



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

Date: November 6, 2007

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 2008

**Recommendation:** Approve the attached Upper Harbor Terminal Operating Budget for 2008

**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. On December 23, 2005, the City Council approved an Upper Harbor Terminal Operating Budget for 2006. On December 22, 2006 the City Council approved an Upper Harbor Operating budget for 2007.

Prepared by: Jim Forsyth, Senior Project Coordinator, 612-673-5179

Approved by: Charles T. Lutz, Deputy CPED Director \_\_\_\_\_

Presenter in Committee: Jim Forsyth

**Financial Impact**

- No financial impact
- Action requires an appropriation increase to the Capital Budget \_\_\_\_\_ or Operating Budget \_\_\_\_\_
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Action is within the Business Plan
- Action requires a change to the Business Plan
- Other financial impact
- Request provided to the Finance Department when provided to the Committee Coordinator

**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. 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 2008 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 2007 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 2008 operating expenses at the Terminal will exceed revenues by \$201,145. However, after including the Management Fee paid to RSI, losses at the Terminal in 2008 are projected to be \$360,325. 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 why they are willing to continue operation in 2008.

RSI has, as required in the Operating Agreement, provided a mid-year projection that estimates revenues and expenses for 2007. They anticipate revenues of \$1,069,022 and expenses of \$1,364,784. After including the management fee of \$156,060 it is expected that net losses at the Terminal in 2007 will be \$415,822. RSI fully understands that they are responsible for any UHT losses and will, as they did for 2004, 2005 and 2006, reimburse the City for those losses.

**Exhibit 1  
Upper Harbor Terminal  
2008 Operating Budget**

**Expenses**

<b>Expense</b>	<b>2008</b>	<b>2007</b>
Payroll Wages and Taxes	584,487	566,080
Pension Overhead and Gen. Admin.	49,681	47,869
Workers Comp	49,681	48,735
General Insurance	53,368	56,833
Health and Disability Insurance	96,440	91,483
Boat Insurance	0	0
Professional Services	34,320	29,916
Barge Surveying	2,400	2,400
Freight Charges	16,000	15,090
Supplies-office	12,000	10,638
Supplies-shop	2,496	1,543
Supplies-safety	4,992	3,611
Postage/Delivery	2,400	1,763
Travel/Auto Expense	1,800	1,117
Dues & Subscriptions	996	1,231
Licenses & Permits	2,496	2,087
Utilities-electricity	90,429	79,494
Utilities, stormwater	70,908	70,906
Telephone	9,600	9,137
Security	12,840	12,156
Rent-equipment	47,556	70,225
Repairs & Maintenance	287,601	236,015
Demurrage	10,000	0
Marketing	1,200	0
Miscellaneous	0	6,456
<b>TOTAL OPERATING EXPENSES</b>	<b>1,443,755</b>	<b>1,364,784</b>

**Exhibit 1 (continued)  
Upper Harbor Terminal  
2007 Operating Budget**

**Projected Revenues**

<b>Commodity</b>	<b>2008</b>	<b>2007</b>
Dredged Sand	45,000	-\$2551
Twine	100,000	104,111
Pipe/Plate	17,990	17,855
Steel	100,000	46,698
Steel Scrap	0	116,360
Coal	350,000	334,144
Topsoil	49,800	49,652
Harbor Service	11,070	11,060
Elevator	0	0
Grain Direct	0	0
Salt	123,750	1,226
16&8 thousand ton storage domes	0	0
12&2 thousand ton storage domes	30,000	30,307
Miscellaneous Storage/Handling	144,000	129,802
Pig Iron	165,000	164,215
Aggregate	100,000	59,979
Miscellaneous	0	23
Truck Scale	<u>6,000</u>	<u>6,140</u>
<b>TOTAL REVENUE PROJECTION</b>	1,242,610	1,069,022

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

	<b>2008</b>	<b>2007</b>
Gross Revenues	\$1,242,610	1,069,022
Operating Expenses	\$1,443,755	1,364,784
Total	\$-201,145	-\$295,762
Management Fee reimbursement	\$159,180	\$156,060
Net Revenue	\$-360,325	-\$451,822