Saint Paul
PORT AUTHORITY

AGENDA

Regular Board Meeting
April 28, 2020 - 2:00 p.m.
380 St. Peter Street, Suite 850 l Saint Paul, MN 55102

Chair Bennett is calling a meeting of the Board of Commissioners for **Tuesday, April 28, 2020,** at **2:00 p.m.** Chair Bennett has determined, due to the emergency declared by the Governor of Minnesota and the Mayor of Saint Paul regarding the COVID-19 health pandemic, that it is not practical nor prudent for the Saint Paul Port Authority Credit Committee and members of the staff to meet in-person or pursuant to Minnesota Statutes, Section 13D.02. In light of the COVID-19 health pandemic, it is not feasible for any member of the Saint Paul Port Authority Board of Commissioners and staff to be present at the regular location, and all staff and Committee members of the Saint Paul Port Authority will attend this meeting by telephone or other electronic means.

It is also not feasible for members of the public to attend the meeting at its regular location due to the health pandemic and emergency. Accordingly, no meeting will be held at the Saint Paul Port Authority offices which are located at 380 St. Peter Street, Suite 850, St. Paul, MN. Members of the public may monitor this meeting remotely at 651-395-7858, Conference ID: 893 806 128#. The purpose of the meeting is:

Minutes
Approval of Minutes of the February 25, 2020 Regular and Closed Board Meeting and March 24 Closed Board Meeting

Conflicts of Interest
Conflicts with any Items on the Agenda

New Business

Administrative Committee
1. Acceptance of - 2019 Audits

2. Resolution No. 4672 - Authorization for Continuation of Capital City Properties Corporation

Credit Committee
1. Resolution No. 4673 – Authorization to Apply for Contamination Cleanup Grant Funds for United Village at Midway Project (Block B)

2. Resolution No. 4674 – Authorization to Enroll in and Administer Loans Through DEED’s Small Business Loan Guarantee Program

General Matters
Such Other Business That May Come Before the Board

SAINT PAUL PORT AUTHORITY
MINUTES OF THE REGULAR BOARD MEETING
FEBRUARY 25, 2020

The regular meeting of the Port Authority Board was held on February 25, 2020, at 2:12 p.m. in the Board Room of the Saint Paul Port Authority located at 380 St. Peter Street, Suite 850, Saint Paul, Minnesota 55102.

The following Board Members were present:

John Bennett	Paul Williams	John Marshall
Don Mullin	Mitra Jalali Nelson	

Also present were the following:

Lee Krueger	Todd Hurley	Monte Hilleman
Michael Linder	Andrea Novak	David Johnson
Dana Krueger	Tonya Bauer	Laurie Siever
Ava Langston-Kenney	Nelly Chick	Kathryn Sarnecki
Ann Kosel	Linda Williams	
Eric Larson, City of Saint Paul		
Deb Newel, City of Saint Paul		

APPROVAL OF MINUTES

Commissioner Williams made a motion to approve the minutes of the January 28, 2020 Regular Board meeting. The motion was seconded by Commissioner Marshall, submitted to a 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. 4671
PUBLIC HEARING – AMENDMENT TO EXPAND THE BOUNDARIES OF THE TROUT BROOK INDUSTRIAL DEVELOPMENT DISTRICT

Motion was made by Chair Mullin to approve Resolution No. 4671 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. 4671 and declared the Public Hearing open. He asked if anyone in attendance wished to address the Board. No one came forward and, therefore, 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 Williams	- aye	Commissioner Marshall	- aye
Commissioner Mullin	- aye	Commissioner Nelson	- aye
Chair Bennett	- aye		

The motion carried unanimously.

GENERAL MATTERS

There being no further business, the meeting was adjourned at 2:16 p.m.

By ________________________________

Its __________________________________

SAINT PAUL PORT AUTHORITY
MINUTES OF THE CLOSED BOARD MEETING
FEBRUARY 25, 2020

The closed meeting of the Port Authority Board was held on February 25, 2020, at 2:16 p.m. in the Board Room of the Saint Paul Port Authority located at 380 St. Peter Street, Suite 850, Saint Paul, Minnesota 55102.

The following Board Members were present:

John Bennett	Paul Williams	Don Mullin
John Marshall	Mitra Jalali Nelson	

APPROVAL OF MINUTES

Commissioner Mullin made a motion to approve the minutes of the January 28, 2020 Closed Board meeting. The motion was seconded by Commissioners Williams, submitted to a vote and carried unanimously.

UPDATE ON PRESIDENT REVIEW PROCESS

The Board reviewed the process for the upcoming annual President Performance appraisal. The process was on track and the Board was advised they would receive the results of the appraisal in a closed session at the March Board Meeting.

The meeting adjourned at 3:00 p.m.

By ___________________________________
Its____________________________________

SAINT PAUL PORT AUTHORITY
MINUTES OF THE CLOSED BOARD MEETING
MARCH 24, 2020

The closed meeting of the Port Authority Board was held on March 24, 2020, at 2:00 p.m. through UberConference.

The following Board Members participated:

John Bennett	Paul Williams	Don Mullin
John Marshall	Mitra Jalali Nelson	Dai Thao

Additional participants:
Peggy Andrews, Andrews Consulting

PERFORMANCE EVALUATION OF SPPA PRESIDENT

The Board discussed the annual performance evaluation of the Port Authority President Lee Krueger. The Board unanimously commended President Krueger for his success in leading the organization to achieve its business goals and operating budgets in 2019, and looks forward to working with him in 2020 to further develop and advance the Port Authority's strategy and reputation as a recognized thought leader in building vibrant, inclusive economic communities through collaborative partnerships and innovation.

The meeting adjourned at 3:00 p.m.

By ___________________________________

Its_____________________________________

PORT AUTHORITY OF THE CITY OF SAINT PAUL

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2019

PORT AUTHORITY OF THE CITY OF SAINT PAUL
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YEAR ENDED DECEMBER 31, 2019

FINANCIAL SECTION

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the the business-type activities, 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) (Port Authority), as of and for the year ended December 31, 2019, and the related notes to basic financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate remaining fund information, and the aggregate discretely presented component unit of the Port Authority of the City of Saint Paul as of December 31, 2019, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

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

CliftonLarsonAllen LLP

Minneapolis, Minnesota
REPORT DATE

REQUIRED SUPPLEMENTARY INFORMATION

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, 2019. 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 additiona, the Statement of Fiduciary Net Position relates to funds deposited with the State of Minnesota Investment Board for future retiree health care costs.

STATEMENT OF NET POSITION

	2019	2018
Current and Other Assets	$ 173,388	$ 151,057
Capital Assets	17,128	17,965
Total Assets	190,516	169,022
Deferred Outflows of Resources	416	577
Long-Term Liabilities	117,116	96,644
Other Liabilities	15,062	17,154
Total Liabilities	132,178	113,798
Deferred Inflows of Resources	268	386
Net Position:		
Net Investment in Capital Assets	8,446	8,451
Restricted, Debt Service	55,939	3,615
Restricted, Capital Maintenance on Owned Facilities	596	463
Restricted, Enabling Legislation	(6,495)	42,886
Total Net Position	$ 58,486	$ 55,415

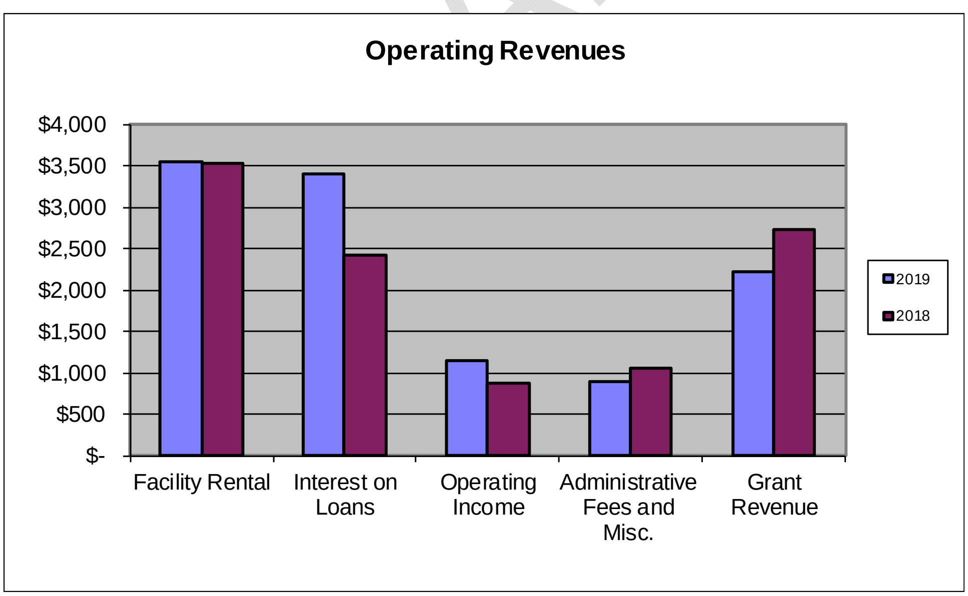
FINANCIAL HIGHLIGHTS

- Total assets were $190.5 million or 12.7% greater than in 2018. Current and Other Assets increased $22.3 million or 14.8% mainly from the following changes: 1) loans receivable increased by approximately $11.3 million mainly due to increases in special assessments associated with energy saving projects which were offset by third party loans payable; 2) increase in property taxes receivable of $6.3 million mainly associated with the issuance of new debt associated with a new development offset by tax collections; 3) repayments on loans and advances to tax increment financing districts resulted in increases in cash and investments of $2.8 million; and 4) minor changes in most of the other assets.
- Deferred Outflows decreased $161 thousand over the prior year as a result of a decrease in pension related costs associated with the Port Authority's share of pension decreasing $40 thousand and deferrals on debt refundings being amortized $121 thousand.

- Total liabilities increased $18.4 million for a 16.15% increase over 2018. Debt associated with special assessments for third-party energy saving projects and funded by outside parties increased by $11.6 million and the net bonds increased by $9.6 million for new debt associated with a redevelopment project and offset by scheduled debt payments.

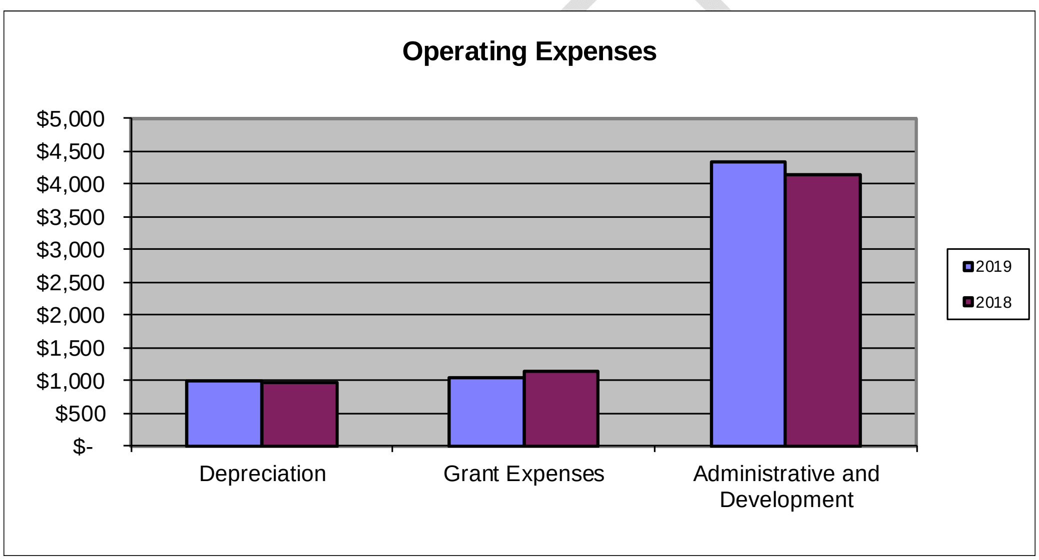
Operating Revenues: Operating revenues increased $600 thousand or 5.6% to $11.2 million in 2019 from $10.6 million in 2018. Interest on loans increased by around $980 thousand as a result of more energy saving loan activity. Operating Income increased $285 thousand, or 32.7%, mainly as a result of a $112 thousand increase in Energy Park Utility Company operating revenues offset by a decrease of $173 thousand in related operating expense. Administrative Fees saw a decrease of approximately $157 thousand, or a 14.9% decrease from 2019. Grants decreased $522 thousand as a result of remediation work funded in the prior year by grants from outside sources. The following schedule presents a summary of the revenues for the years ended December 31, 2019 and 2018, and the percentages of increase or decrease in relation to the prior year's revenues.

	2019	Percentage of Total	2018	Percentage of Total	Increase (Decrease) from 2018	Percentage Change
Operating Revenues						
Facility Rental	$ 3,547	31.6 %	$ 3,533	33.3 %	$ 14	0.4 %
Interest on Loans	3,403	30.3	2,423	22.8	980	40.4
Operating Income	1,157	10.3	872	8.2	285	32.7
Administrative Fees and Misc.	897	8.0	1,054	9.9	(157)	(14.9)
Grant Revenue	2,216	19.8	2,738	25.8	(522)	(19.1)
Total Operating Revenues	$ 11,220	100.0 %	$ 10,620	100.0 %	$ 600	5.6 %



Operating Expenses: Operating expenses increased 2.2% to $9 million in 2019 from $8.8 million in 2018. Depreciation is mainly related to the Energy Park Utility distribution system and comparable to the prior year. As noted above, grant revenues decreased $522 thousand in the current year associated with decreased remediation efforts, resulting in overall grant expenses decreasing as well by $106 thousand. Administrative and Development costs increased $207 thousand or 5% from te prior year mainly as a result of increased development activity. 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 2019 these revenues and related expenses increased by around $90 thousand or a 3.5% increase from 2018. The following schedule presents a summary of expenses for the years ended December 31, 2019 and 2018, and the percentage change in relation to the prior year's expenses.

	2019	Percentage of Total	2018	Percentage of Total	Increase (Decrease) from 2018	Percentage Change
Operating Expenses:						
Depreciation	$ 980	10.9 %	$ 979	11.1 %	$ 1	0.1 %
Grant Expenses	1,041	11.5	1,146	13.0	(105)	(9.2)
Administrative and Development	4,334	48.2	4,127	46.9	207	5.0
Revenues Pledged to Others	2,645	29.4	2,555	29.0	90	3.5
Total	$ 9,000	100.0 %	$ 8,807	100.0 %	$ 193	2.2 %



Debt Administration: As of December 31, 2019, the Port Authority has various debt issues outstanding. These issues include $38.1 million in general obligation bonds, $26.4 million in revenue bonds, $3.0 million in other development bonds, and $54 million in promissory notes for a net increase of $17.4 million from 2018. Notes/loans to third parties associated with financing energy saving projects increased 11.6 million, and $9.6 million in bonds were issued to assist with the purchase and redevelopment of the Hillcrest project in the east metro. These increases were 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 18 regular fulltime employees as of December 31, 2019 and 2018, respectively.

General Business of the Port Authority: The Port Authority develops industrial business centers, and recycles brownfields to asist 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 two of its redeveloped business centers – the 61-acre Beacon Bluff Business Center on Saint Paul's East side and the River Bend Business Center at Shepard Road and Randolph Street.

