

FISCAL REVIEW SECTION – LEGISLATIVE REFERENCE BUREAU

Executive Summary: 2006 Proposed Budget Summary - Port of Milwaukee

1. In the 2006 Proposed Budget, the Port has 30 authorized positions, an increase of 1 position, 3.4% from the 2005 Budget of 29 positions. *(Page 3)*
2. In the 2006 Proposed Budget, total Operating Expenditures are \$857,000 a decrease of \$8,220, 1.0%, from the 2005 Budget of \$865,220. *(Page 4)*
3. Tonnage, revenue projections and other Port activities:
 - Cargo Tonnage *(Pages 4 and 5)*
 - Lease Agreement *(Pages 5 and 6)*
4. The 2006 Proposed Budget provides \$1,025,000 for capital improvements projects, an increase of \$300,000, 41.3%, from the 2005 Budget of \$750,000. *(Pages 6 and 7)*
5. In the 2006 Proposed Budget, Special Funds provides \$1,465,000, an increase of \$150,000, 11.4%, from the 2005 Budget of \$1,315,000. *(Pages 7 and 8)*
6. In the 2006 Proposed Budget, the Comptroller's office has estimated that \$3,829,470 is expected in revenue, an increase of \$272,092, 7.6%, from the 2005 Budget estimate of \$3,557,378. *(Pages 8 and 9)*

FISCAL REVIEW SECTION – LEGISLATIVE REFERENCE BUREAU

2006 Proposed Budget Summary: Port of Milwaukee

CATEGORY	2004 ACTUAL	2005 BUDGET	% CHG	2006 PROPOSED	% CHG
OPERATING	\$2,999,248	\$3,557,378	18.6%	\$3,882,471	9.1%
CAPITAL	\$2,469,247	\$ 725,000	-70.6%	\$1,025,000	41.4%
POSITIONS*	33	29	-12.1%	30	3.4%
O&M	14.4	15.0	4.2%	18.0	20.0%
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 6, 17.1%, from 35 in the 2000 Budget to 29 in the 2005 Budget. The number of FTE's funded by O&M decreased by 5, 25%, from the 20 in the 2000 Budget to 15 in the 2005 Budget, whereas the number of FTE's funded by Non-O&M decreased by 1, from 1 in the 2000 Budget to 0 in the 2005 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 in annual revenue.
3. For 2002, the Capital Improvements Budget was approved at \$785,000, an increase of \$60,000, 8.28%, from the 2001 Budget of \$725,000.

4. In June 2002, the U.S. Coast Guard ruled that hopper barges transporting cargo on the country's inland waterways could be used to ship goods via Lake Michigan. The regulatory change has increased the Port's overall tonnage.
5. 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.
6. 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, makes 3 trips daily, May through September, and 2 trips daily October through December. The Lake Express ferry and passengers embarked from the newly constructed, \$2.4 million ferry terminal building that also accommodates the growing cruise passenger use.
7. In the 2005 Budget, the Summerfest lease payment increased per the terms of the lease to \$1.2 million for 2005.

2006 PROPOSED BUDGET ISSUES AND CHANGES

PERSONNEL

In the 2006 Proposed Budget, the Port has 30 authorized positions, an increase of 1 position, 3.4%, from the 2005 Budget of 29 positions. O&M FTEs is 18.0, an increase of 20% from 15 O&M FTEs in the 2005 Budget and Non-O&M FTEs is 0.0.

1. The following 4 positions are vacant:

Municipal Port Director, SG17, since 9/2004
 Port Maintenance Worker II, SG 274, 2 positions, 6/2001 and 2/2004
 Harbor Crane Operator, SG 958, since 5/2001

The Board of Harbor Commissioners appointed the Marketing Manager to the position of Acting Port Director; he has fulfilled the duties of the Port Director, with some duties of the Marketing Manager performed by the Operations Supervisor. Other marketing functions have been reallocated to the Trade Development Rep., Sr. This has been done to assure that the Port remain completely functional until both a Port Director is appointed and a Marketing Manager is on staff.

