

FWPDA Public Meeting
July 25, 2012, 7 p.m., Pope Marine Building
MEETING NOTES

Chair Cindy Finnie opens meeting and introduces guests, including Brian Trusty of PROS Consulting and Larry Fairleigh, assistant director of Washington State Parks.

Attending for PDA: Lela Hilton, Ann Murphy, Gee Hecksher, Norm Tonina, Ted Springstead, Bill Brown, Scott Wilson. Also staff Dave Robison.

Cindy Finnie: Welcome and emphasize that PDA is not trying to take over FW State Park.

Dave Robison, executive director, introduced Larry Fairleigh and Mike Sternback of State Parks. Dave has asked state parks staff to provide an update on:

1. Discover Pass
2. State Parks Report to OFM
3. Transformation Strategy

1. Discover Pass Update , State Parks, Mike Sternback, Assistant Director:

- Parks operating budget is \$110 million. Last biennium, we were reduced to \$19 million from \$67 million. Our hope was that the Discover Pass would earn \$54 million in this biennium. Revised projections: \$38 million.
- Meeting those projections so far, but June numbers were disappointing – we expected \$4 million and collected \$2 million. It is our largest revenue source coming into State Parks.
- Q: What is expected shortfall this year?
- A: Due to shortfall so far, and budget cuts, we expect to end this fiscal year with our reserve fund of \$8 million intact. We expect to break even.
- Larry Fairleigh: Both public and SP are learning how to do the Discover Pass. Also we are a weather-dependent business, and the weather has not been very good.

2. Report to OFM, Larry Fairleigh, State Parks, Assistant Director

- Legislature has told State Parks it is expected to become self-sustaining. By Aug. 15 we are to report to the Office of Financial Management (OFM) our progress on becoming self-sustaining, and statutory changes we may need. The report to OFM is a 30-page document, in final draft.
- The Commission will review and consider the report on Aug. 9. The Report should be available to public next week. The question before commission is: Can we become self-sustaining? Range of answers are possible.
- Q: Does state own all 115 parks; still paying for some?
- A: We own most of them. Mostly we have no-cost leases from other landowners (counties, etc.). We operate parks for Corps of Engineers.
- Comment by Julie Jaman: Seems like a slippery slope of commoditization and sale of public assets.

- A: Staff shares that concern. We're not out to become the next great business. We're being asked to behave more like a business but we cannot become a business. If you own a KOA, you can make a profit. Take land footprint, pack in as many sites as market will bear, everything you do is focused on making money. State Parks does not have that luxury; we have a stewardship responsibility. We lease all kinds of things to all kinds of entities without making it into a commodity. For example, Lake Sammamish: Should we allow a lodge? A marina? Those are the kinds of questions we need to study. Any new development there would be managed by concessionaire.
- Q: At Fort Worden, why not consider a concession (instead of a lease)?
- A: We could. Fort Worden is a very unique park with many complex agreements with the various partners and businesses there.
- Q: How do you determine fair market value for leases?
- A: We do that through a market study.
- Q: How much revenue comes to SP from all leases, concessions, permits?
- A: About \$1.5 million from the entire state park system.
- Q: So you know which parks are in the black and which are in the red?
- A: No. We have never been asked to keep financial data based on a "profit" model. We don't know what each campground costs, how labor is divided, agency overhead, etc. We now know we need to go there.
- Q: If you don't know those numbers of FW, how do you know PDA will do a better job than Parks? Need details on leases.
- A: I will tell you that we are going to flatline leases.
- Q: How many states are moving toward a self-sustaining model? I feel this kind of legislation is a 'takings.' When you move assets from common holding to leased holdings, we lose rights of public access.
- A: It is a fact that State Parks are public enterprise, but that does not mean we will turn parks over to private enterprise. It brings up an important philosophical question: Will the Legislature fund state parks, or can we change our business model to become self-sustaining.

