

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

October 18, 2017

**Waukegan Harbor and Marina
Harbor Control Building – Conference Room
55 South Harbor Place, Waukegan, IL**

The following Board members were present:

Gene Bach, Historian
Grant Farrell, Board Chairman
Joe Legat, Secretary
Mike Melius, Member
Randy Podolsky, Real Estate Committee Chairman
Jorge Torres, Assistant Treasurer

The following Board members were absent:

Tom Evers, Member

The following Board officer was present:

Bob Hamilton, Treasurer

District Counsel:

Thomas Morris

Members of the Port District Staff present:

Don Cento, Founders 3 RES, CFO/COO
Alain Giudice, Founders 3 RES, VP of Marina Division
Phil Cook, Founders 3 RES, Mgr. Marina Accounting
Skip Goss, F/3 Aviation, General Manager, Airport
Joe Seidelmann, F/3 Marine, Harbor Master
Mary McCarthy, F/3 Marine, Staff Accountant
Cathy Smith, F/3 Aviation, Administrative Assistant
Mary Louise Schram, Recording Secretary

Other Public Attendees:

Tom McIntosh, Waukegan Harbor Tenant
Billy McCaffery, Waukegan Harbor Tenant
Jim Hellquist, Waukegan Harbor Tenant
Jose Guzman, Waukegan Harbor Tenant
Ron Hudson, Hanson Professional Services
Tom Coogan, Waukegan Air Show
Steve Bongiorno, Signature Flight Support
Tracey George, Signature Flight Support

Call to Order

Chairman Farrell called the meeting to order at 2:00 PM.

Roll Call

Pledge of Allegiance

Approval of Remote Participation/Voting – not required

Approval

September 2017 Regular Board Meeting Minutes

Motion by Mr. Podolsky, second by Mr. Torres:
To approve the September 2017 regular board minutes.

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

September 2017 Check Approval

Motion by Mr. Torres, second by Mr. Bach:
To approve the September 2017 check approval as presented to the Board.

Discussion:

Mr. Bach asked for clarity related to \$35K in expense on page 2 of the report. Ms. Smith responded that the expense was related to the local share of an Airport project and that she will get back to him with the specific project information.

Chairman Farrell requested that staff add a description to identify expenses to the project on future reports.

Mr. Torres added a similar request that the checks being paid be identified to the line item of the budget as a reference which would help ensure that the payout is being allocated to the budget. He requested staff to add a description column to the report to facilitate review.

Mr. Cook will coordinate with Ms. McCarthy to add a column to the report for description of expense aligned to the budget line item.

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

September 2017 Financial Report

Motion by Mr. Podolsky, second by Mr. Melius:
To approve the September 2017 financial report.

Discussion:

Mr. Bach noted that the cash statement debt obligation for the Harbor was incorrect. Mr. Cook noted and will ensure that the error is corrected.

Mr. Bach asked why the Harbor has \$46K less in fuel revenue this year as compared to last year. Mr. Cook responded that the decline in fuel usage is in line with other markets in the

area and the reduction has been attributed to weather resulting and fishing activity being closer to the harbor entrance.

Mr. Bach requested an explanation of the decline in total revenues for the Harbor, fuel and other.

Chairman Farrell requested that Mr. Cook prepare a summary to explain the variables affecting fuel usage and other revenue items that have decreased over last year to present to the Board.

Amendment to the motion:

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

Motion to approve the report with the exception of the monthly cash statement report until corrected.

Amendment:

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

Motion:

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

Chairman Remarks / Founders | 3 Real Estate Services (RES)

Chairman Remarks

Chairman Farrell stated that the target date to post Board biographies to the website is November 1 and he requested Board members to get their final pictures and edits submitted.

Chairman Farrell provided a recap of the RFP process to date to select the Board Attorney for next year. Committee members Bob Hamilton, Tom Evers, and George Torres will review the proposals submitted in response to the RFP and present a recommendation to the Board for the Board to take action.

