



SUMMARY REPORT

Agenda Date: 9/1/2020

To: Board of Supervisors

Department or Agency Name(s): Transportation and Public Works

Staff Name and Phone Number: Johannes J. Hoevertsz 707-565-2231

Vote Requirement: 4/5th

Supervisorial District(s): All

Title:

Temporary Amendment to Certain On-Airport Rental Car Operator Lease and Concession Agreements and Delegation of Authority to Amend Rates and Fees for Rental Car Operators.

Recommended Action:

Authorize the Charles M. Schulz - Sonoma County Airport Manager to execute three amendments to the lease and concession agreements between Sonoma County and Autodistributors, Avis Budget Car Rental and Enterprise Rent-A-Car Co of San Francisco. Authorize the Director of the Sonoma County Transportation and Public Works Department to further modify rents and fees, if needed, for the rental car operators located at the Charles M. Schulz - Sonoma County Airport. (4/5ths Vote Requirement)

Executive Summary:

The Charles M. Schulz - Sonoma County Airport (Airport), a division of the Transportation and Public Works Department (TPW), is actively responding to financial hardships caused by the COVID-19 pandemic. The reduction of air travel has greatly affected the rental car industry and the Airport's rental car operators (Autodistributors, Avis Budget Car Rental, Hertz and Enterprise Rent-A-Car Co of San Francisco). The Airport is temporarily adjusting minimum guarantee payments and minor expenses for rental car operators in good standing to keep their locations at the Airport terminal open. The Airport will monitor the continuing economic effects of the COVID-19 pandemic on the local rental car operators and make necessary adjustments to maintain service levels of dependable transportation to the traveling and neighboring public.

Discussion:

On March 17, 2020, Sonoma County issued Public Health Order No. C-1903 in response to the COVID-19 pandemic, prohibiting non-essential travel within Sonoma County and directing individuals to shelter-in-place effective March 18, 2020. Similar shelter-in-place orders and guidelines enacted throughout California and the United States quickly halted most airline travel. Existing car rental reservations were cancelled and new car rental requests ceased.

Rental car operators have invested a substantial amount of capital at the Airport (e.g. automobile fleet, cleaning facilities, onsite personnel, etc.) and a minimum number of daily business transactions are required to cover their operating expenses. The Airport is proposing to temporarily amend the agreements to reduce minimum guarantee payments and minor expenses to financially assist the rental car operators, as follows:

- Waiver of minimum guarantee payment: Each month, rental car operators are required to pay either a

minimum guarantee payment or ten percent (10%) of their sales to the Airport, whichever is greater. Currently, the average minimum annual guarantee payment from our rental car operators is \$15,500 per month. The average sales for April, 2020 per rental car operator was just \$26,000; the average sales per rental car operator in April, 2019 was \$142,000. The proposed amendment will waive the minimum guarantee payment for the remaining calendar year, but still require the rental car operators to pay ten percent (10%) of their sales to the Airport. On January 1, 2021, the Airport will resume collecting the monthly minimum guarantee payment, or the ten percent (10%) of sales, whichever is greater.

- Waiver of car wash fees for April, May and June 2020: The car wash use during these months has decreased and resulted in a cost savings for the Airport. The current average monthly car wash expense per rental car operator is \$980.
- Waiver of terminal rent for April, May and June 2020: Terminal usage was reduced by the cutback in staff and shortage of customers. The current average monthly office and counter rent is \$387.

The duration of the economic recovery from the pandemic is unknown and the Airport will continue to monitor the rental car transactions for the next few years. If the rental car operators are unable to remain monetarily viable when the Airport recommences its rents and fees, the Director of TPW shall have the authority to lessen or eliminate said fees as needed to continue services.

The Airport is recommending these lease modifications to agreements with rental car operators that are currently in good standing with the terms and conditions of our agreement. Regrettably, the Hertz Corporation filed for Chapter 11 bankruptcy protection on May 22, 2020, citing losses caused by the COVID-19 pandemic, making lease renegotiations impossible. Hertz has been a tenant at the Airport since 1973.

The rental car operators provide an important benefit for visitors to Sonoma County and ultimately to local residents and businesses. They are a formidable asset that contributes to Airport operating revenues and County tax revenues. The short-term waiver of minimum guarantee payments and fees will help rental car operators remain open during this crisis so that they can continue to contribute to the Airport and the community. Federal Aviation Administration (FAA) guidance issued with respect to rent forgiveness during the pandemic indicates that FAA allows for such lease modifications and does not consider them to be inconsistent with grant obligations requiring sponsor airports to maintain economic self-sufficiency.

Most U.S. airports have waived and/or reduced rent payments owed from their onsite rental car operators since no economic assistance was available to them. The 2020 Coronavirus Aid, Relief, and Economic Security (CARES) Act included relief to airlines and small businesses, but the majority of rental car concessionaires did not qualify for this program. There is current federal legislation being considered for economic assistance to travel related businesses not covered by the initial 2020 CARES Act, but it is uncertain if it will be enacted. If loans and/or economic relief are made available to the rental car operators, then the Airport will reinstate rent payments as appropriate.

Based on the forgoing, staff recommends the Board approve this action item to authorize the Airport manager to amend the lease agreements with tenant car retinal companies as detailed herein. Authorize the Director of TPW to continue to evaluate and further modify rents and fees, if needed during the Covid-19 crisis, for the rental car operators located at the Airport.

Prior Board Actions:

12-04-18: Approved new lease and operating agreements between the County and Autodistributors, Inc, Avis Budget Car Rental, LLC, Enterprise Rent-A-Car Company of San Francisco, LLC, and the Hertz Corporation.

09-26-12: Approved updated rental car lease and concession agreements between the County and Avis Budget Car Rental, LLC, Enterprise Rent-A-Car, and Hertz Corporation;

01-24-12: Approved amendment to lease and concession agreement adding the Alamo and National rental car brands to Enterprise’s rental car business at the Airport;

12-15-09: Approved amendment to lease and concession agreement adding the Budget rental car brand to Avis’ rental car business at the Airport;

03-09-06: Approved amendments to the Avis, Enterprise and Hertz lease and concession agreements regarding use of Airport’s then newly constructed car wash facility.

FISCAL SUMMARY

Expenditures	FY 19-20 Adopted	FY20-21 Adopted	FY 21-22 Projected
Loss of Revenue	\$188,199	\$284,550	
Additional Appropriation Requested			
Total Revenue Lost	\$188,199	\$284,550	
Funding Sources			
General Fund/WA GF			
State/Federal	\$188,199	\$284,550	
Fees/Other			
Use of Fund Balance			
Contingencies			
Total Sources	\$188,199	\$284,550	

Narrative Explanation of Fiscal Impacts:

The total loss of revenue that would result from this adjustment is estimated at \$472,749 between FY 20-21 and FY 21-22. The Airport plans to offset this revenue reduction by covering operating expenses with CARES Act grant funds which reimburses for most airport expenses.

Staffing Impacts:			
Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)

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Narrative Explanation of Staffing Impacts (If Required):

None.

Attachments:

None

Related Items “On File” with the Clerk of the Board:

Amendments to the lease and concession agreements between Sonoma County and Autodistributors, Avis Budget Car Rental and Enterprise Rent-A-Car Co of San Francisco.