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**Audit of City Of Milwaukee  
Leases**

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City Comptroller  
City of Milwaukee, Wisconsin

March, 2005

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Office of the Comptroller  
March 31, 2005

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To the Honorable  
the Common Council  
City of Milwaukee

Dear Council Members:

The attached report summarizes the results of our Audit of City of Milwaukee leases. The objectives of the audit were to identify all leases which have been executed by City departments, verify that copies of all leases are available in City files and evaluate City departments' oversight of leases.

In general, City departments and their lease counterparties have complied with the non-financial terms of the lease agreements sampled. The audit concludes that individual departments' lease files contain copies of all leases for which they are responsible. However, oversight of leases could be improved in certain instances. For example, among certain of the sampled lease agreements, the City has failed to bill its lessees in a timely manner. The audit makes eight recommendations, mainly focusing on increasing compliance with the financial terms of City lease agreements.

Audit findings and recommendations are discussed in the Audit Conclusions and Recommendations section of the report, which is followed by departmental responses to the audit.

Appreciation is expressed for the cooperation extended to the auditors by the staffs of the Department of Administration, the Department of Public Works and the Port of Milwaukee.

Very truly yours,

W. MARTIN MORICS  
Comptroller

## **Audit Scope and Objectives**

The scope of this audit included all leases to which the City of Milwaukee is a party either as a lessee or as a lessor. The objectives of the audit were to:

1. Identify all leases which have been executed by City departments and verify that copies of all leases are available in City files.
2. Evaluate City departments' oversight of leases, including enforcement of compliance with lease terms.

The audit included a survey of all City departments to identify leases to which the City is a party. The audit also included an examination of central lease files maintained by the Office of the Comptroller.

The audit examined a limited sample of eight leases administered by the following departments:

- Port of Milwaukee, three leases
- Department of Public Works (DPW) - Parking, Towing and Enforcement Section, two leases
- DPW- Water Works, one lease
- Department of Administration (DOA) – Procurement Services Section, one lease
- DOA – Document Services Section, one lease

The audit included interviews of personnel responsible for leases in each department sampled. It also included reviews of documents supporting compliance with lease terms. Lease files in each department sampled were reviewed to verify that copies of all leases were on file.

## Organizational and Fiscal Impact

In response to the audit survey, City departments reported 210 leases. These include 90 leases under which the City is a lessee (renter) and 120 leases under which the City is a lessor (property owner). Exhibit 1 presents an inventory of City leases.

Of the 90 leases under which the City is a lessee, 65 are leases of copy machines. The City also leases items including fax machines, pagers, postage meters, automobiles, horses, modular space and a truck repair and maintenance facility. Lease costs range from \$1,080 per year to \$115,200 per year.

The 120 leases under which the City is a lessor include 58 leases of land or land and buildings, 24 leases of cellular telephone antenna sites, 15 leases of parking lots, 12 leases of office or retail space, 7 leases of conduit space, and 4 leases of space for dumpsters. The Port of Milwaukee manages 32 of the land or land and building leases. Rental revenues range from \$1 per year to \$1,015,200 per year.

While most leases result in relatively modest payments, 13 leases contain annual rentals of more than \$100,000.

<b>Party to Lease</b>	<b>City is Lessee/Lessor</b>	<b>Property or Item Leased</b>	<b>Annual Rental</b>
Xerox	Lessee	Docutech system	\$106,330
Milwaukee Metropolitan Sewerage District	Lessee	Truck repair and maintenance building	\$115,200
Kubichek Co.	Lessee	11 copy machines	\$142,800
Imperial Parking	Lessor	Parking lot	\$139,344
Johnson Controls	Lessor	Parking garage	\$470,928
Milwaukee Health Center	Lessor	Office space	\$157,285
Milwaukee County Federated Library	Lessor	Office space	\$105,000
Federal Marine Terminals	Lessor	Property and building	\$220,000
Kinder Morgan	Lessor	Land	\$148,200
MBT Processing	Lessor	Property	\$130,000
Milwaukee World Festivals	Lessor	Property	\$1,015,200
North American Salt	Lessor	Land	\$102,450
St. Mary's Cement	Lessor	Land	\$106,720

## **Audit Conclusions and Recommendations**

### **1. Identification of City Leases and Verification of Availability of Copies**

The audit disclosed that individual departments' lease files contain executed copies of all leases for which they are responsible. However, the City's central lease file does not include current executed copies of all City leases.

The Comptroller's Office General Accounting Division maintains a central file of City leases for those leases submitted to the Comptroller's Office for recording and filing. The audit included a comparison of leases in the central file to the 210 leases reported by City departments in response to the audit survey. The comparison disclosed that the file contained current copies of only 22 of the 210 leases. General Accounting personnel stated that City departments frequently do not submit copies of executed leases.

The audit included a review of lease files in the five departments and divisions responsible for the leases in the audit sample. The review disclosed that these City departments maintained executed copies of all leases included in the audit survey.

City leases and other contracts are often processed through DOA-Procurement Services Section. In most cases, these leases are written on forms that have been approved by the City Attorney and therefore do not need the City Attorney's separate signature approving their form and execution. If the pre-approved forms are not used, the City Attorney's signature is needed. When contracts are used rather than purchase orders, the Comptroller's signature is also obtained. After signatures are obtained from all appropriate individuals, contracts are returned to DOA-Procurement Services Section for distribution to the initiating departments and other appropriate parties.

Leases and other contracts not processed through the DOA-Standards and Procurement Section require the Comptroller's countersignature as well as the City Attorney's signature approving their form and execution. The final signature is the City Attorney's. The City Attorney's Office returns the contracts to the initiating departments for distribution to the appropriate parties.

The audit results indicate that City departments are keeping executed copies of leases for which they are responsible on file. However, a complete central repository of leases

would allow more prompt access for reference purposes. For example, the Comptroller's Office could obtain leases for financial review when necessary. The City Attorney's office also could obtain copies of leases quickly when legal issues arise. Because departments frequently do not submit executed copies of leases to the Comptroller's Office, the central file maintained by the Comptroller's General Accounting Division is not a reliable reference source for these lease agreements.

DOA-Document Services Section maintains a centralized electronic record access system known as E-Vault. Records are stored in digital form and are available to City personnel through the City's intranet. Records currently stored in E-Vault include accounts payable vouchers and backup documentation, interdepartmental requisition and invoices submitted by all City departments to the Comptroller's Office since 1999, daily permits issued by the Department of City Development since December of 2000, completed permits and inspectors reports issued by the Department of Neighborhood Services since the late 1990s, Assessor's plat maps issued through 2003 and Document Services billing documents since 2001. DOA-Document Services Section personnel stated that it would be possible to include copies of all executed leases in E-Vault.

