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Director

STATE OF WASHINGTON
WASHINGTON STATE PARKS AND RECREATION COMMISSION
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October 25, 2012

Item E-6: Fort Worden Update - Report

EXECUTIVE SUMMARY: This item reports on progress and considerations to date regarding the potential of a portion of Fort Worden State Park being managed by the Port Townsend Lifelong Learning Center Public Development Authority. This item complies with our Centennial 2013 Plan element, “Our Commitment – Stewardship” and with our core values.

SIGNIFICANT BACKGROUND INFORMATION: As reported in previous agenda items the conversation regarding options for the optimal future management of Fort Worden State Park (Fort Worden) has been underway since 2004. In 2008, the Washington State Parks and Recreation Commission (Commission) adopted a series of planning documents that would make Fort Worden a Life Long Learning Center in a management partnership with another entity. The events from 2008 to present are well documented elsewhere and will not be recounted here.

At its March 29, 2012 meeting, the Commission directed staff to work with the Fort Worden Life Long Learning Center Public Development Authority (PDA) on the development of a business plan and governance model. That work has been on-going as reflected in a number of meetings with PDA staff and State Parks staff attendance and participation at several public meetings and PDA board meetings. The PDA retained PROS Consulting Inc. to assist in the development of a business and governance plan. On September 17, 2012, the PDA released the most recent working draft of its business and governance plan. A copy of the draft plan and minutes of PDA board meetings and PDA sponsored public meetings can be found at www.fwpda.org. The working draft is currently being reviewed by Mr. Rick McPherson of the University of Washington, School of Business and by staff of the Office of Financial Management. Review comments from staff at the Office of Financial Management are attached as Appendix 1. Parks staff continues to do an internal analysis of the draft business and governance plan and to work with PDA staff on issues and refinements.

NEXT STEPS: In order to meet the document production schedules for Commission meetings this report was written during the week of October 1, 2012. Parks staff will have additional information to present at the October 25, 2012 Commission meeting regarding current status of the process, an analysis of the financial impacts of the draft business and governance plan on State Parks were it to be implemented in its current form and more details around a proposed co-management governance model.

Key upcoming dates are:

- October 15, 2012 - PDA required to submit final business and governance plan proposal for Fort Worden State Park to the Office of Financial Management.

- October 25, 2012 - Washington State Parks and Recreation Commission meeting in Vancouver Washington at which time the PDA will present its proposed business and governance plan for Fort Worden State Park and at which time the Commission will hear public and stakeholder testimony.
- December 6, 2012 - Washington State Parks and Recreation Commission meeting in Snohomish Washington at which time the Commission will receive and consider a staff recommendation regarding the PDA proposed business and governance plan for Fort Worden State Park and at which time the Commission will hear public and stakeholder testimony.

SUPPORTING INFORMATION:

Appendix 1: Office of Financial Management Review Comments

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Reviewer(s):

SEPA REVIEW: Pursuant to WAC 197-11-704, staff has determined that this Commission agenda item is a report and therefore is not subject to State Environmental Policy Act (SEPA) review.

Fiscal Impact Statement: Report only, no impact at this time

Assistant Attorney General: October 4, 2012

Larry Fairleigh, Assistant Director

Approved for Transmittal to Commission

Don Hoch, Director

APPENDIX 1
**Office of Financial Management Review Comments on Draft PDA Business
and Governance Plan for Fort Worden State Park**

FROM: Jim Cahill, Senior Budget Assistant to the Governor, Office of Financial Management

TO: Mr. Robison

OFM staff have completed our review of the Working draft of the Fort Worden State Park Business and Management Plan (September 17, 2012 version). We appreciate the consultants addressing some of the initial concerns raised in our review of the first draft including:

1. Clarifying the levels and distribution of capital costs between the Commission, the Public Development Authority (PDA) and Partner Organizations.
2. Adding funding for marketing activities.
3. Providing more detail on the cost projections in the Pro Forma as well as Implementation Recommendations and Phasing of work through 2024.
4. Adding potential performance metrics to measure the success of the management agreement and hold partners accountable.

