

Regular Board Meeting

August 28, 2018 - 2:00 p.m.

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

Minutes

Approval of minutes from the June 26, 2018 Regular Board Meeting

Conflict of Interest

Conflicts with any items on the agenda.

New Business**Administrative Committee**

1. Resolution No. 4635 - Approval to Establish Trust Account
2. Resolution No. 4636 - Preliminary Certification of Tax Levy (Truth In Taxation)
3. Resolution No. 4637 - Approval of Designated Depositories of the Port Authority
4. Acceptance of June 30, 2018 YTD Financial Statements
5. Acceptance of Equity Statement

General Matters

1. 2018 Strategic Goals Mid-Year Update
2. Presentation by Keystone Consultant
3. Such Other Business That May Come Before the Board

**SAINT PAUL PORT AUTHORITY
MINUTES OF THE REGULAR BOARD MEETING
JUNE 26, 2018**

The regular meeting of the Port Authority Board was held on June 26, 2018 at 2:03 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
Nneka Constantino	Dan Bostrom	John Marshall
Dai Thao		

Also present were the following:

Lee Krueger	Monte Hilleman	Kathryn Sarnecki
Andrea Novak	Michael Linder	Deb Forbes
Rhett Hebig	Laurie Siever	Ann Kosel
Linda Williams		
Eric Larson, General Counsel, City of Saint Paul		
Kevin Walli, Fryberger, Buchanan, Smith & Frederick, P.A.		
Tabu Henry, Right Track Intern		

APPROVAL OF MINUTES

Commissioner Bostrom made a motion to approve the minutes of the January 23, 2018 and April 24, 2018 Board meetings. 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

ADMINISTRATIVE COMMITTEE

MARCH 31, 2018 YEAR-TO-DATE FINANCIAL STATEMENTS

Motion was made by Commissioner Marshall to accept the March 31, 2018 year-to-date financial statements which were reviewed by the Administrative Committee and recommended for acceptance by the Board. The motion was submitted to a vote and carried unanimously.

RESOLUTION NO. 4632

ADOPTION OF AMENDED BY-LAWS

Motion was made by Commissioner Marshall to approve Resolution No. 4632 which was reviewed by the Administrative Committee and recommended for approval by the Board. The motion was submitted to a vote and carried unanimously.

CREDIT COMMITTEE

RESOLUTION NO. 4633

AMENDMENT TO RESOLUTION NO. 4631 TO COMPLY WITH DEED'S REQUIREMENTS OF THE APPLICATION FOR CONTAMINATION CLEANUP GRANT FUNDS FOR THE MINNESOTA CHEMICAL BUILDING RENOVATION/REDEVELOPMENT PROJECT

Motion was made by Commissioner Williams to approve Resolution No. 4633 which was reviewed by the Credit Committee and recommended for approval by the Board. The motion was submitted to a vote and carried unanimously.

RESOLUTION NO. 4634

2017 LEASE AMENDMENT AND RENTAL RATE ADJUSTMENT NORTHERN METAL RECYCLING, LLC AT BARGE TERMINAL NO. 1

Motion was made by Commissioner Williams to approve Resolution No. 4634 which was reviewed by the Credit Committee and recommended for approval by the Board. The motion was submitted to a vote and carried unanimously.

GENERAL MATTERS

Mr. Kevin Walli from Fryberger, Buchanan, Smith & Frederick, P.A. presented the legislative update and highlighted the following items: Residential PACE Program, Redevelopment Fund, 2018 Session, Tax Bill, and 2018 Bonding Bill.

Commissioner Constantino asked Mr. Walli to provide the Board with further information on the residential PACE Program.

Mr. Lee Krueger introduced the Port Authority's Right Track intern, Tabu Henry.

Ms. Andrea Novak presented the social media update. She reviewed the year-to-date social media results along with the Port Authority website and web demographic results.

Mr. Monte Hilleman reviewed the Net Zero Building presentation.

There being no further business, the meeting was adjourned at 3:01 p.m.


By _____

Its _____

/amk

MEMORANDUM

To: BOARD OF COMMISSIONERS

From: Bruce A. Kessel 

Subject: **APPROVAL TO ESTABLISH TRUST ACCOUNT
RESOLUTION NO. 4635**

Meeting Date: August 28, 2018

Action Requested:

Approval to establish an Other Postemployment Benefits (OPEB) Trust Account.

Background:

In 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, Accounting and Financial Reporting by Employers for Other Postemployment Benefits (OPEB). Statement No. 45 requires recording an estimate of the long-term liability for other post-employment benefits, most notably healthcare benefits, and allows for any existing liability to be amortized over a 30-year period. If an organization accumulates assets as part of its overall reserves to offset this obligation, both the asset and related obligation are recorded on its financial statements. However, when the organization accumulates those assets in a trust fund to finance these OPEB liabilities, the portion of the entity's total OPEB liability equal to the value of the trust fund's assets can be considered funded, and the asset and its related OPEB liability are no longer reported on the entities financial statements.

