



REGIONAL COALITION OF LANL COMMUNITIES

City of Española – Los Alamos County – Rio Arriba County – Santa Fe County
City of Santa Fe – Taos County – Town of Taos – Pueblo of Ohkay Owingeh – Pueblo of Jemez

REGIONAL COALITION MEETING AGENDA

**Ohkay Owingeh Pueblo
Ohkay Owingeh Casino Conference Center
68 NM-291, Ohkay Owingeh, NM 87566**

**September 11, 2015
9:00a-11:00a**

- A. Call to Order – Commissioner Trujillo – 9:00a-**
- B. Confirmation of Quorum – Commissioner Trujillo**
- C. Approval of Agenda – Commissioner Trujillo**
- D. Approval of Meeting Minutes - 9:15a (Tab A)**
- E. Discussion/Action Items (1 hr, 25mins) 9:15 – 10:40a**
 - 1. NM Congressional Delegation Updates (5 mins) 9:15-9:20a
 - 2. Presentation on Supply Chain Management Center by Jeff Lunsford (30 mins) 9:20-9:50a (Tab B)
 - 3. Presentation on LANL Procurement by Doug McCreary (30 mins) 9:50a-10:20a (Tab C)
 - 4. Updates for Board Members (15 min) 10:20a – 10:35a
 - a. Letter and approval of support on pursuing SCMC issue (3 mins) (Tab D)
 - b. Letter and approval of support for Accelerate (2 mins) (Tab E)
 - c. Budget Update by Brian Bosshardt (5 min) (Tab F)
 - d. Report from the Executive Director (5 min) (Tab G)
- F. Meetings at a Glance (5 mins) 10:35a-10:40a (Tab G)**
- G. Public Comment (20 mins) 10:40a-11:00a**
- H. Adjournment – 11:00a**

About the Regional Coalition of LANL Communities:

The Regional Coalition is comprised of nine cities, towns, counties and pueblos surrounding the Department of Energy's Los Alamos National Laboratory (LANL). Founded in 2011, the Regional Coalition works in partnership to ensure national decisions incorporate local needs and concerns. The organization's focus is environmental remediation, regional economic development and site employment, and adequate funding for LANL. The 2015 Board of Directors includes Chair, Commissioner Barney Trujillo, Rio Arriba County; Vice-Chair, Mayor Javier Gonzales, City of Santa Fe; Secretary/Treasurer, Councilor Kristin Henderson, Los Alamos County; Mayor Alice Lucero, City of Española, Commissioner Henry Roybal, Santa Fe County; Andrew Gonzales, Town of Taos; Commissioner Mark Gallegos, Taos County; Governor Earl Salazar, Pueblo of Ohkay Owingeh; and Governor Raymond Loretto, Pueblo of Jemez.

For more information please visit the Regional Coalition website at <http://regionalcoalition.org>

Contact: JLH Media

518 Old Santa Fe Trail, Santa Fe, NM 87505

Office: 505.603.8643



September 4, 2015

The Honorable Senator Udall,
The Honorable Senator Heinrich,
The Honorable Congressman Lujan,
The Honorable Congressman Pearce,
The Honorable Congresswoman Lujan Grisham,
NM Congressional Delegation
Washington, DC

Dear Senators and Members of Congress:

Over the last three years, the Los Alamos National Laboratory (LANL) Major Subcontractors Consortium (MSC) has engaged the procurement experts at the Department of Energy (DOE) and the National Nuclear Security Administration (NNSA) on an issue of vital importance. Specifically, how the Supply Chain Management Center (SCMC) in Kansas City, MO can work with local New Mexico small businesses to ensure they are given a fair opportunity to compete for NNSA contracts.

Through numerous meetings with officials from the SCMC, our organization was led to believe that long-standing New Mexico small businesses who serve Los Alamos National Laboratory (LANL) would not be adversely impacted by the activities of the SCMC. Our membership was encouraged to form local business partnerships, cut costs, and update our purchasing systems to meet current LANL procurement requirements to make us more competitive on both the local and national front. Even with these significant efforts, it has come to our attention that several of our members are under the immediate threat of losing their LANL contracts to out-of-state small and large businesses affiliated with the SCMC.

