


2018

ANNUAL REPORT



Port Milwaukee's 300 ton crawler crane unloads cargo from the Wagenborg vessel Reggeborg.

Realizing Port Milwaukee's Potential: A Message From the Director



Port Milwaukee is a significant economic artery for the City of Milwaukee and Southeastern Wisconsin. I was humbled to join Port Milwaukee as Director in August 2018, and I am honored to lead a team of experienced Port professionals, each of whom is dedicated to realizing the Port's potential and expanding our multimodal capabilities on Jones Island.

We share in Milwaukee Mayor Tom Barrett's vision of the Port as a prosperous transportation hub, a regional center supporting manufacturing and commerce, and an international destination on the Great Lakes, "America's Freshwater Coast". The Board of Harbor Commissioners, led by President Tim Hoelter, continues to provide strong leadership in realizing the Port's mission.

Port Milwaukee achieved a great deal in 2018. We identified new markets and increased the Port's international tonnage, via both import and export trade lanes, by over 25%. The Port significantly increased rail utilization from southeastern Wisconsin, taking almost 1,300 trucks off Wisconsin's roads. Taken together, the work of the Port, its marine terminal operators, tenants, and other Port service providers generate over \$100 million in regional business revenue annually, as

confirmed in an authoritative economic impact study released in 2018.

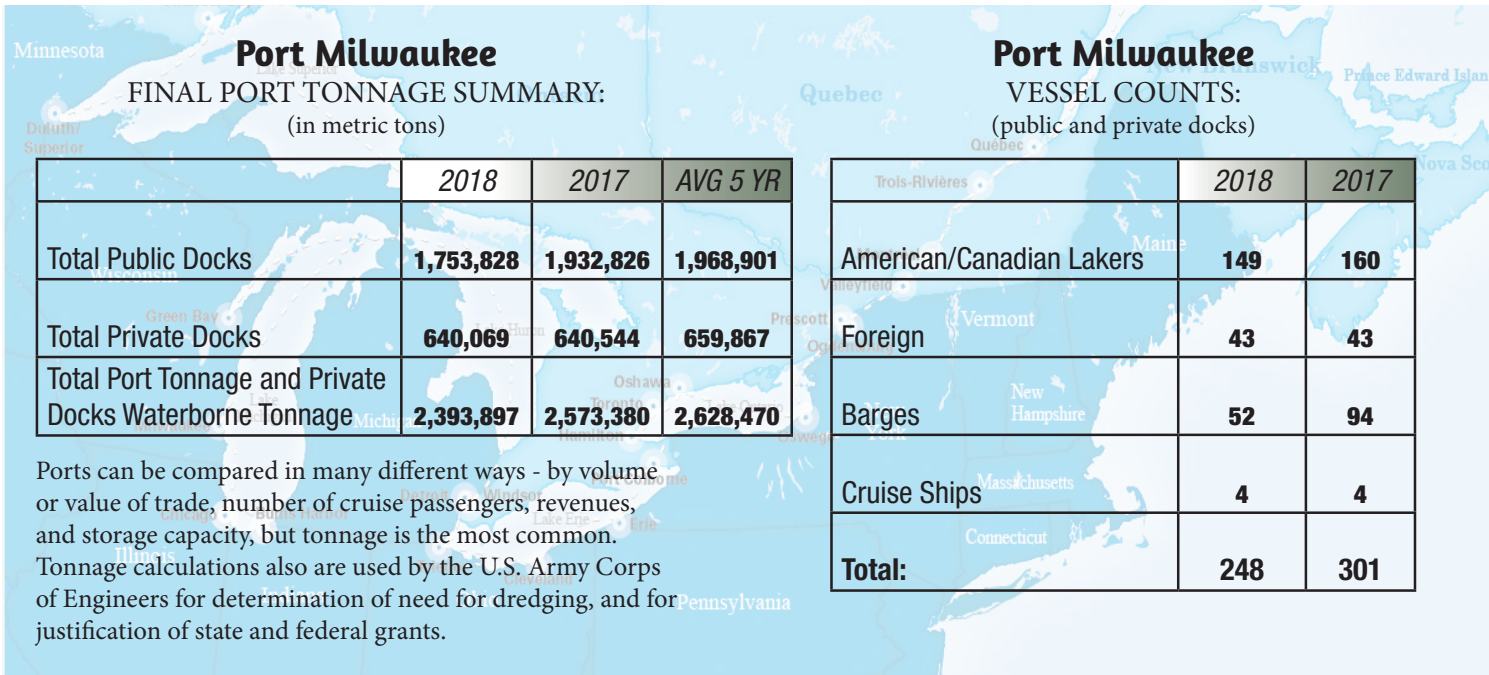
The Port aims to accomplish more. Port Milwaukee will continue to leverage its unique geographic position and capabilities – direct access to international markets via the St. Lawrence Seaway; service to Gulf markets via tug and barge service on the Mississippi; and East Coast and West Coast accessibility from the Port's Class 1 connections on Union Pacific and Canadian Pacific rail. The State of Wisconsin Department of Transportation's continued support of the Port's rail infrastructure modernization is essential, providing a \$3 million grant in 2018 to Port Milwaukee for that purpose.

