



Board of Directors Special Meeting Agenda
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)

PUBLIC ACCESS:

To join the webinar by computer/web:

<https://zoom.us/j/95357056410?pwd=TzJsl0RsZmxldC9XaTBNa1BXd2tNQTO9>

Phone only dial:

1+253-215-8782

*9 to raise hand to speak

Meeting ID: 953 5705 6410 [No Participant ID – #]

Passcode if needed: 850189

Special Meeting Agenda

- I. **Call to Order**
- II. **Roll Call**
- III. **Public Comment on Special Meeting Topics Only**
- 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
 - B. Review and approval of August Accounts Payables*
Action: Motion to approve the August Accounts Payables
- V. **FWPDA Finances/Recovery Update**
 - A. Staff Report & Board Discussion
 - 1. Restated 2015-2019 FWPDA Cash Basis Financial Statements*
 - 2. Profit & Loss Statement*
 - 3. Cash Flow Statement*
 - 4. Updated FWPDA 5-Year Financial Forecast
 - 5. Debt Obligations/Refinancing*
- VI. **Draft Concept for Entity Relationships**
 - A. Staff Report & Board Discussion
 - 1. Long-term Lease Option
 - 2. Operating Agreement
 - 3. Short-Term Rentals

VII. Confirming or Rescheduling Remaining 2021 Board Meetings:

(9/22, 10/27, 11/24, and 12/22 – all at 9 AM)

A. Staff Report & Board Discussion

VIII. Public Comment on Special Meeting Topics Only

IX. Adjourn

** = topic involves documents in agenda packet*



DRAFT 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.**

FORT WORDEN PDA
A/P Aging Summary
As of August 13, 2021

Operations AP Aging Summary
08.13.21

	<u>Current</u>	<u>1 - 30</u>	<u>31 - 60</u>	<u>61 - 90</u>	<u>> 90</u>	<u>TOTAL</u>	<u>OPS</u>	<u>FS</u>
A-1 Textiles & Hospitality Products	90.32	848.10	0.00	0.00	0.00	938.42		938.42
American Express	0.00	809.89	928.60	1,004.15	5,254.00	7,996.64	7,996.64	
AT&T	0.00	0.00	304.81	0.00	0.00	304.81	304.81	
Auto-Chlor	272.50	1,121.28	0.00	0.00	0.00	1,393.78		1,393.78
Canon Financial Services, Inc	281.05	281.05	0.00	0.00	0.00	562.10	562.10	
Central Welding Supply Co Inc	55.25	0.00	0.00	0.00	0.00	55.25		55.25
City of Port Townsend - Water & Sewer	11,404.54	12,214.44	0.00	0.00	0.00	23,618.98	23,618.98	
Cooper Fuel	0.00	1,188.18	0.00	0.00	0.00	1,188.18	1,188.18	
DM Disposal Co, Inc.	1,831.05	0.00	0.00	0.00	0.00	1,831.05	1,831.05	
Dziedzic Public Affairs	6,000.00	0.00	0.00	0.00	0.00	6,000.00	6,000.00	
East Jefferson Fire - Rescue	0.00	9,339.90	0.00	0.00	0.00	9,339.90	9,339.90	
Ferrellgas	1,247.13	0.00	0.00	0.00	0.00	1,247.13	1,247.13	
Jiffy Lube	112.15	0.00	0.00	0.00	0.00	112.15	112.15	
NoaNet, Inc.	7,135.70	7,135.70	0.00	0.00	0.00	14,271.40	14,271.40	
Office Depot - Intalere	310.97	0.00	0.00	0.00	0.00	310.97	310.97	
Pacific Office Equipment Inc	0.00	4.90	0.00	0.00	0.00	4.90	4.90	
Peninsula Fire Inc	0.00	1,442.63	833.47	0.00	0.00	2,276.10	2,276.10	
Port Townsend Leader	0.00	765.00	0.00	0.00	0.00	765.00		765.00
Printery Communications, Inc.	204.14	0.00	0.00	0.00	0.00	204.14		204.14
PUD #1 of Jefferson County	0.00	14,565.60	12,967.38	4,098.36	10,910.15	42,541.49	42,541.49	
State Auditor's Office	476.75	808.00	1,680.40	4,169.00	0.00	7,134.15	7,134.15	
Sunrise Coffee	81.00	0.00	0.00	0.00	0.00	81.00		81.00
Superior Linen Service, Inc.	1,729.91	0.00	0.00	0.00	0.00	1,729.91	1,729.91	
Supply Works - AKA The Home Depot Prc	4,646.11	0.00	0.00	0.00	0.00	4,646.11	4,646.11	
Symbios Law Group	3,766.50	0.00	0.00	0.00	0.00	3,766.50	3,766.50	
Sysco	24,218.94	0.00	0.00	0.00	0.00	24,218.94		24,218.94
TCF/Huntington Bank	852.00	0.00	0.00	0.00	0.00	852.00	852.00	
Terry's Lock and Safe, Inc.	0.00	156.10	0.00	0.00	0.00	156.10	156.10	
TOTAL	<u>\$ 64,716.01</u>	<u>\$ 50,680.77</u>	<u>\$ 16,714.66</u>	<u>\$ 9,271.51</u>	<u>\$ 16,164.15</u>	<u>\$ 157,547.10</u>	<u>\$ 129,890.57</u>	<u>\$ 27,656.53</u>
							Sales Tx	\$ 54,132.71
							Payroll	\$ 70,000.00 \$ 15,000.00
							Total	\$ 254,023.28 \$ 42,656.53
							Bank Bal	\$ 315,256.44 \$ 51,860.96
							Bal Remain	\$ 61,233.16 \$ 9,204.43