Chairman Farrell will send the recommended policy document that includes purchasing guidelines to Board members this month. The document is about 60 pages and he would like Board members to respond with questions, comments, or recommendations regarding the purchasing guidelines. The goal is to reduce the guidelines from 60 pages into a working document that will be understandable and used by staff. Chairman Farrell is hoping that the purchasing guideline and policy can be ready to adopt by the next Board meeting.

Chairman Farrell stated that distribution of the WPD newsletter is scheduled for the end of the month to local municipal, government, and public agency leadership. In addition, he met with the Mayor of Waukegan to keep communication open and on-track. Chairman Farrell also attended two management meetings with staff to review project status in detail.

Founders | 3 RES Remarks – none

Public Comments

Mr. Tom Coogan provided a written report to the Board (on file) of the recent Waukegan Air Show; it was a great day and the weather was perfect. It was estimated that approximately 20,000 people watched the Air Show both on and off the field, noting the civic pride and childlike enjoyment of this event. Mr. Coogan noted that there are two video clips filmed at the Air Show that are available on YouTube for public viewing (tech difficulties prevented the Board from viewing during the meeting). Mr. Coogan presented this year's Air Show's poster signed by the pilots who participated in the show and a \$1,000.00 check designated for the F-111A Veteran's Memorial Park fund.

Mr. Jim Hellquist requested information about an item discussed at the July Board meeting that led him to inquire whether the WPD loans money to private sector businesses. He referenced Bay Marine upon further inquiry by the Chair. Mr. Podolsky clarified that the \$530K payment questioned by Mr. Hellquist was not a loan. The funds were received from North Shore Gas (NSG) because NSG pollution prevented construction on what is now referred to as the Bay Marine site. The funds for site remediation (construction related to installation of an environmental vapor barrier and worker protection) were received by WPD through a pass-through funding agreement with North Shore Gas to make the Bay Marine site buildable per EPA requirements. Due to the nature of the NSG contamination, any properties with a proposed building/construction plan that is affected by NSG contamination on WPD land is eligible to apply for NSG remediation funding. Mr. Podolsky noted that non-contaminated property does not qualify for the NSG remediation funding. Mr. Hellquist asked for clarification, asking if the NSG funds were a settlement that paid for other property remediation and associated legal fees. Mr. Podolsky restated that no monies have been or will be received by WPD from NSG until there is a builder with an approved construction plan on NSG contaminated property per the consent agreement with NSG, who agreed to clean-up the site(s) and that any monies received would be designated for site remediation, again, as a pass-through fund.

Mr. Hellquist then asked for confirmation that if no one had built there then no monies would have been received. Mr. Podolsky stated that would be true and added that anyone who would have built on that site would have qualified for the pass-through funds for site remediation.

Mr. Guzman asked if NSG cleaned up the site (referring to Bay Marine property). Chairman Farrell responded that the builder/owner followed the EPA requirements to make the site buildable. Mr. Podolsky added that there is a 7 – 10 year remediation plan that is federally mandated for NSG to clean up the site(s), which will require horizontal drilling to extract/replace underground contaminants and ongoing environmental monitoring of the sites.

Reports of Standing Committees – Real Estate, Ethics, and Personnel

Real Estate

Mr. Podolsky reported that there is a second marine contractor, Big Lake Marine, negotiating a lease agreement that will be brought to the Board for approval.

Mr. Bach reminded the Committee of the need to be compliant with prevailing wage law for work completed for WPD.

Ethics - none

Personnel - none

Insurance Risk Control Briefing

Mr. Goss reminded the Board that the insurance renewal is scheduled for January 2018 as he distributed a report to provide the details of insurance broker methodologies and insurance industry guidelines, as follows. He stated that WPD would follow the guidelines that were recommended through his research.

“This industry is different from most other service sectors we are familiar with such as architects, engineers, law firms, accountants, etc. The insurance sector is composed of companies that offer risk management in the form of insurance contracts. The carrier, guarantees payment for an uncertain future event to the insured.

