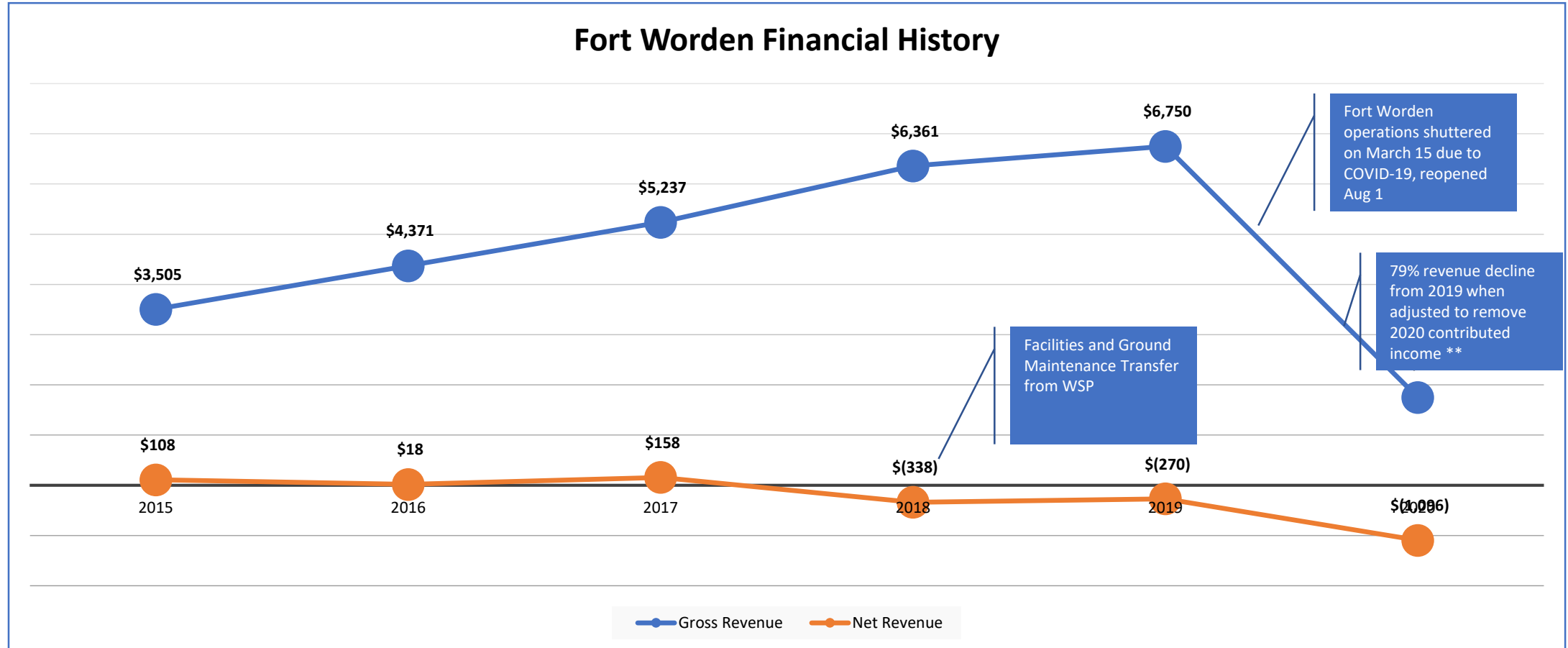


# PDA Recovery Plan UPDATE

## Stages 3 & 4 Areas of Focus (Compartments)

State Audit	Capital Project(s) Financing	2020 Finances
2021 Budget	Organizational Restructuring	PDA Leadership Change
PDA/Partner Relations	PDA/ Foundation Relations	PDA/State Parks Relations

# COVID-19 Impacts on PDA



\*\* 2020 Contributed Income inflated due to Board / public gifts to fund to cover healthcare due to employee furloughs

# Response to a crisis

---

## Framework that applies to actions taken

- Legal Framework
  - Master Lease WSP
  - City of Port Townsend Charter
  - Life Long Learning Plan
- Open Meetings/Public Participation
- Public Records Act

## Compliance review

- All actions comply with legal terms and conditions set for the Authority
- All actions taken have been recorded and are accessible to the public
- All actions taken in public allowing for public comment
- All actions taken factor into account advancement of the Life Long Learning goals, which will also advance the interest of a sustainable Fort Worden campus

# PDA Recovery Plan

## Stages 3 & 4 Areas of Focus (Compartments)

State Audit	Capital Project(s) Financing	2020 Finances
2021 Budget	Organizational Restructuring	PDA Leadership Change
PDA/Partner Relations	PDA/Foundation Relations	PDA/State Parks Relations

# State Audit

---

## October 28<sup>th</sup> 2020

**GOAL/STRATEGY:** Obtain unqualified opinion for 2018/19 Financial Review

- Work will include an “Accountability Audit”
- Also the Foundation will be reviewed as a component Unit of the PDA
- A parallel project to reconcile 2015 forward will convert the PDA back to a cash basis for reporting/audit purposes in compliance with state accounting standards for a PDA acting as a proprietary service provider.

