

## **CITY OF CHICAGO**

### **Department of Procurement Services**

2017 Budget

Jamie L. Rhee, Chief Procurement Officer

**October 28, 2016**

On behalf of the Department of Procurement Services (DPS), I would like to thank Mayor Emanuel, Chairman Austin, Vice Chairman Ervin and the members of the City Council for allowing us to present our 2016 accomplishments and key highlights for 2017.

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

We also have a responsibility to address the needs of our underserved populations and communities. Every argument for curbing violence results in leaders seeking solutions to provide an outlet or opportunities to change the status quo.

I firmly believe that every facet of government can contribute to this positive change. Just as the Mayor and City Council challenge us to identify creative solutions, I ask myself and my staff on a daily basis: What can we do? How can we help? How can procurement make an impact on our neighborhoods, our small, minority and women-owned businesses, and on our citizens?

In an effort to address these issues, within this last year, DPS introduced or passed a record number of ordinances and programs. These initiatives are designed to impact our residents and businesses at all levels.

We believe that 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.

### **M/WBE Support**

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).

This year, we passed an ordinance providing a bid incentive of up to two percent for M/WBE utilization for contracts in which fewer than three M/WBEs are certified in the subcontracting areas. This encourages primes contractors to utilize M/WBEs above and beyond the times when goals are assigned.

We also extended the City's M/WBE Construction Program until 2020 and for the first time since the inception of the Program, expanded its participation goals. Under the ordinance, the program's goals for construction projects have increased to 26 percent minority-owned business (from 24 percent) and six percent women-owned business (from four percent).

Since 2012, when the responsibility for certification and compliance with the City's programs was returned to the Department, we have been tracking the fulfillment of these goals. Because of advances in our online C2 System, including ongoing upgrades, through which contractors report (and subcontractors confirm) commitments, payments, and participation, we have the ability to report payments as they occur. We are continually enhancing the system, training vendors and conducting outreach to ensure that we are able to process more payments to the vendor community.

These payments, made against contracts between January 2016 and September 2016, totaled \$1.11 billion. Of the total payments made during this year's period, \$391 million, or 35 percent, went to MBEs and \$91.7 million, or eight percent, went to WBEs. African American firms were paid \$120.6 million, or 11 percent in 2016; Hispanic firms were paid \$182.5 million, or 16 percent; Asian American firms were paid \$112.7 million, or 10 percent; women-owned firms were paid \$66.8 million, or six percent.

At last year's budget, we were able to report the breakdown of \$828.7 million in payments from January 2015 to August 2015. Of these payments, \$221.4 million, or 27 percent, went to MBEs, and \$49.1 million, or six percent, went to WBEs. African American firms were paid \$81.6 million, or 10 percent; Hispanic firms were paid \$115.5 million, or 14 percent; Asian American firms were paid \$37 million, or four percent; women-owned firms were paid \$36.4 million, or four percent.

Small, minority and women-owned business participation in City contracts as primes, subcontractors or suppliers 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.

### **Building Capacity**

The Mid-sized Business Initiative, new this year, allows small and mid-sized local construction firms to be exclusively eligible to bid on construction projects valued

between \$3 million and \$10 million. This expands on the successful Small Business Initiative (SBI) 1 and 2 construction programs, which allow small local firms to be exclusively eligible to bid on projects valued at \$3 million or less. To date, 38 projects valued at over \$67 million dollars have been awarded exclusively to small business.

We also added the ability for the City to enter into multiple contracts for a single solicitation. This will create opportunity for contractors to participate in projects and avoids waste by not having to bid the contract multiple times or issue emergency bids.

In addition, an ordinance now authorizes the City to limit the number of contracts awarded to a single contractor for specifications where the City is divided into multiple geographic locations. This measure protects the City from contractors that overextend themselves, and provides another method to increase the diversity of contractors participating in City contracts.

