

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

January 18, 2017

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

The following Board members were present:

Grant Farrell
Tom Evers
Joe Legat
Mike Melius
Jorge Torres

The following Board member was voted in via conference call:

Randy Podolsky

The following Board member was absent:

Gene Bach

District Counsel Absent:

Thomas Morris

Members of the Port District Staff present:

Don Cento, Siegel-Gallagher, CFO/COO
Chris Marx, Siegel-Gallagher, VP of Marina
Phil Cook, Siegel-Gallagher, Mgr. Marina Accounting
Skip Goss, General Manager, Airport
Barney Baker, Airport Maintenance Supervisor
Gregg Pupecki, General Manager, Harbor
Mary McCarthy, Staff Accountant
Cathy Smith, Administrative Assistant
Mary Louise Schram, Administrative Assistant

Other Public Attendees:

Greg Weykamp, Edgewater Resources
Suzanne Fromson, Edgewater Resources
Brad West, West Insurance Agency
Brent Jones, West Insurance Agency
Alderman David Villalobos, 4th Ward, City of Waukegan
Jim Hellquist, Waukegan Yacht Club

Call to Order

Chairman Farrell called the meeting to order at 2:00 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 Remarks

Chairman Farrell stated that if there were no objection, the order of today's agenda would be modified to place Public Comments after the Chairman and SG Management remarks and before items in the Approval section of the agenda as a member of the public would like to address the Board regarding an approval item.

The Board had no objection to the requested change to the order of business on the agenda.

Chairman Farrell continued with his general remarks, noting the number of meetings required over the last month, including those related to the Bay Marine project, the general manager's meetings on Fridays, and continuing activity with the Lake County Forest Preserve District (LCFPD).

- The general manager's meeting held on Friday will move from a 9:00 AM start to a 10:00 AM start.
- Chairman Farrell and Mr. Goss attended the LCFPD Planning Committee meeting and it was a very productive meeting. Mr. Goss and Mr. Evers will provide more details during the Airport General Manager remarks.
- Chairman Farrell attended the Waukegan Greater Development Council Planning Meeting last week where the group shared their master plan.

Both general managers worked with Chairman Farrell to update the project report format to improve readability and reliability of the information. The new report will contain name of the project, pending items, ownership, timeline, and completion date. Board members will receive the report in the new format at next month's meeting.

Chairman Farrell welcomed 4th Ward Alderman David Villalobos to the meeting and noted that Alderman Villalobos' ward includes the Harbor area and west, almost to Lewis Ave.

SG Management Remarks - none

Public Comments

Chairman Farrell opened the meeting to public comments and recognized Brad West of West Insurance Agency to speak to the Board.

Mr. Brad West thanked the Chairman and introduced himself noting that West Insurance has locations in both Waukegan and Gurnee. The concern he brings to the Board is that last year's bid process and award (for 2016 contract) was controversial and the Waukegan Port District committed to improving the process; yet, he finds that the process for the 2017 contract is still messy and controversial. Mr. West provided a brief summary of the agency's experience during the 2017 insurance bid to illustrate his concerns.

Mr. West noted that the WPD staff began the request for bid process one month earlier than the prior year for 2016 contract in an effort to provide more lead time for vendors and to place the Committee's contract award recommendation on the December 2016 Board agenda. West Insurance Agency responded to the bid request and met the Committee's deadline to receive bids. The WPD Committee included Mr. Goss, Mr. Pupecki, and Mr. Marx. Mr. West did not attend the December 2016 Board meeting but was informed after that Board meeting (12/21/2016) that the recommendation of the Committee to the Board was to award the insurance renewal contract to West Insurance Agency with the Board approval of the contract scheduled for the January 18, 2017 Board meeting. Mr. West made a follow-up call to Mr. Goss on January 18, 2017 and was told that WPD was not recommending the contract renewal to West Insurance Agency, but to the other insurance agency that submitted a bid. Noting that the other agency requested additional time to submit a revised bid after the bid close date and after the Committee recommendation. Mr. West stated his objection that the WPD allowed the other agency additional time to submit a second bid, noting that his office was not notified or given an equal opportunity to review and submit a second competitive bid. It is Mr. West's opinion that West Insurance Agency was compliant to the bid process and feels that the second bid process was non-compliant. Mr. West restated that it was his understanding that the 2017 bid process was initiated earlier this year to avoid/prevent the type of confusion seen in awarding the 2016 contract. The 2017 bid process has left all participants with the same quandary as last year—a recommendation for West Insurance Agency and an attempt after the bid process to change the recommendation. Mr. West added that West Insurance Agency has a 57-year commitment and knowledge of the Waukegan Port District, his quote this year is 11% less than last year, and there is a less than 1% difference between the premiums of the two agency bids.

