



M E M O R A N D U M

To: Mayor and City Council

From: Jacqueline Yaft, Executive Director, Aviation Department *Jacqueline Yaft*

Date: June 11, 2020

Subject: **Airport Concession Workers Rehire Plan (Response to Resolution 20200521-094)**

This memorandum is in response to Austin City Council [Resolution No. 20200521-094](#) regarding rehiring airport concession workers at Austin-Bergstrom International Airport (AUS). On June 5, 2020, the Department of Aviation (Aviation) convened the first meeting of the Airport Concessions workers stakeholder working group made up of airport administration, airport concessionaires, Airport Concession Disadvantage Business Enterprises (ACDBE) partners, Unite Here, Law Department, and the City's Small and Minority Business Resources Department. Also part of this working group, although not in attendance for this first meeting, is the City's the Economic Development Department.

Airport Financial Status and Passenger Levels

The COVID-19 pandemic is causing significant reduction in passenger traffic worldwide, including at AUS. Airport revenues depend on the level of aviation activity and passenger traffic. Accordingly, AUS revenues are dependent on passenger services including flight schedules, parking, ground transportation, rental car transactions, and food, beverage, and retail concessions. As the passenger volumes have declined by 90-95% since March 2020, the revenues associated with those passenger services have also declined. As airlines have cancelled domestic flights and suspended international flights, the airport's revenue originating from airline and concession fees has also been negatively impacted. For example, due to the significantly lower number of passengers traveling through AUS, enplanements for the month of April were 96.55% below last year's enplanements. Consequently, Aviation collected about 71% less than what was collected from last year in concession fees, public parking, rental car payments, and other rentals.

Concessionaire Rehire Programs

All airport concessionaires have agreed to administratively implement programs to rehire their furloughed workers that comply with Council's resolution. Delaware North Company currently has a collective bargaining agreement that includes a plan that recalls associates by seniority and by job classification to staff the airport venue that is opening.

Airport Financial Incentives

Under the FAA guidelines and federal regulations, Aviation offers the following:

- \$9.5 million dollars in financial relief - Aviation has already deferred concession fees due under the airport concession contracts for April, May, and June 2020. This has deferred concession payments to Aviation in the amount of \$4.5 million. Aviation is prepared to offer additional deferment of July, August, and September fees. At the end of the fiscal year, Aviation will reconcile each concessionaire's minimum annual guaranteed concession fee (MAG) in accordance with the concession contracts. In general, the concession contract provides a reduction of the annual MAG in proportionate to the percentage of passenger decline. Aviation expects that the deferral of payments and reduction in the annual MAG owed to AUS will cost Aviation approximately \$9.5 million.

- Aviation is offering to waive the administrative costs for security badging for concessionaires to rehire their furloughed employees.
- Aviation is also investing almost an additional \$15,000 in technology and marketing to encourage passengers to order and pay for food, beverage, and retail online from all concessionaires. The use of this technology will allow customers to order and pay online, and for the concessionaire to deliver the food, beverage, and retail item by a worker almost anywhere inside the terminal. This online platform has the potential to create jobs to deliver food, beverage, and retail items to customers. Also, this touchless technology will encourage passengers to buy from airport restaurants and shops. Increasing the demand for food, beverage, and retail sales at the airport will increase the opportunity for concessionaires to rehire additional workers to meet the increasing passenger demand.
- Aviation is also launching a #AUSReady4You campaign to increase passenger confidence and promote travel through AUS by creating a safe travel experience and promoting social distancing, disinfecting, and sanitation stations throughout the airport terminal. Part of this initiative includes installing plexiglass separators at ticket counters and gate-hold rooms as well as informational signage to encourage 6 feet of separation in all queuing. Aviation has invested approximately \$20,000 in improvements and marketing for this campaign to date.

Under federal guidelines, the Cares Act relief package passed by the U.S. Congress for airports allows funds to be used only for airport operating expenses, debt service, and airport construction/development projects. AUS will be utilizing the Cares Act funds to cover operating expenses and debt service only in accordance with federal guidelines. However, Aviation's financial relief measures and programs as stated above that are intended to incentivize airport concessionaires to rehire their furloughed workers are federally permissible and allowed under the current airport concession agreement as well as under the administrative authority of the City Manager and/or Aviation Executive Director. Accordingly, there is no City Council action needed to implement any of these measures at this time.

Aviation is working with the City's Economic Development Department and Small and Minority Resources Department to identify additional resources such as loans, grants, and other relief programs as well as any other incentives that may be available and applicable to the concessionaires and ACDBE partners as part of their rehire programs. Aviation will report back to Council to outline any additional incentives other City Departments may offer concessionaires and ACDBEs.

If you have additional inquiries, you may contact Susana Carbajal, Deputy Chief of Revenue, at susana.carbajal@austintexas.gov or 512-530-6364.

CC: Spencer Cronk, City Manager
Gina Fiandaca, Assistant City Manager
Edward Campos, Acting Executive Director, Small and Minority Business Resources Department
Sylvia Halt-Robb, Deputy Director, Economic Development Department