

**CITY OF EL PASO, TEXAS
AGENDA ITEM
DEPARTMENT HEAD'S SUMMARY FORM**

AGENDA DATE: April 9, 2024

PUBLIC HEARING DATE:

CONTACT PERSON NAME AND PHONE NUMBER:

K. Nicole Cote, Managing Director, City Manager's Office (915) 212-1092

Mirella Craigo, Assistant Director, Economic and International Development (915) 212-1617

DISTRICT(S) AFFECTED: All Districts

STRATEGIC GOAL: 6. Set the Standard for Sound Governance and Fiscal Management

SUBGOAL: N/A

SUBJECT: Discussion and action that the City Council of the City of El Paso supports the tenets of the Supply El Paso Procurement Playbook, attached to this Resolution as Exhibit A, including the creation of the Supply El Paso Board as a collective body comprised of City of El Paso leadership and representatives from other local governmental entities, financial and banking institutions, private agencies, businesses, chambers of commerce, and other key stakeholders that endeavors to bridge gaps between procurement opportunities, support organizations and regional vendors by fostering a strong marketplace for local firms.

BACKGROUND / DISCUSSION:

On January 23, 2024, Drexel University's Nowak Metro Finance Lab and Aspen Institute's Latino Society sponsored by Rockefeller Foundation created the Supply El Paso Procurement Playbook: Unlocking the procurement economy for local business in El Paso. Project launched February 2023 and was completed in January 2024. Together with Economic and International Development the Purchasing and Strategic Sourcing Department is bringing a resolution to City Council to establish the Supply El Paso Board or Procurement Marketplace Council in El Paso.

PRIOR COUNCIL ACTION:

N/A

AMOUNT AND SOURCE OF FUNDING: N/A

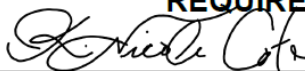
HAVE ALL AFFECTED DEPARTMENTS BEEN NOTIFIED? X YES ___ NO a

PRIMARY DEPARTMENT: Purchasing & Strategic Sourcing

SECONDARY DEPARTMENT: Economic and International Development

*****REQUIRED AUTHORIZATION*****

DEPARTMENT HEAD:



(If Department Head Summary Form is initiated by Purchasing, client
department should sign also)

RESOLUTION

WHEREAS, on January 23, 2024, Supply El Paso Procurement Playbook (“Playbook”) was published in partnership with Aspen Institute and Nowak Metro Finance Lab of Drexel University; and

WHEREAS, the Playbook is a market-making initiative to help local businesses compete for contracts and grow; and

WHEREAS, the City of El Paso can serve as a national model for fostering local enterprise growth through effective procurement and focusing on key sectors like defense, energy and manufacturing; and

WHEREAS, unprecedented federal investments bring renewed opportunities for inclusive economic growth in the El Paso region; and

WHEREAS, there currently exists an opportunity to expand the local share of direct spending by focusing on ready-to-scale firms; and

WHEREAS, a procurement marketplace collective, the Supply El Paso Board (“Supply El Paso”), can help address issues facing local ready-to-scale firms in El Paso; and

WHEREAS, Supply El Paso’s focus on sectors at the intersection of large contracting opportunities and underutilized capacity, where there is potential for growth, provide a clear path forward to address many of the aforementioned needs; and

WHEREAS, the City of El Paso will hold an intrinsic role in the coordination and implementation of the Supply El Paso Playbook.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EL PASO:

THAT, the City Council of the City of El Paso supports the tenets of the Supply El Paso Procurement Playbook, attached to this Resolution as Exhibit A, including the creation of the Supply El Paso Board as a collective body comprised of City of El Paso leadership and representatives from other local governmental entities, financial and banking institutions, private agencies, businesses, chambers of commerce, and other key stakeholders that endeavors to bridge gaps between procurement opportunities, support organizations and regional vendors by fostering a strong marketplace for local firms.

(Signatures begin on following page)

APPROVED this _____ day of _____, 2024.