Chairman Farrell thanked Mr. West for his comments

Approval

1. December 2016 Regular Board Meeting Minutes

Motion by Mr. Melius, second by Mr. Legat:
To approve the December 2016 regular board minutes.

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

2. December 2016 Closed Meeting Minutes

Motion by Mr. Evers, second by Mr. Melius:
To approve the December 2016 closed meeting minutes.

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

3. December 2016 Check Approval

Mr. Torres reviewed the report and requested clarity on miscellaneous Airport revenue of 42K for December 2016.

Mr. Goss responded that the \$42K represents the payment from the FBO for their portion of the ramp that was completed. In the future, the budget will have a separate line item for Airport projects to keep everything identified specifically as the term miscellaneous does not communicate the detail needed by the Board members.

Mr. Torres observed that though the amount budgeted for Airport office supplies is minimum, the account is 47% over budget and the expenses are 78% over for the membership and conference budget. He requested that staff monitor and bring items that would take the account over budget to the Board's attention before making a spending commitment.

Mr. Torres had no questions regarding the Harbor expenses for the month. He thanked Ms. McCarthy for providing additional detail to the expenses to provide clarity. Mr. Torres noted that the expenses for legal fees are high but within reason given the activity at the Harbor.

Mr. Podolsky reminded the Board that Chairman Farrell and he review every invoice related to the Harbor to ensure that they are acceptable, reasonable, and meet expectations.

Chairman Farrell indicated that he would like the Board and staff to consider a summer project, perhaps with an intern or paralegal, to assist and identify methods to improve invoice to project monitoring in an effort to reduce billing costs.

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

To approve the December 2016 check approval as presented to the Board.

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

4. December 2016 Financial Report

Mr. Torres had no questions regarding the financial report.

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

To approve the December 2016 financial report.

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

5. Capital Budget for Harbor and Airport

Chairman Farrell handed out the capital budget document, which Board members had already seen. He asked both general managers if last year's (2016) carryovers that were identified on the report.

Mr. Pupecki and Mr. Goss noted that each had added a carryover item.

Mr. Podolsky requested a copy of the handout via email and Ms. Smith will send it to him.

Chairman Farrell noted that the carryover dollars were not added to the total line for 2017 and requested that carryover dollars be added. Chairman Farrell reminded the Board that the list represents items needed but that as needs change or vary through the year, the monies may not all be requested or spent. He would like an approval so the general managers can begin moving forward on some of these items.

Mr. Torres asked for verification that this is a proposed capital budget and that each item listed on the capital budget will come before the Board with requisite documentation and bids.

Chairman Farrell stated that these items will come before the Board and with the requisite proposals, bids and if an RFP if needed, that they will be presented.

Motion by Mr. Evers, second by Mr. Torres:
To approve the Capital Budget as proposed.

Discussion:

Mr. Melius questioned whether the WPD needs a vote on the capital budget if each item independently comes before the Board for approval. It is good to have the document for informational purposes, but why does it required an action from the Board today?

Chairman Farrell acknowledged it was a good question and that he was unable to answer the question.

Mr. Podolsky agreed with Mr. Melius that no action to approve the capital budget is needed.

Motion withdrawn by Mr. Evers.

6. Property and Casualty Insurance for Waukegan Port District

Chairman Farrell recognized Chris Marx to present to the Board.

Mr. Marx noted that at the last Board meeting, two summary proposals for insurance were presented to the Board. The two bidders were West Insurance Agency (West) and Wirtz Insurance Agency (Wirtz) and both met the December 12, 2016 request for proposal due date. Upon review of the bids, West Insurance Agency premium was \$20K less than the premium offered by Wirtz Insurance Agency. The Committee recommended to the Board at the December 21, 2016, Board meeting that West Insurance Agency be awarded the insurance contract for 2017.

Mr. Marx continued his comments stating that after the December Board meeting, the Committee went back to Wirtz and requested that they research and identify their variances in premium costs so he can then to bring that information back to the Committee. Wirtz complied and provided a new bid that was approximately \$1,100 less than the West bid submitted on December 12, 2016 and approximately \$21,000 less than their initial December 12, 2016 bid. Mr. Marx noted that Wirtz' communication and level of detail were very helpful to the Committee given the complicated scope of the coverage requested. Mr. Marx stated frankly, that it was the Committee's opinion that Wirtz earned the business for 2017. The Committee would like to recommend to the Board that the insurance contract for 2017, be awarded to Wirtz Insurance Agency.

Chairman Farrell added that the Committee passed the bids through Siegel-Gallagher's third party insurance broker to independently review both base-service proposals (the first bid by West and the second bid by Wirtz). The review did not include the fuel storage tank endorsement (rider).