### **Recommendation 1: Consider Scanning Leases into E-Vault**

E-Vault provides a repository of electronic versions of documents that can be accessed by City employees in all departments for administrative or research purposes. Use of E-vault would harness technology to improve the efficiency of obtaining lease information. Employees could display lease documents on their computer screens and would not need to retrieve and copy leases from a central file.

To ensure that copies of leases are available when needed, DOA should consider scanning all executed leases, and perhaps all contracts, into E-Vault. When distributing copies of newly executed leases, DOA-Procurement Services Section could provide a copy of every lease to DOA-Document Services Section for scanning. In the case of leases not processed through DOA-Procurement Services Section, the City Attorney's Office could provide a copy of every newly executed lease to DOA-Document Services Section for scanning into E-Vault.

## **2. Evaluation of City Departments' Oversight of Leases**

The audit sample included eight leases administered by five departments and divisions. Exhibit 2 presents a summary of the terms of the leases, as well as an evaluation of compliance with those terms.

The audit disclosed that, generally, the City and its lessees/lessors complied with the terms of the sample leases. However, oversight of leases could be improved in certain instances. The audit found and corrected one case in which the City was overcharged by a lessor, resulting in a \$16,257 credit to the City. The audit also found one case in which a lessee has not paid City invoices for services provided pursuant to a lease. Also, regarding real estate lease agreements, City departments are occasionally failing to obtain copies of permits and licenses required by leases and documenting the results of inspections of leased properties.

## **Port of Milwaukee**

### ➤ **Lease of South Face of the Municipal Pier to Pier Wisconsin**

This is a 30 year lease of property on Milwaukee's lakefront. The audit disclosed that both parties have complied with the terms of the lease.

The lease states that the tenant is responsible for obtaining all permits and licenses required for the construction, operation or maintenance of improvements to the property. While Port of Milwaukee personnel expressed confidence that Pier Wisconsin has obtained all necessary permits and licenses, no documentation of this has been provided to the Port.

### **Recommendation 2: Obtain Copies of Permits and Licenses**

To ensure that lessees comply with all lease terms, the Port of Milwaukee and all City departments that lease property to other parties should obtain copies of all permits and licenses required by leases. This monitoring would work to prevent such properties from posing a health or safety hazard or violating State or Federal laws.

### ➤ **Lease of 1900 S. Harbor Drive to Milwaukee Bulk Terminals, Inc.**

This is a lease of 9.06 acres including a warehouse and office space.

The audit disclosed that both parties have complied with all terms of this lease except that **Milwaukee Bulk Terminals has not paid invoices totaling \$60,695.68 for wharfage, landborne receipts, and rental of Port equipment dating back as far as August 2000.** When the audit began, outstanding invoices totaled \$61,047.68. A payment of \$938.04 was received on January 5, 2005. Port personnel stated that they intended to continue to pursue collection of the remaining outstanding invoices. The



Comptroller is currently auditing the Port of Milwaukee's billing and collection processes and will issue a separate report in 2005.

**Recommendation 3: Refer Uncollectible Accounts to the Kohn Law Firm**

The Port of Milwaukee should continue to pursue payment of the invoices not paid by Milwaukee Bulk Terminals, Inc. If Milwaukee Bulk Terminals is not responsive to collection efforts, the Port of Milwaukee should refer these invoices to the City's collection agent, the Kohn Law Firm. All departments should refer uncollectible accounts to the Kohn Law Firm.

The lease gives the Port the right to inspect the leased property to ensure that it is being maintained properly. Port personnel stated that such inspections are performed. However, no documentation of the date, extent or results of the inspections is retained.

**Recommendation 4: Document Results of Inspections**

The Port of Milwaukee and all City departments leasing property to others should document the results of all inspections of leased properties to provide a record of the condition of the property at the time of inspection.

➤ **Lease of 1835 S. Carferry Drive to Cargill, Inc.**

This is a lease of 4.5788 acres in the South Harbor Tract.

The audit disclosed that both parties have complied with the non-financial terms of the lease. However, the Port has not billed Cargill for its use of City water since January 2001. The lease provides that Cargill is to pay for water at established municipal rates plus 15%. Port personnel stated that no tenants have been billed for water since January 2001. The amount not billed to all tenants to date is not known, but may be as much as \$100,000.

**Recommendation 5: Bill Tenants for Water Use**

The Port of Milwaukee should regularly bill all tenants whose leases provide for City water service. The Port should also bill and collect from those tenants for their water usage since January 2001. All City departments participating in real estate and other leases should review these leases and follow up to assure all City billings are brought up to date.

The lease also gives the Port the right to inspect the leased property to ensure that it is

maintained in a clean and orderly condition. However, no documentation of the results of the inspections is retained. Recommendation 4 also applies to this lease.

Port personnel stated that it is the Port's policy to obtain the highest rents possible when negotiating with tenants or prospective tenants. In some cases, appraisals have been used to help in determining rental amounts. The Port does not use comparisons of rental amounts for comparable properties in determining rental amounts. Such comparisons could provide an objective basis for rental amounts in negotiations with tenants.

**Recommendation 6: Review Rents for Comparable Properties**

The Port of Milwaukee and all City departments that lease property to or from others should strive to set rental rates at fair market amounts. Determination of fair market rents should include comparisons of rental amounts for comparable properties.

**Department of Public Works-Parking, Towing and Enforcement  
Section**

➤ **Lease of 123 North 25<sup>th</sup> Street from Milwaukee Metropolitan Sewerage District (MMSD)**

This is a lease of a truck repair and maintenance building.

The audit disclosed that both parties have complied with the terms of the lease except for the timing of rental payments.

Each lease year runs from April 1 until the following March 31. The lease provides that rent may be paid annually on April 1 of each year or in 12 equal installments on the first day of each month. Payment is actually being made in two installments, with the first installment of nine months' rent paid in one calendar year and the second installment of three months' rent paid in the next calendar year. This is done because a lease year includes parts of two City budget years. MMSD apparently has no objection to this method of payment. However, the lease has not been amended to reflect the actual timing of rent payments.

**Recommendation 7: Amend Lease to Reflect Actual Payment Practice**

To prevent possible future disagreements, DPW-Parking, Towing and Enforcement Section and MMSD should execute an amendment to the lease for 123 North 25<sup>th</sup>

Street that reflects the actual timing of rent payments. Other City lease agreements should be reviewed to verify that City payments either currently comply with the lease terms or to amend the appropriate lease agreement consistent with actual payments made.

➤ **Lease of 535 N. Milwaukee Street to Johnson Controls, Inc.**

This is a lease of a parking garage for Johnson Controls' employees.

The audit disclosed that both parties have complied with the terms of the lease.

### **Department of Public Works-Water Works**

➤ **Lease of space at 3000 N. Lincoln Memorial Drive to Primeco Personal Communications**

This is a lease of space for a wireless communications antenna array.

