

**DATE:** July 24, 2017

**TO:** Members of the Finance & Personnel Committee

**FROM:** Aaron Szopinski, Office of the Mayor

**RE:** CCFN 161640 / 170570 - Workforce Planning

Honorable Committee Members:

Mayor Barrett and the Common Council have made connection of resident employment and business opportunities a clear policy priority for city government. Our city and its future success depend on new economic opportunity for our residents. Those opportunities are vast and varied, from real estate development to new business creation to skills training and higher education. City government certainly has a role to play in creating those opportunities where we have the ability to be intentional and connect the dots.

In response to Common Council File No. 161640, this memo outlines the ways city agencies will connect resident work and training opportunities to three city development and infrastructure programs. Those programs outlined in the resolution are *lead service line replacement, demolition and deconstruction, and housing rehabilitation and construction*. This memo also addresses the ways new workers on to these city projects are connected to them, and the ways the city and partners may help those workers go to the next step in their careers.

City contracts and projects provide chances for workers to be connected to a large number of employers and city-affiliated training programs. That doesn't necessarily mean the city can be an employment training provider for contractors. It does mean city government has the opportunity to be intentional in assisting Milwaukee residents to overcome barriers and have success in their working lives. This report lays out a few ways that strategy is being implemented this year.

**Policy Context**

More employment in Milwaukee, and more Milwaukee residents participating in the workforce, are positives for the city. The local and national trend since the Great Recession has been growing poverty in suburbs, and shrinking poverty in the city. That trend has not changed the fact that in the metro, poverty remains concentrated in the city of Milwaukee, as shown in Table 1.

**Table 1:** Great Recession, Poverty & Work in the Milwaukee - Waukesha - West Allis MSA

	MILW. - WAUK. - W. ALLIS MSA (NON-CITY)	CITY OF MILWAUKEE
<b>Population 18-64</b>	<b>593,653</b>	<b>371,453</b>
% of MSA Population	62%	38%
% in Poverty	7%	27%
Share of MSA Poverty	29%	71%
Change In Poverty Share 2005-14	+8.9% (+2.4)	-3.3% (-2.4)

**Source:** American Community Survey 5-year estimates, 2005-09 & 2010-14

The Mayor and Common Council have long supported measures to boost local employment and income, and focused those efforts on populations that have the greatest barriers to work. Through legislation and negotiation, employment and training opportunities have been included in city construction contracts and city development agreements. The city funds and supports workforce efforts through Community Development Block Grant funds, as well as collaborative funding efforts with the building trades and other public sector institutions.

The employment efforts outlined in this memo have 4 key factors supporting them:

- 1) a mandate for resident participation or training (i.e. the Resident Preference Program)
- 2) the willingness of city contractors to respond and administer contracts that include those mandates
- 3) the willingness of policymakers to pay more for services and projects that include these goals
- 4) capacity and funding outside of city government for training and mentoring expertise

A major policy consideration is that city contract or project work is not the only work in town. City contracts can provide an opportunity, but rarely is any one contractor solely doing work on a city project, and rarely is city of Milwaukee work the sole business of any one contractor. Those firms' hiring and employment needs are set by the overall economy, and their hiring opportunities need to serve their overall business needs in addition to city requirements.

Locally, the construction trades are currently in higher demand, but that demand for workers can change quickly with the economy and business cycle. There are also other sectors set out as local or regional growth priorities, such as finance, health care, or food and beverage production. Some of those sectors may be less cyclical in demand or serve broader markets, and may offer better long-term, family sustaining employment opportunities.

A point that needs to be made in presenting employment and training efforts is that the "workforce system" serving Milwaukee and the region is not a single entity. Instead, a network of trade unions, local workforce boards, employers, public agencies, and non-profits administer workforce development efforts. Those efforts are driven by funding and statutory directives, and often work at vastly different scales and across different populations. Key data is often restricted, or unavailable, and matching data for individuals participating in the huge array of training efforts is challenging if not impossible.

Progress has been made in unifying some of those efforts to better understand worker outcomes. For example, Compete Milwaukee participants will be "co-enrolled" in WIOA Title I programs through Employ Milwaukee, which will allow for better tracking of outcomes and documentation of "what happens next" for those workers. By and large, though, measuring aggregated outcomes for individuals is difficult and expensive, especially for non-profits engaged in training.

