



April 1, 2022

**REGULAR BOARD MEETING
TELECONFERENCE NOTICE
APRIL 26, 2022
2:00 P.M.**

Chair Bennett is holding the Board meeting of the Port Authority of the City of Saint Paul on Tuesday, April 26, 2022 at 2:00 p.m. in the Board Room of the Saint Paul Port Authority, 400 Wabasha Street No., Suite 240, St. Paul, MN.

The attendance for one or more Commissioners at the April 26, 2022 meeting will be by telephone conference. Accordingly, for this Board meeting, any person from the public may also participate by telephone conference, from a different location than the physical location of the meeting. Members of the public may monitor this meeting remotely at 651-395-7858, Conference ID: 591 628 790#

A handwritten signature in blue ink, appearing to read "Todd Hurley".

Todd Hurley
Interim President

/amk

cc: Port Authority Commissioners
Shari Moore, City Clerk
Members of the Press
ENS List

Regular Board Meeting

April 26, 2022 - 2:00 p.m.

400 Wabasha Street No., Suite 240 | Saint Paul, MN 55102

Chair Bennett is calling a meeting of the Board of Commissioners for **Tuesday, April 26, 2022 at 2:00 p.m.** in the Board Room of the Saint Paul Port Authority, 400 Wabasha Street No., Suite 240, St. Paul, MN.

The attendance for one or more Commissioners at the April 26, 2022 meeting will be by telephone conference. Accordingly, for this meeting, any person from the public may also participate by telephone conference, from a different location than the physical location of the meeting. Members of the public may monitor this meeting remotely at 651-395-7858, Conference ID: 591 628 790#

The purpose of the meeting is:

Minutes

Approval of Minutes of the March 22, 2022 Regular Board Meeting

Conflicts of Interest

Conflicts with any Items on the Agenda

New Business**Administrative Committee**

1. Acceptance of the 2021 Audits
2. Resolution No. 4716 - Authorization for the Continuation of Capital City Properties

Credit Committee

1. Resolution No. 4717 - Public Hearing - Conveyance of Land to PPL East 7th, LLC – Beacon Bluff Business Center
2. Resolution No. 4718 - 2022 Lease Renewal and Rental Rate Adjustment – Northern Metal Recycling, LLC
3. Resolution No. 4719 - Authorization to Apply for Contamination Cleanup Grant Funds for Redevelopment of The Heights, 2200 Larpentour Avenue East, Saint Paul, Minnesota

General Matters

Such Other Business That May Come Before the Board

- Strategic Plan

**SAINT PAUL PORT AUTHORITY
MINUTES OF THE REGULAR BOARD MEETING
MARCH 22, 2022**

The regular meeting of the Port Authority Board was held on March 22, 2022 at 2:08 p.m. via Microsoft Teams.

The following Board Members were present:

John Bennett	Nneka Constantino	John Marshall
Don Mullin	Rebecca Noecker	Matt Slaven
Dai Thao		

Also, present were the following:

Tonya Bauer	Nelly Chick	Monte Hilleman
George Hoene	Todd Hurley	David Johnson
Bruce Kessel	Pete Klein	Ann Kosel
Dana Krueger	Brittany Nelson	Andrea Novak
Kathryn Sarnecki	Laurie Siever	Linda Williams
Eric Larson, City of Saint Paul		
Brianne Hamm, Securian Financial		

APPROVAL OF MINUTES

Commissioner Mullin made a motion to approve the minutes of the February 22, 2022 regular Board meeting. The motion was seconded by Commissioner Marshall, submitted to a roll call vote, and carried unanimously.

CONFLICT OF INTEREST

There were no conflicts of interest with any items on the agenda.

NEW BUSINESS

CREDIT COMMITTEE

RESOLUTION NO. 4714

**PUBLIC HEARING – CONVEYANCE OF LAND TO THE CITY OF SAINT
PAUL – 1056 7TH STREET EAST, ST. PAUL, MN – BEACON BLUFF BUSINESS CENTER**

Motion was made by Commissioner Mullin to approve Resolution No. 4714 which was reviewed by the Credit Committee and recommended for approval by the Board.

Chair Bennett stated that in accordance with Minnesota Law, the Port Authority is required to hold a public hearing regarding Resolution No. 4714 and declared the Public Hearing open. He asked if anyone in attendance wished to address the Board.

Chair Bennett declared the Public Hearing closed and asked to take a roll call vote.

Chair Bennett stated that a roll call vote is required under Chapter 469 and the Commissioners voted as follows:

Commissioner Constantino	- aye	Commissioner Marshall	- aye
Commissioner Mullin	- aye	Commissioner Slaven	- aye
Commissioner Thao	- aye	Commissioner Noecker	- aye
Chair Bennett	- aye		

The motion carried unanimously.

RESOLUTION NO. 4715
2022 LEASE – CAPITAL CITY PROPERTIES PARKING RAMP

Motion was made by Commissioner Mullin to approve Resolution No. 4715 which was reviewed by the Credit Committee and recommended for approval by the Board. The motion was submitted to a roll call vote and carried unanimously.

GENERAL MATTERS

HILLCREST UPDATE

The Hillcrest update was presented by Mr. Hilleman and Mr. Hurley. The presentation included a newly released promotional video introducing preliminary renderings, a video, and an introduction to the new name for the Hillcrest site, *The Heights*. There was also a PowerPoint presentation that included a comprehensive overview of the project.

GO WILD LISTING AGREEMENT

Mr. Hurley informed the Board that Go Wild, LLC has entered into a Listing Agreement with Newmark for the potential sale of Treasure Island Center. Newmark has received one offer to date.

RETURN TO IN-PERSON MEETINGS

Mr. Hurley was excited to announce that in-person Committee and Board meetings would resume in April. Commissioner Constantino confirmed she would like to call in for the April meetings.

There being no further business, the meeting was adjourned at 2:49 p.m.

By _____

Its _____

PORT AUTHORITY OF THE CITY OF SAINT PAUL

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021

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

DRAFT



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component unit, and the aggregate remaining fund information of the Port Authority of the City of Saint Paul, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Port Authority of the City of Saint Paul's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component unit, and the aggregate remaining fund information of the Port Authority of the City of Saint Paul, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Port Authority of the City of Saint Paul and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port Authority of the City of Saint Paul's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Port Authority of the City of Saint Paul's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Port Authority of the City of Saint Paul's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net OPEB liability (asset), schedule of money-weighted rate of return on plan assets – OPEB, PERA schedule of the Port Authority's share of the net pension liability, and the PERA schedule of the Port Authority's contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 results 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

DRAFT

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

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, 2021. 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. In addition, the Statement of Fiduciary Net Position relates to funds deposited with the State of Minnesota Investment Board for future retiree health care costs as well as investment held in trust for the Port's defined contribution pension plan.

STATEMENT OF NET POSITION

	2021	2020
Current and Other Assets	\$ 282,159	\$ 206,746
Capital Assets	16,962	16,282
Total Assets	299,121	223,028
Deferred Outflows of Resources	1,095	523
Long-Term Liabilities	212,133	148,021
Other Liabilities	14,410	14,281
Total Liabilities	226,543	162,302
Deferred Inflows of Resources	8,015	63
Net Position:		
Net Investment in Capital Assets	16,252	8,394
Restricted, Debt Service	54,491	58,544
Restricted, Capital Maintenance on Owned Facilities	-	725
Unrestricted	(5,085)	(6,476)
Total Net Position	\$ 65,658	\$ 61,187

FINANCIAL HIGHLIGHTS

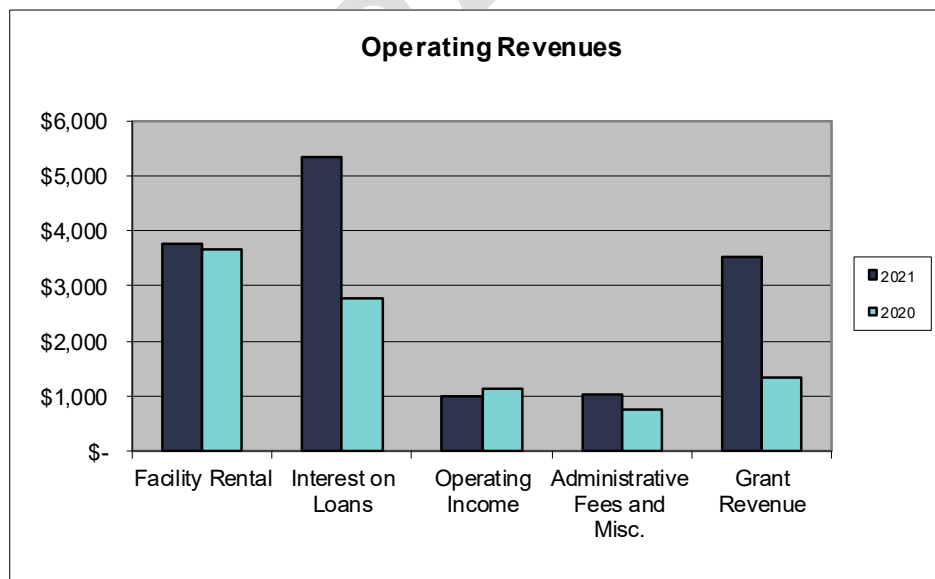
- Total assets were \$299 million or 34% greater than in 2020. Current and Other Assets increased \$75.4 million or 36.4% mainly from the following changes: 1) loans receivable increased by approximately \$74.8 million mainly due to increases in special assessments associated with energy saving projects which were offset by third party loans payable 2) decrease in property taxes receivable of \$3.5 million mainly associated with tax increment financing; 3) increase in reimbursable project costs of 5.3 million due to the purchase of the bix building and cost associated with the Hillcrest project; and 4) minor changes in most of the other assets.
- Deferred Outflows increased \$572 thousand over the prior year as a result of an increase in deferred outflows associated with the Port Authority's share of the net pension liability of the state administered pension plans.