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

BASIC FINANCIAL STATEMENTS

PORT AUTHORITY OF THE CITY OF SAINT PAUL
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019
(IN THOUSANDS)

	Primary Government	Component Unit
ASSETS		
Cash and Cash Equivalents	$ 830	$ 106
Restricted Cash and Cash Equivalents	22,810	764
Accounts Receivable	1,487	4
Due from Component Unit	166	-
Accrued Interest Receivable	-	1
Loans Receivable from Port Authority	-	1,269
Fuel Inventory	40	-
Prepaid Expenses	160	150
Restricted Investments	12,850	-
Investments	-	6,058
Other Assets	135,039	1,200
Net OPEB Asset	6	-
Capital Assets:		
Land and Construction in Progress	2,045	5,980
Other Capital Assets, Net of Depreciation	15,083	11,758
Total Assets	190,516	27,290
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources - Pensions	182	-
Deferred Outflows of Resources - Loss on Debt Refunding	234	-
Total Deferred Outflows of Resources	416	-
LIABILITIES		
Accounts Payable, Accrued Expenses, and Unearned Revenue	886	-
Accrued Interest Payable	1,145	473
Due to Port Authority	-	166
Other Accrued Liabilities	7,726	2,672
Long-Term Liabilities Due Within One Year	5,305	63,708
Long-Term Liabilities	115,839	3,550
Net Pension Liability	1,277	-
Total Liabilities	132,178	70,569
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources - Pensions	268	-
NET POSITION		
Net Investment in Capital Assets	8,446	(5,302)
Restricted for:		
Debt Service	55,939	-
Capital Maintenance on Owned Facilities	596	-
Enabling Legislation	(6,495)	-
Equity On Ice	-	139
Unrestricted	-	(38,117)
Total Net Position	$ 58,486	$ (43,280)

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, 2019
(IN THOUSANDS)

	Primary Government	Component Unit
OPERATING REVENUES		
Revenue Bond Facilities and Loan:		
Facility and Other Rentals	$ 3,547	$ -
Interest on Loans	3,403	-
Operating Income on Owned Facilities	1,157	1,316
Administrative and Other Fees	897	269
Grant Revenues	2,216	63
Total Operating Revenues	11,220	1,648
OPERATING EXPENSES		
Administrative and Development	4,334	885
Operations of Owned Facilities	-	1,436
Revenues Pledged to Others	2,645	-
Depreciation	980	538
Grant Expenses	1,041	1,000
Total Operating Expenses	9,000	3,859
OPERATING INCOME (LOSS)	2,220	(2,211)
NONOPERATING REVENUES (EXPENSES)		
Investment Income	590	428
Equity Earnings on Joint Ventures	-	690
Debt Service Levies	9,314	-
Gain on Sale of Assets	64	-
Interest Expense on Revenue Bonds and Notes Payable	(5,781)	(5,374)
Provision for Uncollectable Accounts	-	(55)
Income from Operating Leases	-	127
Fiscal and Development Fees	(3,336)	-
Miscellaneous Income	-	27
Total Nonoperating Revenues (Expenses)	851	(4,157)
CHANGE IN NET POSITION	3,071	(6,368)
Net Position (Deficit) - Beginning of Year	55,415	(36,911)
NET POSITION (DEFICIT) - END OF YEAR	$ 58,486	$ (43,279)

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, 2019
(IN THOUSANDS)

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	$	4,704
Grant Receipts		2,075
Other Operating Receipts		2,540
Payments for Administrative and Development Expenses		(7,966)
Payments to Employees		2,012
Grant Expenses and Other Payments for Operations		(1,041)
Net Cash Provided by Operating Activities		2,324
CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES		
Proceeds for Issuance of Debt		16,550
Principal Paid on Debt		(2,282)
Interest and Paying Agent Fees on Bonds		(8,587)
Receipts from Debt Service Levies		2,968
Net Cash Provided by Noncapital Financial Activities		8,649
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets		(143)
Principal Paid on Capital Debt		(8,276)
Interest and Agency Fees Paid on Capital Debt		(357)
Net Cash Used by Capital and Related Financing Activities		(8,776)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income		611
Purchase of Investments		(8,868)
Proceeds from the Sale of Investments		8,142
Net Cash Used by Investing Activities		(115)
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,082
Cash and Cash Equivalents - January 1		21,558
CASH AND CASH EQUIVALENTS - DECEMBER 31	$	23,640
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$	2,220
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation		980
Changes in Assets and Liabilities:		
Increase in Receivables		(675)
Increase in Prepaids		(10)
Increase in Inventory		(15)
Decrease in Loans Receivable		158
Increase in Other Assets		(1,084)
Decrease in Net OPEB Asset		7
Decrease in Deferred Outflows		40
Inecrease in Payables		213
Increase in Other Liabilities		608
Decrease in Deferred Inflows		(118)
Net Cash Provided by Operating Activities	$	2,324

See accompanying Notes to Basic Financial Statements.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
STATEMENT OF FIDUCIARY NET POSTION
DECEMBER 31, 2019
(IN THOUSANDS)

	OPEB Irrevocable Trust
ASSETS	
Restricted Investments	$ 654
NET POSITION	
Restricted for OPEB	$ 654

STATEMENT OF CHANGES IN FIDUCIARY NET POSTION
YEAR ENDED DECEMBER 31, 2019
(IN THOUSANDS)

	OPEB Irrevocable Trust
ADDITIONS	
Earnings on Investments	$ 57
NET INCREASE IN NET POSITION	57
Net Position - Beginning of Year	597
NET POSITION - END OF YEAR	$ 654

See accompanying Notes to Basic Financial Statements.

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 is it 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 380 St. Peter Street, Suite 850, Saint Paul, Minnesota 55102-1313.

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 Stated 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.

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.

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:

	Years
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.

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.

Comparative Data

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

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

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

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.

(ALL AMOUNTS IN THOUSANDS)

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System
- Commercial paper issued by United States corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing 270 days or less
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks, or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in one of the top two rating categories
- Repurchase or reverse purchase agreements and security lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

The Port Authority held the following investments as of December 31, 2019:

Investment Type	Fair Value
U.S. Treasury Notes	$ 6,355
Federal Home Loan Mortgage Corp. (Freddie Mac)	130
Federal National Mortgage Assoc. (Fannie Mae)	558
Government National Mortgage Assoc. (Ginnie Mae)	5
Federal Home Loan Bank	46
State and Local Obligations: Municipal Bonds	151
Total Investments at Fair Value	$ 7,245

Investment Type	Amortized Cost
4M - External Investment Pools	$ 5,605

The OPEB Irrevocable Trust Fund held the following investments as of December 31, 2019:

Investment Type	Amortized Cost
MN SBI Non-Retirement Bond Fund	$ 436
MN SBI Non-Retirement Equity Fund	64
MN SBI Non-Retirement Money Market Fund	154
Total Investments at Amortized Cost	$ 654

(ALL AMOUNTS IN THOUSANDS)

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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, 2019 is as follows:

	Investment Maturities (In Years)					
Investment Type	Less than 1	1-5	6-10	More Than 10	No Maturity	Total
U.S. Treasury Notes	$ 150	$ 5,478	$ 727	$ -	$ -	6,355
Government-Sponsored Enterprises:						
Federal Home Loan Mortgage Corp (Freddie Mac)	-	75	45	10	-	130
Federal National Mortgage Assoc. (Fannie Mae)	-	234	252	72	-	558
Government National Mortgage Assoc. (Ginnie Mae)	-	5	-	-	-	5
Federal Home Loan Bank	-	46	-	-	-	46
State & Local Obligations: Municipal Bonds	126	25	-	-	-	151
4M - External Investment Pools	-	-	-	-	5,605	5,605
Total	$ 276	$ 5,863	$ 1,024	$ 82	$ 5,605	$ 12,850

The OPEB Irrevocable Trust Fund's schedule of the average maturities by investment type as of December 31, 2019 is as follows:

Investment Type	Investment Maturities (In Years) No Maturity
MN SBI Non-Retirement Bond Fund	$ 436
MN SBI Non-Retirement Equity Fund	64
MN SBI Non-Retirement Money Market Fund	154
Total	$ 654

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.

(ALL AMOUNTS IN THOUSANDS)

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

The Port Authority's investments at December 31, 2019 carried the following ratings:

	Credit Risk (Lowest rating from Moody's, S&P and Fitch Ratings)				
Investment Type	AAA/Aaa	AA/Aa	A	Not Rated	Total
U.S. Treasury Notes	$ 6,355	$ -	$ -	$ -	$ 6,355
Government-Sponsored Enterprises:					
Federal Home Loan Mortgage Corp (Freddie Mac)	-	-	-	130	130
Federal National Mortgage Assoc. (Fannie Mae)	-	272	-	286	558
Government National Mortgage Assoc. (Ginnie Mae)	-	-	-	5	5
Federal Home Loan Bank	-	46	-	-	46
State & Local Obligations: Municipal Bonds	-	126	25	-	151
4M - External Investment Pools	-	-	-	5,605	5,605
Total	$ 6,355	$ 444	$ 25	$ 6,026	$ 12,850

The OPEB Irrevocable Trust Fund's investments at December 31, 2019 carried the following ratings:

	Credit Risk
Investment Type	Not Rated
MN SBI Non-Retirement Bond Fund	$ 436
MN SBI Non-Retirement Equity Fund	64
MN SBI Non-Retirement Money Market Fund	154
Total	$ 654

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.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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, 2019 the Port Authority had not invested more than 5% of the Port Authority's investments in any particular issuer.

At December 31, 2019, the OPEB Irrevocable 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.

(ALL AMOUNTS IN THOUSANDS)

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	$ 6,355	$ -	$ -	$ 6,355
Government-sponsored Enterprises:				
Federal Home Loan Mortgage Corp (Freddie Mac)	-	130	-	130
Federal National Mortgage Assoc. (Fannie Mae)	-	558	-	558
Government National Mortgage Assoc. (Ginnie Mae)	-	5	-	5
Federal Home Loan Bank	-	46	-	46
State & Local Obligations: Municipal Bonds	-	151	-	151
Total Investments Measured at Fair Value	$ 6,355	$ 890	$ -	$ 7,245

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

NOTE 3 OTHER ASSETS

Other assets consist of the following at December 31, 2019:

Reimbursable Project Costs	$ 10,073
Future Tax Levies	57,993
Loans Receivable	73,553
Allowance for Uncollectible Amounts	(6,580)
Total	$ 135,039

(ALL AMOUNTS IN THOUSANDS)

NOTE 4 CAPITAL ASSETS

Capital asset additions, retirements, and balances for the year ended December 31, 2019 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	45,003	123	-	1,340	46,466
Furniture and Equipment	2,608	20	-	(1,340)	1,288
Total Capital Assets, Being Depreciated	47,611	143	-	-	47,754
Accumulated Depreciation for:					
Land Improvements	29,365	894	-	1,343	31,602
Furniture and Equipment	2,326	86	-	(1,343)	1,069
Total Accumulated Depreciation	31,691	980	-	-	32,671
Total Capital Assets, Being Depreciated, Net	15,920	(837)	-	-	15,083
Business-Type Activities Capital Assets, Net	$ 17,965	$ (837)	$ -	$ -	$ 17,128

(ALL AMOUNTS IN THOUSANDS)

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, 2019, revenue bonds and notes payable consisted of the following:

Description	Amount
General Obligation Debt:	
3.0% to 5.375% Bonds, Series 2009-15, with principal due through 2027, for the Beacon Bluff project.	$ 385
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.	1,595
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.	6,560
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.	4,515
1.0% to 2.9%, Taxable General Obligation Bonds, Series 2016-2, with principal due through 2029, for financing the acquisition, remediation, and improvement of blighted and marginal land for redevelopment, backed by the full faith and credit of the City of Saint Paul.	5,280
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.	4,815
2.0%, Taxable General Obligation Bonds, Series 2016-4, with principal due through 2020, for financing the acquisition, remediation, and improvement of blighted and marginal land for redevelopment, backed by the full faith and credit of the City of Saint Paul.	420
1.6% to 2.72%, Taxable General Obligation Bonds, Series 2019-1, with principal due through 2040, for financing the acquistion 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 acquistion 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.	4,950
Revenue Bonds:	
$1,905,000 of 5.45% and $5,595,000 of 5.70% Tax Exempt Revenue Bonds Series 2012-3, with principal due through 2036, for the Energy Park Utility Company Project.	7,500
5.00% Taxable Revenue Bonds Series 2012-4, with principal due through 2022, for the Energy Park Utility Company Project.	530
4.02% Taxable Revenue Bonds Series 2013-6, with principal due through 2039, for the financing of a new multi-purpose regional ballpark.	7,665
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.	1,411
6.25% Limited Taxable Tax Increment Revenue Notes, Series 2011-2, with principal due in 2021, for Energy Lane.	782
Limited Bonds Collateralized by Future Tax Levies:	
5.0% Tax-Exempt Limited Tax-Supported Refunding Bonds, Series 2017-1, with principal due through 2037.	8,485
1.35% to 2.375% Taxable Limited Tax-Supported Bonds, Series 2017-2, with principal due through 2021.	720
Other Debt:	
Other Notes and Loans Payable	54,071
	119,289
Plus: Unamortized Bond Premium	1,855
Less: Current Maturities	(5,305)
	$ 115,839

(ALL AMOUNTS IN THOUSANDS)

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:

Year Ending	Principal	Interest	Total
2020	$ 5,305	$ 4,467	$ 9,772
2021	3,822	4,343	8,165
2022	4,606	4,207	8,813
2023	4,364	4,711	9,075
2024	4,557	3,891	8,448
2025-2029	67,951	14,516	82,467
2030-2034	14,659	4,449	19,108
2035-2039	11,385	1,489	12,874
2040-2044	2,640	118	2,758
Total	$ 119,289	$ 42,191	$ 161,480

Long-term liability activity for the year ended December 31, 2019 was as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
General Obligation Bonds	$ 31,425	$ 14,555	$ 7,855	$ 38,125	$ 3,805
Taxable Revenue Bonds	16,070	-	375	15,695	410
Development Revenue Bonds	2,481	-	288	2,193	301
Limited Tax Supported Bonds	9,555	-	350	9,205	355
Bond Premiums	1,211	802	158	1,855	-
Total Bonds Payable	60,742	15,357	9,026	67,073	4,871
Notes and Loans Payable	42,894	12,709	1,532	54,071	434
Total Long-Term Liabilities	$ 103,636	$ 28,066	$ 10,558	$ 121,144	$ 5,305

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 2019, these grants totaled $1,000.

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

In 2011, the Port Authority refinanced its series 2003-1 Taxable Tax Increment Revenue Note. CCP purchased the series 2011-2 Taxable Tax Increment Revenue Refunding Note of $1,740 with a final maturity in 2031. Under the terms of the note, annual payment will be made from available tax increment from the Energy Lane Business Center Tax Increment Financing District. In 2019, principal and interest payments were $44 and $153, respectively, resulting in an outstanding balance of $782 at December 31, 2019.

NOTE 7 DEFINED BENEFIT PENSION PLANS

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

A. Plan Description

The Port Authority participates in the following 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 (GERF)

All full-time and certain part-time employees of the [entity's name] are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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.

GERF 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 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary 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.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. 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. For 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.

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 2019 and the Port Authority was required to contribute 7.5% for Coordinated Plan members. The Port Authority's contributions to the General Employes Fund for the year ended December 31, 2019 were $133. The Port Authority's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2019, the Port Authority reported a liability of $1,277 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 to the fund in 2019. 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 $40. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Port Authority's proportion of the net pension liability was based on the Port Authority's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the Port Authority's proportion was 0.0231%, which was an increase of 0.0016% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Port Authority recognized pension expense of $106 for its proportionate share of General Employees Fund's pension expense.

(ALL AMOUNTS IN THOUSANDS)

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At December 31, 2019, 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	$ 36	$ -
Changes in Actuarial Assumptions	-	100
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	130
Changes in Proportion and Differences Between Port Authority Contributions and Proportionate Share of Contributions	84	38
Port Authority Contributions Subsequent to the Measurement Date	62	-
Total	$ 182	$ 268

A total of $62 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to General Employees Fund pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expenses Amount
2019	$ (76)
2020	(73)
2021	(1)
2022	2
Thereafter	-

(ALL AMOUNTS IN THOUSANDS)

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan, 1.0 percent per year for the Police and Fire Plan, and 2.0 percent per year for the Correctional Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016. The five-year experience study for the Correctional Plan, prepared by a former actuary, was completed in 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

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.

(ALL AMOUNTS IN THOUSANDS)

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	36 %	5.10%
Private Markets	25	5.90%
Fixed Income	20	0.75%
International Equity	18	5.90%
Cash	2	0.00%
Totals	100 %	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(ALL AMOUNTS IN THOUSANDS)

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. Pension Liability Sensitivity

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

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
GERF Discount Rate	6.50%	7.50%	8.50%
Port Authority's Proportionate Share of the GERF Net Pension Liability	$ 2,100	$ 1,277	$ 598

H. Pension Plan Fiduciary Net Position

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

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Single Employer Retiree Healthcare Benefit Program

Plan Description: The Port Authority employees hired prior to January 1, 2002, and retiring after 20 or more years of service are eligible for up to $300 per month toward the cost of health insurance. Employees who retired prior to 1996 are reimbursed for 100% of the cost of health insurance for themselves and their spouse. At December 31, 2019, there were eleven beneficiaries receiving benefits. In addition, there are five 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.

(ALL AMOUNTS IN THOUSANDS)

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PAYABLE (CONTINUED)

Single Employer Retiree Healthcare Benefit Program (Continued)

Net OPEB Liability: As the Port Authority had fewer than 100 employees as of December 31, 2019, the Port Authority's net OPEB liability was measured as of December 31, 2019 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.

Actuarial Assumptions: The total OPEB liability in the December 31, 2019 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	100.00 %	

(ALL AMOUNTS IN THOUSANDS)

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PAYABLE (CONTINUED)

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 (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset)
Balances at December 31, 2017	$ 584	$ 597	$ (13)
Changes for the Year:			
Service Cost	63	-	63
Contributions-Employer	45	-	45
Net Investment income	-	56	(56)
Benefit Payments	(45)	-	(45)
Net Changes	63	56	7
Balances at December 31, 2018	$ 647	$ 653	$ (6)

The following significant plan and assumption changes occurred in 2019:

- The Port Authority updated it discount rate from 5.0% in 2018 to 2.5% in 2019 to approximate the long-term expected real rate of return of the irrevocable OPEB trust's target investment portfolio allocation.

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)	$ 61	$ (6)	$ (64)

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:

		Healthcare Cost	
	1% Decrease (5.3%)	Current Trend Rates (6.3%)	1% Increase (7.3%)
Net OPEB Liability (Asset)	$ (7)	$ (6)	$ (5)

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PAYABLE (CONTINUED)

Single Employer Retiree Healthcare Benefit Program (Continued)

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.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended December 31, 2019, the Port Authority recognized an increase in OPEB expense of $6,619. At December 31, 2019, 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) employee 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, 2019, 2018, and 2017 were approximately $18, $37, and $37, respectively. The Port Authority does not have significant administrative responsibilities over the plan and, therefore, it is not reported within the financial statements.

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.

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

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.

NOTE 11 NO-COMMITMENT DEBT (CONTINUED)

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 $239,400 at December 31, 2019.

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 statue, 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.

NOTE 12 TAX ABATEMENTS (CONTINUED)

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 2019, the Port Authority had five such Pay-As-You-Go TIF Notes in place and made payments totaling $188 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.