## Existing Efforts

The City of Milwaukee has long made employment of city residents a policy priority, to increase resident economic participation, especially in construction trades. In 1991, the Residents Preference Program was enacted, requiring that public works construction contracts include a certain percentage of hours worked by Milwaukee residents. In 2009, that requirement was expanded to a handful of privately-funded construction projects in which the city provided financing or incentives. The scope of RPP was expanded to additional projects in 2016, and the qualifications for workers were made more complex.

The city also sets goals for Small Business Enterprise in construction and larger projects, to incentivize inclusion of smaller businesses, including firms owned by women or people of color, in larger projects.

Also of critical importance is the balance of cost effectiveness with creating work opportunities. All of these projects occur in a business environment that is very cost-sensitive. How we structure and administer our efforts to support employment is a huge factor in their success and our success in delivering services and programs. Put another way: spending city money to connect employment opportunities shouldn't reduce the city's capacity to get the most work done for the public. If bidding requirements or employment requirements reduce the number of bidders or prohibit small businesses from bidding, the city is not well served.

City government does administrative and oversight work for these efforts, but the cost of finding and hiring employees, or subcontracting with designated small businesses is not explicitly the cost of the city. The city does fund non-profits and other agencies through Community Development Block Grant to provide some of the training to workers who may qualify for RPP. Employ Milwaukee, the local workforce board designated by the state, receives some of these funds for various efforts. Their board and director are appointed by the Mayor, but Employ Milwaukee's funding is almost entirely Federal funds allocated via state government.

City policies supporting employment have been expanded through the Compete Milwaukee Transitional Jobs program to create temporary placements and overlapping training and certification in city departments as a means of providing entry into the workforce and upward mobility for workers with barriers to success. Compete transitional job participants are employed by UMOS, but work on city crews to increase capacity and service levels in DPW and DNS on a seasonal basis.

Transitional job wages are funded by State of Wisconsin TANF funds, and supplemented by CDBG to pay the city's living wage of \$10.82 for 2017. Additional city funding provides training and barrier reduction, including driver license recovery, child support workouts, mentoring, and career plan development. That wraparound approach has been successful, but requires a huge amount of administrative coordination and relies on non-city expertise in skills training and assessment for participants.

In addition to mandates and formal policies on hiring, there is another approach to creating new work opportunities. Those would be contract incentives and "matchmaking" with contractors and individuals entering and completing various training programs. This

approach is not a formal employment program, but presents employment opportunities through coordination.

Existing partnerships in the trades and with training organizations can assist the city in getting people connected to those opportunities. Each of them can also be part of a series of steps, with Compete Milwaukee or a Northcott training program being the first step, connection to an employer for semi-skilled work the next step, and an apprenticeship and ongoing employment the third step. That coordination can happen through bidding activities and pre-conferences, as part of existing co-op agreements, or through funded outreach on development projects.

### **Program Specific Employment Plans**

The efforts outlined below include several connections to existing or program-specific employment and training programs. They may incentivize hiring of city residents into new or existing opportunities, or match residents coming out of CDBG-funded training programs with unsubsidized employment with city contractors or developers on city-sponsored projects. The nature of work and timing of each project are critically important in designing those incentives.

The goals for workforce participation included in the programs outlined below are:

- 1) Use city programs and services to connect city residents to short- and long-term training and employment
- 2) Incentivize hiring of city residents and participants in city-funded training programs by contractors
- 3) Get the projects done on time and within budget

### **Critical Connection Points**

While the workforce system in Milwaukee and the region is not unified, there are still critical points where workers connect to the next “rung” on their employment ladder.

Since 2015, Compete Milwaukee has been an important starting point for a worker’s journey to consistent and family-supporting employment. The Compete Milwaukee strategy seeks to match supply with demand, and Compete transitional jobs are *intentionally* designed to put workers who have overcome common barriers in touch with a huge array of post-program options.

While the City of Milwaukee is not a training or employment agency, the city staff administering Compete placements in DPW are able to make connections as workers move through on their journey. Compete Milwaukee can create a pathway to city contractors, developers, trades, non-profit training programs, and other private sector businesses.

