
CITY OF CHICAGO

RULES



VETERAN-OWNED SUBCONTRACTOR UTILIZATION BID INCENTIVE

UNDER 2-92-407

LAST UPDATED: February 2, 2018



Mayor Rahm Emanuel

Chief Procurement Officer Jamie L. Rhee

BY AUTHORITY VESTED IN THE CHIEF PROCUREMENT OFFICER FOR THE DEPARTMENT OF PROCUREMENT SERVICES PURSUANT TO 2-92-407, THE FOLLOWING RULES REGARDING VETERAN-OWNED SUBCONTRACTOR UTILIZATION BID INCENTIVE ARE ADOPTED HEREIN.

By Order of the Commissioner:

Signed: 
Chief Procurement Officer

Date: 2/8/18

Published: **February 2, 2018**
Effective: **February 2, 2018**

1. GENERAL PROVISIONS

1.1. Statement of Authority

These regulations are issued pursuant to the following Sections of the Municipal Code of Chicago:

Section 2-92-940 of the Municipal Code of Chicago establishes a bid incentive for the utilization of veteran-owned subcontractors. Section 2-92-960 authorizes the chief procurement officer to “adopt rules for the proper administration and enforcement” of the program.

1.2. Application and Statement of Purpose

These regulations describe how and when the bid incentive would apply, including the right of the Chief Procurement Officer to decline to apply the bid incentive.

2. DEFINITIONS

Unless otherwise specified, whenever used in these regulations, the following terms have the following meanings:

“Broker” means a person or entity that 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.

“Construction project” means any project to be paid for by the city, but which is not funded in whole or part by any federal or state funds, to construct, remodel or reconstruct any public works, public buildings, public structures, roadways, parkways, bridges, parking facilities or parks, or any portion of any of the same, belonging to the city within its geographical boundaries as they exist or shall exist in the future.

“Contract Base Bid” means the total dollar amount a contractor bids on a contract without factoring any bid incentive to the bid amount.

“Prime contractor” means a person who is the primary contractor on a contract.

“Veteran-owned subcontractor” means a subcontractor that: (i) is a veteran-owned small local business (“VBE”), as the term is defined in Section 2-92-920; (ii) holds all appropriate city licenses; and (iii) is subject to applicable city taxes; provided that a veteran-owned subcontractor shall not include the prime contractor.

3. PROCEDURES

3.1. Veteran-owned Subcontractor Utilization Bid Incentive (“Bid Incentive”)

For any construction project advertised after the effective date of section 2-92-940, the Chief Procurement Officer shall allocate to any qualified bidder the following bid incentive for utilization of veteran-owned subcontractors in the performance of the contract.

<i>Total Dollar Value of Work Performed by Veteran-Owned Subcontractors as a Percentage of the Total Contract Value</i>	<i>Bid Incentive</i>
1 to 16%	0.5% of the contract base bid
17 to 32%	1% of the contract base bid
33 to 49%	1.5% of the contract base bid
50% or greater	2% of the contract base bid



The Bid Incentive is limited in scope and therefore may not apply to every contract between the City of Chicago and a Prime Contractor.

The Bid Incentive may not apply if, as determined by the Chief Procurement Officer:

- an emergency exists;
- the contract is for cooperative purchasing or cooperative construction; or
- the allocation of a bid incentive is not in the city's best interest.

3.2. Purpose and Effect of Bid Incentive

The purpose of the Bid Incentive is to identify the low bidder; it does not apply to or otherwise pertain to the contract price.

In procurements where price is the only factor, the Bid Incentive shall be applied by deducting the applicable percentage from the bid price of the bidder meeting the eligibility criteria. In procurements where price is a factor, but not the only consideration for determining the qualifications of a vendor submitting a proposal to the City, or where price is not a factor in determining the qualifications of a vendor submitting a proposal, the evaluation committee shall apply the Bid Incentive (as calculated above) to the total evaluated score of the respondents. Thus, if a respondent's score is 4.0, and the respondent qualifies for a 2% Bid Incentive, then 2% of the respondent's score shall be added, for a final score of 4.08.

3.3. Eligibility

- 3.3.1. A contractor shall not be eligible to receive in one contract bid, the bid incentive allocated pursuant to section 2-92-940 and that allocated pursuant to Section 2-92-950.
- 3.3.2. A contractor shall not be eligible to receive in one contract bid, the bid incentive allocated pursuant to Section 2-92-410 and that allocated pursuant to Section 2-92-940.
- 3.3.3. The Bid Incentive may not be combined with any other procurement set-aside benefit for a veteran-owned business enterprise under the Municipal Code of Chicago.
- 3.3.4. If a veteran-owned subcontractor subcontracts part of the work to another contractor, only the value of work performed by the veteran-owned subcontractor's employees shall count towards the bid incentive, unless the sub-subcontractor is a veteran-owned subcontractor.
- 3.3.5. The participation of a veteran-owned subcontractor that acts as a broker does not count toward the total dollar value of work performed by veteran-owned subcontractors for purposes of the Bid Incentive.

3.4. MBE/WBE Participation Goals

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 performed by veteran-owned subcontractors for purposes of the Bid Incentive.

3.5. Application Procedures

Affidavit

At the time of bid, bidders seeking to take advantage of the Bid Incentive must submit the relevant affidavit included in bid packages. 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.

Additional Documentation

The Chief Procurement Officer may require, at the time of bidding, prior to contract award, or during the term of the contract, such additional documentation as the chief procurement officer deems necessary to verify that a bidder qualifies, or continues to qualify, for the Bid Incentive.

Contractors and their subcontractors are required to maintain records of compliance with the Bid Incentive for a period of three years after the expiration of the contract.



Records of compliance to be maintained must include, at a minimum, documentation of the applicable veteran's service in the United States armed forces, documentation of the applicable veteran's discharge or separation therefrom (a veteran may not be discharged under dishonorable conditions), and business records demonstrating ownership and control of the veteran-owned subcontractor. However, the Chief Procurement Officer reserves the right to request additional documentation.

The Chief Procurement Officer reserves the right to decline to include or allocate the Bid Incentive pursuant to the authority granted in Section 2-92-940.

3.6. Penalties

Upon completion of the work, any prime contractor that has failed to retain the percentage of veteran-owned subcontracts for which a bid incentive was taken into consideration in awarding of a contract shall be fined an amount equal to three times the amount of the bid incentive allocated, unless the prime contractor can demonstrate that due to circumstances beyond the prime contractor's control, the prime contractor for good cause was unable to retain the percentage of veteran-owned subcontractors throughout the duration of the contract period.

4. FINAL DECISION

The Chief Procurement Officer or designee shall make the final determination regarding the applicability of the bid incentive to any procurement.

This document may be updated periodically and is subject to change without notice.

