



MIAMI BEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

COMMITTEE MEMORANDUM

TO: Finance and Citywide Projects Committee

FROM: Jorge M. Gonzalez, City Manager

DATE: June 25, 2009

SUBJECT: **REVIEW AND DISCUSSION OF THE AGREEMENT FOR SHARED CAR SERVICE WITH THE HERTZ CORP.**

On September 10, 2008, the Mayor and City Commission approved the issuance of Request for Proposals (RFP) No. 42-07/08, for a concession agreement for a shared-car program for residents and visitors of the City of Miami Beach, (the "RFP"). On December 10, 2008, the Mayor and Commission selected the Hertz Corporation (single respondent) as highest ranked proposer and directed the Administration to negotiate an agreement with Hertz for said service.

As you may recall, the goal of the Miami Beach Shared-Car Service is to combine Transportation Demand Management (TDM) strategies and measures, which aim to reduce automobile travel demand, with support from a menu of alternative and multimodal transportation arrangements. TDM strategies include bicycling, walking, electronic substitute for travel such as telecommuting, and a variety of shared and public transportation strategies.

The Shared-Car Program may be a component in the City's overall effort to promote multimodal transportation options, which will help to facilitate mobility throughout the City. The shared-car model is a membership based program which operates with a distributed fleet of private motor vehicles parked at varying reserved locations, initially at our municipal parking garages and if successful at other locations throughout the City. Shared-Cars are made available to members primarily for hourly or other short term use through a self-service, fully automated system not requiring a separate contract for each use. The operation generally is to take pods of cars and place them at the City's six (6) parking garages so the user can walk from their home, condominium, or business to get the car, use it and bring it back.

The City's contribution towards the Shared Car Service Initiative is by way of providing up to 100 parking spaces at municipal parking garages. A weighted average of the revenue for all six (6) municipal parking garages is estimated at \$2,721 per space, annually. This average is based on revenues for the entire structure, thus it takes into account vacancies and represents actual usage.

Hertz has estimated usage and gross revenues over the five year term as follows and offered a % share, as indicated, to the City.

Year	No. of Vehicles	Hertz Gross Revenue	City %	Revenue to City	Value of City Contribution	Net (-)
2009:	20	\$ 36,303	0%	\$ 0	\$ 18,140	(\$18,140)
2010	23	\$ 415,822	3%	\$ 12,475	\$ 62,583	(\$50,108)
2011	35	\$ 740,949	3%	\$ 22,228	\$ 95,235	(\$73,007)
2012	50	\$1,045,398	3%	\$ 31,362	\$136,050	(\$104,688)
2013	63	\$1,392,000	3%	\$ 41,760	\$171,423	(\$129,663)
Total:		\$3,630,472		\$107,825	\$483,431	(\$375,606)

While the City expected that some subsidy might be necessary to support the program, the amount projected is much higher than expected. The subsidy provided by the City is estimated to average \$75,000 per year or \$375,606 over the five year term. In the 5th year of the agreement, the City subsidy would be \$129,663/yr. using current parking rates.

The level of City subsidy is a key point for which the Administration would like direction from the Finance Committee.

The key business terms negotiated with the Hertz Corporation are contained in the appendix A (see attachment).

A draft concession agreement is currently being reviewed by both the City Attorney's Office and Hertz legal counsel. As aforementioned, the Administration is seeking direction from the Finance Committee regarding the proposed terms of the Agreement, including the City's annual subsidy of \$75,000 or \$375,000 over the five (5) year term of the agreement. If the subsidy amount is acceptable, the contract can be finalized and presented for City Commission action in July. If this amount, which represents the final and best offer by Hertz is too large, a recommendation to the full City Commission to reject the proposal would be appropriate.

