



APPROVED Meeting Minutes
Board of Directors Meeting
Fort Worden Lifelong Learning Center Public Development Authority (FWPDA)
Wednesday, May 26th, 2021 | 9 a.m.
Via Zoom (Remote Meeting Per Governor Inslee’s Proclamation 20-28.14)

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 April 28th, 2021 board meeting minutes. **Unanimously approved**
- ❖ **Action:** Motion to approve the May Accounts Payables. **Unanimously approved**
- ❖ **Action:** Motion to approve Resolution 21-03 authorizing the Interim Executive Director to execute a Concession Agreement with Fort Worden Hospitality in substantially the form of agreement presented and to make non-substantive changes that do not materially alter the agreement presented to the Board on May 26, 2021. **Moved by Hilton, seconded by Heckscher**
- ❖ **Action:** Motion to postpone final review and approval of Resolution 21-03 to a special board meeting on June 2nd at 9 a.m. **Unanimously approved**
- ❖ **Action:** Motion to approve the amended and extended Interim Executive Director contract with David Timmons and to adjust the title to Executive Director. **Unanimously approved**
- ❖ **Action:** Motion to endorse the FWPDA Public Records Act Administrative Policy as presented. **Unanimously approved**

Regular Board Meeting

- I. **Call to Order:** 9:00 a.m.
The May 26th 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, Cindy Finnie, Jane Kilburn, Jeff Jackson, Lela Hilton, Terry Umbreit, Gee Heckscher, Herb Cook
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 moved the Fort Worden Hospitality update and resolution to follow the Consent Agenda.
- IV. **Public Comment**

Staff member Joan Rutkowski read into the record public comments received by:

- Paul Eisenhardt, asking the board to further review the proposed restructuring and hold public work sessions on key topics.
- Valerie Stewart, calling for more time for the reorganization process and more information about finances and deferred maintenance needs.
- Mark Blatter, asking the board to delay its decision to assign the Fort’s hospitality operations to a nonprofit and allowing more time for the public to understand the plan and explore alternatives.

Full comments are available on the FWPDA public documents webpage.

[Board member Herb Cook joined the meeting.] Peter McCracken spoke during public comment. McCracken thanked the board for its work during the difficult time and its commitment to transparency. He asked about Dave Robison, the former executive director of the FWPDA, wondering whether Robison is still involved in the Fort Worden Foundation and in what capacity. Tonina responded to say that he does not have that information and the question should be directed to Herb Cook, the president of the Fort Worden Foundation. Later in the meeting, Cook welcomed people to reach out to him about Foundation matters.

V. Consent Agenda

- A. Review and approval of the April 28th, 2021 board meeting minutes

Action: Motion to approve the April 28th, 2021 board meeting minutes

Unanimously approved

- B. Review and approval of May accounts payables

Action: Motion to approve the May Accounts Payables

Unanimously approved

VI. Fort Worden Hospitality Update and Resolution 21-03 re Fort Worden Hospitality Concession Agreement

Staff Reports and Board Discussion

Interim Executive Director David Timmons reviewed the list of changes made since the draft concession agreement was last presented. Changes include correcting references to the appropriate party (FWPDA instead of Washington State Parks) and specifying actions that must align with the FWPDA’s master lease requirements with State Parks. Timmons noted the inclusion of a 12-month review period from the effective date for modification of the agreement to allow for additional processes that would be needed. Interim Operations Director Aislinn Diamanti reviewed the business plan for details that will inform exhibits A and B of the agreement and to respond to concerns expressed in public comments. (The business plan PowerPoint is available on the public records webpage.) In response to a concern, Diamanti clarified that Fort Worden Hospitality is a noncharitable nonprofit. She summarized the benefits of the reorganization plan, stating that public development authorities help ensure local control, but they aren’t designed to operate services such as hospitality and often contract with other organizations to run their businesses. Diamanti cited the Vancouver Downtown Redevelopment Authority, which contracts with Hilton Corporation to operate its hotel and convention center. The proposed FWPDA reorganization provides for local control while establishing an entity focused on the business aspects of running a hospitality operation, Diamanti said. Ideas people may have for the campus have to be allowed for by the FWPDA’s master lease with State Parks, which governs what can happen on campus.

Diamanti and Timmons talked about funding needs and timing. To help hospitality overcome the losses from the shutdown during the pandemic and transition to the new operations model, a \$1 million investment from a bank is needed, Diamanti said. Timmons added that the reorganization process has not been rushed from his perspective, but progress must be maintained because hospitality business is coming back and the FWPDA is not in position to meet that demand. Timmons said the reorganization plan blends the benefits of the nonprofit and public entity models that were explored prior to the PDA's development. Diamanti also reviewed the operational needs that will be addressed with expected hospitality revenue over the first few years, as well as plans to build reserves for operations, debt, and capital improvements. Board Treasurer Jeff Jackson added that industry-wide in hospitality, the ownership and management of the underlying real estate and the hospitality operations are almost always separate. Among the benefits of the structure is that the separation will appeal to lenders, investors, and government funders, he said. Board co-chair Todd Hutton said the revenue overview reinforces the point that revenue is not going away from the FWPDA and shows that a percentage of gross hospitality revenue (three percent) is, for the first time, guaranteed to the FWPDA.

