

Regular Board Meeting

April 24, 2018 - 2:00 p.m.

380 St. Peter Street, Suite 850 | Saint Paul, MN 55102

Minutes

Approval of minutes from the February 27, 2018 Board Retreat

Conflict of Interest

Conflicts with any items on the agenda

New Business

Administrative Committee

1. Acceptance of: 2017 Audit (SPPA, EPUC, Federal Grant Audit)
2. Resolution No. 4626 Authorization for Continuation of Capital City Properties Corporation

Credit Committee

1. Resolution No. 4627 Public Hearing – Lyngblomsten Care Center, Inc. – Authorization for the Issuance of Bank-Qualified, Tax-Exempt and Taxable Conduit Revenue Bonds in the Approximate Amount of \$10,000,000
2. Resolution No. 4628 Public Hearing – Conveyance of Land for Revised Trail Easements Through Southport Terminal
3. Resolution No. 4629 2018 Grant Application and Acceptance Authorization
4. Resolution No. 4630 Increase Wage Rate Policy for Development Criteria for Subsidized Land Sales
5. Resolution No. 4631 Application to Minnesota’s Department of Employment and Economic Development, Metropolitan Council and Ramsey County for Contamination Cleanup Grant Funds for the Minnesota Chemical Building Renovation/Redevelopment Project

General Matters

1. Such other business that may come before the Board

**SAINT PAUL PORT AUTHORITY
MINUTES OF THE BOARD RETREAT
FEBRUARY 27, 2018**

The Board Retreat was held on February 27, 2018 at 11:10 a.m. in the Board Room of the Saint Paul Port Authority located at 380 St. Peter Street, Suite 850, St. Paul, Minnesota 55102.

The following Board Members were present:

John Bennett	Paul Williams	Don Mullin
John Marshall	Nneka Constantino	Dai Thao

Also present were the following:

Lee Krueger	Laurie Hansen	Monte Hilleman
Laurie Siever	Andrea Novak	Kathryn Sarnecki
Michael Linder	George Hoene	Ann Kosel
Tonya Bauer	Keith Mensah	Ava Langston-Kenney
Eric Larson, City Attorney, City of Saint Paul		
Lisa Tabor, CultureBrokers LLC		

President Krueger welcomed everyone and introduced Ms. Tabor, a consultant from CultureBrokers LLC, hired to oversee and guide the retreat through the agenda.

Ms. Tabor introduced herself and reviewed the schedule and procedures that would be followed during the retreat.

STRATEGIC PLAN UPDATE AND 2018 GOALS

Ms. Hansen reviewed the Port Authority's Strategic Plan with the Board and highlighted the following changes: on the first page under Values it now reads Social Equity instead of Social Responsibility and on the bottom of the first page the words Lens of Social Equity has been added. The substantive changes were made in the bullet points under each category.

The discussion included, but was not limited to, the importance of making succession planning and staff development a strategic priority; keeping the vision, mission and values relevant and remembering to stay focused on Saint Paul and East Metro area; setting long-term goals as well as prioritizing those goals, and how we measure our successes.

Ms. Hansen reviewed the Port Authority's 2018 Goals with the Board and pointed out that the format follows very closely with the Strategic Plan which will assist in measuring the goals at the end of the year. She also pointed out a new section had been added on Social Equity as well as team leaders assigned to each category. A progress report on the 2018 goals will be presented to the Board at midyear as well as at the end of the year reflecting annual accomplishments. This will provide a basis for the CEO's performance evaluation.

The discussion included, but was not limited to, what are we doing to close the gaps in our community; how are we driving the sense of urgency to deliver social equity; what is the Port

Authority's end game, how do we measure it, how do we drive the urgency of it, and how long will it take to get there.

BYLAWS – PROPOSED REVISIONS

Mr. Larson presented the Board with a copy of the current bylaws as well as a copy of the redlined version of the proposed bylaws. He reviewed the proposed changes and pointed out that he would like to finalize them by the end of June so that they would be effective as of July 1, 2018 which would allow plenty of time for discussion before bringing them to the Administrative Committee and the Board for approval.

Mr. Larson pointed out that he kept the Port Authority's vision, mission and values in the forefront of his mind and used the following objectives while drafting the proposed bylaws:

- a governance document reflecting applicable law and today's Port Authority,
- a document that provides clear standards and guidance but provides adequate flexibility and long-term relevance, and
- a document that guides and informs the Board, the Port Authority, and the public.

Mr. Larson also reviewed in detail Article IV, Committees, Section 4.01, Board Committees, Section 4.02, Committee Composition, and Section 4.04 Ex-Officio or Taskforce Committees or Subcommittees. Committee Composition was drafted to propose permitting non-commissioners to be members of Board committees and permitting advisory board committees that may or may not have commissioners as members.

The discussion, included but was not limited to, ensuring diversity in Board and Board Committee composition, and Board and Board Committee structure and process.

SOCIAL EQUITY UPDATE

Mr. Hilleman and Ms. Novak presented the Board with a social equity update on the 2017 accomplishments and the 2018 work plan.

Ms. Novak gave a brief update on the Port Authority's Social Equity team and what they have accomplished. Conversations centered around being innovative, taking risks, and consciously making efforts to have an impact around social equity. Progress to-date has focused on the Port being a conduit to racial equity in business center hiring. 2018 action plans will focus on:

1. Continued work on being a conduit to racial equity in business center hiring, even though we do not control hiring in our business centers.
2. Increasing the number of MBE and SBE vendors we use across all lines of business
3. Continuing our work to create sustainable communities.
4. Continuing to strengthen our internal culture.

Mr. Hilleman and Ms. Novak presented the Board with the Social Equity Commitment presentation which covered the following items:

1. Development of Sustainable Communities

Current Position

- The SPPA's approach to sustainable infill urban redevelopment projects and its energy efficiency and renewable energy finance programs
- Further environmental justice to neighborhoods suffering from disinvestment
- Conserve natural resources
- Reduce sprawl
- Reuse existing infrastructure assets
- Improve water quality, recharge aquifers, and reduce flood risk
- Locate job opportunities within communities most in need of them, and;
- Provide a myriad of benefits to local communities, units of government, business interests and the eco-system services that support life on earth.

Future Work

- Further connect our sustainable development and energy finance projects to the climate change benefits
- Highlight connection between climate change, poverty and public health

2. Supplier Diversity

Current Position

- The goal is to diversify our supply chain by reaching out to businesses that have traditionally been underrepresented in the selection process, including MBEs and WBEs

Recent Actions

- We adopted the City of Saint Paul's Vendor Outreach goals for all publicly bid Port construction projects (adopted 2016 and continued in 2017).
- Prioritized EPA consultant RFQ responses that included strong MBE/WBE and Vendor Outreach strategies

Future Work

- Reengage with HREEO and others to identify best fit mechanisms for compliance monitoring and enforcement
- Review vendors of all sizes, from contractors to caterers, leveraging feedback from the African American Leadership Public Forum (preliminary work started in 2017)
- Identify ways to measure and communicate our results (possibly through our Annual Report)

3. Internal Culture

Current Position

- Social equity is a key component to everything we do, and the goal is to ensure that everyone on the internal team places a social equity lens to all processes and projects.

Recent Activities

- Internal educational opportunities offered 2x/year

Future Work

- Continue educational opportunities for staff, board, and stakeholders

- Continue to develop a higher level of sophistication around how our team approaches social equity in our work
- Identify opportunities to position SPPA as a thought leader and evaluate opportunities to provide education for businesses in Port business centers
- Explore expanded targeted volunteer opportunities for staff

4. Equity on Ice

Current Position

- Equity on Ice is a Capital City Properties program that focuses on bringing equitable access to Treasure Island Center and TRIA Rink.

Recent Activities

- We have reached out to key nonprofit organizations, including Brownbody, DinoMights, Friends of Saint Paul Hockey, Saint Paul Police Athletic League and Warrior Hockey
- We have embarked on a fundraising campaign to cover the costs of ice time and the build-out of the Equity on Ice Center

Future Work

- Meet funding goals for Equity on Ice Center (approximately \$200K in financial and in-kind donations)
- Build the Equity on Ice Center
- Repeat fundraising event as an ongoing means for securing ice time
- Continue to review opportunities with other nonprofit organizations

5. Racial Equity in Business Center Hiring

What We Know

- Our work has added and maintained light industrial jobs with low barriers to entry in primarily disadvantaged neighborhoods in the City of Saint Paul

What We Want to Know

- Is there equity in the hiring processes and outcomes in our business centers?
- Is our recruiting process for new businesses inclusive?

Step One: Assess Our SWOTs

- We reached out to community groups
- We identified perceived gaps
- We partnered with East Side Funders Group on an equity study through University of Minnesota Urban Research and Outreach-Engagement Center (UROC)

Step Two: Define Next Steps

- Focus for 2018
- Will overlap with revisiting our current Workforce Agreements & wage requirements

Key Findings from the Equity Study

- City of Saint Paul hiring is lower than our goal (28% vs 70% goal)
- Employee diversity did not align with neighborhood demographics (*however, only 4/19 businesses with active workforce agreements responded to demographic questions*)

- Employee diversity increased when hires were made from the City of Saint Paul and specifically target neighborhoods
- Minimal job opportunities exist for the 14% of Saint Paul residents who do not have a high school degree or GED
- There appears to be an opportunity to build stronger workforce relationships with businesses in our business centers (less of a transactional focus)
- There is a perceived lack of accountability to fulfill the terms of active workforce agreements

Thinking Differently About Workforce Agreements

What are the public goods that we want to derive from Port Authority Projects?

Understanding that too Many Requirements Could Be Counterproductive in the Marketplace...tradeoffs are necessary...

Current Success Measurements

- Tax base (successful)
- Job density (successful but does not speak to future automation trends)
- Wages/benefits (successful and under review for increase in 2018)
- Local hiring (less successful)

Success Measurements for Consideration

- MBE/WBE business ownership
- Workforce participation/diversity
- Refined geographic measures (RCAPs, ACP50, etc.)
- Other possible social benefits: B2B, volunteering, spin-off economics, etc.

The discussion, included but was not limited to, the social equity commitment process and progress, areas of improvement as it relates to supplier diversity and workforce agreements, identifying and prioritizing public goods to assist with supplier diversity, and workforce agreements.

Due to time constraints, there were several topics which the Board and staff were unable to fully address. These topics will be discussed at future meetings. The meeting was adjourned at 2:15 p.m.

By: _____
Its: _____

/amk

ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)
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YEARS ENDED DECEMBER 31, 2017 AND 2016

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DRAFT

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Port Authority of the City of Saint Paul
Saint Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the Energy Park Utility Company (the Company), a Unit of the Port Authority of the City of Saint Paul (the Port Authority), as of and for the years ended December 31, 2017 and 2016, and the related notes to basic financial statements, which collectively comprise the Company's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Energy Park Utility Company, a Unit of the Port Authority of the City of Saint Paul as of December 31, 2017 and 2016, and the respective changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Omitted Management's Discussion and Analysis

The Company has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Financial Reporting Entity

As discussed in Note 1, the financial statements of the Company are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the Port Authority that is attributable to the transactions of Energy Park Utility Company. They do not purport to, and do not, present fairly the financial position of the Port Authority as of December 31, 2017 and 2016, or the changes in its financial position or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
REPORT DATE

ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)
STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,582,372	\$ 1,590,164
Accounts Receivable	435,240	361,442
Prepays	25,919	25,919
Inventory	54,274	57,353
Total Current Assets	<u>2,097,805</u>	<u>2,034,878</u>
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>9,946,332</u>	<u>10,345,124</u>
Total Assets	12,044,137	12,380,002
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	380,124	321,501
Accrued Interest Payable	192,078	193,745
Deposits Payable	197,346	197,346
Other Current Payables	75,073	68,345
Current Maturities on Long-Term Debt	150,389	123,603
Total Current Liabilities	<u>995,010</u>	<u>904,540</u>
LONG-TERM LIABILITIES		
Long-Term Debt (Less: Current Maturities)	<u>8,594,479</u>	<u>8,744,867</u>
Total Liabilities	9,589,489	9,649,407
NET POSITION		
Net Investment in Capital Assets	2,151,464	2,426,654
Restricted for:		
Capital Maintenance	337,207	236,494
Debt Service	238,086	226,922
Unrestricted	<u>(272,109)</u>	<u>(159,475)</u>
Total Net Position	<u>\$ 2,454,648</u>	<u>\$ 2,730,595</u>

See accompanying Notes to Basic Financial Statements.

ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Charges for Services	\$ 2,913,063	\$ 2,825,975
OPERATING EXPENSES		
Operating Costs	1,863,616	1,708,401
Management Fees	95,621	102,721
Administrative Fees	54,307	53,999
Audit	14,200	12,160
Depreciation	480,404	470,681
Total Operating Expenses	<u>2,508,148</u>	<u>2,347,962</u>
OPERATING INCOME	404,915	478,013
NONOPERATING REVENUES (EXPENSES)		
Investment Income	4,257	(722)
Interest Expense	(484,119)	(489,601)
Other Fees	(200,000)	(200,000)
Other Nonoperating	(1,000)	-
Total Nonoperating Expenses	<u>(680,862)</u>	<u>(690,323)</u>
CHANGE IN NET POSITION	(275,947)	(212,310)
Net Position - Beginning of Year	<u>2,730,595</u>	<u>2,942,905</u>
NET POSITION - END OF YEAR	<u><u>\$ 2,454,648</u></u>	<u><u>\$ 2,730,595</u></u>

See accompanying Notes to Basic Financial Statements.

ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 2,839,265	\$ 2,816,385
Payments for Operations	<u>(1,959,314)</u>	<u>(1,700,083)</u>
Net Cash Provided by Operating Activities	879,951	1,116,302
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(81,612)	(239,958)
Principal Paid on Revenue Bonds	(80,000)	(70,000)
Principal Paid on Notes Payable	(43,602)	(41,829)
Other Debt Related Costs	<u>(1,000)</u>	<u>-</u>
Net Cash Used by Capital and Related Financing Activities	(206,214)	(351,787)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Interest Paid	(485,786)	(489,601)
Fees Paid to Port Authority	<u>(200,000)</u>	<u>(200,000)</u>
Net Cash Used by Noncapital and Related Financing Activities	(685,786)	(689,601)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>4,257</u>	<u>(722)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,792)	74,192
Cash and Cash Equivalents - Beginning of the Year	<u>1,590,164</u>	<u>1,515,972</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u><u>\$ 1,582,372</u></u>	<u><u>\$ 1,590,164</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 404,915	\$ 478,013
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	480,404	470,681
Change in Operating Assets and Liabilities:		
Accounts Receivable	(73,798)	(9,590)
Inventory	3,079	(1)
Accounts Payable	58,623	169,551
Other Current Liabilities	<u>6,728</u>	<u>7,648</u>
Net Cash Provided by Operating Activities	<u><u>\$ 879,951</u></u>	<u><u>\$ 1,116,302</u></u>

See accompanying Notes to Basic Financial Statements.

**ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Unit

Energy Park Utility Company (the Company) is a unit of the Port Authority of the City of Saint Paul (The Port Authority) and is governed by the Commissioners of the Authority. The Company provides heating and cooling services through the operation of a hot and chilled-water system to businesses and residences located in Energy Park, an industrial and residential development district located in Saint Paul, Minnesota.

Financial Reporting Entity

The financial statements of the Company are intended to present the financial position, and the changes in the financial position and cash flows, of only the Company that is attributable to the transactions of the unit. They do not purport to, and do not, present fairly the financial position of the Port Authority of the City of Saint Paul, as of December 31, 2017 and 2016, or the changes in its financial position or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

Measurement Focus and Basis of Accounting

The accrual basis of accounting is used by the Company. Under this method, revenues are recorded when earned and expenses are recorded when the related fund liability is incurred.

The Company distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. The principal operating revenues of the Company are charges to customers for sales and services. The operating expenses of the Company include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Company's policy to use restricted resources first, and then unrestricted resources as they are needed.

Accounts Receivable

Accounts receivables are due from utility customers that are charged for access to the heating and cooling system as well as the variable costs associated with providing heating and cooling through long-term contracts. At December 31, 2017 and 2016, there is no allowance for doubtful accounts reflected in the financial statements. Accounts receivable are uncollateralized.

ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Investment Reserve

The restricted investment reserve consists of deposits and investments held by the Port Authority and the Bond Trustee which are reported at fair value. The Port Authority is required to maintain a restricted investment reserve funded with an upfront fee and monthly additions of specified revenues, as defined, for future repairs and plant expansion. The balance was depleted to complete upgrades to the system and is being replenished from future specified revenues related to the new franchise agreement and long-term customer service agreements.

Capital Assets

Capital assets consist of land and a heating and cooling system, which are stated at cost. The heating and cooling system improvements are depreciated on a straight-line basis over the useful life of the asset of 25 years. The 25-year life is based on the life of the Hot and Chilled Water Service Agreements. Equipment related to the heating and cooling system is depreciated on a straight line basis over the useful life of the asset of seven years. Depreciation expense was \$480,404 and \$470,681 in 2017 and 2016, respectively.

Franchise Fees

The Company collects and remits to the City of Saint Paul a franchise fee of the greater of 6.8% of revenues or \$159,000. The Company is not required to collect or remit franchise fees for six months of each year for sales to residential customers, defined in the franchise agreement. Franchise fees collected for the City of Saint Paul were approximately \$186,000 and \$178,000 in 2017 and 2016, respectively. Franchise fees are collected on behalf of the City of Saint Paul are not included as revenue or expenses in the statement of revenues, expenses, and changes in net position.

Fees Paid to the Port Authority

The Company made payments to the Port Authority for an annual fee as required by the franchise ordinance and may be increased annually based upon changes in the consumer price index for all urban consumers in the Minneapolis/St. Paul area for the latest 12-month period. The amount consists of a fixed reimbursement as well as administrative service charges and other miscellaneous fees. The fixed reimbursement was \$200,000 in both 2017 and 2016. The administrative service charges were \$54,307 and \$53,999 in 2017 and 2016, respectively, for a total payment to the Port Authority of \$254,307 and \$253,999 in 2017 and 2016, respectively.

Use of Accounting Estimates

The preparation of financial schedules in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial schedules, and the reported amounts of revenues and expenses during the reporting period. Ultimate results could differ from those estimates.

**ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position represents the differences between assets and liabilities in the financial statements. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by any outstanding balance of long-term debt used to build or acquire the capital assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the Company's policy (as a Unit of the Port Authority of Saint Paul) to use restricted first, then unrestricted net position.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

The Port Authority maintains a cash and investment pool that is available for use by all funds including the Company. The Company's portion of this pool is displayed in the statements of net position as "Cash" and "Investments". In accordance with applicable Minnesota State Statutes, the Port Authority maintains deposits at financial institutions authorized by the board of commissioners. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral includes: U.S. government treasury bills, notes, and or bonds; securities issued by a U.S. government agency; general obligations of local governments rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letters of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

Custodial Credit Risk – Deposits – In the case of deposits, custodial credit risk is the risk that in the event of bank failure, the Port Authority's deposits may not be returned to it. The Port Authority's deposit policy does not provide additional restrictions beyond Minnesota State Statutes. At year-end, the carrying amount of the Port Authority's deposits was entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

**ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

The Port Authority may also invest idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and which receive the highest credit rating, are rated in one of the two highest rating categories by a nationally recognized statistical rating agency, and all of the investments have a final maturity of 13 months or less
- General obligations rated “A” or better; revenue obligations rated “AA” or better
- General obligations of the Minnesota Housing Finance Agency rated “A” or better
- Obligations of a school district with an original maturity not exceeding 13 months which is (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to Minn. Stat. § 126C.55.
- Bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System
- Commercial paper issued by United States corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing 270 days or less
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks, or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in one of the top two rating categories
- Repurchase or reverse purchase agreements and security lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers

Interest Rate Risk – As a means of managing its exposure to fair value losses arising from increasing interest rates, it is Port Authority practice to match maturities to its liquidity needs. Additionally, whenever possible, the investment with the shortest duration will be selected when choosing between equal alternatives.

Credit Risk – As a means of managing its exposure to an issuer of a debt security that will not fulfill its obligation, the trustee has been instructed by Port Authority to follow state law, which limits investments in authorized securities to certain credit risk ratings and maturities. It is also Port Authority policy to diversify the investment portfolio, in order to minimize the impact of losses from any one individual issuer, and to pre-qualify the allowable financial institutions and commercial paper issuers.

ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Custodial Credit Risk – For an investment, the custodial credit risk is that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Port Authority will not be able to recover the value of its investments that are in the possession of another party. The Port Authority policy for managing custodial credit risk is to follow Minnesota statutes. All securities are held by an independent third-party custodian selected by Port Authority as evidenced by safekeeping receipts in the Port Authority's name.

Concentration of Credit Risk – The Port Authority investment policy states that the maximum allowable exposure to any one issuer shall not exceed 5% of the total portfolio at the time of purchase, excluding securities of the U.S. Government/Federal and government sponsored enterprise securities.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2017 and 2016 was as follows:

	December 31, 2017			Balance at End of Year
	Balance at Beginning of Year	Additions / Other	Deductions	
Capital Assets Not Being Depreciated:				
Land	\$ 176,961	\$ -	\$ -	\$ 176,961
Capital Assets Being Depreciated:				
Heating and Cooling System	18,011,718	81,612	-	18,093,330
Less:				
Accumulated Depreciation	(7,843,555)	(480,404)	-	(8,323,959)
Total Capital Assets Being Depreciated, Net	10,168,163	(398,792)	-	9,769,371
Net Capital Assets	<u>\$ 10,345,124</u>	<u>\$ (398,792)</u>	<u>\$ -</u>	<u>\$ 9,946,332</u>
	December 31, 2016			Balance at End of Year
	Balance at Beginning of Year	Additions / Other	Deductions	
Capital Assets Not Being Depreciated:				
Land	\$ 176,961	\$ -	\$ -	\$ 176,961
Capital Assets Being Depreciated:				
Heating and Cooling System	17,773,218	238,500	-	18,011,718
Less:				
Accumulated Depreciation	(7,372,874)	(470,681)	-	(7,843,555)
Total Capital Assets Being Depreciated, Net	10,400,344	(232,181)	-	10,168,163
Net Capital Assets	<u>\$ 10,577,305</u>	<u>\$ (232,181)</u>	<u>\$ -</u>	<u>\$ 10,345,124</u>

ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 4 RISK MANAGEMENT

The Company is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; business interruption; error or omissions; employee's injuries and illnesses; or natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

NOTE 5 LONG-TERM OBLIGATIONS

Long-term obligations consisted of the following as of December 31, 2017 and 2016:

<u>Description</u>	<u>2017</u>	<u>2016</u>
Port Authority of the City of Saint Paul Revenue Bonds, Energy Park Utility Company Project Series 2012-3 with maturities from 2022 through 2036 with Interest of 5.45% to 5.7% due semi-annually from February 1, 2013 through maturity.	\$ 7,500,000	\$ 7,500,000
Port Authority of the City of Saint Paul Taxable Revenue Bonds, Energy Park Utility Company Project Series 2012-4 with principal payments due August 1, 2014 through 2022 with Interest of 5.0% due semi-annually from February 1, 2013 through maturity.	765,000	845,000
Note Payable due to Capital City Properties, with principal payments due August 1, 2014 through 2021 with Interest of 4.0% due semi-annually from February 1, 2014 through maturity.	479,868	523,470
	8,744,868	8,868,470
Less: Current Maturities	150,389	123,603
Long-Term Debt	<u>\$ 8,594,479</u>	<u>\$ 8,744,867</u>

The Series 2012-3 Bonds and the Series 2012-4 Bonds referred to collectively as the "Series 2012 Bonds" were issued to finance an upgrade from a two pipe to a four pipe system (the Project). In addition, the bonds provided funding for reserve and capital maintenance accounts. The Series 2012 Bonds are payable solely from the Pledged Revenues, which consist of essentially all Company customer charges for services.

Capital City Properties (CCP) is a component unit of the Port Authority of the City of Saint Paul. The note payable to CCP was issued to provide funds to enable EPUC to complete the upgrade to a four pipe system.

ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Scheduled maturities and interest payments on long-term obligations for the years ending December 31 are as follows:

Year Ending December 31,	Bonds Payable		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 105,000	\$ 460,988	\$ 45,389	\$ 19,011	\$ 150,389	\$ 479,999
2019	130,000	455,738	47,248	17,152	177,248	472,890
2020	155,000	449,238	49,144	15,257	204,144	464,495
2021	175,000	441,488	51,197	13,203	226,197	454,691
2022	290,000	432,738	286,890	11,105	576,890	443,843
2022-2025	1,070,000	1,592,850	-	-	1,070,000	1,592,850
2026-2030	2,175,000	1,580,338	-	-	2,175,000	1,580,338
2031-2035	4,165,000	826,785	-	-	4,165,000	826,785
Total	<u>\$ 8,265,000</u>	<u>\$ 6,240,161</u>	<u>\$ 479,868</u>	<u>\$ 75,728</u>	<u>\$ 8,744,868</u>	<u>\$ 6,315,889</u>

Long-term liability activity for the years ended December 31, 2017 and 2016 are presented below.

December 31, 2017				
	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year
Bonds Payable:				
Tax-Exempt Revenue Bonds Series 2012-3	\$ 7,500,000	\$ -	\$ -	\$ 7,500,000
Taxable Revenue Bonds Series 2012-4	845,000	-	(80,000)	765,000
Notes Payable	523,470	-	(43,602)	479,868
Total Long-Term Liabilities	<u>\$ 8,868,470</u>	<u>\$ -</u>	<u>\$ (123,602)</u>	<u>\$ 8,744,868</u>

December 31, 2016				
	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year
Bonds Payable:				
Tax-Exempt Revenue Bonds Series 2012-3	\$ 7,500,000	\$ -	\$ -	\$ 7,500,000
Taxable Revenue Bonds Series 2012-4	915,000	-	(70,000)	845,000
Notes Payable	565,299	-	(41,829)	523,470
Total Long-Term Liabilities	<u>\$ 8,980,299</u>	<u>\$ -</u>	<u>\$ (111,829)</u>	<u>\$ 8,868,470</u>

**ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 6 COMMITMENTS AND CONTINGENCIES

The Port Authority has contracted with Ever-Green Energy Company LLC (the Ever-Green) pursuant to a management agreement which expires in 2020 for administrative and oversight services necessary for the operation of the System. Ever-Green was paid \$95,621 and \$102,721 in 2017 and 2016, respectively, to manage the System. In addition, Evergreen was reimbursed \$1,863,616 and \$1,708,402 for operating costs of the System.

The Company entered into an operating lease in 2013 for chiller equipment which the Company will lease from CCP. The lease agreement, dated October 22, 2013, includes lease terms with 144 monthly payments of \$10,550 which commenced on July 1, 2014, and run through June 30, 2026.

DRAFT

PORT AUTHORITY OF THE CITY OF SAINT PAUL

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2017

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Port Authority of the City of Saint Paul
Saint Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the the business-type activities and the discretely presented component unit of the Port Authority of the City of Saint Paul (a component unit of the City of Saint Paul, Minnesota) (Port Authority), as of and for the year ended December 31, 2017, and the related notes to basic financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the Port Authority of the City of Saint Paul as of December 31, 2017, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for postemployment benefits, schedules of the Port Authority's proportionate share of the net pension liability, and schedules of the Port Authority's pension contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated REPORT DATE, on our consideration of the Port Authority of the City of Saint Paul's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Port Authority of the City of Saint Paul's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Port Authority of the City of Saint Paul's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
REPORT DATE

REQUIRED SUPPLEMENTARY INFORMATION

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**PORT AUTHORITY OF THE CITY OF SAINT PAUL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

The management of the Port Authority of the City of Saint Paul (the Port Authority), provides this narrative overview and analysis of the Port Authority's financial activities for the fiscal year ended December 31, 2017. We encourage readers to consider this information in conjunction with the complete financial statements presented herein. All amounts, unless otherwise indicated, are presented in thousands of dollars.

The Port Authority's annual report consists of three basic financial statements: the statement of net position, the statement of revenue, expenses, and changes in net position, and the statement of cash flows. These statements focus on the financial condition of the Port Authority, the results of operations, and cash flows of the Port Authority as a whole.

STATEMENT OF NET POSITION

	2017	2016
Current and Other Assets	\$ 145,428	\$ 119,829
Capital Assets	33,361	24,194
Total Assets	178,789	144,023
Deferred Outflows of Resources	689	1,151
Long-Term Liabilities	92,536	72,343
Other Liabilities	33,290	22,144
Total Liabilities	125,826	94,487
Deferred Inflows of Resources	382	246
Net Position:		
Net Investment in Capital Assets	8,786	10,529
Restricted, Debt Service	3,711	2,519
Restricted, Capital Maintenance on Owned Facilities	337	236
Restricted, Enabling Legislation	40,436	37,157
Total Net Position	\$ 53,270	\$ 50,441

FINANCIAL HIGHLIGHTS

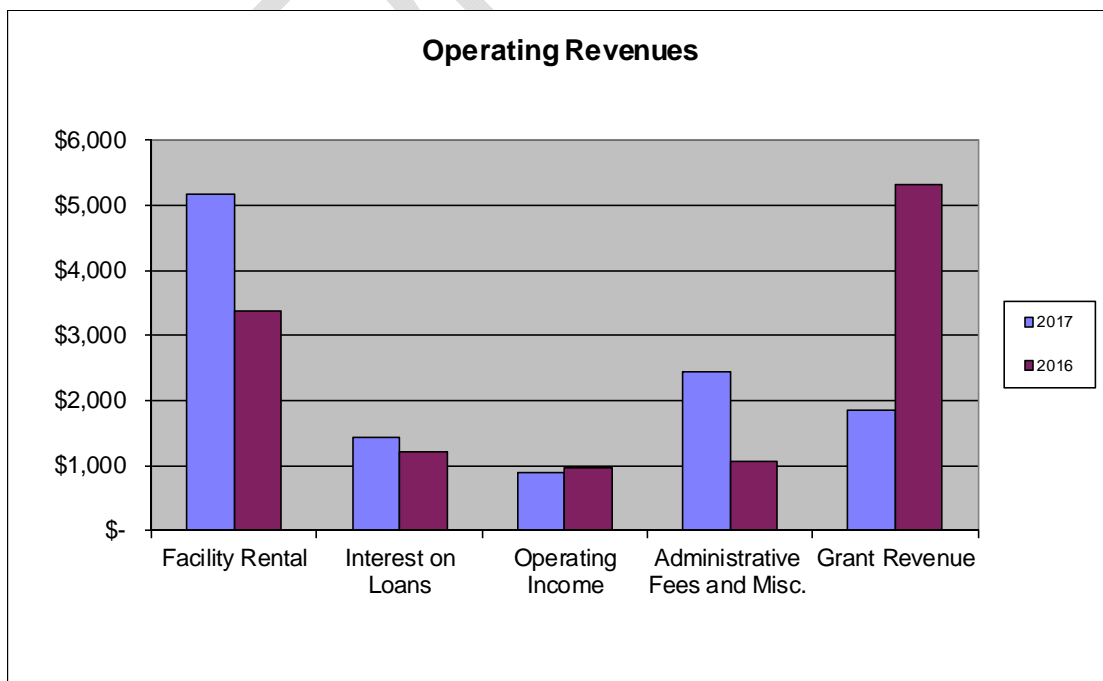
- Total assets were \$179 million or 24.1% more than in 2016. Current and Other Assets increased \$25.6 million or 21.4% mainly from the following changes. 1) loans receivable increased by approximately \$27.6 million mainly due to increases in special assessments associated with energy saving projects which were offset by third party loans payable; 2) decreases in property taxes receivable mainly associated with tax increment financing; 3) proceeds from 2017 bond issues resulted in increases in cash and investments available for future Port projects; and 4) minor changes in most of the other assets. Capital Assets increased \$10 million, mainly from outlays for a Public Safety Facility being constructed for use by the City of Saint Paul; this was offset partially by current year depreciation of \$0.9 million. The Public Safety Facility was financed by draws on a construction loan and is anticipated to be completed in 2018 at which time both the facility and related debt will be transferred to the City of Saint Paul.
- Deferred Outflows decreased \$462 thousand over the prior year as a result of a decrease in pension related costs associated with the Port Authority's share of pension costs associated with the Minnesota Public Employee Retirement System.

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

- Total liabilities increased \$31.3 million for a 33.2% increase over 2016. Debt associated with special assessments for third party energy saving projects and funded by outside parties increased by \$27.8 million; debt associated with the construction of a Public Safety Training Facility for the City of Saint Paul increased by \$10.7 million; other debt decreased by \$4.3 million. Retainage on construction projects decreased \$828 thousand and deposits from tenants and customers decreased \$1.3 million. There were minor changes in most other liabilities.

Operating Revenues: Operating revenues decreased \$138 thousand or 1.2% to \$11.8 million in 2017 from \$12 million in 2016. Facilities and Other Rentals had an increase of \$1.8 million; \$1.5 million of the increase was from tenant contributions towards enhancements to the shipping terminals with small increases in rates on most properties as well as increases in volume related fees at the sites. Administrative and miscellaneous fees increased \$1.4 million; the majority of this was a reimbursement associated with prior remediation work. Grants decreased \$3.5 million as a result of reduced remediation work as well as reduced work in the shipping terminals. Interest on loans increased slightly due to more energy saving loan activity. Operating Income and Administrative Fees had small adjustments from the prior year. The following schedule presents a summary of the revenues for the years ended December 31, 2017 and 2016, and the percentages of increase or decrease in relation to the prior year's revenues.

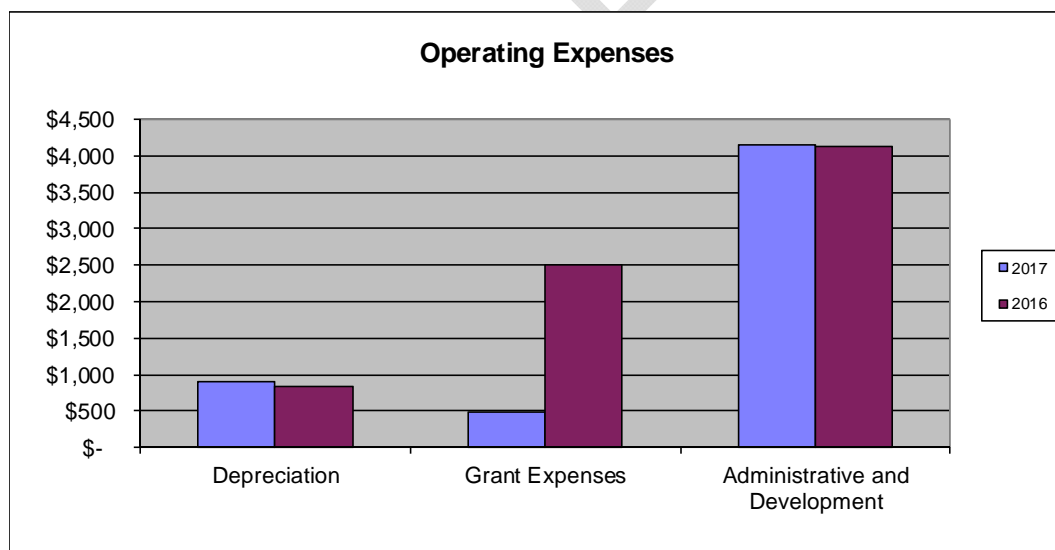
	2017	Percentage of Total	2016	Percentage of Total	Increase (Decrease) from 2016	Percentage Change
Operating Revenues						
Facility Rental	\$ 5,181	43.8 %	\$ 3,383	28.4 %	\$ 1,798	53.1 %
Interest on Loans	1,442	12.2	1,220	10.2	222	18.2
Operating Income	900	7.6	961	8.0	(61)	(6.3)
Administrative Fees and Misc.	2,448	20.7	1,067	8.9	1,381	129.4
Grant Revenue	1,846	15.6	5,324	44.5	(3,478)	(65.3)
Total Operating Revenues	<u>\$ 11,817</u>	<u>100.0 %</u>	<u>\$ 11,955</u>	<u>100.0 %</u>	<u>\$ (138)</u>	<u>(1.2)%</u>



**PORT AUTHORITY OF THE CITY OF SAINT PAUL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

Operating Expenses: Operating expenses decreased 18.8% to \$8 million in 2017 from \$9.8 million in 2016. Depreciation is mainly related to a distribution system of the Energy Park Utility system and overall was consistent with the prior year. As noted above, grants decreased in the current year associated with decreased remediation and port efforts. Administrative and Development costs remained consistent with prior years; within this group, the largest change was an increase in development consulting fees of \$165 thousand mainly associated with a study to explore opportunities to better utilize shipping terminals, however this was offset with minor changes in other costs. Revenues pledged to others relates to pledged leased property revenues which are then passed on to the third parties; while the majority of the main lease rate increase annually, a portion of this revenue is based upon volume. The following schedule presents a summary of expenses for the years ended December 31, 2017 and 2016, and the percentages of increase or decrease in relation to the prior year's expenses.

	2017	Percentage of Total	2016	Percentage of Total	Increase (Decrease) from 2016	Percentage Change
Operating Expenses:						
Depreciation	\$ 905	11.3 %	\$ 833	8.5 %	\$ 72	8.6 %
Grant Expenses	479	6.0	2,498	25.4	(2,019)	(80.8)
Administrative and Development	4,158	52.0	4,126	41.9	32	0.8
Revenues Pledged to Others	2,455	30.7	2,386	24.2	69	2.9
	<u>\$ 7,997</u>	<u>100.0 %</u>	<u>\$ 9,843</u>	<u>100.0 %</u>	<u>\$ (1,846)</u>	<u>(18.8)%</u>



**PORT AUTHORITY OF THE CITY OF SAINT PAUL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

Debt Administration: As of December 31, 2017, the Port Authority has several debt issues outstanding. These issues include \$33.9 million in general obligation bonds, \$16.4 million in taxable revenue bonds, \$3.1 million in other development bonds, \$9.8 million in limited liability bonds and \$47.6 million in promissory notes and loans. This was a net decrease of \$3.6 million from 2016. The Port Authority's debt is either not rated or, in the case of general obligation debt, is assigned the City of Saint Paul's rating, which is rated AAA by Standard and Poor's Rating Service and Fitch Ratings. The majority of the other bonds, notes and loans were used for energy savings projects which are secured by special assessments on the related projects and are fully offset with loans receivable. See Note 5 for additional information regarding the Port Authority's outstanding debt.

OTHER INFORMATION

Employees: The Port Authority had 19 and 18.5 regular fulltime employees as of December 31, 2017 and 2016, respectively.

General Business of the Port Authority: The Port Authority develops industrial business centers, and recycles brownfields to assist in creating tomorrow's jobs. This can result in the Port Authority owning land, buildings and improvements. The Port Authority also owns and operates barge terminals and storage facilities. All of these facilities are located in Saint Paul, Minnesota. The Port Authority contributes to the East Metro's growth and prosperity by providing businesses with cleaner land on which to expand, space on the Mississippi River to receive and ship commodities efficiently, and loans for real estate, equipment purchases, and energy savings. Energy saving loans are financed with funds from grants or third party funds and can be used for projects throughout the state.

Recycling Brownfields: The Port Authority continues to market space in two of its redeveloped business centers – the 61-acre Beacon Bluff Business Center on Saint Paul's East side and the River Bend Business Center at Shepard Road and Randolph Street.

Requests for Information: This financial report is designed to provide a general overview of the Port Authority's finances for all those with an interest in the Port Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Port Authority of the City of Saint Paul, Laurie J. Hansen, Chief Financial Officer, 380 St. Peter Street, Suite 850, Saint Paul, Minnesota 55102-1313.

