

**MINUTES OF REGULAR BOARD MEETING
OF WAUKEGAN PORT DISTRICT**

September 15, 2010

**Waukegan Regional Airport
DB Aviation FBO, Inc. – 2nd Level Conference Room
3550 N. McAree Road – Waukegan, Illinois**

The following Board members were present:

Hank Bogdala
Dale Johnson
Mike Melius
Joe Legat
Kimberlee Richmond

The following Board member was absent:

Jorge Torres
Homer Benavides

District Counsel present:

Thomas A. Morris, Jr.

Members of the Port District Staff present:

Duncan C. Henderson, A.A.E., Executive Director
Jim Stanczak, Airport Manager
Chris Peters, Administrative Assistant
Brion O'Dell, Marina Manager
Jamie O'Meara, Chief Accountant
Barney Baker, Airport Maintenance Supervisor

Others in attendance:

David G. Brittsan, DB Aviation, Inc.
Grant Farrell, Waukegan Airshow Board Member
Paul Biehl
Bert Atkinson
Larry Walker, Waukegan Yacht Services
Rick Grabowski, Prinmar Construction

1. Call to Order

Kimberlee Richmond was introduced as the newest member of the Waukegan Port District Board of Directors. Mr. Bogdala called the meeting to order at 9:00 A.M.

2. Roll Call:

The following members were present: Messrs. Bogdala, Johnson, Melius, Legat and Ms. Richmond. Messrs. Benavides and Torres were absent.

3. Approval of Board Meeting Minutes of July 21, 2010

On motion of Mr. Johnson to approve regular meeting Minutes of July 21, 2010 seconded by Mr. Melius, all members present voted aye and the Chairman declared the motion carried.

4. Approval of checks.

Mr. Henderson provided a briefing to Ms. Richmond about the check review and approval process.

The board members questioned items such as Superb Grill, which was the expense for the Boater Appreciation party. The expenses for the fish grinder, Envirosave and Peterson Plumbing were also discussed. Mr. Legat asked if other plumbers were utilized by the Port District. The answer was that when a plumber is required restoration of crucial boater services is the first consideration. Peterson Plumbing has proved reliable and accommodating to our needs.

During those questions, Dave Brittsan, Paul Biehl, Bert Atkinson and Larry Walker arrived at the meeting.

On motion of Mr. Melius to approve checks, seconded by Mr. Johnson, all members present voted aye and the Chairman declared the motion carried.

5. Financial Reports: July through August 2010

Mr. Henderson provided a year to date comparison of financial records for the airport. Revenue is tracking well and expenses for 2010 are at 63% of the budget, a good indicator. The airport fixed debt would be for the BBB, currently under construction. Customs are paid by user fees with the goal to keep customs self funding. The customs fund collects money from a 1¢/gal. fuel fee. Customs procedures are specifically mandated by the FAA. We anticipate new expenses to include security measures including fencing. The land acquisition account has been exhausted with the two Dorothy Street transactions necessitating a transfer of \$50,000 from the airport general account to the land acquisition account to cover costs. We anticipate reimbursement from the State in the next few months at which time funds will be transferred back.

Harbor revenue figures raise some red flags. The 2010 budget compared to actual is down \$368,465. All non-essential spending at the harbor has been stopped. Mr. Johnson pointed out that is reflected on the expense page. Mr. Henderson continued that the situation is under control due to our review of financials on a regular basis but wanted to bring the

concerns to the board's attention. Various anomalies on the revenue report were discussed. Slip income is at 91% but will not increase for this season. Transient visits will increase our revenue due to visits for boat pulls. Ms. O'Meara noted that many boaters are paying monthly prompting Mr. Melius to inquire about bad debt. Ms. O'Meara reported our record is quite good and we have a long standing collection procedure which has served us well. Mr. Johnson confirmed that the loan requirement for occupancy was in compliance with the revenue projections.

Grant Farrell arrived at the meeting.

The harbor expense report significant numbers relate to installing Wi-Fi for boater access to the internet and replacement of about 150 outdated fire extinguishers. Due to our good record relating to injuries, we have received a safety grant from our insurance carrier which will be used toward the fire extinguisher expenses. Mr. Johnson inquired about outside health being down. This reflects no reimbursement to employees and a higher budget number in anticipation of an increase while in fact there was not an increase for 2010. The Aging Report is Waukegan Yacht Services and Mr. Walker was called upon. He explained he had lost a lot of revenue in storage but hoped to be current next month. He said this is the only time in 50 years he lost money. Mr. Bogdala asked how the Dockside Dogs and Deli business pay and was told both pay monthly rent and a percentage of gross.

On motion of Mr. Johnson to approve the July and August 2010 Financial Reports, seconded by Mr. Melius, all members present voted aye and the Chairman declared the motion carried.