3. Transformation Strategy, Larry Fairleigh, State Parks, Assistant Director

- We know as an enterprise we need a new business model, which we've been using for 28 years.
- We've had two income streams: Camping fees, etc., and 70 percent from general fund support. State Parks must operate differently. We might seasonalize ranger force to save money.
- We need to maintain our core functions: Our first responsibility is and remains stewardship of natural and cultural resources to which we are entrusted. Now a new responsibility is to sustain ourselves based on our users. The public must now choose us. We are a public amenity. We want the public to use scarce time and income to choose us among other options. Parks must be attractive, priced in way that public will buy our services. When we talked about closing parks, the first choices were day-use parks. But now with Discover Pass, day-use parks make

- money. But when we look at Fort Worden the strategy is different: We need to increase the number of festivals and events. We are now operate an enterprise.
- Q: The Lifelong Learning Center (LLLC) model excludes people from a lot of those buildings, because they will be colleges and programs that exclude people unless they are paying members. This is where I have real problems, due to exclusive use of parts of the parks. The Park is supposed to be for recreation, not for institutions. The mindset is we're going to make money off this.
 - A: It is a philosophical discussion heavy on the minds with the Commission. We are dealing with policy choice from Legislature.
 - Q: Last year the Hostel was closed and it was one of most used venues in the park and it brought people from all over the world. But it couldn't make it at a fair market value. Also Building 202, which is now accessible to students at Marine Science Center, who could afford those facilities. That will not be available once classrooms are built, and a new hotel is built at the existing Schoolhouse.
 - A: Changing the use of buildings that are free or low-cost, if we price people out of those buildings is a real challenge... we need to keep State Parks accessible to all. Are State Parks a social service? If so, that is choice Legislature must make, and if so they must fund it. If the Legislature says we have to support ourselves, and must support ourselves as an enterprise, then our social service role goes away.
 - Brian Trusty: Under the LLLC vision, here is no plan to reduce existing space. Space gets moved but does not squeezed out. Programs there must be financially stable. Fort Worden needs a balance of accommodations that can serve all levels of incomes.
 - Larry Fairleigh: I would like to conclude by stressing that State Parks management staff is committed to do all we can to enter into viable partnership with the PDA.
 - Rodger Schmitt, State Parks Commissioner: This plan was envisioned from many years ago before there was a PDA. Commission wanted an experimental project to show a new way of doing business, and that's what Fort Worden was to become. The LLC vision did not come out of the blue in the last year. It was approved by the Commission many years before there was a PDA.
 - Larry: We are serious about entering into a partnership with the PDA that is economically viable and that is beneficial to the public as a whole.

Dave Robison introduced Brian Trusty from PROS Consulting. Dave remarked that the PDA and State Parks were fortunate to engage Brian's services because Brian was the lead consultant who prepared the business and operating plan for the Lifelong Learning Center that was approved by the Commission in 2008. In addition, since that time, Brian has worked in for stat parks systems in Arizona, Texas, Utah, Kentucky and California helping each of them address and find solutions to their own fiscal challenges.

Presentation: Update to the Lifelong Learning Center Business & Management Plan, Brian Trusty, Pros Consulting

- The Vision of Fort Worden is that it “is a legendary gathering place where people are transformed through retreat, renewal and discovery.”
- This planning process and study went back to 2003, 2004 and has involved numerous meetings and people.
- It is important to remember that Fort Worden has always been a state park AND a conference center. It was created in partnership with State Arts Commission. The mission statement is wordy but it embraces “resident cultural institutions and businesses and major funders, achieving financial vitality through coordination and collaboration.
- My objectives for this business plan update is to build on 2008 Long Range Development Plan for Fort Worden that was adopted by the Commission.
- The PDA is a public entity, not a private concessionaire. The PDA carries public obligations.
- Parks around the U.S are facing similar challenges. It’s not just Washington State Parks! State Parks as industry are the most threatened and endangered forms of parks in the U.S. They are not national parks with iconic status and federal wealth backing them. State parks also differ because 90 percent of federal parks are managed completely by concessionaires. And state parks differ from local parks, with playgrounds, ballfields, rec centers. State Parks are large tracts of land with a lot of expensive resources; they don’t have innovative funding of federal and local parks. Most state parks are missing 50 percent or more of what it takes to operate. Facilities and infrastructure are tired and deteriorated. Of 50 state parks systems in the nation, fewer than 10 are economically healthy. The rest are going through what Washington State Parks is going through. Washington State Parks is working hard to re-think and provide a new model for sustainability. Other State Parks across the nation are just circling the wagon. The Achilles heel of most park systems is facilities and infrastructure—They are expensive to maintain.
- Because of its historic assets, Fort Worden is very expensive park to maintain. Parks are high in our value set, but dropped in the public funding priority matrix. In some cases at the bottom and pushed out of the general fund. Faced with philosophical discussions: We don’t want to commoditize or privatize but have to find a new way to raise funds. Parks is always competing with Education, Social Services, Corrections, etc. for general fund dollars.
- State Parks have become the closest thing that state governments have to a retail business. They have entered a competitive market: Consumers have lots of choices for their time and money.
- The state of the Fort is in relatively good condition but expensive to maintain and operate.
- However, national state and local economic pressures have stagnated; reduced much of the needed activity to sustain a strong partnership economy and the lifelong Learning Center.
- State finances have stymied ability to stay ahead of facility needs and operational development; doubtful for improvement in next 10 years.
- There is a need at Fort Worden to engage in the best business practices. I’ve heard it is very difficult to put together meals, accommodations, programs into a cohesive

