

MEMORANDUM

To: BOARD OF COMMISSIONERS

Meeting Date: November 26, 2019

From: Todd P. Hurley 

Subject: ENERGY PARK UTILITY COMPANY FRANCHISE APPROVAL OF RATES
RESOLUTION NO. 4662

Action Requested:

Approval of Schedule A – Energy Park Utility Company (EPUC) Rates effective January 2, 2020.

Background:

The EPUC Franchise Ordinance Section 6(e) requires the Port Authority Board to approve any changes in the schedule of rates and charges. The rates typically change each year based on the budgeted costs of operating EPUC. The customers of EPUC acknowledged the Franchise Agreement and the periodic change in rates in the First Amendment to the Hot and Chilled Water Service Agreement. The rates effective January 2, 2020 reflect the budgeted costs for 2020.

Proposal:

Attached please find the Schedule A, which includes a complete list and the methodology for establishing the new rates effective January 2, 2020. In summary, new rates will be:

	<u>Current Charges</u>	<u>Proposed Charges 01/02/2020</u>	<u>% Change</u>
Demand Charge (\$/MMBtu/Mo):			
Heating Demand Charge	\$1,678.00	\$1,723.00	2.70%
Chilled Water Demand Charge	\$1,763.00	\$1,813.00	2.85%
Hot Water Commodity Charge Base (\$/MMBtu)	\$ 3.80	\$ 3.80	0.00%
Chilled Water Commodity Charge Base (\$/MMBtu)	\$ 3.73	\$ 3.73	0.00%
Fuel Adjustment Charge – Difference Between Actual Cost and Base Variable Cost (\$/MMBtu)		Varies	

Rate increases from 2013 – 2019 have ranged from 2.75% to 4.2% with an average increase of 3.48%.

Recommendation:

We recommend approval of the Schedule A - Rates and Charges.

Attachments: Schedule A
Resolution

SCHEDULE A (AMENDED)
to
ENERGY PARK UTILITY COMPANY FRANCHISE
granted to the
SAINT PAUL PORT AUTHORITY
by the
CITY OF SAINT PAUL
(Ordinance No. 10-59, adopted January 12, 2011 and amended June 22, 2016)

COMPANY CHARGES: Pursuant to the Energy Park Utility Company Franchise, the following rates shall be effective beginning January 1, 2020 and shall remain in effect until superseded:

FIXED CUSTOMER CHARGE: Customer Charge \$100.00 per month per Customer.

DEMAND CHARGE: Beginning on January 1, 2020, the Demand Charge portion of the Hot Water and Chilled Water rate schedules shall be as follows:

i)	Budgeted Operating Expenses (1/1/20 to 1/1/21)	\$1,003,207
ii)	All Debt Service Costs and Requirements	724,417
iii)	Fixed Reimbursement	<u>170,000</u>
	Subtotal	\$1,897,624
	Multiplied By	1
iv)	Budgeted demand revenues before Reserve for Repairs, Replacements, Modifications, and Expansions	\$1,897,624
	Divided By	<u>93.65%</u>
	Budgeted Total Demand Revenues	\$2,026,294
	Divided by Budgeted Cooling Energy Demand (Total MMBtuh)	<u>610.680</u>
	Chilled Water Demand Charge (\$ per MMBtuh per Month)	\$1,813.00
	Divided by Budgeted Heating Energy Demand (Total MMBtuh)	<u>533.592</u>
	Heating Demand Charge (\$ per MMBtuh per Month)	\$1,723.00

COMMODITY CHARGE: The Hot Water Commodity Charge is \$3.80 per MMBtu, and the Chilled Water Commodity Charge is \$3.73 per MMBtu.

FUEL ADJUSTMENT CHARGE: The commodity portion of the Hot Water and Chilled Water rate schedules will be adjusted upward or downward each month based on the difference between actual variable costs and base variable costs. (The base variable costs built are \$3.80 per MMBtu for Hot Water and \$3.73 per MMBtu for Chilled Water.) Actual variable costs will be computed each month by dividing the cost of fuel (electricity, gas, oil, propane and any other fuel) plus water treatment expenses to operate the central energy plant by sales made during the corresponding month. The fuel adjustment charge applied to each customer's bill will be the difference between actual variable costs and base variable costs (expressed dollars per MMBtu) multiplied by that customer's heating or cooling energy use during the corresponding month. Actual variable costs for the current month will not be known at the time of billing; and, therefore, for the purpose of computing the fuel adjustment charge, actual variable costs shall be deemed to be the average monthly actual variable costs over the preceding twelve (12) months.

ADMINISTRATIVE SERVICES CHARGE: The Administrative Services Charge shall be established pursuant to the Energy Park Utility Company Franchise.