Two long-time partners of Port Milwaukee announced significant waterfront investments in 2018. Komatsu Mining, which has used Port Milwaukee for decades to ship its large equipment, will invest hundreds of millions of dollars in its North American headquarters and manufacturing facility along the inner harbor. Port tenant Michels Corp. will build its River 1 project a short distance up the Kinnickinnic River, a \$100-million investment that will include a mix of uses, including offices. Komatsu and Michels are most welcome to Milwaukee's waterfront.

2018 has been a year of change and progress. It has set the stage for great things in the years ahead at Port Milwaukee.

Best wishes for continued economic prosperity,

Adam Schlicht ~ Director, Port Milwaukee



Komatsu Mining Headquarters Approved



In September 2018, Komatsu Mining Corporation announced plans to build its headquarters in Milwaukee's Harbor District with total employment expected to eventually exceed 1,000. The company will consolidate its West Milwaukee operations into a new South Harbor Campus, east of 1st Street and south of Greenfield Avenue, on the 470 acre former Solvay Coke site as well as the Port of Milwaukee's 13 acre parcel on Greenfield Avenue.

In November 2018, the Board of Harbor Commissioners approved sale terms of the Greenfield Avenue site to Komatsu. The Milwaukee Common Council then followed with approval in December 2018. Also resulting from the sale will be construction of a new Riverwalk along the Kinnickinnic River between 1st Street and Greenfield Avenue. In addition, the Port will maintain the riparian rights adjacent to the Komatsu dock wall on the Greenfield Avenue site. This section of ocean draft vessel dock may be utilized in the future to receive cruise ship visits as that burgeoning industry continues to develop within the Great Lakes-St. Lawrence System.

Komatsu plans to complete the sale and break ground in 2019 with project completion expected by 2022.

"Doors Open" to the Port

In September 2018, Port Milwaukee continued its participation in Historic Milwaukee's "Doors Open Milwaukee" weekend. Once again, demand was high, as 200 bus tour participants visited the Port Administration Building within hours of the "doors opening".

Port guests were treated to a personally guided bus trip around Jones Island's commercial port operations, receiving "behind the scenes" access to the terminal docks, information on the Port's tenant capabilities, and updates on the 2018 season's commercial Port activity.

While waiting for their tours, visitors were able to interact with historic Milwaukee marine displays in the Port's open meeting room. The United States Coast Guard Auxiliary highlighted the mission of U.S. Coast Guard Sector Lake Michigan, whose 22 Stations/Units located in Wisconsin, Illinois, Indiana, and Michigan are responsible for 1,638 miles of shoreline and approximately 19,000 square miles of surface water.

In addition, volunteers from the Wisconsin Marine Historical Society provided content from the Great Lakes Marine Collection at Milwaukee's Central Library for visitors to view. One of the Library's Special Collections, it is one of the most comprehensive marine collections on the Great Lakes.

1,000,000 KWhours (KWh) Produced by Port Wind Turbine



On October 26th, 2018 the City of Milwaukee celebrated a significant milestone as the wind turbine at Port Milwaukee generated its one millionth kilowatt hour of electricity.

"We have reduced carbon emissions, demonstrated the capabilities of wind energy, and saved taxpayers tens of thousands of dollars," said Mayor Tom Barrett. "By any measure, the Port's wind turbine has been a success."

The 100-kilowatt turbine produces enough electricity annually to power 18 average Wisconsin homes.

The Port's wind turbine is 154 feet tall, less than half the height of substantially larger 1.5-megawatt, utility-scale turbines. The electricity generated, valued at approximately \$131,000 based on We Energies' base residential rate, has exceeded the port's office needs. To date, Milwaukee taxpayers have received a dividend of \$53,000 by selling the Port's excess power to We Energies.