BASIC FINANCIAL STATEMENTS

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PORT AUTHORITY OF THE CITY OF SAINT PAUL
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017
(IN THOUSANDS)

	Primary Government	Component Unit
ASSETS		
Cash and Cash Equivalents	\$ 1,098	\$ 242
Restricted Cash and Cash Equivalents	18,983	710
Accounts Receivable	1,214	13
Due from Component Unit	326	-
Accrued Interest Receivable	22	31
Loans Receivable from Port Authority	-	1,919
Fuel Inventory	54	-
Prepaid Expenses	174	144
Restricted Investments	9,734	-
Investments	-	7,895
Other Assets	113,823	-
Capital Assets:		
Land and Construction in Progress	16,618	5,980
Other Capital Assets, Net of Depreciation	16,743	12,544
Total Assets	<u>178,789</u>	<u>29,478</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources - Pensions	334	-
Deferred Outflows of Resources - Loss on Debt Refunding	355	-
Total Deferred Outflows of Resources	<u>689</u>	<u>-</u>
LIABILITIES		
Accounts Payable, Accrued Expenses, and Unearned Revenue	1,917	-
Accrued Interest Payable	1,136	394
Due to Port Authority	-	326
Other Accrued Liabilities	8,654	2,407
Long-Term Liabilities Due Within One Year	21,583	53,555
Long-Term Liabilities	90,582	3,537
Net OPEB Liability	601	-
Net Pension Liability	1,353	-
Total Liabilities	<u>125,826</u>	<u>60,219</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources - Pensions	382	-
NET POSITION		
Net Investment in Capital Assets	8,786	6,687
Restricted for:		
Debt Service	3,711	-
Capital Maintenance on Owned Facilities	337	-
Enabling Legislation	40,436	-
Unrestricted	-	(37,428)
Total Net Position	<u>\$ 53,270</u>	<u>\$ (30,741)</u>

See accompanying Notes to Basic Financial Statements.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017
(IN THOUSANDS)

	Primary Government	Component Unit
OPERATING REVENUES		
Revenue Bond Facilities and Loan:		
Facility and Other Rentals	\$ 5,181	\$ -
Interest on Loans	1,442	-
Operating Income on Owned Facilities	900	1,407
Administrative and Other Fees	2,448	358
Grant Revenues	1,846	-
Total Operating Revenues	<u>11,817</u>	<u>1,765</u>
OPERATING EXPENSES		
Administrative and Development	4,158	151
Operations of Owned Facilities	-	1,198
Revenues Pledged to Others	2,455	-
Depreciation	905	538
Grant Expenses	479	1,300
Total Operating Expenses	<u>7,997</u>	<u>3,187</u>
OPERATING INCOME (LOSS)	3,820	(1,422)
NONOPERATING REVENUES (EXPENSES)		
Investment Income	127	188
Equity Earnings on Joint Ventures	-	605
Debt Service Levies	8,710	-
Interest Expense on Revenue Bonds and Notes Payable	(3,455)	(4,494)
Provision for Uncollectable Accounts	-	(90)
Income from Operating Leases	-	127
Fiscal and Development Fees	(6,373)	-
Total Nonoperating Expenses	<u>(991)</u>	<u>(3,664)</u>
CHANGE IN NET POSITION	2,829	(5,086)
Net Position - Beginning of Year	<u>50,441</u>	<u>(25,655)</u>
NET POSITION - END OF YEAR	<u><u>\$ 53,270</u></u>	<u><u>\$ (30,741)</u></u>

See accompanying Notes to Basic Financial Statements.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017
(IN THOUSANDS)

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers and Users	\$ 6,080
Grant Receipts	1,840
Other Operating Receipts	4,371
Payments for Administrative and Development Expenses	(10,808)
Payments to Employees	1,863
Grant Expenses and Other Payments for Operations	(479)
Net Cash Provided by Operating Activities	<u>2,867</u>

CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES

Proceeds for Issuance of Debt	3,808
Principal Paid on Debt	(5,548)
Interest and Paying Agent Fees on Bonds	(7,599)
Receipts from Debt Service Levies	12,723
Net Cash Provided by Noncapital Financial Activities	<u>3,384</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds for Issuance of Debt	10,721
Acquisition of Capital Assets	(10,071)
Principal Paid on Capital Debt	(2,523)
Interest and Agency Fees Paid on Capital Debt	(2,010)
Net Cash Used by Capital and Related Financing Activities	<u>(3,883)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	134
Purchase of Investments	(2,417)
Proceeds from the Sale of Investments	3,872
Net Cash Used by Investing Activities	<u>1,589</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents - January 1	<u>16,124</u>
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CASH AND CASH EQUIVALENTS - DECEMBER 31

\$ 20,081

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating Income (Loss):	\$ 3,820
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	904
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	632
(Increase) Decrease in Prepaids	(4)
Increase in Inventory	3
(Increase) Decrease in Loans Receivable	300
(Increase) Decrease in Other Assets	(151)
(Increase) Decrease in Deferred Outflows	461
Increase (Decrease) in Payables	(1,285)
Increase (Decrease) in Other Liabilities	(1,949)
Increase (Decrease) in Deferred Inflows	136
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 2,867</u></u>

See accompanying Notes to Basic Financial Statements.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017
(ALL AMOUNTS IN THOUSANDS)

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The Port Authority of the City of Saint Paul (a component unit of the City of Saint Paul, Minnesota) (the Port Authority) is a body corporate of the State of Minnesota and a redevelopment agency within the meaning of Minnesota statutes. The Port Authority is an enterprise fund and accounts for operations similar to private business enterprises, where the intent is that the costs to provide services on a continuing basis be financed or recovered primarily through user charges. The Port Authority's purpose is to increase the volume of commerce and employment in the City of Saint Paul (the City) and the East Metro Area of the Twin Cities through the creation of development districts and the acquisition and construction of industrial, commercial and other revenue-producing projects. The Port Authority finances this development in order to expand the tax base and create job opportunities.

Financial Reporting Entity

The powers of the Port Authority are vested in the seven-member board of commissioners, the members of which are nominated by the Mayor and confirmed by the City Council of the City of Saint Paul. Once appointed, the board of commissioners exercises all oversight responsibilities, including, but not limited to, matters of personnel, management, finance, and budget. The accompanying financial statements present the Port Authority and its component unit, an entity for which the Port Authority is considered to be financially accountable. The discretely presented component unit, described below, is reported in a separate column in the government-wide financial statements to emphasize that it is legally separated from the Port Authority.

Certain Port Authority bond issues have been backed by the full faith and credit of the City. This general obligation pledge has allowed the Port Authority to obtain lower borrowing costs for the purpose of financing redevelopment projects. Governmental Accounting Standards Board (GASB) Codification 2100 states that a primary government that appoints a voting majority of an organization's officials and is obligated in some manner for the debt of that organization is financially accountable for that organization. Based on this criterion, the Port Authority is considered a discretely presented component unit of the City and is included in its basic financial statements.

Discretely Presented Component Unit

Capital City Properties (CCP) is a Minnesota not-for-profit corporation established in 1991 for the purpose of performing the functions and carrying out certain public purposes of the Port Authority. All of the members of the board of directors of CCP are either commissioners or staff of the Port Authority. CCP leases the Capital City Plaza Parking Garage St. Paul, as well as participates in various joint ventures. CCP separately issues its own financial statements which may be obtained by writing to CCP at 380 St. Peter Street, Suite 850, Saint Paul, Minnesota 55102-1313.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
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NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Measurement Focus and Basis of Accounting

The Port Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The GASB is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

The Port Authority utilizes the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

The Port Authority excludes from its basic financial statements all debt considered conduit debt as well as the related assets and operations. The Port Authority defines conduit debt as "no-commitment" debt for which the Port Authority has no further obligation, as defined by governmental accounting standards generally accepted in the United States of America. See Note 11 for further information related to no-commitment debt.

Use of Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Ultimate results could differ from those estimates.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents include demand deposit and savings accounts, money market funds, and commercial paper with original maturities of three months or less. Some cash of the discretely presented component unit is deposited with the Port Authority's deposits and invested on a short-term basis in checking, savings and money market accounts. Interest income earned as a result of the pooling is distributed based on the investment fund balances for the proprietary funds. All of the Port Authority's cash and cash equivalents are restricted by bond indentures and/or board resolutions.

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NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Restricted Investments

Restricted investments are reported at fair market value, with the unrealized gains and losses reported as a component of investment income, except for debt securities that have a remaining maturity at the time of purchase of one year or less, which are reported at amortized cost. All investments and earnings attributable to these restricted funds are accounted for directly by the Port Authority and are restricted in accordance with the provisions of bond indentures and a board resolution for operations and payments of debt service on the bonds. The funds and accounts the Port Authority is required to maintain are as follows:

- **Operations:** Pursuant to Board of Commissioners Resolution Number 3300 dated February 19, 1991, the Port Authority established an operating reserve account to enable the Port Authority to continue to carry out the covenants made with holders of bonds issued pursuant to certain bond financing programs. The reserve account is reviewed periodically, to determine whether the reserve is adequate.
- **Development programs:** Amounts have been restricted for the project-specific purposes.

Unamortized Bond Discounts and Premiums

Unamortized bond discounts and premiums are amortized over the life of the related debt.

Other Assets

Other assets consist of reimbursable project costs, future tax levies receivable, levied taxes receivable, and loans receivable (see Note 3).

Reimbursable project costs represent costs incurred by the Port Authority for specific projects that will be repaid in the future through various funding sources (tax increment financing, bond proceeds, state or federal grants, etc.). The Port Authority assesses the collectability of these costs on a project by project basis and reserves an amount as uncollectible based on known factors related to future funding sources and the estimated timing of collection.

The Port Authority records a receivable for future tax levies related to various bonds that are issued to finance projects. The bonds issued establish an irrevocable levy which creates a legally enforceable claim for repayment of the outstanding bond proceeds.

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NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Capital Assets

Properties and facilities are recorded at cost, including capitalized interest. Rental income is recorded for all properties and facilities under operating leases. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, as follows:

	<u>Years</u>
Land Improvements - Including Steam Utility System	10 - 40
Furniture, Fixtures and Equipment	3 - 5

Impairment of Capital Assets

The Port Authority reviews its capital assets for recoverability whenever events or changes in circumstances suggest that the service utility of a capital asset may have significantly or unexpectedly declined, indicating that an impairment of its capital assets has occurred. If impairment has occurred, the estimated impairment is based on the diminished service utility of the capital asset. To date, management has determined that no impairment of long-lived assets exists.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Comparative Data

Comparative data for the prior year has been presented only for certain sections of the accompanying financial statements in order to provide an understanding of the changes in the financial position and operations. Certain comparative information has been reclassified to conform to the current year presentation.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

In accordance with applicable Minnesota State Statutes, the Port Authority maintains deposits at financial institutions authorized by the board of commissioners. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

Authorized collateral includes: U.S. government treasury bills, notes, and or bonds; securities issued by a U.S. government agency; general obligations of local governments rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letters of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

Custodial Credit Risk - Deposits – In the case of deposits, custodial risk is the risk that in the event of bank failure, the Port Authority's deposits may not be returned to it. The Port Authority's deposit policy does not provide additional restrictions beyond Minnesota State Statutes. At year-end, the carrying amount of the Port Authority's deposits was entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

Investments

The Port Authority may also invest idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and with the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less
- General obligations rated "A" or better; revenue obligations rated "AA" or better
- General obligations of the Minnesota Housing Finance Agency rated "A" or better
- Obligations of a school district with an original maturity not exceeding 13 months which is (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to Minn. Stat. § 126C.55.
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System
- Commercial paper issued by United States corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing 270 days or less
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks, or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in one of the top two rating categories
- Repurchase or reverse purchase agreements and security lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

The Port Authority held the following investments as of December 31, 2017:

<u>Investment Type</u>	<u>Fair Value</u>
U.S. Treasury Notes	\$ 2,888
Federal Home Loan Mortgage Corp. (Freddie Mac)	943
Federal National Mortgage Assoc. (Fannie Mae)	2,019
Government National Mortgage Assoc. (Ginnie Mae)	10
Federal Home Loan Bank	776
State & Local Obligations: Municipal Bonds	396
Total Investments at Fair Value	<u>\$ 7,032</u>

<u>Investment Type</u>	<u>Amortized Cost</u>
Negotiable Certificates of Deposit	\$ 100
Minnesota Municipal Money Market Fund	2,602
Total Investments at Amortized Cost	<u>\$ 2,702</u>

Interest Rate Risk – As a means of managing its exposure to fair value losses arising from increasing interest rates, it is the Port Authority's practice to match maturities to its liquidity needs. The Port Authority establishes benchmarks that reflect its expected cash flow needs and minimize interest rates that are materially longer or shorter than those established by the benchmarks chosen. Maximum duration of the portfolio is 120% of the benchmark duration.

The schedule of the average maturities by investment type as of December 31, 2017 is as follows:

<u>Investment Type</u>	<u>Investment Maturities (In Years)</u>					<u>Total</u>
	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	<u>No Maturity</u>	
Negotiable Certificates of Deposit	\$ 100	\$ -	\$ -	\$ -	\$ -	\$ 100
U.S. Treasury Notes	150	1,868	870	-	-	2,888
Government-Sponsored Enterprises:						
Federal Home Loan Mortgage Corp (Freddie Mac)	373	549	7	14	-	943
Federal National Mortgage Assoc. (Fannie Mae)	522	967	491	39	-	2,019
Government National Mortgage Assoc. (Ginnie Mae)	-	10	-	-	-	10
Federal Home Loan Bank	-	776	-	-	-	776
State & Local Obligations: Municipal Bonds	191	205	-	-	-	396
Minnesota Municipal Money Market Fund	-	-	-	-	2,602	2,602
Total	<u>\$ 1,336</u>	<u>\$ 4,375</u>	<u>\$ 1,368</u>	<u>\$ 53</u>	<u>\$ 2,602</u>	<u>\$ 9,734</u>

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Credit Risk – As a means of managing its exposure that an issuer of a debt security will not fulfill its obligation, it is the Port Authority's practice to follow state law, which limits investments in authorized securities to certain credit risk ratings and maturities. It is the Port Authority's policy that securities must carry an A- or higher long-term rating by one rating agency or the highest quality short-term rating (without regard to modifiers) by two of the following rating agencies: Standard & Poors, Fitch or Moody's. The Port Authority's investments at December 31, 2017, carried the following ratings:

Investment Type	Credit Risk (Lowest rating from Moody's, S&P and Fitch Ratings)				Total
	AAA/Aaa	AA/Aa	A	Not Rated	
Negotiable Certificates of Deposit	\$ -	\$ -	\$ -	\$ 100	\$ 100
U.S. Treasury Notes	2,888	-	-	-	2,888
Government-Sponsored Enterprises:					
Federal Home Loan Mortgage Corp (Freddie Mac)	891	-	-	52	943
Federal National Mortgage Assoc. (Fannie Mae)	1,565	-	-	454	2,019
Government National Mortgage Assoc. (Ginnie Mae)	-	-	-	10	10
Federal Home Loan Bank	776	-	-	-	776
State & Local Obligations: Municipal Bonds	100	211	-	85	396
Minnesota Municipal Money Market Fund	-	-	-	2,602	2,602
Total	\$ 6,220	\$ 211	\$ -	\$ 3,303	\$ 9,734

Custodial Credit Risk – For an investment, the custodial credit risk is that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Port Authority will not be able to recover the value of its investments that are in the possession of another party. The Port Authority requires all securities purchased to be made in such a manner so that the securities are registered in the Port Authority's name or are in the possession of the Port Authority or a third-party custodian in the Port Authority's name.

Concentration of Credit Risk – The Port Authority diversifies its portfolio in order to minimize the impact of losses from any one individual issuer. It is the Port Authority's policy to limit the amount invested in any one issuer at the time of the purchase, excluding securities of the U.S. Government and government sponsored enterprise securities. There were no violations of the policy during the year.

At December 31, 2017 more than 5% of the Port Authority's investments are in the following issuers:

Investment Issuer:	Percent of Total Investments
Federal Home Loan Mortgage Corp (Freddie Mac)	10%
Federal National Mortgage Assoc. (Fannie Mae)	21%
Federal Home Loan Bank	8%

PORT AUTHORITY OF THE CITY OF SAINT PAUL
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NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements

The Port Authority uses fair value measurements to record fair value adjustments to certain asset and liabilities and to determine fair value disclosures.

The Port Authority follows an accounting standard which defines fair value, establishes framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the Port Authority has categorized its investments, based on the priority of inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quotes and prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset.

Assets of the Port Authority measured at fair value on a recurring basis are as follows:

Investment Type	Level 1	Level 2	Level 3	Total
U.S. Treasury Notes	\$ 2,888	\$ -	\$ -	\$ 2,888
Government-sponsored Enterprises:				
Federal Home Loan Mortgage Corp (Freddie Mac)	943	-	-	943
Federal National Mortgage Assoc. (Fannie Mae)	2,019	-	-	2,019
Government National Mortgage Assoc. (Ginnie Mae)	10	-	-	10
Federal Home Loan Bank	776	-	-	776
State & Local Obligations: Municipal Bonds	-	396	-	396
Total Investments Measured at Fair Value	<u>\$ 6,636</u>	<u>\$ 396</u>	<u>\$ -</u>	<u>\$ 7,032</u>

PORT AUTHORITY OF THE CITY OF SAINT PAUL
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NOTE 3 OTHER ASSETS

Other assets consist of the following at December 31, 2017:

Reimbursable Project Costs	\$ 10,641
Future Tax Levies	55,855
Loans Receivable	53,907
Allowance for Uncollectible Amounts	(6,580)
Total	<u>\$ 113,823</u>

NOTE 4 CAPITAL ASSETS

Capital asset additions, retirements and balances for the year ended December 31, 2017 were as follows:

	Balance at Beginning of Year	Increases	Decreases	Reclassifications	Balance at End of Year
Business-Type Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 2,045	\$ -	\$ -	\$ -	\$ 2,045
Construction in Progress	9,513	9,896	4,836	-	14,573
Total Capital Assets, Not Being Depreciated	<u>11,558</u>	<u>9,896</u>	<u>4,836</u>	<u>-</u>	<u>16,618</u>
Capital Assets, Being Depreciated:					
Land Improvements	39,951	4,917	-	-	44,868
Furniture and Equipment	2,492	95	-	-	2,587
Total Capital Assets, Being Depreciated	<u>42,443</u>	<u>5,012</u>	<u>-</u>	<u>-</u>	<u>47,455</u>
Accumulated Depreciation for:					
Land Improvements	27,701	783	-	3	28,487
Furniture and Equipment	2,106	122	-	(3)	2,225
Total Accumulated Depreciation	<u>29,807</u>	<u>905</u>	<u>-</u>	<u>-</u>	<u>30,712</u>
Total Capital Assets, Being Depreciated, Net	<u>12,636</u>	<u>4,107</u>	<u>-</u>	<u>-</u>	<u>16,743</u>
Business-Type Activities Capital Assets, Net	<u>\$ 24,194</u>	<u>\$ 14,003</u>	<u>\$ 4,836</u>	<u>\$ -</u>	<u>\$ 33,361</u>

PORT AUTHORITY OF THE CITY OF SAINT PAUL
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NOTE 5 REVENUE BONDS AND NOTES PAYABLE

Unless otherwise noted below, all obligations are in the name of the Port Authority of the City of Saint Paul with interest due semi-annually and principal due in varying installments. At December 31, 2017, revenue bonds and notes payable consisted of the following:

<u>Description</u>	<u>Amount</u>
General Obligation Debt:	
4.0% to 4.75% Bonds, Series 2008-6, with principal due through 2029, for the Beacon Bluff project.	\$ 375
3.0% to 5.375% Bonds, Series 2009-15, with principal due through 2027, for the Beacon Bluff project.	4,055
4.10% to 4.20% Bonds, Series 2009-16, with principal due through 2030, for the Beacon Bluff project.	2,055
2.0% to 3.75% Tax Exempt Tax Increment Revenue Refunding Bonds, Series 2010-2, with principal due through 2027 for the Williams Hill Project, primarily paid with tax increment but further collateralized with a general obligation pledge.	2,670
2.0% to 3.625% Taxable Bonds, Series 2013-1, with principal due through 2038 for financing the acquisition, remediation and improvement of blighted and marginal land for redevelopment.	7,075
2.0% to 3.0% Refunding Bonds, Series 2014-1, with principal due through 2024, backed by the full faith and credit of the City of Saint Paul.	6,150
1.0% to 2.9%, Taxable General Obligation Bonds, Series 2016-2, with principal due through 2029, for financing the acquisition, remediation, and improvement of blighted and marginal land for redevelopment, backed by the full faith and credit of the City of Saint Paul.	5,785
2.0% to 4.0%, Tax Exempt General Obligation Refunding Bonds, Series 2016-3, with principal due through 2029, backed by the full faith and credit of the City of Saint Paul.	5,155
2.0%, Taxable General Obligation Bonds, Series 2016-4, with principal due through 2020, for financing the acquisition, remediation, and improvement of blighted and marginal land for redevelopment, backed by the full faith and credit of the City of Saint Paul.	565
Revenue Bonds:	
\$1,905,000 of 5.45% and \$5,595,000 of 5.70% Tax Exempt Revenue Bonds Series 2012-3, with principal due through 2036, for the Energy Park Utility Company Project.	7,500
5.00% Taxable Revenue Bonds Series 2012-4, with principal due through 2022, for the Energy Park Utility Company Project.	765
4.02% Taxable Revenue Bonds Series 2013-6, with principal due through 2039, for the financing of a new multi-purpose regional ballpark.	8,145
Bonds Collateralized by Tax Increment Financing:	
4.25% Tax Exempt Tax Increment Revenue Bonds, Series 2017-6, with principal due through 2027, for the Riverbend project.	1,782
City of Saint Paul, Minnesota, Neighborhood Sales Tax Revitalization Program STAR Loan, no interest rate, for the Westminster Business Center.	259
6.25% Limited Taxable Tax Increment Revenue Notes, Series 2011-2, with principal due in 2021, for Energy Lane.	1,038
Limited Bonds Collateralized by Future Tax Levies:	
5.0% Tax-Exempt Limited Tax-Supported Refunding Bonds, Series 2017-1, with principal due through 2037.	8,485
1.35% to 2.375% Taxable Limited Tax-Supported Bonds, Series 2017-2, with principal due through 2021.	1,355
Other Debt:	
U.S. Department of Housing and Urban Development - Section 108 Loan, interest due semi-annually with principal due in varying amounts beginning in 2011 and concluding in 2022, backed by the full faith and credit of the Port Authority and the City of Saint Paul, primarily paid with tax increments.	675
Other Notes and Loans Payable	46,890
	110,779
Plus: Unamortized Bond Premium	1,386
Less: Current Maturities	(21,583)
	<u>\$ 90,582</u>

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NOTE 5 REVENUE BONDS AND NOTES PAYABLE (CONTINUED)

The Port Authority's lending and development programs are primarily financed by the issuance of various forms of revenue bonds or notes, which are collateralized based upon the circumstances under which the bonds were issued.

