SUMMARY MINUTES
BUSINESS ADMINISTRATION COMMITTEE
MEETING OF JUNE 19, 2019

Mr. Lazaro chaired the June 19 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. Dwoskin, Ms. Hanley, Mr. Mims, Mr. Pozen, Mr. Speck, Mr. Sudow, Mr. Tejada, Mr. Uncapher, and Mr. Session (ex officio).

Recommendation to Award a Contract for the Purchase and Delivery of Unleaded Gasoline to Washington Dulles International Airport and Ronald Reagan Washington National Airport. Mike Stewart, Vice President and Airport Manager, Washington Dulles International Airport (Dulles International) welcomed the Directors to the Airport. He presented the staff recommendation to award a contract to PAPCO, Inc. for the purchase and delivery of unleaded gasoline at Ronald Reagan Washington National Airport (Reagan National) and Dulles International. If approved, the Metropolitan Washington Airports Authority (Airports Authority) will utilize the Montgomery County, Maryland (Montgomery County) competitively-procured contract with PAPCO, Inc. The contract will include a one-year base term and four one-year option periods.

Mr. Stewart reported that the Airports Authority requires unleaded gasoline to operate its fleet of operations and maintenance, public parking, and public safety vehicles. He noted that the gasoline is stored in secure tanks in several locations on-site and is distributed to authorized Airports Authority vehicles with a common fuel management system that utilizes radio frequency identification technology. Mr. Stewart advised that the current gasoline consumption is 275,000 gallons per year, which has decreased due to the implementation of more fuel efficient vehicles and other measures. He reported that Section 1.3.1 of the Contracting Manual provides that the Airports Authority may use, when appropriate, contracts competitively procured by other governmental units. Mr. Stewart advised that Montgomery County performed a reverse auction bid for unleaded gasoline on behalf of the Metropolitan Washington Council of Governments (COG) on February 21, 2019. PAPCO, Inc., was the successful low bidder of seven bidders with a low bid differential price of minus (-) $0.0061 per gallon. Mr. Stewart explained that by the Airports Authority utilizing the contract procured by Montgomery County on behalf of COG's members, it would receive volume discounts and lower pricing than expected by soliciting pricing from vendors based on its requirements alone. He reported that the total cost of the gasoline consumed by the Airports Authority over a five-year period is estimated at $3 million.

The recommendation was approved.

Recommendation to Award Rental Car Concession Contracts at Washington Dulles International Airport. Mr. Stewart reported that he was joined by Colleen Von Hoene, Manager, Airport Administration, Dulles International, and Contracting Officer for the rental car concession contracts at Dulles International. He presented the staff recommendation to award on-Airport car concession contracts at Dulles International to Enterprise RAC Company of Maryland LLC (Enterprise), doing business as Alamo Rent-A-Car, Enterprise Rent-A-Car and National Car Rental; The Hertz Corporation (Hertz); Avis Budget Car Rental LLC (Avis); and Sixt Rent a Car LLC (Sixt). If approved, the contracts awarded will be for a five-year base contract term with two one-year option periods. Mr. Stewart reported that currently, Enterprise, Alamo/National, Hertz, Dollar/Thrifty, and Avis/Budget Rent-a-Car provide on-Airport rental car operations at Dulles International under six separate contracts. He advised that Advantage (seventh contract) discontinued service in June. The current concession contracts commenced on July 1, 2013 and will expire June 30, 2019.

