

RESEARCH AND ANALYSIS SECTION-LEGISLATIVE REFERENCE BUREAU

Executive Summary: 2007 Proposed Budget Summary - Port of Milwaukee

1. In the 2007 Proposed Budget, the Port has 31 authorized positions, an increase of 1, 3.3%, from the 2006 Budget of 30 positions. *(Page 3)*
2. In the 2007 Proposed Budget, total Operating Expenditures are \$870,136, an increase of \$13,136, 1.5%, from the 2006 Budget of \$857,000. *(Pages 3 and 4)*
3. Tonnage, revenue projections and other Port activities:
 - Cargo Tonnage *(Pages 4 and 5)*
 - Lease Agreement *(Pages 5 and 6)*
4. The 2007 Proposed Budget provides \$750,000 for capital improvements projects, a decrease of \$275,000, -26.8%, from the 2006 Budget of \$1,025,000. *(Pages 6 and 7)*
5. In the 2007 Proposed Budget, Special Funds provides \$1,705,530, an increase of \$240,530, 16.4%, from the 2006 Budget of \$1,465,000. *(Pages 7, 8 and 9)*
6. In the 2006 Proposed Budget, the Comptroller's office has estimated that \$4,224,912 is expected in revenue, an increase of \$342,441, 8.1%, from the 2006 Budget estimate of \$3,882,471. *(Page 9)*

RESEARCH AND ANALYSIS SECTION – LEGISLATIVE REFERENCE BUREAU

2007 Proposed Budget Summary: Port of Milwaukee

CATEGORY	2005 ACTUAL	2006 BUDGET	% CHG	2007 PROPOSED	% CHG
OPERATING	\$3,477,511	\$3,882,471	11.6%	\$4,224,941	8.8%
CAPITAL	\$ 507,694	\$1,025,000	101.9%	750,000	-36.7%
POSITIONS*	29	30	3.4%	31	3.3%
O&M	15.0	18.0	20.0%	19.0	5.6%
NON-O&M	0.0	0.0	0.0%	0.0	0.0%

* Authorized positions consists of full-time funded, part-time funded and un-funded positions, including auxiliary positions and members of boards and commissions.

OVERVIEW

The operations of the Port of Milwaukee include: leasing of harbor lands, equipment, and facilities; establishing rates for use of the Port and its facilities; planning, designing, and constructing harbor improvements; and day-to-day operations and promotion of the Port. The Port of Milwaukee is a city department included in the tax levy-supported budget; however it is accounted for as an enterprise fund.

DEPARTMENTAL MISSION STATEMENT AND OBJECTIVES

To enhance the overall economic environment of the region by stimulating trade, business, and employment.

The Port’s objectives in meeting this mission are to:

- Continue developing as a major regional transportation and distribution center
- Become self sufficient financially
- Develop a sensitivity and responsiveness to the needs of current and potential customers
- Locate water dependent manufacturing or related businesses on Port property
- Seek support from local and state political entities to address federal legislation more favorable to the Port

PERTINENT HISTORICAL INFORMATION

1. The Port's number of positions decreased by 5, 14.3%, from 35 in the 2002 Budget to 30 in the 2006 Budget. The number of FTE’s funded by O&M increased by 1.64, 9.6%, from the 16.36 in the 2002 Budget to 18 in the 2006 Budget, whereas the number of FTE’s funded by Non-O&M decreased by -0.04, from 0.04 in the 2002 Budget to 0 in the 2006 Budget.
2. In 2001, the Port signed a 20 year agreement with Milwaukee World Festival Inc. for lease of the Summerfest grounds. The new lease will provide approximately \$960,000 or more in annual revenue.