Other vacancies within the Port's Operation Section have resulted in the hiring of temporary crane operators and contracting out of many services, such as railroad repairs, routine grounds maintenance and minor repairs formerly performed by the Port's operations staff. In addition, the supervisors have performed duties normally handled by union employees.

In 2004 and 2005, the department utilized independent crane operators. The cost for each year:

2004 \$27,643 2005 \$21,720 *thru September*

2. In the 2006 Proposed Budget, an auxiliary Office Assistant II (un-funded) will be eliminated and added as a permanent, funded position to the Administrative Section. The workload warrants additional clerical personnel to assist with billing, accounting functions, payroll and general office duties, that have not been performed, delayed, or are being performed by managers which is causing inefficiencies with the administrative operations. Several audits by the Comptroller's office indicate the need for additional clerical support to assure the integrity of accounting controls by separation of duties and accountability.
3. Due to the 2003 DC 48 union contract agreement with the City, 3 titles are being reclassified with a new title and salary grade.

#	Eliminated	Reclassified to	#
4	<i>Port Maintenance Worker II, SG274</i>	<i>Port Maintenance Technician, SG276</i>	6
1	<i>Port Maintenance Technician I, SG276</i>		
1	<i>Port Maintenance Technician II, SG278</i>		

Employees in the Port Maintenance Technician positions will be promoted as they achieve specific technical skill levels. The reclassification allows for greater flexibility.

Other changes include Auxiliary positions in the addition of 2 Inspector Docks & Dredging, SG 535 and the elimination of 1 Harbor Crane Operator, SG958. The Inspectors are used, in emergency situations, to perform dock repairs for the Army Corp of Engineers. The current Crane Operator is close to retirement and the department expects to fill the vacancy by providing the necessary 3-5 year of training by the temporary crane operator who is a former employee.

LINE ITEMS

In the 2006 Proposed Budget, total Operating Expenditures are \$857,000 a decrease of \$8,220, 1.0%, from the 2005 Budget of \$865,220. This includes the following:

1. Property Services, \$333,000, an increase of \$74,263, 28.7% over the 2005 Budget of \$258,737 for telephones, and buildings, grounds and equipment maintenance. The increase is the assumption of sewer charges that were formerly paid through funding provided by DOA, and additional security requirements mandated by federal law include operational costs for guards and other measures.
2. Other Operating Services, \$78,000, used for equipment repair, advertising, printing and other miscellaneous services. This is a decrease of \$32,000, 7.3% from the 2005 Budget of \$110,000. Port expects to hire an additional crane operator in 2006, decreasing the temporary labor cost.
3. Information Technology Services, \$22,000, a decrease of -\$27,000, 55.1% from the 2005 Budget of \$49,000. Funding is for improvements and upgrade in computer technology and various IT services to maintain computer communications and connections. The department has implemented the billing module within FMIS, reducing the cost for outside IT services in licensing, development and training.
4. Vehicle Repair Services, \$5,000, a decrease of \$32,000, -86.5%, from the 2005 Budget of \$37,000, for chemicals, cleaning supplies, cable, chain and signs. An older vehicle was sold, reducing the need for repair and maintenance.
5. Infrastructure Services, \$62,000, an increase of \$17,000, 37.8%, from the 2005 Budget of \$45,000, for maintenance and repairs for docks, piers, railroads and roadways and building construction contracts. Previous projects that were deferred are scheduled to ensure safe working areas.

TONNAGE FLUCTUATION

From 2000 through 2004, annual net tonnage of cargo, inbound, outbound and intermodal, has increased from 2,766,524 tons in 2000 to 3,229,453 tons in 2004.

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

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
Cement	370,461	403,165	353,639	352,409	399,958
Coal	700,729	765,834	825,363	726,329	733,356
Salt	778,027	1,136,232	693,697	682,949	831,284

The Port continues to market its diversified transportation means in transporting cargo to attract additional customers and create increased tonnage and revenue in 2006. There were 261 commercial ships in 2004 and 193 in 2005 through August that contain cargo.