FORT WORDEN PDA
A/P Aging Summary
As of August 13, 2021

Capital Fund A/P Aging
08.13.21

	<u>Current</u>	<u>1 - 30</u>	<u>31 - 60</u>	<u>61 - 90</u>	<u>> 90</u>	<u>TOTAL</u>
MS Landlord LLC	0.00	1,313.63	0.00	0.00	0.00	1,313.63
Signal Architecture	2,118.00	0.00	0.00	0.00	0.00	2,118.00
TOTAL	<u>2,118.00</u>	<u>1,313.63</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>3,431.63</u>

FWPDA Recovery Plan

PDA Leadership Change

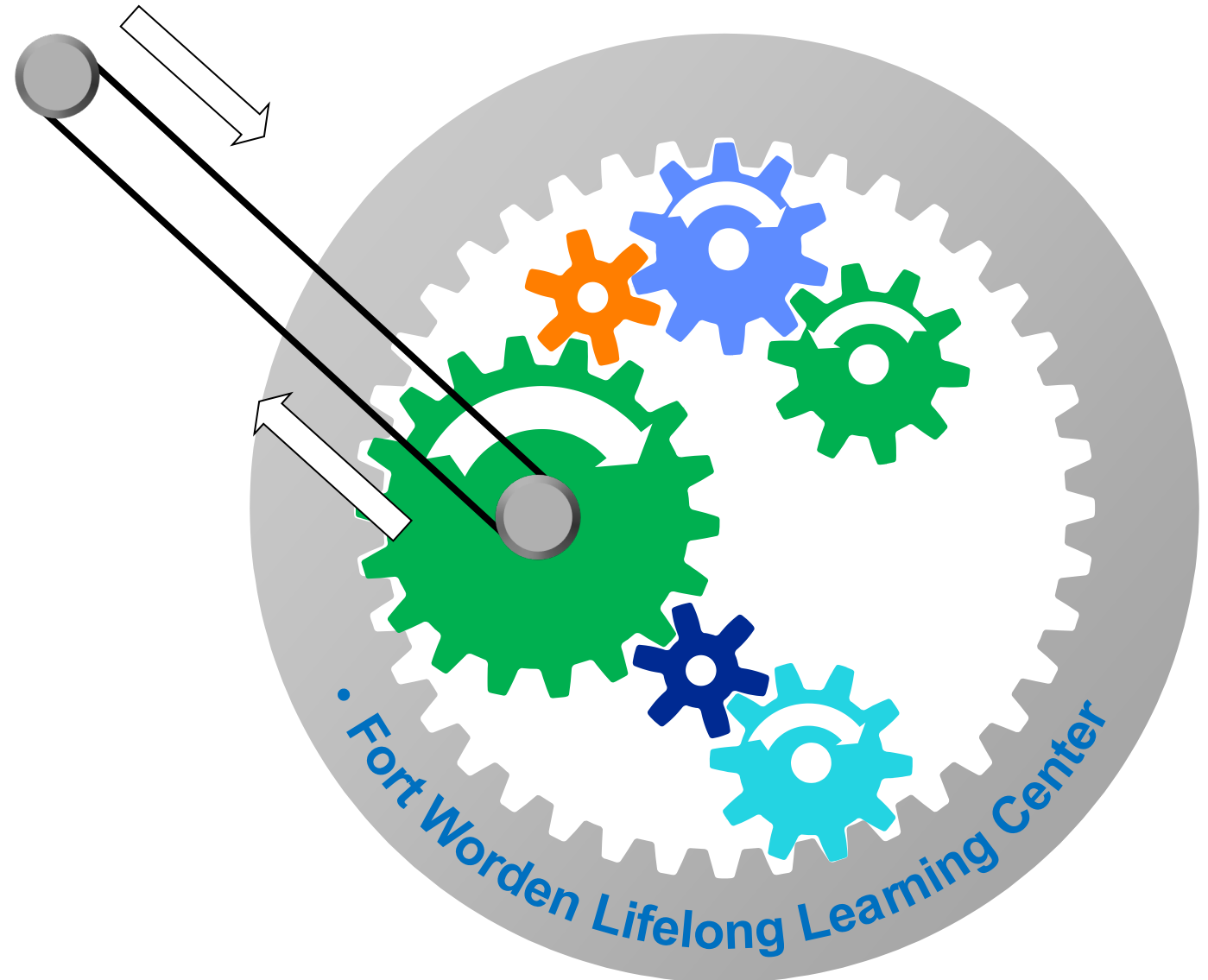
Organizational Restructuring

**Relationships
(Parks, Partners, Foundation)**

2021 Budget/ Org. Finances

Capital Project Financing

State Audit



Response to a Crisis

Frameworks that guided actions taken:

- FWPDA Master Lease with WA State Parks
- State Parks Lifelong Learning Plan
- City of Port Townsend Code/Charter
- Open Meetings/Public Participation

Organizational Restructuring

2020-2021 Goals:

Create new operating model to reflect real time limitations and opportunities; consider divesting some areas of FWPDA operations to third party(s); transition to a new board of directors.

Outcomes:

- FW Hospitality formed as nonprofit with shared Lifelong Learning Center mission. Full separation from FWPDA operations under terms of a concession agreement slated for Jan. 1, 2022.
- Under new board, FWPDA focuses on Asset Management and continued stewardship of Lifelong Learning Center mission.
- Propose new entity relationship options for flexibility and shared investment in assets.

Finances/Accounting

2020-2021 Goals:

Survive 2020 and develop balanced 2021 budget; bring accounting and past financial statements in line with audit recommendations; address Accounts Payable debt.

Outcomes:

- Staffing adjusted to reflect financial realities.
- Financial reports tied to General Ledger.
- Paid off \$200,000 Accounts Payable balance, half of which were utility accounts.
- Eliminated credit card debt and closed all credit card accounts.
- 2015 through 2019 statements restated and converted to a cash basis for audit purposes. Makers Square finances restated to a Fort Worden Foundation LLC to align with historic tax credit cash flow requirements.

Capital Project(s) Financing

2020-2021 Goal:

Address lack of funds for \$5.1 million in capital project debt.

Outcomes:

- Secured Historic Tax Credits for Makers Square.
- Pending terms to renegotiate existing debt.
- Pending terms on restoring capital funds.

What's Next on these Fronts?