3. In June 2002, the U.S. Coast Guard modified rules that allowed hopper barges transporting cargo on the country's inland waterways to be used to ship goods via Lake Michigan. The regulatory change has increased the Port's overall tonnage.
4. In the 2003 Budget, two projects, formerly provided through capital funding, were made part of Special Funds. They include Major Maintenance of Terminal and Piers for \$72,600 and Major Rehabilitation and Upgrades for Equipment for \$50,000.
5. In June 2004, round-trip, high-speed ferry service began from Milwaukee to Muskegon Michigan through the combined efforts the Port and Lake Express LLC. The Lake Express ferry, with the maximum capacity of 250 passengers and 46 autos, is expected to make 3 trips daily, May through September, and 2 trips daily October through December. The Lake Express ferry and passengers embark from the newly constructed, \$2.4 million ferry terminal building that also accommodates the growing cruise passenger use.
6. In the 2005 Budget, the Summerfest lease payment increased per the terms of the lease to \$1.2 million.
7. An Office Assistant II, SG410 was added in the 2006 Budget to assist in processing account payable invoices, sending invoices to tenants and others for services and payroll.
8. Two new accounts were included in Special Funds in the 2006 Budget: Environmental Cleanup Fund at \$100,000, for rehabilitation of several properties, and Harbor Maintenance Dredging at \$150,000 for dredging of the city's slips and side channels.

2007 PROPOSED BUDGET ISSUES AND CHANGES

PERSONNEL

In the 2007 Proposed Budget, the Port has 31 authorized positions, an increase of 1 position, 3.3%, from the 2006 Budget of 30 positions. O&M FTEs is 19.0, an increase of 5.6% from 18 O&M FTEs in the 2006 Budget and Non-O&M FTEs is 0.0.

As of September 1, 2006, there are 6 vacancies, 20%, out of 30 authorized positions. These include:

1. **Office Assistant II, SG410**, vacant since 1/2/06, added in the 2006 Budget, and expected to be filled by the end of the year. The duties include processing all account payable invoices through FMIS, all invoicing of tenants and users of Port facilities and services and handling payroll.
2. **Trade Development Representative Sr., SG007**, vacant since 3/27/06, the incumbent was promoted to Marketing Manager. The essential duties of the incumbent have been absorbed by the Marketing Manager.
3. **Harbor Crane Operator, SG958**, vacant since 5/28/01. The department made a 90 day emergency appointment to its Operation's staff to provide sufficient staffing for the crane operation to the customers and perform maintenance operations. The position is supplemented by using outside temporary crane operators. In 2005, the department utilized 4 temporary crane operations and 8 through August of 2006. The costs for temporary crane operations is:

2004	\$27,643	2005	\$34,418.17	2006	\$53,751.94 (to date)
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The Port continues to outsource daily routine operations such as railroad repairs, routine grounds maintenance and minor repairs formerly done by the Port's operation staff. In addition, the supervisors have performed duties normally handled by union employees.

4. **Port Maintenance Technician, SG276**, 3 positions vacant since 11/1/01, 7/28/03 and 7/17/03. Duties include rail track maintenance, replacing dock timbers, shop services, equipment maintenance, lawn care, plumbing and painting. The department made a 90 day emergency appointment to provide sufficient staffing to perform maintenance operations. The appointment was extended an additional 90 days through December 8, 2006.
5. **Port Operations Assistant Supervisor, SG007**, is a new position added in the 2007 Proposed Budget. Duties include coordinating projects with engineering staff, preparing budgets, locating vendors and authorize purchases, establish objectives for private contractors, setting standards, and supervising contracted jobs and supervise and train subordinates.

LINE ITEMS

In the 2007 Proposed Budget, total Operating Expenditures are \$870,136, an increase of \$13,136, 1.5%, from the 2006 Budget of \$857,000. This includes the following:

1. **Property Services, \$250,000**, a decrease of \$83,000, 24.9%, from the 2006 Budget of \$333,000 for telephones, and buildings, grounds, service and equipment maintenance. The decrease is due to modifications in security service operations. In 2005, the monthly cost for security service was

\$9,000, and through careful review in 2006, the expected reduction for 2007 is estimated at 50% of 2005 costs. The initiatives included a change in patrol hours, personnel and seasonal needs.

