

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

June 27, 2012

**55 South Harbor Place, Waukegan, Illinois
Harbor Control Building**

The following Board members were present:

Dale Johnson
Jorge Torres
Joe Legat
Homer Benavides
Todd Binning
Mike Melius

The following Board member was absent:

None

District Counsel present:

Thomas A. Morris, Jr.
Harvey M. Sheldon

Members of the Port District Staff present:

Duncan C. Henderson, A.A.E., Executive Director
Chris Peters, Executive Assistant
Brion O'Dell, Harbor Manager
Joe Seidelmann, Marina Maintenance Supervisor
Jim Stanczak, Airport Manager
Jamie O'Meara, Chief Accountant
Terri Hatton, Slip Coordinator

Others in attendance:

Grant Farrell, Waukegan Regional Airshow
Larry Walker, Waukegan Yacht Services
Bill McCaffrey, Boater
Gus Phillips, First Mate Yacht Detailing

1. Call to Order
2. Pledge of Allegiance

Mr. Torres announced that he would like to move closed session to the beginning of the meeting in order to address the legal matters Mr. Sheldon would be commenting upon. On motion of Mr. Torres to go into closed session, seconded by Mr. Johnson, all members present, being Messrs. Binning, Johnson, Legat and Torres answered aye on a roll call vote and the Chairman declared the motion carried.

Closed Session:

13. Negotiation / Value of Property Matters pursuant to 5 ILCS 120/2 (c) (6) of the Open Meetings Act.

Open Session

14. Negotiation / Value of Property Matters pursuant to 5 ILCS 120/2 (c) (6) of the Open Meetings Act.

Mr. Melius and Mr. Benavides were recognized by the Chair at the beginning of Closed Session.

On motion of Mr. Johnson to authorize Duncan Henderson to negotiate final settlement with the United States Environmental Protection Agency within the parameters discussed in Closed Session, seconded by Mr. Legat, all members present voted aye and the Chairman declared the motion carried. Mr. Sheldon departed from the meeting.

3. Approval of Regular Board Meeting Minutes of May 23, 2012

On motion of Mr. Johnson to approve May 23, 2012 Board Meeting Minutes, seconded by Mr. Benavides, all members present voted aye and the Chairman declared the motion carried.

4. Approval of Closed Session Meeting Minutes of May 23, 2012

On motion of Mr. Johnson to approve the Closed Session Minutes of May 23, 2012, seconded by Mr. Benavides, all members present voted aye and the Chairman declared the motion carried.

5. Approval of checks.

Various checks and expenditures were discussed and on motion of Mr. Binning to approve the checks, seconded by Mr. Benavides, all members present voted aye and the Chairman declared the motion carried.

6. Financial Reports: May 2012

Harbor revenues are off from 2011-2012 due to decreased slip income and lease payments due from Waukegan Yacht Services. Expenses are flat. Two items over 100% of budget were questioned. One item was dock insurance coverage which was required by the bank but not anticipated during the budget process. The second item was an opportunity to advertise in the Chicago paper with competitive marina announcements. The advertising had produced some new slip holders. The Harbor Aging Report had been brought current other than Waukegan Yacht Services.

Airport revenue from 2011 to 2012 is flat and on target as are expenses. The Airport Aging Report had also been brought current.

On motion of Mr. Johnson to approve the May Financial Reports, seconded by Mr. Binning, all members present voted aye and the Chairman declared the motion carried.

7. Operations Reports: May 2012

Harbor octane sales are up 19%. Launch permits are positive. Airport operations are up 17%. A recent TFR helped our bottom line due to increased activity. Landmark's fuel delivery is continuing to track about 10% less. Customs are off slightly in May.

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

8. 2011 Annual Financial Report

The 2011 year end financial report was delivered to board members for their review. If you take depreciation out of the equation the figures are not too bad. Mr. Henderson suggested holding the matter over to next month for final review.

9. Board Meeting Schedule time change to 9:00 AM

Mr. Torres polled board members on changing board meeting dates in the hope there would be a more accommodating time for everyone. After discussion, on motion of Mr. Johnson to schedule board meetings for the fourth Monday of each month at 9:00 AM, seconded by Mr. Melius, all members present voted aye and the Chairman declared the motion carried. Mr. Benavides commented that he was not available for the July meeting date.

Harbor- Board/Public Commentary

Mr. Torres asked the board to join him in congratulating Mr. Legat on receiving the Contract award for College of Lake County.

Mr. Torres also reported he had attended a meeting at City Hall with the entire staff of the Port District. He expressed his appreciation that everyone had attended with him. Absolutely nothing happened at the meeting. Further explanation from Mr. Henderson was it had been the second such meeting with the City where the same thing occurred. The City asks how our plans interface with Skidmore Owings and Merrell's plan. There is a conflict between the two as the SOM plan has ALL Port district property as Park Space. We envision the highest and best use to produce revenue. How do we achieve economic viability and fit into their plan? Cleanup is in progress and is the part of SOM's plan that had been implemented.

Mr. Henderson announced that Steve Wrobel had passed away after 21 years with the Waukegan Port District. Mr. Wrobel was stellar at planning and maintaining our flowers and landscaping. He will be missed.

Harbor - Unfinished Business

10. Status Report

Mr. O'Dell reported weed spraying in the harbor was underway. The South Marina entrance channel dredge is complete. The Army Corps continues in North Harbor working on the Approach Channel which should be completed in mid August.

