

Memorandum



Date: May 19, 2020

To: Honorable Chairwoman Audrey M. Edmonson
and Members, Board of County Commissioners

From: Carlos A. Gimenez
Mayor

A handwritten signature in blue ink, appearing to read "Carlos A. Gimenez". The signature is fluid and cursive, written over the printed name of the Mayor.

Subject: Miami International Airport (MIA) Retroactive Financial Relief Report - March 2020

Agenda Item No. 2(B)(3)

At the April 7, 2020 Board of County Commissioners (Board) meeting, Board members adopted Resolution No. R-332-20 as amended, approving a Retroactive Financial Relief Plan (Relief Plan) for airlines, concessionaires, car rental companies, cargo handlers, general aeronautical service permittees, fixed-base operators and any other tenant providing services at Miami International Airport (MIA), and for the aeronautical business operators at the General Aviation Airports (GAA) due to the precipitous decline in business revenues because of the “coronavirus disease 2019” (COVID-19) pandemic.

The Relief Plan complies with the guidelines published by the Federal Aviation Administration (FAA) on April 3, 2020. These guidelines were designed to provide a procedural framework for U.S. airports to follow while implementing local measures in response to this public health emergency. Furthermore, these guidelines encourage U.S. airports to look at their specific changed circumstances and to take actions accordingly to ensure that all federally obligated airports, like MIA, stay open and operate safely.

This Relief Plan was approved with an initial term of three months and a one-time three-month extension, subject to monthly reviews commencing thirty days from the date of inception, which began on April 18, 2020. Per the requirements of Resolution No. R-332-20, the Miami-Dade Aviation Department (MDAD) has prepared its first monthly report. The report provides pertinent data related to the financial relief offers made by the County to its business partners at MIA and GAA, and it evaluates the impact of the changed financial circumstances due to the COVID-19 crisis.

At the Chairwoman’s Policy Council meeting held on April 20, 2020, an amendment was proposed to the Resolution requiring that the option to extend the financial relief plans for a period of three months be contingent on business partners eligible for federal relief applying for such relief, and making good faith efforts to obtain relief. The reporting of such information will be provided as appropriate in next month’s report should the Board approve this amendment. In regards to U.S. domestic airlines, they are all eligible to receive federal aid by way of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was passed by Congress and signed into law on March 27, 2020.

Impacts of COVID-19 Pandemic

In an effort to contain the spread of the COVID-19 virus in the United States, states around the country have implemented policies that order people to stay home, close restaurants and bars, hair

salons, gyms, and all nonessential services. The U.S. economy is expected to take a significant hit from the COVID-19 pandemic as it has already impacted numerous industries across most sectors of the economy, particularly, the aviation industry. Key factors affecting the aviation industry include the abrupt falloff in demand for tours and travel as a large number of international and domestic flights have been cancelled across the globe to curb the transmission of COVID-19, in addition to governments closing their borders and canceling the visas of foreign nationals. These effects can be observed most vividly in the unforeseen drop in passenger traffic and business revenue levels that characterize most U.S. airports at this time, including MIA. Such impacts are noted below.

1. Passenger Traffic at MIA

A comparative analysis of passenger traffic levels for the months of March 2019 and March 2020 shows an average decline in passenger flows (arrivals and departures) of 46 percent at MIA, with the total number of domestic and international passengers falling from 4,210,141 passengers to 2,268,331 passengers. A more detailed look at the analysis confirms that the number of domestic arrivals decreased by 50 percent, from 1,105,904 passengers to 553,356 passengers while the number of domestic departures dropped by 41 percent, from 1,100,203 passengers to 653,142 passengers. The number of international arrivals decreased by 48 percent, from 1,011,388 passengers to 523,531 passengers, whereas the number of international departures fell by more than 46 percent, from 992,646 passengers to 538,302 passengers.

Preliminary numbers for the month of April 2020 (that still require validation) suggest that both domestic and international passengers traffic levels continued to decline in April 2020 when compared to passenger traffic levels in April 2019. On April 1, 2020, the total number of domestic and international passengers plunged from 115,350 to 8,440 passengers, which is a 93 percent drop in passenger flows, while on April 25, 2020, the total number of domestic and international passengers fell by 96 percent, from 127,418 passengers to 4,923 passengers. These preliminary numbers are indicative of the prolonged impact of the COVID-19 virus as numerous travel restrictions, flight cancellations and nationwide lockdowns are just a few measures implemented by countries around the world in an effort to prevent the spread of this infectious disease, which have been of great consequence to the aviation industry.

