

# CITY OF MILWAUKEE FISCAL NOTE

A) **DATE** March 18, 2009

**FILE NUMBER:** 080218

Original Fiscal Note  Substitute

**SUBJECT:** An ordinance incorporating code provisions – apprenticeship requirements for construction contracts, participation of city residents in public works contracts, the emerging business enterprise program – into a single chapter, and creating new provisions establishing requirements for developers receiving direct financial assistance from the city, and local business enterprise contracting standards.

B) **SUBMITTED BY (Name/title/dept./ext.):** Jeffrey J Mantes, CPW/ X-3301

C) **CHECK ONE:**  ADOPTION OF THIS FILE AUTHORIZES EXPENDITURES  
 ADOPTION OF THIS FILE DOES NOT AUTHORIZE EXPENDITURES; FURTHER COMMON COUNCIL ACTION NEEDED. LIST ANTICIPATED COSTS IN SECTION G BELOW.  
 NOT APPLICABLE/NO FISCAL IMPACT.

D) **CHARGE TO:**  DEPARTMENT ACCOUNT(DA)  CONTINGENT FUND (CF)  
 CAPITAL PROJECTS FUND (CPF)  SPECIAL PURPOSE ACCOUNTS (SPA)  
 PERM. IMPROVEMENT FUNDS (PIF)  GRANT & AID ACCOUNTS (G & AA)  
 OTHER (SPECIFY)

E) PURPOSE	SPECIFY TYPE/USE	ACCOUNT	EXPENDITURE	REVENUE	SAVINGS
SALARIES/WAGES:					
SUPPLIES:					
MATERIALS:					
NEW EQUIPMENT:					
EQUIPMENT REPAIR:					
OTHER:	Increase construction costs		200,000		
<b>TOTALS</b>			200,000		

F) FOR EXPENDITURES AND REVENUES WHICH WILL OCCUR ON AN **ANNUAL** BASIS OVER SEVERAL YEARS CHECK THE APPROPRIATE BOX BELOW AND THEN LIST EACH ITEM AND DOLLAR AMOUNT **SEPARATELY**.

<input type="checkbox"/> 1-3 YEARS	<input type="checkbox"/> 3-5 YEARS
<input type="checkbox"/> 1-3 YEARS	<input type="checkbox"/> 3-5 YEARS
<input type="checkbox"/> 1-3 YEARS	<input type="checkbox"/> 3-5 YEARS

G) **LIST ANY ANTICIPATED FUTURE COSTS THIS PROJECT WILL REQUIRE FOR COMPLETION:**

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H) **COMPUTATIONS USED IN ARRIVING AT FISCAL ESTIMATE:**  
 See attached

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PLEASE LIST ANY COMMENTS ON REVERSE SIDE AND CHECK HERE

Based on Average Annual total DPW Construction contract cost of \$50,000,000

Fiscal impact related to EBE increase: \$100,000

Current EBE % participation achieved on DPW contracts is 21% which means that approximately \$10,500,000 is subcontracted out to EBE firms.

With the increase to 25% EBE participation, an additional 4% of subcontracting will be realized. This means an additional \$2,000,000 will be subcontracted out.

Assuming a 5% markup for the General Contractor's administration of the subcontract(s) translates to an additional \$100,000 in contract costs.

Fiscal impact related to LBE:

We reviewed the past 3 years' contracts (2008, 2007, 2006) to determine what, if any, effect the LBE provision would have had on the award of contracts.

In 2006 DPW awarded 126 contracts of which 34 were awarded to LBE's who were the LOW Bidder. Based on the LBE provisions, the award for 9 Contracts would have gone to a contractor other than the LOW Bidder (7%). The total amount difference across those 9 contracts was \$111,281.09 (8 of the contracts accounted for \$61,281.09 (~ \$7,700) and 1 contract where the \$50,000 cap was in effect).

In 2007 DPW awarded 133 contracts of which 44 were awarded to LBE's who were the LOW Bidder. Based on the LBE provisions, the award for 12 Contracts would have gone to a contractor other than the LOW Bidder (9%). The total amount difference across those 12 contracts was \$90,556.00 (~ \$7,500/contract)

In 2008 DPW awarded 152 contracts of which 55 were awarded to LBE's who were the LOW Bidder. Based on the LBE provisions, the award for 25 Contracts would have gone to a contractor other than the LOW Bidder (16%). The total amount difference across those 25 contracts was \$177,836.43 (~\$7,000/contract)

Review of the data suggests that 2008 saw slightly more contracts than average. Over the last 10 years we have averaged around 135 contracts per year. As noted based on the above 3 year's experience, the LBE can result in variable amounts with respect to dollars and the number of contracts that LBE's might get under the 5% rule. A reasonable estimate for the purposes of this ordinance would be around 12% of the contracts at about \$100,000 per year.

**Fiscal Impact to DPW related functions attributable to the proposed MORE Ordinance File 080218 is estimated to be \$200,000; approximately \$100,000 for the EBE program and approximately \$100,000 for the LBE Program.**

JJM  
3/18/09