This would be a very detrimental outcome and one we would view as a direct assault on our local small business community who depend on LANL for their livelihood. Because LANL and Sandia National Laboratories (SNL) amount to roughly 50 percent of all NNSA procurement spending, we are now concerned that the actions of the SCMC simply amount to a funding transfer away from the State of New Mexico. You have asked us to keep you apprised of our interactions with the SCMC and alert you if we believe any of our members are in danger of losing their contracts. Given the information our members have gleaned, we now believe that there is a very real possibility that the SCMC is about to engage businesses from outside the State of New Mexico to potentially service contracts our members hold.

We understand that, as good stewards of federal funding, finding the lowest possible price is important, in fact, SCMC Director Bissen has reiterated that it is their only goal. However; we believe that a level competitive playing field is core tenant of federal procurement rules and regulations. We also believe that when issues arise, the best solutions can be found when local stakeholders are engaged in addressing these concerns. In fact, DOE purports such in their Code of Federal Regulations (DOE CFR 970.5226-3) Community Commitment - *It is the policy of the DOE to be a constructive partner in the geographic region in which DOE conducts its business. The basic elements of this include:*



- (1.) *Recognizing the diverse interests of the region and its stakeholders,*
- (2.) *Engaging regional stakeholders in issues and concerns of material interest, and*
- (3.) *Recognizing that giving back to the community is a worthwhile business practice.*

LANL MSC believes that the rules the SCMC is forcing our local vendors to operate under are both unfair and designed to give out-of-state businesses, both large and small, an advantage. Frank's Supply was the first company to lose business at LANL because of the SCMC and we object to losing any more. The NNSA has a long history in New Mexico both good and bad. Our local communities need the business opportunities the Laboratory provides because our region lacks a high paying robust economy.

We have tried working with the NNSA procurement staff to express our concerns, but it appears our efforts have fallen on deaf ears. As a result, we are asking that each of you personally intervene to ensure New Mexico businesses are not frozen out of procurement opportunities at LANL and SNL. Specifically we are asking that;

1. SCMC be required to fully engage in an open bid process in which any business can bid if they meet the requirements. We insist that they stop their closed bid process where only a handful of pre-selected businesses are invited to bid.
2. End their lowest price selections and rather seek out the best value contractors that can deliver for a fair price while engaging in and supporting a vibrant local economy that benefits everyone including DOE.
3. Work to see that DOE/NNSA actively support and fund the proposed RDC pilot project.

Given that some of our members are under imminent threat of losing their contracts, we would appreciate a prompt response to our concerns. The attached SCMC Position Paper developed by LANL MSC provides background and detailed information. Please do not hesitate to contact us for any additional information you may require.

Thank you for your consideration and longtime support.

Sincerely,

A handwritten signature in black ink that reads "Liddie F. Martinez".

Liddie F. Martinez

President
LANL Major Subcontractors Consortium

CC: Governor Susana Martinez
NM State Senator Richard Martinez
NM State Representative Stephanie Garcia- Richard
Regional Coalition of LANL Communities
New Mexico Citizens Advisory Board
New Mexico Association of Commerce and Industry



Background and Position on SCMC Enterprise Agreements

1 Executive Summary

Over the past decade, due to budget cuts and increased emphasis on cost reduction and process efficiencies, various federal agencies have begun implementing more and more enterprise-wide purchasing agreements (EAs). The Supply Chain Management Center (SCMC) in Kansas City was created in 2006 by the National Nuclear Security Agency (NNSA) to spearhead NNSA's efforts to create and implement enterprise-wide agreements throughout the Nuclear Security Enterprise (NSE), NNSA's complex of Management and Operating (M&O) contractor run facilities, including the National Nuclear Security Laboratories. This is part of the NNSA's focus to "Drive an Integrated and Effective Enterprise". Today, the SCMC's role has expanded within Department of Energy (DOE) to include the DOE Office of Environmental Management (EM) and is expected to expand further to ultimately support all of DOE and, for the first time, to include services in addition to commodities.

