

**City of Houston  
Goals for the Participation of  
Airport Concession Disadvantaged Business Enterprises (ACDBEs)  
At George Bush Intercontinental and William P. Hobby Airports  
October 1, 2014 – September 30, 2017**

Pursuant to Title 49 of the Code of Federal Regulations, Part 23, the City of Houston, Houston Airport System, has established the following overall goals for the participation of Airport Concession Disadvantaged Business Enterprises (ACDBEs) in the Houston Airport System's concession agreements, for the period of October 1, 2014 – September 30, 2017. The Houston Airport System operates a concessions program in one large hub sized airport; George Bush Intercontinental (IAH), and one mid-sized hub airport; William P. Hobby (HOU). Listed below are the calculated overall ACDBE goals for each airport.

<b>Airport</b>	<b>Concession Goal</b>	<b>Rental Car Goal</b>
<b>George Bush Intercontinental (IAH)</b>	<b>32%</b>	<b>3.75%</b>
<b>William P. Hobby (HOU)</b>	<b>29%</b>	<b>3.35%</b>

It is anticipated that the race neutral ACDBE participation at IAH will be 1.0% and HOU will be 1.0%.

Pursuant to instructions issued by the Federal Aviation Administration of the US Department of Transportation, the following information is provided herein:

**I. Accomplishment Report: October 1, 2012 - September 30, 2013 (Attachment 1) - IAH**

Last fiscal year, IAH was below its 33.55% goal, with an overall ACDBE participation rate of 33.09%. This was calculated by dividing the gross receipts that certified ACDBEs earned (\$ 83,439,219) by the total gross receipts earned by all concessionaires during the report period (\$ 252,189,074).

**II. Accomplishment Report: October 1, 2012 - September 30, 2013 (Attachment 2) - HOU**

Last fiscal year, HOU was below its 33.05% goal, with an overall ACDBE participation rate of 26.26%. This was calculated by dividing the gross receipts that certified ACDBEs earned (\$ 12,970,843) by the total gross receipts earned by all concessionaires during the report period (\$49,385,748).

### III. FY 2015 – FY 2017 Overall Goal

The overall ACDBE goals for FY 2015 – 2017 were calculated in accordance with 49 CFR, Section 23.51. The goals were calculated utilizing the following methodology:

#### **Step 1- Determine a base figure for the relative availability of ACDBEs**

In order to determine base availability figures for each concession area the Active Participants List of current Concessionaires at the Houston Airport System pursuant to 49 CFR, Section 23.51(c)(2) was used:

$$\text{Base figure} = \frac{\text{All Certified ACDBE non-car rental concession firms}}{\text{All Active non-car rental concession firms}}$$

#### **The relative availability is as follows:**

$$\frac{74 \text{ Certified ACDBEs}}{129 \text{ Active Concessions (including ACDBEs)}} = \mathbf{57.36\%}$$

129 Active Concessions (including ACDBEs)

Concessionaires and ACDBEs were counted by their presence at either airport regardless of the number of contracts.

#### **Step 2 - Adjust base figure to calculate overall goal**

Once the base figure of the relative availability of ACDBEs was calculated, evidence was examined to determine what adjustment(s), if any, was needed to the base figure in order to arrive at the overall goal.

The City anticipates new concession opportunities during FY 2015 - 2017. Many of the existing concession agreements are expired or will expire in FY 2015. The City anticipates concession opportunities in the following areas: Currency Exchange, Food & Beverage, Novelties/News/Gift/Retail, Parking, and Vending.

#### **Disparity Study**

The City of Houston has not commissioned a Disparity Study that evaluates the ACDBE in this market area.

**Weighted Availability in each Upcoming Concession Area Opportunity - FY 2015-2017:**

An availability figure was determined for each upcoming concession area using the following data sources:

- 2014 Harris County Business Patterns for the Houston PMSA
- City of Houston (COH) database of certified ACDBE firms

The number of ready willing and able firms was determined by using the Census Bureau's County Business Patterns, Houston PMSA data base which encompasses the following Texas counties: Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto, and Waller.

The number of all ready, willing and able businesses available in our market area that perform work in the same North American Industry Classification System (NAICS) codes were identified. The number of ACDBEs in the COH database with the same NAICS codes was then divided by the number of all businesses in the Houston PMSA to derive a availability of ACDBEs with the same NAICS codes. That availability was then multiplied by the percent of revenue for all like NAICS codes to determine a weighted availability of our concession opportunities for the next three fiscal years.

The availability figures are as follows:

**IAH**

NAICS Codes	Description	% of Work	Budget Amounts	ACDBEs	All Firms	ACDBE Availability	Weighted Availability
523130, 994010	Currency Exchange	1%	\$ 8,703,812	1	163	0.61%	0.01%
445120, 445229, 722310, 722513, 991001	Food & Beverage	46%	\$ 300,502,932	15	5,329	0.28%	0.13%
992000, 451212, 992020, 453220, 997010	Novelties/News/Gift/Retail	19%	\$ 122,572,648	14	712	1.97%	0.37%
812930, 561790	Parking Lots	33%	\$ 215,519,638	2	517	0.39%	0.13%
238290, 991010, 454210	Vending	0%	\$ 1,463,401	2	310	0.65%	0.00%
	<b>TOTAL</b>	100%	\$ 648,762,430				0.64%
[ 0.01 (1/163) + 0.46 (15/5329) + 0.19 (14/712) + 0.33 (2/517) + 0.00 (2/310) ] * 100							
[(.01 * .0061) + (.46 * .0028) + (.19 * .0197) + (.33 * .0039) + (0.0 * .0065)] * 100							
[ 0.0001 + .0013 + .0037 + .0013 + .0000 ] * 100							
.0064 * 100 = 0.64%							

