Madison Metropolitan Sewerage District

Comprehensive Artificial Intelligence (AI) Use and Governance Policy

Request for Proposal

Madison Metropolitan Sewerage District (District) is seeking proposals from qualified consulting firms to develop a comprehensive, actionable Comprehensive Artificial Intelligence (AI) Use and Governance Policy. The final policy must establish clear governance, operational risk tiers, and employee standards for both Generative AI (e.g., large language models used for administrative workflows and drafting) and Operational AI (e.g., machine learning tools embedded in wastewater treatment processes, infrastructure data analytics, and upcoming plant upgrades).

The primary goal is to foster an environment of innovation and upskilling while strictly safeguarding electronic data, preserving data sovereignty, and ensuring absolute compliance with public records laws.

The scope of services and requested deliverables are outlined below.

Proposals will be accepted until 4:00 p.m. CT on Friday, October 16, 2026, via email to rfp@madsewer.org. The subject line must clearly state “Comprehensive AI Policy RFP.” Any questions should be directed to Amanda Wegner at rfp@madsewer.org.

All proposal responses and their contents will be public record.

The District is federal and state tax-exempt**.** The District reserves the right to reject any or all proposals, waive any technicality, and accept any proposal that may, in its opinion, be advantageous to the District.

Any questions may be directed to:
Amanda Wegner
Communications & Public Affairs Manager
Madison Metropolitan Sewerage District
rfp@madsewer.org

About the District

Established in 1930 to protect the lakes and streams of the upper Yahara watershed, the District is a wastewater collection and treatment utility serving about 440,000 people in 24 Madison-area owner communities covering about 190 square miles. Organized as a municipal corporation, the District is governed by a nine-member Commission appointed by the communities we serve.

The District owns and operates 150 miles of pipe and 18 regional pumping stations that convey approximately 38 million gallons of wastewater daily to the Nine Springs Wastewater Treatment Plant. Through the treatment process, we recover valuable resources from the wastewater we receive before returning clean water to the environment.

Our mission is to protect public health and the environment. The District is dedicated to service, reliability, and sustainability, and our tradition of innovation has positioned us as a leader among clean water utilities.

Learn more at www.madsewer.org.

Scope of Work

Project Overview

The District is seeking proposals from qualified consulting firms to develop a comprehensive, actionable Comprehensive Artificial Intelligence (AI) Use and Governance Policy. The final policy must establish clear governance, operational risk tiers, and employee standards for various relevant forms of AI, including predictive, physical, agentic, diagnostic, and Operational AI.

The primary goal is to foster an environment of innovation and upskilling while strictly safeguarding public data, preserving data sovereignty, and ensuring absolute compliance with public records laws.

Core Phases

The selected consultant will be expected to deliver on four core phases of work over a six-month period:

Phase I: Discovery, Inventory, and Benchmarking

- **Shadow & Embedded AI Audit:** Conduct a high-level inventory across departments to identify currently used or authorized AI tools, as well as hidden "embedded" AI features within existing software-as-a-service (SaaS) platforms.
- **Stakeholder Engagement:** Conduct interviews with executive leadership, IT, legal counsel, and department heads, alongside staff workshops to evaluate the current baseline of AI literacy and employee expectations.

- **Utility Benchmarking:** Provide a comparative analysis of best practices, case studies, and frameworks utilized by similar municipal governments, clean water utilities, or public infrastructure entities.

Phase II: Governance and Risk Framework Development

- **Distinct Definitions:** Establish explicit, legally and technically accurate definitions distinguishing various AI models for the District.
- **Risk Tiering System:** Develop a risk-classification matrix (e.g., Low, Medium, High Risk) modeled after the NIST AI Risk Management Framework (RMF) to categorize use cases based on data sensitivity and operational impact.
- **Human-in-the-Loop Safeguards:** Establish technical and operational mandates for human auditing, validation of AI outputs, and clear accountability boundaries.

