FOR IMMEDIATE RELEASE

ABOLISH THE ILLINOIS INTERNATIONAL PORT DISTRICT
Civic Federation Urges Transfer of Port Operations and Assets to More Responsive Governments

A new Civic Federation report finds that the Illinois International Port District has shifted its primary focus from port operations to the management of a golf course. The golf course brings in over half of the District’s annual revenue, but there is no evidence that those revenues have been reinvested to improve port facilities or promote commerce. Because the District is failing to fulfill its principal mission, the Civic Federation calls upon the Illinois General Assembly and Governor to dissolve it. The District’s operations should be transferred to the City of Chicago and its assets to governments more suited to operate them.

The Civic Federation analyzed the Illinois International Port District’s finances and activities and contrasted them with five comparable ports along the Great Lakes – St. Lawrence Seaway. As a result of this investigation, the Federation is concerned that the District appears to be focused on golf rather than shipping and port operations. Harborside International Golf Center is the Port District’s only major construction project since 1981. In contrast, the Federation found that none of the five other ports in the study focus their operations predominantly on recreational activities or entertainment facilities. Port authorities in the other cities derive most of their revenues from activities associated with the normal operations of a port, such as leases, rentals, contracts, and grants.

“The Illinois Port District has failed to adapt to or harness the changes in the economy of northeastern Illinois,” said Laurence Msall, president of the Civic Federation. “Instead, the District has allowed the port’s facilities to stagnate while it pursues a business wholly unrelated to shipping or the economic development of the Chicago Southland.” The Civic Federation does not believe that merely operating a successful golf course is sufficient justification for property tax exempt status or control of a large area of public land and waterway assets. The operation of recreational facilities is much better suited to governments such as park districts, which are dedicated to that purpose.

The report also found no evidence that the substantial revenue generated by Harborside International Golf Center has been used to improve the port’s commercial facilities or to market and promote the port, as its statutory mission requires. The District has undertaken no substantial construction or renovation projects to improve or expand port facilities and operations since it built Iroquois Landing at the mouth of the Calumet River in 1981. Nor has the District created a marketing department or added marketing staff to promote economic investment in the port. In fact, marketing, advertising, and promotion only made up 2.0% or $160,878 of the District’s FY2006 budget, a decrease of 12.3% since FY2002.

Of additional concern to the Civic Federation is the fact that the District seriously lacks transparency and openness to the public when compared to other ports and governments. The Civic Federation found that the District does not make information about its finances, Board members, or Board meetings publicly available on its website.

Due to these serious concerns, the Civic Federation calls for the dissolution of the Illinois International Port District. The Federation’s report recommends that the City of Chicago assume control of port operations because the City has a clear stake in turning the Port of Chicago into a more vibrant center of maritime commerce and regional economic and industrial development. By reassuming the control of port lands it gave up over fifty years ago, the City of Chicago could provide access to greater financial resources and professional staff that would benefit the port and its mission. After the District has been dissolved, the Civic Federation believes that open lands on District property would be better managed by the Forest Preserve District of Cook County and that the District’s golf course should be managed by the Chicago Park District.
A CALL FOR THE DISSOLUTION AND RESTRUCTURING OF THE ILLINOIS INTERNATIONAL PORT DISTRICT

Prepared By:

The Civic Federation

June 30, 2008
ABOUT THE CIVIC FEDERATION

The Civic Federation is a nonpartisan government research organization founded in 1894. The Federation seeks to maximize the quality and cost effectiveness of government services in the Chicago area by:

- Providing non-partisan research and information;
- Promoting rational tax policies and efficient delivery of quality government services; and
- Offering solutions that enhance governmental transparency and financial reporting.

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ACKNOWLEDGMENTS

The Civic Federation acknowledges and thanks all of the principals involved in researching and preparing this report: Clara Botstein, Research Associate; Lise Valentine, Research Director and Civic Federation Vice President; and Roland Calia, Project Manager. The Civic Federation would also like to thank former Federation staff members Scott Metcalf, Kandice Berridge, and Taka Okubo for their help in producing this report.

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EXECUTIVE SUMMARY

The Illinois International Port District was created by the Illinois General Assembly in 1951 to promote commerce at the Port of Chicago. Since the early 1980s, however, the District appears to have functioned primarily as the manager of a recreational facility: Harborside International Golf Center. While Harborside is a productive use of a former landfill site and appears to be a successful operation, the Civic Federation believes that management of a golf course should not be the primary activity of a port authority. Furthermore, the Illinois International Port District has shown a serious lack of transparency, accountability, and strategic planning. In order to turn the Port of Chicago into a more vibrant center of maritime commerce and regional economic and industrial development, the Civic Federation believes that government restructuring and new management of the port is essential. For this reason, the Civic Federation recommends that the Illinois General Assembly make the necessary changes to State statute to allow the Illinois International Port District to be dissolved and the following transfers of assets and responsibilities to take place:

- Transfer of port operations and related lands from the Illinois International Port District to the City of Chicago;
- Transfer of open land on District property from the Illinois International Port District to the Forest Preserve District of Cook County; and
- Transfer of Harborside International Golf Center from the Illinois International Port District to the Chicago Park District.¹

The Civic Federation offers the following key concerns about the Illinois International Port District:

District’s Mission and Financial Priorities

The Civic Federation is concerned that the Illinois International Port District has shifted its primary focus from port operations to management of a recreational facility: Harborside International Golf Center. The Civic Federation is also concerned that the District has not used the revenue from Harborside and its other resources to expand or improve port facilities and operations.

- Harborside has been the District’s only major construction project since the opening of the port’s lakefront terminal, Iroquois Landing, in 1981. Harborside currently brings in over half of the District’s annual revenue. The District is currently advocating for the construction of a third golf course adjacent to Harborside;
- Since 1981, the District has not used its resources to improve or expand port facilities and operations through substantial construction or renovation projects;
- The District has not used its resources to increase marketing capabilities at the port through the addition of a marketing department or marketing staff; and

¹ Harborside could also be transferred to the City of Chicago if profits from the golf course were used to finance port operations.
The District has not used its resources to make itself more transparent and open to the public.

**District’s Transparency and Openness to the Public**

*As a unit of government, the Illinois International Port District is seriously lacking in its level of transparency and openness to the public. The District does not fulfill a number of Government Finance Officers Association (GFOA) recommended practices, and it only publicizes 1.5 out of 7 documents and pieces of information that governments should publish on their websites in order to be fully transparent governments.*

- The District does not publicize its audited financial statements or other financial documents. Freedom of Information Act (FOIA) requests are required before these documents can be accessed, and the District’s audited financial statements specifically state that they are not for public use;
- The District does not publicize a full economic impact study;
- The District does not publicize press releases about the port or any sort of annual report or projects update;
- The District does not make information about its Board of Directors meetings publicly available; and
- The District does not make the names and/or contact information for District board members and staff publicly available.

**District’s Accountability and Oversight of the District**

*The Civic Federation has found little evidence of accountability on the part of the Illinois International Port District or significant oversight of the District. Given the District’s failure to adhere to transparency and other good governance practices, the Civic Federation finds the lack of accountability and oversight of the District highly problematic.*

- Concerned citizens and the general public have little opportunity to monitor the District, as there is minimal public information available concerning District board members, employees, activities, and finances, and the District does not publicize information regarding upcoming or past board meetings;
- The Civic Federation has found no evidence that the District sends its financial documents or reports in another manner to either the City of Chicago or the State of Illinois, the two governments that appoint District board members;
- The Civic Federation has found no evidence that the City of Chicago or the State of Illinois carry out comprehensive reviews of the District’s budgets, financial statements, or project updates and activity reports. The governments could do a better job of requiring the District to produce and submit these documents; and

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2 The District published an executive summary for one of its economic impact studies online as well as the name of one staff member, Executive Director Anthony Ianello. Because port authorities should publish the names and contact information for all of their staff members, the District is listed as publicizing 1.5 out of 7 (rather than 1 or 2 out of 7) documents and pieces of information that port authorities should publish on their websites in order to be fully transparent governments. For further discussion of IIPD’s level of transparency, see p. 43 of the report.
• In its audited financial statements, the District does not adhere to generally accepted accounting principles (GAAP).

District’s Strategic Planning and Vision for the Future

*The Illinois International Port District does not produce a strategic plan and has indicated that it does not intend to produce one in the future. The District’s failure to produce a strategic plan contradicts GFOA recommended practices and hinders the District’s ability to expand maritime commerce and carry out regional economic and industrial development initiatives.*

• The Illinois International Port District does not produce a strategic plan and has indicated that it does not intend to produce one in the future; and
• The District does not produce a mission statement, which is essential for the strategic planning process as well as for good governance.

Based on the following analysis, the Civic Federation concludes that the Port of Chicago and the regional economy would be better served if the Illinois International Port District were dissolved and the District’s assets and responsibilities absorbed by more responsive and accountable local government bodies.

The Civic Federation believes that the City of Chicago is the government body best suited to assume control of port operations, as it has mechanisms of accountability and oversight in place, could provide the port access to greater financial resources and professional staff, and has a much more immediate stake in the public benefit arising from a successful Port of Chicago and Chicago-area shipping industry as well as from development of the regional economy.
OVERVIEW AND HISTORY OF THE ILLINOIS INTERNATIONAL PORT DISTRICT

This section describes the mission, scope of authority, and governance of the Illinois International Port District.

Mission and Statutory Authority

The Illinois International Port District (IIPD or the District), originally named the Chicago Regional Port District, was created by the Illinois General Assembly in 1951. State Senator Walker Butler and State Representative John G. Ryan introduced the bill establishing the District, and Illinois Governor Adlai Stevenson signed it into law.\(^3\) The Illinois International Port District Act (Port District Act) went into effect on July 1, 1951.\(^4\)

The Port District Act created IIPD as “a political subdivision, body politic and municipal corporation,” responsible for maintaining and improving port facilities and promoting commerce at Chicago’s ports.\(^5\) As stated in the Port District Act, IIPD is responsible for performing all actions that “may tend to or be useful toward development and improvement of harbors, sea ports, and port-related facilities and services and to increase foreign and domestic commerce through the harbors and ports within the City of Chicago.”\(^6\) The Port District Act made IIPD’s borders coterminous with the corporate limits of the City of Chicago and gave IIPD the title to “certain lands in and near Lake Calumet” on the far south side of the City.\(^7\) IIPD’s primary responsibilities are the Port of Chicago, located on Lake Calumet Harbor at the junction of the Grand Calumet and Little Calumet Rivers, and Iroquois Landing, located at the mouth of the Calumet River at Lake Michigan.\(^8\)

Under the provisions of the Port District Act, IIPD does not have the power to levy taxes.\(^9\) The District can generate revenue through leases, rentals, and other fees, and it can apply for grants, loans, and appropriations from the federal government, the State of Illinois, and the City of Chicago.\(^10\) The District can also issue revenue bonds, notes, and certificates.\(^11\) Under the provisions of the Port District Act, District property is exempt from taxation.\(^12\)

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\(^3\) Harold M. Mayer, The Port of Chicago and the St. Lawrence Seaway (Chicago: University of Chicago Press, 1957), 186.
\(^4\) Illinois International Port District Act, Illinois Compiled Statutes, 70 ILCS 1810/1.
\(^5\) Illinois International Port District Act, Illinois Compiled Statutes, 70 ILCS 1810/3.
\(^7\) Illinois International Port District Act, Illinois Compiled Statutes, 70 ILCS 1810/3 and 70 ILCS 1810/4a.
\(^10\) Illinois International Port District Act, Illinois Compiled Statutes, 70 ILCS 1810/7 and 70 ILCS 1810/8.
\(^11\) Illinois International Port District Act, Illinois Compiled Statutes, 70 ILCS 1810/5.01 and 70 ILCS 1810/7.
\(^12\) Illinois International Port District Act, Illinois Compiled Statutes, 70 ILCS 1810/3.1.
Governance

The Illinois International Port District is governed by a nine-member board of directors. As stipulated in the Port District Act, board members should be “persons of recognized business ability” who are “residents of a county whose territory, in whole or in part, is embraced by the District.” Board members are allowed to receive annual compensation not to exceed $20,000 although, with board approval, the chairman may receive an additional $5,000.13

The District board originally consisted of seven members, four appointed by the governor of Illinois and three appointed by the mayor of the City of Chicago. In 1977, this provision was amended to increase the number of board members to nine, five appointed by the mayor and four by the governor.14 The mayor’s appointees must be approved by the City Council and the governor’s appointees must be approved by the State Senate. The board elects its own chairman and vice chairman, and board members serve staggered five-year terms.15

As of February 2008, IIPD’s board members were Daniel Alvarez Sr., Charles Bowen, William J. Braasch, Cary Capparelli, Samuel L. Evans, Jr., Terrence Fitzmaurice, Paul Jenkins, Dean Maragos, and William Murphy. Three of these board members are coming up for reappointment in June of 2008.16 The Civic Federation was unable to obtain information about board members’ professional affiliations. This information is important because it allows the public to judge the qualifications of public officials, especially when they are not elected. In the case of the District, board members’ affiliations would allow the public to determine if they were “persons of recognized business ability” as the Port District Act states they should be.17

History

This section provides a brief history of the Port of Chicago and the Illinois International Port District from the late 1950s to the present.

