



REPORT

LEGISLATIVE REFERENCE BUREAU

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13. Port of Milwaukee, 2015

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13. Port of Milwaukee

\$4,812,849

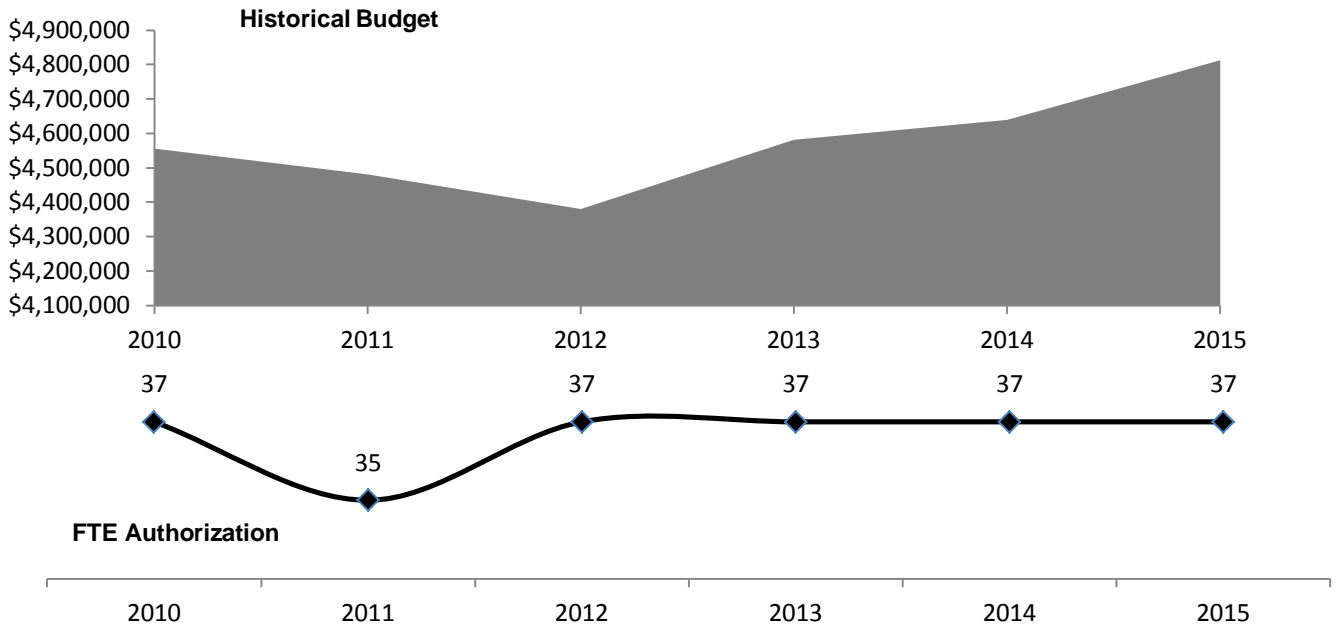
Proposed Department Budget

\$173,546

Nominal Change in Proposed Department Budget

3.74%

Percent Change in Proposed Department Budget



0.0%

Percent Change in FTE 2014 to 2015 Proposed

0

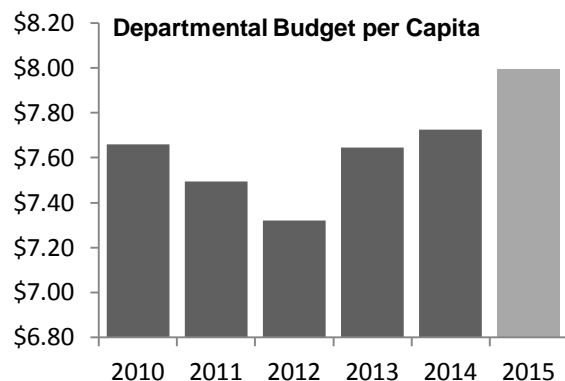
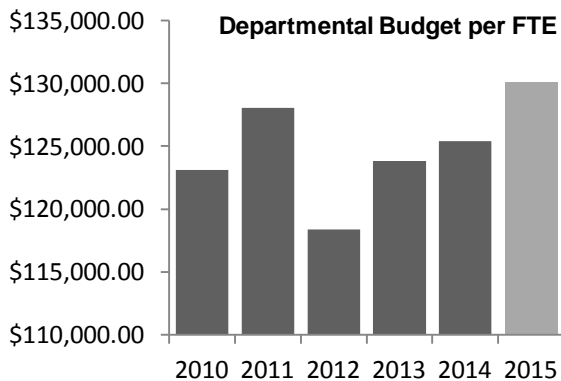
Nominal Change in FTE 2014 to 2015 Proposed

3

Vacant Positions

19%

% Eligible for Retirement within 10 years



2.25

Number of years the Municipal Port Director position has been vacant.

