

FY 2020 - FY 2022
DISADVANTAGED BUSINESS ENTERPRISE (DBE) PROGRAM METHODOLOGY

for

Memphis-Shelby County Airport Authority



September 2019

METHODOLOGY for Establishing the FY 2020 – FY 2022 Overall Disadvantaged Business Enterprise (DBE) Goal for:

Memphis International Airport, Memphis, Tennessee (49 CFR Part 26)

In fulfillment of the requirements of 49 CFR Part 26, the Memphis-Shelby County Airport Authority has developed a proposed Overall Goal for FY 2020 through FY 2022 FAA-AIP projects at *Memphis International Airport, Memphis, Tennessee*.

Airport Sponsor: **Memphis-Shelby County Airport Authority**

Airport: **Memphis International Airport**

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Data Source for Goal Setting: disparity study

The Airport Authority uses a disparity study to set goals. The most recent study, “*The State of Minority- and Women-Owned Business Enterprise: Evidence from Memphis*” (hereinafter, “the disparity study,”) was conducted by NERA, and was finalized on December 5, 2013. This study, while somewhat dated, is still by far the most rigorous, detailed and Airport Authority-specific source of evidence available for goal setting. The Airport Authority has already awarded the contract for its next disparity study to Colette Holt and Associates and the study process is well underway. As soon as the new study is completed, we will assess the data in that study to determine whether or not our goals should be updated based upon the new study. If such an update is warranted, we will submit a request to the FAA to revise our goals.

I. Goal Methodology: Detailed Application, Step One—DBE Base Figure

A. Amount of goal

The Airport Authority’s FY 2020-2022 overall goal for the Federal financial assistance it will expend in USDOT-assisted contracts is the following:

	<u>Overall</u>	<u>Race Neutral</u>	<u>Race Conscious</u>
Total Goal	26.21%	2.48%	23.73%
Year 1 Goal	26.24%	2.48%	23.76%
Year 2 Goal	26.63%	2.48%	24.15%
Year 3 Goal	25.82%	2.48%	23.34%

Given the amount of USDOT-assisted contracts that the Airport Authority expects to let from FY 2020-2022, which is approximately **\$174,687,354**, this means that the

Airport Authority has set a goal of expending approximately **\$45,790,090** with DBEs during this period.

B. Determination of the Market Area of the study

Memphis-Shelby County Airport Authority’s market area is the Memphis Metropolitan Statistical Area (MSA). This area was established based on the disparity study. A Master Contract/Subcontract Database was developed for the disparity study and contains information on prime contracts, associated subcontracts, and purchase orders active during 2006-2011. The disparity study found that the MSA accounts for at least 75 percent of the Airport’s aggregate contract and subcontract spending. The Memphis, TN-MS-AR MSA includes Crittenden County in Arkansas; DeSoto County, Marshall County, Tate County, and Tunica County in Mississippi; and Fayette County, Shelby County, and Tipton County in Tennessee.

C. Proposed FY 2020 – FY 2022 Projects

Based on information provided by the Airport Authority staff concerning the proposed projects for the three-year goal period a list of projects and estimated dollar amounts is shown below in Table 1.

**Table 1: FY 2020 – FY 2022 Projects
Memphis International Airport**

Fiscal Year	Projects	AIP Dollars
2020	Glycol Management Program (PH II)	\$139,065,724
2020	Runway 36R/36C Tree Clearing	\$2,822,625
2020	Airfield Signage Replacement	\$2,970,000
2020	Concourse C Demolition and Apron	\$9,692,015
2020	Electrical Infrastructure Upgrades (Switchgear)	\$3,679,110
2021	Renovations to Concourse A	\$1,897,928
2022	Taxiway Alpha Construction	\$14,559,952
Total		\$174,687,354

Source: Airport Authority staff

D. Determining Relative Availability of DBEs in Market Area, Compared to all Firms

The relative availability of DBEs in the market area, by major NAICS code, times the percent of estimated project costs in those same codes, yields a “weighted” percent of DBEs for the proposed FY 2020 – FY 2022 Projects. Relative availability of DBEs in each code was taken from the most detailed level of data (at the 6-digit code level) produced in the process of developing the disparity study and provided by the

study authors for the purpose of goal setting. The results are shown below in Tables 2a – 2g.