The insurance company uses a distribution network of wholesale and retail brokers to sell these contracts to individual business. These brokers must be “appointed” by the insurance company to represent that specific insurance company. Insurance companies can be selective with their brokers. For example, the insurance company may want a broker who represents a wide variety business types or who are located in a certain area. The industry is truly relationship driven. Insurance companies have relationships with the brokers, and the brokers have relationships with the business’ seeking insurance. The insurance companies often court their brokers to persuade them to book all their relevant business with that one insurance company. Therefore, in some cases, there could be some bias from some brokers to use only one insurance company year after year. Additionally, insurance companies have goals for business they want to book and they will press their brokers to get that business. It is best to have a broker who is “appointed” by multiple insurance companies so the broker can go out to bid from multiple insurance companies from time to time and have them compete for the business.

The insurance industry is highly regulated and there are guidelines that must be followed. For example, once the insurance company releases pricing to a broker for a certain book of business, like our marina, other brokers are “blocked out” from getting pricing from that specific insurance company. Therefore, the first broker who request pricing from the insurance company, blocks other brokers from getting quotes. However, if the insured business writes a letter to the insurance company to change the “Broker of Record” and stating its desire to change brokers, the insurance company is obligated to give the same pricing to the new broker of record. for that year at least. The prices will always be the same regardless of the broker for that year.

Since there are less than a half dozen insurance companies that currently have an appetite for our sized marina, the insurance companies do not want to be barraged by multiple brokers for the same book of business. It is best to only have a few brokers going out for bids provided that they are appointed by the insurance companies. This is when wholesale brokers may, but not necessarily get involved. The wholesale brokers represent unique exposures, like airports, and represent the few insurance companies who write that business. These brokers are experts in these narrow markets and they know when insurance companies change their appetite markets. Depending on the wholesale broker, the added fee is anywhere between \$250-\$1,000.

The bottom-line is that the insured business should choose a broker who serves them best. That broker will do the following:

- Comprehensively shop the insurance marketplace to find their clients the best rates, terms, and conditions. Be careful not to “burnout” the market – i.e. if underwriters see that a business is being shopped out every year, and they never get the business, they will lose interest and possibly stop offering to quote.
- Understand the insurance companies and the industry in general. Some insurance companies are better than others in terms of claims and customer service.
- Quickly and efficiently, help the client with claims. Responsive and willing.
- Help the client understand and establish liability limits.
- Ensure certificates of insurance from contractors and renters, and tenants have adequate terms and limits.
- Provide Certificate of Insurance management should the client seek that service.”

Harbor General Manager Remarks (Operations Status)

Mr. Seidelmann, Harbor Master, reported that there was minor damage to the north dock and a couple of the boats due to the recent storm, noting that the quick intervention by Maintenance personnel to secure boats helped limit the damage. Mr. Seidelmann stated that Harbor winterization has begun including repairs to the pilings on the south pier, and boats are being hauled out for storage (about 255 boats still in slips).

Mr. Seidelmann reported that North Shore Signs was awarded the contract for signage and that all but two of the signs (pending discussions with City) will be installed. The final selection of the fish cleaning station was made and it will be a four-sided open canopy design and installation will be completed before April 1, 2018. Mr. Seidelmann stated that the new landscaping company is doing a great job, adding that considerable effort has been made to improve the general appearance and safety at the Harbor. Mr. Seidelmann stated that the new north gate is scheduled for installation in November.

Mr. Seidelmann reported that the evaluation of replacement fuel tanks on the fuel dock has been going on for a while and that the evaluation is nearing completion and installation is anticipated in 2019. There are two to three companies in the state of Illinois that provide this service and many calls referenced us back to these same companies as the work is specialized. All three companies are expected to visit the site and evaluate the conditions, including environmental requirements, related to the proposed project. Mr. Seidelmann is working to determine the permitting process for the site.

Mr. Podolsky acknowledged Mr. Seidelmann's effort and ability to accept additional responsibilities during the absence of a Harbor General Manager over the last month or so. Chairman Farrell added that Mr. Seidelmann arrives to management meetings well prepared, also.

