APPROVED Minutes
Board of Directors Meeting
Fort Worden Public Development Authority (FWPDA)
Wednesday, January 29, 2020 | 9:00 a.m. – 12:00 p.m.
Commons B, Building 210, Fort Worden

❖ **Action:** Motion to approve the December 18, 2019 Board Meeting Minutes. **Unanimously approved**

❖ **Action:** Motion to reappoint Jeff Jackson as the PDA Board Treasurer and Jane Kilburn as the PDA Board Secretary. **Unanimously approved**

❖ **Action:** Motion to approve Resolution 20-01 Authorizing Signers for Checking Accounts with First Federal Savings and Loan. **Unanimously approved**

❖ **Action:** Motion to approve Resolution 20-02 authorizing the FWPDA Capital Projects Director to execute a contract with Christopher’s Electric Company, the approved lowest responsive responsible bidder for the construction of glamping project final tent electrical distribution, and to sign all necessary documents for the project. **Unanimously approved**

❖ **Action:** Motion to approve Resolution 20-03 authorizing the FWPDA Capital Projects Director to execute a contract with Swift Plumbing and Heating, the approved lowest responsive responsible bidder for the construction of glamping project tent rough plumbing, and to sign all necessary documents for the project. **Unanimously approved**

Regular Board Meeting:

I. **Call to Order:** 9:00 a.m.

II. **Attendance & Staff Introductions**

Fort Worden PDA Board Members: Norm Tonina, Todd Hutton, Cindy Finnie, Gee Heckscher, Jane Kilburn, Herb Cook, Lela Hilton, Terry Umbreit, Naushard Cader, Jeff Jackson (by phone)

Staff: Dave Robison, Diane Moody, Rufina Garay, David Beckman, Joan Rutkowski

Public/Staff Guests: Don Engelbach, Carolyn Zipieto, Owen Rowe, David Goldman, Bill Drath, Lisa Werner, Daniele Costello, Lane DeCamp, Sonya Baumstein, Cody Griffith, Denyse Early-Tonin, Jeanie Cardon

Marketing and Sales Director Cody Griffith introduced Amanda Hodgson and Jason Lamey, who currently work as Guest Experience Coordinators.

Board Co-Chair Norm Tonina announced that at the end of the meeting the board would go into executive session to review a personnel matter in accordance with RCW 42.30.140(4). He said the board would not take any action and the session would likely last approximately 10 minutes.
III. Partner Presentation: Port Townsend School of Woodworking (PTSW)
PTSW Executive Director Heron Scott shared a PowerPoint presentation about the school’s history, offerings, and plans for the future. (See the presentation at fortworden.org/category/pda-documents.) Scott began serving as the executive director on November 1st, 2019. After growing up in Alaska, Scott attended the Northwest School of Wooden Boatbuilding. His previous work with nonprofits includes serving as Executive Director of the Steamer Virginia V Foundation. PTSW’s mission is to inspire a lifelong passion for craftsmanship through education in woodworking and traditional building trades. During the presentation, Scott noted that enrollment continues to grow following a dip in 2017, and income from tuition has grown dramatically. The school offers four types of classes: skill-specific, project-specific, instructor-specific, and sequential furniture intensives. Scott said many of the school’s students are from Port Townsend, the Peninsula, and the I-5 corridor, and visiting instructors attract students from around the country. Scott said the school’s organizational planning is focused on strategic planning, working on ways to optimize their Fort Worden campus location, and building organizational infrastructure. Board members and Scott talked about housing challenges for the school’s residential programming, both on campus and in the Port Townsend area. Scott said their students don’t stay on campus, and he is hoping to find ways that the school can optimize their campus location, including strategic partnerships with other campus partners.

IV. Correspondence
See board packet on the website for PDA-related articles and communications.

V. Consent Agenda
Review and approval of regular Board meeting minutes, December 18, 2019
**Action:** Motion to approve the December 18, 2019 Board Meeting Minutes. **Unanimously approved**

VI. Nomination and Election of Board Treasurer and Secretary
Tonina noted that the shift from a chair model to a co-chair model happened last month, and the board still needs to affirm its treasurer and secretary roles.

**Action:** Motion to reappoint Jeff Jackson as the PDA Board Treasurer and Jane Kilburn as the PDA Board Secretary. **Unanimously approved**

VII. Review and Discussion of Financials

A. Staff Report
Chief Financial Officer Diane Moody provided an overview of financial reports regarding capital improvement projects, December revenue, year-end revenue and expenses to budget, and the year-end balance sheet (see board packet). She noted that the budget was amended in April 2019, and staff have been working on controlling costs. Creative efforts to increase revenue were successful, but there were challenges with costs in the areas of personnel, building repairs, and utilities, she said. Net revenue at year-end was approximately -$274,500.