As of today, most Enterprise-wide procurement programs, such as SCMC, have one over-riding priority: *Cost Savings*. This narrowly focused goal has the potential to have a dramatic and devastating impact on communities surrounding NNSA and DOE sites, which will be adversely impacted with the loss of regional business to out-of-state, national firms that have the broad and deep resources needed to support nationwide procurement contracts. This will result in lost local jobs, reduced community involvement, and harm to the local communities' economies. Ultimately, these impacts have the potential for deteriorating the relationships that are so hard to create with local communities where hazardous DOE activities are often conducted. Addressing this deterioration of relationships with the communities, as exemplified in the discussions and recommendations of the Blue Ribbon Commission and other reports, such as the Energy Communities Alliance's (ECA) "A Community Handbook on Nuclear Energy" is an essential element critical to the future success of the DOE mission.

Understanding that the momentum behind Enterprise Agreements is increasing, the MSC is focused on promoting solutions that not only minimize the potential negative impacts, but are directed at increasing the opportunities for small regional businesses to participate in Enterprise Agreements while helping the SCMC achieve its true goals. In partnership with various regional and national organizations over the past three years, the MSC has worked with the SCMC to address our concerns and to suggest ways to improve the program. To that end, we are pleased to report that the SCMC has made several changes that we feel are a positive step in the right direction, including allowing regional contract awards and better addressing site-specific requirements. With that said, several major concerns remain that the MSC is focused on addressing:

1. The SCMC's bid process is closed. SCMC bids are not publicized and only a select handful of businesses pre-selected by SCMC are invited to bid. The MSC strongly supports a fully open bid process in which any business can discover upcoming bids and have an opportunity to submit a proposal if they believe they can meet the bid requirements.
2. There remain challenges with the scope of services required in the Enterprise Agreements. To date, the requirements have either been severely restricted to only the most basic services, rendering the agreement incomplete from the sites' perspective, or overly broad, making it very difficult for any business to meet the requirements. The MSC believes the SCMC needs to further refine its criteria to better balance the requirements.
3. Geographically, even though the SCMC has allowed regional bidders in its most recent RFP(s), it still greatly favors the national business over the regional businesses. MSC believe a more balanced approach is required here as well, allowing both national and regional businesses to both win and succeed.
4. Based on input from various contractors and sites, it appears that SCMC and/or NNSA is applying pressure to the sites to use the SCMC contracts even when the sites feel they are getting a better value from the local subcontractors. Some sites are succumbing to that pressure, even when they



Background and Position on SCMC Enterprise Agreements

know they are not getting the best value solution. MSC strongly encourages the SCMC to focus more efforts on expanding the value proposition of their contracts instead.

5. The SCMC will not disclose detailed information regarding its Enterprise Agreements and we don't really know if SCMC's cost savings are real or significant, or even if they are real, at what cost they come to communities around the sites. The MSC requests that the SCMC make detailed performance data available publicly and enter into an ongoing open discussion regarding its results as well as methods for continuous improvement.
6. Many small regional businesses have weaknesses and gaps that will make it difficult for them to successfully compete for these contracts. The MSC strongly supports the RDC pilot project focused on identifying those weaknesses and gaps and putting in place solutions that assist those businesses in overcoming those weaknesses.

The remainder of this paper provides additional details regarding Enterprise Agreements and the MSC's concerns as well as the MSC's specific action requests of the SCMC, the NNSA, and the DOE regarding its concerns.

Specific actions that the MSC is requesting that SCMC, NNSA, and DOE take are detailed throughout this document. At a high level, these requested actions can be summarized as follows:

- Implement a fully open and transparent bid and contracting process that is fair to all potential bidders
- Award contracts based on best-value, not just price, taking into consideration individual site and regional community needs
- Actively support the local communities' efforts, especially the RDC pilot project, to grow stronger and more capable small businesses that can better serve the needs of the SCMC, NNSA, and DOE

The MSC welcomes the opportunity to work more closely with the SCMC and other concerned organizations to improve the Enterprise Agreement program and ultimately create a win-win situation for all parties involved. Ultimately, we believe that the NNSA can achieve both its Small Business Vision to "provide NNSA's programs with only the highest quality, technically superior, and competitively-priced small business suppliers" and meet its business goal to "Drive an Integrated and Effective Enterprise".