Mr. Torres provided an overview of the process for clarity and requested to be corrected if he in any way misrepresented the process:

- Request for bids were sent out
- Two bidders responded and met the deadline set by WPD
- WPD accepted what they delivered
- WPD Committee made a recommendation to the Board at the December 19th Board meeting that was based on the two bids received on December 12, 2016
- After the December 2016 board meeting, the Committee made an exception and asked only one of the vendors to submit a revised bid

Chris Marks acknowledged the process laid out by Mr. Torres and responded by stating that the Committee thought that the \$20,000 variance was large and that they wanted Wirtz to identify the differences between the two quotes

Mr. Torres stated clearly that he had a problem with the process followed by the Committee after the last Board meeting.

Mr. Legat stated that in his opinion the second bid submitted by Wirtz should be considered non-responsive to the bid process and not considered.

Mr. Evers stated that he was also concerned with the integrity of the process. If there had been a fundamental lack of understanding by both parties and had both parties been provided equal opportunity based upon some change, then he could see the need for a second bid. To go back and ask just one bidder to justify or explain the difference and then allow them to rebid is unacceptable. He agreed with Mr. Torres that it puts the whole process in jeopardy.

Mr. Torres added that the jeopardy applies not only to this process but to future projects and bids as well.

Mr. Podolsky asked to comment and ask a question. He stated for the record that he stayed out of the bid process 100% until the last 30 days. He noted that the Board did not approve the contract at the last meeting and referenced Mr. Goss' statement at the last Board meeting, "Based on the information we have at this time, we recommend..." Mr. Podolsky went on to share that it was explained to Chairman Ferrell and him after the last Board meeting that Wirtz' bid was higher because they were locked-out of the underground fuel storage tank bidding because West Insurance had gotten to the underwriter, first. Because of this, it is Mr. Podolsky's understanding that Mr. Goss went back to Wirtz Insurance and asked, "If you were not locked-out of certain markets, how would that have affected your bid?" Mr. Podolsky went on to say that he has heard Mr. Goss state several times at their meetings that the level of detail and attention of the responses by Wirtz has exceeded that of the other bidder. It is Mr. Podolsky's opinion that while responsiveness does not give Wirtz the business this review process has allowed Wirtz an apples-to-apples opportunity. Mr. Podolsky then asked Mr. Goss if he was misstating.

Mr. Goss replied, "No, that is correct."

Mr. Torres strongly disagreed with Mr. Podolsky's characterization that a second bid for one bidder improved the process and provided an apples-to-apples opportunity and comparison of bids.

Mr. Torres shared his recollection, and noted that the December Board minutes confirm, that the Board voted on the recommendation to approve West's bid and that after the vote he specifically directed Mr. Goss to let Wirtz know that they were not selected and to thank them for their time and effort.

Mr. Evers added that in the December minutes the topic was characterized as he (Mr. Evers) asked if the quotes were based on an apple-to-apples comparison and the answer given by Mr. Goss was, 'Yes.' Then, the Board minutes show that Mr. Torres requested that WPD send a letter to Wirtz thanking them for their time and consideration and Mr. Goss responded that he had already done that. Mr. Evers left the last meeting thinking that WPD was going in a particular direction based upon the recommendation and the parameters of the bid process.

Mr. Torres stated that was his understanding, also, which is why he disagrees with Mr. Podolsky's position at today's meeting.

Mr. Podolsky stated that he was not saying that anyone's recollection from last month is right or wrong, compared to his own. Mr. Podolsky stated that the questionable bid process and taking a 'second bite at the apple' is not necessarily, as it is being reflected today. He has no axe to grind; he just wants to make sure that the Board does what is best for the District. From his perspective, while he respects West's long relationship with the District, it appears that West's pricing improved dramatically when the bid process became competitive, noting significant reductions in premium rates last year and this year. He is not recommending which way the Board should vote. He just wants the Board to recognize that the District has benefitted in the scope of coverage and pricing which is primarily due to the competitive bidding practice that he brought to the process. Mr. Podolsky believes that the more competitive, better-priced insurance coverage is because the District has put some pressure on the bidding process.

Mr. Evers acknowledged that the open competitive bidding process has benefited the WPD and, for that, he appreciates Mr. Podolsky's efforts. But the way this bid process played out after the last Board meeting, the mere optics of allowing one bidder to resubmit without granting the other bidder the same opportunity, casts doubt on the process.

Mr. Podolsky stated that he agreed with Mr. Evers's perception and then recommended that the Board give each bidder another seven days to return with their most competitive bid and that bid would be apples-to-apples comparison. It is Mr. Podolsky's opinion that the WPD should pick the best-qualified bidder while realizing that selection is not always about the price. Mr. Podolsky noted that the \$1,100 difference in premium cost might offset by the customer service offered by Wirtz. He reminded the Board that Siegel-Gallagher made the recommendation so he believes the Board should follow their guidance, rebid the insurance, and make an informed decision on an untainted process.