BILLING ADMINISTRATIVE SERVICE CHARGE: The Billing Administrative Service Charge is that part of the rate schedule to be paid by Customers who desire to have their total monthly bill subdivided and billed directly to tenants based on allocation factors or submeters. The Billing Administrative Service Charge is \$75.00 per month per bill.

LATE FEE: The Company may charge a late payment penalty of five (5) percent of the total amount due which may be added to bills which are not paid within twenty-one (21) days of the billing date.

SURCHARGE: All rates for providing Chilled Water and Hot Water services will be subject to the City of Saint Paul franchise fee and other appropriate state and local taxes. Residential, commercial and industrial bills shall be subject to separate charges.

**RESOLUTION OF THE
PORT AUTHORITY OF THE CITY OF SAINT PAUL**

[ENERGY PARK UTILITY COMPANY FRANCHISE – 2020 RATE SCHEDULE]

WHEREAS, the City of Saint Paul granted the Port Authority of the City of Saint Paul, doing business as Energy Park Utility Company, a franchise for providing hot and chilled water in the Energy Park Industrial District in 1982; and

WHEREAS, the Energy Park Utility Company franchise ordinance requires the Port Authority Board to approve any changes in the schedule of rates and charges; and

WHEREAS, Port Authority staff has proposed a new rate structure reflecting the proposed 2020 budget as set forth in Schedule A attached hereto.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL, that the rates for the Energy Park Utility Company as set forth in Schedule A are hereby adopted effective January 2, 2020; and

BE IT FURTHER RESOLVED, that the President on behalf of the Port Authority is hereby authorized and directed to file the proposed rate schedule with supporting information with the City Clerk of the City of Saint Paul for approval of the rates pursuant to the Energy Park Utility Company franchise ordinance.

Adopted: November 26, 2019


PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its _____

ATTEST:

By _____
Its _____

MEMORANDUM

To: BOARD OF COMMISSIONERS
From: Todd P. Hurley 
Subject: **CERTIFICATION OF TAX LEVY
RESOLUTION NO. 4663**

Meeting Date: November 26, 2019

Action Requested:

Approval of the final Truth in Taxation Certification.

Background:

Minnesota Truth in Taxation Law provides that special taxing districts (including port authorities), counties, municipalities, and school districts must certify to the County Auditor by December 30, 2019, the proposed tax levy for taxes levied in 2020.

The recommended 2019 tax levy payable in 2020 is:

1. General Obligation Bond Debt Service	\$3,554,391
2. Mandatory Levy pursuant to Minnesota Statutes Section 469.053, Subdivision 4, at a rate not to exceed .01813% of market value	\$2,006,700
3. Discretionary Levy pursuant to Minnesota Statutes Section 469.053, Subdivision 6. Pledged to industrial redevelopment	<u>\$ 105,000</u>
TOTAL 2020 TAX LEVY	<u>\$5,666,091</u>

Recommendation:

We recommend approval of the final Truth in Taxation Certification.

Attachments: Comparison of Tax Levy
Resolution

PORT AUTHORITY OF THE CITY OF SAINT PAUL
COMPARISON OF TAX LEVY

TAX LEVY PAYABLE

	<u>2020</u>	<u>2019</u>	<u>2018</u>
G.O. Bonds	\$3,554,391	\$3,175,000	\$3,222,700
Mandatory Levy	2,006,700	2,006,700	1,856,700
Discretionary Levy	<u>105,000</u>	<u>105,000</u>	<u>105,000</u>
TOTAL	\$5,666,091	\$5,286,700	\$5,184,400

**RESOLUTION OF THE
PORT AUTHORITY OF THE CITY OF SAINT PAUL**

[CERTIFICATION OF TAX LEVY]

WHEREAS, pursuant to Minnesota Statutes section 275.065, all taxing districts are required to certify the levy they may impose for the current tax year payable 2020 prior to December 30, 2019.

NOW, THEREFORE, BE IT RESOLVED, that the Port Authority adopts the following as its maximum tax levy for taxes payable in 2020 as follows:

1. General Obligation Bond Debt Services	\$3,554,391
2. Mandatory Levy pursuant to Minnesota Statutes Section 469.053, Subdivision 4, at a rate not to exceed .01813% of market value	\$2,006,700
3. Discretionary Levy pursuant to Minnesota Statutes Section 469.053, Subdivision 6. Pledged to industrial redevelopment.	<u>\$ 105,000</u>
 TOTAL 2020 TAX LEVY	 <u>\$5,666,091</u>

Adopted: November 26, 2019

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its _____

ATTEST:

By _____
Its _____

MEMORANDUM

To: BOARD OF COMMISSIONERS **Meeting Date:** November 26, 2019

From: Todd P. Hurley 

Subject: **APPROVAL OF AMENDMENT TO THE GRIFFIN TAX INCREMENT FINANCING (TIF) PLAN**
RESOLUTION NO. 4664

Action Requested:

Provide approval of an amendment to the Griffin Tax Increment Financing (TIF) Plan.

