



Request for City Council Committee Action from the Department of Community Planning and Economic Development - CPED

Date: January 28, 2014

To: Council Member Lisa Goodman, Chair, Community Development Committee

Referral to: Council Member John Quincy, Chair, Ways and Means/Budget Committee

Subject: Approval of Upper Harbor Terminal Operating Budget for 2014

Recommendation: Approve the attached Upper Harbor Terminal Operating Budget for 2014

Previous Directives: On July 23, 2004, the City Council authorized an Operating Agreement with River Services Inc. to manage and operate the City's Upper Harbor River Terminal from 2005 through 2014. Article VI of the agreement requires annual approval of the Terminal's Operating Budget for the ensuing year. The City Council has approved the budget annually with the most recent approval on January 15, 2013 for the 2013 budget.

Prepared by: Carrie Flack, Senior Project Coordinator, 612-673-5010

Approved by: Charles T. Lutz, Deputy CPED Director _____

Catherine A. Polasky, Director Economic Policy and Development _____

Presenter in Committee: Carrie Flack

Financial Impact

No financial impact

Action is within the Business Plan

Community Impact

Neighborhood Notification: Not applicable

City Goals: Jobs and Economic Vitality; A City That Works - the City's infrastructure will be well managed and maintained

Sustainability Targets: Not applicable

Comprehensive Plan: The interim use of the terminal is consistent with goals identified for Economic Development. Future land uses will be consistent with adopted City policies, including the Above the Falls Master Plan Update adopted June 14, 2013.

Zoning Code: The terminal use and future land uses will be consistent with the zoning code.

Living Wage/Business Subsidy: Not applicable

Supporting Information

The City has owned and operated the 48 acre Upper Harbor River Terminal (UHT), an inter-modal bulk commodity freight facility in North Minneapolis, since the early 1960's. In 1991 the City entered into an operating agreement with River Services Inc. (RSI) for operation of the UHT. The City's 1991 operating agreement with RSI was renewed in 1992, 1995 and 2000. A new 10 year agreement was entered into in 2005 and expires in December 2014. The terminal operations will cease at the end of 2014, and the property will be marketed for redevelopment. A technical study is underway to define the infrastructure needed to support the redevelopment and identify potential development scenarios for the combined business park uses.

The terminal operating agreement makes the Operator responsible for all net losses incurred from operation of the Terminal (the "No City Loss Payment"). The City pays all expenses associated with running the terminal including an operator fee and receives all revenues from the terminal's operations. If a loss is incurred from the terminal operations then the operator reimburses the City for those losses, including the operator fee.

Article VI of the "Operating Agreement Between City of Minneapolis and River Services Inc." requires that the Operator (RSI) submit to the City a budget itemizing expenses for the ensuing year. City approval is required before those expenses can be incurred. Items to be included in the estimated budget are identified in Section 6.01 of the Agreement and include projected costs related to normal operations, repairs and maintenance, building repairs and improvements, replacement of equipment, advertising and other necessary expenses. Additionally, the Operator must submit an estimate of revenues from operation of the Terminal for the subject year. The itemized Operating Budget for 2014 and an estimate of the net revenues (gross revenues minus operating costs and management fee) are attached as Exhibits 1 and 2, respectively. The exhibits also present for comparison the 2013 revenues and expenses that were projected originally. The 2014 projection shows an expected decline in revenues associated with certain commodities, particularly coal, connected with the terminal's expected closure in 2014.

A review of the proposed Operating Budget for 2014 shows that RSI has projected that operating expenses at the Terminal will exceed revenues by \$98,503. The operator fee for 2014 is \$179,268. Therefore, the operator projects that the end year payment back to the City will be \$277,771 bringing the aggregate City expenditure on the property to zero. RSI has reported this projection is very conservative and is based on current customer commitments.

Subject to a final audit, 2013 to date had revenues of approximately \$1,665,035 and expenses of \$1,699,675. After including the management fee of \$175,752 it is expected that the No City Loss Payment for 2013 will be approximately \$210,392. RSI fully understands that they are responsible for these costs and will reimburse the City as they have in 2004-2012.

**Exhibit 1
Upper Harbor Terminal
2014 Operating Budget**

Expenses

Expense	2013	2014
Payroll Wages and Taxes	\$547,675	\$522,123
Pension Overhead and Gen. Admin.	\$43,872	\$41,771
Workers Comp	\$28,790	\$20,363
General Insurance	\$59,328	\$54,996
Health and Disability Insurance	\$84,744	\$65,004
Professional Services	\$52,500	\$82,656
Barge Surveying	\$9,400	\$9,400
Freight Charges	\$13,600	\$20,000
Supplies-office	\$11,004	\$11,004
Supplies-shop	\$3,996	\$3,996
Supplies-safety	\$5,496	\$5,496
Postage/Delivery	\$2,004	\$2,496
Travel/Auto Expense	\$996	\$996
Dues & Subscriptions	\$996	\$996
Licenses & Permits	\$2,004	\$2,004
Utilities-electricity	\$87,504	\$91,884
Utilities, stormwater	\$144,096	\$148,860
Telephone	\$12,300	\$12,300
Security	\$14,052	\$14,052
Rent-equipment	\$21,300	\$21,300
Repairs & Maintenance	\$319,339	\$313,187
Demurrage	\$3,000	\$3,000
Marketing	\$504	\$504
Miscellaneous	\$504	\$504
TOTAL OPERATING EXPENSES	\$1,469,004	\$1,449,384

Exhibit 1 (continued)
Upper Harbor Terminal
2014 Operating Budget

Projected Revenues

Commodity	2013	2014
Dredged Sand	\$90,000	\$50,004
Twine	\$199,908	\$180,468
Pipe/Plate	\$0	\$0
Steel	\$37,440	\$54,080
Steel Scrap	\$60,376	\$60,376
Coal	\$63,650	\$31,350
Harbor Service	\$5,000	\$2,000
Top Soil	\$0	\$45,972
Elevator	\$0	\$0
Grain Direct	\$0	\$0
Salt	\$2,004	\$120
16&8 thousand ton storage domes	\$330,000	\$288,015
12&2 thousand ton storage domes	\$48,150	\$65,251
Miscellaneous Storage/Handling	\$271,822	\$290,550
Aggregate	\$77,440	\$84,851
Pig Iron	\$158,399	\$170,844
Truck Scale	\$24,996	\$27,000
Miscellaneous	\$0	\$0
Management fee	\$175,752	\$179,268
TOTAL PROJECTED REVENUE	\$1,544,937	\$1,530,149
Management Fee	-\$175,752	-\$179,268
REVENUE	\$1,369,185	\$1,350,881

**Exhibit 2
Upper Harbor Terminal
Projected Revenues and Expenses**

	2013	2014
Revenue (total minus mgt. fee)	\$1,369,185	\$1,350,881
Operating Expenses	-\$1,469,004	-\$1,449,384
Operations Total*	-\$99,819	-\$98,503
Management Fee	-\$175,752	-\$179,268
Net**	-\$275,571	-\$277,771

***Revenues resulting from operations at the UHT**

****No City Loss payment to the City**