The Port's wind turbine pivots automatically to catch the strongest air flow off Lake Michigan. It is a product of Vermont-based Northern Power. In total, twelve Wisconsin companies participated in manufacturing components for the turbine, including the tower, coating system, castings and disk brakes. According to the city's Environmental Collaboration Office (ECO), the turbine should last for 40 years or longer with regular maintenance.

Union Pacific Heritage Train Visit



In August 2018, the Port hosted a visit by one of the Union Pacific Railroad's Heritage Trains, consisting of 10 historic rail cars fully restored to

their original condition. The train parked along the Inner Mooring Basin at the Port, providing a dockside view of Milwaukee's inner harbor. Union Pacific Vice President of Governmental Affairs Scott Moore hosted a breakfast on board the train for Port stakeholders, including tenants and customers. The importance of Wisconsin and Port Milwaukee rail connectivity within the Union Pacific North American network was highlighted.

The Union Pacific Railroad serves Port tenants on a daily basis, operating on Port Milwaukee's 14 mile rail network, providing connectivity to the West Coast and Gulf of Mexico.

Welcome to the Pearl Mist and the Hamburg Cruise Ships



The Port's South Shore Cruise Dock, adjacent to the Lake Express Ferry terminal, welcomed a new visitor and received a familiar face in 2018. In September, the M/V Pearl Mist made its first Milwaukee port call with over 200 passengers.

The M/V Hamburg once again called on Milwaukee, repeating its 2017 itinerary with one port call in late September and another in October 2018. The Hamburg's visits saw over 700 European visitors embark on a variety of adventures throughout Milwaukee, including excursions at the Public Market, Harley-Davidson Museum, Lakefront Brewery, and other architectural tours. Visit Milwaukee welcomed each passenger dockside with information about the City.

2019 will see increased cruise activity with the Hamburg returning and the Pearl Mist making several turnaround calls in Milwaukee. A turnaround call allows for cruise passengers to embark and disembark in Milwaukee across several itineraries, adding to the time they experience the City.

New Commanding Officer of U.S. Navy Operational Support Center



Lieutenant Commander Kristopher Kier assumed Command of the U.S. Navy Operational Support Center at the Port of Milwaukee in July 2018.

LCDR Kier is a native of Sioux Falls, South Dakota. He earned a Bachelor of Science Degree from Old Dominion University in 2002 and holds a Master of Business

Administration from Auburn University. Commissioned through NROTC, LCDR Kier's first assignment was to be assigned to USS JARRETT (FFG 33) as an Electrical Officer, where he earned his Surface Warfare Qualification. After several follow-on assignments, LCDR Kier separated from Active Duty in 2014, joined the Navy Reserves and was assigned to SEAL Team 17. In 2016, LCDR Kier returned to Active Duty as a Navy Reserve Full Time Support (FTS) Officer assigned to Naval Special Warfare Group 11.

LCDR Kier is qualified as an Explosive Ordnance Disposal Officer, Surface Warfare Officer, Military Free Fall Parachutist, and Special Operations Diver. His military awards include the Joint Service Commendation Medal (two awards), the Navy and Marine Corps Commendation Medal (four awards), the Navy and Marine Corps Achievement Medal (two awards) and other personal, unit and campaign awards.

Port Hosts IAMPE Program



In June 2018, Port Milwaukee played host to the International Association of Maritime and Port Executives (IAMPE) for presentation of their Marine Port Executives course. The IAMPE is a non-profit membership organization whose mission is to develop and maintain standards for professionals in the maritime industry.

In affiliation with the Inland Rivers Ports & Terminals Association (of which Port Milwaukee is a member) and the Loeb-Sullivan School of International Business & Logistics at Maine Maritime Academy, this professional certification program is comprised of 36 hours of course work which was presented by Captain Jeffery Monroe, Course Instructor.

Maritime industry professionals seeking this certification traveled to Port Milwaukee from as far as the East Coast and Gulf of Mexico. Local attendees came from the Port of Green Bay, the Port of Chicago, and U.S. Coast Guard Sector Lake Michigan. Port Milwaukee's Sr. Trade Development Representative Peter Hirthe participated as well, receiving his professional certification as Maritime Port Executive (MPE).

