SUMMARY MINUTES
BUSINESS ADMINISTRATION COMMITTEE
MEETING OF FEBRUARY 27, 2019

Mr. Lazaro chaired the February 27 Business Administration Committee Meeting, calling it to order at 8:30 a.m. A quorum was present during the Meeting: Mr. Adams (Co-Chair), Ms. Batty, Mr. Braun, Mr. Dwoskin, Ms. Hanley, Mr. Mims, Mr. Pozen, Mr. Speck, Mr. Sudow, Mr. Tejada, Mr. Uncapher, Mr. Williams, and Mr. Session (ex officio).

Revised Pre-Solicitation Terms for Rental Car Concession Contracts at Washington Dulles International Airport. Mike Stewart, Vice President and Airport Manager, presented the staff request for Committee concurrence with the revised solicitation terms for the issuance of an Invitation for Bids (IFB) to award four concession contracts to provide on-Airport rental car operations at Washington Dulles International Airport (Dulles International). He stated that the pending solicitation would replace the IFB that was issued on November 26, 2018 and canceled on December 18, 2018.

Mr. Stewart reported that the Business Administration Committee had concurred with the terms for a rental car concession solicitation in September 2018. He advised that several concerns with the structure of the bid were identified following the issuance of the IFB, and the Airports Authority canceled the solicitation. Mr. Stewart stated that staff is seeking Committee concurrence of the revised terms that address the concerns [associated with the structure of the bid].

Mr. Stewart also reported that the agreed-upon terms of the original IFB included financial bids in the form of rent per square foot; four parcels available for award; five-year contract term; and imposition of a $3 per transaction day Customer Facility Fee (CFC). He advised that concerns with the original IFB included the form of the financial bid, as well as the rental car companies' ability to amortize their facility investments within the contract term.

To address the concerns and generate sufficient competition for the new IFB, Mr. Stewart reported that staff recommends the following revisions: financial bids in the form of a Minimum Annual Guarantee (MAG) and a five-year contract term with two one-year option periods. He noted that the number of parcels available and the imposition of a $3 per transaction day CFC remain the same. Mr. Stewart reviewed the recommended solicitation terms. Bidders will be required to submit a MAG for each contract year, escalated by at least 3 percent per year. Parcels 1, 2 and 3 are the three largest parcels, which will each require a minimum MAG of $4.8 million per year. Parcel 4 is a smaller parcel, which will require a minimum MAG of $1 million per year. Successful bidders will pay the greater of the MAG bid or 10 percent of gross receipts, whichever is greater. Contracts will require payment of monthly facility rent of $2.59 per square foot for use of Airports Authority-owned premises. Mr. Stewart advised that staff recommends the addition of two one-year option periods to provide time to amortize facility improvements, as well as to provide the Airports Authority flexibility for future contract terms. The contracts awarded, which will require Committee and Board approval, would have an Airport Concession Disadvantaged Business Enterprise participation goal of 10 percent. Mr. Stewart reported that the contracts will require successful bidders (i) to have Hybrid Electric Vehicles available for rent at the Airport which represent an escalating percentage of the bidders' total vehicles available for rent at the Airport, starting at no less than 5 percent of the bidders' fleet in the second contract year and increasing by 5 percentage points in each successive year to a percentage that is no less than 20 percent in the fifth contract year and (ii) to promote the availability of those vehicles to their customers. He stated that the financial offer is the only selection criteria. Mr. Stewart explained that bids received for the three largest parcels will be opened first, and contract awards recommended for the three bidders submitting the highest total cumulative MAG per bid. Bidders will have their choice of parcel based on the MAG bid, from highest to lowest. Once the apparent successful bidders for Parcels 1, 2 and 3 have been identified, bids for Parcel 4 will be opened. Award will be recommended to the bidder submitting the highest total cumulative MAG bid and which was not previously recommended for Parcels 1, 2 or 3.

Ms. Hanley inquired whether those who bid unsuccessfully on Parcels 1, 2 and 3 would automatically be considered for a contract award on Parcel 4. Mr. Stewart stated that bidders can bid on whichever parcels they choose. He further stated that Parcel 4 may be too small for some of the larger rental car operations.

Mr. Sudow inquired about the total acreage of the four parcels that will be used by the rental car facility operations at Dulles International. Mr. Stewart stated that the total area is approximately 1.4 million square feet. Mr. Sudow stated that it was a lot of acreage and he also inquired whether the area is the same location currently used for existing rental car operators. Mr. Stewart responded affirmatively, noting that the seven sites used for the existing contracts would be divided into four parcels. He advised that the three larger parcels would be used to accommodate family branding. Mr. Sudow stated that he understood the importance of structuring the IFB and moving forward with the rental car concession contracts. He observed that a large amount of land and real estate are involved with these contracts. While the pending financial contractual arrangements are structured using concession terms, Mr. Sudow recommended that the Business Administration and Strategic Development Committees jointly consider the utilization of real estate for future rental car contracts. He stated that he did not want to disrupt the current procurement and suggested that the Airports Authority consider the portion of the land holding behind the parking garage more strategically for long-term planning. Jack Potter, President and Chief Executive Officer, stated that staff fully embraced the nature of Mr. Sudow's recommendation. In preparation for the solicitation, Mr. Potter advised that the Airports Authority had had similar conversations with rental car companies about more traditional multi-story parking facilities and retail operations but that there was insufficient time to implement the details of those conversations for the pending solicitation, which is part of the reason the $3 CFC is included for potential investments and other operational designs. Mr. Sudow stated that his recommendation is relative to long-term strategic implications beyond the upcoming seven-year rental car contracts at Dulles International.

