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**Diversity and Strategic Development  
Department Construction Initiatives Update**

March 26, 2015

# Agenda

- ❑ **Overview**
  - Diversity statistics
- ❑ **Issues: what we have learned**
  - Barriers to participation
- ❑ **Actions: what we have done**
  - Programs, initiatives, results
- ❑ **Gaps that remain**
  - New initiatives
- ❑ **Next steps**



# Overview

- From January 1, 2009 – December 31, 2014, Tollway paid \$3.1 billion on construction and professional services contracts:
  - Of \$2.3 billion paid on construction contracts, \$456.8 million (20.1 percent) went to D/M/WBE businesses
  - Of \$801.2 million paid on professional services, \$262.3 million (32.7 percent) went to D/M/WBE businesses
- D/M/WBE businesses were paid \$719 million, or 23.4 percent



# Listening and Defining Challenges

## ■ Beginning in 2012

- ❑ Met with stakeholders from the industry and advocacy agencies to hear concerns and gather input
- ❑ Hosted construction and professional services outreach events and participated in numerous industry events to renew focus on contracting opportunities
- ❑ Administered small contractor survey to elicit feedback

## ■ ALL feedback has shaped Tollway initiatives



# What We Have Learned

## *Defining issues and barriers to participation*

- Focus on construction opportunities
- **Small contracts** (under \$5 million) are a must, but **even smaller contracts** (under \$1 million) are desired by potential primes
- Continue to offer subcontracting opportunities
- Many small and diverse construction firms are **not prepared** to pursue Tollway opportunities as primes or subs
- Need increased **communication and outreach** about upcoming opportunities



# What We Have Done: **Unbundling**

## Approach:

- **Increased the number of small (under \$5 million) construction contracts** when practical (management, safety, cost)
- **“Unbundled” some larger projects** into a range of contract sizes and types
- **Targeted small/unbundled contracts** to work types typically provided by diverse firms

## Result:

- More than 60 percent increase in number of small contracts per year since 2012
- Awarded 81 small/unbundled contracts worth \$196.1 million since 2012
- Emerging pipeline of new prime firms pursuing Tollway work:
  - Nearly 40 percent of bidders on were new bidders
  - 15 companies awarded prime contracts for the first time

## What We Have Done: **Small Business Set-Aside Program**

### **Approach:**

- Developed a new **Small Business Set-Aside (SB/SA) Program** to offer construction contracts generally around \$1 million in value for registered small businesses

### **Result:**

- Awarded 12 SB/SA contracts worth more than \$8.3 million
- Nearly half of the SB/SA contracts awarded went to certified D/M/WBE or veteran-owned firms
- Conducted extensive outreach through targeted emails, phone calls and training sessions
- Advertised and awarded more set-aside contracts
- Considering setting small business goals on larger contracts



# What We Have Done: **Technical Assistance**

## Approach:

- Formed **Construction Business Development Center (CBDC)** to provide one-on-one support to help businesses participate on Tollway contracts
- Launched **Construction Coaching for Growth Program (CC4G)** to provide targeted training and strategic business counseling
- Created **Small Contractor Bridge Program** to provide working capital loans to small contractors

## Result:

- Nearly 60 firms assisted by CBDC to date
  - More than 40 percent submitted bids
- 25 firms participated in CC4G program
  - 18 firms graduated program
  - More than 50 prime and subcontractor submitted bids
- 133 contractors in Small Contractor Bridge Program application process
  - Four performance/bid bonds issued for Tollway work to date



# What We Have Done: Targeted Outreach

## Approach:

- **Increased outreach efforts** to alert small/diverse contractor community about bid opportunities and available resources to help them grow their businesses and participate on Tollway projects

## Result:

- Hosted or co-hosted construction networking events
- Placed thousands of phone calls and sent dozens of targeted email blasts to alert businesses about upcoming opportunities
- Conducted more than 10 “Are You Ready To Bid?” sessions
- Hosted Tollway Construction Contracts 101 training webinar
- Provided “look-aheads” for Tollway bids



