



**APPROVED Meeting Minutes
Board of Directors Meeting
Fort Worden Public Development Authority (FWPDA)
Wednesday, April 28th, 2021 | 9 a.m.
Via Zoom (Remote Meeting Per Governor Inslee's Proclamation 20-28)**

The meeting recording and agenda materials are available on the public documents page of the FWPDA website: www.fortworden.org/category/pda-documents/

- ❖ **Action:** Motion to approve the March 15 special board meeting minutes and the March 24, 2021 board meeting minutes. **Unanimously approved**
- ❖ **Action:** Motion to accept the Fort Worden Hospitality draft concession documents as presented as a first reading and to approve the scheduling of a meeting in about two weeks to formally consider the documents. **Approved by a supermajority of the board; two recusals**
- ❖ **Action:** Motion to direct David Timmons to establish a PRA policy that allows the FWPDA to respond in a reasonable way to public records requests without compromising the FWPDA's administrative functions. **Unanimously approved**

Regular Board Meeting

- I. **Call to Order:** 9:00 a.m.
The April 28 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 via email to the campus partner mailing list and other stakeholders.
- II. **Roll Call/Introductions of Board Members and Staff**
Fort Worden PDA Board Members: Norm Tonina, Todd Hutton, Jane Kilburn, Jeff Jackson, Herb Cook, Lela Hilton, Terry Umbreit, Gee Heckscher, Cindy Finnie
Staff: David Timmons, Aislinn Diamanti, David Opp-Beckman, Natalie Maitland, Becky Wagner, Joan Rutkowski, and John Watts (legal counsel)
- III. **Changes to Agenda**
Board co-chair Norm Tonina announced the addition of two items to the agenda: 1) the PDA board relationship to other organizations in light of City of Port Townsend code changes and 2) Public Records Act policy. Interim Executive Director David Timmons said he would be asking for approval of a motion to direct him to establish a policy framework for the Public Records Act to help with time management challenges related to downsizing in the organization and people performing multiple jobs.
- IV. **Communications of Interest**
Tonina pointed out articles of interest in the packet (see website for packet). The readings include an

announcement from KPTZ about the signing of their lease for space in Makers Square, where they will establish new studios and offices.

V. **Consent Agenda**

A. **Board Meeting Minutes**

Action: Motion to approve the March 15 special board meeting minutes and the March 24, 2021 board meeting minutes. **Unanimously approved**

VI. **Agenda Change Discussion**

Timmons and Attorney John Watts talked about the measures needed to make sure that action regarding Fort Worden Hospitality does not violate the recently amended city code that guides the FWPDA. To avoid conflict of interest issues given their interest in providing financial assistance to Fort Worden Hospitality, Tonina and Board Treasurer Jeff Jackson will recuse themselves (turn off their sound and cameras). Watts said board members Terry Umbreit and Cindy Finnie, who are interested in serving on the Fort Worden Hospitality board, can vote. Timmons noted that Tonina and Jackson have only pledged to make a financial contribution to Fort Worden Hospitality, and nothing is finalized.

Watts also discussed his interpretation of when to apply the new city code requirement for a supermajority vote on certain matters. He determined that the concession contract could be argued as a trigger for the supermajority requirement. Watts also talked about what the code amendments might mean for the ability of a FWPDA board member to serve on an additional board. Because the hospitality board has not yet been formed, FWPDA board members who may eventually serve on the hospitality board are not in conflict with the code by voting, he said. Board member Lela Hilton asked Watts whether the code provision regarding dual board service applies to partner boards only or to any other nonprofit board. Watts said the language doesn't specify this, and instead prohibits dual service if that service would reasonably impair independent judgement. Board co-chair Todd Hutton noted that Fort Worden Hospitality is a nonprofit board by which directors do not receive any compensation, and said that across the nation people serve on boards with interlocking relationships and recusal is a common practice. Watts said the code also is unclear regarding whether the fact of service on another nonprofit board with overlapping interest with the FWPDA by itself is a violation, or if the violation only occurs if the board member fails to recuse. The Fort Worden Hospitality topic was moved up in the agenda to ensure supermajority participation.

