



COUNTY OF MILWAUKEE  
INTEROFFICE COMMUNICATION

Office of the Comptroller  
Scott B. Manske, Comptroller

DATE : February 16, 2018  
TO : Chairman, Theodore Lipscomb, Sr.  
FROM : Scott B. Manske, Comptroller  
SUBJECT : Review of the County's financial transactions associated with the 2003 Credit Assistance Agreement, 2016 US Bank Loan and the 2017 sale of former Midwest and Skyway Hangars  
**(Informational Only)**

**REQUEST**

The Economic Development and Community Development Committee and the Transportation, Public Works, and Transit Committee have requested that the Office of the Comptroller perform a written fiscal review on the transactions associated with the 2003 Credit Assistance Agreement, the 2016 US Bank Loan, and the 2017 hangar sales.

**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 State/Racine 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 remainder 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). A 2017 appropriation transfer which realigned expenditure accounts to reflect the prepayment and receipt of the sale proceeds to finance the prepayment was approved by the County Board and County Executive.

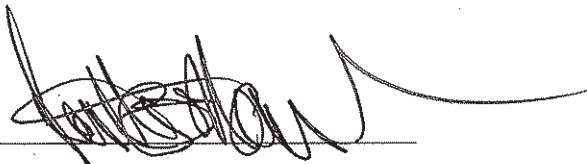
### **FISCAL IMPACT**

The \$7,294,275 that was received for the sale of the former Midwest Hangar is approximately \$4.5 million greater than the amount required to pay off the Note and offset the County's net expenses from the transactions (including operating the hangar). The attached documents include the detail and the summary of the financial transactions.

The County is revisiting the original 2003 Credit Assistance Agreement to determine the status of the remaining approximately \$4.5 million. 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. An accrual may be required to recognize these obligations as part of the County's 2017 financial year-end process.

### **RECOMMENDATION**

This report is for information purposes.

A handwritten signature in black ink, appearing to read "Scott B. Manske", is written over a horizontal line.

Scott B. Manske  
Comptroller

CC:

Supervisor Steve Taylor, Chairman, Economic and Community Development Committee  
Supervisor Michael Mayo, Sr., Chairman, Transportation and Public Works Committee  
Supervisor Peggy West, Chairwoman, Finance and Audit Committee  
Supervisor John Weishan Jr., Vice-Chair, Transportation and Public Works Committee  
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

