

SMALL BUSINESS ENTERPRISE REQUIREMENTS

I. GENERAL

This project is subject to Title 49, Code of Federal Regulations, Part 26, entitled "Participation by Disadvantaged Business Enterprise in Department of Transportation Financial Assistance Programs," hereinafter referred to as the ("DBE Regulations") and is incorporated and made a part of this contract herein by this reference. The following shall be incorporated as part of the contract documents for compliance. If any requirements herein are in conflict with the general provisions or special provisions applicable to this project, the requirements herein shall prevail unless specifically superseded or amended in the special provisions or by addendum.

Pursuant to §26.39 of the DBE Regulations, the Department has established a Small Business Enterprise (SBE) element within its DBE Program as one of its race neutral methods to encourage small business participation, including DBE participation in its federal-aid contracting activities. The SBE element is a part of the Department's Small Business Utilization Plan, which is incorporated herein by reference.

II. POLICY

It is the policy of the U.S. Department of Transportation ("USDOT") and the State of Hawaii, Department of Transportation and its political subdivisions ("Department") that Disadvantaged Business Enterprises ("DBE"), as defined in the DBE Regulations, have an equal opportunity to receive and participate in federally assisted contracts.

It is also the policy of the Department to ensure nondiscrimination in the award and administration of all contracts and to create a level playing field on which SBEs and DBEs can compete fairly for contracts and subcontracts relating to the Department's construction contracting activities. DBEs are by definition considered to be SBEs and are covered in all references to SBEs. Conversely, as further explained below, not all SBEs are qualified to be DBEs. For the purpose of these contract provisions and unless specified herein, all requirements related to DBE participation also apply to SBEs.

III. DEFINITION

Small Business Enterprise or **SBE** means a for-profit small business concern—

(1) That is at least fifty-one (51) percent owned by one (1) or more individuals who are economically disadvantaged or, in the case of a corporation, in which fifty-one (51) percent of the stock is owned by one (1) or more such individuals; and

(2) Whose management and daily business operations are controlled by one (1) or more of the economically disadvantaged individuals who own it.

IV. DBE ASSURANCES

Each contract signed with a prime contractor (and each subcontract the prime contractor signs with a subcontractor) shall include the following assurance:

“The contractor, sub-recipient, or subcontractor shall not discriminate on the basis of race, color, national origin, or sex in the performance of this contract. The contractor shall carry out applicable requirements of 49 CFR Part 26 in the award and administration of USDOT assisted contracts. Failure by the contractor to carry out these requirements is a material breach of this contract, which may result in the termination of this contract or such other remedy as the recipient deems appropriate which may include, but is not limited to; 1) withholding monthly progress payments; 2) assessing sanctions; 3) liquidated damages; and/or 4) disqualifying the contractor from future bidding as non-responsible.”

The prime contractor agrees to include the above statements in any subsequent contracts that it enters into with other contractors and shall require those contractors to include similar statements in further agreements.

V. BIDDER/OFFEROR RESPONSIBILITIES

All bidders/offerors are required to register with the Department’s OCR, DBE Section, using the Bidder Registration Form, which can be downloaded from the Department’s website at <http://hidot.hawaii.gov/administration/ocr/dbe/dbe-program-forms/>. Certified SBEs are considered registered with the Department and are not required to submit a Bidder Registration Form. All other bidders/offerors are required to complete this form which may be faxed to (808) 831-7944, e-mailed to HDOT-DBE@hawaii.gov, or mailed to the HDOT DBE Section at 200 Rodgers Boulevard, Honolulu, Hawaii, 96819. Registered bidders/offerors are posted on the website listed above.

Bidders/offerors, subcontractors, manufacturers, vendors or suppliers, and trucking companies shall fully inform themselves with respect to the requirements of the DBE Regulations. Particular attention is directed to the following matters:

- A. Bidders/offerors shall take all necessary steps to ensure that SBEs have an opportunity to participate in this contract.
- B. SBEs may participate as a consultant, prime contractor, subcontractor, trucking company, or vendor of materials or supplies. SBEs may also team with other SBEs or non-SBE firms as part of a joint venture or partnership.
- C. Agreements between a bidder/offeror and a SBE in which an SBE promises not to provide subcontracting quotations to other bidders/offerors are strictly prohibited.

