

2017



Legislative Reference Bureau

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PORT OF MILWAUKEE



2017 Proposed Plan and Executive Budget Review

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Budget Hearing: 1:30 pm on Friday, October 14, 2016

Last Updated: October 5, 2016

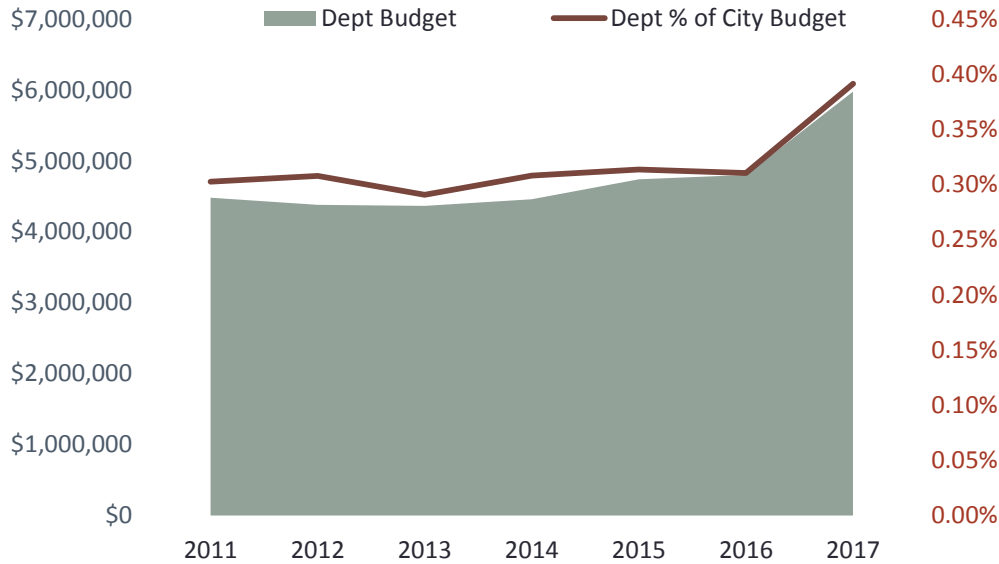
Final Version



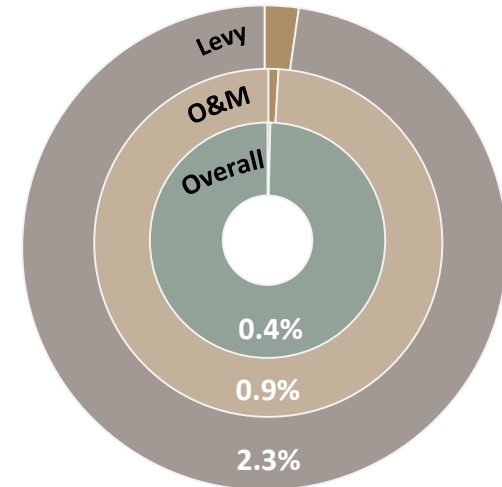
\$5,975,792
Proposed 2017 Budget

\$1,174,121
Change in Proposed Budget

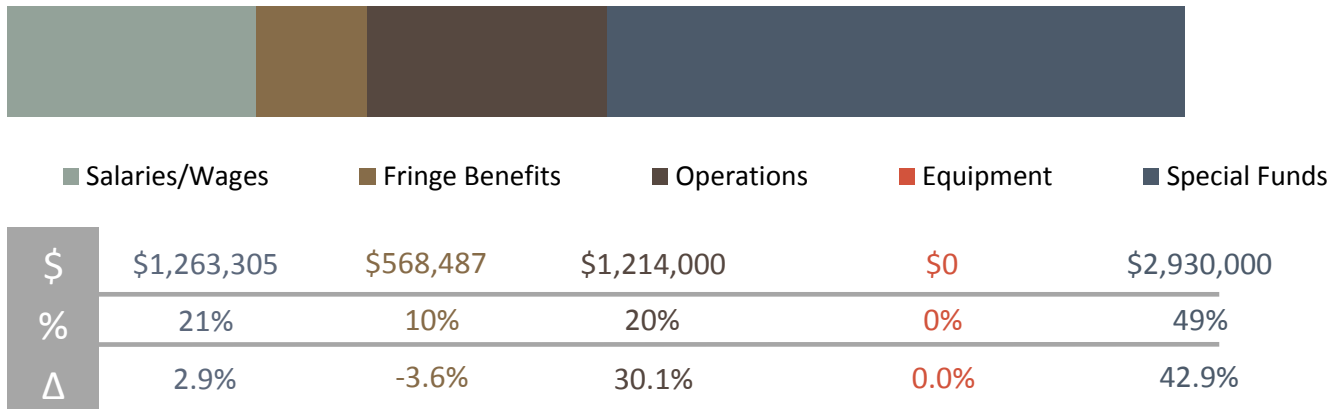
24.5%
% Change in Proposed Budget



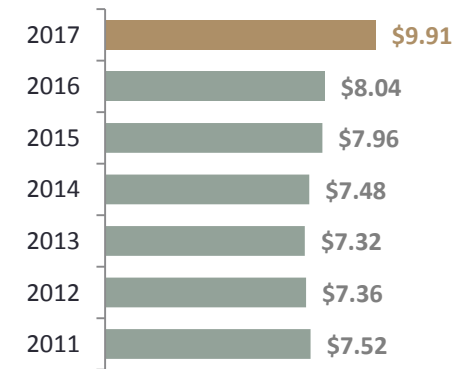
Departmental Budget Impact



Departmental Budget Appropriation Category



Budget per Capita



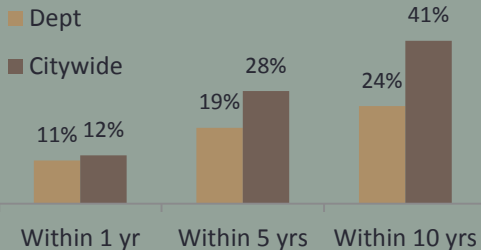
\$1,165,320

Difference between Port revenues and expenditures for 2015, a decrease of 26.7% from the 2014 "surplus".

-11.2 %