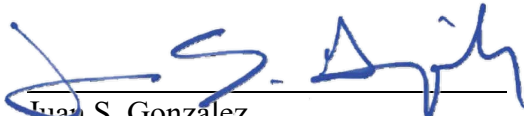
CITY OF EL PASO:

Oscar Leeser
Mayor

ATTEST:

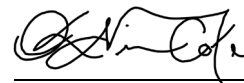
Laura D. Prine
City Clerk

APPROVED AS TO FORM:



Juan S. Gonzalez
Senior Assistant City Attorney

APPROVED AS TO CONTENT:



K. Nicole Cote, Managing Director
Purchasing and Strategic Sourcing

EXHIBIT A

SUPPLY EL PASO PROCUREMENT PLAYBOOK

Supply El Paso Procurement Playbook

Unlocking the Procurement Economy for Local Businesses in El Paso

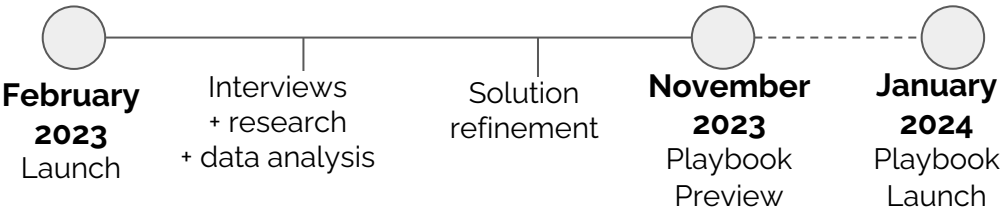
January 23, 2024

Supply El Paso is a market-making initiative to help local businesses compete for contracts and grow

El Paso Project Goals

- 1. Size the procurement economy (federal, state, and local)
- 2. Use the procurement economy as a vehicle to grow local businesses at scale
 - a. Ready-to-scale framework
 - b. Deconstructing energy projects
- 3. Develop firm-centric strategies to foster contracting with local firms and strengthen their growth.

Project Timeline



Research Team



Funder



Partners



Prospective Partners



El Paso can serve as a national model for fostering local enterprise growth through effective procurement, focusing on key sectors like defense, energy, and manufacturing



A Large Procurement Economy

- **The procurement economy in El Paso is large and thriving:** Federal, state, and local agencies, along with El Paso Electric, secure annual contracts exceeding **\$2.4B**.
- **DoD is the leading public entity in spending in the region:** at **\$640M** annually in El Paso County, primarily for Fort Bliss operations.
- **Despite local capacity, most contracts go to non-local firms.** Only **3 out of 10 dollars** of direct federal spending benefit local firms, highlighting limited direct local economic impact.
- **The metro economy is undergoing a profound energy transition:** with ~\$370B federal funding over 5-10 years for clean energy. In the last 2 years, Texas attracted ~\$122B in private investments, opening opportunities for local firms.



Barriers to Firm Participation and Growth

- **El Paso's procurement economy is fragmented** across various government levels and agencies, lacking a unified system that causes confusion for suppliers.
- **Low capacity in procurement agencies** favors those connected to national or regional purchasing centers, hindering local businesses.
- **The absence of a centralized platform for buyers and suppliers** results in a disjointed marketplace with insufficient connections between procurement officers, business support organizations, and local businesses.



*To overcome these challenges, the Playbook recommends establishing a **Procurement Marketplace Council (PMC)** in El Paso*

The **PMC is a collective body**, comprising top buyers, chambers of commerce, and key stakeholders, that aims to bridge gaps between procurement opportunities, support organizations, and regional vendors, fostering a strong marketplace for local firms.

Supply El Paso emphasizes **two priority initiatives**, led by subsidiary working groups, for the Council's first-year efforts: the Defense Procurement Advancement Initiative and the Green Supply Chains Initiative.

Why now: Unprecedented federal investments bring renewed opportunities for inclusive economic growth in the El Paso region



Remilitarization

Geo-political conflicts and national security concerns drive remilitarization

Early signals

- In Dec 2023, the administration approved the National Defense Authorization Act for \$883 billion, the highest funding in years.

El Paso positioning

- Annual DoD direct spending in El Paso above \$600M.
- Fort Bliss anticipates increased local contracts in 2024.

Reshoring

Mandate to put the economy on a path towards long-term resilience across critical supply chains.

Early signals

- ~**360K** manufacturing jobs announcements in 2022 (+53% from 2021).

El Paso positioning

- Tri-state, bi-national region.
- El Paso's logistical hub, New Mexico's R&D assets, and Juarez's manufacturing capabilities.

Decarbonization

Commitment to lower emissions & decarbonizing the economy

Early signals

- IRA to accelerate the transition to clean energy.
- Private investments reaching **\$65B+** in TX in the last 2 years.

El Paso positioning

- Fort Bliss efforts driven by the Army's [Climate Strategy](#).
- EP Electric has committed to achieving 80% carbon-free energy by 2035.

Diverse spending

A renewed commitment to supplier diversity in procurement.