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APPENDIX A

SHARED CAR SERVICE – HERTZ CORPORATION

1. Term: Term shall be for an initial term of five (5) years with one five (5) year option.
2. Concession Locations – The Request for Proposals (RFP) and Agreement allow up to 100 vehicles, initially commencing with 20 vehicles distributed among the City's six (6) parking garages. Additional locations shall come online at surface parking lots and on-street spaces as membership and usage increases.
3. Concessionaire Responsibilities - The Concessionaire shall commence operation of the Car Sharing program within sixty (60) days of the execution of the agreement.
4. Condition - As of the Commencement Date of this Agreement, no less than twenty (20) vehicles will be available pursuant to this Concession Agreement and shall be new (i.e. previously unused except for standard industry testing required to ensure proper operation at conclusion of manufacturing process). The Concessionaire shall provide the following types of vehicles or comparables:
 1. Make & Model
 2. Make & Model
 3. Make & Model
 4. Make & Model
5. Car Sharing Members - The Concessionaire will provide each member accepted into the Car Sharing program with a monthly invoice that includes details of that member's use of Cars. In addition, the Concessionaire will provide the City with monthly reports summarizing the revenue and utilization earned by each Car. This monthly report will also display the aggregate total number of registered Car Sharing members who rented a vehicle from a Concession Location during the month being reported on.
6. Delivery and Replacement of Vehicles - The Concessionaire shall deliver ___ vehicles to the City's Concession Locations. The Concessionaire shall be responsible for vehicles while in transit to or from the Concession Locations for inclusion in or removal from Concessionaire's fleet dedicated to the Car Sharing program at the City. The Concessionaire shall replace each vehicle every three (3) years or 36,000 miles, whichever comes first.
7. Web Access - The Concessionaire shall establish a link on the City's webpage to Concessionaire's webpage, which will provide the information needed for eligible participants to join and use the Car Sharing Service.
8. Concessionaire Marketing Responsibilities - The Concessionaire shall provide marketing material for the official launch of the Shared Car Service at the City and ongoing marketing efforts shall include; Public Relations (PR) generating

news stories in the local media; Transit advertising; Newspaper ads: local newspapers; alternative weeklies; Posters; Internet links (e.g. promotional offers through various sources; Brochures; Postcards; and Email messages

9. City's Marketing Responsibilities: The City's responsibilities shall include: marketing efforts such as; Press Releases; Newsletters; Marketing to Business; Residential, and Civic Organizations; Advertisements in local newspapers; City news/information television; Direct mail and postcards sent to residents, businesses, and/or civic organizations. The City will integrate the Concessionaire's information into employment, housing, and economic development initiatives, encouraging new residents and businesses to join the Concessionaire's Car Sharing program.
10. Quality and Cleanliness of Vehicles - Quality of vehicles offered at City Locations will be comparable to the quality of vehicles provided by privately owned businesses providing like services within the City of Miami Beach. In addition to Concessionaire's general maintenance obligations for the vehicles and the Concession Locations, all vehicles and areas, retrospectively, shall at all times be maintained and cleaned on a regular basis.
11. Operation Schedule - Shared Car Service shall be operable during the days and hours of operation set forth at each Concession Location.
12. Condition of Vehicles - The condition and quality of Concessionaire's vehicles shall at all times be maintained in a manner that is consistent with the condition and quality of similar Car Sharing locations in first class Concession Locations. Accordingly, Concessionaire shall not only, at a minimum, ensure that all vehicles placed in the Concession Locations are well maintained and in usable condition.
13. Pricing and Availability of Services - Prices and fees for the Shared Car Service shall be in accordance with the schedule below. Any subsequent changes proposed by Concessionaire to said prices must be submitted in writing to the City Manager or his designee, and prior written approval must be secured from the City before implementing any changes to same.

		Week			
		Week Day	Day Daily		
Car Class	Hourly Rate	Rate	Car Class	Week End	Weekend
				Hourly Rate	Daily Rate
Connect					
	"Personal"	\$11.00	\$62.00	"Personal"	\$77.00
	"Social"	\$12.00	\$68.00	"Social"	\$85.00
	"Jet Set"	\$13.00	\$70.00	"Jet Set"	\$93.00

14. Signage - Concessionaire shall provide, at its sole cost and expense, any required signs at its concessions. All advertising, signage and postings shall be approved, in writing, by the City in its proprietary capacity, and shall be in accordance with all applicable Municipal, County, State and Federal laws and regulations. Any signage posted by Concessionaire within each Concession

Location shall be subject to the prior approval of the City as to size, shape and placement of same.

