

**CITY OF CHICAGO**  
**Department of Procurement Services**  
**2020 Budget Hearing November 1, 2019**  
Shannon E. Andrews, Chief Procurement Officer

Good Afternoon. I would like to thank Mayor Lightfoot, Chairman Dowell, Vice Chairman Silverstein and the members of the City Council for allowing me to present on behalf of the Department of Procurement Services.

DPS has worked diligently over the years to identify and implement processes that are more streamlined, standardized, equitable and transparent. We continually work to be better stewards of taxpayer dollars by creating and implementing a procurement process in which businesses of all sizes can be successful. DPS will continue its work to promote the core values of Mayor Lightfoot's administration: Transparency, Accountability, Diversity & Inclusion, Equity and Transformation.

We are recommitting to identifying strategic methods to create efficiencies and to mitigate barriers to bidding for the vendor community. We are working on expanding access to the M/WBE Program, increasing the diversity of firms bidding on City contracts and developing educational and training resources to bridge the gap between potential and actual bidders.

We do this work as a part of a much larger community of stakeholders that includes assist agencies, elected officials and business owners. Engagement of our partners is critical to our efforts to advance entrepreneurial equity and inclusion. DPS is an agent of economic development by creating opportunities for Chicago's vendor community and the City's residents, by requiring and prioritizing local hiring as well as providing incentives and opportunities to firms at all stages of growth.

### **Transparency & Accountability**

As a part of streamlining the contracting process to advance transparency and accountability, the Procurement Reform Task Force (PRTF) continues the important work of implementing recommendations to improve procurement and contract management at the City and its Sister Agencies. Specifically, efforts to ensure that City contracting is more uniform, efficient and cost effective, while increasing accountability, continue to be key priorities.

As you know, the PRTF issued a report in November 2015 with detailed findings and recommendations for reforming City-wide procurement policies and practices. In January 2016, City Council passed an ordinance for an intergovernmental agreement (IGA) for all Participating Members (CCC, CHA, Parks, CPS, CTA and PBC) to work cooperatively and implement the recommendations. The PRTF continues to provide quarterly status reports to the Mayor, an annual progress report to City Council and a public hearing in City Council. In addition, the IGA required that the Office of the Inspector General (OIG) make an annual independent evaluation of progress.

DPS continues to work with the City's information technology unit, Sister Agencies and the OIG to work towards completion of outstanding recommendations. In addition, DPS will take a leadership role in furthering the core principals of this initiative to ensure that future collaborative opportunities are captured and capitalized upon. One such avenue for cooperation is the identification of joint procurement opportunities, whose economies of scale would benefit participating agencies.

Additionally, under Mayor Lightfoot's leadership, DPS has worked to develop reporting mechanisms that will allow the City to report M/WBE participation on contracts on a scheduled basis. In an effort to build on a foundation of transparency, DPS will be posting quarterly reports about the utilization of MBE and WBE firms on contracts awarded by DPS on the City's Open Data Portal. This enhanced reporting schedule will give residents and stakeholders insight into the state of payments to MBE and WBE firms, which impacts the local economy. The reporting will include summary data that delineates payments for both construction and non-construction contracts and the amount and percentage that were received by MBE and WBE firms. This effort highlights our commitment to share information about the operations of the procurement process, and work towards the objective of openness in government.

### **Diversity & Inclusion: M/WBE Certification & Participation**

As the certification arm for the City, we are responsible for approximately 3,400 new, renewed and ongoing certifications of Minority-owned Business Enterprises (MBE), Women-owned Business Enterprises (WBE), Veteran-owned Business Enterprises (VBE), and Business Enterprises owned or operated by People with Disabilities (BEPD), as well as approximately 975 new and ongoing certifications of Disadvantaged Business Enterprises (DBE) and Airport Concessions Disadvantaged Business Enterprises (ACDBE).

The City's MBE/WBE Construction Program which is governed by Section 2-92-650 *et seq.* of the Municipal Code of Chicago is scheduled to sunset on December 31, 2020. By law, renewal of the ordinance must be based on evidence of discrimination in the marketplace. DPS is currently working with the Department of Law to facilitate a disparity study which will include statistical analysis and anecdotal evidence. These activities will take place to ensure we can defend the constitutionality of this program, which has true economic impact for our local residents.