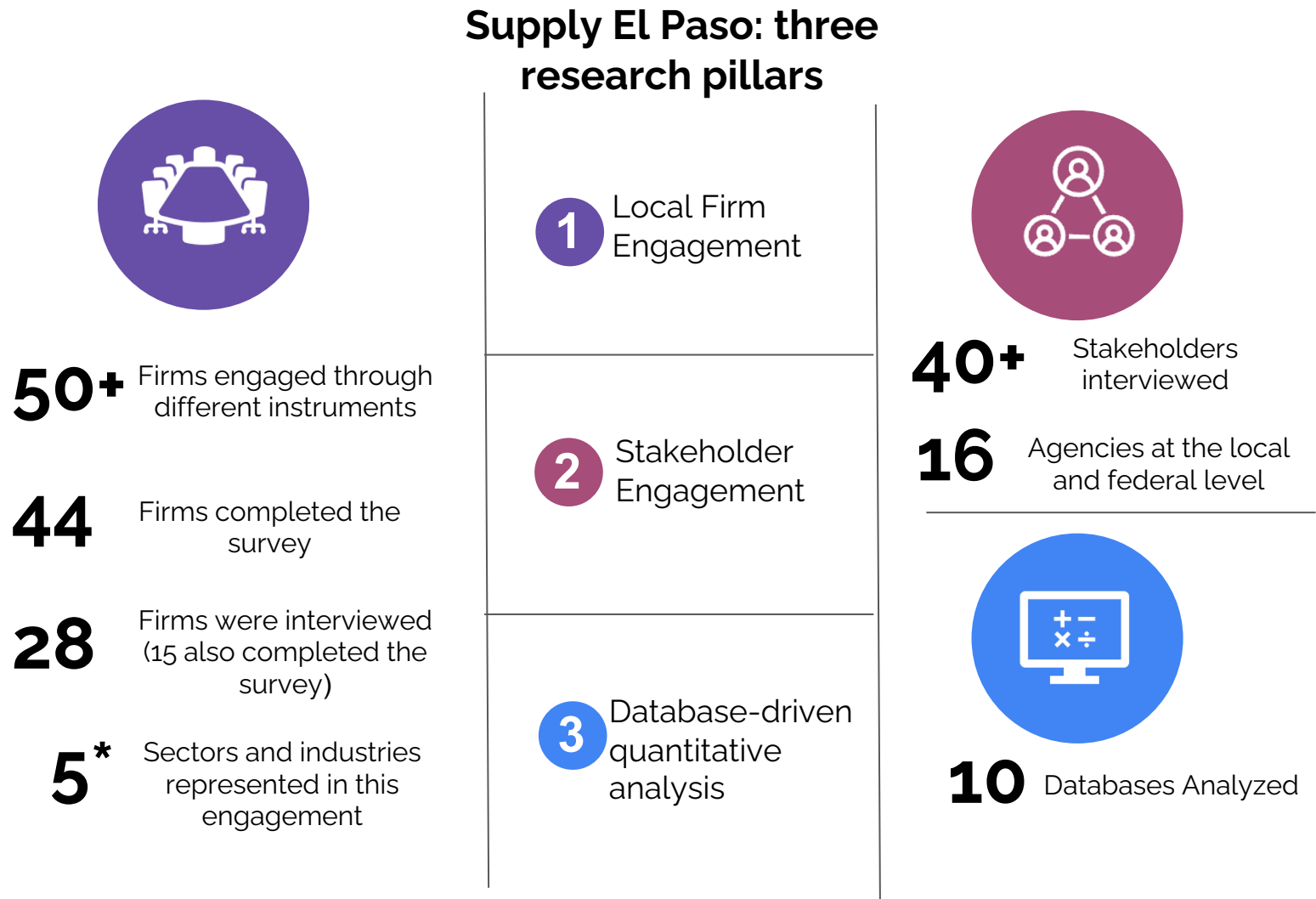
Early signals

- In 2021, President Biden raised the federal spending target for SDBs* from 10% to **15%** by 2025 (currently at 12%)

