



City of Milwaukee

200 E. Wells Street
Milwaukee, Wisconsin
53202

Meeting Minutes

WORKFORCE ORGANIZATIONAL REFORM COMMITTEE

ALD. RUSSELL STAMPER, II, CHAIR
Ron Roberts, Vice Chair
Lori Lutzka, Nikki Purvis, and Dan Thomas
Staff Assistant, Chris Lee, 286-2232, Fax: 286-3456,
clee@milwaukee.gov
Legislative Liaison, Andrew VanNetta, 286-2253,
avanne@milwaukee.gov

Monday, April 18, 2016

1:30 PM

Room 301-A, Third Floor, City Hall

1. Call to Order.

Meeting called to order at 1:31 p.m.

Present - Purvis, Lutzka, Roberts, and Stamper
Absent - Thomas

Members made brief introductions.

Individuals also present who participated in meeting discussions:

Commissioner Rocky Marcoux, Department of City Development (DCD)
Sharon Robinson, Department of Administration
Atty. Kathy Block, City Attorney's Office
Rhonda Kelsey, City Purchasing
Andrew VanNatta, Legislative Reference Bureau (LRB)
Pam Fendt, Wisconsin Laborer's Union
Ken Kraemer, Building Advantage
Lauri Rawlings, Plumbers/Mechanical Contractors
Joan Zepecki, Hunzinger Construction Company
Carla Cross, Cross Management Services Inc.
Lafayette Crump, Prism Technical Management & Marketing Services, LLC
Leslie Silletti, Employ Milwaukee
Joe Peterangelo, Public Policy Forum

2. Approval of the Previous Meeting Minutes from February 25, 2016.

Ms. Lutzka moved approval, seconded by Mr. Roberts, of the meeting minutes from February 25, 2016. There was no objection.

3. Review of Proposed Ordinance Changes.

Members reviewed, discussed, and made recommendations from the "Discussion Draft Ordinance", which can be found within CCFN 151345, prepared by Mr. VanNatta.

Ald. Stamper said that a concern with the draft ordinance is the creation of or renaming to Office of Workforce Development (OWD) from Office of Small Business

Development (OSBD). One department to run all the Local Business Enterprise (LBE), Small Business Enterprise (SBE), and Residents Preference Programs (RPP) long term is not feasible at this time due to lack of resources and funding but can be a suggestion and achievable in a part 2 future effort to make changes on the programs. Each department and their functions should be standardized for the near term.

Mr. VanNatta said that OWD is not a creation of a new department but rather a renaming of OSBD. OSBD can remain the same or be given any new name. The new name was chosen due to past discussion to consolidate the existing ordinances into one chapter. Most changes pertain to reorganization of the code and consolidation of certain, not all, administrative functions, such as recordkeeping and reporting, based from recommendations and discussion from previous meetings. Very little substantial change was made to administrative functions. References to OSBD or OWD can be removed within the language regarding administrative functions. Effective dates can be inserted to allow budget appropriation and capacity for certain administrative functions that are standardized.

Mr. VanNatta asked if members' concerns were with consolidating administrative functions or consolidating ordinance chapters?

Ms. Purvis said that she is concerned about the renaming and duties placed on her office under one ordinance, as reflected by the draft ordinance. Perhaps the discussion today should be spent on key items identified in the WORC resolution as opposed to the draft ordinance. The draft ordinance appears to consolidate all programs under her office, which is not feasible currently. Each department should maintain its administrative responsibilities within existing ordinances. Language and recommendations should be made cohesive across those ordinances. The alternative is to produce one new ordinance chapter for the RPP program that addresses each department's responsibility under the RPP program.

Mr. Roberts said that the goal should be to standardize certain administrative functions, such as having one depository entity, without destroying existing chapters for the consolidation to one new chapter. The draft ordinance and mention of OWD makes it appear that all chapters and administrative functions fall under that office.

4. Review and Finalization of Recommendations relative to Policy, Practice, Procedure, and Ordinance Changes.

Members and participants proceeded to discuss draft ordinance and other recommendations from members and previous meetings, which can be found within CCFN 151345.

