



APPROVED Meeting Minutes
Special Board of Directors Meeting
Fort Worden Lifelong Learning Center Public Development Authority (FWPDA)
Wednesday, June 30th, 2021 | 9 a.m.
Via Zoom (Remote Meeting Per Governor Inslee's Proclamation 20-28.15)

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

Action Summary:

- ❖ Motion to approve the May 26th and June 2nd 2021 board meeting minutes. **Unanimously Approved**
- ❖ Motion to approve the June Accounts Payables as presented. **Unanimously Approved**
- ❖ Motion to approve **Resolution 21-04** as amended providing for the issuance of (1) a not to exceed ~~\$1,700,000~~ \$1,870,000 principal amount Revenue Refunding Bond, 2021A (Taxable) to refund the Authority's Revenue Bond, 2018, (2) a not to exceed ~~\$2,095,000~~ \$2,320,000 principal amount Revenue Refunding Bond, 2021B (Taxable) to refund the Authority's Revenue Bond, 2019, and (3) a not to exceed ~~\$1,950,000~~ \$2,130,000 principal amount Revenue Bond, 2021C (Taxable) to finance various expenditures; extending the term of the Authority's Revenue Bond, 2019A; fixing or setting parameters with respect to certain terms and covenants of the bonds; delegating authority to the Authority's designated representative to set final terms of the sale and issuance of the bonds; and providing for other matters properly related thereto. **Unanimously Approved**
- ❖ Motion to approve **Resolution 21-05** as amended establishing two lines of credit and providing for the issuance and sale of two revenue anticipation notes of the Authority, in the aggregate principal amounts of not to exceed \$250,000 and ~~\$400,000~~ \$500,000, to evidence the lines of credit; fixing or setting parameters with respect to certain terms and covenants of the notes; delegating authority to the Authority's designated representative to set final terms of the sale and issuance of the notes; and providing for other matters properly related thereto. **Unanimously Approved**
- ❖ Motion to authorize the Executive Director to execute the Memorandum of Agreement with Fort Worden Foundation, Makers Square Master Tenant, LLC, Makers Square Landlord, LLC, and Makers Square Manager, LLC substantially in the form presented to the Board at a special meeting on June 30, 2021, which confirms a rent schedule paid by the Foundation to the FWPDA and incorporates terms to be included in a lease between Makers Square Master Tenant LLC and Fort Worden Foundation, and to make non-substantive changes that do not materially alter the Memorandum. **Approved with two abstentions**
- ❖ Motion to **amend Resolution 21-03** (approved June 2, 2021) to conform to the Resolution presented to the Board at its June 30, 2021 meeting, authorizing the Executive Director to execute a Contractor Agreement with Fort Worden Hospitality in substantially the form of

agreement presented to the Board on June 30, 2021, which is substantially similar to the terms presented to the Board on May 26 and June 2, 2021, including changes recommended by State Parks, and authorizing the Executive Director to make non-substantive changes that do not materially alter the agreement, and further to negotiate and assist in the implementation of benchmarks with Hospitality allowing Hospitality to exit the agreement if the benchmarks are not met by January 1, 2022. **Unanimously Approved**

- ❖ Motion to approve **Resolution 21-06** confirming material completion of the FWPDA board's transition objectives. **Unanimously approved**

Special Board Meeting

I. Call to Order: 9:00 a.m.

The June 30th, 2021 special 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, Cindy Finnie, Herb Cook, Terry Umbreit, Gee Heckscher, Lela Hilton
Staff: David Timmons, Aislinn Diamanti, Natalie Maitland, David Beckman, Joan Rutkowski, and John Watts (legal counsel)

Guests: Alan Crain, Kitsap Bank; Richard Martinez, Kitsap Bank; Nancy Neraas, Foster Garvey

III. Public Comment

No public comments were shared in the first comment session.

IV. Consent Agenda

- A. Review and approval of the May 26th and June 2nd 2021 board meeting minutes
Action: Motion to approve the May 26th and June 2nd 2021 board meeting minutes
Unanimously Approved
- B. Review and approval of June Accounts Payables
Action: Motion to approve the June Accounts Payables as presented
Unanimously Approved

Executive Director David Timmons announced that the FWPDA's capital accounts payables are paid in full thanks to the support of the Fort Worden Foundation and First Federal Savings & Loan. He said the final payments happened due to a bridge loan from First Federal to the Makers Square LLCs; the loan will be refunded when Historic Tax Credits (HTCs) are received.

