

RESOURCE GUIDE

INCENTIVES & PROGRAMS



Department of
Procurement
Services

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RESOURCE GUIDE – INCENTIVES & PROGRAMS

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OVERVIEW

To support economic growth, workforce development, and increased competition in City contracting, the City of Chicago (the City) has established a number of programs and bid incentives (Incentives) and programs (Programs) available to certain bidders competing to obtain City contracts.

The City's Incentives generally consist of an artificial price reduction (Bid Incentive), which is applied to an eligible bidder's (Bidder) bid on an applicable competitively bid contract. The Bid Incentives function by reducing the Bidder's total base bid in the amount of the applicable Bid Incentive percentage. The Bid Incentive is used only to calculate an amount to be used in evaluating the bid. These Incentives have no impact on and do not reduce the contract price at the time of contract award.

There are two types of Bid Incentives available:

1. Bid Incentives earned because of performance commitment(s) made by the Bidder for the current specification and which are applied to the current bid (Current Incentives), and
2. Bid Incentives earned through meeting performance commitments in a past contract, which can be applied to future bids (Future Incentives or Earned Credit).

Incentives can, in many but not all cases, be used cumulatively when a Bidder is eligible for more than one. Some Incentives are incompatible with one another. When a Bidder is eligible for two incompatible Incentives, the Bidder may choose which one to seek with its Bid.

The City's Programs fall into three categories:

1. Programs that identify a specific group of bidders as the exclusive bidders on certain City projects;
2. Programs regarding phased graduation from the MBE/WBE certification program; and
3. Programs designed to provide mentoring opportunities for MBE/WBE firms. A Bidder can, in most cases, participate in a Program and be eligible for Incentives.

These Incentives and Programs require continued compliance during contract performance with the eligibility factors that resulted in awarding the Incentive or participation in the Program. Failure to do so will have adverse consequences to the Bidder that is granted the Incentive or who participated in the Program.

All contractors, Bidders, and Program participants must always be mindful of the following resources, duties, and obligations. City contractors have a duty to report corrupt activity to, and cooperate with, the City's Office of Inspector General. When issues or concerns about lobbying or campaign contributions arise, consult with the City's Board of Ethics. In addition, note that the City's Incentives and Programs are designed to complement the work of the

Chicago Cook Workforce Partnership, which provides career resources to individuals who are looking for work, are underemployed, or need job training services. Please do not hesitate to contact the Department of Procurement Services (DPS) with any questions or concerns regarding the foregoing obligations and resources or about procurement, certification, compliance and, of course, our Incentives and Programs.

This guide (Guide) describes the available Incentives and Programs, and their applicability and restrictions. Under the applicable provisions of the Municipal Code of Chicago (MCC), the Chief Procurement Officer (CPO) administers these Incentives and Programs and is authorized to create rules and regulations (Rules) regarding them with respect to eligible contracts awarded by the CPO.

This Guide is subject to change or revision without notice. The purpose of this Guide is to provide helpful information to Bidders, but it cannot be relied upon as an authoritative interpretation of the MCC, the Rules promulgated by the CPO or the policies of DPS. Please refer to the MCC and DPS's website, www.chicago.gov/dps, for the most up to date ordinances and Rules, which take precedence over this Guide.

ELIGIBLE CONTRACTS

Incentives and Programs are not applicable to all agreements entered into by the City and awarded by the CPO. They only apply to Eligible Contracts. Generally, this Guide describes the Incentives and Programs that may be applied with respect to contracts awarded by the Department of Procurement Services as the contracting authority. Delegate agency agreements, collective bargaining agreements, and real estate leases are specifically excluded. Incentives and Programs are also unavailable when applying the Incentive or Program for a particular contract would be prohibited by federal, state, or local law, or are otherwise incompatible with laws, rules, regulations, or conditions applicable to federal or state agencies providing funding for the contract.

In addition, the CPO has discretion to disallow one or more Incentives from applying to a particular contract which would otherwise be eligible when, among other potential considerations, one or more of the following situations applies:

- An emergency exists;
- The contract is for cooperative purchasing or cooperative construction; or
- The CPO concludes allocation of an Incentive is not in the City's best interest.

The bid documents for a particular contract will describe the Incentives that a Bidder or may seek in its Bid or with respect to that contract.

Even if not specifically noted, when discussing the application of Incentives or Programs in this Guide, a reference to a "contract" always refers to a contract awarded by the CPO that is eligible for the application of the given Incentive or Program.

The various Incentives and Programs are grouped in this Guide by applicability – to construction only, non-construction only, and to both construction and non-construction.

AVAILABLE INCENTIVES

LIST OF INCENTIVES

The following is the list of the City's Bid/Proposal Incentives:

INCENTIVE	MCC PROVISIONS
Alternatively Powered Vehicles	2-92-413
Apprentice Utilization	2-92-335
Business Enterprises owned or operated by People with Disabilities (BEPD)	2-92-337 and 2-92-586
Bid Incentive to Encourage MBE/WBE Participation	2-92-525
City-Based Business (4%)	2-92-412
City-Based Business (6%)	2-92-412
City-Based Business (8%)	2-92-412
City-Based Manufacturer Utilization	2-92-410
Diverse Workforce & Management	2-92-407
Equal Employment Opportunity (EEO)	2-92-390
Returning Resident Apprentice	2-92-336
(MBE/WBE) Mentor-Protégé Program	2-92-535
Project Area Subcontractor Utilization	2-92-405
Veteran-Owned Business Enterprise/Small Business Enterprise JV + Veteran-Owned Small Local Business	2-92-950
Veteran Subcontractor Utilization	2-92-940

COMMON ELEMENTS TO BID INCENTIVES – HOW THEY WORK

For purposes of this Guide and unless otherwise noted, all Current Incentives are percentages applied to the total base bid (sometimes referred to in the MCC and this Guide as the contract base bid) at the time of the Bid. Future Incentives or Earned Credits consist of earned credit certificates achieved through successfully complying with the bidder's commitments made at the time of the Bid during its performance of a prior contract. Future Incentives or Earned Credits are applied to future Bids. In either case the application of the Incentive(s), if any, results in an artificial reduction of a Bidder's total base bid, and the resulting amount (Evaluated Bid Amount) is the one used for comparison of bids. For bids to which no Incentive is applied, the Evaluated Bid Amount remains the same as the total base bid.

At the time of bidding, prior to contract award, or during the contract term, the CPO may require such documentation as the CPO deems necessary to determine that a Bidder is eligible to receive a Bid Incentive and remains eligible during the term or duration of the contract (Contract Term).

In addition to documenting to the reasonable satisfaction of the CPO its eligibility to obtain the Incentives as a Bidder and contractor, the contractor and its subcontractors must maintain accurate and detailed books and records necessary to monitor compliance, submit reports to the CPO as required, and grant full access to their records to the CPO, the Inspector General, the commissioner of the supervising department, or their representatives. The contractor and its subcontractors are required to maintain all relevant records typically for at least three years after final acceptance of the work.

The CPO, or her designee, makes a final determination, based on the information received from a Bidder or otherwise available to the CPO, regarding the applicability of these Incentives to the Bidder for any particular procurement. In her sole discretion, the CPO may solicit additional information from the Bidder to assess the eligibility for or applicability of any Incentive(s). Failure to submit accurate information may result in referral of the matter to the City's Corporation Counsel and/or the City's Inspector General for further action, in addition to any remedies available to the CPO.

Example of how a Current Incentive works:

The applicable percentage incentive is applied to the bidder's total base bid and the resulting amount is deducted from the total base bid for bid evaluation purposes. So, for example, if the total base bid is \$1,000,000 and the applicable incentive is 2%, the Evaluated Bid Amount will be \$980,000 for evaluation purposes and would be deemed lower than any competing bid in the Evaluated Bid Amount of \$980,001 or higher. The application of the Incentive would have no effect on the amount of the contract award, which, in the absence of other circumstances, would remain \$1,000,000.

Example of how an Earned Credit or Future Incentive works:

If a construction contractor makes a commitment at the time of the bid to use eligible apprentices for a percentage of total labor hours, and it is established during contract close-out procedures that it did so, the CPO will issue an earned credit certificate. The earned credit certificate is issued based on the amount of the Incentive the contractor committed to at the time of the Bid and the amount actually achieved at contract closeout. The contractor may apply this certificate on multiple future construction bids of equal or greater value while the certificate is valid, but may only win one contract award as a result of using it.

If, at the time, the application of the Future Bid Incentive would result in the Bidder having the lowest Evaluated Bid Amount in more than one Bid, the Future Bid Incentive will be applied to the project first advertised or, where multiple projects are advertised on a given date, to the project with the greatest dollar value.

So for example, if the total base bid is \$1,000,000, the contractor successfully meets the requirements and/or commitments to earn the incentive, and the applicable incentive is 2%, the contractor may apply the 2% incentive to its bid on a subsequent procurement with an estimated value of \$1,000,000 or more.

FAILURE TO MAINTAIN ELIGIBILITY FOR OR COMPLY WITH COMMITMENTS MADE TO OBTAIN THE INCENTIVE

A Bidder that has won a contract award using one or more Bid Incentives must maintain the factors or status that led to a determination of its eligibility for the particular Incentive(s) granted to it throughout Contract Term, including any extensions granted pursuant to an amendment or modification to the contract term, and/or comply with the commitments made to obtain the Incentive(s).

In most but not all cases, where the Incentive status and/or eligibility factors are not maintained at all times during the Contract Term, or where the Bidder fails to comply with the commitments made to obtain the Incentive, the contractor may be fined three times the amount of the Incentive applied to the Bid and may face other adverse consequences, including a finding of non-responsibility.