Mr. VanNatta said that many changes involved moving definitions around and into one chapter. Most definitions remain unchanged. One main exception is the definition for "direct financial assistance" which was changed, for discussion purposes, from \$1 million to \$500,000 relative to the threshold for private development contracts through DCD. There was no good information given to him to revise this definition.

Ald. Stamper commented. Many small definition revisions and administrative changes were fine and unsubstantial. On "direct financial assistance", the purpose of the lower threshold may be to increase the fulfillment of program participation requirements. Another suggestion is to make the threshold \$750,000 or keep it at \$1 million.

Commissioner Marcoux said that the threshold reduction is a good idea in theory but

is difficult to practice due to the lack of compensating for additional training costs. Creation of a lower threshold without funding, training, and assistance may make projects undoable for developers, especially for smaller projects and emerging businesses for RPP. Larger projects are more readily able to absorb those costs better. The \$1 million threshold is a good one for RPP. Smaller thresholds for SBE are doable due to more neighborhood companies being involved.

Ms. Lutzka concurred. The reduction is an arbitrary number and will affect neighborhood developments, as opposed to larger ones in downtown, with higher development costs.

Mr. Roberts said that his office, the Department of Neighborhood Services (DNS), manages small projects and will never be required to use RPP with a threshold like \$500,000. The focus should be on ways to require RPP for all projects notwithstanding thresholds and major projects in DCD and the Department of Public Works (DPW).

Mr. Roberts said that perhaps there should be a sliding scale.

Commissioner Marcoux said that a sliding scale is a good idea, should not go below 25%, is doable for SBE at a neighborhood scale, but problematic to implement for RPP.

Mr. Kraemer and Ms. Rawlings concurred with a \$1 million threshold and sliding scale.

Ald. Stamper said another suggestion is to recommend RPP be citywide with a sliding scale.

Ms. Lutzka said that the discussion on recommending a RPP threshold reduction and sliding scale applicable to all city departments should be held for further investigation, perhaps through LRB.

Mr. VanNatta said that he would need feedback from DCD and DPW to figure out how to implement a RPP threshold reduction and sliding scale applicable to all city departments.

Ms. Purvis said that the \$1 million threshold requirement is specific to private development projects and are not applicable to city contracts. Requiring all city departments to administer RPP is a separate matter. Although in being a good idea, citywide RPP administration is a long term goal that requires further vetting.

Ms. Kelsey said that her office executes a wide variety of contracts for all city departments dealing with various types of commodities and services such as in consulting, legal, and architectural. There is great opportunity but RPP should be carefully structured across the board, especially for city purchasing let contracts. A sliding scale may not work best. There are large commodity contracts, but many companies are not local and cannot do RPP.

Atty. Block said that RPP applies to all city contracts for public works and demolition regardless of dollar value and circumstance, with few exceptions, and there are no means tests for these contracts. RPP does not apply to city purchasing contracts. A sliding scale may not work for city let contracts and more for private development contracts. RPP falls into Ch. 309 for city contracts that are formally bid on.

Ms. Fendt said that there is no threshold for public works contracts and a sliding

scale threshold may already be done in DNS on a case by case basis.

Mr. Roberts said that DNS is excluded in cases of emergencies to require RPP due to the need for work to be done right away that requires special skills. Due to complexity, perhaps a consultant should be brought in to evaluate all programs and determine the improvements that should be made uniformly and uniquely to each or all departments. The committee should focus on matters that can be improved presently.

Ms. Purvis said that the committee should focus on its four tasks from the resolution creating the committee: prepare and communicate an annual resident participation performance report; require use of LCPTTracker to capture all RPP data for all contracts with RPP participation; strengthen controls to ensure reporting accuracy; and develop and document policies and procedures for monitory residency requirements in development agreements. The City has already committed to utilize LCPTTracker to capture all RPP data for all contracts with RPP participation. There is consensus for all departments to present one comprehensive report at one time to one Common Council committee. Strengthening controls and identifying standardized policies and procedures are the two areas that the committee needs to address.