-13.0%

Year-over-year decrease in tonnage of dry bulk commodities, which account for 90% of Port's business.

4

Number of Port capital projects funded for 2015, versus 3 in 2014, for a total of \$1 million.

50.3%

Increase in steel cargo handle by the Port year-to-date, 2014 vs. 2013 (thru 8/31).

-4.0%

Change in the department's total year-to-date revenues, 2014 vs. 2013 (through August 31).

\$150,000

Appropriation for the Port's Leasehold Demolition/Facilities Upgrade special fund (not funded in 2014).

-6.9%

Decrease in operating expenditures for 2015, with Professional Services having largest decrease (-\$63,000).

\$1.3 million

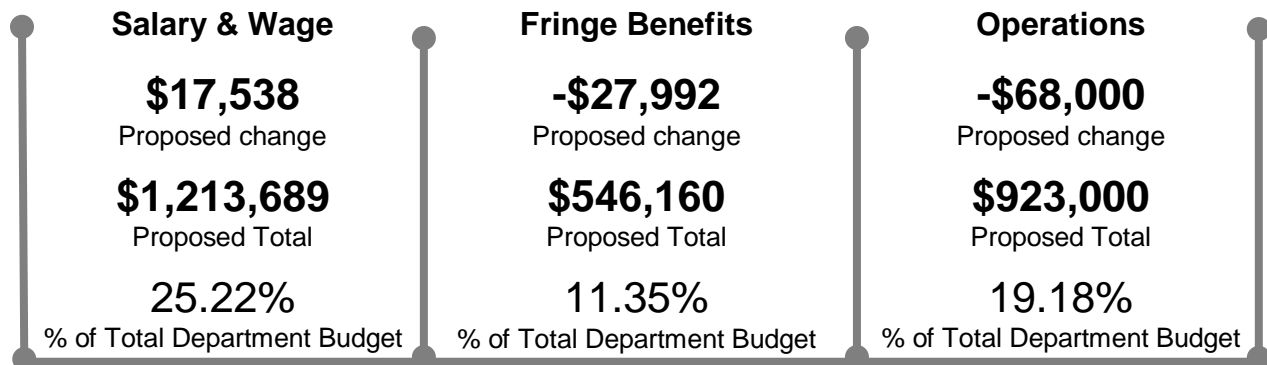
Amount transferred from the Port to the City's General Fund because 2013 revenues exceeded expenditures.

-10.8%

Change in total cargo handled by the Port year-to-date, 2014 vs. 2013 (thru 8/31).

\$10.8 million

The department's total 6-year capital funding request (2015-2020).



I. INITIATIVES AND PROGRAMS.

The Port of Milwaukee plans to undertake or continue the following initiatives and programs in 2015:

1. Rail Track and Service Upgrades.

The Port maintains 17 miles of railroad track to serve its customers and tenants. This track needs upgrading from 90-lb. to 110/115-lb. weight to meet modern safety and service-load requirements. The 2014 Proposed Budget provided \$500,000 in capital funding for the upgrading of track, as well as for railroad-crossing replacement. This was in addition to \$250,000 in capital funding in the 2013 Budget. In June, 2013, the Port entered into a service agreement (contract) with a railroad construction contractor to begin this project. Work is ongoing. The 2015 Proposed Budget provides another \$500,000 in capital funding for rail service upgrades.

2. Foreign Trade Zone.

In August, 2011, the Port of Milwaukee was designated as the grantee for Foreign Trade Zone No. 41, Southeastern Wisconsin. The service area, which originally included only Milwaukee, Kenosha, and Racine counties, was expanded in 2012 to include 9 additional counties in Southeastern Wisconsin. Businesses within the 12-county area may seek certified Foreign Trade Zone ("FTZ") designation through the Port of Milwaukee.

