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## MEMORANDUM

To: Representative Obuchowski, Chair; Senator Ann Cummings, Vice Chair;  
and Members of the Joint Fiscal Committee

From: Stephen Klein, Sara Teachout, Legislative Joint Fiscal Office

Date: August 18, 2010

Subject: Bid Results for Revenue Forecasting Services

As of August 17<sup>th</sup>, the open period for bids for the Joint Fiscal Committee revenue forecast contract ended. Despite a fairly broad search and information process, we have received only one bid for the contract from our current provider Tom Kavet of Kavet, Rockler & Associates LLC. His proposal is a small increase from the prior contract and barring committee objection it is our recommendation that we negotiate a contract with him. I would ask the committee's approval to do so. Below are the details of the process and result:

1. **The RFP Document:** The bid solicitation is attached to this memorandum. One difference between this issuance and our prior issuance is that the bid solicitation contained the amounts that were paid under this contract during the past four years. As the solicitation indicates, the total amount paid for these contractual services, including interim and ad hoc services, has ranged from \$83,000 to \$155,000 over the past 5 years. In the last bid solicitation we received several bids from national firms whose fixed costs were comparable but offered hourly billable rates for ad hoc services of up to \$395 or \$400 per hour. The contract information as to past payments may have dissuaded those potential bidders.
2. **The Bid Period and Advertising:** The bid was open from July 16<sup>th</sup> through August 17<sup>th</sup>. The information was carried the JFO and State of Vermont web pages. In addition the RFP was promoted as follows:
  - a. Advertisements ran in the following Vermont papers: Burlington Free Press; Bennington Banner (2 weeks); Rutland Herald; Seven Days (paper, website and twitter link)
  - b. An email with a link to the solicitation was sent to:
    - i. 60 individuals listed to be recipients of information concerning the Blue Ribbon Tax Commission
    - ii. The UMass Econ Group: which is a link to economics academics
  - c. An advertisement was placed on the RFP Listing Page at the National Association for Business Economics [www.nabe.com](http://www.nabe.com)
  - d. It was listed on the websites: 30 days [careerbuilder.com](http://careerbuilder.com) and [hotjobs.com](http://hotjobs.com)

3. **The Bid Proposal:** The bid proposal from Kavet, Rockler & Associates, LLC includes a small increase from the current contract. The current contract originated October 1, 2005 and went through October 1, 2009 with a one year extension with no rate change. The contract had a base estimating cost of \$61,800 in 2009 and 2010, and had the \$100 and \$80 hourly rates since 2005. Below are the proposed changes in the new contract proposal.

Brief Summary of Bid Proposal Rates

Component	Current Contract	New Year One	New Year Two
Base Forecast	\$61,800	\$63,600	\$64,800
Interim forecasts	\$8,000	\$8,000	\$8,000
Materials	\$4,000	\$4,000	\$4,000
Hourly Rates			
Base Rate (first 200 hrs)	\$100	\$110	\$110
Supplemental Rate 200+ hrs	\$80	\$80	\$90
Assistant Research Rate	N/A	\$60	\$60

In reviewing the new proposal he offers several options for added analysis which I would not recommend at this time. The option to use a research associate is intended to add potential savings to the contract. The ability to utilize this resource will depend largely on the type of work required during the contract period.

4. **Staff Recommendation:** The contract is negotiated with Kavet, Rockler and Associates substantially as proposed above with the following addition: a targeted performance survey will be designed to measure the services provided to the legislature in the revenue forecasting contract. The contract would be for two years with a two year extension contingent on achieving agreed upon performance criteria.

The rates listed below, would be those for the two year extension of the contract. These represent a 3.5% increase per year in the base forecast rates, a higher increase for materials in the first year and a staggering of the increase in the hourly rates.

Component	New Year Three	New Year Four
Base Forecast	\$67,100	\$69,400
Interim forecasts	\$8,300	\$8,600
Materials	\$4,200	\$4,300
Hourly Rates		
Base Rate (first 200 hrs)	\$115	\$115
Supplemental Rate 200+ hrs	\$90	\$95
Assistant Research Rate	\$60	\$60

Joint Fiscal Committee September 10, 2010 Motion

A.1.a. – Fiscal Revenue Forecasting Contract Proposal Approval.

Senator Cummings moved that the Joint Fiscal Office be authorized to negotiate and sign a performance contract for up to four years with Kavet, Rockler & Associates for revenue forecasting and economic analysis consistent with the negotiations to date, and the recommendation of the Joint Fiscal Office provided to the committee.