Mr. Stewart reported that in February 2019, the Business Administration Committee concurred with staff's recommendation to issue a solicitation for four on-Airport rental car concession contracts using an Invitation for Bid (IFB) methodology. The IFB was issued March 15, 2019, with bids due May 22, 2019. Mr. Stewart reviewed the IFB's requirements, including required Minimum Annual Guarantees (MAGs), payment of monthly facility rent for use of Airports Authority-owned premises, collection of a Customer Facility Charge (CFC), Green Vehicle Requirements (GVR) (hybrid electric, plug-in electric, and electric vehicles), which may be the first time that any major airport in the United States has included such requirements, and a Green Vehicle Goal. The contracts would include an Airport Concession Disadvantaged Business Enterprise (ACDBE) participation goal of 10 percent. Mr. Stewart advised that the Airports Authority participated in a nationwide car rental outreach event on April 30 to promote ACDBE opportunities on current and future contracts. He stated that bidders were allowed to submit bids for larger Parcels 1, 2, or 3; or smaller Parcel 4; or both. Mr. Stewart reported that Enterprise, with the highest bid (based on total cumulative MAG), selected Parcel 2, the largest parcel; Hertz, with the second-highest bid, chose Parcel 1, an expanded version of its current location; and Avis, with the third-highest bid, is recommended for Parcel 3. Following the determination of the apparent successful bidders for Parcels 1, 2, and 3, bids for Parcel 4 were opened. Mr. Stewart reported that Sixt was the apparent successful bidder for Parcel 4. He reviewed the results of the cumulative MAG bids received based on a seven-year contract, which totaled $125,667,861, as well as the locations for the existing and future rental car concessions.

Mr. Sudow stated that his inquiry was associated with long-term planning. He noted that the rental car concession contracts are the second or third contributor to non-airline revenue, which had decreased 12 percent in April. With regard to the 12 percent decrease, Mr. Stewart explained that when the existing rental car concession contracts expired, they were extended one year (under the President and Chief Executive Officer's authority), and the MAGs that were originally bid were no longer valid. He stated that the Airports Authority has only collected 10 percent of the gross amounts in 2019, which explains the difference between the amounts budgeted and those received.

Mr. Sudow inquired about the demand for rental car services, as well as the considerations of the rental car concessions and the Airports Authority from a budgeting perspective on a long-term basis. Mr. Stewart stated that the bidders for the rental car concession contracts at Dulles International are confident in their business models and are willing to make adjustments, as required. Similar to other ground transportation operations, such as parking, the rental car industry has been impacted by TNCs. Mr. Stewart stated that the Airports Authority is very pleased with the results of the solicitation and the confidence that the bidders demonstrated in the Dulles market. He advised that the $3 CFCs that would be collected beginning with the new contract would be used to make initial improvements, such as the replacement of the fence line on Auto Pilot Drive, standardization of the signs and entrances, and the division of the lots. The CFCs would also be used to establish a fund for future improvements. Based on the current activity of rental car concessions at Dulles International, Mr. Stewart reported that the Airports Authority expects to collect CFCs totaling approximately $7 million per year.

Ms. Von Hoene stated that the number of rental car firms that would provide services at Dulles International had been reduced from seven to four. She advised that the reduction would achieve efficiencies for the Airports Authority and the curbside, as well as help with the profitability of the rental car companies and the Airports Authority.

With regard to the four parcels, Mr. Session inquired whether there is a belief among rental car companies that the placement at a specific location promotes a geographic or strategic advantage. Mr. Stewart responded affirmatively. He stated that certain locations, whether the first on the row in the rental car option area (like Hertz) or in the largest-sized parcel, usually represent rental car bidders' preferences and are usually considered a top priority. Mr. Session shared his belief that most travelers have already finalized their rental car reservations prior to arriving at the airport. Mr. Stewart advised that there are currently two shuttle bus stops on the commercial curb at Dulles International and that the rental car companies had requested that the stops be consolidated to one stop.

Mr. Speck inquired about the meaning of "apparent" with regard to Sixt as the successful bidder for Parcel 4. Mr. Stewart stated that apparent had been used since the Business Administration Committee and Board of Directors had not yet approved the recommendation.

Mr. Uncapher advised that he shared similar concerns as Mr. Sudow. He thanked Mr. Stewart for providing the year-to-year breakout of money collected for the rental car concession contracts at Dulles International. Mr. Uncapher stated that he was encouraged to see that the Airports Authority is expected to collect an additional $3 million based on the amount collected from the first year of the existing contract until the final year of the new contract.

With regard to Mr. Sudow's inquiry about the $125 million that will be collected from the new contract, Mr. Stewart stated that it represented the MAG and does not include any amount above the minimum that is required.

The recommendation was unanimously approved. Mr. Lazaro stated that he would offer both proposed resolutions later that day at the Board Meeting.]

The meeting was thereupon adjourned at 8:45 a.m.