

LOCAL BUSINESS ENTERPRISE PROGRAM



2013 & 2014 ANNUAL REPORT

City of Milwaukee
Department of Administration
Business Operations Division
Procurement Services Section

Background

The LBE Contracting Program, adopted in 2009 was designed to increase local business participation in the award of city contracts and to address the following:

- Provide an incentive to encourage local businesses that are likely to create more jobs for the city.
- Yield tax benefits that would be an advantage to the city and its economic development.
- Benefit all city residents by alleviating the impact of unemployment and diminish the harm suffered by the city and city residents without a substantial increase in cost to the city.

LBE Program Administration

The LBE contracting program is administered by the City Purchasing Director of the Department of Administration (DOA), Business Operations Division (BOD) who:

- Develops appropriate rules and procedures for city departments to ensure compliance.
- Coordinates, monitors and enforces the implementation of the program's goals in accordance with appropriate rules and procedures.

Requirements of City Departments

- Apply an award standard in all bids so that a local business has an advantage in being awarded a contract, provided that its bid does not exceed the lowest bid by 5% or \$25,000.
- As it relates to Request for Proposals (RFPs), an additional number of points, equal to 5% of the maximum number of points used for evaluation, must be added to increase the total score attained by a local firm.
- As a result of state legislation passed in June 2011, the LBE program is no longer enforceable for public works contracts.

Local Business Enterprise (LBE) Qualifications

A business that seeks to qualify as a LBE and take advantage of the LBE bid award incentive must submit a notarized LBE Affidavit of Compliance form with each bid to the contracting department verifying that the business meets the following criteria :

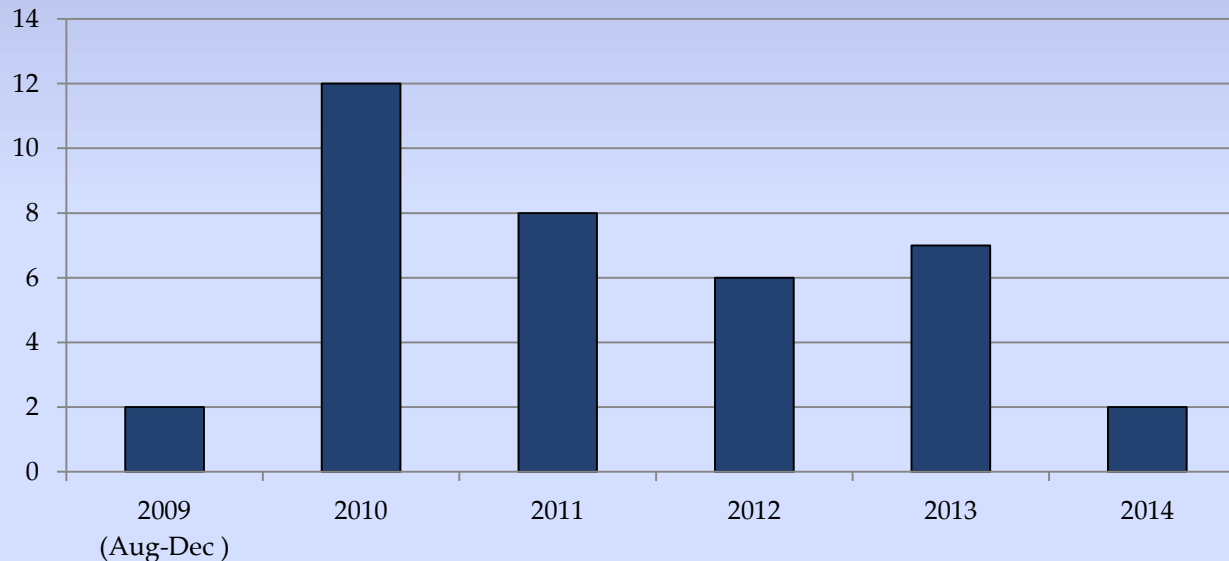
1. Own or lease real property within the geographical boundaries of the City of Milwaukee.
2. Has been doing business within the geographical boundaries of the City of Milwaukee for at least one year.
3. Is not delinquent in the payment of any local taxes, charges or fees, or has entered into an agreement to pay any delinquency and is abiding by the terms of the agreement.
4. Will perform at least 10% of the monetary value of the work required under the awarded contract.

LBE Contracting Activity

In 2013, a total of 7 contracts were awarded to a local business based on the LBE incentive.

In 2014, a total of 2 contracts were awarded to a local business based on the LBE incentive.