- **Unfinished Business**

1. **Security Contract 2018**

Mr. Seidelmann reported that he is researching professional security companies and that early indications are that the estimated annual cost will range from \$100K to \$175K. Two bids have been received, one no-bid response, and two other companies have indicated that they will be bidding. It is anticipated that the security company contract will be awarded so that the new security measures will be in place for next season. Mr. Seidelmann added that security technology allows resources to be scaled and remotely monitored to improve the areas and frequency of coverage. He hopes the proposed solution will be a multi-prong approach including technology, cameras, remote monitoring of multiple areas simultaneously, vehicular, and trained personnel. He noted that security is the number one priority and concern for boaters in the Harbor. Mr. Seidelmann stated that today's report is informational to keep the Board informed about the process and progress.

Mr. Torres inquired about local company response and Mr. Seidelmann responded that the RFP was open to local companies and that there is one contractor who has experience with port security who has responded.

Chairman Farrell asked about the responsibility of festival organizers who use the Harbor and whether or not they require a security ramp-up. Mr. Seidelmann responded that the festival organizers have a responsibility to provide security through the City's permitting process. Mr. Seidelmann reached out to their provider of security services to bid the Harbor project but they were not able to provide the services and decline to participate in the bid process.

2. **Approval of 2018 Harbor Slip Rates**

Mr. Seidelmann distributed a copy of his recommendations for 2018 slip fees with the Board packet. The market research included marinas to the north and south of the Waukegan Harbor. Waukegan Harbor pricing tends to be higher than marinas to the north and lower pricing than marinas to the south. The evaluation noted that the Harbor competes for Chicago/North Shore business and that should be the target market. The proposed pricing is in-line with local markets and less costly than the Chicago market. Mr. Seidelmann added that it is his opinion, based on the comments of Harbor tenants, that Waukegan Harbor is as convenient and security is better than comparative harbors. The marketing plan will also court boaters from the Chain of Lakes area.

Mr. Torres asked what draws a boater to Waukegan. Mr. Seidelmann responded that the number one reason from the surveys is location followed by security. The elevated need for reliable and comprehensive security appears to drive a boater's decision of where to harbor for the season. Mr. Seidelmann stated that this provides WPD the motivation for the adoption of a more comprehensive security service plan as previously discussed.

Mr. Giudice added that the research showed that 56% of boaters choose Waukegan because of location, security, tranquility, and prime fishing.

Chairman Farrell asked when the pricing will be communicated to the Harbor boaters. Mr. Seidelmann responded that new pricing would be shared after Board approval, noting that there is an early payment discount of 3% for paid-in-full accounts by January 1, 2018. Mr. Seidelmann reviewed the specific pricing with location, length of dock/slip, and occupancy levels.

Mr. Torres noted his appreciation for the comprehensive report and especially the easy to use and understand format.

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

To approve the 2018 slip rates as presented in the report to the Board.

Discussion:

Mr. Podolsky noted that last year the Board requested that staff be more thoughtful about pricing and acknowledged that staff met that goal by providing a solid analysis of the current market conditions and the differentiated pricing increases aligned with the reasoning behind each.

Mr. Torres commented that he learned a lot and if asked a question about pricing from a constituent he will know how to respond.

Chairman Farrell acknowledged the report was well done and requested that proposed slip fees be ready a month earlier for review for next year. He added his appreciation for the report information and format.

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

3. Action regarding Dockside Dogs, two requests

Chairman Farrell requested the recommendations from F3 Marina who reviewed the Dockside Dogs request. Mr. Seidelmann stated the recommendations of management: That April 2016

rent not be waived, and that the lease be modified to change the months of rent payments per the request.

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

To decline the request to waive the April 2016 lease payment and to approve the request for a lease amendment to change payments due from April through October of each year to May through November of each year.

Discussion:

Mr. Morris asked for clarification of the status of the proposed agreement, subject to Board approval.

Mr. Podolsky stated that the documents would be drawn up per the recommendation of F3 subject to Board approval to proceed, further subject to counsel approval of the form of agreement.