In order for a trust fund to meet the criteria set forth by GASB, it must meet the following criteria:

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

The Port Authority's OPEB exposure results from its policy of providing up to \$300 per month towards health care coverage for employees hired prior to December 31, 2001. In the early 2000's, the Port Authority began to accrue a liability associated with its estimated OPEB liability. This policy has resulted in the liability being fully accrued as of December 31, 2017; in other words, the estimated liability has been fully expensed on its income statement with the corresponding liability being accrued on its balance sheet. In 2004, the estimated OPEB liability was approximately \$700,000 and at December 31, 2017 it was estimated at \$601,000.

MEMORANDUM

As part of our annual audit, CliftonLarsonAllen made the following recommendation as part of its management letter to the Board:

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

The State of Minnesota enacted legislation that authorized the Minnesota Public Employees Retirement Association (PERA) to act as the trustee for political subdivisions within the State of Minnesota for purposes of establishing and maintaining an OPEB Trust Fund. The fees charged by PERA and the State Investment Board are minimal (approximately \$600 per year). The political subdivision must pass a resolution establishing a trust fund and name PERA as its trustee. It then can fund the trust account and such funds are managed by the Minnesota State Investment Board in one of three trust accounts (money market, bond or equity fund). The political subdivision informs PERA how to invest the funds and also can reimburse itself for OPEB costs and add or subtract funds as needed to fully fund its OPEB liability. PERA has established guidelines for asset allocation in its funds (equity, fixed income and cash) based upon an individual's retirement age with the equity exposure gradually being reduced as an individual ages. Based upon the participants eligible for the OPEB benefit, the youngest individual has an estimated retirement date in the mid-2030's. It is recommended that the Port Authority limit its equity exposure in the Trust Fund to that of the State Investment Board's target retire date 2035 fund.

Proposal:

We recommend approval of a resolution establishing an OPEB Trust Account with the Minnesota Public Employee Retirement Fund and authorizing Port Authority staff to finalize and execute the required documents and, furthermore, authorizing the President and Chief Financial Officer to allocate invested funds to the three investment options, subject to a maximum investment in the Equity Fund equal to or less than the maximum exposure in the MN Target Retirement 2035 Fund (approximate retirement age of youngest plan participant).

Recommendation:

We recommend approval to establish an OPEB Trust Account.

Attachment: Resolution

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

[APPROVAL TO ESTABLISH TRUST ACCOUNT]

The Port Authority of the City of Saint Paul seeks a resolution establishing an Irrevocable Trust Account for other post-employment benefit obligations and naming the Minnesota State Public Employees Association as Trustee.

WHEREAS, 2008 Minn. Laws, ch. 154, art.10, sec 18 (to be codified as Minn. Stat. § 471.6175) (referred to herein as Chapter 471.6175) authorizes political subdivisions and other public entities that create or have created an actuarial liability to pay Other Postemployment Benefits (“OPEB”) to its employees and officers to establish a trust to pay those benefits.

WHEREAS, a trust so established may be either a revocable or irrevocable trust, trust account or custodial account authorized under 26 U.S.C. s 401 (f) and may only be used to pay OPEB benefits.

WHEREAS, it is the intent of the Port Authority to establish an irrevocable trust account pursuant to Chapter 471.6175, with the Public Employees Retirement Association (“PERA”) serving as administrator of that trust account.

WHEREAS, Chapter 471.6175 authorizes PERA to serve as trust administrator for the trust account.

WHEREAS, the Port Authority hereby establishes a trust account to be held under the supervision of PERA, which agrees to serve as trust administrator under the provisions of Chapter 471.6175.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL: to establish an irrevocable trust account to pay OPEB obligations;

BE IT FURTHER RESOLVED, to authorize the Minnesota Public Employees Retirement Association (“PERA”) to act as its trustee;

BE IT FURTHER RESOLVED, to authorize staff to transfer approximately six hundred thousand dollars (\$600,000) to fully fund said trust;

BE IT FURTHER RESOLVED, to authorize staff, on at least an annual basis, to evaluate the estimated actuarial obligation associated with the OPEB verses the trust balance to determine and make any necessary adjustments to said trust account;

BE IT FURTHER RESOLVED, to authorize the President and Chief Financial Officer to allocate trust fund balances to the three available investment accounts (money market, bonds or equity fund) provided that the equity investment shall not exceed the maximum percentage of the State Investment Board's Target Retirement 2035 Fund (approximate retirement age of youngest beneficiary).

BE IT FURTHER RESOLVED, to authorize staff to execute the necessary agreements to establish and maintain the fund.

Adopted: August 28, 2018

PORT AUTHORITY OF THE CITY OF SAINT PAUL

By _____
Its Chair

ATTEST:

By _____
Its Secretary

MEMORANDUM

To: BOARD OF COMMISSIONERS
From: Laurie J. Hansen *LJH*
Subject: **PRELIMINARY CERTIFICATION OF TAX LEVY
RESOLUTION NO. 4636**

Meeting Date: August 28, 2018

Action Requested:

Approval of the preliminary Truth in Taxation Certification.