Background:

The Port Authority previously established the Griffin Redevelopment Financing (TIF) District in 2007. As part of the process of establishing a district, a TIF Plan was adopted which includes a budget for the district. The budget includes projections of tax increment collections, debt to be issued, grants to be received, and other revenue sources. It also includes a detailing listing of eligible expenditures to be made.

The TIF Plan and related budget is developed early in the process of acquiring and cleaning up the site. As the project moves forward, actual and estimated costs to complete the project change to reflect actual funding sources as well as actual and estimated future costs to obtain the property, relocate owners/tenants, and monitor and clean up a site. As the development of the TIF district nears completion, amendments are frequently required for a variety of reasons. The amendments may be due to additional revenue sources such as increases in grants or loans received, an increase in Port Authority gap funding, or tax increments greater than originally estimated. Amendments may also be needed due to changes in expenditures and other financing uses such as unforeseen conditions related to site improvements and preparation costs.

State statutes set forth the mechanisms necessary to modify a TIF Plan. If a modification does not increase the increment to be collected or does not increase the amount authorized to be expended, the Port Authority can modify the Plan without notification to other taxing jurisdictions.

Proposal:

As the majority of the work contemplated in the plan nears completion and items not specifically identified become apparent in the project area, the budget should be modified to properly account and report for the project budget.

Recommendation:

We recommend approval of an amendment to the Griffin Tax Increment Financing (TIF) Plan.

Attachments: Budget
Resolution

TIF District Name: Griffin TIF District 286

	Original Plan Budget	Modified Budget (existing)	Current Proposed Budget
Estimated Revenues			
Tax increment revenue	\$ 6,588,500	\$ 6,588,500	\$ 6,588,500
Investment earnings			
Bond proceeds	-		
Loan proceeds	4,400,000		
Grants	3,057,000		
Other - Port Authority loans	2,465,500		
Transfers In (from line 21)			
Total Revenues	\$ 16,511,000	\$ 6,588,500	\$ 6,588,500
Expenditures and Other Financing Uses			
Land/building acquisition	\$ 1,200,000	\$ 1,200,000	\$ 650,000
Site improvements/preparation costs	6,802,000	3,845,000	3,603,500
Installation of public utilities	-		275,000
Streets and sidewalks	-		
Bond principal payments	-		
Bond interest payments	-		
Loan principal payments	4,400,000		
Loan/note interest payments	3,350,000	3,350,000	1,500,000
Administrative costs	659,000	659,000	560,000
Other - Contingency	100,000		
Transfers Out (from line 25)			
Total Expenditures and OFU's	\$ 16,511,000	\$ 9,054,000	\$ 6,588,500
Revenues and OFSs Over (Under) Expenditures and OFUs	\$ -	\$ (2,465,500)	\$ -
Finance included above	4,400,000	4,400,000	4,400,000

**RESOLUTION OF THE
PORT AUTHORITY OF THE CITY OF SAINT PAUL**

[AMENDMENT OF THE GRIFFIN TAX INCREMENT FINANCING (TIF) PLAN]

WHEREAS, the Port Authority of the City of Saint Paul (the "Port Authority") has previously established the Griffin Tax Increment District; and

WHEREAS, it is proposed that the Board of Commissioners of the Port Authority consider the amendment of the budget for the District to reflect current projections of tax increment collections and expenditures over the life the District, as described on Exhibit A and to provide for reimbursement of additional eligible costs that had been or will be incurred in the redevelopment of the District; and

WHEREAS, Port Authority management has prepared a revised budget for the District which is set forth in the proposed amendment.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Port Authority of the City of Saint Paul as follows:

1. The proposed amendment to the tax increment financing plan for the Griffin District identified on Exhibit A is hereby approved and adopted and shall be placed in a file in the office of the Port Authority.
2. Port Authority management, along with the Port Authority's legal counsel, is hereby authorized to proceed with the implementation of the amended Plan.
3. Port Authority management is hereby authorized to forward a copy of the amended plan to the Ramsey County Auditor and the Minnesota Department of Revenue pursuant to Minnesota Statutes, Section 469.175, subd. 2

Adopted: November 26, 2019

PORT AUTHORITY OF THE CITY OF SAINT PAUL

By _____
Its Chair

ATTEST:

By _____
Its Secretary

ST. PAUL PORT AUTHORITY
2020 Managerial Budget Report
Administrative and Development Operations

