

CITY OF CHICAGO
Department of Procurement Services

2014 Budget

A Message from

Jamie L. Rhee
Chief Procurement Officer

November 8, 2013

On behalf of the Department of Procurement Services (DPS), I would like to thank Mayor Emanuel, Chairman Austin and the members of the City Council for allowing us to present our 2013 accomplishments and our operational plan for 2014.

As the contracting authority for the City of Chicago, we administer an open bid and solicitation process that ensures fairness, competition, and best value for all of Chicago's taxpayers. We maintain the highest commitment to diversity, transparency and innovation while continuously expanding the resources and programs that empower citizens to become involved in the contracting opportunities available throughout the City.

We are tasked with exploring the best solutions for Chicago's diverse needs. One of our key objectives is to bring greater diversity to the pool of businesses that bid on and earn City contracts. A thriving small, minority- and women-owned business community and robust workforce are essential to the success of a world-class city. We continually strive to develop ways to move these goals forward.

Participation

We remain committed to the growth and development of small, minority- and women-owned business enterprises in the City of Chicago. Since 2012, when the responsibility for the certification of M/W/DBE firms and compliance with the City's M/W/DBE program was returned to DPS, we have pursued every opportunity to ensure that the City's procurement process remains fair, inclusive, diverse, and efficient.

In order to present a more accurate reflection of the impact of these firms, DPS is pleased to announce that we can now report actual dollars spent with minority- and women-owned businesses. Many aldermen and the Inspector General's Office have requested real-time payment information reflecting actual dollars going to MBE and WBE firms. Because of advances in our online C2 System, through which contractors report commitments, payments and participation, we can now report payments as they occur instead of having to wait until contract close-out. DPS has conducted extensive training to introduce new procedures, software upgrades and transparency initiatives. Since 2012, more than 600 attendees have attended 14 of these DPS training programs.

As discussed for many years, real-time payments provide more accurate information than aspirational goals. Payments are a far more valuable measure of the actual impact of the M/WBE program; payments are what matter to vendors and their bottom line. Accordingly, we've dedicated resources to C2 so we can document reporting and payments as they occur.

There are two methods for tracking and reporting payments: final contract close outs and real-time payments taking place during the course of a contract's life.

Since January 2013, projects with final contract values totaling \$166.4 million have been closed out. Of the total payments reported paid to minority- and women-owned businesses, 30 percent went to MBEs and 7 percent to WBEs (in 2012, 21 percent MBE and 5 percent WBE). The following numbers represent actual dollars reported as paid to M/WBE firms on those contracts that have been closed out. African American firms reported \$19.9 million or 12 percent (12 percent in 2012); Hispanics reported \$24.7 million or 15 percent (8 percent in 2012); Asian Americans reported \$4.8 million or 3 percent (1 percent in 2012) and Women (non-minority) reported \$10.9 million or 7 percent (5 percent in 2012).

An even more accurate measure of a moment in time is payments to date. This is the first year in which we have enough data to report this information. These payments, made against contracts between January 2013 and September 2013, totaled \$504 million. Of the total payments made during this period, 29 percent went to MBEs and 8 percent went to WBEs. The following numbers represent actual dollars paid to M/WBE firms: African Americans were paid \$54.2 million or 11 percent; Hispanics were paid \$63.1 million or 13 percent; Asian Americans were paid \$32.7 million or 6 percent; and Women were paid \$35 million or 7 percent.

Certification and Compliance

Since the responsibility for certification and compliance was moved to DPS in 2012, we have prioritized streamlining processes and creating efficiencies in these units. We have made significant strides towards achieving the 60 to 90 day processing time from receipt of completed applications by improved technology, additional training and staffing and improved communications.

Beginning in June 2013, DPS instituted a change to the certified vendors No Change Affidavit (“NCA”) process. Certified firms no longer receive annual certification letters. When a firm becomes certified (new applications or re-certifications) the certification letter will be valid for five years from the effective date of the certification. This change streamlined the process for vendors and created efficiencies within the department and has garnered very positive feedback from the vendor community.

Additionally, compliance is a pivotal component of DPS. It includes a three-step process, which begins with pre-award/goal setting, ongoing monitoring of the contract, and closing the contract. During the life of contracts, DPS monitors monthly payments to make sure prime contractors are meeting their minority- and women-owned business participation goals. We also check weekly to determine whether payrolls are being entered into the online system and perform unannounced site visits on certain construction contracts. Issues are addressed promptly and efficiently. Once construction contracts reach completion, we obtain final line item quantities from User Departments. Final quantities contain the final waivers of lien and the final numbers required to assess the contract. At this point, we are able to determine actual participation percentages and payments and assess penalties if necessary.

Reciprocity

DPS is constantly seeking ways for all minority- and women-owned businesses to partake in the contracting process. To that end, beginning in January 2013, the City of Chicago and Cook County implemented a reciprocal MBE/WBE certification program. This agreement allows potential M/WBE vendors to take advantage of both City and County bid opportunities without filling out two different applications.

Procurement Modernization/eProcurement

DPS has also been hard at work focusing on innovations and efficiencies to improve operations and the vendor experience. This year, DPS has made significant progress on the groundbreaking eProcurement/Modernization initiative. This program will increase transparency at all stages of the procurement process, generate cost savings from significantly reduced procurement cycle-times, reduce overall cost of goods and services

through strategic sourcing and enhanced vendor competition and create efficiencies and reduction of paperwork between DPS and City User Departments.

