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

- **February 2023**
  - Launch
  - Interviews
  - Research
  - Data analysis

- **November 2023**
  - Solution refinement
  - Playbook Preview

- **January 2024**
  - Playbook Launch

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**

<table>
<thead>
<tr>
<th>Remilitarization</th>
<th>Reshoring</th>
<th>Decarbonization</th>
<th>Diverse spending</th>
</tr>
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<tbody>
<tr>
<td>Geo-political conflicts and national security concerns drive remilitarization</td>
<td>Mandate to put the economy on a path towards long-term resilience across critical supply chains.</td>
<td>Commitment to lower emissions &amp; decarbonizing the economy</td>
<td>A renewed commitment to supplier diversity in procurement.</td>
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**Early signals**

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<td>- In Dec 2023, the administration approved the National Defense Authorization Act for $883 billion, the highest funding in years.</td>
<td>- 360K manufacturing jobs announcements in 2022 (+53% from 2021).</td>
<td>- IRA to accelerate the transition to clean energy.</td>
<td>- In 2021, President Biden raised the federal spending target for SDBs* from 10% to 15% by 2025 (currently at 12%).</td>
</tr>
<tr>
<td>El Paso positioning</td>
<td>Early signals</td>
<td>Decarbonization</td>
<td>Diverse spending</td>
</tr>
<tr>
<td>- Annual DoD direct spending in El Paso above $600M.</td>
<td>- Fort Bliss efforts driven by the Army’s Climate Strategy.</td>
<td>- EP Electric has committed to achieving 80% carbon-free energy by 2035.</td>
<td></td>
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<td>- Tri-state, bi-national region.</td>
<td>- El Paso’s logistical hub, New Mexico’s R&amp;D assets, and Juarez’s manufacturing capabilities.</td>
<td>- El Paso MSA is home to a thriving and diverse business community (81.5% Latino population).</td>
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**El Paso positioning**

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<td>- Tri-state, bi-national region.</td>
<td>- Private investments reaching $65B in TX in the last 2 years.</td>
<td>- El Paso MSA is home to a thriving and diverse business community (81.5% Latino population).</td>
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**Source:** Nowak Metro Finance Lab and Aspen Institute Latinos & Society for Supply El Paso (2024).
We did comprehensive firm-centric research, interviewing 28+ firms, engaging with local stakeholders and performing quantitative analyses.

<table>
<thead>
<tr>
<th>Supply El Paso: three research pillars</th>
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<tbody>
<tr>
<td>1 Local Firm Engagement</td>
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<tr>
<td>2 Stakeholder Engagement</td>
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<tr>
<td>3 Database-driven quantitative analysis</td>
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</table>

- **50+** Firms engaged through different instruments
- **44** Firms completed the survey
- **28** Firms were interviewed (15 also completed the survey)
- **5* Sectors and industries represented in this engagement**
- **40+** Stakeholders interviewed
- **16** Agencies at the local and federal level
- **10** Databases Analyzed

**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.
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

<table>
<thead>
<tr>
<th>Local Spending Share</th>
<th>Federal spending in EP County</th>
<th>$0.88B</th>
<th>28.0%</th>
</tr>
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<td></td>
<td>$1.18B</td>
<td></td>
<td>30.1%</td>
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Direct federal spending provides insights into how local leakage varies by industry

**Top 3 primes**
- Paragon Professional Services (Alaska)
- Pride Industries (California)
- Valient Government Industries (Kentucky)

Paragon Professional Services (Alaska): 61.6% of total
Pride Industries (California): 75.3% of total
Valient Government Industries (Kentucky): 31.3% of total

**Local spending in EP County**
Empirical evidence reveals that only 6.4% of federal spending in El Paso going to vendors from El Paso is spent on products and services produced in El Paso. Similarly, 30.1% of federal spending in EP goes to firms located in EP. This local spending share is higher than the 28.0% of federal spending in EP County, indicating that local firms are more likely to be chosen by the federal government for a project.

Note: (*) The data represents a five-year average of the total obligated amount of all new contracts awarded for performance in El Paso County from 2018 to 2022. Local shares represent the part of this spending that went to firms which HQ are in EP County. Source: USA Spending.
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?

<table>
<thead>
<tr>
<th>Prime contracting</th>
<th>Limits of generalized support</th>
<th>Unlock regional growth</th>
</tr>
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<tbody>
<tr>
<td>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.</td>
<td>As firms grow, they experience new challenges and require more customized business support. These firms could take advantage of more targeted support.</td>
<td>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).</td>
</tr>
</tbody>
</table>

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

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

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


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.

**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.

**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.

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**Barriers to win contracts**

| Connecting to purchasing officers (FEDERAL) | 🔴 |
| Paperwork is cumbersome (each agency has its own procedures) | 🔴 |
| Project specifications (standardizations, inconsistencies) | 🔴 |
| Need for broad networking | 🔴 |

“**It’s hard to track where projects are coming.**”

“The biggest challenge is going into markets not knowing who the decision makers are.”

