

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

December 19, 2007

**55 S. Harbor Place, Waukegan, Illinois
Harbor Control Building**

The following Board members were present:

Jim Bierman
Donald Vanderverter
Pete Couvall
Mike Melius
Dale Johnson

The following Board member attended by telephone:

Rodger Welker

The following Board member was absent:

Jack Potter

District Counsel present:

Thomas A. Morris, Jr.

Members of the Port District Staff present:

Duncan C. Henderson, A.A.E., Executive Director
Brion O'Dell Marina Manager
Jim Stanczak, Airport Manager
Chris Peters, Administrative Assistant

Others in attendance:

Ron Hudson, Hanson Professional Services

Acting Chairman Bierman called the meeting to order at 9:00 A.M.

Mr. Bierman reported that Dr. Welker is out of the State of Illinois and has requested that he attend the meeting via telephone. On motion of Mike Melius to appoint Pete Couvall to act as Secretary of the meeting, seconded by Mr. Vanderverter, all members present voted aye and the Chairman declared the motion carried. On motion of Mr. Couvall to allow remote attendance by Dr. Welker, seconded by Mr. Melius, all members present voted aye, and the Chairman declared the motion carried, whereupon a telephone link was established.

1. Approval of the Board Meeting Minutes of November 21, 2007

On motion of Mr. Couvall, to approve the Minutes of Regular Board Meeting held on November 21, 2007, seconded by Mr. Vanderverter, all members present voted aye and the chairman declared the motion carried.

2. Approval of the Closed Session Board Meeting of October 17, 2007

On motion of Mr. Couvall, to approve the Minutes of Closed Session Board Meeting held on October 17, 2007, seconded by Mr. Melius, all members present voted aye and the chairman declared the motion carried.

3. Approval of Checks

Mr. Vanderverter advised the Board that he and Mr. Bierman had reviewed checks with Jamie O'Meara. Mr. Johnson questioned the amount paid to ABC siding. Mr. Bierman explained the front half of the building had been resided and the other side will be done next year. After some discussion, on motion of Mr. Couvall to approve checks, seconded by Mr. Johnson, all members present voted aye, and the Chairman declared the motion passed.

4. Financial Report through November 2007

Mr. Henderson reviewed the financial reports for the board noting revenue figures are up relative to last year. Mr. Johnson questioned the \$92,900 miscellaneous income entry and was told that was due to the stock transaction. Hr. Henderson continued with the expense report drawing attention to the expense figures being below where anticipated. The capital budget items include ABC Siding, TJ Thomas and Baxter Woodman. Thomas and Baxter both relate to the dock renovation project. Mr. Melius raised a question on the \$100,000 surplus over anticipated expenses noting there was not anything in particular to explain it, and credited it to good management. Mr. Johnson asked if the employment positions that were open would explain the surplus. General discussion continued. The Aging Report shows a fee due from Durocher Marine, the dredging contractor, which funds are now current.

Mr. Henderson continues with the airport financial reports. The revenue is above the expenses. Mr. Melius asked why we have extra revenue there too. Mr. Johnson questions the insurance savings. Ms. O'Meara explained 40% is worker's compensation that will be expended in December. Mr. Johnson commented insurance is generally lower. Mr. Henderson explained that last year we were unsure where those numbers would be so we estimated high. Mr. Melius asked when will we know what the insurance fees will be and was answered the property/casualty is in January. Mr. Bierman explained worker's compensation will have an audit to actually make the cost determination. Mr. Johnson questioned the membership and conference line item exceeding the amount budgeted. Mr. Henderson explained that an additional conference probably came up that was a good idea to attend. Mr. Johnson stated that we should never go over budget for that item. Mr. Stanczak explained part of those fees are for travel to Washington. The Airport Aging Report shows Nature's Best as due. Mr. Bierman commented that Nature's Best had not started construction and they have a lower rental amount

than is currently being assessed. Mr. Henderson explained Nature's Best typically gets behind and then catches up. Mr. Bierman directed a notice to the tenant and asked that we make every effort terminate their lease.

On motion of Mr. Johnson to approve the Financial Reports through November 2007, seconded by Mr. Melius, all members present voted aye, and the Chairman declared the motion passed.

5. Operations Report through November, 2007

Mr. Henderson reviewed the Harbor Operations Report. Diesel sales are up for the year. Fee increases on launching improve those numbers. Discussion followed noting last years dredging increased sales. The Airport Operations Report shows local is up slightly, base increased fuel sales are up, customs for the year are about the same. On motion of Mr. Johnson, to approve the Operations Report through November, seconded by Mr. Melius, all members present voted aye, and the Chairman declared the motion carried.

6. Approval of 2008 Budget

Mr. Henderson introduced the 2008 Budget which is on the agenda for action. Mr. Henderson had presented this Budget as a Preliminary Budget at the November meeting in order for the Board Members to review the plan at their convenience.