El Paso positioning

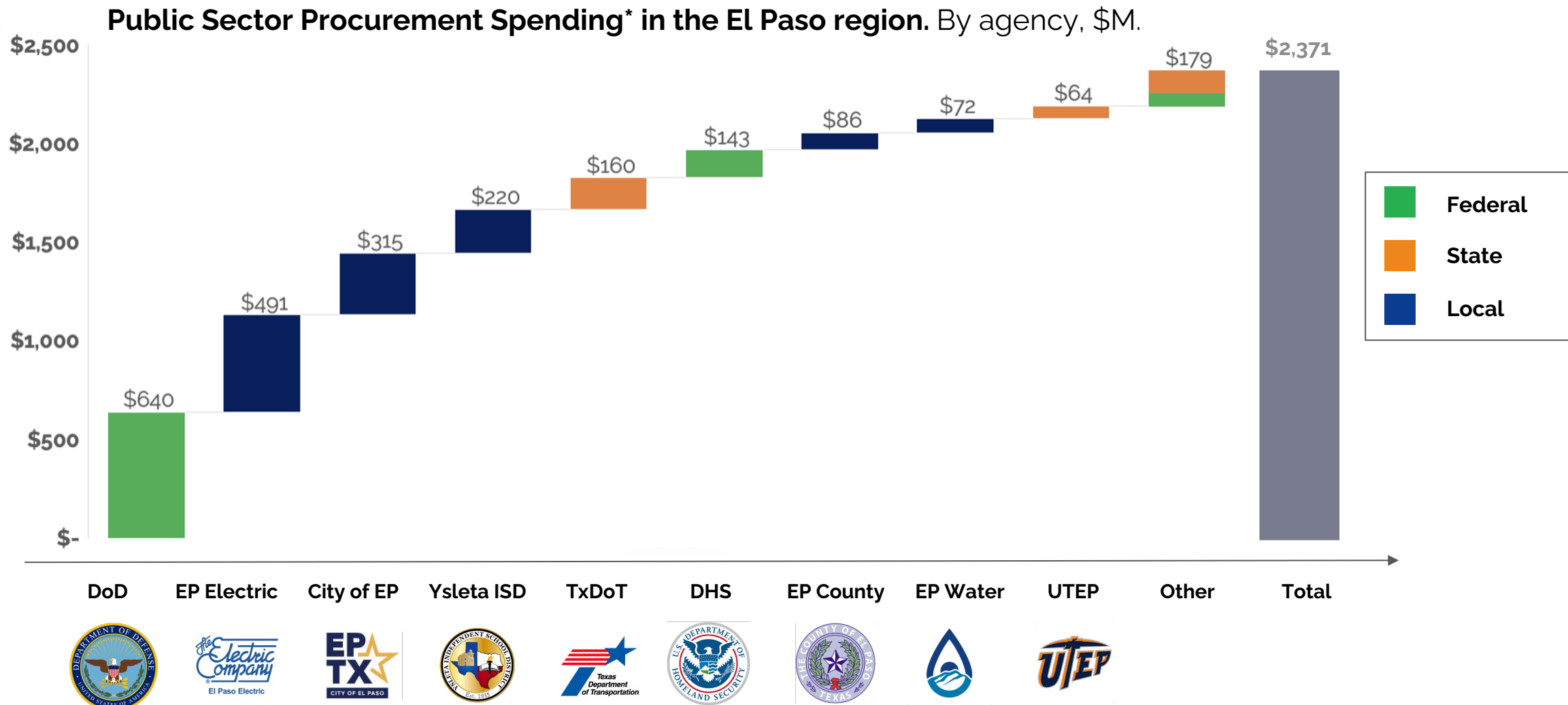
- El Paso MSA is home to a thriving and diverse business community (81.5% Latino population).

We did comprehensive firm-centric research, interviewing 28+ firms, engaging with local stakeholders and performing quantitative analyses



Notes: *(1) Construction, (2) Maintenance & other services (3) Professional Services (e.g., Architecture, Consulting, Engineering) (4) Manufacturing, (5) IT & Telecommunications.
Source: Nowak Metro Finance Lab and Aspen Institute Latinos & Society for Supply El Paso (2024).

The opportunity: We have identified at least \$2.4B to date in local, state, and federal contracts in El Paso County every year



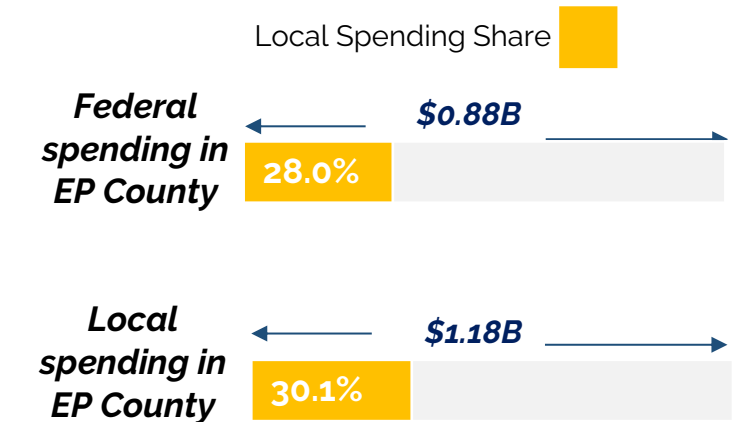
Notes: (*) Federal Data refers to the 5-year average of all contracts awarded in the El Paso region. Local data is based on information shared by local agencies. State data was estimated using Texas Expenditures by County (non-procurement expenses were excluded: salaries, employee benefits, travel, leases, intergovernmental payments, claims, payment of interest, and lottery payments).