visitor package. I've heard it called a "scavenger hunt." That's not the way to compete for peoples' time and money.

Project Scope and Timeline, Brian Trusty

- 1 Data collection (ongoing)
- 2 Collect input from Parks, Public, employees, partners (ongoing)
- 3 Operational cost analysis and cost management plan (underway)
- 4 Market analysis update (underway)
- 5 Business and management plan (due to the PDA on August 21)

- The PDA will begin to get public input at its meeting on Aug. 21;
- There will be a public meeting on August 23 to review the plan recommendations.
- The plan will be send to OFM and a business plan analyst for review. Brian suggested sending the plan to other state parks directors, to gut test the assumptions and performance goals.
- The Commission reviews this plan at its October 25 meeting and a decion on the plan is scheduled before the end of the year.

Questions and Answers

- Jeanine Livingston, Federation: Budget proviso said PDA would make business plan and governance plan. At what point was decision made for this to be co-management plan?
 - Dave Robison: In March, at the Commission meeting, parks and PDA staff discussed how the co-management model may be the best approach.
- Ted Shoulberg: To Fairleigh: I sent many emails that you haven't answered. Why and when did you decide to go to co-management? None of us have had a chance to deal with the governance model. Budget proviso has governance and business plan at the same time.
 - Larry Fairleigh: Co-management is term of art. In this case, it means some form of cooperative management. As PDA develops business plan, it should be taken as reassurance that Fort Worden will not be turned over to PDA, but State Parks will remain involved.
 - Dave Robison: Part of the process is to try and figure out what PDA role is in partnership with State Parks.
- Jeanine Livingston: What problem exists that the co-management model will solve?
 - Brian Trusty: State has been unable to sustain its operations in perpetuity. That park is deteriorating more rapidly than the state has the resources to keep up with. The state has to find another solution other than passing big bond issues. It should be noted that the state through ample participation and planning starting in 2004, went through a lengthy process of envisioning lifelong learning center. That is not different from what is going on out there; it is an extension of it.
- David Theilk: Legislative discussion has statewide input and statewide groups involved. What we have here is a local body, created by the City of PT, a body

- that has some protection from political pressure. What is the point of the PDA, another layer of management and expense, at the cost of public involvement? I don't see that PDA needs to do any management.
- Brian Trusty: This is not about transfer of ownership. State maintains ownership. It remains a state asset. Partners are brought on board to manage certain components of the park that Parks is not equipped to manage.
 - David Thielk: Why is not a PDA representing a broader base from the region? PDA people have discussed Port Townsend economic development. Will you include impact on neighborhoods, economic impacts? This should not be about economic development about Port Townsend.
 - Brian Trusty: Intent of this is to have a partner that can bring additional resources to the table. State maintains access, amenities. Your point is valid about representation on the PDA beyond just local representation.
 - Julie Jaman: Fort Worden is unique. It has certified historic status. The PDA is a public entity. How is it funded? Is it funded by the city? Who funds it?
 - Brian Trusty: PDA funding will be part of business plan and show how the PDA will be self-funded by performing those services.
 - Julie Jaman: People employed at Fort Worden must have skills to manage that park. Would upgrading their training get us that skill set?
 - Brian Trusty: Current employees' ability is not the issue. The issue is the bounds that current State Parks has to work with. The issue is how to bring in business best practices.
 - Ted Shoulberg: Will you recommend capitalization formula for the PDA? How much money do they have to raise to get their hands on state assets. How much money do they have to put up front of their own capital before they can show us they can use state funds to manage the park?
 - Brian Trusty: The PDA is not looking for state funds to manage the park. We will look at what level of operational reserve the PDA has to have to kick-start their operation; that's their responsibility. We're doing a business plan independent of State Parks.
 - Charlie Bermant: When do we get specifics?
 - Brian Trusty: Coming out with draft plan in August. We have marching orders – how do we make a successful model that works for the state, to meet the needs of the organizations that operate out there, meet the needs of the local community for access to clean, green state park, also something that creates management model for partner that brings more resources to table to raise capital, that makes sense, that works. That's it. So that 2 years later the PDA is not back at the Parks Commission saying it didn't work.
 - Jeanine Livingston: I was part of 2008 process. Does your business plan expand public accessibility that was promised in 2008 plan, or is it going to be an exclusive college campus.
 - Brian Trusty: This plan would be a non-starter if it is more exclusive. This is about trying to increase the resources out there for more interpretive