Decrease in the Port's total tonnage handled, 2014 to 2015, largely attributable to a 348,000-ton decrease in general cargo tonnage.

Retirement Eligible



0

Change in Positions

0.0%

% Change in Positions

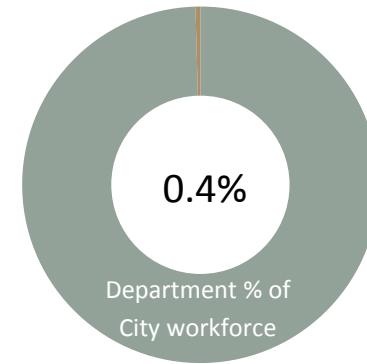
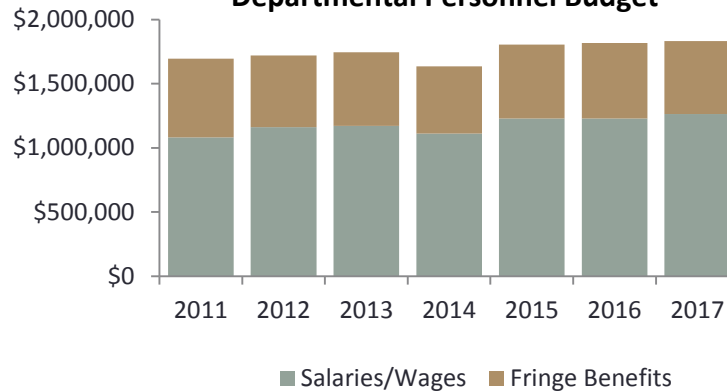
1

Current Vacancies

1

Voluntary Separations

Departmental Personnel Budget



Staffing Update

- Two College Intern positions are added and funded at the level of 0.5 FTE (both positions combined) for 2017.
- Interns will assist the Port's Marketing Section in promoting the Port and researching new business opportunities.

Staffing Update

- One position of Port Maintenance Technician IV is added to the Cargo Handling-Maintenance and Repair Section, but not funded for 2017.
- A net reduction of 3 auxiliary positions is proposed for 2017.



\$281,000

Change in the Port's Operating Expenditures under the Proposed Budget, an increase of 30.1% from the 2016 Adopted Budget.

