



RFP ADDENDUM 1 – QUESTIONS AND ANSWERS – Issued November 9, 2018

REQUEST FOR PROPOSAL FOR ON-AIRPORT CAR RENTAL CONCESSION

RELEASED: OCTOBER 12, 2018

PROPOSAL DUE DATE: DECEMBER 4, 2018, 2:00 PM – MT

Thank you to everyone who participated in the pre-submittal meeting held on October 25, 2018 and submitted questions. Responses to general questions and questions related to the RFP as answered below. Questions relating to the agreement have been answered in the revised sample agreement attached hereto. The Airport recognizes that there are several changes to the agreement and would like to offer one additional opportunity for further clarification. Please submit any additional questions or clarifications to Toni Broom at toni.broom@rcgov.org by Friday, **November 16, 2018 at 3:00 PM MT**. The Airport will respond by **Tuesday, November 20, 2018**. Proposals will still be due on **December 4, 2018**.

Questions/Comments	Answer
<i>Please confirm that there are a maximum of four car rental concession opportunities available under this RFP. While there are four counters, the RFP does not actually specify the number of concessions available.</i>	Currently there are four counter positions with five concessions – two sharing one counter each through dual branding. The Airport anticipates awarding a minimum of four concessions with a maximum of eight brands, depending on dual branded proposals. However, only four counters are available with no plans for immediate expansion.
<i>Please clarify whether the agreement will have a 5-year Term as indicated or if instead it will actually be 4 years and 11 months from Feb 1/19 through Dec 31/23?</i>	The Airport anticipates getting approval of the agreements at its January Board meeting and having fully executed agreements by February 1, 2019. The new agreement will be retroactive to January 1, 2019 and will be for a 5-year term through December 31, 2023, so that an agreement year matches the Airport’s fiscal year.
<i>The Definition of ‘Agreement Year’ indicates successive 12-month periods starting on January 1, 2019 while the definition of ‘Effective Date’ is February 1, 2019. Please clarify the start date of the new agreements.</i>	See revised draft agreement but “Agreement Year” will be January through December.
<i>If the start date is February 1, 2019 then please confirm our current agreements will be extended for one month and that for this period we would simply pay 11% of our Gross Revenue but no MAG. We would also need to clarify for the definition of Agreement Year that one of those years would actually only be 11 months and that the MAG would need to be prorated accordingly.</i>	See response above and revised specimen agreement.



RAPID CITY REGIONAL AIRPORT

www.rapairport.org

Questions/Comments	Answer
<p><i>At the time that proposals are due will there be a public opening and if so will the names of the bidders be read aloud including the brand(s) they bid and the MAG amount?</i></p>	<p>No; there will be no public opening.</p>
<p><i>RFP Sec V states there are six RAC concessions. Please clarify whether there are four concessions (operating a total of 6 brands) currently.</i></p>	<p>There are currently five concessions operating a total of six brands at the Airport.</p>
<p><i>Please confirm that no additional brand can be added to any proposer's concession agreement during the term of the agreement and that operator may only operate the brand or brands that it specified in its proposal.</i></p>	<p>The Airport confirms that no additional brands can be added to any proposer's concession agreement during the term of the agreement and that only brands specified in a RAC's proposal can be operated at the Airport.</p>
<p><i>Please add language to the RFP and to the Concession Agreement that states: <u>"The Request for Proposals, including all issued addenda and questions and answers, are hereby incorporated into and made a part of the Concession Agreement."</u> This will ensure consistency between RFP and concession agreement.</i></p>	<p>See revised specimen agreement.</p>
<p><i>Sec. I (p. 3). If possible, please reduce the number of hard-copy proposals we need to submit.</i></p>	<p>The Airport has changed the requirement to three (3) hard copies.</p>
<p><i>Sec. II – Airport Occupancy Fees (p. 7); Attachment E (p. 18); Concession Agreement, Art. 4.A (p. 8). <u>Please revise annual MAG reset formula as follows:</u></i></p> <ol style="list-style-type: none"> <i>1. MAG for Y2-5 should be the greater of 90% of the <u>Percentage Fees paid for the preceding year or the Year 1 MAG</u> (not 100% of PY Percentage Fees!). Currently this states it is the greater of the 95% reset formula or <u>11% of the total Gross Revenues</u>. MAG should reset at a percentage of the prior year percentage fee, not the total concession fee paid, subject to the Year 1 MAG minimum.</i> <i>2. Alternatively, please change so that we simply bid a MAG amount for each of the 5 years.</i> 	<p>The MAG for years 2 through 5 will be the greater of 90% of the Percentage Fees paid for the preceding year or the year 1 MAG. See revised draft agreement.</p> <p>Attachment E to the RFP has been updated and attached to reflect revised MAG language.</p>
<p><i>Page 7 in the RFP & Page 8 of Exhibit A, under Article 4 - 95% of prior year is egregious, most airports use a 75% or 80% number (Sioux Falls is 80%). What happens if the airport loses an airline? We still have to pay the same with the way the documents are written. Or, Exhibit A needs an Abatement Clause that states we can</i></p>	<p>The percentage has been changed from 95% to 90% and an abatement clause has been added. See revised specimen agreement.</p>



