



LOUISVILLE
REGIONAL AIRPORT AUTHORITY

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TO: Louisville Muhammad Ali International Airport Concessionaires, Louisville Muhammad Ali International Airport ACDBEs, Tri-State Minority Development Council and other Stakeholders

FROM: Brenda D. Allen, Vice President of Legal Affairs, ACDBE Liaison Officer

DATE: October 30, 2020

RE: Notice and Consultation- ACDBE Participation Goals 2019-2021

In accordance with 49 CFR Part 23, the Louisville Regional Airport Authority ("the Authority") is providing notice that it is carrying over its ACDBE Participation Goals from the FFY 2017-2019 Triennium to the FFY 2019-2021 Triennium for Airport Concessions at Louisville Muhammad Ali International Airport. In accordance with 49 CFR 23.51(c)(5)(ii) and (d) the Authority established the goals for both rental car and non-rental car airport concessions utilizing an Alternative Method and based its methodology upon demonstrable evidence of local market conditions. This method ultimately attains a goal that is rationally related to the relative availability of ACDBEs in the market area. All airport concessions remain under existing contracts for the period of the triennium and that, coupled with other evidence examined and outlined in the detailed methodology, attached make this appropriate.

The goals are as follows:

Rental Car Concessions ACDBE Goal: 1.88%

Non Rental Car Concessions ACDBE Goal: 17.70%

The proposed goal and methodology are available for comment. Any comments regarding this should be provided to Brenda Allen Vice President of Legal Affairs and Corporate Culture, ACDBE Liaison Officer, 700 Administration Drive, Louisville, KY 40209 or Brenda.allen@flylouisville.com.

**Louisville Regional Airport Authority
ACDBE Goal Methodology
Federal Fiscal Year 2019-2021**

To comply with 49 CFR § 26.43, the Louisville Regional Airport Authority established its overall ACDBE goal for Concessions Other than Car Rental and performed the same methodology for Car Rental Concessions. In accordance with 49 CFR Part 23.51(a) and (d)(5) the Authority is seeking to carry over its existing goals for each based in part, upon the fact that there are no anticipated opportunities for concessions at the Airport during the period as each of the car rental and non-car rental concessions remain under contract with the Authority and those contracts will not expire during the goal period. Additional reasons are outlined in greater detail below. Accordingly, the Authority seeks to maintain the following goals:

Car Rental Concessions: 1.88% ACDBE Participation based upon Purchases of Goods and Services

Non-Car Rental Concessions: 17.70% ACDBE Participation

I. CAR RENTAL CONCESSIONS- GOAL METHODOLOGY

A. Step One - Base Figure for the Authority's Goal for Car Rentals –\$23.49

Under the regulations, recipients must begin the goal-setting process by determining a base figure for relative availability of Car Rental Concessions.

1. Method Selected-Alternative Method

The Airport Authority uses an alternative method as outlined in 49 CFR 23.51 (c)(5)(ii) which is based upon demonstrable evidence of local market conditions and which is designed to ultimately attain a goal that is rationally related to the relative availability of ACDBEs in our market area.

2. Description of Data Used

In this instance, all or most of the goal is likely to be met through the purchases of car rental companies of vehicles or other goods or services from ACDBEs. Accordingly, the Authority is structuring the goal entirely on the purchase of goods and services.

3. Calculations Performed

Relative Base Figure

We calculated the goal by dividing the estimated dollar value of such purchases from ACDBE's by the total estimated dollar value of all purchases to be made by the car rental companies. This is the Step One Calculation.

Federal Fiscal Year	Dollar Value of All Purchases- Car Rentals	Dollar Value of Purchases from ACDBEs- Car Rentals
2016	\$61,969,534	\$671,702
2017	\$61,164,244	\$645,176
2018	\$64,304,373	\$536,935
Total	\$187,438,151	
Average	\$62,479,383	

Based upon a review of the purchases by car rental companies over a period of three fiscal years, the average is \$62,479,383. As it pertains to the dollar value of purchases from ACDBEs by the rental car concessions, a change in circumstances makes the use of an average of three fiscal years of no value to the analysis. Because of a rash of car thefts experienced by some of the rental car companies, three related brands have opted to utilize on site security to address this and have chosen to utilize an ACDBE for this service. Thus, estimated purchases from the ACDBEs is expected to increase by 30 percent. Accordingly, the estimate of purchases from ACDBEs is calculated as the 2018 value of purchases multiplied by 30 percent: \$536,935 X .30 = \$698,015. The calculation of the base then, is as follows:

$$\frac{\text{Anticipated Expenditures to ADBEs for Goods and Services}}{\text{divided by}} = \text{Base Car Rental Goal Expressed as a Percentage}$$

Anticipated Expenditures for Rental Car Goods and Services

Applying the calculation to the relative numbers, it reveals the following:

$$\frac{\$698,015}{\text{divided by}} = 1.11\% \text{ Base Rental Car Goal}$$

\$62,479,373

B. Step Two – Adjustments – §23.51(c)(5) (d)

1. Past Participation Examined: ACDBE regulations at 49 CFR §23.51(c)(5)(d), require an examination of available evidence in the local market to determine what adjustment to the base figure is needed, if any, to establish the overall goal. The Authority looked at Past Participation, as outlined in the review of three federal fiscal years data in the chart above, and other evidence of anticipated increased purchases of services from ACDBEs by three of the rental car concessions. The Authority believes that an adjustment of this figure is appropriate as outlined below.

