



Overview and Status Report Diversity & Strategic Development

Gustavo Giraldo, April 26, 2012

Purpose

- ▶ **Diversity & Strategic Development Department**
 - ▶ Building on existing processes and programs
 - ▶ Outreach to listen and learn
 - ▶ Objectives and goals
- ▶ **Goals to Enhance Diversity**
 - ▶ Contractor and vendor diversity
 - ▶ Unbundling
 - ▶ Bonding and insurance
 - ▶ Technical assistance
 - ▶ Contractor workforce diversity
- ▶ **Looking Ahead**

A New Department

- ▶ Created department with new Chief to elevate and enhance diversity function
- ▶ Department activities complete or in progress
 - ▶ Improving policies and procedures
 - ▶ Collecting additional marketplace data
 - ▶ Considering Small Business Program

Areas of Focus

- ▶ Customized Disadvantaged Business Enterprises (**DBE**) Program
- ▶ Mentor-Protégé Program (professional services)
- ▶ Equal Employment Opportunity (**EEO**) Program
- ▶ Earned Credit Program (**ECP**) (construction)
- ▶ Business Enterprise Program (**BEP**)
- ▶ Conducting and attending outreach / networking events

Outreach to Listen and Learn

▶ Meetings with 20+ organizations

- American Council of Engineering Companies
- American Society of Civil Engineers
- Arab-American Architects & Engineers Association
- Association of Asian Construction Enterprises
- Chatham Business Association
- Chicago Urban League
- Chicago Women in Trades
- Federation of Women Contractors
- Hispanic American Construction Industry Association
- Illinois Hispanic Chamber of Commerce
- Illinois Black Chamber of Commerce
- Illinois Road and Transportation Builders Association
- Joliet Black Chamber of Commerce
- Lake County Black Contractors
- Latin American Chamber of Commerce
- Puerto Rican Chamber of Commerce
- Rainbow PUSH Coalition
- South Shore Chamber of Commerce
- Suburban Minority Contractors Association
- United Kingdom Builders
- Women Contractors & Construction Owners
- Women's Business Development Center

▶ Develop improvements and new approaches based on feedback from the industry and DBE community

What We Heard

- ▶ Contract size inhibits small business bidders
 - ▶ Unbundling – by size and scope
 - ▶ Targeted contracts of \$5M or less
 - ▶ Pipeline to growth
- ▶ Bonding and insurance hurdles
- ▶ Training and technical assistance
- ▶ Flexibility in diversity programs
- ▶ Quicker construction change order payments
- ▶ Communicate opportunities

Objective & Goals

OBJECTIVE

To increase access to economic opportunities for minority- and women-owned and disadvantaged businesses, as well as disenfranchised individuals.

GOALS

Increase Access to Economic Opportunity

Build Capacity and Training and Technical Assistance

Create Effective Partnerships

Foster Transparency and Accountability through Efficient Communication

Linking Suggestions to Goals

- ▶ **Increase Access to Economic Opportunity**
 - ▶ Contract size considerations / Unbundling
 - ▶ Bonding and insurance considerations
- ▶ **Building Capacity**
 - ▶ Training and technical assistance
- ▶ **Creating Effective Partnerships**
 - ▶ 3rd party cooperation/communications/events
 - ▶ Special task forces
- ▶ **Fostering Transparency & Accountability**
 - ▶ Publish schedule of all upcoming procurements
 - ▶ Web enhancements

Goals to Enhance Diversity and Opportunities

- ▶ **Contractor and Vendor Diversity**
 - ▶ Unbundling
 - ▶ Bonding and Insurance
 - ▶ Training and Technical Assistance
- ▶ **Worksite Diversity**
 - ▶ Local and national best practices

Unbundling – What and Why

- ▶ **Goal - increase opportunities for small contractors**
 - ▶ Range of job sizes creates broader vendor opportunities
 - ▶ Increase opportunity to become prime on general contractor and specialty contracts
- ▶ **Mainly focused on construction**
- ▶ **Must be realistic within the bounds of safety and efficient delivery/administration**
 - ▶ Example: I-90 project (61.5 miles) in \$5M construction increments would = 166 construction contracts annually
 - ▶ 234 construction contracts to date for CRP (7+ years)

Unbundling - History as Context

- ▶ Tollway already procures many small contracts
 - ▶ CRP **professional service** contracts of \$0-5M = 80.4% of contracts and 42.9% of dollars

Professional Services Contract Summary					
Contract Awarded Amount Range	Counts		Amount		# of Unique Prime Vendors
	#	% of Total	\$	% of Total	
\$0-\$5M	238	80.41%	\$394,094,244.07	42.96%	102
\$5MM-\$10M	47	15.88%	\$330,428,080.41	36.02%	33
\$10MM-\$20M	10	3.38%	\$135,293,627.42	14.75%	9
>\$50M	1	0.34%	\$57,436,089.74	6.26%	1
Totals:	296		\$917,252,041.64		

Unbundling - History as Context

- ▶ CRP **construction** contracts of \$0-5M = 40.1% of contracts and 4.12% of dollars

