



APPROVED Minutes
Board of Directors Meeting
Fort Worden Public Development Authority (FWPDA)
Wednesday, October 28, 2020 | 9 a.m.
Via Zoom (Remote Meeting Per Governor Inslee's Proclamation 20-28)

- ❖ **Action:** Motion to approve the August 24th and September 10th board meeting minutes. *Unanimously Approved*
- ❖ **Action:** Motion to authorize the Acting Associate Executive Director and Board Treasurer to negotiate with Kitsap Bank for refinancing the Makers Square, Energy Efficiency, and Glamping capital projects. *Unanimously Approved*
- ❖ **Action:** Motion to approve **Resolution 20-18** to authorize the Acting Associate Executive Director to enter into an engagement letter with the State Auditor's Office. *Unanimously Approved*
- ❖ **Action:** Motion to approve the term sheet with KPTZ and to authorize the PDA Board Co-Chairs to negotiate and execute a final lease agreement with KPTZ. *Unanimously Approved*
- ❖ **Action:** Motion to authorize the PDA Board Co-Chairs to negotiate the terms of an employment contract with David Timmons. *Unanimously Approved*
- ❖ **Action:** Motion to approve the revised board member position description and the new position description for PDA board (ex officio) liaisons. *Unanimously Approved*
- ❖ **Action:** Motion to approve **Resolution 20-19** appointing the PDA Executive Director as the agent to receive claims for damages under chapter 4.96 RCW, and certain matters related thereto. *Unanimously Approved*

Regular Board Meeting

- I. Call to Order:** 9:02 a.m.
The October 28th 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 PDA website, in a meeting notice to the media, and in emails to the stakeholder mailing list.
- II. Roll Call/Introductions of Board Members and Staff**
Fort Worden PDA Board Members: Norm Tonina, Todd Hutton, Jeff Jackson, Gee Heckscher, Jane Kilburn, Cindy Finnie, Terry Umbreit, Herb Cook, Lela Hilton
Staff: Dave Robison, David Timmons, Cody Griffith, David Beckman, Aislinn Diamanti, Holly Height, Joan Rutkowski
- III. Changes to the Agenda/Announcements**
Board co-chair Norm Tonina noted that the meeting is the last meeting for Dave Robison to attend as the executive director of the PDA, as he is set to retire on November 15th. Tonina thanked Robison for all of his work for the PDA, back to 2011 and earlier, when it was chartered.
- IV. Public Comment**

No comments were shared during the public comment period.

V. Communications of Interest

Board members noted their satisfaction with the 2019 Annual Report and how nostalgic it was to read about that year's highlights, which can provide motivation during these challenging times.

VI. Consent Agenda

Action: Motion to approve the August 24th and September 10th board meeting minutes.

Unanimously Approved

VII. Partner Operations Update: Renee Klein, Madrona MindBody

Renee Klein, co-owner of Madrona MindBody, thanked Board Secretary Jane Kilburn for initiating the inclusion of partner operations updates in the board agenda. Klein shares ownership of Madrona MindBody with Anneli Molin-Skelton and Aleah Alvarez. Klein provided an overview of how Madrona MindBody has adjusted to COVID-19 and related restrictions. Prior to the shutdown, the building had been fully utilized for local programming, residential workshops and retreats that draw people from around the world, spa services, and community support programs. She described how Madrona has adapted its business to the online environment and is also providing outdoor classes and small, socially distanced indoor classes. Klein said their adjustments have been successful, but they have experienced greatly reduced revenue because they can only generate income from classes and not also from massage and group gatherings. She described their new partnership with Centrum in which they will share the building and also collaborate.

VIII. PDA Recovery Plan Update and Presentation

A. Staff Report

Associate Executive Director David Timmons provided an update on the PDA's recovery plan. He said he has had to do a significant deep dive into the PDA financial situation, which has shown that the situation involves multiple events that have come together. Timmons presented the current areas of focus within the recovery plan, and the goals, strategies, challenges, and timelines that each involve. (The presentation PowerPoint is available on the PDA's public documents webpage, along with a link to the complete meeting recording: <https://fortworden.org/category/pda-documents/>)

The main presentation points include:

State Audit Goal: Obtain unqualified opinion from the State Auditor's Office for a 2018-2019 financial review.