The advantage for a company located in an FTZ is that certain types of merchandise can be imported into a zone without going through formal U.S. Customs entry procedures or paying import duties. Customs duties and excise taxes are only due at the time of transfer from the FTZ for U.S. consumption. If the merchandise is re-exported, then no duties or taxes are paid on those items. Staff in the Port's Marketing Section administer the FTZ program, hold workshops and seminars for businesses that may be interested in participating and assisting those that have decided to seek certification. FTZ No. 41 now has 9 approved zones, compared to 7 last year.

3. Management Changes.

The Port's top position, Municipal Port Director, has been vacant since July, 2012. The 2014 Adopted Budget provided position authority, but no funding, for the second-in-command Port Operations and Trade Director position. This position is filled and has been serving as the department head until the Municipal Port Director position is filled. Funding to compensate the Port Operations and Trade Director comes from the savings the Port realizes from position vacancies, including the Municipal Port Director. The 2015 Proposed Budget changes the Port Operations and Trade Director from a regular position to an auxiliary position. This change suggests that the Municipal Port Director position may soon be filled, with an auxiliary Port Operations and Trade Director being used to help the new Municipal Port Director get up to speed on his or her new position.

See also ISSUES TO CONSIDER, Section VII on page 13.15.

II. EXPENDITURES.

Table 13.1. Changes in Expenditure Amounts by Account.

Expenditure Account	2013 Actual Expenditures	2014 Adopted Budget	% Chng.	2015 Proposed Budget	% Chng.
Salaries and Wages	\$1,170,679	\$1,196,151	2.2%	\$1,213,689	1.5%
Fringe Benefits	\$574,056	\$574,152	0.0%	\$546,160	-4.9%
Operating Expenditures	\$842,339	\$991,000	17.6%	\$923,000	-6.9%
Equipment Purchases	\$0	\$0	0%	\$0	0%
Special Funds	\$1,778,363	\$1,878,000	5.6%	\$2,130,000	4.3%
Total Operating Budget	\$4,365,437	\$4,639,303	6.3%	\$4,812,849	3.7%

1. Budget Summary.

The total 2015 Proposed Budget is \$4,812,849, an increase of \$173,546 (3.7%) from the 2014 Adopted Budget amount of \$4,639,303.

2. Personnel Costs.

Personnel costs in the 2015 Proposed Budget are \$1,759,849, a decrease of \$10,454 (-0.6%). Salaries and wages increase \$17,538 (1.5%). Fringe benefits decrease \$27,992 (-4.9%).

3. Operating Expenditures.

Operating expenditures in the 2015 Proposed Budget are \$923,000, a decrease of \$68,000 (-6.9%) from the 2014 Adopted Budget amount of \$991,000. The most significant changes in operation expenditures occur in the following line items:

- Property Services.** Funding increased from \$175,000 to \$275,000 (57.1%), primarily to bring funding in line with actual expenditures (\$253,708 in 2013). The Port attributes the increase to higher sewer and water rates.
- Professional Services.** Funding decreased from \$175,000 to \$112,000 (-36.0%). This change also brings this line item in line with last year's actual expenditures (\$110,183). Lower funding is possible for 2015 because the Port has reduced the number of association memberships it maintains and does not anticipate any formal consulting engagements in 2015.
- Reimburse Other Departments.** Funding cut in half, from \$100,000 to \$50,000 (-50.0%). This reduction brings the funding level closer to 2013 actual expenditures (\$37,303). Also, the budget for this line item had been more than doubled for 2014 in anticipation of the Port obtaining its technology support from ITMD, rather than an outside consultant; however, actual expenditures to reimburse ITMD for its services

have been lower than anticipated.

- **Other Operating Services.** Funding reduced from \$150,000 to \$100,000 (-33.3%). Actual expenditures in 2013 were \$71,751. This line item has traditionally funded travel expenses, advertising, equipment repair and temporary labor (crane operators). The appropriation is reduced for 2015 because the Port has significantly reduced its out-of-state and international travel. Also, major equipment repair is funded through the Major Rehab and Upgrades-Equipment special fund.