Our latest review continues to identify many of the concerns included in our first review. These include:

1. The plan does not discuss in a coherent way the options for management of Fort Worden. It primarily focuses on the merits of the PDA managing the Campus Area of Fort Worden without discussing clearly other options.
2. Although the Pro Forma does add 2011 actual revenues and expenses, the current draft does not clearly describe or compare the current level of expenditures by the Commission on operating and maintaining the Fort Worden Campus Area. This information must be provided to make informed decisions related to the management of the campus by the PDA.
3. No information was provided on how the additional revenue from liquor sales were calculated. There is also no discussion on whether this would be allowed by state rules and regulations and what changes to these same rules and regulations would be required.
4. Although the plan does discuss the distribution of capital costs between the Commission, the Public Development Authority (PDA) and Partner Organizations, the plan does not provide any explanation for the priority and timing of capital projects. The plan also does not discuss what minimal capital expenditures would be required to maintain the existing revenue streams. The Combined Capital Plan also does not specify responsible organization for each particular project over the next 11 years. Assigning responsible organizations and amounts for each project would provide the Governor, Legislature and PDA with an initial road map for future funding requests.

5. Although the report provides a list of options to fund capital projects to be lead by the PDA it does not provide examples of where these types of options have been successful at other parks or facilities across the nation. It would be good to provide examples of projects at other similar facilities Fort Ross, Asilomar State Park where partnerships were successful used to renovate facilities.
6. The report does not clearly identify the net financial impact of this business and management plan on the State Parks and Recreation Commission. Given the difficult funding situation facing State Parks in the 2013-15 Biennium the full impact to the Commissions operating expenses and revenues needs to be understood. It would be desirable for the PDA and the consultant to work with the Commission to clearly identify these impacts in the final report, including the level of subsidy, for the 2013-15 Biennium and beyond.
7. Although the report does specify a \$250,000 reserve fund, it does not discuss what would happen if this reserve is exhausted and who would be responsible for this loss.
8. The plan assumes that the Commission would provide the PDA \$150,000 towards the \$300,000 in mobilization funding. There are significant concerns with this proposal given the current fiscal stress on the Parks Commission and the overall fiscal health of state government which currently faces an estimated \$1 Billion shortfall in revenue available to carry forward current programs into the 2013-15 Biennium.

Attached is a more detailed set of comments on the plan.

Finally, OFM has received a copy of a letter sent to the PDA inquiring about a potential conflict of interest of several members of the PDAs Board of Directors. I would hope that the PDA takes these concerns seriously and addresses them as appropriate as they finalize the business and management plan and the governance approach in any management agreement.

**Comments on September 17, 2012 Fort Worden State Park Business and
Management Plan
Working Draft 9/27/2012**

Page	Section Name	Comment
3	Executive Summary	First bullet should specify dollar amount of reserve (\$250K) and the mobilization funds (\$300,000) and that the PDA will pay for this as specified on pg 35.
4	Executive Summary	Why should the PDA take over completion of the Bldg 202 renovation? (Is this discussed in the body of the report?)
4	Executive Summary	Second bullet discussion of capital funding should describe the funding breakdown between the Commission, the PDA and private sources as described on pg 45.
4	Executive Summary	Discussion of Financial analysis in the fourth bullet should specify that the report proposes that the Commission provide ½ (\$150,000) as part of the mobilization funds as specified on pg 35.
6	Plan Overview	The Legislative proviso did not specifically ask for a “business plan to detail how the PDA could sustainably operated aspects of the park. “ They should cite the actual language and include it in an Appendix.
7	Plan Overview	First paragraph assertion that “recent efforts among existing partnerships have begun to yield significant resources for facility renovation” needs to specify amounts and sources.
7	Plan Overview	Last sentence in first paragraph should delete “that can result in significantly reducing the annual operating deficit.” There is no operating deficit, rather there is likely insufficient funding to adequately maintain and operate the park.
7	Plan Overview	Third paragraph should specify that the Legislature directed the Commission to formulate a plan that completely removes state general fund support as of <u>FY</u> 2013.
7	Plan Overview	Assertion that the Discover Pass has reduced partner participation by as much as 25% needs substantiation and data to support it.
8	State Parks Industry is changing Nationally	Item number 2 – What are the innovative funding options that local parks are using? Are there any examples in WA?
9	Sustainable Co-Mgt	Second sentence seems unnecessarily inflammatory.
9	Sustainable Co-Mgt	Comment that the state is “bureaucratically inhibited” is inflammatory. Should be changed to say “where restricted by state law and regulations.”
9	Sustainable Co-Mgt	Last sentence in the second to last paragraph should be removed. Current language is inaccurate and inflammatory.
11	Overall Findings	Several of these items sound like they were copied directly from comment cards. In those instances, please use quotation marks to denote that they are not a "summary of key issues". I would recommend that if they stay in the report at all, that they be