Port Milwaukee

REVENUES AND EXPENSES:

	2018	2017
Operating Revenues*	\$4,753,949.00	\$4,108,224.00
Operating Expenses	\$4,265,888.25	\$3,406,867.68
Net Income (Loss)	\$488,060.75	\$701,356.32
Personal Property Taxes	\$517,282	\$496,829

* Does not include Milwaukee World Festivals, Inc. The comparison of operating revenue and expenses for 2017 and 2016 excludes depreciation, debt service and interest expense.

The Port's revenues are derived from 53.5% lease income and 46.5% cargo income. Operations of the Port are expended from revenues and any excess revenues are returned to the city's general fund.

New Pole Building Constructed



In June 2018, construction began on a new 10,500 square foot storage building on Jones Island for use by the Port's Operations staff. The clear span building is designed with a 20' interior height and built with post frame construction. It has an 8" thick reinforced concrete slab and an interior wood-construction mezzanine, providing an additional 1364 square feet of usable space.

Port operations is responsible for day-to-day maintenance of Port owned infrastructure, including 14 miles of rail track, 5 miles of dock wall, two workboats, cranes, and various other operations equipment.

Port Personnel Additions

The Port welcomed Terrian Reed as a Port Operations Technician in July and Adam Schlicht was confirmed by the Common Council as the new Port Director in August 2018. Port Operations Technician Tom Bilicki retired in November 2018.

Port Rail Crossings Upgraded



In November 2018, construction began on the replacement of Port Milwaukee's 20 rail crossings. The Port had previously received a \$1.76 million Freight Rail Preservation Program grant from the Wisconsin Department of Transportation (WisDOT) in late 2017 to upgrade each location where rail tracks crossed City of Milwaukee streets on Jones Island. Upgrading each crossing location will further reduce Port maintenance costs by limiting the potential for damage, including that of heavy truck traffic on the Port's streets each day. This work continues the Port's ongoing effort to upgrade its 14 miles of rail infrastructure and was preceded by the Lake Classification Yard upgrade in 2016. 2019 will see additional rail crossing upgrades taking place as well as rail work commencing on the \$3.7 million West Classification & Intermodal Yard project.

Port Milwaukee

TENANTS:

Cargill Salt, Inc.	Michels Corporation
Compass Minerals	Milwaukee Art Museum
Discovery World at Pier Wisconsin	Milwaukee World Festivals
Federal Marine Terminals	Portland Trucking
Great Lakes Towing	South Harbor, LLC
Harbor House Restaurant	St. Mary's Cement
Kinder Morgan	U.S. Coast Guard
Kompost Kids	U.S. Navy
Lafarge-Holcim	U.S. Oil
Lake Express High Speed Ferry	Ward's Welding

Intermodal Rail Grant Awarded to Port Milwaukee



The 2018 FRPP Rail Grant will allow intermodal rail infrastructure at the Port to be upgraded.

In December 2018, Port Milwaukee was awarded a \$3.0 million Freight Rail Preservation Program (FRPP) grant by the Wisconsin Department of Transportation (WisDOT) to upgrade the West Classification & Intermodal Yard. This includes rail infrastructure necessary to support an intermodal operation within the port. The grant will cover 80% of the total cost to replace the rail infrastructure. The remaining 20% in local matching funds will be provided by the Port. The scope of work will include installation of new 115-pound rail and replacement of rail ties and ballast throughout the Intermodal Yard.

This project, commencing in 2019, will continue the Port's rail infrastructure upgrade program that has seen completion of the Lake Classification Yard in 2016 and the first 3 of multiple rail crossings in 2018.

Grand Trunk Wetland Restoration Continues

The Port's Grand Trunk Wetland is one of the last remnants of the Milwaukee Estuary's vast network. The Wisconsin Department of Natural Resources (DNR) secured \$250,000 of funding through the United States Environmental Protection Agency (EPA) Great Lakes Restoration Initiative (GLRI) to develop a restoration plan for the wetland.

Subsequently, the Redevelopment Authority of the City of Milwaukee (RACM) released a Request For Proposal to develop a final design, permitting, and construction documents for the Port's Grand Trunk Wetland. The Sigma Group was awarded the contract and commenced work on-site delineating wetlands and surveying. Archaeologists conducted field investigations for cultural resources as well.

The plans for the wetland were finalized in September 2018 and work on the permitting for construction has commenced. The restoration work will be bid out by the Redevelopment Authority of the City of Milwaukee. Visit the City of Milwaukee's website for the latest information.