Harbor - New Business

11. Waukegan Yacht Services, Inc.

Mr. Henderson reported that Waukegan Yacht Services was in arrears as reflected on the Aging Report and asked Mr. Walker what his plans were. Mr. Walker replied he had plenty of work, large accounts receivables and a lot of boats not going into the water. He had had discussions with Mr. McCaffrey and Mr. Phillips about them taking over his business and Mr. Walker continuing as an employee. Mr. Henderson reported he had discussed the Conceptual Plan with Mr. McCaffrey and introduced him to the board as a local resident of Waukegan, well versed in Waukegan Harbor issues.

Mr. McCaffrey told the board a year ago he had put together a group of investors to implement a plan for marina services and facilities at the BRP site. He lost those investors when the north entrance shoaled in. The sea walls for the entrance were built in the 1880s by the Army Corps of Engineers. The whole area is affected by shoaling due to natural sand migration on the Lake. It takes about \$1.2 million a year to keep the entrance open. Currently there is no long term plan for sand management. His investors walked away from the BRP project.

Understanding the financial problems of Waukegan Yacht Services, he hoped to take over that business and its lease areas. His long term goal was boat storage buildings and other marina services. Mr. McCaffrey said that declining occupancy at Waukegan Harbor was the cause of the revenue problems for Waukegan Yacht Services. Mr. McCaffrey had reviewed the Waukegan Harbor Conceptual Plan. He understood that parking was premium. He expressed that he would need everything the Port District had to make his project financially feasible. He would pay Waukegan Yacht Services arrearages, but wanted at least a three year lease planning to have buildings up in three years. He said there is only room for two boat servicers. Larsen Marine was well established and he would provide the second entity. Last year the Port District had brought in a third entity taking boats from Waukegan Yacht Services. They cannot afford to lose boats and the Port District needs more floating docks to bring in more business. With the loss of North Marina slips the District needs to fill South Marina.

Mr. McCaffrey's conceptual plan is for beautiful buildings. He has a new entity with an old name for the prospective company called Waukegan Marine Services. The plan is for Mr. Walker to stay as their employee, mechanic. Mr. Melius asked if this was informational? Mr. McCaffrey said yes. Mr. Melius confirmed he wanted to tie up all District property. Mr. Melius requested renditions and detailed plans. He felt the project was worthwhile.

Mr. Morris went back to the subject matter on the agenda, being the default. The lease terminates by its terms at the end of June. What are the assets? What are the accounts receivable. How do we manage Mr. McCaffrey taking over the Walker business and a disconnect between the agenda item. Mr. McCaffrey intended to bridge Mr. Walker. He asked what sum would be required to allow the bridge. Mr. Henderson recommended the July rental

amount while terms were worked out. Mr. Johnson asked how to allow this to happen. Mr. Morris reported the leases require notices to terminate, 30 days notice on Teece, 30 days notice on the main Lease. Mrs. Peters suggested a simple extension of time and an Assignment of the Lease while details for a new Lease are worked out. The liabilities were considered. Mr. Henderson suggested a document giving a month to Waukegan Marine Services for time to negotiate new terms with acknowledgment by Mr. Walker that the lease ended June 30. Mr. Walker stated he would pay his debt and that he would agree to the proposed idea by Mr. McCaffrey. Mr. Henderson recommended we proceed and that Mr. Morris draft the document.

On motion of Mr. Melius to authorize Mr. Morris to prepare documents pertaining to the default on the Waukegan Yacht Services Lease and an agreement with Mr. McCaffrey's new entity, seconded by Mr. Legat, all members present voted aye and the Chairman declared the motion carried.

Airport – Board/Public Commentary

Mr. Legat departed the meeting.

Grant Farrell as a local pilot confirmed Landmark had higher prices compared to other airports in the area. Mr. Farrell as a representative of the Air Show informed that the Canadian Embassy had contacted him. He also requested a contribution from the District to the show. He said last year we had pledged a sum but they had not collected it.

Airport - Unfinished Business

12. Status Report

Mr. Stanczak announced Waukegan had been named Reliever of the Year. The award is given for performance in safety, promotions, facility upkeep, intergovernmental relations and community relations.

The Surveyors are working on Taxiway C, a 2013 project. Baxter's ramp project went from \$400,000 to \$1.4 million. Taxiway B and S still have not started. The fence should start in a couple weeks. Buy American U.S. made is an issue.

Mr. Henderson added that Taxiway S and Phase 1 of the Fence project were 2011 projects. 2012 projects are Taxiway B and Phase 2 of the fence project. Grant money has not come in on those projects because they were not completed, they have not started. You may see this in the Audit Report. U.S. Made is becoming more and more difficult. Nuts and bolts, refrigerators, monuments are not manufactured in the U.S.

Beach Park requested an easement for a water main along Wadsworth Road west from Lewis Avenue. Easements are difficult for the FAA. They will entertain an easement if you pay everything. We need some value to justify a possible concurrent use. Access to the main with no tap-in fee may be considered a beneficial use. The area is a prime developable area. Mr.

Morris suggested there may be an Intergovernmental Agreement already in place concerning that property with the City of Waukegan.

Airport - New Business

None

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



Acting Secretary

APPROVED:



Acting Chairman