

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

**August 21, 2013**

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

**The following Board members were present:**

Jorge Torres  
Mike Melius  
Gene Bach  
Joe Legat  
Randy Podolsky

**The following Board members were absent:**

Dale Johnson  
Grant Farrell

**District Counsel present:**

Thomas A. Morris, Jr.

**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:**

Josh Lewis, Landmark Aviation  
Frank Bucaro, Landmark Aviation

1. Call to Order
2. Pledge of Allegiance

On motion of Mr. Melius to have Mr. Melius act as Secretary, seconded by Mr. Legat, all members present voted aye and the Chairman declared the motion carried.

3. Approval of Regular Board Meeting Minutes of July 17, 2013

On motion of Mr. Podolsky to approve the July 17, 2013 Minutes, seconded by Mr. Bach, all members present voted aye and the Chairman declared the motion carried.

4. Approval of Closed Session Meeting Minutes of July 17, 2013

On motion of Mr. Podolsky to approve the Closed Session Meeting Minutes of July 17, 2013, seconded by Mr. Bach, all members present voted aye and the Chairman declared the motion carried.

5. Approval of checks.

After discussion, on motion of Mr. Podolsky to approve checks, seconded by Mr. Melius, all members present voted aye and the Chairman declared the motion carried.

6. Financial Reports: July 2013

Mr. Henderson advised his intent to paint a more global picture of port district financials than had become the normal presentation. He also suggested a board orientation conference or retreat due to changes in membership over the last few years.

The State of Illinois has created 19 port districts legislatively, but did not establish a funding mechanism for any of them. Ten of the ports are operational but only two are strong. The two strong performers are the International Port District in Chicago, an international commercial terminal with customs service, trucking and rail terminals, facilities at Lake Calumet and Harbor Side International Golf Course; and America's Central Port District managed by the Tri-City Regional Port District located on the Mississippi, encompassing over 75 square miles, including three cities. The port operates commercial warehouses, truck and rail facilities, harbor facilities, industrial plants, office space, and recreational facilities, boasts a YMCA, is a virtual small business incubator and has plans for South Harbor facilities. What the two strong ports have in common are subsidies.

Waukegan Port District is a self sustaining, stand alone entity with essentially three operating units: The Commercial Harbor, the Recreational Marina and the Airport.

a. Commercial Harbor or North Harbor revenues come from long term base leases tied to tonnage. While the harbor operates at no cost, tonnage payments have ceased because of nature. The entrance has been closed to lake shippers due to sand migration into the mouth of the harbor. Only our base leases remain.

b. Recreational Marina or South Marina receives income from fuel sales, launch ramp fees, and slip fees. A fueling analysis will be provided shortly. Launch ramp revenues traditionally perform well, but have done poorly this year due to bad fishing. We put \$450,000 from cash reserves into the launch ramps two years ago. South Pier, renovated in 2007 is 95% occupied. North Pier is about 25% occupied.

In 2007 recognizing a decline of about 40-50% in the marine industry nationally, we determined to renovate undesirable fixed piers. At that time, the board determined to borrow as much as possible to begin the renovations. Revenue projections were stretched to allow a maximum borrowing. The board recognized that without additional revenue, there would be no more borrowing. The South Pier and fuel docks were renovated at a cost of \$10 million with positive results of 95% occupancy on South Pier.

Prior to 2008 we had budgeted \$100,000 annually for dredging. Following reconstruction of South Pier we held off on dredging to save money. We can no longer put that off and have begun to put money into dredging.

We started looking at improvements to North Pier in 2008. Additional financing is not an option so we look at other revenue streams for funding. We looked at a CDF to reduce costs involved with a renovation, but it did not materialize. We continue to look for alternative revenue options. We have met with Skipper Marine, Larsen Marine, and Mr. Hults who have all expressed interest in some type of development, but none have materialized.

Industry sources indicate financiers would require 50% down to consider funding of a new marine related project. Our current dock loan is financed at 4.8% and no one is interested in refinancing. In the absence of new revenue sources, we have made a concerted effort to control expenses. It would appear the marina industry has bottomed out; even so, there are only a limited number of boaters in the market to go around. The marine industry is based on boat sales which are starting to improve, but very slowly.

The question is how do we get new floating docks. That cost was estimated in the range of \$15 million in 2008 and is higher now. We have looked at phasing the North Pier but due to ADA, utilities, permitting and testing is cost heavy on the front side making it prohibitive. We looked at a dock extension and determine it is not feasible due to the load on the existing infrastructure and cost of each slip. Based on rough estimates the payback on building 12 floating slips on the North Pier is 18 years. The issue of available money remains. Mr. Henderson created an RFP for rehab of North Pier for review. Similarly, the North Pier Gate cost is \$40,000 without labor. Mr. Henderson did not recommend either proposal.

c. Airport revenues are based on fuel and land leases. Fuel flowage was traditionally tied to our leases, which are long term, and contain variable rates, but 11 cents per gallon or less depending on which lease. In 2009, Mr. Henderson shifted the fuel flowage revenue to be tied to ordinance as opposed to a lease. The Ordinance affects only new tenants, existing agreements cannot be modified. We only have one retailer, Landmark Aviation, and they do offer discounts to tenants, but our flowage amount will not change.