**LEADS:** Executive Team

**TIMELINE:** Preparation work is underway and may take 3 to 6 months to complete.

## January 27<sup>th</sup> 2021

- Accountability Audit underway in anticipation of completion by end of February with report to be released in March. This incorporates a report of any findings of any irregular financial activity
- Financial audit delayed
  - Makers Square revenues and expenses need to be reclassified first to comply with Historic Tax Credit Structure
  - Component review underway as part of the audit process
  - This only looks at the PDA financial situation and does not examine the Foundation
- The accrual to cash accounting conversion process is underway
  - Final completion requires reclassification starting in 2017 of Makers Square revenues and expenses

# Capital Project(s) Financing

October 28<sup>th</sup> 2020

**GOAL/STRATEGY:** Secure term financing to refinance Lines of Credits (LOC) coming due for Makers Square, Glamping and Energy Efficiency totaling \$5.1m to Kitsap Bank

- Priority matter for Makers Square
- There is no revenue source to pay the LOC at maturity. \$400k LOC funds were diverted to cover operating losses during the early shutdown. A new loan is required to restore project funds and cover an additional \$500k in revenue necessary to complete the project.
- One remaining grant is left to secure and the PDA is behind in timely payments.
- Historic Tax Credits will need to be applied to higher project costs due to loan repayment. Project reports did not reflect fully actual costs – there will be no excess funds left over following project completion.
- \$600K for Glamping completion was diverted to cover operating losses during the early shutdown – will need to secure a new loan to restore project funding.
- Refinancing Energy loan will lower payment costs and restore \$300k divert to operations.

**LEADS:** Executive Director/PDA Treasurer/Finance Team

**TIMELINE:** Urgent and Ongoing: Makers Square LOC @ \$1.5m matures in December 2020, Glamping LOC @ \$2m matures in 1st quarter 2021, Energy loan to refinance for lower rate @ \$1.6m

January 27<sup>th</sup> 2021

- \$5.1m Debt Liability:
  - \$2.0m Glamping Loan will be assigned to the Hospitality Non Profit (New terms to be negotiated)
  - \$1.5m Makers Square LOC will be assigned to Makers Square Project (Currently deferred)
  - \$1.6m Energy Loan will be serviced by Asset Management
- Makers Square Historic Tax Credits are secured and closing is anticipated early next month
  - Working to finalize project reconciliation
  - All but two grants pending close out
- Clarified lease hold interest that Makers Square will be subject to a long term lease to the Foundation, which can be assignable
  - Developing assignable terms
- Evaluating if assignment can be capitalized to restore diverted funds
  - Possible option is a present value (PV) of future cash flows from Foundation to PDA
  - Other option is to borrow using lease as collateral
- PDA will have a liability on the books to repay capital funds used for operations in 2020
  - Possible source for this is receipt of PV of Makers Square Lease

# 2020 Finances

---

## October 28<sup>th</sup> 2020

**GOAL/STRATEGY:** Restate 2020 finances to reflect actual conditions and adjust organization to reflect real time conditions.

- Original reopening plan was overstating income and understating expenses to maintain reopening objective.
- Financial reports presented in support of reopening did not tie to the GL
- Revenue to expense is not generating net revenue.
  - Operating on a month-to-month cash basis
  - Payroll is priority
  - Sales are running below goal
    - November/December sales will not cover costs.
  - Many environmental factors impacting bookings.
- Outstanding AP at \$200,000
  - Monthly fixed costs run \$25k to \$50k to keep utilities and insurance current
  - Closed 15 of 18 B of A credit cards
  - Closed AMEX credit card with balance owing at \$60k
- Situation will require PDA to adjust operating conditions.

**LEADS:** Finance and Audit Committee, Executive Team

**TIMELINE:** Urgent and Ongoing – need to raise \$250k to \$350k to close the year in a net positive position.

## January 27<sup>th</sup> 2021

- Made adjustments to operations
  - Downsized staffing levels
  - Reduce Building Occupancy
- Presenting only reports that tie to the General Ledger
- Still operating month to month
- Payroll still a priority
- Sales are stable but showing strong comeback in 2<sup>nd</sup> half as well as 2022 Approx \$2M in business on the books for 2021 & growing
- Officers Row out of service until spring
- Accounts Payable at \$200,000 - not gaining but not getting ahead. Over half are utility accounts
  - Received \$20k Cares Credit from PUD and \$5k Cares Credit from City – All applied to outstanding balances
  - Credit card accounts are closed as planned
  - AMEX balance down to \$45k and closed

# 2021 Budget

---

## October 28<sup>th</sup> 2020

**GOAL/STRATEGY:** Present balanced operating budget for 2021.

- Adjust spending to minimum necessary to meet guest and partner needs.
- 2021 will be on a cash basis operating month to month.
- Expect COVID -19 to continue to impact group activities well into the year.
- Explore revenue generating models such as state shared revenues and/or Public Facility District.