- D. An SBE shall be certified by the Department under the appropriate North American Industry Classification System (NAICS) code and work in their registered field of work in order for credit to be allowed.
- E. Information regarding the current certification status of SBEs is available on the internet at <https://hidot.hawaii.gov/administration/ocr/dbe/>.
- F. Commercially Useful Function (“CUF”). An SBE must perform a CUF. This means that an SBE must be responsible for the execution of a distinct element of the work, must carry out its responsibility by actually performing, managing, and supervising at least 30% of the work involved by using its own employees and equipment, must negotiate price, determine quality and quantity, order and install material (when applicable), and must pay for the material itself.¹

To determine whether an SBE is performing a CUF, the Department must evaluate the amount of work subcontracted, industry practices, whether the amount the firm is to be paid under the contract is commensurate with the work it is actually performing, the SBE credit claimed for performance of the work, and other relevant factors. The prime contractor is responsible to ensure that the SBE performs a CUF.

VI. PROPOSAL REQUIREMENTS

- A. SBEs must be certified by the bid opening date.
- B. SBE subcontractors, manufacturers, suppliers, trucking companies, and any second tier subcontractors shall be listed on the respective SBE forms as specified below in order to receive credit.
- C. The following forms are due to the Department’s Project Manager or designee **by the close of business, 4:30 P.M. Hawaii Standard Time (HST), five (5) days after bid opening:**²
 - 1. SBE Confirmation and Commitment Agreement. This form must be signed by the bidder/offeror and each SBE subcontractor, manufacturer, supplier, or trucking company. Information to be provided on the form shall include, among other things, the project number, the SBE’s NAICS codes, description of work, bid items with corresponding price information, prime contractor name and contact information SBE name and contact information and subcontractor name and contact information if the SBE is a second tier subcontractor.

¹ The use of joint checks payable to an SBE subcontractor and supplier may be allowed to purchase materials and supplies under limited circumstances. See IX USE OF JOINT CHECKS UNDER THE SBE PROGRAM

² In computing calendar days, the day from which the period begins to run is not counted, and when the last day of the period is a Saturday, Sunday, or Federal or State holiday, the period extends to the next day that is not a Saturday, Sunday, or holiday.

2. SBE Contract Goal Verification and Good Faith Efforts (GFE) Documentation for Construction. List the dollar amount of all subcontractors, manufacturers, suppliers, and trucking companies (both SBE and non-SBE firms). Bidder/offeror must also list the SBE project goal on this form (See paragraph D below regarding goal calculation). The bidder/offeror must submit documentation demonstrating how the SBE goal was met or how the bidder/offeror attempted to meet the goal if the goal was not met. This documentation shall include quotations for both SBE and non-SBE subcontractors when a non-SBE is selected over a SBE for the project. **Documentation of good faith efforts is required irrespective of whether the bidder/offeror met the SBE project goal.**

The above forms must be complete and provide the necessary information to properly evaluate bids/proposals. Failure to provide any of the above shall be cause for bid/proposal rejection.

- D. Calculation of the SBE contract goal for this project is the proportionate contract dollar value of work performed, materials, and goods to be supplied by SBEs. SBE credit shall not be given for mobilization, force account items and allowance items. This SBE contract goal is applicable to all the contract work performed for this project and is calculated as follows:
 1.
$$\text{SBE contract goal percentage} = \frac{\text{Contract Dollar Value of the work to be performed by SBE subcontractors and manufacturers, plus 60\% of the contract dollar value of SBE suppliers}}{\text{sum of all contract items (sum of all contract items is the total amount for comparison of bids less mobilization, force account items, and allowance items)}}$$
 2. The Department shall adjust the bidder's/offeror's SBE contract goal to the amount of the project goal if it finds that the bidder/offeror met the goal but erroneously calculated a lower percentage. If the amount the bidder/offeror submits as its contract goal exceeds the project goal, the bidder/offeror shall be held to the higher goal.

VII. COUNTING SBE PARTICIPATION TOWARDS CONTRACT GOAL

- A. Count the entire amount of the portion of a contract (or other contract not covered by paragraph B below) that is performed by the SBE's own forces. Include the cost of supplies and materials obtained by the SBE for the work on the contract, including supplies purchased or equipment leased by the SBE (except supplies and equipment the SBE subcontractor purchases or leases from the prime contractor or its affiliate).
- B. Count the entire amount of fees or commissions charged by an SBE firm for providing a bona fide service, such as professional, technical, consultant, or managerial services, or for providing bonds or insurance specifically required for the performance of a USDOT-assisted contract, toward SBE goals, provided the

Department determines the fee to be reasonable and not excessive as compared with fees customarily allowed for similar services.

