

2012 Annual Departmental Participation Report

City of Milwaukee

Department of Administration

Business Operations Division

Office of Small Business Development

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Introduction

The City of Milwaukee's Office of Small Business Development (OSBD) is a multi-faceted direct service provider. The Office of Small Business Development staff has developed a communication network with each of the City's contracting departments to ensure that the opportunities in commodity procurement, construction, service orders and professional services are available to small and emerging businesses.

We work to enhance the small business community by maximizing support services, contract opportunities, and financial resources to compete in the public and private sector markets. The OSBD Program was created to assist and protect the interest of emerging and small business concerns. We take steps to promote and encourage full and open competition in the City of Milwaukee so emerging businesses may successfully compete in a free market as independent business owners. We also work to establish mentor-protégé relationships between small businesses and those businesses in the mainstream marketplace.

As presented in the Milwaukee Code of Ordinances, Chapter 370 requires that the Office of Small Business Development review Minority, Woman and Small Business Enterprise (MWSBE) Program participation progress in the City's contracting and procurement activities and annually submit a written report to the Mayor and Common Council. Therefore, the Office of Small Business Development is pleased to present a comprehensive report of Chapters 360, 355 and 370 progresses as of December 31, 2012.

This report will also highlight the MWSBE Program efforts relative to technical assistance and financial assistance to small businesses through the Revolving Loan Program. Finally, it will illustrate the City's 2012 MWSBE participation achieved on contracting and procurement activities, private development projects in which the City has made some contribution, as well as a 6 year historical snapshot of MWSBE participation achieved.

The data contained in this report was compiled by the Office of Small Business Development with assistance from the following City departments, as required by Chapter 370:

- Department of Administration – 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 – Real Estate & Development Services

History of City Ordinances

Chapter 360

The Emerging Business Enterprise (EBE) Program was enacted in 1989, through Chapter 360 of the Milwaukee Code of Ordinances. The EBE Program, formerly known as the Disadvantaged Business Enterprise (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 reflected and promoted small businesses that strived 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.

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 city ordinance increased the level of participation on several Emerging Business Enterprise Programs and created new programs such as the First Source Employment Program. Detailed explanations of these programs are also identified in this report, as well as a status update of the specific programming efforts. As a result, the EBE Program office, which had historically been vested as a disadvantaged business certification program, now plays an essential role in local workforce development.

Chapter 355

Chapter 355 pertains to city development projects awarded at least one million dollars in combined financial assistance from the City of Milwaukee, without any exclusion based on the development project being a turnkey project. Its implementation was framed to serve three purposes:

1. Increase participation of City residents in Public Works contracts
2. Create new employment opportunities and increase community participation on City development projects.
3. Aid in the area of workforce development.

Chapter 355 Explanation

Development projects awarded at least one million dollars or more in combined financial assistance mandate utilization of the following criteria:

Small Business Enterprise (SBE):

The level of SBE participation on City development and Public Works projects increased as follows:

1. **Construction: increase from 18% to 25%**
2. Purchase of Services: 18% (no change)
3. Purchase of Professional Services: 18% (no change)
4. 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 is 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

In agreement with prevailing wage standards set by the Department of Workforce Development, contractors may be required to pay prevailing wages to all employees working on a respective project, through any and all contractors.

Apprenticeship Ratio

An appropriate apprenticeship ratio will be identified for all specific trades on a 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 operated in concert with the Milwaukee Area Workforce Investment Board (MAWIB), through an agreement with the City of Milwaukee. FSEP is the first source in recruitment 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.

Detailed below is a snapshot of private real estate development projects that were monitored by the Office of Small Business Development:

