



APPROVED Meeting Minutes
Board of Directors Special Meeting
Fort Worden Lifelong Learning Center Public Development Authority (FWPDA)
Tuesday, August 17th, 2021 | 5 p.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:

- ❖ **Action:** Motion to approve the July 28th, 2021 board meeting minutes. **Unanimously Approved**
- ❖ **Action:** Motion to approve the August Accounts Payables. **Unanimously Approved**

Board Meeting

I. Call to Order at 5:02 p.m.

The August 17th, 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

Fort Worden PDA Board Members: Brad Mace, Celeste Tell, Eva Weber, David King, John Begley, Rodger Schmitt, Naushard Cader (Absent: Victoria Brazitis)

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

Staff: David Timmons, Aislinn Diamanti, Natalie Maitland, David Beckman, Hannah Burn (staff consultant), Joan Rutkowski

III. Public Comment on Special Meeting Topics Only

Executive Coordinator Joan Rutkowski read into the record questions submitted by Mark Blatter regarding Fort Worden Hospitality finances, mission, and governance.

- **Executive Director David Timmons said that given the number of questions, a response will be prepared following the meeting.**
- **Board Chair David King said it would be good to go through the Fort Worden Hospitality agreement and its relationship to the FWPDA at a future meeting, given that actions related to the entity were taken by the previous board.**
- Board member Naushard Cader recommended that Blatter’s questions remain connected to future agenda packets until they all have been answered. Cader expressed concern about the Fort Worden Hospitality agreement, and he said he would like a review of the agreement, its revenue sharing provision, and its financial relationship to the FWPDA. King agreed that a look at the relationship is needed to see if any modification by the current board is desired.

Board Vice Chair Rodger Schmitt noted that the 3.5 percent gross revenue coming to the FWPDA from Fort Worden Hospitality is not a pass-through to Washington State Parks. Timmons confirmed this, stating that the currently deferred master lease provision requires that the FWPDA share 3.5% of its gross income with State Parks, and the hospitality revenue share is part of the FWPDA's total revenue pool. Board member Brad Mace advocated for taking time with all issues in order to be a fully informed board.

IV. **Consent Agenda**

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

Action: Motion to approve the July 28th, 2021 board meeting minutes. **Unanimously Approved**

Staff and board members discussed how requests and open questions and issues should be managed. King said action items could be noted within the minutes and he will work through how things get on the agenda as the board chair. Timmons added that technically any individual board member's questions and issues don't necessarily belong to the full board. He encouraged the group to determine within meetings, via motions, which open questions and issues should be agenda items for future discussion. King said the process described by Timmons is preferable for now, and he noted that regular meetings also have an opportunity to modify or add items to the agenda with full board agreement.

B. Review and approval of August Accounts Payables

Action: Motion to approve the August Accounts Payables. **Unanimously Approved**

Timmons said that this is the first time that the FWPDA is current on its accounts since he began presenting the payables report to the board. Clarifying questions were addressed.

- **Timmons said the lobbying contract with Dzedzic Public Affairs would be presented to the board for its approval at its next meeting.**
- Cader said he would like to see the expenditures that the FWPDA has made for Fort Worden Foundation and Fort Worden Hospitality as well as the Makers Square financial reconciliation report at the next board meeting; **Timmons said the information can be provided.**

King noted that consent agenda items are not meant for discussion. He encouraged any board member who wants to discuss a consent agenda item to use time at the beginning of the meeting to request that an item be moved to the business agenda.