- C. When an SBE subcontracts part of the work of its contract to another firm, the value of the subcontracted work may be counted toward SBE goals only if the SBE's subcontractor is itself an SBE. Work that an SBE subcontracts to a non-SBE firm does not count toward SBE goals.
- D. When an SBE performs as a participant in a joint venture, count a portion of the total dollar value of the contract equal to the distinct, clearly defined portion of the work of the contract that the SBE performs with its own forces toward SBE goals.
- E. Count expenditures to an SBE contractor toward SBE goals only if the SBE is performing a CUF on that contract.
- F. The following is a list of appropriate SBE credit to be allowed for work to be performed by an SBE subcontractor. Count expenditures with SBEs for materials or supplies toward SBE goals as provided in the following:
 - 1. If the materials or supplies are obtained from an SBE manufacturer, count 100 percent of the cost of the materials or supplies toward SBE goals;
 - 2. For purposes of determining SBE goal credit, a manufacturer is a firm that operates or maintains a factory or establishment that produces (on the premises) the materials, supplies, articles, or equipment required under the contract and of the general character described by the specifications;
 - 3. If the materials or supplies are purchased from an SBE regular dealer, count 60 percent of the cost of the materials or supplies toward SBE goals;
 - 4. For purposes of determining SBE goal credit, a regular dealer is a firm that owns, operates, or maintains a store, warehouse, or other establishment in which the materials, supplies, articles or equipment of the general character described by the specifications and required under the contract are bought, kept in stock, and regularly sold or leased to the public in the usual course of business;
 - 5. To be a regular dealer, the firm must be an established, regular business that engages, as its principal business and under its own name, in the purchase and sale or lease of the products in question;
 - 6. A person may be a regular dealer in such bulk items as petroleum products, steel, cement, gravel, stone, or asphalt without owning, operating, or maintaining a place of business as provided in the DBE Regulations, if the person both owns and operates distribution equipment for the products. Any supplementing of a regular dealers' own distribution equipment shall be by a long-term lease agreement and not on an ad hoc or contract-by-contract basis;
 - 7. Packers, brokers, manufacturers' representatives, or other persons who arrange or expedite transactions are not regular dealers;
 - 8. With respect to materials or supplies purchased from an SBE, which is neither a manufacturer nor a regular dealer, count the entire amount of

fees or commissions charged for assistance in the procurement of the materials and supplies, or fees or transportation charges for the delivery of materials or supplies required on a job site, toward SBE goals, provided that the Department determines the fees to be reasonable and not excessive as compared with fees customarily allowed for similar services. Do not count any portion of the cost of the materials and supplies themselves toward SBE goals; however,

9. If a firm is not currently certified as an SBE in accordance with standards of this part at the time of the execution of the contract, do not count the firm's participation toward any SBE goals, except as provided for in §26.87(i);
10. Do not count the dollar value of work performed under a contract with a firm after it has ceased to be certified toward the Department's overall goal; and
11. Do not count the participation of an SBE subcontractor toward a contractor's final compliance with its SBE obligations on a contract until the amount being counted has actually been paid to the SBE.

G. The following factors are used in counting SBE participation for trucking companies:

1. The SBE must be responsible for the management and supervision of the entire trucking operation for which it is responsible on a particular contract, and there cannot be a contrived arrangement for the purpose of meeting SBE goals;
2. The SBE must itself own and operate at least one (1) fully licensed, insured, and operational truck used on the contract;
3. The SBE receives credit for the total value of the transportation services it provides on the contract using trucks it owns, insures, and operates using drivers it employs;
4. The SBE may lease trucks from another SBE firm, including an owner-operator who is certified as an SBE. The SBE who leases trucks from another SBE receives credit for the total value of the transportation services the lessee SBE provides on the contract;
5. The SBE may also lease trucks from a non-SBE firm, including from an owner-operator. The SBE that leases trucks equipped with drivers from a non-SBE is entitled to credit for the total value of transportation services provided by non-SBE leased trucks equipped with drivers not to exceed the value of transportation services on the contract provided by SBE-owned trucks or leased trucks with SBE employee drivers. Additional participation by non-SBE owned trucks equipped with drivers receives credit only for the fee or commission it receives as a result of the lease arrangement. If a recipient chooses this approach, it must obtain written consent from the appropriate Department operating administration.
EXAMPLE: SBE firm X uses two (2) of its own trucks on a contract, leases two (2) trucks from SBE Firm Y and six (6) trucks from non-SBE Firm Z. SBE credit would be awarded for the total value of transportation