CUMULATIVE USE OF BID INCENTIVES

Many of the Bid Incentives can be used cumulatively when applicable to a contract specification. Except as noted in the table below, all Incentives applicable to a contract specification for which a Bidder is eligible can be applied together for a single Bid. Applicable Current Incentives can be applied together with other Current Incentives and with applicable Earned Credits with respect to a Bid for an eligible contract.

The percentage of each Bid Incentive applicable to the Bidder's bid is applied separately to its total base bid. That will result in an amount by which that Bidder's total base bid will be reduced as a result of each applicable Bid Incentive (Bid Incentive Amount). All resulting Bid Incentive Amounts would then be added and the total result of that sum (Total Bid Incentive Amount) would be deducted from its total base bid. The amount resulting from deducting the Total Bid Incentive Amount from the total base bid would be the Evaluated Bid Amount.

Here is an illustration of how a cumulative Bid Incentive (whether Current and/or Future) works:

- The first applicable Bid Incentive percentage is applied to the total base bid of an eligible Bidder and the resulting amount is deducted from the total base bid for Bid evaluation purposes. So, for example, if the total base bid is \$1,000,000 and the first applicable incentive is 2%, the Bid Incentive Amount for this Bid Incentive will be \$20,000.
- The second applicable Bid Incentive percentage is applied to the Bidder's total base bid and the resulting amount is deducted from the total base bid for Bid evaluation purposes. So, again, if the total base bid is \$1,000,000 and the second applicable Bid incentive is 1%, the Bid Incentive Amount will be \$10,000.
- The Total Bid Incentive Amount would consist of adding the two Bid Incentive Amounts of \$20,000 and \$10,000 for a total of \$30,000. The Evaluated Bid Amount will be \$970,000 for evaluation purposes and would be deemed lower than any competing bid with an Evaluated Bid Amount of \$970,001 or higher.

Again, the application of the Incentives would have no effect on the amount of the contract award, which, in the absence of other circumstances, would remain \$1,000,000.

INCOMPATIBLE INCENTIVES

Bid Incentive	MCC Section	Incompatible Incentives
City-Based Business Bid Incentive (4%)	2-92-412	Cannot be used with the 6% or 8% City-Based Business Incentives or the City-Based Manufacturer Utilization Incentive
City-Based Business Bid Incentive (6%)	2-92-412	Cannot be used with the 4% or 8% City-Based Business Incentive or the City-Based Manufacturer Utilization Incentive
City-Based Business Bid Incentive (8%)	2-92-412	Cannot be used with the 4% or 6% City-Based Business Incentives or the City-Based Manufacturer Utilization Incentive
City-Based Manufacturer Utilization Bid Incentive (1%, 1.5% or 2%, depending upon level of commitment)	2-92-410	Cannot be used with the 4%, 6%, or 8% City-Based Business Incentives or the Project Area Subcontractor Utilization Incentive or the Veteran-owned Subcontractor Utilization Incentive
Project Area Subcontractor Utilization (.5%, 1%, 1.5% or 2%, depending upon level of commitment)	2-92-405	Cannot be used with the City-Based Manufacturer Utilization Incentive
SBE/Veteran JV / Veteran-Owned Small Local Business Bid Incentive (5%)	2-92-950	Cannot be used with the Veteran-Owned Subcontractor Utilization Bid Incentive
Veteran-Owned Subcontractor Utilization Bid Incentive (.5%, 1%, 1.5% or 2%, depending upon level of commitment)	2-92-940	Cannot be used with the City-Based Manufacturer Utilization Bid Incentive or the SBE/Veteran JV / Veteran-Owned Small Local Business Bid Incentive

L CONSTRUCTION-ONLY RELATED INCENTIVES

APPRENTICE UTILIZATION BID INCENTIVE

WHAT IS IT?

This Future Incentive is available on eligible contracts for construction projects valued at \$100,000 or more and is designed as an incentive for City prime contractors to sponsor and utilize certain *apprentices* for construction projects.

WHO IS ELIGIBLE FOR THIS INCENTIVE?

A union must have authorized your construction business to sponsor apprentices, the apprentices must be Chicago Public Schools high school graduates, or either enrolled at or graduates of a construction training program administered by the City Colleges of Chicago, and the apprenticeship training program must be registered with the U.S. Department of Labor or approved or recognized by the State of Illinois.

HOW DOES IT WORK?

To benefit from the Bid Incentive, the Bidder must commit to a specific percentage of total *labor hours* to be performed by eligible apprentices on the construction project contract.

- A commitment to 5-10% of total *labor hours* earns an incentive worth $\frac{1}{2}$ % of the *contract base bid*;
- A commitment of 11-15% earns an incentive worth 1% of the *contract base bid*.

Note that "*labor hours*" specifically exclude hours worked by non-working foremen, superintendents, owners and workers who are not subject to prevailing wage requirements.

At contract close-out, the contractor must have met its apprentice utilization goals. If it has, the CPO will issue the contractor an *earned credit certificate* evidencing the *earned credit* allocated to the contractor. Thus, for example, if the Bidder had committed to 7% of total *labor hours* by *Apprentices*, and the contractor has met its 7% commitment, it will have an *earned credit* in the amount of $\frac{1}{2}$ %, which may be applied to the total base bid on a future contract.

An earned credit certificate is valid for three years after the date of issuance, during which period the contractor may propose to apply this *earned credit* to any future construction contract bids of equal or greater dollar value than the original total base bid for the contract under which the earned credit was awarded, but may only win one contract award as the result of using it.

A Bidder may apply a credit earned on a prior contract to its Bid and may also propose to use apprentices on that contract to earn a subsequent earned credit.

HOW DOES A BIDDER APPLY FOR THE INCENTIVE?

The Bidder must provide with its Bid the affidavit supplied in the bid package, specifying the percentage of eligible apprentices the Bidder intends to use on the construction project, and such other documents as will demonstrate the Bidder's eligibility for the Incentive.

WHAT HAPPENS IF THE SUCCESSFUL BIDDER FAILS TO UTILIZE THE COMMITTED PERCENTAGE OF APPRENTICES?

A contractor will not be issued an earned credit certificate and may be deemed non-responsible if it does not utilize the committed percentage of apprentices.

Equal Employment Opportunity (EEO) Bid Incentive

WHAT IS IT?

This Bid Incentive is available on contracts for *construction projects* valued at \$100,000 or more and is designed to encourage the utilization of minority and women *journeyworkers, apprentices* and laborers.

WHO IS ELIGIBLE FOR THIS INCENTIVE?

Any Bidder proposing to utilize minority and/or women *journeyworkers, apprentices, and laborers* on a contract for a *construction project* may apply for this Incentive.

HOW DOES IT WORK?

Using the following canvassing formula, Bidders are invited to propose minority and woman utilization levels, as a percentage of *journeyworker, apprentice* and laborer work hours on the project. The Bidder should take into account every limiting condition or circumstance that may affect referral, hiring, or deployment of construction trades employees, including any limits imposed by the policies or circumstances of labor organizations or other referral sources.

Canvassing Formula

Line 1.	Base bid, in figures	___
Line 2.	Percentage of the total journeyworker hours that the contractor proposes to be worked by minority journeyworkers during construction of the project. Maximum figure .70.	___
Line 3.	Multiply line 2 by line 1 by 0.04	___
Line 4.	Percentage of the total apprentice hours that the contractor proposes to be worked by minority apprentices during construction of the project. Maximum figure .70.	___
Line 5.	Multiply line 4 by line 1 by 0.03	___
Line 6.	Percentage of the total laborer hours that the contractor proposes to be worked by minority laborers during construction of the project. Maximum figure .70.	___
Line 7.	Multiply line 6 by line 1 by .01.	___
Line 8.	Percentage of the total journeyworker hours that the contractor proposes to be worked by female journeyworkers during construction of the project. Maximum figure .15.	___
Line 9.	Multiply line 8 by line 1 by 0.04.	___
Line 10.	Percentage of the total apprentice hours that the contractor proposes to be worked by female apprentices during construction of the project. Maximum figure .15.	___
Line 11.	Multiply line 10 by line 1 by 0.03.	___
Line 12.	Percentage of the total laborer hours that the contractor proposes to be worked by female laborers during construction of the project. Maximum figure .15.	___
Line 13.	Multiply line 12 by line 1 by 0.01	___
Line 14.	Summation of lines 3, 5, 7, 9, 11, and 13.	___
Line 15.	Subtract line 14 from line 1 = award criteria figure.	___

With respect to minority construction workers in each category, a Bidder will be capped at committing to 70%.

For female construction workers in each category, the analogous commitment cap is 15%.

The caps set forth above are not intended to deter or restrict a higher utilization of minority or female employees for the project but shall only serve as a limiting figure for use in the bid canvassing formula.

In addition, minority and female percentages committed to in the apprentice category will only be counted as fulfilled beginning at 40 hours. For this reason, when a Bidder foresees that this 40-hour minimum amount of apprenticeship is not available, then "0" should be put in lines 4 and 10 as the percentage commitment for apprentices.

The Bidder will be given a 150% credit for every work hour performed by a minority or female worker residing in a socio-economically disadvantaged area (SEDA), as designated by rule from time to time by the Commissioner of Planning and Development (as of the date of this Guide shown as Appendix B).

HOW IS THIS INCENTIVE APPLIED?

After completing the numerical calculations set forth in the canvassing formula, the final calculation represents the *award criteria figure* (Line 15) by which Bids will be compared and award made in the absence of other applicable Incentives. When other Incentives apply, this Incentive will be applied first, and any other applicable Bid Incentive Amounts will be calculated based on the total base bid and deducted from the *award criteria figure* in order to arrive to the Evaluated Bid Amount.

HOW DOES A BIDDER APPLY FOR THIS INCENTIVE?

The Bidder must show its commitment to utilize minority and female workers in any of the three categories by completing the canvassing formula in its Bid.

WHAT HAPPENS IF A SUCCESSFUL BIDDER FALLS SHORT OF THE COMMITMENTS?