VII. **Public Comment**

Staff member Joan Rutkowski read into the record a comment submitted in advance by Lorilee Houston. Houston asked if the Fort Worden Hospitality concession agreement would establish any performance criteria and what the process would be if the organization does not succeed. She suggested criteria and incentives for its success. (Please see the FWPDA public documents webpage for the written comment in its entirety.) Jackson said Fort Worden Hospitality's financial models are sophisticated, and key performance indicators for difference aspects of the operations will be an important part of managing the business.

VIII. **Fort Worden Hospitality**

As discussed earlier, Tonina and Jackson recused themselves by shutting off their cameras and sound. Co-chair Todd Hutton led the review and discussion of staff reports:

- **Initial Board Appointments Status Report.** Timmons reviewed the status of commitments for the initial Fort Worden Hospitality board.

- **Draft Bylaws.** Timmons said the hospitality board will enact the organization’s bylaws. He noted that the draft bylaws have been shared with the FWPDA as a courtesy; they are not in the purview of the FWPDA board.
- **Pro forma and Business Plan Update/Advisory Team Recommendations.** The update in the packet involved extensive input from many parties, Timmons said. He said the analysis continues to show that Fort Worden Hospitality is a viable, sustainable business and the model is a conservative model that builds up operating and debt reserves. Timmons said he is talking with Washington State Parks about contributing capital investments to the properties managed by Fort Worden Hospitality.
- **Draft Terms and Concession Agreement.** Timmons said the contract would go before both the FWPDA board and the Fort Worden Hospitality board for approval. He said the only action recommended today is to advance the contract for a final reading and vote at a future meeting, which provides additional time for public review and input. The draft documents may continue to be refined but they are essentially in final form, Timmons said. Interim Operations Director Aislinn Diamanti noted that a building inventory with square footage assumptions is included in the packet, and that information will be presented differently when it is part of the contract. She said a full inventory of PDA equipment also is being developed as part of the process of transferring equipment to Fort Worden Hospitality for its operations. Timmons reviewed the benefits of forming Fort Worden Hospitality. He said the pro forma work included an analysis of the status quo (combined model with PDA operating hospitality), and the analysis showed that model does not work without significant income to address issues related to asset management and maintenance. He said that separating hospitality under a concession agreement secures its future for the benefit of the Fort and the lifelong learning center mission, allowing the PDA to focus more on its obligations under the master lease with State Parks. Timmons said July 1 is the target for when Fort Worden Hospitality disconnects from the FWPDA and operates as a nonprofit. Hutton noted that despite this status, Fort Worden Hospitality would provide periodic public reports. The draft agreement lists specific commitments to transparency. Timmons addressed a concern that the FWPDA’s reorganization would diminish its preservation ethic. He said he strongly believes the restructuring will strengthen the preservation ethic because hospitality is a specialized business operation that dominated the FWPDA board’s agenda and could overwhelm preservation work. The change will allow the FWPDA to focus on preservation needs, Timmons said. Umbreit agreed with Timmons, and said he sees significant benefits from the reorganization.

Action: Motion to accept the Fort Worden Hospitality draft concession documents as presented as a first reading and to approve the scheduling of a meeting in about two weeks to formally consider the documents. **Approved by a supermajority of the board in a roll call vote** -- Umbreit (yes), Finnie (yes), Cook (yes), Hilton (yes), Kilburn (yes), Heckscher (yes), Hutton (yes); Tonina and Jackson recused themselves from the report, discussion, and vote)

- IX. Mission Review: Foundational Documents Excerpts- Staff Report and Board Discussion**
- Timmons provided an overview of the key foundational documents for Fort Worden and the FWPDA to help align people in their understanding of what the lifelong learning center mission means. The 2008 State Parks Long Range Development Plan states as Fort Worden’s mission: “Fort Worden is Washington's state park conference center for recreation, arts, culture, history and the environment. It is a confluence of creative learning, recreation, and retreat opportunities for people of all ages, abilities, and backgrounds. Fort Worden is a partnership of the Washington State Parks and Recreation Commission, the Washington State Arts Commission, resident cultural institutions and businesses and major funders, achieving financial vitality through coordination and collaboration. The partnership 1) Promotes personal growth and professional development through conferences, workshops, performances, exhibitions and special events for individuals and groups, 2) Develops and manages businesses that fund annual operations, 3) Attracts public-private funding for

capital projects and endowment, and 4) Restores, preserves and interprets the significant historical, cultural and natural resources of the area.” (See packet for additional information.) Tonina noted that the charter and master lease refer to the 2008 plan. Hilton said the FWPDA also created an internal values statement that aligned with the foundational documents and could be brought forward with the new board. Timmons agreed.