SBE Participation of Development Projects Completed in 2012

PROJECT	SBE GOAL	ACTUAL	OVERALL PROJECT $	$ PAID TO SBE FIRMS	RPP ACHIEVED	RPP WORKERS	APPRENTICES
BEERLINE B APARTMENTS	25%	25%	$1,408,030	$777,915	-	-	-
CENTURY CITY LOFTS	25%	25%	$5,779,800	$986,181	-	-	-
INNER CITY ARTS	18%	36%	$379,551	$146,113	-	-	-
MITCHELL STREET MARKET LOFTS	25%	30%	$4,359,479	$1,268,608	-	-	-
NORTHSIDE HOMEOWNERS INITIATIVE	25%	23%	$6,807,810	$1,592,672	-	-	-
SHERMAN PARK COMMONS	25%	25%	$9,847,555	$2,489,113	-	-	-
THE BREWERY: UWM SCHOOL OF PUBLIC HEALTH	18%	23%	$10,321,893	$2,405,199	29%	109	-
THE MODERNE	25%	26%	$19,932,192	$7,428,910	30%	115	43

As you may know, not all private development projects require participation with the Residents Preference Program. Chapter 355 raised the bar for Developers and General Contractors. The ordinance changed the way we do business, and assured city residents that the workforce on City development projects will begin to mirror the demographics of the City of Milwaukee. As a result, developers are beginning to willingly come to the City and voluntarily meet higher expectations relative to small business utilization and workforce development programming. However, a more strategic approach is needed in order to ensure that utilization of the Residents Preference Program evolves to required participation, thus ensuring that city residents play more of an intricate role in development projects that are executed within Milwaukee neighborhoods.

Chapter 370

Although there is a visible increase over the years in efforts to procure the services of small emerging businesses, the City felt that there should be an official examination of its efforts in procuring the services of minority, and women owned businesses. As such, the City of Milwaukee conducted a disparity study in 2009/2010. The purpose of the 2009/2010 disparity study was to determine if a statistically significant disparity exists for minority and women owned emerging firms working on City of Milwaukee construction, professional services, and goods & services contracts. The disparity study showed that there was a statistically significant disparity that existed among minority and women owned businesses. Seeing this, and following the recommendations from the disparity study, City Ordinance Chapter 370 was created.

This city ordinance implemented the recommendations of the city's disparity study by redesigning the Emerging Business Enterprise (EBE) Program to a Minority, Woman and Small Business Enterprise (MWSBE) program. The Emerging Business Enterprise program office transitioned into the Office of Small Business Development (OSBD) to further implement and oversee the programmatic changes.

Pursuant to Chapter 370 of the Milwaukee Code of Ordinances, the City of Milwaukee requires each contracting department to utilize minority, woman and small business enterprises for the following percentage of the total contracting dollars, through prime contracts or subcontracts, annually expended on construction, the purchase of goods and services and professional services:

I. CONSTRUCTION: 25%

Category	Goal
MBE	**5.64**
- *AFRICAN AMERICAN*	*5.57*
- *ASIAN AMERICAN*	*.07*
WBE	**7.31**
SBE	**12.05**

II. GOODS AND SERVICES: 25% (INCREASE FROM 18%)

Category	Goal
MBE	**3.40**
- *HISPANIC AMERICAN*	*3.23*
- *NATIVE AMERICAN*	*.17*
WBE	**17.09**
SBE	**4.59**

III. PROFESSIONAL SERVICES: 18%

Category	Goal
SBE	**18%**

OSBD Program Objectives

Technical Assistance

The Office of Small Business Development provides technical assistance to small businesses, services that are, at times, offered through the various business solidification organizations and chambers of commerce. Technical assistance includes, but is not limited to the following:

Annual Small Business Sustainability Conference

For the past four years, the OSBD has convened the Annual Small Business Sustainability Conference at ManpowerGroup Headquarters. The annual conference provides a venue for learning workshops and business connections for approximately 100 representatives of emerging Milwaukee area small businesses. A major objective of this free, half-day conference is to offer critical technical assistance to small businesses interested and committed to doing business with the City of Milwaukee. Key topics covered include: small business growth trends; green building retrofitting and certifications; accessing business with city government and large corporations; estimating and bidding; and business matchmaking.