The audit disclosed that both parties have complied with the terms of the lease, except that the copies of Primeco's FCC licenses and filing papers have not been provided to DPW-Water Works. Recommendation 2 also applies to this lease.

### **Department of Administration-Procurement Services Section**

➤ **Lease of space at 5600 W. Oklahoma Ave. to Milwaukee SMSA Limited Partnership**

This is a lease of space for a wireless communications antenna. The lease requires SMSA to construct a new antenna tower in lieu of rent.

The audit disclosed that both parties have complied with the terms of the lease.

### **Department of Administration-Document Services Section**

➤ **Lease of Docutech system from Xerox Corporation**

This is a lease of a high-speed digital printing system with network printing capabilities.

The audit disclosed that both parties complied with all non-financial terms of the

lease. **The audit also disclosed that Xerox had overbilled the City for maintenance charges and for impression charges.** DOA-Document Services personnel also discovered that Xerox had charged the City for supplies that should have been provided without charge under the lease. **Xerox provided the City with a credit of \$16,257 for these overcharges.**

**Recommendation 8: Review Billings to Avoid Overcharges**

All City departments should carefully review billings received for leased equipment or property to avoid overcharges.

City of Milwaukee Lease Inventory

Exhibit 1

City is Lessee/ Department	Lessor	Property or Item Leased	Other Party to Lease	Lease Term	Lease Payment
City Attorney	Lessee	4 copy machines	Xerox	5/22/02-5/21/05	\$1,724/mo
City Attorney	Lessee	Postage Meter	GFC Leasing	11/01-11/06	\$23.22/mo
City Clerk	Lessee	Xerox 470 Document Centre	Xerox	9/1/02-9/1/05	\$840/mo
City Clerk	Lessee	DC490St	Xerox	9/1/02-8/31/05	\$1,223/mo
City Clerk	Lessee	Work Center Pro 45 Digital System	Xerox	12/1/03-11/30/07	\$415.40/mo
City Clerk	Lessee	2 Xerox Centre 545 digital copiers	Xerox	10/1/03-9/30/07	\$511.20/mo
City Treasurer	Lessee	Copy machine	James Office Equipment	11/1/03-10/31/07	\$170/mo
Administration	Lessee	Docutech system	Xerox	60 months	\$581,653.80/term
Administration	Lessee	Postage Meter	Pitney Bowes	5 years	\$75,000/term
Administration	Lessee	Copy machine	Xerox	3 years	\$2,928/yr
Administration	Lessee	Fax machine	Kubichek Co.	3 years	\$354.36/yr
Administration	Lessee	Fax machine	Kubichek Co.	3 years	\$45.95/mo.
Administration	Lessee	Copy machine	Xerox	3 years	\$402.56/mo
Administration	Lessee	Copy machine	Xerox	4 years	\$3,734.68/yr
Administration	Lessee	TUVARV-4/TUBES	Macro4	3 years	\$6,264/yr
Employee Relations	Lessee	Konica 7165 copier		12/1/01-11/30/04	\$575/mo
Employee Relations	Lessee	Canon IR330S copier		4/11/01-4/10/04	\$182.90/mo
Employee Relations	Lessee	Canon 6551 copier		10/1/99-9/30/04	\$315.22/mo
Employee Relations	Lessee	Sharp FO-5500 fax machine		7/1/02-6/30/04	\$497.22/mo
Neighborhood Services	Lessee	Copy machine	Xerox	3 years	\$487.15/mo
Neighborhood Services	Lessee	Copy machine	Xerox	3 years	\$337.34/mo
Neighborhood Services	Lessee	Copy machine	Gordon Flesch Company	10/3/02-10/2/05	\$252.28/mo
Public Works	Lessee	123 N. 25th St.-bldg & land	MMSD	to 3/31/13	\$9,600/mo
Public Works	Lessee	Canon CDR 600 Copy machine	Gordon Flesch	month to month	\$232.80/mo
Public Works	Lessee	Canon 400 copy machine	Gordon Flesch	3/1/02-2/28/05	\$247.50/mo
Public Works	Lessee	Gest 3502 copy machine	Kubichek Co.	11/15/02-11/14/05	\$181.83/mo
Public Works	Lessee	Konica 7030 copy machine	Konica	10/1/01-9/30/04	\$243/mo
Public Works	Lessee	Toshiba 35 copy machine	James Office Equip	2/14/03-2/13/06	\$219/mo
Public Works	Lessee	Toshiba 125F Fax machine	James Office Equip	5/1/02-4/30/05	\$63.66/mo
Public Works	Lessee	Xerox NNO-004144 copy machine	Xerox	4/1/01-3/31/04	\$226/mo
Public Works	Lessee	Xerox 14P-007770 copy machine	Xerox	month to month	\$420/mo
Public Works	Lessee	Xerox DC220 copy machine	Xerox	to 10/31/04	\$290/mo
Public Works	Lessee	Sharp SF-7850 copy machine	Office Copying Eq	month to month	\$32.41/mo
Public Works	Lessee	Konica 2330 copy machine	Konica	month to month	\$144.50/mo
Public Works	Lessee	Mita 2030 copy machine	Kubichek Co.	9/7/01-9/6/04	\$254.70/mo
Public Works	Lessee	Gest 3222 Copy machine	Kubichek Co.	month to month	\$114.65/mo
Public Works	Lessee	Konica 7020 copy machine	Kubichek Co.	7/1/01-6/30/04	\$118.86/mo
Public Works	Lessee	Lanier 5235 copy machine	Lanier	6/18/01-6/17/04	\$262.77/mo
Public Works	Lessee	Copy machine	Xerox	1/02-1/05	\$4,837.44/yr
Public Works	Lessee	Copy machine	Xerox	1/02-1/05	\$5,137.20/yr
Public Works	Lessee	Recorder	Dictaphone	10/02-10/07	\$10,469.40/yr
Public Works	Lessee	Copy machine	Kubichek	8/03-8/04	\$1,128/yr
Public Works	Lessee	Copy machine	Kubichek	8/03-8/04	\$1,488/yr
Public Works	Lessee	Copier/Fax	Kubichek	3/04-3/05	\$565.44/yr
Public Works	Lessee	Copier/Fax/Scanner/Printer	Kubichek	8/03-8/04	\$5,232/yr
Public Works	Lessee	Copy machine	Lanier	3/01-3/04	\$2,172.60/yr

