

Monday, April 27, 2020

Ms. Maria Monteagudo
Director of Employee Relations
City of Milwaukee
200 E. Wells Street, Room 706
Milwaukee, WI 53202

Mr. Adam Schlicht
Director
Port Milwaukee
2323 S. Lincoln Memorial Drive
Milwaukee, WI 53207

Dear Director Monteagudo,

Per the instruction of Mayor Tom Barrett, I, with representatives of Port senior staff and the Board of Harbor Commissioners (BHC), have carefully reviewed recent guidance concerning the City of Milwaukee's ongoing response to the pandemic, including the *Impact of COVID-19 on the 2020 City Budget* (Director Yaccarino; April 24, 2020) and *Budget Repair Initiatives as a result of the City's response to COVID-19* (Director Monteagudo; April 24, 2020).

The Port has considered multiple options; furloughs on Port employees would only lead to a maximum of \$32,000 in expenditure-related savings within our ~\$4.0 million budget for 2020. While the Port is committed to a holistic, interdepartmental approach to address COVID-19, the savings which would be temporarily realized are not substantial when compared to the negative impact on Port operations and its ability to generate revenues for the City of Milwaukee, as further detailed below.

Port Milwaukee is a unique department within the City of Milwaukee and provides critical transportation services specifically designated by Federal policy. This includes:

- Port authorities are identified in COVID-19 specific U.S. Department of Homeland Security (DHS) advisory guidance regarding essential critical infrastructure workers. Applicable positions include all maritime transportation workers such as "port authority and commercial facility personnel, port workers, mariners," etc. as well as "workers who support the construction, maintenance, and rehabilitation of critical infrastructure," etc.
- The Federal Emergency Management Administration (FEMA) further specifies the operation and management of transportation systems and infrastructure as Emergency Support Function (ESF) #1. This includes "the ability to sustain transportation services [and] mitigate adverse economic impacts" as that "unnecessary reductions or restrictions to transportation will directly impact the effectiveness of all prevention, preparedness, response, recovery, and mitigation efforts".

Despite the societal, public health, and economic challenges resulting from COVID-19, the Port is forecasted to maintain its financial posture in 2020. Port revenues to the City thus far have not been negatively impacted by required closures and services adjustments to-date. Examples of the Port's record of financial stewardship include:

- Over the last 15 years, Port Milwaukee has generated revenues to the City in excess of its annual expenditures as approved by the Mayor. The Port remains one of few City departments that consistently deposits a return to the City's General Fund each year; furloughing Port employees would significantly jeopardize the Port's revenue generating potential the rest of the year and, potentially, into 2021. The approximate return to the City from 2019 is \$661,000.



- The Port has maintained a strong financial posture and fiscal diligence thus far in 2020. The Port's expenditures to-date total \$909,926 and internal revenues total \$963,358. A return to the City's General Fund at the end of 2020 is anticipated and will be strategically managed by Port staff on duty.
- The Port successfully began its "busy season" of multimodal, transportation operations, and international shipping in mid-April 2020 despite COVID-19. As of April 1, 2020, cargo handled at Port Milwaukee is up 15% when compared to 2019. Vessel activity on Jones Island remains robust; rail use continues on a daily basis. Utilization accounts for approximately 40% of the Port's 2020 revenues, and these categories remain sturdy.
- Approximately 50% of the Port's annual revenues are generated through long-term lease arrangements. Thus far, this revenue stream has been unaffected by the complications of COVID-19. Port Milwaukee tenants continue to pay rent while relying upon the Port's commercial operations on Jones Island each day. No significant losses are, as of yet, anticipated.
- Port Milwaukee will also have access to atypical income resources in mid-2020 to help sustain its full operations. Within the next several weeks, a deposit of ~\$1.7 Million will be made to the Port. These funds are a result of the soon-to-be complete land sale of the Port's Greenfield Avenue parcel to Komatsu, and these funds has been specifically designated by the BHC and the Milwaukee Common Council for the Port's use. The Port continues to coordinate with the Department of City Development (DCD) to prepare for the imminent transfer.