2. Gross Revenues Variance Analysis at MIA

A comparative analysis of total gross revenues for concessionaires for the months of March 2019 and March 2020 is represented in Chart A, as shown on the next page. The analysis shows an average decline in total gross revenues of 41 percent, with revenues falling from \$87,899,483 to \$51,431,792 for concession operators contracted to pay Minimum Annual Guarantee (MAG) payments in addition to rent as well as concession operators and car rental companies whose MAG payments include rent.

Due to the timing of this report, MDAD does not have total gross revenue numbers for April 2020, however, it is expected that the revenues generated will show a significant decline. The April 2020 total gross revenue figures will be included in the next monthly report.

Chart A – Total Gross Revenues Variance Analysis

Type of Gross Revenues	March 2019	March 2020	Variance	Percent Decrease
MAG and Rent (Duty Free Stores and Concessions who pay MAG as well as rent payments)	\$16,178,501	\$9,661,072	\$6,517,428	40%
MAG only (Concessions who pay MAG only as part of their rent payments)	\$28,663,364	\$13,839,637	\$14,823,727	52%
Car Rentals (MAG includes rent)	\$43,057,618	\$27,931,082	\$15,126,536	35%
Total:	\$87,899,483	\$51,431,792	\$36,467,691	41%

Retroactive Financial Relief Plan

In accordance with Resolution No. R-332-30 as amended, MDAD proceeded to offer retroactive financial relief for March 2020 to airlines, concessionaires car rental companies, cargo handlers, general aeronautical service permittees, fixed-base operators and any other tenant providing services at MIA as well as the aeronautical business operators at GAA. A summary of the different types of financial relief offered is as follows:

- 1) Deferral of monthly rent payments and other related charges for passenger and cargo airlines and all ancillary businesses with such expenses retroactive to March 1, 2020 through May 31, 2020.
- 2) Waiver of monthly Minimum Annual Guarantee (MAG) payments, rent, and other related fees for duty-free stores and any other concession operators contracted to pay MAG monthly payment as well as monthly rent. Such waivers would be retroactive to March 1, 2020 through May 31, 2020. These concessionaires will continue to pay the assigned percentage fee of gross revenues in lieu of the MAG and rent for such time period.
- 3) Waiver of MAG monthly payments and other related fees for all other concessionaires, car rentals and operators with such MAG payments retroactive to March 1, 2020 through May 31, 2020. These concessionaires, car rentals and other operators will continue to pay the assigned percentage fee of gross revenues in lieu of the MAG for such time period.
- 4) Aircraft parking charges in excess of those incurred in December 2019 were credited back to the airlines in the amount of \$146,108.

Chart B, as shown on the next page, illustrates the total dollar amounts of relief provided by the County to its business partners at MIA and GAA for the month of March 2020 as well as the gross revenues billed. Each relief offer made and accepted or declined is detailed on Attachment 1, as enclosed.

Chart B – Relief Provided to the County’s Business Partners at MIA and GAA

Business Partners	Relief Provided for March 2020	Percentage Fee of Gross Revenues Billed
Airline Rent Deferred	\$6,749,258	
Other Rents Deferred (Cargo Handlers, General Aeronautical Services Permittees, Maintenance Repair Operators, General Aviation Airports, Fixed-Base Operators, Development Leases)	\$1,650,901	
Waiver of MAG and Rent (Duty Free Stores and Concessions who pay MAG and rent payments)	\$3,837,821	\$2,264,161
Waiver of MAG only (Includes other Concessions who pay MAG only as part of their rent payments)	\$4,149,298	\$1,974,947
Car Rentals (MAG Payment Includes Rent)	\$3,388,968	\$2,731,491

This relief offer is supplemental to any federal aid (e.g., loans, loan guarantees, grants, paycheck protection program, employee retention credits, payroll tax deferrals, etc.) our business partners may be eligible for through the CARES Act, as the County’s primary goal is to provide fast and direct assistance.

Pursuant to Ordinance No. 14-65, this memorandum will be placed on a Board agenda for review within 30 days.

Should you have any questions or require additional information, please contact Lester Sola, Miami-Dade Aviation Department Director at 305-876-7066.

- C: Abigail Price-Williams, County Attorney
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