Background:

Minnesota Truth in Taxation Law provides that special taxing districts (including port authorities), counties, municipalities, and school districts must certify to the County Auditor by the 15th of September of each year, the proposed tax levy for taxes levied in the subsequent calendar year.

The recommended 2018 tax levy payable in 2019 is:

1. General Obligation Bond Debt Service	\$ 3,175,000
2. Mandatory Levy pursuant to Minnesota Statutes Section 469.053, Subdivision 4, at a rate not to exceed .01813% of market value	\$ 2,006,700
3. Discretionary Levy pursuant to Minnesota Statutes Section 469.053, Subdivision 6. Pledged to industrial redevelopment.	<u>\$ 105,000</u>
 TOTAL 2019 TAX LEVY	 <u>\$ 5,286,700</u>

Recommendation:

We recommend approval.

Attachments: Comparison of Tax Levy
Resolution

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

TAX LEVY PAYABLE

	<u>2019</u>	<u>2018</u>	<u>2017</u>
G.O. Bonds	3,175,000	3,222,700	3,218,100
Mandatory Levy	2,006,700	1,856,700	1,706,700
Discretionary Levy	<u>105,000</u>	<u>105,000</u>	<u>105,000</u>
TOTAL	\$ 5,286,700	\$ 5,184,400	\$ 5,029,800

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

[PRELIMINARY CERTIFICATION OF TAX LEVY]

WHEREAS, pursuant to Minnesota Statutes Section 275.065, all taxing districts are required to certify the preliminary levy they may impose for the current tax year payable in 2019 prior to September 15, 2018.

NOW THEREFORE, BE IT RESOLVED, that the Port Authority adopts the following as its maximum tax levy for taxes payable in 2019 as follows:

1.	General Obligation Bond Debt Service:	\$3,175,000
2.	Mandatory Levy pursuant to Minnesota Statutes Section 469.053, Subdivision 4, at a rate not to exceed .01813% of market value:	\$2,006,700
3.	Discretionary Levy pursuant to Minnesota Statutes Section 469.053, Subdivision 6, pledged to industrial redevelopment:	\$ 105,000
		<hr/>
	TOTAL 2019 TAX LEVY	<u>\$5,286,700</u>

Adopted: August 28, 2018

PORT AUTHORITY OF THE CITY OF
SAINT PAUL

By _____
Its Chair

ATTEST:

By _____
Its Secretary

MEMORANDUM

To: BOARD OF COMMISSIONERS

Meeting Date: August 28, 2018

From: Bruce A. Kessel



**Subject: APPROVAL OF DESIGNATED DEPOSITORIES OF THE PORT AUTHORITY
RESOLUTION NO. 4637**

Action Requested:

Approval of list of financial institutions as designated depositories of the Port Authority, attached hereto as Exhibit A.

Background:

Minnesota Statutes Chapter 469.052 requires port authorities to designate depositories every two years and permits the governing body to authorize its treasurer or chief financial officer to make such designations. A governmental entity's deposits and investments must comply with Minnesota Statutes Chapter 118A, entitled "Deposit and Investment of Local Public Funds".

In the past, all banks with locations in Saint Paul and the east metro, as well as the 4M Fund which was established by the MN League of Cities, have been designated as depositories. Any deposits above insured amounts as established by FDIC or NCUA also will require collateralization in accordance with state statutes.

Recommendation:

We recommend approval, as well as authorization for the President or their designee to execute all related documents necessary to establish and maintain the necessary account(s) and the authorization of the Chief Financial Officer to make or amend such designations hereafter.

Attachments: Exhibit A – List of financial institutions
Resolution

EXHIBIT A

General

4 Fund (Minnesota Municipal Money Market)

Saint Paul Area

Alliance Bank
Associated Bank
Bank Cherokee
BMO Harris Bank
Bridgewater Bank
Bremer Bank
Coulee Bank
Drake Bank
First Bank & Trust
First Farmers and Merchants Bank
Highland Bank
Old National Bank
Sunrise Bank
TCF Bank FSB
US Bank
Wells Fargo
Western Bank

East Metro Area

Boundary Waters Bank
Lake Elmo Bank
Premier Bank

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

[APPROVAL OF DESIGNATED DEPOSITORIES OF PORT AUTHORITY]

WHEREAS, pursuant to Minnesota Statute Chapter 469.052, all governmental entities are required to designate depositories every two years and a governmental entity's deposits and investments must comply with Minnesota Statutes Chapter 118A.

