



**NEW ORLEANS AVIATION BOARD (NOAB)
DISADVANTAGED BUSINESS ENTERPRISE (DBE) PROGRAM
Goal Setting Methodology and Calculations**

**Federal Fiscal Years 2014, 2015 & 2016
(October 1, 2013 to September 30, 2016)
Submitted August 1, 2013**

Goal Overview

The New Orleans Aviation Board proposes an overall Disadvantaged Business Enterprise (DBE) Goal applicable to contracting opportunities that are budgeted to receive federal financial assistance from the U.S. Department of Transportation. The goal was developed in compliance with Federal Regulations set forth by 49 CFR Part 26. **The proposed overall goal for FAA-assisted contracts scheduled for Fiscal Years 2014 - 2016 is 31.85%.**

Local Market Area

Upon becoming a Certifying Agency in Louisiana's Unified Certification Program, all federal DBE goals were set based on the state's UCP registry as the overall source of DBE participation for federally funded projects. However, in order to accurately reflect the local market the DBE registry for the City of New Orleans, the HUD funded Housing Authority of New Orleans and the New Orleans Sewerage and Water Board were also utilized to supplement the market analysis. These databases were scrutinized to prevent duplication and ensure an accurate base figure.

Relative to the geographic boundaries, the airport's primary market is the New Orleans Metropolitan Statistical Area (MSA), including the parishes of Orleans, Jefferson, St. Tammany, Plaquemines, St. John, Tangipahoa and St. Bernard. Approximately 90% of the airport's vendors are located in the local area, with over 80% of contract dollars being spent in the New Orleans region. As such, the identification of DBEs in the market includes the seven parish MSA.

Projects and Funding Sources

Because the NOAB is in the process of planning the development of a new terminal facility, projected capital projects are limited to airside improvements necessary to ensure safety and efficiency. As such, all of the pending capital projects for the program year are Federal Aviation Administration (FAA) funded projects including: 1) design and construction for rehabilitation of Taxiway F; 2) design and construction for rehabilitation of Taxiway E/S project 1a; and 3) design and construction for rehabilitation of Taxiway E/S project 1B as detailed in Table 1 below.

Table 1: Capital Improvement Projects Financing Sources

| Project | Amount | Funding Source |
|-----------------------------|---------------------|----------------|
| Taxiway F Design | \$ 266,280 | FAA |
| Taxiway F Construction | 2,622,797 | FAA |
| Taxiway E/S Design 1A | 83,280 | FAA |
| Taxiway E/S Construction 1A | 832,803 | FAA |
| Taxiway E/S Design 1B | 418,571 | FAA |
| Taxiway E/S Construction 1B | 4,185,705 | FAA |
| Total | \$ 8,409,436 | |

Federally-Funded Projects - Contracting Opportunities (\$)

During the fiscal years beginning October 1, 2013 through September 30, 2016, the Louis Armstrong New Orleans International Airport will deploy an estimated \$8.4 million in capital expenditures to improve various portions of the infrastructure. To fund its capital program the airport will utilize the FAA's Airport Improvement Program as the primary source of funding. This goal calculation is limited to only those projects funded under the FAA's Airport Improvement Program. During FY 2014 and 2015, a total of seven (6) projects will be funded with federal funds. Those projects are minimal given the NOAB's plans for building a new terminal (approximately \$8 million), providing limited opportunities for DBE participation.

Table 2: FAA Assisted Capital Improvement Projects

| Project | Amount |
|-----------------------------|---------------------|
| Taxiway F Design | \$ 266,280 |
| Taxiway F Construction | 2,622,797 |
| Taxiway E/S Design 1A | 83,280 |
| Taxiway E/S Construction 1A | 832,803 |
| Taxiway E/S Design 1B | 418,571 |
| Taxiway E/S Construction 1B | 4,185,705 |
| Total | \$ 8,409,436 |

North American Industry Classification System (NAICS) Code

In order to obtain an accurate count of ready, willing and able DBEs, each project was examined and its “scope of services” was detailed for the purpose of defining the type of work and skill-sets necessary to complete the scheduled work. Each work type was assigned a six digit North American Industry Classification System (NAICS) Code. NAICS was developed jointly by the U.S., Canada, and Mexico to provide new comparability in statistics about business activity across North America. After establishing NAICS codes, contracting dollars were estimated for each work type on a project basis.

Ready, Willing and Able Contracting Pool

The estimated number of certified DBE businesses is approximately 900 in the state and 550 in Region 2 including construction companies, professional and technical service providers, Airport Concessionaires, and goods and service suppliers. For the purposes of this analysis only DBEs’ located in the MSA or Region 2 are factored in the analysis. Thus, Region 2 will be considered as the vendor target market.

The list of certified-DBE contractors is compared to a more global list of businesses segregated by NAICS Code. The U.S. Census Bureau’s County Business Pattern (USCBP) database is used to determine the general market population of ready, willing businesses.

