

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

August 1, 2016

**Waukegan Harbor
Waukegan Port District Administration Offices – 2nd Floor
55 S. Harbor Drive
Waukegan, IL**

The following Board members were present:

Grant Farrell
Randy Podolsky
Tom Evers
Jorge Torres
Joe Legat
Mike Melius

Absent:

Gene Bach

District Counsel Present:

Thomas Morris

Members of the Port District Staff present:

John Matheson, SG Management
Gregg Pupecki, Harbor General Manager
Cathy Smith, Administrative Assistant

Others in Attendance

Kathy Sivia

• **Call to Order**

Chairman Farrell called the meeting to order at 3:30pm.

• **Roll Call and Pledge of Allegiance**

The Pledge of Allegiance was said.

• **Approval of Remote Participation / Voting (if needed)**

Not needed.

• **Chairman Remarks**

None.

Public Comments / Board Comments

Kathy Sivia heard about that the Board would possibly be about to take a vote for a 90 day clause to develop the Yacht Club. She wanted to state that they have a vendor who is very close to signing and that they would be opening the Club on September 1. This vendor has a restaurant in Highwood and it would be shrimp and steak. This vendor has had many years of experience as a restaurateur and is well known.

Ms. Sivia stated that this would be a win-win for all involved.

Mr. Podolsky asked for clarification from Mr. Morris that any agreement between the Yacht Club and a third party vendor would need the Board's approval and/or consent.

Mr. Morris stated that yes, consent would be needed by the Board for a third party agreement and that it is not a 90 day clause but a 180 day clause. Mr. Podolsky was concerned because Ms. Sivia mentioned a September 1st opening by this vendor and wanted to ensure that before any agreement is signed that the Port District has to approve it.

Ms. Sivia stated that the agreement might be a management agreement which she believes the Yacht Club does not need to let the Board know about, something similar to what the Port District entered into with Siegel Gallagher. That was the type of agreement that they had last time which the Yacht Club brought to the Board's attention and they would continue to do so if that is the case this time. The agreement is still in discussion so it is not yet finalized.

Mr. Legat asked if this vendor was taking the place as is or where renovations being planned. Ms. Sivia stated that the letter she had in her possession stated the following, clean and redesign a better working kitchen, better storage, more accessibility for the flow of wait staff, install a new POS system, reconfigure trash area for ventilation due to trash smell entering the kitchen, paint the porch deck, patch the cement steps from the sail dock, stain and varnish outside shelves with drain holes, procure quality outdoor tables, quality artwork for the interior, move the coffee bar into the restaurant and turn that area into a bar for banquets, install a warmer, substitute out some of the stoves, 6 ft. salamander broiler for the grills, LED lighting.

Mr. Podolsky questioned Mr. Morris that the Board consented in the prior management agreement was that the Yacht Club opening to service the public required the Board's permission.

Mr. Podolsky asked how the ADA issues were going to be addressed with this vendor. Ms. Sivia stated they are working with the vendor to address the bathroom issues. Mr. Podolsky stated that Ms. Sivia stated earlier that the facility would be open to the public and the ADA issues would need to be resolved in order for the facility to be compliant. Mr. Podolsky also inquired as to where the funds are coming from for this endeavor, Ms. Sivia stated the vendor would be providing the capital. Mr. Podolsky asked for an approximately dollar amount that the vendor is putting toward this project, Ms. Sivia did not have a dollar amount to share with the Board.

Mr. Pupecki addressed the Larsen lease extensions for 12 months for 2 of the lots and one lot for 9 months for winter boat storage for a 10% increase in rent.

On motion of Mr. Podolsky to approve the Duphar, Triangle and Crane lots, seconded by Mr. Torres, on a roll call vote, all members present voted aye and the Chairman declared the motion carried.

Mr. Matheson spoke about the WYC lease, the building and the best uses for the building in question. Mr. Matheson spoke of the fact that there is no regular food service, it is not providing a benefit to the

boats, only 40 members, no firm plans that anyone is aware of to build membership, interior and exterior cosmetic improvements, it is of SG's opinion that the Board needs to obtain control of the building in order to develop the best of the building, and continue to help the WYC to find a place.

Mr. Torres echoed SG's opinion for the Board to take control of the building and to terminate the lease. Mr. Evers seconded the opinion.

Mr. Torres repeated that SG's opinion that the Board gain control of the building so that future uses, development, etc. are firmly in the Board's control.

Mr. Farrell stated that the Yacht Club will always have a home down at the harbor, exactly where is unknown.

Mr. Podolsky spoke that the purpose is to re-develop the lakefront to bring service to the boaters. Mr. Podolsky stated that he is for the motion that is currently under discussion so as to move forward, he does not believe that 30 days will result in a vendor renovating and opening on September 1st. Mr. Podolsky is for voting in favor of the motion under consideration. SG should go back to the Yacht Club and find out who they have, and see if it will even be feasible, if not here is the 180-day notice and be done with it.

Mr. Farrell mentioned his own concerns regarding the timeline as he wants to see something in place by spring.

Mr. Evers clarified that the consultant is Siegel Gallagher that has been referred to in these discussions, Mr. Farrell confirmed this to be true. The document that was distributed is part of the lease with the WYC, Section #38. Mr. Evers asked for the remaining term of the lease with WYC, which is less than 4 years left.

Mr. Melius stated that he would be disappointed if the Board gained control of the building and they were unable to get food service established again in the future at this location. Mr. Melius also stated that he was somewhat bewildered at the tight timeline for the proposed WYC, though he would like to see a priority of the Board to work with WYC, if this would be feasible. Mr. Melius believes that this is viable with the term of the lease, if the WYC has a feasible vendor.