services provided by Firm X and Firm Y, and may also be awarded for the total value of transportation services provided by four (4) of the six (6) trucks provided by Firm Z. In all, full credit would be allowed for the participation of eight (8) trucks. With respect to the other two (2) trucks provided by Firm Z, SBE credit could be awarded only for the fees or commissions pertaining to those trucks Firm X receives as a result of the lease with Firm Z;

6. The SBE may lease trucks without drivers from a non-SBE truck leasing company. If the SBE leases trucks from a non-SBE truck leasing company and uses its own employees as drivers, it is entitled to credit for the total value of these hauling services.

EXAMPLE: SBE Firm X uses two (2) of its own trucks on a contract. It leases two (2) additional trucks from non-SBE Firm Z. Firm X uses its own employees to drive the trucks leased from Firm Z. SBE credit would be awarded for the total value of the transportation services provided by all four (4) trucks; and

7. For purposes of determining whether a trucking firm performs a CUF, a lease must indicate that the SBE has exclusive use of and control over the truck. This does not preclude the leased truck from working for others during the term of the lease with the consent of the SBE, so long as the lease gives the SBE absolute priority for use of the leased truck. Leased trucks must display the name and identification number of the SBE.

- H. The bidder/offeror may be a joint venture or partnership that has a certified SBE as a partner. A "Joint Venture" means an association between an SBE firm and one (1) or more other firms to carry out a single, for-profit, business enterprise for which the parties combine their property, capital, efforts, skills and knowledge, and in which the SBE is responsible for a distinct, clearly defined portion of the work of the contract, and whose share in the capital contribution, control, management, risks and profits are commensurate with its ownership interest.
- I. Effects of a Summary Suspension of an SBE. When an SBE's certification is suspended, the SBE may not be considered to meet a contract goal on a new contract and any work it does on a contract received during the suspension shall not be counted towards the overall goal. The SBE may continue to perform work under an existing contract executed before the SBE received a Notice of Suspension and may be counted towards the contract goal during the period of suspension as long as the SBE is performing a CUF under the existing contract.
- J. Effects of Decertification of an SBE. Should an SBE become decertified during the term of the subcontract for reasons beyond the control of and with no fault or negligence on the part of the contractor, the work remaining under the subcontract may be credited towards the contract goal, but are not included in the overall accomplishments.

Should the SBE be decertified after contract award and before notice to proceed, the contractor must still meet the SBE goal by either: a) withdrawing the

subcontract from the SBE and expending good faith efforts to replace it with an SBE that is currently certified for that same work; or b) continuing with the subcontract with the decertified firm and expending good faith efforts to find other work not already subcontracted out to SBEs in an amount to meet the SBE goal either by; 1) increasing the participation of other SBEs on the project; 2) documenting good faith efforts; or 3) by a combination of the above.

VIII. USE OF JOINT CHECKS UNDER THE SBE PROGRAM

- A. The following guidelines apply to the use of joint checks:
1. The second party (typically the prime contractor) acts solely as a guarantor;
 2. The SBE must release the check to the supplier;
 3. The use of joint checks is a commonly recognized business practice;
 4. The Department must approve the use of joint checks prior to use by contractors and/or SBEs. As part of this approval process the Department will analyze industry practice to confirm that the use of joint checks is commonly employed outside of the SBE program for non-SBE subcontractors on both federal and state funded contracts. Using joint checks shall not be approved if it conflicts with other aspects of the DBE Regulations regarding CUF; and
 5. The Department will monitor the use of joint checks closely to avoid abuse.
- B. Contractors and SBEs should review the following general guidelines when determining whether to use joint checks closely to avoid abuse:
1. That standard industry practice applies to all contractors (federal and state contracts);
 2. Use of joint checks must be available to all subcontractors;
 3. Material industry sets the standard industry practice, not prime contractors;
 4. Short term, not to exceed reasonable time (i.e., one (1) year, two (2) years) to establish/increase a credit line with the material supplier;
 5. No exclusive arrangement between one (1) prime and one (1) SBE in the use of joint checks that might bring the independence of the SBE into question;
 6. Non-proportionate ratio of SBE's normal capacity to size of contract and quantity of material to be provided under the contract;
 7. The SBE is normally responsible to install and furnish the work item; and
 8. The SBE must be more than an extra participant in releasing the check to the material supplier.
- C. The Department shall allow the use of joint checks if the following general conditions are met:
1. SBE submits request to the Department for action;