City of Milwaukee Lease Inventory

Exhibit 1

City is Lessee/					
Department	Lessor	Property or Item Leased	Other Party to Lease	Lease Term	Lease Payment
Public Works	Lessee	Copy machine	Lanier	4/03-4/06	\$880.83/yr
Public Works	Lessee	Copy machine	Lanier	2/01-2/04	\$498.48/yr
Public Works	Lessee	Copy machine	Lanier	8/01-8/05	\$520.68/yr
Public Works	Lessee	Copy machine	Lanier	2/01-2/04	\$498.48/yr
Public Works	Lessee	Copy machine	Lanier	4/03-4/06	\$880.03/yr
Public Works	Lessee	Copy machine	Lanier	month to month	\$388.56/yr
Public Works	Lessee	300 pagers	SBC Ameritech	1/04-7/04	\$10,710/yr
Public Works	Lessee	Pager	Arch Wireless	5/99-5/04	\$47.40/yr
Public Works	Lessee	Copy machine	Kubichek	8/01-8/04	\$1,020/yr
Public Works	Lessee	Copy machine	Kubichek	8/01-8/04	\$1,020/yr
Public Works	Lessee	Copy machine	Kubichek	8/01-8/04	\$1,020/yr
Public Works	Lessee	Copier/Fax/Scanner/Printer	Kubichek	7/02-7/05	\$2,002.08/yr
Public Works	Lessee	Modular space-1150 W. Waterford	GE Capital Modular Space		\$90/mo
Public Works	Lessee	Modular space-1150 W. Waterford	GE Capital Modular Space		\$690/mo
Public Works	Lessee	Guard house-Linnwood Plant	GE Capital Modular Space		\$350.25/mo
Public Works	Lessee	Guard house-Howard Plant	GE Capital Modular Space		\$206.75/mo
Public Works	Lessee	Forklift-Cameron Yard	Yale Equipment Services		\$415/mo
Public Works	Lessee	Forklift-Lincoln Yard	Yale Equipment Services		\$532/mo
Public Works	Lessee	Copy machine	Xerox		\$130/mo
Public Works	Lessee	Copy machine	Xerox		\$130/mo
Public Works	Lessee	Copy machine	Xerox		\$226/mo
Public Works	Lessee	Copy machine	Xerox		\$226/mo
Public Works	Lessee	Copy machine	Xerox		\$310/mo
ERS	Lessee	735 N. Water St.-office space	Compass Properties North Water Street, LLC	12/1/00-12/31/05	\$7,820/mo
ERS	Lessee	Copy machine		10/9/02-10/9/05	\$359.85/mo
ERS	Lessee	Copy machine		3/31/03-3/31/06	\$320.21/mo
ERS	Lessee	Copy machine		12/15/00-12/15/03	\$433.25/mo
Health	Lessee	3 copy machines	James Office Equipment	5/20/02-5/19/05	\$2,900/yr
Health	Lessee	11 copy machines	Kubichek Co.	1/1/04-1/31/04	\$142,800/yr
Health	Lessee	Copy machine	James Office Equipment	4/1/03-3/31/06	\$1,500/yr
Fire	Lessee	Copy machine	James Office Equip	2/15/04-2/14/07	\$472.80/mo
Fire	Lessee	Copy machine	James Office Equip	5/12/03-5/11/06	\$84.86/mo
Fire	Lessee	Copy machine	James Office Equip	month to month	\$119.50/mo
Fire	Lessee	Copy machine	Gordon Flesch Company	3/14/03-3/13/07	\$558.20/mo
Police	Lessee	45 photocopiers	James Office Equip		
Police	Lessee	Horses	Milwaukee Coach & Carriage		
Police	Lessee	Substation-2100 West Wells	Avenues West		No rent-city pays utilities
Police	Lessee	Substation-4115 N. 56th St.	Midtown Venture		
Police	Lessee		Pepperball		
Police	Lessee	HIDTA lease of autos	Selig Leasing		
Municipal Court	Lessee	Copy machine	James Office Equipment, Inc.	7/25/02-7/14/05	\$96.40/mo
Port	Lessee	Copy machine	Kubichek Office Products	3 years	\$285.20/mo
Port	Lessee	Network Server	Parabank Leasing, Inc.	37 months	\$719.44/mo
Administration	Lessor	PCS antenna site-Southside Health Center	T-Mobile	5 years	\$14,221/yr
Administration	Lessor	PCS antenna site-4th&Highland Parking lot	T-Mobile	5 years	\$14,211/yr
Administration	Lessor	PCS antenna site-Zeidler Muni Bldg	T-Mobile	5 years	\$14,211/yr
Administration	Lessor	PCS antenna site-5600 W. Oklahoma	T-Mobile	5 years	\$14,211/yr

City of Milwaukee Lease Inventory

Exhibit 1

Department	City is Lessor/ Lessee/	Property or Item Leased	Other Party to Lease	Lease Term	Lease Payment
Administration	Lessor	PCS antenna site-5600 W. Oklahoma	Verizon	5 years	\$18,742/yr
Administration	Lessor	PCS antenna site-8814 W. Lisbon	Verizon	5 years	\$21,168/yr
Administration	Lessor	PCS antenna site-4001 S. 6th St.	AT&T Wireless	5 years	\$17,364/yr
Administration	Lessor	PCS antenna site-8814 W. Lisbon	AT&T Wireless	5 years	\$22,226/yr
Administration	Lessor	PCS antenna site-5600 W. Oklahoma	AT&T Wireless	5 years	\$23,257/yr4
Administration	Lessor	PCS antenna site-5600 W. Oklahoma	U. S. Cellular	5 years	\$22,226/yr
Administration	Lessor	PCS antenna site-Southside Health Center	U. S. Cellular	5 years	\$21,168/yr
City Development	Lessor	Office Building-2500 W. Capitol Dr.	Neighborhood Housing Services	Annual	\$1.00/yr
City Development	Lessor	Popcorn wagon-2592 N. Downer	Collins Enterprise, Inc.	2/1/01/04-1/31/05	\$600/yr
City Development	Lessor	Access-fence maint.-1027 N. Edison	Riverhouse Condominium Association	7/8/98-7/8/08	\$0.00
City Development	Lessor	Vacant land-2200-34 W. Fond du Lac	Fondy Food Center, Inc.	6/19/01-6/18/51	\$1.00/yr
City Development	Lessor	7717 W. Good Hope Road	Milwaukee County Office on Aging	to 5/30/07	\$1.00/yr
City Development	Lessor	Outdoor seating-2270 S. Kinnickinnic	Stone Creek Coffee	6/15/03-3/31/06	\$500/yr
City Development	Lessor	Com/Res w/billboard-4719 21 W. North	The Lamar Company	month to month	\$166.66/yr
City Development	Lessor	Parking Lot-630-50 N. 5th St.	Central Parking	month to month	\$7,080/mo
City Development	Lessor	Parking Lot-630-50 N. 5th St.	System Parking	month to month	\$7,320/mo
City Development	Lessor	Urban Tree House Program 1255 N. 22nd	Midtown Neighborhood Assn.	month to month	\$0.00
City Development	Lessor	Vacant land-610 W. Canal St.	Aqua-Doc Waterfront Equipment	11/1/03-4/15/04	\$400/mo
City Development	Lessor	Commercial-225 W. Capitol Dr.	Skytel Communications	8/1/03-7/31/06	\$1,800/yr
City Development	Lessor	Riverwalk/Parking-1872 N. Commerce St.	Lakefront Brewery, Inc.	6/3/98-6/2/2097	\$3,230/yr
City Development	Lessor	Watercraft Club-1990 N. Commerce St.	Milwaukee Rowing Club	8/1/93-12/31/33	\$1.00/yr
City Development	Lessor	Parking/restaurant-324 W. Highland Ave.	C.H.I.P Investments d/b/a Game Time	5/1/02-12/31/14	\$0.00
City Development	Lessor	Green area-1200-18 W. Juneau Ave.	Pastor Hoover Soul's Harbor Baptist Church	month to month	\$1.00/yr
City Development	Lessor	Garage-2925 W. Lisbon Ave.	Elmer J. Hodge	Annual	\$180/qtr
City Development	Lessor	Com/Res w/billboard-4701 17 W. Lisbon	The Lamar Company	Annual	\$166.66/yr
City Development	Lessor	Playground-3284-98 N. M.L. King Dr.	Milwaukee Public Schools	9/1/82-8/31/92	\$1.00/yr
City Development	Lessor	Vacant land-2615-43 N. M.L. King Dr.	Career Youth Development	month to month	\$1.00
City Development	Lessor	Farmer's Market-Muskego & Mitchell	Milwaukee Alliance	to 10/16/03	\$0.00
City Development	Lessor	Vacant land w/billboard-3010 W. North Ave	Eller Media Company	month to month	\$25/yr
City Development	Lessor	Parking lot-740-44 N. Old World 3rd St.	Hotel Investment Property Partnership LLC	month to month	\$1,824.08/mo

