



**APPROVED Minutes**  
**Board of Directors Meeting**  
**Fort Worden Public Development Authority (FWPDA)**  
**Wednesday, February 26, 2020 | 9:00 a.m. – 12:00 p.m.**  
**Commons B, Building 210, Fort Worden**

- ❖ **Action:** Motion to approve the February 26, 2020 Board Meeting Minutes. **Unanimously approved**
- ❖ **Action:** Motion to approve Resolution 20-04 authorizing the establishment of a Finance and Audit Committee as an ad hoc committee of the PDA board and to appoint board members Todd Hutton, Jeff Jackson, Cindy Finnie, and Herb Cook to the committee. **Unanimously approved**
- ❖ **Action:** Motion to approve Resolution 20-05 adopting the 2020 Operating and Capital Fund Budget. **Unanimously approved**
- ❖ **Action:** Motion to endorse Todd Hutton’s letter to the programming partners negotiating team in substantially the same form as presented to board members. **Approved with eight votes in favor and one vote opposed**
- ❖ **Action:** Motion to direct staff to address points in the February 21 memo from the programming partners negotiating team that are not about lease terms, conditions and rates. **Unanimously approved**
- ❖ **Action:** Motion to direct staff to cancel today’s lease negotiation meeting to give partners time to read the letter from the PDA. **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 (by phone), Jeff Jackson (by phone)

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

Public/Staff Guests: Leah Mitchell, Rob Birman, Peter West, Owen Rowe, David Goldman, Bill Drath, Rebecca Holbrook, Lisa Werner, Claude Manning, Sara Aruguete, Aletia Alvarez, Renee Klein, Daniele Costello, Azuriel Mayo, Lane DeCamp, Sonya Baumstein, Cody Griffith

Marketing and Sales Director Cody Griffith introduced Rebecca Holbrook (Front Desk Guest Services) and Azuriel Mayo (Guest Experience Agent)

Board Co-Chair Norm Tonina announced that at the end of the meeting the board would go into executive session for approximately one hour to review general lease terms and conditions that comply with the appropriate RCWs.

## **Public Comment**

Rob Birman, Centrum's Executive Director, introduced Leah Mitchell, Centrum's new board chair.

## **III. Correspondence**

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

## **IV. Consent Agenda**

Review and approval of regular Board meeting minutes, February 26, 2020

**Action:** Motion to approve the February 26, 2020 Board Meeting Minutes. **Unanimously approved**

## **V. Maestro Property Management Presentation**

### **A. Staff Report**

Chief Financial Officer Diane Moody provided an update on the transition to Maestro, which is the PDA's new property management system. She introduced Sanjiv Parmar, who has been training PDA staff in how to use Maestro. Parmar provided an overview of the system, which Moody said is much more efficient than the PDA's former system and can provide many more detailed reports that will help support operational decisions.

### **B. Board Discussion**

Board members expressed appreciation for the new system's features. It was noted that the improved system costs 10% more than the previous system, and its features and efficiency will lead to operational savings that will more than offset the cost.

## **VI. Resolution 20-04 Authorizing Establishment of an Ad Hoc Finance and Audit Committee**

### **A. Board Report**

Treasurer Jeff Jackson provided an overview of the results from the State's audit of the PDA's 2016 and 2017 financial statements and accountability measures. The audit team presented the results at the February Executive Committee meeting, and the audit report has been shared with the full board. Jackson said the report's finding regarding inadequate controls over financial statement reporting reflect a few issues, including the PDA not having adequate systems in place in 2016 and 2017 for accounting that became more complicated as the PDA grew. This includes incorrectly classifying unrestricted and restricted funds. The PDA has provided a written response (see board packet) 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). Jackson said staff and board members understand the errors that were made. 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. If passed, Resolution 20-04 would establish a Finance and Audit Committee as an ad hoc committee of the Board of Directors. Jackson said the Executive Committee has historically served as an audit committee and the board should have set up a more formal audit committee sooner. He said the ad hoc committee could provide a second layer of review before statements are submitted for future audits.