The staff of Port Milwaukee have a fiduciary responsibility to maintain the commercial availability of Jones Island for the 20+ leaseholding tenants that use the Port's multimodal infrastructure on a daily basis. To that effect, the Port has successfully adjusted its security and safety processes to allow for an "operational shift" model of service. Under City, State, and Federal requirements, the Port has maintained its operation while in compliance with Safer-at-Home and Social Distance regulations. The effectiveness of and ongoing economic need for the Port's operations has been sustained budgetarily, and the COVID-19 related stimulus benefits in the CARES Act do not adequately address the Port's operational services needs. For example:

- Port Milwaukee maintains one of the leanest workforces of all City departments. Including the Port Director, as appointed by the Mayor, the Port maintains a full-time staff of 19 employees, including 18 civil service employees of the City. Despite its annual profitability, the Port also operates on a trim allocation from the City. In 2020, the Port's organizational budget is less than \$4 million, representing 0.6% of the City's overall anticipated expenditures. Within this fiscal and budgetary posture, the Port's work has significant impact. Each year, the Port sustains 1,300 jobs locally, generates over \$100 million in regional economic activity, and handles 2.6+ million tons of cargo, supporting the economic and manufacturing base of southeastern Wisconsin.
- Under the CARES Act, maximum reconstitution of lost salary funds are envisioned for those City employees under furlough who typically make less than \$50,000 in salary per year. At Port Milwaukee these employees are almost exclusively Port Maintenance Technicians, individuals who are responsible for the daily operation of transportation assets, including rail, freight handling, warehouse facilities, maritime operations, and other essential operations. Given current federal benefits under COVID-19, the proposed furloughs would either cause a degradation in the Port's operational capabilities and/or financial duress for Port employees who will not receive maximum coverage under CARES.

In addition to its daily operations under pandemic conditions, the Port is the midst of tackling several historic challenges and opportunities that have been realized recently, predating the emergence of COVID-19. I remain concerned that any furlough would jeopardize the Port and City's ability to address the following in a timely manner:



- On January 11, 2020, Port Milwaukee was catastrophically impacted by once-in-a-generation flooding. Despite an approximate \$2.4 Million in damage, the Port was able to reopen for commercial utilization within 48 hours. Port staff, including engineering and operations crews, continue to focus on full reconstitution of the Port. The process to receive FEMA assistance under Federal Disaster Declaration # DR-4477 has been arduous and further stymied by COVID-19. The Port is also simultaneously seeking reimbursement via State of Wisconsin Harbor Assistance Program (HAP) funds as well as an insurance claim filed via the City Attorney's Office.
- The Port was also selected in January 2020 by Viking Cruises to host its new expedition services beginning in April 2022. The Port has been in the midst of significant increased cruise activity; 3,200 tourists visited Milwaukee on a cruise ship in 2019. The Port is hopeful that some cruise activity will continue in late 2020. The effort to plan for international cruise visits in 2020 as well as significant infrastructure planning for Viking's future in Milwaukee remains ongoing by Port personnel.
- In February 2020, Port Milwaukee was selected to receive over \$15 million in Port Infrastructure Development Program (PIDP) from the U.S. Department of Transportation and approximately \$5 million in HAP funds to build a new \$31 million Agricultural Export Facility on Jones Island. Negotiations to build this maritime terminal, the largest one-time investment at the Port since 1959, remains ongoing as spearheaded by Port personnel.

Given the information above, Port Milwaukee formally requests an exemption from any mandatory furlough restrictions broadly implemented across the City of Milwaukee government. Such action would prove adverse to the myriad of businesses that utilize the Port for their day-to-day operations, including during the COVID-19 pandemic. To reiterate, the savings that would be temporarily realized are not substantial when compared to the negative impact of furlough action on Port revenues to the City as well as on the Port's essential operations.

The Port remains committed to a flexible and strategic approach through ongoing coordination and collaboration with the Office of the Mayor, the Department of Employee Relations, and the Budget and Management Division to maintain the Port's fiscal accountability throughout the COVID-19 pandemic and to catalyze the City's economic recovery with a revenue return in 2020.

Port staff and I remain available to you and Director Yaccarino on an ongoing basis to revisit the applicability and need for Port staff furloughs in the future.

Thank you.

Best Regards,

A handwritten signature in black ink, appearing to read "AS", with a long, sweeping horizontal line extending to the right.

Adam Schlicht
Director
Port Milwaukee

cc: Tom Barrett; Mayor of Milwaukee
Jackie Carter; Chief Financial Officer, Port Milwaukee
Tim Hoelter; President, Board of Harbor Commissioners
Wayne Johnson; Harbormaster, Port Milwaukee
Brian Kasprzyk; Chief Engineer, Port Milwaukee
Sharon Robinson; Director of Administration, City of Milwaukee
Ron San Felippo; Vice President, Board of Harbor Commissioners
Paul Vornholt; Chief of the Staff to the Mayor, City of Milwaukee
Dennis Yaccarino; Director of Budget and Management, City of Milwaukee