The Port Authority's revenue bond and note agreements include various restrictions and covenants.

Scheduled maturities of long-term obligations for the years ending December 31 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	21,583	2,819	24,402
2019	6,602	2,661	9,263
2020	6,719	3,186	9,905
2021	6,859	2,283	9,142
2022	7,302	2,121	9,423
2023-2027	32,762	8,172	40,934
2028-2032	13,858	4,721	18,579
2033-2037	13,569	1,830	15,399
2038-2039	1,525	48	1,573
Total	<u>\$ 110,779</u>	<u>\$ 27,841</u>	<u>\$ 138,620</u>

Long-term liability activity for the year ended December 31, 2017 was as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable:					
General Obligation Bonds	\$ 36,055	\$ -	\$ 2,170	\$ 33,885	\$ 2,310
Taxable Revenue Bonds	16,715	-	305	16,410	340
Development Revenue Bonds	3,583	1,782	2,286	3,079	529
Limited Tax Supported Bonds	10,490	1,355	2,005	9,840	285
Bond Premiums	901	671	186	1,386	-
Total Bonds Payable	<u>67,744</u>	<u>3,808</u>	<u>6,952</u>	<u>64,600</u>	<u>3,464</u>
Notes and Loans Payable	<u>10,252</u>	<u>38,618</u>	<u>1,305</u>	<u>47,565</u>	<u>18,119</u>
Total Long-Term Liabilities	<u>\$ 77,996</u>	<u>\$ 42,426</u>	<u>\$ 8,257</u>	<u>\$ 112,165</u>	<u>\$ 21,583</u>

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NOTE 6 RELATED PARTY TRANSACTIONS

As discussed in Note 1, CCP's corporate purpose is to perform functions and carry out certain public purposes of the Port Authority. In conjunction with this purpose, CCP makes periodic grants to the Port Authority. During 2017, these grants totaled \$1,300.

In 2013, the Port Authority's Energy Park Utility Company (EPUC) entered into a loan agreement payable to CCP in the amount of \$650. The terms of the loan include annual principal payments extending through 2021. EPUC also entered into an operating lease agreement with CCP which took effect in 2014 and through which EPUC will lease chiller equipment from CCP. The lease includes monthly payments of \$11 which extend through June 2026.

In 2011, the Port Authority refinanced its series 2003-1 Taxable Tax Increment Revenue Note. CCP purchased the series 2011-2 Taxable Tax Increment Revenue Refunding Note of \$1,740 with a final maturity in 2031. Under the terms of the note, annual payment will be made from available tax increment from the Energy Lane Business Center Tax Increment Financing District. In 2017, principal and interest payments were \$36 and \$90, respectively, resulting in an outstanding balance of \$1,039 at December 31, 2017.

NOTE 7 DEFINED BENEFIT PENSION PLANS

All employees hired after June 30, 2003, as well as certain other employees, are participants in the General Employees Retirement Fund (GERF), which is a cost sharing, multiple employer retirement plan. The following are descriptions and disclosures related to this plan.

A. Plan Description

The Port Authority participates in the following defined benefit pension plan administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees' Retirement Plan (GERF)

PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. All full-time and certain part-time employees of the Port Authority are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

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NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in calendar year 2017. In calendar year 2017, the Port Authority was required to contribute 7.5% for Coordinated Plan members. The Port Authority's contributions to the GERF for the year ended December 31, 2017, were \$105. The Port Authority's contributions were equal to the required contributions as set by state statute.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017
(ALL AMOUNTS IN THOUSANDS)

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs

GERF Pension Costs

At December 31, 2017, the Port Authority reported a liability of 1,353 for its proportionate share of the GERF's net pension liability. The Port Authority's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6,000 to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Port Authority totaled \$17. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Port Authority's proportion of the net pension liability was based on the Port Authority's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the Port Authority's proportion was 0.0212%, which was a decrease of 0.0025% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Port Authority recognized pension expense of \$132 for its proportionate share of GERF's pension expense.

At December 31, 2017, the Port Authority reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 44	\$ 87
Changes in Actuarial Assumptions	225	136
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	9	-
Changes in Proportion and Differences Between Port Authority Contributions and Proportionate Share of Contributions	-	159
Port Authority Contributions Subsequent to the Measurement Date	56	-
Total	<u>\$ 334</u>	<u>\$ 382</u>

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017
(ALL AMOUNTS IN THOUSANDS)

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

GERF Pension Costs (Continued)

A total of \$56 reported as deferred outflows of resources related to pensions resulting from Port Authority contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Pension Expenses Amount</u>
2018	(12)
2019	26
2020	(61)
2021	(57)
Thereafter	-

E. Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

<u>Assumptions</u>	<u>GERF</u>
Inflation	2.50% per Year
Active Member Payroll Growth	3.25% per Year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be one percent per year for the General Employees Plan through 2044 and then 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
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(ALL AMOUNTS IN THOUSANDS)

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2017 for the General Employees Fund:

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	39%	5.10%
International Equity	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.00%
Totals	100%	

F. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
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(ALL AMOUNTS IN THOUSANDS)

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. Pension Liability Sensitivity

The following presents the Port Authority's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Port Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
<u>GERF Discount Rate</u>	6.50%	7.50%	8.50%
Port Authority's Proportionate Share of the GERF Net Pension Liability	\$ 2,099	\$ 1,353	\$ 743

H. Pension Plan Fiduciary Net Position

Detailed information about GERF's fiduciary's net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Single Employer Retiree Healthcare Benefit Program

Plan Description: The Port Authority employees hired prior to January 1, 2002, and retiring after 20 or more years of service are eligible for up to \$300 per month toward the cost of health insurance. Employees who retired prior to 1996 are reimbursed for 100% of the cost of health insurance for themselves and their spouse. At December 31, 2017, there were eleven beneficiaries receiving benefits. In addition, there are six current employees that may become eligible for benefits in the future. The plan does not issue a stand-alone financial report.

Funding Policy: Retiree health care benefits are currently funded based on the benefit disclosed above on a pay-as-you-go basis. The board of commissioners may change the funding policy at any time.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
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(ALL AMOUNTS IN THOUSANDS)

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PAYABLE (CONTINUED)

Single Employer Retiree Healthcare Benefit Program (Continued)

Annual OPEB Cost and Net OPEB Obligation: The Port Authority's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution (ARC). The Port Authority has elected to calculate the ARC and related information using the alternative measurement permitted by GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a 30-year period. The following table shows the components of the annual OPEB cost, the amount actually contributed to the plan, and changes in the net OPEB obligation to the Retiree Healthcare Benefit Program.

Annual Required Contribution	\$ 47
Interest on Net OPEB Obligation	1
Adjustment to Annual Required Contribution	(13)
Annual OPEB Cost (Expense)	35
Contributions Made	(46)
Increase in Net OPEB Obligation	(11)
Net OPEB Obligation - Beginning of Year	612
Net OPEB Obligation - End of Year	<u>\$ 601</u>

The Port Authority's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligations for 2017:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2015	\$ 33	112.2%	\$ 588
December 31, 2016	64	63.0%	612
December 31, 2017	35	130.7%	601

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
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(ALL AMOUNTS IN THOUSANDS)

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PAYABLE (CONTINUED)

Single Employer Retiree Healthcare Benefit Program (Continued)

Funded Status and Funding Progress: The actuarial accrued liability for benefits as of December 31, 2017, the most recent valuation date, was \$601. The annual payroll for active employees covered by the plan was \$2,083 for a ratio of UAAL to covered payroll of 33%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The projections of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Methods and Assumptions: The Port Authority has estimated the liability associated with this benefit using an alternative valuation method that takes into account the existing age of the individuals, their years of service and life expectancy, probability of receiving a benefit, a health care cost trend factor of 6.3% and a 3.0% present value assumption. Alternative measurement calculations assume a level of percentage projected payroll 30-year open amortization period.

NOTE 9 OTHER PENSION BENEFITS PAYABLE

The Port Authority sponsors a Section 414(d) employee benefit plan covering all full-time employees who were hired prior to June 30, 2003, and did not elect to participate in the GERP. Employee participation in the plan is mandatory, and employees are required to contribute 6.50% of their salary. The Port Authority provides a contribution of 7.50%. Total contributions for the years ended December 31, 2017, 2016, and 2015 were approximately \$47, \$35 and \$41, respectively. The Port Authority does not have significant administrative responsibilities over the plan and, therefore, it is not reported within the financial statements.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017
(ALL AMOUNTS IN THOUSANDS)

NOTE 10 COMMITMENTS AND CONTINGENCIES

Grants: The Port Authority receives financial assistance from numerous federal, state and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Such audits could result in a liability to the Port Authority.

Tax Increment Financing: The Port Authority receives incremental property tax revenue generated by some or all of the value of certain development sites. These funds are used to repay existing tax increment bonds as well as related administrative and economic development activities. The terms of each financing plan are unique for each project as are the tax increment revenues derived from the project. The adequacy of tax increment revenues to meet debt service requirements is dependent upon a number of variables, the outcome of which cannot be predicted with certainty.

Risk Management: The Port Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; and general liability, for which the Port Authority carries insurance and also requires lessees, payers under loans receivable, or property managers (in the case of real estate owned and operated) to carry commercial insurance. The Port Authority has not reduced insurance coverage requirements in the past year, and no claims have been paid by the Port Authority in any of the three preceding years.

Capital Assets: The Port Authority has pledged the revenues from certain of its assets, generally those in its barge terminals, to a bond program; the ongoing lease payments associated with these leases are recorded in the financial statements as revenue with an offsetting expense for the payment to the revenue bond program. In addition, if the Authority sells any of these pledged assets before September 1, 2032, the net proceeds from the sale is also pledged to the revenue bond program. No such sales are currently contemplated and therefore no liability is recorded.

Other Contingencies: In the normal course of its business, the Port Authority is subject to contingencies relating to the performance and completion of contracts, environmental matters and claims of others. In the opinion of management and internal legal counsel, the ultimate settlement of known claims or disputes will not adversely affect the financial position or results of operations of the Port Authority.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017
(ALL AMOUNTS IN THOUSANDS)

NOTE 11 NO-COMMITMENT DEBT

The Port Authority has issued certain limited-obligation revenue bonds from the following financing sources:

Authority Resolution No. 876: The Common Revenue Bond Fund (Resolution 876) of the Port Authority of the City of Saint Paul (the 876 Bond Fund) includes balances and transactions relating to projects financed by bonds issued under Resolution 876. All debt service on revenue bonds issued under Resolution 876 is payable solely and exclusively from amounts specifically pledged, including amounts to be received under leases or loan agreements and account earnings.

These debt obligations are collateralized by all of the 876 Bond Fund assets and the related proceeds from operations and sale of 876 Bond Fund facilities. The 876 Bond Fund is managed by the Port Authority; however, these obligations are not secured by the credit of the Port Authority.

The 876 Bond Fund did not have adequate cash to pay the full principal amount due on December 1, 2004. Since then it has not made full debt service payments and it is unlikely full principal and interest payments will be made in the future.

The Port Authority and a group of bond holders entered into a mediated settlement which clarified various issues related to the 876 bonds, the pledged revenues and the maturity date of the bonds. The settlement was approved by the Ramsey County District Court in late 2011. As part of the Settlement, US Bank was appointed to act as the Trustee.

Conduit Financings: Conduit Financings represent bonds issued for project financings which are collateralized by the related amounts to be received under leases, loan agreements and property taxes.

None of the debt obligations issued from the above financing sources are secured by the credit of the Port Authority. The Port Authority is not obligated in any manner for repayment of this debt and, accordingly, it is not reported as liabilities in the accompanying financial statements. The aggregate amount of outstanding debt for the 876 Bond Fund and Conduit Financing obligations debt issues was \$246,059 at December 31, 2017.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017
(ALL AMOUNTS IN THOUSANDS)

NOTE 12 TAX ABATEMENTS

The Port Authority has entered into various agreements under Minnesota Statutes Section 469.174, Subdivision 10, and Section 469.175, which allow for certain entities to develop tax increment financing plans. As part of developing tax increment financing (TIF) plans, the Port Authority identifies TIF districts for the purpose of financing redevelopment, housing, or economic development through the use of tax increment generated from the captured net tax capacity in the TIF district. The Port Authority has the following types of TIF districts:

Redevelopment Districts – These districts must, per state statute, be parcels with 70% of the area occupied by buildings, streets, utilities, parking lots, or other similar structures with more than 50% of those structures being substandard and requiring substantial renovation or clearance or be properties consisting of vacant, unused, underused, or inappropriately used rail yards, rail storage facilities, or excessive or vacated railroad rights-of-way.

Economic Development Districts – These districts must, per state statute, be areas which consist of projects which the Port Authority finds to be in the public interest because it will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality, result in increased employment in the state, or result in preservation and enhancement of the tax base of the state.

Hazardous Substance Subdistricts – These subdistricts are created, per state statute, within a TIF district and are made up of any parcels within the TIF district that are designated hazardous substance sites or are contiguous to the hazardous substance sites. Development or redevelopment of these sites would not reasonably be expected to occur solely through private investment and tax increment otherwise available.

As part of the tax increment financing plans, the Port Authority enters into agreements with developers and other entities for Taxable Tax Increment Revenue Notes, or Pay-As-You-Go TIF Notes. Under these agreements, the Port Authority pledges a certain percentage of future tax increment revenue received from the TIF district in return for agreed upon improvements or development activities to be performed within the TIF district by the other entity. Each Pay-As-You-Go TIF Note contains a principal amount and the Notes terminate at the earlier of the date on which the entire principal has been paid in full or a termination date included in the agreement. Once the termination date is reached, the Port Authority has no more liability to make payments on the Note, regardless of whether or not the principal had been paid in full.

During fiscal year 2017, the Port Authority had five such Pay-As-You-Go TIF Notes in place and made payments totaling \$81 from tax increments received from the TIF Districts. The four agreements call for between 25% and 95% of the tax increments collected to be returned to the developer and have termination dates ranging from 2024 to 2043.

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

PORT AUTHORITY OF THE CITY OF SAINT PAUL
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
YEAR ENDED DECEMBER 31, 2017
(ALL AMOUNTS IN THOUSANDS)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
December 31, 2015	\$ -	\$ 588	\$ 588	- %	\$ 2,083	28%
December 31, 2016	-	612	612	-	1,846	33%
December 31, 2017	-	601	601	-	1,837	33%

DRAFT

PORT AUTHORITY OF THE CITY OF SAINT PAUL
PERA SCHEDULE OF THE PORT AUTHORITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
YEAR ENDED DECEMBER 31, 2017
(ALL AMOUNTS IN THOUSANDS)

	<u>Measurement Date 6/30/2017</u>	<u>Measurement Date 6/30/2016</u>	<u>Measurement Date 6/30/2015</u>	<u>Measurement Date 6/30/2014</u>
Port Authority's Proportion of the Net Pension Liability	0.0212%	0.0237%	0.0251%	0.0267%
Port Authority's Proportionate Share of the Net Pension Liability	\$ 1,353	\$ 1,924	\$ 1,301	\$ 1,254
State's Proportionate Share of the Net Pension Liability Associated with the Port Authority	17	-	-	-
Total	<u>\$ 1,370</u>	<u>\$ 1,924</u>	<u>\$ 1,301</u>	<u>\$ 1,254</u>
Port Authority's Covered Payroll	\$ 1,365	\$ 1,472	\$ 1,476	\$ 1,382
Port Authority's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	99.12%	130.71%	88.14%	90.74%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.90%	68.90%	78.20%	78.70%

DRAFT

PORT AUTHORITY OF THE CITY OF SAINT PAUL
PERA SCHEDULE OF THE PORT AUTHORITY'S CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2017
(ALL AMOUNTS IN THOUSANDS)

	Fiscal Year			
	2017	2016	2015	2014
Statutorily Required Contribution	\$ 105	\$ 103	\$ 114	\$ 105
Contributions in Relation to the Statutorily Required Contribution	(105)	(103)	(114)	(105)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Port Authority's Covered Payroll	1,401	1,374	1,522	1,443
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.25%

DRAFT

PORT AUTHORITY OF THE CITY OF SAINT PAUL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2017

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Port Authority of the City of Saint Paul
Saint Paul, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the Port Authority of the City of Saint Paul (a component unit of the City of Saint Paul, Minnesota) (the Port Authority), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated REPORT DATE. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the testing of internal control over financial reporting or compliance and other matters reported on for the discretely presented component unit, which were issued in a separate report dated REPORT DATE.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Port Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Port Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
REPORT DATE

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE,
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Commissioners
Port Authority of the City of Saint Paul
Saint Paul, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the Port Authority of the City of Saint Paul's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Port Authority of the City of Saint Paul's major federal programs for the year ended December 31, 2017. The Port Authority of the City of Saint Paul's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Port Authority of the City of Saint Paul's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port Authority of the City of Saint Paul's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Port Authority of the City of Saint Paul's compliance.

Opinion on Each Major Federal Program

In our opinion, the Port Authority of the City of Saint Paul complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the Port Authority of the City of Saint Paul is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Port Authority of the City of Saint Paul's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port Authority of the City of Saint Paul's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Port Authority of the City of Saint Paul as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Port Authority of the City of Saint Paul's basic financial statements. We issued our report thereon dated REPORT DATE, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
REPORT DATE

**THE PORT AUTHORITY OF THE CITY OF SAINT PAUL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2017**

<u>Federal Grantor/ Grant Name</u>	<u>Pass-through Grantor</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Energy: ARRA - State Energy Program	MN Dept. of Commerce	81.041	\$ 6,378,678
U.S. Environmental Protection Agency: Brownfields Assessment and Cleanup Cooperative Agreements:	Direct	66.818	292,033
U.S. Department of Homeland Security FEMA Disaster Grants - Public Assistance	MN Department of Public Safety	97.036	<u>50,629</u>
			<u><u>\$ 6,721,340</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Port Authority of the City of Saint Paul (the Port Authority) under programs of the federal government for the year ended December 31, 2017. The information presented in this schedule is presented in accordance with the requirements Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Port Authority of the City of Saint Paul, it is not intended to and does not present the financial position, change in net position, or cash flows of the Port Authority of the City of Saint Paul.

NOTE B SUMMARY OF SIGNIFIICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Port Authority of the City of Saint Paul does not charge indirect costs to its federal programs and therefore does not utilize the de minimus indirect cost rate allowed under the Uniform Guidance.

**THE PORT AUTHORITY OF THE CITY OF SAINT PAUL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2017**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

NOTE C STATE ENERGY PROGRAM

The amount reported on the financial statements for the ARRA-State Energy Program (81.041) for the Port Authority is the administrative and collection costs. Below is a summary of the loan activity during fiscal year 2017.