Source: Nowak Metro Finance Lab and Aspen Institute Latinos & Society for Supply El Paso (2024).

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The issue: At the local and federal levels, only 3 out of every 10 dollars go to firms located in El Paso County

3 out of 10 dollars go to firms located in EP County



Lessons from the engagement with firms

Out of 44 survey respondents, only half of them had local agency contracts in El Paso. Similarly, 22% expressed aspirations to contract more with the federal government.

Direct federal spending provides insights into how local leakage varies by industry

	 Administrative Services	 Manufacturing	 Construction Services	 Professional Services
Federal direct spending in EP (5 year average)	\$246.9M	\$ 197.55.3M	\$ 188.5M	\$ 113.1M
Federal spending in EP going to vendors from EP (5 year average)	6.4% (\$15.08M, 23 vendors)	83.8% (\$165.48M, 29 vendors)	33.1% (\$23.06M, 28 vendors)	6.3% (\$7.16M, 17 vendors)
Top 3 primes	Paragon Professional Services (Alaska) Pride Industries (California) Valient Government Industries (Kentucky) [61.6% of total]	Readyone (El Paso) Excel Garment (El Paso) Segovias Inc (El Paso) [75.3% of total]	Walga Ross Group (Missouri) Wells Global (North Carolina) Herman Construction (California) [31.3% of total]	Sawtst Inc (Georgia) Rogers Lovelock and Frtz. (Florida) Janus Research Group (Georgia) [38.8% of total]

Unlocking the opportunity: Expanding the local share of direct spending requires a certain focus on ready-to-scale firms

Ready-to-scale firms are small firms that, with the right support, could be ready to take on prime contracts and grow.

Why to focus on ready-to-scale firms?

Prime contracting

From all small firms, these are likely to be primes. Federal prime contractors from El Paso went down from ~400 to ~200 in the last decade.

Limits of generalized support

As firms grow, they experience new challenges and require more customized business support. These firms could take advantage of more targeted support.

Unlock regional growth

With targeted support, these firms can bid and win more prime contracts, fostering regional growth (firms with 5-100 employees explain ~37% of the MSA employment).

Characteristics of ready-to-scale firms:



Track record securing **prime contracts and/or subcontracts**



5-100 employees



+5 years of operation



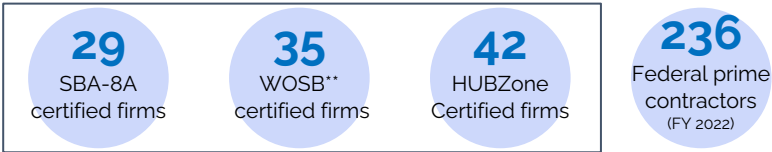
\$1M-\$40M* sales revenue

Notes: (*) For SBA size standards, they are a small business if they don't exceed between \$9M for Drafting & Landscaping Services, \$34.0M for Land Subdivision, \$8.5M for Carpet & Upholstery Services, \$47.0M for Facilities Support Services, and \$45.0M for Construction (average annual receipts over a period of 5 years).

Source: SUSB, [ABS](#), [SBA Small Business Size Regulations](#), desk review, results from our online business survey, and interviews with business owners.

Unlocking the opportunity: These ready-to-scale firms have different starting points, needs and relationships

Active certifications in El Paso MSA*:



Navigating procurement: starting points, needs and relationships of ready-to-scale firms.

		Segment 1: \$1M-\$20M (annual sales revenue) El Paso: 1,300-1,600 firms***	Segment 2: \$20M-\$40M (annual sales revenue) El Paso: 600-850 firms***
Starting point	 Procurement Experience	- Primes or subs, avg. contracts: \$250k - \$5M. - Lack of past performance as primes.	- Primes, avg. contracts: \$5M. - Lack of past performance as primes.
	 Back Office & Workforce	- Some back-office support. - Focus on attracting & retaining workforce.	- Some back-office/biz development support. - Higher focus on workforce issues.
	 Access to Capital	- First banking relationships. - SBA 8(a), HUBZone, SBA Mentor Protégé.	- Firms in construction/O&M: need for bonding. - Seeking loans for affordable working capital.
	 Stakeholders	- SBA offices and federal TA providers - Chambers - Local Community Banks	- Local Community Banks - National banks - JVs with large US companies

Notes: (*) Companies with currently active certifications (last updated: November 15th, 2023). (**) WOSB = Woman-Owned Small Businesses (**) Estimates based on Statistics of U.S. Business and Annual Business Survey data for 2019.