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**Barriers to win contracts**

| Transparency in evaluation (LOCAL) | 🔴 |
| Informative debriefings for unsuccessful bidders (LOCAL) | 🔴 |
| Opportunities for rectification when errors occurs (LOCAL) | 🔴 |
| Payment processing | 🔴 |

“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.”

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**Barriers to win contracts**

| Pipeline of professionals | 🔴 |
| Bonding** | 🔴 |
| Line of credit | 🔴 |
| Interest rates | 🔴 |
| Collateral requirements | 🔴 |
| Responding to RFPs + Back-office support | 🔴 |
| Financial literacy | 🔴 |
| Procurement 101 | 🟢 |

“We need products for medium sized firms trying to grow. Working capital to secure larger loans/bonds.”

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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

<table>
<thead>
<tr>
<th>Fragmented Ecosystem</th>
<th>Need to strengthen decision-making processes</th>
<th>Disjointed business support &amp; marketplace</th>
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</table>

First strategic step: **Procurement Marketplace Council**

<table>
<thead>
<tr>
<th>What is it</th>
<th>What it does</th>
<th>Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A collective body</strong></td>
<td><strong>Operations</strong></td>
<td><strong>Leadership buy-in</strong></td>
</tr>
<tr>
<td>A collective body with the goal of bridging the gaps between procurement opportunities, support organizations, and regional vendors.</td>
<td>- Meets every 3 or 4 months.  - Secures alignment and coordination.  - Drive the implementation of prioritized initiatives.</td>
<td>- A critical factor for success.  - Engagement of top buyers and their leadership.</td>
</tr>
<tr>
<td><strong>Prioritization (proposal)</strong></td>
<td></td>
<td><strong>Accountability Council</strong></td>
</tr>
<tr>
<td>- Strategic prioritization of initiatives.  - Initiatives identified: (1) Defense Procurement Advancement,  (2) Green supply chains</td>
<td></td>
<td>- A body to help the Council stay on track, evaluate its performance, and secure learning and improvement.</td>
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</table>

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**
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.

**#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**
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.

**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.

Note: (*) Non-comprehensive list.
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

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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.

<table>
<thead>
<tr>
<th>Description</th>
<th>Planning</th>
<th>Development</th>
<th>Operations &amp; Maintenance (O&amp;M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site selection</td>
<td>Infrastructure’s agreements</td>
<td>Upgrades</td>
<td>Manufacturing of EV chargers</td>
</tr>
<tr>
<td>Description</td>
<td>Specially in small-size projects, the customer selects the location. For larger projects/customers, some software companies are starting to provide geolocation services.</td>
<td>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.</td>
<td>Installing or enhancing transformers, substations, and distribution networks to support the EV charging stations.</td>
</tr>
<tr>
<td>Firms</td>
<td>Software companies</td>
<td>Equipment manufacturers</td>
<td>Transformers manufacturers</td>
</tr>
<tr>
<td>Other stakeholders</td>
<td>Customer</td>
<td>Customer</td>
<td>Architects and engineers</td>
</tr>
<tr>
<td>Note:</td>
<td>(<em>) 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. (<strong>) Before COVID-19 there were ~12 companies. There could be a secondary market for refurbished transformers. (</strong></em>) 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.</td>
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## A way forward: A (suggested) roadmap for implementation and Key Performance Indicators

### Procurement Marketplace Council: Master steering committee

**Key Performance Indicators**

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<tr>
<td>90 days, April 2024</td>
<td><strong>Set up council:</strong> ID group of stakeholders &amp; council members; define mission; set clear objectives, and host first meeting.</td>
</tr>
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</table>
| 180 days, July 2024 | **Prioritize key initiatives** and announce their official launch.  
**Form an Accountability Council.**  
Develop a matrix to track progress. |
| 360 days, January 2025 | Assess progress, adjust, and guide progress through the Accountability Council.                                                    |

### Defense Procurement Advancement Initiative

<table>
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| 90 days, April 2024 | Coordinated action among Chambers and federal TA providers to raise awareness among local businesses about the Mentor-Protégé Program and IGSAs.  
Convene local agencies to learn about IGSAs. |
| 180 days, July 2024 | 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.** |
| 360 days, January 2025 | 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

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</table>
| 90 days, April 2024 | **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. |
| 180 days, July 2024 | Establish a network (HEIs, industry associations, and government bodies) to foster coordinated action to tackle challenges.  
**Formalize partnerships** and develop an implementation roadmap. |
| 360 days, January 2025 | **Firms** get new contracts with a new agency.  
**Firms** win larger contracts and increase sales revenue by compared to the previous year. |

### Source:
Thank you!

January 23, 2024