RAPID CITY REGIONAL AIRPORT

www.rapairport.org

Questions/Comments	Answer
<p>request a reduction in MAG from the Board of Directors, if unforeseen or uncontrollable circumstances arise.</p>	
<p>The RFP and Exhibit A are written different. The RFP states (b) "11 percent of the total Gross Revenues;" The Exhibit A (ii) "11% of Total Gross Sales for Previous Year". Here is a proposed replacement of these paragraphs: <i>Calculation of Concession Fees. The Lessee agrees to pay to the Lessor monthly for the rights and privileges granted to it herein, for each Agreement Year, the greater of (a) 11 percent of the Lessee's Gross Revenues for such Agreement Year; or (b) the Minimum Annual Guarantee (MAG). The Minimum Annual Guarantee for Agreement Year One shall be _____ . The Minimum Annual Guarantee for each year thereafter shall be equal to the greater of (i) seventy-five percent (75%) of the prior Year's concession fees or (ii) 11% of Total Gross Sales for Current Year.</i></p>	<p>See above response and revised specimen agreement.</p>
<p>Sec. VIII (p. 9). <i>All Proposer qualifications must be documented on the Proposer Certification Form which is attached hereto as Attachment B. Please confirm it is sufficient for Proposers to just sign Attachment B, as there is no space on this form to actually list our qualifications as contemplated in Sec. VIII (p. 9).</i></p>	<p>It is sufficient for incumbent proposers to sign Attachment B. New proposers/brands must include a separate attachment detailing qualifications.</p>
<p>Sec. VIII.B: <i>Minimum Qualifications (p. 10). Please delete the second to last paragraph relating to ownership of LLC entities. This language is problematic and unnecessarily complicated. For example, our parent company does not transact business in South Dakota and we cannot evidence such. Further, Proposer already meets the minimum requirements and will not rely on any other entity in the performance of this concession, so this language is not necessary.</i></p>	<p>This language is deleted from the RFP through this Addendum: <i>If a joint venture, partnership or limited liability company (LLC) submits a Proposal, the entity holding a controlling interest in the joint venture, partnership, or LLC, (for example, majority voting rights in company decisions), must meet the Minimum Qualifications in order to be considered for award of the Agreement. If no single entity holds a controlling interest, then each entity in a group of entities comprising a controlling interest must meet all of the Minimum Qualifications for the joint venture, partnership, or LLC to be considered for award of the Agreement.</i></p>