Upon completion of the work on a *contract*, any *prime contractor* that failed to meet the total commitment made in each category is subject to liquidated damages, which will be withheld from the final payment. The *prime contractor* is prohibited from passing through the liquidated damages to any of its subcontractors absent an explicit, written agreement between the *prime contractor* and the subcontractor with provisions covering responsibility for such EEO damages. These liquidated damages fall into two categories:

- 1) The minimum damages if the CPO determines the Bidder has demonstrated good faith efforts are:

Shortfall category (minorities and females)	Liquidated Damages for each one percent deficiency
Journeyworkers	Four cents for each hundred dollars of the total base bid
Apprentices	Three cents for each hundred dollars of the total base bid
Laborers	One cent for each hundred dollars of the total base bid

- 2) The increased damages that may apply if the Bidder *substantially fails* to meet its minority percentage commitments by a deficiency of 20 percentage points or more, and its female percentage commitments by a deficiency of 5 percentage points or more:

Shortfall percentage points	Liquidated Damages multiplier applied to amount of minimum damages
1-19 (minority); 1-4 (female)	1
20-29 (minority); 5-7 (female)	1.5
30-39 (minority); 8-10 (female)	2
40-49 (minority); 11-12 (female)	2.5
50-70 (minority); 13-15 (female)	3

For each instance of *substantial failure*, the contractor may apply for a reduction in the damages multiplier by providing information and documentation that demonstrate its good faith efforts to achieve its EEO commitments. A reduction will be deemed appropriate where a contractor or subcontractor has unsuccessfully solicited a sufficient number of eligible *apprentices, journeyworkers* and/or laborers to perform the work and has documented its efforts to the satisfaction of the CPO. Good faith efforts may also be demonstrated by requesting assistance from and meeting with The Chicago Cook Workforce Partnership, the relevant assist agencies, and the relevant trade unions. Other factors may also be considered.

Bidders having a pattern of *substantial failure* to meet their EEO commitments may also be deemed non-responsible Bidders and thus ineligible to Bid on future contracts. *Substantial failure* to meet EEO Bid Incentives on three or more *contracts* constitutes a pattern. If the CPO makes a determination of non-responsibility and thus ineligibility to Bid on *contracts*, she will notify the contractor of its ineligibility.

Returning Resident Apprentice Utilization Incentive

WHAT IS IT?

This Future Incentive is available on eligible contracts for construction projects valued at \$100,000 or more and is designed to encourage the sponsorship and utilization of, and create opportunities for, eligible *returning resident apprentices*.

WHO IS ELIGIBLE FOR THIS INCENTIVE?

The contractor's apprenticeship training program must be authorized by a union to sponsor *apprentices*, and the union's apprenticeship training program must be registered with the US Department of Labor or approved or recognized by the State of Illinois. The *returning residents* must be City of Chicago residents who have been convicted of an imprisonable offense under the Illinois Criminal Code or another state's penal statute. The CPO may deem any particular returning residents inappropriate for a given project based upon the nature of their original offense.

HOW DOES IT WORK?

The Bidder must commit to a specific percentage of total *labor hours* to be performed by the eligible apprentices on the construction project.

HOW ARE THE INCENTIVES APPLIED?

To benefit from the Bid Incentive, the Bidder makes a commitment that a percentage of total *labor hours* under the contract will be performed by *returning residents*:

Commitment	Incentive Value
5-10%	0.5% of the contract base bid
11-15%	1% of the contract base bid

Note that "*labor hours*" specifically exclude hours worked by non-working foremen, superintendents, owners and workers who are not subject to prevailing wage requirements.

To benefit from the Bid Incentive, at contract close-out, the contractor must have met its apprentice utilization goals. If it has, the CPO will issue the contractor an *earned credit certificate* evidencing the amount of *earned credit* allocated to the contractor. Thus, for example, if the Bidder has committed to 7% of total *labor hours* by *returning residents*, and 7% of the labor hours were performed by eligible returning resident apprentices, the Bidder will be granted an *earned credit* in the amount of ½%, which may be applied to the total base bid for a future contract. For a period of three years from the date of the *earned credit certificate*, the contractor may propose to apply this *earned credit* to any future construction contract bids of equal or greater dollar value than the original total base bid for the contract under which the earned credit was awarded, but may only win a contract award using the earned credit once.

A Bidder may propose to apply a credit earned on a prior contract to its Bid and may also propose to use eligible returning resident apprentices on that contract to earn a subsequent earned credit.

HOW DOES A BIDDER APPLY FOR THE INCENTIVE?

The Bidder must provide with its Bid the affidavit supplied in the specification, specifying the percentage of eligible returning resident apprentices, and such other documents as will demonstrate Bidder's eligibility for the Incentive.

WHAT HAPPENS IF A SUCCESSFUL BIDDER FAILS TO UTILIZE THE COMMITTED PERCENTAGE OF RETURNING RESIDENT APPRENTICES?

A contractor will not be issued an earned credit certificate, and may be deemed non-responsible, if it fails to utilize the committed percentage of returning resident apprentices.

Project–Area Subcontractor Utilization Bid Incentive

WHAT IS IT?

This Incentive applies to eligible construction contracts and is designed as an incentive for City prime contractors to utilize project-area subcontractors for construction projects.

WHO IS ELIGIBLE FOR THIS INCENTIVE?

Any Bidder may seek to obtain this Incentive.

HOW DOES IT WORK?

To benefit from the Incentive, the Bidder must commit to a specific percentage of total contract value to be performed by *project area subcontractors*. A *project area subcontractor* cannot be the Bidder and is a subcontractor that:

- (i) conducts meaningful day-to-day business operations at a facility located within that part of the City designated as the project area in the information for bidders issued by the City and that facility is the place of employment for the majority of the subcontractor regular, full-time workforce;
- (ii) holds all appropriate city licenses;
- (iii) is a *small business enterprise* as defined by the U.S. Small Business Administration, pursuant to the business size standards found in 13 C.F.R. Part 121, relevant to the scope of work the business seeks to perform on City contracts and in any City fiscal year its gross receipts, averaged over the firm's previous five fiscal years, have not exceeded the size standards of 13 C.F.R. Part 121; and
- (iv) is subject to applicable City taxes.

HOW IS THE INCENTIVE APPLIED?

The Bid Incentive depends on the total value of work the Bidder commits will be performed by project-area subcontractors, as a percentage of the total contract value:

Commitment	Incentive Value
1-16%	0.5% of the contract base bid
17-32%	1% of the contract base bid
33-49%	1.5% of the contract base bid
50% or greater	2% of the contract base bid

HOW DOES A BIDDER APPLY FOR IT?

The Bidder must provide with its Bid the affidavit supplied in the bid documents and such other documents as will demonstrate Bidder's eligibility for the Incentive.

WHAT HAPPENS IF THE ACTUAL PERCENTAGE AT CLOSE-OUT IS LESS THAN THE COMMITTED PERCENTAGE THAT PROPOSED WITH THE BID?

A contractor granted this Incentive may be fined by the CPO in the amount of three times the Bid Incentive Amount allocated, and may be deemed non-responsible, if the actual percentage at close-out is less than the percentage committed in its bid.

Veteran Subcontractor Utilization

WHAT IS IT?

This Bid Incentive applies to contracts for construction projects and is designed to encourage the utilization of *veteran-owned subcontractors* in the performance of the contract.

WHO IS ELIGIBLE FOR THIS INCENTIVE?

Bidders may receive this Incentive if one or more of its subcontractors is a *veteran-owned subcontractor* (i.e., a subcontractor that is a *veteran-owned business enterprise certified by the City as a VBE*), holds all appropriate City licenses, and is subject to applicable City taxes. If a *veteran-owned subcontractor* subcontracts part of its work to another contractor, only the value of the work performed by the *veteran-owned subcontractor* counts towards the Bid Incentive unless the sub-subcontractor is also a *veteran-owned subcontractor*.

The Bidder itself, as the prime contractor, is not eligible for this Incentive even if it is a VBE (it may qualify for the Veteran Owned Small Local Business and Small Business Enterprise (SBE)/Veteran Owned Business Enterprise Joint Venture Incentive, instead).

If the Bidder receives the Veteran Subcontractor Utilization Incentive, it cannot receive City-Based Manufacturer Utilization Bid Incentive in the same contract bid. In addition, if the Bidder receives the Veteran Subcontractor Utilization Incentive, it cannot also receive the Veteran Owned Small Local Business and Small Business Enterprise (SBE)/Veteran Owned Business Enterprise Joint Venture Incentive and vice versa.

HOW DOES IT WORK?

The CPO will allocate to any qualified Bidder a Bid Incentive of up to two percent (2%) of the total base bid for committing to the utilization of *veteran-owned subcontractors* in the performance of the contract, based on the total dollar value of work performed by *veteran-owned subcontractors* as a percentage of the total contract value, except that work performed by a *veteran owned subcontractor* acting as a *Broker* does not count towards the total value of work committed to be performed by *veteran owned subcontractors* for purposes of the Bid Incentive.

A subcontractor acts as a *Broker* when it fills orders by purchasing or receiving supplies from a third party supplier rather than out of its own existing inventory and provides no substantial service other than acting as a conduit between his or her supplier and his or her customer.

If a *veteran-owned subcontractor* is also an MBE/WBE, any participation on the contract that is utilized toward MBE/WBE goals on the prime contractor's compliance plan shall not count toward the total dollar value of work committed to be performed by *veteran-owned subcontractors* for purposes of the Bid Incentive.

HOW IS THE INCENTIVE APPLIED?

The Bidder may earn one of the following Bid Incentives depending upon the Bidder's commitment to the use of *veteran-owned subcontractors* in the performance of the contract:

Commitment	Incentive Value
1-16%	0.5% of the contract base bid
17-32%	1% of the contract base bid
33-49%	1.5% of the contract base bid
50% or greater	2% of the contract base bid

HOW DOES A BIDDER APPLY FOR IT?

