

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: June 14, 2010
	Agenda Item No. 72 Roll Call No. [Roll Call] Communication No. <u>10-331</u> Submitted by: Donald L. Smithey, Interim Aviation Director

AGENDA HEADING:

Public Hearing regarding On-Airport Car Rental Concession and Lease Agreements with:

- a) Hertz Corporation
- b) Enterprise Rent-A-Car Company – Midwest, LLC (dba Enterprise Rent-A-Car)
- c) Enterprise Rent-A-Car Company – Midwest, LLC (dba Alamo and National Car Rental)
- d) Ruan Incorporated (Avis Licensee)
- e) DTG Operations, Inc. (dba Dollar Rent A Car and Thrifty Car Rental)
- f) Budget of Iowa, Inc.
- g) Simply Wheelz LLC (dba Advantage Rent A Car)

SYNOPSIS:

Public hearing regarding approval of five-year On-Airport Car Rental Concession and Lease Agreements at the Des Moines International Airport with each of seven successful bidders.

FISCAL IMPACT:

Amount: The guaranteed concession revenue from all operators under the proposed agreements (Minimum Annual Guarantee or MAG) is \$1,705,316, which represents an increase of 19.4% from the combined MAG of \$1,428,324 paid by operators under the previous agreement. Each operator is required to remit 10% of gross receipts in accordance with the terms of the agreement or the MAG, whichever is greater. It is anticipated that the combined concession payments received from rental car operators will likely total over \$2 million during each year of the term of the upcoming Agreement. All concession proceeds are allocated to the Airport Enterprise Fund (EN002 AIR040100 Accts 470901-470919) to offset recurring cost of Airport operations, including support of the rental car facilities.

In addition to the concession revenue, space rents payable under the agreement will be received related to surface vehicle parking areas, offices, and counters. The rates used in the current agreement are similar to those of the previous agreement. During FY09, rental car parking space rentals of \$169,460 were credited to the Airport Enterprise Fund (EN002 AIR040100 Accts 471003-471013), as were office and counter space rentals of \$79,023 (EN02 AIR040100 Accts 470605-470611).

To improve operations and customer service levels, the rental car companies will be able to use a portion of the covered parking facility to receive customer vehicles being returned. Upon its occupancy, rental rates for spaces in the parking garage facility (expected in fall 2010), will be \$60 per space per month.

Using current occupancy levels of the garage, it is estimated that this utilization will generate approximately \$100,000 in additional revenues.

Rental revenue will also be received related to operating areas of a new Consolidated Service Facility, once completed. The Service Facility is being funded through Customer Facility Charges (CFC), which were established by the Airport Board and approved by the City Council effective September 1, 2008. The rental car operators will be allocated rent charges on a square foot basis based on operating costs of the facility. These operators will also pay costs to recover costs of operating and servicing the vehicle fueling system and automatic car washes, in proportion to their usage of the fueling system and to the facility.

Funding Source: N/A

ADDITIONAL INFORMATION:

Operation of an on-airport car rental agency is considered to be an Airport concession and therefore is required by City Code to be awarded through a competitive solicitation (i.e. bidding) rather than through negotiation. The previous agreements were for the period August 1, 2009, to July 31, 2010, so it became necessary to solicit new on-airport car rental bids prior to termination. On April 6, 2010, the Airport Board directed that construction of a new Service Facility be contingent on the ability to obtain new, long-term concession agreements.

As a result, staff completed a Request for Bids (RFB) process and RFB V10-096 was issued by the City Procurement Administrator on April 30, 2010. Seven qualifying bids were submitted and approved by the Airport Board on June 1, 2010. Since that time, staff has negotiated five-year agreements with each of the bidders, beginning August 1 2010, and expiring on July 31, 2015. Because the term of the Agreement is beyond three years, it ultimately requires City Council approval.

With the execution of these rental car agreements, all seven of the Airport's rental car positions and all six operating areas in the proposed Service Facility will be occupied.

On June 1, 2010, the Airport Board recommended that Council approve these agreements.

PREVIOUS COUNCIL ACTION(S):

Date: May 24, 2010

Resolution Number: 10-860

Action: Set date of public hearing for approving On-Airport Rental Car Concession and Lease Agreements at the Des Moines International Airport. Moved by Ms. Hensley to set the public hearing for June 14th at 5:00 PM. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Date: June 1, 2010

Resolution Number: A10-114

Action: The Airport Board approved the successful Rental Car Concession bidders; authorized staff to negotiate On-Airport Rental Car Concession Agreements with the successful bidders; and recommended that Council approve the agreements. Moved by Mr. Cupp to adopt. Motion carried 7-0.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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