



Fort Worden

— PORT TOWNSEND —
A HISTORIC GATHERING PLACE

APPROVED Minutes
Executive Committee Meeting
Fort Worden Public Development Authority (FWPDA)
Tuesday, January 21, 2020 | 9 a.m. to 11 a.m.
Seminar Building 297, Fort Worden

All Executive Committee minutes are draft until approved by the Committee

- ❖ Motion to approve the December 10, 2019 Executive Committee Minutes. **Unanimously Approved**

Regular Executive Committee Meeting:

I. Call to Order: 9:02 a.m.

II. Roll Call

Executive Committee Members: Norm Tonina, Todd Hutton, Jane Kilburn, Jeff Jackson (by phone)
Cindy Finnie (by phone)

Other Board Members: Herb Cook, Naushard Cader, Terry Umbreit

Staff: David Robison, Diane Moody, Rufina Garay, David Beckman, Joan Rutkowski; Lane DeCamp
(Fort Worden Foundation Staff)

Public: David Goldman

III. Review of draft January 29, 2020 Board Meeting Agenda

Executive Committee members and staff reviewed anticipated agenda items for the January 20th, 2020 board meeting. Executive Director Dave Robison said that over the next several weeks information from the legislative session also will be provided at meetings and via email. He noted that State Parks is considering changing the maximum length of its long-term leases from 50 years to 80 years, as well as changing the threshold needed for this change from a unanimous Commission vote to a majority vote.

Board co-chair Norm Tonina asked staff to share an overview of the PDA's financial context as part of discussion about financials and the proposed 2020 operating and capital budgets. Tonina and Robison noted the need for increased transparency about daily and ongoing challenges to help educate stakeholders and the broader community. Board secretary Jane Kilburn said she would like to work with Tonina and Robison on how this information is communicated in general. Nominations for the board's Secretary and Treasurer positions were added to the board agenda. Later in the Executive Committee meeting, board members recommended that PDA staff share the proposed budget at the committee's February meeting before seeking approval from the full board.

IV. **Review of Cash Flow Report**

Chief Financial Officer Diane Moody reviewed the Cash Flow report (see packet on website). Board and staff briefly discussed margins on lodging and food. It was noted that accommodations provide much more revenue than food due to the higher margins; food costs are practically at cost for partners' group programming. Robison said staff is conducting research on industry comparables.

V. **Review and Approval of December 10, 2019 Executive Committee Minutes**

Action: Motion to approve the December 10, 2019 Executive Committee Minutes. **Unanimously Approved**

VI. **Staff Update & Board Discussion**

- **Construction Projects Update**

Director of Capital Projects David Beckman provided an overview of State Parks' capital projects on campus. Phase one water and phase two sewer infrastructure work around NCO Row has begun, and the contract has established an April 30th completion date, Beckman said. There should be little to no impact on traffic and access to the area, he said. Executive Committee members and staff discussed coordination of the Parks project and the PDA's completion of Glamping construction. Beckman said the established project deadline works well with the desired opening timing for Glamping, however it could have an impact on timing. The PDA will be in regular communication with Parks. He said the contractor has been positive about the communication and coordination.

Beckman and Robison also reported on progress with both Glamping and Makers Square construction. Beckman said the first Glamping tent has been erected. The PDA has solicited bids for electrical and plumbing infrastructure work, and the proposed contracts will be ready for the board's January 29th meeting. Robison said that an opening date will be set once Parks is further into infrastructure work that impacts the area. An accelerated marketing plan is ready to go, he said. Beckman said Makers Square construction continues to proceed on schedule, and currently involves slate roof installation.

Robison shared that PDA staff are working with State Parks to develop a unified capital projects list for legislative funding and to update the annual campus maintenance plan. Both will be reviewed by the Fort Worden Coordinating Committee. Beckman noted that current repairs include working with State Parks to address a sanitary sewer problem in Building 310.

Board members and staff briefly talked about the effort to convert a wing of building 203 into seasonal workforce housing. Final fundraising is in motion for improvements to address ADA access needs and building code deficiencies and to upgrade bathroom facilities. Moody said the housing would serve seasonal and temporary employees who live outside of Port Townsend, and a nominal amount would be charged for rent. An employee would serve as a resident assistant.