B. Board Discussion
Board members and Moody talked about personnel and other expenses that exceeded the budget. Moody said emergency repair needs led to increased personnel costs in the facilities department, and some scheduling issues in the food and beverage department also contributed to personnel expenses exceeding budget. Board Treasurer Jeff Jackson said it’s important for everyone to understand that work is underway to analyze the differences between the revenues and expenses that hospitality generates and how much of those earnings, if any, are spent on facility
maintenance. He said hospitality activity is generally doing well, but the PDA is taking on facility maintenance costs that are becoming overwhelming, and this context is important to keep in mind for the 2020 budgeting process. Executive Director Dave Robison noted the need to build a reserve for emergency maintenance needs.

Moody said the negative net revenue for capital improvement projects is primarily due to the debt taken on for major projects and the wait for reimbursable grant funds that come through when projects are complete. Board member Naushard Cader recommended that the PDA capitalize the value of the capital improvements that it makes. Moody said the way the capital improvements are accounted for are in accordance with the State Auditor’s position, and before any changes are to be made to financial reporting of these activities she would like the Board to review that position. Jackson said two board members will be consulting with finance staff to consider new ideas for achieving a balanced budget for 2020 and create a template for a three-year operating plan. Board member Cindy Finnie asked Moody to begin providing a rolling forecast on a monthly basis to help lead to quick adjustments when needed. Tonina thanked Moody and the finance team for their work.

VIII. Draft 2020 Operating and Capital Fund Budget Review

A. Staff Report
Moody and Finance Director Sonya Baumstein provided an overview of the PDA’s financial history from 2015 to 2019. Baumstein said that while gross revenue is increasing, net revenue has declined due to factors that include taking over campus maintenance from State Parks, increased costs in food and beverage, and minimum wage increases. The presentation included a look at the draft 2020 Hospitality Services and Capital Improvement Project budgets and underlying changes that are either planned or predicted for revenues and expenses, including revenue loss from the temporary closure of NCO and Officers Row units while State Parks water and sewer work is underway. Several efforts to offset this, including glamping coming on line and other increased revenue and decreased expenses, were noted. Other potential budget changes include reallocating all facilities personnel, except for grounds staff, to the capital budget for funded capital improvement projects.

B. Board Discussion
Jackson noted that the PDA has improved and stabilized operations over its five years, reflected by the increased revenues, but ongoing facilities maintenance is growing at a pace that dwarfs revenue growth. He said this challenge has become clearer. Board members and staff talked about trends for accommodations revenue, residential partner and group housing rates, food and beverage financial activity, and meal plan pricing, as well as strategies for creating a balanced budget. Moody noted that current steps include operating on a skeleton crew and a thorough review of all expenses. It was noted that the hospitality budget could break even if facilities personnel expenses are shifted to the Capital Improvement Projects budget, but the overall budget deficit with facilities maintenance included in this first draft budget is estimated at more than $500,000. Board Secretary Jane Kilburn encouraged a creative approach to reducing personnel costs. Kilburn expressed interest in hearing about the lessons learned from 2019 that have shaped budget planning. She asked staff to consider how to communicate financial challenges with other stakeholders. Robison said information sharing is already happening through the Fort Worden Collaborative process, and he also has invited State Parks to participate. Robison also is having conversations with State Parks and City of Port Townsend officials about costs that could be shared as part of their respective partnership agreements. Robison also noted
that charges for partner services are deeply discounted, and a gradual shift is needed. When asked if State Parks is concerned about partner lease rates being low, he said Parks leaders expressed surprise that they are still well below the appraisals State Parks conducted in 2010 and 2011. Robison said State Parks was working to get partners to market rate rents when the PDA took over managing the campus. Board member Lela Hilton said the spirit of the January Fort Worden Collaborative gathering was about getting information on the table. She said participants became more committed and engaged after understanding more about the financial situation and are interested in developing creative solutions.

IX. Resolution 20-01 Authorizing Signers for Checking Accounts with First Federal Savings and Loan

A. Staff Report
Robison said the updated list of signers requires board approval, and the primary change is the addition of Kilburn and Board co-chair Todd Hutton to replace board member Gee Heckscher, who no longer serves at the board’s vice chair.

B. Board Discussion
Action: Motion to approve Resolution 20-01 Authorizing Signers for Checking Accounts with First Federal Savings and Loan. Unanimously approved

X. Glamping Project Update and Resolution 20-02 Authorizing Contract for Glamping Tent Electrical Distribution

A. Staff Report
Robison said the PDA was able to seek bids from a select list of contractors due to the project value. Christopher’s Electric Company was the approved lowest responsive responsible bidder.