4. Equipment Purchases.

None

5. Special Funds.

The 2015 Proposed Budget provides \$2,130,000 in special funds, an increase of \$252,000 (13.4%) from the 2014 Adopted Budget. The most significant changes in the special fund line items are as follows:

- **Summerfest Revenue Transfer to General Fund.** Funding increased \$202,000, from \$1,378,000 to \$1,580,000 (14.7%). This special fund serves as a pass-through for revenue from Milwaukee World Festival, Inc., to the City. The increase for 2015 reflects scheduled increases in rent payments under the Milwaukee World Festival, Inc.'s lease agreement with the City.
- **Leasehold Demolition/Facilities Upgrade.** This special fund was last funded in 2013, at the level of \$10,000. For 2015, it will receive \$150,000 in funding. This special fund is used to demolish unneeded or obsolete structures on Port-administered property. The new funding for 2015 reflects the Port's anticipated property improvement activities next year. The Port had requested \$250,000 in capital funding for this initiative; the Proposed Budget provides \$150,000 O&M funding instead.
- **Environmental Cleanup Fund.** This fund pays for environmental monitoring and cleanup related to DNR-required environmental remediation of Port-controlled properties. No funding was provided in the 2014 Budget, as the Port anticipated using carryover funds to complete all 2014 environmental cleanup projects. For 2015, no carryover funds will be available; the 2015 Proposed Budget provides \$100,000 for this line item.
- **Energy Efficiency Upgrade.** In the past, this special fund was used to improve the energy efficiency of Port terminal buildings by replacing their roofs with aluminum-coated roofs. This line item received \$50,000 in funding in 2010 and 2014. However, there have been no significant recent expenditures from this fund, and no funding is provided in the 2015 Proposed Budget.
- **Sewer System Upgrade.** This special fund supports periodic upgrading of the Port's independent sewer system in conjunction with DPW street-paving projects. Past funding levels were \$30,000 in 2012, \$0 in 2013 and \$50,000 in 2014. One sewer project has been funded by this account in 2014. No new funding is provided for 2015. Available carryover funding will pay for any sewer work needed in conjunction with 2015 paving

projects on Jones Island.

- **Dockwall and Breakwater Rehabilitation.** 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. Funding increased from \$70,000 in 2013 to \$100,000, but will be reduced to \$50,000 (-50.0%) under the 2015 Proposed Budget. Actual 2013 expenditures were \$61,146.

It is anticipated that the \$50,000 appropriation, combined with carryover funds and the \$150,000 for dockwall rehabilitation in the Port's 2015 capital budget, will be sufficient to meet the Port's dockwall maintenance needs in 2015, particularly in light of recent increases in water levels, which reduce dockwall repair needs.

III. PERSONNEL.

Table 13.2. Changes in Full-Time Equivalent (FTE) and Authorized Positions.

Position Category	2013 Actual	2014 Adopted Budget	Change	2015 Proposed Budget	Change
O&M FTEs	20.17	20.0	-0.17	20.0	0
Non-O&M FTEs	0	0	0	0	0
Total Authorized Positions*	37	37	0	37	0

*including auxiliary positions and Harbor Commissioners.

1. Personnel Changes.

The total number of authorized positions in the department under the 2015 Proposed Budget — 37—is unchanged from 2014. Total FTEs, at 20.0, are also unchanged.

The only position change in the 2015 Proposed Budget involves the Port Operations and Trade Director, which is being changed from an unfunded regular position to an unfunded auxiliary one. This position is responsible for the day-to-day marketing, operational, administrative and financial activities of the Port, providing technical and administrative support to the Board of Harbor Commissioners, and serving as second-in-command to the Municipal Port Director.

The incumbent has been serving as the *de facto* Municipal Port Director since the last Municipal Port Director retired in July, 2012. Funding for the position ended in February, 2013, but the Port has been using unspent funds from the Municipal Port Director vacancy to compensate the Port Operations and Trade Director.

2. Vacancies.

There are currently 5 vacant positions in the department:

- Municipal Port Director (Date vacant: 7/7/12). This is an appointed position that may be filled by the Mayor at his discretion. In 2013, the Department of Employee Relations conducted a nationwide recruitment of candidates for this position.

- Harbor Crane Operator (Date vacant: 5/31/14). This is one of 2 funded positions with this title. The Port has asked DER to provide a list of candidates eligible to fill this position.
- Civil Engineer III (Date vacant: 8/1/14). This is the senior-level position in the Port's 2-person Design Section. A request to fill this vacancy was approved by the Common Council's Finance and Personnel Committee on September 17, 2014.
- Port Maintenance Technician—2 positions (Dates vacant: 2007 and 2008). Both positions are unfunded. The Port has 4 other positions with this title, all funded and currently filled.

