

LOCAL BUSINESS ENTERPRISE BID INCENTIVE PROGRAM



2015 - 2017 ANNUAL REPORT

City of Milwaukee
Department of Administration
Purchasing Division

Background

The LBE Contracting Program, adopted in 2009, was designed to increase local business participation in the award of city contracts and to address the following:

- Provide an incentive to encourage local businesses that are likely to create more jobs for the city.
- Yield tax benefits that would be an advantage to the city and its economic development.
- Benefit all city residents by alleviating the impact of unemployment and diminish the harm suffered by the city and city residents without a substantial increase in cost to the city.

LBE Bid Incentive Program Administration

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

- Develops appropriate rules and procedures for city departments to ensure compliance.
- Coordinates, monitors, and enforces the implementation of the program's goals in accordance with appropriate rules and procedures.

Requirements of City Departments

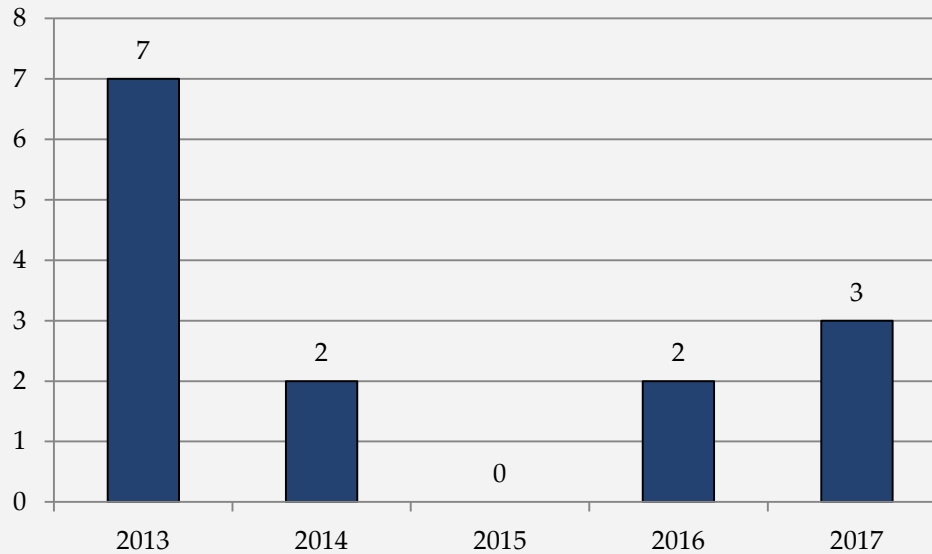
- Apply an award standard in all bids so that a local business has an advantage in being awarded a contract, provided that its bid does not exceed the lowest bid by 5% or \$25,000.
- As a result of state legislation passed in June 2011, the LBE program is no longer enforceable for public works contracts.
- 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.

Local Business Enterprise (LBE) 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. The business is not delinquent in the payment of any local taxes, charges or fees, or the business 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.

2013-2017 LBE Contracting Activity

Chart 1: Number of Contracts Awarded to LBE Bidders (2013-2017)



LBE Contracting Activity

(In Dollars)

Table 1: LBE Contract Awards by Department (2013-2017)

Dept.	2013	2014	2015	2016	2017	Total
DNS	\$29,168.00	\$50,429.00	\$0.00	\$0.00	\$0.00	\$79,597.00
MPL	\$122,293.87	\$0.00	\$0.00	\$0.00	\$0.00	\$122,293.87
DOA Purchasing	\$156,609.00	\$0.00	\$0.00	\$2,300,000.00	\$269,100.00	\$2,725,709.00

Contract Type & LBE Bid Incentive Cost

Table 2 below shows the types of contracts that have been awarded based on the LBE incentive and the cost difference between the lowest complying LBE bidder and the lowest complying non-LBE bidder for 2016 & 2017.

Table 2: 2016 & 2017 LBE Incentive Contract Awards

Date of Award	Dept.	Contract # and Description	LBE (Awardee) Information		Lowest Non-LBE Bidder Information		\$ Difference
			Company Name	LBE Bid Amount	Company Name	Lowest Non-LBE Bid Amount	
1/24/2016	DOA	B14271 - VC for Safety Supplies	Best Ed, LLC	\$300,000.00	Allied Safety Products, LLC	\$293,480.00	\$6,520.00
6/24/2016	DOA	B14573 - VC Sodium Hypochlorite	Hydrite Chemical Co.	\$500,703.00	KA Steel Chemicals, Inc.	\$497,539.00	\$3,164.00
Grand Total							\$9,684.00
2/22/2017	DOA	B14788 - Aluminum Pipes	Price & Sons, Inc.	\$18,300.00	Neher Electrical Supply, Inc.	\$17,400.00	\$900.00
3/4/2017	DOA	B14833-2 - VSC Essential and Emergency Plumbing Services	Malone Mechanical, LLC	\$16,816.65	Roy's Plumbing, Inc.	\$15,450.00	\$1,366.65
3/28/2017	DOA	B15126 - Power Cable	Price & Sons, Inc.	\$175,800.00	Trillium Development LTD Co.	\$162,060.00	\$13,740.00
Grand Total							\$16,006.65

Conclusion

- Since inception of the bid preference program in 2009 the total fiscal impact has been approximately \$229K.
- Given the overall low impact cost of the program, policymakers may consider adopting legislation that increases the bid incentive for local businesses that are also City certified SBE's in an effort to help small businesses build capacity to further compete with prime contractors.
- Lastly, it's important to note that efforts are underway to increase the awareness of the bid incentive program to local businesses. Through the City Accelerator initiative a contract was awarded to a local firm to assist with the marketing and branding of the LBE Bid Incentive program as well the City's other socio-economic contracting programs.