NOW THEREFORE, BE IT RESOLVED, that the financial institutions (Banks) set forth on Exhibit A attached hereto are hereby designated depositories of the Port Authority of the City of Saint Paul. Any funds deposited in said institutions are to be insured by the appropriate United States Governmental entity (FDIC or NCUA) or collateralized in accordance with the appropriate state statute. Funds deposited in said Banks may be withdrawn by check, draft, or other orders when countersigned by the President or the Chief Financial Officer and impressed with facsimile signatures of the Chair and Treasurer. The President and Chief Financial Officer are authorized to endorse in the name of said Port Authority checks or other negotiable instruments for deposit in said account; and be it

FURTHER RESOLVED that the Banks are hereby authorized and directed to honor and pay any checks so drawn by any of said officers, whether said checks be payable to the order of the officer signing such checks, or any of said officers in their individual capacities or not, and whether such checks or drafts are deposited to the individual credit of any of the other officers, or not; and be it

FURTHER RESOLVED, that the Chief Financial Officer may designate one or more financial institutions as a depository of the Port Authority's funds and make investments of funds under Sections 118A.01 to 118A.06 or other applicable laws; and be it

FINALLY RESOLVED, that the authority granted by this Resolution shall be effective as of October 1, 2018 and shall expire on October 1, 2020.

Adopted: August 28, 2018

PORT AUTHORITY OF THE CITY OF
SAINT PAUL

By _____
Its _____

ATTEST:

By _____
Its _____

EXHIBIT A

General

4M Fund (Minnesota Municipal Money Market)

Saint Paul Area

Alliance Bank
Associated Bank
Bank Cherokee
BMO Harris Bank
Bridgewater Bank
Bremer Bank
Coulee Bank
Drake Bank
First Bank & Trust
First Farmers and Merchants Bank
Highland Bank
Old National Bank
Sunrise Bank
TCF Bank FSB
US Bank
Wells Fargo
Western Bank

East Metro Area

Boundary Waters Bank
Lake Elmo Bank
Premier Bank

ST. PAUL PORT AUTHORITY
Managerial Report
Statement of Administrative and Development Operations
Year to Date as of June 30, 2018

	Actual	Budget	Variance	Notes
REVENUES:				
Tax revenues	\$ 18	\$ -	\$ 18	
Fiscal and administrative fees	266,869	260,969	5,900	
Interest on loans	564,884	97,907	466,977	(1)
Reimbursed direct labor	4,252	4,000	252	
Other operating revenue	114,276	122,769	(8,493)	
Interest on investments	(3,237)	13,500	(16,737)	
CCP Grant income	450,000	450,000	-	
Total Revenues	1,397,063	949,145	447,918	
EXPENSES:				
Personnel costs	1,180,988	1,316,498	(135,510)	
Professional services:				
Audit fees	57,000	57,000	-	
Attorney costs	51,451	141,500	(90,050)	
Other professional fees	70,326	114,048	(43,722)	
Total professional services	178,776	312,548	(133,772)	
Other general costs:				
Office rent	137,952	142,236	(4,284)	
Insurance	47,565	47,568	(3)	
General & administrative expenses	85,556	117,910	(32,354)	
Equipment maintenance	53,255	44,340	8,915	
Depreciation	48,387	58,212	(9,825)	
Marketing	29,310	52,998	(23,688)	
Development	128,455	260,502	(132,047)	
Interest expense	470,239	-	470,239	(1)
Property Maintenance	6,323	14,704	(8,381)	
Total other general costs	1,007,042	738,470	268,572	
Total Expenses	2,366,806	2,367,516	(710)	
Net Operating Income (Loss)	(969,743)	(1,418,371)	448,628	
OTHER REVENUES(EXPENSES):				
Other nonoperating expenses	55,538	-	55,538	
Total Other Revenue (Expense)	55,538	-	55,538	
Net Income (Loss) from Administrative & Development Operations	(914,205)	(1,418,371)	504,166	

Notes (Explanations are provided for variances over \$200,000 and 10% of the YTD Budget:

- (1) Interest on internal revolving loan of \$470,239. Interest revenue in Operating with related interest expense in Development.



Our Equity Statement

The purpose of this statement is to define our perception of equity and how it is achieved through the work we do in both the City and Saint Paul and the State of Minnesota. This statement will be the basis for building an equity tool and applying an equity lens to all aspects of our work. As a result, we will be in a better position to identify equity gaps and ultimately improve outcomes.

At the Saint Paul Port Authority, equity is the parity of outcomes achieved through our systems, programs and policies. Equity is attained by rejecting systematic advantages and disadvantages influenced by, but not limited to: age, disability, economic status, gender, race or sexual orientation.

