percentage of time they will spend on the contract.
 - k. Conflict of Interest (Section IX) – Address possible conflicts of interest with other clients affected by contractors' actions performed by the firm on behalf of the District. The District recognizes that prospective bidders may have contracts to perform similar services for other clients. Include a complete list of such clients for the past three (3) years with the type of work performed and the total number of years performing such tasks for each client. The District reserves the right to consider the nature and extent of such work in evaluating the proposal.
 - l. Additional Data (Section XI) – Provide other essential data that may assist in the evaluation of the proposal (e.g. green business certification, etc).
2. Cost Proposal
- a. Name and Address – The Cost Proposal must have the name and complete address of the bidder in the upper, left hand corner.
 - b. Cost Proposal – The cost proposal must list the fully burdened hourly rates and the total number of hours estimated for each level of professional and administrative staff to be used to perform the tasks required by this RFP. In addition, costs should be estimated for each of the components of the Scope of Work.
 - c. The Cost Proposal does not need to be a separate, sealed document.

SECTION VI – PROPOSAL EVALUATION

A panel of District staff will evaluate all proposals. The panel will recommend the selection of the contractor to the Air Pollution Control Officer, who will, in turn, make a recommendation to the District Board of Directors. The District Board of Directors must approve the contract to carry out the work described in this RFP. An example of a typical contract for professional services used by the District is included in Section VII.

Proposals will be evaluated on the following criteria:

Technical expertise, size and structure of the firm and personnel assigned to RFP tasks; firm’s ability to perform and complete the work in a professional and timely manner. *	30%
Past experience of the firm and, in particular, experience of the team working on projects of similar scope for other governmental agencies.	20%
Responsiveness of the proposal, based upon a clear understanding of the work to be performed.	20%
Cost	20%
References of the firm, local business/Green Business**	10%

- * “Size and structure of firm” refers to the ability of a firm’s size to meet the needs of the District. It does not give absolute preference to larger or smaller firms.
- ** The District gives preferences to local businesses and those that are certified as green businesses by a government agency or independent private rating organization.

The District reserves the right to reject any and all proposals submitted and/or request additional information. During the selection process, the District’s evaluation panel may interview bidders. The interviews will be for clarification only. The submittal of new material will not be permitted at that time. Interviews may involve a presentation or a question-and-answer format or any combination of these.

If two or more proposals receive the same number of points, the District will accept the lower cost offer.

SECTION VII – SAMPLE CONTRACT

A sample contract to carry out the work described in this RFP is available on the District’s website at <http://www.baaqmd.gov/Divisions/Administration/RFP-RFQ/Sample-Documents.aspx>