



Rex Derr
Director

STATE OF WASHINGTON

WASHINGTON STATE PARKS AND RECREATION COMMISSION

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December 3, 2009

Item E-3: Fort Worden State Park- Memorandum of Understanding with Centrum - Requested Action-Expedited

EXECUTIVE SUMMARY: This item asks the Commission to authorize the Director to execute a Memorandum of Understanding with Centrum outlining milestones both the agency and Centrum must achieve prior to negotiating a long-term management agreement at Fort Worden State Park. This request complies with our Centennial 2013 Plan element, "Our Commitment - Public Service" and with our core values.

SIGNIFICANT BACKGROUND INFORMATION:

Previous Planning and Commission Actions

Long-range planning for Fort Worden State Park (Fort Worden) began in the fall of 2004. During the past five years staff worked with the public to complete a series of planning tasks leading to the Memorandum of Understanding (MOU) currently under consideration. Prior Commission actions included:

- Adopting a vision and mission statement for Fort Worden (May 2005)
- Approving a roadmap and assumptions to guide long range planning (August 2005)
- Adopting land classifications, long-term boundary, value statements, park use and development principles, and refining the *learning center* concept (January 2007)
- Adopting a site and facilities use and development plan, guidelines for rehabilitation of historic structures and landscapes, and a framework to engage a non-profit management partner (September 2008)

Commission Direction

As part of its most recent September 2008 action, the Commission found that achieving the learning center vision for Fort Worden would require integration of a non-profit partner into its overall management. The Commission directed staff to complete several additional tasks towards this goal. The Commission:

1. Authorized the Director to select a non-profit organization with which to negotiate an MOU for Commission approval, guided by the process recommended by the Fort Worden Task Force;
2. Directed staff to negotiate the MOU with the ultimate goal of integrating the selected non-profit organization into park management and operation to the greatest extent practicable within limits specified in the Commission-approved MOU Negotiation Framework;

3. Directed staff to consult with park employees and their representatives on any issues related to employment and benefits during negotiation of the MOU; and
4. Directed staff to provide the Commission regular progress reports on the status of MOU negotiations.

Selection of a Non-Profit Management Partner

To ensure fair and impartial selection of a prospective non-profit management partner, in December 2008 and January 2009 staff conducted a national search. With financial support from the Friends of Fort Worden, staff advertised nationally in non-profit oriented publications asking for letters of interest from organizations interested in developing a long-term partnership with Washington State Parks. The solicitation netted a single response from Centrum, Fort Worden's current principal lessee. As per Commission authorization, the Director then formally selected Centrum with which to negotiate a MOU and begin the process towards a management partnership at Fort Worden.

MOU Development

The principal purpose of entering into a MOU is to complete organizational tasks and growth that will prepare both Centrum and State Parks for entry into a long-term contractual agreement to share management of Fort Worden. Working under the negotiation framework approved by the Commission, State Parks and Centrum staff negotiated a draft MOU (Appendix 1).

The negotiated MOU sets specific tasks and conditions each party must meet before either is ready to enter into a long-term agreement. Under the MOU, Centrum will develop plans and show its management capabilities. State Parks will complete several tasks and adapt administrative mechanisms to share management to the greatest degree practicable. Once these tasks are completed, both parties will *earn* the opportunity to enter into a long-term agreement. Table 1 summarizes key tasks that Centrum and the Commission must achieve to satisfy the MOU.

Staff and Centrum have targeted June 2011 for completion of tasks cited under the MOU. However, some tasks depend on availability of state funding. If funding is not available, staff anticipates that both parties will agree to extend the deadline, modify the tasks, or some combination of both. Staff emphasizes that the proposed MOU does not financially obligate either Centrum or the Commission. Rather, the MOU is a work plan intended to ready both parties for a future, long-term contractual relationship.

Coordination with Washington Federation of State Employees

During negotiation of the MOU, staff provided preliminary documents and met with representatives of the Washington Federation of State Employees (WFSE). Language provided by WFSE concerning employment and benefit issues has been incorporated into the draft MOU. Staff intends further collaboration with WFSE to complete work cited in the MOU, particularly to help plan areas of staff responsibility between Centrum and State Parks.

Commission Progress Report

Staff reported progress on MOU development at the Commission's August 5, 2009 work session in Richland. Staff intends to provide additional updates as work proceeds on its implementation.

