

Emerging Business Enterprise Program

2007/2008 Annual Report

City of Milwaukee

Department of Administration

Business Operations Division

Emerging Business Enterprise Program

Table of Contents

History & City Ordinance	3
Objective	3
Introduction	3
Departmental EBE Reporting	4-10
Financial Capital Assistance	11-12
Emerging Business Enterprise Program Certification	13
Emerging Business Enterprise Program Expansion	14-15
Conclusion	16-17

History & City Ordinance

The Emerging Business Enterprise (EBE) Program was enacted in 1989, through Chapter 360 of the Milwaukee Code of Ordinances. The EBE Program, formally known as the DBE program, was created to assist and protect the interests of individuals who are disadvantaged and small business concerns in order to promote and encourage full and open competition in the City of Milwaukee. Chapter 360 of the Milwaukee Code of Ordinances was revised in 2002 to utilize city-certified EBEs in all contracting activities by approving an annual 18 percent EBE utilization requirement for each contracting department, and all other operating departments.

The City of Milwaukee's Emerging Business Enterprise Program name positively reflects and promotes small businesses that strive to become competitive in the mainstream marketplace. Eliminating the reference to small businesses as disadvantaged eliminates any pre-conceived notions that small businesses are unable to perform or provide superior products and quality services.

Objective

The Emerging Business Enterprise Program (EBEP) was created to assist and protect the interest of emerging and small business concerns. The program is designed to promote and encourage full and open competition in the City of Milwaukee so that emerging businesses may successfully compete in a free market as independent business owners. The program also works to establish mentor-protégé relationships between small businesses and those businesses in the mainstream marketplace.

Introduction

As presented in the Milwaukee Code of Ordinances, Chapter 360 requires that the Emerging Business Enterprise Program review the EBE participation progress in the City's contract and procurement activities and annually submit a written report to the Mayor and Common Council. Therefore, the Emerging Business Enterprise Program office is pleased to present a report that combines the EBE efforts of 2007 and 2008.

The data contained in this report was compiled by the EBEP office staff, through the support and assistance of the following city departments that are required, as a commitment to Chapter 360, to administer the EBE program:

- Department of Administration – Business Operations Division - Procurement Services Section
- Department of Public Works
- Department of Neighborhood Services
- Fire and Police Departments
- Milwaukee Public Libraries
- Port of Milwaukee
- Department of City Development – Housing Authority of the City of Milwaukee
- Department of City Development – Development Projects

In addition, this report will also contain an update on the City of Milwaukee's EBE Revolving Loan Program, identifying the number of loans granted in 2007 and 2008, as well as the number of jobs that were created as a result of the loan. The Revolving Loan Program (RLP) is designed to assist Emerging Business Enterprises finance the prime and sub contracts awarded their firm. This loan fund serves as a positive assurance in supporting EBE efforts in managing secured contracts with the city of Milwaukee.

Finally, on March 25, 2009, the City of Milwaukee adopted substitute Ordinance 080218, Chapter 355 of the Milwaukee Code of Ordinances, which became effective on August 10, 2009. This ordinance increased the level of participation on several Emerging Business Enterprise Programs and created new programs such as the First Source Employment Program. A detailed explanation of these programs will also be identified in this report.

Departmental EBE Reporting

As previously stated, the data contained in this report is provided through the assistance of city departments. Chapter 360 requires that the emerging business enterprise participation progress be monitored and shared via written report to the Mayor and

Common Council, annually. Throughout the year, the EBE program office serves as a liaison to the aforementioned city departments, assuring the accuracy of EBE reporting and also works to identify ways in which the EBE opportunities can be enhanced and/or strengthened.

**Department of Administration
Business Operations Division
Procurement Services Section**

The Department of Administration - Business Operations Division - Procurement Services Section (DOA-BOD-PSS) is the City's centralized buying and supply management agency responsible for the procurement of approximately \$65,000,000 in goods and services annually while the Materials Management Section disposes of the City's surplus, obsolete and confiscated goods.

Since 2006, DOA-BOD-PSS has had a steady increase in the utilization of EBE vendors. In 2006, the EBE participation rate for DOA-BOD-PSS was 4%. In 2007, DOA-BOD-PSS awarded \$64,133,924.48 in contractual services, with \$3,376,070.39 awarded to EBE vendors. This resulted in an overall 2007 EBE participation rate of 5.3%. This equates to an increase of 1.3% in the overall utilization of EBE vendors from 2006 to 2007.

The bar was raised in 2008, with DOA-BOD-PSS awarding \$4,573,687.03 to EBE vendors, with an overall annual contracting total of \$65,684,052.30. Thus the overall EBE participation rate for 2008 climbed to 7%.

In comparison to 2007, the overall utilization of EBE vendors increased by approximately 1.7% in 2008.