V. Bond and Financing Resolutions 21-04 and 21-05 - Staff Reports & Board Discussion

Resolution 21-04 delegates authority to Timmons to negotiate final terms on the refinancing of two existing loans and a new loan within the parameters noted in the resolution. Timmons reviewed the status of the two loans that were in place prior to the pandemic (one for glamping construction and one for the energy efficiency project). He

said that due to the diversion of funds from capital accounts to operating, the projects did not get completed. The refinancing brings the loans into compliance as taxable bonds and defers debt service for two years, Timmons said. The new loan would restore diverted capital funds, which Timmons said can't be written off because they are legally owed back to the capital accounts due to staff actions. Resolution 21-05 establishes two lines of credit. He said the \$250,000 line of credit is needed to meet a requirement of the master lease with Washington State Parks for an operating line of credit, which the FWPDA allowed to lapse. The \$500,000 line of credit would be an emergency line of credit, he said. He reviewed other proposed terms for the loans, which are revenue bonds.

Nancy Neraas, the bond counsel, reiterated that the loans are from Kitsap Bank and are evidenced by a bond or a note and payable from revenues. She noted that the bond resolution extends the maturity of the 2019 Makers Square bond to October 1st. Treasurer Jeff Jackson expressed appreciation for Kitsap Bank's willingness to require interest only for the first two years of the bonds, which helps the FWPDA get into a healthier financial position. Alan Crain, Kitsap Bank Chief Financial Officer, said the finalized terms could involve either a fixed rate for the entire term or the rate would reset at some point over the term, tied to an index.

Timmons said the FWPDA is in a unique situation because the capital projects are for the benefit of private third parties on the campus, which means the bonds are private activity bonds that don't qualify for tax exempt status. He described the consequences of defaulting on or writing down the loans, which include jeopardizing the FWPDA's eligibility for state and federal assistance for its campus obligations. Because of the time needed to close, the future board officers will be asked to sign the closing documents.

It was noted that the dollar amounts in the resolutions were still being discussed and adjusted as the agenda was published to meet public notice requirements. The resolutions in the published packet reflect the final proposed resolutions; the motions on the published agenda could not be updated to reflect the final proposed resolutions due to special meeting rules that require such changes to happen via amendment during the meeting.

(Motion amendment shown by strikethrough):

Action: Motion to approve Resolution 21-04 as amended providing for the issuance of (1) a not to exceed ~~\$1,700,000~~ \$1,870,000 principal amount Revenue Refunding Bond, 2021A (Taxable) to refund the Authority's Revenue Bond, 2018, (2) a not to exceed ~~\$2,095,000~~ \$2,320,000 principal amount Revenue Refunding Bond, 2021B (Taxable) to refund the Authority's Revenue Bond, 2019, and (3) a not to exceed ~~\$1,950,000~~ \$2,130,000 principal amount Revenue Bond, 2021C (Taxable) to finance various expenditures; extending the term of the Authority's Revenue Bond, 2019A; fixing or setting parameters with respect to certain terms and covenants of the bonds; delegating authority to the Authority's designated representative to set final terms of the sale and issuance of the bonds; and providing for other matters properly related thereto. **Unanimously Approved**

Board member Cindy Finnie asked if the lines of credit involve a resting period. Crain said the structure of the \$500,000 line is different because it's a back-up line. Timmons noted that the new bond also restores an operating loss that is estimated to be approximately \$600,000. Once received the FWPDA can address accounts payables and establish a cash reserve, which might preclude needing the \$250,000 line of credit, Timmons added.

(Motion amendment shown by strikethrough):

Action: Motion to approve Resolution 21-05 as amended establishing two lines of credit and providing for the issuance and sale of two revenue anticipation notes of the Authority, in the aggregate principal amounts of not to exceed \$250,000 and ~~\$400,000~~ \$500,000, to evidence the lines of credit; fixing or setting parameters with respect to certain terms and covenants of the notes; delegating authority to the Authority's designated representative to set final terms of the sale and issuance of the notes; and providing for other matters properly related thereto. **Unanimously Approved**

Board co-chair Norm Tonina expressed deep appreciation from the board to Kitsap Bank for its partnership over the last several months. Richard Martinez, Municipal & Specialty Banking Director for Kitsap Bank, commended the board and Timmons for shepherding the FWPDA through the process, which he said has been exemplary. Board co-chair Todd Hutton thanked the FWPDA's partners and contractors for hanging in with the FWPDA as it worked through the crisis.