	State Energy Program
Loans Receivable Beginning	<u>\$ 14,172,784</u>
New Loans Issued	6,378,678
Loan Repayments	<u>(6,747,877)</u>
Loans Receivable Ending	<u><u>\$ 13,803,585</u></u>

**THE PORT AUTHORITY OF THE CITY OF SAINT PAUL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017**

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes _____ x no
 - Significant deficiency(ies) identified? _____ yes _____ x none reported
3. Noncompliance material to financial statements noted? _____ yes _____ x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes _____ x no
 - Significant deficiency(ies) identified? _____ yes _____ x none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes _____ x no

Identification of Major Federal Programs

Program	CFDA #
U.S. Department of Energy: ARRA - State Energy Program	81.041

Dollar threshold used to distinguish between Type A and Type B programs:

\$ \$750,000

Auditee qualified as low-risk auditee?

_____ x yes _____ no

**THE PORT AUTHORITY OF THE CITY OF SAINT PAUL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Section IV – Prior Year Findings

There were no matters required to be reported in the prior year.

DRAFT

Board of Commissioners
Port Authority of the City of Saint Paul, Energy Park Utility Company,
Capital City Properties, and Capital City Plaza Parking Garage
Saint Paul, Minnesota

We have audited the financial statements of the business-type activities, the aggregate discretely presented component unit, and each major fund of the Port Authority of the City of Saint Paul (the Port Authority), Energy Park Utility Company (a unit of the Port Authority), Capital City Properties (a component unit of the Port Authority) and the Capital City Plaza Parking Garage (a project of Capital City Properties) as of and for the year ended December 31, 2017, and have issued our report thereon dated REPORT DATE. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Port Authority of the City of Saint Paul, Energy Park Utility Company, Capital City Properties and Capital City Plaza Parking Garage are described in Note 1 to each of the respective financial statements.

No new accounting policies were adopted by any of the entities and the application of existing policies was not changed during 2017.

We noted no transactions entered into by the Port Authority of the City of Saint Paul, Energy Park Utility Company, Capital City Properties, and Capital City Plaza Parking Garage during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Qualitative aspects of accounting practices (continued)

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the fair market value of investments, which are based on quoted market prices; depreciation expense on capital assets, which is based on management's estimated useful life of those assets; allowance for uncollectible receivables, including accrued future tax collections, which is based on a review of individual accounts and an aging analysis, estimated tax receipts and historical collection experience; the estimate of the Port Authority's liability for other postemployment benefits, which is based on contractual benefits offered, projected wages, and the projected life spans of retirees; and the Port Authority's net pension liability, which is based on an actuarial study involving assumptions regarding discount rate, investment rate of return, and others. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Corrected misstatements

None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letters dated REPORT DATE.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Port Authority’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the Port Authority’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other audit findings or issues

We have provided a separate letter to you dated REPORT DATE, communicating internal control related matters identified during the audit.

Audits of group financial statements

We noted no matters related to the group audit that we consider to be significant to the responsibilities of those charged with governance of the group.

The entity’s ability to continue as a going concern

The following conditions and events, when considered in the aggregate and after considering management’s plans, caused us to conclude that substantial doubt about the Capital City Plaza Parking Garage’s ability to continue as a going concern for a reasonable time remains:

- Significant net position deficit accompanied by delinquent bond payments due to a shortfall of revenues to pay debt service.

These conditions and events and management’s plans for addressing them are disclosed in Note 7 to the Parking Garage’s financial statements. We concluded the disclosures are adequate. The outcome of these uncertainties could result in the realizability of assets and the settlement of liabilities at amounts materially different than their carrying values in the financial statements which were prepared on a going concern basis.

Because we concluded there is substantial doubt about the Parking Garage’s ability to continue as a going concern, we included an emphasis-of-matter paragraph in our auditors’ report reflecting that conclusion. The paragraph states:

The accompanying financial statements have been prepared assuming that the Garage will continue as a going concern. As discussed in Note 7 to the financial statements, the Garage has suffered recurring losses from operations, its total liabilities exceed total assets, and it has not been able to make sufficient lease payments to service the debt held by the senior and subordinate bondholders. Management’s plans in regard to these matters are also described in Note 7. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of the Uniform Guidance, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated REPORT DATE.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

* * * * *

This communication is intended solely for the information and use of the board of commissioners and management of Port Authority of the City of Saint Paul, Energy Park Utility Company, Capital City Properties and the Capital City Plaza Parking Garage, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
REPORT DATE

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Commissioners
Port Authority of the City of Saint Paul
Saint Paul, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Port Authority of the City of Saint Paul (a component unit of the City of Saint Paul) and its component unit (Capital City Properties) (collectively, the Organization) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated REPORT DATE.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the Organization failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, except as described in the Schedule of Findings and Recommendations as item 2017-001. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Organization's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

The Organization's written response to the legal compliance finding identified in our audit is described in the Schedule of Findings and Recommendations. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
REPORT DATE

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2017**

FINDING: 2017-001 CONTRACTING AND BIDDING REQUIREMENTS

Minnesota Statute § 471.423 requires that each contract between the government and a prime contractor include language that requires the prime contractor to pay all subcontractors within ten days of receipt of payment from the government entity or pay interest of 1-1/2% per month or any part of a month to the subcontractor on any undisputed amount not paid on time to the subcontractor.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings

There is no disagreement with the audit finding. The contract did not contain the required language.

Actions Planned in Response to Finding:

While the contract did not have any subcontractors, the Port Authority Development team will update its training process to address contract bidding, contract awarding, and monitoring. As part of this process, it will be working with its consulting engineers to ensure that bid documents and related contracts include the required language.

Official Responsible for Ensuring CAP:

The Project Manager along with their supervisor (the Senior Vice-President) will be the officials responsible for ensuring the CAP.

Planned Completion Date for CAP:

The Organization will complete the CAP by the end of fiscal year 2018

.

Plan to Monitor Completion of CAP:

The Senior Vice President of Development will monitor completion of the CAP.

Board of Commissioners
Port Authority of the City of Saint Paul
Saint Paul, Minnesota

In planning and performing our audit of the financial statements of the Port Authority of the City of Saint Paul (a component unit of the City of Saint Paul, Minnesota) (the Port Authority) as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Port Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port Authority's internal control.

However, during our audit we became aware of matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. Our comments and suggestions regarding those matters are summarized below. We previously provided a written communication dated REPORT DATE, on the Port Authority's internal control. This letter does not affect our communication dated REPORT DATE.

IT Assessment Recommendations

During the 2015 audit CLA conducted various IT procedures and assessments and, as a result, provided several recommendations as opportunities for the Port Authority to further strengthen its internal controls over information technology. During the 2016 and 2017 audits it was noted that most of those recommendations had been fully implemented, however, the Port Authority did identify two items, related to disabling local administrator privileges and USB drives on workstations, as not necessary and lower risk. We just wanted to further remind management of these suggestions as additional best practices for IT security that have not yet been put into place.

OPEB Irrevocable Trusts

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, requires the Port Authority to record its estimated long-term liability for other postemployment benefits, most notably healthcare benefits. GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, includes guidance for situations when assets are accumulated in trust funds to finance these OPEB liabilities. Specifically, GASB 43 notes that in situations where assets are held in a trust that meets certain criteria, the portion of the entity's total OPEB liability equal to the value of the trust fund's assets can be considered funded, and the result is either a net pension liability for any amount by which the liability exceeds the assets or, in some cases, a net pension asset.

In order for a trust fund to meet the criteria set forth in GASB 43 (which was amended by GASB Statement No 74 effective for fiscal year 2017), it must meet the following criteria:

- Employer contributions to the trust are irrevocable
- Assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with terms of the benefit plan
- Assets are legally protected from creditors of the employer or plan administrator

As the Port Authority has sufficient available funds to set up a trust fund that meets these criteria, management should consider this option to finance the Port Authority's OPEB liability. Depending on the value of the assets of the trust, this may result in a net OPEB asset shown in the Port Authority's financial statements rather than a net OPEB liability, and will show the Port Authority's employees its commitment to funding these promised postemployment benefits.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Port Authority personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the board of commissioners, and others within the Port Authority, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
REPORT DATE

Board of Commissioners and Management
Port Authority of the City of Saint Paul
Saint Paul, Minnesota

In planning and performing our audit of the financial statements of the governmental activities of the Energy Park Utility Company as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered Energy Park Utility Company's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Energy Park Utility Company's internal control. Accordingly, we do not express an opinion on the effectiveness of Energy Park Utility Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Energy Park Utility Company's financial statements will not be prevented, or detected and corrected, on a timely basis.

This communication is intended solely for the information and use of management, the board of commissioners, and others within Energy Park Utility Company, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
REPORT DATE

MEMORANDUM

To: BOARD OF COMMISSIONERS **Meeting Date:** April 24, 2018

From: Laurie J. Hansen *LJH*

Subject: AUTHORIZATION FOR CONTINUATION OF CAPITAL CITY PROPERTIES CORPORATION
RESOLUTION NO. 4626

Action Requested

A request that the Port Authority Board adopt Resolution No. 4626 confirming its desire that Capital City Properties Corporation (CCP) remain in existence and exempt from the statutory requirements identified originally in Port Authority Resolution No. 3853, and amended by Resolution No. 3902 (copies attached).

Background

In 1999 the Minnesota Legislature adopted legislation prohibiting the further creation of nonprofit corporations by political subdivisions and requiring that nonprofit corporations previously created by political subdivisions take certain actions in order to remain in existence. This legislation applied to CCP, which had been created as an affiliate of the Port Authority in 1991.

Pursuant to this legislation, the Port Authority and CCP adopted resolutions on October 24, 2000 to provide for the continued existence of CCP; to indicate which specific statutory requirements CCP would be subject to and which it would be exempt from; and to agree to comply with these statutory provisions going forward. The periodic supporting resolutions required by this legislation have also been adopted by both the Port Authority and CCP.

Current Status

One of the requirements imposed by the 1999 statutes is a requirement that the nonprofit corporations be audited on an annual basis, and that this audit be presented to the applicable political subdivision at a regularly scheduled meeting. The CCP audit will be presented to the Port Authority Board on April 24, 2018 and to the CCP Board on April 24, 2018.

The 1999 statutes also require that the political subdivision periodically reaffirm the actions originally taken to continue the existence of the nonprofit corporation and the exemption from statutory requirements. This requirement is the subject of this report.

Recommendation

We recommend adoption of Resolution No. 4626 confirming the Port Authority's desire that CCP remain in existence and exempt from the statutory requirements described in prior resolutions.

Attachments

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

[CONTINUATION OF CAPITAL CITY PROPERTIES CORPORATION]

WHEREAS, in the 81st legislative session, the Minnesota Legislature adopted Minn. Stat. §465.719, requiring that political subdivisions, such as the Port Authority of the City of Saint Paul (the “Port Authority”) who have either created or have a relationship with a non-profit corporation (such as Capital City Properties (“CCP”)) adopt a resolution at a regularly scheduled meeting in order to provide for the continued existence of such non-profit corporation;

WHEREAS, on October 24, 2000, the Port Authority adopted its Resolution No. 3853 in which the Port Authority provided for the continued existence of CCP, as contemplated by Minn. Stat. §465.719 and for the exemption of CCP from certain statutory requirements otherwise applicable to the Port Authority; which exemptions are described in Attachment 1 attached hereto;

WHEREAS, by Resolution No. 3902 adopted August 28, 2001, the Port Authority expanded the scope of CCP activities;

WHEREAS, by Resolution Nos. 3930 adopted May 28, 2002; 4010 adopted May 27, 2003; 4087 adopted August 24, 2004; 4164 adopted April 25, 2006; 4216 adopted June 26, 2007; 4261 adopted on June 24, 2008; 4299 adopted on May 26, 2009; 4344 adopted on June 22, 2010; 4382 adopted on May 24, 2011; 4227 adopted on June 26, 2012; 4460 adopted on May 28, 2013; 4503 adopted on June 24 2014; 4541 adopted on May 26, 2015; 4572 adopted on May 24, 2016; and adopted 4597 on April 25, 2017; the Port Authority determined that the exemptions provided for in Resolution Nos. 3853 and 3902 should continue to apply to CCP and provided for the continued existence of CCP under the scope and exemptions provided in Port Authority Resolution Nos. 3853 and 3902;

WHEREAS, at the regularly scheduled meeting of the Board of Commissioners of the Port Authority held on April 24, 2018, CCP presented to the Port Authority an audit of its financials for the calendar year ending December 31, 2017, conducted by CliftonLarsonAllen, and the Port Authority has reviewed such audit and the activities of CCP and, on the basis of such review, has determined that the continued existence of CCP under the scope and exemptions provided in Resolution Nos. 3853 and 3902 is appropriate.

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

1. The Port Authority hereby authorizes the continued existence of CCP under the scope and exemptions provided for in Resolution Nos. 3853 and 3902 as more fully described in Attachment 1.

2. Port Authority management is hereby authorized and directed to file a certified copy of this resolution with the Secretary of State, as required by Minn. Stat. §465719, Subdivision 10.

Adopted: April 24, 2018

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its _____

ATTEST:

By _____
Its _____

RESOLUTION OF THE
PORT AUTHORITY OF THE CITY OF SAINT PAUL

WHEREAS, the Port Authority of the City of Saint Paul ("the Port Authority") is a political subdivision of the state of Minnesota within the meaning of Minnesota Statutes § 465.719, subdivision 1(a).

WHEREAS, on July 30, 1991, Saint Paul Port Authority Properties Corporation, now known as Capital City Properties ("CCP") was formed by Victor P. Reim, James J. Bellus and Kenneth R. Johnson (then the Chair, President and Vice President of the Port Authority, respectively) as a Minnesota non-profit corporation for the purpose of:

- (a) aiding, assisting and advising the Port Authority in, and engaging in, the planning for and development and improvement of the Saint Paul area;
- (b) providing advice, support, funds, capital, gifts and all other lawful forms of assistance, financial or otherwise, to or for the use of the Port Authority in connection with the development of the Saint Paul area; and
- (c) aiding, supporting and assisting, by loans, guaranties, investments and other lawful forms of assistance, other persons or organizations seeking to develop and improve the Saint Paul area.

WHEREAS, at its formation, and continuing today, the Port Authority is the sole member of CCP.

WHEREAS, on July 30, 1991, the Port Authority adopted its Resolution No. 3330 in which the Port Authority:

- (a) pledged its full support for the creation and operation of CCP;
- (b) approved the Articles of Incorporation of CCP; and
- (c) authorized certain financial support for CCP and pledged to work closely with, and provide all assistance to, CCP to ensure its successful operation.

WHEREAS, under the Articles of Incorporation, as amended, the affairs of CCP are to be managed by a board of directors consisting of not less than five nor more than 11 persons, a majority of which shall be either (a) a commissioner or commissioners of the Port Authority or (b) one or more full-time employees of the Port Authority.

WHEREAS, on April 2, 1993, CCP applied to the Internal Revenue Service for recognition of exemption under Section 501(c)(3) by virtue of its relationship with, and activities

on behalf of, the Port Authority, which exemption was granted by the Internal Revenue Service on February 2, 1994.

WHEREAS, in the 81st legislative session, the Minnesota Legislature adopted Minn. Stat. §465.717, requiring that political subdivisions, such as the Port Authority, who have either created or have a relationship with a non-profit corporation (such as CCP) adopt a resolution at a regularly scheduled meeting in order to provide for the continued existence of such non-profit corporation.

WHEREAS, the Port Authority wishes to provide for the continued existence of CCP, as contemplated by Minn. Stat. §465.717, pursuant to the terms and conditions described herein.

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

1. The Port Authority hereby finds that CCP has fulfilled the purpose for which it was created, which was to be a supporting organization to the Port Authority, with the intent being that CCP would undertake activities at the request of and under contract with the Port Authority, in carrying out land acquisition, development and property management responsibilities that would otherwise have been undertaken by the Port Authority, and that CCP should continue in existence in order to continue those activities on behalf of the Port Authority. The Port Authority continues to believe the land acquisition, development and property management responsibilities currently carried on by CCP on behalf of the Port Authority are best carried on by CCP for the reasons more specifically stated in Attachment 1 to this resolution.

2. The Port Authority intends that CCP have such power and authority as is granted in its Articles of Incorporation and Bylaws. The Port Authority specifically finds that the authorities and powers of CCP shall not exceed the authorities and powers of the Port Authority, except as provided in paragraphs 4 and 5, below.

3. The Port Authority hereby elects to continue the provisions of the Articles of Incorporation of CCP requiring that a majority of CCP's directors be either Port Authority commissioners or employees, for the reasons more specifically stated in Attachment 1.

4. The Port Authority hereby determines that CCP should comply with every law that applies to the Port Authority, as if CCP is a part of the Port Authority, except for the following laws, from which the Port Authority hereby elects to exempt CCP, for the reasons more specifically set forth on Attachment 1.

- Uniform municipal contracting law [Minn. Stat. §471.345]
- Limitation on compensation of employees based on governor's salary [Minn. Stat. §43A.17]
- Equitable pay [Minn. Stat. §471.991 to 471.99]

- Prohibition on acceptance of gifts from interested parties [Minn. Stat. §471.895]
- Municipal tort liability [Minn. Stat. §466]
- Identification of owned vehicles [Minn. Stat. §471.346]
- Itemization and declaration of claims [Minn. Stat. §471-38 to 471.41]
- Prohibition on advances of pay, the making or guarantee of loans or the provisions in-kind benefits, unless authorized by law

5. In connection with the determination made in paragraph 4, above, with respect to the applicability of certain laws to CCP, the Port Authority hereby understands that CCP may not be exempted from the Minnesota Open Meeting Law (Minn. Stat. §471.705), laws governing records management (Minn. Stat. §§138.163 to 138.25) or the Minnesota Government Data Practices Act (Minn. Stat. Chapter 13). In this regard, however, the Port Authority further understands and finds that CCP is entitled to treat the following data as private data under Minn. Stat. §13.02, subdivision 12 or as nonpublic data under Minn. Stat. §13.02, subdivision 9, all data relating either to (a) private businesses consisting of financial statements, credit reports, audits, business plans, income and expense projections, customer lists, balance sheets, income tax returns, and design, market and feasibility studies not paid for with public funds, or (b) enterprises operated by CCP that are in competition with entities offering similar goods and services, so long as the data are not generally known or readily ascertainable by proper means and disclosure of specific data would cause harm to the competitive position of the enterprise or private business, provided that the goods and services do not require a tax levy.

6. The Port Authority hereby undertakes to review the activities of CCP on an annual basis, in connection with the Port Authority's annual review of the CCP audit, and to determine after each such review whether the exemption provided in the preceding paragraph 4 should be continued. Following such review, the Port Authority shall adopt a resolution to continue any exemption which it then deems appropriate to continue, and shall file a certified copy of such resolution with the Secretary of State.

7. Port Authority management is hereby authorized and directed to file a certified copy of this resolution with the Secretary of State, as required by Minn. Stat. §465.717, Subdivision 2.

8. CCP is hereby authorized and directed to adopt and file such amendments to its Articles of Incorporation as may be necessary to make CCP's Articles of Incorporation consistent with this resolution, and to provide for the application of the laws described in paragraphs 4 and 5, above.

Adopted: October 24, 2000

PORT AUTHORITY OF THE CITY
OF SAINT PAUL

By *Joan A. Dziwinski*
Its Chair

ATTEST:

Kathy Lent
Its Secretary

ATTACHMENT 1

1. Need for Corporation. CCP was created to assist the Port Authority in carrying out its purposes by holding and/or operating repossessed real estate on behalf of the Port Authority, thereby reducing or eliminating from the Port Authority those burdens. Since its creation in 1991, this has proven to be true. CCP, as a separate legal entity, has operated the Radisson Riverfront Hotel and the Radisson City Center Hotel, and is currently in the process of constructing a parking ramp to serve those two facilities, as well as the City of Saint Paul in general. In carrying on these activities, CCP, as a separate legal entity, has insulated the Port Authority from the related liabilities, complications and risks associated with the related businesses. CCP's ownership has allowed the Port Authority to avoid adding as many as 500 private employees to its public payroll and related benefits, and has allowed CCP to negotiate employment and collective bargain agreements, as well as other claims which arise in connection with the ownership and operation of the hotels and parking ramps, maintaining those obligations and responsibilities at a non-public level, protecting the resources and taxing authority of the Port Authority.

2. Board Membership. CCP's Articles of Incorporation require that a majority of CCP's directors be either Port Authority commissioners or employees. The Port Authority believes that it is important to continue this requirement, since this continuity of leadership and management between the Port Authority and CCP helps to ensure that CCP will conduct its activities in a way that is consistent with the goals and priorities of the Port Authority, and in fulfillment of the Port Authority's public purpose objectives.