2. Professional Services, \$185,900, an increase of \$60,900, 48.7%, from the 2006 Budget of \$125,000, is for consultants, architecture and engineering services, professional dues, memberships and other outside professional services. In 2007, the Port expects to undertake a Crane Utilization Study, which accounts for \$30,000 of the increase. The additional \$30,900 is expected to cover increasing membership fees in various maritime organizations. The Port is a member of approximately 6 organizations for which fees vary from \$10,000 to over \$30,000. In addition to these dues, these associations may request special assessments for various needs from member organizations.
3. Infrastructure Services, \$105,000, an increase of \$43,000, 37.8%, from the 2006 Budget of \$62,000, for maintenance and repairs for docks, piers, railroads and roadways and building construction contracts. Previous projects that were deferred are necessary to ensure safe working areas.
4. Construction Supplies, \$50,350, an increase of \$20,350, 67.8%, from the \$30,000 provided in the 2006 Budget, for the additional supplies and materials necessary for the major maintenance projects.
5. Energy, \$75,000, an increase of \$15,000, 25%, from the \$60,000 provided in the 2006 Budget, is for the escalating cost of fuel and gasoline for the vehicles in 2007.

TONNAGE

From 2000 through 2004, annual *net tonnage* of cargo, inbound, outbound and intermodal, has increased from 2,766,524 tons in 2000 to 3,786,821 tons in 2005.

	2000	2001	2002	2003	2004	2005
Tonnage	2,766,524	3,226,954	3,005,567	2,930,496	3,229,453	3,786,821

Tonnage of cargo either inbound or outbound can vary by the increase or decrease of goods demanded and weather conditions. A mild winter will reduce the demand for certain bulk cargoes, such as salt (for ice control) and coal.

The tonnage of cargo varies each year. The table below illustrates the types of major cargo handled at the Port. It is not representative of the total tonnage by year.

Cargo	2000	2001	2002	2003	2004	2005
Cement	370,461	403,165	353,639	352,409	399,958	383,017
Coal	700,729	765,834	825,363	726,329	733,356	1,171,885
Salt	778,027	1,136,232	693,697	682,949	831,284	947,557

The Port continues to market its diversified transportation means in transporting cargo to attract additional customers and create increased tonnage and revenue in 2006. In 2005, there were 185 domestic, 59 Canadian and 53 oversea commercial ships. There were 297 commercial ships in 2005 and 211 in 2006 through August that contain cargo.

Commercial Ships

Year	2004	2005	2006 thru 8/31
Number	261	297	211

Return of River Barges – Regulations changed in June 2002 for river barges on Lake Michigan allowing increased transport of cargo and other commodities. The regulatory change has increased the port's overall tonnage.

Barge Activity

Year	By Mississippi River	WE Energy	Great Lakes	Total Transits
2004	91	377		468
2005	52	377		429
2006 thru August	28	220	10	258

Three main commodities of tonnage transported by barges for 2005 include:

Type	Grain	Coal	Machinery/Asphalt
Tonnage	78,000	750,000	60,000

LEASE AGREEMENTS

Lease Agreements – The Port continues to identify opportunities to lease land to private business and examine current lease agreements that benefit the City of Milwaukee and the department. The terms of the leases involve length of contract, costs, and economic returns to the community. For the 2007 Proposed Budget, some leases are due for renewal and escalation in 2007, with projected increases in revenue.

Ferry Terminal – Located next to the Coast Guard Base, the terminal building opened in June 2004. It was built to accommodate the passengers of the high-speed ferry, Lake Express, owned by Lake Express LLC. The terminal building is 6,823 sq. ft., containing a terminal and maintenance garage area. The terminal is expected to handle a minimum of 100,000 passengers and up to 150,000 passengers per year. The site includes parking for 200 cars adjacent to the terminal.

The Port has a lease with Lake Express LLC for the use of the ferry terminal and parking lot. The initial lease period, for 5 acres of land, extends through December 31, 2014, with Lake Express LLC having options for 3 additional 5-year lease periods.

The anticipated 2007 revenue is \$153,470. The breakdown includes:

	Amount
Parking	\$40,000, <i>varies on the number of passengers parking their cars</i>
Wharfage	\$50,000, <i>minimum guaranteed</i>
Rent	\$63,470, <i>guaranteed</i>

The Lake Express operates from May through October, crossing Lake Michigan to Muskegon, Michigan in 2 hours and 20 minutes at 40 miles per hour (versus 5.5 to 6 hours driving). As a vehicle and passenger-carrying catamaran, it is designed to transport approximately carry 250 passengers and 46 autos each trip from May through October. From June through mid-September, the vessel makes 3 round-trips daily. In

Many of the projects for upgrades, rehabilitation and improvements are mandated by the department's lease agreements with the tenants. The buildings must be maintained in a safe and useable condition to meet code regulations. Regular improvements and maintenance help prevent structural damage and costly repairs.

