

Memphis Shelby County Airport Authority

FY 2021-2023 Airport Concession DBE Goal Methodology
(Non-Car rental Concessions)
for



Memphis, TN

With Assistance From



Ken Weeden & Associates, Inc.

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METHODOLOGY for Establishing the FY 2021 – FY 2023 Airport Concession Disadvantaged Business Enterprise (ACDBE) Goal for:

Memphis International Airport, Memphis, TN (49 CFR Part 23)

In fulfillment of the requirements of 49 CFR Part 23, the Memphis Shelby County Airport Authority (MSCAA) has developed a proposed Overall Goal for FY 2021 – FY 2023 for Non-car rental concessions at Memphis International Airport.

General Information:

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

Airport: **Memphis International Airport**

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I. Amount of Goal

The Memphis International Airport’s overall non-car rental goal for the period beginning October 1, 2020 and ending September 30, 2023 is the following:

Overall Goal:	<u>21.61%</u>
Race-Neutral:	<u>0.39%</u>
Race-Conscious:	<u>21.22%</u>

The goal is based on the total gross receipts for concessions at the Airport. The following are not included in the total gross receipts for concessions: (a) the gross receipts of car rental operations, (b) the dollar amount of a management contract or subcontract with a non-ACDBE, (c) the gross receipts of business activities to which a management contract or subcontract with a non-ACDBE pertains, and (d) any portion of a firm’s estimated gross receipts that will not be generated from a concession.

There are new non-car rental concession opportunities anticipated for this time period. If additional non-car rental concession opportunities arise prior to the end of this goal period and the estimated average of annual gross revenues is anticipated to be \$200,000 or greater, the Airport will submit an appropriate adjustment to the overall goal. This will be submitted to FAA for approval at least 90 days before issuing the solicitation for the new concession opportunity (23.45(i)).

Table 1: Non-Car rental Lease Dates

Concession Type	Lease start	Lease end
Food & Beverage	9/1/2005	9/30/2020
Retail	4/15/2004	9/30/2020
Taxi/Limos	10/16/2015	6/30/2018
Banking (ATMs)	12/18/2016	12/1/2017
Shoe shine	8/1/2012	MTM
Vending	10/21/2005	MTM

Note: Concessions that are shaded have established concession specific goals.

A. Projected Concessions Opportunities: October 1, 2020 - September 30, 2023

ACDBE opportunity for the 3-year period will be the total gross receipts by non-car rental concession operations at the Airport during the goal period.

Airline traffic has been significantly impacted by COVID – 19. At the low point, April 2020 enplanements were approximately 5% of the previous year’s enplanements. As of January 2021 enplanements have recovered to approximately 44% of previous years’ enplanements.

The International Airport Transport Association forecast shows that global passenger traffic will not return to pre-COVID-19 pandemic levels until 2024. Using a somewhat even recovery, FY 2021 enplanement levels would be 44%, FY 2022 would be 62% and FY 2023 would be 80% of FY 2019. Assuming revenue will correlate with enplanements the 3-year revenue revenues will be as reflected in the Table 2 as the above percentages of FY 2019 revenue **\$22,815,190**.

In accordance with the Airport’s Long Term Exclusive agreement the Airport’s intent is to phase its concession expansion based on revenue growth

Table 2: FY 2021 – FY 2023 Projected Gross Receipts

Fiscal Year	Gross Receipts
FY 2021	\$10,038,684
FY 2022	\$14,145,418
FY 2023	\$18,252,152
Total	\$42,436,253

B. Determination of Market area

MSCAA’s 2013 disparity study, “The State of Minority-and Women-Owned Business Enterprise: Evidence from Memphis” was used to determine the Airport’s market area. Market area is defined in the ACDBE regulations by the geographical area from which the substantial majority of firms seeking to do concessions business with MSCAA are located, as well as the area in which firms that receive the substantial majority of concessions-related revenues are located. 49 C.F.R. § 23.51(b)(3).