Beyond Compete Milwaukee, there are 3 other major points of connection to the employment ladder that City departments can either partner with or move job seekers through. Those are:

- **Employ Milwaukee:** Qualifying participants for Employ’s Title I funding may be “co-enrolled” in training or placements funded by the Federal Workforce Innovation & Opportunity Act (WIOA). WIOA funds skill building and other employment

services for adults, youth, and displaced workers. Employ Milwaukee acts as the point of contact for these services.

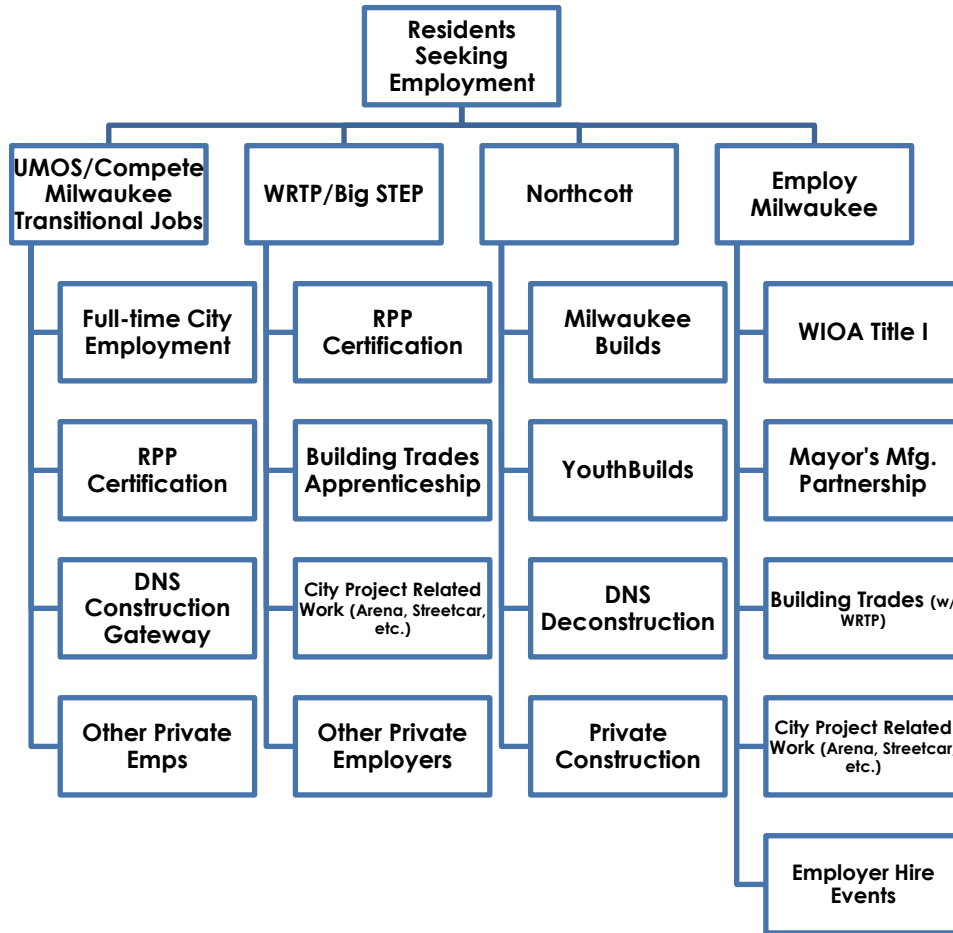
- **WRTP/Big Step:** WRTP/Big STEP is a non-profit funded by the building trades and grants to provide skill training, credentials, and continuing education to individuals seeking to join the construction trades. They also provide Career Pathways mentoring and services such as driver license recovery to support participants in their training program. WRTP/Big STEP
- **Northcott/Milwaukee Builds/Youth Build:** Northcott Neighborhood House funds and operates a number of construction training programs. In addition to basics in carpentry and residential construction, trainees can get OSHA and other training that qualifies them to work on construction sites. Northcott also provides RPP certification.

In addition, the city has past or existing workforce partnerships with **Running Rebels** and **Riverworks CDC**.

Workers may find a point of entry through any of these partners. From there, they may go on to private employment, be referred for transitional work with the City, or begin a private apprenticeship program. For Compete Milwaukee transitional jobs participants, the connections below are made intentionally through staff contacts, WIOA co-enrollment, and the Career Pathways component. City departments have further made intentional connections, such as the deconstruction and Construction Gateway programs in DNS.