Waukegan National Airport's market niche is corporate aviation. Landmark is our FBO and largest tenant, representing about 50% of the airport revenues. Three major companies have expressed interest in a minimum of 100,000 s.f., but none have moved. Landmark is full and may build something in the future. Looking at our aviation competitors: DuPage, Kenosha and Chicago Executive, all receive tax subsidies. DuPage proudly announced the abatement of \$500,000 of tax revenue - they still get \$6 million. Additionally, DuPage operates its own FBO and fueling service which also generate substantial revenue. Current land rental at Waukegan is 40 cents a square foot and requires Illinois real estate taxes paid by tenants. We can offer self fueling which is a favorable option for a potential lessee. Potential major issues for our airport are the Contract Air Traffic Control Tower, runway length and customs.

In conclusion, given the state of the economy, maintaining profitability is no small task. The Port District Staff is smaller than it was in 1957. During Mr. Henderson's tenure, South Pier had been renovated with new floating docks, a new gas dock was built, launch ramps were improved, snow removal equipment has been vastly improved at the airport, and the red hangar complex and a new snow removal equipment (and office) building were constructed.

Combining harbor revenues and expenses, and comparing this to the 2013 budget, we are three per cent below total projected revenue. Given the discretionary nature of the marine industry, that is not bad.

On motion of Mr. Melius to approve the July 2013 financial reports, seconded by Mr. Bach, all members present voted aye and the Chairman declared the motion carried.

#### 7. Operations Reports: July 2013

Operations at the marina are off in fueling, and launches are down. Airport operations are down 5%. Customs is a marketing tool, but is down slightly.

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

8. Fuel Analysis

a. Airport

b. Harbor

The margin on airport fuel pricing is established in agreements with tenants and by ordinance. At the harbor, we are the retailer and our margin is 26 cents a gallon. We almost break even without the loan cost on the gas dock. We cannot afford to discount our price anymore. The fuel tanks here are connected electronically to Olson Oil and fuel is delivered as needed. The price is adjusted immediately upon delivery, there is no lag or float. Competitors may or may not adjust their prices as quickly as we do. We typically compare fueling prices twice a month. North Point has a fuel comparison on their website. It was requested that Larsen's cost be included in those reviews. Perhaps at budget time, we should review our margin.

Harbor-- Board/Public Commentary

Harbor - Unfinished Business

9. Status Report

Mr. O'Dell had looked into the ethanol requirement as requested by Mr. Bach. It is a federal mandate that fuel contain ethanol. Mr. O'Dell also reported he had signed up for the Clean Marina's program. So far, we are the only marina in Illinois that has signed up. Next month we will be looking at slip fees, discounts and policies.

Mr. Bach inquired about the harbor remediation. The depth is 18' now that the environmental dredge is done. Dredging of the Approach Channel by the Army Corps is supposed to start September 1. National Gypsum has a delivery scheduled for October 1. Our consultant, Tom Thomas is working with Coastal Management to come up with a long term solution to littoral drift. North Marina reconstruction will occur in September and October. Nine slips will be modified to accommodate larger boats. Mr. Podolsky expressed interest in changing the reconstruction plans. Marina staff explained the negotiation with USEPA had been concluded and that ADA compliance made more modifications cost prohibitive. Mr. Podolsky also inquired if commercial fishing would be addressed in slip fee proposals.

10. North Pier Gate

Existing gate plans were provided to the board members. Skipper Marine Development looked at the plans. The cost is \$40,000 for the gate materials alone. Mr. Henderson did not recommend procurement of the gate seeing no return on that investment. Mr. Podolsky asked for the cost of the gate including installation costs. Mr. Podolsky further requested the gate receive consideration in the 2014 budget. Mr. Torres concurred.

Mr. Podolsky mentioned the end of season party had been eliminated with the intent to provide more frequent smaller events and asked what would be done for the rest of the season. Mr. O'Dell responded it would be based on what our entertainment budget would allow, now at about \$900. Mr. Podolsky suggested he could find three bands for that price and asked for a plan for the balance of the season.

11. Executive Director's Report

- a. North Pier Renovation Costs
- b. Work Plan – North Pier Floating Docks
- c. Draft RFP – Preliminary Design, Construction Phasing Cost Estimation and Payback Plan for Conversion of Fixed Pier Docks to Floating Docks on North Pier.
- d. Draft RFP – Construction and Management of Recreational Marine Storage, Service and Related Use.