Phase III: Data Privacy, Security, and Compliance

- **Data Sovereignty & Security Guardrails:** Define strict parameters preventing the input of proprietary, sensitive utility data, or personally identifiable information (PII) into unapproved, public AI platforms.
- **Public Records & Records Retention Integration:** Map out clear guidelines for how AI-generated content, prompts, and training data interact with Wisconsin state and municipal records retention requirements.
- **Vendor Risk Protocols:** Outline security and privacy procurement standards for evaluating third-party vendor software with embedded AI components.

Phase IV: Internal Oversight and Operations Design

- **Cross-Functional Oversight Model:** Recommend a long-term governance structure to own, monitor, and update the policy.
- **Monitoring Tools:** Provide recommendations for internal mechanisms or software tools to monitor compliance and detect unauthorized AI usage.

Deliverables & Phase Alignment

The final deliverables must include, at a minimum, the following items:

Deliverable	Description	Phase Alignment
Discovery & Baseline Report	Summary of internal audit, staff interviews, and external utility case studies/benchmarks.	Phase I: Discovery & Benchmarking

Deliverable	Description	Phase Alignment
Core AI Use Policy	The formal policy document covering GenAI, Operational AI, risk tiers, and data security boundaries.	Phase II: Governance Framework
Public Transparency Statement	A consumer-facing disclosure statement detailing how the utility responsibly implements or restricts AI in public services.	Phase II: Governance (Public Trust)
Records Retention Guide	Practical, actionable operational rules for managing AI prompts and outputs within a standard public records context.	Phase III: Regulatory Compliance
Vendor Procurement Checklist	A simple risk-assessment checklist for IT and procurement teams to evaluate third-party software containing AI.	Phase III: Privacy & Security
Incident Response Framework	A step-by-step mitigation and communication protocol for AI failures, hallucinations, or data leaks.	Phase II: Risk Management
Monitoring/Reporting Framework	A framework combining monitoring of model performance, infrastructure health, resource bottlenecks, and degraded performance.	Phase II: Risk Management
Employee Guidelines & Training	Clear, plain-language reference materials for staff, paired with interactive training workshops to build baseline AI literacy.	Phase IV: Internal Operations

RFP Timetable

The District may change the RFP timetable at any time.

Target Date	Step	Notes
Monday, August 31, 2026	RFP Issued	Publicly posted to District website and online procurement portals
Monday, September 28, 2026 @ 4:00 p m CT	Deadline for Respondent Questions	Must be submitted via email at rfp@madsewer.org

Friday, October 2, 2026 at 4 p.m. CT	Respondent Questions Answered	Responses posted on District website.
Friday, October 16, 2026 @4:00 p m CT	Respondent Proposals Due	Final deadline for submission
Friday, November 6, 2026	District Proposal Review Completed	Completed by internal selection committee
Week of November 16, 2026	Virtual Interviews (if needed)	Conducted via Microsoft Teams.
Monday, November 30, 2026	District Selection Made and Applicants Notified	
Thursday, December 17, 2026	Commission Transaction Approval	
Week of January 4, 2027	Engagement begins	

Proposal Evaluation

Proposals will be evaluated by a selection committee composed of District staff. Proposals will be scored on a 100-point scale according to the criteria detailed below:

Evaluation Criteria & Weight Breakdown

Criteria Category	Point Value	Key Focus Areas
1. Qualifications & Experience	35 Points	Consultant's expertise in public sector AI policy, municipal governance, and utility systems.
2. Project Approach & Methodology	35 Points	The depth of the discovery process, risk-tiering methodology, and regulatory mapping.
3. Schedule & Capacity	15 Points	Ability to realistically complete all phases and deliverables within the designated 6-month window.
4. Pricing & Cost-Effectiveness	15 Points	Value provided relative to the comprehensive scope of work and distribution of labor costs.
TOTAL	**100 Points**	

Detailed Scoring Matrix

1. Qualifications & Experience | 0–35 Points

- **Public Sector & Utility Expertise (15 points):** Does the proposer demonstrate specialized experience writing AI or technology governance policies for municipal governments, public utilities, or critical infrastructure entities? Are relevant case studies or past examples provided?
- **Core Technical Knowledge (10 points):** Does the team possess a clear, demonstrable understanding of the distinction between Generative AI and Operational AI/Machine Learning models? Do they show expertise in data privacy, security vulnerabilities, and data sovereignty?
- **Regulatory & Framework Familiarity (10 points):** Does the consulting team demonstrate deep familiarity with the **NIST AI Risk Management Framework (RMF)** and experience mapping policies to municipal compliance environments (such as Wisconsin's public records laws)?