Source: Nowak Metro Finance Lab and Aspen Institute Latinos & Society for Supply El Paso (2024), [SBA Dynamic Small Business Search](#), [Statistics of U.S. Business](#), [Annual Business Survey](#).

Growth barriers: Engagement with local ready-to-scale firms enabled us to identify their primary challenges to win prime contracts and scale successfully



Fragmented Ecosystem

- There is not a unified local procurement system (many public agencies across different government levels, business support organizations, capital providers).
- Fragmentation leads to supplier confusion.
- Coordinated efforts would ease the process of finding solicitations, bidding, and accessing assistance.

Barriers to win contracts	
Connecting to purchasing officers (FEDERAL)	High
Paperwork is cumbersome (each agency has its own procedures)	Medium
Project specifications (standardizations, inconsistencies)	Medium
Need for broad networking	Medium

*"It's **hard to track** where **projects** are coming."*

*"The biggest challenge is going into markets not knowing **who the decision makers are**."*



Need to strengthen decision-making processes

- Distance to purchasing officers limits the ability of El Paso's businesses to establish effective connections.
- Purchasing departments need to build capacity to create and execute more inclusive processes.

Barriers to win contracts	
Transparency in evaluation (LOCAL)	High
Informative debriefings for unsuccessful bidders (LOCAL)	High
Opportunities for rectification when errors occurs (LOCAL)	High
Payment processing	Medium

*"We submitted everything [for a bid] two to three years ago - our bid was never unsealed, but we were told the contract was awarded... our **requests for feedback went unanswered**"*



Disjointed marketplace & business support

- Local firms poised for growth encounter difficulties to navigate the procurement ecosystem and identify the type of support they need.
- Gathering places for buyers across entities and suppliers could strengthen networks in the procurement ecosystem, and promote alignment in practices throughout the marketplace.

Barriers to win contracts	
Pipeline of professionals	High
Bonding**	High
Line of credit	High
Interest rates	Medium
Collateral requirements	Medium
Responding to RFPs + Back-office support	Low
Financial literacy	Low
Procurement 101	Low

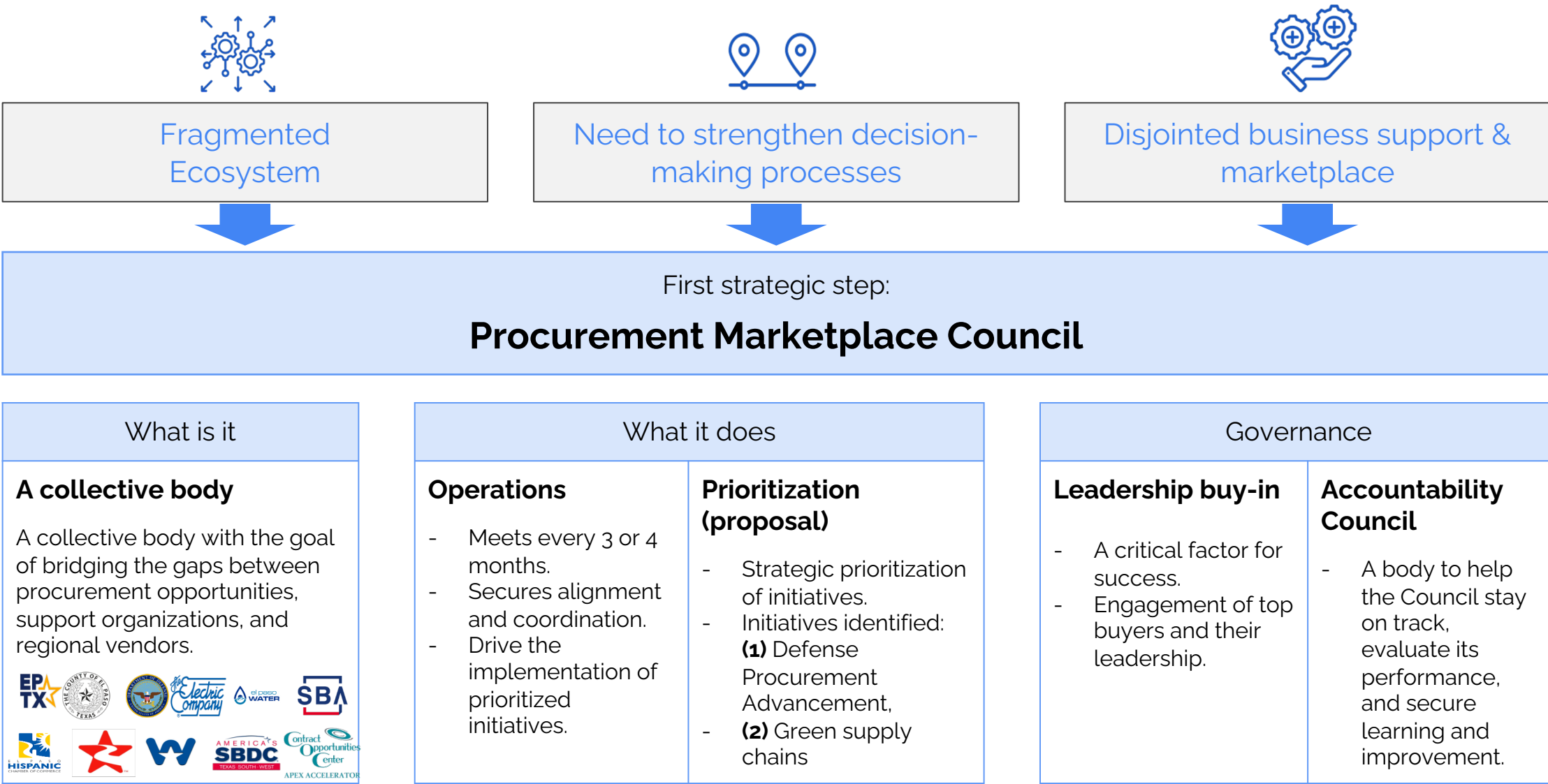
*"We **need products for medium sized firms trying to grow**, working capital to secure larger loans/bonds."*