3. Exemption from certain Laws.

A. Uniform municipal contracting law [Minn. Stat. §471.345] – The Port Authority hereby finds that CCP should be exempt from the uniform municipal contracting law because, in its general activities, CCP is providing for the construction and/or renovation of properties that are private and proprietary in nature, although being operated for a public purpose through repossession or otherwise. CCP is also not financing its construction activities with taxpayer or other public funds, and instead is accessing the revenue bond market for funds necessary for these projects. As a result, the safeguards which would generally be appropriate in a governmental project are not necessary in connection with CCP's activities.

B. Limitation on compensation of employees based on governor's salary [Minn. Stat. §43A.17] – As described above, CCP's activities are generally of a proprietary and private natures, relating to properties that, as a general rule, have come into public ownership through repossession. CCP, as the owner of the Radisson Hotel Riverfront and Radisson City Center Hotel, employees approximately 500 people, pursuant to existing contracts and collective bargaining agreements. These employees are hotel employees, and do not consider themselves government employees. As a result, it would be inappropriate, and noncompetitive, to require that CCP be limited by requirements otherwise imposed on governmental employees. [Note – this exemption only applies to CCP employees, and will not apply to Port Authority employees who

might, from time to time, do work for CCP on a contract basis. Port Authority employees, would remain subject to any salary limitation imposed on government employees.]

C. Equitable pay [Minn. Stat. §471.991 to 471.99] – As described above, the employees that work for CCP are, for the most part, union employees entitled to benefits established under collective bargaining agreements negotiated with the unions. As described above, these employees do not consider themselves municipal employees, and should not be entitled to compensation and employment benefits which are generally available only to government employees, and are not generally available in the private sector.

D. Prohibition on acceptance of gifts from interested parties [Minn. Stat. §471.895] – As described above, CCP's employees do not consider themselves to be governmental employees, and are not governmental employees. Instead, they are private employees for all other intents and purposes and should not be subject to gift ban limitations imposed by Minnesota Statutes on governmental employees. Also, as employees of CCP, these employees do not fall within the definition of "local official", and are not in a position to influence the activities of local officials. [Note – this exemption only applies to CCP employees, and will not apply to Port Authority employees who might, from time to time, do work for CCP on a contract basis. Port Authority employees, would remain subject to any gift ban imposed on government employees.]

E. Municipal tort liability [Minn. Stat. §466] – Since CCP is not a governmental entity, and is operating businesses which are, for all intents and purposes, private businesses, CCP should not be allowed to unjustly protect itself and these businesses from tort liability. Instead, the businesses operated by CCP should be required to carry insurance to cover risks, as their competitors do.

F. Identification of owned vehicles [Minn. Stat. §471.346] – The vehicles owned by CCP, or by the businesses operated by CCP, will be owned and operated in connection with the proprietary businesses, and not in direct connection with any municipal or governmental services. These vehicles will include hotel airport vans, which need to be clearly identified as belonging to the hotel. Identification of these vehicles with the Port Authority would cause consumer/user confusion.

G. Itemization and declaration of claims [Minn. Stat. §471-38 to 471.41] – CCP is operating its businesses in a proprietary marketplace. The sheer volume of expenditures, and the timing of such operations, precludes compliance with this statutory requirement. Since claims against CCP's businesses are payable solely out of the revenues of such businesses, standard and prudent operational practices will provide the necessary safeguards, without need for these additional statutory protections.

H. Prohibition on advances of pay, the making or guarantee of loans or the provisions in-kind benefits, unless authorized by law – CCP's relationships with its

employees are, for the most part, governed by contract or collective bargaining agreements. CCP is obligated to be competitive within the industry in which these businesses operate, which may require, from time to time, pay advances and other activities which would otherwise be precluded by these requirements. Since CCP's operating revenues come from the operation of the businesses in question, public money is not at risk, and the statutory protections are not necessary. [Note – this exemption only applies to CCP employees, and will not apply to Port Authority employees who might, from time to time, do work for CCP on a contract basis. Port Authority employees, would remain subject to any prohibitions imposed on government employees.]

RESOLUTION OF THE
PORT AUTHORITY OF THE CITY OF SAINT PAUL

WHEREAS, in the 81st legislative session, the Minnesota Legislature adopted Minn. Stat. §465.719, requiring that political subdivisions, such as the Port Authority of the City of Saint Paul (the "Port Authority"), who have either created or have a relationship with a non-profit corporation (such as Capital City Properties ("CCP")) adopt a resolution at a regularly scheduled meeting in order to provide for the continued existence of such non-profit corporation and to specify what authorities and powers the corporation should possess.

WHEREAS, on October 24, 2000, the Port Authority adopted its Resolution No. 3853 in which the Port Authority provided: for the continued existence of CCP, as contemplated by Minn. Stat. §465.719; for the exemption of CCP from certain statutory requirements otherwise applicable to the Port Authority; and for CCP to have authorities and powers which do not exceed the authorities and powers of the Port Authority.

WHEREAS, subsequent to the adoption of Resolution No. 3853, the Port Authority has determined that in addition to the powers and authority available to the Port Authority, CCP should retain and have powers which would otherwise be available to a nonprofit corporation, to enter into partnerships, joint ventures and corporate share ownership arrangements, in furtherance of the mission and activities of CCP and the Port Authority.

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

1. The findings and conclusions contained in Resolution No. 3853 are hereby ratified and affirmed, as amended hereby.
2. The Port Authority hereby determines that, in addition to the powers and authorities of the Port Authority, CCP should retain and have the power and authority that a corporation would otherwise have to enter into partnership, joint venture or stock ownership arrangements, as necessary to enable CCP to participate in partnerships, joint ventures or the ownership and operation of other corporations in furtherance of the mission and activities of CCP and the Port Authority, notwithstanding any limitation that would otherwise be imposed on the Port Authority with regard to such activities.
3. Port Authority management is hereby authorized and directed to file a certified copy of this resolution with the Secretary of State, as required by Minn. Stat. § 465.719, Subdivision 2.

Adopted: August 28, 2001

PORT AUTHORITY OF THE CITY
OF SAINT PAUL


By Gathie Hartig
Its ~~Chair~~ Acting Chair

ATTEST:

[Signature]
Its ~~Secretary~~ Asst. Secretary

MEMORANDUM

To: BOARD OF COMMISSIONERS **Meeting Date:** April 24, 2017

From: Peter M. Klein 

Subject: **PUBLIC HEARING - LYNGBLOMSTEN CARE CENTER, INC. - AUTHORIZATION FOR THE ISSUANCE OF BANK-QUALIFIED, TAX-EXEMPT AND TAXABLE CONDUIT REVENUE BONDS IN THE APPROXIMATE AMOUNT OF \$10,000,000 RESOLUTION NO. 4627**

Action Requested:

Provide approval for the Port Authority to issue approximately \$10,000,000 of bank-qualified conduit tax-exempt and taxable revenue bonds to be used to finance construction and equipping of improvements to an existing 277,000 square-foot, 237-bed skilled nursing facility located at 1415 Almond Avenue in the City of Saint Paul, and pay a portion of the costs of issuing the bonds.

Public Purpose:

The financing will allow Lyngblomsten to more efficiently provide senior care services benefitting its patients in Saint Paul.

Business Subsidy:

The proposed issuance of bonds is for a not-for-profit organization and is exempt from treatment as a business subsidy.

Background:

Lyngblomsten is a nonprofit senior care facility that has been providing multiple levels of housing and healthcare services to Twin Cities' residents since 1906. It provides a continuum of care services from independent housing to long-term general care and memory care.

The financing is structured as health care facility revenue bonds pursuant to public sale.

Proposal:

Type of Bonds: The health care facility tax-exempt revenue bonds will be "bank-qualified" under Section 265 of the Code. This will allow a bank to hold the tax-exempt bonds without a reduction in their effective yield which would otherwise impact a "non-bank qualified" tax-exempt holding. The taxable bonds will cover part of the cost of issuance.

Rate: Approximately 4.50%

Security: First secured interest and mortgage on the project in favor of the bondholders, including the land, building and personal property associated with the project.

Term:	Twenty-five year fully amortizing
Issue:	Saint Paul Port Authority
Borrower:	Lyngblomsten Care Center, Inc.
Borrower's Counsel:	Faegre Baker Daniels
Borrower's Consultant:	Grand Real Estate Advisors
Underwriter:	Northland Securities, Inc.
Underwriter's Counsel:	Gray Plant Mooty
Bond Counsel:	Briggs and Morgan
Trustee:	US Bank Corporate Trust

Conduit Financing:

The bonds will be a conduit financing of the Authority and will not constitute or give rise to a liability of the Authority, the City of Saint Paul or the State of Minnesota or a charge against their general credit or taxing powers. The bondholders will not have the right to demand payment on the bonds out of any funds to be raised from taxation or from any revenue sources other than those expressly pledged to payment of the bonds pursuant to the funding agreement. The Port Authority's role in this loan is that of Issuer only.

The Port Authority will receive fees in the amount of 1/8 of a point (approximately \$12,500.00) at closing and 1/8 of a point on the outstanding balance, annually, for the life of the bonds.

Workforce Implications:

N/A

Policy Exceptions:

None.

Disclosure:

The Port Authority Commissioners by SEC rules are obligated to disclose any risks or facts you may be aware of that would affect the probability of repayment on these bonds.

Recommendation:

We recommend authorization to issue approximately \$10,000,000 of bank-qualified, conduit tax-exempt and taxable revenue bonds for Lyngblomsten Care Center, Inc.

Attachment: Resolution

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

[LYNGBLOMSTEN CARE CENTER, INC.]

WHEREAS, the Port Authority of the City of Saint Paul (the “Port Authority”) is duly organized and existing under the Constitution and laws of the State of Minnesota; and

WHEREAS, under the Minnesota Municipal Industrial Development Act, Minnesota Statutes, Sections 469.152 through 469.165, as amended (the “Act”), the Port Authority, is authorized to issue revenue bonds to finance or refinance, in whole or in part, the costs of the acquisition, construction, improvement, or extension of revenue producing enterprises, whether or not operated for profit; and

WHEREAS, Lyngblomsten Care Center, Inc., a Minnesota nonprofit corporation (the “Borrower”), has represented to the Port Authority that it is proposing to finance a “Project” to: (i) finance the construction and equipping of improvements to an existing 237-bed skilled nursing facility located in the City of Saint Paul, Minnesota (the “City”) and (ii) pay a portion of the costs of issuing the Bonds (as defined below) (the “Project”); and

WHEREAS, under the terms of Section 147(f) of the Internal Revenue Code of 1986, as amended (the “Code”), the revenue bonds may not be issued as tax-exempt bonds unless the Board of Commissioners of the Port Authority approves the revenue bonds after a public hearing following publication of a notice published in accordance with the requirements of Section 147(f) of the Code and Treasury Regulations, Section 5f.103-2; and

WHEREAS, following the publication of a notice (the “Public Notice”) of a public hearing in the Legal Ledger, the official newspaper of the Port Authority, on April 9, 2018, and in the Pioneer Press, a newspaper of general circulation in the City, on April 9, 2018, at least 14 days before the regularly-scheduled meeting of the Board of Commissioners of the Port Authority on the date hereof, the Board of Commissioners conducted a public hearing at which a reasonable opportunity was provided for interested individuals to express their views on the proposal by the Borrower to undertake and finance the Project and the proposed issuance of the Bonds; and

WHEREAS, the Public Notice included a general description of the Project, the maximum aggregate face amount of the Bonds to be issued with respect to the Project, the identity of the initial owner, operator, or manager of the Project (the Borrower), the location of the Project by street address, and a statement that a draft copy of the proposed application to the Minnesota Department of Employment and Economic Development (“DEED”), together with all attachments and exhibits, would be available for inspection at the offices of the Port Authority.

BE IT RESOLVED by the Board of Commissioners of the Port Authority of the City of Saint Paul (the "Port Authority"), as follows:

1. Port Authority. The Port Authority is authorized by the Constitution of the State of Minnesota and the Act to issue and sell its revenue bonds for the purpose of financing the cost of health care facilities and to enter into agreements necessary or convenient in the exercise of the powers granted by the Act.

2. Authorization of Project; Documents Presented. Lyngblomsten Care Center, Inc., a Minnesota nonprofit corporation, (the "Borrower"), has proposed to this Board that the Port Authority issue and sell its Health Care Facilities Revenue Bonds (Lyngblomsten Care Center, Inc. Project), Series 2018A (the "Series 2018A Bonds") and its Taxable Health Care Facilities Revenue Bonds (Lyngblomsten Care Center, Inc. Project), Series 2018B (the "Series 2018B Bonds" and, with the Series 2018A Bonds, the "Bonds"), the proceeds of which will be loaned to and used by the Borrower to finance the construction and equipping of improvements to an existing 277,000 square-foot, 237-bed skilled nursing facility located at 1415 Almond Avenue, Saint Paul, Minnesota, including to improve the resident experience reducing the number of beds to 225 (the "Project"). The Bonds shall be in substantially the form set forth in and pursuant to the Indenture (as hereafter defined), pursuant to the Act. The proceeds of the Bonds shall also be used to pay certain costs of issuance of the Bonds. Forms of the following documents relating to the Bonds have been submitted to the Port Authority:

(a) Loan Agreement dated on or after May 1, 2018 (the "Loan Agreement"), between the Port Authority and the Borrower, whereby the Port Authority agrees to make a loan to the Borrower of the proceeds of the sale of the Bonds and the Borrower agrees to pay amounts sufficient to provide for the full and prompt payment of the principal of, premium, if any, and interest on the Bonds;

(b) Indenture of Trust dated on or after May 1, 2018 (the "Indenture"), between the Port Authority and U.S. Bank National Association, as trustee (the "Trustee"), authorizing the issuance of the Bonds and pledging certain revenues, including those to be derived from the Loan Agreement, as security for the Bonds, and setting forth proposed recitals, covenants, and agreements relating thereto;

(c) Combination Mortgage, Security Agreement, Fixture Financing Statement and Assignment of Leases and Rents dated on or after May 1, 2018, by the Borrower for the benefit of the Trustee, by which the Borrower grants to the Trustee a mortgage lien on and security interest in certain mortgaged property, as described therein, as further security for the payment of the Bonds (not executed by the Port Authority);

(d) Tax Exemption Agreement (the "Tax Exemption Agreement") between the Port Authority, the Borrower, and the Trustee related to the Series 2018A Bonds; and

(e) Bond Purchase Agreement (the “Bond Purchase Agreement”), between Northland Securities, Inc. (the “Underwriter”), the Borrower, and the Port Authority, providing for the purchase of the Series 2018 Bonds from the Port Authority by the Underwriter and setting the terms and conditions of purchase.

3. Findings. It is hereby found, determined, and declared that:

(a) Financing of the Project will further the policy of the Act.

(b) It is desirable that the Bonds be issued by the Port Authority upon the terms set forth in the Indenture, under the provisions of which the Port Authority’s interest in the Loan Agreement (except for certain reserved rights of the Port Authority) will be pledged to the Trustee as security for the payment of principal of, premium, if any, and interest on the Bonds.

(c) The Loan Agreement provides for payments by the Borrower to the Trustee for the account of the Port Authority of such amounts as will be sufficient to pay the principal of, premium, if any, and interest on the Bonds when due. The Loan Agreement obligates the Borrower to pay for all costs of operation and maintenance of the Project, including adequate insurance, taxes, and special assessments.

(d) Under the provisions of the Act, and as provided in the Loan Agreement and Indenture, the Bonds are not to be payable from nor charged upon any funds of the Port Authority other than amounts payable pursuant to the Loan Agreement and moneys in the funds and accounts held by the Trustee which are pledged to the payment thereof; the Port Authority is not subject to any liability thereon; no owners of the Bonds shall ever have the right to compel the exercise of the taxing power of the Port Authority or the City of Saint Paul (the “City”) to pay any of the Bonds or the interest thereon, nor to enforce payment thereof against any property of the Port Authority or the City; the Bonds shall not constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the Port Authority or the City (other than the interest of the Port Authority in the Loan Repayments to be made by the Borrower under the Loan Agreement); and each Bond issued under the Indenture shall recite that such Bond, including interest thereon, shall not constitute or give rise to a charge against the general credit or taxing powers of the Port Authority or the City.

4. Approval and Execution of Documents. Subject to the provisions of paragraph 8 hereof, the forms of Loan Agreement, Indenture, Tax Exemption Agreement, and Bond Purchase Agreement (collectively, the “Bond Documents”), are approved in substantially the forms submitted. Subject to the provisions of paragraph 8 hereof, the Bond Documents shall be executed in the name and on behalf of the Port Authority by the Chair and the President.

5. Approval, Execution and Delivery of Bonds. The Port Authority shall proceed forthwith to issue the Bonds, in an aggregate principal amount of not to exceed \$10,000,000, in the form and upon the terms set forth in the Indenture, which terms are for this purpose

incorporated in this Resolution and made a part hereof; provided, however, that the aggregate principal amount of, the maturities of the Bonds, the interest rates thereon, and any provisions for mandatory redemption thereof shall all be as set forth in the final form of the Indenture to be approved, executed, and delivered by the officers of the Port Authority authorized to do so by the provisions of this Resolution, which approval shall be conclusively evidenced by such execution and delivery; and provided further that, in no event, shall such rates of interest produce a net interest cost in excess of 5.50% per annum, and the final maturity shall not be later than May 1, 2045. The Underwriter has agreed pursuant to the provisions of the Bond Purchase Agreement, and subject to the conditions therein set forth, to purchase the Bonds at the purchase price set forth in the Bond Purchase Agreement, and said purchase price is hereby accepted. The Chair, President, and other Port Authority officers are authorized and directed to prepare and execute the Bonds as prescribed in the Indenture and to deliver them to the Trustee, together with a certified copy of this Resolution and the other documents required by the Indenture, for authentication, registration, and delivery to the Underwriter. As provided in the Indenture, each Bond shall contain a recital that it is issued pursuant to the Act, and such recital shall be conclusive evidence of the validity and regularity of the issuance thereof.

6. Official Statement. The Port Authority hereby consents to the preparation and distribution of a preliminary Official Statement and a final Official Statement to brokers, dealers, and other potential purchasers; provided that it is understood that the Port Authority has relied upon the Borrower and the Underwriter and legal counsel retained by them to assure the accuracy and completeness of the information set forth in the preliminary Official Statement and final Official Statement, and therefore the Port Authority makes no representations or warranties regarding the information contained therein, except under the heading "The Issuer," and that it assumes no responsibility for the accuracy or completeness of such information.

7. Records and Certificates. The Chair, President, and other officers of the Port Authority are authorized and directed to prepare and furnish to bond counsel and the purchaser of the Bonds, when issued, certified copies of all proceedings and records of the Port Authority relating to the Bonds, and such other affidavits and certificates as may be required to show the facts appearing from the books and records in the officers custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the Port Authority as to the truth of all statements contained therein.

8. Changes in Forms Approved; Absent and Disabled Officers. The approval hereby given to the various documents referred to above includes approval of such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate, the appropriate Port Authority staff person or by the officers authorized herein to execute or accept, as the case may be, said documents prior to their execution; and said officers or staff members are hereby authorized to approve said changes on behalf of the Port Authority. The execution of any instrument by the appropriate officer or officers of the Port Authority herein authorized shall

be conclusive evidence of the approval of such document in accordance with the terms hereof. In the event of absence or disability of the officers, any of the documents authorized by this Resolution to be executed may be executed without further act or authorization of the Board of Commissioners by any member of the Board of Commissioners or any duly designated acting official, or by such other officer or officers of the Board of Commissioners as, in the opinion of Counsel to the Port Authority, may act in their behalf.

9. Other Approvals. The financing of the Project by the issuance of the Bonds by the Port Authority is subject to, among other things, approval of the financing by DEED, final approval by the Borrower and the purchaser of the Bonds as to the ultimate details of the financing, and review and approval of the proposed Project by Briggs and Morgan, Professional Association, as Bond Counsel.

10. Authorization. The officers of the Port Authority, other attorneys, engineers, and other agents or employees of the Port Authority, and Bond Counsel are hereby authorized to do all acts and things required of them by or in connection with this Resolution, the aforementioned documents, and the Bonds for the full, punctual, and complete performance of all the terms, covenants, and agreements contained in the Bonds, the aforementioned documents, and this Resolution, including submission of an application to DEED.

