

Cannon Mountain Advisory Commission

Meeting Minutes // April 15, 2016

DRAFT form until approved by committee vote at next meeting in November, 2016

- Intro / review of CMAC statute & scope

Meeting called to order by Chairman Rich McLeod at 10:05. Present were (CMAC members) McLeod (Chair), Vice Chair Karen Irwin, Representative Edmond Gionet, Representative Erin Hennessey, Representative John Mullen, State Treasurer Bill Dwyer, Kevin Johnson, and Charles Chandler. Absent were CMAC members Senator Jeff Woodburn and Senator Sharon Carson. Also present were DRED Commissioner Jeffrey Rose, NH Parks & Recreation Director Phil Bryce, and Cannon-FNSP General Manager John DeVivo (CMAC Scribe). Chairman McLeod reviewed the scope and intent of RSA 12-A:29-b Cannon Mountain Advisory Commission.

- Nov 20, 2015 minutes / approval

The minutes of the November 20, 2015 meeting were perused individually. Charles Chandler motioned approval and Vice Chair Irwin seconded. The motion passed with six in favor and two abstentions (Representatives Gionet and Hennessey, neither of whom had been at that meeting).

- Recap 15/16 winter season

John DeVivo recapped the 2015/16 winter season:

- Strong summer season, up roughly \$150K over 2015
- Very warm November and December (in relative terms)
- Opened a week later than usual, closed a week earlier than usual, with final week as a weekend-only
- Once in a generation type El Nino winter in the East
- Current projections show that we may finish FY16 in the red
- Depends upon strength of 16/17 season pass sales and summer start-up
- Roughly a \$1.1M negative difference in revenue currently between FY16 and FY15
- That entire difference sits on the revenue line, with expense running a percentage point lower
- Usual suspects in a lean year... day tickets, F&B, retail-rental-repair all off pace
- Overall ski season revenue and visits off roughly 33%, on par with SkiNH members reporting in
- Season pass revenue and gift card revenue both UP this season
- UK school business, group sales, tram rides, and snowsports school all UP this season

DeVivo expounded upon current / past / future to bring Representative Hennessey (newest CMAC member) up to speed on what's occurred at Cannon since FY08:

- Cannon lost roughly \$500K in FY07, and at that point carried a roughly \$1.5M negative overall balance
- Net negative in FY12 and FY16
- Net positive in FY08, FY09, FY10, FY11, FY13, FY14, FY15
- Cannon has zeroed out its \$1.5M deficiency and since added \$1.9M in surplus to the parks fund
- Added 33% more snowmaking capacity and 33% more grooming capacity

- Added 68% more terrain (incl. the Mittersill expansion) and a new lift over there
 - Brokered the deal with Franconia Ski Club to almost entirely fund a \$4M Mittersill enhancement
 - o US Ski Team Training Site designation led to \$750K toward the project from USSA
 - Doubled the base area and children's center capacities and capabilities
 - Added a new rental-repair center, welcome center, and pub
 - Expanded F&B and retail operations and offerings
 - Changed the entire management and marketing style and philosophy
 - Nominated again in 2016 as an NSAA national finalist (top 5) for best TV marketing campaign
- Ongoing CMCIF projects from last summer

DeVivo detailed the remaining (CMCIF) projects from 2016:

- Bullwheel bearing project at Zoomer Triple is currently out to bid (CMCIF)
- Brake cabinet electrical upgrade at Aerial Tram is in the contracting phase (CMCIF)
- UST/pumps contracted @ \$95K / Lake Region Environmental – dealing with DES permitting
- Mittersill warming hut / restroom project will be bid out this spring (CMCIF & Gen'l from 2010)
- Parking lot improvement project will be bid out this summer-fall (CMCIF & Gen'l from 2010)
- Mittersill way finding / trail signage project to be finished this summer-fall (CMCIF & Gen'l from 2010)

Footnote: 2016 projects completed:

- *Excavator purchased @ \$210K*
- *AEBI Mower purchased @ \$95K*
- *AEBI Snowblower purchased @ \$10K*
- *Cat for Snmk'g purchased @ \$95K*
- *Deck for Snmk'g Cat built @ \$6K*
- *PVB One 50 units purchased @ \$30K*
- *Trooper Trax purchased @ \$18K*
- *Haul Rope splice done @ \$11K*

- Mittersill project update (non-CMCIF)

DeVivo detailed the status of the (joint Cannon-Franconia Ski Club) Mittersill enhancement project:

- FSC has raised and spent roughly \$3.65M thus far
- Roughly \$350K remains to be raised and spent toward final completion
- New compressor, new dam, pipe-hydrants-guns on Baron's, Way Back, Skyline, Ridge Run, TBD Trail
- Clearing and slope prep complete on Taft Training Slope
- Snowmaking on both sides of Taft Training Slope will be completed this summer
- B-Netting has been (and will be) purchased for the training and race slopes
- A-Netting will be purchased and installed on appropriate sections of Baron's Run this summer-fall
 - o Rich Smith (FSC Program Director) answered questions re: A-Net and B-Net specs / requirements
- T-Bar installation will be completed if the fundraising is completed
- (Go / No-Go) decision time on T-Bar installation (for this year) is mid-late June
- This Mittersill project has put Cannon at the forefront of any discussion of skiing-riding in NH

- This project (and the State's commitment to revitalizing Mittersill beginning in 2009 after the land swap with the Feds) has garnered a VAST amount and depth of (local/regional/national) positive publicity
- Ameresco project update (non-CMCIF)

DeVivo detailed the status of the energy efficiency / snowmaking enhancement project:

- Idea brought to Cannon by NH DAS and the State Energy Manager back in 2013 to satisfy the energy reduction mandates set by the Legislature (RSA 21-1:19-d)
- Started as a \$6M initiative / LONG bidding process
- 18 month DFS (detailed feasibility study) performed by winning bidder (AMERESCO)
- Last 6 months... AMPLE due diligence by joint team from DRED / Cannon / AMERESCO
- Long term payoff & low benefit / high cost items stripped
- Close to bringing a reduced scope project forward to G&C @ \$4.9M
- Primary benefit would be the potential for up to 50% snowmaking (water) capacity and up to 50% reduction in energy consumption (compressed air)
- Secondary benefit would be the energy reductions via lighting and insulation improvements
- Associated benefits include reductions in snowmaking labor costs, quicker coverage, and improved conditions for visitors
- The annual bonding on the project will be paid off via the annual energy savings
- The project (in its entirety) is expected to be paid off within 13-17 years (depending upon loan structure)

Representative Hennessey asked about the energy savings and how the snowmaking improvements will impact them. DeVivo explained that while the new booster pumphouse will provide tremendous energy efficiency, it'll be the usage of 388 new HKD tower guns (low energy / high efficiency) and 3 new HKD fan guns (low energy / high efficiency) that'll offer a tremendous increase in efficiency... by matching the water output of the existing equipment while using just (approx.) 10-12% of the existing air capacity. In that way, Cannon can max out on its water capacity at all times, while utilizing 50-60% less compressed air.

Commissioner Rose, Director Bryce, and Treasurer Dwyer all spoke heavily in favor of the project, citing energy efficiency, cost savings, and snowmaking capacity increases.

Kevin Johnson expressed concern over the perceived savings and cautioned the group to reconsider its options. Treasurer Dwyer commented that AMERESCO's estimates look very solid, and that all prospective lenders will vet the project's merits and potential savings to an ever further degree before bidding on the financing for the project, and that if the numbers don't add up, the project simply won't see the funding.

- Proposed 2016 capital plan (CMCIF)

The Cannon Mountain Capital Improvement Fund status was reviewed:

- Revolving line of credit; \$6M limit allowed by law; there's \$2.3M available for bonding
- Expected pay-in from Sunapee this year is \$657K; Current balance is \$338K negative
- Those figures show expected \$350K bonding for projects to be proposed in 2016, less than half of the average amount bonded in recent years
- Extended through 2020... shows high neg balance of \$531K, but drops to neg \$153K by 2020

- No added bonding, no Cannon surplus shown in those conservative projections
- Both added bonding (annual capital plans) and Cannon surpluses are expected
- The fund will eventually zero out and the available balance for bonding will continue to grow

Footnote: Added info from DRED Business Office and Treasurer's Office April 29th):

- *The projected balance figures look better through 2020 than what was reviewed at CMAC because:*
 - o *This year's actuals debt service will come in about \$30k lower than the budget estimate*
 - o *Revenue projections from Sunapee bumped in 2017 in line with historicals*
 - o *New bonding (for 16 & 17) shifted one year for accuracy; debt service payments hit later*
 - o *Trending positive relative to CMCIF revenue -vs- debt service*
 - o *Ex. \$301K neg balance on CMCIF reduced to \$6K neg balance by 2*
 - o *Acct deficit paid down and adding a surplus by 2020 with significant growth on this line in 2021*

