



**Request for City Council Committee Action
from the Department of Community Planning & Economic Development**

Date: December 12, 2006

To: Lisa Goodman, Chair Community Development Committee

Referral to: Paul Ostrow, Chair Ways and Means/Budget Committee

Subject: Approval of Upper Harbor Terminal Operating Budget for 2007

Recommendation: Approve the attached River Terminal Operating Budget for 2007

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 (which includes utility fees) for the ensuing year. On November 19, 2004, the City Council approved an Upper Harbor Terminal Operating Budget for 2005 and on December 23, 2005, the City Council approved an Upper Harbor Terminal Operating Budget for 2006.

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Approved by: Charles T. Lutz, Deputy CPED Director

Mike Christenson, Director Economic Policy & Development

Presenter in Committee: Jim Forsyth

Financial Impact

- No financial impact
- Action is within the Business Plan

Community Impact

- Neighborhood Notification: Not applicable
- City Goals: The City's infrastructure will be well maintained
- Sustainability Targets: Not applicable
- Comprehensive Plan: Not applicable
- Zoning Code: Consistent
- Living Wage/Business Subsidy: Not applicable

Supporting Information

The City has owned and operated the Upper Harbor River Terminal (UHT) 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 operating agreement with RSI was renewed in 1992,

1995 and 2000. A new agreement was entered into in 2004. The new agreement makes the Operator responsible for all net losses incurred from operation of the Terminal.

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 and City approval is required before those expenses can be incurred. Items to be included in the estimated budget are identified in Section 6.01 and include those for normal operations, repairs and maintenance, building repairs and improvements, replacement of equipment, advertising and other necessary expenses. Additionally, the Operator is to submit an estimate of revenues from operation of the Terminal for the subject year. The itemized Operating Budget for 2007 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 2006 revenues and expenses that were projected at the end of June this year.

A review of the proposed Operating Budget shows that RSI has projected that in 2007 operating expenses at the Terminal will exceed revenues by \$268,775. However, after including the Management Fee paid to RSI, losses at the Terminal in 2007 are projected to be \$424,835. RSI has reported this projection is very conservative and is based on current customer commitments. They are comfortable that additional customers will be found and that belief is the reason that they are willing to continue operation in 2007.

RSI has, as required in the Operating Agreement, provided a mid-year projection that estimates revenues and expenses for 2006. They anticipate revenues of \$1,758,755 and expenses of \$1,753,404. After including the management fee of \$153,000 it is expected that net losses at the Terminal in 2006 will be \$147,649. RSI fully understands that they are responsible for any UHT losses and will, as they did for 2004 and 2005, reimburse the City for those losses.

The River Terminal site has been widely recognized for its redevelopment potential. Redevelopment, as envisioned in the *Above the Falls Plan* and subsequent study, would consist of a mixture of open space, housing and commercial uses. Continued operation of the River Terminal until such time as redevelopment can occur is deemed to be the most efficient and cost effective way for the City manage this 48-acre resource.

**Exhibit 1
Upper Harbor Terminal
2007 Operating Budget**

Expenses

Expense	2007	2006
Payroll Wages and Taxes	684,894	753,842
Pension Overhead and Gen. Admin.	61,090	53,318
Workers Comp	79,880	84,063
General Insurance	72,840	68,273
Health and Disability Insurance	96,152	114,084
Boat Insurance	0	1,867
Professional Services	34,320	34,048
Barge Surveying	3,960	3,600
Freight Charges	15,000	14,813
Supplies-office	10,000	11,122
Supplies-shop	5,100	5,178
Supplies-safety	8,000	6,600
Postage/Delivery	2,400	1,637
Travel/Auto Expense	3,600	3,660
Dues & Subscriptions	996	1,198
Licenses & Permits	4,500	5,061
Utilities-electricity	148,596	141,361
Telephone	9,600	7,835
Security	11,628	11,329
Rent-equipment	85,612	127,269
Repairs & Maintenance	280,296	295,513
Demurrage	10,000	6,525
Marketing	1,200	709
Miscellaneous	996	498
TOTAL OPERATING EXPENSES	\$1,632,775	\$1,753,404

Exhibit 1 (continued)
Upper Harbor Terminal
2007 Operating Budget

Projected Revenues

Commodity	2007	2006
Dredged Sand	30,000	43,343
Twine	200,000	157,789
Pipe/Plate	59,990	60,567
Steel	143,000	131,254
Coal	352,000	342,656
Topsoil	49,660	30,392
Harbor Service	11,070	11,307
Elevator	60,000	0
Grain Direct	25,020	0
16&8 thousand ton storage domes	0	374,379
12&2 thousand ton storage domes	48,000	234,752
Miscellaneous Storage/Handling	103,540	91,388
Pig Iron	144,900	143,275
Aggregate	135,000	135,375
Miscellaneous	0	0
Truck Scale	<u>1,800</u>	<u>2,010</u>
TOTAL REVENUE PROJECTION	\$1,363,980	\$1,758,755

Exhibit 2
Upper Harbor Terminal
Projected Revenues and Expenses

	2007	2006
Gross Revenues	\$1,363,980	\$1,758,755
Operating Expenses	\$1,632,755	\$1,753,404
Total	-\$268,775	\$5,351
Management Fee reimbursement	\$156,060	\$153,000
Net Revenue	-\$424,835	-\$147,649