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

- Total liabilities increased \$64.2 million for a 39.5% increase over 2020. Debt associated with special assessments for third-party energy saving projects and funded by outside parties increased by \$76.2 million and the net bonds decreased by \$4.2 million due to scheduled debt payments, there were no new bonds issued in 2021.

Operating Revenues: Operating revenues increased \$1.9 million or 51% to \$14.6 million in 2021 from \$9.6 million 2020. Interest on loans increased by \$2.5 million as a result of the recording of pace loan capitalized interest to match the county reports. Operating Income decreased \$161 thousand, or 14%, mainly as a result of a \$105 thousand increase in Energy Park Utility Company operating revenues offset by a decrease of \$267 thousand in related operating expense. Administrative Fees saw an increase of approximately \$248 thousand, or a 32.0% increase from 2020. Grants increased \$2.1 million as a result of more development work carried out in 2021. The following schedule presents a summary of the revenues for the years ended December 31, 2021 and 2020, and the percentages of increase or decrease in relation to the prior year's revenues.

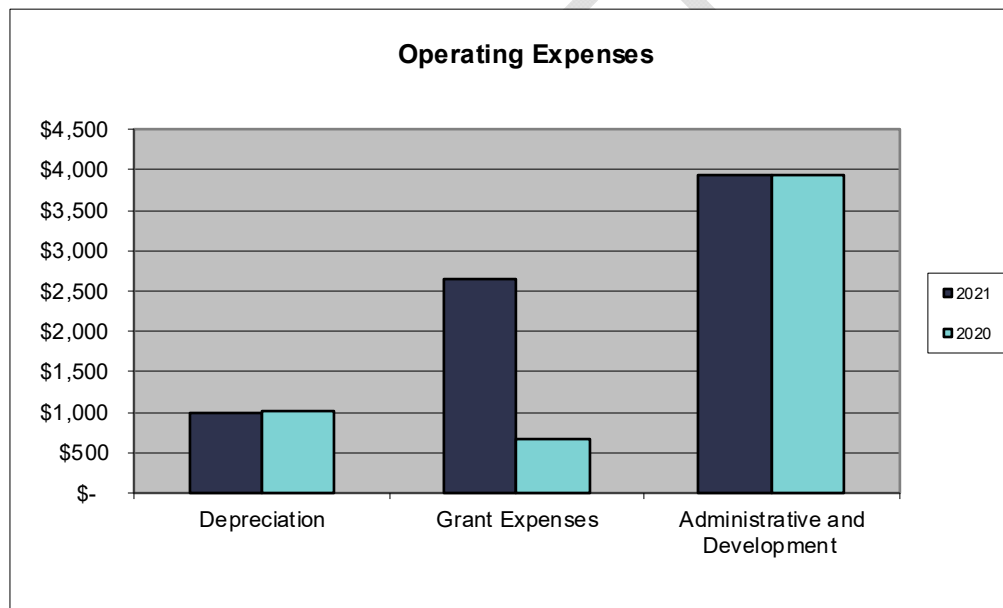
	2021	Percentage of Total	2020	Percentage of Total	Increase (Decrease) from 2020	Percentage Change
Operating Revenues						
Facility Rental	\$ 3,762	25.7 %	\$ 3,649	37.6 %	\$ 113	3.1 %
Interest on Loans	5,333	36.4	2,778	28.6	2,555	92.0
Operating Income	988	6.7	1,149	11.9	(161)	(14.0)
Administrative Fees and Misc.	1,019	7.0	771	8.0	248	32.2
Grant Revenue	3,536	24.2	1,346	13.9	2,190	162.7
Total Operating Revenues	<u>\$ 14,638</u>	<u>100.0 %</u>	<u>\$ 9,693</u>	<u>100.0 %</u>	<u>\$ 4,945</u>	<u>51.0 %</u>



**PORT AUTHORITY OF THE CITY OF SAINT PAUL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

Operating Expenses: Operating expenses increased 2.4% to \$10.2 million in 2021 from \$8.2 million in 2020. Depreciation decreased \$30 thousand mainly related to the disposals related to the office move. As noted above, grant revenues increased \$2.1 million in the current year associated with increased development work, resulting in overall grant expenses increasing as well by \$1.9 million. Administrative and Development costs decreased \$9 thousand or .02% from the prior year. Revenues pledged to others relates to leased property revenues which are pledged to and passed on to third parties; while the majority of the main lease rate increases annually, a portion of this revenue is based upon volume. In 2021 these revenues and related expenses increased by around \$89 thousand or a 3.4% increase from 2020. The following schedule presents a summary of expenses for the years ended December 31, 2021 and 2020, and the percentage change in relation to the prior year's expenses.

	2021	Percentage of Total	2020	Percentage of Total	Increase (Decrease) from 2020	Percentage Change
Operating Expenses:						
Depreciation	\$ 980	9.6 %	\$ 1,011	12.3 %	\$ (31)	(3.1)%
Grant Expenses	2,636	25.7	672	8.2	1,964	292.3
Administrative and Development	3,925	38.3	3,934	47.8	(9)	(0.2)
Revenues Pledged to Others	2,698	26.4	2,609	31.7	89	3.4
Total	<u>\$ 10,239</u>	<u>100.0 %</u>	<u>\$ 8,226</u>	<u>100.0 %</u>	<u>\$ 2,013</u>	<u>24.5 %</u>



**PORT AUTHORITY OF THE CITY OF SAINT PAUL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

Debt Administration: As of December 31, 2021, the Port Authority has various debt issues outstanding. These issues include \$32.7 million in general obligation bonds, \$15.6 million in revenue bonds, \$1.6 million in other development bonds, and \$163.9 million in promissory notes for a net increase of \$64.8 million from 2021. Notes/loans to third parties associated with financing energy saving projects increased \$76.2 million. This increase was partially offset by scheduled payments on the debt. 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, of which most 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 20 and 19 regular fulltime employees as of December 31, 2021 and 2020.

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 related 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 has remediated numerous sites which are then sold to entities that agree to various development criteria for the site. While the majority of the sites have been sold and developed, the Port continues to market space in one of its redeveloped business centers – the 61-acre Beacon Bluff Business Center on Saint Paul's East side. In addition, the former 112 acre Hillcrest Golf Course is in the master planning stage and once finalized will be available for development.

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, Todd Hurley, Chief Financial and Operating Officer, 400 Wabasha St. N, Suite 240, Saint Paul, Minnesota 55102.

BASIC FINANCIAL STATEMENTS

DRAFT

PORT AUTHORITY OF THE CITY OF SAINT PAUL
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021
(IN THOUSANDS)

	Primary Government	Component Unit
ASSETS		
Cash and Cash Equivalents	\$ 455	\$ 1,821
Restricted Cash and Cash Equivalents	8,629	1,808
Accounts Receivable	6,670	1,652
Due from Component Unit	286	-
Accrued Interest Receivable	-	-
Loans Receivable from Port Authority	-	706
Fuel Inventory	49	-
Prepaid Expenses	117	57
Restricted Investments	22,446	-
Investments	-	7,453
Other Assets	243,450	2,681
Net OPEB Asset	57	-
Capital Assets:		
Land and Construction in Progress	2,045	5,980
Other Capital Assets, Net of Depreciation	14,917	64,726
Total Assets	299,121	86,884
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources - Pensions	861	-
Deferred Outflows of Resources - Loss on Debt Refunding	234	-
Total Deferred Outflows of Resources	1,095	-
LIABILITIES		
Accounts Payable, Accrued Expenses, and Unearned Revenue	1,703	1,953
Accrued Interest Payable	1,138	685
Due to Port Authority	-	186
Other Accrued Liabilities	7,178	2,872
Unearned Revenue	-	-
Interest Rate Swap Liability	-	29
Long-Term Liabilities Due Within One Year	4,391	109,562
Long-Term Liabilities	211,035	25,863
Net Pension Liability	1,098	-
Total Liabilities	226,543	141,150
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources - Pensions	1,009	-
Deferred Inflows of Resources - Service Concession Arrangements	7,006	-
Total Deferred Inflows of Resources	8,015	-
NET POSITION		
Net Investment in Capital Assets	16,252	(5,779)
Restricted for:		
Debt Service	54,491	-
Capital Maintenance on Owned Facilities	-	-
Equity On Ice	-	139
Other	-	3,150
Unrestricted	(5,085)	(51,776)
Total Net Position	\$ 65,658	\$ (54,266)

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, 2021
(IN THOUSANDS)

	Primary Government	Component Unit
OPERATING REVENUES		
Revenue Bond Facilities and Loan:		
Facility and Other Rentals	\$ 3,762	\$ -
Interest on Loans	5,333	-
Operating Income on Owned Facilities	988	5,234
Administrative and Other Fees	1,019	1,287
Grant Revenues	3,536	-
Total Operating Revenues	<u>14,638</u>	<u>6,521</u>
OPERATING EXPENSES		
Administrative and Development	3,925	1,379
Operations of Owned Facilities	-	2,087
Revenues Pledged to Others	2,698	-
Depreciation	980	4,454
Grant Expenses	2,636	900
Real Estate Taxes	-	1,121
Total Operating Expenses	<u>10,239</u>	<u>9,941</u>
OPERATING INCOME (LOSS)	4,399	(3,420)
NONOPERATING REVENUES (EXPENSES)		
Investment Income	(116)	757
Equity Earnings on Joint Ventures	-	638
Debt Service Levies	10,646	-
Miscellaneous Revenue	105	408
Interest Expense on Revenue Bonds and Notes Payable	(6,331)	(8,550)
Provision for Uncollectable Accounts	-	(115)
Income from Operating Leases	-	127
Fiscal and Development Fees	(4,233)	-
Gain on Sale of Property	1	(88)
Impairment Loss	-	(200)
Total Nonoperating Revenues (Expenses)	<u>72</u>	<u>(7,023)</u>
CHANGE IN NET POSITION	4,471	(10,443)
Net Position (Deficit) - Beginning of Year	<u>61,187</u>	<u>(43,823)</u>
NET POSITION (DEFICIT) - END OF YEAR	<u>\$ 65,658</u>	<u>\$ (54,266)</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, 2021
(IN THOUSANDS)