2. There is a formalized agreement between all parties that specify the conditions under which the arrangement shall be permitted;
3. There is a full and prompt disclosure of the expected use of joint checks;
4. The Department will provide prior approval;
5. SBE remains responsible for all other elements of 49 CFR 26.55(c)(1);
6. The agreement states clearly and determines that independence is not threatened because the SBE retains final decision making responsibility;
7. The Department will determine that the request is not an attempt to artificially inflate SBE participation;
8. Standard industry practice is only one (1) factor;
9. The Department will monitor and maintain oversight of the arrangement by reviewing cancelled checks and/or certification statement of payment; and
10. The Department will verify there is no requirement by prime contractor that the SBE is to use a specific supplier nor the prime contractor's negotiated unit price.

IX. DEMONSTRATION OF GOOD FAITH EFFORTS FOR CONTRACT AWARD

- A. When a project goal is not met, the Department shall conduct the initial review of GFE submitted by the bidder/offeree and shall determine whether the bidder/offeree has performed the quality, quantity, and intensity of efforts that demonstrate a reasonably active and aggressive attempt to meet the contract goal in accordance with 49 CFR Part 26, Appendix A.
- B. The bidder/offeree bears the responsibility of demonstrating that it met the contract goal, or if the contract goal was not met, by documenting the GFE it made in an attempt to meet the goal. It is the sole responsibility of the bidder/offeree to submit any and all documents, logs, correspondence, and any other records or information to the Department that will demonstrate that the bidder/offeree made good faith efforts to meet the SBE goal.
- C. In its good faith evaluation, the Department shall perform the following as part of its evaluation: a) compare the bidder's/offeree's bid against the bids/offers of other bidders/offerees, and compare the SBEs and SBE work areas utilized by the bidder/offeree with the SBEs listed in other bids/offers submitted for this contract (If other bidders obtained SBEs in a particular work area in which the low bidder did not, the Department shall take this into consideration in its evaluation); b) verify contacts by bidders/offerees with SBEs; and c) compare the SBE and the categories of SBE work targeted by the bidder/offeree for participation in the contract, with the total pool of available SBEs ready, willing and able to perform work on each particular subcontract targeted by the bidder/offeree.
- D. Actions on the part of the bidder/offeree that will be considered demonstrative of good faith efforts include, but are not limited to, the following:

1. Whether the bidder/offeror submitted the required information (i.e., SBE name, address, NAICS code, description of work, project name, and number), and dollar amounts for all subcontractors, within five (5) days of bid opening;
2. Whether the bidder/offeror solicited through all reasonable and available means (e.g., attendance at pre-bid meetings, advertising and/or written notices) the interest of all certified SBEs who have the capability to perform part or all of the work to be included under the contract. The Department will also consider whether the bidder/offeror solicited the participation of potential SBEs as early in the procurement process as practicable, and allowed sufficient time for the SBEs to properly inquire about the project and respond to the solicitation. The Department will also review whether the bidder/offeror took appropriate steps to follow up with interested SBEs in a timely manner to facilitate participation by SBEs in this project;
3. Whether the bidder/offeror identified and broke up portions of work that can be performed by SBEs in order to increase the likelihood that an SBE will be able to participate, and that the SBE goal could be achieved (e.g., breaking out contract items into economically feasible units to facilitate SBE participation even when the bidder/offeror might otherwise prefer to self-perform these work items with its own forces);
4. Whether the bidder/offeror made available or provided interested SBEs with adequate information about the plans, specifications, and requirements of the project in a timely manner, and assisted them in responding to the bidder's/offeror's solicitation;
5. Whether the bidder/offeror negotiated in good faith with interested SBEs. Evidence of such negotiations includes documenting: a) the names, addresses and telephone numbers of SBEs that were contacted; b) a description of the information that was provided to SBEs regarding the plans and specifications; and c) detailed explanation for not utilizing individual SBEs on the project;
6. Whether the bidder/offeror solely relied on price in determining whether to use an SBE. The fact that there may be additional or higher costs associated with finding and utilizing SBEs are not, by itself, sufficient reasons for a bidder's/offeror's refusal to utilize an SBE, or the failure to meet the SBE goal, provided that such additional costs are not unreasonable. Also, the ability or desire of a bidder/offeror to perform a portion of the work with its own forces, that could have been undertaken by an available SBE, does not relieve the bidder/offeror of the responsibility to make good faith efforts to meet the SBE goal, and to make available and solicit SBE participation in other areas of the project to meet the SBE goal;
7. Whether the bidder/offeror rejected SBEs as being unqualified without sound reasons based on a thorough investigation of their capabilities. The SBEs standing within the industry, membership in specific groups, organizations or associations, and political or social affiliation are not