Background and Position on SCMC Enterprise Agreements

2 SCMC Background

In the past, each of the NNSA and DOE sites (e.g. LANL, LLNL, Pantex, and SNL) competed, awarded, and managed their own purchasing subcontracts for various commodities and services (e.g. office supplies and staff augmentation). The result was dozens of separate purchasing contracts throughout the NNSA and DOE complex for the same items. Typically these contracts were awarded to local small businesses and the terms of the contracts varied greatly, including pricing and service requirements.

Due to budget cuts and increased emphasis on cost reduction and process efficiencies, federal agencies such as the NNSA and DOE have implemented enterprise-wide purchasing agreements (Enterprise Agreements). These agreements are typically issued for individual categories of goods and/or services to a single or a few national suppliers and are intended to replace the traditional local contracts issued by each site. The Supply Chain Management Center (SCMC) in Kansas City was created in 2006 by the NNSA to spearhead its efforts to create and implement Enterprise Agreements throughout the NSE as part of the NNSA's focus to "Drive an Integrated and Effective Enterprise".

It is important to note that the SCMC is not a government agency – it is a program run by a government contractor. Enterprise Agreements issued by the SCMC are actually issued by the contractor, not the federal government. The SCMC claims that, as a government contractor, they are not wholly subject to the same procurement rules as the government agencies that they serve.

Initially, the following NNSA sites were authorized by the NNSA to use SCMC Enterprise Agreements:

- Kansas City Plant (KCP) (now also known as the NNSA National Security Campus, NSC)
- Lawrence Livermore National Laboratory (LLNL)
- Los Alamos National Laboratory (LANL)
- Nevada National Security Site
- Pantex Plant
- Sandia National Laboratories (SNL)
- Savannah River Site (SRS)
- Y-12 National Security Complex

Today, the SCMC's role has expanded within the Department of Energy (DOE) complex to include DOE Environmental Management (EM), expanding access to SCMC's Enterprise-wide Agreements to 17 additional sites in 11 states including WIPP in New Mexico. SCMC's role is expected to further expand to ultimately support all of DOE and, for the first time, to include services in addition to commodities.

By consolidating purchasing agreements and suppliers, there is an expectation that the SCMC will:

- Obtain better pricing by purchasing in larger volumes from fewer suppliers;
- Gain operating efficiencies by reducing the effort required to bid and operate many different contracts; and
- Improve standardization and integration across the sites/departments within each agency and its suppliers.



Background and Position on SCMC Enterprise Agreements

3 Areas of Concern with SCMC's Approach to Enterprise Agreements

3.1 Closed Bid Process

As a government contractor, the SCMC asserts that it is not required to have a fully open and transparent bid process. Further, according to the SCMC, a fully open and transparent bid process would introduce a number of challenges, including delays and extra cost in the bid process and potentially leading to contract awards to suppliers who were not truly capable of meeting their requirements or delivering maximum cost savings. Instead of a fully open and competitive bid process, SCMC has typically awarded contracts in one of two ways:

- Sole-source award to a business that already has an agreement with an NNSA site, effectively extending that business' site-specific contract to all sites authorized to use SCMC contracts.
- Invitation-only Request for Proposal (RFP) process, each limited to a small group of suppliers that the SCMC has pre-selected who, in the SCMC's opinion, have a track record of successfully delivering on the scope of their contracts.

In the MSC's opinion, it is difficult to ensure that the SCMC has received the best value possible when it does not look at all possible options. Further, questions and doubt will linger about the award and its value even when the SCMC actually did obtain a best value solution. The best way to ensure a fair process, eliminate lingering doubts and concerns, and consistently obtain the best value for SCMC is through an open and publicized bid process.

Specific actions that the MSC is requesting that SCMC, NNSA, and DOE take in regards to this concern:

- Make public a list of every contract awarded by SCMC, including details on what the contract is for specifically, who it is awarded to, award date(s), and expiration date(s) including options to extend
- Provide a list of target RFPs for the next three fiscal years, broken down by fiscal year
- Going forward, publically announce at least six months in advance each and every anticipated upcoming RFP
- Allow every business to submit a response or, at a minimum, have a simplified qualification process that allows every business to be at least considered prior to issuing an RFP

3.2 Scope of Services Included in the Enterprise Agreements

SCMC agreements have historically been based on a minimal set of service requirements that are in common between all sites within the NNSA and DOE. Essentially the SCMC used the lowest-common-denominator – unique site-specific value-added requirements were not included (e.g. configuring the equipment to the site's specification; applying site-specific asset tags and labels; onsite, local technical support services; community engagement; and other local economic benefits). In these cases, each site had to arrange to provide those services themselves or under separate contract with the SCMC contract holder or local provider. This added work at each site offset many of the hoped-for efficiency gains of issuing a single enterprise-wide RFP.

