

Cannon Mountain Advisory Commission

July 16, 2021 // Meeting Minutes (DRAFT)

CMAC membership as of July 16, 2021:

Richard McLeod (acting Chair), Senator Erin Hennessey, Senator William Gannon, Representative Joyce Weston, Representative Michael Gunski, State Treasurer Monica Mezzapelle, Thad Presby, Frank MacConnell, John Tholl, Terry Penner. Regularly attending non-member are DNCR Commissioner Sarah Stewart, NH Parks & Recreation Director Philip Bryce, and Cannon-FNSP General Manager John DeVivo (acting as scribe).

I. Call to Order / Welcome Back / Introductions

McLeod called the meeting to order at 10:05 AM. Members present were McLeod, Hennessey, Penner, Presby, Weston, MacConnell, and Mezzapelle. A quorum of seven (out of ten) members was present. Members absent were members Gunski, Gannon, and Tholl. Also present were Bryce and DeVivo as non-members. One member of the media was present, and one member of the public was present.

II. Review of CMAC Statute / Purview of CMAC membership

McLeod asked if anyone had questions regarding the RSA pertinent to the purview of the CMAC, and in hearing none, moved on to request a motion for approval of the Nov 22, 2019 meeting minutes.

III. Approval of minutes from prior meeting (Nov 22, 2019)

Penner motioned the approval of the November 22, 2019 minutes. Weston seconded. The motion passed with five yes votes (out of seven voting members). Hennessey and Mezzapelle abstained.

IV. Nomination / election of Chair & Vice Chair

McLeod asked for nominations for the position of Chair, and after a brief discussion, Hennessey nominated Penner and it was seconded by Mezzapelle. The nomination passed unanimously. After another brief discussion, MacConnell offered (nominated) himself as a Vice Chair candidate, and it was seconded by Hennessey. The nomination passed unanimously. Penner then assumed the role of Chair in order to steward the remainder of the meeting.

V. Recap of COVID-based ski area shutdown & COVID-based summer of 2020

DeVivo gave a brief recap... Ski operations shut down on March 18, 2020; the four remaining ski areas east of the Rockies were in NH (others were Waterville, Bretton Woods, and Gunstock); Lafayette Campground and the Flume Gorge opened in May with reduced capacities... both venues required advance reservations; Echo Lake Beach opened in June with reduced capacity and advance reservations; The Aerial Tramway did not open for the spring-summer-fall season; Approximately 2/3 of Cannon's year-round staff was deployed in other roles within FNSP; no layoffs of full time team members; summer went very well operationally; hiker interaction and usage of the park's trail network expanded dramatically; general (non-venue) usage of the park expanded exponentially; season pass volume was up by more than 1,000 units (approx. half of those were NH Senior Midweek @ \$39 processing fee); spent a lot of time working with SkiNH, NSAA, and Director Bryce on winter planning in anticipation of a COVID-based winter operating plan; lost \$1.5 million in Tram ticket sales and an estimated \$500 K in related sales; finished the fiscal year with a huge rush in season pass sales and finished FY20 with a modest surplus.

VI. Recap of COVID-reactionary winter 20/21

DeVivo gave a brief recap... In finding that the Reserve America reservations platform used by the NH Park System would be unable to handle the volume of products necessary for winter, Cannon went through the G&C process for a sole-source contract with Siriusware to use its platform, as the ski area uses Siriusware as its current sales and reporting platform and maintaining continuity was critical; discount and free programs were radically reduced; overwhelming majority of ticket products sold were at full price; standard ski industry COVID protocols in place – cleanliness, distancing, online sales, no gear in lodges, limited lodge usage and time indoors, limited ticket sales, etc.; Cannon experienced very little crowding and zero overcrowding; all 20 departments felt some level of impact (on team members) from COVID-19; one short closure of the Cannonball Pub for one week to contact trace, no other closures required; F&B revenue was down more than 50% due to having far fewer people inside; overall the ski area scored very high marks relative to people's perceptions of safe operations and a lack of overcrowding; highest number of daily ticket sales was 1,250, and a large weekend day would see approx.. 2,000 passholders; never exceeded 3,300 guests (normal midseason Saturday would be 3,500 – 4,000).

DeVivo mentioned again that despite the early ski area shutdown in FY20, season pass sales came in very strong in June and the ski area closed with a surplus. DeVivo then mentioned that despite the loss of \$1.5 million in tram ticket revenue and associated other revenues within the first 4 months of FY21, in addition to having F&B revenues off by more than 50%, the ski area expects to finish FY21 with a surplus that may be between \$250K and \$500K... but cautioned strongly that this is based purely on soft close numbers as of June 30th. Final numbers are not expected until December.