Questions/Comments	Answer
<p><i>Sec. VIII.B: Minimum Qualifications (p. 10). We request that all incumbents be exempt from providing information showing that they meet the Minimum Qualifications (2) through (5) as discussed during the meeting.</i></p>	<p>Incumbent proposers/brands are exempt from providing the minimum qualifications. New proposers/brands must provide.</p>
<p><i>Page 10, Article VII: Minimum Qualifications #5: Please add language to waive this requirement for incumbents. How is it pertinent to the airport to require this type of proof on car rental operators who have established a relationship with the Airport, is currently operating on-airport, is not in arrears with any payments to the Airport, and has enjoyed the afore mentioned relationship with the Airport for twenty-five years?</i></p>	<p>Incumbent proposers/brands are exempt from providing the minimum qualifications. New proposers/brands must provide.</p>
<p><i>Page 10, Article VII: Minimum Qualifications: Please add language to waive this requirement for incumbents. Again how is it relevant to require an incumbent to “prove” we have the right to operate our franchise? It has not been an issue for 26 years. Further, in our experience we have never been asked to provide our proprietary franchise agreement granted and executed by The Hertz Corporation.</i></p>	<p>Incumbent proposers/brands are exempt from providing the minimum qualifications. New proposers/brands must provide.</p>
<p><i>Sec. X (pp. 11-12) and Sec. XI – #8 (p. 12). List of contracts where Proposer was terminated – please either delete this requirement or limit to <u>airport</u> agreements terminated for cause/default and limit lookback period to the last five (5) years as discussed in meeting. See also #12(b) below.</i></p>	<p>The Airport will limit this requirement to airport agreements that have been terminated for cause/default and limit the lookback period to 2013 through 2018.</p>
<p><i>Sec. XI – #1 (p. 12). The executive summary...must include a statement demonstrating and certifying that the Proposer meets or exceeds the Minimum Qualifications of the RFP. Please waive this requirement for incumbents or confirm it is sufficient to sign Attachment B instead, as this is redundant.</i></p>	<p>By signing Attachment B, the Proposer acknowledges that they meet the minimum qualifications of the RFP.</p>
<p><i>Sec. XI – #6 (p. 12). Airport will permit dual-branding responses only. Please confirm that only <u>single or dual-branded proposals</u>, for a maximum of two (2) brands per proposal, are permitted under this RFP (see also Sec. VI on p. 9). Please clarify same issue in Concession Agreement, Art. 6.N.1.</i></p>	<p>The Airport confirms that it will only permit single or dual-branded proposals for a maximum of two brands per proposal. See revised draft of agreement.</p>



Questions/Comments	Answer
<p><i>Sec. XI – #6 (p. 12). Please confirm that a single legal entity that controls more than one car rental brand may submit more than one proposal under the RFP provided that each proposal is for a different brand or brands. Note that this is critical to ensure the current brands can continue to operate at RAP.</i></p>	<p>The Airport confirms that a single legal entity that controls more than one car rental brand may submit more than one proposal under the RFP provided that each proposal is for a different brand or brands.</p>
<p><i>Page 3, Article I. Introduction & General Information: “Award multiple contracts to more than one Proposer” Please clarify this statement. We believe the intent is to allow a single company to bid for more than one counter, is that correct?</i></p>	<p>See response above. A single proposal may be for two brands but shall only be awarded a single counter position. The two brands contained in a single proposal would operate from the same counter.</p>
<p><i>Page 7, Article II. References, Information About This RFP and On-Airport Rental Car Concession Agreement: “The provisions and terms of the Agreement may be revised or adjusted by the Board prior to final execution.” This language suggests that after we have submitted a bid in good faith based on the documents, requirements, and provisions set forth in the RFP documents and presented in the Specimen document that the Board can change the requirements. Please either clarify this statement or strike it. We are not inclined to bid in good faith on an RFP and Specimen document that can be changed at will by the Board.</i></p>	<p>This provision is standard language in RAP RFPs. In the unlikely event that the Board revises or adjusts the terms and provisions of the specimen agreement prior to execution, the proposer will be given an opportunity to review and determine if it wishes to continue with the execution of the agreement.</p>
<p><i>Page 7, Article III. Reporting: The requirement to provide quarterly reporting to the airport of ACDBE expenditures is unprecedented in our experience and cumbersome. Please adhere to the industry standard of annual ACDBE reporting.</i></p>	<p>The Airport will require that ACDBE reports be filed twice per year.</p>
<p><i>Sec. XI – #8 (p. 12). Please waive the requirements of this section for incumbents as the Board is familiar with and aware of current operators’ experience and qualifications. However, if not waived then:</i></p> <ol style="list-style-type: none"> <i>a. For Gross Revenues at representative airports, please limit requirement to past 3 years only.</i> <i>b. As in #8 above, please limit list of terminated contracts to <u>airport contracts only and only where terminated for cause/default in the last five (5) years.</u> (See also Sec. X). There are other circumstances where agreements may have been terminated by mutual agreement that are not relevant here.</i> 	<p>The Airport will limit the Gross Revenues provision to the past 3 years only (2015 through 2017). See above response regarding terminated contracts.</p>



