

LOCAL BUSINESS ENTERPRISE (LBE) BID INCENTIVE PROGRAM



2018 - 2020 ANNUAL REPORT

City of Milwaukee
Department of Administration
Purchasing Division

BACKGROUND

The LBE contracting program, adopted in 2009, was designed to provide an incentive to increase local business participation in order to:

- Create more jobs for the city.
- Yield tax benefits that would be an advantage to the city and its economic development.
- Diminish the harm suffered by the city and city residents without a substantial increase in cost to the city.

PROGRAM ADMINISTRATION

The LBE contracting program is administered by the Department of Administration (DOA), Purchasing Division who:

- Develops rules and procedures for city departments to ensure compliance.
- Coordinates, monitors, and enforces the implementation of the program's goals.
- Collects and reviews data to determine program efficacy.

REQUIREMENTS OF CITY DEPARTMENTS

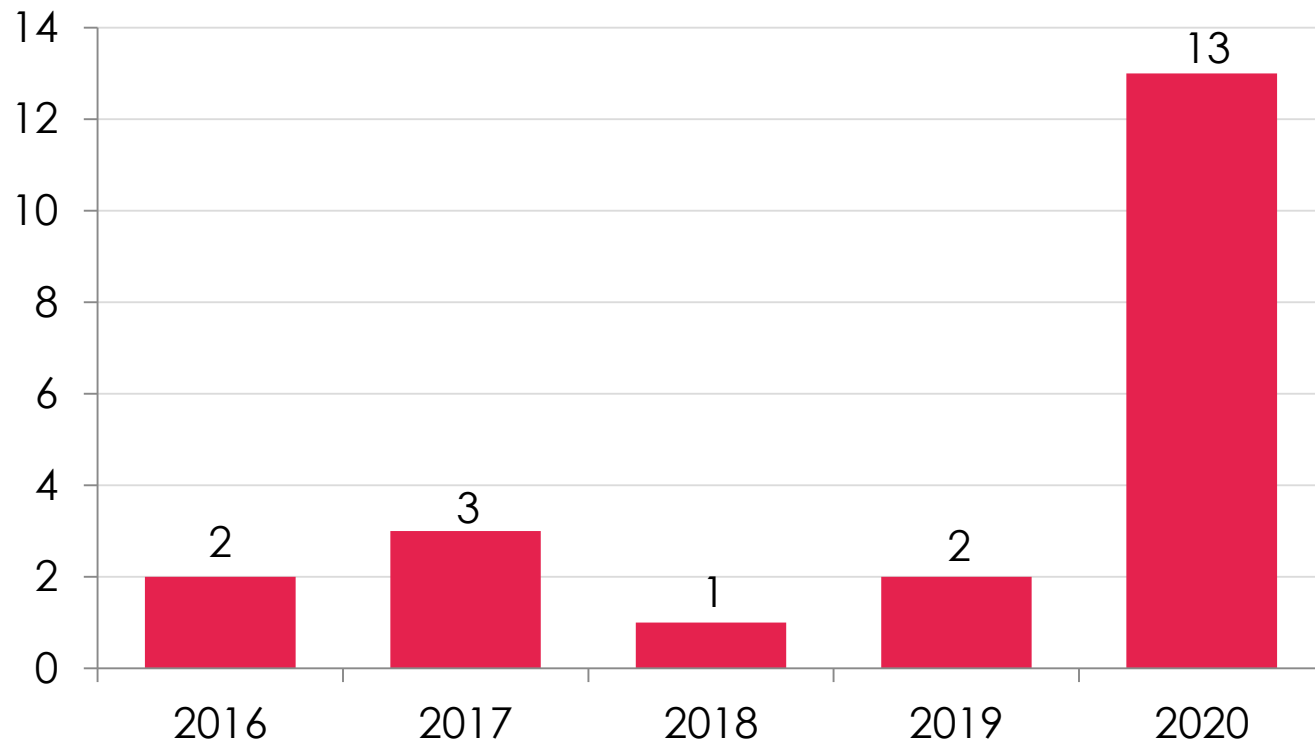
- Apply an award standard in all formal bids (>\$50K) so that a local business has an advantage in being awarded a contract, provided that its bid does not exceed the lowest bid by 5% or \$25,000.
- As a result of state legislation passed in June 2011, the LBE program is no longer enforceable for public works contracts.
- On July 20, 2016, the LBE Ordinance was updated to create an additional incentive for local firms that are certified as a Small Business Enterprise (SBE) firm to receive a 10% bid preference when the difference does not exceed \$30,000.

