



October 15, 2020

City of Austin
P.O. Box 1088
Austin, TX 78767

Reference: City of Austin Disparity Study

Council Member,

I wanted to contact you directly regarding the current City of Austin Disparity Study. The stated purpose of this research was to compile evidence regarding challenges and needed remedies for the current W/MBE program. I'd like to share some information with you directly regarding the impact of the current system.

ECM is a Project Delivery firm with **offices in Austin** and El Paso and successful projects across the state. We are **Project and Construction Managers** serving as owners' representatives on construction projects for city leaders for 37 years. We are considered a Professional Services firm and are procured through and RFQ process.

The ECM staff consists of architects, engineers, builders and other construction-related professionals and numbers in the low sixties. **We are considered a small, minority business** in nearly all of the markets where we operate. While the capital city is a key market for the firm, the City of Austin (COA) is the notable exception to our state-wide minority business designation. The "**Personal Net Worth**" component of Austin's minority business definition excludes us from competition as a minority (prime) firm. This policy eliminates local business opportunities and forces us to compete against large, national, and international firms. These organizations often boast a workforce that is hundreds (or even thousands) of times larger than ours. While we know that we are a highly-capable firm, it is sometimes difficult to compete head-to-head on a "level playing field" with these global giants.

Under the current City of Austin minority definition, once a minority business reaches the Personal Net Worth ceiling, they are no longer eligible for the minority designation. Once this happens, the small firm that has grown in experience, capabilities and value to the city is pushed out and replaced by a new crop of inexperienced companies filling the procurement vacuum. This in fact makes the owner (City of Austin) a revolving door that educates and graduates firms, never really taking advantage of the investment that they've made in nurturing each of these organizations. Raising or eliminating the PNW ceiling will allow these (still small) firms to continue providing experience and professional services to the city and satisfying the intended purpose providing opportunities to small minority businesses while receiving quality services for the taxpayers.

In terms of consistency, it should be noted that other major cities across the state, including Dallas, Fort Worth, Houston and San Antonio do not use the PNW threshold. These cities use some combination of certifications including:

- South Central Texas Regional Certification Agency (SCTRCA) – MBE, SBE, ESBE, HABE
- Southwest Minority Supplier Development Council (SMSDC) - MBE
- Dallas/Fort Worth Minority Supplier Development Council (DFWMSDC) - MBE
- U.S. Small Business Administration (SBA) – SBE

During this study, we've heard comments that a PNW clause; or similar, was considered essential for the City. Since this clause is unique and created by the City of Austin perhaps:

- the City can review its effectiveness/necessity and remove it entirely. This would match other Texas cities.
- the City can recognize that there are unintended negative consequences and adjust the threshold to be more inclusive.
 - One suggestion would be to adopt the U.S. Small Business Administration (SBA) – SBE definition of a “small” business. This is an established and widely-recognized size standard across the entire country.

This approach will not only serve small and midsize firms like ECM but can give the City of Austin an expanded pool of high-quality professional providers with greater diversity, strong work ethic and authentic local presence. This could be viewed as a win-win situation!

I appreciate the opportunity for ECM to provide input to the City of Austin Disparity Study. I ask that City Council and leadership act to open up the minority business designation to allow for a fairer and more representative procurement process.

Sincerely,

Tom Cardenas, PE
CEO
ECM International