City of Milwaukee Lease Inventory

Exhibit 1

Department	City is Lessor/ Lessee/	Property or Item Leased	Other Party to Lease	Lease Term	Lease Payment
City Development	Lessor	Vacant land-1600-24 W. State St.	Bridging the Gap Learning Center	3/1/00-2/29/20	\$1.00/yr
City Development	Lessor	Parking lot-400-02 N. Water St.	Historic Third Ward	month to month	\$200/mo
City Development	Lessor	Pocket Park-412 E. Wisconsin Ave.	Curry-Pierce Limited Partnership	10/15/92-10/14/12	City mill rate X \$350,000
Public Works	Lessor	1231 N. Broadway-lot for construction	Hunzinger Construction	month to month	\$550/mo
Public Works	Lessor	1801 N. Farwell-parking lot	Downtown Auto Parks	month to month	\$3,725/mo
Public Works	Lessor	716 W. Windlake-partial lot	Palermo's Pizza	month to month	\$200/mo
Public Works	Lessor	1101 N Marshall St.- Parking lot	Imperial Parking	to 12/31/04	\$11,612/mo
Public Works	Lessor	2353 N Farwell-Partial lot	US Bank	to 6/30/06	\$275/mo
Public Works	Lessor	930 W. Maple-partial lot	US Bank	to 6/30/06	\$175/mo
Public Works	Lessor	1551 W. National-parking lot	Badger Mutual Ins	to 6/30/06	\$725/mo
Public Works	Lessor	324 W. Highland-restaurant	CHIP Investments	to 12/31/14	\$9,561/mo
Public Works	Lessor	507 E. Michigan-garage	Johnson Controls	to 4/30/44	\$39,244/mo
Public Works	Lessor	2128 S. 5th Pl.-partial lot	Reyes Transportation	to 2/2/05	\$175/mo
Public Works	Lessor	1300 E. Brady-partial lot	MKM, Ltd. Liability Co.	to 2/28/07	\$210/mo
Public Works	Lessor	5500 W. Lisbon-parking lot	Louis Brojanac	to 2/28/07	\$80/mo
Public Works	Lessor	3506 W. National-parking lot	Mitchell Novelty	to-3/31/07	\$100/mo
Public Works	Lessor	1002 W. Maple-bank drive through	Mitchell Bank	to 2/28/09	\$45/mo
Public Works	Lessor	2626 W. Wells-parking lot	Penfield Children's Ctr	month to month	\$30/mo
Public Works	Lessor	1915 E North-dumpster in prkg lot	Bieck Mgmt	month to month	\$30/mo
Public Works	Lessor	1915 E North-dumpster in prkg lot	Von Trier's Tavern	month to month	\$400/yr
Public Works	Lessor	1002 W. Maple-dumpster in prkg lot	Garden of Eden	month to month	\$400/yr
Public Works	Lessor	1002 W. Maple-dumpster in prkg lot	Payless Shoes	month to month	\$400/yr
Public Works	Lessor	76,463 lineal ft conduit space	Time Warner Cable	12/31/99-12/30/16	\$93,728.70/yr
Public Works	Lessor	18,730 lineal ft conduit space	Time Warner Telecom	12/14/99-12/13/16	\$18,730/yr
Public Works	Lessor	528 lineal ft conduit space	MCI Metro	3/16/00-3/15/04	\$7,674/yr
Public Works	Lessor	84,254.80 Lineal ft conduit space	McLeod USA	12/12/98-12/11/02	\$84,254.80/yr
Public Works	Lessor	2508 lineal ft conduit space	RVP Fiber Co.	1/21/99-1/20/03	\$8,961.20-\$16,426.22/yr
Public Works	Lessor	7,710 lineal ft conduit space	TDS Metrocom	4/30/02-4/29/06	\$34,546/yr
Public Works	Lessor	30 miles conduit space	Midwest Fiber Networks		lease not finalized
Public Works	Lessor	Antenna site-Linnwood	Verizon	1/23/01-1/23/06	\$19,679.63/yr
Public Works	Lessor	Antenna site-Hawley	Verizon	3/6/98-3/6/07	\$23,257/yr
Public Works	Lessor	Antenna site-Hawley	AT&T Wireless	12/15/00-12/15/05	\$21,879.10/yr
Public Works	Lessor	Antenna site-Lake Tank	AT&T Wireless	12/15/00-12/15/05	\$17,364.38/yr
Public Works	Lessor	Antenna site-Linnwood	AT&T Wireless	12/15/00-12/15/05	\$17,364.38/yr
Public Works	Lessor	Antenna site-Hawley	Sprint Spectrum	5/5/99-3/5/04	\$19,144.22/yr
Public Works	Lessor	Antenna site-Hawley	T-Mobile	11/16/00-11/16/05	\$13,544.21/yr
Public Works	Lessor	Antenna site-Linnwood	US Cellular	7/1/00-7/1/06	\$2,832/yr
Public Works	Lessor	Antenna site-Linnwood	Cingular Wireless	9/1/98-9/1/04	\$11,592/yr