Table 1: Key Tasks Cited in Draft MOU

Centrum	Commission
<ul style="list-style-type: none"> • Develop park-wide information sharing system • Fund and staff work cited in the MOU • Develop advisory network • Prepare business, operations, and organizational development plan • Prepare Marketing plan • Generate \$1,000,000 in new revenue and contributions • Complete fundraising capacity analysis and conduct an initial capital campaign • Develop a shared long-term facility financing strategy that combines philanthropic, enterprise, and state funding • Develop partner classification system with selection/retention criteria • Adopt HR policies 	<ul style="list-style-type: none"> • Develop park-wide information sharing system • Fund and staff work cited in the MOU • Develop advisory network • Remain financially committed while protecting the rest of the state park system • Develop accounting mechanism to reinvest a portion Fort Worden revenues • Develop a shared long-term facility financing strategy that combines philanthropic, enterprise, and state funding • Prepare 10-year capital plan that supports this strategy • Complete SEPA Planned Action with Port Townsend • Work through employment and benefit issues with WFSE

STAFF RECOMMENDATION:

Staff recommends that the Commission authorize the Director to execute an MOU with Centrum as described above and consistent with the Draft MOU included as Appendix 1. It is possible that during implementation, changing circumstances will require amendment of the MOU to accomplish its intended purpose. Staff therefore also recommends that the Commission delegate to the Director authority to amend the MOU as agreed with Centrum if necessary. Any amendments must however, remain consistent with other planning and policy guidance adopted previously by the Commission for Fort Worden.

SUPPORTING INFORMATION:

Appendix 1: Draft Memorandum of Understanding between Centrum and the Commission

AUTHORITY: RCW 79A.05.070(9) Further powers

REQUESTED ACTION OF COMMISSION:

That the Washington State Parks and Recreation Commission:

1. Authorize the Director to sign a Memorandum of Understanding (MOU) with Centrum, a Washington Non-Profit Corporation, consistent with the Draft MOU included as Appendix 1;
2. Delegate to the Director authority to amend the MOU as necessary and as agreed with Centrum consistent with other planning and policy guidance previously adopted by the Commission for Fort Worden State Park.
3. Direct staff to ensure that execution of the MOU will not result in significant negative financial impacts to the rest of the state park system;
4. Direct staff to consult with park employees and their representatives on any issues related to employment and benefits during work on tasks cited in the MOU; and
5. Direct staff to provide the Commission regular reports on progress toward completion of task cited in the MOU.

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Parks Affected: Fort Worden State Park

Reviewer(s):

SEPA Review: Following review, staff has determined that the action proposed by staff for the Commission was reviewed in the environmental checklist and threshold determination issued on August 6, 2008 for the *Fort Worden updated preliminary recommendation – site and facilities use and development plan* and *updated preliminary recommendation – guidelines for rehabilitation* finding that the action proposed by the Commission staff was minor and the environmental effects not significant. The MOU decision was a formal discussion in the development plan and the environmental effects of executing an MOU were evaluated.

Copies of these documents have been provided to members of the Commission, and will be made available to other interested parties upon request.

Fiscal Impact Review: The agency has not allotted any funding specifically for implementation of this MOU. However, funding may become available, depending on the financial performance of the park. The 2009-11 agency operating budget allots \$6,112,800 for operation of Fort Worden. The budget sets an earned revenue target of \$2,620,400 for Fort Worden (3% above actual revenue earned during the 2007-09 biennium). Funding for MOU implementation may be available from a portion of revenues earned by the park in excess of the set target (60% of net revenue). Funding may also be available from contributions by partner organizations to off-set the cost of utilities. It should be emphasized that current allotments and revenue targets are subject to change depending on supplemental state budget activity during the biennium.

AAG Review: Jim Schwartz, August 12, 2009

Larry Fairleigh, Assistant Director

Judy Johnson, Deputy Director: _____

Approved for Transmittal to Commission:

Rex Derr, Director

APPENDIX 1
MEMORANDUM OF UNDERSTANDING
BETWEEN WASHINGTON STATE PARKS AND CENTRUM
Draft August 7, 2009

WHEREAS, the Washington State Parks and Recreation Commission (the “Commission”) owns and operates Fort Worden State Park (“Fort Worden”);

WHEREAS, Centrum, a Washington nonprofit corporation, currently holds a concession lease (“Centrum Lease”) for a portion of Fort Worden, which lease expires [DATE];

WHEREAS, Centrum has worked in partnership with Washington State Parks since the founding of Fort Worden State Park to promote the Park and serve the public with high quality residential learning programs and public performances;