RAPID CITY REGIONAL AIRPORT

www.rapairport.org

Questions/Comments	Answer
<p>Sec. XII (p. 13). Please clarify allocation of premises:</p> <ul style="list-style-type: none"> a. Counter – please confirm that if counters are grandfathered that the dividers between adjacent counters will be adjusted to ensure each counter is equal size as shown in the drawing provided. b. Parking – to be allocated based on bid share? Please provide details. c. QTA – selection of the available bays based on bid rank? 	<p>Counters will not be grandfathered in. For allocations of Premises (counters, ready return spots, QTA detail bays), the Proposer with the highest Minimum Annual Guarantee will have first choice. Dividers between adjacent counters will be adjusted to ensure each counter is equal in size as shown in the drawing provided.</p>
<p>Page 13 of 18 Rental Car Concession RFP, talks about the first choice of office space. The RFP does not specify parking space(s). (Parking is not defined in the RFP or Lease)</p>	<p>See above response.</p>
<p>In our opinion, unless there is a new proposer, if a current lessee is awarded a Concession the office space should not change. Changing office space creates unneeded business interruptions for the Lessees and the customers.</p>	<p>See above response.</p>
<p>Parking lot allocation should not change. (i) We have no issues with parking not changing over the new 5 year term. (ii) But, each Rental Concession/Counter should be awarded one Ready Return row(s), at a minimum, in the first six rows (South to North) of Exhibit A-2.</p>	<p>Each selected proposer will get one of the first six rows.</p>
<p>Award of Space Based on Mag: Understanding the Airports desire to retain leverage for car rental companies to bid a higher MAG in order to obtain premium space, we request that counter space be exempt from the selection process. We accept that QTA and Ready Return space should be awarded based on MAG, but counter space should not. It is very expensive and a monstrous undertaking to move from an existing counter to a new one. The disruption of service to our customers is a large concern. Please “grandfather” counter space to incumbents. The practice of requiring incumbents to move counters based on MAG is no longer the industry standard.</p>	<p>See above responses.</p>
<p>Art. 2.A (p. 6). Please add back in language allowing annual reallocation of RR parking to market share provided company would gain 5</p>	<p>The Airport will reallocate once during the term of the agreement. The Agreement has been revised to reflect this reallocation.</p>



