

## MEMORANDUM

To: Senator Kitchel, Chair; and Members of the Joint Fiscal Committee

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

Date: September 1, 2015

Subject: Bid Results for Revenue Forecasting Services

As of August 28<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 does reflect an increase from the prior contract which, was expected given that his hourly rate is below market levels. Barring committee objection it is our recommendation that we contract with him. We 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 was very similar to those created in the past. The solicitation includes the total amount paid for these contractual services, including interim and ad hoc services which has ranged from \$89,000 to \$134,000 over the past 5 years. In the past, 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 and Inquiries:** The bid was open from July 31<sup>th</sup> through August 28<sup>th</sup>. The information was carried the JFO web page. In addition the RFP was promoted as follows:
  - a. An advertisement was placed on the RFP Listing Page at the National Association for Business Economics [www.nabe.com](http://www.nabe.com)
  - b. An advertisement ran in the Burlington Free Press, but it is required to be listed in the Legals section rather than the jobs pages because it is an RFP and this may also be part of the issue.
  - c. We informally asked the Boston Fed's policy group to recommend potential economic consulting firms in New England and as a result the RFP was sent directly to the Muskie Institute at USM.
  - d. JFO Staff responded to at least 4 inquiries from potential bidders, but none of those resulted in a proposals
3. **The Bid Proposal:** The bid proposal from Kavet, Rockler & Associates, LLC includes a overall annual estimated cost increase of 3.8-3.9% in the first two years

and annually about 3.1% in the years three through four or five. The current contract originated October 1, 2010 and went through October 1, 2014 and was extended until 2015. Below are the proposed changes in the new contract proposal.

#### Summary of Bid Proposal Rates

Component	Current	Year One	Year Two	Year Three	Year Four
Base Forecast	69,400	74,400	76,800	79,320	81,900
Interim forecasts	8,600	8,600	8,600	8,800	9,000
Materials	4,400	4,000	4,000	4,300	4,600
Hourly Rates					
Base Rate (first 200 hrs)	120	125	130	134	138
Supplemental Rate 200+ hrs	100	105	110	113	117
Associate Senior Economist	N/A	75	75	80	80
Assistant Research Rate	60	40	40	45	45

The contract for the base forecast is consistently near 3.3% increase for Base Forecast over the period of the contract while the Hourly Rates increase by higher percentages in the first two years – close to 4% and then increase by close to 3% for the remainder of the contract. The cost for materials decreased. The option to use an Associate Senior Economist is new, and Adam Fulton is identified as a potential resource. He is formerly a REMI employee, who in that capacity helped customize the Tax PI program specific to Vermont over the past fall for the anticipated health care analysis.

The contract also includes an optional extension for a 5th year at the following rates: Base Forecast of \$84,600, Interim Forecast at \$9,200, Materials at \$4,600, First 200 hours at \$130, above 200 at \$117 and the same rate for the Associate and Assistant.

- 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 a four year contract with a fifth year spelled out if it were to be added.

#### **Proposed motion:**

#### **Agenda Item I.3. – Revenue Contract Negotiation**

\_\_\_\_\_ moves 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.