The Bidder must submit the *veteran-owned subcontractor's* affidavit with its Bid, along with other supporting documents showing that a subcontractor is a *veteran-owned subcontractor*. The Bidder will be required to commit to entering into a written subcontract with the *veteran-owned subcontractors* it has committed to utilizing within three (3) days of the receipt of an executed contract from the City.

WHAT HAPPENS IF A SUCCESSFUL BIDDER FAILS TO MEET THE COMMITTED UTILIZATION PERCENTAGES BY THE END OF THE CONTRACT TERM?

A contractor granted this incentive may be fined by the CPO in the amount of three times the bid incentive amount allocated and may be deemed non-responsible if it fails to meet the committed utilization percentages.

2. NON-CONSTRUCTIONS ONLY INCENTIVES

CITY-BASED MANUFACTURER UTILIZATION (APPLICABLE TO GOODS)

WHAT IS IT?

The *City-Based Manufacturer Utilization* Incentive is available on contracts for goods valued at \$100,000 or more and are designed to increase opportunities for and participation by city-based manufacturers.

WHO IS ELIGIBLE FOR THIS INCENTIVE?

Any Bidder committing to use the required percentage of *Locally Manufactured Goods* to earn the Bid Incentive is eligible to receive the Incentive for its Bid for that contract.

HOW DOES IT WORK?

This Incentive, when applicable, applies only to eligible contracts for the purchase of certain products. *Locally Manufactured Goods* means goods whose value, in the required amount as shown in Appendix A, is derived from growing, producing, processing, assembling, combining or customizing or manufacturing activities that occur within a *City-based manufacturer's* facility located within the City. A person is a *City-based manufacturer* when it holds an applicable City license, is subject to applicable City taxes and owns, operates or leases a manufacturing facility within the City.

HOW IS THE INCENTIVE APPLIED?

The amount of the Bid Incentive depends on the percentage of the total value of goods to be supplied under the contract that the Bidder commits will be *Locally Manufactured Goods*:

Committed % of Locally Manufactured Goods	Incentive Value
25-49%	1% of the total base bid
50-74%	1.5% of the total base bid
75% or greater	2% of the total base bid

HOW DOES A BIDDER APPLY FOR IT?

The Bidder must provide with its Bid the affidavit supplied in the bid documents and such other documents as will demonstrate Bidder's eligibility for the Incentive.

WHAT HAPPENS IF A CONTRACTOR DOES NOT SUPPLY THE PERCENTAGE OF LOCALLY MANUFACTURED GOODS THAT RESULTED IN OBTAINING THE INCENTIVE?

A contractor granted this Incentive may be fined by the CPO in the amount of three times the amount of the difference between the Bid Incentive Amount allocated and the Bid Incentive amount, if any, that would have been allocated for the amount of Locally Manufactured Goods actually supplied under the contract.

3. INCENTIVES APPLICABLE TO BOTH CONSTRUCTION AND NON-CONSTRUCTION

MENTOR/PROTÉGÉ PROGRAM INCENTIVE

WHAT IS IT?

This Incentive is designed to increase participation and capacity of minority-owned business enterprises (MBE) and women-owned business enterprises (WBE) in City contracting by offering a Bid Incentive to prime contractors for utilizing and mentoring MBE/WBEs on City contracts.

HOW DOES IT WORK?

A Bid Incentive of 1% is available on eligible contracts valued at \$100,000 or more, and will apply to the contract base bid if

1. the Bidder or its subcontractor(s) have entered into a mentoring agreement with MBEs and/or WBEs,
2. at least 1% of the total contract value is committed to be self-performed by the MBE/WBE protégé(s), whether as subcontractor of the Bidder or as sub-subcontractor, and
3. complies with the terms of the mentoring agreement(s).

The mentoring agreement is subject to approval by the CPO and must be designed to develop the capacity of the MBE/WBE protégé firms and allow them to become self-sufficient, competitive, and profitable business enterprises. The regulations specify other requirements for such plans.

HOW DOES A BIDDER APPLY FOR THIS INCENTIVE?

The Bidder must submit its Schedule D with its Bid and indicate in its Schedule D that is seeking to receive the credit and/or the Incentive. The Schedule D must identify the contractor/mentor or, if applicable, the subcontractor/mentor, and the protégé firm. A copy of the proposed mentoring program agreement duly executed by the parties must also be included with the Bid and attached to the Schedule D. Other additional documentation as the CPO deems necessary to verify that a bidder qualifies, or continues to qualify, for the bid incentive may be required.

HOW IS THE INCENTIVE APPLIED?

The Bid Incentive is 1% of the total base bid.

WHAT HAPPENS IF THE PROTÉGÉ FAILS TO COMPLETE THE PROGRAM OR THE MENTORING OR PERFORMANCE COMMITMENTS ARE NOT MET?

If the mentor voluntarily terminates the protégé agreement for which a Bid Incentive was given or there is a failure to comply with the requirements for the Bid Incentive, the CPO may impose a fine in an amount equal to three times the amount of the bid incentive allocated, and the mentor may be deemed non-responsible, if she determines lack of good faith efforts by the prime contractor to meet its commitments occurred.

Diverse Workforce & Management Incentive

WHAT IS IT?

The Diverse Workforce and Management incentive is designed to encourage contractors to employ a diverse workforce and management team.

HOW DOES IT WORK?

Bidders may receive this Incentive if they employ a *diverse workforce* and/or have a *diverse management* team. The incentives are based on the total percentage of the bidder's *workforce* that is *diverse* and the percent of the bidder's *management* team that is *diverse*. A bidder may qualify and apply for both incentives in the same bid.

"*Diverse*" means individuals belonging to the following ethnic groups: African Americans or Blacks, Hispanics and Asian Americans, and other groups, or other individuals, found by the Affirmative Action Advisory Board to be socially and economically disadvantaged and to have suffered actual racial, ethnic or gender discrimination and decreased opportunities to compete in Chicago area markets or to do business with the City.

"*Management*" means

- A. business owners, including all shareholders and partners;
- B. directors and officers or managers as contemplated under 805 ILCS 5/Art. 8, 805 ILCS 180 or 805 ILCS 185 or similar business organization statute applicable to the business, or
- C. key employees authorized, at the executive level, to make significant discretionary, policy or operational decisions affecting the company.

Registered agents who are not also employees or independent contractors who would have a fiduciary duty to the business such as accountants and tax advisors, attorneys, or any other non-employees except those set out in (B) or (C) above are not *Management*.

"*Workforce*" means all who are employed by a prime contractor in a permanent, full-time employment capacity. It does not include independent contractors.

HOW DOES A BIDDER APPLY FOR THIS INCENTIVE?

Bidders will be required to complete an affidavit committing to *diverse management* and/or *diverse workforce* terms.

HOW IS THE INCENTIVE APPLIED?

Based upon the percentage of the bidder's management and/or workforce that is diverse:

Diverse Management		Incentive Value	
10-20%		0.5% of the contract base bid	
20-40%		2% of the contract base bid	
40% or greater		4% of the contract base bid	
Diverse Workforce		Incentive Value	
10-20%		2% of the contract base bid	
20-40%		4% of the contract base bid	
40% or greater		6% of the contract base bid	

WHAT HAPPENS IF A SUCCESSFUL BIDDER FAILS TO RETAIN THE PERCENTAGE OF DIVERSE MANAGEMENT AND/OR WORKFORCE FOR WHICH A BID INCENTIVE WAS GRANTED UPON COMPLETION OF THE CONTRACT?

Any prime contractor that has failed to maintain the percentage of *diverse management* and/or *diverse workforce* during the Contract Term for which a bid incentive was taken into consideration in awarding of a contract may be fined in an amount equal to three times the amount of the bid incentive allocated.

Alternatively Powered Vehicles

WHAT IS IT?

This Incentive is available on eligible contracts valued at \$100,000 or more and is designed as an incentive for City vendors to use alternatively powered vehicles in their business fleet.

WHO IS ELIGIBLE FOR THIS INCENTIVE?

Your business is eligible if it is located within the counties of Cook, DuPage, Kane, Lake, McHenry or Will in Illinois (the "Six County Region"), and as to your business:

1. the majority of the business' *fleet* (a *fleet* consists of at least 10 vehicles) is located and used within the Six County Region, and
2. a majority of those *vehicles* located and used within the Six County Region are *alternatively powered vehicles*. Alternatively powered vehicles are fueled by alternative fuel including, but not limited to, natural gas, liquefied petroleum gas, hydrogen, ethanol E85, and electricity.

HOW DOES IT WORK?

To benefit from this Bid Incentive, your business must meet the eligibility standards as described above.

HOW IS THE INCENTIVE APPLIED?

An eligible Bidder will receive an Incentive of ½% of the contract base bid.

WHAT DOES A BIDDER NEED TO DO TO APPLY FOR IT?

A Bidder must include with its Bid or Proposal an affidavit and other supporting documents demonstrating that the Bidder/Proposer satisfies all pertinent requirements as an eligible business. You must maintain adequate records necessary to monitor compliance and submit such reports as the CPO requires. In addition, you must grant full access to your records and those of your subcontractors to the CPO, the inspector general, or any of their duly authorized representatives. You must maintain such records for a period of 7 years after final acceptance of the work.

WHAT HAPPENS IF A CONTRACTOR'S STATUS AS AN ELIGIBLE BUSINESS CHANGES BEFORE THE END OF THE CONTRACT TERM?

Any eligible business that received a Bid Incentive but lost eligibility at any time during the Contract Term shall be fined by the CPO in the amount of three times the Bid Incentive Amount allocated, and may be deemed non-responsible.

Business Enterprises Owned or Operated by Persons with Disabilities (BEPD) Bid Incentive

WHAT IS IT?