		separated out into a different list of actual comments.
13	Visitation	The Discover Pass was not implemented until July 1, 2011 - halfway through the 2011 season. The decrease in 2010 has absolutely no relation to the Discover Pass.
14	Local and Regional Market Analysis	If it's a two hour drive from any major population center, why would the market analysis include Seattle in its 60 mile radius? Why not reframe the market analysis to focus on the immediate rural area, the extended Seattle-Tacoma Metro area, and the greater Portland-Bellingham corridor?
24	The Contributions of Partner Organizations	Assertion that over \$5M in capital funding has been invested from partners needs more substantiation. What are the facilities receiving investment and who provided the funding?
26	Facility Leases for Partners	Are these "Best Management Practices" related to facility leases or simply recommendations?
27	Mgt Assumptions	Item #3. Why are reservations and customer care for the campgrounds need to be transferred to the PDA?
34	Stmnt of Activities -Projections	Sixth bullet under Revenues. Please explain the Lodging/Sales Tax Rebate. How was this amount calculated and how does it compare to current revenues?
35	Stmnt of Activities -Projections	Although the Pro Forma does add 2011 actual revenues and expenses, the current draft does not describe the level and type of staffing included in the 2011 actual for staff and goods and services.
35	Stmnt of Activities -Projections	There is no assumption for salary increases which seems unrealistic.
35	Stmnt of Activities -Projections	The assumption fir Health Costs increase of 2.5.% is unrealistic.
35	Cash Flow Projection	The report proposes that the Commission provide ½ (\$150,000) as part of the \$300,000 in mobilization funds for the PDA. There are significant concerns with this request given the current fiscal stress on the Parks Commission and the overall fiscal health of state government which currently faces an estimated \$1 Billion shortfall in revenue available to carry forward current programs into the 2013-15 Biennium.
41	Staffing	How does this staffing level compare to State Parks current level of staffing for these similar activities. This particularly true for maintenance and guest services.
42	Additional Revenue	Would ask that you restore the table on estimated monthly projected revenues that was in the earlier draft. Report does not address OFM's previous question on whether alcohol sales are allowable at the Park and what if any rules or laws would need to be modified.
43	Capital Plan	Item #7 should be changed to Combine Capital Plan
50	Combine Capital Plan	On Page 45 the plan discusses the level of capital funding between the state, the PDA and Partner Organizations for capital projects at

		the Fort. What would be extremely beneficial would be to specify the responsible organizations in the Combined Capital Plan for each particular project over the next 11 years. This would provide the Governor, Legislature and PDA with an initial road map for future funding requests.
50	Combine Capital Plan	The plan does not provide any explanation for the priority and timing of capital projects. The plan also does not discuss what minimal capital expenditures would be required to maintain the existing revenue streams. More rationale would be extremely beneficial.
51	Fort Worden Conservancy	It would be helpful to provide some background information on the Conservancy in terms of the number of members, its annual revenues from fund raising and other sources and staffing.
54	Funding Strategies	Although the report provides a list of options to fund the PDA activities it does not provide an examples of where these types of options have been successful at other Parks or facilities. It would be good to provide examples of projects at other similar facilities Fort Ross, Asilimar where partnerships were successful used to renovate facilities.
55	Implementation Recommendations	The last sentence in the first paragraph needs to be modified to say that the PDA needs \$300,000 in mobilization funding, half of which is to come from the Commission, and \$250,000 in a reserve fund.
56	Opportunities and Risks	The report only cursory addresses the downside risk if the PDA is not able to deliver on its commitments. There is no real evidence to support the statement that “failure is a possibility and not a probability” Additional discussion should be made of potential risks areas and evidence to support this assertion. There should also be a discussion on how operating losses will be addressed by the PDA if they did occur.
58	Strategic Initiates Phase 1	Item number 2 discusses the idea of the PDA selling or disposing of remaining equipment, furniture or stored items. This may not be allowable under state surplus statutes or regulations. This should be confirmed with State Parks. Revenue from the sale would most likely need to be returned to State Parks.
59	Phase 2	The reference in Item 3 to the Department of General Administration should be changed to the Department of Enterprise Services.