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

- **New Business** - none
- **Board Comments**

Mr. Podolsky commended his fellow Board members who allocated the funds and resources to improve the appearance of the Harbor noting how that landscape and other improvements have enhanced the Harbor.

Mr. Podolsky updated the Board on the status of the Bay Marine project. Currently, the company is storing boats in the facility on a temporary certificate of occupancy. There is still work to be completed before an occupancy permit is issued. It is anticipated that they will gain occupancy in November. During summer months, they will use the space as a showroom and during winter, it will be mainly boat storage with some boats available for sale.

Airport General Manager Remarks (Operations Status)

Mr. Goss reported that he traveled downstate with Ron Hudson from Hanson Professional Services to present the five-year Airport plan to the State. Primarily, the plan includes structural and paving projects.

Jim Hall, head of the Veteran's Memorial Plaza, resigned and the responsibility for completing the Memorial has transferred to Mr. Goss. Mr. Goss noted that the Airport will be mounting the aircraft and a brick path this December and hope to add the main brick paver path next season, funds permitting. The Committee is still seeking funds and hope to raise \$200K.

Mr. Goss reported that fuel sales are down 17% over the same period as last year. He introduced Steve Bongiorno, General Manager from Signature Flight Support, who stated that there is a difference in terminology used and in the accounting methods used by Signature and WPD. Mr. Bongiorno stated that Signature's internal fuel revenue number is not reporting the same degree of lost fuel revenue and that they show a slight increase in fuel revenue. Signature will continue to evaluate and share discussions with WPD.

- **Unfinished Business** - none

- **New Business** - none

- **Board Comments**

Chairman Farrell welcomed Mr. Bongiorno and recognized the efforts of Signature Flight to lower fuel pricing at Waukegan Airport.

Chairman Farrell stated that he is looking for a volunteer fundraiser to assist Skip Goss in his efforts to raise money for the F-111A Committee and asked Board members to help him in his search for a person to represent this subcommittee.

Closed Session at 3:07 PM

- **Personnel Matters To 5 ILCS 120/2 (c)(1) of the Open Meetings Act**
- **Property Matters To 5 ILCS 120/2(c)(5)(6)(11) of the Open Meetings Act**

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

To move to closed session for the purpose of discussion related to personnel **5 ILCS 120/2 (c)(1)** and property matters **5 ILCS 120/2(c)(5)(6)(11)**.

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

Open Session at 3:45 PM

Reconvened into Open Session at 3:45 PM.

Present: Chairman Farrell, Mr. Bach, Mr. Hamilton, Mr. Legat, Mr. Melius, Mr. Podolsky,
Mr. Torres

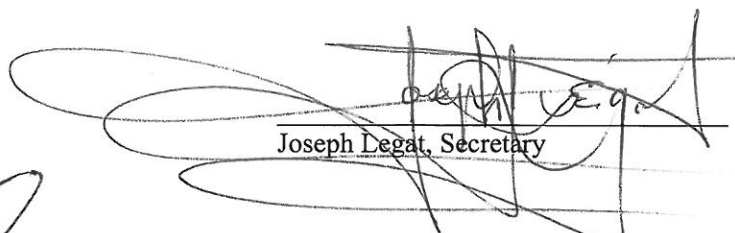
Adjournment – 3:45 PM

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

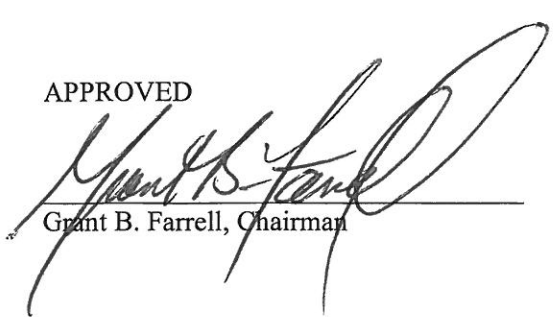
To adjourn.

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

Meeting adjourned at 3:45 PM


Joseph Legat, Secretary

APPROVED


Grant B. Farrell, Chairman