



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

**FROM:** Brenda D. Perry, Sr. Vice President, Chief Legal & Administrative Officer, ACDBE Liaison Officer

**DATE:** May 3, 2024

**RE:** Notice and Consultation- ACDBE Participation Goals 2022-2024 (Updated)

In accordance with 49 CFR Part 23, the Louisville Regional Airport Authority ("the Authority) is providing notice that it is adjusting its ACDBE Participation Goals for the FFY 2022-2024 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.

The goals are as follows:

**Rental Car Concessions ACDBE Goal: 1.42% (Race Conscious)**

**Non Rental Car Concessions ACDBE Goal: 15.96% (2.54% Race Neutral and 13.42% Race Conscious)**

The proposed goal and methodology are available for comment. Any comments regarding this should be provided to Brenda Perry Sr. Vice President, Chief Legal & Administrative Officer, ACDBE Liaison Officer, 700 Administration Drive, Louisville, KY 40209 or [Brenda.Perry@flylouisville.com](mailto:Brenda.Perry@flylouisville.com).

For purposes of consulting key stakeholders, the Authority will hold a virtual meeting with stakeholders to obtain information relevant to the goal-setting process on :

**May 6, 2024 at 2:30 p.m**

This meeting will provide an overview of the goal-setting process and includes an opportunity for comments and questions. To register for the virtual Zoom meeting, email [Brenda.Perry@flylouisville.com](mailto:Brenda.Perry@flylouisville.com). The proposed goal and rationale has been made available for public review on the Authority's website or may be examined at the Authority's Administrative Offices 700 Administration Drive, Louisville, KY 40209. Comments should be directed by email to [Brenda.Perry@flylouisville.com](mailto:Brenda.Perry@flylouisville.com). Written comments can also be sent directly to the FAA, DBE ACDBE Compliance specialist for the Southern Region Office of Civil Rights. AGL-0 2300 E Devon Ave. Des Plaines, IL 60018

**Louisville Regional Airport Authority**  
**ACDBE Goal Methodology**  
**Federal Fiscal Year 2022 to 2024**

As a recipient of federal funds, the Authority is required to establish an Airport Concessions Disadvantaged Business Enterprise (ACDBE) program. To comply with 49 CFR § 26.43, the Louisville Regional Airport Authority established its overall ACDBE goal for Car Rental Concessions and performed the same methodology for Non-Car Rental Concessions. In 2022, the Authority sought to carry forward its existing goals, in light of the fact that the concessions were anticipated to remain under contract for the entire triennium and no new concessions were anticipated to be let. After preliminary review by the FAA, it was recommended that the methodology be revisited to utilize the mathematical mean of historical data rather than the mathematical average of those five years. Thus, the methodology has been revised utilizing the original data available at the time the goal was originally set in 2022, as well as the projected gross receipts and goods and services, but with the methodology updated to utilize the mathematical mean and to narrowly tailor the methodology of determining race conscious and race neutral portions of the overall goal

**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. In this case we will calculate the overall 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 car rental companies. Vehicle purchases have been excluded from the goal calculation because vehicle purchases are the bulk of car rental companies' purchases there are no dealerships certified as an ACDBE by the Kentucky UCP

**2. Description of Data Used**

Market defined. First it is necessary to determine the market to be utilized. For rental car concessions, the market is the United States. In this instance, all or most of the goal is likely to be met through the purchases by 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. Moreover, all car rental concessions are currently under contract and will remain so during the upcoming triennial period. No new car rental concessions will be let during the triennial period. Thus, the relative availability of ACDBEs is based in large part upon the existing concessionaires and the contractual obligations, subject to good faith efforts to meet the goal.

The Authority considered the past three federal fiscal years of goods and services purchased (Table 1) and the Projected Goods and Services Purchases for the upcoming triennium (Table 2).

