

MEMORANDUM

To: City of Milwaukee Common Council Members
Mr. Grant F. Langley, City Attorney
The Office of the Commissioner of Public Works

From: Jennifer Gonda, Superintendent

Date: October 16, 2018

Subject: Common Council File Number 171796

The Milwaukee Water Works internally evaluated the feasibility of developing a manufacturing facility for items needed in the replacement of water infrastructure. This evaluation included a review of any of the commodities frequently purchased by Milwaukee Water Works. Common Council Resolution 171796 directed MWW to assist the Commissioner of Public Works in this study.

After reviewing the quantities of most commonly purchased materials, we do not believe we purchase the volume necessary to create any economy of scale that would justify having our own manufacturing facility. The list below illustrates it would not be cost effective to manufacture these items in house.

Additionally, constructing and outfitting a facility of this nature would be costly enough to require construction authorization by the PSC. After having an informal conversation with their staff, we do not believe that such an application would be viewed favorably.

This list below does not include items purchased under contract by our contractors. After discussion with City Attorney's office, we do not believe we could require our contractors to purchase materials directly from us. We could provide the materials to them at no cost, however, that would mean we would have to front the cost of the materials and carry an inventory for their access. There would be a significant and unaffordable carrying cost to that approach, which we cannot estimate at this time.

Lastly, the repeal of our residency requirement would make it difficult to ensure that the city residents we would want to target for workforce training in such a facility could be isolated for hiring.

Concurrently with this review, Milwaukee Water Works staff had already been conducting a feasibility study of on-site generation of sodium hypochlorite, a chlorine compound which is used as a disinfectant in the water treatment process. We purchase large quantities of sodium hypochlorite and the market price fluctuates greatly. Our analysis suggests we should move forward with this project. However, we do not anticipate any additional job creation from the change.

It is possible that other city purchased commodities could be candidates for a city-owned manufacturing facility that would not have the same limitations the Water Works has regarding Public Service Commission construction authorization. One idea we had is copier paper – since we have a recycling facility that recycles paper already. A city-wide scan of commonly purchased commodities could reveal others that may have high enough volume to generate economies of scale.

In conclusion, from the perspective of the Water Works, the concept of a manufacturing facility for items used in the replacement of water infrastructure is not feasible. A city-wide review may find that other commodities may make sense and we encourage other departments to look at this option.

Milwaukee Water Works - Most Commonly Purchased Items			
Item	3-Year Average Units	Price Range	Low Spend
Fasteners	28,600 Units	\$2.90	\$ 82,940.00
Valve Box Parts	6,800 Units	\$17.79 – \$62.04	\$ 120,972.00
Copper Tube	6,200 FT	\$3.16 - \$15.99	\$ 19,592.00
Service Box Parts	5,500 Units	\$7.94 - \$89.03	\$ 43,670.00
Corporation and Curb Stops	2,500 Units	Corporation: \$38 - \$194	\$ 47,500.00
		Curb: \$53 - \$290	\$ 66,250.00
Bronze Fittings	2,100 Units	\$72 - \$440	\$ 151,200.00
Iron Fittings	1,650 Units	\$61.35 – 4,925.05	\$ 101,227.50
Ductile Iron Pipe	700 FT	\$18.47 - \$66	\$ 12,929.00
Repair Clamps	880 Units	\$42.22- \$330.60	\$ 37,153.60
Gate Valves	540 Units	\$191.01 - \$1,633	\$ 103,145.40
Hydrants	350 Units	\$2,121.40 - \$2,484.10	\$ 742,490.00
Butterfly Valves	30 Units	\$1,200 – \$3,785	\$ 36,000.00
Tap Sleeves	40 Units	\$369.95 - \$5,060	\$ 14,798.00