



**APPROVED Finance & Audit Committee
Fort Worden Public Development Authority
Thursday, June 18, 2020 | 11:00 a.m. to 1 p.m.
Via ZOOM**

Attendance

Finance & Audit Committee: Jeff Jackson, Cindy Finnie, Herb Cook, Todd Hutton

PDA Board Members: Norm Tonina, Terry Umbreit, Gee Heckscher, Jane Kilburn

Participating Staff: Dave Robison, Diane Moody, Sonya Baumstein, Cody Griffith, Aislinn Diamanti

Public Meeting Agenda:

I. **Call to Order:** 11:07am

II. **Budget Scenarios and Cash Flow Options Presentation**

Consultant David Timmons provided an overview of what is currently eligible for FEMA, which is limited to emergency spending and only looking out about 30 days ahead. Foundation employee Lane DeCamp stated that Category B Emergency Measures are all that are being covered at this time. The steps to submission were reviewed, including the expectation of a 30-day reimbursement cycle. Committee Chair Jeff Jackson recommended we submit as soon as possible for what is eligible now.

Chief Financial Officer Diane Moody reviewed the Makers Square cash flow position by month and reopening scenario, showing that reopening in August would improve the cash position through the remainder of 2020. Herb Cook asked if the scenario had been run for opening in August but closing in November. Diane explained that this scenario included restaurants closing in October but leisure accommodations staying open through the end of the year. Jeff clarified that the current assumptions included much lower staff at this scaled level and that's why it is hard to compare to prior years.

Looking first at Scenario 1, which includes a partial reopening of lodging and restaurants, Moody reviewed reservations on the books, focused on leisure travelers. She noted that the PDA hasn't been taking any reservations since March 2020 and the PDA can likely increase occupancy due to pent up demand. Assumptions for this reopening scenario are that the county will enter Phase 3 in late June/early July, and be in Phase 3 for opening in August. Advantages, including bringing back some staff and providing partner services, were reviewed. Risks were also reviewed, including potentially having to close again due to a spike in disease activity. Moody said that daily sales would be monitored tightly in this scenario. She noted there are groups under 50 that are currently booked, and further discussion is needed to determine if it is the PDA will be able to service this market. It is not expected that groups over 50 will be able to be accommodated this year, per the Governor's guidance.

Moody noted there is no catering in this budget, with food only provided through the Canteen and Taps. There is an assumption that the PDA could book about twice as much leisure business as is currently on the books. PPE reimbursement from FEMA is included, and whether that full amount will eligible should be known soon. Todd Hutton asked about base utilities, and Moody and Baumstein cited \$16,000 as an example of a recent low-occupancy month, but that wouldn't be enough information to forecast with

Sales Director Cody Griffith reviewed how leisure assumptions were made and context for the Business on the Books numbers based on client/guest communications. On Monday alone, the Reservations line had 60 calls from people asking if they could come to the property. It was noted that, based on industry trends, people are looking for accommodations that is offered by the PDA. Cindy Finnie called out the dynamic of our strong constituency and our sustainability based on the loyalty of our guests. Griffith said 95% of 2020 budget is still captured, spread over holds for this year and booking next year. It's noted that booking for the leisure traveler only opens up a year in advance of their stay.

Gee Heckscher brought up the Officers Row sewer project, and Griffith responded that if Officers Row was available for reservations over the fall/holiday season the PDA could realize more revenues. The conversation has been started to see if the sewer project can be moved to Q1 2021. Jeff and Cindy pointed out that Leisure rates are *not* expected to drop this summer, especially because we have a desirable product (separate houses with outdoor spaces and no lobbies/forced public mixing). Jeff noted that while he is not concerned about the ADR assumptions, he is concerned about occupancy assumptions, which Diane and Cody will explore deeper. Cody noted they also have a queue of leads on pause while they get determination on dates they can rebook current clients. Jeff requested refinement about monthly demand and cash for the next board meeting. Cindy recommended that if reopened, numbers are reviewed daily for quick agility.