- **2020 Draft Budget**

Chief Financial Officer Diane Moody said the Revenue & Expense report will show a net revenue of approximately -\$275,000. Moody said this reflects the challenge of addressing facility repair needs, in terms of both material and labor costs, and will lead to a slightly different approach to the 2020 budget in which facilities will be part of the capital improvements budget. With this and other adjustments and expected revenue from glamping, Moody said the operating

budget for 2020 would be balanced. Board Treasurer Jeff Jackson noted that grouping facilities/maintenance with capital expenditures sets up a template for a stronger approval process for facilities expenditures and will involve the finance department more directly in approvals. The budget would involve three lines: Funded capital improvements, facilities and maintenance (some of which is not funded by operations), and operations. Board and staff briefly discussed the assumptions made as the PDA formed about how much hospitality revenue could support the entire PDA operation. Robison said planning was as good as it could be at the time with the limited data from State Parks.

Board and staff also discussed whether to also consider other approaches, such as an annual fund campaign to support general operations and a policy for capitalizing expenses. Robison said a building reserve campaign might be a better fundraising approach because it wouldn't compete with partner fundraising. Robison said he also is talking with State Parks about some expenses, such as fire protection services and road repairs, that make more sense for State Parks, the landlord, to fund. Kilburn asked about creative and proactive approaches to cutting expenses, which she said are needed as part of the solution. PDA staff noted how stretched thin staffing is at all levels; Moody said the property is hard to efficiently operate. The PDA can look further at its organizational structure to gain efficiencies, she said. Jackson encouraged looking at ways to standardize services. Robison said it will take a balanced approach of cutting expenses without notably reducing quality, raising rates, and finding more contributed income.

The Executive Committee asked staff to work with a few board members on finalizing the budget for review at the February Executive Committee meeting before presenting the budget to the full board for approval.

- **Leasing Update**

Chief Strategy Officer Rufina Garay said the lease committee's work has been progressing and currently includes working with the appraiser to update the appraisal report. A range of rates will be provided, not a singular market rate conclusion, she said. PDA staff will meet with partners on the lease committee to discuss the update before it's finalized. Garay said other work with the committee includes working on indemnification provisions and general terms for leases and use agreements. She also reported that the Memorandum of Agreement with KPTZ has been signed, and they are moving forward with using the structure for Historic Tax Credits. When finalized with the partner lease committee, the general lease terms will be part of the forthcoming lease with KPTZ, Garay noted.

- **Master Lease Amendments**

Robison shared that he and Moody are talking with State Parks about new amendments to the master lease. When they visited Olympia, he and Moody focused largely on the current provision that requires the PDA to begin paying State Parks 3.5% of the PDA's gross revenues in 2021. If that had been required for 2019, it would have increased the negative net revenue by an additional \$245,000, he said. Robison said he hopes to find a more agreeable arrangement. During the conversation, Parks leaders expressed surprise that partner lease rates were still so low, he said. Robison said the State Parks Commission meeting at Fort Worden on May 6th and 7th is an opportunity to build awareness of Fort Worden's operating and capital challenges.

- **Fort Worden Collaborative Planning Process**

Garay reminded the committee about the upcoming Collaborative Planning session on January 23rd. She said the gathering will involve leaders from each partner organization and include City representatives. It will help establish a foundation for a series of meetings that focus on addressing challenges to the Fort Worden community. Hutton said he hopes the process produces clarity about expectations and outcomes and that it's not a strategic planning process for the PDA. It was noted by board members and staff that the process provides an opportunity to more deeply understand the financial challenges the PDA faces.

VII. Public Comment

David Goldman said that several years ago, as the PDA was forming, he shared with City leaders his concerns that 2020 would be worse economically than 2008 -- he knew of the developing revenue sharing provision and thought it should be removed. Goldman also encouraged stakeholders to define the problems they are trying to solve with specificity. Goldman said specificity from multiple perspectives will be critical for developing a new business model following the first five years of operation.

VIII. Executive Session

At 10:45 a.m. Tonina announced that the board will move into Executive Session to review personnel matters in accordance with RCW 42.30.110. He noted that the meeting would take approximately 10 minutes and no decisions would be made.

IX. Regular Meeting Adjourned: 11 a.m.