

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

September 21, 2016

**Waukegan National Airport
SRE Bldg. / Admin Bldg. – Conference Room
2601 Plane Rest Drive, Waukegan, IL**

The following Board members were present:

Grant Farrell
Gene Bach
Tom Evers
Joe Legat
Mike Melius
Jorge Torres

The following Board member was voted in via conference call:

Randy Podolsky

District Counsel Present:

Thomas Morris

Members of the Port District Staff present:

Mary McCarthy, Chief Accountant
Cathy Smith, Administrative Assistant
Terri Hatton, Slip Coordinator
Joe Seidelmann, Marina Maintenance Supervisor
John Matheson, Siegel – Gallagher
Chris Marx, Siegel – Gallagher
Skip Goss, General Manager, Airport
Gregg Pupecki, General Manager, Harbor
Mary Louise Schram, Minutes Recorder

Other Public Attendees:

Greg Larsen, Larsen Marine
Ron Hudson, Hansen Engineering
Kathy Larsen-Sivia, Waukegan Yacht Club

Call to Order

Chairman Farrell called the meeting to order at 2:01 PM.

Roll Call

Pledge of Allegiance

Approval of Remote Participation/Voting

Motion by Mr. Evers, second by Mr. Melius:
To approve remote participation for Mr. Podolsky

All members present voted aye and the Chairman declared the motion carried.

Chairman Remarks / SG Management

Chairman Farrell hoped everyone enjoyed the month of August as the Board did not meet.

The Northern Illinois Airshow was hosted at the Waukegan National Airport on Saturday, September 10, 2016. A copy of the event brochure was distributed to the meeting attendees. The event hosted 10,000 attendees with over 425 volunteers supporting the activities of the day. Peyton Metzger, event Chairman and National Director, has been invited to provide a report at the October Board meeting. Thanks and recognition to the organizations that provided support to ensure the event's success, with special mention to the Waukegan ROTC, Navy ROTC, Civil Air Patrol, and Sea Cadets. The event was a lot of work and a lot of fun.

Chairman Farrell acknowledged the effort and good work of the Airport and Harbor staff. Every other Friday, Chairman Farrell attends a management meeting at 8 AM for a project and priority review that includes objectives and timelines which he has found to be very helpful and informative. Chairman Farrell extended an offer for Board members to attend future meetings and participation will be determined on a first-come-first-serve basis. Board members are directed to coordinate their participation through Chairman Farrell as only one additional Board member may attend to remain compliant with the Open Meetings Act. The next meeting is scheduled for Friday, September 30.

Approval

- 1. July 2016 Regular Board Meeting Minutes**
- 2. July 2016 Closed Meeting Minutes**
- 3. August 2016 Special Meeting Minutes**

Motion by Mr. Torres, second by Mr. Melius:

To approve the Board minutes contained in items 1, 2, and 3 (July 2016 Regular Meeting; July 2016 Closed Meeting; August 2016 Special Meeting).

All members present voted aye and the Chairman declared the motion carried.

- 4. July 2016 check approval**

Mr. Torres asked Mary McCarthy to confirm that the descriptions correspond to the budget item line-by-line. She will check and get back to him.

Motion by Mr. Torres, second by Mr. Melius:

To approve the July 2016 checks

On a roll call vote, all members present voted aye and the Chairman declared the motion carried.

- 5. August 2016 check approval**

Mr. Torres stated that he had no questions as it was well-detailed and acknowledged Mary McCarthy for her effort in this regard.

Motion by Mr. Torres, second by Mr. Melius:

To approve the August 2016 checks

On a roll call vote, all members present voted aye and the Chairman declared the motion carried.

6. Financial Report: July 2016

Mr. Torres brought to the attention of the Board that for the Airport July outside services were at 120% of budgeted expenses and office supplies and postage were at 129% of budgeted expenses. He asked for the reasons for these overages. Mr. Goss will evaluate the reasons and report them to the Board. Mr. Torres recommended that staff hold future purchases until questions are answered.

Motion by Mr. Torres, second by Mr. Melius:
To approve the July 2016 Financial Report

On a roll call vote, all members present voted aye and the Chairman declared the motion carried.

7. Financial Report: August 2016

Mr. Torres raised the same concerns about over budget accounts and asked Mr. Goss to determine whether or not the expenses were properly allocated or overspending. Chairman Farrell requested Mr. Goss to provide the result of his evaluation to Mr. Torres and all Board members. Mr. Goss will evaluate and provide an explanation to Mr. Torres and the Board.

Motion by Mr. Torres, second by Mr. Melius:
To approve the August 2016 Financial Report

On a roll call vote, all members present voted aye and the Chairman declared the motion carried.

8. Approval of the 2015 Audited Financial Statement

Chairman Farrell noted that he would appreciate more time to review the document.