Geography

The Port of Chicago is located at Lake Calumet Harbor on the far south side of the City of Chicago. The Port is connected to the Atlantic Ocean via the St. Lawrence Seaway and to the Gulf of Mexico via a system of Illinois waterways and the Mississippi River.18 Development of

16 Document provided by Anthony Ianello, Executive Director of the Illinois International Port District, February 8, 2008. According to the document, board member William Murphy was due to come up for reappointment in June of 2007.
the Port of Chicago began in the 1950s, and the port officially opened in 1958, a year before the
dedication of the St. Lawrence Seaway.\textsuperscript{19}

\textit{Commerce at the Port of Chicago}

From the late 1950s to the late 1970s, the Chicago-area shipping industry depended primarily on
the steel industry and, to a lesser extent, on grain. The steel industry had been a major part of the
Chicago-area economy since the mid-nineteenth century, when steel mills produced track for the
burgeoning railway system and building material for bridges, skyscrapers, and other construction
projects.\textsuperscript{20} After the Second World War, the United States produced over half of the world’s
steel; roughly 20\% of U.S. steel came from mills in Illinois and Indiana.\textsuperscript{21} Iron ore, coal,
limestone—all used in the production of steel—and grain constituted the bulk of the traffic that
came through the Port of Chicago. Ships brought in iron ore and coal for use in Chicago-area
steel mills and exported grain produced in the Midwest to the rest of the country as well as to
overseas markets.\textsuperscript{22} Due to its central location in the United States and its proximity to large steel
plants and the agricultural Midwest, the Port of Chicago became a major world port.\textsuperscript{23}

In the 1980s, the Chicago-area steel industry experienced a dramatic decline that severely
impacted commerce at the Port of Chicago. Chicago’s big steel companies, including U.S. Steel,
Inland Steel, Wisconsin Steel, and Republic Steel, suffered as a result of foreign competition,
outdated plants and equipment, and high labor costs.\textsuperscript{24} Consequently, the 1980s witnessed the
exodus of the Chicago-area steel industry and massive layoffs in the region.\textsuperscript{25} Because raw
materials for steel production were a major source of traffic coming into the port, the loss of
Chicago’s large steel mills hurt commerce at the Port of Chicago.\textsuperscript{26}

\textit{IIPD Corruption Scandals}

In the 1980s, the Port of Chicago suffered not only from the decline of the Chicago-area steel
industry, but also from a number of corruption scandals involving District board members. Many
of these scandals involved John J. Serpico, who chaired the IIPD board from 1975 until 1999.

\textsuperscript{19} Illinois International Port District website, “History,” \url{http://www.theportofchicago.com/pages/history.html} (last
accessed on 6/11/08).
\textsuperscript{20} Encyclopedia of Chicago, “Iron and Steel,” \url{http://www.encyclopedia.chicagohistory.org/pages/653.html} (last
accessed on 6/11/08).
\textsuperscript{21} Encyclopedia of Chicago, “Iron and Steel,” \url{http://www.encyclopedia.chicagohistory.org/pages/653.html} (last
accessed on 6/11/08).
\textsuperscript{22} Harold M. Mayer, \textit{The Port of Chicago and the St. Lawrence Seaway}, (Chicago: The University of Chicago Press,
1957), 150. Petroleum products and sulphur are examples of other bulk commodities shipped through the port.
\textsuperscript{23} Despite its advantages, the Port of Chicago was never as successful as expected, largely because of the shift to
much larger ships, container traffic, and rail transport. City of Chicago, Department of Planning and Development,
\textsuperscript{24} Carmen T. Springgate, “Firing up US Steel,” \textit{Christian Science Monitor}, April 7, 1980, 24; Encyclopedia of
\textsuperscript{25} Between 1979 and 1986, roughly 16,000 Chicago-area steelworkers lost their jobs. Encyclopedia of Chicago,
\textsuperscript{26} Subsidies to combat surpluses, given to North American and European farmers during the 1980s, decreased grain
sales and further reduced port traffic. Fred Langan, “Business Falls, Troubled Waters Rise for St. Lawrence
Mr. Serpico left the board in 1999 after being indicted for fraud; in 2001 he was found guilty of six counts of mail fraud and sentenced to two and a half years in prison.\(^\text{27}\) In the 1980s, a series of articles in the *Chicago Tribune* exposed Mr. Serpico’s relationship with 10\(^{th}\) Ward Alderman Edward Vrdolyak. The *Tribune* articles described how IIPD contracts benefited people and firms with ties to Mr. Vrdolyak, the 10\(^{th}\) Ward political organization, and the Democratic Party.\(^\text{28}\) During the 1985 President’s Commission on Organized Crime, Mr. Serpico admitted to having close relationships with several of Chicago’s organized crime leaders although he denied personal involvement in organized crime.\(^\text{29}\) That same year, Chicago Mayor Harold Washington, citing patronage contracts and conflicts of interest, called for the resignations of all nine IIPD board members.\(^\text{30}\) Despite the Mayor’s call, none of the District board members resigned.

A 1987 report issued by then-Lieutenant Governor George Ryan highlighted additional problems at the port. The Ryan Report concluded that poor administration; uncompetitive bidding practices, especially for the port’s stevedoring operations; failure to properly maintain port facilities; and poor marketing had cost the Port of Chicago and the State of Illinois tens of millions of dollars.\(^\text{31}\) The Ryan Report criticized IIPD board members for lack of maritime experience and poor management of the port and recommended that the board be overhauled and restructured.\(^\text{32}\) Despite the Lieutenant Governor’s recommendations, District restructuring did not occur.

*Introduction of Recreational Activities*

As the Port of Chicago’s shipping activities dwindled in the 1980s and 1990s, IIPD turned its attention to recreational activities. In the mid-1980s, the District proposed the construction of a 1,000-boat marina on Lake Calumet. Since the Port District Act’s definition of “terminal facilities” included “all lands, buildings, structures, improvements, equipment and appliances useful...for handling, docking, storing and servicing small boats and pleasure craft,” construction of the marina would technically have been within the scope of the District’s statutory authority.\(^\text{33}\) Furthermore, IIPD argued that the marina was consistent with its mission of promoting maritime economic development; IIPD claimed that the marina would promote maritime economic development by bringing in roughly $1.0 million annually and employing over 200 people.\(^\text{34}\) The $13 million proposal was opposed by environmental groups and the City of Chicago, primarily on environmental grounds. The District dropped the proposal in 2002.\(^\text{35}\)


\(^{32}\) Ibid, p. 13-14. The Ryan Report also recommended that board members’ compensation be reduced.

\(^{33}\) *Illinois International Port District Act*, Illinois Compiled Statutes, 70 ILCS 1810/2.


In the 1990s, the District focused its attention on a different type of project: a golf course. In September 1991, IIPD filed a lawsuit against the Metropolitan Water Reclamation District (MWRD) in the Circuit Court of Cook County, Chancery Division. IIPD claimed that a contract existed between the two parties requiring MWRD to build a championship golf course on IIPD property (the Property) in return for the privilege of dumping sludge on the Property. IIPD sought compensation for “breach of contract, trespass and damage to property, restitution for unjust enrichment, and payment of rent.” IIPD asked that MWRD pay the Port District $11.0 million in damages in addition to an undetermined amount of lost profits if the golf course did not open by 1993. In the end, the parties reached a settlement whereby MWRD paid IIPD approximately $11.0 million towards the construction of Harborside International Golf Center (Harborside), which opened in 1995. IIPD financed the remaining cost of Harborside with proceeds from revenue bonds. Harborside, built on the site of a former landfill, occupies 458 acres of land and has been owned and operated by IIPD since its opening in 1995. The golf center has two adjacent 18-hole golf courses, the Portside Course and the Starboard Side Course. Because golf courses are practically the only revenue-generating facilities that can be built on former landfill sites, Harborside is a productive use of such a site.

In April of 1994, the Illinois International Port District Act was formally amended to incorporate recreational facilities within the scope of IIPD’s statutory authority. The amended statute expanded the definition of “port facilities” to include “all lands, buildings, structures, improvements, equipment, and appliances located on District property that are used for industrial, manufacturing, commercial, or recreational purposes.” The amended statute also enabled IIPD to use and operate as well as lease its land for “industrial, manufacturing, commercial, recreational, or harbor purposes.”

IIPD is currently advocating for the construction of a third 18-hole golf course adjacent to Harborside. The District argues that with the additional course, Harborside will be able to attract golfers seven days a week as well as major golf outings. According to the District’s proposal, the

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36 IIPD v. MWRD, No. 91 CH 07533 (Filed March 27, 1992), 4; IIPD v. MWRD, No. 91 CH 7533, (Filed March 27, 1992), 4. The history of the lawsuit, originally filed in 1991, is provided in a MWRD memorandum filed on March 27, 1992. This memorandum in support of MWRD’s motion to dismiss the amended complaint is part of the collection of documents that comprise IIPD v. MWRD, No. 91 CH 07533 (Filed March 27, 1992).
37 IIPD v. MWRD, No. 91 CH 7533, (Filed March 27, 1992), 2.
38 IIPD v. MWRD, No. 91 CH 7533, (Filed March 27, 1992), 7.
addition of a third golf course would make Chicago “the only city with three world class golf
courses at a single site.”

IIPD also asserts that a third golf course would increase tax revenue for the City of Chicago and
the State of Illinois and create jobs. The District predicts that a third course would increase
Harborside’s annual state sales taxes from $30,000 to $45,000 and its annual city amusement
taxes from $200,000 to $300,000. Harborside’s golf operations currently employ 60 workers and
its maintenance operations employ 50 workers; the District projects that a third golf course
would increase staff by 50% in addition to creating temporary construction jobs. IIPD also
argues that a third golf course would ensure the preservation of open space. According to the
District’s calculations, construction of a third golf course would cost either $2.9 or $5.6 million,
depending upon which proposal it adopted.

Other Recreational Proposals for the Lake Calumet Area

In the wake of IIPD’s expansion into recreational activities, various groups have put forth
proposals for the land near Lake Calumet Harbor. In the early 1990s, Mayor Daley pushed for
the construction of a third airport in the Lake Calumet region. The $10.8 billion plan for the
airport ultimately failed, due to strong opposition from citizens and legislators.

In 2001, the Ford Motor Company donated $6.6 million for an ecology center near Lake
Calumet; a winning design was chosen in 2004. The Ford Calumet Environmental Center was
originally scheduled to open in 2006, but construction has not yet begun. In 2005, a coalition of
residents, businessmen, and environmental leaders proposed the creation of Gateway Park, a
250-acre public park on the site of a former landfill near Lake Calumet. Proponents of Gateway
Park believed it would help revitalize the southeast side of Chicago and protect wildlife in the
area. Local activists also proposed the creation of a steel museum at the shuttered Acme steel
plant nearby. Both of these plans ultimately failed.

Despite these failures, the Lake Calumet region has continued to attract interest from
independent groups and government officials. In 2002, Cook County Forest Preserve District
Commissioner Mike Quigley produced a report about the Lake Calumet region entitled “Make
No Small Plans.” Quigley’s report advocated for the Forest Preserve District’s acquisition and
preservation of open land in the Calumet area. The report emphasized the importance of
protecting the Calumet area’s open space and wildlife and of keeping the land open to the

44 IIPD PowerPoint presentation to the City of Chicago, “Development of a Third 18-hole Golf Course (Harbor
45 IIPD PowerPoint presentation to the City of Chicago, “Development of a Third 18-hole Golf Course (Harbor
47 Antonio Olivo, “Step toward Calumet Revival; Design is Chosen for Ecology Center,” Chicago Tribune, April 23,
2004, 1; Fran Spielman, “Ford Donates $6 Million from Subsidy Money to Pay for Lake Calumet Nature Museum,”
49 Kari Lydersen, “Chicago Steelmaking: Dead but Not Forgotten; Activists Want to Turn Old Plant into a
The report also cited a number of studies produced by local governments that identified the Lake Calumet region as “the most important natural area still in need of protection in Chicago.” In 2002, the City of Chicago published a Calumet Area Land Use Plan and a Calumet Open Space Reserve Plan. Both of these plans proposed ways to redevelop and preserve land in the Calumet region; to date, they have not been implemented.

OPERATIONS AND FACILITIES

This section describes the activities of the Illinois International Port District and the facilities it owns.

Operations

The Illinois International Port District currently functions primarily as a landlord government and a golf course manager. The District describes itself in the following way: “The Port District operates as a lessor of facilities primarily for maritime operations, which include storage facilities, dockage, and wharfage, and also operates a golf facility at Harborside International Golf Course (Harborside).” IIPD currently has twenty tenants, including Emesco Marine Terminal, Hagemaster Moving & Storage, Kinder Morgan, North America Stevedoring Company, LLC, Reserve Marine Terminal, and S.H. Bell Company.

Facilities

IIPD oversees the Port of Chicago at Lake Calumet Harbor; Iroquois Landing, the port’s lakefront terminal; Foreign Trade Zone #22; Harborside International Golf Center; and a number of storage facilities. In addition to Harborside, the District owns approximately 360 acres of open land. In total, IIPD owns roughly 1,500 acres.

Lake Calumet Harbor

The Lake Calumet Harbor terminal is the District’s main port facility. Located at the junction of the Grand Calumet and Little Calumet Rivers, the facility handles barge traffic and bulk cargo coming through the Port of Chicago. The Lake Calumet Harbor terminal contains approximately

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3,000 linear feet of berthing space and has three transit sheds with over 315,000 square feet of combined space.\textsuperscript{56}

\textit{Iroquois Landing Terminal}

Iroquois Landing, which opened for use in 1981, is a 100-acre terminal that handles freight traffic at the Port of Chicago. The terminal, located at the mouth of the Calumet River at Lake Michigan, has 3,000 linear feet of berthing space and houses two 110,000 square foot transit sheds. There are 100 acres of land available for development adjacent to Iroquois Landing. North America Stevedoring Company, LLC manages operations at Iroquois Landing.\textsuperscript{57}

\textit{Storage Facilities}

IIPD owns two grain elevators that can hold up to 14 million bushels of grain and has storage facilities that can hold up to 800,000 barrels of liquid bulk.\textsuperscript{58} These facilities are located near the Lake Calumet Harbor terminal.

\textit{Foreign Trade Zone #22}

Foreign Trade Zone #22 encompasses all land within a sixty-mile radius of the City of Chicago’s outer limits. A foreign trade zone (FTZ), also called a free trade zone, is a federally-designated area in which lawfully imported goods can be stored, processed, manufactured, and re-exported without being subject to customs duties.\textsuperscript{59} IIPD manages two general purpose foreign trade zones in Chicago, one at Lake Calumet Harbor and the other near O’Hare Airport. The FTZ at Lake Calumet Harbor contains 400,000 square feet of warehouse space and 20 acres of land that are available for development.\textsuperscript{60}

\textit{Harborside International Golf Center (Harborside)}

Harborside is a 458-acre golf facility with a 36-hole championship golf course. This championship golf course is made up of two 18-hole golf courses, the Portside Course and the Starboard Side Course. Harborside also has a 57-acre practice facility, a Golf Academy, and a

\textsuperscript{56} Illinois International Port District website, “Facilities,” \url{http://www.theportofchicago.com/pages/facilities.html} (last accessed on 6/11/08).
\textsuperscript{58} Illinois International Port District website, “Facilities,” \url{http://www.theportofchicago.com/pages/facilities.html} (last accessed on 6/11/08). Liquid bulk is a term used to describe liquids such as petroleum and other chemicals that are shipped and stored in large quantities.
\textsuperscript{59} United States Department of Commerce Website, Import Administration, “Foreign-Trade Zones Board,” \url{http://ia.ita.doc.gov/ftzpage/fr/general/o29.html} (last accessed on 6/11/08).
\textsuperscript{60} Illinois International Port District website, “Facilities,” \url{http://www.theportofchicago.com/pages/facilities.html} (last accessed on 6/11/08).
24,000 square foot clubhouse with a restaurant and other amenities. Harborside opened for use in 1995.\textsuperscript{61}

**FINANCIAL ISSUES AND FIVE-YEAR TRENDS**

This section examines the finances of the Illinois International Port District between FY2002 and FY2006. The District’s fiscal year runs from January 1 to December 31. The information in this section is drawn primarily from IIPD Special-Purpose Financial Statements, audited by Ernst & Young LLP.