**LEADS:** Executive Team, Finance and Audit Committee

**TIMELINE:** Must be completed and adopted by December 31, 2020.

## January 27<sup>th</sup> 2021

- Detailed Budget Plan presented for 2021
- Still will require month to month review of Operations
  - Winter season will be a challenge
  - Officers Row unavailable until spring
- Cash flow is the challenge but bridge loans are being negotiated
- Showing strong income flow starting in second half of 2021 continuing into 2022
  - Approximately \$2M in business on the books for 2021 & growing
- Monitoring COVID-19 vaccine progress and adjusting bookings for Groups as information develops
- Beginning to explore capital investment models to address long term capital facilities needs



# Organizational Restructuring

---

**October 28<sup>th</sup> 2020**

**GOAL/STRATEGY:**

- Create 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. Consider divesting some areas of PDA obligations to third party(s)

**LEADS:** Executive Team, Executive Committee

**TIMELINE:** Underway and ongoing

**January 27<sup>th</sup> 2021**

- New organizational model developed and adopted
- Reflective of mission and goals consistent with PDA Charter, Master Lease and Life Long Learning goals
- Now creating two PDA divisions (entities):
  - PDA Administration as a “Trust”
  - Asset Management as Operations to address property management and investment
- Divesting hospitality as a new partner entity
  - Nonprofit model business plan
  - 2020 Transition year
  - Operate under terms of a Concession Agreement

# PDA Leadership Change

---

**October 28<sup>th</sup> 2020**

**GOAL/STRATEGY:** Transition to a new Executive Director in 2021.

- Develop transparent process both for potential applicants as well as stakeholders (WSP, Partners, Friends, City, etc.)
- Allow time for current matters to get resolved and to develop a new business model to frame candidate qualifications and position opportunities/challenges.
- Appoint Acting Executive Director during the interim period.

**LEADS:** Co-Chairs

**TIMELINE:** November 15, 2020 starting date for Interim and begin preliminary steps in January 2021.

**January 27<sup>th</sup> 2021**

- Appointed Interim Director
  - Goal to have process begin in second half of 2021
- Transition to new smaller PDA Board of Directors during spring, with specific objectives for current board
- Appointment of new board with objectives (dependent upon appointment by City Council)

# PDA/Partner Relations

---

**October 28<sup>th</sup> 2020**

**GOAL/STRATEGY:** 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.

**LEADS:** PDA Board designated representatives and staff

**TIMELINE:** Begin process January 2021

**January 27<sup>th</sup> 2021**

- Develop a new lease model approach that addresses long standing issues and concerns
- Establish shared goals and values to address long term needs
- Apply agreements uniformly and equitably to all partners with an arms-length transaction
- Align process to be undertaken with the development of a new asset management strategy

# PDA/Foundation Relations

---

**October 28<sup>th</sup> 2020**

**GOAL/STRATEGY:** Establish a “firewall” relationship between the PDA and Foundation to provide clear separation of roles, responsibilities and staff representations.

- Due to the current relationship, the Foundation has been declared a “component” part of the PDA’s 2018/19 audit for audit purposes.

**LEADS:** Acting Executive Director for PDA and Executive Director of the Foundation

**TIMELINE:** Begin process starting November 15, 2020 and complete by December 31, 2020

**January 27<sup>th</sup> 2021**

- Foundation taking steps to amend Bylaws to separate from PDA as a “Type 1” Foundation
  - No longer will be a component unit of the PDA
  - Will broaden the Foundation base to support the entire Fort more equitably
- Foundation will be lease holder for Makers Square
  - 25 Year assignable terms
  - Interim Property Management Operating agreement with PDA

# PDA and State Parks Relations

---

**October 28<sup>th</sup> 2020**

## **GOAL/STRATEGY:**

- 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.
- Roll this discussion into the long-term planning for a more sustainable and viable Park.

**LEADS:** To be determined

**TIMELINE:** Begin discussions January 2021

**January 27<sup>th</sup> 2021**

- State Parks has agreed to assist with maintenance matters as needed on a temporary basis
- Deferred revenue sharing for 3 years
- Temporarily waived the Discover Pass sales requirements
- Will be an active partner with development of the Asset Management strategy
- State Parks took back campground check in process