CONTRACTOR CRITERIA

1. Operates a business, or owns or leases property within the geographical boundaries of the City of Milwaukee.
2. Has been doing business in the City of Milwaukee for at least one (1) year.
3. Not delinquent in payment of local taxes, charges or fees, or has entered into an agreement to pay any delinquency and is abiding by the terms of the agreement.
4. The business will perform at least 10% of the monetary value of the work required under the contract.

2016-2020 LBE CONTRACTING ACTIVITY

Chart 1: Number of Contracts Awarded to LBE Bidders



2016-2020 LBE CONTRACTING ACTIVITY

Table 1: LBE Contract Award Totals by Department

Dept.	2016	2017	2018	2019	2020	Total
DNS	\$ -	\$ -	\$ -	\$ -	\$ 259,605	\$ 259,605
DOA Purchasing	\$ 2,300,000	\$ 269,100	\$ 500,000	\$180,000	\$ 526,500	\$ 3,275,600
Total	\$ 2,300,000	\$ 269,100	\$ 500,000	\$ 180,000	\$ 786,105	\$ 4,035,205

Table 4: LBE Contract Awards

2018

Contract Information				LBE (Awardee) Information			Lowest Non-LBE Bidder		Incentive			
Qtr	Dept.	Description	Term	Business Name	SBE?	Bid	Business Name	Bid	\$ Difference	% Difference	Contract Value	Incentive Cost
1	DOA	VC for OEM Chevrolet Parts	3 years	Braeger Chevrolet	N	\$1,074	Boucher Chevrolet	\$1,032	\$41	4.0%	\$500,000	\$124
Grand Total											\$ 500,000	\$124

2019

Contract Information				LBE (Awardee) Information			Lowest Non-LBE Bidder		Incentive			
Qtr	Dept.	Description	Term	Business Name	SBE?	Bid	Business Name	Bid	\$ Difference	% Difference	Contract Value	Incentive Cost
3	DOA	VC for LED Ballasts	3 years	Neher Electric Supply, Inc.	N	\$83,200	OV20 Systems	\$79,450	\$3,750	4.7%	\$100,000	\$11,250
4	DOA	VC for Kor-N-Seal Gaskets	3 years	Price and Sons, Inc	Y	\$23,919	Heider & Bott Co., Inc.	\$22,512	\$1,407	6.3%	\$80,000	\$4,221
Grand Total											\$ 180,000	\$15,471