2. Project Approach & Methodology | 0–35 Points

- **Discovery & Audit Depth (10 points):** Does the proposed approach outline a thorough strategy for identifying both authorized and "shadow" embedded AI tools across District departments? Does it include robust stakeholder engagement (staff workshops, executive interviews)?
- **Risk Tiering & Governance Framework (10 points):** Does the proposal outline an effective, actionable plan to build a risk-classification matrix? Is there a clear approach to designing long-term, cross-functional oversight structures for the District?
- **Compliance & Deliverable Alignment (10 points):** How well does the approach address specialized deliverables, including public transparency statements, vendor procurement checklists, incident response frameworks, and AI data management within a records retention context?
- **Employee Education & Training (5 points):** Does the proposal feature an effective methodology for building baseline AI literacy among District employees through structured workshops or training guidelines?

3. Schedule & Capacity | 0–15 Points

- **Timeline Feasibility (10 points):** Does the proposed schedule align perfectly with the District's 6-month engagement window? Are major milestones and deliverables broken down logically by project phase?
- **Resource Allocation & Capacity (5 points):** Does the team demonstrate the immediate availability and operational capacity to meet all project deadlines without overpromising or compromising quality?

4. Pricing & Cost-Effectiveness | 0–15 Points

- **Cost & Value (10 points):** Is the pricing model transparent, competitive, and cost-effective relative to the scope of work? Is there a clear breakdown of hours and billable rates per project phase, showing an equitable distribution of labor?

- **Expense Minimization (5 points):** How efficiently does the proposal manage secondary costs, such as travel and administrative overhead, maximizing the amount of budget directed toward core policy development and training?

Post-Evaluation Process

Following the initial review and scoring of proposals, clarifying questions may be sent to top-ranked proposers. Additionally, virtual interviews via Microsoft Teams may be scheduled as deemed necessary by the evaluation committee.

The evaluation committee's final recommendation will consider both the written proposal and, if conducted, the interview performance to select the consultant deemed in the best interest of the District. Contract award shall be made to the best-qualified consultant upon successful negotiation of fair and reasonable compensation under a "not-to-exceed" contract structure. The District reserves the right to contract for all or part of the agreement.

How to Apply

Proposals must be limited to no more than 15 pages and include the following:

- **Contact information for primary contact**
- **Statement of Interest**
  - Introduce yourself and/or your team, your interest in this project, and anything special that differentiates you and your approach.
- **Qualifications**
  - Provide a brief description of the specialized experience and skills of the individual(s) or team to be involved (including subcontractors, if relevant). Please include up to four examples of past work—specifically highlighting any public sector AI policy, municipal governance, or utility technology frameworks—with project descriptions, photos/links, and estimated project costs.
- **Project Approach & Schedule**
  - Show how you would organize the project and carry out the work across the 6-month timeline. Comment on key technical aspects or components of this project that you believe will be particularly important to its success. Break down the project into tasks and show how and when each will be completed to meet major milestones.
- **Pricing**
  - Provide an estimated price range and detailed breakdown for the services to be provided by the project phase. Show billable rates and estimated hours for the individual(s) to be involved. Include a chart or table showing the anticipated hours for each individual, organized by the areas or tasks in which each would be involved. Include a fee schedule for all subcontractors involved in the project.
- **References**
  - Include name, title, organization, phone, and email for at least 2 references.

- The District will not contact references until after selections are made.

