

Board of Directors Special Meeting Agenda
Fort Worden Lifelong Learning Center Public Development Authority (FWPDA)
Monday, March 15, 2021 | At or about 6:30 p.m.
Remote Meeting Per Governor Inslee’s Proclamation 20-28

****The March 15th meeting is a remote public meeting in accordance with the “Stay Home” emergency proclamation issued by Governor Jay Inslee on March 23, 2020 and subsequently extended. Council and FWPDA board members will be participating by teleconference.****

The FWPDA Special Board Meeting will take place within the Port Townsend City Council’s March 15th business meeting, which begins at 6:30 p.m. The FWPDA Special Board Meeting will commence when the City Council begins the joint discussion topic.

Public Meeting Access information:

- Join in person via computer or tablet at <http://joinwebinar.com> enter the 9-digit Webinar ID 578-066-435
- Join by phone in listen-only mode United States: Local Dial In – (360) 390-5064 access code: 942-105-283#
- Join live stream (listen only): <https://cityofpt.us/citycouncil/page/agendasminutesvideos>.
- Submit public comment emails on the joint discussion topic to be read aloud (up to three minutes per person) to: publiccomment@cityofpt.us

FWPDA Public Meeting Agenda

- I. Call to Order
- II. Roll Call/Introductions
- III. New Business
 - A. Joint Discussion with the Port Townsend City Council on the FWPDA’s Restructuring and City Ordinance 3262 Relating to the Fort Worden Lifelong Learning Center Public Development Authority; Amending Chapter 2.84 of the Port Townsend Municipal Code
Action: None. Discussion only.
 - 1. Board presentation
 - 2. Staff presentation
 - 3. Public comment
 - 4. Council deliberation
- IV. Adjournment of FWPDA Special Board Meeting

2.84.065 – Executive Director. This new section seems to provide standard language that appropriately outlines an executive director’s responsibilities; these additions have not caused significant concern among FWPDA board members thus far.

2.84.070 – Meetings. Additions appear to involve standard language that has not caused significant concern among FWPDA board members thus far.

Ethics

2.84.090 – Ethics. The additions appear to be standard language that has not caused significant concern among FWPDA board members thus far.

Oversight

2.84.125 – Financial Oversight Committee (new)

- This new section would establish a Financial Oversight Committee that involves a four-member majority of City staff and representatives along with three FWPDA representatives. More specificity is needed about FWPDA staff and/or board representation on the committee and whether meetings should be public, but the primary concern with this proposed committee is the power granted to it through 2.84.140 (Reports).

2.84.140 – Reports

- By requiring the new Financial Oversight Committee to approve or disprove the FWPDA’s budget, the “Budget” addition to 2.84.140 essentially gives fiduciary responsibility to a committee whose majority is not composed of FWPDA board members. This makes the City the FWPDA’s fiduciary parent and may violate the intent of the Charter and the FWPDA’s Master Lease with State Parks. This addition involves much more than a report; it mandates more control than oversight by the City.

2.84.150 – Access to Records. The additions here codify some best practices, many of which are already followed by the FWPDA or are possible under current norms. No concerns thus far.

Accountability

2.84.100 – Funds of the Authority. No concern presented about the additional clarifying language.

2.84.115 – Corrective Action (new)

- This new section introduces an appropriate step for attempting to remedy an issue. However, one of the proposed triggers for corrective action may have consequences that City Council should spend time anticipating and discussing: Item A7 would allow the City Manager or Council to intervene when the FWPDA board “has unreasonably impaired public participation in the conduct of projects and activities”. This language is ripe for misinterpretation. What constitutes unreasonable impairment? Also, to what extent should the public have a role in “the conduct of projects and activities”? The public can have input into planning, but at what level of activity and project implementation?

2.84.117 – Trusteeship (new)

- This new intervention step appears to be prudent to most reviewers thus far, though there is a concern that the wide range of remedies in (B) grant too much latitude to the trusteeship and could violate the Master Lease and State Parks’ ultimate authority for the stewardship of Fort Worden.

2.84.120 – Dissolution. The proposed additions further clarify how dissolution could be implemented; no concerns expressed thus far.

1. Is the FWPDA Reorganizing?

Yes, and here's why: The Fort Worden Public Development Authority (FWPDA) is reorganizing to create operational structures that are better suited for addressing its two primary challenges: recovering from the financial losses caused by the pandemic and addressing the ongoing major maintenance needs of the 95-acre campus and its 73 historic buildings.