- References**
- Low: Few firms see this as a significant barrier.
 - Medium: Some firms see this as an issue.
 - High: Most firms consider this a significant barrier.

**Based on 50+ interviews with SWMBEs* in the El Paso region.*

Note: (*) SWMBEs: Small, Women, Minority Business Enterprises. (**) Mostly for firms in Construction and Operations & Maintenance. **Source:** Nowak Metro Finance Lab and Aspen Institute Latinos & Society for Supply El Paso (2024).

A way forward: A Procurement Marketplace Council can help address three core issues in tandem, and position EP to localize public spending at all levels



A way forward: We propose two initiatives that the Procurement Marketplace Council can explore to localize public spending at all levels and grow local firms

#1. Defense Procurement Advancement Initiative



GOAL
Be a catalyst for solving bottlenecks/**removing barriers to local firms winning contracts.**



ACTIVITIES
Explore and expand mechanisms to connect El Paso suppliers with DoD contracts, including the Mentor-Protégé Program and the establishment of Intergovernmental Services Agreements (IGSAs) to streamline procurement processes.



PARTICIPANTS*



#2. Green Supply Chains Initiative



GOAL
Maximize the energy transition to **drive the growth of regional firms** by identifying and unlocking growth opportunities.



ACTIVITIES
Identify the supply chain demand generated by the energy transition and map opportunities to fuel demand and support local firms in promising sub-sectors to grow.
Example: EV charging infrastructure supply chain.



PARTICIPANTS*



Cross-cutting strategies:

- A. *Integrate practices:*** Review inclusive procurement best practices locally and nationally. Develop strategies to scale effective practices fostering local firm participation in El Paso's procurement economy.
- A. *Establish a Procurement Marketplace:*** Establish a hub for buyers and suppliers to cultivate relationships and reinforce local business networks by hosting regular events where businesses showcase offerings to key vendors in the area.

A way forward: Focus on sectors at the intersection of large contracting opportunities and underutilized capacity, where there is potential for growth



Operations & Maintenance

- Sector with the largest procurement spending in the region.
- **DoD (Fort Bliss)** is the main purchaser (~\$250M in spending per year).
- Key role in the **Energy transition** (e.g., O&M of EV charging infrastructure).

"When Fort Bliss was constructed, most of the opportunities were in that sector. Now, there is not much construction left on the base, and opportunities are more focused on maintaining the base."

-EPHCC



Construction

- ~49% of local spending is directed toward firms in the construction supply chain,
- Crucial for the **Energy Transition**, supporting cleaner energy, efficiency upgrades, and transportation electrification.

