



APPROVED Meeting Minutes
Board of Directors Meeting
Fort Worden Lifelong Learning Center Public Development Authority (FWPDA)
Wednesday, July 28th, 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 elect David King as Chair of the FWPDA Board of Directors. **Unanimously Approved**
- ❖ Motion to elect Roger Schmitt as Vice Chair of the FWPDA Board of Directors. **Unanimously Approved**
- ❖ Motion to elect John Begley as Treasurer of the FWPDA Board of Directors. **Unanimously Approved**
- ❖ Motion to elect Eva Weber as Secretary of the FWPDA Board of Directors. **Unanimously Approved**
- ❖ Motion to approve the June 30th 2021 special board meeting minutes; seconded. **Unanimously Approved**
- ❖ Motion to approve the July Accounts Payables except for the Makers Square transfer information. **Unanimously Approved**
- ❖ Motion to approve Resolution 21-07 as amended to include all officers as signers on all FWPDA checking and savings accounts with First Federal Savings & Loan. **Unanimously Approved**

Board Meeting

I. Call to Order: 9:02 a.m.

The July 28th, 2021 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: Brad Mace, Celeste Tell, Eva Weber, David King, John Begley, Rodger Schmitt, Naushard Cader, Victoria Brazitis

Liaisons: Heron Scott (Partners) and Mayor Michelle Sandoval (City of Port Townsend)

Staff: David Timmons, Aislinn Diamanti, Natalie Maitland, David Beckman, Joan Rutkowski, and John Watts (legal counsel)

Executive Coordinator Joan Rutkowski opened the meeting and welcomed the new board members and liaisons, all of whom were appointed by the City of Port Townsend's mayor with city council

concurrence on July 15th, 2021. Board members and liaisons introduced themselves and summarized why they wanted to serve on the FWPDA Board of Directors.

III. **Election of Board Officer Positions & Term Lengths (Report & Discussion)**

Officer Roles. Rutkowski provided an overview of the charter and bylaw provisions regarding officer roles, and board members discussed whom to elect. The board considered the merits of having co-chairs instead of chair and vice chair positions, and the consensus was to move forward with a chair and vice chair configuration. Qualifications and time commitments for the roles were discussed.

Board member Naushard Cader made a motion to elect David King as Chair of the FWPDA Board of Directors; seconded. **Unanimously Approved**

Board member Celeste Tell made a motion to elect Roger Schmitt as Vice Chair of the FWPDA Board of Directors; seconded. **Unanimously Approved**

Cader made a motion to elect John Begley as Treasurer of the FWPDA Board of Directors; seconded. **Unanimously Approved**

Schmitt made a motion to elect Naushard Cader as Treasurer of the FWPDA Board of Directors; seconded by Tell. Cader declined, saying that he is interested in serving on an audit committee and having more time for that work rather than serving as an officer.

Begley made a motion to elect Eva Weber as Secretary of the FWPDA Board of Directors; seconded. **Unanimously Approved**

Term Lengths. Chair David King noted that the one-, two-, and three-year term lengths were assigned at random and people could resign at an earlier time if needed. Executive Director David Timmons suggested that board members trade terms to find what suits their availability. City Liaison/Mayor Michelle Sandoval confirmed that the term length assignments were made randomly and this board is seen as an interim board given how busy the board members are and the desire to get the FWPDA up and running under the new formation quickly. Sandoval suggested that board members see how the next several months go before considering making changes.

The group agreed to submit term length requests to the City after a few meetings.

IV. **Consent Agenda: Review and approval of the June 30th 2021 special board meeting minutes**

Staff noted that the June 30th minutes were provided for customary board consideration and approval, recognizing that current board members were not in place for that meeting. Approval is regarding the accuracy of the minutes and not the actions taken. Minutes were compared to the meeting recording and vetted by the Executive Director.

Action: Motion to approve the June 30th 2021 special board meeting minutes; seconded. **Unanimously Approved**

It was acknowledged that with the board numbering eight members, an evenly split vote means that a motion fails. Begley asked why an eighth member was added during the city council appointment process. Sandoval said that it is a mayor's prerogative to appoint someone while the committee's recommendations were also begin taken into consideration, and that addition was approved by city council alongside the nominating committee's recommendations.

V. **Public Comment**

Staff read a public comment submitted in advance by Rob Birman, Executive Director of Centrum. On behalf of the creative programming partners at Fort Worden, Birman thanked the new board members for their service and said the partners look forward to working together to preserve the Fort's legacy for public service.

Diane Baxter, Board President of the Port Townsend Marine Science Center, said she was incredibly grateful to the new FWPDA board members for tackling the important project of Fort Worden and she looks forward to working together.

