

## Executive Summary: 2011 City of Milwaukee Proposed Budget 2010

Hearing Date: October 7,

- Personnel:** The 2011 Proposed Budget eliminates the Port's Graduate Intern position (0.5 FTE), for a savings of \$15,111. This position was created by the 2010 Budget and has never been filled. The 2011 Budget also provides full-year funding for the Deputy Port Director position, also created in the 2010 Budget, but only funded for half of this year. This position is not yet filled. **(page 2)**
- Operating Expenditures:** An overall increase of just 1.3% is proposed for 2011. However, several line items will experience significant changes. Funding from the Professional Services line item is being increased by 19%, to \$250,000, in part to fund the hiring of a consultant to develop a long-range facility maintenance program (anticipated cost: \$50,000). **(page 2)**
- Special Funds:** Again, the overall increase is modest – just 2.1%. However, the Dockwall and Breakwater Rehabilitation special fund, which was not funded in 2010, is once again funded for 2011 (\$100,000). The Energy Efficiency Upgrade special fund is not funded for 2011, as the Port has not yet been able to expend any of the 2008-2010 capital or special-fund allocations for this project. Funding for the Environmental Cleanup special fund is doubling, to \$100,000, to bring funding in line with actual expenditures and reduce the need to transfer funds from other accounts. **(page 3)**
- Capital Projects:** No new capital funding is provided for the Port in the 2011 Proposed Budget. However, the Port will have substantial carryover borrowing authority (currently over \$3 million) available in 2011. Also, the 2011 Proposed Budget provides O&M funding (special funds) for many of the types of projects that were previously funded by capital. **(page 4)**
- Revenues:** The Comptroller's Office projects a slight (2.4%) increase in the Port's revenues for 2011. However, due to weakness in the economy, the Port's actual revenues in 2009 and 2010 (year-to-date) from various tonnage-related categories were down significantly from the previous year. **(pages 3 and 4)**
- "Surplus" Transferred to General Fund:** Whenever the Port's revenues exceed its operating expenditures, the "surplus" is transferred to the City's General Fund. For the past several years, the Port has realized a surplus – including \$1,076,000 in 2009. **(page 4)**

Expense Category	2009 Actual	2010 Budget	% Change	2011 Proposed	% Change
Personnel Costs	\$1,801,548	\$1,746,227	-3.1%	\$1,897,825	8.7%
Operating Expend.	\$794,314	\$1,210,000	72.3%	\$1,226,000	1.3%
Equipment Purch.	\$0	\$0	0.0%	\$0	0.0%
Special Funds	\$1,527,258	\$1,934,000	26.6%	\$1,882,300	-2.7%
<b>TOTAL</b>	<b>\$4,031,150</b>	<b>\$4,890,227</b>	<b>21.3%</b>	<b>\$5,006,125</b>	<b>2.4%</b>
Capital	\$561,035	\$0	-100.0	\$0	-100.0%
Positions*	35	37	+2	36	-1

\* Authorized positions – includes funded/permanent positions, unfunded/auxiliary positions and members of the Board of Harbor Commissioners (BHC) members.

## Personnel

The most significant personnel change proposed for the Port in 2011 is the elimination of the Graduate Intern position (0.5 FTE) in the department's Marketing Section. This position was created in the 2010 Budget to provide assistance to Port marketing and finance staff in the areas of marketing/promotion, website development, media relations and compilation of statistical reports. However, the position has never been filled.

The 2010 Budget also created the position of Deputy Port Director (SG 12) and provided funding to fill the position for the second half of the year. Duties of this new position are to include:

- Preparing presentations to the Common Council relating to BHC and Port business, leases, capital plans and legislative items.
- Managing Port staff, labor contract interpretations and multi-divisional projects.
- Assisting the Port Director in maintaining contacts with state and federal agencies.

The Deputy Port Director position has not yet been filled. The 2011 Proposed Budget provides full-year funding for this position.

The Port currently has 5 other vacant, permanent positions, for a total of 7 positions out of 24.

## Operating Expenditures

While the 2011 Proposed Budget increases the Port's total operating expenditures by a modest 1.3%, more significant changes are proposed for individual line items, including:

- Information Technology Services (\$50,000; up 233% from the 2010 funding level of \$15,000). The Port has a number of IT projects planned for 2011, including purchasing a new server, upgrading 16 computers to Microsoft Office 2007 and replacing several older computers.
- Professional Services (\$250,000, up 19% from the \$210,000 provided in the 2010 Budget). This account funds memberships in trade/professional organizations, attendance at trade shows and consultant studies of the Port's land and equipment use. The Port plans to use \$50,000 from this fund to hire a consultant to develop a long-range facility maintenance program for the Port.
- Other Operating Supplies (\$30,000, down 54% from the 2010 funding level of \$65,000). The reduction is proposed to make the funding level more consistent with actual expenditures in prior years.

