

Emerging Business Enterprise Program

2010 Annual Departmental Participation Report

**City of Milwaukee
Department of Administration
Business Operations Division
Emerging Business Enterprise Program**

Introduction

As presented in the Milwaukee Code of Ordinances, Chapter 360 requires that the Emerging Business Enterprise (EBE) Program review EBE participation progress in the City's contracting and procurement activities and annually submit a written report to the Mayor and Common Council. Therefore, the Emerging Business Enterprise Program is pleased to present a comprehensive report that provides a historical perspective of Chapter 360 and progress to date.

This report will also highlight the EBE Program efforts relative to technical assistance, as well as financial assistance to emerging businesses through the Revolving Loan Program. Finally, the presentation of the EBE participation achieved in 2010, a 5 year historical snapshot of EBE participation achieved, in addition to a brief snapshot of the proposed programmatic changes that may occur in 2011.

The data contained in this report was compiled by the EBE Program and Procurement Services staff with assistance from the following City departments, as required by Chapter 360:

- Department of Administration
- Department of Public Works
- Department of Neighborhood Services
- Fire and Police Departments
- Milwaukee Public Libraries
- Port of Milwaukee
- Department of City Development – Housing Authority of the City of Milwaukee
- Department of City Development – Real Estate & Development Services

History of City Ordinance Chapter 360

The Emerging Business Enterprise (EBE) Program was enacted in 1989, through Chapter 360 of the Milwaukee Code of Ordinances. The EBE Program, formerly known as the Disadvantaged Business Enterprise (DBE) Program, was created to assist and protect the interests of individuals who are disadvantaged and small business concerns in order to promote and encourage full and open competition in the City of Milwaukee. Chapter 360 of the Milwaukee Code of Ordinances was revised in 2002 to utilize city-certified EBEs in all contracting activities by approving an

annual 18 percent EBE utilization requirement for each contracting department, and all other operating departments.

The City of Milwaukee's Emerging Business Enterprise Program name positively reflects and promotes small businesses that strive to become competitive in the mainstream marketplace. Eliminating the reference to small businesses as disadvantaged eliminates any pre-conceived notions that small businesses are unable to perform or provide superior products and quality services.

Finally, on March 25, 2009, the City of Milwaukee adopted substitute Ordinance 080218, Chapter 355 of the Milwaukee Code of Ordinances, which became effective on August 10, 2009. This ordinance increased the level of participation on several Emerging Business Enterprise Programs and created new programs such as the First Source Employment Program. Detailed explanations of these programs are also identified in this report, as well as a status update of the specific programming efforts. As a result, the EBE Program office, which has historically been vested as a disadvantaged business certification program, now plays an essential role in local workforce development.

Chapter 355

With the implementation of Chapter 355 of the Milwaukee Code of Ordinances, the EBE Program efforts have expanded to include workforce development programming efforts. Chapter 355 was framed to serve two purposes:

1. Increase participation of City residents in Public Works contracts
2. Create new programming and increase community participation on City development projects.

New programming, such as the First Source Employment Program (FSEP) was created to aid in the area of workforce development, and business assistance efforts were expanded by creating a Contract Compliance Officer position to aid in ensuring overall adherence to Chapter 355.

Chapter 355 Explanation

Chapter 355 pertains to city development projects that are awarded at least one million dollars in combined financial assistance from the City of Milwaukee, without any exclusion based on the development project being a turnkey project:

Emerging Business Enterprise (EBE):

The level of EBE participation on City development and Public Works projects increased as follows:

- A. **Construction: increase from 18% to 25%**
- B. Purchase of Services: 18% (no change)
- C. Purchase of Professional Services: 18% (no change)
- D. Purchase of Supplies: 18% (no change)

Residence Preference Program (RPP): increases from 25% to 40%

To ensure the participation of City residents in City development projects, the developer is required to ensure that 40% of worker hours required for construction of the project be performed by unemployed or underemployed residents. In addition, the RPP residence boundary is expanded to include the entire City of Milwaukee.

Prevailing Wage

In agreement with prevailing wage standards set by the Department of Workforce Development, contractors may be required to pay prevailing wages to all employees working on a respective project, through any and all contractors.

