

FY 2017 - FY 2019
DISADVANTAGED BUSINESS ENTERPRISE (DBE) PROGRAM METHODOLOGY
for

Memphis-Shelby County Airport Authority



Memphis International Airport
Memphis, Tennessee

July 2016

METHODOLOGY for Establishing the FY 2017 – FY 2019 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 2017 through FY 2019 FAA-AIP projects at *Memphis International Airport, Memphis, Tennessee*.

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

A. Amount of goal

The Memphis-Shelby County Airport Authority's overall goal for FY 2017 –FY 2019 is the following: **26.81%** of the Federal financial assistance we will expend in DOT-assisted contracts for the Airport.

Given the amount of DOT-assisted contracts that the Airport Authority expects to let during this three year goal period, which is **\$219,930,700**, this means that the Airport Authority has set a goal of expending **\$58,963,421** with DBEs during this goal 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 a 2013 disparity study *"The State of Minority- and Women-Owned Business Enterprise: Evidence from Memphis"*, NERA, December 5, 2013 commissioned by the Memphis Shelby County Airport Authority. A Master Contract/Subcontract Database was developed for the 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 2017 – FY 2019 Projects

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

**Table 1: NAICS Codes and dollars for proposed
FY 2017 – FY 2019 Projects
Memphis International Airport**

NAICS Code	Total Cost	NAICS Title
236220	\$33,000,000	Commercial and Institutional Building Construction
237110	\$4,328,149	Water and Sewer Line and Related Structures Construction
237310	\$43,281,490	Highway, Street, and Bridge Construction
237990	\$1,260,000	Other Heavy and Civil Engineering Construction
238110	\$18,000,000	Poured Concrete Foundation and Structure Contractors
238150	\$4,500,000	Glass and Glazing Contractors
238160	\$7,800,000	Roofing Contractors
238210	\$23,394,921	Electrical Contractors and Other Wiring Installation Contractors
238220	\$19,500,000	Plumbing, Heating, and Air-Conditioning Contractors
238350	\$21,000,000	Finish Carpentry Contractors
238910	\$24,537,991	Site Preparation Contractors
238990	\$13,328,149	All Other Specialty Trade Contractors
323119	\$360,000	Other Commercial Printing
541330	\$3,600,000	Engineering Services
541611	\$1,140,000	Administrative Management and General Management Consulting Services
541618	\$600,000	Other Management Consulting Services
541890	\$300,000	Other Services Related to Advertising
Total	\$219,930,700	

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 2017 – FY 2019 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 Table 2.

Table 2: All Firms and DBEs—Memphis International Airport by Relevant NAICS Codes for FY 2017- FY 2019 Projects

NAICS CODES	% Availability of DBEs	% of estimated total expended	Weighted Total Availability
236220	24.51%	15.00%	3.68%
237110	25.77%	1.97%	0.51%
237310	22.45%	19.68%	4.42%
237990	35.28%	0.57%	0.20%
238110	29.19%	8.18%	2.39%
238150	25.17%	2.05%	0.52%
238160	26.03%	3.55%	0.00%
238210	25.29%	10.64%	2.69%
238220	24.38%	8.87%	2.16%
238350	22.00%	9.55%	2.10%
238910	28.79%	11.16%	3.21%
238990	25.24%	6.06%	1.53%
323119	39.48%	0.16%	0.06%
541330	29.82%	1.64%	0.49%
541611	35.32%	0.52%	0.18%
541618	35.23%	0.27%	0.10%
541890	45.57%	0.14%	0.06%
Weighted Step 1 DBE Base Figure			25.22%

SOURCES:

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

Calculating the DBE Base Figure

The Step 1 DBE Base Figure was derived by using a weighting process by which the percentage of dollars to be spent on various activities (represented by NAICS codes) were multiplied by the percentage of ready, willing and able DBE firms to all relevant firms as indicated in **Table 2** above.

The Step 1 DBE Base Figure for the Memphis International Airport is 25.22%.

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, taken from the disparity study shows M/W/DBE utilization at the Airport for the period 2006 to 2011. The overall M/W/DBE utilization for the period as shown below for Memphis International Airport is **28.40%**.

Table 3: M/W/DBE Utilization at MSCAA

M/W/DBE Type	Procurement				
	Construction	AE-CRS	Services	CSE	Overall
	n	(%)	(%)	(%)	(%)
African American	9.84	10.88	8.61	0.00	9.82
Hispanic	0.04	0.00	17.35	0.00	0.16
Asian/Pacific	0.37	7.68	5.78	0.00	1.43
Native American	7.70	0.00	0.00	0.00	6.44
Minority Total	17.95	18.56	31.73	0.00	17.86
Nonminority female	11.23	7.59	1.29	4.29	10.54
M/W/DBE Total	29.18	26.15	33.02	4.29	28.40
Non-M/W/DBE Total	70.82	73.85	66.98	95.71	71.60
Total (%)	100.00	100.00	100.00	100.00	100.00
Total(\$)	273,004,203	45,810,443	2,308,524	5,003,76	326,126,931

SOURCE:

1. *"The State of Minority- and Women-Owned Business Enterprise: Evidence from Memphis"*, NERA, December 5, 2013. Table 6.3. M/W/DBE Utilization at MSCAA (Federally-Assisted Contracts) (Dollars Awarded).

B. Consultation

1. Evidence from Disparity Studies

The Airport Authority recently 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 Table 2 and Table 3 above.)

2. Consultation with Stakeholders

The Airport held a public meeting on July 21, 2016. 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 comments.

C. Adjustment to DBE Base Figure: Memphis International Airport

With all of the factors in the methodology considered to this point, the Airport Authority will adjust the DBE Base Figure of **25.22%**, by adding the overall M/W/DBE utilization for the years 2006 to 2011, which was shown in Table 3 above, i.e., **28.40%** to the baseline = **53.62%** and averaging the total, for an adjusted overall goal of **26.81%**.

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 2017 – FY 2019.

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 Authority estimates that, in meeting its overall goal of **26.35%**, that it will obtain **2.48%** from race-neutral participation and **23.87%** 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 4 below**). Therefore, it is projected that 2.48% of the adjusted goal will be achieved using race-neutral means. The remainder of the goal (23.87%) is projected to be achieved using race-conscious measures.

**Table 4: Memphis International Airport DBE Accomplishment
FY 2011 – FY 2015**

<i>Report Period</i>	<i>Approved DBE Goal</i>	<i>DBE Achievement</i>	<i>Over/Under Achievement</i>
FY 2011	23.17%	46.89%	23.72%
FY 2012	23.17%	29.78%	6.61%
FY 2013	23.17%	24.29%	1.12%
FY 2014	26.00%	18.70%	-7.30%
FY 2015	25.00%	27.48%	2.48%
Median	23.17%	27.48%	2.48%

Source: Airport Authority Staff; compiled by Ken Weeden & Associates, Inc.

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; and DBE participation through a subcontract from a prime contractor that did not consider a firm's DBE status in making the award.

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 2017 - FY 2019
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.