**Overview**

IIPD derives its revenues primarily from Harborside International Golf Center, transit shed and warehouse rentals, and land leases. The District spends most of its annual budget on repairs, maintenance, and facility improvements for Port of Chicago and Harborside facilities.

IIPD reported net losses every year between FY2002 and FY2006.\textsuperscript{62} In FY2002, the District reported a net loss of $89,849. While revenues exceeded expenses by $503,989, the sum of operating income, interest income, and interest expense generated the loss.\textsuperscript{63} Five years later, the District’s net loss rose to $690,662.

<table>
<thead>
<tr>
<th>IIPD Net Losses: FY2002 &amp; FY2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2002</td>
</tr>
<tr>
<td>----------------------------------</td>
</tr>
<tr>
<td>Total Revenues</td>
</tr>
<tr>
<td>Total Expenses</td>
</tr>
<tr>
<td>Operating Income</td>
</tr>
<tr>
<td>Interest Income</td>
</tr>
<tr>
<td>Interest Expense</td>
</tr>
<tr>
<td>Net Loss</td>
</tr>
</tbody>
</table>


This following chart shows the District’s net losses for fiscal years 2002 through 2006. The District incurred the greatest net loss, $690,662, in FY2006.

<table>
<thead>
<tr>
<th>IIPD Net Losses: FY2002 - FY2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>----------------------------------</td>
</tr>
<tr>
<td>Total Revenues</td>
</tr>
<tr>
<td>Total Expenses</td>
</tr>
<tr>
<td>Operating Income</td>
</tr>
<tr>
<td>Interest Income</td>
</tr>
<tr>
<td>Interest Expense</td>
</tr>
<tr>
<td>Net Loss</td>
</tr>
</tbody>
</table>


\textsuperscript{61} Harborside International Golf Center website, http://www.harborsideinternational.com/ (last accessed on 6/11/08).

\textsuperscript{62} Net loss is defined as a decrease in owner’s equity as a result of unprofitable operations. Investor Dictionary website, “Net Loss,” www.investordictionary.com (last accessed on 6/11/08).

\textsuperscript{63} Interest expense means the interest owed on a loan.
While the District reported net losses in FY2002 and FY2006, its end-of-year fund balances for both those years exceeded $13 million. In FY2002, the District’s fund balance was $13,563,644. This amount included $1,270,440 in contributed capital provided through a grant from the Illinois Department of Natural Resources for the construction of a marina and related facilities, a project that was ultimately never undertaken. In FY2006, the District’s fund balance totaled $13,361,257. This amount included $466,988 in contributed capital provided through a portion of a 2002 grant from the United States Department of Housing and Urban Development.

Revenue Trends

IIPD’s FY2006 revenue totaled $7.3 million. The District generated $3.7 million, or 50.2% of total revenue, from Harborside; $1.6 million, or 21.7% of total revenue, from transit shed and warehouse facilities; and $1.1 million, or 14.9% of total revenue, from land leases.

The District’s annual revenue decreased by 5.0% between FY2002 and FY2006. Revenue from port facilities increased by 9.2%, while revenue from Harborside decreased by 10.2%. Between

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64 The fund balance refers to the net worth of the District’s general fund, calculated by subtracting total liabilities from total assets.
67 This revenue total is comprised of revenues from port facilities, revenues from Harborside, and interest income.
68 Revenue from transit shed and warehouse facilities comes from the lease of those facilities to private companies.
FY2002 and FY2006, revenue from transit shed and warehouse facilities increased by 22.3%, while golf fees and other golf-related revenues decreased by 9.5% and 12.3% respectively. In FY2006, the District brought in a particularly large amount of revenue from transit shed and warehouse facilities ($1.6 million) and a particularly small amount of revenue from golf fees ($2.8 million). The District’s interest income was high in both FY2002 and FY2006, but especially high in FY2002. As a result, the District experienced a 72.1% decrease in interest income between FY2002 and FY2006.

<table>
<thead>
<tr>
<th>IIPD Revenues: FY2002 vs. FY2006</th>
<th>FY2002</th>
<th>FY2006</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Golf Fees, Net of Amusement Tax</td>
<td>$ 3,109,094</td>
<td>$ 2,812,767</td>
<td>$ (296,327)</td>
<td>-9.5%</td>
</tr>
<tr>
<td>Other Golf-Related Revenues</td>
<td>$ 979,427</td>
<td>$ 858,544</td>
<td>$ (120,883)</td>
<td>-12.3%</td>
</tr>
<tr>
<td>Total Revenue from Harborside</td>
<td>$ 4,088,521</td>
<td>$ 3,671,311</td>
<td>$ (417,210)</td>
<td>-10.2%</td>
</tr>
<tr>
<td>Transit Sheds and Warehouses</td>
<td>$ 1,299,747</td>
<td>$ 1,589,116</td>
<td>$ 289,369</td>
<td>22.3%</td>
</tr>
<tr>
<td>Land Leases</td>
<td>$ 1,014,657</td>
<td>$ 1,085,533</td>
<td>$ 70,876</td>
<td>7.0%</td>
</tr>
<tr>
<td>Dockage and Wharfage</td>
<td>$ 480,450</td>
<td>$ 449,427</td>
<td>$ (31,023)</td>
<td>-6.5%</td>
</tr>
<tr>
<td>Licenses and Fees</td>
<td>$ 381,430</td>
<td>$ 340,763</td>
<td>(40,667)</td>
<td>-10.7%</td>
</tr>
<tr>
<td>Other</td>
<td>$ 62,341</td>
<td>$ 70,388</td>
<td>8,047</td>
<td>12.9%</td>
</tr>
<tr>
<td>Total Revenue from Port Facilities</td>
<td>$ 3,238,625</td>
<td>$ 3,535,227</td>
<td>$ 296,602</td>
<td>9.2%</td>
</tr>
<tr>
<td>Interest Income</td>
<td>$ 362,229</td>
<td>$ 101,226</td>
<td>(261,003)</td>
<td>-72.1%</td>
</tr>
<tr>
<td>Total IIPD Revenue</td>
<td>$ 7,689,375</td>
<td>$ 7,307,764</td>
<td>$ (381,611)</td>
<td>-5.0%</td>
</tr>
</tbody>
</table>


The District’s annual revenue as well as its primary revenue sources experienced fluctuations over the five-year period between FY2002 and FY2006. The District’s annual revenue hit a low of $7.0 million in FY2003 and reached a high of $7.9 million in FY2005. Revenue from port facilities saw a low of $2.9 million in FY2003 and a high of $3.5 million in FY2006. Revenue from Harborside saw a low of $3.7 million in FY2006 and a high of $4.3 million in FY2005. (Please see the Appendix for a complete IIPD revenue chart for fiscal years 2002 through 2006.)

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IIPD Revenue Trends: FY2002-FY2006

Expenditure Trends

IIPD’s FY2006 expenditures came close to $8.0 million. The District spent $2.9 million, or 35.9% of total expenditures, on repairs, maintenance, and facility improvements for Port of Chicago and Harborside facilities. Salaries and benefits was the District’s next largest expenditure category. In FY2006, salaries and benefits cost IIPD $1.2 million, or 15.3% of total expenditures. The District’s least expensive expenditure item in FY2006 was marketing, advertising, and promotion, which cost $160,878, or 2.0% of total expenditures.

District expenditures increased by 2.8% between FY2002 and FY2006. Office expenses increased by 85.6%, salaries and benefits increased by 57.8%, and insurance and security costs increased by 21.9%. Fees for professional services increased by 15.8%, although legal fees decreased by 19.9%. Interest expense decreased by 31.7% and depreciation and amortization decreased by 23.3%. Marketing, advertising, and promotion decreased by 12.3%. The largest dollar change over the five-year period between FY2002 and FY2006 was the $447,482 increase in District salaries and benefits.70

70 In addition to the increase in salaries and benefits, board members’ compensation increased by $20,000 between FY2002 and FY2006.
### IIPD Expenditures: FY2002 vs. FY2006

<table>
<thead>
<tr>
<th>Port and Harborside Operating Expenses</th>
<th>FY2002</th>
<th>FY2006</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repairs, Maintenance, and Facility Improvements</td>
<td>$3,026,576</td>
<td>$2,873,884</td>
<td>$(152,692)</td>
<td>-5.0%</td>
</tr>
<tr>
<td>Salaries and Benefits</td>
<td>$774,856</td>
<td>$1,222,338</td>
<td>$447,482</td>
<td>57.8%</td>
</tr>
<tr>
<td>Insurance and Security</td>
<td>$864,992</td>
<td>$1,054,549</td>
<td>$189,557</td>
<td>21.9%</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>$956,067</td>
<td>$652,963</td>
<td>$(303,104)</td>
<td>-31.7%</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>$511,070</td>
<td>$391,928</td>
<td>$(119,142)</td>
<td>-23.3%</td>
</tr>
<tr>
<td>Utilities</td>
<td>$345,823</td>
<td>$345,740</td>
<td>$20,413</td>
<td>5.9%</td>
</tr>
<tr>
<td>Other Professional Fees</td>
<td>$298,525</td>
<td>$345,740</td>
<td>$47,215</td>
<td>15.8%</td>
</tr>
<tr>
<td>Office Expenses</td>
<td>$145,020</td>
<td>$269,093</td>
<td>$124,073</td>
<td>85.6%</td>
</tr>
<tr>
<td>Cost of Merchandise</td>
<td>$226,516</td>
<td>$241,505</td>
<td>$14,989</td>
<td>6.6%</td>
</tr>
<tr>
<td>Board Members’ Compensation</td>
<td>$210,000</td>
<td>$230,000</td>
<td>$20,000</td>
<td>9.5%</td>
</tr>
<tr>
<td>Legal Fees</td>
<td>$236,242</td>
<td>$189,312</td>
<td>$(46,930)</td>
<td>-19.9%</td>
</tr>
<tr>
<td>Marketing, Advertising, and Promotion</td>
<td>$183,537</td>
<td>$160,878</td>
<td>$(22,659)</td>
<td>-12.3%</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$7,779,224</strong></td>
<td><strong>$7,998,426</strong></td>
<td><strong>$219,202</strong></td>
<td><strong>2.8%</strong></td>
</tr>
</tbody>
</table>


Between FY2002 and FY2006, District expenditures fluctuated between a low of $7.4 million in FY2003 and a high of $8.0 million in FY2006. Repairs, maintenance, and facility improvements has consistently been the District’s largest expenditure category, costing between $2.8 and $3.4 million annually. With two exceptions, all other IIPD expenditures cost under $1.0 million.71 Marketing, advertising, and promotion was the District’s smallest expenditure category on average, costing between $128,386 and $183,537 annually. (Please see the Appendix for a complete IIPD expenditure chart for fiscal years 2002 through 2006.)

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71 In FY2006, salaries and benefits and insurance and security cost IIPD $1.2 and $1.1 million respectively.
**Long Term Debt**

On February 13, 1997, the District entered into a $19.8 million Loan, Security, and Trust Agreement with a third-party lender. IIPD used this money to repay a $7.0 million bank loan and establish a $6.0 million escrow for the construction of a clubhouse at Harborside. Under the terms of the agreement, the District had to pay annual interest payments at a rate of 5.96% from February 13, 1997 until February 1, 2007.72

On January 30, 2003, IIPD replaced its previous loan agreement with a $15.0 million Variable Rate Revenue Refunding Bond, Series 2003 (Variable Bond Agreement). LaSalle Bank National Association is the trustee, Pullman Bank is the lender, and Fifth Third Securities is the underwriter for this bond agreement. Under the terms of the agreement, the District has to pay annual interest payments until the bonds mature on January 1, 2023.73 The variable rate loan is adjusted weekly based on the Bond Market Association Municipal Swap Index plus related fees of 0.85%.74

In 2001, IIPD issued $8.5 million of Series 2001 Port Revenue Bonds so that a private-sector entity could acquire and construct a bulk storage facility on land leased by the District. Neither IIPD nor any other political subdivision is responsible for repaying the bonds.75

The District received $14,968,090 from the State of Illinois for the construction of Iroquois Landing, the Port of Chicago’s container terminal, which opened for use in April of 1981. No payments had been made to the State as of December 31, 2006. The District’s debt is not interest-bearing, and no maturity date has been set. IIPD is to repay funds by remitting no more that 20% of gross receipts and no less than 20% of profits from Iroquois Landing.76

**Personnel**

IIPD has seven full-time employees.77 The staff is composed of Anthony Ianello, Executive Director of the Illinois International Port District, his personal assistant, his financial assistant, two maintenance staff, and two golf pros.78

Harborside International Golf Center currently employs 157 people. Harborside’s golf operations employ 60 workers, its maintenance and operations employ 50 workers, and Stefani’s catering, which manages the restaurant at Harborside’s club house, employs 47 people.79

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77 Letter from Illinois International Port District to Laurence Msall, President of the Civic Federation, December 8, 2006; Conversation with Anthony Ianello, Executive Director of the Illinois International Port District, February 8, 2008.
78 Conversation with Anthony Ianello, Executive Director of the Illinois International Port District, February 8, 2008.
COMPARISON OF THE ILLINOIS INTERNATIONAL PORT DISTRICT TO OTHER PORT AUTHORITIES ON THE GREAT LAKES ST. LAWRENCE SEAWAY SYSTEM: GOVERNANCE STRUCTURE AND FINANCES

This section compares the Illinois International Port District to selected port authorities on the Great Lakes St. Lawrence Seaway System. This System consists of Great Lakes ports that are connected to the Atlantic Ocean via the St. Lawrence Seaway. The Seaway, which opened in 1959, extends from Montreal to Lake Erie. The port authorities selected for the purposes of this report are the Indiana Port Commission, the Cleveland-Cuyahoga County Port Authority, the Detroit/Wayne County Port Authority, the Erie-Western Pennsylvania Port Authority, and the Board of Harbor Commissioners of the City of Milwaukee. A complete list of the ports that comprise the Great Lakes St. Lawrence Seaway System is available on the Great Lakes St. Lawrence Seaway System website, at http://www.greatlakes-seaway.com/en/navigating/map/index.html.