2020

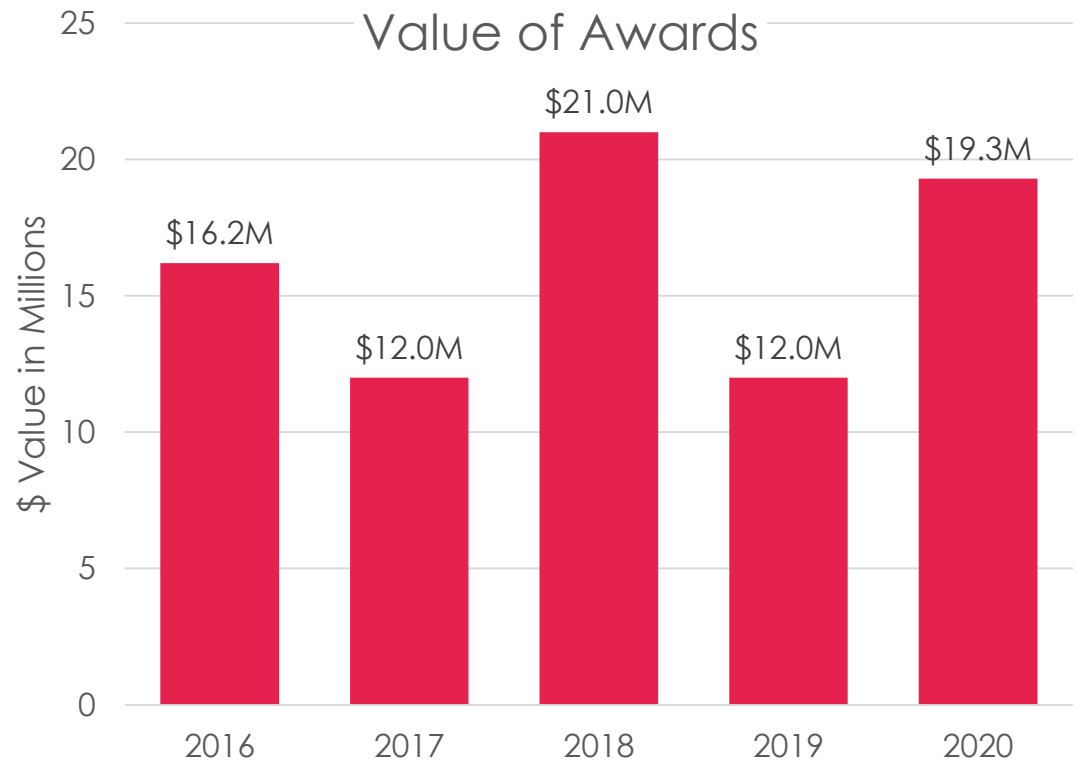
Contract Information				LBE (Awardee) Information			Lowest Non-LBE Bidder		Incentive			
Qtr	Dept.	Description	Term	Business Name	SBE?	Bid	Business Name	Bid	\$ Difference	% Difference	Contract Value	Incentive Cost
1	DNS	1 parcel	26 days	D & H Demolition	N	\$14,128	Brew City	\$13,850	\$278	2.0%	\$14,128	\$278
1	DNS	1 parcel	26 days	D & H Demolition	N	\$12,175	Anderson Landscape	\$11,877	\$298	2.5%	\$12,175	\$298
1	DOA	Cable, Traffic Signal	-	Price & Sons, Inc.	Y	\$180,000	EWCSwire.com	\$166,680	\$13,320	8.0%	\$180,000	\$13,320
2	DNS	3 parcels	68 days	D & H Demolition	N	\$44,283	Dakota Intertek	\$43,595	\$688	1.6%	\$44,283	\$688
2	DNS	1 parcel	68 days	D & H Demolition	N	\$35,801	Anderson Landscape	\$35,700	\$101	0.3%	\$35,801	\$101
2	DNS	2 parcels	55 days	D & H Demolition	N	\$43,329	Anderson Landscape	\$41,965	\$1,364	3.3%	\$43,329	\$1,364
3	DNS	1 parcel	11 days	D & H Demolition	N	\$11,691	Brew City	\$11,191	\$500	4.5%	\$11,691	\$500
3	DNS	1 parcel	32 days	D & H Demolition	N	\$13,534	Anderson Landscape	\$13,198	\$336	2.5%	\$13,534	\$336
3	DNS	2 parcels	41 days	D & H Demolition	N	\$35,771	Anderson Landscape	\$34,556	\$1,215	3.5%	\$35,771	\$1,215
3	DNS	1 parcel	41 days	D & H Demolition	N	\$15,607	Brew City	\$14,872	\$735	4.9%	\$15,607	\$735
3	DOA	VC for Street Lighting Cable	-	Price & Sons, Inc.	Y	\$265,500	Hurt Electric, Inc.	\$244,000	\$21,500	8.8%	\$265,500	\$21,500
4	DNS	2 parcels	21 days	D & H Demolition	N	\$33,286	Anderson Landscape	\$33,085	\$201	0.6%	\$33,286	\$201
4	DOA	VC for Valve Box Adaptors	3 years	Price & Sons, Inc.	Y	\$81,000	Ferguson Waterworks	\$76,937	\$4,064	5.3%	\$81,000	\$12,191
Grand Total											\$ 786,105	\$52,727

