



APPROVED Minutes
Finance & Audit Committee
Fort Worden Public Development Authority
Thursday, April 16, 2020 | 8:30 a.m. to 11 a.m.
Via ZOOM

Regular Finance & Audit Committee Meeting:

I. Call to Order: 8:32am

II. Roll Call

Finance & Audit Committee: Jeff Jackson, Todd Hutton, Cindy Finnie, Herb Cook
Other Board Members: Norm Tonina, Jane Kilburn, Terry Umbreit, Gee Heckscher
Fort Worden Foundation Board: Jeff Krida
Staff: Dave Robison, Diane Moody, Sonya Baumstein, Aislinn Palmer
Fort Worden Foundation Staff: Lane DeCamp

III. Review of March Financial Report

Chief Financial Officer Diane Moody reviewed preliminary financials. Final financials will be presented at the April Board Meeting. As expected, the PDA did not meet budget goals for March. Revenue was under budget in every category. Expense was also under budget in all categories but personnel; much of the staff was put on “standby” unemployment in the middle of March, so scheduled payrolls were relatively unaffected and this line will show the reduction in April. This leaves March about \$176,000 over budget at this time.

Accounts Receivable were also reviewed, noting that about half of what was on the books for events as of 3/31 has been received in April, with the rest expected by the end of April. Partner tenants’ rents and services owed totaled \$25,515.57, and partners were encouraged to pay those as the PDA is still paying utilities.

IV. Review of Cash Position & Flow Projections

Executive Director Dave Robison and Moody presented potential business scenarios and cash flow projections through the next few months. The current cash position includes the employee health care fund, donated by board members and community members, which will allow the PDA to cover standby staff health care through the end of June. Reservations on the books were reviewed, acknowledging that this could change radically based on state restrictions.

Moody said that current cash reserves and projections can only fund operations through the end of July, and that assumes partner tenants will pay their rent. New financial resources are needed for the PDA to restart hospitality services. If Makers Square is not completed by year-end, then consequences cascade, including potentially having to pay back grants that have already been received. She said that Makers Square construction can only be restarted after the state allows construction to continue, and after the PDA

payments to contractors on the project are current.

Additional liabilities include an employee vacation compensation payout of \$89,000, and the refundable advanced deposit balance is \$226,000. The timing on when these are refunded is not set in the contracts. If the PDA remains closed, more deposits may need to be refunded, per contracted policies.

Reopening scenarios were reviewed, noting the best-case scenario is to reopen July 1, with the first stage taking at least two weeks to prepare the Fort for guests to return. New regulations, particularly in food service, may make this timeline untenable. Glamping was discussed as a potential for greater revenue in the scenario, while acknowledging risks around launching a new program without sufficient resources. It was noted that when the PDA initially started, there was a mobilization fund, which doesn't exist at this time. The alternative scenario is to reopen hospitality services in September or later. The longer the delay, the more difficult it will be to re-engage standby staff who are already trained in their positions. The funds required to start up in September vs July will be about twice as much given the loss of revenue during the summer months. This scenario would still require Makers Square and Glamping to resume when State Parks reopen, potentially mid-June.

Staff stressed that in both reviewed scenarios, the PDA will need cash infusions in July and September to continue operating. Business on the books projections include assumptions that fewer groups will be allowed to happen, so leisure is the focus, with limited food revenue from restaurants and no catering. Projections are based on a 25-30% range for occupancy over the summer, and this includes dorm rooms, which weren't counted in previous tracking of occupancy rates.

Capital Project cash flow projections were reviewed for Makers Square and Glamping. Makers Square funding has been secured, but most of it is reimbursable.

V. Business on the Books and Cancellation Update

Sales and Marketing Director Cody Griffith spoke about their departmental focus on keeping business that is booked by moving it, rather than canceling it. She noted the majority of leisure bookings have an advanced deposit, and they have been able to relocate 83% of those bookings. So far, 36% of those eligible for refunds have been refunded.

VI. Recovery Plan

Robison and consultant David Timmons talked through their strategy for working on the PDA's Recovery Plan, citing next steps of a deeper assessment of the reopening scenarios to be brought back to the Board. City, County, State Parks, and Partners will all be engaged in this strategy. Timmons stressed there should be a two- to three-year timeframe for full recovery, and that a new model and unified strategy will be key, which will be the focus for the next three months. Timmons also reviewed some federal/disaster funding options that will be pursued.

VII. 2018 and 2019 Annual Filing to Auditor

Moody presented an issue raised by the auditors, who tasked the PDA with determining whether the Fort Worden Foundation is a "component part" of PDA, and if so what type? If a component, then the Foundation needs to be included in annual filings. Foundation Board President Herb Cook responded that the Foundation board has met and is determining whether to do full audit or review for 2019, and determined they will not be going back to audit or review 2018.

Diane stated that means the PDA will likely receive a finding for not including the Foundation in the 2018 audit. The 2019 filing deadline is May 25th, and the PDA will likely face another finding if the Foundation is not included for 2019. Foundation employee Lane DeCamp stated that the Foundation planned to file for an automatic six-month extension on filing their 990, and that they have engaged a new firm to handle both the 2019 990 and the 2020 audit, but have no plans to do a 2019 audit at this time.

PDA Treasurer Jeff Jackson posed that with limited resources during a crisis, the 2019 audit was not a top priority at this time. PDA Board members Cindy Finnie and Todd Hutton agreed, and proposed that the Finance and Audit Committee document the plan to defer work on the 2019 audit to the fall and bring that proposal to the next full board meeting for a vote.

VIII. Public Comment

Rob Birman, Executive Director of Centrum, posed questions on the PDA's commitment to the Fort Worden Collaborative, the Makers Square budget, PDA staff benefits, and the PDA's commitment to long-term leases for partners. Robison responded that the PDA remains committed to the Collaborative but lacks staff resources at this time. Moody responded that the Makers Square budget presented was capital only, and that benefits are only a separate line during the standby period and are factored into the payroll line for the rest of the year. Board Member Todd Hutton responded to the lease question, stating that while it was a long-term priority he felt the new operating model may need to be determined before lease discussions are re-engaged.

Heron Scott, Executive Director of the Port Townsend School of Woodworking, asked how Makers Square money plays into reopening scenarios, and if the cash infusions cited will come from Makers Square reimbursements. Moody answered that the Board will make the call on the allocation and source of operating dollars.

Janine Boire, Executive Director of the Port Townsend Marine Science Center, commented that the vision of the Collaborative was to work on strategies and big picture structure for the PDA/partner operating model, stressing that if partners are expected to keep paying rent for facilities they can't currently occupy, they need to be more involved in the planning process. Robison responded that the PDA is working on waves of funding that could include support for partners, so immediate work will be focused on emergency funding. Timmons echoed this, adding that work on the structure with the Collaborative will be an important step that comes after the first step of securing emergency funds.

IX. Adjourn

Meeting adjourned at 10:08 a.m.