

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

June 17, 2009

**55 South Harbor Place, Waukegan, Illinois
Harbor Control Building**

The following Board members were present:

Rodger Welker, Chairman
Donald Vanderverter, Treasurer
Dale Johnson
Jorge Torres, Secretary
Jim Bierman
Hank Bogdala

The following Board member was absent:

Mike Melius

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, Harbor Manager
Chris Peters, Executive Assistant
Jamie O'Meara, Chief Accountant
Jim Stanczak, Airport Manager

Others in attendance:

Ron Hudson, Hanson Professional Services
David G. Brittsan, DB Aviation, Inc.
Jim Barnes, DB Aviation, Inc.
Gus Phillips, First Mate Yacht Detailing
Larry Walker, Waukegan Yacht Services, Inc.
John Lopez, Boater

Chairman Welker called the meeting to order at 9:00 A.M. with the following board members present: Dr. Welker, Mr. Bierman, Mr. Bogdala, Mr. Vanderverter and Mr. Torres. Mr. Henderson introduced Hank Bogdala to the attendees and welcomed him to the Waukegan Port District Board of Directors.

1. Approval of the Board Meeting Minutes of May 20, 2009

On motion of Mr. Torres to approve the Minutes of the May 20, 2009 board meeting, seconded by Mr. Vanderverter, Messrs. Welker, Bierman, Vanderverter and Torres voted aye, Mr. Bogdala voted present, and the Chairman declared the motion carried.

2. Approval of Checks

Mr. Vanderverter reported he had reviewed checks with Jamie O'Meara prior to the meeting. The board members reviewed various expenditures including Car-Min Construction and TAPCO (being launch ramp automation fees). On motion of Mr. Vanderverter to approve of checks, seconded by Dr. Welker, Messrs. Welker, Bierman, Vanderverter and Torres voted aye, Mr. Bogdala voted present, and the Chairman declared the motion carried.

3. Financial Reports: May 2009

During review of the financial reports, Mr. Morris, Mr. Lopez and Mr. Johnson arrived at the meeting. Mr. Henderson reported that harbor revenue figures indicate fuel sales and leases are down, launch ramp figures are up, and accrued interest is down substantially. The reconstruction funds which enjoy a low rate on the loan side, also reflect the current low rate on the payback side. The members discussed properties leased at the harbor and slip occupancy. Recreational slip occupancy was discussed in detail with direction for a thorough review of slip sizes versus occupancy prior to final design of the north pier reconstruction. Mr. Walker from Waukegan Yacht Services Inc. was asked to comment on the launch/boat storage business, reporting that 2009 had been better than 2008 for him. The Harbor Aging Report is clear.

Comparing Airport Revenue from 2008 to 2009 figures are up even though jet fuel flowage is down. The numbers are offset by leases and security. Expenses are generally down across the board. Airport Aging is Edmund which is an unresolved legal matter. The new Waukegan Avionics is paying better than its predecessor and Skill Aviation is doing well. Mr. Bierman asked for a legal report on Edmund. Mr. Morris reported we have requested Discovery and Answers are due. Trial is scheduled for January and will likely be continued by Plaintiff's Counsel. A possible purchase or lease of the Edmund hangar by the Port District is being discussed. Mr. Stanczak expressed his opinion that the Port District should purchase the hangar. Mr. Henderson reported that due diligence is in process and will be presented to the board prior to requesting a course of action.

On motion of Mr. Johnson to approve the Financial Reports, seconded by Mr. Torres, Messrs. Welker, Bierman, Vanderverter and Torres voted aye, Mr. Bogdala voted present, and the Chairman declared the motion carried.

4. Operations Reports through May 2009

Harbor operations show a decrease in diesel fuel sales. There was discussion on diesel versus regular fuel boats and profitability of selling fuel. Illinois' road tax applies to marine fuel making it impossible to be competitive with fuel availability in neighboring States. It was noted we would have the same number of pumps on the new fuel pier and that existing tanks are being utilized. We are monitoring launches with the new automated gate.

Airport operations are down about 20%. Mr. Henderson reported his attendance at a recent Airport Executive's Convention where industry reports of the down turn is 50-60%. Mr. Brittsan agreed with that report. Mr. Brittsan reported that his company remains optimistic, and has been projecting deficits accurately. Mr. Henderson continued noting the fuel load received by WCAF has skewed the numbers substantially. Customs operations are off indicating low travel. Baxter is training and flying their new Gulfstream 450.