Mr. Legat asked if WPD had historically received competitive bids.

Chairman Farrell stated that the WPD implemented a competitive bid process within the last year or so and that he is unclear on the process prior to his tenure on the Board.

Mr. Podolsky added his recollection that last year is the first year of competitive bids.

Chairman Farrell stated that the WPD started going out for bid when he began as Chairman, noting that it seems that the WPD always has their back against the wall when it comes to insurance renewal. He noted that perhaps the insurance renewal process needs to begin in July for the following year.

Chairman Farrell asked if the Board was ready to rebid, award, or continue discussion.

Mr. Melius stated that it was his opinion that the 7-day review does not cleanse the process, especially since each party would know the numbers of the other. He added that he could understand that it may benefit the WPD financially but it does not benefit the process.

Chairman Farrell stated that the board needed to come up with a motion.

Mr. Podolsky stated that he was confused, as some Board members believe that the process was tainted and yet the Board does not want to give both bidders a chance to rebid and essentially are ignoring the recommendation of Siegel-Gallagher. Regardless, the District is going to award this contract. If each party gets to bid again, WPD will benefit and the program is already defined. Mr. Podolsky stated that the Board ignoring the recommendations of staff and the management guidance from Siegel-Gallagher troubled him. Should the Board be asking more questions of staff and their reasons for recommending Wirtz over West?

Mr. Evers clarified his earlier comment about the process appearing to be tainted, noting that his concerns began when he received the memo from Mr. Goss dated January 17, 2017, with the revised recommendation. It is his opinion that the process followed by the Committee from last Fall through to the December 18, 2016 Board meeting was fine, in that a bid process had been established, there were deadlines which both bidders met, and the staff reviewed the two proposals and made a recommendation. Mr. Evers stated that he left the last Board meeting feeling good about the process and direction of the District. His issue is with the activities that occurred after the December meeting, specifically allowing one agency to review, rework, and resubmit a second bid and not the other. Mr. Evers stated clearly that the process that occurred after the last Board is where he has a problem. Mr. Evers is willing to go back to the recommendation from the last Board meeting and follow the original process and timeline for the bid.

Mr. Torres stated that he would only consider the recommendation presented by staff at the last Board meeting.

Chairman Farrell clarified that the Board did not approve the contract at the last Board meeting, the Board accepted the recommendation of the staff at the last meeting and the approval was scheduled for the next (this) Board meeting.

Mr. Podolsky stated that technically that is true as the item was not on the agenda for approval last month.

Mr. Torres added that while technically true, the intent of the board was to accept the recommendation for approval on the January 2017 Board agenda.

Chairman Farrell called for a motion.

Motion by Mr. Torres, second by Mr. Evers:
To approve West Insurance Agency's bid for 2017 Property and Casualty Insurance for the Waukegan Port District.

Discussion:

Mr. Melius stated that it would appear that staff made the recommendation at the December Board meeting because of the large difference in premium rates after the first bid. Apparently, in his opinion, the staff made the recommendation for West because their quote was quite a bit lower than the quote from Wirtz. Staff went back to Wirtz and asked for better/reworked numbers, but that is a problem. Mr. Melius understands what Mr. Podolsky is presenting and appreciates all the work staff has done, noting that all of this work will be even more helpful as WPD enters the next bidding process. Nevertheless, for right now, Mr. Melius believes the Board should follow the recommendation given by staff after the first bid.

Mr. Legat stated that he endorses Mr. Melius' comments and believes the Board should direct the contract for 2017 Insurance to West.

Mr. Podolsky asked Chairman Farrell whether he thought Corporation Counsel should weigh-in on this topic but then answered his own question by stating probably not as the Board members seem clear in their direction of this topic. Mr. Podolsky again stated his concern that Board members did not fully understand his concern about an agent being locked out of a bidding process.

Mr. Melius then responded by asking if Wirtz cannot bid because they were locked out, then why are they bidding? He also noted that this could not be the only condition that made their first bid significantly higher.

Mr. Podolsky disagrees with the definitions of rebidding that have been discussed. He described the insurance industry anomaly related to fuel storage tank insurance, as follows: The underwriter of the fuel storage tank insurance will provide a bid only to the agent that represents or has a signed letter to represent the government agency requesting the coverage. In this year's process, West Insurance was the insurance agent of record and the only agent authorized to obtain a bid for the fuel tank coverage.

Mr. Evers requested that Chairman Farrell allow staff to comment on this topic. Chairman Farrell recognized Mr. Goss.