Mr. Bierman asked about the TV system listed as a capital budget item. Mr. Henderson explained the existing system is closed caption, and not in the renovation budget. Mr. O'Dell informed the board he continues to look at several options for the AT system. The electricians working on the dock project could complete wiring for the project for an additional \$48,000. The upgrade will save \$14,000 by making the change. It would be done for both the north and south piers. Mr. Henderson further explained that two years ago we had contracted with MDU for our own system. We have been unable to work out a fair deal with them for the new renovations. We could proceed with the budget but make the TV service an agenda item for next month. Mr. Bierman asked if the TV contract could go into the dock reconstruction loan. Mr. Henderson explained he was not sure the funds would be available. It was put into the Port District capital budget for now and possibly could be moved into the loan in May.

Hydro ports were then discussed. Mr. Henderson explained we purchase them and then lease to the boaters. This is an attempt to keep boaters inline with procedures. Mr. Melius agreed with port district staff that slip size and equipment used by boaters is often an issue at any marina. Mr. O'Dell explained the HydroPorts, which are jet ski docks, would be leased for \$500 for the season. He proposed purchasing 13 ports which have a life of 6-10 years. The payback is in two and half years. Mr. Bierman asked if there were any other questions on the harbor budget. None were presented.

The Airport budget was then addressed. Mr. Bierman asked about the maintenance building and asked if it would proceed in July. Mr. Hudson explained the need for 60-90 days to design. \$1,000,000 is for the building only, not parking, pavement, etc. The pavement issue is

... tied to the Capital Budget. The State cannot participate in this project, federal money would have federal requirements. Mr. Henderson suggested using a phased approach starting with design. We first need to take care of existing equipment, next we have to consider possible new equipment. Currently we lease from DB to house our snow removal equipment. That equipment must be heated to perform. Because the buildings are not designed to be heated we have significantly damaged those hangars. Mr. Melius asked what the best case scenario to completion would be. Mr. Hudson responded that if we sell bonds bid in June we can start a month before that. The project could be done in a construction season. If we start in May we could be done in September. Phasing the project would be a prudent method but pavement us not crucial. Mr. Henderson stated we start with permits, front end load - \$1,000,000 in first season likely. Mr. Johnson asked if we can go to an unheated building. Mr. Hudson would not recommend that. Mr. Stanczak stated it cannot be unheated. Mr. Johnson acquiesced that it was a good opportunity to start with the project. Mr. Henderson advised that we had \$1,000,000 verbal approval from NorStates Bank, but the \$10,000,000 construction loan had restrictions on it so that we are unable to borrow the \$1,000,000 until after May 1, 2008. Mr. Melius presents options for borrowing. Mr. Henderson agrees and suggests starting with design portion then look into cost of \$1,000,000 loan. First issue will be heated storage, later additional storage, and later an office and related space. Mr. Bierman asked if that increases the cost. Mr. Hudson explains some issues including fire department requirements. Maybe not 20%. Funds from red hangars were to help with the project. Mr. Johnson would like to see that we are earmarking funds and would like to see the accounting for the project. Specifically he would like to see earmarks, general revenue, and how do you anticipate paying for it. Mr. Melius questions the possibility of appropriations. Mr. Henderson explains we do not appropriate, we are not required to follow those procedures. On motion of Mr. Johnson to approve the 2008 budget, seconded by Mr. Couvall, all members present voted aye and the chairman declared the motion carried.

7. Board Meeting Schedule 2008

On motion of Mr. Melius to approve the 2008 meeting schedule presented, seconded by Mr. Couvall, all members present voted aye, and the chairman declared the motion carried.

Harbor Unfinished Business

8. Status Reports

See following.

9. South Marina Renovation Status

Mr. O'Dell reported the dredging project has about three and half weeks left to completion. The dredging contractors are taking a break for the holidays from December 22 through January 2. Gillen will continue with pile driving, they had some initial trouble, but are moving forward. Dock manufacture has been temporarily suspended. So long as freezing stays away we are OK. Mr. Melius asked how docks are being delivered and Mr. O'Dell informed him by truck. Mr. Henderson explained dredging, piles, trucking coordination between the contractors. The docks are shipped from Missouri and stacked in the parking lot. Next the plumber and electricians install utilities. We are currently on scheduled for a May open.

Mr. Bierman asks if we can use the harbor if it is partially complete. Mr. Henderson answers we can probably be at 50% capacity. Mr. Johnson asks how many slip renewals are in. Mr. O'Dell answered approximately 300 open right now. Occupancy of old and new docks was questioned. Mr. Henderson explained new docks are 90% leased with mid size slips tending to be open. Mr. O'Dell reports as of today we have 393 vacant in entire harbor (940 total available), 321 new on south marina with 45 vacancies. Demand and availability is an issue. Mr. Johnson asks what the financing was based on in an effort to figure income vs. finance. Mr. Morris took the opportunity to add that some time back he had inquired of the State's Attorney's office about the possibility of using general obligation revenue bonds and could we levy a tax to aid. The conclusion was that we could impose tax without a referendum. Karen Fox recognizes this would be proper, however, much homework would need to be done. No levy has ever been imposed by the Port District, and the Clerk would not know who to impose the tax upon. Boundaries would have to be established, PINS would need to be delivered to the clerk so they could add the tax into those properties. Mr. Couvall suggested the Map Department and John Moore for assistance. Mr. Morris added this would need to get started.

