

Cannon Mountain Advisory Commission meeting

November 19, 2010 / Cannon Mountain

Minutes prepared by John DeVivo

Members present: Chairman Dennis Murphy, Representative Kathy Taylor, Representative David Russell, Treasurer Catherine Provencher, Rich McLeod, Martha McLeod, Gerry Coogan

Members absent: Senator John Gallus, Senator Deborah Reynolds, Jay Polimeno

Others present: John DeVivo, Kevin Johnson

Call to order:

Chairman Murphy called the meeting to order at 10:15 AM, with a round of introductions made.

Approval of 11/16/09 meeting minutes:

Martha McLeod moved that minutes be accepted, Rich McLeod seconded, and the minutes were approved.

Financial update FY10:

John DeVivo reported the following:

Cannon recorded a net profit of \$426K on its Quickbooks report, DRED reported a FY10 closure of \$417K on its State report for Cannon; Season Pass revenues exceeded \$1M for the first time; Sunapee contribution to the Cannon Mountain Capital Improvement Fund was \$365K; Kevin Johnson asked if this was the first year that the entirety of Cannon's financials were reported in the State report, rather than having only the ski-specific appropriations pulled out; John DeVivo did not have that answer available; Treasurer Provencher detailed the Cannon Mountain Capital Improvement Fund (CMCIF) report, and offered to have it updated for the CMAC membership; Since July 1, 2007, Cannon has eliminated nearly \$1.2M of its \$1.494M operating deficit (approx.80%), with a remaining deficit of \$301K.

Outlook for winter 10/11 season:

John DeVivo reported the following:

Cannon's current FY11 net positive is \$172K, some \$159K ahead of FY10 YTD; revenue is running 8% ahead of FY10, while expense is running 5% under FY10; Season Pass revenue is running 25% ahead of FY10; Snowmaking began on 11/18, with a plan to open at 8:30 AM on 11/26; Capital and maintenance projects are wrapping up; Cannon is awaiting the arrival of the new drive unit for the Zoomer Triple, and approval on its lease-to-buy backhoe unit (12/08 G&C); Summer projects/improvements list – 4 top 10 Eastern rankings in SKI Magazine; Mittersill Double Chair construction is on schedule and on budget; Base area improvements at Tramway, Notchview, Peabody, and Brookside (doors, decks, windows, bridge, roof) were detailed; Snowmaking water line on Zoomer trail is underway, New Prinoth Bison and Trooper vehicles were approved at 11/17 G&C meeting; New promotional partnership with Littleton Chevrolet is working well; New retail and merchandising campaigns are underway; New website set for late November launch.

Treasurer Provencher asked which, if any, capital maintenance projects were completed during summer '10 using operating funds built into Cannon's FY11 budget; John DeVivo detailed the annual groomer lease, the new snowmaking vehicle lease-to-buy, the snowmaking water line, and the various base area improvements; all were completed using operating funds built into the FY11 budget.

Cannon's management team believes that its remaining \$301K operating deficit will be eliminated in FY11; future net profits should be applied toward making capital/maintenance improvements and paying down the debt service on the CMCIF, with the annual difference between the Sunapee lease payments and the debt service on the CMCIF to be made up for by allocations from Cannon's net profit; Cannon's management team believes that with its aggressive 10/11 marketing plan, the improvements made and marketed since September 2008, and an ever-increasing season pass holder base, the ski area will post a fourth consecutive net profit while continuing to improve upon its products, services, and infrastructure; The ski area has built some \$500K into its FY11 operating budget toward capital and maintenance projects, based on expected revenues, and given the necessary performance, will encumber those funds in spring '11 for summer '11 projects and enhancements.

The Mittersill Double Chair construction project is running on time and on budget; the load test is expected to take place in mid-late December, with an opening scenario to follow shortly thereafter; Governor and Doctor Lynch are expected to ride on the first chair, with all CMAC members invited to the ceremony; the date itself on the opening scenario is a moving target, as the lift services an all-natural terrain area; Lift-accessed all-natural terrain areas have become prominent across the US, and at Eastern and Western Canadian areas, as well; The project was spec'd at approximately \$2.62M, with a contingency budget setting it at approximately \$2.95M; The project was funded with 50% CMCIF funds and 50% general funds; The project scope included not only the lift construction, but the tear-down and removal of the old lift and the expansion/reclamation of 86 acres of all-natural terrain (a 50% increase in Cannon's terrain offerings). Martha McLeod asked about snow depth requirements at Mittersill to make the area viable; Rich McLeod and Dennis Murphy answered that substantial snowfall is required, but that the type of snowfall and other weather patterns play into effect, as well; John DeVivo answered that Mittersill is a bit better wind-protected than Cannon proper, and that solid base depths at Mittersill and less rain and wind effects would lead to substantial "open" time at Mittersill, as the area is meant to serve an audience seeking all-natural terrain.