Mr. Goss stated Wirtz Insurance Agency was late to the process. WPD did not have a standardized RFP for this bid process and, because there was no standardization, Wirtz had less background and knowledge to respond to the bid request. Staff made their recommendation based on the proposals submitted by the deadline date. Wirtz responded to the thank-you letter by contacting Mr. Goss and stating that if they had only had a little more time to do additional discovery that perhaps they could have been more competitive. Mr. Goss responded by inviting representatives from Wirtz to meet with staff where they provided additional information and discovery. Mr. Goss can see now where perhaps that does not provide a level playing field to all bidders. Mr. Goss noted that by going through the discovery process with the Wirtz representative benefitted staff by providing specific knowledge to a group that are not insurance experts. For example, Wirtz wondered why the Board needed a \$10M liability policy. WPD staff could not answer that question directly, so Wirtz researched the benchmark for that coverage and shared that process and information with the WPD staff. Mr. Goss stated that this was very informative and helpful to the staff. Mr. Goss acknowledged that it would have been helpful if staff had prepared differently before they entered the process and had written a standardized RFP with the knowledge that they have gained through this process. A residual benefit for the WPD staff is that they will be able to use the knowledge and information that was gained during this year's process to be more clear and directive for the 2018 Insurance RFP. The Committee learned a lot and it was primarily due to the engagement with the Wirtz representative after the RFP closed.

Mr. Podolsky ask for clarification of the date given to both agencies for the initial RFP.

Mr. Goss responded by stating that the deadline date of December 12, 2016, was clearly given to both insurance agencies that responded to the RFP.

Mr. Evers verified by confirming with Mr. Goss that the deadline date was clearly given to both vendors who responded to the RFP. Mr. Evers stated that this discussion is less about whether West or Wirtz are selected and more about the process that was laid out and followed and both parties were given the deadline to respond. To Mr. Podolsky and Chairman Farrell's credit, this agency has

implemented major improvements by following an RFP process and putting everything out for competitive bid. The WPD staff is still climbing the learning curve to be good at it and we have learned a lot through this process. Next year we will start it earlier and be more educated and smarter about it. To be simplistic, there was a process and deadline--and that is it. As an entity to move forward we must exhibit quality and integrity and we cannot be, changing the rules of the game midstream or after it is over.

Mr. Podolsky responded that it is the Board's right and obligation to change deadlines when there is more information to be obtained. He runs into this in the real estate business and other public entities frequently. His experience is that people can receive the information and then unilaterally change a deadline or criteria. Yes, it is true that West did not get the information from us and they did not get to provide a second response to the bid, shame on us. However, Mr. Podolsky does not agree with the concept that a date is a date, and that is that.

Mr. Evers responded to Mr. Podolsky's comments by stating that he appreciates the need to make the best decision with the most information. The problem with this situation is that the option was given to one bidder and not the other. Mr. Evers agrees with Mr. Melius when he says the Board is now in a position of ping-pong if the Board decides to ask for a rebid in 7-days. Mr. Evers does not think that the 7-day option corrects the problem.

Mr. Podolsky stated that he stands behind his statement and thinks the Board is making the wrong choice by voting on this agenda item today.

Chairman Farrell called for the vote.

On a roll call vote, members present voted as follows:
Aye: Mr. Evers, Mr. Legat, Mr. Melius, Mr. Torres (4)
Nay: Chairman Farrell, Mr. Podolsky (2)

The Chairman declared the motion carried with four aye votes and two nay votes.

Chairman Farrell requested staff provide the information about the insurance practice as related to endorsements (riders) and how an agency is 'locked-out' to help him understand and know more about it before this process begins again for next year. Mr. Goss and Mr. Marx stated that they would provide the information to him.

7. Elect Officer for Secretary and Treasurer

Chairman Farrell noted the handout in the Board packet. The Chair is elected for a three-year term and the Secretary and Treasurer are each elected to a one-year term. Of note, it is not required that the Secretary or Treasurer role be filled by a Board member, but it is, in his opinion, preferred.

Chairman Farrell would like to establish that the Secretary and Treasurer's positions be filled in December of each year. He also wants to review the by-laws to determine if these positions can become two-year terms.

Chairman Farrell nominated Jorge Torres for Treasurer
Mr. Evers seconded the nomination.
Mr. Torres accepted the nomination

All members present voted aye and the Chairman acknowledged the office holder.

Chairman Farrell nominated Joe Legat for Secretary
Mr. Torres seconded the nomination.
Mr. Legat accepted the nomination

All members present voted aye and the Chairman acknowledged the office holder.

