

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE: September 28, 2017

TO: Supervisor Theo Lipscomb, Chair, County Board of Supervisors

FROM: James Tarantino, Economic Development Director, Department of Administrative Services

SUBJECT: Informational Report Related to the Sale of Former Skyway Hangar and prepayment on the 2016 Note

REQUEST

There is no request at this time; this report is for informational purposes only.

BACKGROUND

Per the request of the request of the Chairman of the Economic and Community Development Committee, this informational report is being submitted that describes the sale of the former Skyway Airlines hangar by Milwaukee County and the use of the proceeds to prepay a portion of the outstanding 2016 Taxable General Obligation Promissory Note (2016 Note).

In October 2003, Milwaukee County entered into a Credit Assistance Agreement with Midwest and Skyway Airlines (County Board Resolution 03-265 (a) (a)). The letters of credit guaranteed payment on two industrial revenue development bonds (IDRBs) issued by the City of Milwaukee for Midwest and Skyway to build hangars. The Credit Assistance Agreement required Milwaukee County to be the guarantor of letters of credit issued by US Bank, for the account of Midwest and Skyway. The County guarantee was supported by a mortgage on two hangars owned by Midwest and Skyway, and a trust reserve fund. The trust fund was originally established with a contribution of \$4.0 from the State Department of Commerce (now Wisconsin Economic Development Corporation) and Racine County through a Wisconsin Community Development Block Grant. In addition, Midwest deposited \$900,000 of its own funds into the trust.

In February 2016, Republic Airways, which purchased Midwest's and Skyway's stock from a private equity company, filed for Chapter 11 reorganization. Subsequent to the reorganization, the trust funds were used to pay eligible expenses related to the IDRBs.

In July 2016, the County issued a \$7,660,000 Note to finance the County's responsibilities under the 2003 Standby Reimbursement Agreement. In August 2016, the County made a prepayment of approximately \$1.2 million.

Since 2016, the County has been trying to sell the former Skyway Hangar that served as the County's collateral on the IDRBs. In September 2017, the County closed on the sale of the former Skyway Hangar with Avflight Milwaukee Corporation. The sale price, net of closing fees and adjustments is \$3,993,549.76.

On September 15, 2017, the County made a prepayment of \$3,993,549.76 on the outstanding Note. The current balance of the Note is approximately \$2.5 million and matures in August 2018.

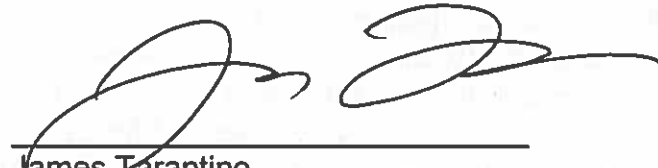
A separate appropriation transfer request was submitted by the Office of the Comptroller for the October committee cycle to reflect the receipt of the hangar proceeds and the prepayment on the 2016 Note.

Assuming the County received an estimated \$7.3 million in proceeds from the sale of the larger hangar, the remaining amount from the 2016 Note would be paid off. The 2016 Note is the only remaining debt the County has that is related to the Credit Assistance Agreement/IDRBs.

While the estimated proceeds would exceed the remaining debt payment, the County will have to revisit the original 2003 Credit Assistance Agreement to determine if the remaining funds become the property of the County. Parties to the original agreement, included Racine County, the State of Wisconsin Department of Commerce, and Midwest Airlines. Midwest Airlines was closed as a result of the bankruptcy, so no commitment remain with them. We will research our legal documents for any remaining claims to Racine County and the State of Wisconsin regarding funds that they provided, in the form of cash reserves, which were used to also pay down the debt.

RECOMMENDATION

There is no recommendation at this time; this report is for informational purposes only.



James Tarantino

Economic Development Director, Department of Administrative Services

CC: Economic and Community Development Committee members
Scott B. Manske, Milwaukee County Comptroller
Raisa Koltun, Chief of Staff, County Executive's Office
Kelly Bablitch, Chief of Staff, County Board
Teig Whaley-Smith, Director, Department of Administrative Services
Vince Masterson, DAS-PSB
Brian Dranzik, Director, Department of Transportation
Stephen Cady, Comptroller's Office
Pamela Bryant, Comptroller's Office
Justin Rodriguez, Comptroller's Office