Construction Contract Summary					
Contract Awarded Amount Range	Counts		Amount		# of Unique Prime Vendors
	#	% of Total	\$	% of Total	
\$0-\$5M	94	40.17%	\$172,318,317.29	4.12%	42
\$5MM-\$10M	28	11.97%	\$196,428,982.60	4.70%	15
\$10MM-\$20M	22	9.40%	\$331,425,112.25	7.93%	13
\$20MM-\$30M	33	14.10%	\$831,303,642.25	19.88%	21
\$30MM-\$40M	26	11.11%	\$894,960,854.65	21.40%	15
\$40MM-\$50M	15	6.41%	\$682,340,315.56	16.32%	9
>\$50MM	16	6.84%	\$1,073,156,255.02	25.66%	11
Totals:	234		\$4,181,933,479.62		

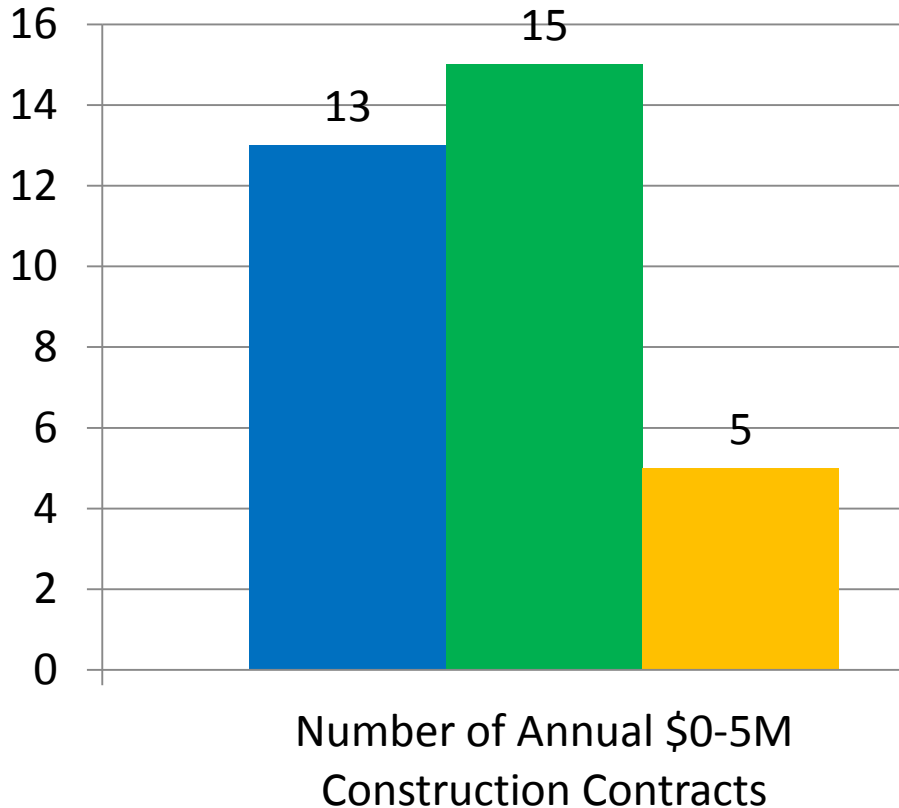
Creating More Opportunity

- ▶ **Contract size is only one business consideration for small contractors**
- ▶ **Location is important factor**
 - ▶ Small firm located in Cook County unlikely to bid on small contract in Boone County
 - ▶ Contractors can submit more competitive bids for jobs close to where they're already working
- ▶ **Type of work**
- ▶ **Need strategic approach that considers all factors**

Unbundling – Procurement Challenges

- ▶ Significant challenge to unbundling effort
- ▶ More contracts = more exposure to procurement delays
 - ▶ Numerous, small and narrowly scoped contracts = **greater risk** of procurement delays
 - ▶ Fewer, large, broad contracts with longer durations = **less risk** of procurement delays
- ▶ Early delays cause ripple effect
- ▶ Losing a full year of construction could result in \$500M cost increase over life of program