2007 Departmental EBE Usage			
City Department	Overall	EBE Portion	EBE%
Procurement Services Section	\$ 64,133,924.48	\$ 3,376,070.39	5.26%
2008 Departmental EBE Usage			
City Department	Overall	EBE Portion	EBE%
Procurement Services Section	\$ 65,684,052.30	\$ 4,573,687.03	6.96%

As previously mentioned, the DOA-BOD-PSS serves as the City's centralized procurement agency for purchases above \$5,000, this report also includes EBE participation rates for small dollar purchases of the both the Milwaukee Police and Fire Departments. In addition, this report also includes EBE participation rates for capital projects that are executed by the Milwaukee Public Library. Please refer to the chart below:

2007 EBE Usage			
City Department	Overall	EBE Portion	EBE%
Milwaukee Police Department	\$ 155,062.12	\$ 16,098.04	10.38%
Milwaukee Public Library	\$ 1,905,096.97	\$ 260,578.00	13.68%
Milwaukee Fire Department	\$ 66,855.00	\$ 58,651.37	87.73%
2008 EBE Usage			
City Department	Overall	EBE Portion	EBE%
Milwaukee Police Department	\$ 139,431.30	\$ 24,781.58	17.77%
Milwaukee Public Library	\$ 2,063,165.93	\$ 281,182.00	13.63%
Milwaukee Fire Department	\$ 113,200.88	\$ 36,177.98	31.96%

Throughout the next few pages of this report, it is the hope that you gain a better understanding as to the expectation of city departments to ensure EBE access, as well as the goals that were attained and/or unattained in 2007 and 2008.

Department of City Development

Housing Authority of the City of Milwaukee (HACM)

The Housing Authority of the City of Milwaukee (HACM) is administered and supported by the Department of City Development. HACM is responsible for the construction and management of affordable housing for city residents. It's important to note that HACM receives federal funding, with Minority and Women Business Enterprise participation requirements (D/M/WBE). As a result, the City of Milwaukee EBE office utilizes DBE, MBE and WBE participation data, as overall HACM EBE participation requirement data.

In 2007, HACM awarded \$6,078,573.01 in contractual services, with \$1,030,116.53 awarded to D/M/WBE contractors, which may also be EBE certified. This resulted in an overall 2007 D/M/WBE participation rate of 16.95%.

In comparison to 2007, D/M/WBE participation had a slight decrease of 0.35%.

However, in 2008, D/M/WBE participation raised to 24.19%, an overall increase of more than 7% since 2006!

2007 Departmental D/M/WBE Usage			
City Department	Overall	D/M/WBE Portion	D/M/WBE %
Housing Authority of the City of Milwaukee	\$ 6,078,573.01	\$ 1,030,116.53	16.95%
2008 Departmental D/M/WBE Usage			
City Department	Overall	D/M/WBE Portion	D/M/WBE %
Housing Authority of the City of Milwaukee	\$ 4,989,091.63	\$ 1,206,815.96	24.19%

Department of City Development – Development Projects

The City of Milwaukee’s Department of City Development is responsible for a wide range of activities that include: housing, planning, development, business assistance and marketing. Historically, the EBE office monitored development projects where the City provided financial support through a creation of a Tax Incremental District, bond issuance, or below market value land sale. Below is a list of the development projects that were required to report on EBE participation, during the 2007 and 2008 calendar year. It is important to note that the only projects identified below are ones that were completed in 2007 and 2008.

Development Project	Overall Project \$	EBE Participation %	Year Completed
Amtrak Station Redevelopment	\$6,875,000	29%	2007
Derse	\$7,016,497	16%	2008
Harley Davidson Museum	\$50,597,701	22%	2008
Highland Project	\$2,864,291	25%	2008
Prince Hall Village	\$4,815,859	25%	2008
The Flatiron	\$6,097,645	22%	2008
Gestra Engineering	\$519,185	25%	2008
Goodwill Industries	\$2,752,530	24%	2008
Iron Horse Hotel	\$10,790,598	3%	2008

* Some development projects may not appear on this list for several reasons. The project may not have moved forward with construction, it may have halted during construction, and/or the EBE Office hasn’t received a final report for the respective development project.

Department of Neighborhood Services (DNS)

The Department of Neighborhood Services (DNS) is responsible for enforcing standards for buildings, property and land use. Emerging Businesses participate in the areas of trucking concrete and demolition.

In 2007, DNS formally awarded \$1,100,600 in contractual services. Of that amount, \$323,512.72 was awarded to EBE contractors, resulting in an EBE participation rate of 29%.

The following year, in 2008, DNS awarded \$559,810 in contractual services, with an overall EBE vendor participation rate of 31.25%. In comparison to 2006, DNS had an overall EBE participation rate decrease of approximately 1%; however DNS exceeds the minimal EBE participation requirement each year by more than 10% annually!