<https://city.milwaukee.gov/AreaPlans/Southeast/GrandTrunk#.XHQOrYd8Czk>

Testimonials of Port Milwaukee Tenants



Federal Marine Terminals, Inc. has been handling cargoes in the Great Lakes and St. Lawrence River and along the East and Gulf coasts since 1960, establishing its presence at Port Milwaukee in 1998. FMT is committed to continued growth and partnership with not only Port Milwaukee, but also the City of Milwaukee. FMT is recognized as an industry leader servicing breakbulk, bulk, specialized, and general cargo needs. With a continuing focus on efficiency and safety, FMT employs the latest in proprietary software to track the cargo in its care and custody. Our Port Milwaukee terminal employs a well-trained local dedicated staff, safety-oriented labor force employing modern gear and equipment ensures quality stevedoring services for customer cargoes.

Luke Kvapil

General Manager, FMT Milwaukee



Milwaukee Bulk Terminal is proud of the longstanding and positive relationship it maintains with the Port of Milwaukee which stretches back over 30 years. The continuous teamwork and collaboration are invaluable to the success of our operations and to the future growth of the terminal. We value this enduring relationship and look forward to operating together in the years to come.

William Baines

Terminal Manager, Milwaukee Bulk Terminal

Lake Express Approaches Two Milestones



The Lake Express high speed ferry ended the 2018 sailing season with a transition in leadership as long-time company President Ken Szallai announced his retirement effective the beginning of 2019. Prior to joining Lake Express, Ken served as the director of the Port of Milwaukee from 1986 to 2004. Under his leadership, the Port of Milwaukee worked with public and private partners to re-establish the cross-lake ferry service from Milwaukee to Muskegon more than three decades after its predecessor, the Milwaukee Clipper, ended its run. Milwaukee-based Lubar & Co. signed on to become the primary investor in the wholly privately-owned venture and remain owners today. The vessel

made history as the first high speed auto passenger ferry to enter service in the United States.

Szallai has been succeeded by Ryan Griebel, a maritime industry veteran whose previous experience includes oceangoing and Great Lakes vessels. Since entering service in 2004, the ship has averaged more than 800 Lake Michigan crossings per year and more than 1,000,000 travelers have enjoyed Milwaukee's Lake Michigan front door courtesy of the Lake Express. The Lake Express high speed ferry will kick off its 15th anniversary season in 2019.

Foreign Trade Zone #41 Prospers At The Port

In 2018, the Foreign Trade Zone (FTZ) No. 41 program realized increased interest in the potential advantages provided to FTZ operators, largely due to the recent trade remedies and their impact on tariffs. While the program cannot be used to circumvent the effects of these tariffs, FTZ operators can be beneficial under certain circumstances.

This was evidenced by the increased number of operator applications and approvals by the FTZ Board for companies located within the Southeastern Wisconsin region. AFE, Inc., Quad\Graphics, Joy Global Surface Mining, and Jeneil Biotech were among the new additions to FTZ 41's service area throughout 2018.



A Full List of 2018 Operators include:

- Broan
- CNH Industrial Americas
- Generac
- Hospira, LLC
- Mercury Marine
- Kohler Company
- Lindner Logistics
- Madden Communications, LLC
- AFE, Inc.
- Quad\Graphics
- Joy Global Surface Mining
- Jeneil Biotech



BOARD OF HARBOR COMMISSIONERS



Timothy K. Hoelter
President

Commissioners:



Ronald S. San Felippo
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Mark A. Borkowski
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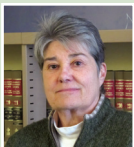
Craig A. Mastantuono



Claude J. Krawczyk



Diane S. Diel



Kathleen M. Smith

American Family Insurance Amphitheatre & Rock Stage Renovations Approved for Summerfest



At its June 2018 meeting, the Board of Harbor Commissioners, approved two capital project plans at the Henry Maier Festival Park. Renderings were presented to the Board of a newly designed American Family Insurance Amphitheatre (previously called the Marcus Amphitheatre) and its surrounding area. In addition, a newly redesigned Rock Stage renovation was presented for Board approval. Scheduled work is not expected to impact Milwaukee's 2019 festival season.

Previous Director Appointed Mayor's Chief of Staff

In April 2018, Port Director Paul Vornholt became Mayor Tom Barrett's Chief of Staff, replacing Pat Curley who had retired. Director Vornholt served at the Port since 2012 and during his tenure at the Port, annually returned funds to the City, invested in its rail infrastructure, grew its international tonnage through the St. Lawrence Seaway, and secured new long term lease agreements with several tenants, including U.S. Venture and Federal Marine Terminals.