Questions/Comments	Answer
<i>stalls or more relative to current allocation. Also applicable to Sec. XII (p. 13) of RFP.</i>	
<i>RFP Sec XI – please change to allow delivery of insurance certificate prior to Effective Date of agreement rather than as specified prior to execution of the agreement which could be well in advance of when the insurance is actually required.</i>	Insurance certificates need to be provided by February 1, 2019.
<i>Page 11, Article IX. Insurance: Worker’s Compensation Insurance and Employee Liability Insurance. Please waive this requirement, in our experience we have never been asked to provide this information to an airport. Further, we are required to carry this type of coverage for our employees. We are professional company with an established record of compliance with State and Federal laws this seems to us to be an unnecessary item for an RFP. How is this relevant to the Airport?</i>	No changes will be made to the language.
<i>Page 12, Article XL. Submittal Requirements Item #1 and Item #8: We request both requirements be dropped for incumbents. Requiring car rental companies who are already in operation at the airport to fulfill these two requirements does not seem pertinent. Companies with an established relationship with the Airport should not have to provide this type of information as our reputations regarding financial stability and timely payment have already been established.</i>	The Airport will exempt incumbent responders from Item #8 – Experience of the Proposer. However, Item #1 – Executive Summary is still required.
<i>Page 12, Article XL. Submittal Requirements Item #9: “Describe Ownership of the Proposer including franchise or other information. “Please define what this means?”</i>	If the proposer is a franchisee, the Airport wants evidence that the Proposer has the rights to the brands in its proposal. This “evidence” may be in the form of a statement signed by an appropriate officer of the brand.
<i>Page 13, Article XII. Evaluations Of Proposals: This seems like an unnecessary process given the fact that there are only three major car rental companies who are all existing on-airport car rental providers. The fact is Enterprise Holdings owns Enterprise, National, and Alamo, Avis Budget is jointly owned, and Overland West, Inc. d.b.a. Hertz owns the rights to the Hertz, Dollar, and Thrifty brands. Please strike these provisions from the RFP process.</i>	The Airport has revised the Evaluation of Proposals section as follows: A Selection Committee will evaluate Proposals and make a recommendation to the Board as to which Proposer offers the best overall Proposal in its judgment. <u>Proposals will be evaluated and selected based on the goals of the Rental Car Program including, but not limited to, the amount of Minimum Annual Guarantee proposed.</u> The Selection Committee and Board reserve the right to request additional information from Proposers to clarify the



Questions/Comments	Answer
	<p>meaning of any portion of the written Proposal. Finalists may be required to be interviewed by and make presentations to the Selection Committee. Questions and interviews are at the sole discretion and option of the committee and may not be afforded to any or all Proposer(s).</p> <p>After the Proposals are reviewed and finalist interviews/presentations completed (if necessary), the Selection Committee will make their selection recommendation to the Airport Board of Directors. After the recommendation is made, the Airport Board will determine which Proposals, if any, will be accepted. The Airport Board reserves the right to accept or reject any committee recommendation.</p> <p>Following the acceptance of a proposal, the selected Proposer and the Airport Board must reach a contractual agreement prior to the start of any work for which the City of Rapid City or the Rapid City Regional Airport would be obligated.</p> <p>Further, the Airport has created a new Section XIII. Allocation of Space as follows:</p> <p>The <u>Selected</u> Proposer with the highest proposed Minimum Annual Guarantee will have first choice of the Premises identified by the Airport Executive Director. The <u>Selected</u> Proposer with the second highest proposal for the Minimum Annual Guarantee will have second choice of the Premises identified by the Airport Executive Director and so on until all Selected Proposers have assigned Premises. There will be no reallocation of Premises during the term of the Agreement <u>except a one-time reallocation of the Rental Car Return Lot parking spaces as referenced in Exhibit A, Specimen On-Airport Rental Car Agreement.</u></p>
<p><i>Attachment E to RFP – the words “Gross Sales” should be changed to “Gross Revenues” for consistency.</i></p>	<p>Attachment E to the RFP has been updated and attached to this Addendum. Proposers should replace the form from the original RFP with the Revised Attachment E.</p>