Revolving Loan Program

The Revolving Loan Program offers financial assistance to certified firms. Certified firms that are awarded a City of Milwaukee, Milwaukee Area Technical College, Milwaukee Metropolitan Sewage District, or Milwaukee Public School contracts, are eligible to apply for a low interest loan. The maximum loan amount can be up to 25% of the contract or $35,000, with an interest rate of 5%. 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 and increase workforce. It may not be used to repay previous debts, such as unpaid local or Federal taxes. In 2012, the Revolving Loan Committee members consisted of:

- Ashanti Hamilton, Alderman 1st District
- Michael Mihlbauer, Mihlbauer & Associates
- Edward J. Bryant, North Milwaukee State Bank
- Ramona Moore, North Milwaukee State Bank
- Travis D. Evans, Sr., Milwaukee Urban League
- Kein Burton, DCD
- Matthew Balistreri, CDGA

The goal of this program is to ensure that certified firms who secure City contracts, have the financial assistance needed in order to successfully complete their contracts. SBE certified businesses are encouraged and guided to establish a positive credit record, so their organization can become bankable with traditional commercial lending institutions.

In 2012, six (6) loans were granted, valued at $171,445, which assisted in the creation of 27 jobs. Historically, the jobs that have been created serve low-income populations since the participant businesses that receive these loans are located in the City of Milwaukee. The efforts of the certified firms that secure Revolving Loans contribute to an increase in the City's quality of life and provide economic vitality to distressed areas.

REVOLVING LOAN PROGRAM DISTRIBUTION 2002-2012

Year	# of Loans	Total Value	Interest Income Collected	# of Jobs Created
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	$2,305.86	10
2006	3	$85,409.42	$2,039.52	14
2007	3	$81,447	$1,984.21	16
2008	1	$24,948	$827.12	5
2009	3	$76,006.25	$1,862.47	21
2010	8	$198,221.63	$9,911.08	13
2011	4	$111,223	$5,561.15	20
2012	6	$171,445	$7,883.22	27

MWSBE Certification

Annually, the OSBD is responsible for processing more than 100 requests for MWSBE certification, both new and renewal applications. In addition, there is a third party consultant contract that exists to ensure the integrity of the SBE Program. Below is an overview of MWSBE certification efforts in 2012:

29 New firms were certified - 22 of the new firms were certified "in house", saving the City of Milwaukee $14,850 in MWSBE certification processing expenses

64 firms renewed certification - All of the renewed certifications were completed "in house", saving the City of Milwaukee $24,000 in MWSBE certification processing expenses.

Also, detailed below is a chart which identifies the demographics of our 2012 pool of 414 MWSBE certified firms:

Ethnicity	Total	Percentage
African American	172	42%
Asian American	33	8%
Caucasian	128	31%
Hispanic	65	16%
Native American	16	4%

Gender	Total	Percentage
Male	256	62%
Female	158	38%

Contract Compliance Software

In 2011, the City of Milwaukee purchased B2Gnow, a proprietary compliance monitoring software which electronically monitors SBE utilization on formal contracts valued above $25,000. The Compliance and Certification Software (CRCS) allows SBE firms to electronically verify contract payments and communicate with OSBD staff regarding certification and compliance issues. Additionally, the software provides an enhanced online directory of SBE firms as well as an online self-certification and directory for the City's Housing and Urban Development (HUD) Section 3 Program.

Departmental MWSBE Reporting

The City of Milwaukee has two major contracting departments, which are the Department of Public Works (DPW) and the Department of Administration – Procurement Services Section (DOA-PSS). DPW is responsible for ensuring that the infrastructure of the City of Milwaukee is functional, such as the maintenance of streets and bridges, traffic signals and street lighting. In addition, DOA – PSS is responsible for acquiring commodities and services for City Departments. It's important to note that the majority of MWSBE firms are certified in construction related trades, while the majority of the contracting that is done by DOA-PSS, on behalf of all City Departments typically involves procuring items and services in which there are no MWSBE certified firms that can actively participate on such contracts.