IV. SPECIAL PURPOSE ACCOUNTS (SPA).

None.

V. REVENUES.

The 2015 Proposed Budget estimates that \$4,812,849 will be generated in revenues by the department, a \$173,546 (3.7%) increase from the 2014 Budget estimate. Note: because the Port operates as a self-supporting "enterprise fund," its revenues are set to match its expenditures.

1. Revenue Categories.

The largest sources of Port of Milwaukee revenue are shown in the following table.

Table 13.3. Changes in Revenue by Category.

Revenue Account	2013 Actual	2014 Adopted Budget	% Change	2015 Proposed Budget	% Change
Facility Rent*	\$2,421,800	\$2,000,000	-17.4%	\$2,000,000	0%
Wharfage Charges	\$715,600	\$470,000	-34.3%	\$470,000	0%
Dockage Charges	\$285,700	\$250,000	-12.5%	\$255,000	2.0%
Crane Rental Charges	\$222,700	\$265,000	19.0%	\$222,700	-16.0%
Billable Labor Charges	\$167,700	\$260,000	55.0%	\$167,700	-35.5%

*Does not include rent payments for Maier Festival Park, which, based on lease agreement, will be \$1,581,700 for 2015.

- **Facility Rent.** No change is projected for 2015. The \$2 million estimate is based on the Port's current lease agreements through next year.

- **Wharfage.** The 2015 revenue projection reflects current wharfage rates as well as actual wharfage revenues in 2012.
- **Dockage Charges.** The 2015 estimate reflects an anticipated 2% increase in the dockage rate for 2015.
- **Crane Rental Charges.** The 2015 revenue estimate is a conservative one based on the Port's actual 2013 crane rental revenue. The Port actually anticipates crane usage and revenue increasing in 2015 when a new crane is put into service.
- **Billable Labor Charges.** As with crane rental, the 2015 revenue estimate is based on 2013 actual figures. However, the Port anticipates billable labor revenue increasing in 2015 when a new crane is put into service.

2. Current-Year Revenue Trends.

Through August 31, the Port has experienced a 4.0% decrease in revenues compared to the same period last year. Table 13.4 shows 2013 and 2014 year-to-date revenues for the Port's major revenue categories. Clearly, revenue is down in most cargo-related categories this year.

Table 13.4. Port of Milwaukee Revenue Through August 31.

Revenue Account	2013	2014	% Change
Facility Rent*	\$1,597,823	\$1,461,161	-8.6%
Wharfage Charges	\$439,898	\$401,104	-8.8%
Dockage Charges	\$163,014	\$157,301	-3.5%
Crane Rental Charges	\$142,846	\$130,910	-8.4%
Billable Labor Charges	\$104,406	\$111,509	6.8%

*Does not include rent payments for Maier Festival Park.

3. Port Cargo Data.

The Port's revenues are heavily dependent on the amount of incoming and outgoing cargo handled at its terminals and facilities. As Table 13.5 shows, 2012 was a particularly weak year for the Port. This was, in part, due to the termination of intermodal container service in September, 2012.

Business picked up again in 2013. However, Port cargo tonnage was down about 11% in the first 8 months of 2014. Tonnage was down 13% for dry bulk commodities (coal, salt, cement), which account for 90% of the Port's business, but rose significantly in the categories of steel and liquid commodities (see Table 13.6).

Table 13.5. Changes in Amount of Cargo, Tons, Port of Milwaukee.

2010	2011	2012	2013	Thru August, 2013	Thru August, 2014	% Change
2,324,566	2,892,798	2,014,149	2,618,312	1,828,756	1,631,593	-10.8%

Table 13.6. Cargo Handled by Category, Tons, Port of Milwaukee.