VII. Summer season update 2021

DeVivo gave a brief recap... All summer venues are open and advance reservations are strongly recommended; On-site sales are made if there are tickets available; Echo Lake Beach capacity was bumped to 350 (had been 250) and is selling out on weekends; Flume Gorge capacity was bumped to 300 per hour and 2,400 per day (essentially matching the largest days we've seen in pre-COVID years) and is selling out on weekends; Lafayette CG is back at 100% capacity and is selling out on weekends; Aerial Tramway reopened on Memorial Weekend and offers 40 spaces per car (every 15 minutes) to allow guests plenty of space and enhance the experience; normal summer maintenance programs at the ski area are in full swing, though staffing is quite difficult; the trail (brush) cutting on the steeps and in the glades will likely be contracted out, as such labor-intensive positions have proven impossible to fill this year.

VIII. Winter season preview... normal or COVID (?)

DeVivo gave a brief summary... There's still ample concern within the local, regional, national segments of the ski industry relative to COVID and any related variants, but for the time being, all signs point to a "fairly normal" ski season, weather notwithstanding; staffing remains a very big challenge and that's likely to continue; maintenance programs are rolling along this summer, though the ski area is still in catch-up mode, having trimmed its staffing last summer and deploying much of its FTYR team members at other venues within the park; operations are expected to be viable and vibrant this coming winter, with the expectation of opening on the Friday of Thanksgiving Weekend; the management team has already been discussing which COVID-based aspects of the operation will remain unchanged (ex. online ticket sales as the primary mechanism); the team is taking an ongoing hard look at indoor capacities and time limits and discussing whether to allow gear inside, as keeping people's gear outside made things far more comfortable for those inside, but led to a sharp drop in F&B revenue; the idea of building a basket check / gear check room has been discussed; season pass sales are at approximately 50% of last year's total volume – that number will increase as ski season approaches, but a fair portion of last year's new passholders (who'd been displaced at other areas when they halted season pass sales) may return to their home resorts.

IX. FY20 Capital Project Status *(Recommended by CMAC in Nov 2019 as \$1.976M not-to-exceed)*

DeVivo gave a brief summary...

- a. Fire suppression system @ summit (\$500K Cannon)

Project swelled to approx.. \$1.2 Million and is in final stages of punchlist completion

- b. Septic system upgrade @ summit (\$800K + remaining \$400K)

This project is still in development and discussion stage between NH Parks and NHDES; several early project scope(s) from Underwood Engineering were rejected by Cannon & NH Parks

- c. Tram carriage assembly rebuild (\$400K)

Second phase of project completed in spring 2021 after findings during the initial phase in fall 2020; final piece is the electromechanical cabinet refurb, TBD depending upon European Travel restrictions for the technician from Frey Electric

- d. Zoomer Triple Motor & Grips (\$130K)

Completed summer 2020

- e. Tram restrooms (\$75K Cannon)

Deferred to allow for more \$\$\$ toward fire suppression project

- f. New HKD Phazer guns (\$36K)

Received in fall 2019

- g. New pipe (A&W) on Toss Up (\$35K)

Project completed in fall 2019

NH Parks offered (in 2019 pre-COVID) the following matches...

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| a. | NH Parks & Rec / Fire Suppression | (\$500K) | See notes above |
| b. | NH Parks & Rec / Tram restrooms | (\$75K) | Deferred toward fire suppression |
| c. | NH Parks & Rec / HQ backup power | (\$50K) | Project ongoing, frozen during COVID |
| d. | NH Parks & Rec / Paving @ Tram | (\$25K) | Completed in fall 2019 |

X. Mittersill Performance Center update

Presby (a CMAC member and a Franconia Ski Club board member) gave a brief summary... Three years ago the ski club began its fundraising effort toward the construction and gifting (to The State / Cannon) of a 9,200 s.f. mini-lodge and competition center (to be named "Mittersill Performance Center" aka "MPC") so that the club and its members may utilize a larger facility and host the overwhelming majority of its training and racing on the Mittersill side of the ski area, which presents a safer scenario for all of Cannon's users and has very little impact on the vast majority of Cannon's non-racing guest population; Bryce, Stewart, and DeVivo (and previous DNCR Commissioner Jeff Rose) had worked diligently with the ski club's leadership team to have the 40-year agreement between the club and the ski area amended to include said project; Presby indicated

that the new building is nearing a fall completion (approx.. mid-late September) and is currently on budget at nearly \$3 Million; the ski club is expected to occupy the MPC this winter, thus vacating "Ernie's Haus."