- legitimate basis for the rejection or non-solicitation of bids from particular SBEs;
8. Whether the bidder/offeror made efforts to assist interested SBEs in obtaining bonding, lines of credit, or insurance;
 9. Whether the bidder/offeror made efforts to assist interested SBEs in obtaining necessary equipment, supplies, materials or related assistance or services;
 10. Whether the bidder/offeror effectively used the services of available minority/women community organizations, minority/women business groups, contractors' groups, and local, state and federal minority/women business assistance offices or other organizations to provide assistance in recruitment and placement of SBEs;
 11. Whether the bidder/offeror, who selects a non-SBE over an SBE subcontractor, has quotes of each SBE and non-SBE subcontractor submitted to the bidder for work on the contract; and for each SBE that was contacted but not utilized by the bidder/offeror for a contract, the bidder/offeror has a detailed written explanation for each SBE detailing the reasons for the bidder's/offeror's failure or inability to utilize, or to allow the SBE to participate in the contract; and
 12. Whether other bidders/offerors met the goal and whether the apparent successful bidder/offeror could have met the goal with additional efforts. The Department may determine that an apparent successful bidder/offeror who fell short of meeting the goal, made good faith efforts when it met or exceeded the average SBE participation obtained by other bidders/offerors.

X. ADMINISTRATIVE RECONSIDERATION.

If it is determined by the Department that the apparent successful bidder/offeror has failed to meet the provisions of 49 CFR Section 26.53(a), the bidder/offeror may submit a request for administrative reconsideration. If under the provisions of 49 CFR, Section 26.53(d), it is determined by the Department that the apparent successful bidder/offeror has failed to meet the provisions of this subsection, the bidder/offeror may submit a written request for administrative reconsideration.

- A. Within five (5) working days of being informed in writing by the Department that the bidder/offeror has not documented sufficient GFE, a bidder/offeror may request administrative reconsideration. Bidders/offerors should make this request in writing to the following official:

Director of Transportation
Hawaii Department of Transportation
869 Punchbowl Street, Room 509
Honolulu, Hawaii 96813

- B. The reconsideration official, or his or her designee (referred to as "reconsideration official"), shall not have played any role in the original determination that the bidder/offeror failed to meet the goal or make adequate good faith efforts to do so.

- C. As part of this reconsideration, the bidder/offeror will have the opportunity to provide written documentation or argument concerning the issue of whether it met the goal or made adequate GFE to do so. The bidder/offeror will have the opportunity to meet in person with the reconsideration official to discuss the issue of whether it met the goal or made adequate GFE to do so.
- D. In an administrative reconsideration, the reconsideration official will review all previously submitted documents, oral and written arguments, and other evidence presented in the reconsideration, in making the decision.
- E. The Department shall inform the bidder/offeror of the decision within thirty (30) days of the proceeding. The decision will state the Department's findings, and explain the basis of those findings, with respect to whether or not the bidder/offeror met the contract goal, or whether or not the bidder/offeror made adequate GFE to achieve the contract goal.
- F. The reconsideration decision is not administratively appealable to USDOT but is appealable under HRS 103D-709.

