



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: November 30, 2022

RE: Notice and Consultation- ACDBE Participation Goals 2021-2024

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 2017-2020 Triennium to the FFY 2021-2024 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 Sr. Vice President, Chief Legal & Administrative Officer, ACDBE Liaison Officer, 700 Administration Drive, Louisville, KY 40209 or Brenda.allen@flylouisville.com.

**Louisville Regional Airport Authority
ACDBE Goal Methodology
Federal Fiscal Year 2021-2024**

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. This process is as follows:

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. Data from the prior triennium is detailed below.

Federal Fiscal Year	Dollar Value of All Purchases- Car Rentals	Dollar Value of Purchases from ACDBEs- Car Rentals
2018	\$64,307,373	\$536,935
2019	\$64,159,172	\$779,677
2020	\$39,529,822 (not counted)	\$1,356,702 (not counted)
Total 2018 & 2019 only	\$128,466,545	1,316,612
Average 2018 & 2019 only	\$64,233,272	658,306

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.

As it pertains to the dollar value of purchases from ACDBEs by the rental car concessions, a review of the data reveals that during the 2019 fiscal year, there was a 45.2 percent increase in ACDBE Participation. In analysing the reason for this, it appears that because of a rash of car thefts, three car rental companies began to utilize the services of an ACDBE security firm. In the 2020 federal fiscal year however, the year during which numbers were greatly reduced by the pandemic and travel restrictions, the overall gross receipts shows a 38% decrease from the year prior, yet there was a 64% increase in ACDBE Participation. In analyzing the data it appears there was a one-time fleet vehicle purchase from an ACDBE, not anticipated to reoccur.

These two anomalies during the same year makes the use of the 2020 totals certain to improperly skew the goalsetting process. Accordingly, the 2018 and 2019 yearly averages will be used. Accordingly, the estimate of purchases from ACDBEs is calculated as the average of the 2018 and 2019 value of purchases only. 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:

$$\frac{\$658,306}{\text{divided by}} = 1.02\% \text{ Base Rental Car Goal}$$

\$64,233,272

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 2019-2021 is 1.88%. The Airport Authority seeks to carry over its 1.88% existing car rental goal for the period of 2021-2024 because all car rental concessions remain under an existing contract that is not

scheduled to expire, with the extension option, until 2026. With the elimination of the 2020 fiscal year from the analysis and the three rental car companies only beginning to utilize the ACDBE Security firm during the 2019 fiscal year, only one year of the security services is reflected in the two year average and it is the purchase of services expected to continue during each year of the upcoming triennium. 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 1.02 base figure should be increased and the 1.88% goal that is currently in existence to be appropriate. This methodology as permissible under 49 CFR 23.51(a) and (d) (5)

Accordingly, the Airport Authority will carry over its 2019-2021 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.

Federal Fiscal Year	Concession Revenue Gross Receipts (Non Car Rental)	Concessions Revenue Dollars ACDBEs (Non Car Rental)	ACDBE Participation (Non Car Rental)
2018	\$20,785,239	\$7,740,715	37.24%
2019	\$33,383,924	\$8,702,897	26.09%
2020	\$18,653,026 (not used)	\$3,716,335 (not used)	Not used
Total (2018 & 2019)	\$54,169,163	\$16,443,612	
Average (2018 & 2019)	\$27,084,582	\$8,221,806	30.35%

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 above. This review showed a 60.61% increase in revenue from 2018 to 2019. This can be attributed to an increase in passenger activity for 2019 and the entrance of a new concessionaire that was brought onboard in parking during the 2019 fiscal year. Despite the significant increase in overall revenue for that period, there was a relatively modest 12.43% increase in ACDBE participation. Because all airport concessions remained under existing contracts during these periods, and there was an entrance of the new parking concessionaire for only 7 months, this increase can be attributed in small part (1.2%) to the parking concession and modest increase in the food and beverage ACDBE performance and a decline in the remaining concessionaires. This general decline is believed to be attributable to increased revenues by the food and beverage concepts that are not affiliated with the ACDBE participants. Covid 19 greatly affected concessions revenues in both parking and news and gift with a decrease in overall gross receipts of 44.12% and a 57.29% decrease in ACDBE Participation in FFY 2020. Thus we believe it appropriate to utilize the average of 2018 and 2019 federal fiscal years as the base figure: 30.35%

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 base figure of 30.35 is appropriate as outlined below.

Other Evidence Considered Beginning in FY 2019, the Airport Authority brought on a new parking concession, a service that was normally handled by the Airport Authority itself, thus the Airport Authority anticipated 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 beginning in 2019 forward was anticipated to be approximately \$38,241,967 per year. The parking concessionaire started and operated only 7 months during that 2019 fiscal year. However, the following year, as a result of COVID 19, these anticipated increases were not realized during its actual full year of participation and actual 2020 gross revenues for non car rental concessions were merely \$18,653,026, fifty-one percent lower than anticipated. In the coming triennium this figure is anticipated to grow due to the rebound in passenger activity anticipated as covid restrictions ease and are eliminated. However, the entry of the parking concession will significantly increase the overall gross receipts, but have the effect of dilution of the ACDBE participation because there is a single ACDBE food and beverage concessionaire where 100% of the gross receipts of several food and beverage concepts are attributable to a single ACDBE . Thus, the base figure of 30.35% is anticipated to decline significantly, potentially by half to approximately 15% although the uncertainty of COVID and the rebound of passenger activity and the performance of the only ACDBE food

concessionaire whose gross receipts have lagged behind its non-minority counterparts, makes an exact number elusive. Rather than to reduce its goal TO THE 15.20% suggested,, The Airport Authority believes we should increase the base figure from 15.20 to 17.70% which is a carryover of its 2020-2022 goal of 17.70%. This approach is likewise supported by the fact that the concessions for this upcoming triennium will all remain under contract for the entire period, none of which is currently set to expire until 2026. Moreover, this treats car rental and non car rental goal setting equitably based upon the available data. Finally, the Authority does not believe it prudent to make significant changes to its goals when all concessionaires remain under contract for the upcoming triennium and the effects of COVID 19 on the data resulted in the inability to consider all years or make more solid data driven projections.

Accordingly, the Airport Authority will carry over its 2017-2020 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 and that 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.