

# Memorandum



**Date:** December 13, 2011

**To:** Honorable Joe A. Martinez, Chairman  
Board of County Commissioners

**From:** Carlos A. Gimenez  
County Mayor 

**Subject:** Miami-Dade Aviation Department Status Report on Sinapsis Trading USA, LLC –  
Luggage Wrapping Services at Miami International Airport

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In accordance with your request of December 5<sup>th</sup>, the Miami-Dade Aviation Department (“MDAD”) has prepared the following status report for the Luggage Wrapping Services Agreement (“Agreement”) at Miami International Airport (“MIA”) with Sinapsis Trading USA, LLC (“Sinapsis” or “Concessionaire”).

## **Minimum Annual Guarantee (MAG) Performance Bond and Letter of Credit**

The current MAG is \$11.1M. This resulted in a Performance Bond of \$8,373,138.93 which expired on December 4, 2011 despite the efforts of Sinapsis and MDAD to reach an earlier resolution acceptable to the parties; hence the urgency to resolve this matter. Sinapsis has asserted that it is no longer capable of securing a Bond at its current level as the company is unable to demonstrate to a lender, the revenue to support such a Bond. This is due to the unexpected loss of revenue to off-airport luggage wrapping companies, and changes in the air transportation industry beyond Sinapsis’ control. Further, without an amendment to the concession agreement, a Bond of a lesser amount could not be issued as upon the issuance of that lower Bond, the concessionaire would be non-compliant. However, Sinapsis stated it could secure a Bond that reflects their proposed reduced MAG. The new Bond would be effective upon the Board of County Commissioners’ (BCC) approval of a MAG reduction to \$8.658M. If the MAG reduction is approved by the BCC, the amount of the Performance Bond would then be \$6,544,670.76<sup>i</sup>. With the BCC approval, MDAD would automatically have an effective Bond.

MDAD also holds a Security Deposit from Sinapsis of \$2,791,046.31 that consists of \$16,046.31 in cash and an active Letter of Credit (LOC) in the amount of \$2.775M. However, that LOC expires on December 17, 2011, and Sinapsis has indicated that the LOC will be extended beyond December 17, 2011.

Sinapsis is up-to-date on its payments to MDAD and therefore, MDAD has no current exposure as the payment security alone of \$2,791,046.31 covers three (3) months of MAG, including rent. If the reduced MAG is approved by the BCC, the payment security amount would be reduced to \$2,181,566.92<sup>ii</sup>.

## **Concessionaire and Wrapping Equipment Performance**

During the one (1) year period, MDAD has received two (2) complaints associated with the luggage assistance program (similar to insurance coverage) offered by Sinapsis to the traveling public at MIA. The complaints stem from unpaid claims associated with the program and not related to the actual luggage wrapping services offered by Sinapsis. The first claim was settled in February and passenger was fully paid. The second claim filed in August has already been processed but Sinapsis is awaiting missing documentation from claimant.

As for the equipment, during the first few weeks of operations, Sinapsis experienced problems with the equipments’ cash register and its IT integration with that of the Airport’s IT infrastructure. These problems were resolved within the first few weeks.

### **Airport Concession Disadvantaged Business Enterprises (ACDBE)**

The MDAD Minority Affairs Division has been monitoring the relationship between Sinapsis and Crown Global since its inception relative to minority participation. Crown Global (ACDBE) has been allowed to perform a commercially useful function managing those who wrap baggage and the very latest information shows that Sinapsis has already achieved twenty-six percent (26%) of a thirty percent (30%) goal. MDAD's Minority Affairs reported that it considers this level of participation to be well above satisfactory given the fact that Sinapsis/Crown Global started its operation at MIA in December 2010.

It should be noted that although Minority Affairs monitors participation reports on a monthly basis to ensure active minority participation, the overall goal of thirty percent (30%) is to be ultimately achieved at the conclusion of the Agreement and not necessarily on a month-to-month basis. The goal of Minority Affairs is to continue to work with both entities to ensure that an overall thirty percent (30%) average is attained by the end of the Agreement.

### **Compliance**

The attached Exhibit A includes all of the 'compliance' related documentation between MDAD and Sinapsis.

### **MAG Reduction**

Sinapsis representatives had several phone conversations with MDAD staff regarding this matter beginning in March 2011 shortly after American Airlines reduced its allowable free checked bags from two to one for scheduled flights to Central America and the Caribbean. However, formal meetings on the issue commenced in July, 2011. Specifically, those meetings were held July 12, 2011, August 12, 2011, September 14, 2011, October 11, 2011 and October 26, 2011.

The request and justification by Sinapsis to reduce the MAG has been attached as Exhibit B.

In closing, as reflected in the justification memorandum that accompanied the proposed amendment for the subject agreement, MDAD and the Concessionaire deliberated over this matter for many months. The Department and my administration have invested a considerable amount of time and resources to thoroughly analyze this decision. We believe that a MAG reduction and the rebidding of the contract is in the best public interest and hope that this report and the justification memorandum sufficiently address your concerns.

Attachments: Chairman Martinez Memorandum dated December 5, 2011  
Exhibit A  
Exhibit B

c: Honorable Vice Chairwoman Audrey M. Edmonson and  
Members of the Board of County Commissioners  
Honorable Harvey Ruvin, Clerk of the Board  
Robert A. Cuevas, County Attorney  
Christopher Agrippa, Division Chief, Clerk of the Board  
Jack Osterholt, Deputy Mayor  
Jose Abréu, P.E., Aviation Director  
Miguel Southwell, Aviation Deputy Director

<sup>i</sup> Amount reflects 75% of \$8,658,000 plus Location rent, support and administrative space rental of \$68,227.68

<sup>ii</sup> Amount reflects 25% of \$8,658,000 plus Location rent, support and administrative space rental of \$68,227.68