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers and Users	\$ 4,750
Grant Receipts	3,547
Other Operating Receipts	10,892
Payments for Administrative and Development Expenses	(91,546)
Payments to Employees	4,728
Grant Expenses and Other Payments for Operations	(2,636)
Net Cash Used by Operating Activities	<u>(70,265)</u>

CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES

Proceeds from the Sale of Property	1
Proceeds for Issuance of Debt	86,026
Principal Paid on Debt	(9,814)
Interest and Paying Agent Fees on Bonds	(11,101)
Receipts from Debt Service Levies	14,157
Net Cash Provided by Noncapital Financial Activities	<u>79,269</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of Capital Assets	(1,689)
Principal Paid on Capital Debt	(11,216)
Cash Received on the Sale of Capital Assets	29
Net Cash Used by Capital and Related Financing Activities	<u>(12,876)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	(116)
Purchase of Investments	(516)
Proceeds from the Sale of Investments	(7,657)
Net Cash Used by Investing Activities	<u>(8,289)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS

(12,161)

Cash and Cash Equivalents - January 1

21,243

CASH AND CASH EQUIVALENTS - DECEMBER 31

\$ 9,082

RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES

Operating Income	\$ 4,399
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:	
Depreciation	980
Changes in Assets and Liabilities:	
Increase in Receivables	(2,419)
Decrease in Prepaids	25
Increase in Loans Receivable	(87,360)
Decrease in Other Assets	6,960
Increase in Net OPEB Asset	(11)
Increase in Deferred Outflows	(572)
Increase in Payables	41
Decrease in Other Liabilities	(260)
Increase in Deferred Inflows	7,952
Net Cash Used by Operating Activities	<u><u>\$ (70,265)</u></u>

See accompanying Notes to Basic Financial Statements.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2021
(IN THOUSANDS)

	OPEB Irrevocable Trust	Defined Contribution Pension Trust
ASSETS		
Restricted Investments	\$ 696	\$ 1,103
LIABILITIES		
Due to the Port Authority	25	-
NET POSITION		
Restricted for Pension Benefits	-	1,103
Restricted for OPEB	671	-
Total Net Position	<u>\$ 671</u>	<u>\$ 1,103</u>

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2021
(IN THOUSANDS)

	OPEB Irrevocable Trust	Defined Contribution Pension Trust
ADDITIONS		
Contributions - Employer	\$ 10	\$ 16
Contributions - Individuals	-	10
Earnings on Investments	14	90
Total Additions	<u>24</u>	<u>116</u>
DEDUCTIONS		
Benefits Paid to Plan Members	35	771
Administrative Expenses	-	1
Total Deductions	<u>35</u>	<u>772</u>
NET INCREASE (DECREASE) IN NET POSITION	(11)	(656)
Net Position - Beginning of Year	<u>682</u>	<u>1,759</u>
NET POSITION - END OF YEAR	<u>\$ 671</u>	<u>\$ 1,103</u>

See accompanying Notes to Basic Financial Statements.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
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(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 nonprofit 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 400 Wabasha St. N, Suite 240, Saint Paul, Minnesota 55102.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
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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.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
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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.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
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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. The Port Authority also has a defined contribution plan for which a pension trust is reported in the fiduciary financial statements. See Note 9 for more details on the defined contribution plan.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Port Authority's irrevocable OPEB trust and additions to/deductions from the Port Authority's irrevocable OPEB trust's fiduciary net position have been determined on the same basis as they are reported by the Port Authority's irrevocable OPEB trust. For this purpose, Port Authority recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
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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.

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.

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)

- 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.

The Port Authority held the following investments as of December 31, 2021:

Investment Type	Fair Value
U.S. Treasury Notes	\$ 6,102
Federal Home Loan Mortgage Corp. (Freddie Mac)	878
Federal National Mortgage Assoc. (Fannie Mae)	882
Federal Home Loan Bank	125
Total Investments at Fair Value	<u>\$ 7,987</u>

Investment Type	Amortized Cost
First American Government Obligations: Class D	
Money Market	\$ 10,936
4M - External Investment Pools	3,523
Total Investments at Amortized Cost	<u>\$ 14,459</u>

The OPEB Irrevocable Trust Fund held the following investments as of December 31, 2021:

Investment Type	Amortized Cost
MN SBI Non-Retirement Bond Fund	\$ 444
MN SBI Non-Retirement Equity Fund	98
MN SBI Non-Retirement Money Market Fund	154
Total Investments at Amortized Cost	<u>\$ 696</u>

MN SBI investments are subject to the policies and procedures established by the Minnesota State Board of Investment. They have no restrictions or limitations on withdrawals other than requiring a five-business day notice. The investment in the 4M external investment pool is with the 4M Fund which is regulated by Minnesota Statutes and the board of directors of the League of Minnesota Cities.

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 Defined Contribution Pension Trust Fund held the following investments as of December 31, 2021:

Investment Type	Fair Value
T. Rowe Price Large Cap Value, DFE Number 030	\$ 252
Dodge & Cox Intl Stock Fund DFE Number 102	35
Amer Funds New World Fund, R6 DFE Number 184	4
Janus Henderson Triton N DFE Number 223	27
Am Funds Europacific GR R6 DFE Number 286	26
Pioneer Brand Bond Y DFE Number 337	102
AB Gbl Bond av DFE Number 769	78
T. Rowe Price Large Cap Growth, DFE Number 900	41
JPMorgan Large Cap Growth, DFE Number 900	90
Fidelity Total Market Index DFE Number 900	12
MyWayRetirement Index 2050 R DFE Number 900	33
MN Life Guaranteed Return Acct	403
Total Investments at Fair Value	<u>\$ 1,103</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 Port Authority's schedule of the average maturities by investment type as of December 31, 2021 is as follows:

Investment Type	Investment Maturities (In Years)					Total
	Less than 1	1-5	6-10	More Than 10	No Maturity	
U.S. Treasury Notes	\$ 602	\$ 4,895	\$ 605	\$ -	\$ -	\$ 6,102
Government-Sponsored Enterprises:						
Federal Home Loan Mortgage Corp (Freddie Mac)	10	839	23	6	-	878
Federal National Mortgage Assoc. (Fannie Mae)	35	741	49	57	-	882
Federal Home Loan Bank	-	125	-	-	-	125
First American Government Obligations: Class D						
Money Market	-	-	-	-	10,936	10,936
4M - External Investment Pools	-	-	-	-	3,523	3,523
Total	<u>\$ 647</u>	<u>\$ 6,600</u>	<u>\$ 677</u>	<u>\$ 63</u>	<u>\$ 14,459</u>	<u>\$ 22,446</u>

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

Investments (Continued)

The OPEB Irrevocable Trust Fund's schedule of the average maturities by investment type as of December 31, 2021 is as follows:

Investment Type	Investment Maturities (In Years) No Maturity
MN SBI Non-Retirement Bond Fund	\$ 444
MN SBI Non-Retirement Equity Fund	98
MN SBI Non-Retirement Money Market Fund	154
Total	<u>\$ 696</u>

The Defined Contribution Pension Trust Fund's schedule of the average maturities by investment type as of December 31, 2021 is as follows:

Investment Type	Investment Maturities (In Years) No Maturity
T. Rowe Price Large Cap Value, DFE Number 030	\$ 252
Dodge & Cox Intl Stock Fund DFE Number 102	35
Amer Funds New World Fund, R6 DFE Number 184	4
Janus Henderson Triton N DFE Number 223	27
Am Funds Europacific GR R6 DFE Number 286	26
Pioneer Brand Bond Y DFE Number 337	102
AB Gbl Bond av DFE Number 769	78
T. Rowe Price Large Cap Growth, DFE Number 900	41
JPMorgan Large Cap Growth, DFE Number 900	90
Fidelity Total Market Index DFE Number 900	12
MyWayRetirement Index 2050 R DFE Number 900	33
MN Life Guaranteed Return Acct	403
Total	<u>\$ 1,103</u>

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.

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NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

The Port Authority's investments at December 31, 2021 carried the following ratings:

Investment Type	Credit Risk (Lowest rating from Moody's, S&P and Fitch Ratings)				Total
	AAA/Aaa	AA+/Aa1	A	NR or NA	
U.S. Treasury Notes	\$ -	\$ -	\$ -	\$ 6,102	\$ 6,102
Government-Sponsored Enterprises:					
Federal Home Loan Mortgage Corp (Freddie Mac)	-	710	-	168	878
Federal National Mortgage Assoc. (Fannie Mae)	-	764	-	118	882
Federal Home Loan Bank	-	125	-	-	125
First American Government Obligations: Class D					
Money Market	-	-	-	10,936	10,936
4M - External Investment Pools	-	-	-	3,523	3,523
Total	\$ -	\$ 1,599	\$ -	\$ 20,847	\$ 22,446

The OPEB Irrevocable Trust Fund's investments at December 31, 2021 carried the following ratings:

Investment Type	Credit Risk
	Not Rated
MN SBI Non-Retirement Bond Fund	\$ 444
MN SBI Non-Retirement Equity Fund	98
MN SBI Non-Retirement Money Market Fund	154
Total	\$ 696

The Defined Contribution Pension Trust Fund's investments at December 31, 2021 carried the following ratings:

Investment Type	Investment Maturities (In Years)
	No Maturity
T. Rowe Price Large Cap Value, DFE Number 030	\$ 252
Dodge & Cox Intl Stock Fund DFE Number 102	35
Amer Funds New World Fund, R6 DFE Number 184	4
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Fidelity Total Market Index DFE Number 900	12
MyWayRetirement Index 2050 R DFE Number 900	33
MN Life Guaranteed Return Acct	403
Total	\$ 1,103

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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 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, 2021, the Port Authority had not invested more than 5% of the Port Authority's investments in any particular issuer.