In an attempt to address each sites' unique requirements, and thus make the Enterprise Agreements more appealing to each site to use, SCMC has begun to include each site's specific requirements into its RFPs. In a more recently issued RFP, the SCMC worked more closely with each NNSA and DOE site to ensure that each site's individual service requirements were all fully accommodated. However, rather than working together to craft a single Statement of Work and Terms and Conditions that would accommodate each site's needs, the RFPs essentially incorporated separate Statement of Work and Terms and Conditions documents for each site. These separate documents were clearly from each sites' current contracts and had conflicting and vague requirements.



Background and Position on SCMC Enterprise Agreements

Further, terms were not included for all sites. Finally, the RFP stated that the documents included were representative of individual site requirements and were subject to change, each site could unilaterally modify and add to those requirements at any time, and that each bidder must accept those changes without recourse or renegotiation.

It is questionable in the MSC's mind how much effort was really saved by the SCMC in this process given that each site had to produce its own requirements and the SCMC had to take the time to try to incorporate those requirements into the RFP. Further, the complexity and diversity of the requirements will likely increase the operating costs of the contractors and therefore reduce the cost-savings achieved.

Ultimately, this is a balancing act. In the MSC's opinion, there is no clear right solution and we encourage the SCMC to look at balancing the need for a simple agreement and addressing each site's unique requirements. As it stands, both approaches have gone to one extreme to other and they need to be re-evaluated.

Specific actions that the MSC is requesting that SCMC, NNSA, and DOE take in regards to this concern:

- Engage with the MSC or other small business advocacy group(s) to review the SCMC approach to scoping RFPs and obtain recommendations for improving that approach

3.3 Geographic Scope of Agreements

Originally, each SCMC Enterprise Agreement required each business awarded a contract to support all SCMC sites across the country. SCMC had predetermined that most small regional businesses simply didn't have the resources to be successful with these agreements on a nation-wide level and therefore SCMC decided to exclude small regional businesses from bidding. This practice almost guaranteed the loss of local jobs and negative impact to the local communities. Further, this approach limited each site's ability to address their unique service needs. The MSC and other concerned organizations confronted the SCMC with our concerns.

To address this concern, SCMC has stated that they will allow for regional bidders going forward. In their most recent Request for Proposals (RFPs), the SCMC has provided an option for bidding on a regional basis. However, SCMC has specifically stated that failure to bid every region would result in a proposal being penalized and scored lower. The fewer regions bid, the greater the penalty, thereby putting the small regional businesses at a major disadvantage to the national businesses.

The MSC encourages the SCMC to create a more balanced approach that allows for both regional and national contract awards. By providing both, the SCMC provides the greatest flexibility to each site to best meet its own needs and allows the small regional businesses an opportunity to compete and grow over time.

Specific actions that the MSC is requesting that SCMC, NNSA, and DOE take in regards to this concern:

- Level the playing field by eliminating the penalties applied to regional bidders and eliminating any preferences or advantages given to national bidders
- Beyond any national contracts awarded, also award a least one regional contract per region



Background and Position on SCMC Enterprise Agreements

3.4 Pressure to Use SCMC Enterprise Agreements

In the past, many of the sites within the NNSA and DOE complex, recognizing the limitations of and challenges presented by the SCMC Enterprise Agreements, have frequently chosen to maintain many of their own subcontracts with their local suppliers to best meet site-specific requirements. This has resulted in a low adoption and utilization rate of the Enterprise Agreements. Because of the historically low adoption and utilization rates of the SCMC Enterprise Agreements, the NNSA and DOE complex are expanding rules and incentives to force the individual sites to make the shift. This is most clearly seen throughout the NNSA complex with SCMC. As the subcontracts between the individual sites and their local suppliers expire, it appears that the individual sites are strongly pressured by NNSA and SCMC to shift to an Enterprise Agreement for the same commodity without re-competing the local contract.