Timmons said State Parks has asked for a week to resolve questions about areas of coverage and consistency with the master lease. He said a 25-year lease would require Parks Commission approval, so he is proposing a 20-year term with an additional five years subject to Commission approval. The term is needed to satisfy requirements for a bank loan, he said. In a change from an earlier draft, Timmons said the glamping debt would stay with the FWPDA, to be serviced by Fort Worden Hospitality through a side agreement. Timmons said he recommends that the board move the resolution but not vote, and make another motion to postpone final action until State Parks has had a chance to respond. Timmons noted that the packet includes the nonprofit's bylaws and information about the initial board and three PDA board members who are serving as transition advisors. He said potential investments by Jackson and Tonina are no longer part of start-up plans, and so there is no longer a conflict of interest that would cause them to recuse themselves from hospitality votes.

Board member Cindy Finnie commended the presentation and hospitality staff for their work. Tonina recognized the public comments regarding the concession agreement and offered a few points:

- He reminded the public that the FWPDA has been working on organizational challenges since October. The need for the restructuring plan was the result of not receiving a commitment to guarantee necessary debt financing from the PDA's chartering agency, Tonina said. The plan was introduced in November 2020 and has been the subject of frequent public meetings since then.
- He reiterated Diamanti's comment that the nonprofit hospitality organization is a non-charitable nonprofit and is not looking for gifts. He said there isn't a profit motive for the nonprofit, and it allows profit to stay within Port Townsend.
- Tonina stated that the FWPDA has taken public comment at each of its meetings and taken all comments seriously. He noted that the City requested a seven-day read period for the concession agreement, which has been exceeded.
- Hospitality has a sizable amount of business on the books that needs to be met, Tonina said. For hospitality staff hiring to begin, the concession agreement needs to be approved so that the hospitality organization can secure start-up financing and meet its business commitments.

Mayor Michelle Sandoval provided public comment that she wasn't able to provide earlier. She

asked about the possibility of longer-term housing and artist-in-residency housing on campus in the reorganization plan; she said she would like to see a mechanism that would allow this opportunity to be considered in the near future. Diamanti said there is an opportunity to change the buildings that are involved in the agreement, including during the one-year review period, and hospitality leaders are interested in long-term housing. John Watts, the FWPDA's legal counsel, said time is needed to research the matter before anything definitive can be said. Timmons agreed that more research is needed, noting that the master lease may need to be amended to allow for long-term residencies and the Parks property also is subject to federal guidelines on use for recreational purposes. Hutton said the interest in developing transitional workforce housing on the campus is an important consideration as well. Tonina said the one-year period to revisit the agreement is helpful for flexibility on these matters.

Action: Motion to approve Resolution 21-03 authorizing the Interim Executive Director to execute a Concession Agreement with Fort Worden Hospitality in substantially the form of agreement presented and to make non-substantive changes that do not materially alter the agreement presented to the Board on May 26, 2021. **Moved by Hilton, seconded by Heckscher**

Action: Motion to postpone final review and approval of Resolution 21-03 to a special board meeting on June 2nd at 9 a.m. **Unanimously approved**

VII. Interim Executive Director Contract Update

Staff Report and Board Discussion

Tonina said Timmons' contract is due to expire on June 30th. He added that he and Hutton continue to talk to Timmons quarterly about whether his workload requires a full-time commitment, and all agree that the need remains full time. Tonina said the purpose of the contract amendment is to move away from an end date to a 90-day notice that could be given by either party. Finnie said that since Timmons has been in place for a long time, she wondered if 'interim' should be removed from the title. Jackson agreed.

Action: Motion to approve the amended and extended Interim Executive Director contract with David Timmons and to adjust the title to Executive Director. **Unanimously approved**

VIII. Interim Executive Director Administrative Update- *Staff Report and Board Discussion*

Insurance Renewal. Timmons said the FWPDA's insurance will renew in September. The FWPDA is insured through Enduris, a self-insurance risk pool for governmental entities and special purpose districts. He said that because of the significant reduction of the FWPDA's employee count when hospitality separates from the FWPDA, the premium will drop by almost \$100,000 to approximately \$20,000 while the coverage will remain the same. Timmons provided an overview of the insurance coverage. (Coverage information is in the board packet). He noted that the FWPDA and 12 entities have filed claims for business interruption due to the pandemic, but the claims are being questioned by the underwriter. Timmons suggested that the current bond coverage for theft be looked at because he considers it to be too low. The cyber liability coverage also needs to be reviewed, he said. Hutton recommended that the new board review the insurance annually.

Audit Update. Timmons provided an update on the audit process, which involves a fraud investigation, an accountability audit, and a financial statement audit. He said the audit team is deferring the financial statement audit until the fall to allow more time for the FWPDA to correct financial statements from 2016 to 2020 that reflect a shift from accrual basis to cash basis

accounting. Timmons said he has heard that the state audit team hopes to release the accountability audit in June. He said the fraud investigation is separate and in process, and auditors have not given any indication of alarm or that information will be inconsistent with what the FWPDA has already reported.