Overview

This section compares the governance structure and activities of the Illinois International Port District to those of five port authorities that oversee major public ports on the U.S. side of the Great Lakes St. Lawrence Seaway System. Like the Illinois International Port District, these port authorities have boards of directors or commissioners whose members are appointed by state and local governments. On average, board members serve between three and four year renewable terms.

<table>
<thead>
<tr>
<th>Port</th>
<th>Government</th>
<th># of Board Members</th>
<th>Appointed by</th>
<th>Term Length</th>
</tr>
</thead>
<tbody>
<tr>
<td>Port of Burns Harbor, IN</td>
<td>Indiana Port Commission (IPC)</td>
<td>7</td>
<td>Governor of Indiana (7)</td>
<td>4 years</td>
</tr>
<tr>
<td>Port of Cleveland, OH</td>
<td>Cleveland-Cuyahoga County Port Authority (CCCPA)</td>
<td>9</td>
<td>Mayor of Cleveland (6), Cuyahoga County Board of Commissioners (3)</td>
<td>4 years</td>
</tr>
<tr>
<td>Port of Detroit, MI</td>
<td>Detroit/Wayne County Port Authority (DWCPA)</td>
<td>5</td>
<td>City of Detroit (2), Wayne County (2), State of Michigan (1)</td>
<td>3 years</td>
</tr>
<tr>
<td>Port of Erie, PA</td>
<td>Erie-Western Pennsylvania Port Authority (EWPPA)</td>
<td>11</td>
<td>Mayor of Erie (9), Governor of Pennsylvania (1), Pennsylvania Secretary of Transportation (1)</td>
<td>3 years</td>
</tr>
<tr>
<td>Port of Milwaukee, WI</td>
<td>Board of Harbor Commissioners of the City of Milwaukee (City of Milwaukee)</td>
<td>7</td>
<td>Mayor of Milwaukee (7)</td>
<td>3 years</td>
</tr>
<tr>
<td>Port of Chicago, IL</td>
<td>Illinois International Port District (IIPD)</td>
<td>9</td>
<td>Mayor of Chicago (5), Governor of Illinois (4)</td>
<td>5 years</td>
</tr>
</tbody>
</table>

The sampled port authorities engage in similar activities. They are primarily responsible for maritime commerce, and most oversee foreign trade zones. Four of the port authorities are involved in recreational activities and two of them generate revenue from recreational facilities. The Erie-Western Pennsylvania Port Authority owns and operates two marinas, among other facilities, and the Illinois International Port District administers Harborside International Golf Center.80 Both the marinas and the golf course generate revenue for the respective port authorities.

80 In addition to the two marinas, the Erie-Western Pennsylvania Port Authority owns and operates a campground, an observation tower, a public park, and an amphitheater. Information about the Erie-Western Pennsylvania Port Authority’s recreational facilities comes from the Erie-Western Pennsylvania Port Authority Annual Report, 2006-
authorities. The Cleveland-Cuyahoga County Port Authority’s Development Finance team issues revenue bonds to help finance the construction of multiple projects, ranging from industrial to educational to entertainment. An example of such a project is the Rock and Roll Hall of Fame and Museum, whose building the Cleveland-Cuyahoga County Port Authority owns and leases. The port authority is not involved in the operation of the museum, however, and does not generate revenue from museum proceeds. The Detroit/Wayne County Port Authority is also involved with a number of economic development initiatives, including recreational projects such as the construction of a Public Dock and Terminal for cruise ships and tour boats.

<table>
<thead>
<tr>
<th>Port Authority Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owns and Operates</td>
</tr>
<tr>
<td>Recreational Facilities</td>
</tr>
<tr>
<td>(Revenue Generating)</td>
</tr>
<tr>
<td>Port</td>
</tr>
<tr>
<td>Burn's Harbor, IN</td>
</tr>
<tr>
<td>Port of Cleveland, OH</td>
</tr>
<tr>
<td>Port of Detroit, MI</td>
</tr>
<tr>
<td>Port of Erie, PA</td>
</tr>
<tr>
<td>Port of Milwaukee, WI</td>
</tr>
<tr>
<td>Port of Chicago, IL</td>
</tr>
</tbody>
</table>

*Both the Cleveland-Cuyahoga County Port Authority and the Detroit/Wayne County Port Authority finance economic development and recreational initiatives, but they do not generate revenue from those initiatives.

Governance

Port of Burns Harbor, Indiana

The Port of Burns Harbor, Indiana is governed by the Indiana Port Commission (IPC), a governmental body created by the Indiana General Assembly in 1961. IPC currently has a seven-member board of directors. Board members are appointed by the governor of Indiana and serve four-year terms.

The Indiana Port Commission oversees ports at Burns Harbor, Jeffersonville, and Mount Vernon, Indiana. According to its mission statement, IPC is “dedicated to facilitating economic development in Indiana through logistics facilities and services, maritime industrial and commercial development, development finance tools and strategic public-private partnerships.”

2007, p. 11; the Port of Erie website, [http://www.porterie.org/](http://www.porterie.org/) (last accessed on 6/11/08); and a conversation with Suzanne Savoia, Administrative Assistant for the Erie-Western Pennsylvania Port Authority.


82 Conversation with Terry Steward, President and CEO of the Rock and Roll Hall of Fame and Museum, April 11, 2008. The port authority receives minimal revenue ($1 annually) from the museum as part of the lease agreement.


84 Ports of Indiana website, “Indiana Port Commission Overview,” [http://www.portsofindiana.com/poi/ipc/overview.cfm](http://www.portsofindiana.com/poi/ipc/overview.cfm) (last accessed on 6/11/08). No more than four board members can come from the same political party.

The Indiana Port Commission also oversees Indiana’s foreign trade zones, including one at Burns Harbor. The foreign trade zone at Burns Harbor occupies 441 acres.86

*Port of Cleveland, Ohio*

The Port of Cleveland, Ohio is governed by the Cleveland-Cuyahoga County Port Authority (CCCPA), a governmental agency created in 1968 to oversee port operations. CCCPA has a nine-member board of directors; six members are appointed by the City of Cleveland and three by Cuyahoga County. Board members serve four-year terms.87

The Cleveland-Cuyahoga County Port Authority’s mission is to “assist private industry in retaining and creating jobs by providing waterborne cargo transportation/services and by providing economic development facilitation through financing services and other development tools in partnership with local and state development agencies.”88 To that end, CCCPA has three main business operations: 1) a maritime operation that manages the international docks on the east side of the Cuyahoga River and a bulk cargo facility on the west side of the river; 2) a development finance operation that manages financing programs involving the issuance of revenue bonds and notes; and 3) an operation that manages the North Coast Harbor.89 CCCPA’s Development Finance team issues revenue bonds to help finance the construction of multiple projects, ranging from industrial to educational to entertainment.90 As an example, in 1993, the Development Finance team issued revenue bonds to assist in the financing and construction oversight of the Rock and Roll Hall of Fame and Museum.91 The port authority’s various development finance projects are in keeping with its mission to promote economic development.

Since 1978, the Cleveland-Cuyahoga County Port Authority has served as Northeast Ohio Grantee #40 for the foreign trade zone program. As Grantee #40, the port authority oversees foreign trade zones in Cuyahoga, Lorain, and Ashtabula Counties.92

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87 Port of Cleveland website, “About the Port: Governance,” http://www.portofcleveland.com/about/governance.asp (last accessed on 6/11/08).
89 Cleveland-Cuyahoga County Port Authority Financial Statements, 2006, p. 3. The purpose of the North Coast Harbor operation is to provide for the ongoing operation, maintenance, insurance, and security of the common areas of the North Coast Harbor. The participants in the North Coast Harbor initiative include the City of Cleveland, the Rock and Roll Hall of Fame and Museum, and the Great Lakes Museum of Science, Environment and Technology. Cleveland-Cuyahoga County Port Authority Financial Statements, 2006, p. 33.
91 Port of Cleveland website, “History,” http://www.portofcleveland.com/about/history.asp (last accessed on 6/11/08); Conversation with Terry Steward, President and CEO of the Rock and Roll Hall of Fame and Museum, April 11, 2008.
Port of Detroit, Michigan

The Port of Detroit, Michigan is governed by the Detroit/Wayne County Port Authority (DWCPA), created by the Michigan legislature in 1978. The port authority has a five-member board of directors; two members are appointed by Wayne County, two by the City of Detroit, and one by the State of Michigan. Board members serve three-year terms.93

The Detroit/Wayne County Port Authority’s mission is to “plan, develop, and foster economic and recreational growth, through environmental stewardship, in promoting Detroit and southeast Michigan as an import and export freight transportation and distribution hub for the United States, Canada, and the world marketplace.”94 In keeping with its stated mission, DWCPA has been involved with a number of economic development initiatives. DWCPA issued revenue bonds to help finance a mixed-use facility for General Motors, and the port authority is currently working on the construction of a Public Dock and Terminal, which will harbor a number of vessels, including cruise ships, naval frigates, and tour boats.95 The Detroit/Wayne County Port Authority administers the Greater Detroit Foreign Trade Zone, Inc., a self-funded and separate non-profit Michigan corporation.96

Port of Erie, Pennsylvania

The Port of Erie, Pennsylvania is governed by the Erie-Western Pennsylvania Port Authority (EWPPA), a public instrumentality of the Commonwealth of Pennsylvania created by the City of Erie in 1972. EWPPA has an 11-member board of directors; nine members are appointed by the mayor of the City of Erie, one member is appointed by the governor of Pennsylvania, and one member is appointed by the Pennsylvania secretary of transportation.97 Board members serve three-year terms.98

The Erie-Western Pennsylvania Port Authority’s mission is to “promote industrial, commercial, and recreational opportunities for the citizens of Pennsylvania on Presque Isle Bay and adjacent waters.”99 The port authority owns and operates two marinas and leases most of its other activities to private sector management.100 EWPPA also administers a foreign trade zone.101

93 Detroit/Wayne County Port Authority website, “History,” http://www.portdetroit.com/history/index.htm (last accessed on 6/11/08); Port District Act, Public Act 234, Sect. 120.9 (MI 1925).
98 Third Class Port Authority Act, 55 P.S. Sect. 576 (PA 1972).
100 See footnote 80: In addition to the two marinas, the Erie-Western Pennsylvania Port Authority owns and operates a campground, an observation tower, a public park, and an amphitheater. Information about the Erie-Western Pennsylvania Port Authority’s recreational facilities comes from the Erie-Western Pennsylvania Port Authority Annual Report, 2006-2007, p. 11; the Port of Erie website, http://www.porterie.org/ (last accessed on 6/11/08); and a conversation with Suzanne Savoia, Administrative Assistant for the Erie-Western Pennsylvania Port Authority.
Port of Milwaukee, Wisconsin

The Port of Milwaukee is owned by the City of Milwaukee and managed by the Board of Harbor Commissioners of the City of Milwaukee. This board was created in 1920 by the City of Milwaukee’s common council, under authority granted by the Wisconsin state legislature, and it currently consists of seven commissioners. These commissioners are appointed by the mayor of the City of Milwaukee and serve three-year terms.\(^{102}\) The Port of Milwaukee is technically designated as a foreign trade zone, but that zone is not currently active.\(^{103}\)

Comparison of Revenue Distributions

Overview

The sampled port authorities have similar revenue sources, including leases and rentals, maritime services, and fees.\(^ {104}\) However, primary revenue sources vary: in fiscal year 2006, the last fiscal year for which complete information is available, two port authorities relied primarily on leases and rentals, one relied primarily on property taxes, one on contracts and grants, and one on miscellaneous income. It is important to note that some differences among the ports’ financial data are attributable to their use of different bases of accounting.\(^ {105}\)

In FY2006, the Indiana Port Commission’s primary operating revenue source at the Port of Burns Harbor was leases and rentals, followed by maritime services. IPC generated 59.1% of total revenue at the Port of Burns Harbor from leases and rentals. In FY2006, the Cleveland-Cuyahoga County Port Authority’s primary revenue source was property taxes, followed by leases and rentals. CCCPA brought in 34.3% of total revenue from property taxes. In FY2006, the Detroit/Wayne County Port Authority’s primary revenue source was contracts and grants, followed by fee revenue. Contracts and grants accounted for 83.6% of DWCPA’s total revenue. In FY2006, the Erie-Western Pennsylvania Port Authority’s primary revenue source was miscellaneous income from a legal settlement and other one-time events (see page 32), followed by grants. Miscellaneous income accounted for 42.9% of the port authority’s total revenue. In FY2006, the City of Milwaukee’s primary revenue source at the Port of Milwaukee was leases and rentals, followed by miscellaneous income. Leases and rentals constituted 97.4% of total revenue from the port.


\(^{103}\) Conversation with Eric Reinelt, Director of the Port of Milwaukee, March 20, 2008.

\(^{104}\) Revenue data comes from the port authorities’ audited financial statements. With the exception of the Port of Burns Harbor revenues, total revenues include operating and non-operating income. The Indiana Port Commission does not separate non-operating revenue for its various ports, so only operating revenue figures are available for the Port of Burns Harbor. Non-operating income includes any revenue that does not come directly from facilities and/or services. Interest income, grants, property taxes, and income from investments are examples of non-operating revenue.

\(^{105}\) The Port of Burns Harbor, Cleveland-Cuyahoga County Port Authority, Port of Milwaukee, and Erie-Western Pennsylvania Port Authority use a full accrual basis of accounting, while the Illinois International Port Authority and Detroit/Wayne County Port Authority use a modified cash basis of accounting.
Like these port authorities, the Illinois International Port District collects revenue from leases and rentals, maritime services, and fees; unlike the other port authorities, the District’s primary revenue source is a recreational facility: Harborside International Golf Center. In FY2006, IIPD generated 50.2% of its total revenue from Harborside. None of the other port authorities’ primary revenue sources were recreational facilities, not even the Erie-Western Pennsylvania Port Authority, which owns and operates two marinas. Furthermore, unlike the Illinois International Port District, the other port authorities that own non-maritime facilities have mission statements that justify the ownership of such facilities, either for recreational or economic development purposes. IIPD does not even produce a mission statement, as discussed on page 44 of this report.

