

**Fort Worden PDA
Special Board Meeting
Approved Meeting Minutes
September 13, 2012
Cotton Building**

Meeting called to order: 8:40 a.m. by Scott Wilson

Attendees:

Staff: Dave Robison, Brian Trusty (pros consulting)

Board: Tim Caldwell, Gee Heckscher, Scott Wilson, Lela Hilton, Bill Brown, Ann Murphy

State Parks: Larry Farleigh, Mike Sternback, Ed Girard, Allison Alderman

Expected action today: Board vote on whether to advance draft plan to OFM and independent reviewer Rick McPherson (UW) for review.

Next Meetings:

- October 3rd: Regular scheduled meeting—continue review of business plan and comments received to date
- October 9th – Special meeting to review OFM and independent peer review feedback
- Draft Business Plan finalized on Oct 15
- October 25 – Commission’s first chance to get walked through the plan.

Public Comment

- No public comment offered

Revisions to draft plan: Brian Trusty, PROS Consulting

- Changes based on public comment, Partner feedback, State Parks staff, and initial reactions from OFM and business plan consultant
- Plan needs to go to OFM by next Tuesday, 9/18 – need to manage changes that are made between now and Tuesday
- Exec summary
 - Environment State Parks is operating within
 - More market data added to appendix
 - Mobilization period added to pro forma

- Change to approach in how State Parks and the PDA would work together
 - Campground remains under management of the State
 - Reservations and customer care for campground would transition to PDA; management agreement will lay out how State Parks pays PDA for this service
- Conversion of B298 to 100 room hotel-style accommodation as a concession operation – estimated capital need is \$20M. Fort Vancouver is evaluating a similar project at \$10-11 million
- Plan Overview additions
 - State of Washington context added
 - Since 2003, Commission has submitted \$305 million in capital requests and the State has funded only \$13 million of these needs
 - State Park industry nationally is changing
 - \$17.2 million in biennium funding to Washington State Parks equates to \$1.26 per Washington State resident per year
 - \$50 million in State view of capital projects compared to \$89 million as a PDA estimate. Difference is capital estimated for Bldg 298 hotel, bringing their buildings online, and infrastructure improvements (water, sewer, etc)
 - Co-management model requires clear roles and responsibilities
- Summary of public input
 - Additions have been expanded based on feedback received from all stakeholders. All meeting notes from public input sessions will be appended to our actual submittal to commission.
 - Question received about state of union involvement. Dave has emailed Jeanine Livingstone and the president of the Union offering to come to Olympia and talk about our plan. State Parks believes the Union may be preparing an alternative proposal, including the union employees delivering the same services (EBU process) that the PDA is planning to deliver.
- Market Analysis
 - Added content around extending stays of existing visitors, attracting new visitors, and offering more attraction during shoulder system
 - Focus on attracting visitors during shoulder systems – pricing incentives (yield management pricing), having consistent service delivery during shoulder season
 - Appendices to support

- Description about household spending - \$3100 on recreation and entertainment
- Community tapestry segmentation (Appendix A - page 71)
- Financial performance improvement strategies (Appendix B - page 78)
- Appendix C – request to have this data updated by PFM and McPherson although resources do not exist to update from original business plan. Context and trends identified during the original plan have not changed, though.
- Operations and Management analysis updates
 - Added section on Summary of Contributions of Partner Organizations – summarized from data received from 7 of the 16 partners who have submitted information
 - Contributions estimated at \$854K in revenue to the State for calendar year 2011
 - Contributed \$5 million in capital funding over the last five years
 - If you add lease payments from Partners, they account for approximately 50% of revenue at Fort Worden
 - Improving consistency of services provided in shoulder seasons
 - Consistent food service
 - Incentivized pricing options
 - Yield mgmt pricing
 - Packaging services
 - Promotions and discounts
 - Coordinating Marketing and promotions
 - Expanded Discover Pass alternatives
 - Partners want to see relationship between Option 2 discover pass purchase pooling and lease rates
 - Lease terms updates- termination, terminations (expanding to 120 days from month to month), duration (not to exceed 50 years)
 - Brian suggested doing a future feasibility study on the likelihood of a hotel being successful if this were to proceed
- Management assumptions and criteria - significant changes were made to ensure numbers appeared reasonable and supportable

