

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 03/25/2015

Original Fiscal Note x

Substitute Fiscal Note

SUBJECT: Extension of the Standby Reimbursement Agreement with U.S. Bank

FISCAL EFFECT:

- | | |
|---|---|
| <p><input checked="" type="checkbox"/> No Direct County Fiscal Impact</p> <p><input type="checkbox"/> Existing Staff Time Required</p> <p><input type="checkbox"/> Increase Operating Expenditures
(If checked, check one of two boxes below)</p> <p style="padding-left: 20px;"><input type="checkbox"/> Absorbed Within Agency's Budget</p> <p style="padding-left: 20px;"><input type="checkbox"/> Not Absorbed Within Agency's Budget</p> <p><input type="checkbox"/> Decrease Operating Expenditures</p> <p><input type="checkbox"/> Increase Operating Revenues</p> <p><input type="checkbox"/> Decrease Operating Revenues</p> | <p><input type="checkbox"/> Increase Capital Expenditures</p> <p><input type="checkbox"/> Decrease Capital Expenditures</p> <p><input type="checkbox"/> Increase Capital Revenues</p> <p><input type="checkbox"/> Decrease Capital Revenues</p> <p><input type="checkbox"/> Use of contingent funds</p> |
|---|---|

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	0	0
	Revenue	0	0
	Net Cost	0	0
Capital Improvement Budget	Expenditure		
	Revenue		
	Net Cost		

DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated.¹ If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

Option 1

A. The Comptroller is requesting to extend the Standby Reimbursement Agreement with US Bank for a period of one year. The Standby Reimbursement Agreement is part of the Credit Assistance that Milwaukee County provided to Midwest Airlines and Skyway Airlines in 2003. The Standby Reimbursement Agreement provides a guarantee that the County will pay for the costs of any call on letters of credit that are used to guarantee two debt issues that were used to construct hangars at Mitchell Airport. The letters of credit and Standby Reimbursement Agreement need to be extended or the debt will be called upon the termination of the letters of credit and Standby Reimbursement Agreement. If the debt is called the County will be responsible for the payment on the debt. The County can attempt to recoup funds from Midwest Airlines or Skyway Airlines, but is mainly looking to its interest in two hangars at the Airport, and a trust reserve fund. In 2009, Republic Airways Holdings, Inc. purchased Midwest's and Skyway's stock from a private equity company. Republic has been making the payments on the debt on behalf of Midwest and Skyway until earlier this year. The County's Credit Assistance for Midwest and Skyway, is therefore, still with Midwest and Skyway. On February 25, 2016, Republic Airways (and Midwest and Skyway) filed for Chapter 11 reorganization.

B. There are currently costs have been incurred since Republic has declared bankruptcy and is longer making payments. The County has been using the trust reserve fund to make the payments. Subsequent to the bankruptcy filing, the Comptroller submitted should payments not be made by Midwest or Skyway. Milwaukee County was required to make payments and

¹ If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

² Community Business Development Partners' review is required on all professional service and public work construction contracts.

as of April an appropriation transfer in the amount of \$500,000 to transfer funding from the reserve into an operating account 28, 2016, \$130,457 in payments have been made.

C. No additional costs to current year. The extension of this agreement does not increase or decrease the current fiscal guarantee that the County has in support of the two IRB's. Midwest Express and Skyway are responsible for all costs of the letters of credit, plus all interest and principle payments on the IRB debt.

D. Information was based on conversations with US Bank, and Frontier Airlines, plus the review of related documents from 2003, when the Standby Reimbursement Agreement was approved.

Option 2

It is difficult to calculate the fiscal impact of Option 2 as multiple solicitations of financial institutions would need to occur to obtain estimated costs of transferring the Standby Reimbursement Agreement to a new financial institution. Bond Counsel and the County's Financial Advisor has advised this is the least likely of options to occur as it may prove difficult for the County to find an alternative financial institution interested in executing the Standby Reimbursement Agreement.

Option 3

If the County is unable to pursue options 1 or 2 and extend the Standby Reimbursement Agreement, the remaining debt on the will be called. Therefore, the County will have to repay the existing debt for the Midwest and Skyway hangars by issuing general obligation bonds or notes to US Bank or another financial institution. The debt service costs are estimated to be \$15,250,000 for a ten-year term, with a maximum coupon rate of 4.0 percent. This assumes that no revenues from the trust fund reserves or proceeds from the sale of the hangars is applied towards repayment of the debt. This is just a sample debt service schedule. The acutal schedule will be dependent upon the amount of other revenues available for repayment, term of the bonds, market conditions, etc.

Department/Prepared By Molly Pahl and Pamela Bryant, Office of the Comptroller



Authorized Signature _____

Did DAS-Fiscal Staff Review? Yes No

Did CDBP Review?² Yes No Not Required