2012 Construction Contracts $72,094,351			
Category	**Goal**	**Actual**	**Dollar Amount**
MBE	**5.64%**	**6.80%**	**$4,902,179**
- African American	*5.57%*	*5.92%*	*$4,266,016*
- Asian American	*0.07%*	*0.88%*	*$636,164*
WBE	**7.31%**	**5.45%**	**$3,926,400**
SBE	**12.05%**	**7.30%**	**$5,262,724**
Construction Total	**25%**	**19.55%**	**$14,091,303**

2012 Goods & Services Contracts $ 86,337,511			
Category	**Goal**	**Actual**	**Dollar Amount**
MBE	**3.40%**	**0.16%**	**$140,480**
- Hispanic American	*3.23%*	*0.16%*	*$140,480*
- Native American	*0.17%*	*0%*	*-*
WBE	**17.09%**	**0%**	**-**
SBE	**4.59%**	**11.99%**	**$10,348,901**
Goods & Services Total	**25%**	**12.15%**	**$10,489,380**

2012 Professional Services Contracts $158,431,862			
Category	**Goal**	**Actual**	**Dollar Amount**
SBE	**18%**	**0.02%**	**$33,181**

The aforementioned variations in the MBE & WBE participation percentages can be attributed to the lack of certified firms available to provide a specific commodity or service. In turn, the absence of available MBE & WBE firms may have contributed to the increase in SBE participation percentages.

The chart below provides a historical perspective of the annual participation rates achieved since 2007. However, because of the structural changes to the City's certification program, it is difficult to compare the overall achievement of the EBE and MWSBE programs. Hence, the Small Business Enterprise certification program is more consistent with the former structure.

The achieved EBE and MWSBE rates for 2007 through 2012 are as follows:

Contract Year	Required EBE Rate	Achieved EBE Rate
2007	18%	16%
2008	18%	19%
2009	18%	15%
2010	18%	19%
2011	18%	16%

Contract Year	Required MWSBE Rate	Achieved MWSBE Rate
2012	25% Construction	19.55%
	25% Goods & Services	12.15
	18% Professional Services	.02%

Conclusion

Overall in 2012, the City of Milwaukee achieved a 19.55% participation rate for construction contracts, 12.15% participation rate for goods and services contracts and .02% participation rate for professional service contracts. As detailed on page 11, the City exceeded expectations in its awards to minority firms, but did not achieve its woman and small business participation goals for construction contracts. The City also exceeded expectations in its awards to small business enterprises but, did not achieve its minority and woman participation goals for goods and service contracts. Finally, the City did not achieve its small business participation goals for professional service contracts.

The City of Milwaukee has made great strides in attempting to close the gap in support of creating opportunities for small businesses to play a stronger role in doing business with the City. It's important to note that there are still challenges. The most critical challenge is the lack of small emerging firms certified to provide the following services or products such as:

- Chemicals needed for our water purification system;
- Light duty Vehicles;
- Heavy Equipment;
- Specialized vehicle equipment needed for police cars;
- Complex IT systems software development and maintenance.

However, by working together, City departments can begin to unbundle projects by examining the overall scope of work, to identify where MWSBE participation can be required, as well as aiding in the business solidification efforts of MWSBE firms.

The Office of Small Business Development, in conjunction with City departments, has worked to increase the level of MWSBE participation on contracts where there are more than 3 MWSBE certified firms that can deliver the particular commodity or service. Requiring higher MWSBE participation on contracts in areas where MWSBE firms can have more significant roles has allowed MWSBE firms to serve as prime contractors. Below is a list of MWSBE firms that secured Prime Contract opportunities with the City of Milwaukee in 2012:

- Amy Murphy Consulting
- Coleman Painting & Construction
- CPC1, LLC.
- E+L Home Improvement
- Fisco Auto Body
- Leo Balderas Construction
- Master Repair Company
- Price & Sons

- Pro Tech Auto Glass
- Right Choice Janitorial Supply, LLC.
- Schmitz Ready Mix
- Syslogic, Inc.
- Teko Mechanical
- Temps Plus
- The Nisha Group, LLC.

Over the years, the structure of the City's program that is designed to assist small, minority and women owned businesses has evolved in an effort to ensure that the City of Milwaukee continues to be supportive of the small, minority and women owned business community. Ch. 370 provides policymakers with the flexibility to make adjustments to the goals set forth for race and gender conscious programming as needed. And in 2013, The Common Council made such adjustments and repealed the race and gender conscious programs (minority and woman business enterprise) from Ch. 370 and maintained the race and gender neutral small business enterprise program. These efforts illustrate the City's commitment to creating contracting opportunities for emerging small businesses and, with constant dialogue and transparency the City will continue to work towards policies that create economic opportunities for all.