### Comparison of 2006 Revenue Sources

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Port of Burns Harbor</th>
<th>Port of Cleveland</th>
<th>Port of Detroit</th>
<th>Port of Erie</th>
<th>Port of Milwaukee</th>
<th>Port of Chicago</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leases and Rentals</td>
<td>59.1%</td>
<td>21.2%</td>
<td>2.2%</td>
<td>19.7%</td>
<td>97.4%</td>
<td>14.9%</td>
</tr>
<tr>
<td>Maritime Services</td>
<td>28.3%</td>
<td>9.7%</td>
<td>4.8%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>27.9%</td>
</tr>
<tr>
<td>Fees</td>
<td>12.6%</td>
<td>19.0%</td>
<td>6.7%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Property Taxes</td>
<td>0.0%</td>
<td>34.3%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>0.0%</td>
<td>15.7%</td>
<td>2.6%</td>
<td>42.9%</td>
<td>2.6%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Contracts and Grants</td>
<td>0.0%</td>
<td>0.0%</td>
<td>83.6%</td>
<td>21.9%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Recreational Facilities</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>15.6%</td>
<td>0.0%</td>
<td>50.2%</td>
</tr>
</tbody>
</table>

1Revenue from the Port of Burns Harbor does not include non-operating income, as that data is not broken out by port in the Indiana Port Commission financial statements.

2This revenue came from project development and administration

3This revenue came from marinas, boat stalls, and storage facilities

4A large portion of this income came from a legal settlement

Between FY2002 and FY2006, the Illinois International Port District consistently generated over half of its annual operating revenue from Harborside International Golf Center. In FY2003, revenue from Harborside accounted for $4.2 million, or 59.1% of total operating revenue. This was the highest percentage of revenue from Harborside during the five-year period between FY2002 and FY2006.

The following section provides a detailed description of the sampled port authorities’ revenue sources in fiscal year 2006, the last fiscal year for which complete information is available.

---

106 Erie-Western Pennsylvania Port Authority Annual Report, 2006-2007, p. 11. As described on page 32, even in 2007 when there was much less miscellaneous revenue, marina income only constituted 22.5% of total revenue.

107 Although the Port District Act was amended in 1994 so that the definition of “port facilities” would include facilities used for “recreational purposes,” the District has not articulated the role of recreational facilities in an agency mission statement.

108 This calculation does not include interest income (non-operating revenue).

109 It should be noted that contributed capital is not included in the revenue figures for any of the port authorities.
In FY2006, the Port of Burns Harbor, Indiana, managed by the Indiana Port Commission, brought in $2.8 million, or 59.1% of total operating revenue, from facility rentals; $1.3 million, or 28.3% of total operating revenue, from maritime services; and $591,163, or 12.6% of total operating revenue, from various fees. These fees consisted of operating fees ($352,401), user fees ($227,762), and foreign trade zone operator fees ($11,000).\textsuperscript{110}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{image.png}
\caption{Indiana Port Commission - Port of Burns Harbor FY2006 Revenue Distribution}
\end{figure}

\textsuperscript{110} Indiana Port Commission Financial Statements, 2006-2005, p. 29. Revenue from the Port of Burns Harbor does not include non-operating income, as that data is not available.
In FY2006, the Cleveland-Cuyahoga County Port Authority collected $3.3 million, or 34.3% of total revenue, from property taxes and $2.1 million, or 21.2% of total revenue, from property leases and rentals. The port authority collected $1.8 million, or 19% of total revenue, from fees. These fees included financing fees ($1,153,579), foreign trade zone fees ($430,000), and parking revenues ($263,567). CCCPA generated $1.5 million, or 15.7% of total revenue, from miscellaneous items. These items included income from investments ($904,382), third party contributions ($615,650), and miscellaneous income ($6,672). The port authority brought in $942,363, or 9.7% of total revenue, from maritime services, specifically from wharfage, dockage, and storage facilities.\textsuperscript{111}

\begin{center}
\textbf{Cleveland-Cuyahoga County Port Authority FY2006 Revenue Distribution}
\end{center}

\begin{center}
\begin{tabular}{c|c|c}
\hline
\textbf{Source: Cleveland-Cuyahoga County Port Authority Basic Financial Statements, 2006, p. 17.}
\end{tabular}
\end{center}

\textsuperscript{111} Cleveland-Cuyahoga County Port Authority Basic Financial Statements, 2006, p. 17.
In FY2006, the Detroit/Wayne County Port Authority collected $2.2 million, or 83.6% of total revenue, from governmental contracts and grants.\textsuperscript{112} The port authority generated $173,635, or 6.7% of total revenue, from Foreign Trade Zone fees and $125,000, or 4.8% of total revenue, from project development and administration, which is listed in the chart below as maritime activities. DWCPA collected $67,847, or 2.6% of total revenue, from miscellaneous items, which included miscellaneous income ($51,436) and interest income ($16,411). The port authority brought in $57,765, or 2.2% of total revenue, from rental income.\textsuperscript{113}


\textsuperscript{112} These contracts and grants came primarily from the State of Michigan, Wayne County, the City of Detroit, and the federal government. Detroit/Wayne County Port Authority Financial Statements, 2006-2005, pp. 20-22.

\textsuperscript{113} Detroit/Wayne County Port Authority Financial Statements, 2006-2005, p. 12.
In FY2006, the Erie-Western Pennsylvania Port Authority collected $2.3 million, or 42.9% of total revenue, from miscellaneous items. This amount was unusually high in 2006 due to $799,000 in equipment received from a commercial tenant that terminated a lease early, $481,400 in property donated by the Commonwealth of Pennsylvania, and $467,327 in net revenue from settlement with the contractor and project engineer of the Port Terminal Wall at the port’s Cruise Boat Terminal Complex, which collapsed in 2003.\(^{114}\) These miscellaneous items, together with interest income ($235,494), sponsorship revenue ($94,297), and the sale of gas and oil, net of cost ($50,841), constituted 42.9% of 2006 revenues. The port authority brought in $1.2 million, or 21.9% of total revenue, from grants and $1.1 million, or 19.7% of total revenue, from commercial rentals. EWPPA generated $847,316, or 15.6% of total revenue, from marinas, boat stalls, and storage facilities.\(^{115}\) In 2007, a year with much less miscellaneous revenue, marina income totaled 22.5% of total revenue.\(^{116}\)

\begin{align*}
\text{Total} &= \$5,427,612 \\
\text{Facility Rentals} &= \$1,066,728 \quad 19.7\% \\
\text{Grants} &= \$1,186,649 \quad 21.9\% \\
\text{Miscellaneous} &= \$2,326,919 \quad 42.9\% \\
\text{Marinas, Boat Stalls, Storage} &= \$847,316 \quad 15.6\%
\end{align*}


In FY2006, the Port of Milwaukee, financed by the City of Milwaukee and managed by the City of Milwaukee’s Board of Harbor Commissioners, generated $4.9 million, or 97.4% of total revenue, from rent and $130,000, or 2.6% of total revenue, from miscellaneous items.\textsuperscript{117}

\begin{figure}
\centering
\includegraphics[width=\textwidth]{Port_of_Milwaukee_FY2006_Revenue_Distribution}
\caption{Port of Milwaukee FY2006 Revenue Distribution}
\end{figure}

\textsuperscript{117} City of Milwaukee FY2006 CAFR, p. 105.
Although the Illinois International Port District collects revenue from leases and rentals, maritime services, and fees like these Great Lakes port authorities, the District’s primary revenue source is a recreational facility: Harborside International Golf Center. In FY2006, IIPD collected $3.7 million, or 50.2% of total revenue, from Harborside facilities, specifically from golf fees, net of amusement tax ($2,812,767) and other golf-related revenue ($858,544). IIPD collected $2.0 million, or 27.9% of total revenue, from maritime services, specifically from transit shed and warehouse facilities ($1,589,116) and from dockage and wharfage facilities ($449,427). The District generated $1.1 million, or 14.9% of total revenue, from land leases and $340,763, or 4.7% of total revenue, from licenses and fees. Miscellaneous items accounted for $171,614, or 2.3% of total revenue; interest income constituted $101,226 of that miscellaneous revenue.\textsuperscript{118}

\begin{table}[h]
\centering
\begin{tabular}{lrr}
\hline
\textbf{Revenue Source} & \textbf{Revenue} & \textbf{Percent of Total} \\
\hline
Leases and Rentals & $1,085,533 & 14.9\% \\
Fees & $340,763 & 4.7\% \\
Miscellaneous & $171,614 & 2.3\% \\
Maritime Services & $2,038,543 & 27.9\% \\
Revenue from Harborside & $3,671,311 & 50.2\% \\
\hline
Total & $7,307,764 & \\
\end{tabular}
\caption{IIPD FY2006 Revenue Distribution}
\end{table}

\textsuperscript{118} IIPD Special-Purpose Financial Statements, 2006-2005, p. 3.

\textit{Summary}

The sampled port authorities have similar revenue sources, including leases and rentals, maritime services, and fees. However, primary revenue sources vary: in fiscal year 2006, the last fiscal year for which complete information is available, the Indiana Port Commission and the City of Milwaukee’s Board of Harbor Commissioners relied primarily on leases and rentals, the Cleveland-Cuyahoga County Port Authority relied primarily on property taxes, the
Detroit/Wayne County Port Authority on contracts and grants, and the Erie-Western Pennsylvania Port Authority on miscellaneous income.

Like these port authorities, the Illinois International Port District collects revenue from leases and rentals, maritime services, and fees. However, unlike the other port authorities, the District’s primary revenue source is a recreational facility: Harborside International Golf Center. None of the other port authorities’ primary revenue sources were recreational facilities, not even the Erie-Western Pennsylvania Port Authority, which owns and operates multiple recreational facilities, including two marinas.\textsuperscript{119} Furthermore, unlike the Illinois International Port District, the other port authorities that own non-maritime facilities have mission statements that justify the ownership of such facilities, either for recreational or economic development purposes. IIPD does not produce a mission statement. The other port authorities also engage in a range of recreational and/or economic development initiatives, rather than focusing solely on one recreational project.

**Comparison of Expenditure Distributions**

*Overview*

The sampled port authorities have similar expenditures, including depreciation, personnel expenses, and professional services.\textsuperscript{120} However, primary expenditures vary: in fiscal year 2006, the last fiscal year for which complete information is available, depreciation and personnel expenses each constituted primary expenditure categories for two port authorities while reclamation and redevelopment and repairs and maintenance each constituted primary expenditure categories for one port authority.\textsuperscript{121} It is important to note that some differences among the ports’ financial data are attributable to their use of different bases of accounting.\textsuperscript{122}

In FY2006, the Indiana Port Commission’s primary expenditure for the Port of Burns Harbor was depreciation, followed by personnel expenses. IPC spent 56.4% of total expenditures for the Port of Burns Harbor on depreciation. In FY2006, the Cleveland-Cuyahoga County Port Authority’s primary expenditure was personnel costs, which constituted 27.7% of total expenditures, followed by professional services. In FY2006, the Detroit/Wayne County Port Authority’s primary expenditure was reclamation and redevelopment, followed by personnel expenses. DWCPA spent 36.7% of total expenditures on reclamation and redevelopment. In FY2006, the Erie-Western Pennsylvania Port Authority’s primary expenditure was depreciation, followed by personnel expenses. Depreciation constituted 32.5% of EWPPA’s total

\textsuperscript{119} Erie-Western Pennsylvania Port Authority Annual Report, 2006-2007, p. 11.
\textsuperscript{120} Expenditure data comes from the port authorities’ audited financial statements. With the exception of the Indiana Port Commission’s expenditures, total expenditures include operating and non-operating expenses. Non-operating expenses include any expenses that are not directed towards port facilities, services, or personnel. Depreciation and interest expense are examples of non-operating expenditures.
\textsuperscript{121} Depreciation expense is the portion of a tangible capital asset that has been consumed or has expired and has thereby become an expense. For some port authorities, depreciation is listed as a separate line item while for others, it is incorporated into other expense figures.
\textsuperscript{122} The Port of Burns Harbor, Cleveland-Cuyahoga County Port Authority, Port of Milwaukee, and Erie-Western Pennsylvania Port Authority use a full accrual basis of accounting, while the Illinois International Port Authority and Detroit/Wayne County Port Authority use a modified cash basis of accounting.
In FY2006, the City of Milwaukee’s primary expenditure for the Port of Milwaukee was personnel costs, followed by professional services and office expenses, listed in the City’s FY2006 audited financial statements as “services, supplies, and materials.” Personnel costs accounted for 36.4% of the City’s total expenditures for the port. Unlike these port authorities, IIPD’s primary expenditure was repairs and maintenance; in FY2006, IIPD spent 35.9% of total expenditures on repairs and maintenance. The District’s second largest expenditure was personnel expenses.

<table>
<thead>
<tr>
<th>Comparison of Expenditures</th>
<th>Port of Burns Harbor¹</th>
<th>Port of Cleveland</th>
<th>Port of Detroit</th>
<th>Port of Erie</th>
<th>Port of Milwaukee</th>
<th>Port of Chicago</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation</td>
<td>56.4%</td>
<td>14.8%</td>
<td>0%²</td>
<td>32.5%</td>
<td>24.4%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Personnel Expenses</td>
<td>20.1%</td>
<td>27.7%</td>
<td>29.4%</td>
<td>20.7%</td>
<td>36.4%</td>
<td>18.2%</td>
</tr>
<tr>
<td>Professional Services</td>
<td>8.7%</td>
<td>16.7%</td>
<td>4.6%</td>
<td>3.9%⁴</td>
<td>0.0%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>6.3%</td>
<td>4.1%</td>
<td>8.8%</td>
<td>6.5%</td>
<td>6.3%</td>
<td>16.2%</td>
</tr>
<tr>
<td>Office Expenses and Utilities</td>
<td>3.9%</td>
<td>3.5%³</td>
<td>4.4%³</td>
<td>5.7%</td>
<td>25.8%⁵</td>
<td>7.9%</td>
</tr>
<tr>
<td>Repairs and Maintenance</td>
<td>4.2%</td>
<td>14.5%</td>
<td>7.3%</td>
<td>19.1%</td>
<td>0.0%</td>
<td>35.9%</td>
</tr>
<tr>
<td>Advertising and PR</td>
<td>0.3%</td>
<td>6.8%</td>
<td>2.7%</td>
<td>3.3%</td>
<td>0.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>0.0%</td>
<td>12.0%</td>
<td>6.0%</td>
<td>8.4%</td>
<td>7.2%</td>
<td>8.2%</td>
</tr>
<tr>
<td>Reclamation and Redevelopment</td>
<td>0.0%</td>
<td>0.0%</td>
<td>36.7%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

¹Expenditures for the Port of Burns Harbor do not include non-operating income, as that data is not broken out by port in the Indiana Port Commission financial statements.