Rich McLeod remarked to Chairman Murphy that under its current management team, Cannon is being operated as efficiently and effectively as it ever has; there was concurrence amongst the group; John DeVivo replied that Cannon's team is very passionate and has set aggressive goals toward future successes.

Improvement plans for 2011 and beyond:

John DeVivo reported the following:

Mittersill base area/infrastructure improvements (parking lot enhancements, small base facility, limited snowmaking) will follow over a 3 – 5 year period; The area is designated for all-natural use for a 3 - 5 year period, following its 25 years' use as such and a desire to offer this type of product for consumption within the marketplace; The original intent regarding State capital plan requests was to request capital funding on the Cannon side for the 12/13 fiscal cycle and on the Mittersill side for the 14/15 fiscal cycle.

For the FY11 / FY12 / FY13 fiscal cycles, the ski area management team has built some \$500K into each operating budget to use for maintenance capital projects (ex. snowmaking enhancements, retail enhancements, snowsports building expansion) based on expected revenues, with the intent of encumbering the funds each spring for summer/fall use; There is a \$2M snowmaking project request in for FY12/FY13 consideration for the impending budget discussions; The CMAC recommends that if the project is approved by DRED and the Governor's office for further consideration, it be removed by Cannon for this legislative session, with the thought that our success in gaining approval on the first and second phases (\$1.433M and \$460K respectively) of capital through the CMCIF, and the approval of the Mittersill Double Chair construction (\$2.95M) through the CMCIF and general fund was a solid step; the Legislature is not expected to pass any wide sweeping capital plans during this session; Maintenance capital projects ID'd for planning by the ski area in early FY12 (using funds encumbered in FY11) include: new drive unit for the Cannonball Quad, grooming fleet enhancement with a new Bison WinchCat, rolling stock enhancements, retail space and Snowsports building enhancements, and snowmaking system improvements (either on-hill via pipe & hydrant enhancements or off-hill via added air capacity).

Gerry Coogan asked whether an updated 5 – 10 year master plan or capital plan would be forthcoming. John DeVivo replied that the 1998/99 Master Plan as crafted by Sno Engineering had been approximately 50% completed in scope (concurrent by Rich McLeod), but that the plan is essentially obsolete at this point; Martha McLeod noted that revisions to said Master Plan were required (elimination of a lift and trail section above 2,500' elevation on Mittersill) to secure the MOA with NH Audubon and the land exchange with WMNF; the drafting of a revised Master Plan will be focused upon over the next year or so, and presented in each stage of its evolution to the CMAC.

Cannon's FY11 goal is to eliminate its existing operating budget deficit (\$301K) and use that remaining net profit toward capital maintenance projects; Cannon's FY12/FY13 goal is to build maintenance capital into each annual budget and utilize its net profit toward paying down the debt service on the CMCIF; Cannon's FY14/FY15 goal is to build maintenance capital into each annual budget and utilize its net profit toward paying down the debt service on the CMCIF, and to explore options with available CMCIF funds.

Franconia Ski Club will soon be launching a fundraising drive toward the expansion of the Ernie's Haus facility (used non-exclusively by FSC as its operating base) and one of several trail expansion/improvement objectives; The Club has ID'd several trail initiatives, including linking several trail areas or expanding snowmaking capacity up onto Mittersill sections; when the FSC plan takes its final shape, details will be shared with the CMAC membership and the general public; such projects would be subject to approval by G&C as "accept and expend" projects.

Legislative issues:

Representative Taylor presented the draft of an amendment to RSA 227:14 (Resident Ski Rates, Reduced Rates) as requested by Cannon Mountain to:

- Reflect the same age structure for both its day use tickets and its season passes
- Eliminate the secondary school status and clean up the age requirement language
- Establish consistency with the same date (December 15) used for the NH Resident season pass discount and the age/date requirement for current-year season passes

John DeVivo asked Representative Taylor if the item on Line 21 (Effective Date) may be flexible, as Cannon's sales season (for the following year's season passes) typically commences on the last Saturday in February or first Saturday in March; Representative Taylor replied that she would seek flexibility and/or immediate effectiveness, depending upon the bill's status in various committees and/or a legislative vote on it.

A question was raised as to whether a bill would be introduced in the current session regarding the leasing of Cannon Mountain; no one present at the meeting had any such information; John DeVivo remarked that he'd heard from Senator Gallus' office in Concord earlier in the morning that he (Senator Gallus) would be unable to attend the CMAC meeting, and that he (John DeVivo) had remarked to the Senator's Aide that it was likely that the CMAC membership would like to know if the Senator had any information on that subject. The Senator's Aide offered that he'd work on getting an answer on it from the Senator.

Other/new business:

None identified.

Set next meeting date/time:

Chairman Murphy remarked that the CMAC typically meets during the spring season, but that with elections having taken place and new appointments to the CMAC forthcoming, he'll wait a bit to see what shakes out in the legislative session and see what new appointments are made to the CMAC before setting the next meeting date.

Adjournment:

Chairman Murphy adjourned the meeting at approximately 12:05 PM.