Pier & Berth Channel Improvements - \$400,000 - The funding is used as matching funds in applying for grants to improve or rehabilitate harbor facilities. Additional fender improvements and related upgrades and repairs are planned for the mooring basin, the heavy lift dock and outer harbor. In the outer harbor, the liquid cargo pier requires rehabilitation.

Dockwall Rehabilitation - \$250,000 - This is an on-going project. Routine maintenance avoids costly emergency repairs for appropriate cargo operations. The dockwalls must be maintained for lease and cargo operations. In 2007, the dockwall and breakwater rehabilitation will involve rebuilding the tie back system and replacing/upgrading the fender system. Breakwater stones that have broken or been displaced will be replaced.

Rail and Track Service Upgrades - \$100,000 - The Port has over 15 miles of railroad track. Some tracks have not been upgraded since the 1970's. Older tracks that have large service loads will be upgraded, due to the condition of the track.

SPECIAL FUNDS

In the 2007 Proposed Budget, Special Funds provides \$1,705,530, an increase of \$240,530, 16.4%, from the 2006 Budget of \$1,465,000. The Special funds include:

	2005 Actual	2006 Estimated	2007 Proposed	% Change
Summerfest Revenue Trans.	\$1,200,000	\$1,090,000	\$1,095,000	0.5%
Major Mtce. Term. & Piers	\$81,713	\$75,000	\$75,000	0.0%
Major Rehab & Upgrades	\$29,627	\$50,000	\$50,000	0.0%
Environmental Cleanup	\$0	\$100,000	\$100,000	0.0%
Harbor Mtce. Dredging	\$0	\$150,000	\$150,000	0.0%
Boom Replacement	\$0	\$0	\$100,000	100.0%
Harbor Security Grant Match	\$0	\$0	\$135,530	100.0%
Total	\$1,315,000	\$1,465,000	\$1,705,530	16.4%

Summerfest Revenue Transfer, \$1,095,000 - Based on a 20-year lease, beginning with January 2001 through December 2020, annual rental payments are estimated at \$1 million that are expected to increase. The amount received is dependent on Milwaukee World Fest total revenues. This lease will increase 3% annually. As part of the Summerfest agreement, the revenue is placed in the general fund. For 2007, the projected amount of \$1,095,000 is based on revenue less sales tax.

Major Maintenance - Terminal & Piers, \$75,000 - In the past, funding for terminals and pier maintenance was part of capitol improvement projects. The \$75,000 provides for routine repairs to roofs, heating, ventilating systems, overhead doors, electrical systems, fire protection systems, utility systems, structural support systems, railway and roadway systems and security systems. In 2007, funds will be used to complete a major tuck-pointing project on Terminals 3 & 4.

Major Rehabilitation & Upgrades – Equipment, \$50,000. In the past, funding for major rehabilitation and upgrades in equipment was part of capital improvements projects. The \$50,000 provides for routine repair of the operating equipment. The projects include safety systems, telecommunication system, hydraulic systems, electrical systems, structural systems and security systems. In 2007, the Port expects to upgrade its telephone system with new equipment equivalent to what is used in other city departments, and upgrade the Access Control/Security system, which is approximately \$14,000.

Environmental Cleanup Fund, \$100,000 – The Port is required by Wisconsin DNR to complete rehabilitation of several properties including former and industrial tenant sites. The cleanup primarily is groundwater and ground contamination. The fund will provide for testing and preparation of cleanup plans. Wherever possible, the primary responsible party will be charged for the cleanup.

Harbor Maintenance Dredging, \$150,000 – The Port is responsible for dredging approximately every five to 10 years as needed to maintain the city's slips and side channels. Dredging of the main navigation channels is completed by the US Army Corp of Engineers and occurs approximately every two years. During periods of high water less dredging is needed. The highest priority sites will be scheduled for dredging in 2007.

