

Memphis Shelby County Airport Authority

FY 2018-2020 Airport Concession DBE Goal Methodology
(Non-Car Rental Concessions)
for



Memphis, TN

With Assistance From



Ken Weeden & Associates, Inc.

October 2017

METHODOLOGY for Establishing the FY 2018 – FY 2020 Airport Non Car Rental 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 2018 – FY 2020 for Non-Car Rental concessions at Memphis International Airport.

General Information:

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

Airport: **Memphis International Airport**

ACDBELO: Joe Claiborne, Sr. Manager of Business Diversity Development
2491 Winchester Road, Suite 113
Memphis, TN 38116-3856
P: 901-922-2556
F: 901-922-2560
JClaiborne@flymemphis.com

I. Amount of Goal

The Memphis International Airport’s overall non-car rental goal for the period beginning October 1, 2017 and ending September 30, 2020 is the following:

Overall Goal:	<u>21.0%</u>
Race-Neutral:	<u>0.0%</u>
Race-Conscious:	<u>21.0%</u>

The goal is based on the total gross receipts for concessions at MSCAA. 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 no 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, MSCAA will submit an appropriate adjustment to the overall goal. This will be submitted to Federal Aviation Administration 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
Kiosks	10/26/2015	6/30/2018
Taxi/Limos	10/16/2015	6/30/2018
Foreign Currency	12/18/2016	12/1/2017
Shoe shine	8/1/2012	MTM
Vending	10/21/2005	MTM

Note: Concessions that are shaded do not have new opportunities.

A. Projected Concessions Opportunities: October 1, 2017 - September 30, 2020

ACDBE opportunities for the 3-year period will be the projected gross receipts in Table 2 below. The projected revenues represent a 3 % increase from the FY 2014 – FY 2016 gross receipts. Concessions shaded in Table 2 do not have new opportunities during the goal period.

Table 2: FY 2018 – FY 2020 Projected Gross Receipts

Concession Type	FY 14-16 Gross Receipts	FY 18-20 Projected Gross Receipts
Food & Beverage	\$27,143,698	\$27,958,009
Retail	\$18,519,319	\$19,074,898
Kiosks	\$282,984	\$291,473
Taxi/Limos	\$510,914	\$526,241
Foreign Currency	\$2,637,560	\$2,716,687
Shoe shine	\$71,422	\$73,565
Vending	\$246,138	\$253,522
Total	\$49,412,035	\$50,894,396

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 MSCAA’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 MSCAA’s overall business activity.

Sources: 1. Mscaa’s 2013 Disparity Study. Executive Summary Page 4

Table 3: Non-Car rental market area

Market Area
Memphis MSA

II. Methodology used to Calculate Overall Goal

A. Goods and Services

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

B. Management Contract or Subcontract

MSCAA can meet the percentage goal by including any business operated through a management contract or subcontract with an ACDBE. MSCAA, 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 MSCAA’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)

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

The relative availability of ACDBEs in the market area, by major NAICS code, times the percent of estimated gross receipts in those same codes, yields a “weighted” percent of ACDBEs for the proposed FY 2018 – FY 2020 Goal. Relative availability of ACDBEs 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 4.

Concessions that are shaded do not have new opportunities during the goal period. The current ACDBE concession specific goal is used as relative availability for concessions that do not have opportunities.

Table 4: Determination of Relative Availability of ACDBEs

Concession Type	Contract Start Date	Contract End Date	Availability	Percent of receipts	Weight
Food & Beverage	9/1/2005	9/30/2020	23.0%	54.9%	12.6%
Retail	4/15/2004	9/30/2020	18.0%	37.5%	6.7%
Kiosks	10/26/2015	6/30/2018	33.41%	0.6%	0.2%
Taxi/Limos	10/16/2015	6/30/2018	31.5%	1.0%	0.3%
Foreign Currency	12/18/2016	12/1/2017	16.14%	5.3%	0.9%
Shoe shine	8/1/2012	MTM	43.58%	0.1%	0.1%
Vending	10/21/2005	MTM	43.58%	0.5%	0.2%
Step 1 Base Figure					21.0%

Sources:

1. MSCAA’s 2013 disparity study, “The State of Minority-and Women-Owned Business Enterprise: Evidence from Memphis”.

D. Step 2: 23.51(d)

After calculating a base figure of the relative availability of ACDBEs, MSCAA 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** – MSCAA 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 2014 - FY 2016

Year	Goal	Accomplishment	Over/Under
FY 2014	27.49%	22.19%	-5.30%
FY 2015	27.50%	24.98%	-2.52%
FY 2016	27.50%	25.16%	-2.34%
Median	27.50%	24.98%	-2.52%

Source: ACDBE Accomplishment Reports, Memphis International Airport (FY 2014-2016)

2. **Disparity Study**

MSCAA's own disparity study constitutes the primary foundation for MSCAA's goal by supplying our Step One base figure. Still, the ACDBE rules encourage us to consider whether other studies in MSCAA's market area have additional information that may bear on goal-setting. The City of Memphis completed its most recent disparity study in 2010. Unfortunately the work procured by a city government differs significantly from the work involved in airport concessions (and especially in the car rental context) and so it would be ill-advised to attempt to use the City of Memphis study to directly adjust MSCAA's goals. Still, it is useful to note that while the study for the City of Memphis was performed by a different company, with a different principal investigator, during a different time period, it too found extensive evidence consistent with discrimination against minority and women owned businesses.

E. Adjustment of the Step 1 Base Figure

MSCAA will not adjust the base figure with the median past participation indicated in table 5. There are no new opportunities for Food and Beverage and Retail concessions. These two concessions represent 92.4% of the FY 2018 – FY 2020 projected gross receipts. Due to there being no new opportunities for these concessions the participation percentage is mostly locked in for the FY 2018 – FY 2020 goal period.