11. Costs Paid by Borrower. The Borrower has agreed and it is hereby determined that any and all costs incurred by the Port Authority in connection with the financing of the Project will be paid by the Borrower, including the Port Authority's initial and ongoing annual issuance fees for the Bonds. It is understood and agreed that the Borrower shall indemnify, defend, and hold harmless the Port Authority against all liabilities, losses, damages, costs, and expenses (including reasonable attorney's fees and expenses incurred by the Port Authority) arising with respect to the Project or the Bonds, as provided for and agreed to by and between the Borrower and the Port Authority in the Loan Agreement.

12. Qualified Tax Exempt Obligation. In order to qualify the Series 2018A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), the Port Authority hereby makes the following factual statements and representations;

(a) the Series 2018A Bonds are not treated as "private activity bonds" under Section 265(b)(3) of the Code;

(b) the Port Authority hereby designates the Series 2018A Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Code;

(c) the reasonably anticipated amount of tax-exempt obligations (other than obligations described in clause (ii) of Section 265(b)(3)(C) of the Code) which will be issued by the Port Authority (and all entities whose obligations will be aggregated with those of the Port Authority) during the calendar year 2018 will not exceed \$10,000,000;

(d) not more than \$10,000,000 of obligations issued by the Port Authority during the calendar year 2018 have been designated for purposes of Section 265(b)(3) of the Code; and

(e) the aggregate face amount of the Series 2018A Bonds do not exceed \$10,000,000.

13. Force and Effect. This Resolution shall be in full force and effect from and after its passage.

Adopted: April 24, 2018.

PORT AUTHORITY OF THE CITY OF SAINT PAUL

By _____
Its _____

Attest:

By _____
Its _____

MEMORANDUM

To: BOARD OF COMMISSIONERS **Meeting Date:** April 24, 2018

From: Kathryn L. Sarnecki *KS*

Subject: **PUBLIC HEARING - CONVEYANCE OF LAND FOR REVISED TRAIL EASEMENTS THROUGH SOUTHPORT TERMINAL RESOLUTION NO. 4628**

Action Requested:

Approval of a resolution to grant revised trail easements to the City of Saint Paul's Parks Department (the "City") for the creation of the Robert Pira Regional Trail through the Southport Terminal per the terms and conditions set forth below.

Background:

In 2011, the Port Authority of the City of Saint Paul (the "Port Authority") granted a trail easement through the Southport Terminal for the City's regional trail. At that time, the easement had a gap of how to safely cross Barge Channel Road, a Union Pacific rail spur, and the entrance to the Southport slip road at 637 Barge Channel Road. In 2017, the City's feasibility study concluded there was not a safe route through the intersection without an elevated trail crossing. The City's trail funding does not have the budget to allow for an elevated crossing at Southport.

Port Authority staff worked with the City's Parks Department staff to find an alternate trail route that would go around the intersection of concern instead of through it. Therefore, the new trail route will have separate crossings for the rail spur and Barge Channel Road. Granting of these easements will revoke a portion of the prior easement so that the prior easement area will become useable for site mobility for the Port Authority and its industrial tenants.

Note, Port Authority staff are very concerned about the safety of having a pedestrian trail through an industrial area with a crossing of Barge Channel Road at an uncontrolled intersection. We are requesting that the Parks Department take extra precautionary safety measures in design and construction of this portion of their trail.

Additionally, temporary construction easements will also be required and will necessitate the City coordinating with the adjacent Port Authority tenant, District Energy, and adjacent property owners, such as the Mudeks, prior to and during construction. District Energy's current lease is through December 31, 2019 with renewal rights through 2021. Future lease renewals with District Energy should incorporate the City's easement rights.

Importantly, the Southport Terminal easement exchange is part of a larger project being discussed with the City located at the Red Rock Terminal.

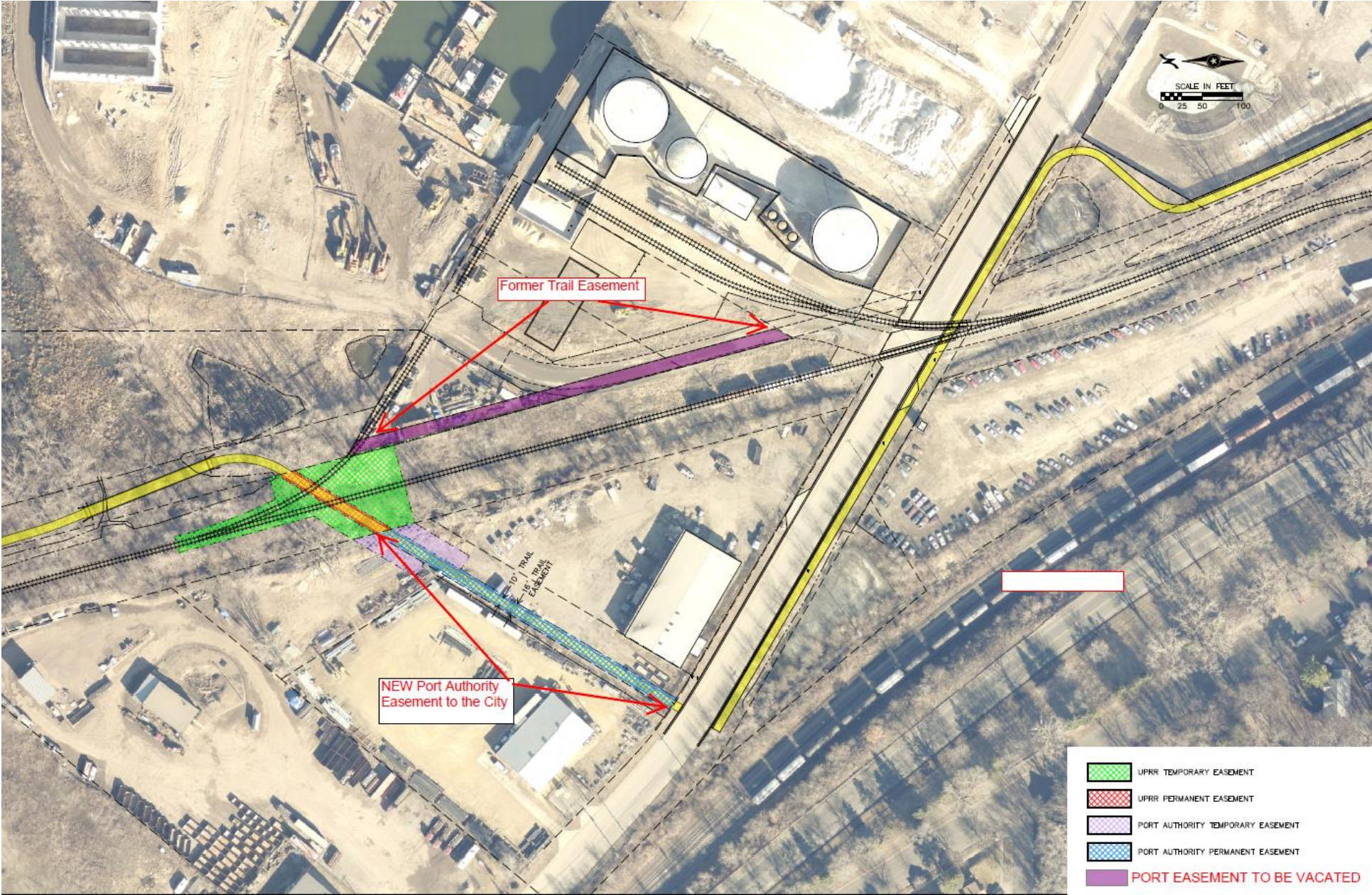
At the Red Rock terminal, the City and the Port Authority are working on an easement for a future rail spur in consideration for providing this revised easement to the City and their compensation and other details remain open items. The City seeks, however, to secure the Southport Terminal easements as soon as practical in order to maintain its right to federal funding for the Southport project. To ensure that the Port Authority can act with utmost speed once there has been sufficient resolution on the Red Rock Terminal project, the Port Authority has published a Notice of Public Hearing for the conveyance of the Southport Terminal easements to the City and seeks Board approval in conformance with the terms and conditions as set forth in this Board memorandum.

Recommendation:

Approval of a resolution to grant revised trail easements to the City for the creation of the Robert Piram Regional Trail through the Southport Terminal per the terms and conditions set forth above.

Attachments: Map
 Resolution

FIGURE showing new easement area and trail route through Southport Terminal and the former easement area to be revoked.



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

**[CONVEYANCE OF LAND FOR REVISED TRAIL
EASEMENT THROUGH SOUTHPORT TERMINAL]**

WHEREAS, The Port Authority of the City of Saint Paul (the "Port Authority"), pursuant to Minnesota Statutes, Section 469.065, did place a notice, a copy of which with proof of publication is on file in the office of the Port Authority, of a public hearing on the proposed conveyance of property owned by the Port Authority in a legal newspaper, said hearing to be held to determine whether it is in the best interests of the port district of Saint Paul and the people thereof and in furtherance of the general plan of port improvement and industrial development to grant the conveyance of real estate for a revised trail easement to the City of Saint Paul's Parks Department through the Southport Terminal (the "Property").

WHEREAS, the Port Authority did conduct a public hearing pursuant to said notice on April 24, 2018, at which hearing all taxpayers in the port district, both for and against the conveyance, were allowed to state their views.

WHEREAS, it is in the best interests of the port district and the people thereof, and in furtherance of the general plan of port improvement and industrial development, to approve the real estate conveyance.

WHEREAS, the Port Authority has investigated the facts of the proposal with said investigation including the terms and conditions of said agreement, the proposed use of the Property, and the relationship thereof to the port district of Saint Paul and the business facilities of the Port Authority in general.

WHEREAS, the proposal presented meets the terms and conditions set forth by the Port Authority as its guide in determining if such proposals are in the best interests of the port district and of the public.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL:

1. That the Board of Commissioners of the Port Authority hereby finds, determines and declares that it is for the best interests of the port district and the people thereof, and in furtherance of the general plan of industrial development, to enter into said agreement to convey the land for a

revised trail easement to the City of Saint Paul's Parks Department through the Southport Terminal;
and

2. That the actions of the President of the Port Authority in causing public notice of the proposed conveyance, and in describing the terms and conditions of such conveyance, which have been available for inspection by the public at the office of the Port Authority from and after the publication of notice of hearing, are in all respects ratified and confirmed; and

3. That the President of the Port Authority is hereby authorized and directed to complete and execute said agreement to convey in substantially the form as is on file in the office of the Port Authority, and the proper Port Authority officers are hereby authorized and directed to complete and execute all documents necessary to convey title in form as approved by counsel.

Adopted: _____

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its Chair

Attest:

By _____
Its Secretary

MEMORANDUM

To: BOARD OF COMMISSIONERS

Meeting Date: April 24, 2018

From: Eric D. Larson 

Subject: **2018 GRANT APPLICATION AND ACCEPTANCE AUTHORIZATION
RESOLUTION NO.: 4629**

Action Requested:

Approval for 2018 for the President of the Port Authority of the City of Saint Paul or anyone acting under his direction to apply for and accept any grant or other financial or resource assistance so long as the assistance furthers the Port Authority's mission.

Background:

The Port Authority seeks programs that provide grants or other financial or resource assistance that can help the Port Authority further its mission. Some of the programs require a Board resolution enclosed with the application authorizing the applicant to apply for and receive a grant or other financial or resource assistance. At times the application deadline date precedes the Port Authority's next Board meeting and, therefore, the Port Authority has not been able to provide a Board resolution in support of its application. In such instances, the Port Authority has supplemented its application as soon as possible afterwards. To the best of the Port Authority's knowledge, the lack of any such resolution has not precluded an award to the Port Authority. Regardless, Port Authority staff recommends that the Board approve a resolution, which contains many of the standard board representations and statutory information required for such program assistance and further authorizes the Port Authority to apply for and accept any grant or other financial or resource assistance so long as the assistance furthers the Port Authority's mission. This resolution may help further the Port Authority's application especially as the competition for such assistance becomes greater.

At the May 22, 2012, April 23, 2013, December 17, 2013, December 16, 2014, December 15, 2015, and January 24, 2017 Board meetings, Board approval was given to Resolution Nos. 4426, 4457, 4490, 4525, 4560, and 4590 respectively, authorizing the application for and acceptance of financial or resource assistance for 2012, 2013, 2014, 2015, 2016, and 2017. This new resolution would authorize this assistance for 2018.

For 2017, the Port Authority submitted the Board's general grant authorization resolution in support of its Ports Development Assistance (PDA) grant application for financial assistance for the direct barge to rail to train transload facility to be located at the Southport Terminal. The Port Authority requested \$2M and was awarded \$1.81M by the Minnesota Department of Transportation (MNDOT). The Port Authority is excited about the river commerce upgrade to more efficiently and quickly transport product to and from our Southport Terminal with this facility upgrade. The Port Authority is negotiating the financial and operational terms respecting this capital investment with our tenant, Alter. As soon as those details are finalized, the Port Authority will seek from the Board a resolution accepting receipt of the MNDOT PDA grant funds.

Recommendation:

It is therefore recommended that the Board approve a resolution authorizing the President of the Port Authority of the City of Saint Paul or anyone acting under his direction to apply for and accept any grant or other financial or resource assistance so long as the assistance furthers the Port Authority's mission.

Attachment: Resolution

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

[2018 GRANT APPLICATION AND ACCEPTANCE AUTHORIZATION]

WHEREAS, the Port Authority of the City of Saint Paul is a public body corporate and politic and governmental subdivision organized pursuant to Chapter 469 of Minnesota Statutes; and

WHEREAS, the district of the Port Authority is the City of Saint Paul; and

WHEREAS, under Minn. Stat. § 469.055, the Port Authority shall (1) promote the general welfare of the port district, and of the port as a whole; (2) try to increase the volume of the port's commerce; (3) promote the efficient, safe, and economical handling of the commerce; and (4) provide or promote adequate docks, railroad and terminal facilities open to all on reasonable and equal terms for the handling, storage, care, and shipment of freight and passengers to, from, and through the port; and

WHEREAS, under Minn. Stat. §§ 469.048 to 469.061, the Port Authority has the powers and duties conferred upon all port authorities; and

WHEREAS, under Minn. Stat. § 469.084, Subds. 1 to 15, the Port Authority of the City of Saint Paul has additional statutory duties and powers including powers related to recreational facilities and small business capital; and

WHEREAS, under Minn. Stat. § 469.084, Subd. 8, the Port Authority of the City of Saint Paul, furthermore, has the power of and is authorized to do what a redevelopment agency may do or must do under sections 469.152 to 469.165 (Municipal Industrial Development); and

WHEREAS, federal, state, county, city, and other governmental entities and agencies have established grant, or other various assistance programs, which the Port Authority could use in furtherance of its statutory mission; and

WHEREAS, for instance, the Minnesota legislature established environmental assistance grant programs to provide financial assistance in the development of environmentally sustainable practices in Minnesota through voluntary partnerships and goal-oriented, economically driven approaches to pollution prevention and resource conservation; and

WHEREAS, many non-profit organizations have established grant, or other various assistance programs, which the Port Authority could use in furtherance of its statutory mission; and

WHEREAS, the Port Authority represents that it has undertaken reasonable and good faith efforts to procure funding in pursuit of its mission from other sources in addition to grant, or other program resources to which it may seek assistance.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL: That the Port Authority has the legal authority to apply for financial assistance, and has the institutional, managerial, and financial capability to ensure adequate project administration of any financial assistance received; and

BE IT FURTHER RESOLVED, that any sources and amounts of any matching funds, local or otherwise, identified in the Port Authority's application will be committed to the identified project per the application; and

BE IT FURTHER RESOLVED, that the Port Authority has not violated any federal, state or local laws pertaining to fraud, bribery, graft, kickbacks, collusion, conflict of interest or other unlawful or corrupt practice; and

BE IT FURTHER RESOLVED, that the Port Authority certifies that it will comply with all applicable laws and regulations as stated in the grant/assistance agreements; and

BE IT FURTHER RESOLVED for the year 2018, that the President or anyone acting under his direction is hereby encouraged and authorized to apply to, and accept from, if awarded, a grant or some other financial or resource assistance in any amount from any federal, state, county, city, and other governmental entities and agencies or non-profit organizations so long as the assistance furthers the Port Authority's mission; and

BE IT FURTHER RESOLVED, that the President or anyone acting under his direction is hereby authorized and directed to execute any and all necessary documents to complete grant/assistance applications and secure their receipt; and

BE IT FURTHER RESOLVED, that notwithstanding the above, all loans and other financial or resource assistance that needs to be repaid by the Port Authority will require Board approval prior to the execution of documents imposing the specific debt obligation and amount by and upon the Port Authority.

Adopted: April 24, 2018

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its Chair

ATTEST:

By _____
Its Secretary

MEMORANDUM

To: BOARD OF COMMISSIONERS **Meeting Date:** April 24, 2018

From: Monte M. Hilleman 

Subject: **INCREASE WAGE RATE POLICY FOR DEVELOPMENT CRITERIA FOR SUBSIDIZED LAND SALES**
RESOLUTION NO. 4630

Action Requested:

Approval of an increase in the wage rate policy for business center Development Criteria to \$14.75 per hour with benefits and \$17.00 per hour without benefits.

Public Purpose:

To ensure jobs created and retained by businesses receiving a business subsidy pay family supporting wages.

Background:

Company proposals to purchase land from the Port Authority at less than fair market value are evaluated against several community and economic development outcome criteria. The criteria are:

1. Financial stability of the company including a review of historical financial statements
2. Provision of a minimum of one full-time job per 1,000 square feet of building
3. All full-time employees paid more than (currently) \$12.61/hour with benefits, \$14.90 without benefits
4. Hiring of Saint Paul residents, target of 70% residents for new hires, double credit for local neighborhood hires
5. Building density – building size must provide at least 35% land coverage
6. Building quality and value – building must meet protective covenant requirements for aesthetics, durability and asset value
7. Environmental performance – must engage in sustainable design strategies

As you know, there may be circumstances when exceptions to one or more of these criteria are granted. All exceptions are presented for Board approval as part of a land sale recommendation. Market rate transactions do not include the above criteria.

The Port Authority most recently set the hourly rate at \$12.61 per hour with benefits and \$14.91 without benefits in May 2014. There have been no changes since May 2014.

Proposal:

Please see the attached Exhibit A for the analysis and recommendations for the wage policy update.

It is important to note that the above criteria and the attached recommendations represent the floor, nor the average performance of companies in our business centers that have received land subsidies. The average in our business centers is well above these levels.

One objective of setting these criteria is to communicate clearly and efficiently to the marketplace the Port Authority's goals and minimum standards to engage in a substantive manner about a subsidized land transaction. Another objective is to communicate to funders, neighborhoods and other stakeholders the anticipated outcomes from our, largely speculative, land recycling activities.

Recommendation:

We recommend an increase in the hourly wage policy to \$14.75 per hour with benefits and \$17.00 without benefits.

Attachment: Resolution

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

**[INCREASE WAGE RATE POLICY FOR DEVELOPMENT
CRITERIA FOR SUBSIDIZED LAND SALES]**

WHEREAS, at the Port Authority of the City of Saint Paul's (the "Port Authority") May 27, 2014 Board meeting, the minimum hourly rate was increased to \$12.61 per hour with benefits and \$14.91 per hour without benefits.

WHEREAS, the Port Authority requests approval of a change in the wage rate policy for development criteria for subsidized land sales. Accordingly, the new minimum hourly wage policy would be \$14.75 per hour with benefits and \$17.00 without benefits.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL, that an increase in the hourly wage policy to \$14.75 per hour with benefits and \$17.00 per hour without benefits is approved.

Adopted: April 24, 2018

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its Chair

Attest:

By _____
Its Secretary



Saint Paul
PORT AUTHORITY

2018 Wage Criteria Calculation

Presented by Monte Hilleman
April 2018



Goal and Purpose

The Goal

- To determine the appropriate wage—with and without benefits—the Saint Paul Port Authority can incorporate into their development criteria.

The Purpose

- To ensure Saint Paul Port Authority business center customers that receive land on a subsidized basis pay their employees wages high enough to support a family of four (two working adults with two children).



Four Questions

Family Supportable Wages

- What is the cost of living for a family of four (two working adults with two children)?
- What wage will support a family of that size?

Not Harming Businesses

- What are manufacturing jobs currently paying?
- What are the wage trends in our current business centers?



Definitions

Low Barrier to Entry Jobs

The Saint Paul Port Authority defines a low barrier to entry job as any position with tasks and responsibilities that do not require the applicant to have an advanced degree (bachelors, masters and/or doctorate).