As provided by City ordinance, it is the aspirational goal of the City to award at least 26% of the annual dollar value of all construction contracts to MBEs and 6% of the annual dollar value of all construction contracts to WBEs. This is achieved by setting contract-specific participation goals and through race- and gender-neutral methods such as our Small Business Initiative (SBI) program.

Construction payments, made between January and September 2019, totaled \$583 million. Of the total payments made in this period, \$160 million, or 27%, went to MBE firms and \$28 million, or 5% to WBE firms. African American firms were paid \$40 million, or 7%; Hispanic firms were

paid \$89 million, or 15%; Asian American firms were paid \$45 million, or 8%; and women-owned firms were paid \$16 million, or 3%.

Projects that are in the non-construction realm have different goals, as set by ordinance. It is the goal to award not less than 25% of the annual dollar value of non-construction contracts to MBEs and 5% of the total dollar value of non-construction contracts to WBEs. In order to achieve these goals, DPS, with the assistance of our User Departments, sets contract specific goals on all non-construction projects over \$10,000. Goal-setting allows the User Departments to look for meaningful opportunities available for minority and women-owned businesses to participate on a direct basis.

For non-construction projects, payments totaled \$542 million. Of those payments, \$119 million, or 22%, went to MBE firms and \$33 million, or 6% to WBE firms. African American firms were paid \$46 million, or 9%; Hispanic firms were paid \$47 million, or 9%; Asian American firms were paid \$40 million, or 7%; women-owned firms were paid \$19 million, or 3%.

### **Diversity & Inclusion: Tracking Workforce Impact**

We also continue to track economic impact for local individuals and businesses. With this Council's leadership, programs have been developed to support all of our City residents by requiring and incentivizing City contractors to hire locally.

The Chicago Residency Ordinance requires that 50% of the total work hours on non-federally funded City construction projects with a value of \$100,000 or more be performed by City residents. Our three-year average is 52% of all labor hours being provided by City residents.

Contractors are also required to utilize residents from the surrounding construction project area for 7.5% of these labor hours. The aim of this requirement is to ensure residents of the community where a City construction project is taking place have the opportunity to work on that project. Of 90 active construction projects, the Local Residency Requirement is trending at 19% project area utilization.

We also reward the creation of job opportunities, especially in socio-economically disadvantaged areas. The Equal Employment Opportunity (EEO) bid incentive increases job opportunities for minority and female workers on all City-funded construction projects and boosts hiring from underserved areas by allowing contractors to receive 1.5 hours of credit towards EEO commitments for each hour worked by residents from socio-economically disadvantaged areas. It was designed to target job growth for disadvantaged populations and ensure that the City is spending its funds within its own communities.

For the period from January to September 2019, there were nearly 404,000 hours performed by minorities and over 35,000 hours performed by females in the categories of journeymen, apprentices and laborers. Of the total hours performed, minority workers made up 58% of the

journeyworkers, 65% of the apprentices, and 71% of the laborers. Female workers made up 5% of the journeyworkers, 17% of the apprentices and 4% of the laborers.

### **Accountability: Contract Compliance**

Monitoring vendor obligations to our taxpayers remains a key priority for this department. Because monetary damages were previously taken out of retainage, which has been eliminated from City construction contracts, the DPS Compliance Unit works diligently to maintain vendor accountability by monitoring and enforcing Equal Employment Opportunity, Chicago and Local Residency Ordinance, and MBE/WBE obligations.

To monitor compliance, the team conducts scheduled and unannounced site visits to various job sites throughout the City. Through October 6, 2019, DPS field analysts conducted 490 site visits, an over 20% increase over last year. While onsite at construction locations, the compliance team thoroughly inspects the job site, interviews workers and documents their findings. There are consequences for vendor non-compliance. In addition to the assessment of damages for failure to meet contractual these commitments, primes can be subject to a finding of non-responsibility, prohibiting them from bidding in the future.

### **Equity through Public Engagement: Strategic Partnerships**

DPS has formed strategic collaborations to ensure that the City of Chicago is a place where businesses in all of 77 communities have an opportunity to be successful. Building strategic partnerships paired with implementing innovative and supportive strategies to promote the competitiveness of entrepreneurs will create an environment where businesses will flourish.