The 2013 Disparity Study defined MSCAA’s geographic market area as the Memphis MSA market area based upon the location of 75% or more of the airport’s overall business activity.

Table 3: Non-Car rental market area

Market Area
Memphis MSA

II. Methodology used to Calculate Overall Goal

A. Goods and Services

The Airport can meet the percentage goal by including the purchase of goods and services used in business at the Airport from ACDBEs. The dollar value from purchases of goods and services from ACDBEs may be added to the numerator, and the dollar value from purchases of goods and services from all firms (ACDBEs and non-ACDBEs) may be added to the denominator.

B. Management Contract or Subcontract

The Airport can meet the percentage goal by including any business operated through a management contract or subcontract with an ACDBE. The Airport, and the businesses at the Airport, will add the dollar amount of a management contract or subcontract with an ACDBE to the total participation by ACDBEs in airport concessions (both the numerator AND the denominator) and to the base from which the Airport’s percentage goal is calculated. However, the dollar amount of a management contract or subcontract with a non-ACDBE and the gross revenue of business activities to which the management contract or subcontract pertains will not be added to this base in either the numerator or denominator.

C. Step 1: 23:51(c)

The Airport determined the base figure for the relative availability of non-car rental ACDBEs. The base figure was calculated as follows:

The Step 1 DBE Base Figure was determined by dividing the number of ACDBE firms available by the total number of firms available to determine the relative availability of ACDBEs as indicated in **Table 3** below.

Concessions that are shaded have established concession specific goals. The current ACDBE concession specific goal is used as relative availability for concessions these concessions.

Table 4: Determination of Relative Availability of ACDBEs

Concession Type	All Firms	DBE Firms	Availability	Projected Gross receipts	Weight
Food & Beverage	1,843	9	21.0%	\$15,224,761	\$3,197,200
Retail	370	4	21.0%	\$10,318,903	\$2,166,970
Taxi/Limos	4	1	25.0%	\$70,474	\$17,619
Banking (ATMs)	417	0	0.0%	\$228,750	\$0
Shoeshine	30	7	23.3%	\$0	\$0
Vending	26	2	7.7%	\$0	\$0
Total				\$25,842,888	\$5,381,788
Step 1					20.83%

- Sources:
1. Arkansas UCP DBE Directory, January 2020.
 2. Mississippi UCP DBE Directory, January 2020.
 3. Tennessee UCP DBE Directory, January 2020.
 4. 2018 County Business Patterns, US Census Bureau.

D. Step 2: 23.51(d)

After calculating a base figure of the relative availability of ACDBEs, the Airport examined evidence to determine whether or not the base figure needs to be adjusted in order to arrive at the overall goal.

The data used to determine the adjustment to the base figure was:

1. **Past participation** – The Airport evaluated the current capacity of ACDBEs to perform work in non-car rental concessions programs by measuring the volume of work ACDBEs have performed in the past. Notice the previous accomplishments in the table below.

Table 5: Memphis International Airport ACDBE Accomplishments FY 2017 - FY 2019

Year	Goal	Accomplishment	Over/Under
FY 2017	27.50%	21.44%	-6.06%
FY 2018	21.00%	28.37%	7.37%
FY 2019	22.00%	22.39%	0.39%
Median	22.00%	22.39%	0.39%

Source: ACDBE Accomplishment Reports, Memphis International Airport (FY 2017-2019)

2. **Disparity Study**

MSCAA's 2013 disparity study, "The State of Minority-and Women-Owned Business Enterprise: Evidence from Memphis" was used to determine the Airport's market area. MSCAA is currently in the process of developing a new disparity which was not available at the time of goal setting. MSCAA's 2013 disparity study was not used in goal setting due to the age of the data.

E. Adjustment of the Step 1 Base Figure

The Airport will adjust the base figure with the median past participation indicated in table 4. In order to reflect as accurately as possible the ACDBE participation the Airport would expect in the absence of discrimination, the Aviation Authority has adjusted the base figure of **20.83%** upward by 0.78 points. The overall goal for non-car rental concessions is **21.61%**.