Harbor – Board/Public Commentary

Mr. Larsen addressed the board explaining his attendance to find out what was going on. He expressed his disappointment that we are not getting new boaters, asking if cost and forced size has been an issue and commented that project schedule is best as it can be.

Airport – Unfinished Business

10. Status Reports

Mr. Stanczak reported:

- Lee Vanguider had completed the asbestos inspection. None in Kruse and its possible to be burned by end of month.
- Landfill coming along. Trucker asked for a light and it was ok'd if it does not interfere with planes.
- Talking to potential new tenants.
- Last meeting attended was re: class B airspace which does not really affect us.
- Hank Koeck retiring from Baxter.
- Snow removal continues – as usual it seems to arrive on Saturday and Sunday. Our equipment is getting old, are putting into TIP fund and doing repairs to keep them up. Pilot commentary on snow removal is good.
- Land acquisitions are good, next is Ahern.

Mr. Hudson made a report about TIPS and 2009 discussions. Still waiting to hear how much money will be available. Mr. Stanczak commented that we need capital bill passed to get

funds from the State. Mr. Henderson reported the environmental portion of the runway subject is kind of a feeling out of the major stakeholders. We met with the Forest Preserve and Lake County Stormwater. The FAA should make a determination the first of next year as to full impact study vs. environmental.

Next month we will be submitting an item for Hansen for \$22,000 for their part in the dredging project. We also have \$11,573 in expenses re: AT&T utility vacation on Eastwood. This facilitates closing of Eastwood Road. Unless the board objects we will go ahead and sign the Contract and then put it on the agenda for formal approval. This is 95% reimbursable. Funding was discussed. Mr. Henderson explained we advance the money and we are generally OK. We sign a Participation Agreement, we have \$400,000 in our budget and proceed with land acquisition. Currently we have borrowed from the airport general fund and need to reimburse those funds before we proceed with additional purchases. This is due to our aggressive purchase schedule. State procedures take 9-12 months to get it done. If we use our money, we can move faster. No objections were presented.

Mr. Henderson also reported on an email from Senator Durbin which shows we are on track for earmark appropriations which is a congressional way for FAA to lean on government to get money. \$735,000 for land acquisition and environmental studies and \$144,000 somewhere else. We thank Senator Durbin for his support.

Mr. Henderson requested that a member of the board sign his payroll change form after the meeting.

Mr. Stanczak reported that ComEd had removed half of a pole, as they were only responsible for half.

Mr. Johnson asked if we should attempt to buy out Nature's Way. He was informed that we have tried in the past by offering to cancel the lease. Ms. O'Meara stated that he has 60 days to pay his rent and they are at 50 days right now. Discussion was directed at giving notice and looking at all the old leases with regard to their building requirements.

Airport – Board / Public Commentary

None

Legal Matters

11. Closed Session: City of Waukegan Litigation

Mr. Henderson reported that the litigation item is on the agenda in the event swift action is needed in court proceedings. We have received the Hinshaw bill and provided it for your review to show the cost incurred to date. This issue alone is at approximately \$40,000. Looking at the summary page of the invoice it shows the specialist fees for Mr. Sheldon at \$16,000 - \$17,000. Mr. Melius notes the bulk of fees are at the beginning of the suit which is a customary situation. Mr. Sheldon has 54 hours, Mr. Morris 10 hours and associates have billed 22 hours.

There is always a lot of initial research and they have been pursuing ownership questions. Sustaining these fees was discussed as an impossibility and so far we do not have a response from our insurance carriers. Mr. Bierman questioned how we could generate a revenue stream to cover this. There is a possibility of an Illinois law change to allow tort levy for environmental remediation. Mr. Morris will look at the question of using it for CERCLA, stating that the harbor has done nothing to pollute and we are hopeful that position will prevail. If we have to move into the discovery phase, it will become more expensive. Methods of controlling cost were discussed. Mr. Morris explained that constant monitoring of work in progress is not cost effective. He does attempt to keep a lid on what seems like excessive dollars, but that is actual billable time taken from his employees. It was his opinion that this is a war. Milwaukee has filed a similar suit. He questioned how much the industries would be able to support this problem. There is a huge cost to this kind of problem and the city is shifting it from a public problem to a private problem. The case will draw a lot of attention from target defendants. We are trying to participate at the minimum expense. Mr. Couvall inquired about the status of insurance and was informed the carriers do not seem to be in a hurry to respond. Mr. West's opinion is that nothing has been done which is covered. Mr. Morris' opinion is that 60-90 days is enough time for a determination. It was suggested that we should submit the legal fees to the insurance company for payment. Mr. Bierman direct Ms. O'Meara to submit invoices to insurance. Mr. Melius supports Mr. Morris' response to the fee issue.

12. Action on City of Waukegan Litigation

None required.

There being no further business, Mr. Bierman called for a motion to adjourn. On motion of Mr. Couvall to adjourn the meeting, seconded by Mr. Melius, all members present voted aye, and the Chairman declared the motion carried. The meeting adjourned at 10:55 A.M.

s/Peter Couvall, Acting Secretary

APPROVED:

s/Rodger Welker, Chairman