2007 Departmental EBE Usage			
City Department	Overall	EBE Portion	EBE%
Department of Neighborhood Services	\$ 1,100,600.00	\$ 323,512.72	29.39%
2008 Departmental EBE Usage			
City Department	Overall	EBE Portion	EBE%
Department of Neighborhood Services	\$ 559,810.00	\$ 174,966.60	31.25%

Department of Public Works (DPW)

The Department of Public Works is responsible for a variety of functions including: snow & ice removal, solid waste collection, maintenance of the City's infrastructure, support services and facilities maintenance.

Every year, DPW presents an annual report on EBE participation to the Common Council. In reviewing those reports, illustrated below are the achieved EBE participation rates for each of the respective contracting years.

Department of Public Works	
Contract Year	Achieved EBE Rate
2007	25.50%
2008	23.19%

City Hall Restoration Project

The City Hall Restoration Project was substantially completed in December of 2008. The project was completed with the project budget of \$76,481,960. The Department of Public Works (DPW) developed procedures and guidelines to achieve and exceed the City of Milwaukee's standard goals for Residents Preference Program (RPP), Emerging Business Enterprise (EBE) and Apprentice utilization compliance.

DPW hired Prism Technical Management & Marketing Services to assist with and monitor the RPP, EBE and Apprentice Participation performance of J.P. Cullen & Sons, Inc., the project's general contractor.

The City Hall Restoration Project successfully achieved an EBE participation rate of 23.2% and an RPP participation rate of 25%.

Financial Capital Assistance

Revolving Loan Program

The Revolving Loan Program offers financial assistance to certified EBE's. The EBE's, who have been awarded a City of Milwaukee, MATC, MMSD, or MPS contract, are able to apply for a low interest loan (5%). The maximum loan amount can be up to 25% of the contract, or \$35,000. No more than one loan shall be issued or outstanding to any applicant at one time, regardless of the number of contracts obtained. The loan must provide documented benefits to the local community such as neighborhood stability through job creation and retention. The loan may be requested to assist with cash flow, purchase of inventory, increase workforce, but it may not be used to repay previous debts, such as unpaid local or federal taxes.

The goals of this program are to ensure that EBE firms that secure City contracts, have the financial assistance needed in order to successfully complete the respective contract. In addition, EBE certified businesses work to establish a positive credit record, so that they can become bankable with a traditional commercial lending institution. In addition, EBE businesses create and retain jobs through the usage of this program.

In the preceding 3 years (2006 - 2008) the EBEP has issued 7 loans valued at \$191,834.42. Through the issuance of these loans, 35 jobs were created. Historically, the new jobs that have been created serve low- income populations since the businesses that receive these loans are located within Community Development Block Grant target areas. This contributes to an increased quality of life and provides economic vitality to distressed areas in the city of Milwaukee. Detailed below is a summary of the Revolving Loans awarded in 2006, 2008 and 2008, as well as the number of jobs created.

The Revolving Loan Committee members consist of:

Ashanti Hamilton, Alderman 1st District

Michael Mihlbauer, Mihlbauer & Associates

Ramona Moore, Legacy Bank

Travis D. Evans, Sr., Christ Temple COGIC, Inc.

Ossie Kendrix, EBEP Manager

Year	# of Loans	Total Value	Interest Income Collected	# of Jobs Created
2001	1	\$ 35,145.63	\$ 145.63	8
2002	4	\$ 143,820.56	\$ 3,820.56	20
2003	1	\$ 35,955.14	\$ 955.14	24
2004	7	\$ 246,962.66	\$ 4,567.60	23
2005	4	\$ 82,354.00	\$ 2,305.86	10
2006	3	\$ 85,409.42	\$ 2,039.52	14
2007	3	\$ 81,447.00	\$ 1,984.21	16
2008	1	\$ 24,948.00	\$ 827.12	5

In addition, from January 2007 through December 2008, the EBE Office collected \$101,385.98 in outstanding Revolving Loan funds, recapturing 2 loans that were “Paid in Full.” Below is a list of 2007 and 2008 Revolving Loan Recipients:

- DIVA Plumbing Company
- Lacey Trucking Company
- The Nisha Group, LLC (Security Firm)
- United We Stand Cleaners

EBE Certification

Annually, the EBE Office Staff is responsible for processing more than 100 requests for EBE certification, both new and renewal applications. In addition, there is a 3rd Party Consultant Contract that exists to ensure the integrity of the EBE Program. Below is an overview of EBE certification efforts within the two respective years identified.