	2019 Budget	2019 Projection	2020 Budget	<i>Budget Change Increase/(Decrease)</i>
REVENUES:				
Tax revenues	\$ 1,712,866	\$ 1,875,283	\$ 1,969,500	\$ 256,634
Fiscal and administrative fees	818,018	697,566	632,300	(185,718)
Interest on loans	1,040,910	1,471,582	948,700	(92,210)
Reimbursed direct labor	50,000	50,185	210,000	160,000
Other operating revenue	349,976	300,321	366,000	16,024
Interest on investments	32,000	300,206	61,000	29,000
CCP & Other Grant income	1,150,000	1,000,000	1,150,000	-
Total Revenues	5,153,770	5,695,143	5,337,500	183,730
EXPENSES:				
Personnel costs	2,867,428	2,721,055	2,906,300	38,872
Professional services:				
Audit fees	58,710	53,400	56,500	(2,210)
Attorney costs	292,057	217,001	295,000	2,943
Other professional fees	242,400	180,701	260,550	18,150
Total professional services	593,167	451,102	612,050	18,883
Other general costs:				
Office rent	246,818	246,700	253,125	6,307
Insurance	132,430	105,250	105,000	(27,430)
General & administrative expenses	233,640	227,185	192,985	(40,655)
Equipment maintenance	100,466	96,466	76,650	(23,816)
Depreciation	110,945	110,945	105,000	(5,945)
Marketing	106,500	95,507	118,000	11,500
Development	545,000	421,960	685,500	140,500
Interest on loans	84,435	25,000	75,000	(9,435)
Property Maintenance	64,330	53,123	134,250	69,920
Total other general costs	1,624,564	1,382,136	1,745,510	120,946
Total Expenses	5,085,159	4,554,293	5,263,860	178,701
Net Operating Income (Loss)	68,611	1,140,850	73,640	5,029
OTHER REVENUES(EXPENSES):				
Net Grants	-	(50,000)	-	-
Transfers, other funds, net	-	214,026	-	-
Other nonoperating expenses	-	4,012	-	-
Total Other Revenue (Expense)	-	168,038	-	-
Net Income (Loss) from Administrative & Development Operations	68,611	1,308,888	73,640	5,029

ST. PAUL PORT AUTHORITY
2019 & 2020 Administrative and Development Operations Budget
Separated For Illustrative and Comparative Purposes

	2020 Budget			2019 Budget			Budget Change 2019 to 2020
	Operating	Development	Total	Operating	Development	Total	
REVENUES:							
Tax revenues	\$ 1,593,700	\$ 375,800	\$ 1,969,500	\$ 1,712,866	\$ -	\$ 1,712,866	\$ 256,634
Fiscal and administrative fees	632,300	-	632,300	818,018	-	818,018	(185,718)
Interest on loans	450,000	498,700	948,700	373,230	667,680	1,040,910	(92,210)
Reimbursed direct labor	210,000	-	210,000	50,000	-	50,000	160,000
Other operating revenue	277,500	88,500	366,000	262,390	87,586	349,976	16,024
Interest on investments	42,000	19,000	61,000	32,000	-	32,000	29,000
CCP & Other Grant income	1,150,000	-	1,150,000	1,150,000	-	1,150,000	-
Total Revenues	4,355,500	982,000	5,337,500	4,398,504	755,266	5,153,770	183,730
EXPENSES:							
Personnel costs	2,906,300	-	2,906,300	2,867,428	-	2,867,428	38,872
Professional services:							
Audit fees	56,500	-	56,500	58,710	-	58,710	(2,210)
Attorney costs	295,000	-	295,000	292,057	-	292,057	2,943
Other professional fees	260,550	-	260,550	242,400	-	242,400	18,150
Total professional services	612,050	-	612,050	593,167	-	593,167	18,883
Other general costs:							
Office rent	253,125	-	253,125	246,818	-	246,818	6,307
Insurance	105,000	-	105,000	132,430	-	132,430	(27,430)
General & administrative expenses	128,450	64,535	192,985	188,735	44,905	233,640	(40,655)
Equipment maintenance	76,650	-	76,650	100,466	-	100,466	(23,816)
Depreciation	105,000	-	105,000	110,945	-	110,945	(5,945)
Marketing	118,000	-	118,000	106,500	-	106,500	11,500
Development	-	685,500	685,500	-	545,000	545,000	140,500
Interest on loans	-	75,000	75,000	-	84,435	84,435	(9,435)
Property Maintenance	-	134,250	134,250	-	64,330	64,330	69,920
Total other general costs	786,225	959,285	1,745,510	885,894	738,670	1,624,564	120,946
Total Expenses	4,304,575	959,285	5,263,860	4,346,489	738,670	5,085,159	178,701
Net Operating Income (Loss)	50,925	22,715	73,640	52,015	16,596	68,611	5,029