The cost of various North Pier renovations had been requested last month. One scenario was to extend S1. That cannot be accomplished due to the capabilities of existing utilities and fire suppression systems. Renovation of North Pier is estimated as follows:

2008 Price \$31,000 per slip, with \$4,000,000 savings by taking dredge material to airport.

North Pier approx. 400 slips x \$31,000 =	\$ 12,400,000.00
Land Fill Cost	<u>4,000,000.00</u>
	\$ 16,400,000.00
Inflation Factor (.05)	<u>820,000.00</u>
	\$ 17,220,000.00
Design Engineering (15%)	<u>\$ 2,583,000.00</u>
Total Estimated Cost:	<u>\$ 19,803,000.00</u>

Skipper Marine Development provided an estimate to demolish N2 and N4 and install new floating docks of approximately \$800,000. The payback on that proposal is 18 years. The landfill cost is probably under estimated. The depth is less than nine feet in the area proposed and there are environmental issues. North Pier renovation is a cost that we cannot fund. Mr. Melius was skeptical that the renovation would bring new boaters. Mr. Podolsky agreed. Mr. Henderson expressed the need to do a whole project and would love to find a way to finance the second phase. That takes us through a and b above. Design engineering costs are 15%. Even at \$1 million how do we fund the RFP for North Pier. D is a draft for something revenue producing to be built on our land. Banks are requiring 40-50% down on financing any marine projects including storage buildings. Mr. Henderson suggested looking at these items in the next two to three years. It will take six to nine months for an RFP and timing based on operational use of those facilities will be a critical component.

Harbor - New Business

None

Airport – Board/Public Commentary

Josh Lewis of Landmark Aviation would like to brief the board on FBO activities and fueling next month at the airport meeting.

## Airport - Unfinished Business

### 12. Status Report

Jim Stanczak reported they had just finished the DCEO grant project. They ran out of money before all the crack sealing was completed so he would look into a new grant. He was working with Community Block Grant for McAree Road and the parking lot. He complimented Landmark for their burrowing company and their professionalism. Taxiway C is underway. The silt fence at Taxiway B has come down and was seeded. A B-17 has been at the airport and one Blue Angel. Landmark has the NBAA conference coming up and the Air Show is September 7 honoring Vietnam Veterans.

Mr. Henderson advised the Fence Phase 2 project is stalled awaiting funding. Even so Phase 3 is moving forward. He asked board members to look at the airport website and review Master Plan documentation, specifically the Alternatives Chapter which had been re-done at the request of the FAA through the IDOA. We are also proceeding on demolition of four houses acquired over the last few years. The demo project has passed the cultural resources phase.

Mr. Henderson asked Mr. Stanczak if he had the insurance certificate for the Air Show? Mr. Stanczak thought it had been sent. The Permit required insurance thirty days prior to the show. Brad West contacted us yesterday looking for the Certificate as the Port District's insurance had an exclusion for air shows. Mr. Stanczak was asked to obtain the Certificate immediately.

Mr. Melius inquired if there had been any movement on the pending land acquisition project discussed in prior meetings. Mr. Henderson advised yes, we received word too late for this meeting, but would present next month.

### 13. Ordinance – Contract Air Traffic Control Tower

No action is requested today, however AAAE indicate cuts will occur to the contract tower program. Our tower is funded through the end of September. The draft Ordinance is being fine tuned. Another competitor airport will fund their tower. Landmark has told us the tower is necessary. Landmark is 50% of our airport revenue.

## Airport - New Business

### 14. Standard Agreement for Consultant Services for Preliminary Assessment & Schematic Design, Design Phase Services, Planning and Special Services for Illinois Project No. UGN-4299, Fence – Perimeter Security and Wildlife, Phase 3; not to exceed \$111,775.00.

This is the engineering services agreement for Phase 3 of what will likely be 7 phases of the fencing project. We cannot complete the fence until we know the MP/EA is finished. Phase 2 is pending funding. Phase 3 is in design and moves from Landmark to the southwest.

On motion of Mr. Podolsky to approve the Standard Agreement for Consultant Services for Preliminary Assessment & Schematic Design, Design Phase Services, Planning and Special Services for UGN-4299, Seconded by Mr. Melius, on a roll call vote, Messrs. Bach, Podolsky, Torres, Legat and Melius voted aye. The Chairman declared the motion carried unanimously.

In other business:

Mr. Henderson again suggested in light of the financial position of the District perhaps an orientation meeting could be planned for the board, to be conducted by Messrs. Melius and Morris. Mr. Torres indicated he would poll board members independently.

Mr. Podolsky commented the budget would thwart major improvements. He stated the landscaping could use some improvement and asked about the grass mower assignments.

Mr. Bach asked for a Plat of District property. Ms. Peters' responded we do not have a Plat of the entire harbor owned district property, that tax maps are the best indicator. He would like an overlay of District property to the City TIFF. It was explained the map on the wall indicated our ownership lines, and could be compared to the City's TIFF map. Mr. Torres offered to get a City TIFF map.

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

APPROVED:

  
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JORGE M. TORRES, Chairman

  
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GRANT B. FARRELL, Secretary