Table 2 on the following page shows some of the opportunities with each of these city-connected workforce partners.

**Table 2: Potential Paths or Opportunities for City-Connected Workforce Partners**



City departments and their partners strive to be intentional and connect the dots as much as possible for any individual workers, but as Table 2 makes clear, coordinating across agencies and programs can be difficult. Success in that coordination relies on a host of factors, and tracking individuals across programs is next to impossible.

Regardless, City government and its partners remain committed to creating these opportunities and improving coordination around workforce development. Table 3 on the following page summarizes employment or training connected to the city activities specified in CCFN 161640.

**Table 3: Summary of Workforce Efforts, Challenges, & Opportunities**

	LEAD SERVICE LINES	CONSTRUCTION GATEWAY	DECONSTRUCTION	MERI
<b>Experience Level</b>	Entry level to	Entry, with safety training	Entry, with safety training	Unspecified
<b>Employer of Record</b>	Contractor	Contractor	Contractor	Contractor
<b>City Policy Mechanism</b>	Mandate (40% RPP, Targeted ZIP Codes)	Contractor Partnership	CDBG Funds & Mandate (40% RPP)	Development/grant agreement requires workforce participation
<b>Project Cost Paid By</b>	Water Works & Federal Grants	City Budget & Private Contractors	City Budget & City CDBG	Developer & City Grant
<b>Wages Paid By</b>	Contractor	Contractor	Contractor/Training Organization	Contractors
<b>Training Funded By</b>	WRTP & Trades (Local 113/139)	-	-	Multiple agencies
<b>Challenges</b>	<ul style="list-style-type: none"> <li>• Small crew size</li> <li>• Journeyman/license requirements</li> <li>• Relatively low planned volume</li> <li>• Funding</li> </ul>	<ul style="list-style-type: none"> <li>• Small crew size</li> <li>• Training is critical</li> <li>• Hazardous work</li> <li>• Irregular work volume for residential property</li> </ul>	<ul style="list-style-type: none"> <li>• Large crew size</li> <li>• Larger cost projects</li> <li>• Seasonal projects</li> <li>• Irregular work</li> </ul>	<ul style="list-style-type: none"> <li>• Short-term/project based</li> <li>• Skills acquisition uncertain</li> <li>• Developer administration</li> </ul>
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>• Expanding volume of work in city AND neighboring communities</li> <li>• Long-term commitment from City of Milwaukee</li> <li>• Recruit new City employees</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing complexity (commercial)</li> <li>• Growing salvage market</li> <li>• Private demand for rehab projects</li> <li>• Recruitment for City inspector</li> </ul>	<ul style="list-style-type: none"> <li>• Longer projects, slower pace facilitates training</li> <li>• Experience sets up next "step" on ladder</li> <li>• Recruit new City Inspectors</li> </ul>	<ul style="list-style-type: none"> <li>• Existing training programs provide pipeline for workers</li> <li>• Demand for skill set relatively constant</li> <li>• Contractors may hire on trainees for future jobs</li> </ul>
<b>New Job Opportunities 2017 (Est.)</b>	<b>10-12</b>	<b>6</b>	<b>5</b>	<b>24 (PT)</b>
<b>Point of Connection For Job Seekers</b>	WRTP/Big STEP & Laborers/OE Trades	Compete Milwaukee & Contractors	Training organizations	Training organizations Compete Milwaukee

Below are more detailed descriptions of how the Administration will manage these efforts, including making connections to the larger workforce system and our many training partners.

## Housing Rehabilitation

### *Milwaukee Employment/Renovation Initiative (MERI)*

#### MERI Program Model



MERI will provide grants to individuals, organizations and companies that purchase 5 or more tax-foreclosed properties in 2017 and complete renovation of the properties by late 2018. To earn the full grant of \$10,000 per property, buyers must document that they have provided at least 500 hours of work per property to individuals who are underemployed or unemployed, or in a training program.

The grant per property is reduced if such individuals are employed for fewer than 500 hours. Grants are provided on a reimbursable basis. Buyers of MERI properties must provide the following documentation:

- 1) Documentation that rehabilitation expenses exceed \$10,000 and proof that payment has been made to contractors and suppliers. Receipts for cash payments will not be accepted.
- 2) Payroll documentation showing the number of hours worked by unemployed or underemployed individuals (defined below) who live in the city of Milwaukee.