2. Other Evidence Considered

The Airport Authority’s existing goal for the period of 2017-2019 is 1.88%. The Airport Authority seeks to carry over its 1.88% existing car rental goal for the period of 2019-

2021 because all car rental concessions remain under an existing contract that is not scheduled to expire until 2024. Thus, taking into consideration the past participation in A above and the increased purchases of services from ACDBE's, by three rental car companies, the Airport Authority believes the 1.88% goal to be appropriate. This methodology as permissible under 49 CFR 23.51(a) and (d) (5)

Accordingly, the Airport Authority will carry over its 2017-2019 goal of 1.88%

II. NON-CAR RENTAL CONCESSIONS GOAL METHODOLOGY

A. Step One - Base Figure for the Authority's Goal for Airport Concessions Other than Car Rentals –\$23.47

Under the regulations, recipients must begin the goal-setting process by determining a base figure for airport concessions by gross receipts of Non-Car Rental Airport Concessions.

1. Method Selected-Alternative Method

The Airport Authority uses an alternative method as outlined in 49 CFR 23.51 (c)(5)(ii) which is based upon demonstrable evidence of local market conditions and which is designed to ultimately attain a goal that is rationally related to the relative availability of ACDBEs in our market area.

2. Description of Data Used

In this instance, as outlined in the regulations we are utilizing an average of the Gross Receipts for the previous three fiscal years.

3. Calculations Performed

Relative Base Figure

In determining the base figure, we reviewed gross receipts for airport revenue concessions (non-car rental) for a three-year period as outlined in the table below. This review showed a 57% increase in revenue from 2017 to 2018. This can be attributed to an increase in passenger activity. However, that same period showed a 24% decline in ACDBE participation. Because all airport concessions remained under existing contracts during these periods, this decline is believed to be attributable to increased revenues by the food and beverage concepts that are not a part of the joint venture with the ACDBE participants. Thus, because the trend shows a significant increase in revenue, but a significant decline in ACDBE Participation, we do not believe utilizing an average of the prior three federal fiscal years (32.90%) would be of use in determining estimated participation for the upcoming three-year period. A review of the data reveals that the ACDBE participation increased by 14.19% from 2016 to 2017 and dropped by 24.19% from 2017 to 2018. Thus, we believe the most recent participation is the best estimate of the upcoming fiscal years' goal. To that end, the 2018 totals will be used as the base figure: 28.41%.

Federal Fiscal Year	Concession Revenue Gross Receipts (Non Car Rental)	Concessions Revenue Dollars ACDBEs (Non Car Rental)	ACDBE Participation (Non Car Rental)
2016	\$17,100,526	\$5,612,216	32.82%
2017	\$17,273,124	\$6,473,796	37.48%
2018	\$27,241,967	\$7,740,715	28.41%
Total	\$61,615,617	\$19,826,727	98.71
Average	\$20,538,539	\$6,608,909	32.90%

B. Step 2 Step Two – Adjustments – §23.51(c)(5) (d)

1. Past Participation Examined:

ACDBE regulations at 49 CFR §23.51(c)(5)(d), require an examination of available evidence in the local market to determine what adjustment to the base figure is needed, if any, to establish the overall goal. The Authority looked at Past Participation, as outlined in the review and analysis of three federal fiscal years’ data in the chart and narrative above, and other evidence. The Authority believes that an adjustment of this figure is appropriate as outlined below.

2. Other Evidence Considered Beginning in FY 2019, the Airport Authority will have a new parking concession, a service that was normally handled by the Airport Authority itself, thus the Airport Authority anticipates an \$11,000,000 increase in gross revenue based upon that new concession and anticipated overall increases in other concessions that occur over time. Thus, the anticipated gross revenues moving forward are \$38,241,967 per year. However, while we anticipate an increase in overall revenues, we anticipate a decline in ACDBE Participation as compared to recent years. The basis for this is that food and beverage concessions have a joint venture and several sub concession agreements with one ACDBE that leads to significantly higher concentration of ACDBE Participation and thereby dollars, in food and beverage concessions as opposed to other airport concessions. With the upcoming influx of revenue from the Parking Concession, even with its own ACDBE sub concession, it will serve to essentially dilute the high concentration of ACDBE Participation in food and beverage. These food and beverage concessions, with their significant ACDBE participation resulted in the ACDBE goal for 2018 to be exceeded by 10%. The Airport Authority believes this significant overage will be reduced. Thus, the base figure of 28.41% is anticipated to decline by 11% to 17.41%. The Airport Authority believes this figure should be adjusted up to 17.70% which is the existing 2018-2020 ACDBE goal and that the Authority should carry over its 2018-2020 Non Car Rental ACDBE Goal. This approach is likewise supported by the fact that the concessions for this 2019-2021 goal period will all remain under contract for the entire period, none of which is currently set to expire until 2024.

Accordingly, the Airport Authority will carry over its 2017-2019 goal of Non Car Rental ACDBE Participation of 17.70%

3. Consultation - §23.43)

The Airport routinely consults with Stakeholders in an effort to increase ACDBE participation. Stakeholders included minority and women's business groups, community organization as well as existing concessionaires, which would be expected to have information concerning the availability of disadvantaged businesses, the effects of discrimination on opportunities for ACDBE and the sponsors' efforts to increase participation of ACDBEs. Specifically, the Airport Authority consulted with the Tristate Minority Development Council, and all existing concessionaires by mass mailer. In addition, the goal and methodology were posted on the Authority's website at www.flylouisville.com. The notices announced that the proposed goal and methodology would be available for comment. Written are also accepted by the ACDBE Liaison. No comments have yet been received.

C. Conclusion:

The Louisville Regional Airport Authority's goal methodology is consistent with the requirements of 49 CFR 23 and the alternative methods permissible under the regulation and reflects the availability of ready, willing and able ACDBEs and takes into consideration the existing contractual obligations of the Airport Authority, its Airport Concessionaires and the ACDBEs who have partnered with them. The Airport authority will monitor progress in meeting the goals and will adjust as necessary.