



City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 19-00019

City Council

2/14/2019

LEGISLATIVE ACTION ITEM

SPONSOR: Grover C. Robinson, IV, Mayor

SUBJECT:

RENTAL CAR CONCESSION AGREEMENT AND REAL PROPERTY LEASE AMENDMENT NUMBER 2

RECOMMENDATION:

That City Council authorize the Mayor to execute Amendment Number 2 of the Rental Car Concession Agreement and Real Property Lease at the Pensacola International Airport extending the agreement for another five-year term. Further, that City Council authorize the Mayor to take all necessary actions to execute Amendment Number 2.

HEARING REQUIRED: No Hearing Required

SUMMARY:

Pensacola International Airport has six on-airport rental car concession counters in the passenger terminal, four full-service facility sites and one quick-turn-around service site. Currently, the six terminal counters are occupied by Hertz, Avis/Budget, Enterprise, Dollar/Thrifty, Alamo/National and Payless. The four full-service facility sites are occupied by Hertz, Avis/Budget/Payless (Avis Budget Group owns Payless), Enterprise/Alamo/National (Enterprise Holdings owns Alamo and National), and Dollar/Thrifty. These concessionaires provide rental car services to the individuals utilizing Pensacola International Airport; renting or leasing motor vehicles to the public seven days a week during the hours in which there are scheduled airline operations.

For the privilege of conducting business from the Airport, the concessionaires are required to pay the City a minimum annual guarantee (based on a percentage of their previous year's revenue, with the minimum annual guarantee not being less than \$100,000) or ten percent of their gross revenue, whichever amount is greater. The concessionaires also pay for their terminal counter/office area, pay ground rent on their service facility site, and pay a customer facility charge for the use of the parking garage and service facility.

The current Rental Car Concession Agreement was developed and approved in 2009, with an expiration date of July 2014. Given that over ninety-four percent of all rental car concessionaires were operating at the Pensacola International Airport in 2014, and given the industry-standard payment structure contained in the original agreement, no benefit could have been derived from advertising the concessions, and no new entrants to the market could have been attracted. Therefore, in lieu of advertising concession documents that would be identical to those already in place, Mayor Hayward executed a five-year extension with each rental car

concessionaire beginning August 1, 2014 and ending July 31, 2019.

The existing agreement was reviewed by Airport Staff, outside consultants, and representatives from the rental car industry. As was the case in 2014, there have been no changes to the rental car industry that would necessitate revisions other than updating the rental rate for the service facilities and providing for the replacement of certain items in the service facilities. Additionally, given the consolidations that have taken place in the industry, there would be no new entrants that could realistically be attracted. Therefore, it is recommended to again extend the current agreement for an additional five-years (August 1, 2019 - July 31, 2024). All concessionaires are in concurrence with this approach as is the Federal Aviation Administration.

PRIOR ACTION:

July 9, 2009 - City Council awarded a five-year Rental Car Concession Agreement beginning August 1, 2009 and ending July 31, 2014.

October 2014 - Mayor Hayward executed Amendment Number 1, extending the Rental Car Concession Agreement with each concessionaire for another five-year term beginning August 1, 2014 and ending July 31, 2019.

FUNDING:

N/A

FINANCIAL IMPACT:

Fiscal Year 2019 Rental Car Concession Revenues are budgeted at \$3,400,000 and Rental Car Service Facility Revenues are budgeted at \$2,400,000. Rental Car Concession Revenues have averaged approximately \$3.56 million per year since Fiscal Year 2014. Additionally, Rental Car Service Facility Revenues have averaged approximately \$3.4 million per year to pay for the ongoing maintenance and debt services of the parking garage and service facilities.

CITY ATTORNEY REVIEW: Yes

1/24/2019

STAFF CONTACT:

Christopher L. Holley, City Administrator
Daniel E. Flynn, Airport Director

ATTACHMENTS:

- 1) Rental Car Concession Agreement and Real Property Lease Amendment Number 2

PRESENTATION: No