2021 Goals:

- Now to Dec. 2021: Facilitate Organizational Stability
- Complete Board Training
- Secure Debt Refinancing
- Respond to Accountability Audit
- Update Partner Operating Terms
- Update 2021 Budget and Enact Any Supplemental Requirements
- Develop and Adopt 2022 Budget
- Set Other Short- and Long-Term Strategic Objectives

**Fort Worden Public Development Authority
Fund Resources and Uses Arising from Cash Transactions
Enterprise Operating Fund
For the Years Ended December 31:**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Beginning Cash and Investments					
30810 Reserved	1,206,691	152,082	724,313	1,508,179	475,844
30880 Unreserved	82,486	388,008	134,109	63,928	178,638
Total Beginning Cash and Investments	1,289,177	540,090	858,422	1,572,107	654,482
Revenues					
330 Intergovernmental Revenues	1,342,492	25,189	60,500	83,709	1,140,706
340 Charges for Goods and Services	6,499,510	6,229,413	5,430,151	4,146,642	3,267,303
360 Miscellaneous Revenues	28,603	586	126	5,014	3,395
Total Revenues	7,870,605	6,255,189	5,490,777	4,235,365	4,411,404
Expenditures					
570 Culture and Recreation	9,729,989	6,653,135	5,305,796	4,592,233	3,077,932
Total Expenditures	9,729,989	6,653,135	5,305,796	4,592,233	3,077,932
Excess (Deficiency) Revenues over Expenditures	(1,859,385)	(397,946)	184,981	(356,868)	1,333,472
Other Increases in Fund Resources					
391-393 Debt Proceeds	2,200,000	1,190,000	-	158,724	-
386/389 Custodial Activities	985,925	765,183	670,753	589,289	374,452
Total Other Increases in Fund Resources	3,185,925	1,955,183	670,753	748,013	374,452
Other Decreases in Fund Resources					
594-595 Capital Expenditures	1,051,028	34,980	285,985	534,126	202,832
591-593 Debt Service	206,418	15,493	208,066	3,005	73,243
586/589 Custodial Activities	756,593	757,678	680,016	567,700	514,224
Total Other Decreases in Fund Resources	2,014,038	808,150	1,174,067	1,104,830	790,299
Increase (Decrease) in Cash and Investments	(687,498)	749,087	(318,332)	(713,685)	917,625
Ending Cash and Investments					
5081000 Reserved	403,554	1,206,691	152,082	724,313	1,508,179
5088000 Unreserved	198,124	82,486	388,008	134,109	63,928
Total Ending Cash and Investments	601,678	1,289,177	540,090	858,422	1,572,107

**UNAUDITED – FOR INTERNAL
MANAGEMENT USE ONLY**

**Fort Worden Public Development Authority
Fiduciary Fund Resources and Uses Arising From Cash Transactions
Fort Warden Foundation
For the Years Ended December 31:**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Beginning Cash and Investments					
308 Beginning Cash and Investments	1,844,261	1,808,925	1,117,899	-	-
Additions					
310-390 Additions	2,976,439	855,728	1,400,485	1,548,318	-
Deductions					
510-590 Deductions	4,720,666	820,392	709,459	430,419	-
Increase (Decrease) in Cash and Investments	(1,744,227)	35,336	691,026	1,117,899	-
Ending Cash and Investments					
508 Ending Cash and Investments	100,034	1,844,261	1,808,925	1,117,899	-

**UNAUDITED – FOR INTERNAL
MANAGEMENT USE ONLY**

**Fort Worden Public Development Authority
Fund Resources and Uses Arising from Cash Transactions
Enterprise Operating Fund
For the Years Ended December 31:**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Beginning Cash and Investments					
30810 Reserved	1,206,691	152,082	724,313	1,508,179	475,844
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Revenues					
330 Intergovernmental Revenues	1,342,492	25,189	60,500	83,709	1,140,706
340 Charges for Goods and Services	6,499,510	6,229,413	5,430,151	4,146,642	3,267,303
360 Miscellaneous Revenues	28,603	586	126	5,014	3,395
Total Revenues	7,870,605	6,255,189	5,490,777	4,235,365	4,411,404
Expenditures					
570 Culture and Recreation	9,729,989	6,653,135	5,305,796	4,592,233	3,077,932
Total Expenditures	9,729,989	6,653,135	5,305,796	4,592,233	3,077,932
Excess (Deficiency) Revenues over Expenditures	(1,859,385)	(397,946)	184,981	(356,868)	1,333,472
Other Increases in Fund Resources					
391-393 Debt Proceeds	2,200,000	1,190,000	-	158,724	-
386/389 Custodial Activities	985,925	765,183	670,753	589,289	374,452
Total Other Increases in Fund Resources	3,185,925	1,955,183	670,753	748,013	374,452
Other Decreases in Fund Resources					
594-595 Capital Expenditures	1,051,028	34,980	285,985	534,126	202,832
591-593 Debt Service	206,418	15,493	208,066	3,005	73,243
586/589 Custodial Activities	756,593	757,678	680,016	567,700	514,224
Total Other Decreases in Fund Resources	2,014,038	808,150	1,174,067	1,104,830	790,299
Increase (Decrease) in Cash and Investments	(687,498)	749,087	(318,332)	(713,685)	917,625
Ending Cash and Investments					
5081000 Reserved	403,554	1,206,691	152,082	724,313	1,508,179
5088000 Unreserved	198,124	82,486	388,008	134,109	63,928
Total Ending Cash and Investments	601,678	1,289,177	540,090	858,422	1,572,107