## HOU

NAICS Codes	Description	% of Work	Budget Amounts	ACDBEs	All Firms	ACDBE Availability	Weighted Availability
523130, 994010	Currency Exchange	0%	\$ 29,972	1	163	0.61%	0.00%
445120, 445229, 722310, 722513, 991001	Food & Beverage	53%	\$ 128,827,586	15	5,329	0.28%	0.15%
992000, 451212, 992020, 453220, 997010	Novelties/News/Gift/Retail	22%	\$ 52,570,530	14	712	1.97%	0.42%
812930, 561790	Parking Lots	25%	\$ 61,850,541	2	517	0.39%	0.10%
238290, 991010, 454210	Vending	0%	\$ 230,213	2	310	0.65%	0.00%
	<b>TOTAL</b>	100%	\$ 243,508,842				0.67%
[ 0.01 (1/163) + 0.53 (15/5329) + 0.22 (14/712) + 0.25 (2/517) + 0.00 (2/310) ] *100							
[(.01 * .0061) + (.53 * .0028) + (.19 * .0197) + (.33 * .0039) + (0.0 * .0065)] * 100							
[ 0.0001 + .0015 + .0042 + .0010 + .0000 ] * 100							
.0067 * 100 = 0.67%							

An adjustment was done to the base figure with the calculated weighted availability ratio for each respective airport. The base figure and the respective weighted availability ratio were averaged.

**Adjustment: (base figure + weighted availability) / 2**

### IAH

(base figure + weighted availability) / 2

$$(57.36 + 0.64) / 2 = \mathbf{29}$$

### HOU

(base figure + weighted availability) / 2

$$(57.36 + 0.67) / 2 = \mathbf{29.02}$$

An additional adjustment was done to the calculated figures from above along with the past three years (2011 – 2013) ACDBE achievements at the respective airports to calculate the ACDBE goal at each airport. The past three years ACDBE achievements are as follows: IAH (33.23%, 33.47%, and 33.09%) HOU (29.05%, 28.20%, and 26.26%). We further adjusted our adjusted base figure by averaging the adjusted base figure to the median ACDBE achievement for the past three years.

**Adjustment: (Adjustment Figure + Median ACDBE Achievement) / 2**

**IAH**

(Adjustment figure + Median ACDBE Achievement) / 2 = ACDBE Goal

$$(29 + 33.23) / 2 = 31.12\%$$

Adjusted IAH ACDBE Goal = **32%**

**HOU**

(Adjustment figure + Median ACDBE Achievement) / 2 = ACDBE Goal

$$(29.02 + 28.20) / 2 = 28.61\%$$

Adjusted HOU ACDBE Goal = **29%**

The reason we chose to adjust our figure using this data was because we feel it reflects the availability and capacity of ACDBEs in our ongoing ACDBE program in this market area to the maximum extent feasible given the data available and does not impose undue burdens on non-ACDBEs.

**Determining How Much of the Goal Can be Obtained by Race Neutral Measures**

Pursuant to 49 CFR Part 23.51, it was necessary to ascertain how much ACDBE participation would result without the assistance of ACDBE contracting goals. To calculate this figure, the combined participation in FY 2013 of ACDBE prime contractors operating at each airport was used as the numerator, while the total Estimated Gross Receipts was used as the denominator. The resulting percentage of ACDBE prime contractor participation for each airport is reflected in the table below.

Airport	Total Gross Revenues	Total ACDBE Prime Revenues	% Race Neutral Participation	Race Neutral Goal
IAH	\$252,189,073	\$1,640,473	.65%	<b>1.0%</b>
HOU	\$49,385,748	\$67,860	.14%	<b>1.0%</b>

## **Calculation of ACDBE Goal for Car Rentals**

Title 49 CFR 23.41 requires the calculation of separate goals for car rentals. There are no anticipated opportunities for the upcoming Federal Fiscal years 2015 - 2017. Moreover, the ACDBE rental car goals overall have been exceeded, with the purchases of vehicles. Several meetings with the FAA show this to be a nationwide concern. The City of Houston will continue working with ACDBEs, Car Rental Companies, and other agencies to find ways to fulfill the goal outside of car purchases. Therefore Houston Airport System will keep the ACDBE Goals for Car Rentals at 3.75% for IAH and 3.35% for HOU

**The resulting ACDBE Car Rental goals for Intercontinental and Hobby Airports are 3.75% and 3.35%, respectively.**

## **Stakeholder Input**

Section 23.43 requires the solicitation of input from ACDBE program stakeholders before submission of overall goals to the FAA. Two informational meetings were held to allow stakeholders and interested parties an opportunity to attend. The purpose of the meetings was to inform attendees of the changes to the Concessions Rule in 49 CFR Part 23; describe the ACDBE goal setting process; and to see if any stakeholders had information concerning the availability of disadvantaged businesses, the effects of discrimination on opportunities for ACDBEs, and the City's efforts to increase participation of ACDBEs. The list of invitees/attendees, agenda, questions & comments and our stakeholders meeting advertisement are presented in the following attachments.