On motion of Mr. Vanderverter to approve the Operations Reports, seconded by Mr. Johnson, Messrs. Welker, Bierman, Vanderverter and Torres voted aye, Mr. Bogdala voted present, and the Chairman declared the motion carried.

Harbor – Unfinished Business

5. Status Reports

Mr. O'Dell reported:

- The automated launch gate is working well. Some programming changes to simplify operation are in progress along with better labeling for the face of the machine.
- Fuel dock reconstruction will commence October 1, 2009. Skipper Marine will stage materials at the Gillen Facility prior to that date to ensure project completion on schedule.
- Aquatic weed spraying is in progress.
- Siding of the Harbor Control Building is almost done.

Mr. Henderson conducted an overview of the CERCLA suit for Hank Bogdala. Mr. Morris briefed the board on recent events in the case stating that we had opposed the City's view but had settled with them to preclude further costs of suit. As predicted we were brought back in by harbor businesses. We then objected to the whole basis of the case and got the Judge's attention. The Judge set a briefing schedule on our motion. Contribution questions arise and whether PCB's are being stirred up required new investigation. The EPA will issue a report on remedial action. We ask what has the City done to justify contribution? The Port District does want to work with the EPA. A ruling should be made in about 45 days.

The board inquired about the City's instruction to their legal counsel on the case due to the Mayoral change. The understanding was that City Attorneys had been directed not to take action on the case.

Mr. Morris also briefed the board on the Declaratory Action filed by Bituminous Casualty Co. The action disputes any responsibility for Waukegan Port District in a pollution case. His cursory review is we have no basis for making a claim on their insurance. He has tendered the suit to Zurich for their instruction. Mr. Morris recommended that Waukegan Port District take no action in the Declaratory Action but coordinate with Zurich.

Mr. Henderson then commented on a separate matter with the EPA. The EPA has long been evaluating the Area of Concern and has decided they want to dredge Waukegan Harbor to be clean. The costs come from Superfund and State of Illinois. The EPA will need a place to deposit PCBs. At the same time the Port District wants a place to dispose of dredge material from the North Pier renovations. We know that moving dredge is expensive and we would like to eliminate trucking. Through Tom Thomas, we have advanced a concept which we have presented hand in hand to the EPA with the City. The concept involves an in water containment cell (CDF). The CDF proposal would create land mass in the Lake. The concept proposal submitted to the EPA was distributed to board members for their review. Mr. Henderson reiterated that this is a very preliminary conceptual plan – but very well received by the EPA.

Harbor – New Business

6. Launch Ramp Parking Lot Entrance Site Modifications

Mr. O'Dell presented a request for modifications to the launch ramp parking area. Larry Walker of Waukegan Yacht Services, Inc. had suggested a new route for trailered boat traffic through the lots. Mr. O'Dell agreed with his suggestion that the proposed changes would alleviate congestion and add to safety for crossing the railroad tracks. Mr. Walker and Mr. Phillips (tenants) agreed the modifications would be beneficial to them and the Port District. Mr. O'Dell asked for a sum not to exceed \$9,000 for modifications to the parking lot gates and access paving.

On motion of Mr. Vanderverter to authorize an expenditure not to exceed \$9,000.00 to make improvements to the parking entrance/exit for the launch area, seconded by Mr. Johnson, all members present voted aye and the Chairman declared the motion carried.

Harbor – Board/Public Commentary

None

Airport – Unfinished Business

Mr. Stanczak made the following status report for the airport:

- ITARP program – CAT-X submitted for approval.
- WCAF construction is underway – progress meetings are Tuesdays at 10:00 AM
- Rotating Beacon is in progress. TIP should fund the whole project.
- Repairs will be made to the pavement in front of the Edmund property.
- Rep. Washington grant funds could be used for paving repairs if it comes to fruition.
- Beach Park requested an Easement on the north side of property for a water line installation.
- Landfill doing well last couple of years but with the rain some leakage.
- A security guard left and a new guard has been hired.
- Surveys are coming in.
- New cell phones for staff through government will save 50%
- 14/32 July bid letting, August start construction, finish date TBA.
- Weed control along fence in progress.
- New mower is fantastic.
- Rotary Club of Waukegan and Gurnee want to have a sock hop with adult supervision – want to have a cookout. Coordinate with DB Aviation.
- Waste Management – cut across runway.
- WCAF Aircraft movement caused exhaust problem at Ahern property. DB resolved the issue.