### **B. Board and Staff Discussion**

Board co-chair Todd Hutton said the board has concerns about the findings and expects that the underlying issues have been resolved. Moody said errors have been fixed. Robison added that staff will be attending advanced training in GAAP accounting. Hutton also noted that there is a difference in staff and the audit team's interpretations of how some financial activity should be

classified and on the relationship between the Foundation and the PDA. PDA staff are working with state auditors to further assess the nature of the relationship between the PDA and the Foundation to reach a final conclusion about whether the PDA financial reports need to include the Foundation's financial activity. Robison said the Fort Worden Foundation was modeled on the Pike Place Foundation's relationship to the Pike Place Market, and the entities keep separate books. Hutton said the audit team admitted that they did not necessarily support some of the Pike Place PDA financial practices. Hutton said the ad hoc committee will provide a more formal mechanism for reviewing financials, and the responsibilities are clearly laid out in the resolution. Jackson would serve as the committee's chair. Currently, the PDA bylaws only allow for one standing committee, which is the Executive Committee. If the bylaws change, the Finance and Audit committee could become a standing committee, Hutton said.

**Action:** Motion to approve Resolution 20-04 authorizing the establishment of a Finance and Audit Committee as an ad hoc committee of the PDA board and to appoint board members Todd Hutton, Jeff Jackson, Cindy Finnie, and Herb Cook to the committee. **Unanimously approved**

## **VII. Review and Discussion of Financials**

### **A. Staff Report**

Moody presented a report on revenue and expenses for January, showing net revenue at - \$218,872. She said operating expenses for January are about \$15,000 under budget.

Reimbursements for grant-funded projects should arrive soon and will help net revenue, she said.

### **B. Board Discussion**

Discussion was deferred to the budget presentation.

## **VIII. 2020 Operating and Capital Fund Budget Review and Resolution 20-05 to adopt 2020 Operating and Capital Fund Budget**

### **A. Staff Report**

Moody and Finance Director Sonya Baumstein provided an overview of revenue and expense activity since PDA operations began in 2015. Moody said the PDA ended 2019 at a deficit, and over the last several weeks the finance team has worked with individual board members to examine how the business model can provide sustainability over the long run. Moody and Baumstein summarized how the PDA will decrease expenses and increase revenue in 2020 (see agenda packet on website). The hospitality services budget will include grounds maintenance, and facility maintenance will be moved out of the budget into the budget for funded capital improvement projects. Maintenance projects will not happen until funding is secured, Moody said. Other cost saving measures include no wage increases for the executive team, closing Taps for lunch through April, and capping food & beverage personnel costs. Glamping is expected to come online in late May and is projected to bring in \$370,000 in 2020, which will help offset losses from the temporary closure of NCO Row and Officers Row for State Parks infrastructure projects. Moody said the budget team also deeply analyzed food and beverage operations to make sure the net revenue increases, and this included looking to increase the cost of meal plans for partner events because they currently just pay cost while off-campus organizations are priced with a net margin. With these and other measures, the draft hospitality budget ends with approximately \$192,000 in net revenue. Moody also reviewed the draft capital improvements project budget, which is \$6,401,065.

### **B. Board Discussion**

Board members discussed some of the measures that have shaped the draft hospitality budget beyond earlier predictions of a deficit budget. Board member Cindy Finnie applauded the team's work at a time when creative reductions are happening throughout the industry due to economic challenges. Jackson said he feels good about the budget from a self-help perspective, but everything needs to go as planned for it to succeed. He said unforeseen maintenance needs will have a dramatic impact on the budget. The underlying model needs to change with the help of stakeholders, Jackson said. Board co-chair Norm Tonina recommended that staff consider adding a \$75,000 contingency fund for emergency maintenance needs that arise across campus. Board members agreed with the recommendation, which would reduce the budgeted net income to approximately \$117,000.

**Action:** Motion to approve Resolution 20-05 adopting the 2020 Operating and Capital Fund Budget. **Unanimously approved**

## **IX. Staff Report**

### **A. Construction Projects & Major Repairs**

Capital Projects Director David Beckman provided a status update on Parks projects happening on campus and PDA projects.