2016-2020 AWARDS TO LOCAL BUSINESSES

Table 2: Purchasing Contracts Awarded to Milw. Businesses

	# of Awards
2016	31
2017	40
2018	49
2019	52
2020	71
Total	243

Chart 2: Purchasing Contracts Awarded to Milw. Businesses

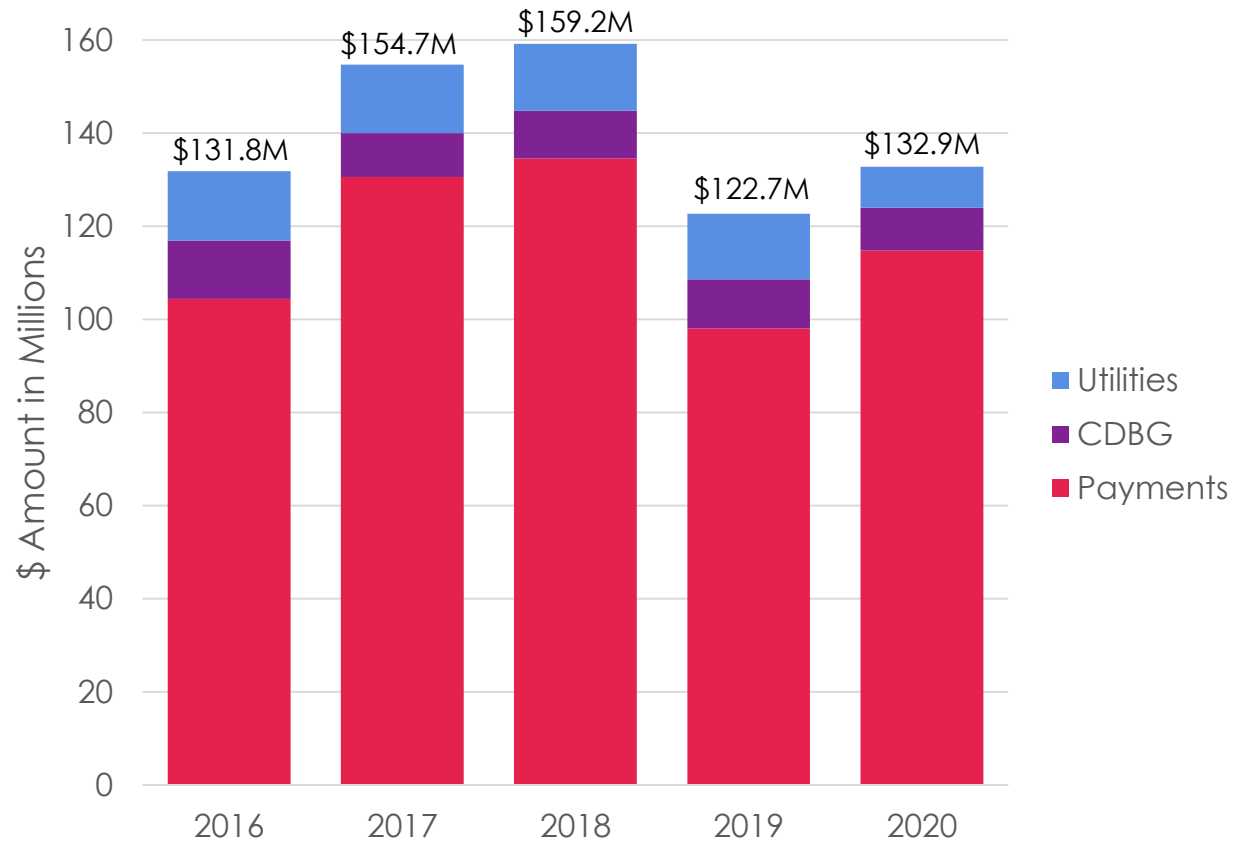


2016-2020 PAYMENTS TO LOCAL BUSINESSES

Table 3: Milw. Businesses Receiving Payment

Year	Businesses
2016	1,177
2017	1,245
2018	1,270
2019	1,218
2020	989

Chart 3: Payments to Milw. Businesses



CONCLUSION

- The estimated total cost of the LBE bid incentive program since inception has been \$310,700. This breaks down to an annual average cost of approximately \$26K.
- To increase the impact of the incentive for local businesses, consideration should be given to lowering the threshold for the application of the LBE bid incentive.
- In an effort to maximize local workforce participation, consideration should be given to implementing an incentive for businesses that have a majority City resident workforce (Modeled after the City of Chicago's Local Bid Incentive Program).