REQUIRED SUPPLEMENTARY INFORMATION

PORT AUTHORITY OF THE CITY OF SAINT PAUL
SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET)
YEAR ENDED DECEMBER 31, 2019
(ALL AMOUNTS IN THOUSANDS)

	2019	2018
Total OPEB Liability		
Service Cost	$ 63	$ 18
Benefit Payments	(45)	(34)
Net Change in Total OPEB Liability	18	(16)
Total OPEB Liability - Beginning	584	601
Total OPEB Liability - Ending (a)	$ 602	$ 584
Plan Fiduciary Net Position		
Contributions - Employer	$ -	$ 634
Net Investment Income	56	(3)
Benefit Payments	-	(34)
Net Change in Plan Fiduciary Net Position	56	597
Plan Fiduciary Net Position - Beginning	597	-
Plan Fiduciary Net Position - Ending (b)	$ 653	$ 597
Net OPEB Liability (Asset) - Ending (a) - (b)	$ (51)	$ (13)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	108.47%	102.14%
Covered-Employee Payroll	$ 1,999	$ 1,999
Net OPEB Liability as a Percentage of Covered-Employee Payroll	(2.55)%	(0.63)%

The Port Authority of the City of Saint Paul implmented 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, 2019
(ALL AMOUNTS IN THOUSANDS)

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2019	-0.42%
2018	-0.88%

The Port Authority of the City of Saint Paul implmented 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
PERA SCHEDULE OF THE PORT AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
YEAR ENDED DECEMBER 31, 2019
(ALL AMOUNTS IN THOUSANDS)

	Measurement Date					
	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	0.0231%	0.0215%	0.0212%	0.0237%	0.0251%	0.0267%
Port Authority's Proportionate Share of the Net Pension Liability	$ 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	40	39	17	-	-	-
Total	$ 1,317	$ 1,232	$ 1,370	$ 1,924	$ 1,301	$ 1,254
Port Authority's Covered Payroll	$ 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	78.15%	87.40%	99.12%	130.71%	88.14%	90.74%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
PERA SCHEDULE OF THE PORT AUTHORITY'S CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2019
(ALL AMOUNTS IN THOUSANDS)

	Fiscal Year					
	2019	2018	2017	2016	2015	2014
Statutorily Required Contribution	$ 133	$ 115	$ 105	$ 103	$ 114	$ 105
Contributions in Relation to the Statutorily Required Contribution	(133)	(115)	(105)	(103)	(114)	(105)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Port Authority's Covered Payroll	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%	7.25%

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

CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

General Employees Fund

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.

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, 2019

PORT AUTHORITY OF THE CITY OF SAINT PAUL
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YEAR ENDED DECEMBER 31, 2019

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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, 2019, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated REPORT DATE. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards.* This report does not include the results of the testing of internal control over financial reporting or compliance and other matters reported on for the discretely presented component unit, which were issued in a separate report dated REPORT DATE.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

Minneapolis, Minnesota
REPORT DATE

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

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

Report on Compliance for Each Major Federal Program

We have audited the Port Authority of the City of Saint Paul's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Port Authority of the City of Saint Paul's major federal programs for the year ended December 31, 2019. The Port Authority of the City of Saint Paul's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Port Authority of the City of Saint Paul complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the business-type activities, the aggregate remaining fund information, and the discretely presented component unit of the Port Authority of the City of Saint Paul as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Port Authority of the City of Saint Paul's basic financial statements. We issued our report thereon dated REPORT DATE, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
REPORT DATE

THE PORT AUTHORITY OF THE CITY OF SAINT PAUL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019

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	$ 5,620,896
U.S. Environmental Protection Agency:			
Brownfields Assessment and Cleanup Cooperative Agreements:	Direct	66.818	38,417
U.S. Department of Homeland Security			
FEMA Disaster Grants - Public Assistance	MN Department of Public Safety	97.036	168,845
Total			$ 5,828,158

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, 2019. 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 SIGNIIFICANT ACCOUNTING POLICIES

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

THE PORT AUTHORITY OF THE CITY OF SAINT PAUL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

NOTE C STATE ENERGY PROGRAM

The amount reported on the financial statements for the ARRA-State Energy Program (81.041) for the Port Authority is the administrative and collection costs. Below is a summary of the loan activity during fiscal year 2019.

	State Energy Program
Loans Receivable Beginning	$ 11,858,053
New Loans Issued	5,620,896
Loan Repayments	(4,830,557)
Loans Receivable Ending	$ 12,648,392

THE PORT AUTHORITY OF THE CITY OF SAINT PAUL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019

Section I – Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of Major Federal Programs

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

Dollar threshold used to distinguish between Type A and Type B programs: $ $750,000

Auditee qualified as low-risk auditee? __x__ yes _____ no

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Port Authority of the City of Saint Paul (a component unit of the City of Saint Paul) and its component unit (Capital City Properties) (collectively, the Organization) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated REPORT DATE.

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

In connection with our audit, nothing came to our attention that caused us to believe that the Organization failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, except as described in the Schedule of Findings and Recommendations as items 2019-001 through 2019-003. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Organization's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

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

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

CliftonLarsonAllen LLP

Minneapolis, Minnesota
REPORT DATE

PORT AUTHORITY OF THE CITY OF SAINT PAUL
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2019

FINDING: 2019-001 PROMPT PAYMENT OF BILLS

Type of Finding: Minnesota Legal Compliance Finding

Criteria: Minnesota Statute §471.425, requires municipalities and governmental entities to pay each vendor obligation according to the terms of the contract, or if no contract terms apply, within the standard payment period, which is defined as within 35 days from the date of receipt for municipalities which have regularly scheduled board meetings at least once a month.

Condition/Context: We noted one disbursement which was not paid within the standard payment period.

Effect: The Port Authority was not in compliance with state statutes related to payment of local government bills.

Cause: Industrial parks require a number of external and internal approvals prior to payment which can result in payments outside of the state parameters. With staff turnover during the year and the wind down of most existing industrial projects, we will continue to evaluate opportunities to improve processes and lower turn around time.

Recommendation: We recommend the Port Authority make every effort possible to ensure that invoices are paid within the statutory requirements.

Views of Management: Management agrees with the finding and recommendation and will continue to review the process of paying invoices and bills.

FINDING: 2019-002 DEBT REPORTING

Type of Finding: Minnesota Legal Compliance Finding

Criteria: Minnesota Statute §471.70, requires the chief financial officer to report to the county by February 1st to the auditor of each county in which the entity is situated, the total amount of outstanding obligations and the purpose for which issued, as of December 31 of the preceding year

Condition/Context: We noted the report of debt outstanding as of December 31, 2019 was not was not submitted to the County until February 28, 2020,

Effect: The Port Authority was not in compliance with state statutes related to debt reporting.

Cause: With staff turnover and numerous year-end deadlines, the submission was missed but was filed when the Port Authority became aware of the non-filing.

Recommendation: We recommend the Port Authority make every effort possible to ensure the report is completed and submitted on time.

Views of Management: Management agrees with the finding and recommendation and will continue to review the process of completing the debt reporting.

FINDING: 2019-003 REQUIRED CONTRACTOR LANGUAGE

Type of Finding: Minnesota Legal Compliance Finding

Criteria: Minnesota Statute §471.425 requires each contract between the government and prime contractors to have language that requires the prime contractor to pay all subcontractors within ten days of receipt of payment from the government entity or pay interest.

Condition/Context: During our review of the Port Authority's bid procedures it was noted that there was a contract during the year which did not contain this required language.

Effect: The Port Authority was not in compliance with state statutes related to required contractor language.

Cause: The Port did not catch that the required language was not in the bid document prior to awarding the contract.

Recommendation: We recommend the Port Authority make every effort possible to ensure all contracts contain all required language.

Views of Management: Management agrees with the finding and recommendation and will continue to review the process of awarding contracts.

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

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Energy Park Utility Company (the Company), a Unit of the Port Authority of the City of Saint Paul (the Port Authority), as of and for the years ended December 31, 2019 and 2018, and the related notes to basic financial statements, which collectively comprise the Company's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Energy Park Utility Company, a Unit of the Port Authority of the City of Saint Paul as of December 31, 2019 and 2018, and the respective changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Omitted Management's Discussion and Analysis

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

Financial Reporting Entity

As discussed in Note 1, the financial statements of the Company are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the Port Authority that is attributable to the transactions of Energy Park Utility Company. They do not purport to, and do not, present fairly the financial position of the Port Authority as of December 31, 2019 and 2018, or the changes in its financial position or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
REPORT DATE

ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)
STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents	$ (257,589)	$ (138,427)
Restricted Cash and Cash Equivalents	1,798,602	1,658,254
Accounts Receivable	402,504	329,456
Prepaids	38,209	29,999
Inventory	39,617	25,947
Total Current Assets	2,021,343	1,905,229
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	9,232,904	9,604,539
Total Assets	11,254,247	11,509,768
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	206,103	227,720
Accrued Interest Payable	187,182	189,891
Other Current Payables	64,610	84,217
Current Maturities on Long-Term Debt	243,990	218,946
Total Current Liabilities	701,885	720,774
LONG-TERM LIABILITIES		
Long-Term Debt (Less: Current Maturities)	8,345,886	8,593,417
Total Liabilities	9,047,771	9,314,191
NET POSITION		
Net Investment in Capital Assets	1,593,028	1,742,176
Restricted for:		
Capital Maintenance	595,944	462,843
Debt Service	252,657	245,409
Unrestricted	(235,153)	(254,851)
Total Net Position	$ 2,206,476	$ 2,195,577

See accompanying Notes to Basic Financial Statements.

ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
OPERATING REVENUES		
Charges for Services	$ 3,112,064	$ 2,999,921
OPERATING EXPENSES		
Operating Costs	1,790,893	1,970,779
Management Fees	108,810	106,585
Administrative Fees	55,267	54,893
Audit	14,400	14,400
Depreciation	495,251	476,395
Total Operating Expenses	2,464,621	2,623,052
OPERATING INCOME	647,443	376,869
NONOPERATING REVENUES (EXPENSES)		
Investment Income	11,546	13,346
Interest Expense	(478,090)	(479,286)
Other Fees	(170,000)	(170,000)
Total Nonoperating Expenses	(636,544)	(635,940)
CHANGE IN NET POSITION	10,899	(259,071)
Net Position - Beginning of Year	2,195,577	2,454,648
NET POSITION - END OF YEAR	$ 2,206,476	$ 2,195,577

See accompanying Notes to Basic Financial Statements.

ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$ 3,039,016	$ 3,105,705
Payments for Operations	(2,032,474)	(2,265,670)
Net Cash Provided by Operating Activities	1,006,542	840,035
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(123,616)	(331,948)
Principal Paid on Revenue Bonds	(130,000)	119,684
Principal Paid on Notes Payable	(92,487)	(52,189)
Net Cash Used by Capital and Related Financing Activities	(346,103)	(264,453)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Interest Paid	(480,799)	(481,473)
Fees Paid to Port Authority	(170,000)	(170,000)
Net Cash Used by Noncapital and Related Financing Activities	(650,799)	(651,473)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	11,546	13,346
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	21,186	(62,545)
Cash and Cash Equivalents - Beginning of Year	1,519,827	1,582,372
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,541,013	$ 1,519,827
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ 647,443	$ 376,869
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	495,251	476,395
Change in Operating Assets and Liabilities:		
Accounts Receivable	(73,048)	105,784
Prepaids	(8,210)	(4,080)
Inventory	(13,670)	28,327
Accounts Payable	(21,617)	(152,404)
Other Current Liabilities	(19,607)	9,144
Net Cash Provided by Operating Activities	$ 1,006,542	$ 840,035

See accompanying Notes to Basic Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Unit

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

Financial Reporting Entity

The financial statements of the Company are intended to present the financial position, and the changes in the financial position and cash flows, of only the Company that is attributable to the transactions of the unit. They do not purport to, and do not, present fairly the financial position of the Port Authority of the City of Saint Paul, as of December 31, 2019 and 2018, or the changes in its financial position or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

Measurement Focus and Basis of Accounting

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

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

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

Accounts Receivable

Accounts receivables are due from utility customers that are charged for access to the heating and cooling system as well as the variable costs associated with providing heating and cooling through long-term contracts. At December 31, 2019 and 2018, there is no allowance for doubtful accounts reflected in the financial statements. Accounts receivable are uncollateralized.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Investment Reserve

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

Capital Assets

Capital assets consist of land and a heating and cooling system, which are stated at cost. The heating and cooling system improvements are depreciated on a straight-line basis over the useful life of the asset of 25 years. The 25-year life is based on the life of the Hot and Chilled Water Service Agreements. Equipment related to the heating and cooling system is depreciated on a straight-line basis over the useful life of the asset of seven years. Depreciation expense was $495,251 and $476,395 in 2019 and 2018, respectively.

Franchise Fees

The Company collects and remits to the City of Saint Paul a franchise fee of the greatest of 6.8% of revenues or $159,000. The Company is not required to collect or remit franchise fees for six months of each year for sales to residential customers, defined in the franchise agreement. Franchise fees collected for the City of Saint Paul were approximately $195,618 and $191,662 in 2019 and 2018, respectively. Franchise fees are collected on behalf of the City of Saint Paul are not included as revenue or expenses in the statement of revenues, expenses, and changes in net position.

Fees Paid to the Port Authority

The Company made payments to the Port Authority for an annual fee as required by the franchise ordinance and may be increased annually based upon changes in the consumer price index for all urban consumers in the Minneapolis/St. Paul area for the latest 12-month period. The amount consists of a fixed reimbursement as well as administrative service charges and other miscellaneous fees. The fixed reimbursement was $170,000 in 2019 and $170,000 in 2018. The administrative service charges were $55,267 and $54,893 in 2019 and 2018, respectively, for a total payment to the Port Authority of $225,267 and $224,893 in 2019 and 2018, respectively.

Use of Accounting Estimates

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

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

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

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

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

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

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

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

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

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

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

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

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

NOTE 3 CAPITAL ASSETS

Capital asset activity for the years ended December 31 was as follows:

	December 31, 2019			
	Balance at Beginning of Year	Additions / Other	Deductions	Balance at End of Year
Capital Assets Not Being Depreciated:				
Land	$ 176,961	$ -	$ -	$ 176,961
Capital Assets Being Depreciated:				
Heating and Cooling System	18,227,932	123,616		18,351,548
Less:				
Accumulated Depreciation	(8,800,354)	(495,251)	-	(9,295,605)
Total Capital Assets Being Depreciated, Net	9,427,578	(371,635)	-	9,055,943
Net Capital Assets	$ 9,604,539	$ (371,635)	$ -	$ 9,232,904

	December 31, 2018			
	Balance at Beginning of Year	Additions / Other	Deductions	Balance at End of Year
Capital Assets Not Being Depreciated:				
Land	$ 176,961	$ -	$ -	$ 176,961
Capital Assets Being Depreciated:				
Heating and Cooling System	18,093,330	331,948	(197,346)	18,227,932
Less:				
Accumulated Depreciation	(8,323,959)	(509,944)	33,549	(8,800,354)
Total Capital Assets Being Depreciated, Net	9,769,371	(177,996)	(163,797)	9,427,578
Net Capital Assets	$ 9,946,332	$ (177,996)	$ (163,797)	$ 9,604,539

NOTE 4 RISK MANAGEMENT

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

NOTE 5 LONG-TERM OBLIGATIONS

Long-term obligations consisted of the following as of December 31:

Description	2019	2018
Port Authority of the City of Saint Paul Revenue Bonds, Energy Park Utility Company Project Series 2012-3 with maturities from 2022 through 2036 with Interest of 5.45% to 5.7% due semi-annually from February 1, 2013 through maturity.	$ 7,500,000	$ 7,500,000
Port Authority of the City of Saint Paul Taxable Revenue Bonds, Energy Park Utility Company Project Series 2012-4 with principal payments due August 1, 2014 through 2022 with Interest of 5.0% due semi-annually from February 1, 2013 through maturity.	530,000	660,000
Note Payable due to Capital City Properties, with principal payments due August 1, 2014 through 2021 with Interest of 4.0% due semi-annually from February 1, 2014 through maturity.	387,230	434,479
Loan Payable due to the St. Paul Port Authority, with principal and interest payments due monthly through 2023 and an annual interest rate of 4.0%.	172,646	217,884
Total	8,589,876	8,812,363
Less: Current Maturities	243,990	218,946
Long-Term Debt	$ 8,345,886	$ 8,593,417

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

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

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

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

	Bonds Payable		Notes Payable		Total	
Year Ending December 31,	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 155,000	$ 445,363	$ 88,990	$ 20,510	$ 243,990	$ 465,873
2021	175,000	437,113	96,372	16,646	271,372	453,759
2022	290,000	425,285	333,895	7,890	623,895	433,175
2023	220,000	411,838	40,619	749	260,619	412,587
2024	250,000	399,030	-	-	250,000	399,030
2025-2029	1,775,000	1,591,669	-	-	1,775,000	1,591,669
2030-2034	2,895,000	1,025,288	-	-	2,895,000	1,025,288
2035-2036	2,270,000	151,335	-	-	2,270,000	151,335
Total	$ 8,030,000	$ 4,886,919	$ 559,876	$ 45,795	$ 8,589,876	$ 4,932,714

Long-term liability activity for the years ended December 31 is presented below.

	December 31, 2019			
	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year
Bonds Payable:				
Tax-Exempt Revenue				
Bonds Series 2012-3	$ 7,500,000	$ -	$ -	$ 7,500,000
Taxable Revenue Bonds				
Series 2012-4	660,000	-	(130,000)	530,000
Notes and Loans Payable	652,363	-	(92,487)	559,876
Total Long-Term Liabilities	$ 8,812,363	$ -	$ (222,487)	$ 8,589,876

	December 31, 2018			
	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year
Bonds Payable:				
Tax-Exempt Revenue				
Bonds Series 2012-3	$ 7,500,000	$ -	$ -	7,500,000
Taxable Revenue Bonds				
Series 2012-4	765,000	-	(105,000)	660,000
Notes and Loans Payable	479,868	224,684	(52,189)	652,363
Total Long-Term Liabilities	$ 8,744,868	$ 224,684	$ (157,189)	$ 8,812,363

NOTE 6 COMMITMENTS AND CONTINGENCIES

The Port Authority has contracted with Ever-Green Energy Company LLC (the Ever-Green) pursuant to a management agreement which expires in 2020 for administrative and oversight services necessary for the operation of the System. Ever-Green was paid $108,810 and $106,585 in 2019 and 2018, respectively, to manage the System. In addition, Evergreen was reimbursed $1,885,432 and $1,989,897 for operating costs of the System.