This Incentive is based upon the commitment to utilize a BEPD as the prime contractor or as a subcontractor in the performance of the contract and is designed to increase contracting opportunities and participation by business enterprises owned or operated by people with disabilities.

WHO IS ELIGIBLE FOR THIS INCENTIVE?

To be eligible for the Incentive as a prime contractor, the Bidder must be a BEPD, or commit to utilize BEPDs as subcontractors, or both. To obtain credit for BEPD utilization, a Bidder or subcontractor must be: (1) A business certified by the State of Illinois as a service-disabled veteran-owned small business under 30 ILCS 500/45-57; or (2) have received certification as a BEPD by the Department of Procurement Services in advance of the Bid. To be certified as a BEPD by the City, it must be an entity or individual that is:

- (i) a for-profit legal entity that is owned (directly, indirectly or beneficially) 51% or more by one or more individuals with *disabilities* and whose management and daily business operations are controlled by one or more individuals with disabilities; or
- (ii) a nonprofit corporation that employs individuals with *disabilities*, pays them an hourly wage equal to or greater than the federal minimum wage and not on a piecework basis, and a) whose management of daily business operations is controlled by one or more individuals with *disabilities*, and whose corporate purpose includes providing, directly or indirectly, services to individuals with *disabilities*; or
- (iii) an individual with a *disability* who is contracting with the City as a sole proprietorship or individually.

In addition, to be certified as a BEPD by the City, an entity must not be an established business based on the size standards set forth in Section 2-92-420 of the Municipal Code.

For purposes of this Incentive, a “disability” means:

- (i) with respect to any individual:
 - (a) A physical or mental impairment that substantially limits one or more of the major life activities of that individual, such as mobility, communication, self-care, self-direction, interpersonal skills, work tolerance or work skills in terms of employability;
 - (b) a record of such an impairment; or
 - (c) being regarded as having such an impairment; or
- (ii) with respect to a veteran, a disability incurred in the line of duty in the active military, naval, or air service as described in 38 U.S.C. 101(16) and determined to be a 10 percent or more disability by the United States Department of Veterans Affairs or the United States Department of Defense.

HOW DOES IT WORK?

To benefit from the Bid Incentive, the Bidder must make a commitment to utilize BEPDs in the performance of the contract representing a percentage of the total contract value either as the prime contractor or through BEPD subcontractors, or a combination of the two.

HOW IS THE INCENTIVE APPLIED?

Based upon the level of BEPD commitment, the available incentives are as follows:

Commitment	Incentive Value
2-5%	1% of the contract base bid
6-9%	2% of the contract base bid
10-13%	3% of the contract base bid
14% or more	4% of the contract base bid

HOW DOES A BIDDER APPLY FOR IT?

The Bidder must submit BEPD certification letters and an affidavit affirming the status of itself and/or its subcontractors as BEPDs and committing to the proposed percentages of work to be performed by BEPDs.

WHAT HAPPENS IF A SUCCESSFUL BIDDER FAILS TO ACHIEVE ITS COMMITMENT BY THE END OF THE CONTRACT TERM?

A contractor granted this Incentive may be fined by the CPO in the amount of three times the Bid Incentive Amount allocated, and may be deemed non-responsible, if it fails to achieve the commitments made in its bid.

City-Based Businesses Bid Incentive (3 categories)

WHAT IS IT?

The Incentives for *City-based businesses* are available on eligible contracts with a value of \$100,000 or more and are designed to increase contracting opportunities for city-based businesses.

WHAT IS A CITY-BASED BUSINESS?

A business is a *city-based business* if (1) it conducts meaningful day to day business operations in a facility located within the City, (2) that facility employs the majority of its regular, full time workforce, (3) it holds all required City licenses, and (4) it is subject to applicable City taxes.

HOW DOES IT WORK?

There are three different Incentives for city-based businesses, none of which can be applied concurrently with the City-Based Manufacturer Incentive, and which are not cumulative. Only one of the City-Based Business Incentives can be applied on any given bid.

HOW ARE THE INCENTIVES APPLIED?

- A 4% Incentive is granted if the prime contractor is a city-based business.
- A 6% Incentive is granted if the majority of the city-based business's employees are also *City resident employees*.
- An 8% Incentive is granted if the city-based business would qualify for the 6% Incentive described above, and the majority of the *City resident employees*, as described above, reside within socio-economically disadvantaged areas (SEDAs).

Except for construction contracts, an employee is a *City resident employee* when he or she resides in the City and is employed by your company in a permanent full time position.

For the purposes of the 6% and 8% incentives, an owner-employee will be considered for the purposes of determining whether a majority of the prime contractor's employees are *city residents* or residents of *socioeconomically disadvantaged area*, as applicable. If a business has more than two employees, including all owner and employees, "majority" means more than half.

HOW DOES A BIDDER APPLY FOR IT?

To apply for the application of any of the Incentives for city-based businesses, the Bidder must submit at the time of the Bid the City-Based Business Affidavit included in the bid package, as well as the following documentation:

- All City licenses;
- Proof of good standing with the Secretary of State; and
- Proof of payment of all applicable City Taxes; plus

If applying for the 6% Incentive, the Bidder must also submit:

- Certified payroll reports (or payroll records if certified reports are unavailable) including employee name, title, and address for the city-based business's regular full time work force; plus

If applying for the 8% Incentive, the Bidder must submit the documentation required for the 4% and 6% incentives and also:

- Documentation evidencing which employees reside in SEDAs¹ of the City.

WHAT HAPPENS IF A CONTRACTOR'S STATUS AS A CITY-BASED BUSINESS OR ITS ELIGIBILITY FOR THE INCENTIVE BASED ON THE STATUS OF ITS EMPLOYEES CHANGES BEFORE THE END OF THE CONTRACT TERM?

The contractor granted this Incentive must maintain the eligibility status for the Incentive received throughout the Contract Term and if it fails to do so, it may be fined by the CPO in the amount of three times the Bid Incentive Amount allocated, and may be deemed a non-responsible bidder.

¹ See Appendix B.

Veteran-Owned/Small Business Enterprise (SBE) Joint Venture (JV) + Veteran-Owned Small Local Business Bid Incentive

WHAT IS IT?

This Incentive is designed to increase contracting opportunities for Veteran-owned Business Enterprises and Small Businesses. It is available to *veteran-owned small local business(es) (VBEs) and eligible joint ventures*, consisting of one or more *small local business enterprises (SBEs)*, as defined in 2-92-670 of the MCC, in combination with one or more *veteran-owned business enterprises*.

WHO IS ELIGIBLE FOR THIS INCENTIVE?

A Bidder is eligible if the Bidder is:

- a for-profit *eligible* joint venture consisting of one or more *SBEs* in combination with one or more *veteran-owned business enterprises* under a written agreement in which each joint venturer contributes property, capital, efforts, skill, knowledge; or
- a *VBE* certified by the City.

A *veteran-owned business enterprise* is an enterprise which is : 1) at least 51% owned and controlled by one or more honorably discharged or separated veterans of the U. S. armed forces or, in the case of a publicly held corporation, at least 51% of all classes of the stock of which is owned by one or more such veterans, whose management, policies, major decisions and daily business operations are independently managed and controlled by one or more such veterans and (2) has been: (i) certified by the City as a veteran-owned small local business; (ii) certified by the County of Cook as a veteran business enterprise; or (iii) has been certified by the State of Illinois as a qualified service-disabled *veteran-owned small business* or a qualified *veteran-owned small business* under 30 ILCS 500/45-57 or (iv) verified and approved by the United States Department of Veterans Affairs as a service-disabled veteran-owned small business or a veteran- owned small business.

To be eligible for the Incentive as an *eligible* joint venture, (1) all joint venture partners must be an SBE, veteran-owned business enterprise, or both; (2) at least one member of the joint venture must be a veteran-owned business enterprise; (3) all SBE partners must collectively have a 30% or more interest in the joint venture; (4) all veteran-owned business enterprise partners must collectively have a 30% or more interest in the joint venture; (5) the joint venture must self-perform at least 20% of the work on the contract; and (6) none of the joint venture's partners may act as a broker.

To be eligible for the Incentive as a VBE, the VBE must not act as a broker and must self-perform at least 20% of the work on the contract.

HOW DOES IT WORK?

The CPO will allocate a Bid Incentive of 5% of the *contract base bid* to an *eligible joint venture* or *VBE*.

WHAT IF AN SBE JOINT VENTURE PARTNER OR VBE IS ALSO AN MBE/WBE?

If an SBE partner of an eligible joint venture is also an MBE/WBE, all work actually performed by such SBE partner as a subcontractor may be counted towards the MBE/WBE participation goals on the contract but will not count towards the self-performance requirement referenced above. The percentage of work performed by such SBE partner for the joint venture as a joint venture partner, and not as a subcontractor, will count towards the self-performance requirement and also may be counted towards the MBE/WBE participation goals on the contract. If a VBE is also an MBE/WBE, it cannot count its participation on the contract toward MBE/WBE goals.

HOW DOES A BIDDER APPLY FOR IT?

A Bidder must include with its Bid submission relevant affidavit(s) included in the bid package and such other documents as will demonstrate Bidder's eligibility for the Incentives. The CPO may require additional documentation, information, and/or site visit interviews to verify that a Bidder qualifies, or continues to qualify, for the Bid Incentive.

WHAT HAPPENS IF THE CONTRACTOR'S STATUS AS AN ELIGIBLE BIDDER CHANGES BEFORE THE END OF THE CONTRACT TERM?

A Bidder that received this Bid Incentive must maintain its status as an *eligible joint venture* or *VBE* throughout the Contract Term. However, if an SBE partner of an eligible joint venture or a VBE exceeds the applicable size standard during the term of a contract, such eligible joint venture or VBE shall continue to be eligible for the duration of the contract and no fine will be imposed.