Questions/Comments	Answer
<p><i>The RFP indicates there are currently car rental companies providing off airport service. Can you advise which companies/brands? Can you also advise what percentage fee applies for off airport companies and provide their market share / revenue information so we can assess the entire RAP rental car market?</i></p>	<p>There is currently one off airport rental car company under agreement with the Airport. The off airport rental car company pays seven percent of gross revenue derived from Airport business. It holds less than one percent of the total car rental market share.</p>
<p><i>Attachment D (p. 17). We cannot identify ACDBE firms we may use in advance or the amount we may spend. Please either revise this requirement or confirm it is acceptable to indicate "ACDBE firms not yet identified".</i></p>	<p>It is acceptable to indicate "ACDBE firms not yet identified" on Attachment D.</p>
<p><i>Can you provide drawings showing the current car rental company/brand allocations for a) counters, b) read/return parking, and c) QTA space?</i></p>	<p>See attached revised Exhibits.</p>
<p><i>If the airports desire is to have a base for MAG for the five year agreement period, why doesn't the airport require proposers to bid for each of the five years individually? The total amount bid can be used as the total MAG, but a bid for each of the five year periods helps the airport with forecasting income from car rental. Additionally, ready/return parking should be based off of market share after the first year of the agreement. A car rental company who does not enjoy the majority of market share should not have more stalls than a car rental company with the most market share.</i></p>	<p>The Airport has revised the MAG language for years after year one but is not requesting MAGs for each of the five years individually. The Airport will reallocate ready/return spaces once during the term. See revised draft of the agreement.</p>
<p><i>The requirement to base each subsequent year's MAG using 95% is not the industry standard. The industry standard is to use 80% to 85% and included abatement language.</i></p>	<p>See revised draft of the agreement.</p>
<p><i>Regarding the number of operators and counter space available: We believe it is the desire of the Airport to have good representation in the airport of car rental brands to enhance the selection process and the experience of the traveling public, with that in mind we would like to purpose the following language regarding the number of counters a nationwide brand may possess. "Affiliated companies which retain separate nationwide brand identities and in all respects are separate legal entities, shall not be precluded from bidding, so long each such bidder files the</i></p>	<p>The Airport anticipates awarding four concessions with a maximum of eight brands and agrees with the following language, as clarified:</p> <p><i>Affiliated companies which retain separate nationwide brand identities and in all respects are separate legal entities, shall not be precluded from bidding, so long each such bidder files an Affidavit of Non-Collusion. A single bidder (a single legal entity) which rents vehicles under two separate brand identities may submit a bid and</i></p>



Questions/Comments	Answer
<p><i>Required Affidavit of Non-Collusion. A single bidder (a single legal entity) which rents vehicles under two separate brand identities may submit a bid and will be permitted to operate at the Airport under both identities, which is sometimes referred to as "dual branding." No single bid will be accepted if it is from more than one legal entity. If an operator utilizes dual branding, it shall not be entitled to any greater rights under an awarded Concession Agreement, including but not limited to any greater counter area, number of parking spaces, signage area or number of signs in the terminal ready/reserve areas. The use of more than two brands by a single bidder shall be prohibited. Affiliated companies will be limited to a total of two counters. In the event two entities each bid for a total of two counters, the highest bidder will be awarded the concession".</i></p> <p><u><i>Example: Avis/Budget bids for two counters and Hertz bids for two counters using the affiliated Dollar/Thrifty brands, the highest bidder is awarded the counter space.</i></u></p>	<p><i>will be permitted to operate at the Airport under both identities, which is sometimes referred to as "dual branding." No single bid will be accepted if it is from more than one legal entity. If an operator utilizes dual branding, it shall not be entitled to any greater rights under an awarded Concession Agreement, including but not limited to any greater counter area, number of parking spaces, signage area or number of signs in the terminal ready/reserve areas. The use of more than two brands by a single bidder shall be prohibited. Each successful respondent, whether an individual brand or a dual-brand, will be entitled to one counter position.</i></p>

Rapid City Customer Facility Charges Summary
Dates of Collection: January 1, 2005 through September 30, 2018

Revenues

Total Customer Facility Charges Collected	6,376,497.37
Total Interest Earned	47,128.63
Total Revenues	6,423,626.00

Expenditures

Debt Service

Debt Service Original Ready Return Lot	1,071,094.41
Debt Service QTA & Car Rental Wing	3,023,752.03
Debt Service Fees, Financing Costs, Arbitrage	21,962.50
Total Debt Service	4,116,808.94

Improvements & Other Expenditures

2014 Return Lot Signage, Posts	9,168.05
2017 Return Lot LED Lighting	24,411.35
2018 QTA Roof Repair	7,212.00
2018 Return Lot Signage	3,460.34
2018 CFC RFP	5,390.02
Total Improvements & Other Expenditures	49,641.76

Total Expenditures	4,166,450.70
Ending Balance September 30, 2018	2,257,175.30