# Despite Progress, Gaps Remain

- Small and D/M/WBE contractors need **additional hands-on, tailored assistance** over a longer duration
- The Tollway needs **additional bidders** from the pool of small and DBE firms
- Too many DBE firms remain **underutilized**
- New businesses may benefit from **meaningful instruction** from more experienced peers in the industry



# Provide Additional Assistance

## Gap:

Small contractors need **additional hands-on, tailored assistance**

## Initiative:

### **Technical Assistance RFP**

Enhance existing short-term CC4G and CBDC programs by providing small, diverse and veteran-owned contractors with in-depth, long-term technical assistance over two or more years



# Expand the Pool of Bidders

## Gap:

Tollway needs  
**additional bidders**

## Initiative:

### **Optional Contract Requirements**

Address prequalification requirements that may limit small and D/M/WBE firms from competing on Tollway projects by developing project specific requirements on off-roadway work of \$5 million or less in lieu of IDOT prequalification



# Track Prime Contractor DBE Outreach Efforts

## Gap:

Too many DBE firms  
remain underutilized

## Initiative:

### “Sunshine” Initiative

Require prime bidders to submit records regarding which subcontractors were contacted for bids and which subcontractors provided estimates to those prime bidders for Tollway contracts





# Link To Mentors

## Gap:

Veteran-owned businesses need **meaningful instruction**

## Initiative:

### **Mentor/Protégé Program for Veterans Professional Services**

Build upon existing Mentor/Protégé Program for professional services to include veterans



# Link To Mentors

## Gap:

New businesses need  
**meaningful instruction**



## Initiative:

# **New Mentor/Protégé Program for Construction**

Develop new Mentor/Protégé  
Program for construction that  
allows firms to obtain new skills,  
expand capacity and maximize  
potential

# Link to Mentors

## ■ How do we do it?

## ■ Program Benefits:

- Helps protégés expand capacity and obtain new skills
- Prepares firms to become prime contractors
- Builds relationships and enhances networking opportunities

## ■ Challenges:

- What is the best structure for the mentor/protégé relationship?
  - Contract specific or long-term partnership?
- How do we create monitoring/compliance mechanisms?
- What is the right incentive level for mentors?
- How do we measure success of the program?





# Incentivize Greater Diversity

## Gap:

Too many DBE firms  
remain underutilized

## Initiative:

### Diverse DBE Plan

Achieve greater diversity within  
existing DBE programs to include  
underutilized D/M/WBE firms



# Incentivize Greater Diversity

## ■ How do we do it?

- ❑ On 140 construction contracts awarded in the last two years:
  - More than 60 percent of construction contracts include one or two D/M/WBE categories
  - Nearly 40 percent of construction contracts include three or more D/M/WBE categories. Of those:
    - ❑ Only 7 (5 percent) contracts where D/M/WBEs exceed 15 percent each
    - ❑ Only 2 (1 percent) contracts where D/M/WBEs exceed 20 percent each



# Incentivize Greater Diversity

- **Question:** Should we allow “Banking” of credits for D/M/WBE participation of three or more categories? If so:
  - How much should primes be allowed to bank?
  - Should the Tollway include a “floor” or minimum requirement to ensure meaningful participation by each of the categories?
  - Should the Tollway cap the use of banked credits toward DBE goal, and where?
  - Should the Tollway evaluate the program over time in order to make adjustments based on participation?