City of Milwaukee Lease Inventory

Exhibit 1

	City is Lessee/				
Department	Lessor	Property or Item Leased	Other Party to Lease	Lease Term	Lease Payment
Public Works	Lessor	Antenna site-Greenfield and Lake	Secret Service	1982-present	\$1,920/yr
Public Works	Lessor	Antenna site-Greenfield	Milwaukee County	1982-present	\$1,800/yr
Public Works	Lessor	Antenna site-North Point	US Cellular	5/6/02-5/6/07	\$18,742.50/yr
Public Works	Lessor	Antenna site-North Point	FAA	1995-2005	No charge
Health	Lessor	Space at Isaac Coggs Health Center	Milwaukee Health Center	until termination	\$13,107.09/mo; \$157,285.08/yr
Health	Lessor	Space at Isaac Coggs Health Center	Marquette University (Dental)	until termination	\$9,329.57/mo; \$37,318.28/yr
Health	Lessor	Space at Isaac Coggs Health Center	Curative Rehab	until termination	\$6,681.06/mo; \$26,724.23/yr
Health	Lessor	Space at Isaac Coggs Health Center	Vision Center (Baccorp)	until termination	\$2,085.34/mo; \$8,341.36/yr
Health	Lessor	Space at Johnston Comm. Health Center	Aurora Health Center	until termination	\$15,364.45/mo; \$61,457.82/yr
Health	Lessor	Space at Johnston Comm. Health Center	Marquette University (Dental)	until termination	\$7,334.58/mo; \$29,338.30/yr
Health	Lessor	Space at Johnston Comm. Health Center	Curative Rehab	until termination	\$2,603.00/mo; \$10,411.98/yr
Health	Lessor	Space at Johnston Comm. Health Center	Vision Center (Baccorp)	until termination	being determined, new lease
Library	Lessor	Office and sorting room space	Milwaukee County Federated Library System	1/1/94-12/31/05	\$105,000/yr
Library	Lessor	Office space	Volunteer Services for Visually Handicapped	1998-indefinite	\$1,000/yr
Library	Lessor	Office space	Goeth House, Inc.	1995-Dec.2004	\$3,500/yr
Library	Lessor	Space for bookstore and coffee shop	Friends of the Library	1999-indefinite	\$0/yr
Port	Lessor	Real Property and Building Space	Ace World Wide Air Freight	1/1/00-12/31/05	\$55,000/yr
Port	Lessor	Real Property and Building Space	Cargill Salt	10/1/01-9/30/05	\$75,550.20/yr
Port	Lessor	Real Property and Building Space	Charter Manufacturing	1/26/96-12/31/09	\$4,914/yr
Port	Lessor	Land-2 acres in Grand Trunk site	Edward E. Gillen Company	1/1/03-12/31/03	\$17,000/yr
Port	Lessor	Land-.921 acres in South Harbor Tract	Edward E. Gillen Company	1/1/99-12/31/03	\$19,200/yr
Port	Lessor	Land-2 acres in South Harbor Tract	Edward E. Gillen Company	month to month	\$1,750/mo
Port	Lessor	Real Property and Building Space	Federal Marine Terminals	1/1/99-12/31/08	\$220,000/yr
Port	Lessor	Land	Great Lakes Contracting	1/1/86-12/31/05	\$15,000/yr
Port	Lessor	Office space and dockwall	Great Lakes Towing Co.	1 year	\$6,000/yr
Port	Lessor	Property	Jacobus Energy, Inc.	1/1/01-12/31/08	\$82,500/yr
Port	Lessor	Land-13.8 acres at 401 E. Greenfield Ave.	Kinder Morgan Bulk Terminals	1/1/98-12/31/02	\$148,200/yr
Port	Lessor	Land-.808 acres at 1601S. Carferry Dr.	Kinder Morgan Bulk Terminals	11/16/99-11/15/08	\$9,978/yr
Port	Lessor	Land and building at 1900 S. Harbor Dr.	Kinder Morgan Bulk Terminals	1/1/96-6/30/98	\$98,806.66/yr
Port	Lessor	Land-1acre on S. Lincoln Memorial Dr.	Kinder Morgan Bulk Terminals	1/1/03-12/31/03	\$15,000/yr
Port	Lessor	Property	LaFarge Corp.	4/1/95-3/31/15	\$37,410/yr
Port	Lessor	Land and building (to be built by City)	Lake Express LLC	4/15/04-4/15/14	\$50,000/yr
Port	Lessor	Land	Milwaukee Art Museum	30 years	\$6.50/sq. ft.
Port	Lessor	Property	MBT Processing, LLC	9/1/98-8/31/08	\$130,000/yr
Port	Lessor	Property	Intermodal Terminal, LLC	1/1/98-12/31/01	\$2.25-\$4.50/unit
Port	Lessor	Property	Milwaukee World Festival, Inc.	1/1/01-12/31/20	\$1,015,200/yr

City of Milwaukee Lease Inventory

Exhibit 1

	City is				
	Lessee/				
Department	Lessor	Property or Item Leased	Other Party to Lease	Lease Term	Lease Payment
Port	Lessor	Land	North American Salt Co.	4/1/85-3/31/05	\$102,450 in 1989
Port	Lessor	South half of Municipal Pier	Pier Wisconsin	7/1/03-9/30/33	\$6.50/sq. ft. (once) + 5% of income over 5M/yr
Port	Lessor	Railroad track rental	North Western/Milwaukee Road	year to year	5% of City's capital cost of storage yard
Port	Lessor	.75 acre of land and use of Track 7	RSI Logistics	4/1/03-3/31/04	\$7,500/yr
Port	Lessor	Property	Specialty Restaurants Corp	2/1/88-1/31/18	\$6,000/yr + 2% of gross receipts
Port	Lessor	Real Property-6.67 acres	St. Mary's Cement, Inc.	6/1/00-5/31/15	\$106,720/yr
Port	Lessor	Land-1 acre at East Bay St. & Harbor Dr.	Badger Cement Products, LLC	month to month	\$675/mo
Port	Lessor	Property	STS Services, Inc.	8/17/90-8/16/95	\$87,945/yr
Port	Lessor	Property	US Army Corps of Engineers	10/1/00-9/30/02	\$61,500/yr
Port	Lessor	Property	US Coast Guard	7/1/64-6/30/14	\$1 for term and all renewals
Port	Lessor	Property	US Navy	10/1/03-9/30/08	\$67,860/yr
Port	Lessor	Property	West Shore Pipeline Co.	8/23/84-12/31/07	\$3,415.32/yr