Chart 1: Number of Contracts Awarded to LBE Bidders (2009-2014)



LBE Contracting Activity

Table 1: LBE Contract Awards by Department (2010-2014)

Dept	2010	2011	2012	2013	2014	Total
DNS	\$25,680.00	\$11,075.00	\$21,561.00	\$29,168.00	\$50,429.00	\$137,913.00
DPW	\$2,343,214.88	\$2,047,088.39	\$0.00	\$0.00	\$0.00	\$5,817,371.97
MPL	\$0.00	\$1,537,000.00	\$4,222.84	\$122,293.87	\$0.00	\$1,663,516.71
DOA	\$226,080.42	\$0.00	\$251,093.20	\$156,609.00	\$0.00	\$633,782.62

Contract Type & LBE Incentive Cost

Table 2 below shows the types of contracts that have been awarded in 2013 based on the LBE incentive and the cost difference between the lowest complying LBE bidder and the lowest complying non-LBE bidder.

Table 2: 2013 LBE Incentive Contract Awards

Date of Award	Dept.	Contract # and Description	LBE (Awardee) Information		Lowest Non-LBE Bidder Information		\$ Difference
			Company Name	LBE Bid Amount	Company Name	Lowest Non-LBE Bid Amount	
1/16/2013	DOA	Bid 11964 - Endloader	Brooks Tractor 12101 West Silver Spring Drive	\$142,859.00	Miller-Bradford & Risberg Inc. Sussex, WI	\$140,571.00	\$2,288.00
3/28/2013	DOA	Bid 12330 - Couplings	Price and Sons (SBE) 3008 West Capitol Drive	\$13,750.00	HD Supply Waterworks New Berlin, WI	\$13,472.00	\$278.00
4/23/2013	MPL	RFP for Engineering Consultant Services*	Hammel, Green & Abrahamson 333 East Erie Street	\$121,383.00	Cervantes Montgomery, TX	\$58,000.00	\$63,383.00
5/16/2013	MPL	Water Fountains	Ferguson Enterprises 123 East Knapp Street	\$910.87	First Supply Oak Creek, WI	\$902.00	\$8.87
5/21/2013	DNS	DNS-2013-16/#3 Demolition of garage	Sonag Company (SBE) 5510 W Florist Av	\$1,388.00	Anderson Landscape South Milwaukee, WI	\$1,335.00	\$53.00
6/20/2013	DNS	DNS-2013-30 Demolition of 2-family dwelling a	Sonag Company (SBE) 5510 W Florist Av	\$13,622.00	Cream City Wrecking Menomonee Falls, WI	\$12,975.00	\$647.00
7/2/2013	DNS	DNS-2013-33/1 parcel Demolition of 2-family dwelling a	Sonag Company (SBE) 5510 W Florist Av	\$14,158.00	Cream City Wrecking Menomonee Falls, WI	\$13,699.00	\$459.00
Grand Total							\$67,116.87

*Due to this being an RFP, award was not based solely on bid price. LBE bidder received additional points for LBE status.

Contract Type & LBE Incentive Cost

Table 3 below shows the types of contracts that have been awarded in 2014 based on the LBE incentive and the cost difference between the lowest complying LBE bidder and the lowest complying non-LBE bidder.

Table 3: 2014 LBE Incentive Contract Awards

Date of Award	Dept.	Contract # and Description	LBE (Awardee) Information		Lowest Non-LBE Bidder Information		
			Company Name	LBE Bid Amount	Company Name	Lowest Non-LBE Bid Amount	\$ Difference
8/20/2014	DNS	DNS-2014-46/1 parcel	Sonag Company	\$32,700.00	Advanced Restoration Rice Lake, WI	\$32,025.00	\$675.00
8/20/2014	DNS	DNS-2014-46/1 parcel	Sonag Company	\$17,729.00	Anderson Landscape South Milwaukee, WI	\$17,300.00	\$429.00
Grand Total						\$1,104.00	

Conclusion

1. There has been a nearly 30% decrease each year since the first full year of program implementation in 2010; this decrease can be attributed to the elimination of the LBE incentive on public works contracts due to changes in State law.
2. Given this decrease, policymakers might consider increasing the bid incentive to 10% in an effort to increase contracting opportunities for local firms without incurring a significant increase to the cost of the LBE program.
3. Since inception of the program in 2009, the average annual cost of the program has been approximately \$39,000. The total cost of the program citywide since it was implemented six (6) years ago is approximately \$206,000.
4. The program maintains relevance for local firms and it continues to be one small tool that is available to give local firms a competitive advantage. In addition, the LBE program continues to benefit small businesses that are certified with the City's Office of Small Business Development (OSBD). Several Small Business Enterprise (SBE) firms, such as Sonag Company and Price & Sons, Inc., have been awarded contracts as a result of the LBE bid incentive. Hence, the LBE contracting program has also provided several city certified SBE firms with a greater opportunity to build capacity and serve as prime contractors and contribute to growth of the city's overall local economy.