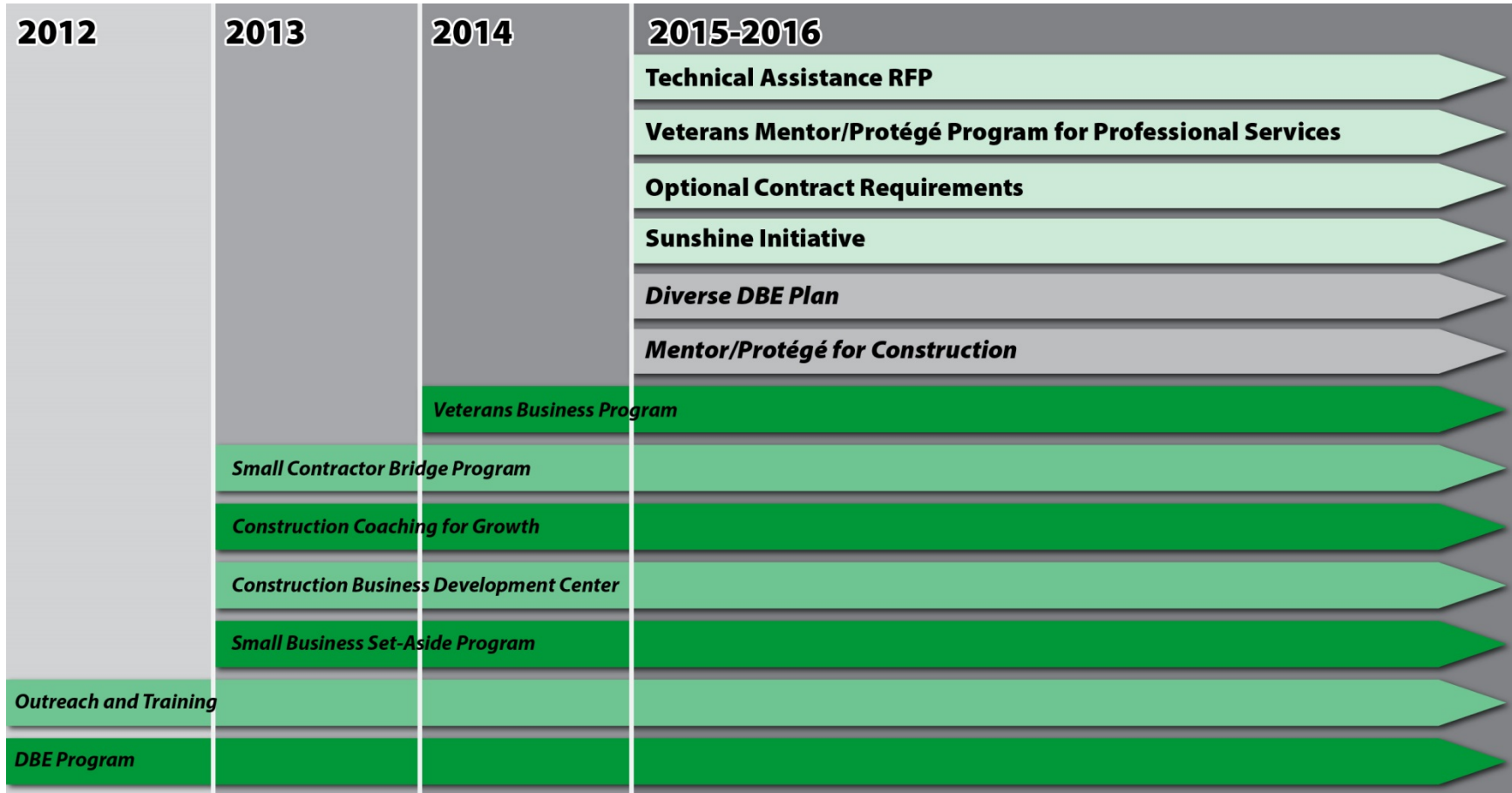


# Incentivize Greater Diversity

- **Example:** On a \$5 million contract with an 18 percent DBE goal:
  - Tollway could allow primes to “bank” DBE credits up to half of the contract goal
    - On 18 percent goal, DBE goal would be \$900,000; prime contractor could bank up to half (\$450,000) in credits for use on future bids
  - Tollway could include a “floor” or minimum requirement to ensure meaningful participation
    - Could require minimum 15 percent participation by three categories
  - Tollway could limit use of banked credits to 25 percent of DBE goal on future bid
    - On a \$5 million bid, DBE credits would be capped at \$225,000



# Continuing to Build Diversity Success





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**THANK YOU**