

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

October 16, 2013

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

The following Board members were present:

Jorge Torres
Dale Johnson
Mike Melius
Gene Bach
Joe Legat
Grant Farrell

**The following Board member was absent
and joined the meeting by telephone:**

Randy Podolsky

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:

Bob Jenkins, Arthur Burt Atkinson, William McCaffrey, WYC, Jack Orlov, WYC, Roy Czajkowski, Michael Dolinar, Brad West, Suzanne Weingartner/Ninja Charters, Wade Beard/Ninja Charters, Tim Tanner, Battalion 1 Charters, Jim Goebel, Longgone III Charters, Cindy Bensen, Longgone III Charters, Ray Stare, Xtasea IV Charters, Ron Mihevc, Bonshell, Andrew Grein, Bon-shell, Cliff Jenks, Rick Bentley, Windy City Salmon – Independence, Jeff Logan, Mike Hannon, Christine Cowhey, Ray Boller, Ron Freeman

1. Call to Order by Chairman Torres
2. Pledge of Allegiance

Mr. Podolsky had requested to attend the meeting by telephone. Mr. Morris explained that absent an objection from members present, so long as a quorum is present physically, another member may attend by telephone. Attempts to reach Mr. Podolsky were unsuccessful.

3. Approval of Board Meeting Minutes of September 18, 2013

On motion of Mr. Bach to approve the September 18, 2013 Minutes, seconded by Mr. Johnson, all members present voted aye and the Chairman declared the motion carried.

4. Approval of Closed Session Board Meeting Minutes of September 18, 2013

On motion of Mr. Bach to approve the Closed Session Minutes of September 18, 2013, seconded by Mr. Farrell, all members present voted aye and the Chairman declared the motion carried.

5. Approval of checks.

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

6. Financial Reports: September 2013

Mr. Henderson summarized financial reports. Despite the discretionary nature of our businesses, we remain profitable. Revenues and expenses are flat. Research would indicate Chicago had invested \$100 million into their marina and park facility at 31st Street. A significant inventory of slips was added, but boaters remained the same. It is anticipated it will take four years to fill the 1000 slips built.

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

7. Operations Reports: September 2013

Harbor operations are down attributable to weather. Airport revenues from fuel flowage and customs are off slightly.

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

8. Procurement of Insurance Consultant

Mr. Torres discussed the proposal for an insurance consultant for a sum not to exceed \$9,500. As the Port District has not had significant increases in property casualty insurance in past years, and has enjoyed the exemplary services provided by West Insurance in obtaining competitive quotes from reliable, sound insurance underwriting firms, and since we do not have the funding, a \$9,500 proposal to obtain a new broker was not recommended.

9. Procurement of West's Insurance Agency

On motion of Mr. Johnson to approve West Insurance Agency bid out insurance, seconded by Mr. Melius, all members present voted aye and the Chairman declared the motion carried. Mr. West thanked the board for the opportunity and the faith in his agency's work. General questions ensued to which Mr. West summarized the number of carriers available to quote the specialized municipal, marine and aviation products which the Port District requires. Ms. O'Meara commented District administration receives unsolicited inquiries on insurance

procurement periodically. Those calls confirm the limited number of carriers available and that our current agency is shopping the same markets they would shop.

Harbor– Board/Public Commentary

Mr. Podolsky joined the meeting by telephone during the following commentary.

Rick Bentley addressed the board on behalf of 17 captains, most present today. They were concerned about returning to slips in North Marina following construction. They would like to reserve the slips in South Marina for 2014 now so they can begin to advertise and book charters for the next season. He told the board the slips are not the right sizes and are higher and dangerous. They want to maintain their occupancy in South Harbor and they want the Port District and City to benefit from the 17,000 people they bring to the area annually. Captain Jim Goebel took his boat around to go into a 30' slip. There is less than six inches on each side. Capt. Bentley said the charters would meet customers at the gate and would work with marina staff.