X. Stakeholder Relationships and Agreements- *Staff Report and Board Discussion*

Timmons said work is needed over the next few months to harmonize the PDA’s lease, charter, and bylaws with the updated City Code. He expects inconsistencies will be found and clarification may be needed to ensure that nothing conflicts with the master lease. Based on State Parks’ recommendation, the PDA entered into a letter of intent to work with Parks and the City to develop a memorandum of understanding on issues that need further clarification and discussion. (See board packet for letter and MOU outline.) Timmons said guidance also is needed on how to conduct the PDA board’s transition, and a board member may need to be appointed to the Nominating Committee. The revised code streamlines the nominations process. Hutton said there might be a few ways to make the transition, one being a mass resignation, but that would put staff and the organization at risk. Board member Cindy Finnie said she thought the City had started this work months ago. Tonina said a few months ago the board expressed a desire to see four things through by July 1, before a board membership transition: the State’s accountability audit, secured PDA financing, the finalization of KPTZ’s lease at Makers Square (now done with Foundation’s Master Tenant LLC), and the Fort Worden Foundation lease. Timmons said he believes the City is ready to prioritize the nomination process now that the code work is complete. Jackson said he would be happy to be part of the Nominating Committee if the City would have him.

XI. FWPDA Recovery and Reorganization Plan Update - *Staff Report and Board Discussion*

- **Audit Update.** Timmons said he has an upcoming meeting with auditors and he hopes to get a timeline for when the audit will be complete. Finance staff member Becky Wagner talked about the additional audit work that has been needed, including providing details about the handling of refundable deposits. Timmons noted that the refunds were technically a settlement of claims, as the PDA’s attorney advised that refunds be done by class and because of contract language regarding force majeure. Timmons noted that the organization is paying the State Auditor's Office for their staff time.
- **Insurance Renewal.** Timmons said the insurance renewal is due September 1 and he will share the information at the next board meeting. The FWPDA is insured through Enduris, a self-insurance risk pool for governmental entities and special purpose districts. Timmons said the FWPDA is currently paying about \$80,000, largely for liability coverage, and the premium is based on worker hours. By separating hospitality operations and with drastic staff reductions in 2020, he said the renewal will come in at about \$15,000 for the same level of coverage. (Timmons noted that the FWPDA is hoping to secure funding through a claim for business interruption, and he also is filing for a grant from the shuttered venue program through the Small Business Administration.)
- **Financing Requests Update.** Timmons said he is working closely with Craft 3 and Kitsap Bank on financing. He said the Craft 3 terms, which would be for hospitality start-up needs only, would be a stretch for the organization. The Kitsap Bank request is to help the FWPDA refinance its debt and for hospitality startup funds; a special meeting may be called if terms become available soon. Timmons noted Makers Square project reconciliation is showing that the FWPDA’s debt situation may be lower than originally projected (down to the \$2 million to \$2.6 million range).

XII. Financial Reports - *Staff Report and Board Discussion*

- **FWPDA Profit & Loss and Cash Flow Statements.** Wagner reviewed the financial reports. All bank accounts have been reconciled through March, she said. Wagner noted the hospitality

income is down about two-thirds from the previous year at this time, but with the lower cost of goods and continuing to operate with a small staffing team, the net income loss is approximately \$143,000 (compared to \$747,000 in March 2020). With the capital projects wrapping up, losses also are greatly reduced, she said. The first quarter cash flow statement showed the receipt of grant funds, advanced deposits, and payments on loans for a net cash increase of approximately \$13,000.