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**Fort Worden Public Development Authority
Fiduciary Fund Resources and Uses Arising From Cash Transactions
Fort Warden Foundation
For the Years Ended December 31:**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Beginning Cash and Investments					
308 Beginning Cash and Investments	1,844,261	1,808,925	1,117,899	-	-
Additions					
310-390 Additions	2,976,439	855,728	1,400,485	1,548,318	-
Deductions					
510-590 Deductions	4,720,666	820,392	709,459	430,419	-
Increase (Decrease) in Cash and Investments	(1,744,227)	35,336	691,026	1,117,899	-
Ending Cash and Investments					
508 Ending Cash and Investments	100,034	1,844,261	1,808,925	1,117,899	-

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08/12/21

Accrual Basis

FORT WORDEN PDA
Profit & Loss Prev Year Comparison
 January through July 2021

	<u>Jan - Jul 21</u>	<u>Jan - Jul 20</u>	<u>\$ Change</u>	<u>% Change</u>
Ordinary Income/Expense				
Income				
4000 Accomodations	1,011,871	254,175	757,696	298%
4400 Food Sales Revenue	214,728	239,772	(25,044)	(10)%
4600 Other Revenues	183,258	159,859	23,399	15%
4900 PDA Grants/Donations	483,971	2,022,612	(1,538,641)	(76)%
4950 HTC	354,345	0	354,345	100%
Total Income	2,248,172	2,676,418	(428,246)	(16)%
Cost of Goods Sold				
Cost of Goods	70,529	128,032	(57,503)	(45)%
Total COGS	70,529	128,032	(57,503)	(45)%
Gross Profit	2,177,643	2,548,386	(370,742)	(15)%
Expense				
6010 Personnel Costs	677,321	1,465,626	(788,305)	(54)%
7000 Repairs & Maintenance	30,293	55,406	(25,113)	(45)%
7100 Utilities	228,675	217,409	11,266	5%
8000 Contracts	674,533	1,560,669	(886,136)	(57)%
8500 Operating Expense	188,329	268,208	(79,878)	(30)%
Total Expense	1,799,152	3,567,317	(1,768,166)	(50)%
Net Ordinary Income	378,492	(1,018,932)	1,397,424	137%
Other Income/Expense				
Other Expense				
9200 Bond Interest Expense	170,487	45,385	125,102	276%
9500 Capital Purchase/Equipm...	0	54,668	(54,668)	(100)%
9600 Leasehold Improvements	1,098	238,442	(237,343)	(100)%
Total Other Expense	171,585	338,494	(166,909)	(49)%
Net Other Income	(171,585)	(338,494)	166,909	49%
Net Income	206,907	(1,357,426)	1,564,333	115%