Mr. Farrell voiced his concerns that the timeline is not obtainable.

Mr. Podolsky wanted to remind the Board members of the worth of the real estate that is being discussed. The Board should vote yes as to secure the District's position as a part of the process and not an afterthought, in order to help bring about the change that is desired to redeveloping the entire harbor.

Ms. Sivia spoke that this vendor wanted to open in the spring, but the WYC is pushing for earlier. Ms. Sivia also stated that though the WYC has 40 members, prior to being encouraged by this Board to enter into the last agreement for food service, the WYC had over 100 members. Ms. Sivia maintains that the WYC lost over 60 members due to the club being closed all the time and the poor food service that was provided from that agreement.

Ms. Sivia also addressed that the WYC never struggled in paying their rent. Mr. Farrell clarified that the WYC just asked last month that the Board enact a rent moratorium for the WYC.

Ms. Sivia mentioned that the WYC is in talks with another yacht club to merge, along with this new vendor to open the restaurant, to grow to 80 members. There is a meeting the next evening with the Joseph Conrad Yacht Community, a polish community.

Ms. Sivia concluded that the WYC still believes the building is theirs and have legal counsel opinion stating so.

Mr. Farrell called for the vote. Mr. Ever's asked for clarification that the vote was to serve the 180 days' notice to the WYC.

On motion of Mr. Torres to give the WYC 180-day notice for redevelopment per Section 38 of the lease, seconded by Mr. Evers, on a roll call vote, all members present voted aye and the Chairman declared the motion carried.

Mr. Matheson spoke about of terrorism insurance first for the harbor, which at the inception of the insurance policy is when the form that the Board at the time was to have signed off on that stated that the Board did not want this insurance added to the policy. The Board at the time never did sign off on the form necessary and Brad West is going back to the insurance company to start the process so that it can be added. This add-on would run through January 30, 2017. This policy is a terrorism policy which means it has to be a certified act of terrorism and that damage exceeds \$5 million dollars in order for the policy to kick-in, what the harbor currently has is only covering ensuing fires. The premium for this policy is \$916.00 annually. This policy would cover all of the harbor, liability, floating docks, umbrella, public officials and employee practices.

Mr. Evers wanted to clarify that the Secretary -Treasurer has to certify an act of terrorism and the damage needs to exceed \$5 million dollars in order for this policy to be applicable, but if the damage does not exceed the \$5 million mark does the base policy coverage apply? Mr. Matheson stated that the base coverage would not cover an act of terrorism in answer to Mr. Evers question. Mr. Torres mentions the umbrella policy, Mr. Matheson is unsure if the umbrella policy would cover an act of terrorism, unless it is fire, which is indeed covered. Mr. Farrell wanted clarification that the Secretary-Treasurer is at the federal level, to which Mr. Matheson confirmed that the act of terrorism would indeed need to be declared an act of terrorism on a federal level.

Mr. Evers is curious as to what is and is not covered if that \$5 million threshold is not met. Mr. Matheson stated that he did not have that answer, but would find out.

Mr. Matheson moved into the terrorism insurance regarding the airport, which is classified as War, Hi-Jacking and Other Perils. This policy provides broader coverage and does not need to be a certified act of terrorism. The coverage would include all acts as stated in the title of the policy for \$1,025.00, which can be added at any point prorated through January 30, 2017. There are two pages of detailed acts that would be covered that were distributed to the Board members. There is also an exclusion form they may want to sign.

Mr. Farrell asked if loss of revenue was covered due to the government closing the airport due to an act occurring in possibly Chicago.

Mr. Podolsky stated that what Mr. Farrell was describing was more of a government seizure, which would not be covered by the insurance policy and that would probably be recouped from the government directly.

Mr. Podolsky stated that he never understood how the airport and the harbor operated without these precautionary safe guards in place for such a small amount of money such as \$2,000.00 annually.

On motion of Mr. Podolsky to approve the Terrorism Insurance Coverage not to exceed \$2,000.00 annually for both the Harbor and the Airport, subject to receiving the answers to Mr. Evers questions, seconded by Mr. Evers, on a roll call vote, all members present voted aye and the Chairman declared the motion carried.

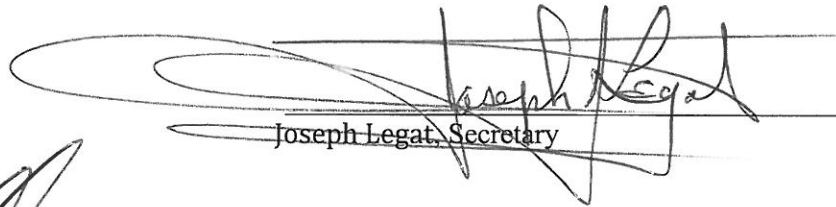
Mr. Podolsky covered Bay Marine's right to terminate. Mr. Morris pointed out that the right expired at midnight July 31st. Mr. Podolsky moved to retroactively extend the termination agreement with Bay Marine subject to terms approved by the Chairman and Counsel for the District.

Mr. Farrell asked for a second for discussion. Mr. Torres stated that maybe the extension should be 60 days instead of unspecified, which Mr. Podolsky stated was fine, in order for more of the factors, such as surveying and financing, as well as rent to be paid should there be a cancelation, to be better defined. Mr. Torres acknowledged his second under that condition. Mr. Podolsky accepted the second as amended.

The Chairman called for the vote, all members present voted aye, and the Chairman declared the motion carried.

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

The meeting adjourned at 4:06 pm.


Joseph Legat, Secretary

APPROVED:


Grant B. Farrell, Chairman