2018 Strategic Goals

Mid-Year Update

Social Equity

YTD Successes

- Presented to the SPPA board of directors
- Hired Culture Brokers to assist with strategic direction
- Created an Equity Statement (approved by admin committee in August 2018)
- Secured MBEs and WBEs for website development, catering, event rentals and Port Consulting projects

Work in Progress

- Applying an equity lens to our programs, policies and procedures through monthly Social Equity Team meetings
- Finalizing the layout of the Equity on Ice Center, in partnership with our nonprofit partners and Collaborative Design Group
- Collaborating with East Side Funders Group to develop new models for workforce development efforts
- Developing new workforce agreements and community benefits structure
- Identifying ways to successfully source Kresge funds with women and minority led businesses

Pending Projects

- Identify ways to measure and communicate results
- Reinstate experts forum with a focus on diversity topics; invite both staff and business center partners
- Invited all staff to attend the YWCA's *It's Time to Talk: Forums on Race™* (October 25, 2018)

Building Brand Recognition

YTD Successes

- Developed a marketing calendar segmenting messages by topic, audience and preferred communication mediums
- Posted 27 online blogs on sppa.com (January 1 through August 22, 2018)
- Launched portconsulting.com
- Earned media: Net Zero, world's largest hockey mural, bonding bill, Kresge investment and Red Rock safety concerns

Work in Progress

- Continue to refresh all websites with regular updates and blog posts (ongoing)
- Continue to position key staff members as experts in their field (ongoing)
- Continue to position SPPA as a thought leader in the field of economic development (ongoing)
- Continue to engage traditional media channels to earn placement on key topics (ongoing)

Pending Projects

- Launch MinnPACE website (summer 2018)
- Launch *Making it in Saint Paul* campaign (Q4; actual name pending)

Leverage Unique Transactional Expertise



YTD Successes

- Extended the listing agreement between the City of Bemidji and Port Consulting
- Marketing finance products through all Port Consulting venues



Work in Progress

- Actively negotiating with commercial real estate prospects on behalf Port Consulting clients (ongoing process)
- Continuing to work with the City of Saint Paul on special projects



Pending Projects

- Sale of public safety training facility will be complete upon installation of public art

Position Port as a Thought Leader



YTD Successes

- Advocated for economic development and industrial zoning within the City Comp Plan, Marshall Avenue Zoning Study and District 12 Neighborhood Plan
- Presented to the following groups: *Minnesota Real Estate Journal*, Bemidji City Council, Minnesota Brownfields, U of M, Midway Chamber, LMC statewide conference, *Finance & Commerce* event, Duluth Energy Conference, CERT's Energy Conference, Xcel Energy Conference, PACENation Conference, LeadingAge Board, Care Providers Board, and Department of Human Services' staff
- Actively engaged with the Saint Paul Area Chamber of Commerce
- Lee Krueger joined Saint Paul's Downtown Alliance board of directors
- Hosted a Net Zero luncheon/seminar, offering continuing education credits



Work in Progress

- Continue to develop stakeholder curriculum and policy direction; set the stage and give presentations (ongoing)
- Continue to present to a wide range of audiences (ongoing)
- Advising Ramsey, Washington and Hennepin counties on meeting 70% solid waste diversion goals w/Anaerobic Digestion facility
- Working with the senior care industry to improve the living environment of Minnesota's senior citizens



Pending Projects

- Launch MinnPACE website (summer/fall 2018)
- Speaker opportunity secured for Minnesota Brownfields conference (November 2018)
- Providing feedback to Ramsey County regarding the West Publishing site



Products and Services



YTD Successes

- Closed on two properties at Beacon Bluff: Opus and Vomela
- Certificate of Occupancy secured for Treasure Island Center
- Identified Opportunity Zone census tracts



Work in Progress

- Yeadon Domes closing at Beacon Bluff in Q4
- Actively examining small sites for future acquisitions
- Conducting site analysis for new brownfield site acquisitions
- Investigating ways to be involved with Opportunity Zones



Pending Projects

- N/A



Photo provided by Vomela Companies.

Current and Future Development Opportunities



YTD Successes

- Promoted East Side Employment Exchange to all businesses bound to workforce agreements, in an effort to improve local hiring
- Secured phase two contract between Port Consulting and the City of Red Wing
- Secured phase two contract between Port Consulting and the City of Bemidji
- Secured new Port Consulting clients with successful grant applications: Hmongtown Marketplace and Exeter Group



Work in Progress

- Conceptualizing a workforce liaison position, in partnership with the East Side Funders Group (not advocating for an SPPA hire)
- Continue to work with the City of Saint Paul on key projects



Pending Projects

- N/A



Photo provided by the City of Bemidji.

Internal Process Improvements



YTD Successes

- HR survey completed
- Compensation study results presented to all staff



Work in Progress

- HR audit continues
- Team structures being evaluated and realigned
- Acting on the results of the compensation study
- Filling one FTE on the development team



Pending Projects

- Planning to schedule an internal meeting focused on our "Elevator Speech" (Q4 2018)

Technology Improvements



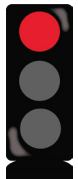
YTD Successes

- Completed Sharepoint training for all staff



Work in Progress

- Developing standard operating procedures for project and contract development, management and approval
- Keeping Sharepoint up-to-date (ongoing)