Return of River Barges – Regulations changed in June 2002 whereby river barges were allowed to transport cargo and other commodities. The regulatory change has increased the port's overall tonnage.

Barge Activity

Year	By Mississippi River	WE Energy	Total Transits
2004	91	377	468
2005 <i>thru July</i>	39	277	316
2006 <i>Projected</i>	90	385	475

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 2006 Proposed Budget, a new lease is being negotiated and is anticipated to begin in 2006, one lease may expire without renewal, and some leases are due for an escalation in 2006, 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 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 the continued development of the landscape. The 20-year lease for 5 acres of land, from April 15, 2004 through April 14, 2014, was amended, with commencement date of July 1, 2004 and the first year lease from January 1, 2005 through December 31, 2005, with options for 3 additional 5-year periods.

The anticipated 2006 revenue is \$141,470. The breakdown includes:

	Amount
Parking	\$28,000, <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 December, 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 December. From June through mid-September, the vessel made 3 round-trips daily. In May and October through December, the vessel will make 2 round-trips daily. This is the first high-speed auto/passenger vessel to connect ports within the continental U.S.

Cruise Ships – The Port is working with various cruise ships to make Milwaukee a destination in the tour itinerary. For 2006, most or all of the cruise ships will berth at the new Pier Wisconsin facility for cruise ships. Under the terms of the City's lease with Pier Wisconsin, the Port will not receive revenue from this business in 2006 or in future years. The Port will lose some annual revenue, but the tourists will continue to visit the city and impact the city through their spending.

2006 Cruise Activity

2006 Cruise Ship	Voyages	Passengers per Voyage	Potential Passengers
C. Columbus	2	450	900
Niagara Prince	3	95	285
Grande Caribe	2	95	190
Nantucket Clipper	4	101	404
Total	12		1,779

The ships will disembark passengers for one day so that the passengers can visit points of interest like museums, restaurants, theaters, retail shops, bookstores, ballgames, casino, and parks in the Milwaukee area. The cruise ships use the ferry terminal. The estimated fiscal impact to the city from the ship and passengers averages between \$50,000 and \$100,000 per year. The number of cruise ships visiting the City include:

YEAR	# OF SHIPS	# PASSENGERS
2002	6	504
2003	12	980
2004	8	1,011
2005*	3	505

*Projected figures.

CAPITAL IMPROVEMENTS

The 2006 Proposed Budget provides \$1,025,000 for capital improvements projects, an increase of \$300,000, 41.4%, from the 2005 Budget of \$2.4 million.

Projects	2005 Estimated	2006 Proposed	% Change
Pier & Berth, Channel Improvements	\$0	\$400,000	-
Secured Ferry Terminal Parking Facilities	\$200,000	\$200,000	0.0%
Major Maintenance – Terminals & Piers	\$0	\$150,000	-
Dockwall Rehabilitation	\$50,000	\$100,000	100.0%
Port Security	\$100,000	\$100,000	0.0%
Confined Disposal & Facility Improvement	\$175,000	\$75,000	-57.1%
Analyze & Upgrade Sewer System	\$150,000	\$0	-
Cargo Handling Equipment	\$50,000	\$0	-
Total	\$725,000	\$1,025,000	41.4%

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 fendering is required in the municipal mooring basin. The heavy lift dock requires additional dredging and apron work. In the outer harbor, the liquid cargo pier requires rehabilitation.

Secured Ferry Terminal Parking Facilities - \$200,000 - In 2006, the department continues to plan security improvements to the long-term secured parking facilities in support of Port cargo and passenger operations in compliance with new laws mandated by the federal Department of Homeland Security through the U.S. Coast Guard.

Major Maintenance – Terminal and Piers - \$150,000 – In 2006, the electrical service, which was installed in the municipal mooring basin about 1995, will be upgraded to provide electrical service to ships that berth in the municipal mooring basin, during the season or during winter mooring.

