



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

April 17, 2017

Request for Proposals# 2017-003

Cost Recovery and Containment Study

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SECTION I – SUMMARY

The Bay Area Air Quality Management District (Air 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.

This contract is estimated to commence on the date the contract is signed by both parties and continue through December 31, 2017.

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

Cynthia Zhang, Purchasing Agent
Bay Area Air Quality Management District
375 Beale Street, Suite 600; San Francisco, CA 94105
czhang@baaqmd.gov

Proposals must be received at the Air District offices at

**375 Beale Street, Suite 600, San Francisco, California, 94105 by
4:00 p.m., May 15, 2017.**

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 Cynthia Zhang at: czhang@baaqmd.gov.**

SECTION II – BACKGROUND

A. Air District Overview

The Air District was created by the California Legislature in 1955 as the first regional agency to deal with air pollution in California. The Air 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 Air 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 Air District was granted authority to enact certain transportation and mobile source measures.

The Air District is governed by a twenty-four member Board of Directors, consisting of elected officials, including county supervisors, mayors, and city council members. The Executive Officer / Air Pollution Control Officer for the Air District is Jack Broadbent.

The Air 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 Air 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 Air District. After the passage of Proposition 13, the Air 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 Air District to impose a schedule of fees to generate revenue to recover the costs of activities related to implementing and enforcing air quality programs.

B. Cost Recovery and Cost Containment Study Objectives

The primary goal of this Study is to review the current cost recovery and allocation plan, to include the Air District's new activities, new programs, new headquarters building, vehicles, and other current indirect costs.

Other important goals of this Study are to:

- Compare, ensure the accuracy, and validate the allocation of permit-related program activities to the associated revenues received from permit funding sources, through an evaluation of existing methods and models.

- Review the Air District's timecodes, including, but not limited to: the Air District's newer fee schedules and greenhouse gas fees and programs. Provide specific recommendations on improving tracking and management of program time allocations.
- Review the Air District's methodology for allocating indirect costs and make recommendations for inclusion of new activities, and provide a brief description of support services provided and the basis upon which they should be allocated to direct programs.
- Review the Air District's current methods and models for projecting future revenues and costs. Make recommendations on improving the procedures and process for the projections, including suggestions for any tools that could be used to do this.
- Review the Air District's costs and make recommendations for potential areas for savings through efficiencies or otherwise.

C. Prior Cost Recovery Studies

In 1999, a comprehensive review of the Air 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 Air District has implemented a time-keeping system which tracks labor and related revenue sources. These changes have improved the Air 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 Air District's Board of Directors approved funding for an updated Cost Recovery Study that was conducted by an accounting firm (*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 Air 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 Air District-conducted cost recovery studies have been used by the Air District in its budgeting process, and to set various fee schedules.

In October 2010, a Cost Recovery and Containment Study of the Air District was done by a consulting firm. The primary goal of the study was to provide the District with guidance and opportunities for improvement regarding its organization, operation, and cost recovery/allocation practices. Overall, the study determined whether any modifications should be made to the District's operation and fee structures. A final report was published on March 9, 2011.

Since implementation of the time-keeping system identifying programs and revenue sources for all labor hours in 1999, the Air District has annually matched expenditures

with each of the available revenue sources, using MS Access to prepare data and Excel to display it. Since 2010, indirect expenditures have been allocated using the reciprocal (double step-down) method in an Excel model before being applied along with other direct expenditures to revenue-generating activities in MS Access.

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 Air 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 Air District, but proposals may be withdrawn.
6. The Air District reserves the right to reject any and all proposals.
7. Quotations for this project should be based on time and materials.
8. The Air District may select multiple contractors to perform the project work based on bidders' unique abilities. The Air District may also ask respondents to form collaborative teams (combine proposals) in order to leverage the greatest knowledge base and expertise to complete the required tasks.
9. All questions must be in written form or emailed directly to Cynthia Zhang, Purchasing Agent, and arrive no later than **4:00 p.m. on Monday, May 1, 2017**. All questions will be answered in writing and posted on the [BAAQMD RFP webpage](#) by **6:00 p.m. Monday, May 8, 2017**.
10. The cost for developing the proposal is the responsibility of the bidder, and shall not be chargeable to the Air District.
11. A firm's selection and the execution of a contract with the Air District does not guarantee any particular amount of work.

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., May 15, 2017**, and should be directed to:

Cynthia Zhang, Purchasing Agent
Bay Area Air Quality Management District
375 Beale Street, Suite 600; San Francisco, CA 94105
czhang@baaqmd.gov

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 (2) hard copies of the proposal in a sealed envelope to the mailing address above, plus one (1) electronic copy (in Microsoft Office or Adobe Acrobat PDF file format). Electronic submissions submitted via email will be acknowledged with a return email. Hard copies of the proposal shall plainly mark the upper, left-hand corner of the submission 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, or is not in the prescribed format, or is not signed by an individual authorized to represent the firm.
6. Disposition of the Submissions – All responses to this RFP become property of the Air District and will be kept confidential until a recommendation for award of a contract has been announced. Thereafter, submittals are subject to public inspection and disclosure under the California Public Records Act. If a respondent believes that any portion of its submittal is exempt from public disclosure, it may mark that portion “confidential.” The Air District will use reasonable means to ensure that such confidential information is safeguarded, but will not be held liable for inadvertent disclosure of the information. Proposals marked “confidential” in their entirety will not be honored, and the Air District will not deny public disclosure of any portion of submittals so marked.