Table 1 Past Goods and Services Purchased -Rental Cars

Federal Fiscal Year	Amount
2019	\$64,587,220
2020	\$39,529,822
2021	\$39,689,986
Total	\$143,807,028

Source SDF Uniform Reports FFY 2019 – 2021

Table 2 Projected Goods and Services Purchased -Rental Cars

Federal Fiscal Year	Amount
2022	\$48,505,650
2023	\$56,380,417
2024	\$65,604,379
Total	\$170,490,446

Source: Authority Rental car concessions projection analysis

## Calculations Performed

### Relative Base Figure

In order to determine the relative base figure, we must calculate 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. Vehicles purchases have been excluded from the goal calculation because vehicle purchases are the bulk of car rental company purchases and there are no ACDBEs Certified by the Kentucky UCP. The Authority has estimated the purchases from goods and services for the upcoming triennium to be \$2,230,277.

Estimated ACDBEs Goods and Services	÷	Estimated Total Goods and Services	=	Car Rental Base Base Figure Expressed as Percentage
(\$2,230,277)	÷	(\$170,490,446)	=	1.31%

## 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.

Table 3: Prior Five Fiscal Years Evidence of Local Market Conditions Car Rental

Federal Fiscal Year	RC Goal	RN Goal	Overall Goal	Dollar Value of All Purchases- Car Rentals	Dollar Value of Purchases from ACDBEs- Car Rentals	ACDBE Participation
2017	1.88%	0%	1.88%	\$61,164,244	\$645,176	1.05%
2018	1.88%	0%	1.88%	\$64,304,373	\$536,935	.83%
2019	1.88%	0%	1.88%	\$64,587,220	\$984,372	<b>1.52%</b>
2020	1.88%	0%	1.88%	\$39,529,822	\$1,356,702	3.43%
2021	1.88%	0%	1.88%	\$39,689,986	\$431,259	1.76%
<b>Median ACDBE Past Participation 1.52%</b>						

To arrive at its goal, the Authority adjusted the base by adding the Step 1 Base Figure

(1.31%) to the Step 2 Car Rental Median ACDBE Past Participation within the last 5 years (1.52%) when arranged from low to high, and then averaged the total.

$$\text{Car Rental ACDBE Base} + \text{Car Rental Median 5 year Participation} = \text{Car Rental Triennial Goal}$$

$$1.31\% + 1.52\% = 2.83 \div 2 = 1.42\%$$

**2. Other Evidence Considered**

In examining the 5 years of data it does not seem any adjustments are necessary. The Authority anticipates meeting its goal through race conscious means but will review its data annually to determine if any portion of it should be through race neutral means. The contracts for rental car concessions are anticipated to remain for the upcoming triennium and no new concessions are anticipated to be let.

The anticipated goal for the triennium for Car Rental Concessions is 1.42%.

**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**

As is the case with setting the goal for car rental concessions, the Authority must define its Market Area to determine the relative availability of ACDBEs within it. We defined the Market Area as the United States. In this instance, as outlined in the regulations we are utilizing a review of the past three federal fiscal years’ Gross Receipts as demonstrable evidence of local market conditions.

Table 1 Past Gross Receipts Non-Car Rental

Federal Fiscal Year	Amount
2019	\$50,958,661
2020	\$25,251,530
2021	\$26,448,047
Total	\$102,658,248

Source SDF Uniform Reports FF 2019 – 2021

Table 2: Projected Gross Receipts Non-Car Rental

Federal Fiscal Year	Amount
2022	\$34,429,087
2023	\$46,561,897
2024	\$56,805,515
Total	\$137,796,499

Source: SDF concessions sales estimates 2022-2024

In following the established method in accordance with the above referenced regulation, we

utilized estimated gross receipts from non-car rental concessions, both non ACDBE and ACDBE. First, the Authority calculated the base figure to be 15.96% by dividing the total estimated non car rental gross receipts from ACDBEs by the total estimated gross receipts from all non-car rental concessions. See Table 3.