XI. AWARD OF CONTRACT

- A. In a sealed bid procurement, the Department reserves the right to reject any or all bids. The award of contract, if it is awarded, will be to the lowest responsive and responsible bidder who meets or exceeds the SBE project goal, or who makes good faith efforts to meet or exceed the SBE project goal, as determined by the Department.
- B. If the lowest responsible bidder does not meet the SBE project goal and does not demonstrate to the satisfaction of the Department that it made good faith efforts to meet the SBE project goal, such bid shall be rejected as non-responsive. The Department will then consider the next lowest responsive and responsible bidder for award in accordance with paragraph A above.

XII. REPLACEMENT OF AN SBE ON A PROJECT WITH A CONTRACT GOAL

Under this contract, the prime contractor shall utilize the specific SBE listed to perform the work and supply the materials for which each is listed unless the contractor obtains written consent from the Department to replace an SBE. If the Department's consent is not provided, the contractor shall not be entitled to any payment for work or material unless it is performed or supplied by the listed SBE. The Department reserves the right to request copies of all SBE subcontracts.

The Department will require a contractor to make good faith efforts to replace an SBE that is terminated or has otherwise failed to complete its work on a contract with another certified SBE, to the extent needed to meet the contract goal. A prime contractor's inability to find a replacement SBE at the original price is not sufficient to demonstrate

that good faith efforts have been made to replace the original SBE. The fact that the contractor has the ability and/or desire to perform the contract work with its own forces does not relieve the contractor of the obligation to make good faith efforts to find a replacement SBE, and it is not a sound basis for rejecting a prospective replacement SBE's reasonable quote.

The Department will require the prime contractor to promptly provide written notice to the project manager of the SBE's inability or unwillingness to perform and provide reasonable documentation.

The written notice by the contractor must include the following:

1. The date the contractor determined the certified SBE to be unwilling, unable or ineligible to perform work on the contract;
2. The projected date that the contractor shall require a substitution or replacement SBE to commence work if consent is granted by the Department;
3. Documentation of facts that describe and cite specific actions or inactions on the part of the affected SBE that led to the contractor's conclusion that the SBE is unwilling, unable, or ineligible to perform work on the contract;
4. A brief statement of the affected SBE's capacity and ability or inability to perform the work as determined by the contractor;
5. Documentation of contractor's good faith efforts to enable affected SBE to perform the work;
6. The current percentage of work completed on each bid item by the affected SBE;
7. The total dollar amount currently paid per bid item for work performed by the affected SBE;
8. The total dollar amount per bid item remaining to be paid to the SBE for work completed but for which the SBE has not received payment, and with which the contractor has no dispute; and
9. The total dollar amount per bid item remaining to be paid to the SBE for work completed, for which the SBE has not received payment, and with which the contractor and SBE have a dispute.

The prime contractor shall send a copy of the written notice to replace a certified SBE on a contract to the affected SBE. The affected SBE may submit a written response within five (5) calendar days to the Department to explain its position on its performance on the committed work. The Department shall consider both the prime contractor's request and SBE's stated position before approving the termination or substitution request, or determining if any action shall be taken against the contractor.

There shall be no substitution or termination of an SBE subcontractor at any time without the prior written consent of the Department. The Department will provide written consent only if the contractor has good cause, as determined by the Department, to terminate the SBE. Good cause may include, but is not limited to the following circumstances:

1. The SBE subcontractor fails or refuses to execute a written contract;

2. The listed SBE subcontractor fails or refuses to perform the work of its subcontract in a way consistent with normal industry standards;
3. The listed SBE subcontractor fails or refuses to meet the prime contractor's reasonable, nondiscriminatory bond requirements;
4. The listed SBE subcontractor becomes bankrupt, insolvent, or exhibits credit unworthiness;
5. The listed SBE subcontractor is ineligible to work on public works projects because of suspension and debarment proceedings pursuant to 2 CFR Parts 180, 215 and 1200 or applicable state law;
6. The Department has determined that the listed SBE subcontractor is not a responsible contractor;
7. The listed SBE subcontractor voluntarily withdraws from the project and provides to the Department written notice of its withdrawal;
8. The listed SBE is ineligible to receive SBE credit for the type of work required; and
9. An SBE owner dies or becomes disabled with the result that the listed SBE contractor is unable to complete its work on the contract.

Upon approval from the Department to replace an SBE, the contractor's good faith efforts shall be documented and submitted to the Department within seven (7) calendar days. This time period may be extended for another seven (7) calendar days upon request by the prime contractor.