6. Operations Reports: July through August 2010

Aircraft overall operations are up 2.6% which is good based on the economy generally. Local operations are off 4.5% which is not too bad. Looking at the two Port District facilities with reference to the economy the airport is coming up but the harbor is not. Based aircraft numbers are informational. Fuel flowage is the significant block. Baxter is a single company, WCAF is a condo, Stick & Rudder a Club and DB Aviation is our FBO, and is the only commercial operator. DB can sell fuel, the others cannot. The two important numbers on this report are the fuel dispensed by DB and its comparison to the total. Mr. Henderson invited Mr. Brittsan's commentary: He welcomed Ms. Richmond to the board. Mr. Brittsan reported DB anticipates an uptick after September. The competitive nature of their business has changed the industry so that customers are now booking 48 hours ahead rather than the two weeks in recent years. He felt the business was very stable. Mr. Henderson concluded airport operations with Customs which figures are up by about 30 for the year to date month comparisons.

Harbor operations show that fuel sales are good. Our new fuel pier is receiving raving reviews and is drawing customers from all over. We do have competitive prices and a known pricing formula which our boaters enjoy. The launch ramp numbers show the fee increase rather than usage. Mr. Melius asked about the launch permit price and Mr. O'Dell explained that our fee is in line with launch ramps south of us.

On motion of Mr. Melius to approve July and August operations reports, seconded by Mr. Johnson, all members present voted aye and the Chairman declared the motion carried.

7. Ordinance 10-0-2 Establishing a General Penalty Provision of the Ordinances of the Waukegan Port District.

Mr. Melius approved the revised Ordinance. On motion of Mr. Johnson to approve Ordinance 10-0-2 Establishing a General Penalty Provision of the Ordinances of the Waukegan Port District, seconded by Mr. Legat, all members present voted aye and the Chairman declared the motion carried.

Airport – Board/Public Commentary

Chairman Bogdala inquired if the public could use aircraft? Mr. Henderson explained yes, that DB provides such service. DB is one of the top 10 corporation's in Waukegan and a consistent winner of awards. Mr. Brittsan was asked to give a presentation showcasing DB and their services.

Chairman Bogdala further reported the police had questioned people at Stick & Rudder and the neighboring apartments about the vandalism with no results. He questioned security operations because he saw them patrolling with a beacon light which would allow vandals to know routines. Mr. Stanczak responded the security team does have a procedure both routine and random in place. Mr. Biehl expressed his concern over the media's lack of coverage on the Stick & Rudder vandalism.

Mr. Farrell presented a Summary of the Air Show to the board members. He thanked the Waukegan Port District for its support reporting the show went smoothly and was well received.

Mr. Brittsan acknowledged the success of the air show saying it was a superb representation of the airport to the community. DB Aviation last month brought regional and national recognition to the airport with the NBAA Conference – a huge event - where they had 1,000 visitors and 22 aircraft on display. Mayor Sabonjian spoke and addressed the conference about the economic impact of the airport to the community. The Mayor spoke very well. The board inquired if the NBAA would use this site in the future. Mr. Brittsan responded the NBAA has four events in various locations annually. You continue to pitch for your company. This event was a two year planning project.

Mr. Henderson added that DB Aviation manages 30 aircraft in seven states at a number of airports. Mr. Stanczak told the board the NBAA conference hosted the first showing of the Embraer 1000 Jet in the United States.

Airport - Unfinished Business

8. Status Report

Mr. Stanczak reported:

- Runway 14/32 is Open
- Maintenance staff went to court on the squatters caught at the Dorothy property.
- Runway 5/23 will close for repairs and crack sealing while the VASI repairs are made.
- The U.S.D.A. was unsuccessful with the coyote removal and their representative suggested an earlier start.
- The Master Plan and Environmental Assessment are in progress.
- TIP (Transportation Improvement Program) Meetings are scheduled next week.

Mr. Henderson reported:

The BBB (Barney Baker Building / Snow Removal Equipment Building): This project is two contracts. We have a federal grant for flat work. That contract has an issue with strength of footings as specified in the contract. The project is delayed to solve this problem. Rick Grabowski had arrived at the meeting and introduced himself as the Project Manager from Prinmar Construction for the BBB. He reported the project delay was due to a deficiency in the concrete strength. He was working with Hanson to determine what the engineering requirements were and that possibly the strength was overdesigned. He was hopeful the building would start in the next week.

The EA (Environmental Assessment): This is a requirement for the Runway 5/23 extension. He reported that he is frequently asked if the extension will ever happen. The answer is that in fact it is proceeding now. \$2.2 million has been assigned to the pending project which is divided into three components:

- Planning and Environmental (MP/EA): In process
- Land Acquisition: In process
- Construction: The goal – not started.

9. Approval of Engineering Services Agreement for Demolition of Routt and Kruse Parcels

This Agreement is for Hanson Professional Services for demolition of homes on two properties following land acquisition. These two homes have been demolished for a number of years and this is to complete paper work required by the Division of Aeronautics to allow payment and reimbursement of their fee. The board inquired about the consultant selection process and Mr. Henderson explained it is done by competitive procurement. The State requires this selection about every five years. The board requested that future agreements be delivered in a more timely fashion.