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

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

In planning and performing our audit of the financial statements of the governmental activities of the Energy Park Utility Company as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Energy Park Utility Company's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Energy Park Utility Company's internal control. Accordingly, we do not express an opinion on the effectiveness of Energy Park Utility Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to fraud or error may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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.

Significant deficiencies

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. We consider the following deficiency in the entity's internal control to be a significant deficiency:

- During our audit procedures performed over accounts payable we noted that certain payables were double booked, overstating ending accounts payable and expenses. The double booked payment occurred shortly after a period of staff turnover at the Port Authority. Reconciliation procedures and reviews of all journal entries should be designed and implemented to ensure that all adjustments are proper and accurate, including during times of staff turnover.

The identified significant deficiency is not considered to be a material weakness.

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

CliftonLarsonAllen LLP

Minneapolis, Minnesota
REPORT DATE

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

We have audited the financial statements of the business-type activities, the aggregate discretely presented component unit, and each major fund of the Port Authority of the City of Saint Paul (the Port Authority), Energy Park Utility Company (a unit of the Port Authority), Capital City Properties (a component unit of the Port Authority) and the Capital City Plaza Parking Garage (a project of Capital City Properties) as of and for the year ended December 31, 2019, and have issued our report thereon dated REPORT DATE. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

<u>*Accounting policies*</u>

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

No new accounting policies were adopted and the application of existing policies as not changed during 2019.

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

Qualitative aspects of accounting practices (continued)

Accounting estimates

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

Financial statement disclosures

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

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

Difficulties encountered in performing the audit

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

Uncorrected misstatements

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

Corrected misstatements

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

Disagreements with management

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

Management representations

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

Management consultations with other independent accountants

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

Significant issues discussed with management prior to engagement

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

Other audit findings or issues

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

Audits of group financial statements

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

The entity's ability to continue as a going concern

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

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

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

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

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

Other information in documents containing audited financial statements

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

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

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

* * *

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

CliftonLarsonAllen LLP

Minneapolis, Minnesota
REPORT DATE

CAPITAL CITY PROPERTIES

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

CAPITAL CITY PROPERTIES
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YEAR ENDED DECEMBER 31, 2019

FINANCIAL SECTION

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Capital City Properties
Saint Paul, Minnesota

We have audited the accompanying financial statements of Capital City Properties (CCP), which is a component unit of the Port Authority of the City of Saint Paul, as of and for the year ended December 31, 2019, and the related notes to basic financial statements, which collectively comprise CCP's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of CCP as of December 31, 2019, and the respective changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited CCP's 2018 financial statements and we expressed an unmodified opinion on those financial statements in our report dated April 16, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

CliftonLarsonAllen LLP

Minneapolis, Minnesota
REPORT DATE

As management of Capital City Properties (CCP), we offer readers of CCP's financial statements this narrative overview and analysis of the financial activities of CCP for the fiscal year ended December 31, 2019. We encourage readers to consider the information presented in conjunction with the complete financial statements presented herein. All amounts, unless otherwise indicated, are presented in thousands of dollars.

FINANCIAL HIGHLIGHTS

- Total assets decreased $1.673 million, mostly as a result of current year depreciation on the Parking Garage as well as decreases in investments at CCP.
- Net capital assets were $17.7 million, or 65% of total assets, which was comparable to 2018.
- Total liabilities were approximately $70.5 million, or $4.69 million more than 2018, mainly as a result of the Parking Garage's inability to meet its debt obligations which is evident by its total debt and related accrued interest increasing by $5.1 million to $67.3 million, or 95.4% of total liabilities in 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis is intended to serve as an introduction to CCP's basic financial statements, which are comprised of two components: Management's Discussion and Analysis (this section) and the basic financial statements. The financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. This report also contains other information in addition to the basic financial statements themselves.

The statement of net position presents information on all of the entity's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the CCP is improving or deteriorating.

The statement of revenues, expenses, and changes in net position presents information showing how the entity's net position changed during the most recent fiscal year. All changes to net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Notes to Basic Financial Statements – The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The following is a summary of Capital City Properties net position (in thousands of dollars):

	2019	2018
Assets:		
Current and Other Assets	$ 9,551	$ 10,977
Capital Assets	17,738	17,985
Total Assets	27,289	28,962
Liabilities:		
Long-Term Liabilities	5,529	5,584
Other Liabilities	65,040	60,289
Total Liabilities	70,569	65,873
Net Position:		
Net Investment in Capital Assets	(5,302)	(5,337)
Restricted Net Position	138	
Unrestricted	(38,116)	(31,574)
Total Net Position	$ (43,280)	$ (36,911)

Analysis of Changes in Statement of Net Position

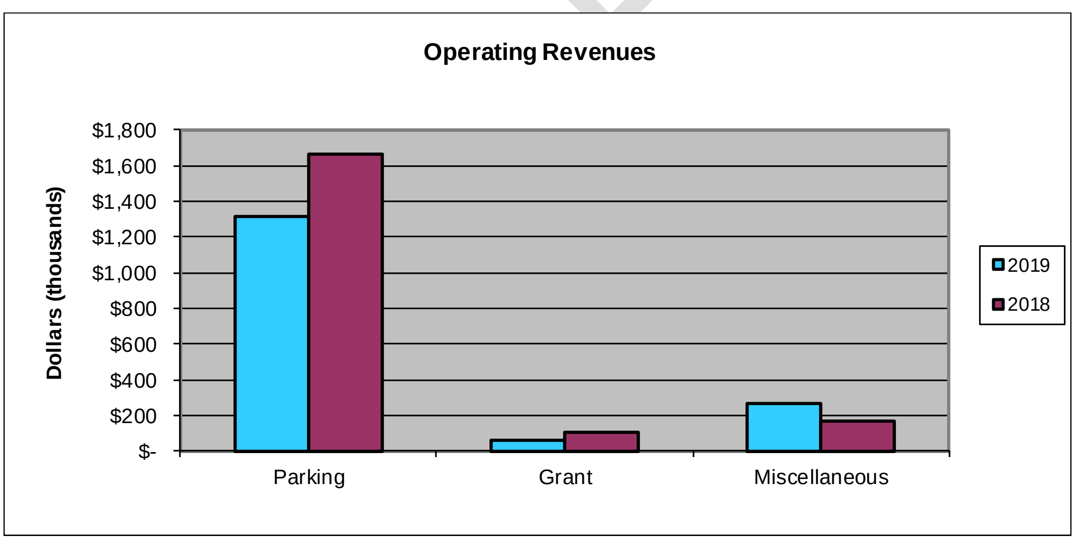
Total assets were $27.3 million, which decreased $1.7 million or 5.8% from 2018. Cash and investments decreased $2,048 thousand mainly as a result of loans, shortfall payments, and Equity on Ice buildouts all associated with the Go Wild Joint Venture, as well as debt payments and the return of the good faith deposit associated with the proposed sale of the Capital City Plaza Parking Garage ("Garage"). Accounts receivable decreased $109 thousand mainly from an increase in the allowance for uncollectable accounts related to the Garage and small decrease in other receivables. Loans receivable had a net increased $691 thousand due loans to the GO Wild Joint Venture noted above which were offset by scheduled loan payments. Lastly, capital assets decreased $247 thousand as a result of current year depreciation offset by the buildout of the Equity on Ice Center of $292 thousand.

Overall, liabilities increased $4.69 million in 2019. Delinquent interest payable increased by $5.2 million. This was offset by the return of the good faint deposit associated with the Garage noted above as well as various miscellaneous changes in other payables and obligations. Additional discussions of the changes in debt can be found in the debt administration section below.

Analysis of Changes in Operating Revenues: Total operating revenues in 2019 were $1,649 thousand, a decrease of $294 thousand, or 15%, from 2018. This was the combined effect of various items including: a $351 thousand decrease in parking revenues, a $98 thousand increase in miscellaneous revenue mainly as a result of exit fees associated with the termination of a NMTC loan, and a decrease in donations/grant revenues of $41 thousand. Parking revenues decreased due to a decrease in parking. Miscellaneous revenues experienced an increase due to increases in New Market Tax Credit (NMTC) revenues. Overall future years' NMTC fees will decrease unless additional allocations are received from the U.S. Government in future years.

The following schedule presents a summary of operating revenues for the years ended December 31, 2019 and 2018, and the percentages of increase or decrease in relation to the prior year's revenues (in thousands of dollars).

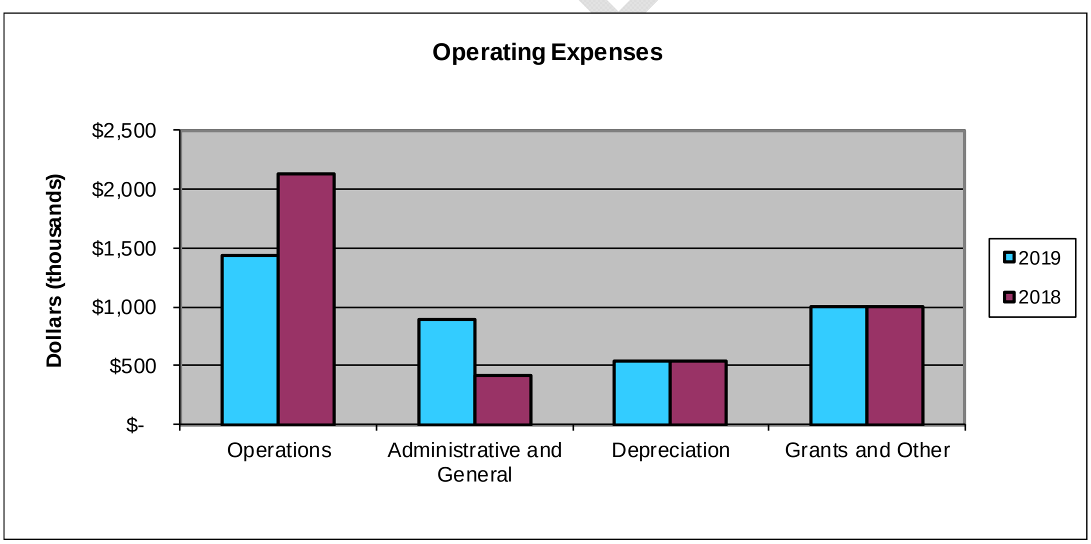
	2019	Percentage of Total	2018	Percentage of Total	Increase (Decrease) from 2018	Percentage Change
Operating Revenues:						
Parking	$ 1,316	79.8 %	$ 1,667	85.8 %	$ (351)	(21.1)%
Grant	64	3.9	$ 105	-	64	100.0
Miscellaneous	269	16.3	171	8.8	98	57.3
Total Operating Revenues	$ 1,649	100.0 %	$ 1,943	94.6 %	$ (189)	(9.7)%



Analysis of Changes in Operating Expenses: Total operating expenses in 2019 were $3,860 thousand, a decrease of $219 thousand, or 5.4%, from 2018. Attorney fees related to Joint Ventures decreased $74 thousand along with other joint venture costs associated with net sponsorships decreasing $140 thousand; Trustee cost associated with the parking garage decreased $135 thousand as the Trustee was going through the process of advertising and selling the facility in 2018. These amounts were offset with increases in costs associated with the expansion of Port Consulting as a new revenue program for CCP.

The following schedule presents a summary of operating expenses for the years ended December 31, 2019 and 2018, and the percentages of increase or decrease in relation to the prior year's expenses (in thousands of dollars).

	2019	Percentage of Total	2018	Percentage of Total	Increase (Decrease) from 2018	Percentage Change
Operating Expenses:						
Operations	$ 1,436	37.2 %	$ 2,123	52.0 %	$ (687)	-32.4%
Administrative and General	885	23.0	417	10.3	468	1.1
Depreciation	538	13.9	538	13.2	-	-
Grants and Other	1,001	25.9	1,000	24.5	1	0.0
Total Operating Expenses	$ 3,860	100.0 %	$ 4,079	100.0 %	$ (219)	-5.4%



Analysis of Capital Assets: Net capital assets were $17.7 million in 2019, a decrease of $247 thousand or 1.3%. This decrease was due to current year depreciation on parking garage assets, offset by the build out of the Equity on Ice Center by CCP, which was funded by donations.

Debt Administration: At December 31, 2019, CCP had several debt issues outstanding totaling $23.6 million, of which $22.6 million relates to the Parking Garage. This is a decrease of $337 thousand from 2018 mostly as a result of scheduled debt service payments of $349 thousand on other debt, which was offset by unamortized bond discounts decreasing by $12 thousand.

Other Information: CCP has entered into joint venture agreements to assist the Port Authority of the City of Saint Paul in achieving its mission by returning polluted land to productive uses, increasing the tax base, and increasing job opportunities for area residents. These include: Frauenshuh Joint Venture, a 120,000 square-foot medical office building in Westminster Business Center, which is 100% leased; Wellington Joint Venture, which includes approximately 21 acres in Riverbend Business Center (three facilities have been constructed and are fully leased. There is also land for an additional office/showroom for one or more tenants); MVP Real Estate, which includes an office/warehouse on the 12.77 acres on the former Midway Stadium in the Energy Park Industrial Development District (that is 87% leased and was sold subsequent to year end), and Go Wild LLC, which is a mixed use development including practice facility for the Wild of the NHL, retail and office space, as well as parking (rehabilitation is substantially completed and substantially leased in 2019).

In prior years, CCP received $49 million in New Market Tax Credit allocations from the United States Treasury. Under these allocations, CCP can originate loans up to the total allocation. Third parties provide the funds and receive tax credits for a portion of the amount provided; the borrower receives a below market interest rate and other benefits, and CCP receives various fees. Loans are seven years in length, and CCP receives ongoing fees over this term, with additional fees at the end of the loan. No fees are received until a loan is executed, and total fees for every loan will vary. As of December 31, 2019, CCP has used all $49 million of its prior allocations. Various fees associated with the loans will be received by CCP over the next three years.

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

BASIC FINANCIAL STATEMENTS

CAPITAL CITY PROPERTIES
STATEMENT OF NET POSITION
DECEMBER 31, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2018)

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 105,724	$ 600,071
Restricted Cash and Cash Equivalents	764,344	1,163,574
Accounts Receivable, Net of Allowance for Uncollectible Accounts of $525,700 and $470,700	304,350	413,980
Current Portion of Loans Receivable from Port Authority	208,956	176,421
Prepaid Expenses and Other	150,213	141,487
Total Current Assets	1,533,587	2,495,533
Loan Receivable	900,000	-
Investments	6,057,783	7,212,235
Long-Term Loans Receivable from Port Authority, Net of Allowance for Uncollectible Accounts of $300,000 and $300,000	1,060,319	1,269,488
Capital Assets, Net	17,738,086	17,985,066
Total Assets	$ 27,289,775	$ 28,962,322
LIABILITIES AND NET POSITION (DEFICIT)		
CURRENT LIABILITIES		
Current Maturities of Long-Term Obligations	$ 439,431	$ 536,727
Delinquent Bonds Payable	19,600,500	19,785,397
Delinquent Interest Payable	43,667,990	38,519,726
Accrued Interest	473,377	432,127
Due to Port Authority	166,384	226,477
Other Current Liabilities and Customer Deposits	692,493	788,978
Total Current Liabilities	65,040,175	60,289,432
Unreimbursed Operating Expenses	1,979,101	1,979,101
Long-Term Obligations	3,550,000	3,605,000
Total Liabilities	70,569,276	65,873,533
NET POSITION (DEFICIT)		
Net Investment in Capital Assets	(5,301,845)	(5,337,058)
Restricted Net Position	138,372	86,690
Unrestricted Net Position (Deficit)	(38,116,028)	(31,660,843)
Total Net Position (Deficit)	(43,279,501)	(36,911,211)
Total Liabilities and Net Position (Deficit)	$ 27,289,775	$ 28,962,322

See accompanying Notes to Basic Financial Statements.

CAPITAL CITY PROPERTIES
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2018)

	2019	2018
OPERATING REVENUES		
Parking Revenues	$ 1,316,354	$ 1,667,464
Other Revenues	268,631	170,489
Grant Revenue	63,934	105,363
Total Operating Revenues	1,648,919	1,943,316
OPERATING EXPENSES		
Operations	1,436,259	2,123,086
Administrative and General	885,024	417,259
Depreciation	538,482	538,482
Grants and Other	1,000,015	1,000,000
Total Operating Expenses	3,859,780	4,078,827
OPERATING LOSS	(2,210,861)	(2,135,511)
NONOPERATING REVENUES (EXPENSES)		
Investment Income	427,936	187,282
Equity Earnings on Joint Ventures	690,000	699,450
Miscellaneous Income	26,961	11,710
Interest Expense	(5,373,926)	(4,904,395)
Provision for Uncollectible Accounts	(55,000)	(155,000)
Income from Operating Leases	126,600	126,600
Total Nonoperating Expenses	(4,157,429)	(4,034,353)
CHANGE IN NET POSITION (DEFICIT)	(6,368,290)	(6,169,864)
Net Position (Deficit) - Beginning of Year	(36,911,211)	(30,741,347)
NET POSITION (DEFICIT) - END OF YEAR	$ (43,279,501)	$ (36,911,211)

See accompanying Notes to Basic Financial Statements.