By submitting a proposal with portions marked “confidential,” a respondent represents it has a good faith belief that such portions are exempt from disclosure under the California Public Records Act and agrees to reimburse the Air District for, and to indemnify, defend, and hold harmless the Air District, its officers, employees, and agents, from and against any and all claims, damages, losses, liabilities, suits, judgments, fines, penalties, costs, and expenses, including without limitation, attorneys’ fees, expenses, and court costs of any nature whatsoever, arising from or relating to the Air District’s non-disclosure of any such designated portions of a proposal.

7. Modification – Once submitted, proposals, including the composition of the

contracting team, cannot be altered without prior written consent of the Air District. All proposals shall constitute firm offers valid for ninety (90) days from the May 15, 2017, due date.

C. Interviews

1. The Air 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

WORK STATEMENT

Selected contractor will develop and prepare all analyses and appropriate documents for the project in consultation with Air District staff.

Payment for the analysis and documents will be based on an hourly rate. The Air District expects that payment will be based on time and materials required.

The contract will be structured in phases with Task Orders to be issued for each of the required stages of the analysis.

Depending on the level of analysis that is required, the Scope of Work will include either a portion or all of the following tasks:

TASKS

- 1.1 **Validate and document the costs associated with fee-related activities** through a review of Air 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 Air District's existing cost allocation models and identify specific opportunities for enhancements to the models. **Provide written documentation of the cost allocation methodology and specific enhancement opportunities.**
- 1.2 Validate and **document revenues associated with each Permit Fee Schedule and other fees.** Observe and validate links between relevant costs of activities and the appropriate fee schedules. **Provide a narrative and matrix/graph that clearly shows the comparison of costs to revenues.**
- 1.3 **Document actions taken by the Air District to contain costs and develop recommendations to mitigate future cost increases** without decreasing the quality of services.

- 1.4 Review the Air District's existing methodology for projecting revenues and costs and identify specific opportunities, as well as, tools and technology for enhancement of the methodology. If there are software recommendations, provide a demonstration using Air District data. **Provide written documentation of the projection methodology and the specific enhancement opportunities. Also, provide a detailed cost estimate and projected timeline, for each tool and technology identified for enhancement of the methodology.**
- 1.5 In 2007 the Air District embarked upon a comprehensive business process improvement effort for Permitting and Compliance activities, the new Production System. When implemented these new systems will substantially impact the operational costs for programs within the Air District, and reduce the effort required by outside business entities that interact with the Air District. **The analyses required by this study must include a review of the Air District's planned operational processes under the new Production System.**
- 1.6 While performing Tasks 1.1 through 1.5, **document any observed opportunities to improve the quality, productivity, and efficiency** of the Air 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 Air 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 Air District management on **November 15, 2017**.

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 Air 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 Air 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 Air District hardware and existing software programs. A draft report will be provided for staff review and comments by **November 30, 2017**. (15 copies)

3. Final Report

A final report incorporating Air District staff comments is due **December 31, 2017**. (30 copies)

STEERING COMMITTEE

Performance of this Study requires the selected contractor to conduct meetings with Air District staff and a Steering Committee chaired by the Air District Project Administrator. Meetings will be conducted at the Air District headquarters. The Air 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 Air 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 Air District staff and shall coordinate with the Air District Project Administrator or designee prior to all formal meetings with Air District staff. Informal contact with Air District staff, such as phone conversations, e-mail exchanges and one-on-one meetings do not require prior coordination with the Air District Project Administrator.

TIMETABLE

This is a contract for professional services for the estimated time period from the date that the contract is signed by both parties through December 31, 2017. The contract may, at the discretion of the Air District and with the agreement of the contractor, be extended.

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 Air District management by **November 15, 2017**.

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 Air 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 Air 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 Air District hardware and existing software programs. A draft report will be provided for staff review and comments by **November 30, 2017**. (15 copies)

3. Final Report

A final report incorporating Air District staff comments is due **December 31, 2017**. (30 copies)

The District will work with the contractor to determine the final project schedule. The District will review and, if necessary, revise the project schedule to ensure work progresses in accordance with District priorities.

<u>Date</u>	<u>Activity/Product/Report</u>
11/15/2017	Report on Preliminary Findings to Steering Committee
11/30/2017	Draft Report Due
12/31/2017	Final Report Due

This schedule is preliminary as it is contingent upon Steering Committee availability and governing board action.

