

Support for New Mexico Small Business

A Construction Industry Perspective

PRESENTED BY

**Chris Weil
President/Owner
Weil Construction, Inc.**



ABOUT WEIL CONSTRUCTION

- New Mexico Small Business
- In business since 2005
- General Contractor
- 40 Employees
- Work throughout NM
 - TX, CO, AZ, WA
- Federal, schools, counties & municipalities

About Chris Weil

- President/Owner of Weil Construction
- BS Degree from Univ. of New Mexico
- 24 Years' Construction Experience in NM
- Has worked in all areas of NM
 - Federal, school districts, higher education, counties, cities, state and private development projects.
- 2017 SBA Entrepreneurial Success Award

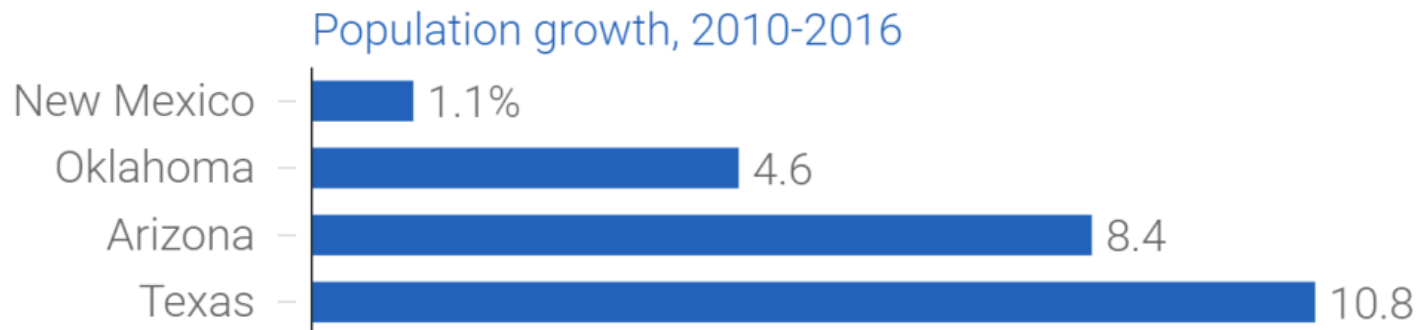
Overview of the Issue

- NM's economy continues to struggle and is underperforming relative to region.
- Construction is one of the largest private sector employment industries in NM.
- Small Business success is essential for overall economic growth.
- Public spending has always been critical to the NM construction industry.
- Current public procurement system is benefiting a few large companies at the expense of Small Business.
- This issue is not just a construction issue. It is an economic development issue.

Facts

- Between 2000 and 2010 NM was among the fastest growing states in the US – increasing population by 13% (Source: US News & World Report, Aug. 7, 2017)
- 2010 – 2016 - about 53,000 New Mexicans left the state. (Source: US News & World Report, Aug. 7, 2017)