If an SBE partner or a veteran-owned business enterprise partner of an eligible joint venture or a VBE undergoes a change in ownership such that it is no longer eligible as an SBE, veteran-owned business enterprise, or VBE during the term of a contract, such joint venture ceases to be an eligible joint venture, or such veteran-owned small local business ceases to be a VBE, and it shall be fined in an amount equal to three times the amount of the bid incentive awarded.

Bid Incentive to Encourage MBE/WBE Participation

WHAT IS IT?

This Incentive is designed to encourage participation of MBEs and WBEs on contracts when it is not feasible to assign and the solicitation does not contain MBE or WBE participation goals.

HOW DOES A FIRM BECOME ELIGIBLE FOR THIS INCENTIVE?

A Bidder on a contract which has no assigned contract goals must commit to utilize (i) MBE or WBE subcontractors in the performance of the contract, or (ii) MBE or WBE firms other than as a subcontractor during the performance of the contract.

For a Bidder to qualify for this Incentive through the use of MBE or WBE subcontractors (direct participation), the MBE or WBE subcontractors do not need to be certified in the area of specialty in which they are performing on the contract if: (i) the MBE or WBE subcontractors are certified in at least one area of specialty; and (ii) the Bidder has entered into a written mentor-protégé agreement approved by the chief procurement officer with such MBE or WBE subcontractors to develop their capacity in becoming self-sufficient, competitive and profitable business enterprises.

For a Bidder to qualify for this Incentive through the use of MBE or WBE firms other than as a subcontractor (indirect participation), the MBE or WBE firms must be certified by the City of Chicago or Cook County in the area of specialty in which they are used during the performance of the contract.

HOW DOES IT WORK?

To benefit from the Incentive, the Bidder must commit to a specific percentage of total contract value to be performed by MBEs or WBEs.

HOW IS THE INCENTIVE APPLIED?

The Bid Incentive depends on the total value of work the Bidder commits will be performed by MBEs or WBEs, as a percentage of the total contract value

Commitment	Incentive Value
5%	0.75% of the contract base bid
10%	1% of the contract base bid
15%	1.25% of the contract base bid
20%	1.5% of the contract base bid
25%	1.75% of the contract base bid
30%	2% of the contract base bid

HOW DOES A BIDDER APPLY FOR IT?

The Bidder must submit its Schedule D with its Bid and indicate in its Schedule D that is seeking to receive the Incentive. The Schedule D must identify the MBE and/or WBE firms the Bidder intends to utilize. The Bidder must additionally submit Schedule Cs completed by each MBE and/or WBE firm it intends to utilize with its Bid.

WHAT HAPPENS IF A SUCCESSFUL BIDDER FAILS TO MEET THE COMMITTED UTILIZATION PERCENTAGES BY THE END OF THE CONTRACT TERM?

A contractor who is granted this Incentive will be fined an amount equal to three times the amount of the Incentive allocated, unless the contractor can demonstrate that due to circumstances beyond its control, the contractor for good cause was unable to retain the percentage of MBE or WBE firms throughout the duration of the contract period.

AVAILABLE PROGRAMS

List of Programs

Following is the list of potentially available Programs:

- Small Business Initiative (SBI)
- Mid-Sized Business Initiative (MBI)
- Non-Construction Mid-Sized Business Initiative (NMBI)
- Target Market Program
- Diversity Credit Program
- Phased Graduation Program
- Mentor-Protégé Program

Common Elements to Programs

In this Guide, the various Programs are grouped by applicability – to construction only, non-construction only, and to both construction and non-construction.

When applicable, at the time of bidding, prior to contract award, or during the Contract Term (and thereafter), the CPO may require such documentation as deemed necessary to determine that a Bidder or contractor is and remained eligible to participate in the Program. The CPO, or their designee, makes a final determination, based on the information received from a Bidder/contractor, regarding the applicability of these Programs to the Bidder or contractor. The contractor and its subcontractors must also maintain accurate and detailed records necessary to monitor compliance, submit reports to the CPO as required, and grant full access to their records to the CPO, the commissioner of the supervising department, or their representatives. Failure to submit accurate information may result in referral of the matter to the City's Corporation Counsel and/or the City's Inspector General for further action, in addition to any remedies available to the CPO.

Failure to Maintain Eligibility for the Program

A Bidder that has won a contract award which is either identified as part of a Program, or due to the Bidder's participation in a Program, must maintain the factors or status that led to a determination of its eligibility for the particular Program throughout the Contract Term and/or comply with the commitments made pursuant to the Program.

In most but not all cases, where the eligibility factors are not maintained at all times during the Contract Term, or where the Bidder fails to comply with the commitments made pursuant to the Program, the contractor may be subject adverse consequences, including, but not limited to, a finding of non-responsibility or being declared ineligible for further participation in the Program.

4. CONSTRUCTION ONLY PROGRAMS

SMALL BUSINESS INITIATIVE (SBI) CONSTRUCTION PROGRAM

WHAT IS IT?

The SBI Program is designed to provide opportunities for small businesses to participate on City-funded construction projects with an estimated value of no more than \$10 million in total cost. *Small local business enterprises* are the exclusive bidders for Construction projects identified as SBI projects. The SBI Program has two tiers. SBI I projects are limited to projects with estimated costs between \$2,000,000 and \$10,000,000. SBI II projects are limited to projects with estimated costs of less than \$2,000,000.

WHO IS ELIGIBLE TO BID ON AN SBI PROJECT?

A business must be a *small local business enterprise* (SBE) to participate. In determining whether a firm is eligible, the CPO will consider, among other factors, if the business:

- Is independent as determined solely by the CPO or his or her designee. The CPO will consider the ability of the SBE to perform satisfactorily in its area(s) of specialty without substantial reliance upon finances, resources, bonding, expertise, staff, facilities, or equipment of another individual business as evidence of independence. Recognition of the applicant as a separate and distinct entity by governmental taxing authorities is not dispositive of the applicant's assertion of independence. Independence will be evaluated as of the date the applicant was established through and including the date of application to the SBI;
- Has its principal place of business and the majority of its full-time, regular work force located in the Six-County region identified in Section 2-92-670 as evidenced by location of their employment as reported to federal and state taxing authorities;
- Will perform the majority of the work on the construction project with its own forces and/or subcontractors who are also small local business enterprises.
 - If the project is an SBI I project, all subcontractors utilized to meet the small local business performance requirement must meet the size standards for the SBI I Program.
 - If the project is an SBI II project, all subcontractors utilized to meet the small local business performance requirement must meet the size standards for the SBI II Program; and in addition,

- For the SBI I program:
 - has gross receipts, averaged over the firm’s previous five fiscal years, or number of employees, per pay period averaged over the past twelve months, that do not exceed 150% of the size standards set forth in 13 C.F.R. Part 121; and
 - is at least 51% owned by one or more persons whose individual net worth does not exceed 150% of the personal net worth limits set forth in MCC § 2-92-670(j), adjusted annually as provided therein.

- For the SBI II program;
 - has gross receipts, averaged over the firm’s previous five fiscal years, or number of employees, per pay period averaged over the past twelve months, that do not exceed 50% the size standards set forth in 13 C.F.R. Part 121; and
 - is at least 51% owned by one or more persons whose individual net worth is not more than 50% or ½ the personal net worth limits set forth in MCC § 2-92-670(j), adjusted annually as provided therein.

SBI is race and gender neutral. Any small business that meets the eligibility requirements for the SBI I or SBI II Programs is eligible to bid on an SBI construction contract.

HOW DOES IT WORK?

DPS will identify construction projects in the City’s Buying Plan, updated each quarter, which will be offered exclusively to *small local business enterprises* through this SBI construction Program. Bidding in SBI I or SBI II projects will be restricted to contractors that qualify to participate in the SBI I or SBI II programs, respectively.

WHAT DOES A BIDDER NEED TO DO TO BID ON AN SBI PROJECT?

For SBI I, bidders which are certified as an MBE or WBE by the City or Cook County or as a VBE by the City are presumed to be eligible and may submit evidence of its certification with its bid. All other must submit an affidavit attesting that they meet the definition of *small local business enterprise*.

For SBI II, all bidders must submit an affidavit attesting to their eligibility, regardless of certification status.

The CPO reserves the right to conduct investigations and to request additional documentation, information, and/or site visits to verify that a Bidder is eligible.

WHAT IF THE STATUS OF AN ELIGIBLE FIRM CHANGES DURING THE CONTRACT TERM?

If a firm no longer meets the definition of a *small local business enterprise* during a Contract Term, it may be deemed ineligible to participate in future SBI projects.

Mid-Sized Business Initiative (MBI) Construction Program

WHAT IS IT?

The MBI Construction Program is designed to provide opportunities for mid-sized local businesses to exclusively participate on City-funded construction projects with an estimated contract value between \$10 and \$20 million. The Program is race and gender neutral

WHO IS ELIGIBLE TO BID ON AN MBI CONSTRUCTION PROJECT?

A Bidder is eligible if it:

- Is independent;
- Has its principal place of business and the majority of its full-time, regular work force located in the Six -County region identified in Section 2-92-670; and
- Will perform more than 50% of the work on the construction project with its own forces and/or subcontractors who are also small or mid-sized local business enterprises;
- For MBI projects, meets the following size standards:
 - (i) has gross receipts, averaged over its previous five fiscal years, or number of employees, per pay period averaged over the past 12 months, that do not exceed two times the size standards set forth in 13 C.F.R. Part 121; and
 - (ii) is at least 51 percent owned by one or more persons whose personal net worth is not more than two times the personal net worth of an “economically disadvantaged” person, as that term is defined in Section 2-92-670;

HOW DOES IT WORK?

DPS will identify construction projects in the City's Buying Plan, updated each quarter, which will be offered exclusively to *mid-sized local business enterprises* through the MBI Construction Program.