SECTION V – PROPOSAL FORMAT, CONTENT, AND SUBMITTAL

A. Contents of Proposal

Submitted proposals must follow the format outlined below and include all requested information. Please number your responses exactly as the items are presented here, and limit to 10 one-sided pages, except work samples, which should be included in a separate appendix. Failure to submit proposals in the required format can result in the proposal being eliminated from evaluation and consideration.

1. Experience, Structure, Personnel

- a. Cover Letter – 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 and email address
 - 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 – State overall approach to the analysis and document development/preparation for the Project, including the objectives and scope of work.
- e. Estimated Timelines and Costs – Provide an estimate of the time and

costs required to conduct the analysis and prepare documents for the Project. Provide a description of how you will manage timelines estimated (including allowing sufficient time for Air District review of draft documents). Provide projected milestones or benchmarks for completing the project within the total time allowed.

- f. Firm History – Provide a history of your firm’s experience in providing services similar to those sought through this RFP, including any services provided to governmental organizations. Provide references for any similar projects listed, including contact name, title, telephone number, and email address. Describe the technical capabilities of the firm in all areas relevant to the services sought through this RFP.
- g. Project Organization – Describe the proposed management structure, program monitoring procedures, and organization of the team that will be providing input on analyses and document development/preparation. Provide a statement detailing your approach to the analyses, specifically addressing the firm’s ability and willingness to commit and maintain staffing to successfully conclude the project on the expected schedule.
- h. Assigned Personnel - List all key personnel who would be assigned to the Air District project by name and role. Provide descriptions of education and training, along with a summary of experience in providing services similar to those sought through this RFP. Background descriptions can be a resume, CV, or summary sheet. Note that the standard Air District contract will not permit substitution of project manager or staff without prior written approval of the Air District’s assigned program manager.
- i. Work Samples (Does not count against 10-page limit) – Samples of up to 5 major projects that the firm has completed in the areas of cost recovery, cost allocation, and/or cost containment. Include the client, the name of a contact person who is able to provide a reference, the reference contact person’s telephone number and email address, a description of the nature of the work, and the size and complexity of the project.
- j. Retention of Working Papers – All working papers are the property of the Air 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.
- k. Subcontractors – 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.
- l. Conflict of Interest – Address possible conflicts of interest or appearance of impropriety regarding other clients of the firm that could be created by providing services to the Air District. Describe procedures to be followed to detect and resolve any conflict of interest or appearance of impropriety. The Air District reserves the right to consider the nature and extent of such work in evaluating the proposal.
- m. Additional Information – Provide any other information that the firm

wishes the Air District to consider in evaluating the submission.

2. Project Cost Information (Does not count against 10-page limit)
 - a. Name and Address – The Cost Information must have the name and complete address of the bidder in the upper, left hand corner.
 - b. The normal hourly rate of each principal and staff member whose resume is provided or whose job category may be required, and the rate that would be charged to the Air District.
 - c. A list of anticipated reimbursable expenses, such as expenses for presentation materials, supplies, deliveries, B/W and color printouts and copies, faxes, photo scans and travel, copywriting and copyediting services and the rate charged for each.
 - d. Any discounts offered to other municipalities, governmental entities, economic development or nonprofit organizations, and civic organizations.
 - e. Any other costs or charges.
 - f. The Cost Information does not need to be a separate, sealed document.
3. Proposal Format
 - a. Hard copies of all documents submitted must be on single-sided sheets of size 8.5 by 11 inches.
 - b. Font size may be no less than standard Microsoft office type size 12 and all documents must be single spaced.

SECTION VI – PROPOSAL EVALUATION

A panel of Air District staff and the Steering Committee will evaluate all proposals. The panel and the Steering Committee will recommend the selection of the contractor to the Air Pollution Control Officer, who will, in turn, make a recommendation to the Air District Board of Directors. The Air 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 Air District is included in Section VII.

Proposals will be evaluated on the following criteria:

Expertise	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.*	35%
Skill	Past experience of the firm and, in particular, experience of the team working on projects of similar scope for other governmental	30%

	agencies.	
Approach	Responsiveness of the proposal, based upon a clear understanding of the work to be performed.	20%
Cost	Cost or cost effectiveness and resource allocation strategy.	10%
Reference	References of the firm	3%
Firm's Specialty Focus Area	Local business/Green business**	2%
	Total	100%

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

The Air District reserves the right to reject any and all proposals submitted and/or request additional information. During the selection process, the Air 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 Air 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 Air District's website at <http://www.baaqmd.gov/about-the-air-district/request-for-proposals-rfp-rfq/samples-previous>

SECTION VIII – AIR DISTRICT PROVIDED SOURCE MATERIALS

- Financial Audit for Fiscal Year Ending 2016 (Appendix A)
- Cost Recovery and Containment Study, Final Report, 2010 (Appendix B)
- [Approved Budget, Fiscal Year Ending 2017](#)
- [Cost Recovery Study, 2017 \(based on FYE 2016\)](#)