WHEREAS, in 2007, the Commission adopted a series of recommendations to guide long-term development and management of Fort Worden as a Center for Learning, envisioning it as a full-service, year round destination providing a diverse array of meaningful experiences for people of all ages, backgrounds, skills, and interests;

WHEREAS, Fort Worden has been the subject of a task force formed to determine if some functions of the park could be more feasibly managed by an entity other than the Commission;

WHEREAS, the task force determined that the proposed Center for Learning would require significant investments of capital for maintenance and capital improvements to be financially viable;

WHEREAS, the Commission solicited letters of interest from non-profit entities to participate in managing Fort Worden as a Center for Learning in cooperation with the Commission;

WHEREAS, the Commission selected Centrum to work with it to fulfill the goals set forth for Fort Worden;

WHEREAS, the Commission is considering entering into a contractual agreement with Centrum to participate in future development and management of Fort Worden to achieve the vision, mission and values of a Center for Learning ;

WHEREAS, the Commission established and approved a process to achieve the long term goals for Fort Worden that might not materialize without such an agreement;

WHEREAS, the task force identified milestones for each party to achieve, which are the basis of this Memorandum of Understanding (“MOU”);

WHEREAS, as partners in this agreement, the Commission and Centrum recognize the tangible benefits of the successful implementation of this MOU; and

WHEREAS, both parties also recognize that the citizens of the State of Washington and visitors to Washington State Parks will benefit immensely from the preservation of the site and provision of quality services at Fort Worden;

NOW, THEREFORE, under the authority of RCW 79A.05.070, and in consideration of the mutual benefits which will accrue as a result of the successful implementation of this MOU, the parties hereby agree as follows:

We, the undersigned representatives of the Commission and Centrum, enter into this MOU to identify and achieve mutually agreed upon milestones that will enable each organization to fairly assess each other's capabilities and willingness to create a long-term partnership in support of the vision, mission and values of Fort Worden and the park's long-range plan as approved by the Commission.

The milestones will demonstrate both parties' desire and ability to successfully and collaboratively develop the most effective management for Fort Worden, and to create a financially vital Center for Learning serving people of all abilities and backgrounds.

We enter into this relationship in good faith, recognizing the process will evolve and need to adapt as circumstances change. The scope of our ambition is immense. There are existing models we can learn from, but our business, site, and demographic conditions are unique and we must embrace adaptation and refinement as a legitimate operating principle. Goals established today will likely need to be amended to reflect shifting circumstances and trends. Flexibility, creativity, and mutual respect will be our touchstones.

Both parties understand and agree that the milestones are not a test of each institution's specific capacities so much as they are a demonstration of both institutions' capacity to work collaboratively to preserve and sustain the extraordinary resource that is Fort Worden, and to provide each visitor with the highest levels of customer service. We will work to complete the following milestones to the satisfaction of both parties by June 30, 2011 or as otherwise agreed. This outcome will lead directly to long-term lease negotiations, the parameters of which will be negotiated through the milestone process.

Both parties understand and agree that Centrum – as the designated non-profit partner in this undertaking – may and likely will enlist the support of a wide array of individuals and organizations that have the expertise and resources to complete and implement the milestones agreed to below. Thus, any mention of "Centrum" in this document is understood to refer to "Centrum and/or its support network."

Both parties note in particular that the City of Port Townsend, represented by a newly chartered Public Development Authority, has publically committed to providing significant resource and expertise to support the development and enactment of the long-range vision for Fort Worden State Park. It is understood that the Port Townsend Public Development Authority, purposed for the "preservation of historic assets" and the "development, redevelopment, and preservation of public places of special quality for the purposes of maintaining commons for the public interest" would be a valued partner to both Centrum and the Commission throughout the MOU process.

We recognize that a host of specific business development, land use, and leadership issues may arise that may not be specifically cited in the agreed-upon milestones. We agree to systematically identify and address these issues and, where appropriate, incorporate them into the milestone process. Accordingly, this MOU may be amended by mutual agreement of the parties. Such amendments shall not be binding unless they are in writing and signed by personnel authorized to bind each of the parties.

We agree to regularly inform the Commission, Fort Worden State Park staff and their exclusive bargaining representative (Washington Federation of State Employees), the staffs and boards of Centrum, the Fort Worden Advisory Committee, park partner organizations, and the public at large about our progress towards achieving the milestones herein (see Attachment A for listing of organizational partners).