If an SBE subcontractor is unable to perform work under the contract, and is to be replaced, the contractor's failure to obtain a substitute certified SBE or to make good faith efforts to obtain such a substitute SBE subcontractor to perform said work, may constitute a breach of this contract for which the Department may terminate the contract or pursue such remedy as deemed appropriate by the Department.

XIII. CONTRACT COMPLIANCE

This contract is subject to contract compliance tracking, and the prime contractor and all subcontractors are required to report payments electronically in the HDOT online Certification and Contract Compliance Management System (hereafter referred to as "online tracking system"). The prime contractor shall report the date payment was made by the Department and shall report payment to all subcontractors for the audit period. The prime contractor and all subcontractors are responsible for responding by any noted response date or due date to any instructions or request for information, and to check the online tracking system on a regular basis to manage contact information and contract records.

The prime contractor is responsible for ensuring all subcontractors have completed all requested items and that their contact information is accurate and up-to-date. HDOT may require additional information related to the contract to be provided electronically through the online tracking system at any time before, during, or after contract award. Information related to contractor access of the online tracking system will be provided to designated point of contact with each contractor upon award of the contract. The online

tracking system is web-based and can be accessed at the following Internet address:
<https://hdot.dbesystem.com/>.

XIV. PAYMENT

- A. The Department will make an estimate in writing each month based on the items of work performed and materials incorporated in the work and the value therefore at the unit prices or lump sum prices set forth in the contract. All progress estimates and payments will be approximate only and shall be subject to correction at any time prior to or in the final estimate and payment. The Department will not withhold any amount from any payment to the contractor, including retainage.
- B. The contractor shall pay all subcontractors within ten (10) calendar days after receipt of any progress payments from the Department. This clause applies to both SBE and non-SBE subcontractors, and all tiers of subcontracts.
- C. The contractor will verify that payment or retainage has been released to the subcontractors or its suppliers within the specified time through entries in the Department's online tracking system during the corresponding monthly audits. Prompt payment will be monitored and enforced through the contractor's reporting of payments to its subcontractors and suppliers in the online tracking system.

Subcontractors, including lower tier subcontractors and/or suppliers will confirm the timeliness and the payment amounts received utilizing the online tracking system. Discrepancies will be investigated by the DBE Program Office and the project engineer. Payments to the subcontractors, including lower tier subcontractors, and including retainage released after the subcontractor or lower tier subcontractor's work has been completed to the Department's satisfaction, will be reported by the Contractor or the subcontractor.

- D. When any subcontractor has satisfactorily completed its work as specified in the subcontract, and there are no bona fide disputes, the contractor shall make prompt and full payment to the subcontractor of all monies due, including retainage, within ten (10) calendar days after the subcontractor's work is satisfactorily completed. A subcontractor's work is satisfactorily completed when all the tasks called for in the subcontract have been accomplished and documented, as required by the Department. The contractor must obtain the prior written approval from the Department before it can continue to withhold retainage from any subcontractor who has completed its portion of the work. This clause applies to both SBE and non-SBE subcontractors, and all tiers of subcontracts.

XV. RECORDS

The contractor shall maintain and keep all records necessary for the Department to determine compliance with the contractor's SBE obligations. The records shall be available at reasonable times and places for inspection by the Department and appropriate Federal agencies. The records to be kept by the contractor shall include:

1. The names, race/ethnicity, gender, address, phone number, and contact person of all SBE and non-SBE consultants, subcontractors, manufacturers, suppliers, truckers and vendors identified as SBEs;
2. The nature of work of each SBE and non-SBE consultant, subcontractor, manufacturer, supplier, trucker and vendor;
3. The dollar amount contracted with each SBE and non-SBE consultant, subcontractor, manufacturer, supplier, trucker and vendor; and
4. Cumulative dollar amount of all change orders to the subcontract.

XVI. FAILURE TO COMPLY WITH SBE REQUIREMENTS

The contractor shall carry out applicable requirements of 49 CFR Part 26 in the award and administration of USDOT assisted contracts. All contractors, subcontractors, manufacturers and suppliers are hereby advised that failure to carry out all SBE requirements specified herein shall constitute a material breach of contract that may result in termination of the contract or such other remedy as deemed appropriate by the Department including but not limited to: 1) withholding monthly progress payments; 2) assessing sanctions; 3) liquidated damages; and/or 4) disqualifying the contractor from future bidding as non-responsible.