At December 31, 2021, the OPEB Irrevocable Trust Fund had not invested more than 5% of its Fund's investments any particular issuer.

At December 31, 2021, the Defined Contribution Pension Trust Fund had not invested more than 5% of its Fund's investments any particular issuer.

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.

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)

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	\$ 6,102	\$ -	\$ -	\$ 6,102
Government-sponsored Enterprises:				
Federal Home Loan Mortgage Corp (Freddie Mac)	-	878	-	878
Federal National Mortgage Assoc. (Fannie Mae)	-	882	-	882
Federal Home Loan Bank	-	125	-	125
Total Investments Measured at Fair Value	<u>\$ 6,102</u>	<u>\$ 1,885</u>	<u>\$ -</u>	<u>\$ 7,987</u>

The OPEB Irrevocable Trust Fund did not have any assets which were measured at fair value.

Assets of the Defined Contribution Pension Trust Fund measured at fair value on a recurring basis are as follows:

Investment Type	Level 1	Level 2	Level 3	Total
T. Rowe Price Large Cap Value, DFE Number 030	\$ 252	\$ -	\$ -	\$ 252
Dodge & Cox Intl Stock Fund DFE Number 102	35	-	-	35
Amer Funds New World Fund, R6 DFE Number 184	4	-	-	4
Janus Henderson Triton N DFE Number 223	27	-	-	27
Am Funds Europacific GR R6 DFE Number 286	26	-	-	26
Pioneer Brand Bond Y DFE Number 337	102	-	-	102
AB Gbl Bond av DFE Number 769	78	-	-	78
T. Rowe Price Large Cap Growth, DFE Number 900	41	-	-	41
JPMorgan Large Cap Growth, DFE Number 900	90	-	-	90
Fidelity Total Market Index DFE Number 900	12	-	-	12
MyWayRetirement Index 2050 R DFE Number 900	33	-	-	33
MN Life Guaranteed Return Acct	403	-	-	403
Total Investments Measured at Fair Value	<u>\$ 1,103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,103</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, 2021:

Reimbursable Project Costs	\$ 16,354
Future Tax Levies	50,998
Loans Receivable	181,794
Allowance for Uncollectible Amounts	(5,695)
Total	<u>\$ 243,451</u>

NOTE 4 CAPITAL ASSETS

Capital asset additions, retirements, and balances for the year ended December 31, 2021 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
Capital Assets, Being Depreciated:					
Land Improvements	46,504	620	-	-	47,124
Furniture and Equipment	1,415	1,069	153	-	2,331
Total Capital Assets, Being Depreciated	47,919	1,689	153	-	49,455
Accumulated Depreciation for:					
Land Improvements	32,510	906	-	3	33,419
Furniture and Equipment	1,172	74	124	(3)	1,119
Total Accumulated Depreciation	33,682	980	124	-	34,538
Total Capital Assets, Being Depreciated, Net	14,237	709	29	-	14,917
Business-Type Activities Capital Assets, Net	<u>\$ 16,282</u>	<u>\$ 709</u>	<u>\$ 29</u>	<u>\$ -</u>	<u>\$ 16,962</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, 2021, revenue bonds and notes payable consisted of the following:

<u>Description</u>	<u>Amount</u>
General Obligation Debt:	
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.	\$ 710
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.	6,025
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.	2,800
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.	4,765
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.	4,305
1.6% to 2.72%, Taxable General Obligation Bonds, Series 2019-1, with principal due through 2040, for financing the acquisition of the former Hillcrest Golf Course in preparation for redevelopment, backed by the full faith and credit of the City of Saint Paul.	7,165
5.0% Tax Exempt General Obligation Bonds, Series 2019-2, with principal due through 2044, for financing the acquisition of the former Hillcrest Golf Course in preparation for redevelopment, backed by the full faith and credit of the City of Saint Paul.	2,440
3.0% Taxable General Obligation Refunding Bonds, Series 2019-3, with principal due through 2030, backed by the full faith and credit of the City of Saint Paul.	4,540
Revenue Bonds:	
4.02% Taxable Revenue Bonds Series 2013-6, with principal due through 2039, for the financing of a new multi-purpose regional ballpark.	7,145
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.	1,067
6.25% Limited Taxable Tax Increment Revenue Notes, Series 2011-2, with principal due in 2021, for Energy Lane.	606
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
Other Debt:	
Other Notes and Loans Payable	163,901
	213,954
Plus: Unamortized Bond Premium	1,473
Less: Current Maturities	(4,391)
Total	<u>\$ 211,036</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:

Bonds Payable			
Year Ending	Principal	Interest	Total
2022	\$ 3,978	\$ 1,456	\$ 5,434
2023	4,077	1,337	5,414
2024	4,123	1,224	5,347
2025	2,977	1,121	4,098
2026	2,960	1,016	3,976
2027-2031	13,558	908	14,466
2032-2036	11,470	3,277	14,747
2037-2041	5,250	1,273	6,523
2042-2046	1,660	118	1,778
Total	<u>\$ 50,053</u>	<u>\$ 11,730</u>	<u>\$ 61,783</u>

Notes and Loans Payable			
Year Ending	Principal	Interest	Total
2022	\$ 413	\$ -	\$ 413
2023	347	-	347
2024	358	-	358
2025	359	-	359
2026	265	-	265
2027-2031	161,616	-	161,616
2032-2036	543	-	543
Total	<u>\$ 163,901</u>	<u>\$ -</u>	<u>\$ 163,901</u>

Long-term liability activity for the year ended December 31, 2021 was as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
General Obligation Bonds	\$ 35,285	\$ -	\$ 2,535	\$ 32,750	\$ 2,950
Taxable Revenue Bonds	15,285	-	8,140	7,145	275
Development Revenue Bonds	1,849	-	176	1,673	378
Limited Tax Supported Bonds	8,850	-	365	8,485	375
Bond Premiums	1,649	-	176	1,473	-
Total Bonds Payable	62,918	-	11,392	51,526	3,978
Notes and Loans Payable	87,688	86,026	9,813	163,901	413
Total Long-Term Liabilities	<u>\$ 150,606</u>	<u>\$ 86,026</u>	<u>\$ 21,205</u>	<u>\$ 215,427</u>	<u>\$ 4,391</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 2021, these grants totaled \$900.

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 2021, principal and interest payments were \$0 and \$0, respectively, resulting in an outstanding balance of \$606 at December 31, 2021.

NOTE 7 DEFINED BENEFIT PENSION PLANS

A. Plan Description

The Port Authority participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees' Retirement Plan

All full-time and certain part-time employees of the Port Authority are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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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. 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.

General Employees Plan Benefits

General Employees Plan 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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years 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.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in calendar year 2021 and the Port Authority was required to contribute 7.5% for Coordinated Plan members. The Port Authority's contributions to the General Employees Fund for the year ended December 31, 2021 were \$151. The Port Authority's contributions were equal to the required contributions as set by state statute.

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NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2021, the Port Authority reported a liability of \$1,098 for its proportionate share of the General Employees Fund's net pension liability. The Port Authority's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. 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 \$34.

The net pension liability was measured as of June 30, 2021, 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 proportionate share 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The Port Authority's proportionate share was 0.0257% at the end of the measurement period and 0.0256% for the beginning of the period.

For the year ended December 31, 2021, the Port Authority recognized pension expense of \$76 for its proportionate share of the General Employees Plan's pension expense.

At December 31, 2021, the Port Authority reported its proportionate share of General Employees Fund'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	\$ 7	\$ 34
Changes in Actuarial Assumptions	670	24
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	950
Changes in Proportion and Differences Between Port Authority Contributions and Proportionate Share of Contributions	109	-
Port Authority Contributions Subsequent to the Measurement Date	75	-
Total	<u>\$ 861</u>	<u>\$ 1,008</u>

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NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

A total of \$75 reported as deferred outflows of resources related to pensions resulting from Port Authority contributions to General Employees Fund subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to General Employees Fund pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expenses Amount</u>
2021	\$ 19
2022	25
2023	(7)
2024	(259)
Thereafter	-

E. Long-Term Expected Return on Investment

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 geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	33.50 %	5.10%
Private Markets	25.00	5.90%
Fixed Income	25.00	0.75%
International Equity	16.50	5.90%
Totals	<u>100 %</u>	

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NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan and benefit increases after retirement are assumed to be 1.25% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation

The following changes in actuarial assumptions and plan provisions occurred in 2021:

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

F. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. 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.

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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>	5.50%	6.50%	7.50%
Port Authority's Proportionate Share of the GERF Net Pension Liability	\$ 2,238	\$ 1,098	\$ 161

H. Pension Plan Fiduciary Net Position

Detailed information about GERF's fiduciary net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org.

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, 2021, there were eleven beneficiaries receiving benefits. In addition, there are four current employees that may become eligible for benefits in the future.

Effective September 1, 2018, the Port Authority established an OPEB Irrevocable Trust Fund pursuant to Minnesota Statute Section 471.6175 with the Minnesota Public Employees Retirement Association serving as the administrator. The plan does not issue a stand-alone financial report.

Contributions and 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.

Net OPEB Liability: As the Port Authority had fewer than 100 employees as of December 31, 2021, the Port Authority's net OPEB liability was measured as of December 31, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by through the use of the alternative measurement method as of that date.