Mr. Torres stated that if the delay does not cause staff problems that he would also benefit from additional time to review and supports deferring the action on this item until the October Board meeting.

Mr. Melius also noted items in the report that required additional knowledge to understand.

Mary McCarthy will provide additional details and explanations to the Board and will be responsive to their questions as the Board reviews the document in detail.

Held over by Chairman Farrell for the October 21, 2016 Board meeting.

Airport Public Comments / Board Comments - none

Airport General Manager Remarks

Mr. Goss reported that the Airshow was a wonderful family and community event. It requires thousands of hours of work but it is worth it. The event provides really good exposure for the Airport and the staff to be recognized by the community.

Next year's Airshow is scheduled for September 9, 2017.

1. Operations/Status Report

Take-off and landing operations are up 16% year-to-date.

Flight schools had really good months in June and July, some of the best they have done over the last couple of years. Revenues are up about 2% gross.

The Airport received FAA approval to accept the after-hours operations. As a consequence and benefit, the Airport is now allowed to include the number of after hour flights in statistical reporting. Until this approval, the Airport was not allowed to report the thousands of flights that occurred after-hours. To include the after-hour flights is important because the FAA evaluates and establishes the value of airports based on the number of take-offs and landings, the number of aircraft based at this facility, and amount of fuel used. Because the after-hour security force documented the flights this year, Mr. Goss was able to get the FAA to accept this year's after hour flights retroactively into the reports. Currently, the Airport is at 44,000 flights and the goal is to reach 50,000 this year. Mr. Goss reminded the Board that this reporting change will skew the year-to-date reporting.

Fuel revenue is up 34% year-to-date even after the recent cutbacks by Baxter and Grainger.

The team is working together to meet the goal to be the best airport in the Midwest by getting the fuel up, the tenants up, and operations up. We are committed to making that happen,

Mr. Torres asked for an update on vacancies/capacity. Mr. Goss noted that one bay may be available but space is very tight. The corporate side of the airport is at 100% of capacity. There have been lost opportunities due to space constraints but the Airport staff are working on a solution. He also noted that this is a good problem to have.

2. Unfinished Business

- **Approval of the Bid Acceptance for the 5 Parcel Demo Project**

The Waukegan Port District received bids for the demo of the five (5) parcels of land with houses. Nine bids were received and reviewed for accuracy, completeness, and reasonableness by Hansen Engineering. Campanella and Sons were the low bid at \$83,000, 17% under projected costs from the engineer's estimate.

Ron Hudson from Hansen Engineering noted that Campanella and Sons are IDOT qualified which precludes the need for the Port District to independently qualify them. In addition, Campanella and Sons have done prior work for the Waukegan Port District.

Mr. Torres asked about funding. Mr. Hudson replied that this particular project does not qualify. However, state reimbursement is possible and application can be made as soon as the parcels involved meet guidelines to become eligible. It may be two years before funding for reimbursement is available.

Mr. Torres asked how the auditors would handle the documentation related to outstanding reimbursement. Mary McCarthy noted that it would likely be indicated as a receivable.

Mr. Goss is confident that Campanella and Sons will do a good job and the funds are in the land acquisition account to cover this project. He also noted the RFP is very thorough,

Discussion

Mike Melius asked about the current funds available and Mr. Goss noted that this project would take most of the funds but not deplete the funds.

Mr. Melius asked whether there is another project to consider which would deplete these funds or to bifurcate the funds to be available for a future project or land acquisition.

The Board engaged in general discussion regarding strategies that plan for future acquisitions and reimbursement related to budget. Key discussion points included:

- Process or accepting justification has changed.
- Reimbursement funds that will be available for eligible acquisitions
- Port can purchase and seek reimbursement which can take 45 days to six (6) months.
- The process would include: appraisal, negotiation, purchase price then meet with state reps to set the time table.
- Currently, no outstanding reimbursement monies are due.
- Balance in the account \$91,000
- The Port District has not received reimbursement since 2011 for other properties that were cleared.

Motion by Mr. Evers, second by Mr. Bach:

To approve the \$83,000 bid from Campanella and Sons for the 5 Parcel Demo Project

On a roll call vote, all members present voted aye and the Chairman declared the motion carried.

3. New Business – no new business

Harbor Public Comments / Board Comments – none

Harbor General Manager Remarks

Operations at the Harbor marina are gearing-up for fall breakdown and winterization.

The maintenance staff are completing an inventory as part of the preparation for the 2017 budget. This will include a review of items that may need to be replaced.

Using Constant Contact to manage communication through email for Harbor events (marketing and contacts).

Held a successful Fiesta event at the Harbor that really engaged the local community and attracted more attendees than the July 4th activities,

A poster to represent the summer activities at the Harbor will be shared with the Board at the next meeting and posted in the Harbor office.