### 3. Calculations Performed

Table 3 : Projected Gross Receipts Non Car Rental by Concession Category

Concession Category	Estimated Total Gross Receipts	Estimated Concessions Gross Receipts ACDBE	ACDBE Participation (Non Car Rental)
Parking and Valet	\$54,735,604	\$177,478	.32%
Advertising	\$4,243,151	\$33,134	.06%
Food and Beverage	\$51,006,418	\$14,575,800	28%
News and Gift	\$27,198,576	\$6,442,855	23%
Shoe Shine	\$66,102	\$66,102	100%
Banking	\$121,934	\$0	0%
Specialty Stores	\$243,966	\$0	0
<b>Total</b>	<b>\$137,796,500</b>	<b>\$21,995,639</b>	<b>15.96%</b>

Relative Base Figure: In order to determine the relative base figure, the Authority developed a fraction as follows:

#### Non-Car Rental Base Figure:

Estimated Gross Receipts ACDBE ÷ Estimated Gross Receipts All Concessions = Relative Base

$$\$ 21,995,639 \div \$ 137,796,500 = 15.96\%$$

### **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. Upon establishing the Relative Base Figure, the Authority reviewed other known evidence to determine if the base figure calculation accurately reflected the availability of ACDBEs within the market area for the narrow tailoring provisions set forth under 49 CFR Part 23.51 Step 2 ADCBE Goal Adjustment guidelines.

The Authority looked at Past Participation, as outlined in the review and analysis of five

federal fiscal years' data in the chart below and narrative above, and other evidence.

Federal Fiscal Year	RC Goal	RN Goal	Overall Goal	Gross Receipts All Non Car Rental Concessions	Gross Receipts ACDBEs- Non-Car Rental Concessions	ACDBE Participation
2017	17.70%	0%	17.70%	\$17,273,124	\$6,473,796	37.48%
2018	17.70%	0%	17.70%	\$27,241,967	\$7,740,715	28.41%
2019	17.70%	0%	17.70%	\$40,386,675	\$8,702,897	21.55%
2020	17.70%	0%	17.70%	\$25,251,530	\$4,287,207	16.98%
2021	17.70%	0%	17.70%	\$26,448,047	\$4,195,563	15.86%
Median ACDBE Past Participation						21.55%

To arrive at its overall goal, the Authority added the Non car Rental ACDBE Base Figure to the Median ACDBE Past Participation Figure from the past five fiscal years, and then averaged the two.

$$\begin{aligned} \text{Base} + \text{Median} & \text{ Equals} & \text{Divided by 2 to obtain the average} \\ 15.96\% + 21.55\% & = 37.51\% & \div 2 = 18.75\% \end{aligned}$$

**Adjustments:**

The Authority must make a determination as to whether any adjustment is necessary to the 18.75%. In this case, an adjustment is necessary as there is one specialty food and beverage concept owned by an ACDBE that was unable to return after COVID 19 due to supply chain issues affecting the quality of the product. A review of the five years of data, shows a steady decline in ACDBE Participation despite the fact that all concessions remain under contract. The ACDBE food and beverage concessionaire, is both a Joint Venture Prime as well as a subcontractor on several subcontracts. In addition to supply chain issues, some staffing issues have left the concept without sufficient staff and quality product to remain open during the operating hours as required for one particular concept during COVID. Accordingly, that concept closed and the 2019 fiscal year data, which happened to be the mathematic median of the 5-year historical period, is no longer indicative of the market for the upcoming triennium. With the closing of that specialty food and beverage concept, the overall concessions numbers and more significantly to the ACDBE gross receipts, this ACDBE specialty food concept will reduce the percentage of ACDBE Participation. Accordingly, the Authority will reduce this to 15.96%.

The Authority will break out this goal into race neutral (RN) and race conscious (RC) components, in order to narrowly tailor the goal. To determine the race neutral component the Authority calculated the anticipated race neutral portion by dividing the estimated total race neutral ACDBE gross receipts by the estimated total ACDBE gross receipts, then multiplied that anticipated race neutral portion by the non-car rental triennial goal to determine the race neutral component.

Anticipated Race Neutral Gross Receipts for Triennium	divided by	Estimated total ACDBE Gross Receipts for Triennium	equals	Race Neutral Portion of Goal
\$8,633,143	÷	\$21,295,639	=	40.5%

Race Neutral Portion Gross Receipts for Triennium	multiplied by	Total Goal	equals	Race Neutral Goal
40.5%	x	15.96%	=	2.54% Race Neutral Goal

Triennial Goal	minus	Race Neutral Goal	equals	Race Conscious Goal
15.96%	-	2.54%	=	13.42%

**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](http://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. A virtual stakeholder meeting was held to explain the goal setting methodology. 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, anticipated contracts 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.