### **B. 10-Year Unified Capital Plan**

Robison said the Fort Worden Coordinating Committee will meet on Friday to consider approving the annual maintenance report, the 2020 Maintenance Plan, and the 10-year Unified Capital Plan. State Parks staff and PDA leaders are negotiating priorities for the 10-year plan.

### **C. Legislation Affecting Fort Worden**

Robison referred the board to the written testimony he submitted to the House Capital Budget Committee in support of House Bill 2352, which would strengthen funding for the Building for the Arts Program and increase the matching funds requirement, and Senate Bill 6252/House Bill 2601, both of which would remove the requirement for unanimous approval of long-term leases and replace it with an affirmative majority vote by the Parks and Recreation Commission.

### **D. Makers Square Update**

Robison described the effort to secure funding to finish phase one of Makers Square. A second round of grants awarded from the Building for the Arts and Heritage Capital Project programs are inaccessible because they were meant for work that was done early in the construction process to qualify for historic tax credits. Robison said he is working to get the funds reappropriated by the legislature, and the process is going well.

### **E. 3-Year Operating Pro Forma**

Robison said PDA staff are working with a consultant to build a proforma template for hospitality, facilities maintenance, and capital improvement projects. It will be presented to the board when ready.

### **F. Port of Seattle Grant**

Griffith informed the board that the PDA has been awarded \$9,000 of a \$10,000 maximum grant distribution from the Port of Seattle's 2020 Marketing Tourism Grant. She said it will be used to promote glamping in the Alaska Airlines Beyond inflight magazine.

### **G. Events Update**

Robison announced that the PDA has entered into a contract with Seattle Theater Group (STG) for a three-day summer event. Based on last year's THING, which showed that the campus can accommodate more people, STG is expanding per-day ticket sales from 5,000 to 6,500. Robison said work has begun to see if camping and park and ride options can be expanded. PDA staff will again work with the Neighborhood Advisory Committee on measures to minimize noise and traffic in the neighborhood. As for the 4th of July event, Robison said it will again involve a laser light show instead of fireworks and other activities will include increased options for children activities.

#### **H. Leasing Update**

Chief Strategy Officer Rufina Garay referred the board to the notice given to Newport Academy regarding their breach of agreement and the termination of the agreement for their office space at Fort Worden. The letter notes that Newport Academy hasn't met their commitment to utilize the premises and several Fort Worden campus services in the operation of its behavioral health operations. Garay said the termination shows the accountability the PDA seeks from residential partners. As for the process to finalize the lease with KPTZ, Garay said current work includes the early stages of calculating the common area maintenance cost. Lease negotiations with the partner representatives has included conversations about indemnification language and continued analysis of the updated appraisal, she said. Robison added that the agenda packet includes a recent memo from the partner negotiating team and some of those lease rates and terms will be the subject of executive session.

#### **I. Fort Worden Collaborative Planning Process**

Robison referred the board to the notes from the first Fort Worden Collaborative session. He said the second session has been postponed because of the current focus on finalizing the PDA budget as well as the unified capital plan for Friday's Fort Worden Coordinating Committee meeting.

#### **X. Public Comment**

Centrum Executive Director Rob Birman offered to meet with PDA leadership if desired.

#### **XI. Executive Session**

At 11:25 a.m. Tonina announced that the Board will enter into an executive session to review general lease rates and terms in accordance with RCW 42.30.110(c). He said the board would not take any action during the session, which he expected to last for one hour but may take action when the board reconvenes back into the regular meeting.

#### **XII. Regular Meeting Resumes**

Tonina reopened the board meeting at 12:40 p.m.

**Action:** Motion to endorse Todd Hutton's letter to the programming partners negotiating team in substantially the same form as presented to board members. **Approved with eight votes in favor and one vote opposed**

**Action:** Motion to direct staff to address points in the February 21 memo from the programming partners negotiating team that are not about lease terms, conditions and rates. **Unanimously approved**

**Action:** Motion to direct staff to cancel today's lease negotiation meeting to give partners time to read the letter from the PDA. **Unanimously approved**

Tonina invited public comment. No comment was given.

**XIII. Regular Meeting Adjourned at 12:45 p.m.**

*Board Packets and PowerPoint Presentations are available on our website at:*

*<https://fortworden.org/category/pda-documents/>*