

**CITY OF CHICAGO**  
**Department of Procurement Services**  
2016 Budget  
A Message from Jamie L. Rhee  
Chief Procurement Officer  
**October 9, 2015**

On behalf of the Department of Procurement Services (DPS), I would like to thank Chairman Austin and the members of the City Council for allowing us to present our 2015 accomplishments and key highlights for 2016.

Under the leadership of Mayor Emanuel and support of this Council, numerous initiatives have been put into place to benefit the business community, and are a result of our commitment to creating an unprecedented level of transparency, honesty, and accountability to the public in City government.

Chicago will reach its full potential when its diverse population is represented at the business table – when every hardworking citizen with the drive to succeed has a path to become an entrepreneur, and our doors are open to the entire business community, whether they are just starting out, or already growing and succeeding.

### **Creating a Pipeline to Success**

We have created a pipeline to grow the pool of businesses that participate in the business of government. We have entered into Service Agreements with our local non-profit assist agencies to provide training directly to businesses in their communities. We have issued grants to six agencies in the last year, with two additional grants in process. To date, they have provided over 100 hours of training in 36 unique training sessions. The topics covered in these sessions are critical to businesses interested in government contracting. They include core business skills, such as business plans and financial management, to intensive assistance with the preparation and submittal of applications to become certified as Minority-owned Business Enterprises and Women-owned Business Enterprises (M/WBEs). These efforts are paying off. To date, the program has assisted over 170 businesses, with 81 new businesses in the certification pipeline.

These new businesses are critical because one of our key objectives at DPS is to increase the diversity of the businesses that bid on and earn city contracts. A thriving minority- and women-owned business community is essential in a world-class city.

We continually partner with numerous local organizations that bolster our small businesses by providing training on core business skills, helping them build capacity and providing financial and bonding support. These include the World Business Chicago - Chicago Anchors for a Strong Economy, Goldman Sachs 10,000 Small Businesses, and the Small Contractor Bridge Program of the Chicago Community Loan Fund.

Since 2011, we have created 10 programs to increase the pool of bidders on City contracts, incentivize the use of small, minority and women-owned businesses, and build capacity of local businesses. These programs include the Diversity Credit Program, Veteran/Small Business Joint Venture Bid Incentive, Project Area Subcontractor Bid Incentive, and the Small Business Initiative.

### **Small Business Initiative**

The Small Business Initiative (SBI) is a program that creates jobs and opportunities in our neighborhoods. It provides a level playing field for small local 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 and very small businesses, and is limited to construction projects that are under a predetermined dollar amount.

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 or less in total cost and can be bid by firms that do not exceed size standards of the Small Business Administration (SBA) per area of specialty. The second tier, SBI II, is for projects that are \$2 million or less in total cost and can be bid on only by firms that do not exceed one half of the SBA size standards. Since the program began in 2012, we have awarded 35 contracts valued at over \$60 million to small local businesses, where they are gaining experience as prime contractors. DPS works closely with the City's user departments to continually develop new SBI projects, which are featured in our Quarterly Buying Plan.

### **Mid-sized Business Initiative**

To encourage continued growth, DPS is developing a new program, the Mid-sized Business Initiative (MBI). MBI is a race- and gender-neutral construction program for medium-sized local businesses to be exclusive bidders on construction projects valued between \$3 million (the project cost threshold for SBI) and \$10 million. A qualifying business must be a local business enterprise that is no larger than one and a half times the SBA's size standard in the area of specialty. All SBI-eligible businesses are also qualified to bid. MBI is designed to address concerns that opportunities for medium-sized local businesses are scarce, because these firms can neither qualify for SBI nor compete with large firms when bidding on projects. This program will be a complement to the Phased Graduation program, which assists vendors that have become successful and are graduating from the M/WBE Program, to support their continued growth.

We have heard the feedback, and continue to work to be responsive to our citizens and vendor community. Programs such as the ones listed above are designed to have a positive impact on businesses of all sizes, at each stage of their life cycle. The goal is to have a strategy in place for businesses that are emerging, established, or growing.

## **Participation**

We remain committed to the growth and development of small, minority- and women-owned business enterprises in the City of Chicago and we have pursued every opportunity to ensure that the City's procurement process remains fair, inclusive, diverse, and efficient. We are responsible for over 3,000 new, renewed and ongoing certifications of Minority-owned Business Enterprises (MBE), Women-owned Business Enterprises (WBE), Business Enterprises owned or operated by People with Disabilities (BEPD), Disadvantaged Business Enterprises (DBE) and Airport Concessions Disadvantaged Business Enterprises (ACDBE). Since 2012, when the responsibility for certification and compliance with the City's programs was returned to the Department, we have been dedicated to improving the process and experience for those firms that have applied for certification. We have also heightened our efforts to ensure compliance with our requirements by bringing an increased level of scrutiny to work in progress.