Pending Projects

- Planning to draft an email policy



Finance Goals



YTD Successes

- Kresge to fund \$3 million in PACE loans for minority and women owned businesses in low income neighborhoods
- Internally approved \$2.9 million in PACE/TrillionBTU loans; \$8.9 million when factoring in external funders
- Internally funded \$2 million in PACE/Trillion BTU loans; \$5.5 million when factoring in external funders
- Secured over \$20 million in finance commitments from credit unions and community banks to fund PACE projects
- Completed compliance reporting and funding of a \$1 million MIF grant for Comcast
- Secured \$75,000 from four sources for the Equity on Ice Center



Work in Progress

- Engaged the U of M Extension Services to update the Economic Impact Analysis of Beacon Bluff
- More than half way to our goal of \$20 million of outside funding for PACE projects



Pending Projects

- N/A

Board Retreat Parking Lot



YTD Successes

- Economic Impact Analysis of two business centers sent to the board of directors (following the Retreat)



Work in Progress

- Engaged the U of M Extension Services to update the Economic Impact Analysis of Beacon Bluff
- Continue to lead, advocate and partner whenever possible to position the Port as a thought leader



Pending Projects

- Renew experts forum (also referenced in the Strategic Plan)
- Develop a three-to-five-year plan
- Refresh board member onboarding process (no new members in 2018)
- Create a physical space to absorb entrepreneurial risks; research need and feasibility
- Consider staggering commissioner terms
- Expand credit committee membership to non-board members
- Update board member requirements to reflect "East Metro"





2018 Saint Paul Port Authority Compensation Program Review

Prepared by Keystone Compensation Group LLC

August 2018

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Web: www.keystonecomp.net



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SAINT PAUL PORT AUTHORITY 2018 COMPENSATION PROGRAM REVIEW

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BACKGROUND AND STUDY OBJECTIVES

Keystone Compensation Group LLC conducted this study for the Saint Paul Port Authority (SPPA) at the request of the SPPA leadership. This compensation program was last reviewed in 2015 by another consultant.

This report outlines the steps we followed to conduct this study, results of our analysis, and our observations. Further details and analysis from this study are provided to SPPA electronically. The objectives of this study are:

- 1) Establish guidelines for SPPA compensation strategy with input from leadership
- 2) Benchmark SPPA jobs with the relevant market
- 3) Use benchmarking results to calibrate the salary ranges with market and propose the 2019 salary ranges
- 4) Compare actual internal pay with the market and with the new ranges
- 5) Evaluate potential budget impact for implementing new ranges
- 6) Prepare a summary of findings and key observations.

STEPS FOR REVIEWING THIS COMPENSATION PROGRAM

1. Initial planning

- a. Keystone initiated this project with a conference call with the CFO and HR Consultant to review the current pay practices and collect information needed for this study.
- b. Keystone Consultant gave a presentation to the Senior Leadership Team to outline program review process and obtain input necessary for this review. At this presentation, the Keystone Consultant facilitated discussions to get information useful to develop the benchmarking and compensation strategy. Compensation strategy elements are described on page #7 of this report.
- c. SPPA provided current compensation information for employee roster and salary ranges as of 5/16/2018.
- d. Job descriptions questionnaires, organization charts, and other financial information were collected.

2. Current wage structure analysis

- a. To better understand the design of the current wage structure, several design aspects of this structure were reviewed and analyzed. This includes current ranges spread and grade progressions (increases between steps).
- b. Consultant reviewed a report for the compensation program review conducted in 2015.

3. Benchmark jobs

- a. Using the provided job description questionnaires, Keystone benchmarked 20 jobs using the surveys listed on page #5. Market data on base pay and total cash compensation were collected.
- b. Jobs were compared and matched to market surveys based on job responsibilities, not titles.

- c. Data for different survey matches were weighted based on survey job descriptions and their comparability with SPPA jobs. A market composite was computed for each job and used in computing the 2019 salary range midpoints. This measure was also used to assign jobs to their appropriate new grade. See table on page #9.
- d. A trendline graph was created to show the alignment of new grade midpoints with market median for the grades. This trendline is shown on page #8.

4. Propose 2019 salary ranges

- a. Based on the agreed upon compensation strategy, we used market median as the anchor for the 2019 salary ranges. The averages of the median market composites for job clusters were computed to arrive at the initial salary range midpoint for each job.
- b. A regression line for the median market composite against job grades was created as shown on page #8. This best fit line smoothed the differences between median market composites and aligned them with the grades.
- c. The 2019 ranges were designed using the same 50% range spread used in 2015. However, 2019 ranges grade progression is constant at around 10.5% as shown by the regression line and the table on page #9.
- d. The new salary structure has 13 grades excluding the President. Only ten grades currently have incumbents.

5. Assign employees to new salary ranges

- a. Employees are assigned to grades based on the market median for their job.
- b. Comparisons of actual pay with market median and the proposed salary range midpoint was prepared to determine the need for any market adjustments.
- c. Overall ratios of internal pay relative to the new midpoints and internal pay relative to market median were computed to evaluate current pay practices and the competitive positioning of the current pay levels.

