



COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

Office of the Comptroller
Scott B. Manske, Comptroller

DATE : January 16, 2018
TO : Chairman, Theodore Lipscomb, Sr.
FROM : Scott B. Manske, Comptroller
SUBJECT : Request to realize proceeds for the sale of the former Midwest Hangar and provide expenditure authority to pay off the balance of the 2016 Taxable General Obligation Promissory Note

REQUEST

A 2017 appropriation transfer of \$2,519,879 is requested by the Office of the Comptroller to realize proceeds from the sale of the former Midwest Hangar and provide expenditure authority for the prepayment of the 2016 Taxable General Obligation Promissory Note ("Note").

BACKGROUND

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 trust reserve funds. One trust fund was originally established with a contribution of \$4.0 million from the State Department of Commerce (now Wisconsin Economic Development Corporation ("WEDC")) and Racine County through a Wisconsin Community Development Block Grant. In addition, Midwest Airlines deposited \$900,000 of its own funds into another trust fund.

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, which was net of the State/Racine County Trust. In August 2016, the County made a prepayment of approximately \$1.2 million from the Midwest Trust.

In September 2017, the County closed on the sale of the former Skyway Hangar that served as the County's collateral on the IDRBs. The sale price, net of closing fees and adjustments was \$3,993,549.76. On September 15, 2017, the County made a prepayment of \$3,993,549.76 on the outstanding Note.

In December 2017, the County closed on the sale of the former Midwest Hangar (555 W. Air Cargo Way) that served as the County's collateral on the IDRBs. On December 28, 2017, the Office of the Comptroller paid on the balance of the Note (\$2,519,878.82). This appropriation transfer realigns expenditure accounts to reflect the prepayment and receipt of the sale proceeds to finance the prepayment.

The \$7,294,275 that was received for the sale of the former Midwest Hangar is greater than the amount required to pay off the Note. The Office of the Comptroller has been directed to provide a written fiscal review regarding the sale of the hangars to the Economic and Community Development Committee and the Transportation, Public Works and Transit Committee for the March 2018 Committee Cycle.

The County is revisiting the original 2003 Credit Assistance Agreement to determine the status of the remaining funds from the sale and the costs incurred by the County. Parties to the original agreement, included Racine County, the WEDC, and Midwest Airlines. Midwest Airlines was closed as a result of the bankruptcy, so no commitment remains with them. The trust funds established with contributions from WEDC and Racine County through a Wisconsin Community Development Block Grant were fully utilized in 2016 to pay eligible expenses and principal related to the IDRBs. A final recommendation will be provided subsequent to the fiscal review. An accrual may be required to recognize these obligations as part of the County's 2017 financial year-end process.

RECOMMENDATION

The attached resolution is recommended for adoption so that the appropriation transfer can be processed.



Scott B. Manske
Comptroller

- CC: Supervisor Peggy West, Chair, Committee on Finance and Audit
- 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
- Stephen Cady, Comptroller's Office
- Pamela Bryant, Comptroller's Office
- Justin Rodriguez, Comptroller's Office