New Mexico's Population Growth Weakest in Southwest

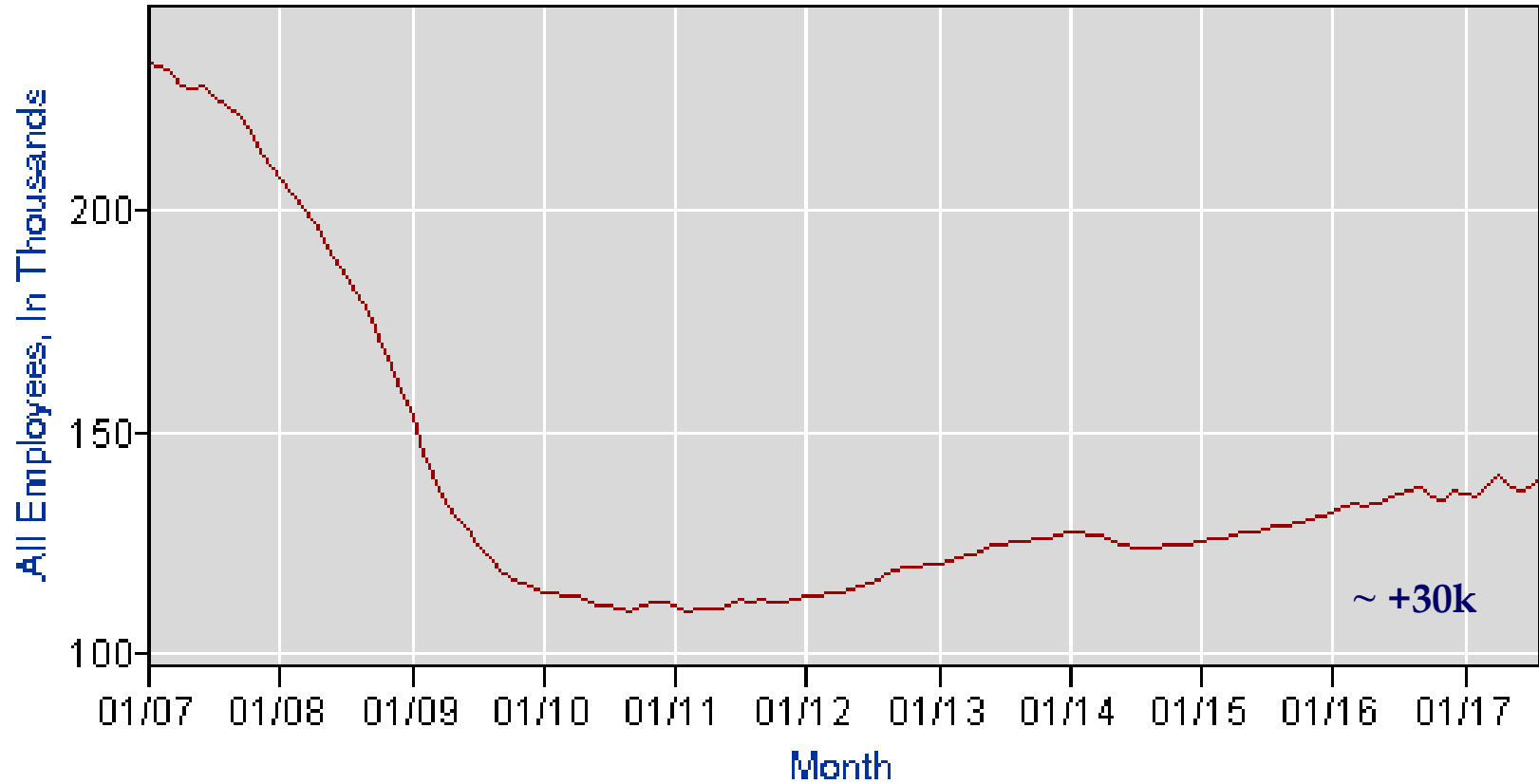


Gaby Galvin for USN&WR

Data: U.S. Census Bureau

(Colorado 2010 – 2016 growth: 10.2%)