For purposes of MERI, individuals who live in the city of Milwaukee and meet at least one of the following qualifications will meet the employment requirement:



- 1) Individual referred by a construction trades training program. This could be an individual who is currently enrolled or a graduate of such a program OR
- 2) Individual referred by the Compete Milwaukee transitional jobs program OR
- 3) Individual certified as qualifying for the City's Residents Preference Program (RPP).

MERI buyers are provided with contact information for a number of local construction training programs. One of the six MERI buyers (Gorman & Co.) will utilize workers referred by Milwaukee Builds. Another (Ezekiel Community Development Corp.) operates a construction training program that provides opportunities for individuals involved with the justice system. Another (StrongBlocks) is using RPP-certified workers.

***Other Housing Rehab/Loan Programs***

**Garfield School/Griot Apartments redevelopment**

The City is investing \$1.435 million in tax increment financing to support the residential redevelopment of the Garfield School and construction of the Griot Apartments. The development agreement for this project requires that at least 40% of worker hours be performed by RPP-certified workers.

**Welford Sanders Lofts**

The City is investing \$1.2 million in tax increment financing to support the redevelopment of the former Milwaukee Enterprise Center as Welford Sanders Lofts. The development agreement for this project requires that at least 40% of worker hours be performed by RPP-certified workers.

**Other Rehab Programs With Employment Connections**

Three City-operated programs that renovate tax-foreclosed properties have vendor contracts that require RPP-certified workers to perform at least 40% of work hours. These contracts apply to the following programs. The number in parentheses indicates RPP utilization since the program began operation through June 2017.

- 1) Rehab to Rent (44%)
- 2) Tenant Transition to Ownership/T3OP (83%)
- 3) Housing Infrastructure Preservation Fund (64%)

## Deconstruction & Salvage Deconstruction Program Model



Deconstruction is non-mechanical demolition of buildings, with a goal of salvaging for re-use or recycling as much of the building material as possible. Mechanical demolition knocks down properties with large equipment, and then debris is hauled by truck to landfills. Deconstruction relies on manual labor and site management to remove, evaluate, and sort material to be re-used or recycled.

Deconstruction is both slower and more expensive because of the labor required to take apart a building. Since 2012, DNS has worked with a number of Community Development Corporations (CDCs) and non-profits, as well as contractors, to build a workforce and contractor base that supports cost-effective deconstruction.

The deconstruction model relies on two critical workforce factors. One is contractors with the capacity to manage workers and labor costs on a complex job site. The second is a supply of employees with enough skills to do the work, or funding for employees to learn on the job. CDCs provide much of the second factor, and give workers the skills to move from a training program such as Milwaukee Builds into full-time deconstruction work. WasteCap, a non-profit recycler, has provided critical technical assistance to contractors and DNS in managing the growth and flow of deconstruction and salvaged material.

Since 2015, when residential deconstruction on city-owned properties began in earnest, the deconstruction program has generated a very high RPP rate: 87% on 26 projects. Many who trained on deconstruction projects have joined the growing group of deconstruction contractors as employees.

### **Construction Gateway (DNS Deconstruction/Demolition)**

DNS is partnering this year with KPH Construction, Corp and SA Herbst, to establish the Construction Gateway Project. The project is structured to provide career pathway

opportunities in construction and environmental conservation industries for alumni of the City of Milwaukee's Compete Milwaukee Program.

Six (6) Compete Milwaukee transitional jobs alumni will be employed through KPH in the Construction Gateway Project. SA Herbst will coordinate the classroom trainings and KPH will administer the on-the-job training.

KPH Environmental is a privately owned company providing comprehensive environmental, testing, assessment, and remediation. KPH has been an environmental industry leader in the City of Milwaukee for more than 25 years, and provides asbestos inspection and abatement for properties to be deconstructed or demolished.

### ***Project Description***

The Construction Gateway Project encompasses both classroom and on-the-job training. First, Compete Milwaukee Alumni trainees will participate in classroom environmental trainings, coordinated by SA Herbst, to gain industry recognized certifications. Second, after successful completion of classroom trainings, trainees will proceed to on-the-job training where they will utilize their acquired skills to provide asbestos inspection and abatement of City of Milwaukee owned properties.