CAPITAL CITY PROPERTIES
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$ 991,668	$ 2,047,327
Other Operating Receipts	328,628	114,642
Payments for Operations	(2,798,868)	(2,828,645)
Grant Revenue	63,934	105,363
Miscellaneous Income	26,961	11,710
Payment of Grants	(1,000,015)	(1,000,000)
Net Cash Used by Operating Activities	(2,387,692)	(1,549,603)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Income from Operating Leases	126,600	126,600
Repayments Received on Loans Receivable	176,634	172,585
Disbursements for New Loans Receivable	(900,000)	-
Net Cash Provided by Noncapital Financing Activities	(596,766)	299,185
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(291,502)	-
Principal Paid on Loans Payable	452,704	500,273
Interest Paid	(172,504)	(11,873)
Principal Paid on Bonds	(196,805)	-
Net Cash Used by Capital and Related Financing Activities	(208,107)	488,400
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts from Joint Ventures	690,000	699,450
Purchases of Restricted Investments	(779,786)	232,805
Proceeds from Sales and Maturities of Restricted Investments	1,934,238	450,256
Investment Income	454,536	191,223
Net Cash Provided by Investing Activities	2,298,988	1,573,734
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(893,577)	811,716
Cash and Cash Equivalents - Beginning of the Year	1,763,645	951,929
CASH AND CASH EQUIVALENTS - END OF THE YEAR	$ 870,068	$ 1,763,645
Cash and Cash Equivalents per Statement of Net Position	$ 105,724	$ 600,071
Restricted Cash and Cash Equivalents per Statement of Net Position	764,344	1,163,574
Total Cash and Cash Equivalents per Statement of Net Position	$ 870,068	$ 1,763,645
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$ (2,210,861)	$ (2,135,511)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Provision for Uncollectible Accounts	(55,000)	(155,000)
Depreciation	538,482	538,482
Miscellaneous Receipts	26,961	11,710
Changes in Operating Assets and Liabilities:		
Accounts Receivable	83,030	(73,370)
Prepaid Expenses and Other	(8,726)	2,632
Accounts Payable	(444,835)	151,559
Due to Port Authority	(60,093)	(100,000)
Other Current Liabilities and Customer Deposits	(256,650)	209,895
Net Cash Used by Operating Activities	$ (2,387,692)	$ (1,549,603)

See accompanying Notes to Basic Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

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 of the City of Saint Paul (the Port Authority). All of the members of the board of Directors of CCP are either commissioners or staff of the Port Authority. Subject to the authorization of the CCP Board of Directors, excess cash flow may be utilized to carry out the public purpose of the Port Authority.

Financial Reporting Entity

Government Accounting Standards Board (GASB) Codification Section 2100 states that a primary government that appoints a voting majority of an organization's officials and is entitled to the net position of that organization is financially accountable for that organization. Based on this criterion, CCP is reported as a discretely presented component unit of the Port Authority and is included in its basic financial statements.

As required by accounting principles generally accepted in the United States of America (GAAP), the financial statements of the reporting entity include those of CCP. A component unit is a legally separate entity for which the primary government is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's board, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent upon by the potential component unit. Based on this definition, CCP has no component units.

Basic Financial Statements

The financial statements of CCP are presented on the accrual basis of accounting in accordance with GAAP. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

CCP distinguishes operating revenues and operating expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with its principal ongoing operations. Revenues and expenses not meeting these criteria are reported as nonoperating revenues and expenses.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements (Continued)

CCP is comprised of the following projects/activities:

Capital City Plaza Parking Garage St. Paul (Garage): The garage consists of all assets, liabilities, capital revenues, and expenses associated with the operations of the Garage. Gross receipts from the operation of the Garage are used for reimbursement of operating expenses and debt service. The Garage is managed under contract by Allied Parking, Inc. (Allied).

Other: This consists of all general and administrative activities including CCP's participation in various joint ventures and administering the New Market Tax Credit program.

Measurement Focus and Basis of Accounting

CCP's financial statements are prepared in accordance with GAAP. The GASB is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

For financial reporting purposes, CCP and the Port Authority are required to use GAAP that are applicable to governmental entities. The financial statement presentation and disclosures also conform to those required for governmental entities. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

Cash and Cash Equivalents and Investments

CCP considers all unrestricted highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents.

Investments are reported at fair value, with the unrealized gains and losses reported in the statement of revenues, expenses, and changes in net position, 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. Certain proceeds of the Parking Ramp Revenue Bond, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net positon because their use is limited by applicable bond covenants.

The funds and accounts CCP is required to maintain are as follows:

- *Reserve Funds:* The Parking Ramp Revenue Bond indentures for the senior and subordinate bonds require that separate accounts be maintained in amounts sufficient to meet the reserve requirements of $1,920,500 and $460,000, respectively, for the purpose of covering any potential future deficiencies in those bond funds, to the extent that amounts held in the Garage Bond Funds are not sufficient to make the bond payments as they come due. As of December 31, 2019, amounts held in the senior and subordinated debt reserve fund of the Garage were not sufficient to meet the reserve requirements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents and Investments (Continued)

- *Bond Funds:* The Parking Ramp Revenue Bond indentures require that all gross receipts from operation of the Garage, as defined by the Trust Indenture, be deposited daily into this account. In accordance with the Hennepin County Court order, beginning on June 1, 2006, amounts are applied (1) to pay or reimburse actual out-of-pocket operating costs incurred and paid by an operator in connection with the operation of the Garage; (2) to interest and principal on the senior bonds; and (3) to replenish the senior bond reserve fund. Any remaining funds are transferred to the subordinate bond trustee and thereafter follow the instructions of the Indenture of Trust dated May 1, 2000.

- *Operating Fund:* The senior bonds indenture requires that all gross receipts from the operation of the Garage be deposited in the bond fund with the trustee daily. As noted above, beginning June 1, 2006, amounts are transferred from the bond fund for the reimbursement of current operating expenses of the Garage incurred by Allied. Amounts remaining after the reimbursement of current operating expenses are applied to the payment of senior bond scheduled debt service.

- *Repair and Replacement Fund:* The Parking Ramp Senior Bonds indenture requires that the Garage maintain a minimum of $100,000 in these accounts to assure the availability of funds for future major repairs, refurbishments, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals.

Capital Assets

Capital assets, consisting of land and the parking ramp structure and improvements, are stated at cost. Depreciation for the parking ramp structure and improvements is computed on the straight-line method over their estimated useful life of 40 years.

CCP reviews its long-lived assets for recoverability whenever events or changes in circumstances, such as a change in manner or duration of use, indicate that an impairment of its long-lived assets has occurred. If impairment has occurred, the impairment loss would be measured using the method that best reflects the diminished service utility of the long-lived asset.

Unearned Revenue

Payments received in advance of the related rental period are recognized as unearned revenue.

Long-Term Obligations

Unamortized bond discounts are being amortized over the life of the related bonds. Amortization expense is included with depreciation in the statement of revenues, expenses, and changes in net position. Bonds payable are reported net of the applicable bond premium or discount.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position is classified in three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and related indebtedness. *Restricted net position* is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to CCP. *Unrestricted net position* is the remaining net position that does not meet the definition of *net investment in capital assets* or *restricted.* Unrestricted net position is designated by board resolution to performing the functions and carrying out certain public purposes of the Port Authority, as determined by the board.

Use of Estimates

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

Operations

The CCP statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing parking rental to patrons (in the case of the Parking Garage), and other operating revenues. All other revenues and expenses, including interest income and interest expense, are reported as nonoperating revenues and expenses.

Income and Property Taxes

CCP is exempt from income taxes under the provisions of the Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes has been made in these financial statements. Additionally, CCP is also exempt from property taxes.

Summarized Comparative Information

The financial statements include certain prior year comparative information excluding comparative disclosures. Such information does not include sufficient data to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with CCP's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

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

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

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

Investments

CCP 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 receives 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
- Bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System
- Commercial paper issued by United States corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing 270 days or less
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks, or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in one of the top two rating categories

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

- Repurchase or reverse purchase agreements and security lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

CCP held the following investments as of December 31, 2019:

Investment	Fair Value
U.S. Treasury Notes	$ 3,918,063
Federal Home Loan Mortgage Corp	275,160
Federal National Mortgage Assoc.	1,109,635
Federal Home Loan Bank	306,772
State and Local Obligations: Municipal Bonds	448,153
Total Investments at Fair Value	$ 6,057,783

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

	Investment Maturities (In Years)				
Investment Type	Less than 1	1-5	6-10	More than 10	Total
U.S. Treasury Notes	$ 151,260	$ 2,229,291	$ 1,537,512	$ -	$ 3,918,063
Government-Sponsored Enterprises:					
Federal Home Loan Mortgage Corp (Freddie Mac)	-	149,749	97,446	27,965	275,160
Federal National Mortgage Assoc. (Fannie Mae)	-	436,958	484,833	187,844	1,109,635
Federal Home Loan Bank	-	306,772	-	-	306,772
State and Local Obligations: Municipal Bonds	373,456	74,697	-	-	448,153
Total	$ 524,716	$ 3,197,467	$ 2,119,791	$ 215,809	$ 6,057,783

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Credit Risk – As a means of managing its exposure to an issuer of a debt security that will not fulfill its obligation, it is CCP's practice to follow state law, which limits investments in authorized securities to certain credit risk ratings and maturities. It is CCP'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. CCP's investments at December 31, 2019, carried the following ratings:

	Credit Risk (Lowest rating from Moody's, S&P & Fitch Ratings)				
Investment Type	AAA/Aaa	AA/Aa	A	Not Rated	Total
U.S. Treasury Notes	$ 3,918,063	$ -	$ -	$ -	$ 3,918,063
Government-Sponsored Enterprises:					
Federal Home Loan Mortgage Corp (Freddie Mac)	-	-	-	275,160	275,160
Federal National Mortgage Assoc. (Fannie Mae)	-	483,801	-	625,834	1,109,635
Federal Home Loan Bank	-	306,772	-	-	306,772
State and Local Obligations: Municipal Bonds	-	348,104	100,049	-	448,153
Total	$ 3,918,063	$ 1,138,677	$ 100,049	$ 900,994	$ 6,057,783

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, CCP will not be able to recover the value of its investments that are in the possession of another party. CCP requires all securities purchased to be made in such a manner so that the securities are registered in CCP's name or are in the possession of CCP or a third-party custodian.

Concentration of Credit Risk – CCP diversifies its portfolio in order to minimize the impact of losses from any one individual issuer. It is CCP's policy to limit the amount invested in any one issuer at the time of 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, 2019 more than 5% of CCP's investments are in the following issuers:

Investment Issuer:	Percent of Total Investments
Federal National Mortgage Assoc. (Fannie Mae)	18.3 %

Fair Value Measurements

CCP uses fair value measurements to record fair value adjustments to certain asset and liabilities and to determine fair value disclosures.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

CCP 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, CCP has categorized its investments, based on the priority of inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quotes and prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

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

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

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

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

Assets of CCP measured at fair value on a recurring basis are as follows:

Investment Type	Level 1	Level 2	Level 3	Total
U.S. Treasury Notes	$ 3,918,063	$ -	$ -	$ 3,918,063
Govt. - Sponsored Enterprises				
Federal Home Loan Mortgage Corp	-	275,160	-	275,160
Federal National Mortgage Assoc.	-	1,109,635	-	1,109,635
Federal Home Loan Bank	-	306,772	-	306,772
State and Local Obligations: Municipal Bonds	-	448,153	-	448,153
Total	$ 3,918,063	$ 2,139,720	$ -	$ 6,057,783

NOTE 3 CAPITAL ASSETS

Capital assets additions, retirements, and balances for the year ended December 31, 2019 consisted of the following:

	Balance at Beginning of Year	Additions	Disposals	Balance at End of Year
Capital Assets, Not Being Depreciated:				
Land	$ 5,980,000	$ -	$ -	$ 5,980,000
Land Improvements and Other	3,401	-	-	3,401
Total Capital Assets Not Being Depreciated	5,983,401	-	-	5,983,401
Capital Assets, Being Depreciated:				
Buildings, Parking Ramp Structure, and Improvements	19,146,030	-	-	19,146,030
Leasehold Improvements	-	291,502	-	291,502
Equipment	1,429,593	-	-	1,429,593
Total Capital Assets Being Depreciated	20,575,623	291,502	-	20,867,125
Accumulated Depreciation for:				
Buildings, Parking Ramp Structure, and Improvements	8,316,831	481,298	-	8,798,129
Equipment	257,127	57,184	-	314,311
Total Accumulated Depreciation	8,573,958	538,482	-	9,112,440
Total Capital Assets Being Depreciated, Net	12,001,665	(246,980)	-	11,754,685
Total Capital Assets, Net	$ 17,985,066	$ (246,980)	$ -	$ 17,738,086

NOTE 4 LONG-TERM OBLIGATIONS

Long-term obligations consisted of the following as of December 31, 2019.

Description	Amount
Port Authority of the City of Saint Paul, 8% Tax Exempt Senior Lien Parking Ramp Revenue Bonds, Series 2000-1, interest due semiannually with principal due in varying annual installments beginning in 2013 through 2027, collateralized by the gross receipts of the Garage and the property of the Garage (a) (b)	$ 13,498,702
Port Authority of the City of Saint Paul, 8.125% Tax Exempt Senior Lien Parking Ramp Revenue Bonds, Series 2000-7, interest due semiannually with principal due in varying annual installments beginning in 2013 through 2027, collateralized by the gross receipts of the Garage and the property of the Garage (a) (b)	1,569,160
Port Authority of the City of Saint Paul, 12.5% Taxable Subordinate Lien Parking Ramp Revenue Bonds, Series 2000-2, interest due semiannually with principal due in varying annual installments through 2012, collateralized by the gross receipts of the Garage and the property of the Garage (a) (b)	4,600,000
Port Authority of the City of Saint Paul, 14% Taxable Subordinate Cash Flow Notes, Series 2000-3 and Series 2000-4, principal and interest due semiannually through 2030, payable from excess cash flows as described in the trust indentures, subordinated to the Senior Lien, Subordinate Lien and operating expenses of the Garage (a)	3,000,000
CCP, 2.33% Trillion BTU loan payable to the Port Authority, principal and interest due monthly through 2019.	439,431
Other Payables Due in More Than One Year	550,000
Unamortized Bond Discount	(67,362)
Total Long-Term Obligations	23,589,931
Less: Current Maturities	(439,431)
Less: Delinquent Bonds Payable	(19,600,500)
Total Long-Term Obligations - Noncurrent	$ 3,550,000

(a) The Garage was built using proceeds from bonds and notes, which were issued through the Port Authority as conduit financings. The debt holders' only sources of repayments are the Garage's cash flows and the unspent proceeds from the Senior Lien Parking Ramp Revenue Bonds, Series 2000-1; the Subordinate Lien Parking Ramp Revenue Bonds, Series 2000-2; and the Senior Lien Parking Ramp Revenue Bonds, Series 2000-7 (collectively, the Bonds), which are held in reserve by the trustee for the Bonds (the Trustee). The Port Authority and CCP have no obligation to the debt holders in the event that Garage cash flows and reserves are insufficient to repay the debt.

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

(b) The Garage was not able to meet its obligations on the Senior Lien Parking Ramp Revenue Bonds in the prior years and therefore the Trustee filed a petition and received a Court order declaring the full principal balance and all accrued interest now currently due. For the year ended December 31, 2019, the Garage was also not able to meet its current obligations relating to the principal and interest payments due on the Subordinate Lien Parking Ramp Revenue Bonds. As of December 31, 2019, the total amount of delinquent bonds payable and delinquent accrued interest payable was $19,667,862 (excluding the unamortized bond discount of $67,362) and $43,667,990, respectively. Until such time as the Senior Lien Parking Ramp Revenue Bonds are paid in full, however, the Trustee shall not accelerate amounts due on the subordinated bonds.

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

	Bonds and Notes Payable		
Year Ending December 31,	Principal	Interest	Total
Delinquent	$ 19,667,862	$ 43,667,990	$ 63,335,852
2020	439,431	-	439,431
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025-2030	-	-	-
2031	3,000,000	-	3,000,000
Total	$ 23,107,293	$ 43,667,990	$ 66,775,283

A schedule of changes in the noncurrent liabilities for the year ended December 31, 2019 is as follows:

	Balance, December 31, 2018	Additions	Retirements	Balance, December 31, 2019	Due Within One Year and Delinquent
Bonds Payable:					
Tax-Exempt Revenue Bonds	$ 15,264,667	$ -	$ (196,805)	$ 15,067,862	$ 15,067,862
Taxable Revenue Bonds	4,600,000	-	-	4,600,000	4,600,000
Unamortized Bond Discount	(79,270)	-	11,908	(67,362)	(67,362)
Total Bonds Payable	19,785,397	-	(184,897)	19,600,500	19,600,500
Notes Payable	3,000,000	-	-	3,000,000	-
Loan Payable	536,727	-	(97,296)	439,431	439,431
Total Long-Term Liabilities	$ 23,322,124	$ -	$ (282,193)	$ 23,039,931	$ 20,039,931

NOTE 5 PARKING GARAGE OPERATIONS AGREEMENT

Pursuant to an agreement that expired May 31, 2006, Standard Parking, Inc. (Standard) operated the Garage and received reimbursement for operating expenses out of the net revenues of the Garage after payment of the senior bond debt service. Limited payments were made to Standard over the life of the agreement. As of December 31, 2019, the unreimbursed operating expenses were $1,979,101. As disclosed in Note 9, management believes there will not be sufficient funds available to make all of the 2020 debt service payments on the senior bonds and the senior bond reserve fund has been depleted to the floor established by a Hennepin County Court Order. Therefore, these unreimbursed operating expenses as of December 31, 2019, have been classified as long term.