**Table 2a: All Firms and DBEs—Memphis International Airport
FY 2020 - Glycol Management Program (PH II)**

Trades	NAICS	%DBE Availability	NAICS Dollars	DBE Dollars
Commercial and Institutional Building Construction	236220	24.51%	\$1,148,671	\$281,539
Water and Sewer Line and Related Structures Construction	237110	25.77%	\$2,297,341	\$592,025
Oil and Gas Pipeline and Related Structures Construction (Glycol & Tanks)	237120	12.28%	\$15,315,608	\$1,880,757
Power and Communication Line and Related Structures Construction	237130	12.28%	\$765,780	\$94,038
Highway, Street, and Bridge Construction	237310	22.45%	\$49,009,947	\$11,002,733
Other Heavy and Civil Engineering Construction	237990	35.28%	\$19,144,510	\$6,754,183
Structural Steel and Precast Concrete Contractors	238120	20.42%	\$1,531,561	\$312,745
Electrical Contractors and Other Wiring Installation Contractors	238210	25.29%	\$17,995,840	\$4,551,148
Plumbing Heating, and Air-Conditioning Contractors	238220	24.38%	\$306,312	\$74,679
Other Building Equipment Contractors	238290	23.99%	\$153,156	\$36,742
Site Preparation Contractors	238910	28.79%	\$12,252,487	\$3,527,491
All Other Specialty Trade Contractors (Fencing & Sodding)	238990	25.24%	\$3,063,122	\$773,132
Construction Administration	541330	29.82%	\$13,784,048	\$4,110,403
Testing	541380	27.93%	\$2,297,341	\$641,647
Total			\$139,065,724	\$34,633,262
Weighted Base Figure			24.90%	

**Table 2b: All Firms and DBEs—Memphis International Airport
FY 2020 - Runway 36R/36C Tree Clearing**

Trades	NAICS	%DBE Availability	NAICS Dollars	DBE Dollars
Site Preparation Contractors	238910	28.79%	\$2,509,000	\$722,341
Construction Administration	541330	29.82%	\$89,607	\$26,721
Design	541340	29.82%	\$224,018	\$66,802
Total			\$2,822,625	\$815,864
Weighted Base Figure				28.90%

**Table 2c: All Firms and DBEs—Memphis International Airport
FY 2020 - Airfield Signage Replacement**

Trades	NAICS	%DBE Availability	NAICS Dollars	DBE Dollars
Electrical Contractors and Other Wiring Installation Contractors	238210	25.29%	\$2,385,000	\$603,167
Construction Administration	541330	29.82%	\$270,000	\$80,514
Design	541340	29.82%	\$315,000	\$93,933
Total			\$2,970,000	\$777,614
Weighted Base Figure				26.18%

**Table 2d: All Firms and DBEs—Memphis International Airport
FY 2020 - Concourse C Demolition and Apron**

Trades	NAICS	%DBE Availability	NAICS Dollars	DBE Dollars
Water and Sewer Line and Related Structures Construction	237110	25.77%	\$452,898	\$116,712
Oil and Gas Pipeline and Related Structures Construction (Glycol & Tanks)	237120	12.28%	\$905,796	\$111,232
Highway, Street, and Bridge Construction	237310	22.45%	\$4,076,081	\$915,080
Site Preparation Contractors	238910	28.79%	\$1,811,592	\$521,557
Construction Administration	541330	29.82%	\$996,375	\$297,119
Design	541340	29.82%	\$905,796	\$270,108
Testing	541380	27.93%	\$543,477	\$151,793
Total			\$9,692,015	\$2,383,602
Weighted Base Figure				24.59%

**Table 2e: All Firms and DBEs—Memphis International Airport
FY 2020 - Electrical Infrastructure Upgrades (Switchgear)**

Trades	NAICS	%DBE Availability	NAICS Dollars	DBE Dollars
Electrical Contractors and Other Wiring Installation Contractors	238210	25.29%	\$2,906,951	\$735,168
Construction Administration	541330	29.82%	\$363,369	\$108,357
Design	541340	29.82%	\$408,790	\$121,901
Total			\$3,679,110	\$965,426
Weighted Base Figure				26.24%

**Table 2f: All Firms and DBEs—Memphis International Airport
FY 2021 - Renovations to Concourse A**

Trades	NAICS	%DBE Availability	NAICS Dollars	DBE Dollars
Commercial and Institutional Building Construction	236220	24.51%	\$1,446,040	\$354,424
Construction Administration	541330	29.82%	\$180,755	\$53,901
Design	541340	29.82%	\$271,133	\$80,852
Total			\$1,897,928	\$489,177
Weighted Base Figure				25.77%

**Table 2g: All Firms and DBEs—Memphis International Airport
FY 2022 - Taxiway Alpha Construction**

Trades	NAICS	%DBE Availability	NAICS Dollars	DBE Dollars
Highway, Street, and Bridge Construction	237310	22.45%	\$10,785,150	\$2,421,266
Electrical Contractors and Other Wiring Installation Contractors	238210	28.79%	\$1,797,525	\$517,507
Construction Administration	541330	29.82%	\$1,438,020	\$428,818
Testing	541380	27.93%	\$539,257	\$150,615
Total			\$14,559,952	\$3,518,206
Weighted Base Figure				24.16%

SOURCES:

1. "The State of Minority- and Women-Owned Business Enterprise: Evidence from Memphis", NERA, December 5, 2013.
2. Memphis-Shelby County Airport Authority.

