

Air Wisconsin Airlines Corp.  
Appleton, WI

Tax Exempt Bond Project

I. PROJECT

This resolution would authorize the issuance of \$4,275,000 of tax-exempt revenue bonds to finance a maintenance facility for Air Wisconsin Airlines Corp.

The Common Council provided its initial approval of this project through the adoption of Resolution No. 010249, on August 2, 2001.

Air Wisconsin, headquartered in Appleton, is one of the nation's largest regional airlines. Flying exclusively as United Express, it serves 44 cities in 21 states, including United Airlines' hubs at O'Hare Airport, and Denver International Airport.

In January of 2002, following initial approvals for bond financing through the City, Air Wisconsin completed a 55,000 s.f. maintenance facility at General Mitchell International Airport (GMIA). Milwaukee was selected as the site for this facility over numerous other cities, including Madison, Fort Wayne, Moline, South Bend, Lansing, and others.

The Milwaukee County Board leased a 4.25 acre site at GMIA for the maintenance facility. The hangar was constructed at the site of the old Air National Guard hangar on S. Howell Avenue, just south of facilities operated by Skyway Airlines and Signature Flight Support. The term of the lease is thirty-two years.

The new maintenance facility accommodates up to six aircraft. Interestingly, the structural steel for the facility was from the former Green Bay Packers indoor practice building which was dismantled three years ago when the Packers erected a new facility.

II. PROJECT COST

Site Improvement	\$ 386,000
New Construction	3,550,000
Equipment	177,000
Design/permits/legal	79,000
Bond Issuance	<u>84,000</u>
 Bond Amount	 \$4,275,000

### III. EMPLOYMENT

At the time the Council gave initial approval to this bond issue, employment at Air Wisconsin was 3105 (18% minority).

Air Wisconsin now employs 137 in Milwaukee. Eighty-four positions are related to the maintenance facility, and the balance handle ramp and ticket counter activities for Air Wisconsin and United.

As expected, some of these positions were filled by personnel relocated from Air Wisconsin's maintenance facility in Appleton.

### IV. OTHER

These types of bonds are generally secured by a letter-of-credit issued by a commercial bank. If the borrower fails to make payments on the bonds, payments are made through draws on the letter-of-credit. The City does not use its own funds for bond payments.

Given the struggling financial condition of the airline industry, including Air Wisconsin's exclusive customer United Airlines, a bank letter-of-credit has not been obtained to secure payment on the bonds. Consequently, the proceeds of the bond sale will be placed in escrow until a letter-of-credit, on equivalent 'credit enhancement' vehicle is put in place to back payments on the bonds.

Under federal tax regulations, these bonds must be issued within 18 months of the project being "placed in service", i.e., in this case, by July, 2003. By issuing the bonds now, Air Wisconsin preserves its option to utilize the bond proceeds in the future, once a letter-of-credit is obtained and the funds can be released from escrow.

Finally, the City typically receives a fee for issuing these bonds. That fee will be deferred until such time as the bond proceeds are released from escrow.