

# Report to Council



**Date:** August 28, 2017

**File:** 1140-50

**To:** City Manager

**From:** Shayne Dyrdal, Senior Airport Finance & Corporate Services Manager

**Subject:** New Vehicle Rental Concession Licences at Kelowna International Airport and Resulting Amendments to the Airport Fees Bylaw No. 7982

Report Prepared by: Toni McQueenie, Airport Administration Manager

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## **Recommendation:**

THAT Council receives, for information, the report from the Senior Airport Finance & Corporate Services Manager dated August 28, 2017 with respect to the new Vehicle Rental Concession Licences and amendments to Airport Fees Bylaw;

AND THAT Bylaw No. 11454 being Amendment No. 31 to the City of Kelowna Airport Fees Bylaw No. 7982 be forwarded for reading consideration;

AND THAT Council authorizes the City to enter into the following Vehicle Rental Concession Licences with the following companies in the forms attached to the report of the Senior Airport Finance & Corporate Services Manager dated August 28, 2017, effective October 1, 2017:

1. Devon Transport Ltd. doing business as Budget Rent A Car
2. Aviscar, Inc.
3. Enterprise Rent-A-Car Canada Company doing business as Enterprise Rent-A-Car;
4. Hertz Canada Limited

AND FURTHER THAT the Mayor and City Clerk be authorized to execute the Licences on behalf of the City of Kelowna.

## **Purpose:**

To amend the Airport Fees Bylaw and to award vehicle rental concession licences at Kelowna International Airport.

## Background:

The vehicle rental companies that operate on site at Kelowna International Airport (YLW) currently pay a concession fee of the greater of 11% of annual gross revenue or an annual minimum guarantee, together with additional amounts for parking stalls, counter space, service centre space, and use of the automotive fuel system.

YLW recommends increasing the concession fee paid by the on-site vehicle rental companies to the greater of 12% of annual gross revenue or an annual minimum guarantee (MAG). Based on comparison with other airports in Canada, the proposed increase in the concession rate from 11% to 12% is consistent with similar-sized airports and is in line with YLW's low-cost airport model.

A Negotiated Request for Proposal (NRFP) was issued with respect to the Vehicle Rental Concessions at YLW for the time period September 1, 2017 to August 31<sup>st</sup>, 2022. The NRFP closed on June 22, 2017 and six submissions were received and approved by the City's Purchasing Department to proceed with evaluation. At the conclusion of the evaluation, the four highest ranking proponents became the Preferred Proponents and were eligible for contract negotiation. Negotiations included requests for supplementary information to clarify the Preferred Proponent's proposal.

The proposals were ranked based on the aggregate of the MAGs for both the five-year term and the two optional one-year renewal terms submitted by the Preferred Proponents, as follows:

Devon Transport Ltd. doing business as Budget Rent A Car	\$5,460,000.00
Aviscar, Inc.	\$5,170,992.00
Enterprise Rent-A-Car Canada Company doing business as Enterprise Rent-A-Car	\$4,748,919.86
Hertz Canada Limited	\$4,600,414.00

As shown in the table below, the MAGs submitted by the four Preferred Proponents increased \$1.2M from the MAGs currently in place. In addition, the MAGs that would become effective October 1, 2017, would be \$622K more than the fees earned in 2016.

The following table summarizes the MAGs submitted by the four Preferred Proponents, rounded to the nearest dollar:

Company	Current	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Budget	657,000	744,000	756,000	768,000	780,000	792,000	804,000	816,000
Avis	270,000	635,004	666,996	699,996	735,000	771,996	810,996	851,004
Enterprise	212,004	597,737	627,508	658,529	690,845	724,508	724,767	725,026
Hertz	0	625,104	650,103	650,103	650,104	675,000	675,000	675,000
Previous Proponent	291,600	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>1,430,604</b>	<b>2,601,845</b>	<b>2,700,607</b>	<b>2,776,628</b>	<b>2,855,949</b>	<b>2,963,504</b>	<b>3,014,763</b>	<b>3,067,030</b>

In 2016, YLW earned \$1,979,830 in vehicle rental percentage/MAG fees. As of June 30, 2017, YLW had earned \$991,833 in vehicle rental percentage/MAG fees, in comparison to \$908,250 during the same period in 2016.

Schedule E – Operational Plan has been removed from each of the copies of the Vehicle Rental Concession Licences attached to this Report to protect third party business information; however,

these schedules form part of the Vehicle Rental Concession Licences between the City and the Preferred Proponents.

**Proposed Changes to Bylaw No. 7982:**

The change required to section 15 of Kelowna Airport Fees Bylaw No. 7982 is:

**15a. ON AIRPORT CAR RENTAL CONCESSION FEES**

	<u>Currently reads:</u>	<u>Propose to read:</u>
15a.1 CONCESSION FEE	The greater of 11% of the annual gross revenue or a tendered annual minimum guarantee.	The greater of 12% of the annual gross revenue or a tendered annual minimum guarantee.

**15.b 1. ON AIRPORT CAR RENTAL LICENSEE RECOVERY FEES**

	<u>Currently reads:</u>	<u>Propose to read:</u>
15.b 1. ON AIRPORT CAR RENTAL LICENSEE RECOVERY FEES	Licensees may incorporate a recovery fee not to exceed 12.36% into customer rental agreements.	Licensees may incorporate a recovery fee not to exceed 13.64% into customer rental agreements.

The airport is also proposing to increase the fee for the off-airport vehicle rental licence from 8% to 9%, consistent with the increase for on-site vehicle rental licences. The corresponding change required to Section 16 of Kelowna Airport Fees Bylaw 7982 is:

**16. OFF AIRPORT CAR RENTAL LICENCES**

	<u>Currently reads:</u>	<u>Propose to read:</u>
16. OFF AIRPORT CAR RENTAL LICENCES	The fee for off-airport car rental licenses offering shuttle service between the airport and off-airport car rental offices shall be 8% of gross revenue.	The fee for off-airport car rental licences offering shuttle service between the airport and off airport car rental offices shall be 9% of gross revenue.

**Financial/Budgetary Considerations:**

The NRFPs have been approved by the City's Purchasing Manager. The total guaranteed minimum concession fee to the City of Kelowna will be \$13,898,533.03 over the five-year term of the licences.

**Internal Circulation:**

Corinne Boback – Legislative Coordinator  
George King o Financial Planning Manager  
Jasmine Patrick – Communications Advisor

**Considerations not applicable to this report:**

**Legal/Statutory Procedural Requirements: N/A**

**Legal/Statutory Authority: N/A**  
**Existing Policy: N/A**  
**Personnel Implications: N/A**  
**External Agency/Public Comments: N/A**  
**Communications Comments: N/A**  
**Alternate Recommendation: N/A**

Submitted by:

S. Dyrdal  
Senior Airport Finance & Corporate Services Manager

**Approved for inclusion:**



Sam Samaddar, Airport Director  
Ron Mattiussi, City Manager

cc: Corinne Boback – Legislative Coordinator  
Jackie Dueck – Controller, Financial Services  
Jasmine Patrick – Communications Advisor  
Genelle Davidson – Divisional Director, Financial Services  
Lori Evans, Senior Buyer