6. Prepare final report

This report was presented to the SPPA leadership.

MARKET SURVEY SOURCES USED TO BENCHMARK JOBS

- 1) 2017 MRA Benchmark Compensation Survey
- 2) 2018 EAA National Executive Compensation Survey
- 3) 2017 Willis Towers Watson CSR Top Management Compensation Survey Report
- 4) 2017 Willis Towers Watson CSR Supervisory and Middle Management Compensation Survey Report
- 5) 2017 Willis Towers Watson CSR Administrative and Sales Compensation Survey Report
- 6) 2017 Willis Towers Watson CSR Professional Technical and Operations Compensation Survey Report
- 7) 2017 Willis Towers Watson CSR Technical Support and Production Compensation Survey Report
- 8) 2017 Willis Towers Watson CSR Office and Business Support Compensation Survey Report
- 9) 2017 Mercer Metropolitan Benchmark Survey
- 10) 2017 CompData National Executive and Senior Management Compensation Survey Report
- 11) 2017 PRM Not-For-Profit Management Compensation Report
- 12) 2017 Minnesota Bankers Association Compensation and Benefits Survey Report
- 13) 2018 League of Minnesota Survey Report (agencies with population over 40,000)
- 14) 2017 GuideStar Executive Compensation Report

All survey data were trended to 1/1/2019 by a trending factor of 3.0%.

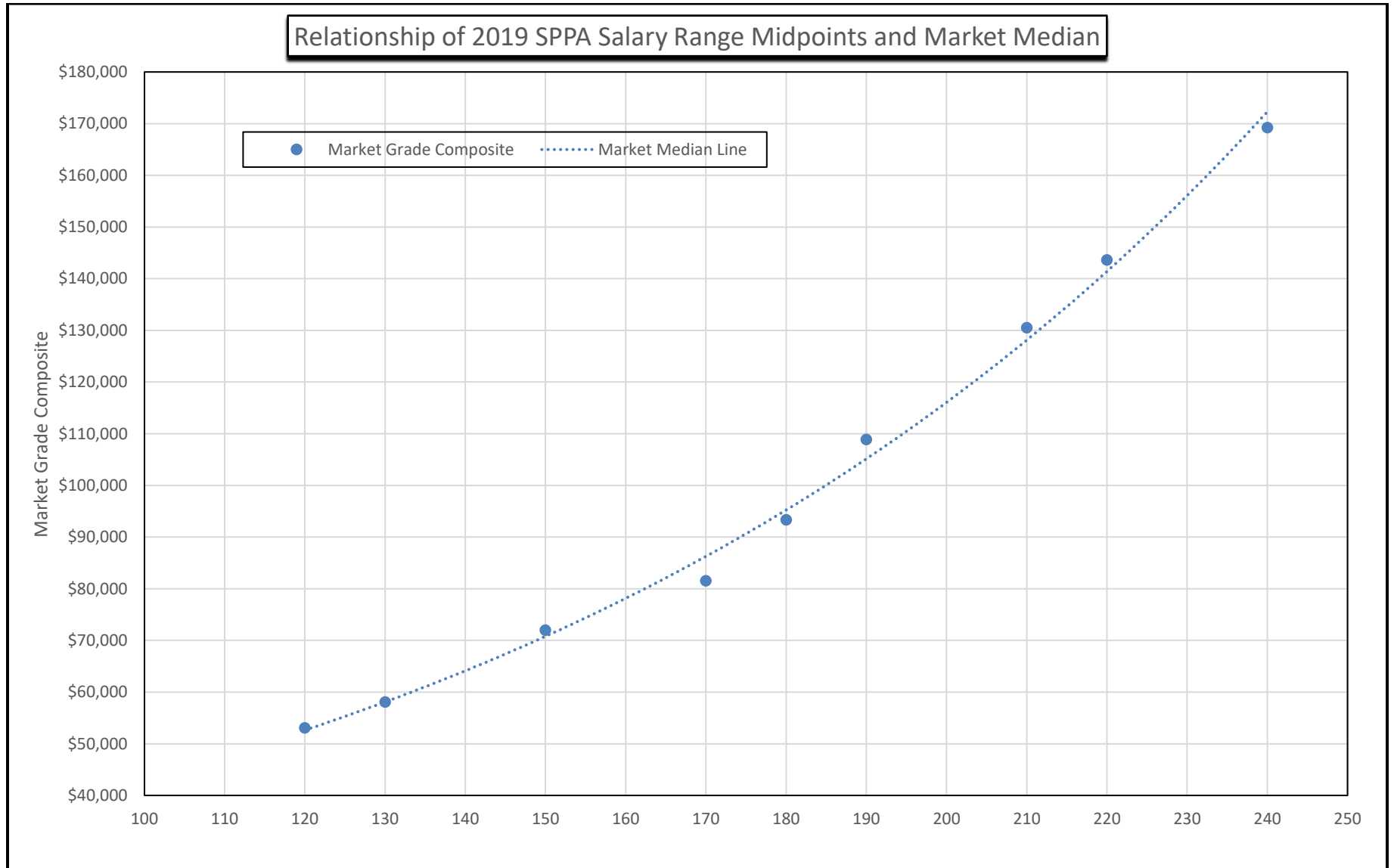
Definitions of Statistical and Salary Range Terms Used