Cargo Type	2013	Thru August, 2013	Thru August, 2014	% Change
Dry Bulk	2,401,258	1,686,406	1,466,305	-13.0%
Steel	125,270	64,993	97,669	50.3%
General Cargo	6,712	5,047	2,364	-53.2%
Liquid Bulk	25,200	12,439	20,404	64.0%
Grain	59,871	59,871	44,851	-25.1%
TOTAL	2,618,312	1,828,756	1,631,593	-10.8%

4. Port Surplus Revenue Transfers to City General Fund.

As previously mentioned, 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, even with declining or below-average cargo volumes, the Port’s revenues have exceeded its operating expenses (excluding depreciation), resulting in the following amounts being transferred to the General Fund:

Year	Amount	Year	Amount
2005	\$1,707,000	2010	\$902,000
2006	\$939,000	2011	\$1,590,000
2007	\$1,634,000	2012	\$1,211,000
2008	\$208,000	2013	\$1,315,000
2009	\$1,076,000		

VI. CAPITAL PROJECTS.

The 2015 Proposed Budget includes \$1 million in funding for 4 Port of Milwaukee capital projects, an increase of \$250,000 (33.3%) from the 2014 Budget, when 3 capital projects were funded. Capital projects for 2015 are summarized in Table 13.7 and the discussion that follows.

Table 13.7. Capital Program Summary, 2015.

Program	2015 Proposed Budget	2014 Actual Budget	Increase (decrease)	% Chng.	6-year Request 2015-2020
Dockwall Rehabilitation	\$150,000	\$0	\$100,000	---	\$900,000
Pier, Berth and Channel Improvements	\$0	\$200,000	(\$200,000)	-100%	\$1,200,000
Terminal Resurfacing	\$250,000	\$0	\$250,000	---	\$600,000
Port Facility Systems	\$0	\$50,000	(\$50,000)	-100%	\$0
Roadway Paving	\$100,000	\$0	\$100,000	---	\$200,000
Rail Track & Service Upgrades	\$500,000	\$500,000	\$0	0.0%	\$1,200,000
Total	\$1,000,000	\$750,000	\$250,000	33.3%	\$4,100,000*

* Total does not include projects that are not funded for 2015 and did not receive funding in 2014. The total 6-year capital request for the Port of Milwaukee is \$10,770,000.

In addition to capital funding, the 2015 Proposed Budget provides \$450,000 in tax-levy-supported special funds that can be used to maintain infrastructure (see s. II.5). This represents a decrease of \$50,000 (-10.0%) from the 2014 budgeted amount, but is consistent with actual expenditures in 2013 (\$418,363).

1. Currently-Funded Projects.

Dockwall Rehabilitation, \$150,000.

The 2015 Proposed Budget provides \$150,000 for dockwall rehabilitation. The purpose of this program is to avert costly emergency repairs and to maintain the dockwall in appropriate condition for cargo operations. Lease documents often require the City to maintain dockwalls for its tenants. Loss of revenue to the City may result if the dockwalls are not kept in a safe and useable condition.

Since 2004, this program has received \$800,000 in funding. The Port also receives O&M funding through a special fund to maintain its dockwalls. The special fund received \$100,000 in 2011, 2012 and 2014, and \$70,000 in 2013; \$50,000 is proposed for 2015. Expenditures for dockwall rehabilitation in 2013 were \$10,000 from the capital account and \$61,146 from the special fund, for a total of \$71,146.

Approximately 250 feet of dockwall at Terminal 1 and 75 feet of dockwall in the mooring basin were repaired in 2014. The cost for both projects was approximately \$95,000. Additional dockwalls in the mooring basin and Terminal 2 will be repaired in 2015.

Rail, Track & Service Upgrades, \$500,000.

The 2015 Proposed Budget provides \$500,000 for rail track and service improvements. This program provides funding to upgrade the Port's 17 miles of rail track system on an on-going basis to meet modern-day safety and service-load requirements.

The Port began a railroad-crossing replacement program in 2013. The Port is also developing a 5-year program to upgrade track from 90 lb. rails to 110 lb. or 115 lb. rails. The Port entered into a service agreement with Knapp Railroad Builders, Inc. to facilitate track maintenance and upgrades. The agreement expired in December, 2013. The Port exercised an option to extend the contract for one year (until Dec 31, 2014). The existing contract can be extended for up to 2 more years. The contractor will focus first on replacing the lead track, then on street crossings. Street-crossing work will be coordinated with paving work.

Since 2000, this program has received \$975,000 in funding. No funding was provided from 2008 through 2012. The 2013 and 2014 Budgets provided \$250,000 and \$500,000, respectively. Actual expenditures in 2013 were \$122,395. Expenditures to date in 2014 are \$1,230.

Roadway Paving, \$100,000.