The step 1 goal of **20.83%** was averaged with the median past participation of **22.39%** for a non-car rental concessions goal of **21.61%**.

III. Consultation with Stakeholders (23.43)

As a recipient of federal funds, the Airport is required to consult with stakeholders prior to the submission of its ACDBE goals.

Before establishing the ACDBE non-car rental goal, the Airport consulted with stakeholders in its concession program to obtain information concerning the availability of disadvantaged and non-disadvantaged businesses, the effects of discrimination on opportunities for ACDBEs, and the Airport's efforts to establish a level playing field for the participation of ACDBEs.

The Airport held a public meeting on March **25, 2021**, where stakeholders were given an overview of both the non-car rental ACDBE program and car rental ACDBE program, and given an opportunity to comment on the goal methodologies of both. A summary of the meeting, as well as comments and the attendee list are included herein as **Appendix A**.

Breakout of Estimated Race-Neutral & Race-Conscious Participation **Section 23.51**

The Airport will meet the maximum feasible portion of its overall goal by using race-neutral means of facilitating ACDBE participation. The Airport will use the race-neutral measures listed below to increase ACDBE participation. The Airport understands that it will be expected to actually take these steps, and this is not merely a paper exercise.

1. Locating and identifying ACDBEs and other small businesses who may be interested in participating as concessionaires under 49 CFR Part 23;
2. Notifying ACDBEs of concession opportunities and encouraging them to compete, when appropriate;
3. When practical, structuring concession activities so as to encourage and facilitate the participation of ACDBEs;
4. Providing technical assistance to ACDBEs in overcoming limitations.
5. Ensuring that competitors for concession opportunities are informed during pre-solicitation meetings about how the sponsor's ACDBE program will affect the procurement process;
6. Providing information concerning the availability of ACDBE firms to competitors to assist them in obtaining ACDBE participation.

The Airport proposes a race-conscious goal of 21.22% and a race-neutral goal of 0.39%, for a total of 21.61%. The reason for this projected split is that the median amount by which the Airport over-achieved its goals over the preceding three (3) year period as shown in Table 4 is 0.39%.

If the Airport projects that race-neutral measures, standing alone, are not sufficient to meet an overall goal, it will use the following race-conscious measures to meet the overall goal:

1. Establish concession-specific goals for particular concession opportunities;
2. Negotiate with potential concessionaires to include ACDBE participation through direct ownership arrangements or measures, in the operation of the concession; and
3. Utilize, with prior FAA approval, other methods that take a competitor's ability to provide ACDBE participation into account in awarding a concession.

In order to ensure that the ACDBE program will be narrowly tailored to overcome the effects of discrimination, if the Airport uses concession-specific goals, it will adjust the estimated breakout of race-neutral and race-conscious participation as needed to reflect actual ACDBE participation (see 26.51(f)) and the Airport will track and report race-neutral and race conscious participation separately. For reporting purposes, race-neutral ACDBE participation includes, but is not necessarily limited to the following: ACDBE participation through a prime contract that an ACDBE obtains through customary competitive procurement procedures, ACDBE participation through a subcontract on a prime contract that does not carry ACDBE goals; ACDBE participation on a prime contract exceeding a concession specific goal; and ACDBE participation through a subcontract from a prime contractor that did not consider a firm's ACDBE status in making the award.

The Airport will maintain data separately on ACDBE achievements in those contracts with and without concession-specific goals, respectively.

Resources: Memphis International Airport FY 2021 - 2023 Airport Concession DBE Program Methodology (Non-Car rental Concessions)

Resource Documents:

1. MSCAA's 2013 disparity study, "The State of Minority-and Women-Owned Business Enterprise: Evidence from Memphis".
2. Uniform Report of ACDBE Participation.
3. Arkansas UCP DBE Directory, January 2021.
4. Mississippi UCP DBE Directory, January 2021.
5. Tennessee UCP DBE Directory, January 2021.