City of Milwaukee Leases Audited	
<b>Lessee:</b>	Pier Wisconsin, LTD.
<b>Lessor:</b>	City of Milwaukee (Port of Milwaukee)
<b>Leased Property:</b>	South face of the Municipal North Pier, adjoining parking area and adjoining yard area
<b>Term:</b>	30-yr period, Commencing on July 1, 2003 expiring July 1, 2033
<b>Rental/Lease Amount:</b>	\$6.50 per sq. ft. plus an additional annual payment of 5% of all amounts in excess of \$5,000,000 of tenant income, payable to the City upon approval of the final design.
<b>Major Provisions:</b>	For the use of the south face of the Municipal North Pier, adjoining parking area and adjoining yard area for construction of improvement.
<b>Compliance Evaluation:</b>	Per documentation provided by Port personnel, the terms of the lease have been compiled with. Port should however obtain copies of permits, licenses and copy of the construction easement from Pier Wis.
<b>Lessee:</b>	Milwaukee Bulk Terminals, Inc.
<b>Lessor:</b>	City of Milwaukee (Port of Milwaukee)
<b>Leased Property:</b>	1900 South Harbor Drive (warehouse and office space)
<b>Term:</b>	January 1, 1996 through June 30, 1998 w/ option to extend 4 consecutive 5 year periods
<b>Rental/Lease Amount:</b>	\$80,284.66 annually, adjusted each fifth-yr. anniversary using the U.S. "Producer Price Indexes"
<b>Major Provisions:</b>	For lease of Five Parcels of Real Property on the South Harbor Tract, totaling 9.06 acres.
<b>Compliance Evaluation:</b>	Per documentation provided by Port personnel, the terms of the lease have been complied with, except for unpaid invoices totaling \$60,695.68 for Port services.
<b>Lessee:</b>	Cargill, Inc.
<b>Lessor:</b>	City of Milwaukee (Port of Milwaukee)
<b>Leased Property:</b>	1835 S. Car ferry Drive
<b>Term:</b>	October 1, 2001 through September 30, 2005
<b>Rental/Lease Amount:</b>	\$75,550.20 per year
<b>Major Provisions:</b>	Tenant will pay wharfage and dockage fees to the City in accordance with the appropriate provision of the Municipal Port Tariff in effect at the time of cargo movement or vessel berthing.
<b>Compliance Evaluation:</b>	Per documentation provided by Port of Milwaukee personnel, the terms of the lease have been complied with, except for billing and collection for water service.
<b>Lessee:</b>	City of Milwaukee (DPW-Parking, Towing and Enforcement Section)
<b>Lessor:</b>	Milwaukee Metropolitan Sewerage District
<b>Leased Property:</b>	123 North 25th Street
<b>Term:</b>	April 1, 2003 through March 31, 2013
<b>Rental/Lease Amount:</b>	\$115,200 per year, adjusted annually based on the Consumer Price Index
<b>Major Provisions:</b>	Premises to be used for truck repair and maintenance facility, parking checker operation, fleet maintenance and miscellaneous Department of Public Works functions.
<b>Compliance Evaluation:</b>	Per documentation provided by DPW personnel, the terms of the lease have been complied with except for the timing of rent payments.
<b>Lessee:</b>	Johnson Controls, Inc.
<b>Lessor:</b>	City of Milwaukee (DPW-Parking, Towing and Enforcement Section)
<b>Leased Property:</b>	535 North Milwaukee Street
<b>Term:</b>	May 1, 1994 through May 1, 2044
<b>Rental/Lease Amount:</b>	\$375,000 annual rent payment, adjusted every 5 years based on the Consumer Price Index
<b>Major Provisions:</b>	Provides parking space for 501 automobiles and support facilities.
<b>Compliance Evaluation:</b>	Per documentation provided by DPW personnel, the terms of the lease have been complied with.
<b>Lessee:</b>	PrimCo Personal Communications, Limited Partnership, d/b/a Verizon Wireless
<b>Lessor:</b>	City of Milwaukee (DPW - Water Works)
<b>Leased Property:</b>	3000 N. Lincoln Memorial Drive
<b>Term:</b>	January 23, 2001 through January 23, 2006
<b>Rental/Lease Amount:</b>	Year 1: \$17,000; Year 2: \$17,850; Year 3: \$18,743; Year 4: \$19,680; Year 5: \$20,664
<b>Major Provisions:</b>	Leased space for the purpose of installing, maintaining and operating a 9-antenna array plus related cabling for wireless communications.
<b>Compliance Evaluation:</b>	Per documentation provided by DPW-Water Works personnel, the terms of the lease have been complied with.
<b>Lessee:</b>	Milwaukee SMSA Limited Partnership (general partner Ameritech Mobile Comm. Of Wisconsin)
<b>Lessor:</b>	City of Milwaukee (DOA - Procurement Services Section)
<b>Leased Property:</b>	Antenna Site - 5600 W. Oklahoma
<b>Term:</b>	October 1, 2000 through September 30, 2020
<b>Rental/Lease Amount:</b>	Construction of new antenna tower in lieu of rent
<b>Major Provisions:</b>	Lessee to use leased space to construct the tower and install, maintain and operate its equipment
<b>Compliance Evaluation:</b>	Per documentation provided by DOA personnel, the terms of the lease have been complied with.
<b>Lessee:</b>	Xerox
<b>Lessor:</b>	City of Milwaukee (DOA-Document Services Section)
<b>Leased Property:</b>	Docutech System (digital printing system with network printing capabilities)
<b>Term:</b>	May 1, 2001 through April 30, 2006
<b>Rental/Lease Amount:</b>	Monthly payment - \$5,369.22, maintenance charge-\$1,355, impression charge-\$0.0054
<b>Major Provisions:</b>	Xerox to provide training to City personnel, convert DOA's existing tape library of print jobs, upgrade system to provide new mail merge production capabilities and provide support and maintenance.
<b>Compliance Evaluation:</b>	Xerox overbilled for maintenance and impression charges but has credited the City \$16,257 for these errors. Documentation provided by DOA personnel indicated that all non-financial terms of the lease have been complied with.



March 28, 2005

Department of Administration  
Business Operations Division

Tom Barrett  
Mayor

Sharon Robinson  
Director of Administration

Cheryl L. Oliva  
City Purchasing Director

W. Martin Morics  
City Comptroller  
City of Milwaukee

Dear Mr. Morics:

Thank you for the opportunity to respond to your Audit of City of Milwaukee Leases and citywide policy recommendations for the administration of leases. As your office is aware, the Document Services Section (DSS) of the Department of Administration (DOA) had a "self-audit" of internal tracking and accounting systems in progress as a result of staff turnover and reorganization when your audit was initiated. Your audit confirmed our earlier findings for the need to implement new oversight measures for ensuring that invoices are in compliance with current City contracts. Subsequent to your work with us, having implemented new review measures, additional invoicing issues with a newly drafted contract were immediately recognized as being non-compliant *before* invoices were approved for payment. We appreciate your staff's efforts in helping to enhance our awareness of these types of accounting issues.