Apprenticeship Ratio

An appropriate apprenticeship ratio will be identified for all specific trades on a City development project. The City of Milwaukee will utilize the current Department of Workforce Development standards in setting appropriate apprenticeship ratios.

First Source Employment Program

All contractors will be required to utilize the First Source Employment Program (FSEP), which is operated by the Milwaukee Area Workforce Investment Board (MAWIB), through an agreement with the City of Milwaukee. FSEP will be the first source in recruitment efforts for all contractors that will actively hire for both new and replacement employment opportunities. The goal of FSEP is to ensure that City residents are considered first for both new and replacement employment opportunities on City Development Projects.

Implementation of Chapter 355, Milwaukee Code of Ordinances

It is a top goal of City government to put Milwaukee on the map as one of the Nation's renowned centers of cultural diversity, opportunity, leadership and governance, and the City uses the EBE Program and other tools in its arsenal to fulfill that ambition.

The City of Milwaukee has a brand new tool - the Milwaukee Opportunities for Restoring Employment (MORE) ordinance. MORE is the result of a collaborative effort of City government and members of the Good Jobs and Livable Neighborhoods Coalition (GJLN) and Milwaukee Inner-City Congregations Allied for Hope (MICAH). The ordinance is also endorsed by the National Association for the Advancement of Colored People (NAACP), the Milwaukee County Labor Council, the Milwaukee Building Trades Council, the Wisconsin Black Chamber of Commerce, and many other local organizations.

Our efforts in implementing the MORE ordinance received national recognition by the National Black Caucus of Local Elected Officials (NBC-LEO), a constituency group of the National League of Cities (NLC), selected as the **2010 First Place Cultural Diversity Award Winner** for implementing quality and innovative programming in the Milwaukee community to enhance and promote cultural diversity, as well encourage citizen involvement.

The Department of Public Works will present on the success of their efforts within 2010 and the illustration below identifies the development projects that were completed in 2010. It's important to note that development projects that triggered Chapter 355 were authorized by the Common Council in 2010.

Development Projects Completed in 2010

Project Name	EBE Goal	Actual Participation	Overall Project \$	Amount Paid to EBE Firms	RPP% Achieved
The Brewery (demolition, abatement & infrastructure / parking lot)	18%	21%	\$29,549,654.50	\$6,180,032	23%
North End Phase I	25%	49%	\$5,899,570	\$2917027	33%
Schlitz River Center Riverwalk	21%	21%	\$969,392	\$203,672	n/a
UMCS Expansion	25%	42%	\$5,674,387	\$2,365,035	n/a
US Bank Parking Structure	0%	15%	\$14,322,907	\$1,842,617	n/a
United Townhomes	25%	45%	\$3,546,545	\$1,188,215	n/a
The Johnston Center Residences	25%	32%	\$8,139,330	\$2,562,561	n/a
Cambridge Commons	18%	19%	\$24,345,593	\$5,005,996	n/a
King Drive Commons III	25%	45%	\$3,298,811	\$1,474,971	n/a

Chapter 355 raised the bar for Developers and General Contractors. The ordinance changed the way we do business, and an assurance to city residents that the workforce on City development projects will mirror the demographics of the City of Milwaukee. As a result, developers are beginning to willingly come to the City and voluntarily meet higher expectations relative to EBE utilization and workforce development programming.

EBE Program Objectives

The EBE Program is a multi-faceted direct service provider that has a communication network encompassing every City contracting department to ensure that opportunities in commodity procurement, construction, service orders and professional services are available to small and emerging businesses. The EBE Program staff work to enhance the emerging small business community by maximizing support services, contract opportunities, and financial resources to compete in the public and private sector markets.

Technical Assistance

The EBE Program provides technical assistance to small businesses, services that are, at times, offered through the various business solidification organizations and chambers of commerce. Technical assistance includes, but is not limited to the following:

Annual Emerging Business Sustainability Conference

For the past two years, the EBE Program has convened the Annual Emerging Business Sustainability Conference, in partnership with Associated Bank and Manpower Inc. The annual conference provides a venue for learning workshops and business connections for approximately 100 representatives of emerging Milwaukee area small businesses. A major objective of this free, full-day conference is to offer critical technical assistance to small businesses interested and committed to doing business with the City of Milwaukee. Key topics covered include: small business growth trends; green building retrofitting and certifications; accessing business with city government and large corporations; estimating and bidding; and business matchmaking.