Annual EBE Certification Efforts *At-A-Glance*

2007

55 New firms were certified

- 46 of the new firms were certified “in house” saving the City of Milwaukee \$31,050 in EBE certification processing expenses

32 EBE firms renewed their certification

- 26 of the renewed certifications were completed “in house” saving the City of Milwaukee \$9,230 in EBE certification processing expenses
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2008

65 New firms were certified

- 31 of the new firms were certified “in house” saving the City of Milwaukee \$20,925 in EBE certification processing expenses

64 EBE firms renewed their certification

- 58 of the renewed certifications were completed “in house” saving the City of Milwaukee \$20,590 in EBE certification processing expenses
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EBE Program Expansion

With the implementation of Chapter 355 of the Milwaukee Code of Ordinances, the EBE program efforts have expanded to include workforce development programming efforts.

Chapter 355 was framed to serve two purposes:

1. Increased participation of City Residents in Public Works Contracts
2. Created new programming and increased community participation on City Development projects.

As a result, new programming were created in the areas of workforce development such as the First Source Employment Program, and business assistance efforts were expanded by creating a Contract Compliance Officer position to aid in ensuring overall adherence to Chapter 355.

Chapter 355 Explanation

On March 25, 2009, the City of Milwaukee adopted substitute Ordinance 080218, which became effective on August 10, 2009. This ordinance increases the level of participation on several Emerging Business Enterprise Programs.

City Development Projects that are awarded at least one (1) million dollars in combined financial assistance from the City of Milwaukee, without any exclusion based on the development project being an affordable housing project and/or turn key project:

Emerging Business Enterprise (EBE):

The level of EBE participation on City Development and Public Works Projects increases as follows:

- A. **Construction: increase from 18% to 25%**
- B. Purchase of Services: 18% (no change)
- C. Purchase of Professional Services: 18% (no change)
- D. Purchase of Supplies: 18% (no change)

Residence Preference Program (RPP): increases from 25% to 40%

To ensure the participation of City Residents in City Development Projects, The developer will be required to ensure that 40% of worker hours required for construction of the project be performed by unemployed or underemployed residents. In addition, the RPP residence boundary is expanded to include the entire City of Milwaukee.

Prevailing Wage

All contractors will be required to pay prevailing wages to all employees working on the respective project through any and all contractors. Prevailing wage standards are set by the Department of Workforce Development.

Apprenticeship Ratio

An appropriate apprenticeship ratio will be identified for all specific trades on the City Development Project. The City of Milwaukee will utilize the current Department of Workforce Development standards in setting appropriate apprenticeship ratios.

First Source Employment Program

All contractors will be required to utilize the First Source Employment Program (FSEP), which is a program operated by the Milwaukee Area Workforce Investment Board (MAWIB), through an agreement with the City of Milwaukee. FSEP will be the first source in recruitment efforts for all contractors that will actively hire for both new and replacement employment opportunities. The goal of FSEP is to ensure that City residents are considered first for both new and replacement employment opportunities on City Development Projects.

Conclusion

Overall in 2007, the City of Milwaukee obtained a 16.10% EBE participation rate for all contracting departments and development projects that were monitored by the Emerging Business Enterprise Program Office. Although the mandatory 18% minimum EBE participation requirement was not met by all contracting departments, the City of Milwaukee has made great strides in attempting to close the gap in support of creating economic development.

Then in 2008, the City of Milwaukee obtained an 18.59% EBE participation for all contracting departments and development projects that were monitored by the Emerging Business Enterprise Program Office. One of the major forces behind the City being able to meet and exceed its 18% EBE requirement was due to the completion of almost 100 million dollars in development projects, achieving a combined EBE participation rate of 20.05%. In addition, the City Hall Restoration Project amounted to more than 65 million dollars alone, with EBE firms successfully completing just over 21% of the restoration efforts.

The EBEP, in conjunction with city departments, has increased EBE participation on contracts. Requiring higher EBE participation on contracts in areas where EBE firms can have significant roles has allowed EBE firms to serve as prime contractors. As a result, below is a list of EBE firms that served as first-time Prime Contractors in 2007 and 2008.

- All Season Lawn Care & Landscaping, Inc.
- Alpha & Omega Consulting
- Always Towing & Recovery
- Belonger Corporation, Inc.
- Best Choice Mechanical
- Penebaker Enterprises, LLC
- Soma Home Improvement, LLC
- United Landscape & Snowplowing

The Emerging Business Enterprise Program strives to ensure that small businesses receive the proper support and assistance needed in order to improve the economic vitality of the City of Milwaukee. The EBEP will continue to work to raise awareness about the more than 240 EBE Certified Businesses that are capable and ready to provide a valuable services and goods to the City. By encouraging full and open competition in the City of Milwaukee, we are creating opportunities to enable emerging businesses to successfully compete in a free market as independent business owners.