The 2015 Proposed Budget provides \$100,000 for roadway paving at the Port. This program provides funding for the maintenance of roadways on Jones Island and the south Harbor Tract. These roadways are not maintained by DPW on a regular basis. Because they are not public thoroughfares, they are not eligible to be paid for with funds from the wheel tax.

This program has received almost no capital funding since 2000. \$50,000 was provided in the 2002 Budget and \$100,000 was provided in 2013. There were no expenditures from this account in 2013.

The road and the City operated parking lot for the Ferry Terminal were partly resurfaced in 2014. Public space at the Ferry Terminal and a roadway in the Mooring Basin were also resurfaced in 2014.

Terminal Resurfacing, \$250,000.

The 2015 Proposed Budget provides \$250,000 for terminal resurfacing at the Port. A recent condition survey found that the pavement at the Bulk Terminal exhibited significant alligator cracking. This program has received funding of \$100,000, \$250,000, and \$150,000 in 2008, 2009 and 2013, respectively. Actual expenditures in 2013 were \$50,000. Expenditures to date in 2014 are \$8,600.

2. Unfunded Capital Requests.

Pier, Berth and Channel Improvements, \$200,000.

The 2015 Proposed Budget provides no funding for this program, which provides for improvements to the mooring basin, the City's heavy lift dock and the outer harbor. This program is funded in part through the Wisconsin Department of Transportation's Bureau of Railroads and Harbors grant program. Approximately 80% of the cost of these improvements will be paid by the grant. This capital fund provides the City's 20% match of the grant funding. No Harbor Assistance grants were received in 2013 or 2014.

Since 2000, this program has received \$4,170,000 in City funding. No funding was received in 2010, 2011 or 2012. The 2013 and 2014 Budgets each provided \$200,000. No work was completed by the Port in 2013 or to date in 2014. Expenditures in 2012 were \$6,109.

Port Security, \$100,000.

The 2015 Proposed Budget provides no funding for this program, which is used to implement security measures and mandates enacted by the Department of Homeland Security and the U.S. Coast Guard. Funds in this account are used to match available grant funding.

Since 2004, \$900,000 has been budgeted in this account. No funding was received in 2010, 2011, 2012 or 2014. The 2013 Budget provided \$50,000. A \$25,000 contract to provide security training to Port staff was awarded in 2013. There were no capital or special fund expenditures in 2013. There is no proposed funding for the Harbor Security special fund for 2015.

Demolish/Rehabilitate Expired Leasehold Equipment, \$250,000.

The 2015 Proposed Budget provides no funding for this program, which funds work to make Port-owned properties more marketable to prospective tenants when the leases of existing tenants expire. This program has received no capital funding.

The special fund for Leasehold Demolition received \$40,000 in 2011 and 2012, \$10,000 in 2013 and \$150,000 is proposed for 2015. No funding was provided in 2014. Actual expenditures from the special fund were \$2,223 and \$12,701 in 2010 and 2011, respectively. There were no special fund expenditures in 2012 or 2013.

3. Project Updates.

Port Facilities Systems.

The 2014 Budget provided \$50,000 for this program, which provides for major maintenance and repairs to terminals and piers. This fund is also used to do emergency work for projects which exceed special funds set aside for Major Maintenance. No specific projects were identified for 2014.

This capital account received funding in 2008 (\$100,000) and 2014 (\$50,000). There were no expenditures from this account in 2012 or 2013. There have been no capital expenditures in 2014 to date.

The Major Maintenance special fund can be used to fund similar work. Average funding for the Major Maintenance special fund since 2010 is just over \$100,000. Proposed funding for 2015 is \$100,000. Actual special fund expenditures in 2013 were \$56,053.

Liquid Cargo Pier.

This capital account provided supplemental funding for the liquid cargo pier project. A Harbor Assistance grant was received in 2007 to rehabilitate the Liquid Cargo Pier. The total project cost is estimated to be \$1.5 million. The grant will pay for 80% of the project. The City's 20% (\$300,000) match comes from the Port's Pier, Berth and Channel capital account. In 2013, \$250,000 was budgeted in the Liquid Cargo Pier capital account to pay for additional repairs which were not eligible expenses under the terms of the grant.

The project had been deferred because the Port did not have a tenant. In May, the Port signed a lease with U.S. Venture Inc. (Common Council File Number 140036) which runs through December 31, 2024. The terms of the grant require that the pier be kept in service for 20 years. The estimated completion date for the project is December 31, 2015. U.S Ventures Inc. will be consulted to coordinate work on the pier, but they will not be part of the contract work.

