

**LEGISLATIVE REFERENCE BUREAU FISCAL ANALYSIS**

**PUBLIC WORKS COMMITTEE**

**OCTOBER 15, 2008**

**Item 9, File #080860**

File Number 080860 is a resolution approving an extension and an amendment to the City of Milwaukee's lease agreement with Federal Marine Terminals, Inc. for real property located on the South Harbor Tract of the Port of Milwaukee.

**Background**

1. On August 13, 1998, Federal Marine Terminals, Inc., ("FMT") and the City of Milwaukee entered into a Lease Agreement whereby the City, through its Board of Harbor Commissioners, leased real property located on the South Harbor Tract of the Port of Milwaukee to FMT for a 10-year term extending from January 1, 1999, through December 31, 2008.
2. FMT loads and unloads cargo ships using the Port of Milwaukee.
3. The City and FMT have agreed to extend and amend the Lease Agreement in the manner set forth in the "EXTENSION & AMENDMENT TO LEASE AGREEMENT Between FEDERAL MARINE TERMINALS, INC. and the BOARD OF HARBOR COMMISSIONERS City of Milwaukee" that is attached to File Number 080860.

**Discussion**

1. This resolution approves the Extension and Amendment to Lease Agreement. The Board of Harbor Commissioners recommended approval of this document at its meeting of September 22, 2008.
2. The Extension and Amendment to Lease Agreement provides for FMT to continue leasing the South Harbor Tract property for the period of January 1, 2009, through December 31, 2013.
3. The Extension and Amendment to Lease Agreement provides for a base rent of \$300,000 in the first year of the Lease Agreement (2009), payable in equal quarterly installments. On January 1, 2009, and each January 1 thereafter, the base rent shall be adjusted for inflation based on the "All Commodities" line of the federal "Producer Price Index".
4. The Extension and Amendment to Lease Agreement provides that FMT may request in writing that the Lease Agreement be extended for 2 additional 5-year terms under the same terms and conditions except for base rent.

**Fiscal Impact**

1. Approval of this Extension and Amendment to Lease Agreement will result in \$300,000 in revenue for the Port of Milwaukee in 2009. At least \$300,000 in revenue will also be realized each year from 2010 through 2013.

2. The current Lease Agreement with FMT will generate \$246,744 in revenue for the Port of Milwaukee in 2008. Thus, the amended Lease Agreement will increase revenue by 21.6% in 2009.
3. Since the Port of Milwaukee operates as a self-supporting “enterprise fund,” these revenues are used to cover the Port’s operating expenditures; when the Port’s revenues exceed its expenditures, the surplus revenue is transferred to the City’s General Fund.

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October 13, 2008

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