## **Special Funds**

Excluding the Summerfest Revenue Transfer to the City's General Fund, the 2011 Proposed Budget contains 8 Port of Milwaukee Special Funds totaling \$545,000. This is an increase of 2.1% from the \$534,000 budgeted for 2009. Significant changes for 2011 are:

- The Dockwall and Breakwater Rehabilitation special fund, which was not funded for 2010 but had been in previous years, is funded at the level of \$100,000 in 2011. This special fund supports an ongoing program to maintain the Port's dockwalls in an appropriate condition to meet the needs of modern cargo-handling activity and to prevent costly emergency repairs. Historically, the Port has also used capital funding and grant proceeds to pay for this work. However, the Port does not anticipate any grant funding for this purpose in 2010 and 2011, and no capital funding is provided in either year's budget.
- No funding is provided for the Port's Energy Efficiency Upgrade special fund in the 2011 Proposed Budget. The 2009 and 2010 budgets provided \$100,000 and \$50,000 for this fund, respectively. The purpose of this special fund is to improve the energy efficiency of Port terminal buildings by replacing their roofs with aluminum-coated roofs. The Port has not yet expended any of these funds and does not anticipate doing so in 2010. The Port will likely request that these funds be carried over to 2011 (another \$100,000 for this project is available from 2008 capital borrowing authority that has been carried over).
- The funding allocation for the Environmental Cleanup special fund is increased from \$50,000 in 2010 to \$100,000 for 2011. This fund pays for environmental monitoring and cleanup related to DNR-required environmental remediation of Port-controlled properties. Funding is being increased to

bring it in line with actual expenditures (e.g., \$75,744 for 2009; in each of the last 3 years, the Port has had to transfer funds from other accounts to make up for funding shortfalls in this special fund).

## **Capital Projects**

Like the 2010 Budget, the 2011 Proposed Budget provides no new capital improvement funding for the Port of Milwaukee. In contrast, the 2009 Adopted Budget provided \$1.5 million in new borrowing authority for 5 Port capital improvement projects.

While no new capital funding is provided, the 2011 Proposed Budget indicates that the Port will have just over \$3 million in carryover borrowing authority available to undertake, continue or finish various capital projects (the carryover amount may be substantially reduced after the Port submits invoices for all of this year's capital-funded work for reimbursement). In addition, the 2011 Proposed Budget provides O&M funding (special funds) for many of the same projects which in prior years had been funded through the capital budget: Major Maintenance-Terminals and Piers, Dockwall Rehabilitation, Sewer System Upgrade and Harbor Maintenance Dredging.

## **Revenues**

The Comptroller's Office projects that the Port of Milwaukee will receive \$5,006,125 in revenues in 2011, all in the category of "charges for services". This represents an increase of 2.4% from estimated 2010 revenues. (Since the Port is an enterprise-fund agency, its projected revenues are budgeted to match its expenditures). The following table shows the Port's major revenue sources for 2011 (per the Revenue Estimation Worksheets). In all major revenue categories except facility rent (which is based on long-term

contracts, not short-term economic fluctuations), 2009 revenues fell well short of projections. This is the result of the unanticipated, severe downturn in economic conditions that began in 2008. This recession has directly affected the volume of cargo handled by the Port (see table), which in turn has a direct impact on the Port's revenues.

The continued weakness of the economy, as reflected in the volume of traffic at the Port of Milwaukee, is also taking its toll on Port revenues in 2010. As of September 30, year-to-date revenues were down in major tonnage-related categories: wharfage (-31%), dockage (-49%) and crane rental (-36%).

2008	2,931,125
2009	2,910,515
Pct. Change	-0.7%
2009 thru August	1,863,978
2010 thru August	1,413,607
Pct. Change	-24.2%

Revenue	2009 Budget	2009 Actual	Difference Actual v. Budget	2010 Budget	2011 Proposed	Change
1. Facility Rent*	\$2,005,000	\$2,307,200	+15.1%	\$2,247,200	\$2,375,000	+5.7%
2. Wharfage Charges	\$655,100	\$626,700	-4.3%	\$650,000	\$626,700	-3.6%
3. Dockage Charges	\$371,200	\$338,400	-8.8%	\$350,000	\$338,300	-3.3%
4. Billable Labor Charges	\$245,000	\$143,300	-41.5%	\$240,000	\$140,000	-41.7%
5. Crane Rental	\$275,000	\$126,500	-54.0%	\$175,000	\$125,000	-28.6%

\* Does not include rent payments for Maier Festival Park.

## Port Surplus Revenue Transfers to City General Fund

2009	\$1,076,000
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The Port of Milwaukee operates as a self-supporting "enterprise fund". When the department's revenues exceed its expenditures, the surplus revenue is transferred to the City's General Fund. For the past several years, the Port's revenues have exceeded its operating expenses (excluding depreciation), resulting in the following amounts being transferred to the General Fund:

2004	\$1,105,000
2005	\$1,707,000
2006	\$939,000
2007	\$1,634,000
2008	\$208,000

## Issues to Consider

- The Graduate Intern position proposed for elimination could be potentially beneficial to the Port.
- The City continues to provide funding and position authority for a number of long-vacant Port positions.
- Could existing Port positions (some of which may be currently vacant) develop the long-range facility maintenance program for the Port, rather than hiring a consultant for \$50,000?
- The 2011 Proposed Budget continues to shift funding for the Port's infrastructure maintenance projects from capital to O&M funding.

- Total revenue projection may be overly optimistic in light of recent tonnage-related revenue drops.