MBEs, WBEs and VBEs certified by the City and MBEs and WBEs certified by Cook County need to be small local businesses to be certified and therefore are presumed to be eligible for the MBI Program. All other firms will need to establish their eligibility status for the MBI Program as appropriate and must submit an affidavit attesting that they meet the qualification requirements.

WHAT IF THE STATUS OF AN ELIGIBLE FIRM CHANGES DURING THE CONTRACT TERM?

If a firm no longer meets the definition of a mid-sized local business enterprise during the term of a contract, it will be deemed ineligible to participate in future MBI projects. If a firm makes fraudulent misrepresentations to the City regarding its eligibility for the MBI Program, in addition to other applicable penalties, it may be declared ineligible to contract or subcontract on additional contracts.

5. NON-CONSTRUCTION ONLY PROGRAMS

TARGET MARKET PROGRAM

WHAT IS IT?

The Target Market Program is designed to provide opportunities for MBEs and WBEs to be the exclusive bidders on City contracts.

WHO IS ELIGIBLE TO BID ON A TARGET MARKET PROJECT?

Participation in the Target Market Program is limited to MBEs, WBEs and joint ventures consisting exclusively of MBEs, WBEs or both. The prime contractor on a Target Market contract may subcontract up to 50 percent of the dollar value of the contract to subcontractors who are not MBEs or WBEs.

HOW DOES IT WORK?

On an annual basis, the CPO will designate appropriate contracts as Target Market contracts for which MBEs and WBEs will be the exclusive bidders. In making her annual designation of Target Market contracts, the CPO attempts to vary the included procurements so that a variety of goods and services are provided by different MBEs and WBEs. Construction projects may not be bid as Target Market procurements. In order for the City to bid a project as a Target Market procurement, there must be at least three MBE or WBE vendors certified in the area of specialty of the project. MBEs and WBEs remain eligible to bid on contracts which have not been designated as Target Market contracts.

WHAT DOES A BIDDER NEED TO DO TO BID ON A TARGET MARKET PROJECT?

Bidders must be certified as an MBE or WBE prior to bidding on a Target Market contract.

WHAT IF THE STATUS OF AN ELIGIBLE FIRM CHANGES DURING THE CONTRACT TERM?

If a firm becomes ineligible due to exceeding the size limits for eligible firms during a Contract Term, the firm will be treated as if it were still certified during the term of the contract, and its participation will be credited towards the contract MBE/WBE goals and they City's overall goals; however, the firm will become ineligible to bid on future Target Market projects. If the firm becomes ineligible or is decertified for any other reason during the term of the contract, the City may terminate the contract, and the firm may also be deemed ineligible to participate on future Target Market contracts.

If the CPO has reason to believe that the firm has made false statements to the City or has knowingly or willingly provided false information regarding the firm's certification status or eligibility for certification, the CPO may refer the matter to the Corporation Counsel and the Inspector General, and may take other such action as the CPO deems appropriate.

Non-Construction Mid-Sized Business Initiative Program

WHAT IS IT?

The Non-Construction Mid-Sized Business Initiative Program (the NMBI Program) is designed to provide opportunities for small to mid-sized local businesses to be the exclusive bidders on non-construction projects with an estimated contract value of between \$3,000,000 and \$10,000,000.

WHO IS ELIGIBLE TO BID ON A NMBI PROJECT?

- Will perform at least 51% of the work with its own forces and/or subcontractors who are also NMBI eligible as described below;
- Is independent;
- Has its principal place of business and the majority of its full-time, regular work force located in the Six-County region; and
- has gross receipts, averaged over its previous five fiscal years, or number of employees, per pay period averaged over the past 12 months, that do not exceed one and one half times the size standards for minority and women-owned businesses as set forth in Section 2-92-420(o) of the MCC.

HOW DOES IT WORK?

Firms certified by the City or Cook County as an MBE or WBE and firms certified by the City as a VBE are presumed to be mid-sized local business enterprises. For those bidders who are not presumed to be mid-sized local business enterprises, the bid package for each procurement identified as part of the NMBI Program will contain an affidavit referred to be completed by the bidder. Bidders may be required to submit documentation to verify the accuracy of the information provided in such affidavits including, but not limited to, corporate tax returns (for the bidder and its affiliates), personal tax returns for each owner, and personnel records. Failure to timely provide all requested documentation will result in the rejection of the bid and may result in a finding of non-responsibility.

WHAT DOES A BIDDER NEED TO DO TO BID ON A NMBI PROJECT?

MBEs and WBEs certified by the City of Cook County and VBEs certified by City must provide a copy of their certification letter with their bid. All other firms will need to establish their eligibility status for the NMBI program and must submit an affidavit attesting that they meet the qualification requirements for the NMBI Program, and must provide all documentation requested by the City in order to verify their eligibility.

WHAT IF THE STATUS OF AN ELIGIBLE FIRM CHANGES DURING THE CONTRACT TERM?

If a firm becomes ineligible due to exceeding the size standards for eligible NMBI firms it will no longer be eligible to bid on NMBI projects.

6. PROGRAMS APPLICABLE TO BOTH CONSTRUCTION AND NON-CONSTRUCTION CONTRACTS

DIVERSITY CREDIT PROGRAM

WHAT IS IT?

The Diversity Credit Program is designed to increase the participation of MBEs and WBEs on private sector contracts (i.e., contracts that are not funded by a governmental entity) by making such participation eligible for credit toward MBE/WBE participation goals on City contracts.

HOW DOES IT WORK?

A vendor that utilizes City- or Cook County-certified MBE or WBE firms on private sector contracts may receive credit for that utilization toward MBE/WBE participation goals on a contract awarded by the City. Credits will be awarded by the City's Affirmative Action Advisory Board (the "Board") in accordance with the following criteria:

Credits will be awarded only for utilization of MBEs and WBEs on private sector contracts which: (i) do not have affirmative action goals mandated by law or contract; or (ii) in the case of non-construction contracts only, do have such goals, and the goals have been exceeded by the firm, but only to the extent that the goals have been exceeded.

- Credit shall be awarded only where the vendor can demonstrate that MBEs and WBEs performed a direct, commercially useful function on the private sector contract, working within the area of specialty of the MBE or WBE as certified by the City or Cook County. Indirect participation, or participation by the MBE or WBE as a second-tier or lower tier subcontractor, is not eligible for credit.
- One dollar of credit will be issued for every three dollars earned by the MBEs and WBEs on the private sector contract. Credits will be awarded only to the vendor or vendors responsible for directly utilizing the MBE or WBE. If there is more than one such vendor (e.g., the private sector contract was undertaken by a joint venture of two or more vendors), credits will be awarded ratably to avoid duplication.
- Credit will be granted only for work performed by MBEs and WBEs on private sector contracts awarded within three years of the date of application for credit.
- Credit may not be earned more than once for any private sector contract.
- In order to qualify for the credit, the MBEs or WBEs for which the credit is being sought must be certified as such by the City or County at the time they are utilized on the private sector contract.
- Credits will expire one year after award by the Board.

HOW DOES A FIRM USE THE CREDITS?

A firm which has been awarded credits may indicate with its bid that it intends to use those credits toward MBE/WBE participation goals on the contract, subject to the following:

- The MBEs or WBEs on which the credit is based must still be certified as such at the time of the bid opening for the City contract.
- The maximum amount of credit available on any given City contract is five percent (5%) of the dollar value of that City contract.
- Credits may only be used once.

MBE/WBE Phased Graduation Program

WHAT IS IT?

The MBE/WBE Phased Graduation Program is designed to maximize diversity in the City's contracting by making *Established Businesses* eligible for continued participation in the City's MBE/WBE Program for three additional years.

HOW DOES IT WORK?

The CPO will notify a firm if it has exceeded the gross receipts or employee count size limits for certification and is no longer eligible for certification as an MBE or WBE. Upon the date specified in this notification, the firm will be considered a *participating established business* for a period of three years. During a firm's first year as a *participating established business*, the firm or contractor utilizing the firm as a subcontractor on a new City contract will receive 75% credit for participation in new City contracts, i.e., for each dollar (\$1.00) paid to such firms, the prime contractor will be credited for seventy-five cents (\$0.75) of participation. For new contracts, in the second year firms will receive 50% credit, and 25% credit during the third year.

A *participating established business* will remain in the City's directory of Certified Firms until it becomes a *non-participating established business*. A *participating established business* must notify the City of any change in its ownership, control, management, officers or financial relationships which may impact on the firm's eligibility for certification in writing within ten (10) business days of such change(s).

At any time, should the *established business* MBE or WBE firm be able to show evidence that it meets the requirements for certification, the firm may electronically reapply for certification.

HOW DOES A FIRM EARN CREDIT FOR USING A PARTICIPATING ESTABLISHED BUSINESS?

A *participating established business* must inform any prime contractors who solicit the *participating established business* as a subcontractor that only a percentage of its business's participation in a City contract may count for the MBE or WBE participation requirement.

If a prime contractor intends to utilize an established business on a contract, the percentage of compliance for that established business will be counted at the same level throughout the life of that contract. The percentage that will be applied throughout the life of the contract is the percentage allowed by Section 2-92-470 of the MCC as of the date the contract is awarded.

For example, if a participating established business is entitled to have its participation counted at the 75% level at the start of a contract, then, for the duration of that particular contract, that vendor's participation would be counted at 75% for purposes of applying MBE/WBE credit for that contract, even if the firm becomes eligible to receive 50% credit mid-way through the contract. Accordingly, for each new or subsequent contract awarded during the three year period, the percentage applied throughout the life of the contract would be that applicable as of the date the contract is awarded. Similarly, if a certified MBE or WBE

becomes an Established Business subsequent to award of the contract, the firm will be counted in full as if it were still a *non-established* certified MBE or WBE for that contract. If the Established Business is added to an existing contract after award, its participation would be counted based on the amount allowed as of the date the business is added to that contract, not the date the contract was originally awarded.

