

MARCH 12, 2001

LRB - FISCAL SECTION ANALYSIS

ITEM 11, FILE 001471

ECONOMIC DEVELOPMENT COMMITTEE

JAMES CARROLL

File #001471 is a resolution authorizing the issuance of Variable Rate Demand Industrial Development Revenue Bonds. (Skyway Airlines Project)

Background

1. Astral Aviation Inc., a subsidiary of Midwest Express Airlines, does business as Skyway Airlines, and serves as Midwest's feeder service.
2. Skyway currently operates out of a 30,000 square foot maintenance facility on the northwest corner of Mitchell International Airport. The facility can service 3 planes at a time.
3. On February 6, 2001, the Common Council adopted an Initial Resolution File Number 001369 that authorized the City's intent to issue up to \$8 million in industrial revenue bonds for the construction of a new maintenance facility for Astral Aviation.
4. Variable Rate Demand Industrial Development Revenue Bonds allow the borrower to pay interest at a short-term rate, while amortizing the issue over the long term. If short-term rates move up significantly to exceed what the fixed rates would have been the time of issuance, the borrower has the right to convert from a variable to a fixed rate. Since the late 1980's, the conversions have not taken place because short-term rates have remained significantly lower than the long term fixed rates.

Discussion

1. The resolution authorizes the City of Milwaukee to issue variable rate demand industrial development revenue bonds to finance the costs related to the construction of a new maintenance facility for Skyway Airlines.
2. The department of City Development indicates the amount issued will probably be around \$7 million.
3. The facility will be constructed on land, directly northeast of the current facility, leased from Milwaukee County. The 69,000 square foot facility will consist of a 46,000-square foot maintenance area and 23,000 square feet for maintenance shops, parts inventory and administrative space. The new facility will be able to service 6 planes at a time.
4. Skyway currently employs approximately 74 at its current facility. The company estimates the project is expected to increase Skyway's employment by 16 to 20 positions within the next three years. The new positions will include maintenance mechanics, maintenance planners, parts managers, technicians, inspectors, and supervisors. The salaries for these positions range from \$28,000 to \$36,000.
5. Construction is expected to begin in April with completion scheduled for February of 2002.

6. The term of the bonds is 32 years. If issued during this week the interest rate would 2.5%. Four weeks ago the interest rate would have been 3.8%.

Fiscal Impact

The Department of City Development estimates the City will receive \$35,000 to \$40,000 from the .05% bond fee charged by the City.

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