Airport Public Comments - none

Airport Board Comments - none

Airport General Manager Remarks

Operations/Status Report

Mr. Goss reported that December fuel is down 12% for the same period as last year. The year-end totals from 2015 to 2016 were down 2%. Baxter fuel usage is down 17% because they lost an airplane. Others are up an average of 20%. FBO is down 20% over the same period as last year. The team is trying to analyze the reasons for this. The Airport has the third-highest fuel cost in the state. FBO has a monopoly and that may be chasing business away.

Flight operation numbers for December were down, as a result of three weekends with snow. The total from 2015 to 2016 was up 10%. Operations over the last two decades were presented. Waukegan is hanging in there with Kenosha with a slight uptick. After September 2001, the trend climbs and it picks up slightly after 2008. The Airport team is doing a lot to try to increase activity.

Customs activity is relatively flat. The last quarter was way down and staff is uncertain as to the reason. However, over the last seven years, activity has been steady. The airport has limited capacity, which, in turn, affects growth.

Year-end revenue earnings closed at \$1.2M to \$1.3M. Expenses closed at about \$855K.

Barney Baker and his crew have done a great job maintaining the runways this winter. In December, there were three weeks in a row with snowstorms. The latest bout of ice storms are challenging as treating ice is very expensive and hazardous.

Demolition of the properties were visually presented on the slideshow with Mr. Goss noting that the three structures in deplorable condition are gone. There was no time to grade or seed the property, so that work will be completed in the spring. It looks great and the neighbors are happy. There is one property on the bottom of the picture on the slide that is near the woods that still needs some work to be completed. By spring the work will be completed and the site will look beautiful

The Airport is in the process of trying to acquire the street as identified on the slide. The houses have Beach Park addresses but the street is Waukegan property. Ms. Smith and Mr. Goss made a presentation to the Waukegan Planning and Zoning Board and the City of Waukegan agreed to vacate the street. The land transfer is under judicial review. When finalized, the street will be vacated and ownership transferred to WPD. The cost for WPD to take ownership of this property is \$0.

Chairman Farrell noted an area of buckthorns and asked Mr. Goss for it to be cleared out.

Mr. Goss shared with millions of dollars of airplanes and facilities near this area; it needs to secure. WPD will improve the property by making it a grassy area and putting up fencing.

Mr. Goss showed the preliminary diagram of the border protection/customs building. The initial recommendation was for a 4000 square foot facility. After review and discussions with WPD, the proposed building has been reduced to a 3000 square foot facility. WPD believes the diagram represents what is needed and is ready for approval and WPD should hear back from the FAA in the next couple of weeks. After the approval, WPD will produce renderings and 3D drawings to continue the review process and invite Baxter, Abbott, AbbVie, and others, to comment, make suggestions in hopes for financially support of the project.

The 25-year-old ARFF engine requires \$45,000 to repair and has been down for the last four months. Currently, the Airport has an ARFF on loan. The unit is not in good repair but it allows the airport to say that there is an ARFF on the field. One of the reasons an ARFF unit is needed is that some flyers will not land on the field if an ARFF is not available. Boeing heard that the ARFF equipment was substandard to meet their requirements, so they will not use the Airport until an ARFF unit that meets their standards is available. It is not unusual for pilots to take this equipment and its reliability very seriously. Many foreign operators will not land here. Everyone knows we need this equipment. The ideal solution is to purchase a new ARFF at a cost of \$850,000. Obviously, that is a lot of money so staff is working on a short-term solution to get the current ARFF fixed and on the field. Meanwhile, staff is also trying to find funding to purchase a modern useful vehicle. Chairman Farrell and Mr. Goss met with the Waukegan Fire Chief this morning to discuss this need.

2017 Airport Goals

- New Runway
- Comprehensive Plan to Increase Revenue Generation
- Operational Excellence

Mr. Goss reported that Tom Evers drafted a packet (cover letter and backup data) to go to Lake County Forest Preserve District. The packet was very specific in identifying how the WPD wanted to achieve in cooperation with LCFPD. The documentation was well received by LCFPD, who noted that this was the very first time they have ever received a written proposal from the Waukegan Port District. Mr. Goss and Chairman Farrell were invited to a LDFPD Planning Committee meeting to present in early January where they presented WPD's proposal. The reception was very positive and the meeting had good outcomes. LCFPD and WPD will continue to engage in the process, answer each other's questions, and continue to develop the relationship. Chairman Farrell added that LCFPD is aware of the FAA timeline and the importance to the proposed project. Mr. Goss agreed that both groups are committed to keeping the process moving forward.

Chairman Farrell noted that LCFPD was unaware that the WPD does not receive local tax dollars, only federal dollars. This may be the biggest misperception or lack of understanding of the county residents and their representatives.