Confined Disposal Facility Site - \$75,000 – The facility was built in 1970 under an agreement between the U.S. Army Corps of Engineers as a disposal facility for dredging from the Federal Navigation Projects. According to the agreement, when the facility was full it would be returned to the city for long-term operation and maintenance. The southlerly 600 feet have been filled for about 10 years and the agreement requires the city to make various improvements when returned. The rehabilitation will include a required covering cap, a berm separating the returned section from the active section and providing a disposal place for dredging material by studying the existing disposal facility to determine if rehabilitation is needed.

Dockwall Rehabilitation - \$100,000 - 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 2006, structural elements such as tie rods and wales will be repaired, in order to meet safety and industry standards.

Port Security - \$100,000 - The Department of Homeland Security, through the U.S. Coast Guard, has developed a comprehensive set of regulations concerning Port security, called Title 33. To protect the Port infrastructure the Port must be “secured” or made a more difficult target. Security enforcement includes more fencing, crash gates, lighting and potentially, security cameras. This is an on-going program, and the department intends to implement the most cost-effective and required security measures, as well as attempting to secure grants to help to help offset the cost of the requirements.

SPECIAL FUNDS

In the 2006 Proposed Budget, Special Funds provides \$1,465,000, an increase of \$150,000, 11.4%, from the 2005 Budget of \$1,315,000. The Special funds include:

	2004 Actual	2005 Estimated	2006 Proposed	% Change
Summerfest Revenue Trans.	\$960,000	\$1,200,000	\$1,090,000	-9.1%
Major Mtce. Term. & Piers	\$696	\$70,000	\$75,000	7.1%
Major Rehab & Upgrades	\$50,310	\$45,000	\$50,000	11.1%
Environmental Cleanup	\$0	\$0	\$100,000	0.0%
Harbor Mtce. Dredging	\$0	\$0	\$150,000	0.0%
Total	\$1,011,006	\$1,315,000	\$1,465,000	11.4%

Summerfest Revenue Transfer, \$1,090,000 – 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 eventually rise 3% annually. As part of the Summerfest agreement, the revenue is placed in the general fund. For 2006, the projected amount of \$1,090,000 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 2006, funds will replace a boiler at 1225 S. Carferry Drive.

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, hydraulic systems, electrical systems, structural systems and security systems. In 2006 the port cranes will be upgraded.

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 – In the past, funding for Harbor Maintenance Dredging was part of the capital improvements projects. The city's slips and side channels are maintained. Dredging is done approximately every five to 10 years as needed. The highest priority sites will be scheduled for dredging in 2006.

REVENUE

In the 2006 Proposed Budget, the Comptroller's office has estimated that \$3,829,470 is expected in revenue, an increase of \$272,092, 7.9%, from the 2005 Budget estimate of \$355,557,378. 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.

Revenues	2004 Actual	2005 Estimate	% Change	2006 Proposed	% Change
Charges for Services	\$3,557,378	\$3,557,378	0.0%	\$3,829,470	7.6%

The major revenue sources for the Port consist of facility rent and leasing, wharfage, and crane rentals. In 2005, increased leasing revenue reflects new leasing agreements with tenants. Leasing helps provide a fairly stable base revenue streams, with some 2005 invoices are paid in 2006.

In 2006, leasing revenue continues to increase. The Port began receiving 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	2004 Actual	% of Total	2005 (9/30/05)	% of Total
Rent and Leasing *	\$1,994,462	67.0%	\$1,408,884	61.3%
Wharfage	448,922	15.1%	292,428	12.7%
Dockage	139,477	4.7%	218,394	9.5%
Through-Put	185,517	6.2%	75,065	3.3%
Mooring	22,686	0.8%	21,730	0.9%
Equipment Rental**	171,261	5.8%	245,880	10.7%
Miscellaneous	12,438	0.4%	37,349	1.6%
Total	\$2,974,763		\$2,299,730	

* Does not include the Summerfest lease payments.

**Includes Crane, Labor and Equipment Rental

There are continuing fluctuations in international, national and local trade. Factors that affect tonnage and revenues include mildness or severity of the winters, winter mooring (ships docked during winter months). Continued capital improvement projects also make positive impacts to the Port's revenues in the near future.

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