- Concern noted with wording around master lease assignment, transfer, and approval. This will be noted in the management agreement.
- Delineation of maintenance responsibilities between PDA and State Parks – will need to detail what these actually mean as part of a management agreement
- Substantial marketing efforts
- Relationship between State and PDA for security and campgrounds
- Statement of Activities updates
 - Further fleshing out of assumptions related to facilities, revenues, and expenses
 - Mobilization period added to plan to enable PDA to get ready to run FW campus as of 6/2014 – requires \$300K in start-up funds
 - Campground sharing of revenue between State Parks and PDA to bootstrap PDA operations early and scaling down
 - Hotel planned to come online in year 7 – this is conservative estimate
 - Partners believe Bldg 225 could be upgraded in the interim to increase higher-quality accommodations space
 - Pricing and occupancy rates do not show exorbitant increases although do show marginal increases
 - Staffing – added maintenance positions, made adjustments to guest services, need to clarify difference between manager and exec director
- Additional revenue opportunities updates
 - Shifted alcohol sales to year 3 and lowered projections
 - Capital plan changes – these are not actual commitments. This tries to address a potential funding strategy for the \$89 million of capital projects that have been identified and how this amount can be allocated/leveraged over time.
 - Suggesting that State retains current level of capital funding for FW but focus investment on fewer projects
 - PDA responsible for attracting \$15-25 million over 10 years from fundraising, historic tax credit monetization, and other sources –
 - Partner organizations (existing and new) could account for \$35–50 million; hotel is included in this category (i.e., \$20M).

- Funding Strategy changes
 - Added Fort Worden Conservancy as a potential funding; need to build greater fundraising capacity to raise private donations to support capital and programmatic initiatives.
 - Public grants, historic tax credits, veteran programs funding, having FW designated as a National Heritage Area is a future possibility
- Implementation Recommendations
 - Opportunities and risks identified
 - Performance measure discussion
- Path to Sustainability – NEW SECTION added with strategic initiatives
- Appendix D – Governance Model
 - Co-Management model intended to bring more decision making back to the Park locally. Asking Commission and PDA to cede some responsibility.
 - Policy Board, would instruct and advise Operations Committee
 - Feedback from Board:
 - Should Partner have more than one representative? Brian believes Partners should have same level of representation as any other stakeholder.
 - Should County be represented?
 - Should there be even or odd number of members?
 - Need to clean up Governance Model slides to match written descriptions

Public Comments

Ed Edwards: Very supportive of approach

- Think about food as a major community education process
- Facilities onsite – Chinese gardens, indoor gardening
- Here because of the Partners and their customers. If it wasn't for Partners and customers, we wouldn't be here. Operations Governance seems top down instead of bottoms up. Have Partners more involved in operations
- Dumbfounded by the numbers in the Capital plan. Need to negotiate with the State to get a realistic set of numbers.

- Consensus mgmt – if consensus gets to point of one party holding others hostage, decision rights need to be passed to one person to overcome any logjams

Eric Harrington:

- Strong supporter
- Look at mgmt model. Two consortia could end up unwieldy. Lot of time spent in co-mgmt part of report, will result in complexity.

David Goldman:

- Any progress for funding for B202? \$500K shortfall still needed?
- Is PDA still planning on alcohol sales planning on yr 1 alcohol sales? Alcohol added back in during yr 3 and \$12K is amount.
- Will PDA be in the red without campground revenues?

Ted Shoulberg:

- Do you think it is ample public time for the public to comment when plan came out yesterday?
 - Motion today to approve plan?
 - Oct 3 and 9 meetings—will there be additional opportunities for public comment on the draft plan?
- Governance model – no discussion. Need an expert to review this.. Flow charts, relationship to mgmt.
- Increase in revenues – have these changed?
- Would PDA have to be bonded to execute this plan? This is a policy consideration.
- When do you start negotiations on a management agreement?

Larry Fairleigh:

- The Commission meets on Oct. 25. By December, the Commission could authorize negotiations to begin on a management agreement, which could last up until June 2013. The PDA proposes a mobilization period from June to the end of 2013. A transition could occur after that.

John McAlwhie:

- Well thought out plan, thanks for thinking about partner needs
- B298 and B225 – teaching spaces would need to be replaced if/when they become accommodations

Jim Costello:

- Asilomar State Park has a maintenance share that is very similar as maintenance responsibilities between the PDA and Parks as presented today
- Interested in comments on shoulder season development – have some experts you can with to leverage capital dollars
- Intrigued by Building 298 as an improved hotel. Would love to include to see us lump B225 and B298 together. Need more rooms to make this attractive to developer.
- Mobilization period may be too short

Board Deliberation

Motion: Board recommends to move forward with the PDA Business Plan, Working Draft dated 9/12/12, as amended by its review today, and submit revised Draft Plan to OFM and designated business consultant for the purpose of gaining their peer review, analysis and feedback.

Vote: Unanimous approval by all members present.

- Ted Shoulberg submitted a letter from his attorney Bricklin and Newman LLP re: Potential Conflict of Interest.
- Scott requested we get feedback from an ad hoc subcommittee on the governance model; motion to set up a committee was made by Tim, seconded by Bill; Ad Hoc committee to review governance was approved unanimously. Scott Wilson, Norm Tonina and Gee Heckscher volunteered to review governance model.

Meeting adjourned at 12:40 p.m.