Weston posed the question as to what will become of Ernie's Haus when it is vacated by the ski club. DeVivo mentioned that Ernie's Haus is a State property, the funds for which had been donated to the State in 1976 by the family of Ernst Glaessel for the purpose of serving as a headquarters building by Franconia Ski Club (aka "FSC"), and that the Cannon management team is currently discussing its use during this coming winter as a group function facility, with the potential for catered food, beverage, and bar service; the specific use of Ernie's Haus as any particular type of venue beyond this coming season remains under discussion.

XI. Cannon Mountain Capital Improvement Fund Status

DeVivo quickly brought new CMAC members up to speed, stating that the Cannon Mountain Capital Improvement Fund exists in statute as a means of directing the money derived from the leasing of the Mount Sunapee Ski Area operations directly into capital projects at Cannon Mountain. There was a rolling \$6 million bonding mechanism created back in 1998 subsequent to the leasing of Sunapee, and the leasing revenue goes toward offsetting the payment on the bonding. The rolling fund may be tapped at \$6 million at all times, though (DNCR / NH Parks / Cannon) chooses to always leave an available balance for emergency use. At no time may the fund exceed \$6 million in bonded / borrowed money.

DeVivo cited information received from the Department of Natural and Cultural Resources (aka DNCR) Business Office, and of the rolling \$6 million fund balance (without further borrowing), there's approximately \$400K available at the close of FY21, and there would be approximately \$685K available at the close of FY22, and there would be approximately \$939K available at the close of FY23. DeVivo mentioned the likely need to come forward with a request for recommendation on a small-scale capital plan in November; Bryce cautioned that both the CMAC and NH Parks / Cannon may want to hold off on using this money for anything beyond critical needs relative to the Tramway and/or fire suppression and/or water & septic projects.

At 11:37, Penner had to excuse himself from the meeting to attend another, and MacConnell took over as the newly elected Vice Chair.

XII. Short-Mid-Long Range Capital Plan (1-3-5-10+)

DeVivo mentioned that the short-medium-long range capital plan was essentially halted when the COVID-19 pandemic struck. The document will be updated this summer-fall by Bryce, DeVivo, and Cannon's facilities and ops teams, and submitted to the CMAC membership prior to the November meeting for perusal.

A robust discussion regarding the Cannon Mountain Aerial Tramway ensued. With the award of the first \$500 Million in ARPA funding to the State of NH... and the expectation that there will be an additional \$500 Million awarded to the State... all geared toward capital infrastructure improvement and economic stimulus purposes... there's been ample and robust discussion regarding the current (condition) and future of the Cannon Mountain Aerial Tramway. Executive Councilor Joe Kenney hosted the July 14th meeting of the Governor and Executive Council at Cannon Mountain with an expressed desire to highlight the need for attention on the Aerial Tramway.

DeVivo and Bryce repeated (as they'd mentioned it on Wednesday at the NH G&C meeting) that discussions have been ongoing with Doppelmayr Garaventa of Austria & SLC (one of the world's leading aerial tramway and ropeway construction contractors) regarding two options, the repair or replacement of several primary tramway systems and the replacement of the entirety of the aerial tramway. In either case the business loss would involve 2-3 seasons (ex. summer / winter / summer), and the estimates currently range from \$10-15 Million for primary systems and \$20-30 Million for a full replacement. Bryce also highlighted the need for refurbishment (facelift) on the base and summit lodge buildings themselves, while DeVivo pointed out that in both cases (repair-replacement of systems or a full-on tramway system replacement) the experts at

Doppelmayer Garaventa felt that the existing Tramway departure and arrival building envelopes may be reused.

Hennessey and Mezzapelle mentioned several times that the timing is good right now to be requesting ARPA funding for just such a project, and stressed the importance of continuing along this line of discussion to obtain real estimates from a (couple-few-several) contractors in order to get into the queue for such funding disbursement (pending approval by the appropriate legislative committee). DeVivo and Bryce took their information under advisement and will again approach DNCR Commissioner Stewart and the Governor's Office regarding the project scope.

MacConnell moved that the CMAC support the use of multiple sources of funding, including the Cannon Mountain Capital Improvement Fund and ARPA funding, for improvements at the Aerial Tramway and to water and septic system projects. The motion was seconded by Weston and passed unanimously.

XIII. Old Business

There was no old business brought up.

XIV. New Business

There was no new business brought up.

XV. Set Date for Fall 2021 meeting

After quizzing the membership regarding availability, MacConnell set a fall meeting date of November 8, 2021. The meeting will be held in one of three (3) locations... Park HQ, or Peabody Lodge, or (hopefully) the newly completed Mittersill Performance Center, as suggested by Presby.

XVI. Adjournment

MacConnell asked for a motion to adjourn. Hennessey moved and Mezzapelle seconded, and the motion passed unanimously to adjourn at 12:17 PM.