Timmons summarized for the new board members the purpose of the public comment session. He said it is intended for comment and at most a brief response rather than dialogue, unless the board wants to amend an agenda to discuss a topic from public comment.

VI. **Overview of FWPDA Requirements & Guidelines (Report & Discussion)**

Timmons, Rutkowski, and John Watts, the FWPDA's consulting attorney, provided an overview of orientation materials that covered the topics of the legal authorization and purpose of public development authorities, the City Code and bylaws that govern the FWPDA, and the Open Public Meetings Act (OPMA) and Public Records Act (PRA) requirements.

It was noted that the board will have to decide whether it wants to convene an Executive Committee, which would be subject to Open Public Meetings Act laws because it would be conducting business on behalf of the main body. Watts said the group could explore if it's possible to operate the committee more informally, but he said the alternative approach employed by some public bodies is to have the Executive Director (or equivalent), not the board, create an informal task force that involves less than a quorum of the full board. [Victoria Brazitis joined the meeting at around 10 a.m.]

Timmons discussed the FWPDA's mission and obligations and their basis in the 2008 Fort Worden State Park Long Range Development Plan and the FWPDA's 50-year master lease with State Parks. He said that what it takes to maintain the Fort has been underestimated, and this will need to be looked at because it affects the ability to achieve the mission. Timmons also recommended that the board look at updating the goals and objectives adopted by a previous board in 2014 and also consider other tools besides traditional leases for the FWPDA's relationships with campus partners. The asset management responsibility needs a more sustainable model with a more engaged partnership with stakeholders, he added.

Board and staff discussed the timing and presentation of board agenda packet materials. There always is a deadline for staff reports, but often information is changing or not yet available until after the deadline. Rutkowski said she will work with staff to see if they can meet an earlier deadline. Timmons said the board also will need to consider whether to establish a Finance & Audit Committee, which would then review reports in a timelier fashion for a report to the board. Board and staff also discussed a few of the communications and meeting practices that should be paid attention to in order to ensure open government and transparency and the retention of public records. Additional training will be provided with individual board members.

Cader asked about the IRS tax exemption type for Fort Worden Hospitality (Type I or Type II) and whether that means the control lies with the FWPDA. Timmons said the control will be through the

agreement for services and Fort Worden Hospitality's own board of directors and bylaws, and the FWPDA doesn't appoint the nonprofit's board. Cader questioned how control has been established. King noted that the objective has been to have an independent nonprofit with its own governing board, and the relationship with FWPDA is governed by an agreement. Watts clarified that the management of the primary assets has been transferred to a private entity, not the assets themselves. Cader, Watts, and King talked about the aspects of the business that are considered assets and the benefits of the arrangement. Cader said the issue he is talking about is control. **King said this is a relevant question for additional discussion.**

VII. **Agenda Changes**

Board and staff modified the agenda to prioritize financial items requiring action.

VIII. **Resolution 21-07 Re Account Signers Update (Action)**

The proposed resolution updates the authorized signers and viewers on the FWPDA's operating, capital, payroll, and food services accounts. The changes include the removal of former staff and board members and the addition of the new officers. Cader proposed adding officers as signers on the food services account; Timmons agreed.

Cader made a motion to approve Resolution 21-07, amended to add the Chair, Vice Chair, and Secretary to the Food Services account; motion seconded by Weber. The group discussed whether to also add Treasurer John Begley to the accounts.

It was noted that the expense amount requiring two signatures should be lowered, which will be addressed in a later meeting.

Action: Motion to approve Resolution 21-07 as amended to include all officers as signers on all FWPDA checking and savings accounts with First Federal Savings & Loan. **Unanimously Approved**

IX. **Review and approval of July Accounts Payables (Action)**

Cader asked clarifying questions about specific line items. Timmons said the overdue American Express account is closed and the report shows the last payment needed on the balance. He said the FWPDA is paying for hospitality start-up expenses, which will be paid back in 2022 when the organizations are separated. Cader asked about the positive Makers Square balance on the A/P Aging Summary report. Finance staff CPA Becky Wagner said that entry shouldn't be on the report, and it's a note to represent the balance at the end of 2019, which was transferred from the FWPDA to the Fort Worden Foundation and converted on a cash basis. She said Makers Square is in the 2018 and 2019 audited financials as supplementary information (see packet for audited financials). Wagner recommended that she and Cader have a separate conversation to go over historical financial information. Timmons noted that since January 2021 the FWPDA has been on a month-to-month cash basis and has made significant strides in reducing its accounts payables.

Action: Motion to approve the July Accounts Payables except for the Makers Square transfer information. **Unanimously Approved**

[Begley and Watts left the meeting.]