The work will include an Accountability Audit to address concerns left over from the 2016-2017 audit and to look at how the PDA got to the situation it is in. The Foundation will be reviewed as a "component unit" of the PDA. A parallel project (conducted by contracted staff) will reconcile finances for 2015 forward and will convert the PDA back to a cash basis for reporting/audit purposes in compliance with state accounting standards for a public development authority acting as a proprietary service provider.

Capital Projects Financing Goal: Secure term financing to refinance lines of credit coming due for Makers Square, Glamping and Energy Efficiency totaling \$5.1m to Kitsap Bank.

During the presentation Timmons noted that the \$1.5 million line of credit for Makers Square comes due in December, and he has not found any funds set aside to pay for that loan. Timmons said he has discovered that \$400,000 was diverted from the line of credit to help cover operating costs during the shutdown. This means a new loan is needed to restore those

funds and cover an additional \$500,000 that is needed to complete the project that apparently wasn't set aside for retainage, he added. Timmons noted that this means the PDA is short \$2 million. Securing the Historic Tax Credits is critical and all of those funds need to be applied to the project; excess funds won't be available, he said. Timmons also described funding needs for the glamping and energy efficiency projects. Getting the \$2 million loan is critical, and he said the outstanding issues could jeopardize the ability to secure the tax credits and then it becomes a house of cards. The cascading impact would be extremely damaging to the future of the PDA, the partners, and State Parks, Timmons said. He said he knows the details are a surprise to the board and are a surprise to him as well.

2020 Finances Goal: Restate 2020 finances to reflect actual conditions and adjust organization to reflect real time conditions.

Timmons said he has learned that the original opening plan overstated income and understated expenses to maintain the objective of reopening PDA operations. He said it appears that the full picture was not being presented, and the reports did not tie to the general ledger. The reopening has not generated net revenue, Timmons said. He said the accounts payables balance is \$200,000 and it largely involves fixed monthly costs that are delinquent. He said income is not able to keep up with those fixed costs, and adjustments need to be made. Timmons said he is closing multiple credit card accounts that had been used for operating and capital expenses and maintaining a few cards with tighter controls for the vendors who require credit card payments. He said timing is critical and between \$250,000 and \$350,000 needs to be raised to close the year in a net positive position.

2021 Budget Goal: Present balanced operating budget for 2021.

Timmons said the loss of income from COVID has been huge, and he expects it to continue to impact group activities in 2021. A month-to-month budget plan needs to be put in place.

Organizational Restructuring Goal: Create a new operating model to reflect real time limitations and opportunities; consolidate into two main divisions: (1) Administration and (2) Operations; create new long-term partnership models; and consider divesting some areas of PDA obligations to third party(s).

PDA Leadership Change Goal: Transition to a new Executive Director in 2021, following the November 2020 retirement of Dave Robison.

Timmons said the organization's challenges need to be identified clearly so that the PDA can attract someone with the necessary skill set to address those needs.

PDA/Partner Relations Goal: Renew discussions with new deliberations; look to maximize partnership investment to build a more sustainable and viable model to grow the PDA and partners' business models.

Timmons suggested that this work, which includes lease negotiations, could begin in January.

PDA/Foundation Relations Goal: Establish a "firewall" relationship between the PDA and the Fort Worden Foundation to provide clear separation of roles, responsibilities and staff representations.

Due to the current relationship, Timmons said state auditors are treating the Foundation as a component part of the 2018-2019 audit. He said that once the audit process is complete, the partnership can be redefined to reestablish clarity.

PDA/State Parks Relations Goal: Evaluate the lessons learned from the past several years and determine what is necessary to consider a more effective partnership as it relates to decisions

that affect successful operations by the partnership such as capital maintenance and historic preservation of Fort properties.