The Garage has been operated by Allied Parking, Inc. (Allied) under a management agreement that expired on June 30, 2016. Subsequent to June 30, 2016, the agreement automatically renews on an annual basis. Pursuant to the Hennepin County Court order and the management agreement, Allied is reimbursed out of gross revenues for current operating expenses including Allied's management fee of $2,000 per month, prior to payment of the senior bond debt service. In conjunction with the management agreement, in 2006 the Garage advanced $60,000 to Allied as a deposit to pay current operating expenses. The Garage reimburses Allied for current operating expenses in the month after the expenses are paid by Allied.

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, the CCP Board resolved that periodic grants will be made to the Port Authority. In 2019, said grants totaled $1,000,000.

In 2003, the Port Authority issued a limited obligation revenue bond to be repaid solely from tax revenues received from the Energy Lane Business Center Tax Increment Financing (TIF) District. The bonds were held by several banks and did not constitute a general obligation of the Port Authority, nor were they secured by the Port Authority's assets. In 2011 the bonds were refunded through a Tax Increment Financing refunding note, Series 2011-2 with Capital City Properties totaling $1,740,000. This resulted in Capital City Properties recording a loan receivable from the Energy Lane TIF District. Similar to the original bond issuance, the refunding issuance does not constitute a general obligation of the Port Authority and is to be repaid solely from the tax increment revenues of the TIF District. The loan receivable balance at December 31, 2019 was $782,045.

In 2013, Capital City Properties entered into a loan agreement with Energy Park utility company (EPUC), a unit of the Port Authority, to assist in upgrading its heating and cooling system. The terms of the loan include a 4.0% interest rate with annual principal payments extending through 2021. Payments on the note are to be paid solely from pledge revenues of the EPUC. The loan receivable balance at December 31, 2019 was $387,230.

NOTE 6 RELATED PARTY TRANSACTIONS (CONTINUED)

In prior years, Capital City Properties also entered into a $400,000 loan agreement with the Saint Paul Port Authority to assist in the remediation of the Port Authority's Riverbend TIF District development project. The loan is to be repaid with tax increment funds received from the District.

In 2013, Capital City Properties received a Trillion BTU loan from the Port Authority to finance the construction of chiller equipment. CCP has entered into a lease with EPUC, a component of the Port Authority of the City of Saint Paul for the chiller. In 2019 Capital City Properties made principal payments totaling $97,296 on the Trillion BTU loan and received $126,600 in operating lease payments from EPUC for the operating lease of the chiller equipment.

NOTE 7 COMMITMENTS AND CONTINGENCIES

Risk Management – CCP is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; general liability; and workers' compensation and unemployment claims for which CCP carries commercial insurance. CCP has not reduced insurance coverage in the past year, and settled claims have not exceeded commercial insurance coverage in any of the three preceding years.

Discounted Parking Rates – The Garage has agreements with various adjacent building owners relating to parking rates and conditions that were put into place prior to the construction of the parking facility. These arrangements expire based upon various terms and conditions, none of which should extend beyond 2019. The impact of these agreements does not have a material impact on the overall operations of the Garage.

NOTE 8 JOINT VENTURES

As of year-end, CCP participates in four joint ventures in which property, remediated land and, in some instances, cash are contributed as CCP's share in the capital required. The other party in the joint ventures generally contributes cash, management expertise and oversight, and agrees to cover project shortfalls, if any. CCP is 50% owner in three joint ventures and 25% owner in the other joint venture; thus, equity earnings in the joint ventures are recorded. During the year ended December 31, 2019, CCP received $620,000 from these joint ventures. For one joint venture, CCP has pledged to make the joint venture whole if annual sponsorship revenues are less than $2.1 million; current signed agreements are approximately $1.3 million; since this agreement became effective October 1, 2018, the maximum potential exposure in 2020 for CCP is $200 thousand. As of December 31, 2019, CCP has no recorded investment in joint ventures, as cumulative distributions exceeded capital contributions and cumulative gains/losses on the joint ventures.

NOTE 9 GOING CONCERN OF OPERATIONAL UNIT

Since parking operations commenced, the Garage has incurred losses from operations. In addition, during 2019, the Garage was not able to meet its current obligations relating to the debt service requirements of the senior or subordinate bonds from revenues generated by operations or reserve funds. The ability to make timely payments of debt service is contingent upon the results of operations of the Garage. While management believes the Garage's gross receipts, along with available bond reserve funds, will be sufficient to reimburse Allied for current operating costs, management does not believe that there will be sufficient funds available under the current priority of payment to make all scheduled 2020 debt service payments on the senior or subordinate bonds and notes. The long-term viability of the Garage, including its ability to make its scheduled debt service payments is highly dependent on the Garage operator's ability to significantly improve the Garage's results of operations. The monthly lease rates for contract spaces and the overall operating results of the Garage have occurred at a significantly lower level than originally anticipated when the bonds and notes described above were issued and the lease was signed. As a result, the monthly cash flow generated by operations has not been adequate to provide for the scheduled debt service payments and operating expenses. In accordance with the terms of the bond indenture, a rate study was conducted in August 2017 to evaluate the current rates, charges, and operations of the Garage, resulting in minor adjustments in parking rates. There can be no assurances that the results of operations of the Garage will improve sufficiently to repay delinquent debt service amounts and meet future debt service requirements. See also Note 5 (a) and 5 (b).

While there is substantial doubt the Garage is considered a going concern, it does not impact other activities of CCP as it does not have an obligation to assume the debt of the Garage, which is payable solely from the revenues generated from the Garage. If the Garage discontinued operations the debt would not be a liability of CCP and it would be able to continue with operations of its other activities.

NOTE 10 SUBSEQUENT EVENT

In March of 2020, Capital City Properties' Joint Venture, MVP Real Estate, sold its Midway Property located in the Energy Park Industrial Development District. As a result of the sale Capital City Properties will recognize a gain of about $2.1 million from the sale.

CAPITAL CITY PLAZA PARKING GARAGE ST. PAUL

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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YEAR ENDED DECEMBER 31, 2019

INDEPENDENT AUDITORS' REPORT

Board of Directors
Capital City Properties
Saint Paul, Minnesota

We have audited the accompanying financial statements of Capital City Plaza Parking Garage St. Paul (the Garage), a project of Capital City Properties (CCP), as of and for the year ended December 31, 2019, and the related notes to basic financial statements, which collectively comprise the Garage's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capital City Plaza Parking Garage St. Paul as of December 31, 2019, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Omitted Management's Discussion and Analysis

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

Emphasis-of-matter Regarding Going Concern

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

Financial Reporting Entity

As discussed in Note 1, the financial statements of the Garage are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of CCP that is attributable to the transactions of the project. They do not purport to, and do not, present fairly the financial position of CCP, a component unit of the Port Authority of the City of Saint Paul, as of December 31, 2019, or the changes in its financial position or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
REPORT DATE

BASIC FINANCIAL STATEMENTS

CAPITAL CITY PLAZA PARKING GARAGE ST. PAUL
STATEMENT OF NET POSITION
DECEMBER 31, 2019

ASSETS

CURRENT ASSETS	
Restricted Cash and Cash Equivalents	$ 709,612
Accounts Receivable, Net of Allowance for Uncollectible Accounts of $350,000	127,350
Accrued Interest Receivable	796
Prepaid Assets	74,703
Prepaid Deposit	48,585
Total Current Assets	961,046
Capital Assets, Net of Accumulated Depreciation	16,327,901
Total Assets	17,288,947

LIABILITIES AND NET POSITION (DEFICIT)

CURRENT LIABILITIES	
Delinquent Bonds Payable	19,600,500
Delinquent Accrued Interest Payable	43,667,990
Accrued Interest	473,377
Other Current Liabilities	308,390
Total Current Liabilities	64,050,257
Unreimbursed Operating Expenses	1,979,101
Long-Term Obligations	3,300,000
Total Liabilities	69,329,358
NET POSITION (DEFICIT)	
Net Investment in Capital Assets	(6,572,599)
Unrestricted	(45,467,812)
Total Net Position (Deficit)	$ (52,040,411)

See accompanying Notes to Basic Financial Statements.

CAPITAL CITY PLAZA PARKING GARAGE ST. PAUL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2019

OPERATING REVENUES	
Parking Revenues	$ 1,316,354
OPERATING EXPENSES	
Operations	1,060,149
Trustee Fees	76,223
Depreciation	481,298
Total Operating Expenses	1,617,670
OPERATING LOSS	(301,316)
NONOPERATING REVENUES (EXPENSES)	
Interest Income	18,672
Interest Expense	(5,354,618)
Provision for Uncollectible Accounts Receivable	(55,000)
Total Nonoperating Expenses	(5,390,946)
DECREASE IN NET POSITION	(5,692,262)
Net Position (Deficit) - Beginning of Year	(46,348,149)
NET POSITION (DEFICIT) - END OF YEAR	$ (52,040,411)

See accompanying Notes to Basic Financial Statements.

CAPITAL CITY PLAZA PARKING GARAGE ST. PAUL
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$	991,668
Payments for Operations		(1,115,314)
Net Cash Used by Operating Activities		(123,646)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest Paid		(153,196)
Principal Paid on Bonds		(196,805)
Net Cash Used by Capital and Related Financing Activities		(350,001)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received		19,685
NET DECREASE IN CASH AND CASH EQUIVALENTS		(453,962)
Cash and Cash Equivalents - Beginning of the Year		1,163,574
CASH AND CASH EQUIVALENTS - END OF THE YEAR	$	709,612
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$	(301,316)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Other Expenses - Provision for Uncollectible Receivables		(55,000)
Depreciation		481,298
Change in Operating Assets and Liabilities:		
Accounts Receivable		23,033
Prepaid Items		(15,011)
Other Current Liabilities		(256,650)
Net Cash Used by Operating Activities	$	(123,646)

See accompanying Notes to Basic Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The Capital City Plaza Parking Garage St. Paul (the Garage) is located at Fourth and Minnesota Streets in downtown St. Paul, Minnesota. The Garage commenced parking operations in June 2001. The Garage has 954 parking stalls and is in close proximity to the main convention hotel and numerous other properties in the City. At year-end, 361 stalls were under monthly leases, with the remaining stalls being available for transient business. The Garage has been operated by Allied Parking, Inc. (Allied) since June 1, 2006. The priority and use of the revenues from the operation of the Garage are governed by the Indenture of Trust (Trust Indenture) between the Port Authority of the City of Saint Paul (Port Authority) and Wells Fargo Bank, National Association dated as of May 1, 2000, as modified by the Order on Second Supplemental Petition of Wells Fargo Bank, National Association, as Trustee for Instruction in the Administration of a Trust dated June 12, 2006.

Financial Reporting Entity

The financial statements of the Garage are intended only to present the financial position, the changes in financial position, and the cash flows that are attributable to the Capital City Plaza Parking Garage St. Paul project. They do not purport to, and do not, present fairly the financial position of Capital City Properties, a component unit of the Port Authority of the City of Saint Paul (the Port Authority), as of December 31, 2019, or the changes in its financial position or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

Measurement Focus and Basis of Accounting

The Garage uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

When both restricted and unrestricted resources are available for use, it is the Garage's general policy to use unrestricted resources first, then restricted resources when possible.

The Capital City Plaza Parking Garage St. Paul's (the Garage) financial statements are prepared in accordance with GAAP. The Government Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the Garage are discussed below.

Restricted Cash and Cash Equivalents and Investments

The Garage considers money market mutual funds and debt security investments with original maturities of three months or less to be cash equivalents. Restricted investments are reported at fair value, with the unrealized gains and losses reported in the statement of revenues, expenses, and changes in net position (deficit), except for guaranteed investment contracts, which are reported at cost. For the purpose of the statement of cash flows, the Garage treats restricted cash and cash equivalents the same as restricted investments.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash and Cash Equivalents and Investments (Continued)

Certain proceeds of the Parking Ramp Revenue Bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The funds and accounts the Garage is required to maintain are as follows:

- *Reserve Funds:* The Parking Ramp Revenue Bond indentures for the senior and subordinate bonds require that separate accounts be maintained in amounts sufficient to meet the reserve requirements of $1,920,500 and $460,000, respectively, for the purpose of covering any potential future deficiencies in those bond funds, to the extent that amounts held in the bond funds are not sufficient to make the bond payments as they come due. As of December 31, 2019, amounts held in the senior debt and subordinated debt reserve funds were not sufficient to meet the respective reserve requirements.

- *Bond Funds:* The Parking Ramp Revenue Bond indentures require that all gross receipts from operation of the Garage, as defined by the Trust Indenture, be deposited daily into this account. In accordance with the Hennepin County Court order, beginning on June 1, 2006, amounts are applied (1) to pay or reimburse actual out-of-pocket operating costs incurred and paid by an operator in connection with the operation of the Garage; (2) to interest and principal on the senior bonds; and (3) to replenish the senior bond reserve fund. Any remaining funds are transferred to the subordinate bond trustee and thereafter follow the instructions of the indenture of Trust dated May 1, 2000.

- *Operating Fund:* The senior bonds indenture requires that all gross receipts from the operation of the Garage be deposited in the bond fund with the trustee daily. As noted above, beginning June 1, 2006, amounts are transferred from the bond fund for the reimbursement of current operating expenses of the Garage incurred by Allied. Amounts remaining after the reimbursement of current operating expenses are applied to the payment of senior bond scheduled debt service.

- *Repair and Replacement Fund:* The senior bonds indenture requires that the Garage maintain a minimum of $100,000 in this account to assure the availability of funds for future major repairs, renewals, replacements, or maintenance items of a type not recurring annually or at shorter intervals.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets consist of land, the parking ramp structure, and major refurbishments, which are stated at cost. Depreciation for the parking ramp structure is computed on the straight-line method over its estimated useful life of 40 years.

The Garage reviews its long-lived assets for recoverability whenever events or changes in circumstances, such as a change in the manner or duration of use, indicate that an impairment of its long-lived assets has occurred. If impairment has occurred, the impairment loss would be measured using the method that best reflects the diminished service utility of the long-lived asset. To date, management has determined that no impairment of long-lived assets exists.

Unearned Revenue

Payments received in advance of the related rental period are recognized as unearned revenue.

Long-Term Obligations

Unamortized bond discounts are being amortized over the life of the related bonds. Amortization expense is included with depreciation expense in the statement of revenues, expenses, and changes in net position (deficit). Bonds payable are reported net of the applicable bond premium or discount.

Net Position

Net position is classified in three components. *Net Investment in Capital Assets* consists of capital assets net of accumulated depreciation and related indebtedness. *Restricted net position* is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Garage. *Unrestricted net position* is remaining net position that does not meet the definition of invested in capital assets, net of related debt or restricted net position. The various net position balances of the Garage are in a deficit as a result of expenses exceeding revenues, in prior years and debt outstanding exceeding the net book value of capital assets.

Use of Estimates

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operations

The Garage's statement of revenues, expenses, and changes in net position (deficit) distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing parking rental to patrons – the Garage's principal activity. Operating expenses are all expenses incurred to provide parking rentals. All other revenues and expenses, including interest income and interest expense, are reported as nonoperating revenues and expenses.

Income and Property Taxes

The Garage is a project of CCP which is exempt from income taxes under the provisions of Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes has been made in these financial statements. The Garage is also exempt from property taxes.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

In accordance with applicable Minnesota state statutes, the Garage maintains deposits at financial institutions authorized by the board of directors. 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.

At December 31, 2019, the Parking Garage's deposits had a carrying amount of $709,612 and bank balance of $706,506.

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

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

The Garage may also invest idle funds as authorized by the Trust Indenture dated May 2000 and 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 receives 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
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System
- Commercial paper issued by United States corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing 270 days or less
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks, or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in one of the top two rating categories
- Repurchase or reverse purchase agreements and security lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers

The Parking Garage follows CCP's investment policy which addresses investment risks as follows:

Interest Rate Risk – As a means of managing its exposure to changing interest rates, the trustee has been instructed by CCP to match maturities to its liquidity needs. Additionally, whenever possible, the investment with the shortest duration will be selected when choosing between equal alternatives.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Credit Risk – As a means of managing its exposure to credit risk, the trustee has been instructed by CCP to follow state law, which limits investments in authorized securities to certain credit risk ratings and maturities.

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 Garage will not be able to recover the value of its investments that are in the possession of another party. The Trust Indenture allows investments held by the trustee in trust to be commingled for the purpose of investment, but requires all securities purchased to be segregated from other funds.