On inquiry of Mr. Farrell, Mr. O'Dell explained North Harbor was constructed in the late 1980s, a time of record high water levels on the Great Lakes. As the water was trending upward the docks were constructed 1.5 feet higher than those in the South Marina. The water has been receding ever since. The high docks and the potential for serious waves during storms have made these slips undesirable and have left most of them vacant for years. In spite of these conditions the majority of charter captains were required to remain in North Harbor. As a result of the environmental cleanup, the North Harbor lost almost 100 boat slips, many of which were the wider slips that the charter captains need. The agreement between the Port District and EPA included modification of slips that would accommodate the charter boats that had been displaced by the clean-up. Since that time other boats have been purchased and new charters arrived, altering the boat mix. As a result the original plan no longer worked. Mr. Bach agreed the docks could be hazardous and voiced his opinion that there was no choice but to leave them in South Harbor. Mr. Johnson supported keeping them in South Harbor on North Pier. Mr. Torres asked for a motion. After further discussion, in consideration of the customer's request, and in light of the 40% vacancy in South Harbor, Mr. Johnson moved to extend charter boat occupancy in South Harbor for one year, and was seconded by Mr. Bach. Mr. Podolsky opposed the action and moved to table the subject. Mr. O'Dell stated the issue would prevail as the height of docks and wave conditions will not change in the near term. Mr. Freeman, a boater in the marina, stated that he was on the outer docks in South Harbor and had no problem with charter boats going by his slip. Hearing no second to Mr. Podolsky's motion to table, on a roll call, Messrs. Bach, Farrell, Johnson, Torres, Legat and Melius voted aye on the motion to extend charter boat occupancy in South Harbor for one year. Mr. Podolsky voted nay. The Chairman declared the motion carried.

Harbor - Unfinished Business

10. Status Report

Mr. O'Dell reported USEPA was in the final stages of their project. The ACOE is dredging the approach channel. The marina water shut down is in progress and boats should be out of the marina by November 1.

11. Approval of 2% Early Pay Discount for 2014 Slip Fees

Last meeting the board approved 2014 slip fees and removed the early pay discount. Mr. O'Dell recommended reinstatement of a two per cent discount for early payment. The discount is an incentive to sign up early, and get revenues in early. The discount is not huge, but the loss of two or three boaters over eliminating the discount could be more harmful.

12. 2014 Harbor Annual Leases

Mr. Henderson introduced renewal of a variety of annual leases. Two in the Teece Building, two in the Coast Guard building, the hot dog stand and ice cream shop. Two percent is about CPI and is what was recommended. Mr. Podolsky inquired if the Lease Schedules he had requested had been presented. Mrs. Peters' answered yes they had been emailed to board members and other board members acknowledged receipt. Mr. Johnson made a motion to accept the two percent annual increase which was seconded by Mr. Legat. Mr. Podolsky wanted to review the Leases prior to action. Mr. Torres asked for a vote on the pending motion. Mr. Morris told the board if there was a motion to table, the motion would not be voted upon. On motion of Mr. Farrell to table the item, seconded by Mr. Podolsky, four members voted aye, and Messrs. Bach and Melius voted nay. The motion to table carried.

13. RFP

14. North Pier Gate

Mr. Henderson reported he had contacted a preeminent marine designer to write a proposal for a phased construction plan RFP and to prepare an RFP for a North Pier Gate with contingencies for different types of metal similar to the design of South Pier gate. We are waiting for those proposals.

Harbor - New Business

15. Waukegan Yacht Club Lease

Billy McCaffrey addressed the board on behalf of the Club and its Commodore, Jack Orlov. Discussions at yacht club board meetings indicated confusion of the status of their lease amongst the members. Upon investigation, he was quite surprised to discover no lease was in effect as he had previously negotiated an option to 2020. The Club has been in existence for 87 years. He acknowledged the Club has had ongoing arrearages. There have been questions of when the rent is due. Apparently it is due on the first of the month, but Ms. O'Meara bills after the first. The invoice is a courtesy billing.