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NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PAYABLE (CONTINUED)

Single Employer Retiree Healthcare Benefit Program (Continued)

Actuarial Assumptions: The total OPEB liability in the December 31, 2021 alternative measurement method valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified. 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%, 3.0% rate of inflation, and a 2.5% discount rate.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (or target allocation, if available). Best estimates of rates of return for each major asset class included in the OPEB plan's asset allocation as of the measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
MN State Board of Investment Non-Retirement Bond Fund	50.00 %	5.25 %
MN State Board of Investment Non-Retirement Equity Fund	25.00	8.00
MN State Board of Investment Non-Retirement Money Market Fund	25.00	1.25
Total	<u>100.00 %</u>	

For the year ended December 31, 2021 the annual money weighted rate of return on investments, net of investment expense, was 2.00%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Changes in the Net OPEB Liability: The following table summarized the changes in the plan's total OPEB liability, plan fiduciary net position, and the related net OPEB liability:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at December 31, 2019	\$ 636	\$ 682	\$ (46)
Changes for the Year:			
Service Cost	13	-	13
Contributions-Employer	-	10	(10)
Net Investment income	-	14	(14)
Benefit Payments	(35)	(35)	-
Net Changes	<u>(22)</u>	<u>(11)</u>	<u>(11)</u>
Balances at December 31, 2020	<u>\$ 614</u>	<u>\$ 671</u>	<u>\$ (57)</u>

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NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PAYABLE (CONTINUED)

Single Employer Retiree Healthcare Benefit Program (Continued)

There were no significant plan and assumption changes which occurred in 2021.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates: The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.5%) or 1-percentage-point higher (3.5%) than the current discount rate:

	1% Decrease (1.5%)	Discount Rate (2.5%)	1% Increase (3.5%)
Net OPEB Liability (Asset)	\$ 4	\$ (57)	\$ (109)

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.3%) or 1-percentage-point higher (7.3%) than the current healthcare cost trend rates:

	1% Decrease (5.3%)	Healthcare Cost Current Trend Rates (6.3%)	1% Increase (7.3%)
Net OPEB Liability (Asset)	\$ (56)	\$ (57)	\$ (57)

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plan's fiduciary net position is available on the statement of fiduciary net position and the statement of changes in fiduciary net position, as listed in the table of contents of these financial statements. The OPEB plan does not issue separate financial statements.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended December 31, 2021, the Port Authority recognized OPEB expense of \$39. At December 31, 2021, the Port Authority reported no deferred outflows of resources and deferred inflows of resources related to OPEB.

NOTE 9 OTHER PENSION BENEFITS PAYABLE

The Port Authority sponsors a Section 414(d) single employer defined contribution pension benefit plan covering all full-time employees who were hired prior to June 30, 2003 and did not elect to participate in the General Employees Fund. 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, 2021, 2020, and 2019 were approximately \$16, \$15, and \$18, respectively. The Port Authority's President and Chief Financial Officer have been appointed as the pension plan's trustees, and, therefore, it is reported within the financial statements as a defined contribution pension trust fund. There are currently seven plan members, of which, four are active, contributing employees and three are retirees.

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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.

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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 \$205,442 at December 31, 2021.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
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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 2021, the Port Authority had five such Pay-As-You-Go TIF Notes in place and made payments totaling \$712 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 2044.

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NOTE 13 SERVICE CONCESSION ARRANGEMENT

For many years the Port Authority has owned and operated Energy Park Utility Company (EPUC), which provides heating and cooling services through the operation of a hot and chilled-water system to business and residences located in Energy Park, an industrial and residential development district located in Saint Paul. In December 2021, the Port Authority entered into an agreement with DE Energy Park, LLC (District Energy) to lease to them the EPUC facilities, equipment, machinery, real property, customer and operating contracts, business information, and real estate rights for use and operation of the business. The initial term of the agreement is twenty years, expiring on December 21, 2041, but includes a ten year optional extension to be agreed upon by both parties.

Under the agreement the Port Authority would convey to District Energy the rights and related obligations to provide the heating and cooling services to Energy Park through the use of the existing EPUC facilities in exchange for quarterly installment payments, totaling \$170 thousand a year, and an initial payment sufficient to defease the full amount of the existing bonds outstanding which were issued by the Port Authority to upgrade the facilities in 2013, as well as several smaller loans and liabilities outstanding. District Energy would then be responsible for operating the facilities and collecting fees from the customers within Energy Park. The agreement also requires District Energy to operate the facilities under the existing franchise agreement with the City of Saint Paul, which includes rate restrictions and other guidelines for its operations. Upon termination of the agreement, all facilities, equipment and real property included in the agreement must be returned to the Port Authority in proper working condition subject to normal wear and tear related to the useful life of the property. All of these conditions result in the agreement being considered a service concession arrangement.

District Energy's upfront payment to the Port Authority included the following:

- 1) \$7,070 in proceeds from bonds issued by District Energy were placed into an irrevocable escrow to provide sufficient amounts to make future payments of EPUC's outstanding bonds, series 2012-3 and 2012-4, this constituting a defeasance of the bonds
- 2) \$913 was paid to EPUC and was then used to purchase equipment from Capital City Properties (CCP) which EPUC had been leasing from CCP.
- 3) \$291 was paid to EPUC and subsequently used to pay the remaining outstanding balance of a loan payable to CCP.
- 4) \$88 was paid to EPUC and subsequently used to pay the remaining outstanding balance on an intrafund loan with the St. Paul Port Authority.

In accordance with GASB 60, *Accounting for Service Concession Arrangements*, the transferor entity (Port Authority) should record a deferred inflows of resources for the difference between the up-front payment and any contractual obligations (liabilities). As such, the Port Authority has recorded a deferred inflow in the amount of \$7,006, to be recognized as revenue over the term of the agreement.

Because the agreement requires that all facilities, equipment, and real property be returned to the Port Authority at the termination of the agreement in proper working condition, subject to normal wear and tear, the Port Authority is including these assets in the financial statements and the assets are continuing to be depreciated.

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NOTE 14 SUBSEQUENT EVENT

In January 2022, the Port Authority sold a 5-acre parcel of land and warehouse, formerly the Bix Produce warehouse, to Soldier Trucking for \$5,650. The state of Minnesota had originally purchased the site in 2020 as a possible back-up morgue during the COVID-19 pandemic, and the Port Authority subsequently purchased it from the state once it was determined to not be needed. The Port Authority's total costs for acquiring the site in November 2021 were \$5,734.

On April 6, 2022, the Port Authority issued \$10,020 tax-exempt general obligation bonds, series 2022-01 and \$6,020 taxable general obligation bonds, series 2022-2. The proceeds of the bonds are to be used to finance expenditures related to the removal of thousands of ash trees that have been infested with Emerald Ash Borer (EAB) as well as the planting of approximately 13,000 diverse variety of trees on City boulevards, public right of way, and other City land within the EAB Development District. The bonds carry interest rates of between 3.0%-5.0% and mature between 2029 and 2037.

DRAFT

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

PORT AUTHORITY OF THE CITY OF SAINT PAUL
SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET)
YEAR ENDED DECEMBER 31, 2021
(ALL AMOUNTS IN THOUSANDS)

	2021	2020	2019	2018
Total OPEB Liability				
Service Cost	\$ 13	\$ 28	\$ 108	\$ 18
Benefit Payments	(35)	(39)	(45)	(34)
Net Change in Total OPEB Liability	(22)	(11)	63	(16)
Total OPEB Liability - Beginning	636	647	584	601
Total OPEB Liability - Ending (a)	<u>\$ 614</u>	<u>\$ 636</u>	<u>\$ 647</u>	<u>\$ 584</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 10	\$ 20	\$ 45	\$ 634
Net Investment Income	14	48	56	(3)
Benefit Payments	(35)	(39)	(45)	(34)
Net Change in Plan Fiduciary Net Position	(11)	29	56	597
Plan Fiduciary Net Position - Beginning	682	653	597	-
Plan Fiduciary Net Position - Ending (b)	<u>\$ 671</u>	<u>\$ 682</u>	<u>\$ 653</u>	<u>\$ 597</u>
Net OPEB Liability (Asset) - Ending (a) - (b)	\$ (57)	\$ (46)	\$ (6)	\$ (13)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	109.20%	107.15%	100.86%	102.14%
Covered-Employee Payroll	\$ 2,203	\$ 2,015	\$ 1,999	\$ 1,934
Net OPEB Liability as a Percentage of Covered-Employee Payroll	(2.57)%	(2.26)%	(0.28)%	(0.65)%
Actuarially Determined Contribution (ADC)	N/A	N/A	N/A	N/A
Contributions in Relation to the ADC	N/A	N/A	N/A	N/A
Contribution Deficiency (Excess)	N/A	N/A	N/A	N/A
Covered-Employee Payroll	\$ 2,203	\$ 2,015	\$ 1,999	\$ 1,934
Contributions as a Percentage of Covered-Employee Payroll	0.45%	0.99%	2.25%	32.78%

The Port Authority of the City of Saint Paul implemented GASB Statement No. 75 in fiscal year 2018, and the above table will be expanded to 10 years of information as the information becomes available.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN ON PLAN ASSETS - OPEB
DECEMBER 31, 2021
(ALL AMOUNTS IN THOUSANDS)

<u>Year</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2021	2.00%
2020	7.07%
2019	9.03%
2018	-0.88%

The Port Authority of the City of Saint Paul implemented GASB Statement No. 75 in fiscal year 2018, and the above table will be expanded to 10 years of information as the information becomes available.

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, 2021
(ALL AMOUNTS IN THOUSANDS)

	Measurement Date							
	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Port Authority's Proportion of the Net Pension Liability	0.0257%	0.0256%	0.0231%	0.0215%	0.0212%	0.0237%	0.0251%	0.0267%
Port Authority's Proportionate Share of the Net Pension Liability	\$ 1,098	\$ 1,535	\$ 1,277	\$ 1,193	\$ 1,353	\$ 1,924	\$ 1,301	\$ 1,254
State's Proportionate Share of the Net Pension Liability								
Associated with the Port Authority	34	47	40	39	17	-	-	-
Total	<u>\$ 1,132</u>	<u>\$ 1,582</u>	<u>\$ 1,317</u>	<u>\$ 1,232</u>	<u>\$ 1,370</u>	<u>\$ 1,924</u>	<u>\$ 1,301</u>	<u>\$ 1,254</u>
Port Authority's Covered Payroll	\$ 1,851	\$ 1,827	\$ 1,634	\$ 1,365	\$ 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	59.32%	84.02%	78.15%	87.40%	99.12%	130.71%	88.14%	90.74%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.00%	79.06%	80.20%	79.50%	75.90%	68.90%	78.20%	78.70%

The above table will be expanded to 10 years of information as the information becomes available.