E. Calculating the DBE Base Figure

The Step 1 DBE Base Figure for each project was derived by multiplying the dollars for each trade by the percentage of relevant DBE firms to all relevant firms. The total DBE goal in dollars was divided by the total project costs to derive the step 1 goals.

The Step 1 DBE Base Figures for the Airport Authority are as follows:

Fiscal Year	Project	Step 1
2020	Glycol Management Program (PH II)	24.90%
2020	Runway 36R/36C Tree Clearing	28.90%
2020	Airfield Signage Replacement	26.18%
2020	Concourse C Demolition and Apron	24.59%
2020	Electrical Infrastructure Upgrades (Switchgear)	26.24%
2021	Renovations to Concourse A	25.77%
2022	Taxiway Alpha Construction	24.16%

II. Adjustments to the DBE Base Figure:

After the DBE Base Figure has been developed, the regulations (49 CFR Part 26) *require* that:

“...additional evidence in the sponsor’s jurisdiction be considered to determine what adjustment, if any, is needed to the base figure in order to arrive at your overall goal” (26:45(d)).

A. Adjustment Factors to Consider

The regulations further state that there are many types of evidence that must be considered when adjusting the base figure. These include:

The current capacity of DBEs to perform work in your DOT-assisted contracting program, as measured by the volume of work DBEs have performed in recent years (49 CFR Part 26:45dii).

The historical overall utilization at the Airport in recent years was examined relative to the above consideration. The chart below, presents past utilization of DBEs in Authority contracting for the years 2014 through 2018. The median of these participation levels is 27.48 and we will use that figure to adjust our goals as set forth in Table 4.

Table 3: DBE Accomplishment at MSCAA

Report Period	DBE Goal	DBE Percentage Achieved	Achieved Over/Under
FY 2014	26.00%	18.70%	-7.30%
FY 2015	25.00%	27.48%	2.48%
FY 2016	26.00%	37.00%	11.00%
FY 2017	26.81%	42.33%	15.52%
FY 2018	26.81%	10.20%	-16.61%
Median	26.00%	27.48%	2.48%

Source: Uniform Report of DBE Commitments/Awards and Payments

B. Consultation

1. Evidence from Disparity Studies

The Airport Authority commissioned NERA to conduct a disparity study which was completed in 2013. The disparity study found both statistical and anecdotal evidence of business discrimination against M/W/DBEs in the Memphis area marketplace. The disparity study was particularly useful in establishing this year's goal as it provided information that was used to determine availability in step one and utilization in the step two adjustment.(See Tables 2a-2g and Table 3 above.)

2. Consultation with Stakeholders

The Airport held a public meeting on September 5, 2019. The purpose of the meeting was to solicit information from interested stakeholders about the draft goal, as well as the availability of potential DBEs at the Airport, the effects of discrimination on opportunities for DBEs, and the Airport Authority's effort to increase DBE participation. Please see Appendix B for the attendee list and consultation meeting notes.

C. Adjustment to DBE Base Figure: Memphis International Airport

With the adjustment factors considered to this point, the Airport Authority will adjust the Step 1 base figures as calculated above by adding the annual accomplishment factor derived in Table 3 above (27.48%) to the base figures, and averaging the total, for an adjusted overall DBE goal.

**Table 4: Memphis International Airport
FY 2020 – FY 2022 Overall Goal**

Fiscal Year	Project	Step 1	Step 2 adjustment	Overall Goal	AIP Dollars	DBE Goal (dollars)
FY 2020	Glycol Management Program (PH II)	24.90%	27.48%	26.19%	\$139,065,724	\$36,421,313
	Runway 36R/36C Tree Clearing	28.90%	27.48%	28.19%	\$2,822,625	\$795,698
	Airfield Signage Replacement	26.18%	27.48%	26.83%	\$2,970,000	\$796,851
	Concourse C Demolition and Apron	24.59%	27.48%	26.04%	\$9,692,015	\$2,523,316
	Electrical Infrastructure Upgrades (Switchgear)	26.24%	27.48%	26.86%	\$3,679,110	\$988,209
FY 2020 Total				26.24%	\$158,229,474	\$41,525,387
FY 2021	Renovations to Concourse A	25.77%	27.48%	26.63%	\$1,897,928	\$505,323
FY 2021 Total				26.63%	\$1,897,928	\$505,323
FY 2022	Taxiway Alpha Construction	24.16%	27.48%	25.82%	\$14,559,952	\$3,759,380
FY 2022 Total				25.82%	\$14,559,952	\$3,759,380
FY 2019 - FY 2021 Overall Goal				26.21%	\$174,687,354	\$45,790,090