15. Removal of Concession Locations. - Concessionaire acknowledges that there may be circumstances under which the City shall require the removal of a Concession Location. As such, Concessionaire agrees that all its vehicles used at the Concession Location will be removed upon fifteen (15) days written notice to Concessionaire and said removal shall be done in compliance with the applicable section(s) as set forth herein; and without liability to the City.
16. Hurricane Evacuation Plan - Concessionaire agrees that upon the issuance of a Hurricane Warning by the Miami-Dade County Office of Emergency Management, it shall ensure that all vehicles and any and all other items used in the concession operations shall be secured.
17. City Parking Spaced for Shared Car Use - Secure up to one hundred (100) dedicated parking spaces for vehicles allocated to the Shared Car Service at the Concession Locations. The location of said parking spaces at a Concession Location shall be in the sole and absolute discretion of the City
18. Exclusive Shared Car Service – The City shall not enter into a business agreement with any other company during the term of this agreement to provide a Shared Car Service to the City.
19. Concession Fees (Financial Return to the City) - The Concessionaire shall pay to the City the following fee schedule:

Year One:	0% of Gross Revenues
Year Two:	3% of Gross Revenues
Year Three:	3% of Gross Revenues
Year Four:	3% of Gross Revenues
Year Five:	3% of Gross Revenues

“Gross Revenues” are defined as funds received by Concessionaire for rental time and additional mileage charges, if any, for rentals from the Share Car Service originating at a Concession Location, and shall not include any other charges, taxes, costs, fees, etc.

20. Maintenance/Examination of Records - Concessionaire shall maintain current, accurate, and complete financial records on an accrual basis of accounting related to its operations pursuant to this Agreement. Systems and procedures used to maintain these records shall include a system of internal controls and all accounting records shall be maintained in accordance with generally accepted accounting principles and shall be open to inspection and audit, but not photocopying, by the City Manager or his designee upon reasonable prior request and during normal business hours. Such records and accounts shall include a breakdown of gross receipts, expenses, and profit and loss statements, and such records shall be maintained as would be required by an independent CPA in order to audit a statement of annual gross receipts and profit and loss statement pursuant to generally accepted accounting principles. A monthly report of vehicle utilization, in a format to be agreed upon by the parties, must be

submitted to the City, through the Parking Director, to be received no later than thirty (30) days after the close of each month.

21. **Inspection and Audit** - Concessionaire shall maintain its financial records pertaining to its operations of the Shared Car Service at Concession Locations for a period of three (3) years after the conclusion of the initial term, or (if approved) the last renewal term, and such records shall be open and available to the City Manager or his designee during reasonable business hours, as deemed necessary by the City Manager or his designee, and pursuant to the provisions set forth below. The City Manager or his designee shall be entitled, during normal business hours, to audit Concessionaire's records pertaining to its operation of the Shared Car Service at Concession Locations as often as it deems reasonably necessary throughout the Term of this Agreement, and three (3) times within the three (3) year period following termination of the Agreement, regardless of whether such termination results from the natural expiration of the Term or for any other reason. Concessionaire shall submit at the end of the initial term (and, if approved, any renewal term), a certified audited annual statement of Gross Revenue, in a form consistent with generally accepted accounting principles.
22. **Concessionaire's Performance** - It is Concessionaire's intent to stay informed of comments and suggestions by the City regarding Concessionaire's performance under the Agreement. Within thirty (30) days after the end of the initial term (and, if approved, each renewal term), Concessionaire and City may meet to review Concessionaire's performance under the Agreement. At the meeting, Concessionaire and City may discuss quality, operational, maintenance and any other issues regarding Concessionaire's performance under the Agreement.
23. **Utilities** - No utilities other than those currently being provided at Concession Locations (e.g., lighting) will be provided by the City in connection with the operation of the Shared Car Service under this Concession Agreement.
24. **Schedule of Operation** - The Shared Car Service shall be made available to patrons twenty four (24) hours a day, seven days a week, based on the particular hours of operation of each individual Concession Location, events of force majeure permitting. Any change in the days or hours of operation shall require the prior written consent of the City Manager, which consent shall not be unreasonably withheld.
25. **Orderly Operation** - The Concessionaire shall have a neat and orderly operation at all times and shall be solely responsible for the necessary housekeeping services to properly maintain the vehicles and portion of the Concession Locations allocated to the Shared Car Service. The Concessionaire shall make available upon reasonable notice so as not to interfere with the Shared Car Service all vehicles at Concession Locations for examination during days and hours of operation by the City Manager or his authorized representative.
26. **Security** - The Concessionaire shall be responsible for and provide reasonable security measures which may be required to protect the vehicles at all Concession Locations. Unless resulting from the negligent, willful, or intentional act(s) of the City, its agents, servants or employees, the City shall not have any responsibility for any stolen or damaged goods, facilities, materials and/or other

equipment, including but not limited to the vehicles, nor shall City be responsible for any stolen or damaged personal property of Concessionaire's employees, vendors, patrons, guests, invitees, and/or other third parties.