Ald. Stamper concurred and added that the committee also has the opportunity to increase employment and make long term improvements in part 2 of a future ordinance.

Mr. VanNatta said that one unanimous change from members was the removal of the 5 year certification period.

Ald. Stamper said that the RPP definition and criteria of "underemployed" and "unemployed" should be reevaluated and possibly redefined due to possibly being too restrictive presently. People working with lower wages should be eligible to accept opportunities that come along with the RPP program.

Mr. Kraemer concurred and said that the criteria of "unemployed" should be reduced to 15 days from 30 days.

Ms. Fendt concurred and said that perhaps the 1200 hours of employment in a year and free lunch income criteria should remain. The free lunch income guideline is responsive to family size as opposed to area medium income guidelines, which penalizes families with lower income levels in order to qualify. Any one of the three criteria is required to be eligible for RPP, and people do not have to fit into all three criteria.

Ms. Purvis said that she initially did not like the 15 day unemployment proposal.

Ald. Stamper said that the income guidelines should perhaps remain the same and the 15 days of unemployment should be consecutive to each other being inclusive of Saturdays and Sundays.

Ms. Lutzka moved to recommend modifying the 30-day RPP unemployment definition and requirement criteria to 15 consecutive days inclusive of Saturdays and Sundays. Seconded by Mr. Roberts. There was no objection.

Ald. Stamper inquired about increasing the lowest bid difference incentive for SBE firms in the LBE program from 5% to 10% as proposed by City Purchasing as well as applying the LBE program to construction contracts. The increase in lowest bid

difference incentive would give more opportunity to local small businesses to acquire city contract bids.

Ms. Kelsey concurred that local small firms will have greater opportunity to take advantage of the increased bid difference and said that non-SBE firms in the LBE program would retain the 5% bid incentive still. She added that the LBE ordinance can no longer be applied to construction contracts due to changes in state law.

Ms. Robinson and Ms. Nikki concurred.

Mr. Roberts said he was concerned that non-local businesses that operate outside of the City business can take advantage of the LBE program by using business addresses in the City. There should be methods to control and monitor these addresses and firms. DNS has affidavits for its firms, and inspection can be done upon complaints received. If not already done, such controls should be included in the ordinance.

Ms. Kelsey said that her office requires a notarized affidavit, does not do inspection of sites, and can entertain doing inspections in response to complaints received.

Atty. Block said that the ordinance defines property ownership rules in such a way to prevent firms from using business addresses under LBE. The local address has to be legit places of business operation and cannot be a mailing or storefront address. There will always be potential for firms to illegally take advantage of all programs. LBE preference is not indefinite. New LBE qualification is required for each new contract. The increase bid incentive recommendation adds LBE qualification on top of SBE certification.

Ald. Stamper said that the city budget can include LBE monitoring and verification like for RPP if the problem becomes significant.

Ms. Lutzka said that the concern relates to the definition of a LBE firm, which doesn't include the language "operates a business" in the draft ordinance. "Operating" a business is more specific than "doing" business.

Ms. Kelsey said that the SBE definition language should be used to apply to the LBE definition language since it describes property ownership, operation, and control.

Ms. Lutzka moved to recommend defining a LBE firm as one that operates a business in the City of Milwaukee. Seconded by Ms. Purvis. There was no objection.

Ms. Lutzka moved to recommend increasing the lowest bid incentive from 5% to 10% in the LBE program for SBE firms for city let contracts except construction contracts. Seconded by Ms. Purvis. There was no objection.

Ms. Kelsey said that the monetary caps per bid under the LBE program should apply accordingly across the board. LBE firms exceeding the lowest bid by \$25,000 currently cannot be awarded a bid. The \$25,000 cap per bid for non-SBE firms is in the ordinance.

Ms. Lutzka moved to retain a \$25,000 cap per bid difference for non-SBE firms and apply a cap per bid difference accordingly for SBE firms under the LBE program. Seconded by Mr. Roberts. There were no objections.

Ald. Stamper said the committee should focus on larger issues in the interest of time.

Ald. Stamper questioned renewal community and enterprise zone relative to the definition "at a disadvantage with respect to business location".