Governance and Business Development

Centrum will:

1. Develop and present to the Commission a start-up business plan that is informed by the Business and Operations Implementation Plan completed by PROS Consulting, outlining how Centrum and/or its support network will acquire organizational capabilities and capacities necessary to enter into a long-term master lease with the Commission. This plan will address:
 - a) determining long term lease area boundaries and an explication of the range of issues attendant upon acceptance by both parties of such boundaries;
 - b) dividing duties between Centrum and the Commission concerning the management, operation and use of the Fort Worden grounds and facilities;
 - c) retaining and hiring an executive team with skills/experience in management of a historic facility and the envisioned programs;
 - d) recruiting board members with widely recognized profiles, appropriate business acumen, and philanthropic capacity, including a Commission representative;
 - e) creating a business strategy for integrated management of all hospitality services;
 - f) developing and implementing with the Commission a park-wide information management system and data collection to serve customers, partners, and administration;
 - g) coordinating operation of auxiliary businesses to Fort Worden, including but not limited to all related gift shops, museums, lodgings, food services, and merchandise sales; and
 - h) developing and implementing administrative policies, procedures, training, and reporting systems that ensure management of Fort Worden is conducted fairly, ethically and transparently, consistent with State and Commission policy.
2. Centrum will work with all Partners to develop a Park-wide revenue development strategy that engages and incentivizes all Partners to increase aggregate Partner program, fundraising, concession, conference, and center/vacation housing revenues by One Million Dollars (\$1,000,000) by June 30, 2011.

The Commission will:

1. Confirm authority to establish long-term business relationships (e.g. 50-year lease terms that encourage capital investment).

2. Work with Centrum to develop and implement the park-wide integrated information system that:
 - a) includes a wireless communications system necessary to support all resident organizations and businesses;
 - b) enables all internal and external partners to view and share all operations and financial data as a single enterprise; and
 - c) can be scaled and adapted to incorporate future technologies that best serve organizations, businesses and guests at the Fort.
3. Work with Centrum to define a funding strategy for transition activities (i.e. completing milestones outlined in this document).

The Commission and Centrum will:

1. Work together to define the core business of the learning center;
2. Establish integrated systems for users and stakeholders to:
 - a) provide continuous input into management and programs of the Fort;
 - b) ensure effective communication of this input; and,
 - c) develop mechanisms to implement needed improvements.

Program and Partner Development

Centrum will:

1. Work with all partner organizations to develop a classification system and selection and retention criteria to guide recruitment and development of short and long-term contractual and other relationships with non-profit and business partners.
2. Work with partners to:
 - a) align their organizational planning with that of overall Fort Worden program goals;
 - b) develop and secure increased revenue commitments from each partner that contribute equitably to the long-term sustainability and operations of programs and facilities;
 - c) incorporate performance thresholds and metrics to evaluate new and existing programs and partners and incorporate such performance thresholds and metrics into all leases, concession agreements and other contracts; and
 - d) establish opportunities for structured engagement by partners in management of Fort Worden.
3. Identify new program and partner opportunities consistent with the Fort Worden vision and seek out, help develop, coordinate, integrate, and support these new programs and partners.
4. Work with partners to develop and implement a marketing and communications plan that promotes “Fort Worden” as a unifying brand.
5. Work with partners to develop, integrate, and enhance community volunteer, intern, and docent opportunities.

Funding and Financing

Centrum will:

1. Develop a budget that reflects the goals and costs associated with successful completion of this MOU.
2. Define agreed upon amounts and commit to matching Fort Worden Plan implementation monies provided by the State to complete the MOU.
3. Complete a fundraising capacity analysis/plan, including mechanisms and timeline for establishing membership campaigns, joint capital campaigns, and operating reserves and/or endowment and/or line of credit.
4. Develop and launch a collaborative capital campaign with the Commission and the City of Port Townsend to rehabilitate the “motor pool building” or other mutually agreed-upon facilities for use as a center for historic preservation.
5. Work with individual partner organizations to coordinate and promote individual fundraising efforts, including capital campaigns.
6. Work with the Commission to determine approved expenditures that Centrum and its sub-lessees may make to offset facility lease fees or other assessed fees to ultimately incorporate into a future master lease agreement.

