

LRB – FISCAL REVIEW SECTION ANALYSIS

PUBLIC IMPROVEMENT COMMITTEE

ITEM 5, FILE 030302

JUNE 11, 2003

ANGELYN WARD

File #030302 is a resolution approving an amendment and extension of a lease agreement with Kinder Morgan Bulk Terminal (KMBT) with the Port of Milwaukee.

BACKGROUND AND DISCUSSION

1. This resolution approves an amendment to and extension of a lease agreement with the Port of Milwaukee and Kinder Morgan Bulk Terminal (KMBT). The lease includes two 5-year extensions to the current lease.
2. KMBT has leased with the Port since September 10, 1991, located on approximately 13.5 acres, providing terminal storage for bulk material. The initial lease had a series of 5 one-year options periods commencing as of January 1, 2003 and extending to December 31, 2007. KMBT has exercised those option periods and requests two additional 5-year extensions.
4. KMBT has agreed to the first lease extension period for 4 years, begins January 1, 2004 and ending on December 31, 2007. The amendment requests options for a second extension period for 5 years, beginning January 1, 2008 and ending on December 31, 2012; and a third extension period for 5 years, beginning January 1, 2013 and ending on December 31, 2017.
5. The annual rent is determined by the participatory assessment on the tonnage of coal cargo inbound and outbound. The annual rent will increase for the next 14 years and is determined by increase of the coal index in the Producer Price Index.
6. At the April 24, 2003 meeting, the Board Of Harbor Commissioners approved the addition of the two 5-year extensions on the KMBT lease.

FISCAL IMPACT

1. The KMBT lease provided a minimum annual rent of \$155,450 for 2002. The estimated increase in revenue associated with the amendment to and extension of the KMBT lease agreement, for the next 14 years, will be determined by a percentage of the Producer Price Index.

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