To:

Members of the Washington State Park and Recreation Commission, Director Don Hoch,

On Wednesday, May 15, the Commission reviewed the current discussions taking place between your administrative team and the Fort Worden Public Development Authority toward a management agreement and a long-term lease that would enable the comanagement of Fort Worden State Park to begin, with proper safeguards. These discussions have been ongoing since the Commission's formal and unanimous recognition of the FWPDA's 2012 business plan as the best alternative for Fort Worden. They have been in-depth, intensive and engaged in good faith by the FWPDA, with results close at hand.

Also on May 15 the Commission heard an alternative plan from representatives of the Washington Federation of State Employees (WFSE) that included numerous financial and operational assertions, and that in sum proposed an entirely new management alternative for Fort Worden. Then on May 16, we learned that the Commission emerged from executive session and presented a motion to incorporate the union alternative as a possible course of action. This motion failed 4-1.

We understand and appreciate the need for the Commission to hear out the concerns of its employees and the WFSE that represents them. We acknowledge that WFSE members at Fort Worden have deep knowledge of operations and insights into how to more effectively perform services there, and that they are a critical component of success at Fort Worden under any scenario.

However it appears to us, based on the recent meeting, that the Commission is applying a double standard to this process. The FWPDA has gone through 18 months of extensive research and planning toward a business plan, financial pro formas and market-based forecasts created by a nationally known expert and vetted by corporate financial experts who volunteer for the FWPDA. These plans and financial projections were, in turn, subjected to high-level analysis and assessment by OFM and by an independent outside expert. Adjustments were made at every step of the way based on this expert analysis. All of this happened before our plan earned a 7-0 vote from the Commission. Now, on the eve of a carefully negotiated lease and/or agreement, the Commission is absorbing a new set of assertions and financial claims from the union which are new, lack sufficient background, have not been independently assessed and which include at least some assumptions and financial data that we know to be erroneous or outdated.

The union proposal gave credit to the FWPDA as an appropriate organization to tackle narrow elements of a Fort Worden business plan. These were: Capital donations for single buildings; marketing; and new tenants. While this proposal has not yet gone

before the entire FWPDA board, we can tell you that these narrow tasks do not appear to make it possible for the FWPDA to be financially supportable. Instead, the FWPDA business plan uses the other revenue streams of managing the entire campus to subsidize these same expensive but necessary tasks. In addition, woven throughout the 2012 business plan is the sound idea that for Fort Worden to succeed financially and with its lifelong learning center mission, new management and new operational principles are essential.

The union proposal did highlight several problems with current management at Fort Worden, including uncollected revenues. These are valuable insights. We can assure you that the FWPDA will be tightly focused on collecting all lease and utility payments that the market will bear and that are due, probably more so than State Parks has done in the past. That is one inherent benefit of the PDA's more business-like approach to the management structure, given that our operations depend on our ability to cover the costs through tenant-related activities. This is an area where we would hope to work closely with Fort Worden's current employees.

The larger issue, however, is our pursuit of a reliable partner at Fort Worden State Park. A reliable partnership is at the heart of any co-management arrangement at Fort Worden. Time after time, the FWPDA has demonstrated that it will meet the expectations laid out by the Commission and by its administrative team toward a working agreement that accomplishes our mutual goals at Fort Worden. These have been our milestones, and to the satisfaction of your top staff, we have met them.

In recent discussions with staff, we have revised our financials, again and again, to accommodate the desires of staff to address potential concerns:

- Eliminate Parks payment (investment) over the first 10 years of operation;
- Reduce the number of PDA employees in order to minimize impacts to existing state employees at the Park; and
- Consider revenue sharing.

None of this means that opposition will evaporate. It won't, and this has been known since the first major planning document completed in 2008. The union remains concerned about its members; some local opponents remain, risks remain. Recognizing all of this, we still need a reliable partner in the Washington State Parks and Recreation Commission. This means resisting being pulled off course in reaction to opposition, but instead continuing to work toward an agreement that serves the Fort, the park system, the public and public employees to the best of our mutual abilities, which we think are considerable.

A drumbeat audible to the FWPDA is that State Parks will "kick the can down the road" and find reasons to never quite come to final agreement on a co-management plan; that the internal dynamics of the department and those who can influence it will ultimately not allow it. We have chosen to believe otherwise, but must note that elements of the May 15-16 meeting challenged our confidence. This concern is also heard from possible

investors and donors to Fort Worden. Everyone is waiting to see if Parks will, ultimately, commit.

The WFSE proposal is not a business plan. The FWPDA proposal goes much further by suggesting that Fort Worden can succeed if it is run like an enterprise within the context of explicit public goals. The same capability is not available to Parks and its union. Absent a bold shift, Fort Worden will continue down its current path.

The City recently hired an internationally respected hospitality marketing firm to evaluate the City's potential to attract and retain corporate meetings and groups to serve as a city-wide conference meeting destination. Several of the findings in the draft report (*Market Study—Competitive Meeting and Group Demand Analysis*, May 2013) pertain to the future of Fort Worden serving as a conference center:

"The condition and quality of accommodations at Fort Worden range from poor to fair. Many of the buildings and guestrooms are in need of significant renovations and updates. In addition to the lack of quality guestrooms, the park has suffered from service issues because it has historically operated as a state park as opposed to a hospitality focused business: a traditional check-in, check-out front desk model is not available....."

"In its current state (Fort Worden), the condition of the lodging supply will continue to have a negative effect on meeting retention, which has been evident in historical performance. The majority of the facility's revenue is derived from the conference facilities and lodging..."

"Both the Fort and the City of Port Townsend are currently losing market share in meeting and group related-demand due to the lack of investment in this product... It is noted that significant capital would be required to improve accommodations facilities to a level expected by today's meeting and event planners."

HVS, Draft Market Study, May 2013, p. 34

In closing, this study says what we all know. Fort Worden needs our help -- together.

Respectfully,

Cindy Hill Finnie Chairperson, Fort Worden PDA Scott Wilson Vice-Chairperson, Fort Worden PDA

Cc: Board of Directors, Fort Worden Public Development Authority

Janine Livingstone, Washington State Federation of Employees Jim Cahill, Office of Financial Management