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Professional Services Agreement

Following the selection of a qualified firm for the work of this RFP, a signed professional services agreement will be required. The District supplies the agreement template as the basis for negotiations, which will include Terms & Conditions and the Scope of Services for performance. Proposers must notify the Project Manager of any questions or concerns about the standard Terms & Conditions during the request for proposal process.

Insurance Requirements

The District's insurance requirements are included below. A bidder may propose exceptions or modifications to the District's insurance requirements that may or may not be acceptable to the District. The District retains the right to establish the final insurance requirements during negotiations with the highest-ranked bidder based on the nature and scope of the services, potential liability exposure, involvement in design or construction, anticipated site activities, contract amount, and the availability of coverage. If the District and the highest-ranked bidder cannot reach an acceptable agreement, the District may discontinue negotiations and proceed to the next-ranked bidder. The final insurance requirements will be incorporated into the executed Agreement.

Contractor shall maintain Commercial General Liability, Automobile Liability, Workers Compensation, Professional Liability (Errors & Omissions), and Cyber Liability insurance throughout the term of the agreement. Minimum limits shall be $1,000,000 per occurrence/ $2,000,000 aggregate for General Liability; $1,000,000 combined single limit for Automobile Liability; statutory Workers Compensation limits; $1,000,000 per claim Professional Liability; and $1,000,000 Cyber Liability. The District shall be named as an Additional Insured on the General Liability policy, and coverage shall be primary and non-contributory.

Additional Provisions

Equal Employment Opportunity Requirements

In connection with the performance of work for this project and under the related contract, the Proposer agrees not to discriminate against any employee or applicant for employment because of age, race, religion, color, disability, sex, national origin, sexual orientation, gender identity, or other status protected by law. This provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.

Use, Disclosure, and Confidentiality of Information

The information supplied by a Proposer as part of an RFP response will become the property of the District. Proposals will be available to interested parties in accordance with the Wisconsin Open Records Law. None of the proposal responses will be made available to the public until after the negotiation and award of a contract or cancellation of the procurement.
To the extent allowed by law, the District will treat trade secrets as confidential (if designated as confidential and submitted separately in a sealed envelope). If a Proposer wishes for a proposal to remain confidential, the Proposer must, before submitting a proposal, establish to the District's satisfaction that the proposal be given confidential status. The District reserves the right to make any final disclosure determinations in accordance with the law. (Note: Pricing information will not be considered confidential.)

Use of the District's Name

Upon entering an agreement, the successful Contractor agrees not to use the name of the Madison Metropolitan Sewerage District in relation to the agreement in commercial advertising, trade literature, or press releases to the public without the prior written approval of the District. The District has the right to enjoin the Contractor from any such use in violation of this provision, and the Contractor shall be responsible for damages and reimbursement of actual, reasonable legal fees incurred with regard to legal evaluation and/or legal action taken by the District because of the Contractor's violation of this provision, including fees incurred to obtain an injunction.

Confidentiality

Subject to Wisconsin's Public Records law, any data or other information regarding the District's customers, operations, or methods obtained by the Contractor during the course of the project shall remain confidential and shall not be released to third parties without the express written consent of the District.

Errors in Proposals

Proposers will not be allowed to change or alter their proposals after the proposal submission deadline. The District reserves the right, however, to correct obvious errors, such as math errors in extended pricing (not unit pricing). This type of correction may only be allowed for "obvious" errors such as arithmetic, typographical, or transposition errors. Any such corrections shall be approved by the District and countersigned by the Proposer. Proposers are advised to make sure that their proposals are true and correct.

Revision to the RFP

The District may modify or amend this RFP at any time. In such an event, the submission deadline may be extended, at the option of the District, to allow Proposers the opportunity to revise their proposals accordingly.

Addendums

If it becomes necessary to materially alter the request for proposal, the Project Manager will issue an official addendum.

Sub-consultants and Third-party Payments

All sub-consultants shall be pre-approved by the District and must abide by all terms and conditions of the contract. The prime Consultant shall be responsible for all sub-consultant(s) work and payment. The District will not directly pay any sub-consultant or third parties.