MSC adamantly believes that the long-term viability of the Enterprise Agreement program is dependent on that program offering a best value proposition rather than through pressure and coercion. We encourage the SCMC to focus on delivering greater value to its customers as its primary method for improving utilization and adoption rates.

SCMC has strongly denied this is happening. However, the SCMC has not provided a clear explanation of or detailed data on what targets or other goals are assigned to each site for SCMC utilization compliance and what the penalties are for failing to meet those goals. Ultimately, these concerns cannot be laid to rest until such data is provided.

Specific actions that the MSC is requesting that SCMC, NNSA, and DOE take in regards to this concern:

- Provide detailed information on SCMC utilization requirements and goals set for each site:
 - In detail, identify each and every metric, target, and/or goal that is set for each site by SCMC, by NNSA, by DOE, and/or by any other agency
 - In detail, identify any and all mechanisms by which the sites are encouraged to meet the goals assigned to them and/or punished in any way if they fail to meet those goals
 - Provide a breakdown of the information provided above by fiscal year for the past three years, the current year, and the next three years
 - Going forward, update and publically publish this information on an annual basis
- Provide any and all information SCMC, NNSA, and DOE have regarding the impact to date and projected for the next three years on:
 - Regional small businesses
 - Local communities around each site
 - The sites themselves
 - Going forward, update and publically publish this information on an annual basis
- Allow individual sites to utilize locally issued contracts without penalty when a site can demonstrate that the locally issued contract offers a better value to the site



Background and Position on SCMC Enterprise Agreements

3.5 Pressure to Move to Firm-Fixed Pricing Agreements

The MSC is concerned that the SCMC is moving towards adopting general federal procurement guidance regarding firm-fixed-price (FFP) contracts. The guidance states that contracting officers “will first consider the use of a firm-fixed-price contract...” when selecting the contract type. This has led to a bias towards FFP contracting strategies that are challenging healthy competition in the face of perceived high risks and volatility in contract execution. A lack of competition can ultimately reduce value to the taxpayer while the inherent risks in execution of these contracts can result, and have resulted, in significant cost overruns against an FFP.

Specific actions that the MSC is requesting that SCMC, NNSA, and DOE take in regards to this concern:

- Avoid using firm-fixed-pricing on contracts with perceived high risks and/or volatility
- When utilizing a firm-fixed-pricing methodology, ensure the scope of work is exceptionally explicit and allows for the contractors to fairly adjust pricing and deliverables when the scope of work needs to change



Background and Position on SCMC Enterprise Agreements

4 Measuring the True Cost and Benefits of Enterprise Agreements

The SCMC has provided basic roll-up information on its performance and cost savings achieved; however, the MSC is very concerned about the basis of comparison used by the SCMC in determining its cost savings figures, especially given the findings of DOE OIG’s audit report (OAS-L-15-05) which stated that the OIG had “found that the Department had overstated savings by approximately \$8.7 Million, or about 22% claimed in FY13 for the six sites we evaluated.” Is the SCMC comparing its price to standard government list price, which no site ever really pays? Is SCMC comparing its price to what each site pays on its current subcontracts? If so, did the SCMC account for the differences in services rendered and the cost of those services?

As mentioned earlier, without detailed accurate data, it is impossible to really know if the SCMC’s cost savings are real or significant, or even if they are real, at what cost they come to communities around the sites. The MSC requests that the SCMC make detailed performance data available publically and enter into an ongoing open discussion regarding its results as well as methods for continuous improvement.

Specific actions that the MSC is requesting that SCMC, NNSA, and DOE take in regards to this concern:

- Identify the specific method(s) that SCMC uses to determine cost savings, including how it handles differences in scope between a local contract
- Publish SCMC’s detailed cost-saving data annually

5 Focus on Cost Savings is Inconsistent with DOE Policy and Interests

The DOE Code of Federal Regulations (CFR) Chapter 9 (10-1-11 Edition) (970.5223-3) Community Commitment section states:

It is the policy of the DOE to be a constructive partner in the geographic region in which DOE conducts its business. The basic elements of this policy include:

- (1) Recognizing the diverse interests of the region and its stakeholders,*
- (2) Engaging regional stakeholders in issues and concerns of mutual interest, and*
- (3) Recognizing that giving back to the community is a worthwhile business practice.*

Accordingly, the Contractor agrees that its business operations and performance under the contract will be consistent with the intent of the policy and elements set forth above.