- **Accounts Payable Report.** Timmons said the accounts payable have historically been approved through FWPDA administration except for expenses over \$25,000, which go before the board. He said that while there is not a law requiring board approval of payables, a State Auditor's Office guideline implies that accounts payables should be presented for approval to the board each month. Timmons said he had wanted to start this along with other directives that may come from the pending accountability audit report, but the approval practice will begin with the board's next meeting. The AP report in the board packet shows a lot of progress, with a 50% reduction in amounts past due, he said. Hutton asked about the current practice of holding a percentage of advance deposits. Wagner said nothing is being held back at this time. Hutton suggested that because a policy to hold 35 percent exists (suspended by board action in 2020), the policy could be updated and brought to the next meeting.
- **Makers Square Financial Reconciliation.** Earlier in the report, Timmons noted that the reconciliation process includes rebooking qualified expenses through the Makers Square LLC structures for the requirements of the historic tax credits. Timmons said he also is working with First Federal, the historic tax credit investor, to help with the challenge of needing the tax credits to resolve all financial obligations, including contractor payments, but at the same time needing contractors to be fully paid to secure the remaining HTC payments. First Federal is going to advance the funds to Makers Square Master Tenant LLC to complete contract obligations, he said. Timmons also noted that the Department of Commerce has frozen payments from a grant because of something they read in the paper, and the State Auditor's Office interceded on the FWPDA's behalf and provided information that resolved the concern and led to the release of funds. He summarized other reconciliation needs needed to close out the Makers Square project. He expressed appreciation for Representative Steve Tharinger's help re-appropriating a grant that had not been awarded; the funding is now in the governor's budget for Makers Square site improvements.
- **Infrastructure Project Funding.** Timmons reviewed a draft proposal by State Parks for federal stimulus funding for rehabilitating and maintaining several buildings and infrastructure systems at Fort Worden. State Parks is recommending \$35 million for specific infrastructure and historic preservation projects. He mentioned that there may also be changes to federal historic tax credit rules that would also help address deferred maintenance. Jackson said that if input is possible, he would like to see the dorms prioritized so that lower-cost housing could be available for partner programs and building 203 could be used for employee housing. Jackson said he would like to see money spent on infrastructure needs that increase programming opportunities for partners. Timmons described other financing possibilities that also could help with these needs and interests, possibly sooner.
- **Hospitality Business on the Books Update.** Senior Sales and Marketing Manager Natalie Maitland reviewed the report in the packet. She noted that \$17,000 was added to the month of April since the last report was published, which reflects the trend of last minute bookings. The group line for June has been adjusted down. In a few days, the Fort will host its first wedding of the season, and it will involve following all mandated guidelines, Maitland reported. Many group inquiries have come through recently for August through November, showing an increase in demand, she said. Overall, she sees many positive signs for hospitality activity at the Fort. Regarding the pro forma projections, Maitland said accommodations activity in the first and second quarters outperformed pro forma projections, and Reveille cafe also outperformed first quarter projections. She noted that the pro forma assumes Taps and Canteen would reopen in May, and so this is a crucial period for hiring in order to continue the upward

trend. Jackson noted that the increased revenue is helping to pay off the advance deposit liability that carried over from 2020 and is not adding to available cash. Board and staff talked about the effort to hire more hospitality staff, including offering full benefits to housekeeping staff, and how staffing will shape the opening of the Canteen and Taps.

XIII. Public Records Act Policy

Timmons talked about the challenge of having one staff person provide the organization's administrative support and also serve as the Public Records Officer. The law allows entities to set policy regarding the allocation of staff time for records requests alongside other essential staff duties and responsibilities. He said most public organizations' Public Records Act (PRA) policies address time management, and it is important for the FWPDPA to do this with the Public Records Officer also serving a few other roles for the organization. Timmons said the records officer is currently researching PRA policies adopted by other public entities, including their frameworks for managing records requests alongside other necessary organizational work, and he would like to have the board support that direction and review the policy at its next regular meeting. Cook said that as a former publisher he strongly supports the PRA and has observed that the current records request workload is excessive relative to other administrative needs of the organization.

Action: Motion to direct David Timmons to establish a PRA policy that allows the FWPDPA to respond in a reasonable way to public records requests without compromising the FWPDPA's administrative functions. **Unanimously approved**

Public Comment

No comments were shared or submitted in writing for the public comment period.

XIV. Adjourn

The board adjourned its meeting at 11:10 a.m.