Mr. Henderson reported the Runway extension project is progressing. The next step is to update our Master Plan. A kick off meeting is scheduled with members of the FAA, IDOA, Hanson Engineering, Port District and Airport staff attending. As a new maintenance building is key, we will have the meeting at the current maintenance shop. Mr. Johnson inquired if we invite airport tenants to attend the Master Plan Meeting. Mr. Henderson advised the Master Plan is a major planning project that will later involve tenants.

Mr. Henderson reported the Easement discussed by Mr. Stanczak on the north has a legal issue. The area is in Waukegan – not Beach Park. It will require IDOA and FAA approval of a Grant of Easement.

Monday, June 15, 2009 from 10:00 AM to 1:00 PM President Obama came to Chicago via O'Hare. We are one airport in the vicinity not affected by flight restrictions.

The Forest Preserve Savannah Master Plan was briefly discussed along with tree removal and a property donation in the area owned by the Drobnick family.

Airport – New Business

7. 2009 Air Show

Mr. Henderson reported he had attended a recent meeting with proponents of an Air Show this September. He also met with Mayor Sabonjian, on the Airshow and other matters. The Mayor indicated the City of Waukegan will need cost recovery for any services provided to the Air Show. Mr. Stanczak was asked for a briefing on the Air Show. He gave some particulars, but many details remain open. Questions were presented by various board members and Mr. Henderson inquiring about cost of the air show, past and present, responsible parties, insurance, support services and time table to ensure production of the show. Mr. Stanczak said the last show cost about \$60,000 and they are hoping to raise \$90,000 this year. Consideration is being given to a fee for admission. Currently, they have about \$25,000 on hand. In the past insurance has been covered 1/3 by the Port District, 1/3 by the City and 1/3 by DB Aviation. Liability and costs of the event were discussed at length. The event is organized by Waukegan Regional Airshow, a not for profit corporation, but is sponsored by the Navy League, a charitable organization. All fees would go to the charity after payment of costs.

Mr. Morris raised the issue of a public body allowing public land to be used for a private purpose and suggested formalizing any agreement for such a purpose. The Port District should be specifically excluded from certain responsibilities. We have been very casual in the past and maybe need to structure this kind of function for the future. The sock hop should probably be reconsidered.

Mr. Henderson concurred that a procedure for use of the airport should be established and that a Memorandum of Understanding with the Air Show entity would be created to memorialize the terms.

Discussion continued expressing concern about displacement of tenants, specifically DB Aviation. Dave Brittsan informed the board that DB Aviation has in the past contributed \$15,000. He is particularly concerned that there be a police presence visible on site. They need constant police surveillance on the AV gas tank ramp. Many attendees are not aviation enthusiasts and are unaware that smoking in the area is a huge problem. If there is an accident Mr. Brittsan felt liability would fall upon DB Aviation, Waukegan Port District and the City of Waukegan. The airfield will be closed from 10:00 to 5:00 PM.

Mr. Henderson advised that he would work with Tom Morris to delineate some of the issues that need to be resolved. He felt the fund raising will be difficult given the current economy. He recommended the board make a decision about their support of the Air Show so the Air Show Corporation could proceed to satisfy its burden of fund raising and other organization.

On motion of Mr. Bierman to provide in kind services for the Air Show, a contribution toward insurance coverage in the amount of \$1,200 and a cash contribution of \$3,500,

seconded by Mr. Vanderverter, all members present voted aye and the Chairman declared the motion carried.

Airport – Board / Public Commentary

Mr. Brittsan reported that the WCAF ramp construction project was underway as of June 12, 2009. WCAF tenants moved to other locations on the airport with the exception of Brunswick who has departed. You will notice fuel figures will move around between DB and WCAF.

Dave Brittsan attended an FBO leadership conference in Washington. OEM's for Gulfstream and Falcon among others were present. User fees were discussed; Large Aircraft Security Program if successful would affect all of us. There is a lot of discussion on this subject.

We expect difficult first quarter, and a better second. We are looking forward but have not changed our forecast for the year. We are balanced.

Ron Hudson reported that the \$1.4 million stimulus for 14/32 will be bid by IDOT. The project will be done at no cost to the Port District. Mr. Henderson asked for confirmation that Hanson's fees will be paid by stimulus. Mr. Hudson reported he had not seen the grant yet, numbers will be in the Services Agreement.

There being no further business, on motion of Mr. Johnson to adjourn the meeting, seconded by Mr. Vanderverter, all members present voted aye, the Chairman declared the motion carried. The meeting adjourned.

s/Jorge Torres
JORGE TORRES, Secretary

APPROVED:

s/James Bierman
Acting Chairman