²Unlike all other ports examined, the Port of Detroit does not include depreciation in its statement of expenditures, although it does note $31,326 in depreciation expense for capital assets on page 17 of the 2006 financial statements.

³These expenditure items only include office expenses.

⁴This expenditure item consists of services and fees.

⁵This expenditure item consists of services, supplies, and materials.

¹²³ City of Milwaukee FY2006 CAFR, p. 105.
In FY2006, the Indiana Port Commission (IPC) spent $1.5 million, or 56.4% of total expenditures for the Port of Burns Harbor, on depreciation. IPC spent $526,160, or 20.1% of total expenditures, on port employees. This money went towards employee salaries ($368,539), employee benefits, taxes, and insurance ($140,644), and employee travel ($16,977). The port authority spent $227,699, or 8.7% of total expenditures, on professional services. These services included security services ($225,738), other professional services ($1,349), and legal services ($612). IPC spent $164,644, or 6.3% of total expenditures, on miscellaneous items. These items consisted of insurance ($124,002) and association membership ($40,642). IPC spent $108,862, or 4.2% of total expenditures, on facility maintenance and $102,841, or 3.9% of total expenditures, on office expenses and utilities. (Office supplies cost $31,638 and utilities cost $71,203 on utilities). The port authority spent $9,074, or 0.3% of total expenditures, on advertising and public relations.\(^{124}\)

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\(^{124}\) Indiana Port Commission Financial Statements, 2006-2005, p. 29. Expenditures for the Port of Burns Harbor do not include non-operating expenses, as that data is not available.
In FY2006, the Cleveland-Cuyahoga County Port Authority (CCCPA) spent $2.2 million, or 27.7% of total expenditures, on employee salaries and benefits and $1.4 million, or 16.7% of total expenditures, on professional services. CCCPA spent $1.2 million, or 14.8% of total expenditures, on depreciation and $1.2 million, or 14.5% of total expenditures, on facilities lease and maintenance. CCCPA spent $973,971, or 12% of total expenditures, on interest expenses and $548,613, or 6.8% of total expenditures, on marketing and communications. The port authority spent $332,551, or 4.1% of total expenditures, on miscellaneous items and $281,796, or 3.5% of total expenditures, on office expenses.\footnote{Cleveland-Cuyahoga County Port Authority Basic Financial Statements, 2006, p. 17.}
In FY2006, the Detroit/Wayne County Port Authority (DWCPA) spent $1.0 million, or 36.7% of total expenditures, on reclamation and redevelopment of port authority lands and $805,771, or 29.4% of total expenditures, on employee salaries and benefits. DWCPA spent $241,549, or 8.8% of total expenditures, on miscellaneous items. These items included travel and automotive expenses ($113,519), conferences, dues, and subscriptions ($85,813), debt service ($41,370), and capital outlay ($847). The port authority spent $199,637, or 7.3% of total expenditures, on facility maintenance and operations, $165,714, or 6.0% of total expenditures, on interest payments, and $126,870, or 4.6% of total expenditures, on contractual and professional services. DWCPA spent $121,090, or 4.4% of total expenditures, on office expenses and $75,205, or 2.7% of total expenditures, on marketing and promotion.\textsuperscript{126}

\begin{center}
\textbf{Detroit/Wayne County Port Authority FY2006 Expenditure Distribution}
\end{center}

\begin{itemize}
\item Reclamation and Redevelopment: $1,004,847 (36.7%)
\item Personnel Expenses: $805,771 (29.4%)
\item Miscellaneous: $241,549 (8.8%)
\item Repairs and Maintenance: $199,637 (7.3%)
\item Interest Expense: $165,714 (6.0%)
\item Professional Services: $126,870 (4.6%)
\item Office Expenses: $121,090 (4.4%)
\item Advertising and PR: $75,205 (2.7%)
\end{itemize}


\textsuperscript{126} Detroit/Wayne County Port Authority Financial Statements, 2006-2005, p. 12.
In FY2006, the Erie-Western Pennsylvania Port Authority (EWPPA) spent $1.8 million, or 32.5% of total expenditures, on depreciation and $1.2 million, or 20.7% of total expenditures, on personnel costs, including pension expenses ($46,907). EWPPA spent $1.1 million, or 19.1% of total expenditures, on repairs and maintenance. The FY2006 figure for repairs and maintenance is exceptionally high; in FY2007, the port authority spent a more typical amount: $386,409. The FY2006 figure for repairs and maintenance is unusually high because in 2006, EWPPA entered into contracts for the reconstruction of the Port Terminal Wall at the port’s Cruise Boat Terminal Complex, part of which had fallen down in 2003. The port authority spent $474,270, or 8.4% of total expenditures, on interest payments and $367,200, or 6.5% of total expenditures, on miscellaneous items, which included insurance ($289,254), unspecified items ($67,946), and subsidies to other organizations ($10,000). EWPPA spent $321,224, or 5.7% of total expenditures, on office expenses and utilities, which included utilities ($240,202), rent ($48,308), and other office expenses ($32,714). The port authority spent $219,550, or 3.9% of total expenditures, on services and fees and $186,373, or 3.3% of total expenditures, on advertising and public relations.

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**Erie-Western Pennsylvania Port Authority FY2006 Expenditure Distribution**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation</td>
<td>$1,844,367</td>
<td>32.5%</td>
</tr>
<tr>
<td>Personnel Expenses</td>
<td>$1,174,689</td>
<td>20.7%</td>
</tr>
<tr>
<td>Repair and Maintenance</td>
<td>$1,083,134</td>
<td>19.1%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$367,200</td>
<td>6.5%</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>$474,270</td>
<td>8.4%</td>
</tr>
<tr>
<td>Office Expenses and Utilities</td>
<td>$321,224</td>
<td>5.7%</td>
</tr>
<tr>
<td>Services and Fees</td>
<td>$219,550</td>
<td>3.9%</td>
</tr>
<tr>
<td>Advertising and PR</td>
<td>$186,373</td>
<td>3.3%</td>
</tr>
</tbody>
</table>

Total = $5,670,807


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In FY2006, the City of Milwaukee, which finances the Port of Milwaukee, spent $1.3 million, or 36.4% of total expenditures, on employee services and $946,000, or 25.8% of total expenditures, on services, supplies, and materials. The City spent $897,000, or 24.4% of total expenditures, on depreciation and $263,000, or 7.2% of total expenditures, on interest payments. The City spent $230,000, or 6.3% of total expenditures, on the loss on the disposal of fixed assets; this figure is categorized as miscellaneous income in the chart below.129

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129 City of Milwaukee FY2006 CAFR, p. 105.
In FY2006, IIPD spent $2.9 million, or 35.9% of total expenditures, on repairs, maintenance, and facility improvements, a much higher percentage than the other port authorities spent. After repairs, maintenance, and facility improvements, the District spent $1.5 million, or 18.2% of total expenditures, on personnel costs, which consisted of salaries and benefits ($1,222,338) and board members’ compensation ($230,000). IIPD spent $1.3 million, or 16.2% of total expenditures, on miscellaneous items, which included insurance and security ($1,054,549) and the cost of merchandise for Harborside ($241,505). IIPD spent $652,963, or 8.2% of total expenditures, on interest payments and $635,329, or 7.9% of total expenditures, on office expenses and utilities. (Utilities cost $366,236 and office expenses cost $269,093). The District spent $535,052, or 6.7% of total expenditures, on professional services, which included legal fees ($189,312) and other professional services ($345,740). IIPD spent $391,928, or 4.9% of total expenditures, on depreciation and amortization and $160,878, or 2.0% of total expenditures, on marketing, advertising, and promotion. Harborside’s facilities and roughly 160 employees most likely cost IIPD a substantial amount of money to support and maintain. However, the District’s financial statements do not separate expenditures for port facilities and expenditures for Harborside, so it is not possible to determine what percentage of District expenditures goes toward Harborside.

Summary

The sampled port authorities have similar types of expenditures, including depreciation, personnel expenses, and fees for professional services. However, primary expenditures vary: in fiscal year 2006, the last fiscal year for which complete information is available, depreciation constituted the primary expenditure for the Indiana Port Commission and the Erie-Western Pennsylvania Port Authority while personnel expenses constituted the primary expenditure for the Cleveland-Cuyahoga County Port Authority and the City of Milwaukee’s Board of Harbor Commissioners. Reclamation and redevelopment was the Detroit/Wayne County Port Authority’s primary expenditure while repairs and maintenance was the Illinois International Port District’s primary expenditure. Harborside’s facilities and roughly 160 employees most likely cost IIPD a substantial amount of money to support and maintain. However, the District’s financial statements do not separate expenditures for port facilities and expenditures for Harborside, so it is not possible to determine what percentage of District expenditures goes towards Harborside.

COMPARISON OF THE ILLINOIS INTERNATIONAL PORT DISTRICT TO OTHER PORT AUTHORITIES ON THE GREAT LAKES ST. LAWRENCE SEAWAY SYSTEM: TRANSPARENCY AND GOOD GOVERNANCE PRACTICES

Overview

Transparency is a cornerstone of good government. In order for a government to be fully transparent, it must provide the public with pertinent information about its governance structure and activities. The most effective way for a government to provide information to the public is by posting it on the government website. That way, information can be easily accessed and updated.

Most of the port authorities sampled in this report maintain websites that provide the public with pertinent information, including financial data, information about port governance, project or activities reports, press releases, and commercial statistics. Although the amount of information included on the port authority websites varies, as does the clarity of presentation, the essential information is usually available. Compared to the websites of other Great Lakes port authorities, the Illinois International Port District’s website provides very little information to the public. The District only publishes 1.5 out of 7 documents and pieces of information that port authorities should publish on their websites in order to be fully transparent government bodies.131

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131 The District publishes an executive summary of its economic impact study online as well as the name of one staff member, Executive Director Anthony Ianello. Because port authorities should publish the names and contact information for all of their staff members, the District is listed as publicizing 1.5 out of 7 (rather than 1 or 2 out of 7) documents and pieces of information that port authorities should publish on their websites in order to be fully transparent governments.
Mission Statements

Mission statements are important for governments to produce because they identify why governments exist and set guidelines and expectations about what they should accomplish. According to the Government Finance Officers Association (GFOA) recommended practices, all governments should prepare mission statements, as they are crucial components of overall strategic planning. The GFOA articulates the key purpose of mission statements: “One of the critical uses of a mission statement is to help an organization decide what it should do and, importantly, what it should not be doing. The organization’s goals, strategies, programs and activities should logically cascade from the mission statement.”

With the exception of the Illinois International Port District and the City of Milwaukee’s Board of Harbor Commissioners, the sampled port authorities publish mission statements on their websites. The “Mission” section of the Indiana Port Commission’s website states “The Ports of Indiana is dedicated to facilitating economic development in Indiana through logistics facilities and services, maritime industrial and commercial development, development finance tools and strategic public-private partnerships.” The “About the Port” section of the Cleveland-Cuyahoga County Port Authority’s website includes the following mission statement: “The strategic mission of the Cleveland-Cuyahoga County Port Authority is to assist private industry in retaining and creating jobs by providing waterborne cargo transportation/services and by providing economic development facilitation through financing services and other development tools in partnership with local and state development agencies.” The “About Us” section of the Detroit/Wayne County Port Authority’s website states “The mission of the Detroit/Wayne County Port Authority (DWCPA) is to plan, develop, and promote Detroit as a freight transportation and distribution hub for U.S. Midwest and southwestern Ontario businesses and their customers and vendors, for the purpose of fostering economic growth in the City of Detroit, Wayne County, and the State of Michigan.” The Erie-Western Pennsylvania Port Authority’s website includes the following paragraph: “It is the mission of the Port Authority to promote industrial, commercial, and recreational opportunities for the citizens of Pennsylvania on Presque Isle Bay and adjacent waters.” Neither the Illinois International Port District nor the City of Milwaukee’s Board of Harbor Commissioners publishes a mission statement online.

Financial Information and Reports

In addition to mission statements, it is important for port authorities, as government bodies, to make their financial information publicly available. For the most part, financial information about the sampled port authorities is available online. However, the level of transparency could

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be improved in a number of cases – few of the sampled port authorities provide all the essential financial data on their websites. Compared to the other port authorities, the Illinois International Port District provides the least amount of information to the public. The following paragraphs describe the type of financial information and reports that Great Lakes port authorities should publish and identify which port authorities do so.

**Audited Financial Statements**

Audited financial statements describe governments’ financial operations. Among other things, they indicate how much revenue governments collect, where the revenue comes from, and how it is spent. According to the GFOA, “a high quality CAFR [Comprehensive Audited Financial Report] is an unparalleled means of demonstrating financial accountability.” The GFOA also points out that “The objectives of the budget and CAFR can only be fully realized if they are readily available to all interested parties. Presentation on a government’s website offers an unparalleled means of providing easy access to both documents.” For the sake of the public as well as investors and analysts, “GFOA recommends that every government publish its budget document and its CAFR on the government’s website.”

Most of the sampled port authorities have a poor record of posting their audited financial statements online. The City of Milwaukee is the only government that follows GFOA recommended practices and publishes its audited financial statements online. The Indiana Port Commission’s audited financial statements from fiscal year 2004 to fiscal year 2006 are available on the Indiana General Assembly website but not on the port authority website. The Cleveland-Cuyahoga County Port Authority does not post its audited financial statements online. The Detroit/Wayne County Port Authority publishes “Annual Community Reports” from fiscal year 2004 to fiscal year 2006 on its website, but those reports do not include financial data. The Erie-Western Pennsylvania Port Authority posts a one-page “Condensed Statement of Net Assets” for fiscal year 2000 through fiscal year 2006 on its website, but it does not publish its audited financial statements online. The City of Milwaukee publishes its audited financial statements from fiscal year 2000 to fiscal year 2006 online; these statements include financial information about the Port of Milwaukee. The Illinois International Port District does not make its audited financial statements publicly available.