On motion of Mr. Johnson to approve the Engineering Services Agreement for Demolition of Routt and Kruse Parcels, seconded by Mr. Melius, all members present voted aye and the Chairman declared the motion carried.

Airport - New Business

None

Harbor– Board/Public Commentary

Mr. Bogdala reported meeting with the Police, Fire and Sheriff's Departments at Port District offices with staff members, Duncan Henderson, Brion O'Dell and Ed Johnson. His concern was over recent drownings at the beach and on Government Pier. He reported that no one actually took responsibility for Government Pier.

Harbor - Unfinished Business

10. Status Report

Mr. O'Dell reported the boat season was coming to an end. Business is down and we are cutting costs as aggressively as possible. Maintenance work is progressing to clean up and repair the premises including painting the Teece Building.

A national survey indicated occupancy rates of 65-80% and we are in the range. Without being able to predict the future, we know our new floating docks draw in customers. Our goal is to rebuild North Pier with floating docks. We do not have inside storage or any other way to increase revenue. Slip rentals is our revenue producer and to generate greater occupancy we need more floating docks. Our strengths are our floaters and the customer service that we offer. Mr. Johnson inquired if anyone was building inside storage. Mr. O'Dell responded that Larsen Marine plans to put inside storage on the old Slip 3 property. Mr. O'Dell indicated great interest in automated storage where you can launch and recover in five minutes. It is a fantastic opportunity that would generate a new revenue stream and one of many revenue producing opportunities that he has explored. Timing and capital investment required for such

a pursuant necessitate that our priority right now is our primary revenue stream: docks! The priority is to rebuild north pier with new floating docks.

Harbor - New Business

11. 2011 Slip Fees

Mr. Henderson briefed that budgeting for the Port District is done in December because we need health insurance numbers which are not available prior to December. Because our major revenue stream for harbor operations is slip fees, and we commence the renewal process for those contracts in October, we have to determine slip fees prior to the budget process. We have researched competitor pricing, tactics and the economy in general. We recommend not increasing 2011 slip fees. There will be other costs out of our control that will increase our expenses. Consideration has been given to other ways to generate revenue without a slip fee increase. Mr. O'Dell reported the most significant issue was the downward trend in the recreational boating industry generally. Incentives for new and existing boaters are examined routinely. Waukegan Harbor's reputation for service is well known. The board discussed marketing incentives and other economic factors at length. A major consideration was that even though we are not increasing our fees, we are still much higher than our nearest competitor.

On motion of Mr. Johnson to approve 2011 Slip Fees without an increase and tasking marina staff to present ideas for incentives with the 2011 budget, seconded by Mr. Legat, all members present voted aye and the Chairman declared the motion carried.

12. Business Opportunities

Mr. Bogdala talked about passenger ships that did come into the harbor at the turn of the century. With Great America, Great Lakes, Ravinia, Gurnee Mills nearby, perhaps we could be the catalyst to establish passenger cruises. Some of the board members expressed interest, and the idea was discussed. The question of how to get passengers from the harbor to those facilities was unanswered. Mr. Bogdala suggested the board partner with the Waukegan Business Association and Chamber of Commerce to look into the idea and asked if other board members would support the idea. It was noted that the existing ferries on the Great Lakes were grossly subsidized by the cities they travel between and that the boater makes the profit on those lines. Mr. Bogdala offered to look into the idea and requested board support. Some thought it was a great idea and some thought the financials would not merit the cause or pursuit of the cause.

On motion of Mr. Legat to approve exploration by Mr. Bogdala of the practicability of a passenger ferry/cruise line, seconded by Ms. Richmond, all members present voted aye and the Chairman declared the motion carried.

Closed Session:

On motion of Mr. Melius to close the meeting for discussion or approval of Minutes of Closed Session pursuant to 5 ILCS 120/2(c)(21) and to discuss Land Acquisition Matters pursuant to 5 ILCS 120/2 (c) (5) of the Open Meetings Act, seconded by Mr. Johnson, all members present voted aye and the chairman declared the motion carried.

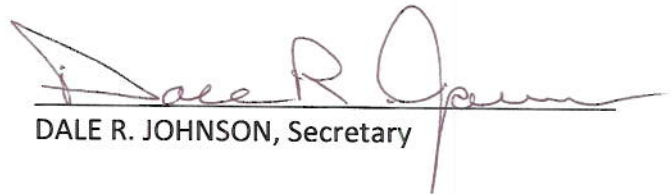
(Items 13 and 14 in Closed Session)

The board reconvened in open session.


15. Action on Land Acquisition Matters pursuant to 5 ILCS 120/2 (c) (5) of the Open Meetings Act.

None

There being no further business, on motion of Mr. Melius to adjourn the meeting, seconded by Mr. Johnson, all members present voted aye, the Chairman declared the motion carried and the meeting adjourned.


DALE R. JOHNSON, Secretary

APPROVED:


HENRY J. BOGDALA, SR., Chairman