27. Maintenance Vehicles - Concessionaire shall not permit the use of any vehicle, in any way that violates any Municipal, County, State or Federal Laws. Vehicles may only be driven and/or parked in areas designated for such purposes and as provided for by applicable law.
28. Insurance - Concessionaire shall maintain, at its sole cost and expense, the following types of insurance coverage or equivalent self-insurance coverage at all times throughout the term of this Agreement. It is understood and agreed that the following types of insurance coverage or equivalent self-insurance coverage shall not apply to the use of vehicles by members of the Shared Car Service. Such use of vehicles will be covered by insurance as provided in the Terms and Conditions of Concessionaire's car sharing program, Connect by Hertz. This Agreement shall not be construed to modify said Terms and Conditions, which may be modified from time-to-time.

- Comprehensive General Liability in the minimum amount of One Million Dollars (\$1,000,000) per occurrence for bodily injury and property damage. This policy must also contain coverage for premises operations, products and contractual liability.
- Workers Compensation Insurance shall be provided as required under the Laws of the State of Florida.
- Automobile Insurance for any vehicles used for, or associated with concessionaire's operations shall be provided covering all owned, leased, and hired vehicles and non-ownership liability for not less than the following limits:

Bodily Injury	\$1,000,000 per person
Bodily Injury	\$1,000,000 per accident
Property Damage	\$1,000,000 per accident

29. Indemnity - In consideration of a separate and specific consideration of \$10.00 and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Concessionaire shall indemnify, hold harmless and defend the City, its agents, servants and employees from and against any claim, demand or cause of action of whatsoever kind or nature arising out of error, omission, or negligent act of Concessionaire, and/or its vendors, agents, servants, employees and/or subcontractors and/or sub-concessionaires in the performance of services under this Agreement. In addition, in consideration of a separate and specific consideration of \$10.00 and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Concessionaire shall indemnify, hold harmless and defend the City, its agents, servants or employees, from and against any claim, demand or cause of action of whatever kind or nature arising out of any misconduct of Concessionaire, and/or its vendors, agents, servants, employees and/or subcontractors and/or sub-concessionaires, not included in the paragraph in the Subsection above and for which the City, its agents, servants or employees are alleged to be liable.

30. Penalties and Fees – The following penalties and fees shall apply to users:

- a. Connect Card Reissued - \$20 to issue a Connect card replacement.
- b. Phone Reservation - \$3.50 per call to change or cancel a reservation.
- c. Fuel below ¼ tank - \$25 for returning vehicle with ¼ tank or less at the end of the reservation.
- d. Ignition Key Replacement - \$200 for losing or taking an ignition key. Keys can cost upward of \$200 to replace. If you take or lose the key, be prepared to pay the full cost.
- e. Fuel card replacement - \$50 if a member takes or loses a fuel card.
- f. Garage Pass Replacement - \$50 if a member takes or loses a garage access card.
- g. Car Documents Replacement (e.g., registration, insurance, etc.) - Actual replacement cost plus an administrative fee of \$20.
- h. Late Return - \$50 charge if a member returns a vehicle late.
- i. Processing Fee-Tickets/Violations - \$20 fee will be charged for tickets and violations that have not been resolved on time.
- j. Incorrect Parking - \$45 fee if the vehicle is not parked in its home parking location at the end of the reservation.
- k. Vehicle cleaning - \$45 additional fee can be incurred for cleaning services.
- l. Additional Mileage Fee - 45 cents per mile (after the first 180 miles) – per day fee.
- m. The hourly rate for 18-20 year old drivers unaffiliated with a university or corporate account? - Drivers 18-20 who are not affiliated with a university or corporate account are charged an age differential charge that is currently up to \$7.00 per hour and \$51.00 per day in addition to the hourly rental rate. Please contact our Member Care Center for additional information.