Mr. Goss said it is very important that WPD create a campaign to introduce the Airport and Harbor to the communities across the county. Many think that the Port District is a taxing body-- but it is not. One of the Airport goals this year is to educate people on the significance of having an airport and the benefits that the Airport provides.

Chairman Farrell added that during the meeting with LCFPD he and Mr. Goss were surprised to learn that many people still think that the WPD board is comprised of airport users. Chairman Farrell corrected that misunderstanding.

Mister Evers confirmed that the conversations with LCFPD are ongoing and productive, noting his appreciation of everyone's effort and cooperation.

Chairman Farrell noted there was a weekend where Chicago Executive Airport closed due to weather and Waukegan Airport remained open. He commended the Waukegan airport crew for being able to maintain an open airport under such adverse conditions. Mr. Goss noted that winter operations crew at the Waukegan airport has an outstanding reputation and acknowledged Mr. Baker and his crew for their exceptional work.

Chairman Farrell thanked the Airport crew for their outstanding work.

Chairman Farrell reminded the Board that the Airport would be hosting the annual state of the airport address for tenants next Wednesday, January 25th at 10 a.m. at the Airport to provide updates on Airport operations and future improvement projects.

New Business - none

Harbor Public Comments - none

Harbor Board Comments - none

Harbor General Manager Remarks

1. Operations/Status Report

Mr. Pupecki displayed the slideshow of Harbor activities presented at the recent Chicago Boat Show while he presented his report.

Mr. Pupecki report that a 2017 Harbor calendar of events will be posted on social media, the web site calendar, and distributed as a handout at upcoming boat shows. A video of 2016 Harbor activities and events will be distributed at boats shows and at the Harbor Festival. In addition, Mr. Pupecki designed a new boat show booth display. The new booth design will decrease the setup and teardown time for the exhibit to make it easier to participate in more events.

The Chicago Boat Show ran from January 11 – 15, 2017. The staff used Facebook live to broadcast from the show floor. Board members are encouraged to visit the Harbor Facebook page to view the postings in response to the activity. The promotion to draw attention and interest to Waukegan Harbor included giveaways of complementary weekend stay packages and free slip for 2017; and the winners were announced on Facebook. The promotion generated over 70 new strong contacts and many potential customers. Harbor staff sold four slips at the Boat Show, all of which were paid-in-full. People who visited the booth also showed a strong interest in launch ramp and transit slip facilities. Many of the current boaters who visited the booth while at the Show shared their excitement for the events and activities planned for 2017.

Staff is currently working the leads obtained from the Boat Show, as next month is critical to develop and close sales. Staff is laser-focused on sales.

The Waukegan Harbor staff will manage a booth at the Milwaukee Boat Show, which is to be held January 20 – 29, 2017. Board members interested in attending can obtain two-for-one discounted tickets from the marina office.

Mr. Pupecki stated that the winners of the weekend stay prizes, have been contacted and he is generating press interest to announce the free slip giveaway.

Mr. Pupecki reported that year-to-date boat slip revenue is up, with 363 new boaters compared to 15 for the same period last year. There are 343 slips sold for 2017 as compared to 322 slips sold in 2016. There are 46 boaters not returning in 2017, with the majority stating that they are selling or have sold their boats and/or they are moving out of state.

Mr. Pupecki reported that winter maintenance continues with Harbor staff repairing work barges and cleaning hulls. New tires were installed on the security truck.

Mr. Pupecki stated that he would be meeting with Grainger representatives to review housekeeping supplies and related costs for 2017. In addition, Grainger will assist staff by identifying the products that meet government contract guidelines for purchase by WPD.

Mr. Pupecki has met with Edgewater Resources to participate in the development of the master plan for the Harbor.

Mr. Pupecki stated that he has developed a template for RFP's for Harbor related purchases.

Mr. Pupecki reported that he contacted fuel distributors for 2017 pricing, and to discuss the cost of the new signage at the fuel dock. The goal of improved signage is to advertise pricing and promote the many activities, events, and resources available at the Harbor.

Mr. Pupecki met last week with Akzo Nobel representatives to discuss a cost-sharing landscaping plan with improvements along the fence line. Akzo Nobel will complete their analysis of how to mitigate the fumes from their facility that affect the Harbor. Akzo Nobel anticipates that the report will be completed and ready to present within the next month. Mr. Pupecki is also working with Akzo Nobel to identify internet access points (hardwired with fiber optics).

Mr. Pupecki stated that he is developing a grant snapshot report that will highlight grant opportunities, process, status, and expenses. The report will identify grants that have been applied for and wish list grants with related dates and relevant information. Mr. Pupecki indicated that the report is designed to be a tool and tracking method for matching grants, also.