196.9%

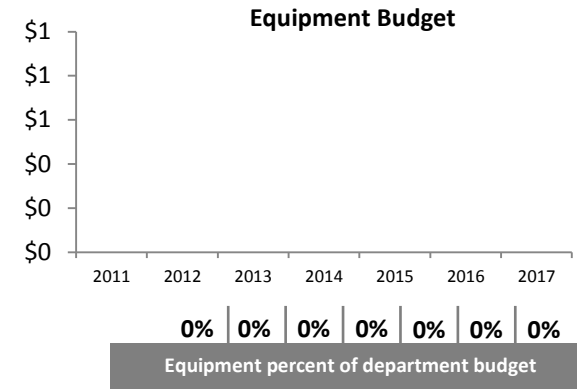
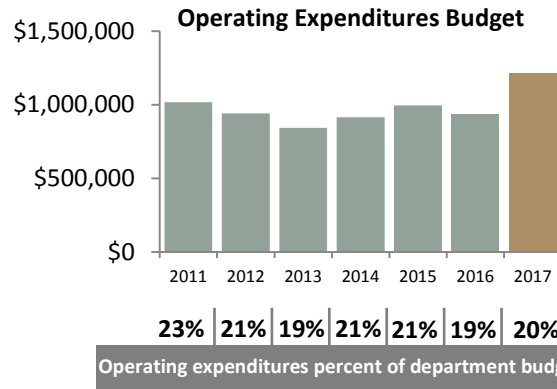
Increase in the Infrastructure Services line item, necessary to fully fund Storm Water Management Fee charges on Port-owned property.

27

Number of tenants leasing Port facilities. Facility leases (not including Milw. World Festivals lease) generated \$2.1 million in revenues in 2015.

\$879,000

Change in total special funds appropriation for 2017, representing an increase of 42.9%; largely due to higher funding for equipment and facility upgrades.



Operating Expenditures (major changes)

- Infrastructure Services (\$386,000; up \$256,000 from 2016) – additional funding to fully fund Storm Water Management Fee charges. Port anticipates 60% tenant revenue offset.
- Energy (\$83,000; up \$23,000 from 2016) - largely due to anticipated diesel-fuel consumption of new crawler crane.

Major Revenue Sources (2017 est.)

Facility Rental	\$2,248,600
Milw. World Festivals Lease	\$1,516,000
Wharfage Charges	\$781,000
Dockage Charges	\$282,800
Water/Sewer Charges	\$257,500

Special Funds (major changes)

- Leasehold Demolition/Facilities Upgrade (\$744,000; up \$594,000 from 2016) - additional funding will be used to repair the Advance Boiler building , a 21,000-sq.-ft. warehouse, extending its useful life about 20 years.
- Equipment Rehab & Upgrade (\$210,000; up \$135,000 from 2016) – funding increased to meet anticipated needs to purchase new equipment or make major equipment repairs (e.g., crane overhaul).
- Major Rehab and Upgrades (\$185,000; up \$135,000 from 2016) – brings 2017 funding in line with 2015 actual expenditures.

3,473

Total number of employees at the 7 Foreign Trade Zone grantee businesses in FTZ No. 41, administered by the Port of Milwaukee

2.29 million

Tons of waterborne cargo that passed through the Port in 2015, an 11.2% decline from 2014 largely attributed to a decrease in general cargo tonnage (e.g., steel).

-\$3,760,000

Decrease in the Port's capital improvements appropriation for 2017, due entirely to completion of the New Crane project in 2016.

313

Total number of vessels, including barges and cruise ships, public and private docks, that used the Port in 2015, an increase of 14 (4.7%) from 2014.