VI. Fort Worden Foundation Agreements - Staff Reports & Board Discussion

Timmons said he has presented to the Fort Worden Foundation proposed terms for its lease with the FWPDA and there is agreement on the terms. He said the Memorandum of Agreement (MOA), which is regarding the collaboration between the FWPDA and Foundation on Makers Square and the flow of rent and historic tax credit revenue, is ready to execute. Tonina added that the term sheet will be a supporting document to the MOA. FWPDA board member Herb Cook, who also is president of Foundation, said a base rent for what the Foundation will pay for Makers Square buildings has been established, and the money will flow through the LLC to the FWPDA. The rent will begin at \$1 per square foot based on an arm's-length independent appraisal that the Foundation obtained from a third-party firm, Cook said.

Cook and Finnie abstained from the vote due to their service on both boards.

Action: Motion to authorize the Executive Director to execute the Memorandum of Agreement with Fort Worden Foundation, Makers Square Master Tenant, LLC, Makers Square Landlord, LLC, and Makers Square Manager, LLC substantially in the form presented to the Board at a special meeting on June 30, 2021, which confirms a rent schedule paid by the Foundation to the FWPDA and incorporates terms to be included in a lease between Makers Square Master Tenant LLC and Fort Worden Foundation, and to make non-substantive changes that do not materially alter the Memorandum. **Approved with two abstentions**

FWPDA administrative offices have moved upstairs in Building 200, freeing up downstairs space for the Foundation's administrative offices, Timmons said. Cook and Timmons have developed an agreement that exchanges rent for lobbying services to help with asset management challenges going forward. The agreement will be presented to the new board, Timmons said. Tonina thanked the FWPDA's legal counsel, John Watts, for his work on the Foundation agreements and the historic tax credit needs.

VII. Fort Worden Hospitality Agreement & Resolution 21-03 - Staff Reports & Board Discussion

Washington State Parks has provided additional feedback on the agreement that is developing between FWPDA and the nonprofit Fort Worden Hospitality. Parks has recommended that the contract be deemed a management agreement rather than a concession agreement, which Timmons said would allow a 25-year term to be in place without sign-off from the agency. Interim Operations Director Aislinn Diamanti reviewed a six-month transition plan and timeline to guide the startup of Fort Worden Hospitality and its full separation from the FWPDA. If benchmarks are met, the separation would be complete by January 1st, 2022. Timmons said State Parks has agreed to co-sign the agreement.

Action: Motion to amend Resolution 21-03 (approved June 2, 2021) to conform to the Resolution presented to the Board at its June 30, 2021 meeting, authorizing the Executive Director to execute a Contractor Agreement with Fort Worden Hospitality in substantially the form of agreement presented to the Board on June 30, 2021, which is substantially similar to the terms presented to the Board on May 26 and June 2, 2021, including changes recommended by State Parks, and authorizing the Executive Director to make non-substantive changes that do not materially alter the agreement, and further to negotiate and assist in the implementation of benchmarks with Hospitality allowing Hospitality to exit the agreement if the benchmarks are not met by January 1, 2022. **Unanimously Approved** [Board Secretary Jane Kilburn temporarily left the meeting due to technical issues and was not present for the vote.]

VIII. **Administrative Update - Staff Reports & Board Discussion**

Interagency Data Sharing Agreement. Timmons said the agreement in the packet authorizes the FWPDA to share its data with state auditors; it is needed due to a security breach the SAO experienced and is required of all public agencies, Timmons said.

Re-appropriated Funding for Makers Square Site Improvements. Timmons reviewed details about the Building for the Arts grant for Makers Square that fell through because the project started before the agreement was in place. State legislators helped get the funds re-appropriated as a \$712,000 local community program grant and the funds are set aside for site work that is needed at Makers Square. That amounts to about half of the estimated cost.

Public Infrastructure Fund Re-appropriation for Building 203. A public infrastructure grant from the County for establishing employee housing in Building 203 that was cancelled has been re-appropriated. The County has awarded the funds in the form of a \$150,000 forgivable loan for engineering and architectural evaluation of what's needed to renovate the building for employee housing, Timmons said. He thanked Mayor Michelle Sandoval and the County for supporting the re-appropriation.

IX. **Finance Reports - Staff Reports & Board Discussion**

Hospitality Business on the Books Update. Recent successes with group gatherings and events were noted. Senior Sales and Marketing Manager Natalie Maitland reviewed the business on the books report in the board packet. April and May finished over projections and upcoming accommodations bookings already exceed forecasts, she said. It was noted that it will take a large team effort to meet the business needs as the challenge to find more hospitality staff continues. Because of current staffing levels, the Canteen will continue

operating Wednesdays through Sundays instead of seven days a week, unless more staff are hired, she said. Reveille is expanding its hours to 8 a.m. to 2 p.m., seven days a week, and offering additional menu items, Maitland said. Diamanti reviewed staff masking expectations related to changes in COVID guidelines. Maitland said that with the lift on capacity limits, restaurant business may increase. Due to staffing challenges and transition needs, she does not see Taps re-opening in 2021.