Mr. Pupecki reported that there has been preliminary activity related to the design bid for the Harbor buildings. During his meeting with WB Olson, they noted that they are a design-build firm and could assist fully from start to finish with this type of project.

Chairman Farrell requested an update on the application for 50/50 grant for environmental lighting.

Mr. Pupecki stated the WPD applied for the grant in December and are waiting to hear the status of the application.

Chairman Farrell inquired if there were any other grant opportunities that require immediate attention from the Board or staff.

Mr. Podolsky stated that Chairman Farrell is referring to the sidewalk, curb, and gutter grant brought to WPD's attention by Deigan and Associates (50/50 grant).

Mr. Pupecki stated that he identified a grant funded through Fish and Wildlife titled SOGL that stands for Sustain Our Great Lakes. The grant covers drainage and landscape improvements and is a dollar-for-dollar match grant. The recommendation for WPD to consider this grant came from Deigan and Associates who also recommended that WPD apply for \$150K to \$200K. The application is to be written to focus on the landscape plan to include the entrance, launch ramp, parking lots, and work related to Bay Marine. The deadline for the grant application is February 21, 2017. Mr. Pupecki anticipates fees related to the application will be \$2,500 to \$3,000. Chairman Farrell asked if the February deadline would be met. Mr. Pupecki stated that the grant deadline would be met.

Mr. Podolsky stated that if WPD were to receive the grant, which the cost to WPD for the projects mentioned by Mr. Pupecki would in effect be cut in half.

Mr. Torres asked Mr. Pupecki if he had completed a survey to determine why the 46 boaters were not returning?

Mr. Pupecki stated that he has completed surveys, which provide the reasons for boaters not returning. Currently, the primary reasons include selling or sale of their boat and/or moving out of the area.

Mr. Torres asked Mr. Pupecki how many boaters did not return in the prior year (2016).

Mr. Pupecki responded that he would get the numbers for the year-to-year comparison and share them with the Board but that he does not have a month-to-month comparison from last year.

Mr. Torres wondered if Mr. Pupecki had an impression of whether those numbers were going up, down, or remaining stable.

Mr. Pupecki stated that the number of boaters who did not return was higher last year and that he would get the number for Mr. Torres and the Board.

Mr. Torres stated generally, that he was wondering if boaters were returning because of the improvements to facilities, service, activities, and events or if they leave, could the reason be identified.

Mr. Pupecki stated that there are more boaters signed-up now than for the same period last year, so that is improving. The two primary reasons given by boaters who are not renewing the slips for 2017 include 1) moving/relocating and 2) selling their boat.

2. New Business - none

Closed Session at 3:15 PM

- **Property Matters To 5 ILCS 120/2(c)(5)(6)(11)**

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

To move to closed session for the purpose of discussion related to property matters

5 ILCS 120/2(c) (6).

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

Open Session at 4:35 PM

Reconvened into Open Session at 4:35 PM.

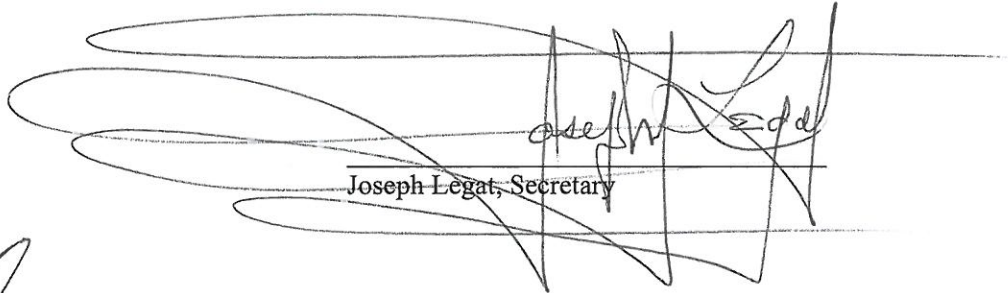
Roll Call: Present: Chairman Farrell, Mr. Legat, Mr. Melius, Mr. Torres, Mr. Podolsky
Absent: Mr. Bach, Mr. Evers,

Adjournment

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

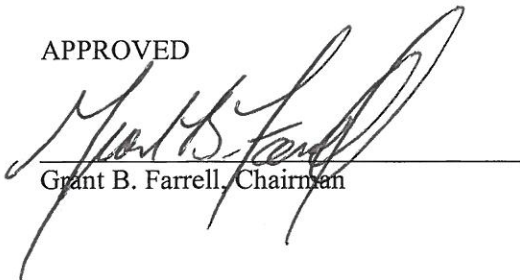
All members present voted aye and the Chairman declared the meeting ended.

Meeting adjourned at 4:35 PM



Joseph Legat, Secretary

APPROVED



Grant B. Farrell, Chairman