We are also very pleased that your staff is recommending the use of the City's E-Vault System as a repository of electronic versions of lease documents that can then be accessed by all City employees for administrative and research purposes. We also applaud your suggestion to utilize E-Vault as a central repository for *all* City contracts. Please note that documents can be stored and transmitted in their *native* electronic formats (E-Vault can accommodate a wide spectrum of electronic document types, such as, WORD, EXCEL, PDF and other file types). DSS Management would be happy to further explore the feasibility of how the use of E-Vault as a central repository and/or distribution vehicle could positively impact new efficiencies and safeguards in the citywide maintenance and management of leases and contracts.

As the Document Services Section of DOA is a full cost recovery entity, we would, naturally, assess fees for the inclusion of leases and contracts in the central system. Production costs, which would be very nominal, would be distributed to those departments originating the contracts. System maintenance costs are allocated to all departments maintaining legal custodianship of documents stored on the system. Document access is *not charged* on a per retrieval basis, but instead, is assessed on a per-user-login basis annually, in magazine subscription rate fashion. The current annual cost per user for unlimited retrievals is less than \$15.00 per year. The fee structure is based on the total number of registered users citywide, currently just under 300 employees. These are minimal fees compared to the enormous cost-savings that can be realized by enabling all appropriate city personnel to have direct, immediate access to leases and contracts.

We again wish to express our appreciation for the thoroughness and professionalism of your staff throughout this audit process and look forward to working with them to implement further cost efficiencies in how the City conducts its business.

Sincerely,

Cheryl L. Oliva  
City Purchasing Director

Ref:auditorevault2



Department of Public Works

Jeffrey J. Mantes  
Commissioner of Public Works

James P. Purko  
Director of Operations

March 24, 2005

Mr. W. Martin Morics  
City Comptroller  
City Hall, Room 494

Dear Mr. Morics:

We are in receipt of the Audit of City of Milwaukee Leases dated March 2005. The audit examined three DPW leases, including two administered by DPW-Parking and one administered by Water Works. The following is our responses to the findings of the audit.

**Lease of 123 North 25<sup>th</sup> Street Facility**

The audit examined the lease of this facility with the Milwaukee Metropolitan Sewerage District. This facility is used by Parking Enforcement and the Parking Information Desk as well as the DPW tire shop.

**Audit Findings:** Rent is paid bi-annually. Lease provides that rent be paid annually or monthly.

**Recommendation:** The lease should be amended to reflect actual payment practice.

**DPW Response:** MMSD invoiced the City bi-annually because the term of the contract extends two calendar years. MMSD invoiced the City from April 1 to December 31 and from January 1 to March 31. DPW will work with MMSD to be invoiced annually for the rent payment per the contract terms.

**Lease of 535 North Milwaukee Street to Johnson Controls, Inc.**

The audit examined the lease between the City of Milwaukee and Johnson Controls for exclusive use of the City-owned parking structure located at 535 North Milwaukee Street. The audit disclosed that both parties complied with the terms of the lease.

Mr. W. Martin Morics  
March 24, 2005  
Page 2

**Lease of space at 3000 North Lincoln Memorial Drive to Primeco Personal Communications**

Primeco Personal Communications leases space for wireless communications antenna from the Water Works.

**Audit Findings:** Copies of Primeco's FCC licenses and filing papers have not been provided to Water Works.

**Recommendation:** Water Works is responsible for obtaining copies of FCC licenses and filing papers.

**DPW Response:** Water Works will obtain all copies of FCC licenses and filing papers.

The Department of Public Works appreciates the opportunity to respond to this audit. If you have any questions, please do not hesitate to contact me.

Very truly yours,



Jeffrey J. Mantes  
Commissioner of Public Works

JJM:DRF:ph

c: Dorinda Floyd  
Carrie Lewis  
File



# THE PORT OF MILWAUKEE

March 28, 2005

Ref: CD/Comptrollers

Mr. Bill Eatough  
Lead Auditor  
Comptroller's Office  
Auditing Division  
404 – City Hall

Dear Mr. Eatough:

We are in receipt of your draft audit of City of Milwaukee leases. Samples of three Port leases are included in your report. Your work offers a number of constructive observations and recommendations. Certainly on a Citywide basis the recommendation to scan all leases into E-Vault is an excellent idea and would save an immense amount of staff time when tracking down content details in each lease.

Here are a few other observations and comments specific to the Port leases you audited:

✓ Recommendation 2: Obtain Copies of Permits and Licenses

Monitoring the progress of a construction project by a tenant who is building their own project with their money is more problematic than tracking the work of a City financed construction. We will, however, in the future require tenant contractors to furnish copies to us during the life of a construction project.

✓ Recommendation 3: Refer Uncollectible Accounts to the Kohn Law Firm

The case of the Milwaukee Bulk Terminals unpaid invoices was a matter of allowing for too long a variety of billings languish without follow up. Those that remain unpaid will be referred to the Kohn Law Firm.

For future billings, the Port will institute a more watchful and aggressive process to first remind customers of late payment, ascertain why payment has not been made, correct any disputes about of charge, if warranted, and finally pursue collection, and after 60 or 90 days, refer these bills to Kohn. Dragging this process on for years will no longer be acceptable. The Port Finance Officer has already taken steps to implement this process.



Mr. Bill Eatough

March 28, 2005

✓ Recommendation 5: Bill Tenants for Water Use

Water billings were not a priority under past Port management. This is being changed. We will endeavor to document water usage as far back as possible and bill our tenants accordingly.

Your report estimates that unbilled water might amount to \$100,000 over the past few years. I do not know how that was calculated, possibly that could be explained to us.

The inspection of leased properties for clean, orderly and safe conditions is an ongoing process that has actually been stepped up considerable by the new Port Operations Supervisor. Inspections are done frequently and informally. If nothing adverse is found, nothing is reported. Infractions are handled verbally on the spot.

✓ Recommendation 6: Review Rents for Comparable Properties

This is a sound suggestion. Property rentals on a per acre basis have been increased considerably during the past 15 years as each long term lease has come up for renewal or new leases signed. The market levels for rent are clearer now. In the past, finding comparables has been difficult. The Jones Island properties are really unique to the state. No where else in Wisconsin are rentable properties available to the maritime industry that have the amenities that the Port offers – deep water, two railroads, highway access to name a few.

It would be a great advantage to find comparables and we continue our search. The more such information we have the stronger we can make our case for rent increases during our negotiations with tenants.

If we can provide any further information for the audits final version, please contact me.

Very truly yours,



ERIC C. REINELT  
Acting Port Director

ECR/dcl

i:leasescityaudit.doc