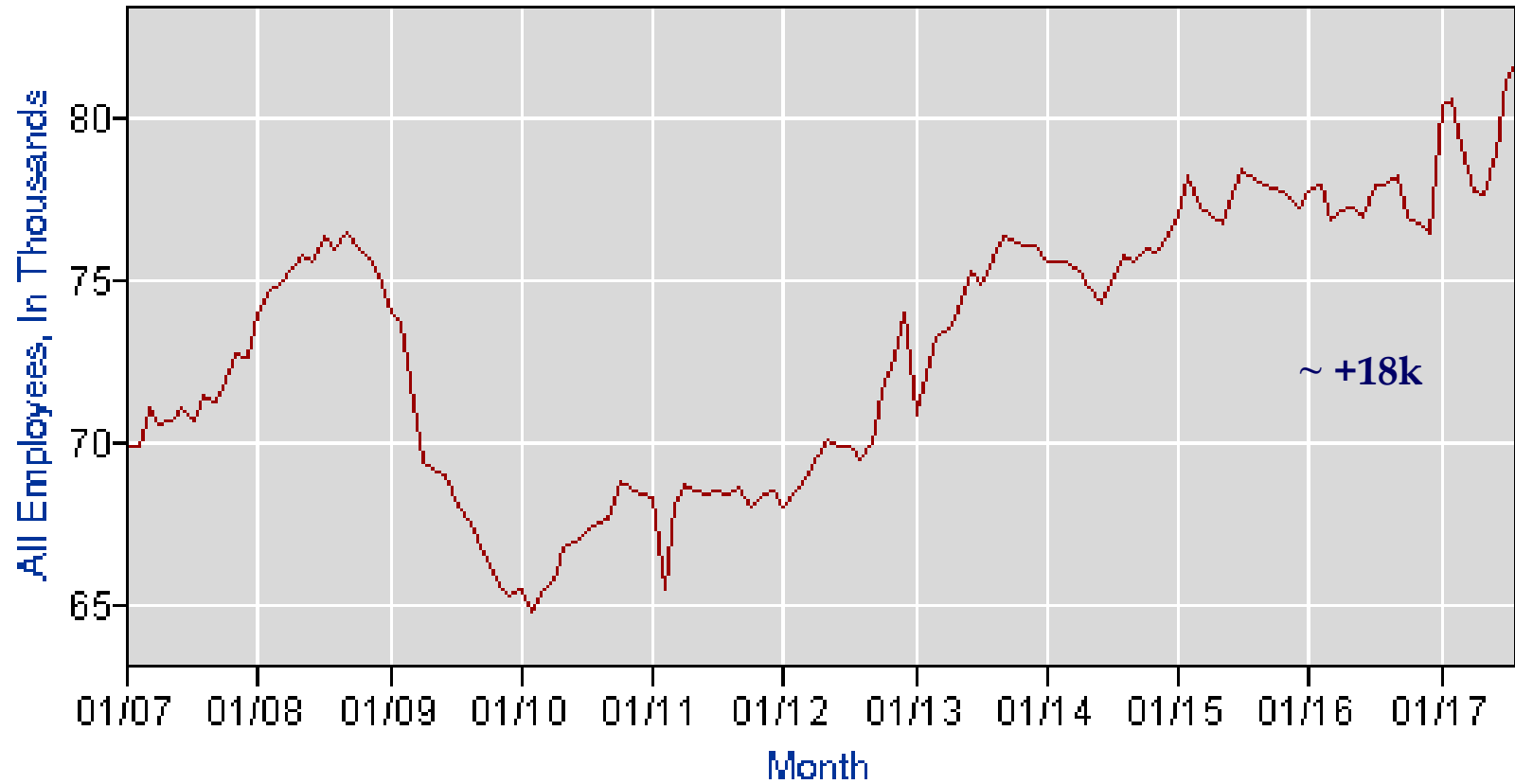
Facts



Arizona Construction employment Jan. 2007 – Jun. 2017

Source: US Bureau of Labor Statistics

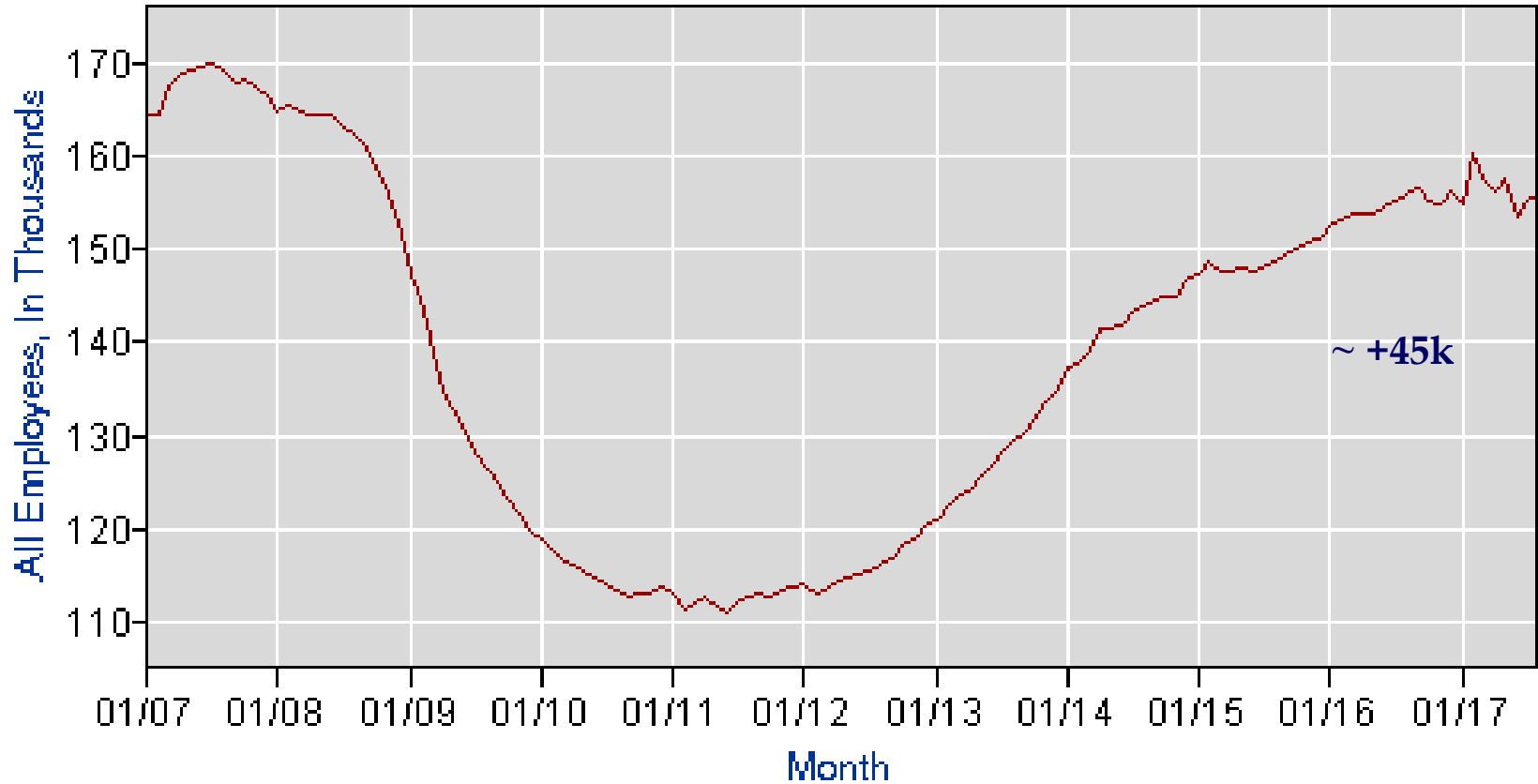
Facts



Oklahoma Construction employment Jan. 2007 – Jun. 2017

Source: US Bureau of Labor Statistics

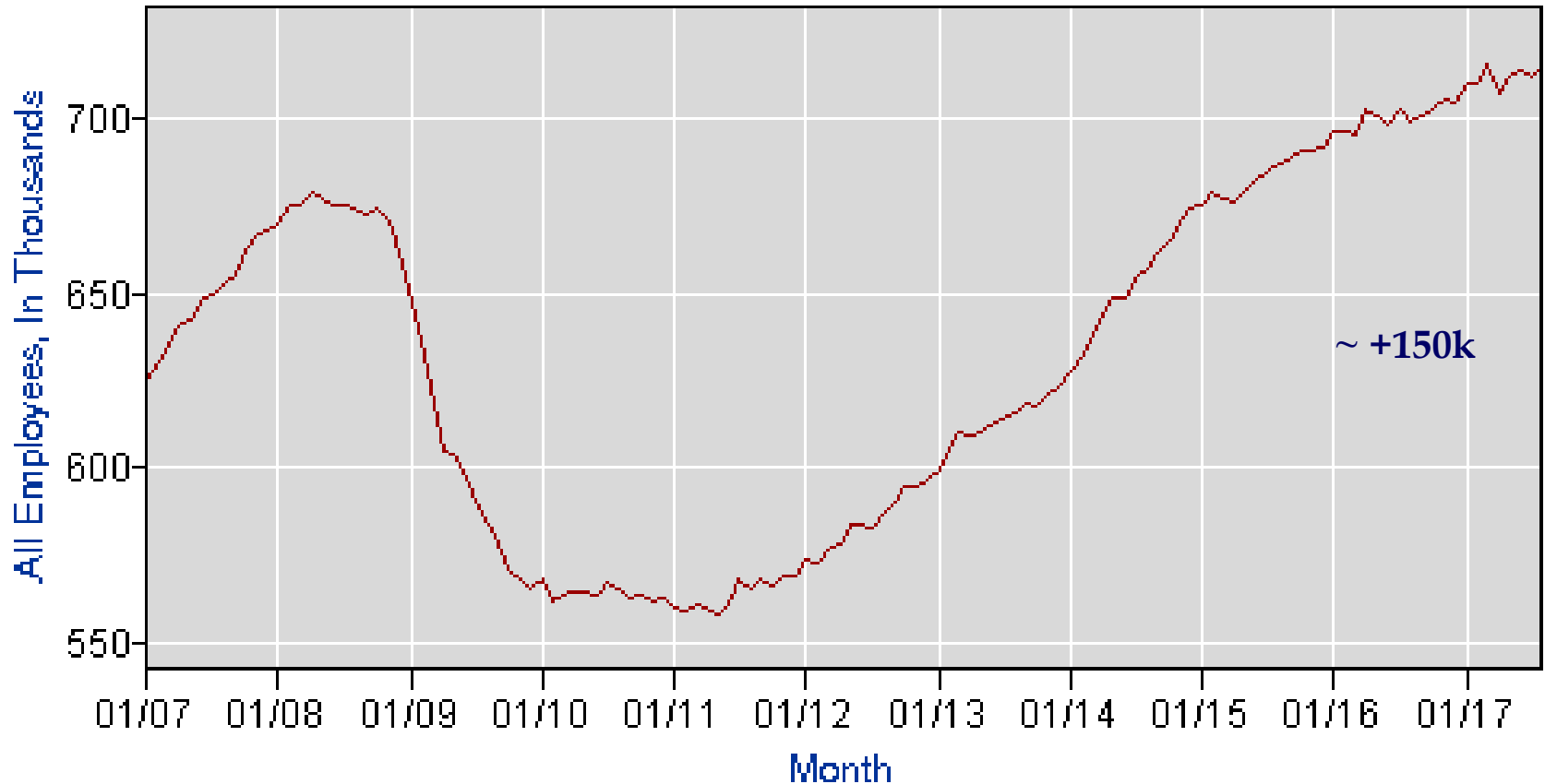
Facts



Colorado Construction employment Jan. 2007 – Jun. 2017

Source: US Bureau of Labor Statistics

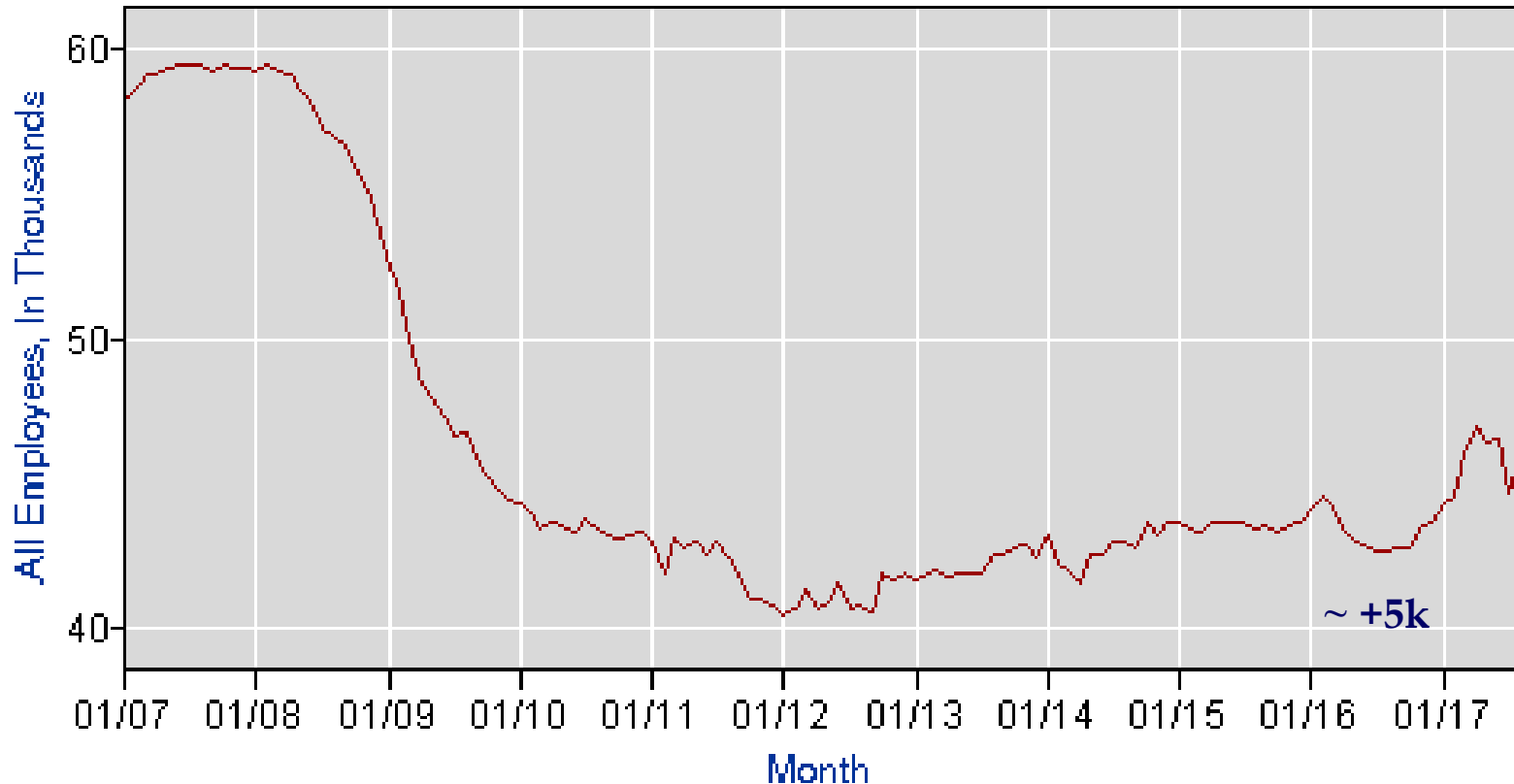
Facts



Texas Construction employment Jan. 2007 – Jun. 2017

Source: US Bureau of Labor Statistics

Facts



New Mexico Construction employment Jan. 2007 – Jun. 2017

Source: US Bureau of Labor Statistics

Facts

- Current “construction boom” in New Mexico
 - Current construction jobs at mid-2009 level, but...
- “Boom” is due to a handful of large projects.
 - Facebook
 - Being built by large out-of-state construction company
 - Most NM jobs are for subcontractors
 - New Presbyterian Hospital in Santa Fe
 - Being built by large NM construction company
 - Christus St. Vincent Medical Center Expansion in Santa Fe
 - Being built by large regional construction company
 - City of Albuquerque Rapid Transit
 - Being built by large NM construction company