The Commission will:

1. Remain committed to the financial stability of Fort Worden and will develop mechanisms through which it can provide a predictable level of on-going operations support that does not result in significant negative financial impacts to the rest of the state park system.
2. Work with Centrum staff to develop a shared long-term facility financing strategy that combines philanthropic, enterprise, and state funding.
3. Prepare 10-year capital plan approved by the Office of Financial Management in support of Centrum’s business plan to help ensure a multi-biennium capital and maintenance commitment to Fort Worden.
4. Develop accounting mechanisms that allow Fort Worden to retain an agreed upon percentage of park-generated conference and vacation housing revenue in excess of biennial goals set through preparation of State Parks two-year operating budget.

Government and Community Relations

Centrum will:

1. Support and expand upon Commission outreach efforts to city and county officials.
2. Advocate on behalf of agreed upon goals and projects of Fort Worden to State and Federal elected officials.
3. Develop a comprehensive and inclusive advisory network comprised of individuals and groups that are:
 - a) dedicated to the mission, vision, and goals of Fort Worden;
 - b) representative of the broad public we seek to welcome and serve at Fort Worden; and
 - c) positioned to be effective educators and advocates locally, regionally, and nationally for Fort Worden.

The Commission will:

1. Work with City of Port Townsend to complete requisite environmental review for adoption of Fort Worden's Site and Facilities Use and Development Plan and Design Guidelines into the City's zoning code (SEPA Planned Action).
2. Work with Centrum and the City of Port Townsend and other local jurisdictions to address development of the transportation and utility infrastructure serving Fort Worden.

The Commission and Centrum will:

1. Identify, gather information about, and engage with all relevant state agencies and organizations whose activities intersect with the goals of Fort Worden.

Employee Relations

The Commission and Centrum will:

1. Work with current state employees at Fort Worden and their representatives to achieve mutually acceptable resolution of any employment and benefit issues associated with the management transition.
2. Create an organization plan that includes coordinating the working relationship between state employees and employees of Centrum and its sub-lessees.

Centrum will:

1. Develop and implement a comprehensive human resources policy for board members and employees that ensures fair and ethical treatment of staff, volunteers and board members. The implementation will include annual training of the Centrum Board and staff and provide mechanisms for addressing compliance with the written policy.
2. Ensure that no policies or procedures create or assume an employment relationship between Centrum employees and any other entity operating at the Park.

It is understood that until or unless otherwise negotiated, work currently performed by the classified employees of the Commission will remain classified work under the control and supervision of the Commission and that statutory and contractual obligations must be fulfilled before contemplating the removal of such work.

Final Agreement

After the successful conclusion of this MOU, the Commission and Centrum intend to execute a long term lease and/or other binding long term contractual agreements for the management and operation of Fort Worden. This lease and/or agreements shall contain the terms and conditions that both parties mutually accept.

No Assumption of Liabilities

By executing this MOU, the Commission and Centrum do not assume any obligations or liabilities of the other.

MOU is Not a Contract

The parties acknowledge that this document is not intended to be construed to create contractual obligations or enforceable commitments on the part of either the Commission or Centrum. Notwithstanding the non-binding nature of this MOU, The Commission and Centrum recognize that a substantial amount of money and effort will be expended by both parties following this MOU, and the parties intend to work in good faith to achieve the objectives set forth above. No contractual obligations will arise until the parties execute subsequent management agreements and/or lease documents as contemplated by this MOU.

CENTRUM**WASHINGTON STATE PARKS AND RECREATION COMMISSION**

 Signature

 Signature

 Title

 Title

 Date

 Date
APPROVED AS TO FORM:

Rob McKenna
Attorney General

By: _____
Jim Schwartz, Assistant Attorney General

ATTACHMENT A**FORT WORDEN STATE PARK ORGANIZATIONAL PARTNERS**

CENTRUM: non-profit

CORVIDAE PRESS: non-profit

COPPER CANYON PRESS: non-profit

SYNERGY SOUND: business

GODDARD COLLEGE: non-profit

COAST ARTILLERY MUSEUM ASSOCIATION: non-profit

MARINE SCIENCE SOCIETY: non-profit

FRIENDS OF FORT WORDEN: non-profit

JEFFERSON COUNTY HISTORICAL SOCIETY: non-profit

HOSTELLING INTERNATIONAL: non-profit

PENINSULA COLLEGE: state agency

PORT TOWNSEND HOSPITALITY: business

BON APPETIT MANAGEMENT COMPANY: business

MADRONNA MIND BODY INSTITUTE: business

PORT TOWNSEND SCHOOL OF WOODWORKING: business

THIRD EAR PROJECT: non-profit

Updated: October 31, 2012