## **Recognizing Veterans**

Another way for the City to be inclusive of the communities we serve is to recognize our Veteran community for their service. We have given presentations to the City of Chicago Advisory Council on Veterans and regularly brief the Illinois Chapter of the Elite Service-Disabled Veteran-Owned Business Network about our incentive program and opportunities for local veteran-owned businesses. And for the first time, at the 2016 Vendor Fair, we created an exhibit section for organizations serving veteran-owned businesses, and a dedicated workshop panel on veteran issues.

This year, DPS expanded the five percent bid incentive benefitting joint ventures of veteran-owned businesses and small, local businesses. An amendment allowed eligibility for the five percent bid incentive to small, local businesses that are also veteran-owned without requiring the joint venture.

In addition, the ordinance recognized small local veteran firms participating on a subcontractor level. It provides a bid incentive of up to two percent of the contract base bid amount for the utilization of veteran-owned subcontractors on construction contracts.

## **Employment/Local Preferences**

We have introduced bid preferences to support all our City residents by encouraging City contractors to hire locally, with an additional incentive to hire City residents who reside in socio-economically disadvantaged areas most in need.

To this end we have expanded our Equal Employment Opportunity Bid Incentive, raising the maximum commitment to utilize labor hours provided by minority and female journeyworkers, apprentices, and laborers from 50 percent and 10 percent to 70 percent and 15 percent, respectively, and providing for 150 percent credit for hours worked by workers who are residents of socio-economically disadvantaged areas.

This builds on a movement to encourage access to good quality jobs for all of our residents who are looking to positively contribute to Chicago's economy. Under the Apprentice Utilization Bid Incentive we have expanded eligibility to all graduates of high schools operated by CPS.

We have also implemented a bid incentive designed to encourage City construction contractors to sponsor ex-offenders into apprenticeship programs for their contracts. By offering this incentive to City contractors, we will work to support individuals who were previously incarcerated but are re-entering the workforce and making efforts to obtain ongoing education and training. As the contracting authority for the City of Chicago, it is our commitment to ensure that people from communities from across our city benefit from the jobs created by construction projects and infrastructure improvements.

## **Compliance**

To ensure that we continue to support the vendors who are deserving and honest, we track the compliance of MBE/WBE/DBE, Chicago Residency Ordinance (CRO), Equal Employment Opportunity (EEO), and Project Area Resident work hours. DPS conducts hundreds of announced and unannounced site visits each year to monitor these commitments.

To aid in the enforcement of local and federal regulations, dedicated Field Analysts were hired to conduct field site visits of all construction sites, both federally and non-federally funded. The analysts verify, monitor, and document compliance with MBE/WBE/DBE, City residency, local hiring, and EEO requirements. The analysts observe and interview business owners and employees to gather the information necessary to verify program requirements, compliance goals, and to ensure that vendors are honoring their commitments and meeting their obligations to Chicago's taxpayers. Annually, the Field Analysts conduct approximately 350 announced, unannounced and pre-award construction and certification site visits.

From day one, it has been our priority that Chicago residents benefit from the jobs and economic impact of City projects taking place throughout Chicago's diverse communities. We are maintaining a leadership role in the development of consistent contracting procedures and compliance policies. Compliance is critical to ensure that vendors are honoring their obligations to Chicago's taxpayers.

To this end, we have implemented automatic debarment of individuals and business entities for indictments or convictions involving fraud, bribery, or dishonesty, regardless of if the debarment was issued by the City or another government entity. This is consistent with the Procurement Reform Task Force's recommendation that the City and sister agencies seek to establish reciprocal debarment with one another.

Here at DPS, we have made a commitment to monitoring and enforcing fair vendor practices for the benefit of our taxpayers. We continue to educate our staff and user departments to abide by the City's compliance rules so that the vendor community is clear on the regulations, processes and expectations. As the stewards of taxpayer dollars, integrity, public trust and the law are our guiding principles.

### **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 for Chicago's citizens. We moved the City's Bid & Bond Room 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 18 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 Incentives.

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