This initiative has four phases. The completed phases have increased bid transparency by ensuring that: all winning and losing competitive non-construction bids are posted online; all of the solicitation documents for bids are posted online; and all subcontractors, including M/WBEs proposed by each bidder, winning or otherwise, are also posted along with the bid tabulation on the DPS web site. DPS will post construction contracts and RFPs in the near future.

The most revolutionary phase of the initiative, implementing an eProcurement application, is well under way. Upcoming innovations and improvements include the electronic submission of bids and RFPs; ordering via electronic catalogs; strategic sourcing; electronic submission of invoices by vendors; vendor self-service inquiry on payments; electronic routing and approval of the contract packages during the signature cycle; and improved reporting and analytics.

In 2013, we have also made enhancements to existing programs.

Small Business Initiative

The Small Business Initiative is a program that creates jobs and opportunities in our neighborhoods. It provides a level playing field for small businesses to compete in the construction realm, an area in which larger companies are often at an advantage. The program is race and gender neutral, is exclusive to small businesses and is limited to construction projects that are under a predetermined dollar amount.

This year, in response to feedback from the small business community, the program has been divided into two tiers, SBI I and SBI II. This tiered system establishes standards that provide even greater opportunities for smaller businesses to compete for work. The first tier, SBI I, is for projects that are \$3 million in total cost or less, and can be bid by firms that do not exceed SBA size standards per NAICS code. The second tier, SBI II, is for projects that are \$2 million in total cost or less, and can be bid on by firms that do not exceed one half of the SBA size standards per NAICS code. Since the program began in 2012, we

have advertised 19 projects, and an additional three projects will be advertised before the end of the year.

Project Area Resident Ordinance

In 2013, City Council approved an ordinance that requires contractors performing on City construction contracts valued at \$100,000.00 or more to utilize residents surrounding the construction project area; at least 7.5 percent of all labor hours worked on the project site must be performed by local residents. This initiative will allow people in communities across Chicago to benefit not only from the construction projects and infrastructure improvements, but also from the jobs and economic impact of these projects.

Generating Revenue

In addition, DPS is also responsible for managing a revenue-generating unit that oversees the online auctions for the City of Chicago. In 2013, this program is on track to realize over \$3.2 million from auction proceeds and savings resulting from deferred disposal fees.

Communications & Outreach

Communication and outreach help to keep residents informed of new programs and innovations. In the last year, DPS has participated in over 120 events and workshops to provide businesses with information on the City's procurement process and business opportunities.

In January 2013, DPS hosted the first Construction Summit. More than 20 Chicago, Cook County and Illinois agencies participated to provide contracting opportunity information to a large number of firms. More than 300 people representing hundreds of construction companies, suppliers, and manufacturers received information on hundreds of construction projects with a total estimated bid value of over \$500 million dollars.

In June 2013, we hosted a Vendor Fair in which all the City Departments, Sister Agencies, and Assist Agencies collaborated to give small businesses information on upcoming contract opportunities. Subject matter experts in all disciplines were in attendance, providing an opportunity for potential bidders and businesses to ask questions and prepare for future contract bids.

DPS offers 13 different classes on procurement and certification related issues at no cost to the public. Through these classes, DPS shares knowledge on governmental contracting policies and procedures in order to increase the existing vendor pool and maintain transparency in contracting. Each class is offered a minimum of four times per year. In addition to the classes that are held at City Hall, DPS conducts meetings and gives educational presentations out in the field. DPS will continue to implement outreach programs throughout Chicago's business community in an effort to increase awareness of contracting opportunities for small, minority- and women-owned businesses and to provide information on certification and contract compliance.

DPS continues to release the City's Buying Plan, which outlines goods and services along with subcontracting opportunities that the City will be advertising for bid over the following 18 months. The Buying Plan is a great resource for firms looking to plan a bid, network or seek joint venture opportunities.

DPS Alerts

DPS sends out weekly email alerts to inform vendors and the public of bid opportunities, new programs, rules and regulations. Over 100 DPS Alerts are sent out annually to over 8,000 active users.

Whether evaluating and building on our past performance to strengthen small, minority- and women-owned businesses, implementing industry best practices, or harnessing cutting-edge technology to improve operations, transparency and the vendor experience, DPS will continue to push the envelope of standards in the public procurement sector. Please be assured that we remain committed to providing competitive, fair and transparent procurement services for the City of Chicago.

Respectfully Submitted,

Jamie L. Rhee
Chief Procurement Officer
City of Chicago

Procurement Services

2014 Budget Hearing

MBE/WBE Data

Period: 2013

Total Purchases: \$974,624

	MBE	WBE	Total MBE/WBE Purchases
WBE only	n/a	\$59,446 (6.1%)	
Asian	\$11,456 (1.2%)	\$0 (0%)	
African-American	\$575,103 (59%)	\$0 (%)	
Hispanic	\$0 (0%)	\$0 (0%)	
Total Spending	\$586,559 (60.2%)	\$59,446 (6.1%)	\$646,005 (66.3%)

Staffing Data

Department Ethnicity and Gender				
	Male	Female	Total	%
Asian	6	2	8	10
Black	12	28	40	53
Hispanic	2	6	8	10
White	10	11	21	27
Total	30	47	77	100

Department Managers Ethnicity and Gender				
	Male	Female	Total	%
Asian	2	-	2	13
Black	4	2	6	41
Hispanic	-	2	2	13
White	3	2	5	33
Total	9	6	15	100

New Hires Ethnicity and Gender				
	Male	Female	Total	%
Asian	-	1	1	7
Black	2	4	6	43
Hispanic	1	3	4	29
White	1	2	3	21
Total	4	10	14	100

Interns

School	Gender	Race
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

2013 - Department of Procurement Services

Deputy and Program Services Relationship