Because of advances in our online C2 System, including ongoing upgrades, through which contractors report (and subcontractors confirm) commitments, payments, and participation, we can now report payments as they occur.

These payments, made against contracts between January 2015 and August 2015, totaled \$828.7 million. This is compared to \$531.1 million in payments from January 2014 to September 2014. Of the total payments made during this year's period, 27 percent went to MBEs and six percent went to WBEs, as compared to 29 percent to MBEs and seven percent WBEs in 2014. African American firms were paid \$81.6 million, or 10 percent in 2015, as compared to \$61.7 million, or 12 percent, in 2014. Hispanic firms were paid \$115.5 million, or 14 percent, as compared to \$70.6 million, or 13 percent, in 2014. Asian American firms were paid \$37.0 million, or four percent, as compared to \$28.4 million, or five percent, in 2014. Finally, women-owned firms were paid \$36.4 million, or four percent, as compared to \$30.4 million, or six percent, in 2014.

Small, minority- and women-owned business participation in City contracts as prime, subcontractor or supplier continues to be a primary focus of this department, and part of everything that we do. Even in this challenging economic environment, payments to M/WBE firms have exceeded all of our goals mandated by ordinance. This underscores our commitment to ensuring that there is diverse representation in our vendor pool, one that reflects the communities around us. We consider these goals to be a floor, not the ceiling, and we will continue to strive to do better, for the good of all of Chicago.

## **Transforming Government through Collaboration**

By making our processes more streamlined, standardized, equitable, and transparent, we are not only creating an environment in which businesses of all sizes can flourish, but we are also becoming better stewards of taxpayer dollars.

In January 2014, under the leadership of Mayor Rahm Emanuel, DPS initiated a series of meetings with the City's sister agencies and invited County, State, and Federal government as well as the Affirmative Action Advisory Board and non-profit assist agencies representing the vendor community.

These meetings have grown into the Government Procurement Compliance (GPC) Forum, a strategic planning effort of working subcommittees tasked with researching and reviewing best practices and recommending solutions to shared challenges faced by small, minority- and women-owned businesses.

The GPC Forum includes over 60 participants made up of 30 government entities and non-profit assist agencies representing local small minority- and women-owned businesses. Assist agencies that have participated in this process include: Black Contractors United, Chatham Business Association, Chicago Urban League, Cosmopolitan Chamber of Commerce, Eighteenth Street Development Corporation, Far South Community Development Corporation, Federation of Women Contractors, HACIA, Illinois Hispanic Chamber of Commerce, Rainbow PUSH, Save Our Community Taskforce, South Shore Chamber, Inc., U.S. Minority Contractors Association, Women's Business Development Center, and Women Construction Owners and Executives.

The GPC Forum's mission is to "Drive bold, cross-agency improvements to make our region the benchmark for procurement, certification, and compliance processes that are streamlined, standardized, equitable, and transparent." To this end, the group has coordinated outreach efforts, established a common SharePoint site to share best practices, and launched the first consolidated Buying Plan, which includes information about upcoming contracting opportunities for not only the City of Chicago, but also for nine additional government procurement agencies.

To further enhance the Mayor's collaboration initiative, an extension of the GPC Forum was established in May 2015. The Procurement Reform Task Force (PRTF) was formed to develop recommendations to make procurement and contract management at the City and its sister agencies more uniform, efficient, and cost effective, while increasing accountability. It is co-chaired by Inspector General Joe Ferguson and the CPO, and its goal is to distinguish successful practices, identify areas for improvement, and promote a greater level of uniformity across City government and the Sister Agencies.

### **Revolutionizing how business is done through technology**

DPS, together with the Department of Innovation and Technology and the Department of Finance, has been hard at work to transform contract administration operations and the overall vendor experience. This year, significant progress has been made on the groundbreaking eProcurement/Modernization initiative.

This initiative will increase transparency at all stages of the procurement process, generate cost savings from significantly reduced procurement cycle-times, and reduce

overall cost of goods and services through strategic sourcing and enhanced vendor competition. The most revolutionary phase of the initiative, implementation of eProcurement functionality, is well under way. Upcoming innovations and improvements include the electronic submission of bids and RFPs, electronic routing and approval of the contract packages during the signature cycle, and improved reporting and analytics.

DPS engaged the services of an MBE certified firm from the IT Master Consulting pool to assist with business process analysis. We took this step to ensure that the project is done correctly from the beginning, and have laid the groundwork by working with each of the City's user departments to make sure that their needs are incorporated into this Citywide initiative. Next steps include a pilot program of the system to five user departments in the fourth quarter of 2015. Phase 2 of the implementation will immediately follow and will continue until all departments go live on the system in 2016.