2021 Profit & Loss and Cash Flow Statements. Contract CPA Becky Wagner reviewed the financial reports in the board packet. For January through May compared to that period in 2020, FWPDA income is less than half of what it was and expenses are just over one-third of what they were, Wagner said. The net loss is \$82,581 compared to negative \$767,483 in 2020, she said. For hospitality activity alone, net income is negative \$195,902 compared to negative \$1,076,468 in 2020 (January through May). The capital report shows the wind down of Makers Square grant and construction activity. Payments on accounts payables and other operating activities have led to a net cash increase of \$122,453 for January through May, bringing total cash on hand to \$284,679. Tonina said some of the numbers show how many costs are fixed. Hutton noted that the FWPDA was fully staffed during this timeframe, which was before COVID hit and furloughs occurred. Finnie observed how little money is currently being spent on maintenance and deferred maintenance needs, which are going to grow bigger and bigger. She said it's essential for new leadership to recognize this because maintenance is so important and plays into the visitor experience and partner experience. Timmons said this will become the priority issue for the FWPDA. Cook asked about the timing and booking of HTC income. Wagner said the tax credit income is currently showing up in the FWPDA report under grants and will eventually show up in the Makers Square LLC report after accounting changes are complete.

2018 & 2019 Financial Statements and Cash Basis Conversion. Wagner said 2018 has been filed with the state, 2019 is in process, and she is hoping that 2020 will be filed soon. The restatement of Makers Square financial activity is taking time because it's complicated. The audit of those statements will happen as soon as they all are filed with the state. Wagner referred the board to a report showing 2015 through 2019 after recent conversion to cash basis accounting. Wagner said these are BARS-compliant financials, which are different from the GAAP financials that she presents. Timmons said the finances will be managed internally on an accrual basis and the audit will be on a cash basis. He said the conversion went back to 2015, when the accounting system had previously shifted, to bring all statements into alignment for consistency over the years, he said. Timmons is recommending that audits happen annually instead of every two years.

Makers Square Reconciliation Update. *[Jeff Jackson left the meeting.]* As shared earlier and in previous meetings, Timmons said the accounting for Makers Square is being corrected for the requirements of the tax credits so that money flows through Makers Square Landlord LLC. This makes the restatement of 2020 finances more complicated, he said. Timmons said the retainage still needs to be paid and steps are in process. A separate audit by an independent firm also is needed for qualified expenses for a report to the National Park Service, which will then allow for the release of final tax credit income. Tonina thanked finance staff for their work on addressing the accounting issues.

X. Audit Update - Board Report & Discussion

Hutton, Tonina, Jackson, and Timmons have been meeting with the state audit team on the audit progress and remaining needs. Hutton said the fraud investigation is close to complete. He said that he, Tonina, and Jackson have offered to assist as needed as non-board members to close the accountability audit. Timmons noted that the accountability audit looks into compliance with controls and requirements, and the fraud investigation is a process that will lead to a separate report. The investigation doesn't determine criminality, and instead can involve a referral to law enforcement, he said. Timmons reiterated that auditors have said they aren't finding anything more than what the FWPDA already reported. Expected findings on other matters will be about issues that have been corrected, he said.

XI. Public Comment

No public comments were shared.

XII. FWPDA Board Transition - Board Report & Discussion

Resolution 21-06 Regarding Board Transition Objectives. Tonina referred the board to a proposed resolution regarding a board transition plan that they set in January to enable the implementation of the reorganization of the FWPDA's governance and management structure. The resolution states that the board has successfully delivered on seven of the nine transition objectives. The state's completion of the accountability audit remains and a new asset management strategy has been delayed to the new board, Tonina said.

Board Members Closing Thoughts. Before addressing the proposed resolution, board members shared closing thoughts on their service and the FWPDA's history, successes, and challenges. The statements were made as part of their resignations from the FWPDA board of directors, effective at the end of June 30th, 2021. Some read from resignation letters that they had written for submission to the Port Townsend City Council. (The resignation letters are published on the FWPDA's public document web page.)

Action: Motion to approve Resolution 21-06 confirming material completion of the FWPDA board's transition objectives. **Unanimously approved**

XIII. Adjourn

The board adjourned its meeting at 11:39 a.m.