

**COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION**

DATE: April 17, 2020
TO: Theodore Lipscomb, Sr., Chairman, County Board of Supervisors
FROM: Donna Brown-Martin, Director, Department of Transportation
SUBJECT: **Airport Coronavirus Impact**

POLICY

This report is information only.

BACKGROUND

While we are all aware of the devastating impacts the coronavirus has had our region, the focus of this report is on the impact to the airport, its operations, and its financial outlook. Milwaukee Mitchell International Airport, like many airports of its size, has a residual lease agreement. This means that anticipated airport revenues offset operational costs. The airlines have agreed to this concept by contract; therefore, any surpluses the airport generates are returned to the airlines and any deficits are covered by the airlines. In recent years, the airlines have benefited from surpluses that have been returned to them.

During the first two months of 2020, the airport was on track to meet its revenue and expenditure projections, however, during the month of March when cases of the coronavirus began to accelerate in the United States, traffic levels began to decline sharply to all-time historic lows. From the middle of March to the current time of this report, passenger traffic has been down 90-95%. Unlike 9/11 when passenger traffic returned shortly after air service resumed, these historic lows have been prolonged due the length of time it is taking to recover from the virus spread.

Staff and Facility Care

At the onset of the virus spread, our primary concern was, and remains, the safety of passengers and staff who visit or work at the airport. The airport has intensified its cleaning efforts and has closed areas that have little or no traffic given suppressed traffic volumes so we can focus efforts on high traffic areas. We have also worked with vendors such as shuttle operations to clean and disinfect vehicles. In addition, we have closed our remote Super Saver lots and consolidated them to the surface parking area closest to the building to reduce the need for shuttling and conform with social distancing practices.

Airports are considered essential for the movement of passengers who absolutely need to travel and for the movement of cargo and military operations. Due to these operational needs, the airport cannot be closed without consent from the Federal Aviation Administration (FAA). Therefore, the airport and airport employees have been deemed essential and have been exempted from state and local restrictions. Airport Operations, Security, Fire, and a few other selected staff members remain onsite, while others who can work from home are doing so.

We are carefully monitoring airport staff and other staff (vendors, contractors, etc.) at the airport to make sure they stay safe and healthy and have the proper resources given the current supply limitations that exist. The airport has also brought in supplemental cleaning at night, which provides a disinfectant spray, or fogging application, as a further precautionary measure. We are practicing social distancing, have reminded people to practice proper hygiene including frequently washing hands, coughing or sneezing into your elbow, avoid touching eyes, nose, or mouth, and have added hand-sanitizing stations throughout the building.

It should be noted that airlines are still operating on much reduced schedules with extremely low passenger levels, many times 5 or fewer people per flight. Due to these extremely low passenger levels, daily interaction with the public is far less than other public areas reducing overall exposure. However, the situation still requires a high degree of attention and care.

Financial Status

The airport is constantly monitoring the effects of drastically suppressed passenger levels on the airport's budget. The common thread for nearly all revenue sources is the passenger. Passengers provide parking, rental car, and concession revenues along with Passenger Facility Charges that support capital projects. The airport expects significantly reduced passenger revenues, and therefore, airline operations, to be down through at least June. This could be longer depending on the state and nation's recovery period, or if there is a relapse of conditions later in the year.

In March, the CARES Act was passed providing \$53 Billion dollars of support to the airlines and \$10 Billion to airports around the county. The airline support is significant as it will need to provide for likely deficits that will occur given the unforeseen, and unprecedented nature of this pandemic. At the time of writing this report, the airport is awaiting the development of an FAA formula that would let us know how much Milwaukee can anticipate in federal funding assistance. Once we know how much we will receive, we can better determine how much federal funding will help cover unanticipated revenue losses. A component of the bill does require the airport to retain 90% of its staff from the signing of the bill on March 27, 2020. The purpose of that provision was to not incur higher levels of airport staff layoffs.

For its part, the airport has suspended all hiring outside of maintaining the 90% level, suspended or canceled all contracts outside of maintenance contracts, and has taken a hard look at reducing the operating and maintenance budget as much as possible. The airport is moving forward with projects that relate to safe operations of the airfield and/or airport structures.

The airport is fielding multiple requests for rent waivers or deferrals from concessionaires and vendors. While we understand the situation our vendors are in, these financial commitments are

important to the airport as they provide for revenues to offset costs. There are federal grant restrictions and bond requirements that must be considered, and we must be aware of the further impact these decisions affect the airlines. Part of the CARES Act provides for grants or loans for businesses that they can take advantage of to either pay employee costs or operational costs and we encourage these vendors to use these resources.

As the current situation continues, or if there is a return of virus later in the year, it will be critical for airports such as Milwaukee to obtain further federal support to supplement operations costs for the remainder of 2020, and possibly into 2021, so we can simply meet our fixed cost obligations. This will likely impact our 2021 operational and capital budget development. With a lack of concession revenue, and PFC collection that supports project financing, the airport will need to review its project schedule to determine which projects need to move forward versus those that will need to be deferred. The airport has already told the airlines it will defer the E Concourse redevelopment project construction that was anticipated to begin in early 2021.

The airport will continue to monitor the situation and provide the County Board with necessary updates.

RECOMMENDATION

Informational report only.

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