



APPROVED Minutes
Special Board of Directors Meeting
Fort Worden Public Development Authority (FWPDA)
Monday, August 10, 2020 | 10 a.m.
Remote meeting per State Proclamation 20-28

- ❖ **Action:** Motion to approve the June 24th Finance and Audit Committee meeting and the June 24th Board of Directors meeting minutes **Unanimously approved**
- ❖ **Action:** Motion to temporarily suspend the policy of maintaining an advance deposit reserve account and the practice of holding 35% minimum in that account, and to allow management to move all or part of the advance deposit funds to operations as needed, through December 31, 2020. **Unanimously approved**
- ❖ **Action:** Motion to approve Resolution 20-11 authorizing opening checking and savings accounts with Kitsap Bank. **Unanimously approved**
- ❖ **Action:** Motion to approve Resolution 20-12 authorizing signers for PDA checking and savings accounts with First Federal Savings and Loan and Kitsap Bank. **Unanimously approved**
- ❖ **Action:** Motion to approve Resolution 20-13 authorizing the Executive Director to approve a second extension of the 2020 contract with David Timmons for crisis and recovery planning through July 31, 2020 and to increase the total contract budget from \$15,000 to \$20,000. **Unanimously approved**
- ❖ **Action:** Motion to approve Resolution 20-14 authorizing certain oversight management responsibilities to the Board Co-chairs, providing for an employment contract with David Timmons as Acting Associate Executive Director, and amending Resolution 20-06 to provide for and designate a Recovery Director in connection with emergency recovery operations during the COVID-19 crisis. **Unanimously approved**

Regular Board Meeting:

I. Call to Order: 10:03 a.m.

The August 10th board meeting was a remote Internet- and phone-based meeting in accordance with the “Stay Home” emergency proclamation issued by Governor Jay Inslee on March 23, 2020 and subsequently extended. Access information to the meeting was published on the Fort Worden website and in a meeting notice to the media.

II. Attendance

Fort Worden PDA Board Members: Todd Hutton, Jane Kilburn, Cindy Finnie, Gee Heckscher, Herb Cook, Lela Hilton, Terry Umbreit

Staff: Dave Robison, David Timmons, Sonya Baumstein, Cody Griffith, David Beckman, Aislinn Diamanti, Holly Height, Joan Rutkowski

Public/Staff Guests: Owen Rowe, Jeanie Cardon, Bill Drath, Lisa Werner, Brian Hageman, Brian Kelly, Leah Mitchell, Rachele Turnbull, Heron Scott, Janine Boire, Randy Arnest, Sara Aruguete, Seth Rolland, Steve Reed, John Marckworth, Casey French, Marty Sievertson, Carolyn Zipeto, Dan Nyby, Jess Morris, Mitch Freeman, Natalie Maitland, Lane DeCamp, Jon Schorr, Barry Mitzman

III. Public Comment

No comments were shared during the public comment period.

IV. Correspondence

See the board agenda packet on the website for PDA-related articles and communications. Board co-chair Todd Hutton noted Diane Moody's resignation letter and shared his thanks for her service to the PDA and the improvements she made to the management of finances. Executive Director Dave Robison added that her skills were sorely needed when she was hired as the Chief Financial Officer, and she eventually began also running day-to-day operations. Hutton added that partners have contacted him to express their gratitude for her work with them and for the Fort as a whole.

V. Consent Agenda

Action: Motion to approve the June 24th Finance and Audit Committee meeting and the June 24th Board of Directors meeting minutes **Unanimously approved**

VI. Reopening Plan Budget and Planning Update

Sonya Baumstein, Director of Finance, provided an update on the reopening budget and the financial forecast through the first quarter of 2021. (See the PDA website for a copy of the PowerPoint.) She noted that adjustments made since the last budget presentation reflect how dynamic the situation is while hospitality is opened on a limited basis.

Baumstein described changes made in response to evolving limits on operations due to COVID, savings from new financial control measures, and hospitality fees and incentives that may provide more revenue. Baumstein said that occupancy in Officers Row and Non-Commissioned Officers Row units is limited to 50% so that separate parties aren't staying at the same time and staff have time to thoroughly sanitize and flip units; group accommodations are offline because group gatherings aren't currently allowed due to COVID restrictions. State-led capital construction projects will limit use of the PDA's best-selling units (Buildings 4 & 5), she said. The updated budget reflects these changes, and the budget will likely change each month to adjust to the dynamic circumstances, Baumstein said. Annual revenue is now predicted at approximately \$1,093,000, which is about \$57,000 less than estimated at the last board meeting, she said. Staffing expenses are also increased by 6-10% per month.