Ms. Lutzka said that the City has a renewal community.

Ald. Stamper said that the term "renewal community" should be used in lieu of the term "enterprise zone" relative to the definition "at a disadvantage with respect to business location".

Ms. Lutzka said that there should be address verification of RPP certified persons after 5 years of RPP certification. The address verification process would not require original certification requirements.

Ms. Cross said that her firm checks and requires completion of change of address forms for its RPP certified workers whenever address change is noticed in its database. The forms are sent to DPW for review and approval.

Mr. VanNatta asked for clear and specific direction from the committee for drafting purposes and to prevent undesired language.

Atty. Block said that the committee should decide whether or not to keep existing ordinance chapters 309, 355, 365, and 370 while applying changes to them or eliminate the existing ordinances and produce a new ordinance chapter as reflected by the draft ordinance.

Ms. Fendt said that the existing ordinances should remain and new matters can be slotted into them without the need for a new ordinance chapter. A renaming of OSBD would seem to indicate less attention towards small businesses.

Ald. Stamper and Ms. Kelsey concurred.

Ms. Lutzka moved to recommend keeping the existing ordinance chapters and update those ordinances based on improvements and recommendations that the committee makes. Seconded by Mr. Roberts. There was no objection.

Ald. Stamper said RPP incentive zones should be created to allow more credit for employers to hire residents out of certain neighborhoods or zip codes that are economically distressed or impoverished.

Atty. Block said that RPP incentive zone areas can be legal or illegal based on the metrics used to define those areas. The RPP program was once based on Community Development Block Grant (CDBG) areas. Certain neutral criteria or metrics would be legally defensible, such as those relating to economics or income. Other criteria, such as those based on race or gender, would be illegal.

Mr. Kraemer said that he liked the current citywide 40% RPP program. Having incentive zones may reduce the number of residents on the job and make it more difficult for employers to reach the participation requirement.

Ms. Zepecki commented. The RPP program would still apply citywide but can perhaps give a multiplier, such as 1.25 or 1.5 hours, to those workers hired from the incentive zones. The incentive zones, if practiced, would be a compromise that would allow employers to reach their participation requirements faster with a credit multiplier, in essence, being similar in targeting CDBG target areas with a lower 25% RPP participation requirement.

Ms. Cross commented. Incentive zones are a good idea. The credit hours would count more towards meeting the participation requirement. Calculation of those hours will have to be one before projects are determined to accomplish their participation requirements. The City and its LCPTTracker system should be responsible to track, monitor, and calculate the incentivized hours to simplify the process, provide automation, prevent redundant activities, and prevent mistakes if done by the developers, contractors, or compliance monitoring agencies. LCPTTracker can perhaps be altered to allow for calculation of the credit hours if it isn't capable of doing the calculation currently.

Ms. Fendt commented. Incentive zones are merely to incentivize and the citywide RPP program will remain. LCPTTracker can perhaps have zip code as a searchable term or field. Data from the system can be extracted to prepare reports to determine RPP participation. Hiring workers from incentive zones is beneficial for employers to be able to meet the RPP participation requirement faster.

Ms. Lutzka said that RPP participation percentage requirements and incentive zones cannot be identified in the beginning of contracts due to the fluid nature of contracts.

Ms. Purvis commented. LCPTTracker may not be capable to do the calculation. Developers, general contractors, or monitoring agencies should be responsible to input and calculate credit hours, determine that their workers are meeting the RPP requirements, compile reports, present to the City, and produce the information if they want the credit. Zip codes are already part of certified payroll records.

Mr. Crump commented. It would be the best interest for the City for LCPTTracker to do the calculation. Regardless of the system or entity doing the credit calculation, the bigger issue is addressing projects that hire from the incentive zones but do not fulfill the 40% RPP participation requirement. Perhaps a lower RPP percentage requirement should be given to those projects with workers from incentive zones. The benefit for the City for having incentive zones is to increase employing unskilled residents. There may be unintended consequences from having incentive zones. The City should study areas of highest unemployment, high RPP participation, and possible fraud.