Concentration of Credit Risk – The Garage held only cash and cash equivalents during 2019; therefore, there is not any concentration of credit risk in 2019.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance at Beginning of Year	Additions / Other	Deductions	Balance at End of Year
Capital Assets Not Being Depreciated:				
Land	$ 5,980,000	$ -	$ -	$ 5,980,000
Capital Assets Being Depreciated:				
Parking Ramp Structure	19,146,030	-	-	19,146,030
Less:				
Accumulated Depreciation	8,316,831	481,298	-	8,798,129
Total Capital Assets Being Depreciated, Net	10,829,199	(481,298)	-	10,347,901
Net Capital Assets	$ 16,809,199	$ (481,298)	$ -	$ 16,327,901

NOTE 4 LONG-TERM DEBT

Long-term obligations consisted of the following as of December 31, 2019:

Description	Amount
Port Authority of the City of Saint Paul, 8% Tax Exempt Senior Lien Parking Ramp Revenue Bonds, Series 2000-1, interest due semi-annually with principal due in varying annual installments beginning in 2013 through 2027, collateralized by the gross receipts of the Garage and the property of the Garage (a)(b)	$ 13,498,702
Port Authority of the City of Saint Paul, 8.125% Tax Exempt Senior Lien Parking Ramp Revenue Bonds, Series 2000-7, interest due semi-annually with principal due in varying annual installments beginning in 2013 through 2027, collateralized by the gross receipts of the Garage and the property of the Garage (a)(b)	1,569,160
Port Authority of the City of Saint Paul, 12.5% Taxable Subordinate Lien Parking Ramp Revenue Bonds, Series 2000-2, interest due semi-annually with principal due in varying annual installments through 2012, collateralized by the gross receipts of the Garage and the property of the Garage (a)(b)	4,600,000
Port Authority of the City of Saint Paul, 14% Taxable Subordinate Cash Flow Notes, Series 2000-3 and Series 2000-4, principal and interest due semi-annually through 2030, payable from excess cash flows as described in the trust indentures, subordinated to the Senior Lien, Subordinate Lien and operating expenses of the Garage (a)	3,000,000
CCP note payable 14%, unsecured	300,000
Unamortized Bond Discounts	(67,362)
Total	22,900,500
Less: Delinquent Bonds Payable	(19,600,500)
Total	$ 3,300,000

(a) The Garage was built using proceeds from bonds and notes, which were issued through the Port Authority as conduit financings. The debt holders' only sources of repayments are the Garage's cash flows and the unspent proceeds from the Senior Lien Parking Ramp Revenue Bonds, Series 2000-1; the Subordinate Lien Parking Ramp Revenue Bonds, Series 2000-2; and the Senior Lien Parking Ramp Revenue Bonds, Series 2000-7 (collectively, the Bonds), which are held in reserve by the trustee for the Bonds (the Trustee). The Port Authority and CCP have no obligation to the debt holders in the event that Garage cash flows and reserves are insufficient to repay the debt.

NOTE 4 LONG-TERM DEBT (CONTINUED)

(b) The Garage was not able to meet its obligations on the Senior Lien Parking Ramp Revenue Bonds in the prior years and, therefore, the Trustee filed a petition and received a Court order dated February 4, 2010 declaring the full principal balance and all accrued interest now currently due. For the year ended December 31, 2019, the Garage was also not able to meet its current obligations relating to the principal and interest payments due on the Subordinate Lien Parking Ramp Revenue Bonds. As of December 31, 2019, the total amount of delinquent bonds payable and delinquent accrued interest payable was $19,667,862 (not including the discount of $67,362) and $43,667,990 respectively. Until such time as the Senior Lien Parking Ramp Revenue Bonds are paid in full, however, the Trustee shall not accelerate amounts due on the subordinated bonds.

Debt service requirements at December 31, 2019 were as follows:

Year Ending December 31,	Principal	Interest
Delinquent	$ 19,667,862	$ 43,667,990
2031	3,300,000	-
Total	$ 22,967,862	$ 43,667,990

Long-term liability activity for the year ended December 31, 2019 was as follows:

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year	Due Within One Year and Delinquent
Bonds Payable:					
Tax-Exempt Revenue Bonds	$ 15,264,667	$ -	$ (196,805)	$ 15,067,862	$ 15,067,862
Taxable Revenue Bonds	4,600,000	-	-	4,600,000	4,600,000
Unamortized Bond Discount	(79,270)	-	11,908	(67,362)	(67,362)
Total Bonds Payable	19,785,397	-	(184,897)	19,600,500	19,600,500
Notes Payable	3,300,000	-	-	3,300,000	-
Total Long-Term Liabilities	$ 23,085,397	$ -	$ (184,897)	$ 22,900,500	$ 19,600,500

NOTE 5 OPERATIONS AGREEMENT

Pursuant to an agreement that expired May 31, 2006, Standard Parking, Inc. (Standard) operated the Garage and received reimbursement for operating expenses out of the net revenues of the Garage after payment of the senior bond debt service. Limited payments were made to Standard over the life of the agreement. As of December 31, 2019, the unreimbursed operating expenses were $1,979,101 As disclosed in Note 7, management believes there will not be sufficient funds available to make all of the 2020 debt service payments on the senior bonds and the senior bond reserve fund has been depleted to the floor established by a Hennepin County Court Order. Therefore, these unreimbursed operating expenses as of December 31, 2019, have been classified as long term.

NOTE 5 OPERATIONS AGREEMENT (CONTINUED)

The Garage has been operated by Allied Parking, Inc. (Allied) under a management agreement that expired on June 30, 2016. Subsequent to June 30, 2016, the agreement automatically renews on an annual basis. Pursuant to the Hennepin County Court order and the management agreement, Allied is reimbursed out of gross revenues for current operating expenses including Allied's management fee of $2,000 per month, prior to payment of the senior bond debt service. In conjunction with the management agreement, in 2006 the Garage advanced $60,000 to Allied as a deposit to pay current operating expenses. The Garage reimburses Allied for current operating expenses in the month after the expenses are paid by Allied.

NOTE 6 RISK MANAGEMENT

The Garage is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; general liability; and workers' compensation and unemployment claims for which the Garage carries commercial insurance. The Garage has not reduced insurance coverage in the past year, and settled claims have not exceeded commercial insurance coverage in any of the three preceding years.

NOTE 7 GOING CONCERN

Since parking operations commenced, the Garage has incurred losses from operations. During 2019, the Garage was not able to meet its current obligations relating to the debt service requirements of the senior or subordinate bonds from revenues generated by operations or reserve funds. The ability to make timely payments of debt service is contingent upon the results of operations of the Garage. While management believes the Garage's gross receipts, along with available bond reserve funds, will be sufficient to reimburse Allied for current operating costs, management does not believe that there will be sufficient funds available under the current priority of payment to make all scheduled 2020 debt service payments on the senior or subordinate bonds and notes. The long-term viability of the Garage, including its ability to make its scheduled debt service payments is highly dependent on the Garage operator's ability to significantly improve the Garage's results of operations. The monthly lease rates for contract spaces and the overall operating results of the Garage have occurred at a significantly lower level than originally anticipated when the bonds and notes described above were issued and the lease was signed. As a result, the monthly cash flow generated by operations has not been adequate to provide for the scheduled debt service payments and operating expenses. In accordance with the terms of the bond indenture, a rate study was conducted in August 2017 to evaluate the current rates, charges, and operations of the Garage, resulting in minor adjustments in parking rates. There can be no assurances that the results of operations of the Garage will improve sufficiently to repay delinquent debt service amounts and meet future debt service requirements.

NOTE 8 COMMITMENT

The Garage has agreements with various adjacent building owners relating to parking rates and conditions that were put into place prior to the construction of the parking facility. These arrangements expire based upon various terms and conditions, none of which should extend beyond 2020. The impact of these agreements does not have a material impact on the overall operations of the Garage.

CliftonLarsonAllen LLP
CLAconnect.com

`Board of Commissioners and Management
Capital City Properties and
Capital City Plaza Parking Garage
Saint Paul, Minnesota

In planning and performing our audit of the financial statements of the business-type activities of Capital City Properties and Capital City Plaza Parking Garage as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Capital City Properties and Capital City Plaza Parking Garage'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 Capital City Properties and Capital City Plaza Parking Garage's internal control. Accordingly, we do not express an opinion on the effectiveness of Capital City Properties and Capital City Plaza Parking Garage's internal control.

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

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

This communication is intended solely for the information and use of management, the board of commissioners, and others within Capital City Properties and Capital City Plaza Parking Garage, and is not intended to be, and should not be, used by anyone other than these specified parties.

The purpose of this communication is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Capital City Properties and Capital City Plaza Parking Garage's internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
REPORT DATE

Saint Paul
PORT AUTHORITY

MEMORANDUM

To: BOARD OF COMMISSIONERS **Meeting Date:** April 28, 2020

From: Todd P. Hurley

Subject: **AUTHORIZATION FOR CONTINUATION OF CAPITAL CITY PROPERTIES CORPORATION RESOLUTION NO. 4672**

Action Requested:

A request that the Port Authority Board adopt Resolution No. 4672 confirming its desire that Capital City Properties ("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 applied to CCP, which had been created as an affiliate of the Port Authority in 1991.

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

Current Status

One of the requirements imposed by the 1999 statutes is a requirement that the nonprofit corporations be audited on an annual basis, and that this audit be presented to the applicable political subdivision at a regularly scheduled meeting. The CCP audit will be presented to the Port Authority Board on April 28,2020 and to the CCP Board on April 28, 2020.

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

Recommendation:

We recommend adoption of Resolution No. 4672 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; and 4626 adopted on April 24, 2018 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 28, 2020, CCP presented to the Port Authority an audit of its financials for the calendar year ending December 31, 2019, 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 28, 2020

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By ___________________________
Its ___________________________

ATTEST:

By ______________________________
Its ______________________________

Resolution No. 3853

RESOLUTION OF THE
PORT AUTHORITY OF THE CITY OF SAINT PAUL

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

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

(a) aiding, assisting and advising the Port Authority in, and engaging in, the planning for and development and improvement of the Saint Paul area;

(b) providing advice, support, funds, capital, gifts and all other lawful forms of assistance, financial or otherwise, to or for the use of the Port Authority in connection with the development of the Saint Paul area; and

(c) aiding, supporting and assisting, by loans, guaranties, investments and other lawful forms of assistance, other persons or organizations seeking to develop and improve the Saint Paul area.

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

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

(a) pledged its full support for the creation and operation of CCP;

(b) approved the Articles of Incorporation of CCP; and

(c) authorized certain financial support for CCP and pledged to work closely with, and provide all assistance to, CCP to ensure its successful operation.

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

WHEREAS, on April 2, 1993, CCP applied to the Internal Revenue Service for recognition of exemption under Section 501(c)(3) by virtue of its relationship with, and activities on behalf of, the Port Authority, which exemption was granted by the Internal Revenue Service on February 2, 1994.

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

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

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

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

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

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

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

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

- Prohibition on acceptance of gifts from interested parties [Minn. Stat. §471.895]

- Municipal tort liability [Minn. Stat. §466]

- Identification of owned vehicles [Minn. Stat. §471.346

- Itemization and declaration of claims [Minn. Stat. §471-38 to 471.41]

- Prohibition on advances of pay, the making or guarantee of loans or the provisions in-kind benefits, unless authorized by law

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

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

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

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

Adopted: October 24, 2000

PORT AUTHORITY OF THE CITY
OF SAINT PAUL

By Joan A. Grzywinski
Its Chair

ATTEST:

Kathy Lantry
Its Secretary

ATTACHMENT 1

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

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

3. Exemption from certain Laws.

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

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

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

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

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

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

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

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

Resolution No. 3902

RESOLUTION OF THE
PORT AUTHORITY OF THE CITY OF SAINT PAUL

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

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

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

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

1. The findings and conclusions contained in Resolution No. 3853 are hereby ratified and affirmed, as amended hereby.

2. The Port Authority hereby determines that, in addition to the powers and authorities of the Port Authority, CCP should retain and have the power and authority that a corporation would otherwise have to enter into partnership, joint venture or stock ownership arrangements, as necessary to enable CCP to participate in partnerships, joint ventures or the ownership and operation of other corporations in furtherance of the mission and activities of CCP and the Port Authority, notwithstanding any limitation that would otherwise be imposed on the Port Authority with regard to such activities.

3. Port Authority management is hereby authorized and directed to file a certified copy of this resolution with the Secretary of State, as required by Minn. Stat. § 465.719, Subdivision 2.

Adopted: August 28, 2001

PORT AUTHORITY OF THE CITY
OF SAINT PAUL

By Kathy Kuntz
Its ~~Chair~~ Acting Chair

ATTEST:

Its ~~Secretary~~ Asst. Secretary

Saint Paul
PORT AUTHORITY

MEMORANDUM

To: BOARD OF COMMISSIONERS **Meeting Date:** April 28, 2020

From: Ava Langston-Kenney ARL-K

Subject: **AUTHORIZATION TO APPLY FOR CONTAMINATION CLEANUP GRANT FUNDS FOR UNITED VILLAGE AT MIDWAY PROJECT (BLOCK B) RESOLUTION NO. 4673**

Action Requested:

The Port Authority of the City of Saint Paul (the "Port Authority") seeks authorization to apply to Minnesota Department of Employment and Economic Development for up to $1,000,000.00, the Metropolitan Council for up to $500,000.00 and Ramsey County for up to $500,000.00 in Contamination Cleanup Grant funds for the redevelopment of Block B, an approximately 2-acre site located at 1574 University Ave West, Saint Paul, MN 55104 (Old Big Top Liquor store site). See a map attached which shows the location of the property.

Background

The Minnesota Department of Employment and Economic Development (DEED), the Metropolitan 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, but both publicly and privately-owned sites with known or suspected soil or groundwater contamination qualify. Remediation grant funds have proven to be essential in redeveloping Brownfield properties with business centers and providing developable land for companies to locate, expand and grow jobs.

On May 1, 2020, we intend to apply for funding from DEED, Met Council and Ramsey County on behalf of the property owner, Snelling-Midway Redevelopment, LLC to remediate Block B, which is comprised of two parcels, B1 and B2, which together with surrounding redevelopment parcels have been named the "United Villages at Midway" project (the "Project"). Snelling-Midway Redevelopment, LLC has put together a remediation consultant team that includes, and is led by, Port Consulting. In order to apply for these funds, a resolution is required from the Port Authority Board of Commissioners authorizing the application. If one or all three grants are awarded, Port Consulting will provide Environmental Project Management services for the environmental work, estimated at approximately $1,000,000, and be paid for its time and expenses in and amount not to exceed $21,300.

Block B is zoned T4, traditional neighborhood district. The intent of the neighborhood district is to provide for high density, transit supportive, pedestrian friendly, mixed-use development.

The vision for the Project is to create an urban village with residential, retail and office spaces integrated together with the existing professional soccer stadium, Allianz Field, with open and green spaces for recreation and community activities that encourages use of public transportation by its proximity to the LRT Green Line and the Metro Transit A Line along Snelling Avenue

The Block B project will include two multifamily towers on top of a parking podium with 15,000 square feet of retail space. Parcel B1 which is situated on the west side of the Great Lawn, faces onto Snelling Avenue, with Shields Avenue to the south and Spruce Tree to the north. Parcel B1 will consist of the following (See Figure 1):

- Two Multifamily Towers consisting of 234 total units
- 15,780 GSF of Retail
- 148,470 GSF of Parking Podium

Parcel B2, which sits on Block B adjacent to Parcel B1, will consist the following (See Figure 2):

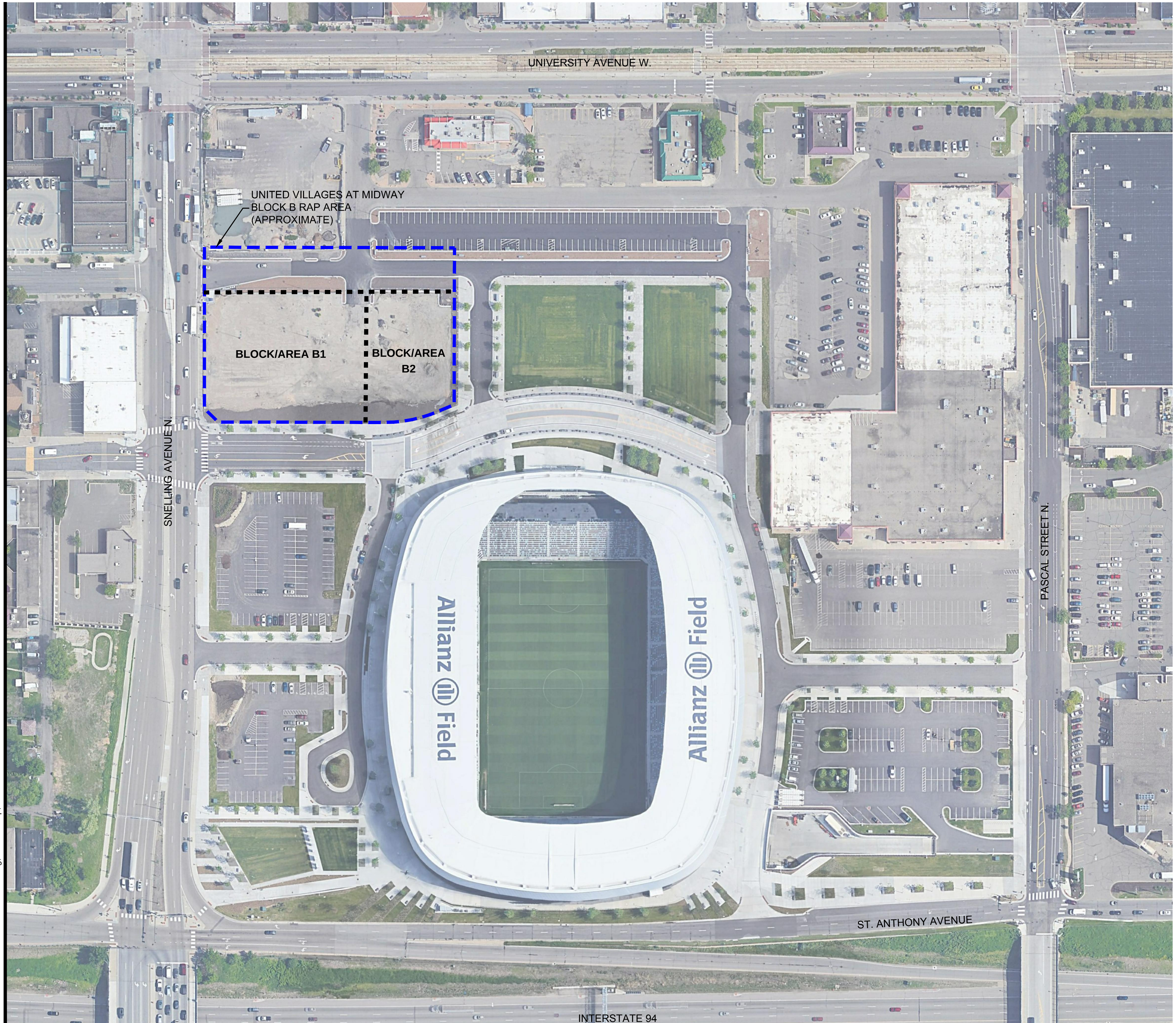
- 19,078 GSF of Retail
- 29,540 GSF of Co-Working
- An activated alley between B1 and B2 with a mix of retail and live/work program

Underground parking extends throughout the entirety of Block B.