DRAFT

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
PERA SCHEDULE OF THE PORT AUTHORITY'S CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2021
(ALL AMOUNTS IN THOUSANDS)**

	Fiscal Year							
	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily Required Contribution	\$ 151	\$ 137	\$ 133	\$ 115	\$ 105	\$ 103	\$ 114	\$ 105
Contributions in Relation to the Statutorily Required Contribution	(151)	(137)	(133)	(115)	(105)	(103)	(114)	(105)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Port Authority's Covered Payroll	2,020	1,820	1,777	1,529	1,401	1,374	1,522	1,443
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.25%

The above table will be expanded to 10 years of information as the information becomes available.

DRAFT

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2021**

CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

General Employees Fund

2021 Changes

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2021**

**CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS
(CONTINUED)**

2019 Changes

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80% for active members and 60.00% for vested and nonvested deferred members. The revised CSA load are now 0.00% for active member liability, 15.00% for vested deferred member liability, and 3.00% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00% per year for all years to 1.00% per year through 2044 and 2.50% per year thereafter.

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2021**

**CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS
(CONTINUED)**

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 Changes:

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes:

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.

Changes in Plan Provisions:

- Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021

**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, the aggregate remaining fund information, 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, 2021, 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. Our report includes a reference to other auditors who audited the financial statements of Go Wild, LLC, a discretely presented component unit of Capital City Properties, as described in our report on the Port Authority's financial statements. The financial statements of Go Wild, LLC 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Port Authority of the City of Saint Paul'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 the Port Authority of the City of Saint Paul's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port Authority of the City of Saint Paul'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. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port Authority of the City of Saint Paul'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 financial statements. 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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity'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

Opinion on Each Major Federal Program

We have audited the Port Authority of the City of Saint Paul's compliance with the types of compliance requirements identified as subject to audit 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, 2021. 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.

In our opinion, the Port Authority of the City of Saint Paul complied, in all material respects, with the 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, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Port Authority of the City of Saint Paul and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Port Authority of the City of Saint Paul's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Port Authority of the City of Saint Paul's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Port Authority of the City of Saint Paul's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Port Authority of the City of Saint Paul's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Port Authority of the City of Saint Paul's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Port Authority of the City of Saint Paul's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Port Authority of the City of Saint Paul's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Port Authority of the City of Saint Paul as of and for the year ended December 31, 2021, and have issued our report thereon dated REPORT DATE, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. 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 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 financial statements or to the 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 expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Board of Commissioners
Port Authority of the City of Saint Paul

CliftonLarsonAllen LLP

Minneapolis, Minnesota
REPORT DATE

DRAFT

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021**

Federal Grantor/ Grant Name	Pass-through Grantor	Federal CFDA Number	Federal Expenditures
U.S. Department of Energy: ARRA - State Energy Program	MN Dept. of Commerce	81.041	\$ 3,536,400
U.S. Environmental Protection Agency: Brownfields Assessment and Cleanup Cooperative Agreements:	Direct	66.818	<u>300,000</u>
Total			<u><u>\$ 3,836,400</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, 2021. 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 SIGNIFICANT 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.

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 2021.

	State Energy Program
Loans Receivable Beginning	\$ 12,674,090
New Loans Issued	3,536,400
Loan Repayments	<u>(3,536,400)</u>
Loans Receivable Ending	<u><u>\$ 12,674,090</u></u>

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021**

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?

_____ yes x no

**THE PORT AUTHORITY OF THE CITY OF SAINT PAUL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported.

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

No prior year findings were reported.

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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, aggregate remaining fund information, and discretely presented component unit 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, 2021, 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.

In connection with our audit, nothing came to our attention that caused us to believe that Port Authority of the City of Saint Paul failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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 Port Authority's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

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

MEMORANDUM

To: BOARD OF COMMISSIONERS

Meeting Date: April 26, 2022

From: Dana J. Krueger *DK*

**Subject: AUTHORIZATION FOR CONTINUATION OF CAPITAL CITY PROPERTIES CORPORATION
RESOLUTION NO. 4716**

Action Requested:

Adoption of a resolution confirming the Port Authority's desire that Capital City Properties Corporation (CCP) remain in existence and exempt from the statutory requirements identified originally in Port Authority Board 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 applies to CCP, which was 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 26, 2022 and to the CCP Board on April 26, 2022.

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 a resolution 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 April 23, 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; 4428 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; 4597 adopted on April 25, 2017; 4626 adopted on April 24, 2018; and 4672 adopted on April 28, 2020, 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 22, 2022, CCP presented to the Port Authority an audit of its financials for the calendar year ending December 31, 2021, 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 26, 2022

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its _____

ATTEST:

By _____
Its _____

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.]

MEMORANDUM

To: BOARD OF COMMISSIONERS

Meeting Date: April 26, 2022

From: Tonya K. Bauer 

**Subject: PUBLIC HEARING - CONVEYANCE OF LAND TO PPL EAST 7th, LLC
BEACON BLUFF BUSINESS CENTER
RESOLUTION NO. 4717**

Action Requested:

Approval of the conveyance of a 2.21-acre parcel of land to PPL East 7th LLC at Beacon Bluff Business Center.

Background:

Attached is a memorandum outlining the terms for the land conveyance transaction with PPL East 7th, LLC for property located at Beacon Bluff Business Center. The proposed buyer is a subsidiary of Pride for Project in Living (PPL). PPL is a nonprofit organization based in Minneapolis, working to empower low-income people to become self-reliant through a myriad of services including housing, employment training, support services and education. PPL has successfully built and manages more than 1,599 units of safe, quality affordable housing throughout the Twin Cities. PPL intends to create a partnership with Soul Community Development, LLC (Soul), a partner of Minnesota Community Care (developer, and operator of East Side Family Clinic at Beacon Bluff) to potentially develop a clinical project in conjunction with the development to include integrated medical care provided by Minnesota Community Care.

The proposed project is a mixed-use development consisting of approximately 30,000 square feet of retail space, approximately 100,000 square feet of affordable housing space to be operated by PPL and comprised of 63 multi-generational housing units, and the facility may include a daycare, clinic, autism center, learning center and cafeteria style restaurant incubator space for local entrepreneurs which may be operated by Soul Community Development, LLC.

Recommendation:

We recommend approval of the conveyance of a parcel of land to PPL East 7th, LLC at Beacon Bluff Business Center.

Attachments: Memorandum
Site Plan
Resolution

MEMORANDUM

SAINT PAUL PORT AUTHORITY LAND CONVEYANCE TRANSACTION

Action Requested:

To approve the conveyance of real property, generally located along East 7th Street at Forest Street, bounded by East 7th Street, Minnehaha Avenue and Forest Street, for the construction of a mixed-use development consisting of approximately 30,000 square feet of retail space, approximately 100,000 square feet of affordable housing space.

Development Officer:

Tonya K. Bauer

Grantee:

PPL East 7th, LLC

Grantee Address:

1035 East Franklin Avenue
Minneapolis, MN 55404

Location of Property to be Conveyed:

The site is as per the attached site plan and measures approximately 2.21 acres.

Conveyance Structure:

Conveyance of land via Limited Warranty Deed. The property is being sold for \$8.00 per square foot, or \$770,140.00, plus buyer obligations that include adherence to the Beacon Bluff protective covenants. Both buyer and seller have conditions that must be met prior to transferring title of the real estate. Buyer's contingencies include site and building approvals, its Board approval, and financing. The Port Authority's contingencies include Board of Commissioner's approval, approval of the buyer's site and architectural design, and buyer's financing.

The contingency period for the transaction is 400 days after the effective date of the Purchase Agreement with closing to take place no later than 540 days after the effective date of the Purchase Agreement.

Other terms and conditions of the proposed purchase agreement include:

- A. The buyer has agreed to analyze and implement sustainable design concepts, as appropriate, into the design of their facility.
- B. The buyer has agreed to pay an initial \$25,000 earnest money deposit which is held by seller until the end of the Contingency Period. At the end of such period, the Earnest Money shall become non-refundable; if the buyer exercises its Option to Extend the contingency period, then the buyer shall make an additional earnest money deposit of

MEMORANDUM

\$25,000 (total earnest amount of \$50,000) it shall be refundable until the expiration of the then-extended contingency period. All earnest money shall be applicable to the Purchase Price if the Buyer closes.

- C. Buyer has agreed to pay prevailing wages, or more, for all skilled and unskilled labor for the proposed construction and enter into a Project Labor Agreement.
- D. Prior to January 1, 2049, Buyer shall take no action or permit others under Buyer's control to take any action to cause the Property or any portion thereof to be no longer subject to real property taxation. Buyer, its successors and assigns, shall not apply for an exemption from property tax on the Property or permit transfer of the Property to any entity whose ownership or operation of the Property would result in the Property being exempt from property tax under State law. This covenant shall survive Closing and shall run with the land and shall be evidenced by a Declaration recorded against the Property.

Nature of Intended Use:

A mixed-use development consisting of approximately 30,000 square feet of retail space, approximately 100,000 square feet of multi-generational affordable housing space comprised of 63 units.

Business Subsidy Agreement

This is a market rate transaction, there is no Business Subsidy Agreement required for this transaction.