Board and staff talked about how likely the PDA will meet its accommodations revenue goal for August. Baumstein and Sales and Marketing Director Cody Griffith said bookings have been for very short-term stays and they are using multiple tools to try to reach the \$175,000 goal for August. Given the recent increase in reservations, Griffith said the goal is doable. Board member Cindy Finnie said that short-term bookings seem to be the current trend in the industry. Hutton noted that board members are welcome to request the more detailed financial reports that exist.

Baumstein presented additional information about the changes to the budget. Staffing has increased to support the dynamic business model that is in place in response to COVID, she said. Another notable change reflects that FEMA funds were not received for personal protective equipment, leading to adjustments in equipment purchases that still meet or exceed standards. The importance of non-refundable bookings for the PDA's cash flow was noted, which Griffith said a majority of guests are choosing because they like the discount.

Baumstein talked about the cash flow forecast and noted that short-term financing opportunities are being pursued for the remainder of the year. She said she also expects to have more information at the

next meeting about fund repayment reconciliation for the last six months. She provided a 15-month overview, covering actuals known to date for 2020 and projections through quarter one of 2021 and comparing those figures to what was presented in June. To support the adjusted financial outlook, the PDA is instituting changes in fees, encouraging nonrefundable bookings, emphasizing leisure sales because of the inability to confidently book groups, tightly monitoring restaurants, finalizing transparent maintenance fee schedules, and creating baseline costs for housing minimums.

Baumstein noted that the bottom line could change based on if and when groups can be accommodated (phase 3 of Washington's Safe Start Plan) and the cost of winter maintenance needs. The budget may end up somewhere between the two forecasts, she said. Currently, given the difference between what was predicted and actuals to date as well as changes to the budget for the rest of the year, an additional deficit of approximately \$130,000 is anticipated, for a total deficit of \$827,116. The quarter one forecast includes large group reservations that may not be allowed at that time per state COVID limits. Baumstein said some groups are keeping their room reservations and are just not meeting as a group. Dave Timmons added that FEMA informed him that they are reevaluating the PDA's eligibility for funds after initially denying the PDA's application based on eligibility requirements that were highly restrictive and are now being reviewed.

Baumstein introduced a policy change for the board's consideration. She said there is a standing agreement with the board from 2015 that there would be an advance deposit savings account. The policy is that 35% of advanced deposit liabilities currently on the balance sheet are kept in a separate bank account. Baumstein said the account is intended for circumstances like COVID, when the PDA receives a mass amount of cancellations. She said she would like a six-month moratorium on adding funds to that account and to be able to draw it down to whatever bank minimum is required. Baumstein said the account currently has \$33,000 after spending \$188,000 on refunds to date. Hutton asked how the account funds have been reported, and Baumstein said they show up in the cash flow forecast. Baumstein said that if she could draw down the account it would likely be immediately used for accounts payables because cash has been used to refund guest cancellations. Hutton asked about the relative risk between paying vendors and the risk of not having money in the account for future refund needs. Baumstein said the money is already needed, as the PDA has borrowed against the account to provide refunds for cancellations. She said the higher risk is in managing cash flow now than it is to keep the account at a minimum that doesn't meet the policy.

Hutton invited board members to share their thoughts about the proposal. Board member Herb Cook said that paying trade creditors should be the higher priority and he supported temporarily suspending the 35 percent requirement through the end of the year. Hutton noted that records show that the board passed a motion to create the account, and the motion did not stipulate the percentage needed in the account. Baumstein added that the focus on nonrefundable leisure reservations reduces the organization's financial risk and supports having a lower advance deposit balance. Griffith added that nonrefundable bookings come with the opportunity to move to a new date instead of cancel without a deposit refund.

Action: Motion to temporarily suspend the policy of maintaining an advance deposit reserve account and the practice of holding 35% minimum in that account, and to allow management to move all or part of the advance deposit funds to operations as needed, through December 31, 2020. **Unanimously approved**

Hutton noted that the bank minimum would be maintained in the account.