B. Board Discussion
Action: Motion to approve Resolution 20-02 authorizing the FWPDA Capital Projects Director to execute a contract with Christopher’s Electric Company, the approved lowest responsive responsible bidder for the construction of glamping project final tent electrical distribution, and to sign all necessary documents for the project. Unanimously approved

XI. Resolution 20-03 Authorizing Contract for Glamping Tent Rough Plumbing

A. Staff Report
Robison reviewed the motion with the board.

B. Board Discussion
Action: Motion to approve Resolution 20-03 authorizing the FWPDA Capital Projects Director to execute a contract with Swift Plumbing and Heating, the approved lowest responsive responsible bidder for the construction of glamping project tent rough plumbing, and to sign all necessary documents for the project. Unanimously approved

XII. Staff Report
A. Current Construction Projects and Major Repairs
Capital Projects Director David Beckman provided information about State Parks’ projects happening on campus. Phase one water and phase two sewer infrastructure work around NCO Row has begun, and the contract established an April 30th completion date, Beckman said. However, the State has granted contractors a one-week extension, and Beckman said other delays may happen. He said he will continue to monitor the project for their impact on spring events and the opening of Glamping units. Beckman also reported that State Parks went to bid for replacing the Coast Artillery Museum’s roof. Work on the building (201) will begin soon, he said. Meanwhile, last summer’s sewer work has led to sewer issues at Madrona MindBody, and the State is addressing the issues, he said.

Beckman also reported on projects led by the PDA. The crew working on Glamping is almost fully staffed and they have completed the first tent, he said. Hutton noted how luxurious and spacious the tent is. Beckman said Makers Square work continues to progress on track and the current focus is the installation of slate roofing and work on the basement space for KPTZ. Beckman said staff will begin permitting work over the next few weeks for a project to convert a wing of building 203 into seasonal workforce housing. Robison announced that the Department of Archaeology and Historic Preservation recently awarded a $70,000 grant for the project; a Jefferson County public infrastructure grant also is providing $150,000 for the project. Beckman also has met with the fire marshal to talk about alarm needs and improvements on campus. Meanwhile, staff is close to finalizing the proposed 10-year capital plan and annual campus maintenance request list, he said.

B. Makers Square Update
Robison provided a brief report on funding for Makers Square. He said staff are working with State-level grant agencies to address issues that are preventing contracting for the awarded funds. Because the focus is on this work in order to stay on track with the completion date, staff don’t yet have additional information about revisions to the Request for Proposals process for potential tenants, Robison said.

C. Marketing and Sales Update
Marketing and Sales Director Cody Griffith provided a brief report, noting the board’s desire for a quarterly overview of marketing and sales efforts. She said much of the department’s focus in January has been on preparing for the launch of Maestro, the new software the PDA will begin using to improve property management efforts. Other work includes developing marketing for Glamping. Griffith said a wait list is already growing, and the department is ready to begin bookings when the opening date is firm. Media activity has included visiting international travel writers, and Fort Worden being listed first in a Seattle Times article about corporate retreats, she said. Members of the team will be speaking at the Washington Association of Festivals and Events conference.

D. Events Update
Robison summarized current planning efforts for this year’s major events. The planning team for a 4th of July event is working on sponsorships and determining whether a fireworks show could be supported, he said. The events team also is working with Seattle Theater Group (STG) on contract details for another summer event and more information should be ready in February, he said.
E. **Leasing Update**  
Chief Strategy Officer Rufina Garay provided an update on the lease committee’s work. She said work with the appraiser to update the report has been progressing well, and the report will show a range of rental rates. The committee’s upcoming meetings will include further discussion about general lease terms. Garay said new language will help address complexities with the State Parks approval process for infrastructure improvements. Current work also includes deep analysis and discussion about insurance and indemnification provisions, she said. Garay said work to establish a lease agreement with KPTZ has included helping them understand the structure for utilizing Historic Tax Credits (HTCs) at Makers Square. She shared an updated graphic depiction of the Makers Square HTC structure to correct the public record and note that the Fort Worden Foundation is a “Type I Supporting Organization” per Section 509(a)(3) of the Internal Revenue Code. The HTC investor will most likely be a bank, she said. Garay also said that the PDA is in the process of unwinding the onsite partnership with Newport Academy because it hasn’t set performance milestones that were needed. She noted that the PDA appreciated the former service learning aspects of the partnership and will remain open to other future opportunities.

F. **Fort Worden Collaborative Planning Process**  
The next meeting with participating stakeholders will be held on February 27th. Garay said the PDA will be sharing financial information and milestones from its operations. Hutton said the first meeting in January led to very positive engagement from everyone involved.

XIII. **Public Comment**  
David Goldman said he is not surprised to hear about the PDA’s operational challenges, and he appreciated the meeting discussion. He said it’s important for future conversation to acknowledge that the public sector doesn’t have the money to support what this organization needs. Private sources need to be explored in the conversation rather than a focus on how everything might be paid for out of operations, he said. Goldman congratulated staff for doing as well as they have done with the existing model.

XIV. **Executive Session**  
At 12:14 p.m. Tonina announced that the Board will enter into executive session to review a personnel matter in accordance with RCW 42.30.140(4). He said the board would not take any action and the session would likely last approximately 10 minutes.

XV. **Regular Meeting Adjourned: 12:28 p.m.**  
The board re-opened the public meeting at 12:27 p.m. Tonina stated that no action was taken during Executive Session. The board adjourned.

*Board Packets and PowerPoint Presentations are available on our website at:*
https://fortworden.org/category/pda-documents/