Emerging Business Enterprise (EBE) Revolving Loan Program

The EBE Revolving Loan Program offers financial assistance to certified EBE's. EBE businesses awarded a City of Milwaukee, Milwaukee Area Technical College, Milwaukee Metropolitan Sewage District, or Milwaukee Public School contracts, are eligible to apply for a low interest loan. The maximum loan amount can be up to 25% of the contract or \$35,000, with an interest rate of 5%. The loan must provide documented benefits to the local community, such as neighborhood stability through job creation and retention. The loan may be requested to assist with cash flow, purchase of inventory and increase workforce. It may not be used to repay previous debts, such as unpaid local or Federal taxes. In 2009, the Revolving Loan Committee members consist of:

Ashanti Hamilton, Alderman 1st District
Michael Mihlbauer, Mihlbauer & Associates
Ramona Moore, Legacy Bank
Travis D. Evans, Sr., Christ Temple COGIC, Inc.
Ossie Kendrix, EBEP Manager
Kein Burton, DCD
Matthew Blistreri, CDGA

The goal of this program is to ensure that EBE firms who secure City contracts, have the financial assistance needed in order to successfully complete their contracts. EBE certified businesses are encouraged and guided to establish a positive credit record, so their organization can become bankable with traditional commercial lending institutions.

In 2010, the EBE Program issued eight (8) loans valued at \$198,221.63, which assisted in the creation of 13 jobs. Historically, the jobs that have been created serve low-income populations since the participant businesses that receive these loans are located in the City of Milwaukee Community Development Block Grant target areas. The efforts of the EBE firms that secure Revolving Loans contribute to an increase in the City's quality of life and provide economic vitality to distressed areas. In addition, as a result of the impact related to the economic downturn, in 2010, the EBE program office was able to assist 8 businesses with revolving loans that created and/or sustained 13 jobs within the City of Milwaukee. Below is a detailed overview of the Revolving Loan Program loan distribution efforts from 2001 through 2010.

Revolving Loan Program Distribution 2001 - 2010				
Year	# of Loans	Total Value	Interest Income Collected	# of Jobs Created
2001	1	\$35,145.63	\$145.63	8
2002	4	\$143,820.56	\$3,820.56	20
2003	1	\$35,955.14	\$955.14	24
2004	7	\$246,962.66	\$4,567.60	23
2005	4	\$82,354.00	\$2,305.86	10
2006	3	\$85,409.42	\$2,039.52	14
2007	3	\$81,447.00	\$1,984.21	16
2008	1	\$24,948.00	\$827.12	5
2009	3	\$76,006.25	\$1,862.47	21
2010	8	\$198,221.63	\$9,911.08	13

EBE Certification

Annually, the EBE Program is responsible for processing more than 100 requests for EBE certification, both new and renewal applications. In addition, there is a third party consultant contract that exists to ensure the integrity of the EBE Program. Below is an overview of EBE certification efforts in 2010:

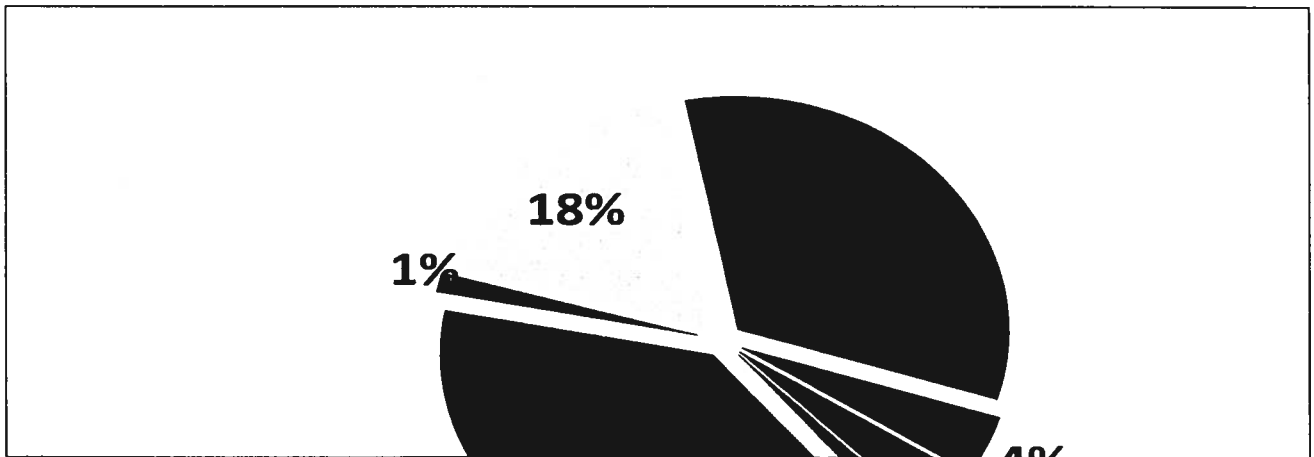
70 New firms were certified

- 49 of the new firms were certified “in house” saving the City of Milwaukee \$33,075 in EBE certification processing expenses

68 EBE firms renewed certification

- 67 of the renewed certifications were completed “in house” saving the City of Milwaukee \$25,125 in EBE certification processing expense

Also, detailed below is an illustration which identifies the demographics of our existing pool of EBE certified firms:



Departmental EBE Reporting

As previously stated, the data contained in this report is provided through the assistance of City departments. Chapter 360 requires that Emerging Business Enterprise participation be monitored and shared via written report to the Mayor and Common Council, annually. The EBE Program serves as a liaison to the aforementioned City departments, assuring the accuracy of EBE reporting and also work to identify ways EBEs can participate on contracts. The spreadsheet below details EBE participation by department as well as the overall annual participation rate achieved in 2010.

2010 Departmental EBE Usage			
	Overall	EBE Portion	EBE%
Procurement Services Section (PSS)	\$98,889,120	\$8,839,390	9%
Milwaukee Police Department (MPD)	\$233,618	\$83,178	36%
Milwaukee Public Library (MPL)	\$3,000,296	\$590,921	20%
Milwaukee Fire Department (MFD)	\$21,882	\$19,350	88%
Department of Public Works (DPW) Calendar Year	\$72,859,388	\$17,817,615	24%
Housing Authority of the City of Milwaukee (HACM)	\$5,957,382	\$1,166,460	20%
Department of Neighborhood Services (DNS)	\$169,221	\$49,877	29%
Department of City Development (DCD) - Dev. Prjcts	\$95,759,190	\$23,740,126	25%
Total City Investment	\$276,890,097	\$52,306,917	19%

In addition, the achieved EBE rates for 2006 through 2010 are as follows:

Contract Year	Required EBE Rate	Achieved EBE Rate
2006	18%	17%
2007	18%	16%
2008	18%	19%
2009	18%	15%
2010	18%	19%

Conclusion

Overall in 2010, the City of Milwaukee obtained a 19% EBE participation rate combined for all contracting departments and development projects that were monitored by the Emerging Business Enterprise Program. The most critical challenge is the lack of emerging firms certified to provide a number of services and/or products to the City that include but are not limited to the following:

- Chemicals needed for our water purification system;
- Specialized vehicle equipment needed for our police cars;
- Complex IT systems software and support;
- Light and heavy duty vehicles.

However, by working together, City Departments can begin to unbundle projects by examining the overall scope of work, to identify where EBE participation can be required, as well as aiding in the business solidification efforts of existing EBE firms.

Also, the EBE Office should develop an outreach plan with a two-pronged approach:

- Promote joint ventures amongst existing EBE firms, to create opportunities in response to the purchasing efforts in which EBE participation is lacking, and
- Identify and recruit professionals with innovative business ideas.

In addition, in 2010, several mechanisms were put in place such as:

- City of Milwaukee Disparity Study completed;
- PSS & EBEP has strengthened the level of inclusion of EBE processes and procedures;
- Needs Assessment completed
- Research and design of a race-conscious program

Finally, as the EBE Program moves forward with proposing programmatic changes, the City is faced with the challenge of ensuring that we can meet the needs of small emerging businesses, while carefully paying close attention to the policy decisions that are taking place at the state and federal levels. With support from the Administration, Common Council, City Departments, small businesses, and a variety of other stakeholders, this office is confident that our efforts will remain steadfast and continue forward in identifying, creating and ensuring opportunities for independent business owners.