DeVivo detailed Cannon's 2016 (CMCIF) \$350K capital request for CMAC consideration:

- \$80K for painting and refurb on top terminal at Peabody Express Quad and both top and bottom terminals at the Aerial Tramway
- \$75K for septic outflow system revisions at the summit
- \$50K for restroom facility refurb at the top and bottom of the Aerial Tramway
- \$50K to refurb the old top terminal (tramway slip) at the Aerial Tramway as Patrol HQ
- \$50K for new piping / junctions on Avalanche-Banshee-Jasper's to more efficiently and effectively make snow there (discussion of eventually moving Brookside Triple over to "the Banshees" area)
- \$25K for roof repairs over the Aerial Tramway motor room
- \$20K for new wiring/conduit at the Peabody Express return station

Charles Chandler asked about the piping project on Avalanche-Banshee-Jasper's; DeVivo explained that the current setup has water flowing uphill and then down, and that the junction house at the base of Avalanche is antiquated and should be removed. The new setup will have water flowing downhill across the front five and increase pressure and ease of use, adding efficiency and pressure.

Kevin Johnson expressed concern over the added bonding on the CMCIF. Commissioner Rose offered that though there's \$2.3M available in the CMCIF right now for bonding, Cannon and the CMAC are being very careful with selective and limited bonding right now. Treasurer Dwyer cited Cannon's capital improvements and continued capital planning "good debt versus bad debt," and cited the intent for payoff using future surplus. Charles Chandler echoed Treasurer Dwyer's sentiment.

- Request of recommendation to Commissioner Rose

Vice Chair Karen Irwin made a motion for a CMAC recommendation of the \$350K capital plan (as detailed by DeVivo), Charles Chandler seconded. The motion passed with a 7-1 vote (Johnson opposed).

- Old Business

Charles Chandler asked for clarification on the CMAC role as related to non-CMCIF projects (and used the Ameresco and Mittersill projects as examples). CMAC Chair McLeod, Commissioner Rose, and Director Bryce all detailed such projects as informational courtesy to put the CMAC request in context, as the RSA in question is interpreted to hold the CMAC's purview to CMCIF funded projects. Cannon (and the Division and Department) believe that it's in the best interests of all involved to detail operations, performance, and all capital projects (both CMCIF and non-CMCIF) for the CMAC to aid in helping the commission make well-informed decisions regarding CMCIF funds.

Mr. Chandler made a motion to have the CMAC (via vote and/or letter) cast a positive sentiment toward the "Ameresco Project" (energy efficiency / snowmaking enhancement) that will go before the Governor & Executive Council as a dual contract (construction itself / bonding for project). Chairman McLeod seconded. The motion passed with a 7-1 vote (Johnson opposed).

- New Business

Representative Hennessey asked whether Cannon has an established 5-10 year capital plan. Director Bryce and DeVivo noted that as a result of the recent audit and the success of the 10-year master plan thus far for the Division of Parks & Recreation, the Director and Cannon will embark on a draft of a 5 year capital plan in consultation with CMAC. There will be a need for some fluidity in the plan to account for ever-changing infrastructure concerns. DeVivo noted that since 2008 Cannon's plan has been to improve its snowmaking system, increase its base area capacity, add terrain and lifts, and create new revenue opportunities, and that the next five years' planning should revolve around snowmaking, lift maintenance, and electric and water systems. DeVivo further noted that regarding capital and operating funds, Cannon's priorities remain (in order): safety, compliance, revenue generation, and aesthetics.

Vice Chair Irwin motioned the creation of a subcommittee to work with Director Bryce and DeVivo on a 5-10 year capital plan draft. Charles Chandler seconded. DeVivo noted an ability to rough out a 5-year plan with the operations team at Cannon based upon currently known operating and infrastructure needs and present it to the subcommittee. Discussion was held regarding such a meeting during midsummer, but no date was set. No officers of any such subcommittee were noted; DeVivo will poll the CMAC membership in May-June regarding subcommittee membership and propose a meeting with himself, the subcommittee, and Director Bryce. The motion passed with a vote of 7-1, with Representative Hennessey in opposition.

- Next Meeting Set / Adjournment

Chairman McLeod asked for a motion to adjourn at 11:55 AM. Representative Hennessey motioned and Charles Chandler seconded. The motion passed unanimously.

Chairman McLeod has set a meeting date for the next full CMAC membership of Friday, November 18th. The meeting will be held at FNRP Headquarters at 10 AM.