

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 12/12/17

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: 2018 AIRPORT AIR SERVICE INCENTIVE PROGRAM

FISCAL EFFECT:

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

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	112,500	0
	Revenue	-468,000	0
	Net Cost	580,500	0
Capital Improvement Budget	Expenditure	0	0
	Revenue	0	0
	Net Cost	0	0

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.

A. Approval is requested authorizing the Interim Director of Transportation and the Airport Director to continue an Air Service Incentive Program, which would commence on January 1, 2018.

B. The fiscal impact of the program is driven entirely by its size and duration. Each qualifying flight receives a one-year waiver of landing fees, gate expenses, and related costs, with a 50% waiver of all of these fees in year two. These fees are assessed on actual landing statistics; and therefore, are estimated for the purposes of the fiscal note. In addition, there is \$75,000 in marketing support per qualifying domestic flight. For purposes of determining the potential fiscal impact, there is an estimated \$468,000 of foregone airline revenues consisting of landing fees, gate expenses, and related costs and \$112,500 of marketing support for a total cost of \$580,500 just for calendar year 2018. There will be additional expenses in 2019 and beyond.

C. There is no tax levy impact from approval of this item. The funding for the Airport Air Service Incentive Program is provided from the Airport Discretionary Fund, a revenue account supported by concessions revenues. The Airport Discretionary fund currently has sufficient funds to cover expenses associated with the Air Service Incentive Program. Based on the success of the pilot program, the Department anticipates making this program an annual program identified in the annual budget for 2019 and beyond. Therefore, subsequent years will be provided for in future budgets.

D. Assumptions for this program include: Service beginning on July 1, 2018 by three air carriers, of which, 2 are signatory and 1 is non-signatory, to 3 new cities currently not served, operating 4 days a week with a aircraft max weight of 138,000 pounds and a 85% load factor on a 124 seat plane. Due to the residual nature of the lease agreement

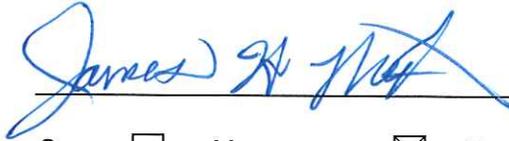
¹ If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

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

between the Airport and the airlines, there is no bottom line impact to Milwaukee County as a result of this air service incentive program.

Department/Prepared By Brian Dranzik, Airport Director

Authorized Signature

A handwritten signature in blue ink, appearing to read "James H. [unclear]", is written over a horizontal line.

Did DAS-Fiscal Staff Review?

Yes

No

Did CBDP Review?²

Yes

No

Not Required