"We have helped a number of construction firms through their initial stages [...] they often return for further advice as they are now seeking expansion". - SBDC

"We need to build trust so that we can see firms all the way through"

-EPC



Manufacturing

- Over 80% of mfg spending going to two El Paso suppliers specializing in **military apparel**.
- Playing a key role in the **Energy transition** by producing components for renewable energy tech, and EVs.

"IRA is having a lot of influence on manufacturers of batteries, solar, wind projects. It could have implications for the reshoring of some parts of this supply chain."

-Pearce Renewables



The **US climate mandate**, paired with unprecedented federal investments, is propelling **clean investments nationwide** and reshaping the composition of supply chains in legacy industries. Focusing support on sectors that will expand is crucial for grasping the opportunities that the energy transition brings.



The significant and expectably sustained increase in **DOD appropriations** will drive investment, particularly in areas with **defense facilities** such as El Paso. Supporting sectors that supply these facilities is crucial for regional opportunities.

A way forward: Success depends on understanding energy and DoD-related supply chains and El Paso's special positioning

Example: Deep dive into the stages, firms and stakeholders in the EV charging infrastructure supply chain in El Paso.

	Planning			Development			Operations & Maintenance (O&M)	
	Site selection	Infrastructure's agreements	Upgrades	Manufacturing of EV chargers	Installation of EV chargers	Inspection	Pricing	Maintenance of EV charging infrastructure
Description	Specially in small-size projects, the customer selects the location. For larger projects/ customers, some software companies are starting to provide geolocation services.	Definition of the type of charging station*, and agreements with the owner or occupant of the land on which an EV charging station is built.	Installing or enhancing transformers, substations, and distribution networks to support the EV charging stations.	EV equipment manufacturing, including transformers. There aren't regional providers, only a few big players in the US**.	Physical setup and connection of charging equipment to the electric grid. Installers must have a certification from the equipment manufacturer****	For activation, the EV charging stations must pass the inspection from regulators.	Determine the pricing structure for charging services, which may include pay-per-kWh rates or subscription-based models.	The maintenance is usually included in the same contract that the installation.
Firms	Software companies  	-	-	Equipment manufacturers  Transformers manufacturers  Refurbished Transformers 	Charging station installers***  	-	-	Charging station installers***  O&M contractors   
Other stakeholders	Customer	 Customer	 Architects and engineers		 Training centers (associated with manufacturers) that provide certifications	 Auditor (representing the equipment manufacturer), needed to activate guarantee.	 Customer	

 Some presence in El Paso  There is not local presence of these firms  Emerging market

Note: (*) Stations can be Level 1, Level 2 or Level 3. Level 3 or "DC fast charging" can recharge up to 80% of your battery in 20 minutes. (**) Before COVID-19 there were ~12 companies. There could be a secondary market for refurbished transformers. (****) There are only 3 installers in EP region. (****) For that, there are specialized training centers (e.g., ChargePoint University) and installers must take and pass an online training.

Source: Nowak Metro Finance Lab and Aspen Institute Latinos & Society for Supply El Paso (2024).

A way forward: A (suggested) roadmap for implementation and Key Performance Indicators

		90 days <i>April 2024</i>	180 days <i>July 2024</i>	360 days <i>January 2025</i>
Key Performance Indicators				
Procurement Marketplace Council: <i>Master steering committee</i> Defense Procurement Advancement Initiative Green Supply Chains Initiative	Procurement Marketplace Council: <i>Master steering committee</i>	Set up council: ID group of stakeholders & council members; define mission; set clear objectives, and host first meeting.	Prioritize key initiatives and announce their official launch. Form an Accountability Council. Develop a matrix to track progress.	Assess progress, adjust, and guide progress through the Accountability Council.
	Defense Procurement Advancement Initiative	Coordinated action among Chambers and federal TA providers to raise awareness among local businesses about the Mentor-Protégé Program and IGSA's. Convene local agencies to learn about IGSA's.	Convene local agencies, local chambers and the DoD to agree on a roadmap with clear objectives, tactics, and KPIs. ID regional firms in areas with strong DoD spending.	Track progress based on (a) share of DoD spending going to local firms and (b) new firms getting contracts with Fort Bliss . Strategize to expand successful approaches to a broader audience.
	Green Supply Chains Initiative	ID lead and co-lead (organizations focused on economic development). ID regional firms in areas related to the energy transition. Round table to prioritize challenges .	Establish a network (HEIs, industry associations, and government bodies) to foster coordinated action to tackle challenges. Formalize partnerships and develop an implementation roadmap.	Firms get new contracts with a new agency. Firms win larger contracts and increase sales revenue by compared to the previous year.

Thank you!

January 23, 2024