Family Supportable Jobs

The Saint Paul Port Authority defines a family supportable wage as a wage that allows a family of four (two adults with two children) to afford items on a basic needs budget:

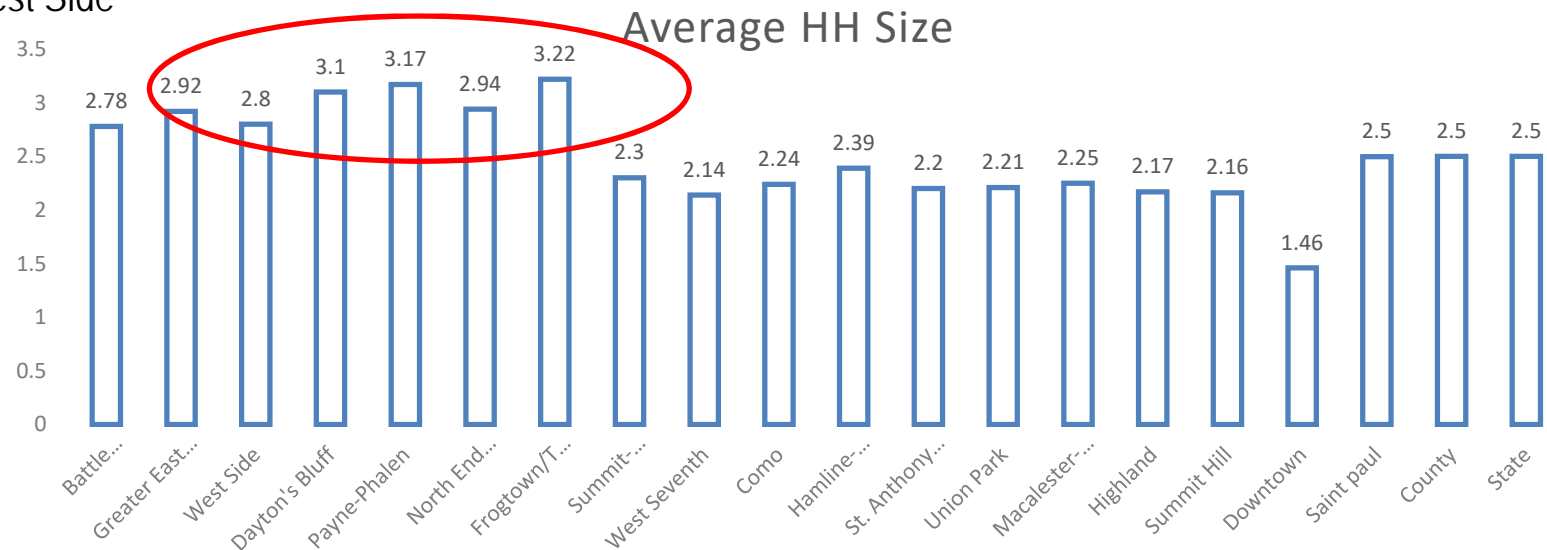
- Food
- Housing
- Health care (excluded from Federal Poverty Level)
- Transportation (excluded from Federal Poverty Level)
- Child care (excluded from Federal Poverty Level)
- Other necessities
- Taxes



Why a Family of Four?

Workforce Agreements Primarily Focused on:

- North End
- Frogtown
- Payne-Phalen
- Greater East Side
- Dayton's Bluff
- West Side



Source: Minnesota Compass Neighborhood Profiles ACS 2015 5-Year Estimates - <http://www.mncompass.org/profiles/neighborhoods/minneapolis-saint-paul#!areas>



Family Composition

	Workforce Agreement “Target Areas” (North End, Frogtown, Payne-Phalen, Greater East Side, Dayton’s Bluff, West Side)	Saint Paul
% Income below poverty	30.6%	22.3%
HH Med. Income (2015 \$)	\$40,078	\$51,405
Unemployment	11.6%	8.5%
Less than a HS Degree	23.7%	13.5%
HS Diploma	27%	21.2%

Source: Minnesota Compass Neighborhood Profiles ACS 2015 5-Year Estimates



Cost of Living for a Family of Four

	MN DEED		MIT	
	<u>Annual</u>	<u>Monthly</u>	<u>Annual</u>	<u>Monthly</u>
Food	\$12,372	\$1,031	\$9,079	\$757
Child Care	\$21,252	\$1,771	\$12,635	\$1,053
Medical / Health Care	\$6,360	\$530	\$6,758	\$563
Housing	\$17,712	\$1,476	\$12,324	\$1,027
Transportation	\$9,792	\$816	\$11,460	\$955
Other	\$8,796	\$733	\$6,260	\$522
Annual Taxes	\$16,236	\$1,353	\$11,642	\$970
Annual / Monthly Expenses	\$92,520	\$7,710	\$70,152	\$5,846
	<u>Annual Wages</u>	<u>Hourly Wages</u>	<u>Annual Wages</u>	<u>Hourly Wages</u>
Wage / Salary	\$92,518	\$22.24 per adult	\$70,138	\$16.86 per adult

Source: 2017 MN DEED Cost of Living in Minnesota - <https://mn.gov/deed/data/data-tools/col/>

Source: 2017 MIT Living Wage Calculation for Ramsey County, Minnesota - <http://livingwage.mit.edu/counties/27123>



Port Authority Wage Trends

Table 1: 6 -Year Non – Exempt Wage Reporting

- Avg. Wage (weighted) = \$24.33
- Median = \$24.48

Year	Wage	Reporting Companies
2011	\$24.31	26
2012	\$24.65	25
2013	\$25.95	23
2014	\$23.06	26
2015	\$25.71	28
2016	\$21.69	19



2016 Average Wages

Methodology:

1. Filtered out businesses that require advanced degree
2. Filtered out businesses that were above the reported average
3. Weighted Avg. Wage against the reported number of non-exempt FTE

Table 2: 2016 Businesses below \$21.69

- Avg. Wage (weighted) = \$18.96
- Lowest Wage = \$13.00
- Highest = \$28.74
- Median = \$17.94

Business Name	2016 Avg. Wage	# Non-Exempt FTE
Circuittech	\$13.00	2
Loomis Armored	\$13.77	71
River of Goods	\$16.61	34
Industrial Equities	\$17.09	38
Restoration Professionals	\$17.73	31
Dakota Supply Group	\$18.14	22
Hiway Federal	\$20.28	132
East Side Family Clinic	\$20.41	65
HealthEast Transport	\$20.87	167



Industry by NAICs Code

- Coded 86% of 550 SPPA businesses to a 4-digit NAICs
 - Resulted in 144 Different Industries
- Weighted the average salary from 2013 – 2015
- Converted into hourly
 - 3-Year Weighted Average pay by industry for SPPA business = \$27.66

Take Away: SPPA business' industries tend to pay high wages for low barrier to entry positions

Example:

48-49	Transportation and Warehousing	Frequency	Avg. Pay '13	Avg. Pay '14	Avg. Pay '15	3-Year Average	Hourly
4821	Rail Transportation	1	\$ 32,248.00	\$ 37,076.00	\$ 50,737.00	\$ 40,020.33	\$ 19.24
4841	General Freight Trucking	2	\$ 51,278.00	\$ 53,567.00	\$ 54,466.00	\$ 53,103.67	\$ 25.53
4842	Specialized Freight Trucking	1	\$ 47,156.00	\$ 45,944.00	\$ 49,265.00	\$ 47,455.00	\$ 22.81
4882	Support Activities for Rail Transportation	2	\$ 36,701.00	\$ 39,961.00	\$ 43,908.00	\$ 40,190.00	\$ 19.32
4931	Warehousing and Storage	1	\$ 40,328.00	\$ 40,814.00	\$ 43,938.00	\$ 41,693.33	\$ 20.04

Source: Career One Stop Industry Profiles - https://www.careerinfonet.org/Industry/Ind_Search_Report



Recap and Recommendation

Recap

- Cost of Living
 - MIT - \$16.86 per hour per earner
 - MN DEED - \$22.24 per hour per earner
- Industry Averages
 - \$22.66 per hour
- Workforce Reporting:
 - 6-year average - \$24.40 per hour
 - 2016 below weighted mean average - \$18.96 per hour


Recommendation:

- \$14.75 per hour with benefits (currently \$12.61)
- \$17.00 per hour without benefits (currently \$14.91)



MEMORANDUM

To: BOARD OF COMMISSIONERS **Meeting Date:** April 24, 2018

From: Ava Langston-Kenney 

Subject: **APPLICATION TO MINNESOTA'S DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT, METROPOLITAN COUNCIL AND RAMSEY COUNTY FOR CONTAMINATION CLEANUP GRANT FUNDS FOR THE MINNESOTA CHEMICAL BUILDING RENOVATION/REDEVELOPMENT PROJECT
RESOLUTION NO. 4631**

Action Requested:

Authorization to apply to Minnesota's Department of Employment and Economic Development (DEED), Metropolitan Council and Ramsey County for up to \$1,000,000.00 in contamination cleanup grant funds for the Minnesota Chemical Company project at an approximate 1.45-acre site located at 2285 Hampden Avenue, Saint Paul, Minnesota. See the attached map showing the location of the property.

Background:

DEED, the Metropolitan Council, and Ramsey County created grant programs to fund the investigation and remediation of contaminated properties. Only public agencies are eligible to apply on a competitive basis for these funds, but both publicly and privately-owned sites with known or suspected soil or groundwater contamination qualify. Remediation grant funds have proven to be essential in redeveloping brownfield properties with business centers and providing developable land for companies to locate, expand and grow jobs.

On May 1, 2018, we intend to apply for funding from DEED, Met Council and Ramsey County on behalf of the property owner, Exeter Group, which plans to redevelop the MN Chemical site. Exeter Group has put together a redevelopment consultant team that includes the Port Authority. In order to apply for these funds, a resolution is required from the Port Authority Board of Commissioners authorizing the applications. If one or more grants are awarded, the Port Authority will provide grant oversight and environmental project management services on a fee basis.

The Minnesota Chemical site consists of four interconnected buildings on a 1.45-acre lot located at 2285 Hampden Avenue in Saint Paul, Minnesota. The two primary structures, the East and West buildings, are each three stories with a partial basement and were originally constructed in 1910 and 1900 respectively. The East and West buildings are connected by a single-story structure that consists of warehouse space and a loading dock serving both buildings. In addition, a single-story pole barn has been erected adjacent to the eastern side of the East building. The entire complex is nominally occupied, though much of the complex is either vacant or lightly used

for storage, by Minnesota Chemical. A small portion of the second floor of the East building is used as artist studios which have been leased for many years on a month-to-month basis. Minnesota Chemical occupied the East building in 1928 and expanded its presence in the complex over the ensuing years. Though Minnesota Chemical once occupied the entire complex for manufacturing and distribution purposes, the buildings are no longer a good fit for their remaining business lines, or for other modern industrial users, due to the small footprint, narrow column spacing, relatively low ceiling heights, and significant amounts of deferred maintenance.

Exeter's plan is to rehabilitate the East and West buildings to further the transformation of the area from neglected industrial uses to a vibrant mix of uses that better reflects the surrounding community and embraces the significant transportation infrastructure investments that have been made nearby. Much of the East and West buildings will be repurposed to create attractive brick and timber office space with the goal of drawing creative, technology and design tenants to the project. Exeter will also seek to land a retail tenant, preferably a coffee shop, restaurant or brewery user, who will serve to activate the street level space while also providing an amenity to the tenants above. The rehabilitation will require the abatement of existing hazardous materials, the installation of a vapor mitigation system and the demolition of the easternmost building in the complex (one-story pole barn) to permit the soil remediation necessary to install the proposed stormwater management system for the project.

Recommendation:

We recommend approval of a resolution granting the Port Authority authorization to apply to Minnesota's Department of Employment and Economic Development, Metropolitan Council and Ramsey County for up to \$1,000,000.00 in contamination cleanup grant funds.

Attachments: Resolution
Map



EXETER MANAGEMENT LLC

Site Detail Map



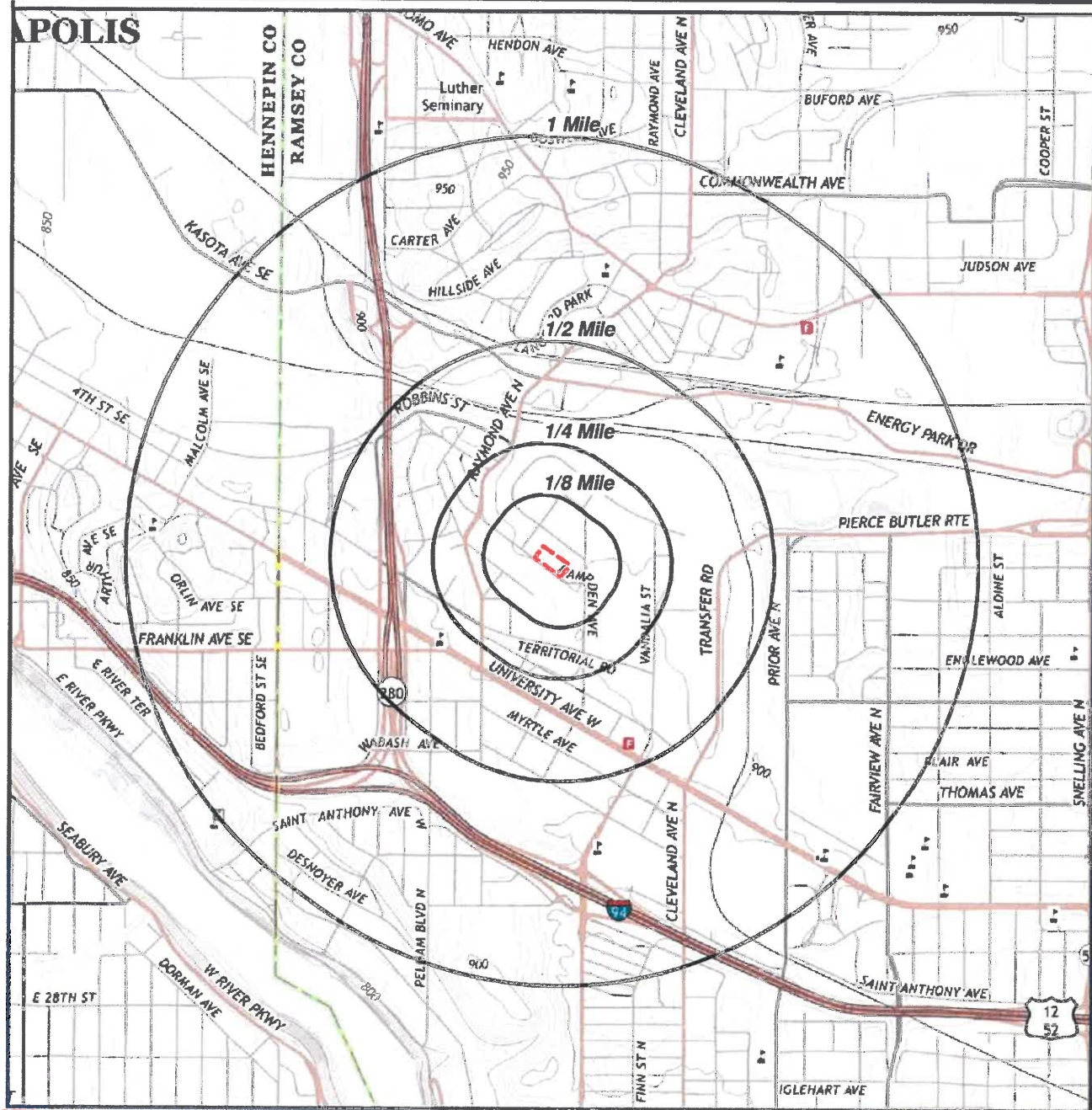
WENCK

Responsive partner. Exceptional outcomes.

OCT 2017

Figure 2

Topographic Map



 Target Property (TP)

Quadrangle(s): Saint Paul West
Source: USGS, 08/30/2013
Minnesota Chemical Building
2285 Hampden Avenue West
St. Paul, Minnesota



0' 1000' 2000' 3000'
 SCALE: 1" = 2000'

[Click here to access Satellite view](#)

GeoSearch www.geo-search.com 888-396-0042

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

**[APPLICATION TO MINNESOTA'S DEPARTMENT OF EMPLOYMENT AND
ECONOMIC DEVELOPMENT, THE METROPOLITAN COUNCIL AND RAMSEY
COUNTY FOR CONTAMINATION CLEANUP GRANT FUNDS FOR THE
MINNESOTA CHEMICAL BUILDING RENOVATION/REDEVELOPMENT PROJECT]**

WHEREAS, the Port Authority of the City of Saint Paul (the "Port Authority") is a public body corporate and politic and governmental subdivision organized pursuant to Chapter 469 of Minnesota Statutes.

WHEREAS, the district of the Port Authority is the City of Saint Paul.

WHEREAS, under Minn. Stat. §§ 469.048 to 469.061, the Port Authority has the powers and duties conferred upon all port authorities.

WHEREAS, under Minn. Stat. § 469.084, Subds. 1 to 15, the Port Authority of the City of Saint Paul has additional statutory duties and powers including powers related to recreational facilities and small business capital.

WHEREAS, under Minn. Stat. § 469.084, Subd. 8, the Port Authority of the City of Saint Paul, furthermore, has the power of and is authorized to do what a redevelopment agency may do or must do under sections 469.152 to 469.165 (Municipal Industrial Development).

WHEREAS, the Metropolitan Livable Communities Act permits a grant to a metropolitan county or a development authority, such as the Port Authority of the City of Saint Paul, but the project must be located in a participating municipality.

WHEREAS, the City of St. Paul is a participant in the Livable Communities Act's Local Housing Incentives Account Program for 2018 as determined by the Metropolitan Council; and is therefore eligible to make application apply for funds under the Tax Base Revitalization Account.

WHEREAS, the Port Authority represents that it has undertaken reasonable and good faith efforts to procure funding in pursuit of its mission from other sources in addition to grant, or other program resources to which it may seek assistance.

WHEREAS, the Port Authority desires to request and accept from, if awarded, a grant from the Minnesota Department of Employment and Economic Development, a grant from the Metropolitan Council and a grant from Ramsey County, in an amount up to \$1,000,000.00 in contamination cleanup grant funds for the Minnesota Chemical Company project at an approximate 1.45-acre site located at 2285 Hampden Avenue in Saint Paul, Minnesota.

WHEREAS, the Port Authority has identified a contamination cleanup project within the City that meet the Tax Base Revitalization Account's purposes and criteria and are consistent with and promote the purposes of the Metropolitan Livable Communities Act and the policies of the Metropolitan Council's adopted metropolitan development guide.

WHEREAS, the Port Authority has the institutional, managerial and financial capability to ensure adequate project and grant administration.

WHEREAS, the Port Authority certifies that it will comply with all applicable laws and regulations as stated in the contract grant agreements.

WHEREAS, the Port Authority finds that the required contamination cleanup will not occur through private or other public investment within the reasonably foreseeable future without Tax Base Revitalization Account grant funding.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL:

1. That the Port Authority act as the legal sponsor for the project contained in the Contamination Cleanup Grant Program, Tax Base Revitalization Account Grant Program, and Environmental Response Fund Grant Program to be submitted on May 1, 2018 and that Lee Krueger, President is hereby authorized to apply to the Department of Employment and Economic Development, Metropolitan Council, and Ramsey County for funding of this project on behalf of the Port Authority.

2. That the Port Authority has the legal authority to apply for financial assistance, and the institutional, managerial, and financial capability to ensure adequate project administration.

3. That the Port Authority has not violated any Federal, State or local laws pertaining to fraud, bribery, graft, kickbacks, collusion, conflict of interest or other unlawful or corrupt practice.

4. That upon approval of its application, the Port Authority may enter into an agreement with the State of Minnesota, Metropolitan Council, and Ramsey County for the above-referenced project, and that the Port Authority certifies that it will comply with all applicable laws and regulations as stated in all contract agreements.

5. That the President is hereby encouraged and authorized to request and accept from, if awarded, a Contamination Cleanup grant from the Minnesota Department of Employment and Economic Development (DEED), a Tax Base Revitalization Account Contamination Cleanup grant from the Metropolitan Council and an Environmental Response

Fund grant from Ramsey County in the amount up to \$1,000,000.00 in grant funds for the Minnesota Chemical Company project.

6. That the President or anyone acting under his direction is hereby authorized and directed to execute any and all necessary documents to complete the grant application and secure its receipt, including any matching fund requirements.

Adopted: April 24, 2018

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its Chair

ATTEST:

By _____
Its Secretary