X. **Overview of Board Member Responsibilities (Report & Discussion)**

Timmons referred board members to the packet for a review of their job description. Resolution 21-06 also was provided for recent history on the objectives accomplished by the previous board and what reorganization objectives are left to address. Timmons referred to a slide from a recovery plan

presentation to show how he has organized his approach to the FWPDA's issues. Strategic planning with the new board will be needed, he added.

XI. Accountability Audit Update (Report & Discussion)

Timmons provided an overview of the audit as part of the board's orientation. He said the State Auditor's Office adopted a "going concern" in the previous audit regarding the financial condition of the FWPDA. Based on issues the FWPDA reported, the SAO established an accountability audit, which looks at procedures and compliance with controls. In response to suspicion of fraud that the FWPDA reported to SAO and law enforcement, the SAO also opened a fraud investigation, he said. Timmons said the FWPDA requested the SAO investigation rather than proceed with an option to conduct its own formal internal investigation that would still be subject to oversight and review by the SAO. The auditors have told him that they have not found further evidence of fraud and will probably recommend a referral on the fraud claim the FWPDA submitted, he added. Timmons said he anticipates the accountability audit report will be completed within a month.

Timmons said the financial statement audit will cover years 2018 through 2020, and all that remains is for staff to complete the 2020 statements before that audit begins. One issue has been that the 2018 information previously submitted by former staff was a duplicate of 2017 with the dates changed, he said. Another issue has been to correct the accounting for Makers Square in accordance with the historic tax credit structure so that it goes through the Makers Square Landlord LLC instead of the FWPDA. Timmons said he also directed staff to restate 2015 through 2019, which involves a conversion to a cash basis for audit purposes. As recommended by auditors, finances will be maintained on an accrual basis and will be reported on a cash basis for audit purposes, he said. Wagner confirmed that the vast majority of issues have been self-reported and have already been addressed. Timmons said he has talked to the auditors about moving the FWPDA from a two-year to a one-year audit cycle until compliance and controls have been demonstrated.

XII. Debt Service Update (Report & Discussion)

Timmons reviewed recent debt service actions and terms (see board packet). The FWPDA has worked with Kitsap Bank to refinance loans and lines of credit for glamping, the energy efficient project, and Makers Square construction. The refinancing also addresses the unauthorized diversion of capital funds to operations that happened in early 2020 to respond to operational losses and the impacts of the pandemic on the business, he said. The operating fund liability for the diverted capital funds is \$1.3 million (\$404,000 to Makers Square, \$330,000 to the energy project, and \$600,000 to glamping), and a \$1.9 million bond would pay that off and also provide funds needed to complete the glamping and energy projects and retire the Makers Square line of credit for Makers Square. Timmons said the bond would also re-establish a required operating line of credit. A separate \$500,000 line of credit would be used as a debt security instrument to guarantee timely debt payments; Timmons said he is approaching the City, County, and State Parks to collectively back the line of credit until the FWPDA has its own reserves in place. The previous board authorized Timmons to negotiate final terms on the refinancing package. He said the remaining action is for board officers to sign on the bond closing, anticipated for early August.

Cader asked for consideration of the time needed to look at the financial reports for the FWPDA as a whole and for hospitality. **King suggested a focused look at these topics through an accounting and reporting package that can be examined.**

XIII. Next Board Meeting & Agenda

Board members discussed when they could meet for a special meeting in August. Staff will follow up

with a poll to find the best time for meeting. Cader suggested that Resolutions 21-03 and 21-06 be a part of the meeting. Financial reports and hospitality financial activity and plans also were noted as potential topics for discussion. Board member Brace Mace expressed a desire to talk about the status of the hospitality agreement and review how it will work with all the collaborations that take place at the Fort.

XIV. **Fort Worden Hospitality Status Update (Report & Discussion)**

Interim Operations Director Aislinn Diamanti said the hospitality agreement with the FWPDA that was approved by the previous board incorporated edits from Watts and Washington State Parks. She said Fort Worden Hospitality's attorney is currently making non-substantive, clarifying edits and the agreement is on track to be approved by the hospitality board on August 9th, in time to meet the closing deadline for Kitsap. Diamanti said the agreement would then come before the FWPDA again ahead of its commencement.

Cader asked about the forecasting for hospitality and gross profit figures, noting that revenues seem to be under-forecasted in order to meet goals. Senior Sales & Marketing Manager Natalie Maitland said the business on the books forecast was based on a percentage of 2019 activity, and a conservative approach was taken because of COVID-19. **A detailed look at the hospitality financials was proposed for the next agenda.** Diamanti said staff is working on updating the revenue forecast.

XV. **Public Comment**

Everett Moran, Rainshadow Recording owner and engineer, expressed his appreciation for the new board and the variety of talents, backgrounds, and abilities among board members. He thanked everyone for stepping into their roles.

XVI. **The meeting adjourned at 12:02 p.m.**