Boom Replacement, \$100,000 – The Port's LIMA crane #16, is 35 years old and cannot function without the boom section in place. The department requested funding to repair or replace the boom, to add another five years to the use of the crane. The department has requested quotes from several vendors on fixing or replacing the boom.

A replacement for the LIMA crane will cost between \$2.5 - \$3.5 million depending on capacity requirements. The Port currently has the following inventory of cranes:

Cranes		
Type	Lifting Capacity	Year Purchased
Gantry Crane #9	63 ton	1965
Stiff Leg Crane #15	200 ton	1969
Crawler Crane #16	58 ton	1972
Crawler Crane #17	87 ton	1979
Crawler Crane #19	108 ton	1992
Truck Crane #18	22 ton	1980

The port is one of the few Great Lakes port to provide crane service on a "for hire" basis. The Port and Budget Office will conduct a study to determine the cost/benefit ratio of continuing to provide crane service at the Port.

Harbor Security Grant Match, \$135,530 – The grant, requiring a local match of 25%, is administered through the Department of Homeland Security. It will be used for security fencing, improved lighting, lighting under the Hoan Bridge, supplies and materials. *Since the 2007 Proposed Budget was issued, the City has been notified that the federal grant will not be funded.*

OTHER

Water Meter Replacement – The Comptroller's Office issued an audit of the Port's Billing, Collection and Accounts Receivable in November 2005. The audit revealed: 15-metered locations for water usage should have resulted in charges to tenants, meters are not read accurately by Port personnel and meter readings have not been kept on file. Recommendation 3 states that, *"The Port of Milwaukee should regularly bill all tenants whose leases provide for City water service. The Port should request assistance*

from the Milwaukee Water Works in training Port operations personnel to read the water meters properly."

Water Works has verified that meter readings completed by Port personnel are accurate, and they question the reliability of the meters themselves. They recommend replacement of all meters in order to provide accurate readings to Port tenants who are water customers on Jones Island, on South Harbor tract.

Water Works estimates the minimum cost is \$100,000 to replace 20 meters, which may increase once the work begins. The greatest expense is for labor. The meters are located underground in pits where hazardous methane (sewer gas) has built up. Also, the meter connections may require replacement due to corrosion and age.

REVENUE

In the 2007 Proposed Budget, the Comptroller's office has estimated that \$4,224,912 is expected in revenue, an increase of \$342,441, 8.1%, from the 2006 Budget estimate of \$3,882,471. Revenues, also titled charges for services, include leases, facility rent, through-put, dockage, wharfage, equipment, crane rent, labor charges, electricity and water and sewer usage. There are no new revenue sources for 2007.

Revenues	2005 Actual	2006 Estimate	% Change	2007 Proposed	% Change
Charges for Services	\$3,829,470	\$3,882,471	1.4%	\$4,224,912	8.1%

The major revenue sources for the Port consist of facility rent and leasing, wharfage, and crane rentals. Leasing helps provide a fairly stable base revenue streams, with some 2006 invoices are paid in 2007.

In 2007, leasing revenue continues to increase. The Port receives parking revenues from the Ferry Terminal long-term parking. The Port expects to receive parking revenues annually for the months in which the Lake Express ferry operates.

Major Revenue Categories

Revenue Activity	2005 Actual	% of Total	2006 (9/30/06)	% of Total
Rent and Leasing *	\$1,957,053	52.1%	\$1,276,898	47.6%
Wharfage	650,951	17.3%	466,598	17.4%
Dockage	339,614	9.0%	238,000	8.9%
Through-Put	185,527	4.9%	89,359	3.3%
Mooring	21,790	0.6%	23,093	0.9%
Equipment Rental**	465,145	12.4%	356,651	13.3%
Miscellaneous and Other	65,094	1.7%	96,852	3.6%
Environmental Remediation	69,880	1.9%	134,448	5.0%
Water and Sewer	495	0.0%	1,235	0.0%
Total	\$3,755,549		\$2,683,314	

* Does not include the Summerfest lease payments.

**Includes Crane, Labor and Equipment Rental