programs, etc. It's about trying to grow the experiences and value of what is out there, not shutting people out.

- Harvey Windle: You talk about this being 2008. We need to distinguish between the vehicle and the driver. Recently we got a new driver. These are not people I want to deal with; this is not an entity that State Parks should turn this over to. I was tenant of Pike Place Market for 23 years. Show of public input; but people did whatever they wanted to do, and the mother ate the child. These folks may be the best intentioned, but this board does not know what the PDA board will look like in 15 or 20 years. The City Council can put anyone on that board. This entity as the driver is not the entity that I can accept. This leadership can't say what the leadership will be in 15-20 years.
- Ken McBride: I wonder what Fort will look like in 15 years. What the report is saying is that it is going to look pretty grim. State doesn't have money to support it, to maintain the buildings. PDA is bringing forth something they feel they can do with Parks, to improve Fort Worden. I've not heard anything from the opposition saying, we can do THIS for Fort Worden and here's what it will look like in 15 years. I just see opposition. The PDA has put up a plan. You can attack a plan easily.
- David Thielk: Washington State Parks Commission could choose members of the PDA.
- Ed Edwards: We're talking about education for this community, and reaching out to the region and the country so people can come here and learn. This is an education project. Education across the country has never paid its way. Public has to pay taxes for it. If we're going to have education pay for itself. Must be method to pay for itself. The PDA has proposed taking one side of it – hospitality services. Then work to bring in education, for people to come in and go out. Have the two sides pay for the whole system. This is the first time I've heard of education paying for itself. It is a brilliant idea.
- Sheila Westerman: I'm glad these people deserve credit for working hard to try and solve a problem, rather than just throwing stones. I'm glad State Parks has stepped up and tried to preserve this for Washington and the country.
- David Goldman: Regarding governance: PDA has four people associated with Centrum's board. PDA is dominated by one partner at Fort Worden. Fort Worden is a national treasure. Notion that Port Townsend will oversee this is weak. This town can't keep the ferries running, can't fix its streets, borrows money from federal government. This Fort is part of triangle of fire. We have serious local problems. Nobody has mentioned Fort Vancouver. I understand it is falling down. Discussion of 400-600 high-end beds at Fort. We were told PDA can't mortgage, but it can issue bonds. What will secure those bonds? State Parks needs to involve other entities, people, sources, from other parts of Washington – because this is State Conference Center.
 - Brian Trusty: Many examples of states that have formed partnerships that have worked, so we don't end up in a place where facilities are so bad that in 15 years you have to close them. In Michigan, parks are being closed. So its important that in Washington people are trying to avoid that.

- Julie Jaman: Fort Worden University? Terrible term. Peninsula College is being used to further the lifelong learning process through remodeling Building 202, for \$4.5 or \$5.5 million. We have community college that is supposed to be here. It already has venues all over the county. People can go as students. Those people do not need remodeled classrooms in a renovated building. They need to use what we already have. We have auditoriums and classrooms everywhere. We could use 2-3 classrooms at Mountain View. LLC was not meant to create school buildings with colleges and universities with buildings.

Dave: Closes the meeting at 9:02 pm.