Confined Disposal Facility Expansion.

This program provides funding for the recovery of land by way of land fill. It sustains the continued restoration of confined disposal facilities into marketable waterfront development sites. Funding for this program has historically been titled "Acquire and Rehab KK River Site". In 2005, the title was changed to "Confined Disposal Facility Expansion".

Since 2005, this project has received \$400,000 in funding. Funding in the program is intended to supplement the work done by the U.S. Army Corps of Engineers, which was recently completed. The Port's expenditures will begin now that the Corps' contract is complete. The Port estimates that the City will be able to use the facility to dispose of dredging material for approximately 20 years.

4. Future Capital Requests.

The Port of Milwaukee has numerous out-year capital funding requests. These include the purchase of cargo handling equipment in 2016, dredging activities in 2016, rehabilitation of the electrical services on the South Harbor Tract in 2016, energy efficiency upgrades in 2017, improvements to the heavy lift dock in 2017, security improvements to the Ferry Terminal parking lot in 2019, and the development of a transload terminal in 2020. Further information about these requests can be found as an attachment to Common Council File Number 131718.

5. Heavy-Lift Crane.

The purchase of a new heavy-lift crane has been in the City's capital plan since at least 2009. The Port plans to purchase a crawler crane similar to its Manitowoc 4100. The crane will have a maximum lifting capacity of 230 tons and a 250-foot heavy-lift boom. The new crane will replace a Lima Crawler that was purchased in 1971 and has been out of service for over 5 years. The newly-purchased crane will be the main shore crane used for everyday cargo work.

The Port has identified the heavy-lift crane as a \$4 million 2016 project in its 6-year capital

improvement plan request. However, the actual cost of the new crane has not been determined. The Port is developing specifications and anticipates that they will be complete by October, 2014. The crane is expected to include an elevated boom foot and an elevated cab which will allow the operator to see directly into the hold of a ship. The Port estimates that it will take between 90 and 180 days for the vendor to assemble, deliver, test and certify the crane.

It is expected that the crane will be purchased using revenue bonds issued by RACM. The Port anticipates servicing the debt using a portion of its surplus revenues.

VII. ISSUES TO CONSIDER.

1. The Municipal Port Director position has remained vacant since July, 2012. No funding is provided in the 2015 Proposed Budget for the currently-filled, second-in-command Port Operations and Trade Director position. Also, the Port Operations and Trade Director becomes an auxiliary position under the Proposed Budget.
2. The Port anticipates purchasing a new heavy-lift crane in late 2014 or early 2015. The estimated cost of the crane is between \$3 million and \$4 million. No definite funding source has been identified. Once acquired, the new crane will increase the cargo-handling capacity of the Port, thereby potentially increasing revenues as well.
3. Growth of the Port's Foreign Trade Zone program has been slow but steady, with the number of certified zones increasing from 7 in 2013 to 9 this year, and revenues rising from \$26,800 for all of 2013 to \$33,000 for 2014 through August 31. Foreign Trade Zone certification has the potential to bring significant economic benefits to export- or import-dependent Wisconsin businesses and, indirectly, the Port of Milwaukee.
4. The 2013 Budget provided \$250,000 in capital funding for improvements to the Port's liquid cargo pier, but this grant-supported project has been delayed and is not complete at this time. Work on the pier is now underway and is scheduled for completion by the end of 2015.
5. The Port seeks to generate new revenues and to increase tonnage by expanding export and import container-yard activity, yet no rail-based replacement for the Canadian Pacific Railway's intermodal service has been secured. Efforts to secure a new intermodal service operator have been thwarted by the Class I railroads serving the Port. On the other hand, discontinuation of the container service frees up prime waterfront dock space for other uses, presenting the Port with new tenant and revenue-generating possibilities.
6. The Port recently conducted a survey that identifies the existing location of its docklines. The dockline becomes the ordinary high water mark that a riparian owner can build to without a permit. Over the years, some owners have built beyond the established dockline. This survey will allow the Council to re-establish the dockline based on current conditions. The revised docklines could affect property sizes and assessments in locations where property owners have built beyond the ordinary high water mark or have built without a permit.

Prepared by: Jeff Osterman, Legislative Research Analyst—Lead
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