Table 3: Work Categories and Contract Dollars

| NAICS | Work Categories | Amount | % Work | DBEs (#) | Market (#) | Weighted |
|--------|--|------------------------|-------------|------------|-------------|---------------|
| 238910 | Demolition/Earthwork | \$ 2,752,000.00 | 32.73% | 45 | 88 | 16.73% |
| 238110 | Pavements (asphalt/concrete) | 4,115,000.00 | 48.93% | 24 | 49 | 23.97% |
| 238210 | Electrical and Communications Lines | 90,000.00 | 1.07% | 27 | 294 | 0.10% |
| 237110 | Water/Sewer Construction | 47,500.00 | 0.56% | 14 | 27 | 0.29% |
| 238990 | Traffic Control (Specialty Trade) | 416,805.00 | 4.96% | 16 | 189 | 0.42% |
| 541330 | Engineering/Electrical, Civil, Mechanical | 886,911.00 | 10.55% | 37 | 338 | 1.15% |
| 541620 | Geotechnical/Environmental Consulting | 51,220.00 | 0.61% | 9 | 47 | 0.12% |
| 541690 | Cost Estimating (Other Professional/Technical) | 50,000.00 | 0.59% | 20 | 117 | 0.10% |
| | Total | \$ 8,409,436.00 | 100% | 192 | 1149 | 42.89% |

Base Figure Calculation

The Base Figure calculation weighs the relative availability of DBE contractors to the relative amount of contracting opportunities available for the total pool of contractors in metro New Orleans area with close to \$3 billion in expected public spending -- all of which will have a DBE

participation goal. Based on raw data, Region 2 DBE-certified businesses represent approximately 42.89% of the total available businesses in the metro New Orleans region.

Base Figure Adjustments

After calculating the Base Figure of 42.89%, it was determined that this rate of participation is inconsistent with historical data and the realities of the market in the Metropolitan Area and as such, adjustments to the Base Figure are warranted. To ensure that the goals for the NOAB truly reflect the participation expected absent the effects of discrimination, this methodology goes beyond the raw formula derived by comparing databases; the methodology factors other subjective considerations into the formula to better estimate local market conditions.

The following data was considered in determining an adjustment to the Base Figure: 1) bidders list including adjustments to the local directory data; 2) past DBE participation; and 3) disparity studies. Relative to bid history data, the goal was adjusted to reflect the realities of the regional market place based on an examination of past projects. For design and professional services the market value was adjusted to 50% of the total market. The adjustment factors bid history data indicating that the average number of bids or proposals on NOAB design projects range from ten to fifteen proposers depending on the scope of the project. Additionally, the adjustment factors the projections of public spending in the region over the next three years which includes over \$1 billion with the Louisiana Recovery School District (RSD), over \$800 million with the New Orleans Sewerage and Water Board, over \$100 million with the Regional Transit Authority, and over \$500 million with the City of New Orleans. Here again, with close to \$3 billion in public spending projected for the 2014-2016 period, factoring the availability of design firms in the region at 50% is a reasonable estimate of availability.

Similarly, the availability of construction firms in the market was factored at 60% of the total given the amount of public spending detailed above, as well as the recent bid history for public works projects which generally averages eight to ten bidders, many from out of state. As well, adjustments to the total market reflect the large number of construction firms that work strictly on residential projects.

For the availability of DBEs the market of professional services and design contractors was adjusted to 40% of the total and the market of construction contractors was adjusted to 40% of the total, here again to reflect the average number of DBE subcontractors reflected on public works projects, as well as the competition for DBEs on the billions of dollars of public spending in the region. Table 4 illustrates the adjustments based on bid history and market analysis.

Table 4: Adjusted DBE and Market Values

| NAICS | Work Categories | Amount | % Work | DBEs (#) | Market (#) | Weighted |
|--------|--|------------------------|-------------|-----------|------------|---------------|
| 238910 | Demolition/Earthwork | \$ 2,752,000.00 | 32.73% | 18 | 53 | 11.11% |
| 238110 | Pavements (asphalt/concrete) | 4,115,000.00 | 48.93% | 10 | 29 | 16.87% |
| 238210 | Electrical and Communications Lines | 90,000.00 | 1.07% | 11 | 176 | 0.07% |
| 237110 | Water/Sewer Construction | 47,500.00 | 0.56% | 6 | 16 | 0.21% |
| 238990 | Traffic Control (Specialty Trade) | 416,805.00 | 4.96% | 6 | 75 | 0.40% |
| 541330 | Engineering/Electrical, Civil, Mechanical | 886,911.00 | 10.55% | 15 | 270 | 0.59% |
| 541620 | Geotechnical/Environmental Consulting | 51,220.00 | 0.61% | 4 | 38 | 0.06% |
| 541690 | Cost Estimating (Other Professional/Technical) | 50,000.00 | 0.59% | 8 | 94 | 0.05% |
| | Total | \$ 8,409,436.00 | 100% | 78 | 751 | 29.36% |

Adjustments were then made based on the historical DBE performance as illustrated in Table 5 below.