The MSC fully agrees with and supports this policy. It is absolutely in DOE’s interest to support the communities in which they reside, including those communities’ economic well-being. These communities have invested significant resources in being DOE’s partners and are critical to DOE being able to successfully operate its sites in a positive way. Awarding contracts to non-local national businesses does substantial harm to DOE’s community partners and will ultimately lead to a deterioration of relationships between each DOE site and the local communities in which they reside.

Specific actions that the MSC is requesting that SCMC, NNSA, and DOE take in regards to this concern:

- When making a contract award decision, utilize a broad set of *published* criteria to determine best value to DOE, including regional community support and economic development, rather than focusing on cost savings as the primary award determination criteria



Background and Position on SCMC Enterprise Agreements

6 Readiness of Small Regional Businesses

The SCMC has awarded contracts to businesses that meet the SBA's definition of a "Small Business". However, as it applies to commodity contracts, the SBA generally classifies any business with 1,000 employees or less as a "Small Business". These "Small Businesses" that have received an SCMC contract have almost universally been on the upper end of that limit and have a national scope.

There are many more small regional businesses that have been left out. These are very small businesses, typically with less than 50 employees and below \$25,000,000 per year in revenue. They've been in business several years and may be working with an individual site (e.g. LANL) or two, but they have not expanded much beyond their local area. Unlike their larger national "Small Business" counterparts that the SCMC has typically engaged with, their processes and resources may not be completely adequate to successfully service multiple sites on a larger regional or national basis.

The SCMC has historically excluded these businesses from even bidding on SCMC contracts due to concerns about these businesses' capacity and capability to handle the work involved. The MSC agrees that the SCMC's concern in this matter is a valid concern and that many smaller regional businesses are not quite prepared to succeed in this new environment. However, rather than ignoring and excluding those businesses, the MSC believes it is in the NNSA and DOE's long-term interest to find ways to help these businesses to get up to speed. To that end, the MSC strongly encourages the NNSA and DOE to support the RDC small regional business pilot project specifically targeted at preparing and supporting these businesses. MSC will be an active participant in the program as well, providing both financial and support resources for the project.

Specific actions that the MSC is requesting that SCMC, NNSA, and DOE take in regards to this concern:

- Actively support and provide funding to the RDC pilot project for the next three years at the level requested by the RDC

7 The Impact

What is the impact on the DOE, the NNSA, each site, the business community, and the local communities that they reside in if the open issues are not addressed? Without the requested information, this is a very difficult question to answer exactly. However, the MSC can estimate the impact on the Northern New Mexico based on the actual experiences to date of and the feedback from Northern New Mexico suppliers and community organizations. Using LANL as an example, and assuming that 10 contracts are shifted from local suppliers to national SCMC suppliers over the next five years and assuming an average sales volume of \$3,000,000 per year each, the direct hit to the Northern New Mexico small regional business community will be \$30,000,000 per year. Depending on the specific contracts lost, this will translate to between 100 and 500 or more local jobs lost. The indirect financial impact of such losses on the community will be much greater, well into the hundreds of millions of dollars, further depressing the local economy when it has already been negatively impacted by the budget cuts at LANL already. This example represents just Northern New Mexico. What is the impact nationally?

To fairly determine impacts across the board, both positive and negative, it is critical that the SCMC, NNSA, DOE, and each site provide accurate and detailed data. Until such time, the MSC stands by its estimations of likely impact to the local community and its questions on the actual value achieved overall by the SCMC.



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8 About the LANL MSC

The LANL Major Subcontractors Consortium (MSC) was created in April, 2004 for the purpose of making Northern New Mexico a better place to live and work by facilitating cooperative, strategic, and leveraged economic development investments in the region by Consortium members. All LANL subcontractors awarded contracts valued at five million dollars or greater are automatically members of the Consortium. As of May 2015 there are thirty-five member companies.