Bidders are required to accurately indicate the correct percentage reduction per dollar committed to *participating established businesses* as part of the compliance plan on the Schedule D forms submitted with any bid or proposal. *Participating established businesses* are required to accurately indicate the correct percentage reduction per dollar committed to on any Schedule C submitted to a prime contractor for submittal with a bid or proposal.

Mentor/Protégé Program

WHAT IS IT?

This Program is designed to increase the participation and capacity of minority-owned business enterprises (MBE) and women-owned business enterprises (WBE) in City contracting by making MBE/WBE utilization and mentoring eligible for credit toward MBE/WBE goals on a City contract, and as described in the Mentor/Protégé Program Incentive Section above, offering a Bid Incentive to prime contractors for such utilization and mentoring.

HOW DOES IT WORK?

A prime contractor who has entered into a mentor/protégé agreement, or whose subcontractor has entered into a subcontractor to subcontractor mentor/protégé agreement, may earn an additional 0.5 percent participation (0.5%) credit towards its MBE/WBE goals on a contract for every one (1) percent of the value of the contract performed by MBEs or WBEs, or combination thereof, that have entered into such mentoring agreement or subcontractor-to-subcontractor mentoring agreement. The maximum additional participation credit a contractor can earn is 5%.

The mentoring agreement must be approved by the CPO and must be designed to develop the capacity of the MBE/WBE protégé firms and allow them to become self-sufficient, competitive, and profitable business enterprises. The regulations specify other requirements for such plans.

HOW IS THE ADDITIONAL CREDIT EARNED THROUGH THE PROGRAM APPLIED?

The Bidder may be granted an additional 0.5% participation credit for every 1% of the total contract value self-performed by MBEs or WBEs, or combination thereof, that have entered into a mentoring agreement or subcontractor-to-subcontractor mentoring agreement. This credit is capped at 5% additional utilization credit.

If the protégé being utilized on the contract is an MBE, the additional credit applies only to the prime contractor's MBE utilization commitment; likewise, if the protégé is a WBE, the additional credit applies only to the prime contractor's WBE utilization commitment for the contract.

The Bidder must submit its Schedule D with its Bid and indicate therein that it is seeking to receive the credit and the Incentive, if applicable. The Schedule D must identify the contractor/mentor or, if applicable, the subcontractor/mentor and the protégé firm. A copy of the proposed mentoring program agreement duly executed by the parties must also be included with the Bid and attached to the Schedule D. In addition, the protégé's schedule C must be included with the Bidder's Bid. The Schedule C must indicate that the firm is participating in the mentor/protégé program and must identify the percentage of additional credit it seeks to earn through its participation. Other additional documentation as the CPO deems necessary to verify that a bidder qualifies, or continues to qualify, for the bid incentive and additional utilization credit may be required.

WHAT HAPPENS IF THE PROTÉGÉ FAILS TO COMPLETE THE PROGRAM OR THE MENTORING OR PERFORMANCE COMMITMENTS ARE NOT MET?

If the mentor terminates the mentor/protégé agreement, the prime contractor will receive no additional credit towards its MBE/WBE goals and must make good faith efforts to make up the credit lost. If the protégé voluntarily terminates its participation in the program, the prime contractor may continue to count the credit it would have received had the mentoring which was to be provided under the mentor/protégé agreement had been completed, as well as retain the Bid Incentive, if applicable.

If the CPO determines that a prime contractor/mentor has failed to make good faith efforts to meet its mentoring commitments in its own mentoring capacity or through the use of a subcontractor-to-subcontractor mentoring agreement in the performance of the contract, the CPO may also assess liquidated damages against the prime contractor/mentor in the amount of the discrepancy between the amount of the commitment and the achieved amount. The City may collect the liquidated damages by withholding the amount from the final payment due under the contract. The prime contractor/mentor cannot withhold the liquidated damages from any payment(s) due to the subcontractor mentor or the subcontractor protégé firm. The CPO may elect not to impose sanctions if, in the CPO's sole discretion, the prime contractor/mentor's or, if applicable, its subcontractor/mentor's failure to comply with its commitments to the mentoring program were due to circumstances beyond its reasonable control or, if applicable, subcontractor/mentor's reasonable control.

APPENDIX A

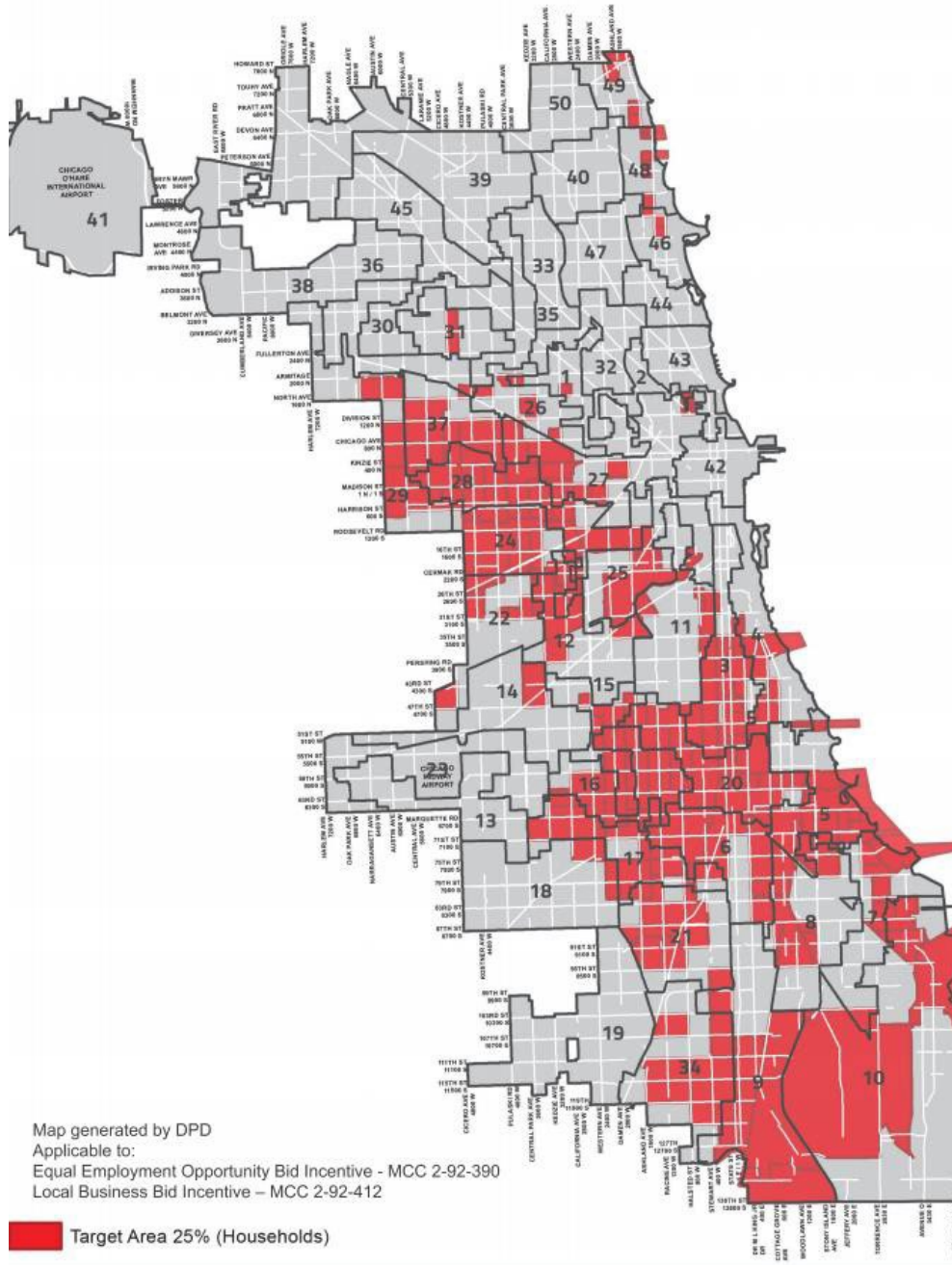
Amount of Value – Locally Manufactured Goods

For a good to qualify as a locally manufactured good, the following value must be derived from manufacturing activities located in the City:

Nature of the Good	Percentage of Unit	Operative Function Performed in City
Agricultural and Construction Equipment	>50% of item as offered for retail sale, regardless of origin of parts	Assembled
Cleaning/janitorial products, paint, and other chemical products	75% of ingredients, by weight or volume, exclusive of packaging	Combined
Clothing, Consumer Equipment, Furnishings, Housewares	>50% of the item as it is offered for retail sale, exclusive of packaging	Assembled
Communications and Safety Equipment	>50% of the item as it is offered for retail sale, regardless of origin of parts	Assembled
Food or Beverage	75% of ingredients, by weight or volume, exclusive of packaging	Combined
Hardware, Machinery Components, Tools	>50% of the item as it is offered for retail sale, exclusive of packaging, OR	Assembled
	>75% of the raw material used to make the item	Combined
Health Care Products	>50% of the item as it is offered for retail sale, exclusive of packaging, OR	Assembled
	>75% of the raw material used to make the item	Combined
Motor Vehicles	>50% of the vehicle, regardless of origin of parts	Assembled
Motor Vehicles Customized After Manufacturer	Regardless of origin of parts, and the vehicle's final dollar value must exceed its pre-customized dollar value by 20% or more	All customization
Office Equipment/Products	>50% of the item as it is offered for retail sale, exclusive of packaging	Assembled

APPENDIX B

Map of Socio-Economically Disadvantaged Areas²



² www.cityofchicago.org/content/dam/city/depts/dps/RulesRegulations/ChicagoSocioEconDisadvantagedAreas_map.pdf