Timmons said the maintenance requirement needs to be addressed because the original premise is not working. Because of the condition of the property and the level of deterioration, expenses are high and its needs to be more equitable, he said.

B. Board Discussion

During the presentation, board members expressed surprise about the status of capital project funds. Discussion included a call for understanding why and how financial reports presented to the board earlier in the year did not indicate that capital dollars were being used for operations. Timmons said he has asked the auditors to examine that matter. Hutton said that he and Tonina are analyzing several years of credit card purchases to see if there are any purchases that look questionable. Timmons said purchases appear to be legitimate and largely for supply items. Board Treasurer Jeff Jackson thanked Timmons for discovering and summarizing the financial issues; he also thanked current and previous employees who raised concerns. Board members and Timmons also discussed fixed operating costs, the need to analyze whether it makes sense to keep the hospitality business open during the slow season amid a pandemic, and the ongoing challenge of addressing maintenance and capital maintenance needs. Jackson said partnerships are needed. Regarding work with partners on a more sustainable business model, board member Cindy Finnie said that in order to move forward everyone needs a collective understanding of what it takes to make the Fort work and this requires a deep dive. Following the presentation, Tonina stated that the board takes the issues seriously and will deal with issues in a transparent fashion as they come along. He said it's important for the board to continue to keep the public informed as it determines how to move forward.

IX. Financial Report

Timmons said that it's taking longer than expected to adjust past financial reports so that they tie to the general ledger. The accountant working on this is highlighting the differences to show what wasn't in the past reports, and a report will be presented as soon as possible, he said.

X. Round Robin Staff Status Report on Reopening

- Hospitality Sales and Marketing: Sales & Marketing Director Cody Griffith provided a brief report on hospitality activity. Short-term and short notice bookings are the trend, she said.
- Food and Beverage: Holly Height reported that Canteen has closed for the year, and Reveille is expanding its offerings and seating. Taps has started Wine Down Wednesdays.
- Guest Services/Maintenance: Interim Operations Director Aislinn Diamanti said that even though things are slowing down overall, there are peaks of activity. She thanked board member Terry Umbreit for advising on how to manage the activity pattern and structure staffing accordingly. She provided a staffing update and noted that there are volunteer opportunities. Diamanti and board members talked about the merits of electrostatic spray disinfectors.
- Capital Projects: Capital Projects Director David Beckman said the State Parks project for Officer Row buildings 4 and 5 will begin in November. He provided an update on Makers Square progress and said it's now set to finish in early December largely due to changes to the KPTZ space. He said he is working on getting the certificate of occupancy, which is needed by the end of the year. Payments to Clark Construction are behind while the PDA waits for grant paperwork, he said. Executive Director Dave Robison noted that the packet includes the recommended capital projects list that the Parks Commission submitted to the governor. It includes two Fort Worden projects.
- Fort Worden Collaborative: Robison said work is going well and a big piece of current work involves developing an RFP for a consultant team to come in and figure out the new normal for

campus operations. They are trying to get a County Public Infrastructure Fund grant converted to cover the planning process, which could start in early 2021. Robison anticipates sending a draft of the RFP to the board. Finnie noted that she hopes the group has a clear understanding of what it takes to operate the Fort and its challenges to help inform decisions. Robison said that will be part of the first phase of the work.

Jackson left the meeting at 11:00 a.m.

XI. Authorization to Negotiate with Kitsap Bank for Refinancing the Makers Square, Energy Efficiency, and Glamping Capital Projects

A. Staff Report

Timmons said he expects that the refinancing for the three projects would come through as separate loans with separate time schedules. The motion authorizes Timmons and Jackson to negotiate with Kitsap Bank.

B. Board Discussion

Timmons was asked about the payment timeline and interest. He said in preliminary discussions it's been shared that payments wouldn't likely be for another two to three years, depending on the structure of the loan, and the interest would roll forward, leading to a higher interest rate but without penalty for prepayments. This would mean income generated by Makers Square could be used for prepayments, Timmons added.