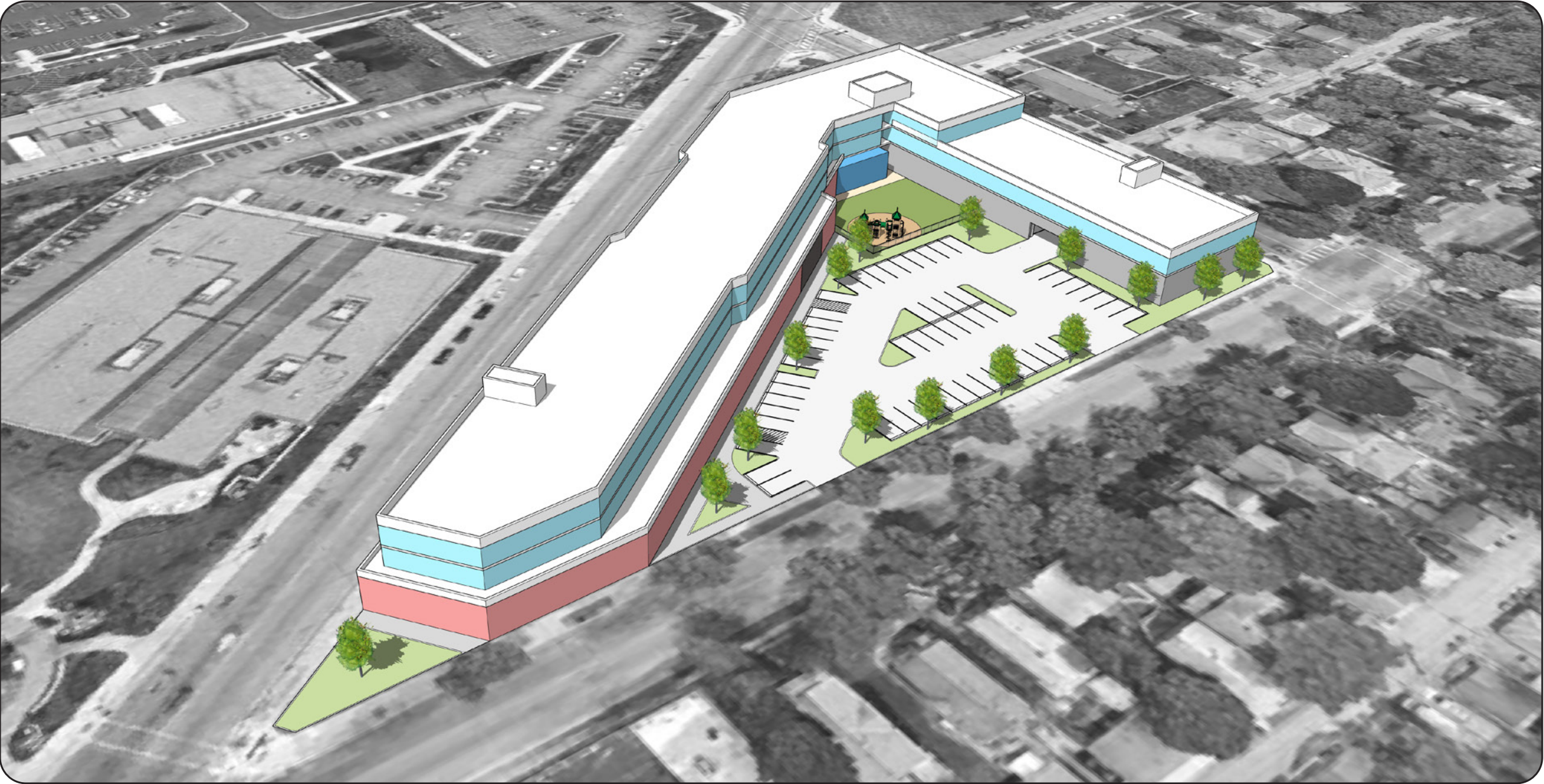
Exception from Port's Development Criteria/Covenants:

The Port Authority's development criteria were developed for, and applicable to, our light industrial business centers and anticipate those land uses, building forms, and workforce characteristics. This project is a residential and commercial mixed-use project and will generally not conform to the Development Criteria. The project will adhere to the Restrictive Covenants on the property, to the extent they are not incompatible with the use type proposed. As described, the project conforms to the sites zoning (B3) and direction from the Beacon Bluff Community Advisory Committee.

Development Officer's Comments:

The need for quality affordable housing is especially significant on the East Side of Saint Paul. Providing a clinic expansion opportunity and creation of urban affordable infill housing at Beacon Bluff helps further activate the site and serve the community in ways not previously envisioned. The site was guided for retail uses, with potential housing above, in the community engagement process and by the consensus recommended Development Concept from the 3M/Beacon Bluff Community Advisory Committee. The site has been marketed for commercial/retail uses since 2010 with a handful of interested developers and tenants since then, but none have successfully advanced a project. With PPL's mission and successful track record in affordable housing development, I believe this project will be a true asset to the community.





METRICS OVERVIEW

OVERALL TOTALS

Stories Above Grade:	3
Gross Square Footage:	142575
Total Parking:	93 STALLS

RESIDENTIAL

Total Residential Units:	63
Average Unit Size:	1149
Net Rentable:	72750
Interior Amenity:	5900
RATIO: 93.7 SF/UNIT	
Outdoor Amenity:	4800
RATIO: 76.2 SF/UNIT	
Parking:	38 STALLS
Stalls per Unit:	0.60

UNIT MIX

1 BEDROOM (750 SF)	30% (13 Units)
2 BEDROOM (1050 SF)	30% (19 Units)
3 BEDROOM (1300 SF)	33% (21 Units)
4 BEDROOM (1500 SF)	17% (11 Units)

COMMERCIAL

Gross SF:	31400
Parking:	55 STALLS

SITE

Site Area:	2.24 Acres
Density:	28.08 Units/Acre
FAR:	1.46

LEVELS	GROSS BUILDING SF	STRUCTURED PARKING SF	STRUCTURED PARKING STALLS	SURFACE PARKING STALLS	COMMERCIAL GROSS AREA SF	INTERIOR AMENITY	MECHANICAL & UTILITY	GROSS RESIDENTIAL	RESIDENTIAL EFFICIENCY	NET RENTABLE	UNITS
1	56600	15100	38	55	31400	5900	3000	7100			
2	48400					0	200	48400	84%	41000	36
3	37575					0	200	37575	84%	31750	28
TOTALS	142575	15100	38	55	31400	5900	3400	93075		72750	63

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

**[PUBLIC HEARING – CONVEYANCE OF LAND TO
PPL EAST 7TH, LLC - BEACON BLUFF BUSINESS CENTER]**

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 convey real estate located at the Beacon Bluff Business Center, and by reference made a part hereof and any personal property of the Port Authority included therewith (collectively, the "Property").

WHEREAS, the Port Authority did conduct a public hearing pursuant to said notice on April 26, 2022, at which hearing all taxpayers in the port district, both for and against the conveyance, were allowed to state their views.

WHEREAS, PPL East 7th, LLC, a subsidiary of Pride for Project Living ("PPL"), has entered into a Purchase Agreement to purchase real estate at the Beacon Bluff Business Center, which Property is owned by the Port Authority.

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; 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 to complete and execute said agreement to purchase in substantially the form as is on file in the office of the Port Authority, and the proper Port Authority officers are hereby authorized 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 26, 2022

From: LINDA K. WILLIAMS *LKW*

Subject: **2022 LEASE RENEWAL AND RENTAL RATE ADJUSTMENT – NORTHERN METAL RECYCLING, LLC**
RESOLUTION NO. 4718

Action Requested:

Approval of a 2022 lease renewal and rental rate adjustment for Northern Metal Recycling, LLC (“Tenant”) leasing 19 acres (827,640 square feet) of land in Barge Terminal No. 1 at 1031 Childs Road, Saint Paul, Minnesota (“Leased Premises”).

Background:

The Port Authority of the City of Saint Paul (“Port Authority”) originally entered into a 20-year Lease on May 1, 2007 with Great Western Recycling Industries, Inc., which was amended on December 1, 2009, to substitute Northern Metal Recycling, LLC as the tenant, due to a merger. A Lease Amendment was entered into on November 15, 2010, extending the Lease term to April 30, 2032 with two ten-year option to renew periods, both of which are subject to Port Authority Board approval, which if exercised and approved would extend the Lease to April 30, 2052.

The Lease also calls for rental rates to be renegotiated at five-year intervals and the Port Authority and Tenant have agreed upon rental rate adjustments for the May 1, 2022 to April 30, 2027 five-year renewal term (“2022 Lease Renewal”). The Leased Premises is primarily used for shipping and handling of scrap metal and salt.

Lease Terms and Conditions:

Original Lease: 5/1/2007
 2010 Amendment: Extends term to 4/30/2032 with two ten-year options, extending Lease to 4/30/2052
 Proposed Renewal: 5/1/2022 through 4/30/2027
 Annual rental rate adjustment: 2.4% per year (with 1.024 multiplier)

Base Rent	Square Footage	Period Total	Calculated PSF Rate
<i>2021/2022 Rate for Reference</i>		<i>\$221,466.07</i>	<i>0.2676</i>
May 1, 2022 - April 30, 2023	827,640	\$226,781.25	0.2740
May 1, 2023 - April 30, 2024	827,640	\$232,224.00	0.2806
May 1, 2024 - April 30, 2025	827,640	\$237,797.37	0.2873
May 1, 2025 - April 30, 2026	827,640	\$243,504.50	0.2942
May 1, 2026 - April 30, 2027	827,640	\$249,348.60	0.3013

MEMORANDUM

Tonnage:

Tonnage fees will be increased from \$0.075 per ton to \$0.10 per ton of loaded product, pursuant to the method of measurement in the original Lease.

These rental rates are in line with the other comparable leases in our river terminals. All of the base rent from this Lease and half of the tonnage will go to 876 bondholders through September 1, 2032. The other half of the tonnage will go to our River Maintenance Fund.

Common Area Maintenance Expenses:

If Landlord assumes common area maintenance costs and/or responsibilities, including common area insurance and stormwater management, Landlord shall operate, maintain, repair and replace the common areas of the Premises and Tenant shall pay its pro-rata share per the Lease.

Recommendation:

Approval of a 2022 lease renewal and rental rate adjustment for Northern Metal Recycling, LLC leasing 19 acres (827,640 square feet) of land in Barge Terminal No. 1 at 1031 Childs Road, Saint Paul, Minnesota.