Several letters from Mr. Henderson to previous Commodores asking the Club's intentions with regard to its lease option had been met with no response. The Option need only have been exercised, but had not been. Mr. McCaffrey understood that Rodger Welker, Bruce Asbury and Carolyn Diesi had had discussion on an extension. Now understanding the Club had lost its Lease, it had lost the building and everything in it. The club needed a lease in order to use it as collateral for loans. Commodore Orlov added his support to Mr. McCaffrey's comments and that he had understood there was a meeting with Dr. Welker related to lease term. The Yacht Club wanted to continue its lease and to grow it, to help us all.

Mr. McCaffrey had met with staff to discuss terms of a new lease. He now asked the board to reinstate the old lease at the old rates. Mr. Melius asked what the old rent was, and

whether it was current at that time? The rent when it expired in 2010 was \$1,360 per month. We would have to check the records as to whether it was current. Mr. Morris recapped that the Yacht Club had been delinquent in rent payments repeatedly over the years. The Yacht Club was notified in writing repeatedly with no action to extend their term. The lease is expired. Mr. Farrell asked Mr. McCaffrey and Mr. Orlov what it was they did not like about the new proposed lease. The answer was term, cost and reversion. Mr. Morris added previous discussions about yacht club leasing had indicated the board was reluctant to give a long term lease due to arrearages and long periods of silence. Mr. Farrell stated that continued late payments would make him leery of a long term lease. Mr. Podolsky thanked Mr. McCaffrey, confirmed the billing issue had been resolved and commented the District is looking to improve and want to keep the Yacht Club there and happy, but needed to look at future development. Reinstatement is not the best idea. Maybe we could negotiate a five-seven year lease and accommodate their loan collateral issue and keep options for District development open. Mr. Melius asked who at the yacht club would be responsible for negotiation and suggested a better notice provision. Mr. Torres suggested a new lease could be presented to the board. On motion of Mr. Podolsky to continue current terms to end of year and the Port District revise and submit a lease agreement in January, seconded by Mr. Melius, all members present except Mr. Bach voted aye, Mr. Bach abstained. The motion carried.

16. No Further Remediation Agreement between 3 East Clayton Street, LLC and Waukegan Port District

Item 16 was heard following item 12. Mr. Bach introduced and presented a letter request by Mr. Czajkowski. Roy Czajkowski addressed the board explaining that he was representing the Bowers. They are attempting to get an NFR for their property and have to test adjacent property. Also, Bowers are developers. An NFR for District land would enhance the value of the Bowers land and vice versa. An NFR would allow the Port District to RFP adjacent land. The Bower's lawyer drew up the agreement as presented. Mr. Czajkowski stated the Port District could cancel the agreement at anytime and no fees would be due in the event the NFR was not granted.

Mr. Melius asked whether there was any reason to believe our property required an NFR or whether the District would become a Developer. Mr. Torres responded that adjacent owners have to be involved in an NFR and Mr. Bach said it would make it easier for us to develop our land. Mr. Melius did not see a reason for the Port District to engage in this expense. Mr. Podolsky recalled the same request from another property owner and was told this is the same owner again. He asked why should we spend money to do this? Mr. Czajowski answered that if you are looking to do something you will need it. There was discussion over what Port property the Agreement covered. Mr. Morris commented the budget referenced in the agreement is silent and not clear on share costs. We do not know how much or when funds would be required. Mr. Podolsky felt there was a high likelihood of remediation and it would be difficult for this board to sign a blank check. Mr. Johnson asked if we have looked at this property for remediation? Mr. Morris said there is ongoing testing on Port property including outside the building we are in. We do not know what NRF requirements would be for this applicant. Mr. Johnson suggested it seems as though we are out of order in that we should find out if there is remediation to be done before you go for an NFR. Mr. Czajkowski said he personally knows the harbor area and has congressional experience. His group is not trying to inflict any kind of liability on the Port District. Mr. Melius asked if we know the definition of "developed" as it

applies in the agreement. Mr. Morris commented that the agreement needs to be tightened up if that is what the board wants to do. Mr. Bach acknowledged the fees are ambiguous. Mr. Melius asked if there was a Phase I on Mathon's and do they need a Phase 2? There was no answer. Mr. Torres asked if we should continue and have Mr. Morris re-write the document? Mr. Johnson asked if we have Phase I on our land? The Port District does not. Mr. Podolsky inquired if we have to have a motion for review or can we take a straw pole? Mr. Melius indicated he had a lot of questions that need to be addressed by the board. Mr. Podolsky moved to continue to review the agreement and have Mr. Morris take an hour to do so, seconded by Mr. Melius, all members present voted aye and the motion carried. It was requested the item be on the agenda next month. Mr. Czajkowski thanked the board.