FORT WORDEN PDA
FWPDA Hospitality Comparative P&L
 January through July 2021

	<u>Jan - Jul 21</u>	<u>Jan - Jul 20</u>	<u>\$ Change</u>	<u>% Change</u>
Ordinary Income/Expense				
Income				
4000 Accomodations	1,011,871	254,175	757,696	298%
4400 Food Sales Revenue	214,728	239,772	(25,044)	(10)%
4600 Other Revenues	172,244	156,299	15,945	10%
4900 PDA Grants/Donations	43,777	76,450	(32,673)	(43)%
Total Income	1,442,620	726,696	715,924	99%
Cost of Goods Sold				
Cost of Goods	70,529	126,124	(55,594)	(44)%
Total COGS	70,529	126,124	(55,594)	(44)%
Gross Profit	1,372,091	600,573	771,518	129%
Expense				
6010 Personnel Costs	642,574	1,258,502	(615,928)	(49)%
7000 Repairs & Maintenance	30,075	27,500	2,575	9%
7100 Utilities	228,675	217,409	11,266	5%
8000 Contracts	75,410	56,889	18,521	33%
8500 Operating Expense	170,121	250,922	(80,801)	(32)%
Total Expense	1,146,855	1,811,221	(714,311)	(40)%
Net Ordinary Income	225,236	(1,210,649)	1,435,885	123%
Other Income/Expense				
Other Expense				
9500 Capital Purchase/Equipm...	0	46,296	(46,296)	(100)%
Total Other Expense	0	46,296	(46,296)	(100)%
Net Other Income	0	(46,296)	46,296	100%
Net Income	225,236	(1,256,944)	1,482,181	122%

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08/12/21

Accrual Basis

FORT WORDEN PDA
FWPDA Capital Comparative P&L
 January through July 2021

	Jan - Jul 21	Jan - Jul 20	\$ Change	% Change
Ordinary Income/Expense				
Income				
4600 Other Revenues	11,013	3,120	7,893	253%
4900 PDA Grants/Donations	440,193	1,946,162	(1,505,969)	(77)%
4950 HTC	354,345	0	354,345	100%
Total Income	805,551	1,949,282	(1,143,731)	(59)%
Gross Profit	805,551	1,949,282	(1,143,731)	(59)%
Expense				
6010 Personnel Costs	34,747	207,085	(172,338)	(83)%
7000 Repairs & Maintenance	218	27,906	(27,688)	(99)%
8000 Contracts	599,123	1,503,780	(904,657)	(60)%
8500 Operating Expense	18,208	17,286	922	5%
Total Expense	652,295	1,756,057	(1,103,761)	(63)%
Net Ordinary Income	153,256	193,225	(39,970)	(21)%
Other Income/Expense				
Other Expense				
9200 Bond Interest Expense	170,487	45,385	125,102	276%
9500 Capital Purchase/Equipm...	0	8,373	(8,373)	(100)%
9600 Leasehold Improvements	1,098	238,442	(237,343)	(100)%
Total Other Expense	171,585	292,199	(120,614)	(41)%
Net Other Income	(171,585)	(292,199)	120,614	41%
Net Income	(18,329)	(98,973)	80,644	82%

FORT WORDEN PDA
Statement of Cash Flows
January through July 2021

	Jan - July 21
OPERATING ACTIVITIES	
Net Income	\$ 206,907
Adjustments to reconcile Net Income	
Net cash provided (used) by operations:	
AR	\$ (3,022)
Grants	\$ 885,046
Inventories	\$ (14,031)
Prepaid Expenses	\$ (83,020)
Hospitality A/P	\$ (166,809)
Capital Fund A/P	\$ (1,003,730)
Current Liabilities	\$ 38,976
Public Works Retainage	\$ (69,567)
Advance Deposits	\$ 203,601
Net cash provided by Operating Activities	\$ (5,649)
net cash provided (used) by Financing Activities	
First Federal HTC Loan	\$ 630,546
Kitsap Bank Bond Interest	\$ 170,487
Fort Worden Foundation Loan	\$ (350,000)
Kitsap Bank Bridge Loan	\$ (214,000)
Net cash provided by Financing Activities	\$ 237,033
 Net cash increase for period	 \$ 231,384
 Cash at beginning of period	 \$ 162,226
 Cash at end of period	 \$ 393,610

Fort Worden PDA Debt Summary

WHAT IT IS

WHY IT EXISTS

HOW IT WILL BE PAID BACK

What it is

There are three Revenue Bonds and one Line of Credit note for a total of four separate debt obligations owed by the FWPDA

- Three are pre-existing:
 - One existing revenue bond is for **Energy** infrastructure improvements.
 - Another existing revenue bond is for phase one **Glamping** construction.
 - The existing line of credit note is to cash flow **Makers Square** construction.
- The new revenue bond **restores capital funds** that were diverted to operations and finances a portion of the COVID-19 operating losses