Number of Small Contracts - Typical Year

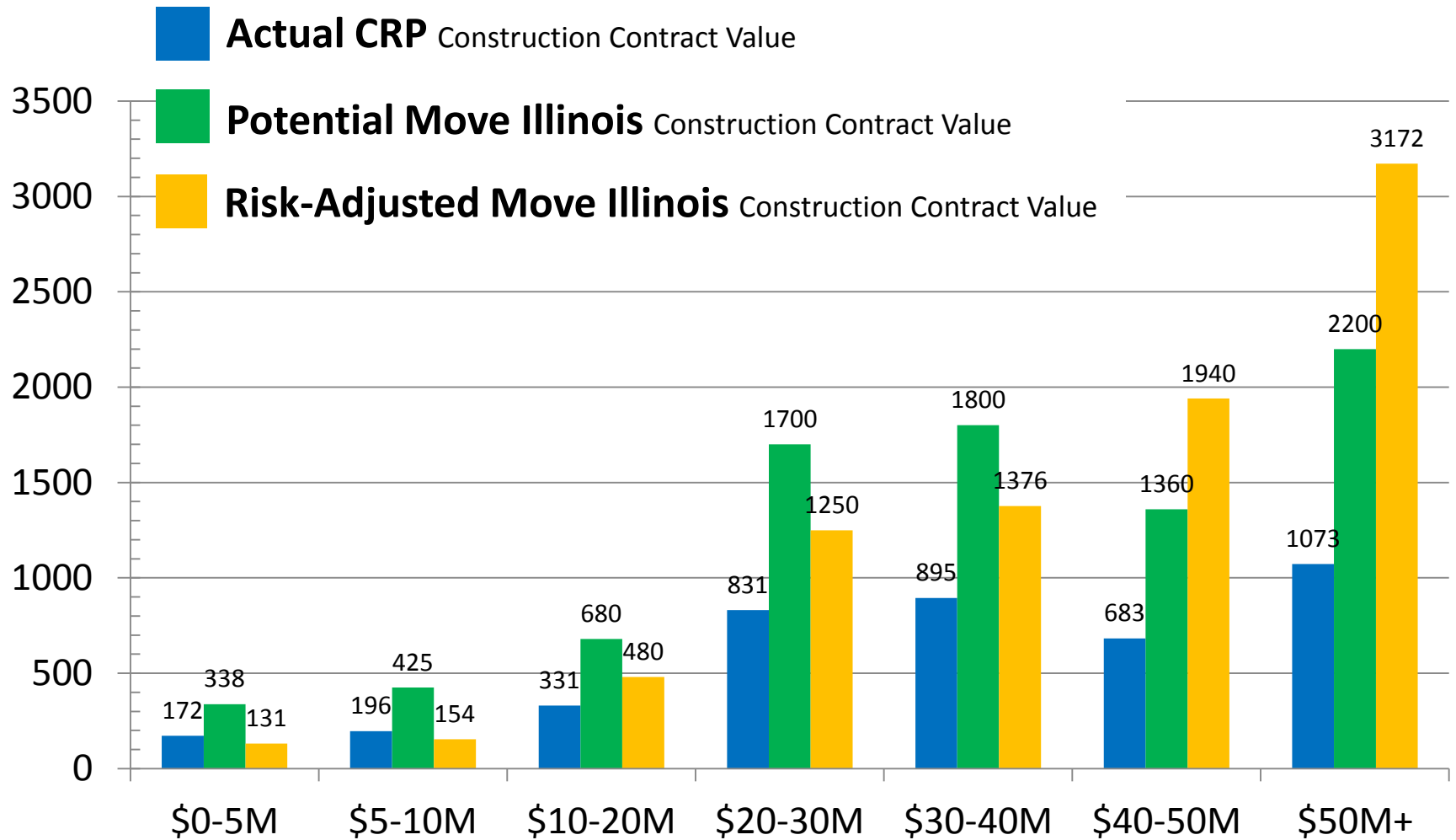


- **Actual CRP**
 Number of \$0-5M CRP Construction Contracts in typical (\$1B) year

- **Potential Move Illinois**
 Potential Number of \$0-5M Move Illinois Construction Contracts in typical (\$1B) year

- **Risk-Adjusted Move Illinois**
 Potential Number of \$0-5M Move Illinois Construction Contracts in typical(\$1B) year accounting for procurement risks

Value of All Construction Contracts



Strategic Approach Moving Forward

- ▶ **Address procurement challenges**
- ▶ Continued coordination between Engineering and Diversity to define and **communicate opportunities** with consultants and contractors
- ▶ Consider a **formal small business program**

Bonding and Insurance

- ▶ **Goal – expand pool of small contractors**
- ▶ Many community suggestions made
- ▶ Assessments
 - ▶ Trust indenture requirements
 - ▶ Technical and administrative considerations
 - ▶ Private market forces
- ▶ Collaborative effort between Finance, Risk and Law Departments to review and develop recommendations
 - ▶ Industry approaches (i.e. less than A-rated sureties)
- ▶ Board input

Training and Technical Assistance

- ▶ **Goal – make businesses more competitive**
- ▶ Community suggestions include
 - ▶ Mock bid scenarios to walk new bidders through process
 - ▶ Training program for subs who want to become primes
 - ▶ Assistance with venture capital packages
- ▶ Develop effective partnerships to craft and implement training program
- ▶ Technical assistance plan in progress

Construction Worksite Diversity

- ▶ **Goal – make construction job sites more diverse**
- ▶ Continue implementation of Earned Credit Program (ECP)
- ▶ Continue following Equal Employment Opportunity guidelines (EEO)
- ▶ Comprehensive assessment
 - ▶ Existing apprentice programs in region
 - ▶ National industry practices
- ▶ Develop recommendations for Board consideration

Looking Ahead

- ▶ **Study other suggestions received from community**
- ▶ **Unbundling**
 - MPS to create more small contracts
- ▶ **Bonding & Insurance**
 - Industry approaches
- ▶ **Training & Technical Assistance**
 - Develop effective partnerships
- ▶ **Worksite Diversity**
 - Best practice assessment and action plan
- ▶ **Study Small Business Program**

**MOVE
ILLINOIS**



The Illinois Tollway

**DRIVING
THE FUTURE**

THANK YOU
