



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

Date: November 9, 2004

To: Council Member Lisa Goodman, Community Development Cmte
Council Member Barbara Johnson, Ways and Means/Budget Cmte

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

**Presenter in
Committee:** Jim Forsyth

Approved by: Chuck Lutz, Deputy CPED Director _____

Subject: Approval of Upper Harbor Terminal Operating Budget for 2005

RECOMMENDATION: That the City Council approve the attached River Terminal Operating Budget for 2005.

Previous Directives: In July 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.

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to next box)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain):
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (Summarize below)

Ward: 3

Neighborhood Notification: Not Applicable

City Goals: Manage assets wisely

Comprehensive Plan: Not applicable

Zoning Code: Consistent

Living Wage/Job Linkage: Not Applicable

Background/Supporting Information

The City has owned and operated the Upper Harbor River Terminal (UHT) since the early 1960s. 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.

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.

Attached to this report are an itemized Operating Budget and an estimate of the Terminal revenues for 2005. Also included is an estimate of the net revenues (gross revenues minus operating costs, management fee and City administrative expenses).

A review of proposed Operating Budget (expenses) and Projected Revenues shows that RSI anticipates that the operations at the Terminal will result in a net loss of revenues in 2005. RSI has reported that they have intentionally prepared a conservative projection and will make every effort to make a profit in 2005. RSI also fully understands that they will be responsible for any UHT associated expenses that exceed revenues. RSI representatives have stated that it is their expectation that in ensuing years the Terminal will make a profit that justifies losses that may be incurred in 2005.

**Upper Harbor Terminal
2005
Operating Budget**

Expense	Amount
Payroll Wages and Taxes	716,792
Temporary Help	0
Pension Overhead and Gen. Admin.	123,655
Workers Comp	87,556
General Insurance	52,456
Health and Disability Insurance	75,224
Boat Insurance	4,120
Professional Services	34,980
Barge Surveying	10,000
Freight Charges	20,000
Supplies-office	12,000
Supplies-shop	4,980
Supplies-safety	7,980
Postage/Delivery	1,980
Travel/Auto Expense	3,480
Dues & Subscriptions	900
Licenses & Permits	5,505
Utilities-electricity	81,996
Telephone	9,996
Security	9,996
Rent-equipment	160,000
Repairs & Maintenance	311,605
Demurrage	19,998
Marketing	600
Bad Debt	0
Miscellaneous	6,000
Contingency	<u>0</u>
TOTAL OPERATING EXPENSES	\$1,761,799

Exhibit 1

**River Terminal
2005
Projected Revenues**

Commodity	Revenue
Dredged Sand	50,000
Twine	200,000
Pipe/Granite	2,800
Steel	250,000
Fertilizer	0
Coal	320,000
Harbor Service	17,360
Grain Service	0
Rail Service	0
Magnetite	0
Elevator	0
Grain Direct	0
Salt	0
16&8 thousand ton storage domes	394,000
12&2 thousand ton storage domes	225,300
Miscellaneous Storage	52,200
Pig Iron	111,200
Aggregate	99,600
Miscellaneous	1,560
Truck Scale	<u>1,620</u>
TOTAL REVENUE	\$1,725,640
PROJECTIO	

Exhibit 2

**River Terminal
Projected
Revenues and Expenses
2005**

Gross Revenues	\$1,725,640
Operating Expenses	\$1,761,799
Management Fee (to RSI)	\$150,000
City Expenses	\$40,000
Net Revenue	-\$226,159

Exhibit 3