### **Generating Revenue**

Another example of our ongoing effort to utilize technology and maximize taxpayer savings is our management of the City's revenue-generating online surplus auction program. In 2015, this program is on track to realize our goal of \$2.0 million from auction proceeds and savings resulting from deferred disposal fees. This is the equivalent of 28% of our department's total budget.

Over the past four years, DPS has worked with the user departments to identify any possible surplus or decommissioned items that can be auctioned in order to maximize this revenue stream. Items range from old calculators, obsolete copier toner, and dog cages on the low end, to solar panels, recycling bailers, and construction equipment on the high end. Since 2011, the sale of city surplus items has generated over \$14 million in revenue.

The online auction program also saves the City money. The online auctions allow the City to sell unneeded surplus items that would otherwise be disposed of at a cost. The savings realized from the lack of disposal costs totals over \$200,000 for 2014 and 2015.

### **Staying Involved: Training & Outreach**

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

We continually strive to increase access to resources and education to Chicago's citizens. In 2015, the City's Bid & Bond Room moved to Room 103 of City Hall to be more easily accessible to the public. This move has made it easier for businesses to pick up or drop off bids and learn about upcoming opportunities to do business with the City. The build-out included some exciting new features to serve our citizens. The Bid & Bond Room has been outfitted with full video and livestreaming capability to allow anyone to view bid openings and workshops from their work or home computers or mobile devices, providing even greater transparency and accessibility.

DPS expanded its workshop roster to 15 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. In addition to the classes that are held at City Hall, DPS conducts meetings and gives educational presentations out in our communities. 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.

These events can be viewed on our newly created YouTube Channel, which, in addition to the livestream events listed above, will feature educational videos about numerous topics related to doing business with the City of Chicago, the certification of minority- and women-owned businesses and business enterprises owned or operated by people with disabilities, and contract compliance. The series of 21 videos will span subjects ranging from procurement basics to compliance documentation and innovative programs, such as the Veteran/Small Business Joint Venture and Project Area Subcontract Bid Incentive.

Please be assured that we remain committed to providing competitive, fair, and transparent procurement services for the City of Chicago. We encourage everyone to go online and read about our programs, visit our offices, and use our resources. There is no better time than now for the citizens of Chicago to grow their businesses and build a better future. We look forward to supporting all who are working to make that future a reality.

We will continue to brief the aldermen on progress and the latest developments at DPS, as we have done this year by providing quarterly updates. We have included information and materials for distribution to the wards, such as the Buying Plan, Vendor Compliance Resource Guide, and flyers about upcoming events and free workshops.

Respectfully Submitted,

Jamie L. Rhee

Chief Procurement Officer

City of Chicago

# Procurement Services

# 2016 Budget Hearing

## MBE/WBE Contracting Data

Period: 1/1/15 – 8/31/2015

Total Purchases: \$1,066,956

<u>MBE/WBE Spend</u>	
WBE Only:	\$750 (.07%)
Asian MBE:	\$352,980 (33.08%)
African-American M/WBE:	\$581,563 (54.51%)
Hispanic M/WBE:	\$43,170 (4.05%)
<b>Total MBE/WBE Purchases:</b>	<b>\$978,463 (91.7%)</b>

## Staffing Data

<u>Department Ethnicity and Gender</u>				
	Male	Female	Total	%
Asian	5	3	8	10
Black	13	29	42	52
Hispanic	3	6	9	11
White	10	12	22	27
<b>Total</b>	<b>31</b>	<b>50</b>	<b>81</b>	<b>100</b>
	38%	62%		

<u>New Hires Ethnicity and Gender</u>				
	Male	Female	Total	%
Asian	0	1	1	9
Black	3	3	6	55
Hispanic	1	1	2	18
White	0	2	2	18
<b>Total</b>	<b>4</b>	<b>7</b>	<b>11</b>	<b>100</b>
	36%	64%		

<u>Department Managers Ethnicity and Gender</u>				
	Male	Female	Total	%
Asian	1	0	1	10
Black	3	0	3	30
Hispanic	0	2	2	20
White	3	1	4	40
<b>Total</b>	<b>7</b>	<b>3</b>	<b>10</b>	<b>100</b>
	70%	30%		

## Interns

School	Gender	Race
<u>Northwestern Law (interviewed)</u>	<u>Female</u>	<u>White</u>
<u>DePaul (interviewed)</u>	<u>Male</u>	<u>Hispanic</u>
<u>One Summer</u>	<u>Female</u>	<u>Black</u>

# Department of Procurement Services

## Programmatic Organizational Chart