Diane presented some detail of the PDA's cleaning and sanitization plan, which goes above CDC recommendations and will include new procedures that make check-in safer for both guests and staff. She noted some airflow dangers and booking restrictions for multi-unit buildings. Cindy will be testing electrostatic sprayer and offered for PDA employees to participate in the test. Reopening lodging under this scenario could net approximately \$300K, exclusive of business overhead.

Diane noted that overhead is not included in the accommodations/lodging budget presented. Reopening Taps and the Canteen requires adjustments to their layouts and a focus on outdoor dining. Retail merchandise is not planned to be included in these scenarios due to safety concerns, acknowledging that reduces revenue. Reopening Taps and Canteen in this scenario could net an estimated \$14,300.

Jeff requested a closer look at maintenance, and a sense of the risk of what could go out and affect these assumptions. Dave noted that most of the costly repairs are focused on meeting room spaces, and not on accommodations. Norm and Cindy joined Jeff's request to explore this risk in more detail.

Moody then reviewed Scenario 2, which assumes no services open prior to April 2021. This includes a part-time skeleton crew throughout the closure. Makers Square would still be completed by the end of October 2020, and Historic Tax Credits would need to be secured by the end of the year to fund the skeleton crew and April 2021 reopening.

Cash flow considerations were reviewed for both scenarios, including needing to source an additional \$400K in Scenario 1 or an additional \$700K in Scenario 2. Jeff noted that these assumptions are for limited operations in both scenarios, April 2021 will not be a return to pre-COVID staffing or revenues. Potential sources of cash could be Makers Square or a new credit line, which the committee needs to discuss.

III. Makers Square Cash Flow Report

Diane gave a brief overview of the Makers Square cash flow report. She noted that the local investor continues to remain interested in purchasing the Historic Tax Credits for Makers Square and that the PDA is anticipating completion of the investment by mid-August.

Norm opened up the discussion to all PDA Board members attending the Committee meeting to comment or ask questions about the budget scenarios presented or cash flow projections.

Todd noted both budget scenarios presented to the Committee need a cash flow bridge plan – a plan to

make it through while a new business plan is developed. Herb noted there may be an opportunity cost to reopening in August, and that would be key staff focusing on meeting numbers in the current business model. If not reopening until April, there may be more bandwidth to reconsider the business model with a more sustainable future. Jeff noted that as far as recommendations from this Committee, he doesn't feel ready to make a recommendation at this point.

Dave Robison mentioned that "new normal" planning will take some time, there won't be a new business plan by the end of the year in any of the scenarios we look at. He cited a long vetting process for the new business model. Cindy mentioned that partner business models are also likely to change over this time.

Norm noted the financial difference in Scenario 1 and Scenario 2, Scenario 1 will require aggressive business monitoring, potentially weekly dashboards.

Todd Hutton requested that Diane and Dave take another look at the skeleton crew and pare it down further, noting the PDA may need to plan for a new staff altogether come April.

IV. Discuss Recommendation to the PDA Board

Jeff Jackson asked for board members to submit requests on what they need to decide at the next board meeting, settling on a process of requests going to Diane and copying Dave.

V. Public Comment

Centrum Executive Director Rob Birman asked about bonds held by the PDA. Diane Moody responded that the PDA has three bonds, including Makers Square (bridge loan structured as a revenue bond), Glamping (revenue bond), and Energy Efficiency (revenue bond). Rob then asked about salaries paid by Foundation that are not showing up in these scenarios. Diane replied that Lane DeCamp is a Foundation employee and part of Finance Director Sonya Baumstein is covered for time spent on financial management of Makers Square grants.

Lisa Werner commented on partners and the importance of Building 225 (dorms). Lisa mentioned the importance of that kind of lodging to many partner models. She wondered if they could be elevated as a priority. Dave Robison responded that they are looking at potential funding sources that could help with that request.

VI. Adjourn 1:12pm