

CITY OF MILWAUKEE FISCAL NOTE

A) DATE 11/14/03

FILE NUMBER: 030721

Original Fiscal Note Substitute

SUBJECT: A substitute ordinance relating to the city residents preference program.

B) SUBMITTED BY (Name/title/dept./ext.): Eric Pearson, Budget & Management Team Leader, DOA -BMD, x8554

C) CHECK ONE: ADOPTION OF THIS FILE AUTHORIZES EXPENDITURES
 ADOPTION OF THIS FILE DOES NOT A UTHORIZE 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:	Additional administrative staff	006000	\$129,039		
SUPPLIES:					
MATERIALS:					
NEW EQUIPMENT:					
EQUIPMENT REPAIR:					
OTHER:	Annual audits	006300	\$33,333		
	Increased contract costs	006300	\$120,000*		
TOTALS	* the contract costs could be higher. See comments below and on reverse side.		\$282,372*		

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 checked="" type="checkbox"/> 1-3 YEARS	<input checked="" type="checkbox"/> 3-5 YEARS	Cost of additional staff and related administrative costs (\$129.039)
<input checked="" type="checkbox"/> 1-3 YEARS	<input type="checkbox"/> 3-5 YEARS	Cost of annual audits (\$120.000)
<input checked="" type="checkbox"/> 1-3 YEARS	<input checked="" type="checkbox"/> 3-5 YEARS	Increased cost of contracts (\$120,000 to \$1,500,000)

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

H) COMPUTATIONS USED IN ARRIVING AT FISCAL ESTIMATE:

It is difficult to develop an accurate estimate of the fiscal impact of the proposed ordinance changes. However, the administrative costs for departments would increase and the cost of contracts would also likely increase. See reverse side for a discussion of the potential fiscal impact.

PLEASE LIST ANY COMMENTS ON REVERSE SIDE AND CHECK HERE

H) COMMENTS ON FISCAL ESTIMATE:

If the file is adopted, costs would increase in two areas:

- A) Increased operating costs for departments; and
- B) Increased costs of contracts.

A) Increased operating costs for departments

Any department with a construction or service contract would be required to increase its administrative functions, staffing and costs. Additional tasks include: determining the level of unemployed persons in the CDBG area that could participate in a contract, monitoring compliance, reviewing affidavits submitted by contractors, arranging for independent audits, maintaining demographic and residency information on job positions in all contracts and preparing an annual program report, including the number and dollar amount of contracts, percentage participation by unemployed CDBG residents versus others, percentage of hours worked by unemployed CDBG residents versus others, the job type of each person working on the contracts, and the number of new residents in the CDBG area hired for the contracts.

These requirements would affect at least five departments: DNS, Library, Port, DPW and DOA. If we assume a need for a half-time Contract Compliance Officer for each department, a half-time Purchasing Agent Senior for DOA, and an annual audit for each department, the fiscal impact would be increased operating costs of \$162,000

The basis of the calculation is:

- Contract Compliance Officer is SG 6; Purchasing Agent Senior is SG 4. $(43,889 * 2.5) + (38,634 * 0.5) = \$129,039$.
- Five annual audits. $(\$20,000 * 5) = \$100,000$. Dividing the \$100,000 by three you get a \$33,333 cost of the audit expressed on an annual basis.

These would be on-going, annual costs except for the audit cost, which would occur once every three years.

B) Increased costs of contracts

Mandating new requirements for contractors, such as maintaining and retaining specific personnel records, preparing and submitting affidavits, and submitting time reports for individual workers, will increase their cost of doing business with the City. This will likely result in two adverse impacts. First, fewer contractors will actually bid on city contracts. Some contractors who currently do business with the City may not be able to afford the increased costs, may not qualify for contracts, or may not want to bother to comply with the additional requirements. They may also not want to risk the various sanctions and penalties for non-compliance. A reduction in the number of contractors bidding on a contract will likely increase the cost of bids. Second, the contractors that do bid on contracts will likely pass their increased administrative costs (resulting from new RPP requirements) onto the City through higher bids. The net impact is less competition (fewer bidders) and higher costs. It is impossible to estimate what the actual fiscal impact would be in terms of a dollar amount.

However, between September 2002 and 2003, approximately \$30,275,000 in service contracts was issued through DOA-BOD. If the expanded RPP program increased costs by 5% this would be a cost increase of \$1,513,750. This does not include increased contract costs for other departments with independent purchasing authority, including DPW, DNS, Library, and Port.

Realistically, many of the service contracts issued through DOA-BOD would probably be excluded from the RPP requirement by the contracting department, as allowed by the proposed legislation. If we assume that only the contracts that had EBE requirements would fit within the RPP parameters, then approximately \$900,000 in contracts would be included in the expanded RPP. This is 3% of the total contract amount. If the expanded RPP program increased costs by 5%, this would be a cost increase of \$45,000. However, this excludes the costs of other departments with independent purchasing authority. Increased costs for these departments could add another \$75,000 or more in increased costs.

Total costs to the City could be between \$282,000 and \$1,750,750. However, these are preliminary estimates that could differ significantly from actual costs. A more detailed analysis would be necessary to develop a better fiscal estimate. This would require, at a minimum, identifying the number and dollar amount of contracts in all affected departments and the number and dollar amount of these contracts that would actually be included in the expanded RPP by the contracting departments.

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