III. Consultation with Stakeholders (23.43)

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

Before establishing the ACDBE non-car rental goal, MSCAA 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 MSCAA's efforts to establish a level playing field for the participation of ACDBEs.

MSCAA held a public meeting on **August 23, 2017**, 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

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

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

MSCAA proposes a race-conscious goal of 20.0% and a race-neutral goal of 1.0%, for a total of 21.0%. It is true that the median amount by which MSCAA under-achieved its goals over the preceding three (3) year period as shown in Table 4 is 2.52%. Notwithstanding this fact, our calculations for the next three year period indicate a somewhat lower goal than for the previous three years and we are hoping that may give us the opportunity to increase our race neutral efforts. In addition, the Authority believes that it is crucial to encourage race neutral achievement and we feel that setting this goal will assist us in continuing our efforts in this area.

If MSCAA 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 MSCAA 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 MSCAA 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.

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

Resources: Memphis International Airport FY 2018 - 2020 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.

Appendix A: Stakeholder Meeting -August 23, 2017 10:30 a.m., for both Non-Car Rental Concessions, followed by Car-Rental Concessions. (Combined Stakeholder Meetings), for FY 2018-2020

Attendees: Not counting Consultants and Staff (27, and one Call-in, for total of 28). Sign-In Sheets attached.

Summary of Meeting: The stakeholder meeting was opened by **Joe Claiborne**, Senior Manager of Business Diversity Development for the Memphis-Shelby County Airports Authority. Mr. Claiborne gave a brief purpose statement for both stakeholder meetings to follow, in reference to the ACDBE program and the required 3-year updates, prior to submission to the FAA. He briefly described the functions and responsibilities of his Business Diversity team and introduced his staff members to the attendees. Mr. Claiborne further stated that the majority of opportunities for concessions would not come until after the end of the new three-year planning period (2018-2020). However, new opportunities were definitely expected to be generated as part of the Memphis International Airport's upcoming master redevelopment plan. A brief power point slide show was presented which showed an overview of the new redevelopment plan for MSCAA.

After all introductions Mr. Claiborne introduced Kenneth Weeden, MSCAA's ACDBE Programs consultant from the firm, Ken Weeden & Associates, based in North Carolina, and turned the rest of the presentation over to him. Mr. Weeden re-introduced himself, as a native of nearby Tunica, MS., provided a PowerPoint presentation and covered and explained the following, first for the Non-Car Rental concessions (food and beverage, retail, services, etc.), and then for rental car concessions:

- Background, purpose, and goal requirements of the FAA-ACDBE programs.
- Overview of the ACDBE goal methodology and basic requirements, such as use of most refined data, identification of a normal market area, and employment of a two-step process in establishing the overall 3-year ACDBE goal for the Memphis-Shelby County Airports Authority.
- Use of numbers and statistics from the currently available Airport Disparity Study, as a base reference
- Calculation of the base-figure goal (step 1), and adjusted goal (step 2), through "weighting" and consideration of indicators of "capacity".
- Projections of "race-neutral and race-conscious" attainment.

Questions/Comments

ACDBE (non-car rental)

- 1. Question: (Velma Bobo - Maggie Moo's of Memphis, LLC) What will it take to become an ACDBE?**

Answer: MSCAA is always looking for those companies that can become ACDBEs, either as a direct concessionaire or as a supportive service provider for or concession program, such as for our rental car agencies. With that said, you can apply to be an ACDBE via our certification process or if you are already a DBE with the capacity to support our rental car program see ReGina Armstrong our DBE Program Administrator for those areas of opportunities that our rental car companies have identified.

- 2. Question: (Shawn Goffer - Precious Memories by Shawn) Will there be any new opportunities in concession in the near future?**

Answer: All of our current concessions run through 2021 and while we are in the midst of our re-modernization of concourse B we will not add any new concessions. However, because we know there will be changes to the concession program after 2021 we will set a date soon for those who may want to "know the requirements for becoming a concessionaire". Keep an eye out for a website and formal announcement of that session, all those in attendance today will receive an email of the same.

ACDBE (car rental)

- 1. Question: (Roby Williams - Black Business Administration/ BBA) Are you saying there aren't any minority owned car dealers in TN?**

Answer: Yes, to our knowledge there are no known "new" car dealers in the TN who can provide vehicles to our rental car community.

- 2. Question: (Sue - AVIS Rental Car) Is the rental car goal for all 2.2%?**

Answer: The "overall" goal recommended for the 3 years for the ACDBE Car Rental is 2.2%, each rental car company will be asked to continue to reach assessed goals in accordance with known spend in goods and services.

- 3. Question: (Roby Williams - BBA) So MSCAA is seeking a ACDBE or minority owner who can become a fleet dealer to supply "new" cars to MSCAA rental car companies?**

Answer: Yes

Closing comments made by those in attendance:

Sue - Avis: We currently work with a local janitorial company, we are looking at a local auto body repair shop recommended by MSCAA and are interested in speaking to those who supply auto parts, landscaping and environmental services.

Roby Williams - BBA: We have had some success in helping MSCAA in identifying minority companies for certification and will work at identifying a minority fleet car dealer.

Written Comments:

1. Lack of knowledge and information on both the DBE and ACDBE programs, is a barrier to participation; especially not knowing the advantages and benefits of “certification”, and having adequate finances.
2. Concession participation by women and minority-owned businesses could be improved, by conducting more “forums” such as this one; and by developing closer relationships with neighborhood associations and local colleges.