- 1) Mean: This refers to the mean of base salary or total cash compensation in the marketplace.
- 2) Median: This is the pay rate which ranked at the middle of the survey reported rates for a job.
- 3) 25th Percentile: This is the pay rate which splits the lower half of the ranked rates in half.
- 4) 75th Percentile: This is the pay rate which falls at the middle of the top half of the ranked pay data for a job. Seventy-five percent of the rates reported are below this amount.
- 5) Annual Bonus: This is the average of total bonus actually paid whether through an incentive plan or a discretionary bonus program.
- 6) Total Cash Compensation: This refers to the sum total of base pay and annual incentives/bonuses. This figure includes incumbents receiving no bonuses.
- 7) Salary Range Minimum: this is the rate of pay offered to someone who meets the minimum qualifications for the job.
- 8) Salary Range Midpoint: for open ranges and merit pay programs, this rate is paid to a fully qualified individual performing all aspects of the job (full competency).
- 9) Salary Range Maximum: For merit-based compensation programs, this rate is rarely paid other than for long-term outstanding performance.

SPPA COMPENSATION AND BENCHMARKING STRATEGY

- 1) **Organization size:** The estimated overall organization annual revenue is close to \$12.0 million. In addition, SPPA oversees assets close to \$180 million and many other projects.

Considering SPPA subsidiary organizations and those influenced by its staff through project management and regular business activities, SPPA is estimated to be the equivalent of an organization with approximately 80-120 employees.
- 2) **Business Sector/Industry:** A blend of private and nonprofit industries based on available survey data cuts is used. Financial services sector organizations are included based on job functions.
- 3) **National data cuts** for organizations within close to SPPA revenue and employee count were used to benchmark top management jobs. Regional and local data cuts are generally used for the remaining jobs.
- 4) SPPA desires to pay for individual **performance** and therefore uses open salary ranges to administer its pay program.
- 5) In addition to base salary, employees may receive **achievement awards** based on the organization meeting its business goals and subject to management discretion and Governor's salary cap.
- 6) Pay increases are delivered in the form of **merit increases** based on current salary level and its position within the salary range.



2019 SAINT PAUL PORT AUTHORITY PROPOSED SALARY STRUCTURE

2019 Saint Paul Port Authority Proposed Ranges			
Grade	Minimum 80%	Mid-Point Market (100%)	Maximum 120%
240	\$138,400	\$173,000	207,600
230	\$125,400	\$156,700	188,000
220	\$113,500	\$141,900	170,300
210	\$102,800	\$128,500	154,200
200	\$93,100	\$116,400	139,700
190	\$84,300	\$105,400	126,500
180	\$76,400	\$95,500	114,600
170	\$69,200	\$86,500	103,800
160	\$62,600	\$78,300	94,000
150	\$56,800	\$71,000	85,200
140	\$51,400	\$64,300	77,200
130	\$46,600	\$58,200	69,800
120	\$42,200	\$52,700	63,200
110	\$38,200	\$47,800	57,400
100	\$34,800	\$43,500	52,200

SUMMARY AND OBSERVATIONS

1. This compensation program review included 20 jobs at SPPA. The Development Associate job is currently vacant. A salary range based on market information is provided for this job.
2. Fourteen different survey sources and multiple data cuts were used to benchmark jobs in this study.
3. The 2019 salary ranges are anchored to the market median. The minimums are set at 80% of the midpoint and the maximums at 120% of the midpoint. This design generates an overall range spread of 50%.
4. We did not make direct comparisons between the current and 2019 proposed ranges. Different market sources and benchmarking strategies were used. The new ranges were designed based on the input received from leadership and market sources that include private, nonprofit, and government sectors.
5. The comparisons of SPPA actual pay with market median by job yielded an overall ratio of 104%, meaning that current pay is slightly ahead of market. This ratio is within the competitive market ratio of 95% - 105%. There were some variations among jobs with respect to this ratio.
6. The comparisons of SPPA actual pay with the new salary midpoints (also known as compa-ratio) is 104% and varies by job. This indicates that there is no need for immediate market adjustments for any of the jobs. All jobs are within the proposed ranges!
7. The new ranges are effective 1/1/2019 and should be ready for 2019. It is recommended that these ranges be adjusted by 2.0-2.5% on 1/1/2020 to stay in line with the market.
8. Job evaluation was not in the scope of this study. It would be important for SPPA to have a credible system to evaluate jobs and link the evaluation points with the new salary ranges before reporting to MMB.
9. It is recommended that job descriptions be written to standardize the minimum requirements and confirm job functions. This would be important for setting goals and managing employee performance.