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141 Apart from this citation, in this section of the report, the City of Milwaukee refers to the City of Milwaukee’s Board of Harbor Commissioners, which oversees the Port of Milwaukee.

IIPD’s audited financial statements contain the following statement by the auditor, Ernst & Young: “This report is intended solely for the information and use of the Pullman Bank and the Board of Directors of the Illinois International Port District and is not intended to be and should not be used by anyone other than these specified parties.”\(^143\) Denying the public access to a government’s audited financial statements creates a serious lack of transparency and violates GFOA recommended practices, most notably “Using Websites to Improve Access to Budget Documents and Financial Reports (2003).”\(^144\) It should be noted that the Civic Federation had to send IIPD several Freedom of Information Act (FOIA) requests before the District sent the Federation its audited financial statements.\(^145\)

**Economic Impact Studies**

Economic impact studies indicate how well port authorities are performing and what benefits they are bringing to the public. The sampled port authorities provide economic impact data, although in most cases the data could be more thorough. Ideally, port authorities would post complete economic impact studies with proper citations on their websites. The Indiana Port Commission publishes an executive summary and a complete version of its most recent economic impact study on its website.\(^146\) The Cleveland-Cuyahoga County Port Authority and the Detroit/Wayne County Port Authority websites provide brief summaries of the respective ports’ regional economic impacts, but they do not contain complete economic impact studies.\(^147\) The Erie-Western Pennsylvania Port Authority does not publish an economic impact study.\(^148\) The City of Milwaukee posts economic impact statistics for the Port of Milwaukee on the port website, but it does not publish a full economic impact study.\(^149\) The Illinois International Port District posts the executive summary of its 2003 economic impact study on its website, but it does not provide a link to the entire document.\(^150\) Neither the Cleveland-Cuyahoga County Port Authority nor IIPD provide sources for their economic impact data. Although the Detroit/Wayne


\(^{145}\) It should be noted that in October of 2006, the District had not yet produced a copy of the 2006 budget and was therefore unable to provide it to the Civic Federation. Letter from Anthony Ianello, Executive Director of the Illinois International Port District, to Kandice Berridge, Civic Federation Research Associate, October 6, 2006.


\(^{148}\) Conversation with Mary Simmons, Chief Financial Officer of the Erie Western Pennsylvania Port Authority, March 7, 2008.


County Port Authority and the City of Milwaukee list sources for their economic impact data, they do not provide proper citations.\textsuperscript{151}

**Strategic Plans**

In addition to audited financial statements and economic impact studies, strategic plans are important documents for governments to produce. Strategic plans compel governments to figure out how they will accomplish project goals and maintain financial stability over a long-term period. As defined by the GFOA, “Strategic planning is a comprehensive and systematic management tool designed to help organizations access the current environment, anticipate and respond appropriately to changes in the environment, envision the future, increase effectiveness, develop commitment to the organization’s mission and achieve consensus on strategies and objectives for achieving that mission.” In other words, “Strategic planning is about influencing the future rather than simply preparing or adapting to it.”\textsuperscript{152}

Only three of the sampled port authorities currently produce strategic plans. The Indiana Port Commission posts a strategic plan on its website.\textsuperscript{153} This plan includes a description of the strategic planning process, a mission statement, goals and priorities, action strategies, and situation assessments. The Cleveland-Cuyahoga County Port Authority’s strategic plan is also available on the port authority website.\textsuperscript{154} This plan includes a mission statement, goals, and strategies for business and corporate finance. It should be noted, however, that the search tool on the Cleveland-Cuyahoga County Port Authority website does not call up the link to the port authority’s strategic plan—the link to the strategic plan is only accessible through a search engine such as Google or Yahoo! The Detroit/Wayne County Port Authority’s strategic plan, its “5-Year Work Plan,” is available on the State of Michigan website but not on the port authority website.\textsuperscript{155} This plan includes a history of the port; a mission statement; goals for the port, economic development, land acquisition, recreation, and the environment; the port’s economic impact; a list of proposed projects for the subsequent five-year period; and a balance sheet listing assets, liabilities, and fund balances. The Detroit/Wayne County Port Authority also publishes a number of project plans, which are available on the port authority website. The City of Milwaukee is in the process of rewriting its strategic plan; that plan is not currently available on the Port of Milwaukee website.\textsuperscript{156} The Erie-Western Pennsylvania Port Authority does not produce a strategic plan, although the Authority is currently working on a “master plan.” This plan is not yet available.\textsuperscript{157}


\textsuperscript{156} Conversation with Eric Reinelt, Director of the Port of Milwaukee, March 20, 2008.

\textsuperscript{157} Conversation with Mary Simmons, Chief Financial Officer of the Erie Western Pennsylvania Port Authority, March 7, 2008.
plan or any other planning documents. According to Anthony Ianello, IIPD’s Executive Director, the District does not need a strategic plan for the Port of Chicago and does not intend to produce one in the future.  

**Governance and Operations**

In addition to publicizing financial data, it is important for transparent governments to provide information about government officials and staff members. For port authorities, this means describing the governance structure at the ports and providing the names and contact information for commissioners and port staff. With the exception of the Erie-Western Pennsylvania Port Authority, all of the sampled port authorities briefly describe the governance structure at their ports on their websites. In addition, all the port authorities, except for the Illinois International Port District, provide a list of commissioners and staff members, along with contact information, on their websites. The IIPD website only provides the name and contact information for one staff member: Executive Director Anthony Ianello.

In addition to listing the names and contact information for commissioners and port staff, some port authorities post their board meeting schedules online, another good governance practice. This practice is also in keeping with the spirit of the State of Illinois’ Open Meetings Act (similar to Open Meetings Acts in other states), which requires public bodies to “give public notice of the schedule of regular meetings at the beginning of each calendar or fiscal year and...state the regular dates, times, and places of such meetings.” The Open Meetings Act also calls on governments to publish meeting notices, agendas, and minutes online, if they have full-time staff maintaining their websites. The Indiana Port Commission provides the dates and agendas for port authority board meetings, and the Cleveland-Cuyahoga County Port Authority and the City of Milwaukee’s Board of Harbor Commissioners post their board meeting schedules online. The Detroit/Wayne County Port Authority, the Erie-Western Pennsylvania Port Authority, and the Illinois International Port District do not publish port authority board meeting dates or meeting agendas online. The IIPD website instructs the public to click on the “Request

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158 Conversation with Anthony Ianello, Executive Director of the Illinois International Port District, February 8, 2008.
161 *The Open Meetings Act*, Illinois Compiled Statutes, 5 ILCS 120/2.02.
162 *The Open Meetings Act*, Illinois Compiled Statutes, 5 ILCS 120/2.02 and 5 ILCS 120/2.06.
information about Board of Directors meetings” link if they would like information about port authority board meetings. However, when you click on the link and submit your contact information as directed, no information appears. A message reads “The following board information is available for those who have made a request!”, but no text is provided underneath. It should be noted that in order to contact or obtain information about IIPD, the Civic Federation has had to go through the District’s General Counsel and FOIA Officer, James McConnell.

Finally, many of the sampled port authorities provide tonnage and cargo information. This information is helpful for evaluating port activities. Of the sampled port authorities, only the Erie-Western Pennsylvania Port Authority and the Illinois International Port District do not provide this information. The Erie-Western Pennsylvania Port Authority and IIPD are also the only port authorities that do not post press releases about their ports online.

The chart below summarizes essential information a port authority should publish on its website in order to be a fully transparent government and indicates which port authorities provide that information.

The Illinois International Port District Act requires IIPD to be a transparent government. The section of the Port District Act discussing governance of the port states “All ordinances,

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166 Correspondence between the Civic Federation and the Illinois International Port District, 2004–2008.
167 It should be noted that the amount of maritime commerce is separate from tonnage, which is a product of the type of commodities shipped rather than the total amount of traffic. While the Army Corps of Engineers ranks the Port of Chicago as the 32nd largest port in the United States in terms of tonnage, that high ranking is a result of the type of cargo shipped rather than the quantity. To view a list of ports with the highest tonnage, consult the Army Corps of Engineers Navigation Data Center: [http://www.iwr.usace.army.mil/ndc/wcsc/portton06.htm](http://www.iwr.usace.army.mil/ndc/wcsc/portton06.htm) (last accessed on 6/11/08). For the tonnage breakdown at each port, consult the Army Corps of Engineers’ 2006 study “Waterborne Commerce of the United States”: [http://www.iwr.usace.army.mil/ndc/wcsc/pdf/wcusgl06.pdf](http://www.iwr.usace.army.mil/ndc/wcsc/pdf/wcusgl06.pdf) (last accessed on 6/11/08).
resolutions and all proceedings of the District and all documents and records in its possession shall be public records, and open to public inspection, except such documents and records as shall be kept or prepared by the Board for use in negotiations, action[s] or proceedings to which the District is a party.” By failing to make board meeting dates, agendas and other pertinent information available to the public, the District violates good governance practices, as stipulated by the GFOA, the spirit of the State of Illinois Open Meetings Act, and the spirit of the Illinois International Port District Act. The fact that the District’s audited financial statements are “intended solely for the information and use of the Pullman Bank and the Board of Directors of the Illinois International Port District and [are] not intended to be and should not be used by anyone other than these specified parties,” is yet another example of the District’s failure to act as a transparent government body.

Accountability and Oversight

The Civic Federation has found little evidence of accountability on the part of the Illinois International Port District and no significant oversight of the District. Because the District board is appointed, the public does not have the ability to express its level of satisfaction with board members’ performances through elections. While the appointment of board members is not inherently problematic, concerned citizens and the general public have little opportunity to monitor the actions of the District, as there is minimal public information available concerning District board members, employees, activities, and finances, and the District does not publicize information regarding upcoming or past board meetings. The Civic Federation had to send IIPD several Freedom of Information Act (FOIA) requests before the District sent the Federation its audited financial statements. The fact that the District’s audited financial statements are “intended solely for the information and use of the Pullman Bank and the Board of Directors of the Illinois International Port District and [are] not intended to be and should not be used by anyone other than these specified parties,” is further demonstration of the District’s lack of accountability to the public.

In addition, the Civic Federation has found no evidence that the District reports to the City of Chicago or the State of Illinois, the two governments that appoint District board members, or that those governments effectively monitor the District. The Port District Act requires IIPD to prepare and print “a complete and detailed report and financial statement of its operations and of its assets and liabilities.” The Act requires that this report be filed with the governor and the county clerk of each county that is partially or wholly within the District’s area of operation. The Act also requires that copies of the report be mailed to the mayor and city council or president and board of trustees of each municipality within the area encompassed by the District. The Civic Federation has found no evidence that the District mails copies of its audited financial

171 It should be noted that in October of 2006, the District had not yet produced a copy of the 2006 budget and was therefore unable to provide it to the Civic Federation. Letter from Anthony Ianello, Executive Director of the Illinois International Port District, to Kandice Berridge, Civic Federation Research Associate, October 6, 2006.
statements to these government bodies or that it reports to them in any other manner.\footnote{Conversations with City of Chicago and State of Illinois staff.} Furthermore, the Civic Federation has found no evidence that these governments monitor the District, for instance through comprehensive annual reviews of the District’s budgets, financial statements, or project updates and activity reports.\footnote{Ibid.} The governments could do a better job of requiring the District to produce and submit these documents. Given IIPD’s failure to adhere to transparency and other good governance practices, the Civic Federation finds the lack of accountability and oversight of the District highly problematic.

In addition to the lack of accountability and oversight, the Civic Federation is concerned by the District’s failure to adhere to generally accepted accounting principles (GAAP) for governments in the United States. In the beginning of the District’s FY2006 audited financial statements, the auditors explicitly state: “The accompanying special-purpose financial statements...are not intended to be a presentation in conformity with accounting principles generally accepted in the United States.”\footnote{IIPD Special-Purpose Financial Statements, 2006-2005, p. 1.} The District claims that the limited use of its audited financial statements enables it to disregard generally accepted accounting principles and standards. As the District’s FY2006 audited financial statements state, “Due to the limited use of these financial statements, these financial statements do not comply with Governmental Accounting Standards.”\footnote{IIPD Special-Purpose Financial Statements, 2006-2005, p. 5.} In its FY2004 audited financial statements, the District specifically notes that its financial statements “do not comply with Governmental Accounting Standards Board (GASB) No. 34,” which had recently been published.\footnote{IIPD Special-Purpose Financial Statements, 2004-2003, p. 5.} The District’s decision to disregard generally accepted accounting principles is further evidence of its failure to act as an accountable government body and follow best practices for local governments.

**CIVIC FEDERATION ANALYSIS**

After analyzing the Illinois International Port District’s mission, finances, and quality of governance, the Civic Federation has concluded that government restructuring and new management of the port is necessary. The Civic Federation is **concerned** about the following issues:

1. **Misplaced Financial Priorities and Failure to Adhere to Core Mission:** The Civic Federation is concerned that the Illinois International Port District has shifted its focus from port operations to management of a recreational facility: Harborside International Golf Center. Harborside has been IIPD’s only major construction project since the opening of the port’s container terminal, Iroquois Landing, in 1981. Harborside currently brings in over half of the District’s annual revenue.\footnote{Although the District’s audited financial statements do not separate expenditures for port facilities and expenditures for Harborside, it is likely that Harborside’s employees and facilities cost IIPD a substantial amount of money to support and maintain.} The District is currently advocating for the construction of a third golf course adjacent to Harborside. The Civic Federation is concerned that IIPD has not used the revenue from Harborside and its other resources to expand or improve port facilities and operations. Since the opening of Iroquois Landing...
in 1981, the District has not built new or improved existing port facilities, increased its marketing capabilities, or enhanced its governance quality by increasing its transparency and openness to the public.