The Aloha weekend with a Hawaiian dancers and fire dancers was a huge success.

Operations/Status Report

The end of season promotion (banner) generated thirteen (13) signed contracts, each with a \$500 non-refundable deposit for next year.

Mr. Pupecki is working on a comprehensive maintenance plan that will divide-up and assign sections of the Harbor to specific employees in an effort to cut down on labor costs, streamline inventory control, improve response time, and instill a sense of ownership by staff.

Mr. Pupecki and the architect are finalizing the scope of work document and cost projections for the marina building and Teece Building. He will update the Board at the October meeting on the progress made. He's met with contractors to obtain opinions about restoration of the Teece Building and his work takes into consideration the possible tenants interested in the building.

Mr. Pupecki will meet this week with the Army Corp. to discuss sand management and a related feasibility study. Funding for the study is still something to be worked out. The recommendation for the north side of the Harbor is to extend the north break wall and put a hook at the end of it to reduce dredging at the port mouth.

Army Corp. Washington D.C. Commander is coming to tour the property next Monday.

Recently, invited to attend the Lake County annual luncheon by their management team. It was a great event. We are partnering with Lake County to put in a visitors center at the dock.

Spoke with the Yacht Club regarding their status as they continue to look for a restaurant vendor. Will update the Board on their status at the October Board meeting. Mr. Pupecki continues to monitor the Friday, Saturday, and Sunday open hours per agreement with current owner.

Mr. Torres asked for an update on the slip occupancy and related fees.

Mr. Pupecki stated that there are 110 new boaters from last season which is a 67% increase in capacity, up from last year. The promotions run this year reduced some slip fees which resulted in a revenue loss of \$20,000 to \$23,000. He noted for comparison that the Waukegan Port slip fees were only \$100 less than North Point, so Waukegan is still in the ballpark, competitively. The Harbor is up 28 boaters from last year. The number of returning boaters increased over last year to 69% (2016) from 65% (2015). Numbers are notably up in the smaller slips.

Mr. Torres complimented the staff for increasing occupancy through their marketing and promotion strategies.

1. Unfinished Business

- **Approval of the Public Port Tariff Schedule**

Chairman Farrell requested that the names of those who worked on the Port Tariff Schedule be added to the document for historical reference.

Mr. Melius confirmed that this Schedule would replace the current schedule.

Motion by Mr. Evers, second by Mr. Melius

To approve the Public Port Tariff Schedule.

On a roll call vote, all members present voted aye and the Chairman declared the motion carried.

2. New Business

- **2017 Slip Pricing**

Mr. Pupecki noted to the Board that the proposed 2017 Slip Pricing represents a 3% increase over current pricing and the first increase since 2013. This pricing represents the base rates and does not include or represent any promotional pricing.

The proposed pricing plan is described as follows:

Paid by December 1, 2016	– 5% discount of 2017 fee
Paid before February 1, 2017	– 2% discount of 2017 fee (revenue neutral)
Paid after February 1, 2017	– 3% increase of 2016 fees

Additional detail considered when evaluating slip pricing:

- 44 slips were paid-in-full by December 2015 (out of 433 possible).
- 97% of last year's renewals were signed after February 1
- North Point Marina is under new management and they may develop an aggressive/competitive pricing program.
- Pricing was designed to maintain current tenants.

Mr. Podolsky asked about how the pricing may effect on the 13 new boaters and if they had been informed. He also asked for clarification of the grandfathered boaters.

Mr. Pupecki stated that the 13 new boaters were grandfathered under existing pricing to February 1, 2017; if they pay after February 1, they are subject to new pricing. He and staff have been informing boaters that future pricing may affect their current agreement.

Chairman Farrell noted that this was not on the agenda as an action item and requested an opinion from Mr. Morris on whether or not the Board could vote on this item at this meeting. Mr. Morris stated that the Board could vote on this item if it is the will of the Board.

Mr. Melius asked if the climate is right and if the public ready for an increase. Is 3% reasonable?

Mr. Pupecki stated that he believes so and the goal is to use the December discount as an incentive to retain and sign as many boaters as possible as early as possible.

Chairman Farrell asked Mr. Pupecki to describe the worst case for Waukegan Harbor in the current business climate?

Mr. Pupecki responded that competition from North Point may have the greatest impact, though there is some discussion about whether that will occur in 2017 or 2018, He also noted that by comparison, Waukegan Harbor offers more activities and tiered pricing,

Mr. Podolsky stated his concern that the incentive pricing which lowers fees by \$500 to regular season pricing may result in a loss of \$23,000 in revenues. He further stated that North Point may not be able to ramp up to be competitive in 2017 thus anticipating a problem that may not have an impact until 2018. Has the whole program been thought through and what are the driving numbers? Still not comfortable or convinced.