Mr. Uncapher observed the requirement of Hybrid Electric Vehicles in the pending procurement and inquired about the percentage of those vehicles available. Mr. Stewart stated that he is unable to provide a definitive number; however, based on recent information, staff determined that Hybrid Electric Vehicles represent two to five percent of vehicles currently being produced.

Mr. Uncapher stated that he appreciated the aspiration to increase the usage of Hybrid Electric Vehicles to 20 percent in the fifth year of the pending solicitation. He observed that the 20 percent participation goal may not reflect the market place in five years. Mr. Uncapher inquired about a process to make future adjustments to the contract if the market did not support having a 20 percent inventory of Hybrid Electric Vehicles. Mr. Stewart stated that staff would conduct a question and answer session with the industry and depending on what is learned, it may be necessary to revise the pre-solicitation terms. Mr. Uncapher inquired whether an adjustment would be made if the market could not support the 20 percent increase in Hybrid Electric Vehicles in five years, to which Mr. Stewart responded affirmatively.

Mr. Uncapher expressed reservation and concern with regard to the Airports Authority attempting to dictate the Hybrid Electric Vehicle market, especially since the market is currently below 5 percent. Mr. Stewart advised that based on the Airports Authority's desire to become more environmentally friendly, staff considered several different options, and the recommended option is based on staff's belief that it is the most achievable option of those being evaluated.

Mr. Braun inquired about the structure of the pending solicitation. He observed that he had more experience with short-term contracts with a one or two-year base and several one-year option periods. Mr. Braun inquired whether contracts with a large base term and several one-year option periods require contractors to provide a large capital payment before they can start their business operations. Mr. Stewart stated that the Airports Authority will use the CFCs to help with the cost of dividing the lots differently, as well as renovations to the entrance of the rental car facilities along Autopilot Drive. He further stated that the rental cars will also have their own built-in costs associated with preparing facilities for their brands and other improvements they desire in an effort to further incentivize and achieve more competitive bids. Mr. Stewart observed that rental car concession contracts at Dulles International historically included a five-year base term with no option years. He advised that the two one-year option periods for the pending solicitation would provide contractors and the Airports Authority more flexibility in the future.

Mr. Session inquired whether car sharing activities would continue to be integrated into the pending procurement to which Mr. Stewart responded affirmatively. He stated that limits would not be imposed regarding family brands; successful bidders can offer whichever brands they prefer and they will be accommodated in the parcel. Mr. Session observed that the terminal counter location of rental car operations was a major factor for previous procurements. He inquired if the terminal space for rental car operations would affect the pending procurement. Mr. Stewart stated that courtesy phones are provided in the terminal so customers can call the rental car contractors and shuttle buses will pick them up at the curb; therefore, terminal space is no longer a factor.

Ms. Hanley stated that few of the Directors likely had rented cars at Dulles International or were familiar with the area where the rental car operations occurred. She stated that the 2018 Board and Committee Meetings scheduled at Dulles International had been canceled, and she inquired whether the March 2019 Board and Committee Meetings would be held at Dulles International. Ms. Hanley observed that a great deal of construction had occurred on Phase 2 since the last time the Board and Committee meetings were at Dulles International. Mr. Lazaro shared that he had recently observed test trains going through Dulles International. Mr. Session advised that the June Board and Committee Meetings would be held at Dulles International. Mr. Stewart requested that the timeframe for any potential snow expire before Board and Committee Meetings are scheduled at Dulles International [since it seems to snow whenever the meetings are scheduled there].

Mr. Speck inquired about the definition of the minimum MAG. Mr. Stewart stated that the minimum MAG, which is $4.8 million for the larger three parcels [and $1 million for the smaller parcel], is the least amount that an offeror can bid for year one. Additionally, the bid must increase by 3 percent each year of the contract.

Mr. Lazaro thanked the staff for their work on the issue of increasing the use of Hybrid Electric Vehicles in rental car fleets which is a small step in making Airport operations sustainable. He stated that the fact that the Airport is located in a nonattainment area in terms of air quality and transportation, specifically with regard to single vehicle cars, is a significant factor. The Committee concurred with the revised pre-solicitation terms for the pending procurement.

The meeting was thereupon adjourned at 8:48 a.m.