Airport – Board/Public Commentary

None

Airport - Unfinished Business

17. Status Report

Mr. Stanczak advised Taxiway C base course was paved and 14/32 would be closed to Friday. Monday the 21st starts night work from 9 pm to 6 am for six days. We are closing out the fence project. He had attended the IPAA conference and spoke to Ben DeLeon, new FAA Deputy Associate Administrator reference the runway extension. Mr. DeLeon recommended not doing it all at once, but over a number of years. ADO is taking over the Wisconsin office, they are trying to standardize. The airport is looking good.

18. Ordinance – Contract Air Traffic Control Tower

Mr. Henderson reported the Ordinance had been revised and is ready to go in the event the government does not fund towers. Mr. Torres asked if the committee had reviewed it? Committees had not been consulted on the Ordinance. Mr. Johnson added that we are ready to proceed if necessary. On further inquiry, Mr. Henderson advised there were two committees. There was one meeting where some tenants had discussed fuel flowage. Following that meeting, another group of large tenants had suggested fees by aircraft. Mr. Farrell was concerned that all aircraft owners had not seen the Ordinance and wanted an ad hoc committee to review the Ordinance. Mr. Henderson tasked Mr. Stanczak to get the Ordinance to the Committee. Mr. Johnson suggested a meeting to discuss the solution was all that was appropriate. Mr. Stanczak was directed to call an all tenant meeting and present the matter as a power point, not as an ordinance.

Airport - New Business

19. Approval of Terms and Conditions of Accepting Airport Improvement Program Grants

Mr. Henderson explained this is formal board approval of the grant assurances which must be signed and delivered to the Illinois Division of Aeronautics in order to be eligible for airport improvement program funds. On motion of Mr. Bach to approve the Terms and Conditions of Accepting Airport Improvement Grants, seconded by Mr. Farrell, all members present voted aye and the Chairman declared the motion carried.

Closed Session

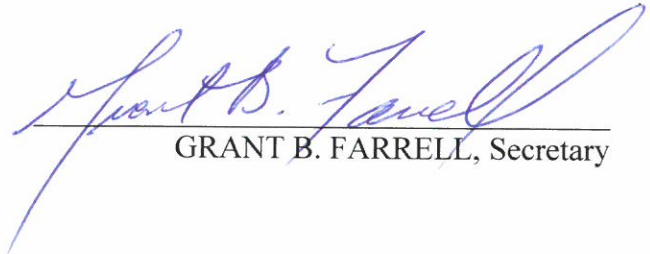
On motion of Mr. Melius to go into closed session to discuss personnel matters pursuant to 5 ILCS 120/2 (c) (1) of the Open Meetings Act, seconded by Mr. Johnson, on a roll call vote, Messrs. Bach, Farrell, Johnson, Torres, Legat, Melius and Podolsky voted aye and the motion carried.

20. Personnel Matters pursuant to 5 ILCS 120/2 (c) (1) of the Open Meetings Act.

Open Session

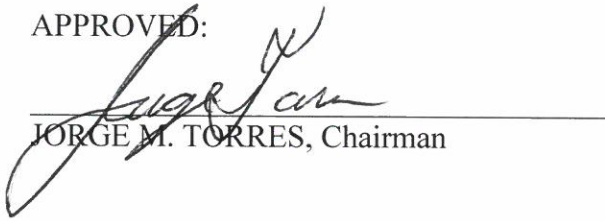
21. Personnel Matters pursuant to 5 ILCS 120/2 (c) (1) of the Open Meetings Act.

No action.



GRANT B. FARRELL, Secretary

APPROVED:



JORGE M. TORRES, Chairman