The total DBE goal in dollars was divided by the total federal portion of project costs to derive the overall DBE goal of 26.21% for FY 2020-FY 2022.

$$\text{\$45,790,090} / \text{\$174,687,354} = \text{26.21\% (Overall Goal)}$$

III. Process

The Memphis Shelby County Airport Authority will normally submit its overall goal to the FAA on August 1 of each goal year. Before establishing the overall goal this year, the Airport Authority consulted with minority, women's and general contractor groups, community organizations, and other officials or organizations to obtain information concerning the availability of disadvantaged and non-disadvantaged businesses, the effects of discrimination on opportunities for DBEs, and the Airport Authority's efforts to establish a level playing field for the participation of DBEs.

Following this consultation, the Airport Authority published a notice of the proposed overall goal, informing the public that the proposed goal and its rationale were available for review and comment during normal business hours at the Airport's

administrative office for 30 days following the date of the notice. The notice was published on the Airport Authority's website, in the Commercial Appeal, The Daily News, La Prensa Latina and the Tri-State Defender newspapers. The notice included addresses (including offices) to which comments could be sent and addresses where the proposal could be reviewed. This process was used to establish the goal for FY 2020 – FY 2022.

The Airport Authority's overall goal submission to the FAA includes a summary of information and comments received during this public participation process.

The Airport Authority begins using the overall goal on October 1 of each goal year, unless the Airport Authority has received other instructions from USDOT/FAA (or, if the goal is established on a project basis) by the time of the first solicitation for a USDOT/FAA-assisted contract for the projects.

IV. Breakout of Estimated Race-Neutral/Race-Conscious Participation

The Airport Authority will meet the maximum feasible portion of its overall goal by using race-neutral means of facilitating DBE participation. The Airport Authority will use a combination of the following race-neutral means to increase DBE participation:

- 1. Arranging solicitations, times for the presentation of bids, quantities, specifications, and delivery schedules in ways that facilitate DBE, and other small businesses participation (e.g., unbundling large contracts to make them more accessible to small businesses, encouraging prime contractors to subcontract portions of work that they might otherwise perform with their own forces);*
- 2. Disseminating information communications on contracting procedures and specific contract opportunities (e.g., ensuring the inclusion of DBEs, and other small businesses, on recipient mailing lists for bidders, ensuring the dissemination to bidders on prime contracts of lists of potential subcontractors).*
- 3. Providing technical assistance and other services.*
- 4. Ensuring that prime contractors are aware of and know how to obtain the approved DBE listing from the Uniform Certification Agency (UCA), and other agencies, which maintain DBE directories.*

The Airport Authority estimates that, in meeting its overall goal of **26.67%**, that it will obtain **2.48%** from race-neutral participation and **24.19%** through race-conscious (contract goals) measures. The reason for this breakout is that the projects from the previous years show that the median amount by which the past DBE goals were over-achieved is **2.48%** (see **Table 3**).

The Authority will adjust the estimated breakout of race-neutral and race-conscious participation as needed to reflect actual DBE participation (26.51(f)) and it will track and report race-neutral and race-conscious participation separately. For reporting purposes, race-neutral DBE participation includes, but is not necessarily limited to, the following: DBE participation through a prime contract a DBE obtains through customary competitive procurement procedures; DBE participation through a subcontract on a prime contract that does not carry a DBE goal; DBE participation on a prime contract exceeding a contract goal.

V. Contract Goals

The Airport Authority will use contract goals to meet any portion of the overall goal that it does not project being able to meet using race-neutral means. Contract goals are established so that, over the period to which the overall goal applies, they will cumulatively result in meeting any portion of our overall goal that is not projected to be met through the use of race-neutral means.

The Airport Authority will establish contract goals only on those DOT-assisted contracts that have subcontracting possibilities. The Airport Authority need not establish a contract goal on every such contract, and the size of contract goals will be adapted to the circumstances of each such contract (e.g., type and location of work, availability of DBEs to perform the particular type of work).

The Airport Authority will express its contract goals as a percentage of the federal share of a DOT-assisted contract.

**Resources: Memphis International Airport FY 2020 - FY 2022
Disadvantaged Business Enterprise Program Methodology**

A. Resource Documents:

1. *"The State of Minority- and Women-Owned Business Enterprise: Evidence from Memphis"*, NERA, December 5, 2013.
2. Uniform Report of DBE Commitments/Awards and Payments.
3. Memphis-Shelby County Airport Authority, Airport Capital Improvements Plan.