The Project includes a variety of goals that are in keeping with transit-oriented development best practices. That includes being mixed-use, walkable, sustainable, serving locals but leveraging international attention and regional support, economic engagement, quality open space, and an already-stimulated community seeing new development projects representing the best of Saint Paul.

Recommendation:
We recommend approval of a resolution authorizing the Port Authority to apply to Minnesota Department of Employment and Economic Development for up to $1,000,000.00, the Metropolitan Council for up to $500,000.00 and Ramsey County for up to $500,000.00 in Contamination Cleanup grant funds.

Attachments: Map (includes outline of Parcel B1 and B2)
Figure 1 – Parcel B1 Vision
Figure 2 - Parcel B2 Vision
Resolution



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75' 0 150'

SCALE: 1"= 150'

BRAUN
INTERTEC
The Science You Build On.

11001 Hampshire Avenue S
Minneapolis, MN 55438
952.995.2000
braunintertec.com

Drawing Information

Project No:
B1600941.07

Drawing No:
B1600941-06

Drawn By:	BJB
Date Drawn:	8/20/19
Checked By:	KL
Last Modified:	4/1/20

Project Information

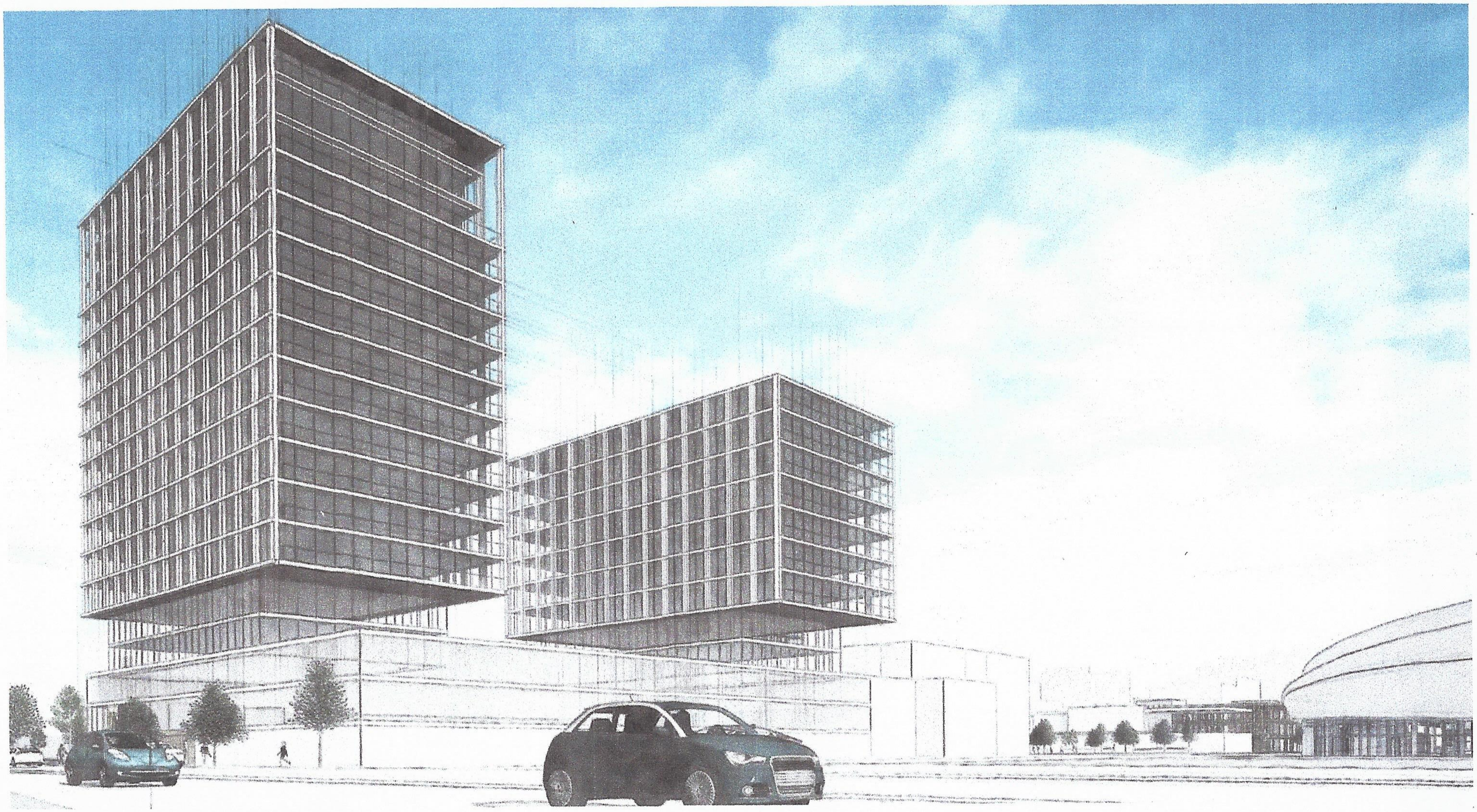
United Villages at
Midway Project

Block B Development

Saint Paul, Minnesota

Project Location Map

Block B1



View from Snelling Ave. looking north east

Block B2

View from Spruce Tree Ave. looking west

Resolution No. 4673

RESOLUTION OF THE
PORT AUTHORITY OF THE CITY OF SAINT PAUL

[AUTHORIZATION TO APPLY FOR CONTAMINATION CLEANUP GRANT FUNDS FOR UNITED VILLAGE AT MIDWAY PROJECT (BLOCK B)]

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

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

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

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

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

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

WHEREAS, the City of St. Paul is a participant in the Livable Communities Act's Local Housing Incentives Account Program for 2020 as determined by the Metropolitan Council; and is therefore eligible to make application apply for funds under the Tax Base Revitalization Account.

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

WHEREAS, the Port Authority desires to request and accept from, if awarded, a grant from the Minnesota Department of Employment and Economic Development in an amount up to $1,000,000.00, a grant from the Metropolitan Council in an amount up to $500,000.00; and a grant from Ramsey County in an amount up to $500,000.00 for contamination cleanup 0grant funds for redevelopment of Block B at the United Village at Midway, an approximately 2-acre site located at 1574 University Avenue West in Saint Paul, Minnesota.

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

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

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

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

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

1. That the Port Authority act as the legal sponsor for the project contained in the Contamination Cleanup Grant Program, Tax Base Revitalization Account Grant Program, and Environmental Response Fund Grant Program to be submitted on May 1, 2020 and that Lee Krueger, President, is hereby authorized to apply to the Department of Employment and Economic Development, Metropolitan Council, and Ramsey County for funding of this project on behalf of the Port Authority.

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

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

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

5. That the President is hereby encouraged and authorized to request and accept from, if awarded, a Contamination Cleanup grant from the Minnesota Department of Employment and Economic Development (DEED) in an amount up to $1,000,000.00; a Tax Base Revitalization Account Contamination Cleanup grant from the Metropolitan Council in an amount up to $500,000.00; and, an Environmental Response Fund grant from Ramsey County

in an amount up to $500,000.00 in grant funds for the United Village at Midway Project (Block B).

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

Adopted: April 28, 2020

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By ______________________________
Its Chair

ATTEST:

By ______________________________
Its Secretary

Saint Paul
PORT AUTHORITY

MEMORANDUM

To: BOARD OF COMMISSIONERS **Meeting Date:** April 28, 2020

From: Michael J. Linder MJL

Subject: **AUTHORIZATION TO ENROLL IN AND ADMINISTER LOANS THROUGH DEED'S SMALL BUSINESS LOAN GUARANTEE PROGRAM RESOLUTION NO. 4674**

Action Requested:
Authorization to enroll and participate in the Minnesota Department of Employment and Economic Development's Small Business Loan Guarantee program, as well as granting the Port Authority's Internal Credit Committee the ability to approve Emergency Business Development Loans as outlined in this memo.

Public Purpose:
DEED created the Small Business Loan Guarantee program to incentivize lenders to deploy capital to Minnesota businesses impacted by the COVID-19 pandemic. DEED is providing $10 million in funds to act as a guaranty for loans to small businesses up to $250,000. DEED will provide an 80% guaranty up to $200,000 for a .25% fee.

Background:
The Business Development Fund (BDF) exists to provide businesses in the East Metro region with loans up to $1,250,000 or 25% of the financing requirement at fixed interest rates for up to 10 years. The BDF loan program has been deployed to businesses for various needs including capital expenditures and working capital.

Current Status:
The Port Authority's BDF program exists to provide loans to businesses in the East Metro region, including Ramsey, Washington and Dakota Counties. Loans are provided for up to $1,250,000 at an interest rate comparable to traditional bank financing and terms of up to 10 years. The loans are typically secured by a loan agreement, promissory note and personal guaranties.

BDF guidelines require a business to be in existence for at least three years, profitable and meet certain underwriting criteria, including a target debt service coverage ratio of 1.15 to 1 and a positive net worth without excessive leverage. The current BDF loan program also does not allow for loans to bars, restaurants, grocery stores, gas stations, salons/spas or housing projects.

Proposal:
If DEED accepts the Port Authority in the Small Business Loan Guarantee program, the Port Authority finance team proposes allocating $1 million of BDF funds to create an Emergency Business Development Fund (E-BDF) for loans to small businesses in the City of Saint Paul for up to $50,000 at 2% interest for a period of up to three years. No payments would be due for six

months, with an interest free period of three months. Loans can be prepaid at any time at no additional cost.

Loans would be approved by the Port Authority's Internal Credit Committee and signed off by the President. Approved loans will be presented in a monthly report to the Credit Committee. This will allow for the E-BDF loans to be deployed quickly to assist impacted businesses.

DEED's guidelines for the program require that the business have a Debt Service Coverage Ratio of 1.25 to 1 and/or a Current Asset Ratio of 1.2 to 1, with the business showing positive revenue and income trends as of December 31, 2019. The Port's finance team will underwrite to these guidelines and submit an application to DEED for each loan. If approved through DEED, the loans will be funded by the Port Authority with an 80% guarantee by DEED.

Recommendation:

We recommend approval to enroll and participate in the Minnesota Department of Employment and Economic Development's Small Business Loan Guarantee program, as well as granting the Port Authority's Internal Credit Committee the ability to approve Emergency Business Development Loans as outlined in this memo.

Attachment: Resolution

Resolution No. 4674

RESOLUTION OF THE
PORT AUTHORITY OF THE CITY OF SAINT PAUL

[DEED'S SMALL BUSINESS LOAN GUARANTEE PROGRAM]

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 Minnesota Department of Employment and Economic Development (DEED) created the Minnesota Small Business Loan Guarantee program to incentivize lenders to deploy capital to Minnesota businesses impacted by the COVID-19 pandemic.

WHEREAS, the Saint Paul Port Authority's Business Development Fund (BDF) program is similarly focused to provide financial assistance to businesses for various needs including capital expenditures and working capital. Accordingly, the Port Authority's BDF program aligns well with the purposes of DEED's Minnesota Small Business Loan Guarantee program.

WHEREASE, in furtherance of the Saint Paul Port Authority's statutory economic development mission under Minn. Stat. Ch. 469, the Saint Paul Port Authority seeks eligibility to enroll loans under DEED's Minnesota Small Business Loan Guarantee program.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL: That the Port Authority has the legal authority to apply for the DEED Minnesota Small Business Loan Guarantee program; and

BE IT FURTHER RESOLVED that the Port Authority Board hereby delegates to the Port Authority's Internal Credit Committee the continuing authority to make or purchase loans using the Business Development Finance Program funds within the guidelines described on Exhibit A hereto; and

BE IT FURTHER RESOLVED that the President or anyone acting under his direction is hereby encouraged and authorized to enroll and participate in DEED's Small Business Loan Guarantee program and authorized and directed to execute any and all necessary documents to enroll and participate in DEED's Small Business Loan Guarantee program.

Adopted: April 28, 2020

PORT AUTHORITY OF THE CITY OF SAINT PAUL

By ____________________________________
Its Chair

ATTEST:

By ________________________________
Its Secretary

Exhibit A

Existing Business Development Fund Guidelines.

- Existing businesses with at least three (3) years of operating history. For both for-profit and non-profit businesses.
- Demonstrated profitability and cash flow to service both existing and new debt.
- Must be in Saint Paul or the contiguous East metro region.
- Loan amounts up to $1,250,000 or 25% of the project's maximum loan to value up to 90%.
- Equipment financing considered up to 50% of the purchased price or appraised value.
- Allowed to be subordinated to primary lenders debt.
- Debt service coverage ratio of at least 1.15 to 1. Net worth should be positive, and leverage should not be excessive.
- Loans cannot be provided to finance bars, restaurants, liquor stores, retail establishments, salons/spas, grocery stores, gas stations, housing projects, or refinance existing debt.
- A "but-for" analysis completed to determine need.

Proposed Emergency Business Development Fund Guidelines.

- All current BDF guidelines will be followed with the exception that any business that can demonstrate an impact from COVID-19 will be eligible, including all "essential businesses." This will continue to exclude business that engage in liquor sales, adult entertainment, gambling activities or other such "sin businesses."
- Deed requires a debt service coverage ratio of at least 1.25 to 1 as of 12/31/2019, a Current Ratio of at least 1.2 to 1 as of 12/31/2019 and showing positive trends as of 12/31/2019.
- This fund will be reserved for Saint Paul Businesses only.
- Loans will be made for a maximum of $50,000 at an interest rate of 2% for up to three years, no prepayment penalties, an interest free period of three months and repayment deferral for six months from origination.
- Loan applications will be approved by the Internal Credit Committee and the President of the Port Authority and then submitted to DEED for approval. Loans will only be funded once DEED approval is received.
- Approved loans will be presented to the Credit Committee on a monthly basis.

Kresge Social Investing
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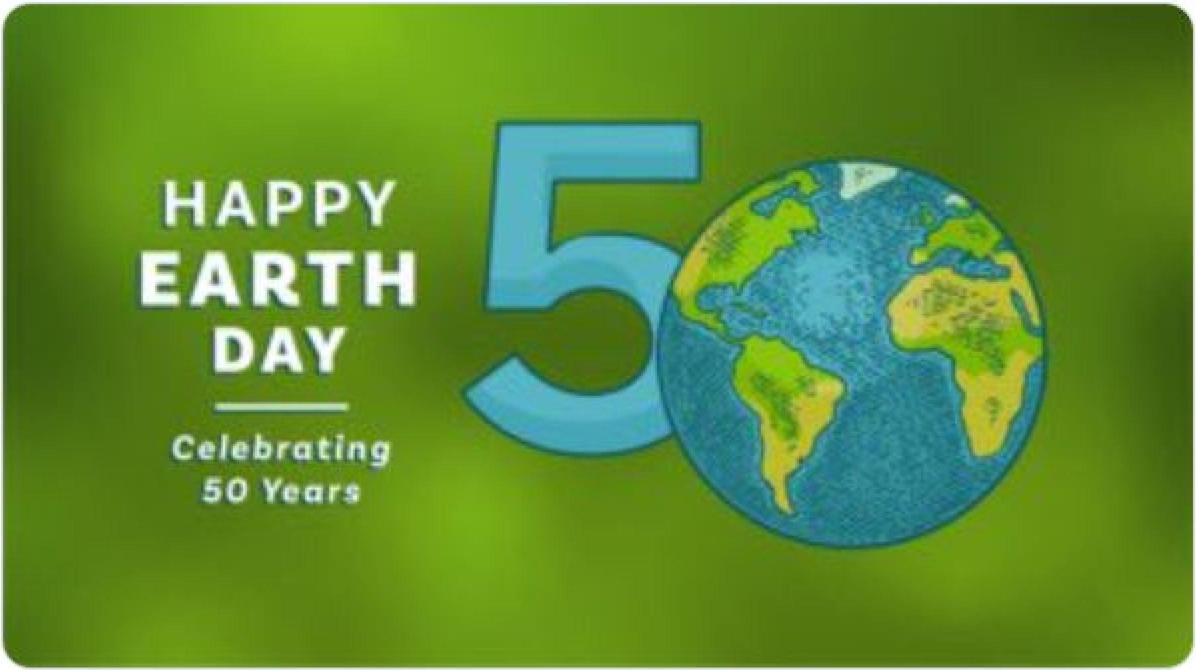
Our #impinv partners working on climate include @CleanEnergyGrp @chesapeakebay @NYCEEC @GreenprintGSI @InclusiveProsp @NatlHsingTrust @CTGreenBank @SPPortAuthority Happy Earth Day and thank you for your work!



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