Mr. Roberts commented. The City's perspective is that incentive zones serve to address the most impoverished areas of the city, and the zones can be based on areas of high unemployment rates. The concept of the incentive zones should move forward. Monitoring of incentive zones can be evaluated separately. The credit calculation should not be simplified and not made more complicated. LCPTTracker or some software system should be made capable to calculate the credit. Larger businesses can accomplish this responsibility, but not small firms.

Ald. Stamper said that the incentive zones are advantageous for employers but are not a requirement. The RPP program was originally for CDBG areas and evolved to become citywide. The purpose of the incentive zones is to employ areas that need it the most in the city.

Ms. Lutzka said that the discussion on specifics in identifying the credit multiplier, incentive zones, and metrics criteria should be held to be determined in the future. The renewal community had 40 census tracts with highest unemployment for the city and can be done again based on the 2010 census.

Mr. Roberts moved to recommend establishing incentive zones for the RPP program where employers can get higher credit for hiring residents within impoverished areas of the city for both city and private development contracts. Seconded by Ms. Lutzka.

There was no objection.

Ald. Stamper said that perhaps there should be incentives established for on-the-job training by employers to assist them to hire more people with entry level skills for the RPP program and seek highly skilled workers. Contractors have expressed having difficulty in workforce development to hire RPP workers who possess timely entry level or high skills. Perhaps the RPP database should have categories of RPP candidates based on their level of skills.

Ms. Fendt commented. Distinction needs to be made between workforce development and economic participation. Workforce development entails training individuals to increase job skills. Economic participation means job expectations without training. The LBE, SBE, and RPP programs were originally lumped under economic participation initiatives. RPP workers can include skilled persons who had fallen on hard times and who do not require training. For new RPP entrants into the construction industry, the key is the use of apprentices. There are RPP provisions that are less monitored and enforced. Apprenticeship requirements are routinely being waived from city bids. More than \$1.9 million city let contracts did not have trade trainers as the low bidder within the last 6 weeks. Perhaps every contractor under the RPP program should be required to be an official trade trainer certified by the state. Then they would be allowed to accept apprentices into employment to train and pay them simultaneously.

Mr. Kraemer said that there should be a readiness opportunity for RPP candidates within and outside of the construction industry such as through Big Step and Employ Milwaukee. From the contractor perspective RPP candidates should have the minimal level of requirements, training, and skills. Most reasons candidates fail to progress into the construction industry and into apprenticeships would include the lack of a high school diploma, G.E.D., driver's license, and passing drug tests.

Ms. Silletti said that the public workforce system is very broad, involves all partners present, and is very challenging to address today. Questions should be transcribed for her to take back to work with partners to respond back with considerations. Employ Milwaukee is currently engaged in a new direct placement strategy relative to end user jobs. The new strategy will provide more flexibility and deeper investigation into preparing individuals from all segments of the supply side.

Mr. Roberts said that there needs to be a better job of readying employees for the next phase or layer of work from training and pipeline development. There should be incentives for employers who provide specialized training to its employees. An incentive can be a multiplier to attract employers to train. Further investigation is needed to find out what can be used as the multiplier. A questionnaire may be beneficial.

Ald. Stamper said that perhaps RPP credit should be given for RPP candidates who are receiving training or doing work offsite for RPP projects within the City. The RPP pipeline can benefit from this recognition. Residents should be able to work anywhere as long as they reside in the City.

Mr. Crump said concerns would include adding another criterion for contractors to meet and offsite work not tied to construction work for the City.

Ms. Zepecki said that desired skills and productivity are produced by sustaining careers and not through sporadic onsite work. Offsite work, if given credit, would assist in creating careers. Even part time work may be enough to sustain careers.

Mr. Kraemer said that offsite work should be recognized and may be inclusive of City residents. RPP credit, work, and residents should not be restricted and tied to onsite work only. Residents should be able to stick with employers after projects and move on to the next job regardless of work location. Interest may increase for contractors to bid. His firm does prefabrication offsite for many projects in the City, and that work should count towards RPP projects. The Northwestern Mutual project is being recognized for its offsite work at Century Century via the Benson Company to create the curtain wall and glass. The prefabrication industry is designed to be subcontracted outside before going into the City for projects. Perhaps there should be some type of protection to limit the offsite work to the 7 county area.