V. **FWPDA Finances/Recovery Update** (Report & Discussion)

A. **Recovery Plan.** Timmons provided an overview of actions taken as part of the FWPDA's recovery plan. The plan involves several realms, and Timmons described progress made with organizational restructuring, accounting changes, and capital project financing. He highlighted steps needed for the rest of 2021 for organizational stability. (See PowerPoint on the board records webpage: <https://fortworden.org/category/pda-documents>)

B. **Restated 2015-2019 FWPDA Cash Basis Financial Statements.** Timmons said it took extensive work for staff to restate the financials, and that a new 2018 Annual Report needed

to be filed because former staff had originally filed a duplicate of the 2017 report. Board members and staff discussed the best approach for understanding the finances and whether a smaller focus group could distill the information for the full board. Timmons suggested that the group establish a Finance & Audit Committee. The process around the review and submission of the FWPDA's annual reports to the State Auditor's Office, including the filing of the 2017 Annual Report as the filed 2018 Annual Report, was discussed. Timmons confirmed that the nonprofit Fort Worden Foundation is a separate entity from the FWPDA, and it files a Form 990 with the IRS. King and Timmons talked about the possibility of establishing consistent and uniform sharing of financial information among all the entities on the Fort Worden campus to provide a picture of the health of the campus. Schmitt suggested that the finance group take on this idea.

- C. **Profit & Loss and Cash Flow Statements.** The group agreed that the reports, which are in the packet for information purposes, did not need to be discussed during this meeting and that other agenda topics needed more attention.

- D. **Introduction to Forecasting Tool.** Timmons introduced staff consultant Hannah Burn, who is developing a financial analysis tool for a rolling five-year financial projection. Timmons noted that Burn's time is covered by private donations, and she is working with hospitality staff and an advisory team of hospitality and finance professionals. Burn presented an overview of the tool, and Timmons said more details will be provided in the September meeting packet. Burn said the purpose of the tool is to support forecasting and business planning, and its scope is the FWPDA and Fort Worden Hospitality operations. Assumptions have been made about known capital and maintenance expenditures, but the focus is on operations, Burn said in response to a question. Assumptions have shifted since initial forecasts were developed in early 2021, and an update is in progress and not reflected in the numbers in the presentation, Burn said. A high-level view of the preliminary five-year projections for the FWPDA and Fort Worden Hospitality was presented. Board and staff talked about the predicted income, including facility rental rates and expenses, such as maintenance costs. It was noted that the proposed finance and audit work group could be the place for a deeper dive into the hospitality agreement and how the business will operate. Board members expressed support for the forecasting tool. (See draft forecasting overview on the board records webpage.)

- E. **Debt Obligations/Refinancing.** Timmons provided an overview of the FWPDA's existing and anticipated new debt and the plan for payment (see PowerPoint copy in board agenda packet). One existing revenue bond is for energy infrastructure improvements, and the other is for phase one glamping construction; the existing line of credit note was needed to provide cash flow for Makers Square construction. Timmons said the new revenue bond would restore capital funds that were diverted to operations and would finance a portion of COVID-related operating losses, and two new lines of credit would provide \$250,000 for a required operations reserve and \$500,000 for a debt reserve. Details on how the debt would be paid back were provided. King noted that the primary open question is how to repay the energy bond. Timmons agreed, saying that it would need to be incorporated into the FWPDA's asset management plan. Timmons also shared a PowerPoint that described details regarding the FWPDA's need to secure approval from the City of Port Townsend in order to move forward with its debt transaction with Kitsap Bank. A City Code provision requires City approval for debt that is to be issued to a bank as opposed to issuing bonds through a public sale. Timmons emphasized that "approval" is all that is needed and it does not mean the City

accepts any obligation or agrees with the action. He said that without approval the terms of the existing debt will be difficult to meet and cause other financial impacts, and a public sale of the restoration bond may result in “junk” bond status and unfavorable terms.

VI. **Draft Concept for Entity Relationships.** (Topic was tabled due to a lack of time.)

Board Secretary Eva Weber recommended that the Board be provided with a diagram or other informational material explaining the governance structure and relationships (financial, reporting, etc.) of the FWPDA, the Foundation, and Hospitality

VII. **Confirming or Rescheduling Remaining 2021 Board Meetings.** Board members confirmed their availability for the September 22nd board meeting.

VIII. **Public Comment on Special Meeting Topics Only.** No public comments were shared.

IX. **The meeting adjourned at 7:12 p.m.**