

LRB – FISCAL REVIEW SECTION ANALYSIS

JANUARY 13, 2002 AGENDA
ECONOMIC DEVELOPMENT COMMITTEE

ITEM 13, FILE 020323
Emma J. Stamps

File 020323 is a resolution authorizing expenditure from the Economic Development Committee Fund to a newly formed company by Louis Miller (owner of AmeriVoice Telecommunications) for business development.

Background

Economic Development Committee Fund:

1. The purpose of the Economic Development Committee Fund is to promote the City's economic development programs, retain industry and employers in the city, and attract new industry to the community.
2. The 2003 Budget provides \$50,000 to the Economic Development Committee Fund.

Mr. Louis L. Miller:

1. In 1992, Mr. Louis L. Miller started AmeriVoice Telecommunications, Inc, a provider of telephone service to residential and business users.
2. In 1996, the company refocused to market to "credit challenged" customer segment of the telephone market.
3. Mr. Louis L. Miller was named the U.S. Small Business Administration Wisconsin Minority Business of the Year in 2000, having a strong reputation in Milwaukee and the State within the small business community for his work with AmeriVoice and employing over 45 people in the Milwaukee central city.

SBC/Ameritech:

1. SBC/Ameritech, a regional brand of the \$54 billion dollar SBC Communications, Inc, operates in Wisconsin, Ohio, Michigan, Illinois, and Indiana.
2. Approximately 22% of SBC/Ameritech's customers are "credit challenged", meaning that they are not able to pay their bills which results in service termination.
3. Improving their supplier diversity program is a major priority for SBC/Ameritech as it competes for contracts with public institutions, or private corporations that take government contracts when preferential treatment is awarded the company having better minority representation amongst their sub-contractors.

Discussion

1. Mr. Louis L. Miller applied for and received a \$10,000 State of Wisconsin Department of Commerce Early Planning Grant for the purpose of securing financial assistance to support a new business initiative with SBC/Ameritech that is expected to provide opportunity to grow existing business in the Milwaukee central city.

2. This initiative creates a new company, *tentatively* named 'NewCo', a separate entity owned by Mr. Louis Miller through a partnership agreement with SBC/Ameritech.
3. Significant attributes of the new company are:

Product:	Long-distance service to SBC/Ameritech customers in a five-state region (Wisconsin, Ohio, Michigan, Illinois, and Indiana)
Target area:	From Milwaukee to the entire State and through the Midwest
Market segment:	SBC/Ameritech's "credit challenged" customers, estimated at about 3.3 million
Employment:	140 full time; 100 customer service reps, 20 data entry persons, 10 supervisors, 6 managers, and 4 field techs
Capital Needs:	Significant to support technology and other infrastructure needs to meet future demand
4. These funds will offset costs to hire a consultant to develop a business plan. The consultant, Telaric Advisory Services, is located at 10532 N. Port Washington Road, Mequon.
5. The total cost for the business plan is \$30,000 whereas the Early Planning Grant provides \$10,000 and the applicant provides \$20,000.
6. File 020323 authorizes a grant expenditure in the amount of \$5,000 from the Economic Development Committee Fund to a newly formed company (tentatively named "NewCo") by Louis Miller for business development.

Fiscal Impact

Passage of this resolution authorizes a \$5,000 grant expenditure to Louis Miller, owner of AmeriVoice Communications to be used for hiring a consultant to prepare a business plan for his newly formed company.

Other Information

According to the Wisconsin Department of Commerce management review, it is highly probable that the newly formed company will take away business from AmeriVoice and possibly result in the merging of the two companies.

cc: Marianne Walsh
Michal Dawson
Tom Croasdaile
Kimberly Montgomery
W. Martin Morics
Laura Engan

Prepared by: Emma J Stamps x8666
LRB-Fiscal Review
January 9, 2003