Trainees will be paid at a rate of \$12.50 per hour for up to 40 hours per week. This includes classroom and on-the-job training for a period of up to six weeks. KPH will serve as the employer of record for the project trainees. KPH supervisors and staff will mentor and train trainees, while folding them into their everyday workforce.

### ***Program Goals***

- Enroll six (6) Compete Milwaukee Alumni trainees in the Construction Gateway Project
- Four (4) of the six (6) trainees will complete the Construction Gateway Project
- Expand Construction Gateway Project in 2018 to include companies with City contracts to perform asbestos inspections/abatement, renovation, deconstruction and/or demolition on City of Milwaukee owned properties

### ***Follow-Up***

KPH will fold trainees into their everyday workforce and will submit follow-up reports on trainees status related to certifications gained, hours worked and job retention status after 90 days for those entering the Construction Gateway Project.

### **Lead Service Line Replacement**

Lead service line (LSL) replacement is mandated as of January 1, 2017 for all Milwaukee properties, when:

- An LSL is discovered to have failed (leak, rupture, or otherwise)
- A main replacement project includes properties with LSLs

Milwaukee has also been funded through Federal loan forgiveness programs administered by the Wisconsin DNR to provide proactive LSL replacement at state-licensed day cares.

Service line replacement is equipment intensive, and lean on labor hours. A typical residential project may require 30 hours of non-City labor by a crew of 3 employees (foreman, operator, and laborer). A licensed private plumber provides oversight and sign-off on replacements. Replacements least a little more than single workday. The current technique in Milwaukee, due to high clay content, relies mostly on boring, rather than hand excavation. At projected 2017 levels of work, 600 service line replacements can be done by roughly 9 full-time employees. That will expand to 12 full-time employees in 2018.

With the volume of contractors already in business, additional hiring for lead service line work is limited. There may be one additional crew added in 2018. Lead service line contractors will be required to meet standard RPP provisions in their contracts. Workforce connections on lead service lines may be more feasible based on 2 factors:

- 1) **Significant increase in LSL replacements to 1,400 or more per year.** Existing contractors can handle the volume of leaks as “spot work” each year, and a small number of replacements are slated for main relay projects in 2018. Increasing beyond existing contractor capacity would prompt hiring and allow the city to create hiring incentives beyond RPP to place workers.
- 2) **Large increase in non-City funding supporting a higher rate of replacement.** Funding is also a major consideration for expansion, as replacements are 85% funded by the city through Water Works rates and capital budget support for owner cost-sharing. Without State or Federal funding, each additional 100 replacements costs ratepayers and taxpayers \$935,000, plus administrative costs. Going from 600 replacements per year to 1,400 would require an additional \$7.5 million in water rate increases and new city debt *annually*.

An important point to make is that even at 1,400 LSL replacements per year in Milwaukee, only 21 new FTE would be required. At least 40% of hours will be worked by city residents, but it is likely contractors would continue to rely on their existing workforce.

City departments have already discussed potential alignments to increase work opportunities with WRTP/Big STEP, and will broach with Laborers Local 113 and Operating Engineers Local 139. One option is addition to existing apprenticeship programs of a “lead certification” focused on service line removal work as part of pipe-laying training for existing underground construction work.

Workers would add some LSL removal skills to their entry-level training, and city contracts may require hiring of lead certified RPP workers as an incentive or requirement to drive hiring of those workers. Recruitment for these trades can be targeted to Compete Milwaukee alumni and other training program participants seeking to move up in their career.

Lead service line replacement will be an ongoing need for not only Milwaukee, but many of its older suburbs and outlying communities in Wisconsin. The city of Chicago, several cities in northern Indiana, and their suburbs may also see higher demand for LSL removal in coming years. There will be opportunities to support new contractor capacity through the

City or affiliated agencies, with an emphasis on local hiring for those firms. Milwaukee Water Works will continue to recruit repair workers from contractor ranks.

### **Continuous Effort**

The upswing in construction and continued national and local economic expansion has increased local employment, but there remains a gap between those in the workforce and those not participating. Long-term stagnation in wages nationally and locally also means that Milwaukee residents can benefit from not only job placement, but improved skills and experience to get to the next rung on their work ladder.

The Mayor and Common Council certainly continue to build and improve these opportunities in 2017 and beyond, and will continue to adapt to labor market and the funding environment to meet our goals and aspirations to keep Milwaukee working for all of us.