2. **Lack of Transparency and Openness to the Public:** The Civic Federation has found the Illinois International Port District to be seriously lacking in its level of transparency and openness to the public. The District does not make its audited financial statements or other financial documents available to the public, either by publishing them on its website or distributing them through its central office. Freedom of Information Act requests are required before these documents can be accessed, and the District’s financial statements specifically state that they are not for public use. IIPD does not publish a full economic impact study or any sort of annual report or projects update. In addition, the District does not publicize board meeting dates and agendas and is the only port district among those reviewed that does not provide the names of all board members and key staff on its website. This violates good governance practices as outlined by the GFOA, the spirit of the State of Illinois Open Meetings Act, and the spirit of the Illinois International Port District Act.

3. **Lack of Accountability and Oversight:** The Civic Federation has found little evidence of accountability on the part of the Illinois International Port District or significant oversight of the District. Because the District board is appointed, the public does not have the ability to express its level of satisfaction with board members’ performances through elections. While the appointment of board members is not inherently problematic, concerned citizens and the general public have little opportunity to monitor the actions of the District, as there is minimal public information available concerning District board members, employees, activities, and finances, and the District does not publicize information regarding upcoming or past board meetings. In addition to the public’s inability to effectively monitor the District, the Civic Federation has found a lack of oversight on the part of the City of Chicago and the State of Illinois, the two governments that appoint District board members. IIPD does not send its financial documents or report in another manner to either the City or the State, and these governments do not carry out comprehensive annual reviews of the District’s budgets, financial statements, or project updates and activity reports. Given IIPD’s failure to adhere to transparency and other good governance practices, the Civic Federation finds the lack of accountability and oversight of the District highly problematic. The District’s lack of accountability is compounded by the fact that its audited financial statements are not in conformity with generally accepted accounting principles.

4. **Lack of Strategic Plan and Vision for the Future:** The Civic Federation is concerned by the Illinois International Port District’s failure to produce a strategic plan. Notably, the District also fails to produce a mission statement, which is essential for the strategic planning process as well as for good governance. Four of the other five port districts reviewed here published their mission statements on their websites, and three of the five publish strategic plans. The District’s failure to produce a strategic plan contradicts GFOA recommended practices and hinders the District’s ability to expand maritime commerce and carry out regional economic and industrial development initiatives.
Situated at the transportation hub of the United States, the Port of Chicago has the potential to be one of the country’s prime centers of maritime commerce. In addition, the Port of Chicago has the potential to be a leader in development initiatives for the Great Lakes and Chicago-area shipping industry as well as for the regional economy. The Civic Federation has found no evidence that IIPD has any plans to expand the Chicago-area shipping industry or promote economic and industrial development in the Lake Calumet region.

5. **Conclusions:** The Civic Federation believes that the Port of Chicago would be better served if the Illinois International Port District were dissolved and control of port operations and related lands transferred to a more responsive and accountable government body, such as the City of Chicago.\(^{181}\) The City is an appropriate government to assume control of port operations, since it has mechanisms of accountability and oversight in place, most notably the mayor and city council. The mayor and city council members are elected officials, accountable to their constituents, who have the authority to approve or veto proposals that come through or affect City government. If port operations were managed by a City department, the port’s budgets and financial statements would be reviewed and approved by City department heads as well as by the mayor and city council as part of the City’s annual budget process. Port operations would also be incorporated into the City’s five-year Capital Improvement Plan (CIP). During the budget and CIP processes, there would be opportunities for public hearings on port activities and operations. In addition, the City of Chicago could provide the District access to greater financial resources and professional staff. The City’s Department of Planning and Development, for example, has numerous employees with extensive expertise in the areas of economic development and strategic planning. Access to City staff would be very helpful for the District, especially since it currently appears to be understaffed. Executive Director Anthony Ianello stated that the District could not improve its website because it did not have a full time employee to maintain it.\(^{182}\) The City would be a particularly appropriate government to assume responsibility for port operations because it has an immediate stake in the public benefit arising from a successful Port of Chicago and Chicago-area shipping industry as well as from regional economic and industrial development.

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\(^{181}\) Once the City of Chicago assumed control of the Port of Chicago, it could determine how best to manage port operations, either through a City department or through private management.

\(^{182}\) Conversation with Anthony Ianello, Executive Director of the Illinois International Port District, February 8, 2008.
CIVIC FEDERATION RECOMMENDATIONS

The Civic Federation recommends that the Illinois General Assembly make the necessary changes to State statute to allow the Illinois International Port District to be dissolved and the following transfers of assets and responsibilities to take place:

1. Transfer of port operations and related lands from the Illinois International Port District to the City of Chicago;
2. Transfer of open land on IIPD property from the Illinois International Port District to the Forest Preserve District of Cook County; and
3. Transfer of Harborside International Golf Center from the Illinois International Port District to the Chicago Park District.183

The Port of Chicago

Through efficient management, good governance, strategic planning, aggressive marketing, competitive bidding practices, access to greater resources, and board members and staff with knowledge of the shipping industry and economic development, the Port of Chicago can realize the potential that the State legislature saw in 1951 when it first created the Illinois International Port District. Since the early 1980s, however, the District appears to have functioned primarily as the manager of a recreational facility: Harborside International Golf Center. While Harborside is a productive use of a former landfill site and appears to be a successful operation, the Civic Federation believes that management of a golf course should not be the primary activity of a port authority. In order to turn the Port of Chicago into a more vibrant center of maritime commerce and regional economic and industrial development, the Civic Federation believes that government restructuring and new management of the Port of Chicago is essential.

The Civic Federation believes that the City of Chicago is the government body best suited to assume control of port operations, as it has mechanisms of accountability and oversight in place, could provide the port access to greater financial resources and professional staff, and has a great stake in the port’s success. One of the City’s primary mechanisms of accountability and oversight are the mayor and city council. The mayor and city council members are elected officials, accountable to their constituents, who have the authority to approve or veto proposals that come through or affect City government. If port operations were managed by a City department, the port’s budgets and financial statements would be reviewed and approved by City department heads as well as the mayor and city council as part of the City’s annual budget process. Port operations would also be incorporated into the City’s five-year Capital Improvement Plan (CIP). During the budget and CIP processes, there would be opportunities for public hearings on port activities and operations. In addition, the City of Chicago could provide the District access to greater financial resources and professional staff. The City’s Department of Planning and Development, for example, has numerous employees with extensive expertise in the areas of economic development and strategic planning. Access to City staff would be very helpful for the District, especially since it currently appears to be understaffed. Executive

183 Harborside could also be transferred to the City of Chicago, if profits from the golf course were used to finance port operations.
Director Anthony Ianello stated that the District could not improve its website because it did not have a full time employee to maintain it.\textsuperscript{184} Finally, the City of Chicago would be a particularly appropriate government to assume responsibility for port operations because it has an immediate stake in the public benefit arising from a successful Port of Chicago and Chicago-area shipping industry as well as from development of the regional economy.

\textit{Open Land}

The Illinois International Port District currently owns roughly 360 acres of open land, not including Harborside International Golf Center.\textsuperscript{185} For many years, local environmental groups have urged the District to open the land to the public. The City of Chicago made similar recommendations in its 2002 Calumet Area Land Use Plan and Calumet Open Space Reserve Plan. The Civic Federation believes that the open land owned by the Illinois International Port District should be transferred to the Forest Preserve District of Cook County for preservation and public use. Cook County Forest Preserve District Commissioner Mike Quigley espoused this position in his 2002 report “Make No Small Plans.”\textsuperscript{186}

\textit{Harborside International Golf Center}

Harborside International Golf Center is a productive use of a former landfill site, as golf courses are one of the only revenue-generating facilities that can be built on such sites. In the 1990s, Harborside received numerous environmental and engineering awards.\textsuperscript{187} Furthermore, the golf course has been able to attract individual golfers, outings, and tournaments. Because it is an appropriate use of a former landfill site and appears to be a successful golf course, the Civic Federation believes that Harborside should remain in operation. However, the Federation recommends that control of Harborside be transferred to the Chicago Park District, which already owns six golf courses, three driving ranges, and two miniature golf courses in the City of Chicago and hosts numerous golf tournaments every year.\textsuperscript{188} Another option would be to transfer Harborside to the City of Chicago along with control of port operations. This option would be preferable only if profits from the golf course were used to finance port operations, thereby creating an additional source of revenue for the port.

\textsuperscript{184} Conversation with Anthony Ianello, Executive Director of the Illinois International Port District, February 8, 2008.
\textsuperscript{186} Quigley’s report advocates for the Cook County Forest Preserve District’s acquisition and preservation of open land in the Calumet area.
\textsuperscript{188} Chicago Park District Golf website, \url{http://www.cpdgolf.com/layout10.asp?id=167&page=2950} and \url{http://www.cpdgolf.com/layout10.asp?id=167&page=2969} (last accessed on 6/11/08). If the Chicago Park District assumed control of Harborside, the District could keep the current management of Harborside in place.
APPENDIX

The table below shows IIPD revenues over a five-year period, from fiscal year 2002 to fiscal year 2006. The table demonstrates the fluctuations in total revenue (between a low of $7 million in FY2003 and a high of $7.9 million in FY2005), the fluctuations in revenue from Harborside (between a low of $3.7 million in FY2006 and a high of $4.3 million in FY2005), and the fluctuations in revenue from port facilities (between a low of $2.9 million in FY2003 and a high of $3.5 million in FY2006).

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<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Golf Fees, Net of Amusement Tax</td>
<td>$3,109,094</td>
<td>$3,489,607</td>
<td>$3,280,195</td>
<td>$3,327,849</td>
<td>$2,812,767</td>
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<tr>
<td>Other Golf-Related Revenues</td>
<td>$979,427</td>
<td>$661,931</td>
<td>$855,957</td>
<td>$981,787</td>
<td>$858,544</td>
</tr>
<tr>
<td>Total Revenue from Harborside</td>
<td>$4,088,521</td>
<td>$4,151,538</td>
<td>$4,136,152</td>
<td>$4,309,636</td>
<td>$3,671,311</td>
</tr>
<tr>
<td>Transit Sheds and Warehouses</td>
<td>$1,299,747</td>
<td>$1,107,152</td>
<td>$1,089,804</td>
<td>$1,183,930</td>
<td>$1,589,116</td>
</tr>
<tr>
<td>Land Leases</td>
<td>$1,014,657</td>
<td>$931,354</td>
<td>$964,720</td>
<td>$1,296,369</td>
<td>$1,055,333</td>
</tr>
<tr>
<td>Dockage and Wharfage</td>
<td>$480,450</td>
<td>$435,348</td>
<td>$435,651</td>
<td>$633,793</td>
<td>$449,427</td>
</tr>
<tr>
<td>Licenses and Fees</td>
<td>$381,430</td>
<td>$336,780</td>
<td>$346,755</td>
<td>$324,990</td>
<td>$340,763</td>
</tr>
<tr>
<td>Other</td>
<td>$62,341</td>
<td>$59,195</td>
<td>$330,963</td>
<td>87,043</td>
<td>$70,388</td>
</tr>
<tr>
<td>Total Revenue from Port Facilities</td>
<td>$3,238,625</td>
<td>$2,869,829</td>
<td>$3,167,893</td>
<td>$3,526,125</td>
<td>$3,535,227</td>
</tr>
<tr>
<td>Interest Income</td>
<td>$362,229</td>
<td>$19,433</td>
<td>$44,517</td>
<td>$68,229</td>
<td>$101,226</td>
</tr>
<tr>
<td>Total IIPD Revenue</td>
<td>$7,689,375</td>
<td>$7,040,800</td>
<td>$7,348,562</td>
<td>$7,903,990</td>
<td>$7,307,764</td>
</tr>
</tbody>
</table>


The table below shows IIPD expenditures over a five-year period, from fiscal year 2002 to fiscal year 2006. The table demonstrates the fluctuations in total expenditures (between a low of $7.4 million in FY2003 and a high of $8 million in FY2006) and other expenditure categories. Repairs, maintenance, and facility improvements has consistently been the District’s most expensive expenditure category, while marketing, advertising, and promotion has on average been the District’s least expensive expenditure category.

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Repairs, Maintenance, and Facility Improvements</td>
<td>$3,026,576</td>
<td>$2,793,806</td>
<td>$3,168,415</td>
<td>$3,408,787</td>
<td>$2,873,884</td>
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<tr>
<td>Salaries and Benefits</td>
<td>$774,856</td>
<td>$943,907</td>
<td>$997,102</td>
<td>$992,255</td>
<td>$1,222,338</td>
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<tr>
<td>Insurance and Security</td>
<td>$864,992</td>
<td>$950,558</td>
<td>$869,094</td>
<td>$883,227</td>
<td>$1,054,549</td>
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<tr>
<td>Interest Expense</td>
<td>$956,067</td>
<td>$352,486</td>
<td>$318,520</td>
<td>$510,748</td>
<td>$652,963</td>
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<tr>
<td>Depreciation and Amortization</td>
<td>$511,070</td>
<td>$512,601</td>
<td>$550,988</td>
<td>$385,229</td>
<td>$391,928</td>
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<tr>
<td>Utilities</td>
<td>$345,823</td>
<td>$360,938</td>
<td>$366,174</td>
<td>$372,321</td>
<td>$366,236</td>
</tr>
<tr>
<td>Other Professional Fees</td>
<td>$298,525</td>
<td>$414,684</td>
<td>$259,941</td>
<td>$328,032</td>
<td>$345,740</td>
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<tr>
<td>Office Expenses</td>
<td>$145,020</td>
<td>$151,593</td>
<td>$250,362</td>
<td>$232,006</td>
<td>$269,093</td>
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<tr>
<td>Cost of Merchandise</td>
<td>$226,516</td>
<td>$288,515</td>
<td>$254,305</td>
<td>$248,352</td>
<td>$241,505</td>
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<tr>
<td>Board Members’ Compensation</td>
<td>$210,000</td>
<td>$230,000</td>
<td>$230,000</td>
<td>$231,667</td>
<td>$230,000</td>
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<tr>
<td>Legal Fees</td>
<td>$236,242</td>
<td>$218,110</td>
<td>$194,047</td>
<td>$188,249</td>
<td>$189,312</td>
</tr>
<tr>
<td>Marketing, Advertising, and Promotion</td>
<td>183,537</td>
<td>$153,122</td>
<td>$148,228</td>
<td>$128,386</td>
<td>$160,878</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$7,779,224</td>
<td>$7,370,320</td>
<td>$7,607,176</td>
<td>$7,909,259</td>
<td>$7,998,426</td>
</tr>
</tbody>
</table>