



*Fort Worden*

— PORT TOWNSEND —  
A HISTORIC GATHERING PLACE

**APPROVED Minutes**  
**Executive Committee Meeting**  
**Fort Worden Public Development Authority (FWPDA)**  
**Tuesday, February 18, 2020 | 9 a.m. to 11 a.m.**  
**Commons B, Building 210, Fort Worden**

*All Executive Committee minutes are draft until approved by the Committee*

- ❖ Motion to approve the January 21, 2020 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; Cindy Finnie (by phone)  
Other Board Members: Herb Cook, Gee Heckscher  
Staff: David Robison, Diane Moody, Rufina Garay, David Beckman, Joan Rutkowski  
Public/Staff Guests: David Goldman, Mark Manby, Tina Watkins, Carol Ehlinger, Melinda Seibert; Lane DeCamp (Fort Worden Foundation staff), Sonya Baumstein (PDA staff)
- III. Review of draft February 26, 2020 Board Meeting Agenda**  
Executive Committee members and staff reviewed anticipated agenda items for the February 26, 2020 board meeting.
- IV. Review of Cash Flow Report**  
Chief Financial Officer Diane Moody reviewed the Cash Flow report (see packet on website). She noted that January was about \$10,000 less than budgeted, but February has been strong to date so expect revenue to exceed projections. March, however, may not be as strong as expected. Hospitality staff are making a strong push with last-minute deals. Board and staff clarified the focus of an additional monthly report (a rolling forecast) that will be provided at full board meetings.
- V. Review and Approval of January 21, 2020 Executive Committee Minutes**  
**Action:** Motion to approve the January 21, 2020 Executive Committee Minutes. **Unanimously Approved**
- VI. Staff Update & Board Discussion**

- **2020 Draft Budget**

Moody reported that following the draft budget presentation to the board in January, finance staff have used the board's direction and questions to guide a closer look at areas for more expense savings and revenue generation. Staff also have been working with Board Co-Chair Norm Tonina and Treasurer Jeff Jackson to find opportunities for alterations, she said. Jackson noted that the base budget work was strong and said subsequent work took a tactical approach in which several "what if" scenarios were explored. It was noted that the primary challenge is covering facilities maintenance needs, such as the current need to spend \$40,000 to \$50,000 on a fire alarm system by March so that the City doesn't close down building 204. Moody said minor repairs will remain in the hospitality budget, and major maintenance items, such as boiler repairs, will be in a facilities maintenance budget. As projected, hospitality operations should then lead to a \$150,000 surplus that could be used towards major maintenance projects, Moody said. Board members and staff talked about the challenge to fund maintenance needs. Some strategies include creating a building reserve fund and other fundraising. Executive Director Dave Robison said he also is talking with other public entities about their contributing towards expenses that reflect shared uses or interests. For example, approximately 1.5 million people visit Fort Worden each year, most of which go down to the beach area managed by State Parks, but the PDA pays for the maintenance of the roadways in the campus area leading to the beach. Board and staff also talked about the challenge of replacing kitchen equipment and furniture. Moody said a three-year pro forma is being created to help build a roadmap for sustainable operations.

- **Construction Projects Update**

Capital Projects Director David Beckman provided an update on Washington State Parks (WSP) capital projects and PDA capital and maintenance projects. The WSP projects include the replacement of the slate roof for building 201, which is used by the Coast Artillery Museum. As for Glamping, Beckman said the project is on schedule but he continues to communicate with WSP staff about the impact of their nearby water and sewer work on the opening date. Board members and staff also talked about upcoming work to address fire code requirements. Jackson noted that the PDA is addressing deficiencies that were in place before the PDA began and this is increasing operational expenses beyond what was anticipated.

- **Leasing Update**

Chief Strategy Officer Rufina Garay said work with the partner lease negotiation committee continues, and the focus includes reviewing the updated appraisal report and analysis used to establish market rates. Garay also provided an overview of the effort to finalize a lease with KPTZ, which includes establishing expectations for the maintenance of common areas in Makers Square and the campus.

## **VII. 2016-2017 Audit Report**

Staff from the Office of the Washington State Auditor provided a report on their audit of the PDA's accountability measures and financial statements for 2016 and 2017. Program Manager Carol Ehlinger, Assistant Audit Manager Melinda Seibert, and Assistant Director of Local Audit Tina Watkins presented the findings and recommendations (see board packet on website). The audit team reported that in the areas selected for the accountability audit, the PDA "complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources." Regarding the audit of 2016 and 2017 financial statements, the auditors concluded that the PDA's "internal controls over financial statement preparation were inadequate to ensure accurate and complete reporting." The PDA has provided a

response to this finding, identifying challenges with audit staff turnover and a learning curve regarding reporting requirements as the PDA transitioned from cash-basis accounting to Generally Accepted Accounting Principles (GAAP). Also contributing to the material finding is the audit team's belief that the PDA should include the Fort Worden Foundation and its component units in its financial statements. During the board meeting, board members, staff, and the audit team discussed this conclusion, which was provided at the end of the audit period. The PDA reported that prior to the next audit (of 2018), it will work with state auditors to further assess the nature of the relationship between the PDA and the Foundation to reach a final conclusion. Seibert said the outcome will depend upon how much interaction there is between the two entities and how much control the PDA has over the Foundation. Staff noted that the Fort Worden Foundation was modeled on the Pike Place Foundation's relationship to the Pike Place Market. Seibert said that a different audit team has evaluated the Pike Place Market. Robison said the PDA's research into the matter will include consulting with legal counsel. Watkins said the audit team looks forward to working with the PDA collaboratively to get to the appropriate answer. Jackson thanked the auditors for helping to make the audit a learning opportunity. He said the key action the board is taking is to form an ad hoc Finance and Audit Committee to provide oversight and recommendations on regular review of internal financial controls, processes, and policies.

**VIII. Public Comment**

David Goldman talked about the importance of recognizing the perceptions the community holds about the PDA and ensuring that maintenance challenges are defined adequately and communicated. He said the effort to get partners to pay more for their leases may need to be part of communications about the legs needed to support the PDA.

**IX. Regular Meeting Adjourned: 11 a.m.**