Baumstein concluded with an overview of building closures due to maintenance needs and how required operational expenses influence decisions about opening and closing. She said some buildings, such as 204 and 298, are closed because there isn't revenue to support the needed emergency repairs (fire alarms and sprinklers). Board and staff discussed whether building insurance coverage could be increased to help with needs and damages. Finnie said insurance does not cover equipment failure unless the failure is caused by a covered loss, and claims would affect renewability and premium costs. Timmons said that covered losses may look different because of the breadth of the risk pool, and the PDA could look at coverages that might be found in the risk pool. He said staff could look at lease requirements between the PDA and State Parks regarding insuring buildings and contents, and cost savings might be found. Hutton suggested that the board ask management to study this and return with a recommendation to the September board meeting. Hutton also asked staff to be as transparent as possible with partners about the constraints the PDA has in addressing any failures. Timmons said he could meet with Enduris to explore options. Regarding food and beverage operations, Baumstein said there is \$70,000 in food and alcohol in inventory and already on the balance sheet that is important to use in a timely manner. She said there are baseline operational costs that come with having buildings and service agreements that total \$3,000 a month. This means that being open and operating at a loss is essentially operating in the green if the loss is less than \$3,000 a month, she said. Board and staff agreed that daily monitoring will help management judge what to keep open.

VII. Resolution 20-11 Authorizing Opening Checking and Savings Accounts with Kitsap Bank

Baumstein said that Kitsap Bank is an approved vendor for the PDA's primary payment processor, and using that bank will save the PDA about \$20,000 a year. She said the PDA would still maintain accounts with First Federal, and it's more uncommon to have all of an organization's accounts at one bank.

Action: Motion to approve **Resolution 20-11** authorizing opening checking and savings accounts with Kitsap Bank. **Unanimously approved**

VIII. Resolution 20-12 Authorizing Signers for PDA Accounts

The resolution removes and adds signers based on their role with the PDA and changes the status for some of the people listed regarding information only and signing authority.

Action: Motion to approve **Resolution 20-12** authorizing signers for PDA checking and savings accounts with First Federal Savings and Loan and Kitsap Bank. **Unanimously approved**

IX. Resolution 20-13 Crisis & Recovery Planning Contract Extension with David Timmons

Robison described the approval of the original consulting contract with Timmons for crisis and recovery planning and the need for the work that was done in July. Robison said he secured an operational grant to cover the expenditure through July.

Action: Motion to approve **Resolution 20-13** authorizing the Executive Director to approve a second extension of the 2020 contract with David Timmons for crisis and recovery planning through July 31, 2020 and to increase the total contract budget from \$15,000 to \$20,000. **Unanimously approved**

X. Resolution 20-14 Employment Contract with David Timmons

Robison said he would like to have Timmons continue with his work and also serve as the Acting Associate Executive Director of the PDA. He noted that Timmons is the former City Manager, and in the PDA role he would have more direct authority over day-to-day operations in addition to work as recovery director. Robison said Timmons would be part time through the end of the year and would work closely with the finance team and report directly to Robison and the board co-chairs. He said this helps fill the gap left by Moody's resignation. Hutton added that Timmons would supervise the PDA's staff directors. Board and staff talked about the hours required for the role and whether this hire along with recent shifts in staff and their hours lead to a cost savings. Baumstein said there is a savings from all the changes.

Action: Motion to approve **Resolution 20-14** authorizing certain oversight management responsibilities to the Board Co-chairs, providing for an employment contract with David Timmons as Acting Associate Executive Director, and amending Resolution 20-06 to provide for and designate a Recovery Director in connection with emergency recovery operations during the COVID-19 crisis.
Unanimously approved

XI. Staff Update

A. Makers Square

Construction Update: Capital Projects Director David Beckman said that Clark Construction resumed work in early June, and issues related to COVID and other scheduling delays have pushed the completion date to mid-November. He said he is working with the finance department on payments owed to Clark, and this will be helped by the recent finalization of the Local Community Projects grant contract.

Historic Tax Credits: Robison said staff are updating sources and use summaries with new values for construction and site work, and the PDA will meet with First Federal to try to close the Historic Tax Credit transaction in the next couple of weeks. The PDA and its legal counsel also are working with State Parks and its legal counsel to get a subordination agreement in place, which would be a requirement of the HTC investor, he said. Robison expects net proceeds from the HTCs to be at minimum \$1.2 million.

B. Glamping

Robison said that Glamping construction is on hold until the end of 2020. He estimated that about 4-6 weeks of work is left. He is seeking additional funding, including economic stimulus money, to help cover the construction of the project's community building.