Mr. Melius ask Mr. Podolsky to provide his alternative pricing ideas.

Mr. Podolsky stated that the current proposed incentive pricing may be scheduled one year too early and that 'one-size-fits-all' pricing does not work for the Waukegan Harbor. Can pricing be differentiated or include a 'slip' component. He recommends a 3% discount not a 5% discount. He appreciates the direction but recommends more evaluation of the economic impact.

Mr. Bach requested an analysis of the various alternatives with further exploration of the variables that would affect the revenues by SG Management.

John Matheson, SG Management, stated that Randy has some points that are good. Mr. Matheson recommended that Chris Marks, who is familiar with price sensitivity in the area, delve in a little deeper to help in the understanding and discussion.

Mr. Melius commented that he appreciated Mr. Podolsky' s recommendations and that he like Randy's suggestion that a 3% incentive results in no net loss as compared to the 5% incentive.

The Board quickly round tabled their thoughts on pricing and the variables that were shared within this agenda item.

Chairman Farrell held over the agenda item for action at the October Board meeting, noting that if the staff needed approval prior to that meeting that he would call a special Board meeting.

Mr. Podolsky suggested alternative processes for approval other than a special meeting, such as delegating authority to a Board member to act on behalf of the Board.

Chairman Farrell noted that slip pricing is a topic that the Board has always weighed-in on and that there is often diversity of opinion. It is his recommendation that Board members take time to think it through, do the math, and support the final product. It is very important to the success of the Port District to participate in the evaluation.

Mr. Melius asked if the delay would put a burden on staff.

Mr. Pupecki responded that no, no downside as long as a decision could be made at the October Board meeting.

Mr. Morris stated that staff could generate the numbers and run it by Mr. Farrell, who could contact the Board members with the proposal, get an indication that they would support it, and then ratify it at the October meeting. This could be coordinated so that all are involved in the process rather than delegating it to one person.

Closed Session at 3:05 PM

- **Personnel Matters To 5 ILCS 120/2 (c) (1)**
- **Property Matters To 5 ILCS 120/2(c)(6) and threatened litigation 5 ILCS 120/2(c)(11)**

Motion by Mr. Torres, second by Mr. Legat:
To move to closed session for the purpose of discussion related to personnel, property matters,
and threatened litigation.

On a roll call vote, all members present voted aye and the Chairman declared the motion carried.

Open Session at 3:56 PM

Reconvened into Open Session at 3:56 PM.

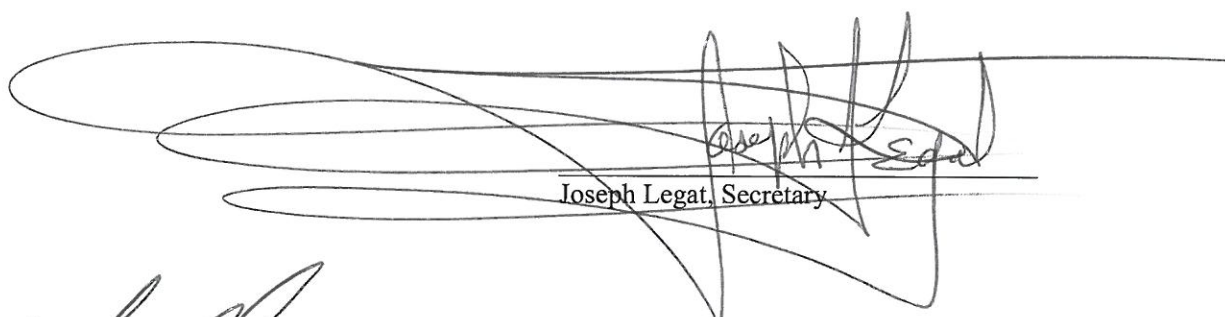
Roll Call: All Board members present with Mr. Podolsky continuing via remote participation (phone).

Adjournment

Motion by Mr. Evers, second by Mr. Melius:
To adjourn

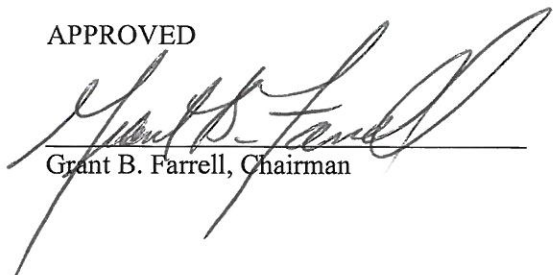
All members present voted aye and the Chairman declared the motion carried.

Meeting adjourned at 3:57 PM



Joseph Legat, Secretary

APPROVED



Grant B. Farrell, Chairman