When our small local businesses succeed, we all succeed. DPS continues to work to identify methods to create efficiencies and mitigate pain points that have been identified by the vendor community through our engagement efforts. One key area is the City's payment process. We are working with the Comptroller's Office on a strategy for a streamlined, City-wide payment process and will identify ways that the City can assist and support improvements to payment-related issues for MBE and WBE firms participating as both primes and subs.

We will also build on the key educational resources offered by DPS with four new or revised publications dedicated to the essential areas of procurement, certification and compliance. This 4-volume set will include: 1) Procurement Fundamentals Handbook, 2) Bid Incentives and Programs Guide, 3) Guide to Certification and a 4) Vendor Compliance Resource Guide. This series

of resources will address issues for firms at all stages of their life cycle – whether the business is just starting out or is a seasoned firm.

In addition to foundational educational materials and a robust workshop program that covers procurement, certification, and compliance, DPS will embark on the establishment of a specialized training program for the vendor community. This pilot program will be designed to target MBE and WBE certified firms in industry areas where future opportunities have been identified, to assist in providing the tools needed to move from theoretical to actual bidders on City contracts. In addition to internal subject matter experts, external partners will provide training on areas specific to the challenges many smaller vendors face, such as capacity building and access to capital. The plan is to conduct two cohort programs per year, customizing content for construction and non-construction firms.

DPS recognizes the economic impact of City contracting, and that opportunities extend beyond direct contracts, and can be life-changing for job seekers as well. As such, we are a part of the newly formed Chicago Construction Careers Council, which aims to ensure that the residents of this City are provided the employment opportunities that will be generated as a result of the emergent construction boom in the region. The council will shape policies, contracting practices, and community outreach in order to help contractors meet hiring requirements with ready individuals, and invest in programs to meet these emerging needs.

### **Training & Outreach**

DPS continues to be committed to training and outreach, which is integral to ensuring all interested parties have access to information on bid opportunities, new programs, and innovations. New in 2019, DPS introduced a “First Look” workshop series that gives the vendor community access to User Department subject-matter experts from the Departments of Transportation and Water Management. Sessions like these arm vendors with information and provide access to departmental expertise, assisting them as they seek to bid on, and earn, City contracts. The “First Look” workshops will grow in 2020, featuring different departments and their spectrum of opportunities for businesses of all sizes and industries.

We will also be adding workshops that target issues for the vendor community, and work to develop curriculum to address the concerns firms face at varying stages in their growth cycle. Top priorities include access to capital and financing and the joint-venture and strategic partnering that can open up potential opportunities.

In addition to our DPS Alert email newsletter subscriber list, which has over 11,000 subscribers, we also post updates on social media about new bid opportunities, events, free workshops, and other areas of interest to the vendor community. Interested individuals can follow us on two platforms: Facebook ([www.facebook.com/ChicagoDPS](http://www.facebook.com/ChicagoDPS)) and Twitter (@ChicagoDPS) for the latest information. DPS also maintains a YouTube Channel with livestreaming capability, designed to bring additional transparency to the procurement process. The DPS YouTube Channel ([www.youtube.com/ChicagoDPS](http://www.youtube.com/ChicagoDPS)) broadcasts all City of Chicago bid openings. This is beneficial

for small business, because they can save time and money by being able to view bid openings from their office computers or mobile devices. We also broadcast DPS workshops, as well as educational videos about procurement, certification, compliance, and eProcurement.

Under Mayor Lightfoot's leadership, we are excited to work with the newly established City Council Committee on Contracting Oversight and Equity as well as the Office of the Chief Equity Officer to identify new strategic initiatives in an effort to continue to address issues and concerns of our small, local businesses, including our MBE, WBE, VBE, and BEPD vendor community, and to provide information vital to their success.

We look forward to supporting all who are working to make Chicago's economic growth a reality. We will continue to brief the Aldermen on continuing progress and the latest developments at DPS, as we have done this year by providing quarterly updates. We welcome the opportunity to tailor specialized trainings and attend events to promote City resources and provide education about how to participate in the business of Chicago.

I look forward to working with all of you on continuing the hard work to identify and find solutions to new challenges as they arise.

Respectfully Submitted,

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City of Chicago