C. Fort Worden Collaborative

Hutton thanked Renee Klein for her ongoing leadership in shepherding the process. He said Klein is handing off facilitation of the process to Janine Boire. Hutton summarized the work of the short-term, mid-term, and long-term working groups, which includes exploring how the PDA and its partners can collaborate on things such as marketing, sales, and human resources, as well as reimagining the operating model and business plan. (See the board packet for a report on the group's work.) The long-term work includes considering whether the PDA remains or morphs into some other type of entity. Hutton said co-chair Norm Tonina and Robison have been studying other models. Robison added that he has begun reaching out to state agencies and philanthropic foundations for funding for the planning effort because he thinks a consultant team could be helpful to the process. Finnie expressed appreciation for the work and said she would like to understand the PDA board's role in the process. Hutton said the Collaborative will bring to the PDA suggestions or recommendations, the exact format for which is to be determined. He said the process leads to the PDA making decisions at the board level, which are then brought to the City and State Parks for

consideration. Meanwhile, work on how to maximize revenue under the current model will continue, he added. Board Secretary Jane Kilburn said she has joined the long-term working group and believes that the Collaborative provides an essential perspective on lifelong learning that is needed for informing the future. She added that the PDA board also has work to do in designing the future, and said it is time for the board to take a leadership role in long-term planning. Hutton and Kilburn agreed that there is a need to avoid creating two parallel or duplicative processes.

D. Lease Amendment Request to the State Parks Commission

Robison summarized progress on the PDA's request to get the State Parks Commission to postpone the start of a revenue sharing provision in the lease. The provision requires paying 3.5 percent of gross revenues to State Parks each year, beginning in May 2021. Robison said that based on previous activity and projections before COVID, that could amount to about \$250,000 a year. He said the PDA is operating on thin margins already and maintenance obligations have turned the business model upside down. The PDA's request is to delay the provision for three years while work is done on a new business plan and financial model, Robison said. He also noted that in May 2021, the PDA's requirement to sell \$250,000 in Discover Pass goes away, but it's in the PDA's best interest to continue to sell the passes as the money goes to State Parks and is part of the commitment to being a good partner. Robison said video and audio technical problems towards the end of the Commission meeting led to its postponement before action could be taken on the lease amendment. The parks staff recommendation is in support of delaying the revenue sharing provision while work is done on a new business plan that would be brought to the Commission. Robison said. He anticipates that the Commission would return to vote on the amendment in September.

E. Fort Worden State Parks Operations and Projects Update

Robison said that the State Parks capital projects team has been great to work with. He described changes to their capital projects timeline that they made in response to the PDA's need to keep accommodations open for as much revenue generation as possible while people are still interested in traveling. Instead of having all of Officers Row units offline for several months beginning in October for a water and sewer project, State Parks has shifted that work to start in January. However, buildings 4 and 5 in Officers Row will be taken offline for exterior renovation work beginning November 1st because it takes six months to complete that work, he said. All Officers Row buildings will be back online by the end of April, he said. Robison also shared that State Parks staff pulled a request to fund the Fort Worden Boat Launch project from a list of 2021-2023 grant requests for the Commission's consideration. He said the project may still be in another list submitted for stimulus funding.

F. Feedback on PDA Reopening

Hutton asked staff for their views on the success of the reopening. Griffith said guest comments have been positive and appreciative. Baumstein noted that the management team is working collaboratively and that lends itself to a positive fiscal picture; she thinks the PDA is going in a positive direction. Aislinn Palmer said the staff team is strong despite unfortunately losing some employees during the closure. She said she is impressed with the progress made to reopen, which took less than five weeks instead of the eight weeks they anticipated needing. Palmer said the PDA is on a good path to make the most of the few busy season months left.

G. Jefferson Community Conservation Corps

Robison described the Jefferson Community Conservation Corps' campaign to raise funds to hire workers for campus maintenance projects, created in the spirit of the Roosevelt-era conservation corps efforts. He expressed gratitude for Matilda Henry and Mark Blatter, who approached staff

with the campaign idea that led to a partnership with the Fort Worden Foundation to raise funds to employ local workers. Robison said the funds will help with special projects, such as landscaping needs at the glamping site. Nearly \$9,000 has been raised and the campaign continues. Hutton asked Robison to extend the board's appreciation to the Jefferson Community Conservation Corps.

XII. Public Comment

No comments were shared during the public comment period.

XIII. Meeting Adjourned at 11:51 a.m.

Board meeting materials are available at: <https://fortworden.org/category/pda-documents/>