There are also two new lines of credit

- \$250,000 for required Operations Reserve
- \$500,000 for a Debt Reserve

Why

The existing bonds for energy & glamping are being held in abeyance to allow refinancing to obtain more favorable terms

- Deferral on first two years and longer term to help with cash flow
- Options to repay in advance

The existing Makers Square line of credit note due date term is being extended

- Facilitates closing of Makers Square and restoration of funds diverted from the note to operations back to the note (\$404,000 plus interest)

The new bond is established to restore diverted capital funds from operations and to provide an operating reserve

- \$600,000 to Glamping
- \$330,000 to Energy
- \$404,000 to Makers Square line of credit note
- \$600,000 to Operations Reserves

The additional 2 lines of credit

- \$250,000 is required operating reserve per the Master Lease with State Parks and the existing reserve was not renewed
- \$500,000 is required as a debt reserve to service one year's debt owed by FWPDA assuring timely payments

How it will be paid back

Energy Revenue Bond

- Original plan was service from savings from investment
- Debt service deferred for 2 yrs - Current plan is to roll costs into a maintenance cost recovery plan that is under development

Glamping Revenue Bond

- Debt servicing after 2 years will come from a separate agreement with FW Hospitality as a part of a management agreement to oversee the Glamping asset
- Funded by glamping revenue via FW Hospitality
- Funding expectations are incorporated in the FW Hospitality financial forecast

Makers Square Line of Credit Note

- Payment will come from excess proceeds of project funds
 - Grants, Gifts and Historic tax Credit Income
 - \$404,000 from the amount due from Operations

Restoration Revenue Bond (new)

- A pledge of all income from Makers Square lease with the Fort Worden Foundation
- Any annual balance shortfall will be allocated out of FW Hospitality's concession income

Line of Credits (new)

- Any draw on lines of credit will require funds to be repaid within one year of the draw by Operations

What else?

A restricted debt servicing bank account will be established

- Bank access controlled by Kitsap Bank (not accessible by FWPDA)
- All funds from Makers Square lease and FW Hospitality concession payments will be paid by FW Foundation and FW Hospitality directly to the bank's restricted debt servicing account
- All funds in excess of annual debt service needs will be released to the Operations account

An annualized Debt Reserve Fund will be created and fully funded by 2025

- \$367,000 is the liability
- Possible to lower the \$500,000 line of credit for debt reserve to this amount


FWPDA will provide a third party(s) cash or pledge obligation of \$375,000 to back up the Debt line of credit

- If draw is made on the Debt line of credit to make payments, then the FWPDA has one year to repay the drawn amount
- If the funds are not repaid within one year of the draw then the third party(s) will restore the funds
- FWPDA will be required to repay the funds to the third party(s) – either a credit pledge or a contingent loan guarantee of 367k


REQUEST FOR APPROVAL OF BOND TRANSACTION

Approval versus Guarantee


Why are we asking this?

- An overlooked provision in the City Code allows for the FWPDA to issue debt; however, if that debt is to be issued to a bank as opposed to a public sale the City must give approval to a bank transaction.
 - We are confused why this restriction exists, as a private sale will generally grant more favorable terms as well as be less costly to issue.
 - This probably was a carry over from the original document that was used to create the current city code.
 - Our request to the City is allow us to complete our transaction with Kitsap Bank.
- 

What does “approval” mean?

- Approval by the City only means that we can complete our bond transaction with Kitsap Bank.
 - It implies nothing more.
- 

What “approval” does not mean

- It does not mean that the City accepts any obligation.
 - It does not mean the City accepts or agrees with the FWPDA actions.
- 

What does it mean to withhold approval?

- The FWPDA would have to honor existing terms for Energy and Glamping
 - Existing terms will be difficult to meet
 - Lacking cash flow to complete existing projects
 - Glamping would remain incomplete and unable to service the current debt
- The FWPDA would have to arrange a public sale of its Restoration Bond
 - Currently the FWPDA is unrated
 - The FWPDA does not have an audited set of financial records since 2016
 - 2015/2016 Audit resulted with an Adverse Opinion
 - Implies Fraud or misrepresentation
 - More than likely to result in a “junk” bond status and unfavorable terms
- Expected cash flow shortage will impact the future survival of the FWPDA
 - Cash flow will be minimal through the winter months