The mission of the LANL Major Subcontractors Consortium is to positively impact the economy of the Northern New Mexican region through collaborative investment in qualified economic development programs and projects which will result in the diversification of Northern New Mexico's economy and reduce its dependency on federal dollars.

Based on member companies surveyed, it is estimated that the MSC collectively employs about 2,000 New Mexicans which equates to \$110 million dollars in payroll annually.

In the last five (5) years the MSC has invested over \$14 Million dollars in the northern New Mexico Region and provided over 15,000 hours of volunteer service to rural communities across the region.

9 Support

There are a number of community organizations that have officially issued statements that are consistent with one or more of the MSC's positions as represented in this paper. Please see the following documents (available at lanlmsc.org) for more information on these organizations' positions:

- State of New Mexico 51st Legislature House of Representatives – House Memorial 79 – supporting MSC and other regional organizations efforts to mitigate the impact of the SCMC system on local New Mexico businesses
- Regional Coalition of LANL Communities – Resolution dated February 21, 2014 – supporting MSC and other regional organizations efforts to mitigate the impact of the SCMC system on local New Mexico businesses
- Rio Arriba Board of County Commissioners – Resolution 2014-055 – supporting MSC and other regional organizations efforts to mitigate the impact of the SCMC system on local New Mexico businesses

10 For Further Information

For current contact information, please visit www.LANLMSC.org.



Summary of Receipts and Disbursements
Inception to date, as of 9/08/15

Beginning Cash Balance	\$ -
Receipts	
Member Contributions	\$ 699,375.00
DOE Grant Reimbursables	\$ 72,224.95
Disbursements	
Executive Director Services	\$ (503,633.16)
Legal Services	\$ (324.56)
Membership & Subscriptions	\$ (2,850.00)
Travel	\$ (23,708.94)
Other Professional Services	\$ (10,000.00)
Other Meeting Expenses	\$ (1,595.79)
Disbursements	\$ (542,112.45)
Ending Cash Balance	\$ 229,487.50

Member Contributions to Date

City of Española	\$	16,000.00
Los Alamos County	\$	585,000.00
Pubeblo of Ohkay Owingeh	\$	10,000.00
Rio Arriba County	\$	22,500.00
City of Santa Fe	\$	22,500.00
Santa Fe County	\$	28,500.00
Taos County	\$	7,875.00
Town of Taos	\$	7,000.00
	\$	<u>699,375.00</u>



Regional Coalition of LANL Communities

Meetings at a Glance – October, November, December 2015

MEETING DATE	POTENTIAL BUSINESS ITEMS	POTENTIAL BRIEFING ITEMS
October 9 th Taos County Chambers	<ul style="list-style-type: none"> • Closed session for second half of meeting to review JLH Contract • Take action on EM contract structure for local contractors. • Recap on DOE National Cleanup Workshop • Approve on 2016 calendar for meeting locations 	<u>EM-LA</u> Update from EM-LA on 1,000+ counts of mismanaged waste and way forward. <u>Contractors & EM Contracts</u> Structure of EM contracts going forward and how we go about protecting our local contractors.
November 13 th Jemez Pueblo Council Chambers	<ul style="list-style-type: none"> • Take action on approval of new NMED Consent Order Agreement • Workforce goal-setting with LANL • Recap of ED annual work review and way forward 	<u>NMED</u> Briefing on Consent Order Agreement <u>EM-LA</u> - Contracting structure for EM contracts - Danny Katzman in-depth presentation on Chromium Plume
December 11 th City of Santa Fe Council Chambers		<u>WIPP & Interim Waste Storage</u> John Heaton to discuss lobby for additional waste storage

Issues to watch:

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| <ul style="list-style-type: none"> • Life Cycle Baseline Cost • WIPP • Chromium Plume Campaign • RDX Explosives Cleanup Campaign • Other Environmental Campaign Priorities • Consent Order conclusion of 2015 and new proposal for post-2015 | <ul style="list-style-type: none"> • LANL Major Subcontractor – SCMC and procurement issues, clean up revamping efforts • Economic Development Priorities • Federal Manhattan Park Construction and Planning • DOE funding for FY16 and FY17 • REDI-Net Updates • Jobs at LANL |
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