Table 5: Past DBE Participation

| Fiscal Year | DBE Goal | DBE Attainment | Race Neutral |
|-----------------|---------------|----------------|--------------|
| 2007 - 2008 | 26.16% | 40.40% | 14.24% |
| 2008 - 2009 | 36.05% | 33.30% | -2.75% |
| 2009 - 2010 | 25.71% | 33.35% | 7.64% |
| 2010 - 2011 | 22.64% | 29.04% | 6.40% |
| 2011 - 2012 | 31.83% | 35.64% | 3.81% |
| Total | 142% | 172% | 29% |
| Averages | 28.48% | 34.35% | 5.87% |
| Median | 29.34% | 34.20% | 5.75% |

Over the past five (5) years, the average DBE participation was calculated at 34.35%, and the median DBE participation was 34.20%. Average Race Neutral DBE participation was 5.87% compared to the Median race neutral DBE participation of 5.75%. As the average past DBE accomplishments reflects a more accurate depiction of trends, the Base DBE goal will be adjusted using the 34.35% five-year average. As such, averaging the adjusted base figure of 29.36% with the five-year performance average of 34.35% yields a Final Adjusted Goal of 31.85%. Additionally, NOAB will utilize the average race-neutral performance of 5.87% as the race-neutral component of the goal.

Other Adjustment Factors Considered

The airport has inquired about the availability of disparity study data in the New Orleans area as well as the state of Louisiana from other like-funded agencies, such as the Louisiana Department of Transportation as well as other local and regional airports. There are no studies currently available and none conducted within the last seven (7) years. The airport had previously

conducted an informal DBE utilization assessment during the 1990's in preparation for implementing its DBE program. However, that study is deemed to be dated and not useful for this analysis. The airport is currently in the process of studying its options relative to a disparity study that may lead to the drafting of a Request for Proposal to seek qualified disparity researchers. As of this writing, a final determination has not been made.

Use of Race Neutral Means

Historically, the NOAB achieved DBE participation through the use of race neutral and race conscious means – contract goals. Establishing contract goals will continue to be used to meet any portion of the overall goal the NOAB does not project being able to meet using race neutral means. Contract goals will be established only on those DOT-assisted contracts that have subcontracting opportunities. Contract goals will not be established on every contract, and the size of contract goals will be adapted to the circumstances of each project (e.g., type and location of work, availability of DBEs to perform the particular type of work).

For attainment of the DBE goals through race-neutral interventions, the NOAB is in process of implementing a Race-Neutral Small Business Enterprise (SBE) program. The SBE program will restrict competition on projects up to certain dollar values to participation by businesses that are economically disadvantaged. Thus, the NOAB will meet the DBE goal through both the race conscious component of the program and the race-neutral SBE program.

Moreover, in order to ensure that the DBE program is narrowly tailored to overcome the effects of discrimination, the airport will track and report race neutral and race conscious DBE participation. For reporting purposes, race neutral DBE participation includes, but is not limited to, the following: DBE participation through the SBE set-asides for small economically disadvantaged businesses; DBE participation through a prime contract where DBE participation is obtained through customary competitive procurement procedures; DBE participation on a prime contract exceeding a stated contract goal; and DBE participation through a subcontract from a prime contractor that did not consider a firm's DBE status in making the award.

Public Participation and Consultation

The involvement of interested community and business stakeholders is the ultimate measure to gauge the fairness and effectiveness of DBE participation goals. Louis Armstrong New Orleans International Airport (LANOIA) is currently and will continue to consult with, but not limited to, the following stakeholders: Louisiana Minority Business Council, Hispanic Chambers of Commerce, the New Orleans Chamber, minority and women's business groups, community organizations, trade associations, as well as currently certified disadvantaged businesses, and other officials or organizations which could be expected to have information concerning the availability of disadvantaged businesses, the effects of discrimination on opportunities for DBEs, and LANOIA's efforts to increase participation of DBEs. At the time of this submittal, no information from minority stakeholders had been received based upon recent contact. If or when

such information becomes available, we will provide an addendum to this report and re-submit to the FAA for further review.

A notice of the proposed overall goal will be available to the public for 30 days following the date of the notice and comments regarding these documents will be accepted for 45 days after the date the notice is published. The public notice will indicate the location(s) where the proposal can be reviewed and where comments can be transmitted. The notice will be published in the following publications:

1. The Louisiana Weekly
2. The Times Picayune
3. Data News Weekly
4. LANOIA Website: www.flymsy.com

Calculation of the FY 2014- 2016DBE Goal

The base DBE goal calculated for FY 2011 - 2013 projects is 17.86%.

The Adjusted Goal, based on Bid History, is 29.36%.

The five (5) year average DBE participation was 34.39%.

The FY 2014- 2016DBE Goal is calculated using the following formula:

$$\begin{aligned} & ((5 \text{ Year DBE Participation Average} + \text{FY 2013 Adjusted Base Goal})/2) = \text{Adjusted Final DBE Goal} \\ & ((34.35\% + 29.36\%) \text{ divided by } 2) = 31.85\% \end{aligned}$$

Given the fact that the overall DBE goal has been exceeded by an average of 5.87% during the past five (5) years, this figure is used as a basis for estimating the amount of non-contract DBE participation (Race-neutral means). If the airport is to achieve the overall goal of 31.85%, approximately 5.87% will be generated by race neutral means and 25.98% will be generated by contract goal compliance or Race-Conscious means.