Under the plan the FWPDA retains its identity as a public entity governed by a board of directors and chartered by the City of Port Townsend. It is downsizing to a small administrative support group that focuses on holding the public trust and campus lease with State Parks, managing the leases with campus partner organizations, and passing through state and federal assistance for the Fort's capital needs. Managing the campus assets will remain a priority for the FWPDA in 2021 while it works with stakeholders to develop a new approach for this need. Hospitality services currently operated by the FWPDA will instead be undertaken by a newly formed local nonprofit organization. 2021 is the nonprofit's startup year, and it will operate under the terms of a concession agreement under development with the FWPDA.

2. How exactly will changes to hospitality services and asset management address the financial challenges that face the Fort Worden campus?

As a nonprofit instead of a public entity, the hospitality business will be able to take advantage of tools traditionally used to successfully operate a hospitality business. It also would qualify for emergency assistance that the FWPDA was unable to receive during the pandemic, which will make the Fort more resilient in future emergencies. The reorganization plan also reduces the outsized campus maintenance burden that had been placed on hospitality operations.

The FWPDA's reorganization work in 2021 involves working with stakeholders to find a fair way to fund the major maintenance and capital investment needs of the campus buildings. This has historically been a challenge for both State Parks and the FWPDA. When the FWPDA took over campus maintenance from State Parks in 2018 it inherited approximately \$100 million in deferred maintenance. State Parks will be an active partner in the development of the Asset Management strategy.

3. Will the Lifelong Learning Center mission still exist for the FWPDA?

Absolutely. The FWPA remains governed by a charter with the City that includes the call for "facilitating the implementation of a Lifelong Learning Center." The reorganization plan works to strengthen the resilience of campus operations in order to better support partner organizations. We remain a part of the Fort Worden Collaborative as part of the effort to sustain a vibrant Lifelong Learning Center at Fort Worden. Additionally, the FWPDA's concession contract will require Hospitality to maintain its commitment to providing services in support of the partners and the campus Lifelong Learning Center mission.

4. Does the new Hospitality Nonprofit have a mission statement?

Yes! Here is the Mission Statement as filed with the Secretary of State: Fort Worden Hospitality welcomes visitors to a treasured state asset – Fort Worden State Park and Lifelong Learning Center. We connect people to the park’s resources: the lifelong learning center campus; the cultural, educational, artistic, environmental, and recreational programs offered by the park’s partner organizations; and the trails, beaches, and historic batteries. We also provide hospitality packages, meeting and events spaces, food services, and lifelong learning programming.

The incoming staff members have also established a set of **Company Values**:

- **Community:** Inclusive of On-Site Partners, Guests, Visitors, Employees and Residents
- **Passion:** For employee well-being, positive guest experience and working to the best of our abilities
- **Integrity:** Leading with ethics and honesty through a proactive leadership approach and fostering an adaptable, positive work environment
- **Environmental Stewardship:** Preserve the history of Fort Worden State Park while building the future for a sustainable ecosystem
- **Culture of Learning:** Fostering an environment of mentorship, training, collaboration and ownership of work with goals of employee growth and success

5. Does the reorganization affect the campus partner organizations?

Yes, it is our belief that the new organization of the FWPDA will be more responsive and better capable to address the needs of the partners. The reorganization also is being established in a manner that will be adaptable to future changes to the partners’ needs. Concerns have been raised that we may make changes that cannot be undone or will limit future opportunities. Those concerns have been heard and the final documents will be crafted in a way that can allow future changes if that need presents itself.

6. Is the FWPDA making progress with its debt?

Yes. A plan has been developed that allocates the debt to be addressed by elements of the reorganization. Makers Square debt is incorporated into the project and secured by the lease terms. Glamping is incorporated in the business plan of the Hospitality nonprofit. The energy debt is allocated to the Asset Management program. The remaining debt liability for diverted capital funds will remain with the FWPDA and will be repaid using the leases and contracts as collateral to finance a term note to repay the diverted funds.