- The “construction boom” does not include small NM general contractors

Challenges Facing Small Business in NM's Construction Industry

- Uneven opportunities since 2010
 - Large firms achieving record volume
 - Small firms struggling to survive
- Larger firms stepping down to compete on small projects
- State RFP process – Qualifications + Price – is hurting Small Business:
 - Extremely expensive to develop proposals.
 - Small Businesses have limited marketing resources.
 - Awards going to higher priced large companies at taxpayer expense.
 - Best marketing & most marketing resources are winning the jobs.
 - Is this the best use of NM taxpayer dollars?

Suggestions – Option 1

Do away with RFP process:

- Award on best responsible price.
- Basic criteria for bidding a project:
 - Proper licensing
 - Ability to bond the project
 - No record of illegal activities
 - Background checks of contractors
 - A/E & Owner bid review process
- A more objective process.
- Enable good small business to win work & grow.
- Promote greater distribution of work.
- Reduce cost of projects & save taxpayer dollars.

Suggestions - Option 1

Cons

- Will lead to artificially low bids & change orders.
 - Can be countered with common sense evaluation of bid prices and requirements for bid substantiation.
 - Accountability of A/E & Public Agency to adequately evaluate bids.
- Lessens owner influence over contractor selection.
 - Can promote more responsible spending of taxpayer dollars by ...
 - Reducing subjective evaluations based on non-relevant info in flashy proposal presentations.
- Are we sure we are getting a quality contractor?
 - Bonding requirements
 - Relies on basic criteria and evaluation of bids.

Suggestions – Option 2

Reform the RFP process with a 2 Step Process:

- Step 1: Pre-qualify contractors
 - Simplified, standardized, objective evaluation
 - Pass/Fail Criteria based on:
 - Bonding
 - Financial Health
 - References
 - Personnel with similar experience
 - Prior experience at least 50% of project size
 - ❖ **Important: Pre-qualification must enable small companies to grow!**
- Step 2: Bid project – Award on lowest responsible price

Suggestions – Option 1

Cons

- 2-Step process takes too long.
 - Simplified & standardized qualifications require far less time to evaluate than qualifications in current RFP process.
 - ✓ Would most likely save time.
- Pass/Fail criteria for Step 1 is not critical enough.
 - If properly designed and implemented it can be just as critical as the current system.
 - Plus it promotes objective analysis and reduces influences of subjective non-relevant factors.
- Are we sure we are getting a quality contractor?
 - With 2-Step approach more likely to get the best contractor rather than the best marketing company.

Suggestions – Option 3

Small Business Preferences: 5 – 10%

- OK, but
 - Just adds to the bureaucratic process.
 - Limited impact.
 - Does not address potential for subjective abuse.
 - It must be in concert with RFP reform.

Small Business Set-Asides:

- OK, but
 - Best for Emerging Small Businesses.
 - It works best in abundant & dynamic markets.
 - Is there enough work in NM to support S-As?

Example of Support Programs

- City of Denver/DPS/DIA/CODOT
 - Small & Minority Business Programs
 - Small Business Enterprise
 - Disadvantaged Business Enterprise
 - Minority & Woman Business Enterprise
 - Emerging Business Enterprise
 - Preferences
 - Set-Asides
 - Major Project Partnering Requirements
- Major Difference – These are markets with significant economic growth and opportunities.

Thank you!

Questions?