Attachment: Resolution

**RESOLUTION OF THE
PORT AUTHORITY OF THE CITY OF SAINT PAUL
[2022 LEASE RENEWAL AND RENTAL RATE
ADJUSTMENT – NORTHERN METAL RECYCLING, LLC]**

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.

WHEREAS, the Port Authority wants to enter into a 2022 Lease Renewal and Rental Rate Adjustment (“2022 Lease Renewal”) for 827,640 square feet of leased premises at 1031 Childs Road in Barge Terminal No. 1 with Northern Metal Recycling, LLC (the “Tenant”). The rates in the 2022 Lease Renewal run through April 30, 2027, increasing 2.4% per year as set forth below:

<u>Base Rent:</u>	<u>Annual Total Rent</u>	<u>PSF Rate</u>
May 1, 2022 – April 30, 2023	\$226,781.25	0.2740
May 1, 2023 – April 30, 2024	\$232,224.00	0.2806
May 1, 2024 – April 30, 2025	\$237,797.37	0.2873
May 1, 2025 – April 30, 2026	\$243,504.50	0.2942
May 1, 2026 – April 30, 2027	\$249,348.60	0.3013

WHEREAS, the Port Authority acknowledges there is one additional renewal and rental rate adjustment term through 2032 along with two additional ten-year renewal options, so as to extend the lease to the year 2052.

WHEREAS, the Port Authority want to increase the tonnage fees from \$0.075 per ton to \$0.10 per ton of loaded product.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL that the proposed 2022 Lease Renewal and Rental Rate Adjustment—Northern Metal Recycling, LLC, as contained in the Memorandum to the Board, is hereby approved.

BE IT FURTHER RESOLVED that the President of the Port Authority, or anyone acting under his direction, is hereby authorized and directed to execute on behalf of the Port Authority the 2022 Lease Renewal and Rental Rate Adjustment – Northern Metal Recycling, LLC in accordance with the above-referenced terms in form as approved by counsel.

Adopted: April 26, 2022

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its _____

ATTEST:

By _____
Its _____

MEMORANDUM

To: BOARD OF COMMISSIONERS **Meeting Date:** April 26, 2022

From: Monte M. Hilleman 

Subject: **AUTHORIZATION TO APPLY FOR CONTAMINATION CLEANUP GRANT FUNDS FOR REDEVELOPMENT OF THE HEIGHTS (f/k/a HILLCREST REDEVELOPMENT SITE), 2200 LARPEUR AVENUE EAST, SAINT PAUL, MINNESOTA RESOLUTION NO. 4719**

Action Requested:

The Port Authority of the City of Saint Paul (the “Port Authority”) seeks authorization to apply to, and accept from, the Minnesota Department of Employment and Economic Development for up to \$1,000,000.00, the Metropolitan Council for up to \$750,000.00 and Ramsey County for up to \$500,000.00 in Contamination Cleanup Grant funds for the redevelopment of The Heights (f/k/a Hillcrest Redevelopment Site), an approximately 112-acre site located at 2200 Larpeur Avenue East in Saint Paul, Minnesota.

Background

The Minnesota Department of Employment and Economic Development (DEED), the Metropolitan Council (Met Council) and Ramsey County have 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 to be used for 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, 2022, we intend to apply for funding from DEED, Met Council and Ramsey County to remediate The Heights, which the Port Authority owns in fee title. To apply for these funds, a resolution is required from the Port Authority Board of Commissioners authorizing the applications and if awarded, the Port Authority will be the grantee and agrees to act as legal sponsor to administer and be responsible for the grant funds.

The Heights was acquired in partnership with the City of Saint Paul with the goal of providing remediated and improved buildable lots to deliver 1,000 housing units, 1,000 light industrial living wage jobs, 20 acres of active and passive park space, remediated and restored wetlands and trails and stormwater amenities. See a map attached which shows the location of the property.

The City of Saint Paul led a land use Master Plan process including 2½ years of community engagement and planning. The Heights Master Plan is in the approval process, currently being vetted by the Planning Commission who will make a recommendation to the City Council. City

MEMORANDUM

Council action is expected in late May of this year. If funded, remediation could begin as soon as August of this year.

Recommendation:

We recommend approval of a resolution authorizing the Port Authority to apply to, and accept from, the Minnesota Department of Employment and Economic Development for up to \$1,000,000.00, the Metropolitan Council for up to \$750,000.00 and Ramsey County for up to \$500,000.00 in Contamination Cleanup grant funds for the redevelopment of The Heights (f/k/a Hillcrest Redevelopment Site), an approximately 112-acre site located at 2200 Larpenteur Avenue East in Saint Paul, Minnesota.

Attachments: Map
 Resolution



Key Elements of the Plan

- A** Higher density housing located at the primary corner of McKnight Road and Larpenteur, near the location of the designated Neighborhood Node.
- B** A City Park, owned and operated by the City located at the Neighborhood Node. Park to be designed for active recreation, gatherings and events that facilitate community building.
- C** A Neighborhood Node is located on the north side of the site where a variety of compact and relatively dense uses come together in a walkable environment.
- D** Large flexible Light industrial blocks along McKnight Road.
- E** Lower density housing along the seam with the existing neighborhood to the west.
- F** Wetlands along McKnight Road are incorporated into the district stormwater system and are leveraged as a public asset as passive open space.

	Lower Density Residential	12 ac
	Higher Density Residential	13 ac
	Light Industrial	54 ac
	City Park	5 ac
	Buffers and Passive Space	7 ac
	Wetlands	6 ac
	District Stormwater/Landscape Buffer	2 ac
	Trail not in the ROW	.3 ac
	Right of Way	14 ac
	Neighborhood Node	

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

**[AUTHORIZATION TO APPLY FOR CONTAMINATION CLEANUP
GRANT FUNDS FOR REDEVELOPMENT OF THE HEIGHTS
(f/k/a HILLCREST REDEVELOPMENT SITE),
2200 LARPEUR AVENUE EAST, SAINT PAUL, MINNESOTA]**

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

WHEREAS, the Port Authority's Board of Commissioners are appointed by the Mayor of the City of Saint Paul subject to the approval of the Council of the City of Saint Paul; and

WHEREAS, two of the Port Authority Commissioners must be members of the Council of the City of Saint Paul; and

WHEREAS, said members of the Council of the City of Saint Paul serve on the Port Authority Board so long as they continue to be members of the Council of the City of Saint Paul; and

WHEREAS, the district of the Port Authority is the City of Saint Paul; 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, the Port Authority of the City of Saint Paul has undertaken numerous redevelopment projects of industrial sites in the City of Saint Paul; and

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; and

WHEREAS, the City of Saint Paul is a participant in the Livable Communities Act's Local Housing Incentives Account Program for 2022 as determined by the Metropolitan Council; and

is therefore eligible to make application to apply for funds under the Tax Base Revitalization Account; and

WHEREAS, the Port Authority has determined that The Heights, located at 2200 Larpenteur Avenue East in Saint Paul, Minnesota ("The Heights") meets the Tax Base Revitalization Account's purposes and criteria and is consistent with and promotes the purposes of the Metropolitan Livable Communities Act and the policies of the Metropolitan Council's adopted metropolitan development guide; and

WHEREAS, the Port Authority seeks authorization to submit a grant application to the Minnesota Department of Employment and Economic Development (DEED) for a grant of up to \$1,000,000.00; to the Metropolitan Council for a grant of up to \$750,000.00; and to Ramsey County for up to \$500,000.00 to fund contamination cleanup costs at The Heights in Saint Paul, Minnesota; and

WHEREAS, the site is located in a duly authorized and created Industrial Development District (IDD) as a part of an IDD created by the Port Authority prior to the Port Authority's acceptance and disbursement of the grant funds; and

WHEREAS, the contamination cleanup of The Heights property is consistent with the City of Saint Paul's comprehensive plan for land use in the area; and

WHEREAS, The Heights contamination cleanup project furthers industrial development and job creation in the City of Saint Paul; and

WHEREAS, the Port Authority finds that The Heights contamination cleanup project will not occur through private or other public investment within the reasonably foreseeable future without this grant funding; and

WHEREAS, the Port Authority represents that it has undertaken reasonable and good faith efforts to procure funding from other sources.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL that the President is hereby authorized on behalf of the Port Authority to make a grant applications to the Minnesota Department of Employment and Economic Development for a grant of up to \$1,000,000.00; the Metropolitan Council for a grant of up to \$750,000.00; and to Ramsey County for up to \$500,000.00 to fund contamination cleanup costs at The Heights (f/k/a Hillcrest Redevelopment Site) at 2200 Larpenteur Avenue East in Saint Paul, Minnesota.

BE IT FURTHER RESOLVED that the President is hereby authorized to enter into such documents as are necessary for the acceptance of said grants in the amount awarded to the Port Authority.

BE IT FURTHER RESOLVED that the Port Authority of the City of Saint Paul has the legal authority to apply for financial assistance, and the institutional, managerial and financial capability to ensure adequate project administration.

BE IT FURTHER RESOLVED that the sources and amounts of the local match identified in the application are committed to the project identified.

BE IT FURTHER RESOLVED that the Port Authority of the City of Saint Paul 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.

BE IT FURTHER RESOLVED that if the Port Authority is awarded a grant by the State, the Metropolitan Council, or Ramsey County, the Port Authority of the City of Saint Paul will be the grantee and agrees to act as legal sponsor to administer and be responsible for grant funds expended for the project, and 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 of the City of Saint Paul certifies that it will comply with all applicable laws and regulations as stated in all contract agreements.

BE IT FURTHER RESOLVED that the President of the Port Authority of the City of Saint Paul is hereby authorized to execute such agreements as are necessary to implement the project on behalf of the Port Authority of the City of Saint Paul.

I certify that the above resolution was adopted by the Board of Commissioners of the Port Authority of the City of Saint Paul on April 26, 2022.

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its Chair

ATTEST:

By _____
Its Secretary