FWPDA's Public Records Act Policy. Timmons introduced an administrative policy that provides guidance for the submission and fulfillment of public records requests in accordance with the Public Records Act (policy in board packet). Staff modeled the policy on policies from a few other public entities that have been recommended by the Municipal Research and Services Center. Board members and staff talked about how the policy addresses the challenge of honoring public record requests while also protecting against excessive interference with other essential functions due to the time it can take to fulfill requests. Rather than set a max number of hours across the board per month, the policy describes the factors that can influence the public records officer's installment timing estimates and how much time is devoted to particular requests. The policy also allows the executive director to set a maximum number of hours per month for staff to respond to public records requests; Timmons said he has suggested that staff devote a certain number of hours per week on a case-by-case basis. Timmons said it can help if requestors consult with staff and share what they are ultimately interested in so that staff don't spend so much time on a broad scope of documents to get to the point. Board member Herb Cook, who was involved in requests for records in his previous career as a publisher, said he thinks the policy is a reasonable way to deal with the increased volume of requests received by the FWPDA.

Action: Motion to endorse the FWPDA Public Records Act Administrative Policy as presented.
Unanimously approved

IX. Financial Reports - Staff Report and Board Discussion

FWPDA Profit & Loss and Cash Flow Statements. Contract CPA Becky Wagner reviewed the financial reports and restatement process for the audit. She said all of the Makers Square revenue and expenses are being moved from the FWPDA's books to the Makers Square Landlord LLC (which rolls up to the Fort Worden Foundation) before the conversion from accrual to cash basis accounting. Wagner is working with another CPA who has experience with the conversation to cash basis. Timmons said this shifts the bookkeeping into compliance with the required historic tax credit structure. Wagner reviewed the current statements (in the board packet). She said the cash flow statement shows that the net income is continuing to pay down the payables.

Financing Request Update. Timmons summarized financing packages that he is negotiating. One is for a \$1 million start-up loan for Fort Worden Hospitality that would be on that nonprofit's books. The PDA's energy efficiency project loan is termed out and suspended due to the pandemic, and it will soon resume. As for the line of credit for Makers Square, the Master Tenant LLC should be able to fully pay that at the close of the project with a \$1 million advance from First Federal. That advance will pay amounts due to Makers Square contractors, which will trigger the release of historic tax credit payments that will pay off the First Federal loan. He said the FWPDA will assume the glamping project debt and has asked for a \$2 million line of credit that will be termed out over 22 years (principal payments begin after two years). He said the FWPDA will seek an agreement with Fort Worden Hospitality to service the debt. Regarding the restoration of \$1,334,000 in capital funds that were diverted to operations, Timmons said he is negotiating terms with the bank on that. Tonina noted that the overall debt is down from an expected \$5.3 million to \$3.3 million. He said the terms are favorable and having agreements in place will help secure the bank's interest.

Hospitality Business on the Books Update. Senior Sales and Marketing Manager Natalie Maitland reviewed the report in the packet. She said bookings and recent business are exceeding projections. New group and some resumed partner activities will be happening this summer, she said. [Jeff Jackson left the meeting at 10:55 a.m.] Maitland said the growing business has helped with bringing back some staff members who had been furloughed during the pandemic and more hiring is needed. Canteen is opening for the season on the Friday of Memorial Day weekend. She said the opening of Taps is on hold largely due to staffing needs, and the hope is to have it open by July. There is room for growth in all business on the books projections, though July and August weekends are largely sold out. The occupancy rate is based on available inventory (and not offline). Buildings that have been offline for projects have been coming back online. Finnie noted the importance of the debt reduction and commended Timmons for his work to help the FWPDA get to this place of returning business. She said that when there are millions in debt, a business has to move quickly and make good decisions that preserve the viability of the business and the responsibilities to State Parks.

Makers Square Status. Staff member David Opp-Beckman provided an overview of the Makers Square project. Opp-Beckman said the certificate of occupancy was received over a month ago, and space (building 305) is available for use by KPTZ though some work remains there and elsewhere. A sticking point is remaining exterior painting work which has been held up by the inability to meet temperature requirements, he said. When completed, exterior photos needed for the historic tax credit audit of artifacts can be taken. The delivery of products has held up the completion of work by Clark Construction, he said. Opp-Beckman expressed thanks for Clark Construction and Signal Architecture and the subcontractors for their work on the project. Timmons added that he is working with Watts on a memorandum of understanding between the FWPDA and Fort Worden Foundation's Master Tenant and Landlord LLCs regarding the flow of historic tax credit money at Makers Square

Infrastructure Project Funding. Timmons said there hasn't been any update on the draft proposal by State Parks for federal stimulus funding for rehabilitating and maintaining several buildings and infrastructure systems at Fort Worden. News reports indicate that it is tied up in a discussion at the federal level on how to move forward on an infrastructure package. State Parks is in the planning phase for phases three and four of its water main project, Beckman said.

X. Public Comment

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

XI. Adjourn

The board adjourned its meeting at 11:07 a.m.