7. Can I get involved in the FWPDA reorganization effort as a community member?

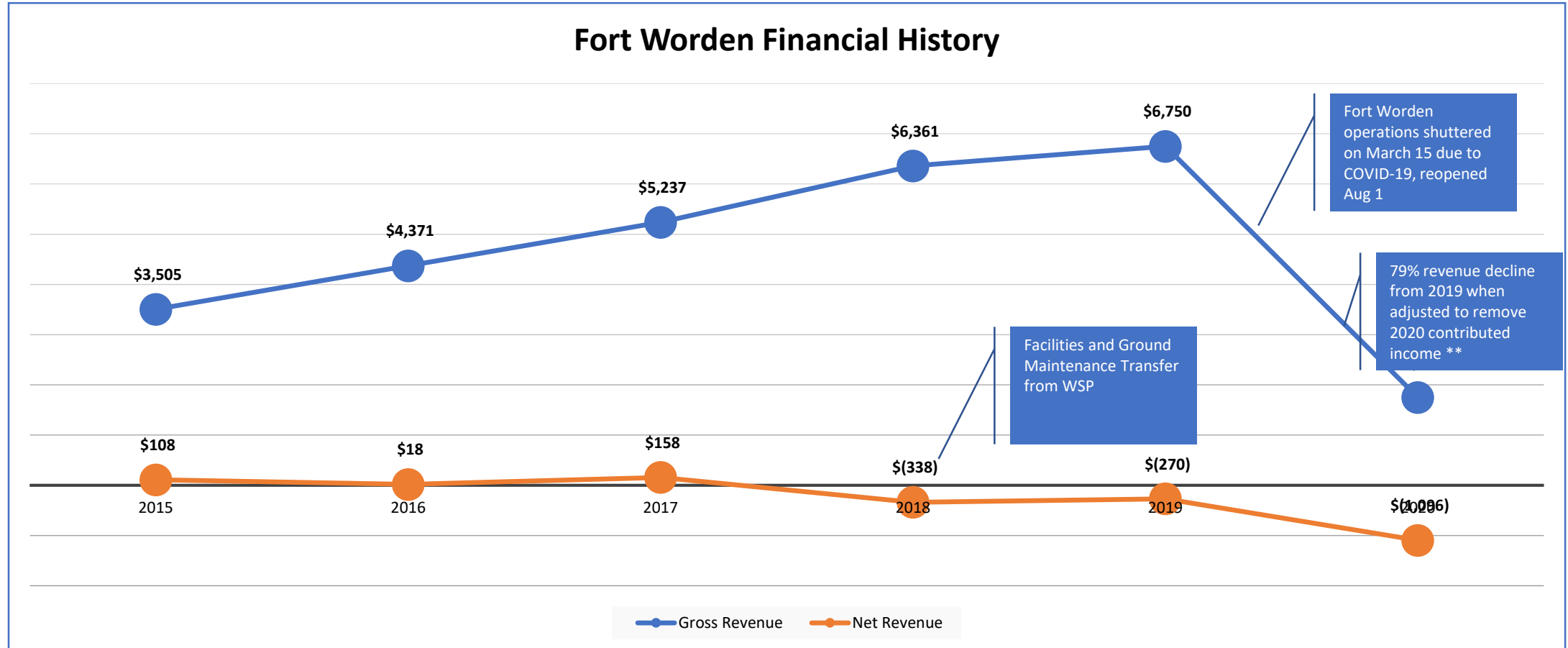
Yes! We have been talking about this plan extensively in our public board meetings since the process began in October 2020, and we continue to do so in 2021. Anyone can learn and share their thoughts through our public board meetings and also reach out to us at any time. Meeting notices are published on our website and distributed to our media contacts before each meeting, in accordance with the Open Public Meetings Act. Each meeting involves two opportunities for public comment. The meetings are recorded and minutes are taken, both of which are posted to the website alongside meeting materials for public viewing. As we dive into developing a new asset management strategy, we look forward to public input on how to address this critical challenge. If you would like to reach out to our board or staff leaders or share a comment for a board meeting, please contact Joan Rutkowski at jrutkowski@fortworden.org. Public meeting information can be found here: <https://fortworden.org/category/pda-documents/>

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
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PDA/Partner Relations	PDA/ Foundation Relations	PDA/State Parks Relations

State Audit

October 28th 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 27th 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 28th 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 27th 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 28th 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 27th 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 2nd 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 28th 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 27th 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 28th 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 27th 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 28th 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 27th 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 28th 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 27th 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 28th 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 27th 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 28th 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 27th 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