Mr. Roberts concurred. The inclusion of offsite work will help meet expectations and show that more City residents are working within the RPP program. It should be encouraging to see residents be recognized and bring money back to into the City, which the suburbs are currently doing in sending their residents to work in and take money from the City.

Ms. Fendt commented. RPP is being met. Workers are continuing to stay in the RPP program after onsite work with sustaining opportunities, but those opportunities are not happening enough. Inclusion of offsite work hours is an option to be taken advantage and is not a requirement to meet RPP participation requirements.

Ms. Lutzka said that the City is receptive of recognizing offsite work for RPP, but each project needs to be reviewed on a case-by-case basis concerning the offsite work. Perhaps this practice needs to be codified further. Offsite work for the Northwestern Mutual project is being recognized.

Atty. Block said that the ordinances can be defined to count the hours worked offsite for City residents towards RPP participation in addition to onsite hours.

Ms. Purvis commented. RPP consideration of offsite work is a fairly new situation and can be taken into consideration. The City has considered those projects presenting unique opportunities to improve RPP numbers. Priority should be on onsite work. A downside to this offsite work incentive is more residents working offsite than onsite.

Ald. Stamper questioned the First Source Employment Program.

Ms. Fendt said that the program was supposed to pertain to end use jobs to establish a mechanism to prepare a pool of local residents and pipeline for firms to hire through Employ Milwaukee. The program somehow got applied to construction jobs rather than permanent jobs through drafting of the M.O.R.E. ordinance. The program should be removed from the ordinance.

Mr. Roberts moved to recommend eliminating the First Source Employment Program from the ordinance. Seconded by Ms. Purvis. There were no objections.

Ald. Stamper and Mr. Roberts said that a last recommendation to discuss is the creation of a bonus fund as a means for providing training incentives and eliminating waivers. Under this fund, projects with waivers should be fined. The penalty dollars would be put into the fund for target training in incentive zones or gap analysis. The fund creates its own funding stream without a need for additional funding streams. Employers may take advantage of the fund to meet requirements or get extra credit for projects that they fail on. The fund can be codified. A problem is that sanction measures are not being enforced consistently within city departments.

Mr. Kraemer said that he liked the bond fund idea as a means of tightening waiver measures and reassuring the companies that are fulfilling RPP requirements the right way.

Ms. Lutzka and Atty. Block questioned management of the fund.

Atty. Block said that the bonus fund recommendation should be discussed further relative to legality, management, making financial incentives happen, and making the fund works for certain contractors in competitive bid scenarios. Perhaps an application process for the fund can occur outside of the contracting process.

Mr. Roberts added comments. There should be uniform management and monitoring of the fund. Perhaps there should be a 6 month withholding period before dollars are placed into the bonus fund if projects fail to meet requirements.

Ms. Kelsey said that she was concerned with how a bonus fund would work in the real world. Her office withholds payments on contracts with the hope that contracts would be performed.

Ms. Purvis said that her office has in place the following sanction measures for a contractor or developer: withholding of payment, termination of contracts, suspension from acquiring contracts for a certain period of time, and increase percentage requirements for other awarded contracts.

Ms. Lutzka said that sanctions should be made significant and not too lenient. Fines may be worth to a developer or contractor to absorb.

Ald. Stamper said the bonus fund should be held for further dialogue.

Ald. Stamper said that he will review the recommendations made by the committee. Based on his review, another meeting to discuss recommendations may be required or a final presentation meeting may be scheduled.

5. Discussion on Expectations for Implementation.

This item was not discussed.

6. Agenda Items for the Next Meeting.

Mr. Peterangelo said that his organization is close to finishing its RPP program research report and can present to the committee in May, if desired.

7. Set Next Meeting Date and Time.

Date and time was not set for the next meeting.

8. Adjournment.

*Meeting adjourned at 3:48 p.m.
Chris Lee, Staff Assistant*