Action: Motion to authorize the Acting Associate Executive Director and Board Treasurer to negotiate with Kitsap Bank for refinancing the Makers Square, Energy Efficiency, and Glamping capital projects. *Unanimously Approved*

XII. Resolution 20-18 Regarding State Audit

A. Staff Report

Timmons said auditors will provide a proposed plan with a budget and letter of engagement, and he would bring it to the board to talk about the budget implications, as the auditor's office does not pay for the work. He said that they can conduct the audit without approval.

B. Board Discussion

Tonina noted that the board's practice has been to authorize state audits, even though it's not needed.

Action: Motion to approve **Resolution 20-18** to authorize the Acting Associate Executive Director to enter into an engagement letter with the State Auditor's Office. *Unanimously Approved*

XIII. KPTZ Lease Terms

A. Staff and Board Report

Robison reviewed the draft lease terms with KPTZ, which were provided in the agenda packet. He said it's a unique partnership due to KPTZ's capital improvements to the basement of building 305 and their eligibility for Historic Tax Credits (HTCs). Tonina presented a draft rent spreadsheet that shows stair-stepping rent rates to reach a market rate target, the PDA's provision of a 35% capital investment offset to each year's rent, and what the HTC reimbursements would be over the 19-year term that is required by the use of HTCs.

B. Board Discussion

When asked about the antennae location, Robison said KPTZ is working on finalizing its antennae location and transmission details. Robison also clarified that the landlord is an LLC that is a subsidiary of the Fort Worden Foundation, and this will be referenced in the lease terms. Cook noted that there will be an ongoing relationship between the PDA and the Foundation due to the requirements of HTCs. Robison added that the LLC will have the lease for five years and then it will go to the PDA. Hutton stated that the PDA is fortunate to have KPTZ as an anchor tenant in Makers Square and noted how much public benefit they bring to the Fort.

~~**Action:** Motion to approve the term sheet with KPTZ and to authorize the PDA Board Co-Chairs to negotiate a final lease agreement with KPTZ. *Unanimously Approved*~~

NOTE: At the November 25th board meeting this motion was amended to reflect that it was the board's intention to authorize the co-chairs to both negotiate and execute the final lease agreement:

Action: Motion to approve the term sheet with KPTZ and to authorize the PDA Board Co-Chairs to negotiate and execute a final lease agreement with KPTZ. *Unanimously Approved*

XIV. Employment Contract with Acting Associate Executive Director David Timmons

A. Board Report & Discussion

Tonina said that he and Hutton have work to do on Timmons' employment contract as Robison's retirement nears.

Action: Motion to authorize the PDA Board Co-Chairs to negotiate the terms of an employment contract with David Timmons. *Unanimously Approved*

XV. Revised Board Member Position Description and New Position Description for PDA Board (Ex Officio) Liaisons

A. Board Report & Discussion

Hutton summarized updates to the board position description (highlighted in yellow in the packet) and the description for the proposed liaison positions on the board, one of which will represent partners and the other will represent the City of Port Townsend. Hutton noted that ex officio liaisons won't have a vote, the lack of which is customary for such roles, and they can join executive sessions if invited.

Action: Motion to approve the revised board member position description and the new position description for PDA board (ex officio) liaisons. *Unanimously Approved*

XVI. Resolution 20-19 Regarding the Appointment of a Claims Agent

A. Staff Report

Timmons said that it's common practice for an organization to appoint a claims agent, so that a claim for tort damages is presented to a designated claim agent rather than anyone associated with an organization and who may not know how to respond. Pacifica Law group recommended the form presented as a matter of housekeeping and it had been temporarily set aside; it's not in response to anything in particular, Timmons said. Once in place, the

designation protects an organization because a claim cannot be advanced in the courts unless it is properly presented, he said.

B. Board Discussion

Action: Motion to approve **Resolution 20-19** appointing the PDA Executive Director as the agent to receive claims for damages under chapter 4.96 RCW, and certain matters related thereto. *Unanimously Approved*

XVII. Public Comment

No comments were shared during the public comment period.

XVIII. Adjourn

The meeting adjourned at 11:53 a.m.