Cargo Trends

- 2015 tonnage: 2.286 mill. metric tons (-11.2% from 2014)
- 2016 tonnage through August: 1.192 mill. metric tons (down 14.1% from comparable period in 2015)

Milwaukee World Festivals, Inc. Lease

For 2017, the City's lease with Milwaukee World Festivals, Inc., will produce revenues of \$1,516,800. This represents about 25% of total projected 2017 revenues at the Port of Milwaukee

Capital Improvement Projects

- Rail Track & Service Upgrades (\$500,000) – City matching funds for a WisDOT grant to rebuild 15 railroad crossings at the Port, with a total project cost of \$2.2 million.
- Pier, Berth & Channel Improvements (\$100,000) – City matching funds for ongoing WisDOT grant-supported program to improve mooring basin, heavy lift dock at outer harbor.
- Roadway Paving (\$40,000) – Funds for the ongoing program to restore Port-owned paved roads, service drives and terminals

Cargo by Commodity Type (metric tons)

Commodity	2015	2015 YTD	2016 YTD
Dry bulk	1,857,135	1,284,729	865,862
Steel/general cargo	169,121	86,202	100,153
Liquid cargo	28,799	15,682	19,814
Grain	231,229	36,588	205,988

Port Surplus Revenue Transferred to City General Fund

2008	\$208,000	2012	\$1,211,000
2009	\$1,076,000	2013	\$1,315,000
2010	\$902,000	2014	\$1,587,000
2011	\$1,590,000	2015	\$1,165,000

Revenue Trends

Through August, the Port's 2016 revenues are down \$882,517, or 29.7%. Excluding a one-time \$619,335 payment from the U.S. Army Corps of Engineers in 2015., revenues decreased 8.9%. Revenues have declined in most major categories, including:

- Wharfage -35.6%
- Facility Rent -16.8%
- Crane Rental -4.8%

- **New Crane** - The 2016 Budget provided \$4 million in cash-revenue funding (proceeds from RACM bond sales) for the purchase of a replacement for the Port's 45-year-old heavy-lift crane. A contract was awarded in the spring to American State Equipment for a new Manitowoc crane that will be delivered, assembled on-site and certified by the end of October. Total cost will be under \$2.8 million.
- **Rail Track & Service Upgrade** - The Port is completing a project to upgrade its rail system, including removing and replacing rail ties, upgrading to a heavier-gage rail and repairing switches. Also, previously-closed portions of the system have been reopened. These improvements will allow the rail system to accommodate heavier loads, thus making the Port more attractive to existing and potential new customers. This project is expected to be completed by the end of 2016 at a cost of about \$2.7 million.
- **Liquid Cargo Pier** - The Liquid Cargo Pier project was funded through a \$1.5 million 2007 Wisconsin Harbor Assistance Grant, along with \$550,000 in City capital funding. Completion of the project and re-opening of the Liquid Cargo Pier was initially delayed because the Port did not have a tenant. In May, 2014, the Port signed a 10-year lease with U.S. Venture, Inc., for use of the Liquid Cargo Pier. However, the project is still incomplete, in part because of work on the Hoan Bridge. This summer, the Common Council adopted a resolution extending the completion date for this grant-funded project, which is currently in the design phase, to 12/31/2017.
- **Foreign Trade Zone** - The Port of Milwaukee is the grantee and administrator of Foreign Trade Zone (FTZ) 41, which covers all of Wisconsin but focuses on the 12 counties of Southeastern Wisconsin. Participating businesses in an FTZ are able to import and re-export goods duty free, saving them millions of dollars. There are currently 7 approved "zones" (businesses) within FTZ 41, of which 5 are active, including Mercury Marine (Fond du Lac) and Broan NuTone (Hartford). In 2015, the Port's revenues from the FTZ program totaled \$33,865, while its expenses associated with administering the program were \$84,659.
- **Cruise Ships** - In 2015, 4 passenger cruise ships visited Milwaukee, compared to 6 in each of the 2 preceding years. Cruise ships continue to dock on Jones Island, rather than the designated cruise ship berth at Pier Wisconsin, where dredging work costing at least \$500,000 is needed to make the shipping channel of sufficient depth to accommodate large cruise ships.
- **Harbor District Initiative** – The Harbor District, Inc., is a non-profit entity created in 2015 to develop a vision for revitalizing an area of over 1,000 acres encompassing the Port of Milwaukee and extending west to 2nd Street. As the largest landowner in the District, the Port has a vested interest in the success of this initiative. The president of the Board of Harbor Commissioners serves on the Harbor District's board of directors, along with representatives of the public-sector, philanthropic, non-profit and business communities. To date, the Harbor District has organized both a UWM-led design charrette and a community design and development forum.