0 JUN01 '23 PM 6:45 RCV

STATE OF NEW HAMPSHIRE
DEPARTMENT of NATURAL and CULTURAL RESOURCES
OFFICE OF THE COMMISSIONER

172 Pembroke Road Concord, New Hampshire 03301
Phone: 271-2411 Fax: 271-2629

June 1, 2023

His Excellency, Governor Christopher T. Sununu
and the Honorable Executive Council
State House
Concord, New Hampshire 03301

REQUESTED ACTION

In accordance with RSA 12-A:29-b, the Department of Natural and Cultural Resources respectfully requests approval of the recommendation of the Cannon Mountain Advisory Commission to implement the Cannon Mountain Aerial Tramway & Ski Area capital improvement project listed in the attached outline, to be funded in the amount of $800,000 by the Cannon Mountain Capital Improvement Fund. No general funds will be used. The projects for which funding is being requested are water pipe and hydrant replacements and various small equipment refurbishments and replacements as outlined on the attached proposal as recommended by the Cannon Mountain Advisory Commission. The Capital Budget Overview Committee approved this request on May 26, 2023 (CAP #23-014).

EXPLANATION

Chapter 134:13, Laws of 1998, authorized the State Treasurer "[t]o provide funds for the Cannon Mountain Capital Improvement Fund (CMCIF)… to borrow from time to time upon the credit of the State such amounts so that the total State obligation shall at no time exceed the sum of $6,000,000, and for said purpose may issue bonds and notes at such time in the name of and on behalf of the State of New Hampshire in accordance with RSA 6-A."

The projected June 30, 2024 available balance outstanding is approximately $857,613. Thus, this request is within the $6 million threshold as required by Chapter 134:13, Laws of 1998. The Mount Sunapee lease payment revenues support the debt service for the Cannon Mountain Capital improvement Fund (CMCIF). Projected growth of base payments under Vail Resorts' ownership is estimated to increase consistently going forward, thus accelerating bond payoff. Attached you'll find the updated spreadsheet as provided by the NH Treasury Department.

Also attached for your information are the minutes from the May 8, 2023 Cannon Mountain Advisory Commission meeting, at which the attending commission members unanimously recommended Cannon's FY24 capital project plan utilizing said $800,000 in CMCIF funds as a not-to-exceed. These water and hydrant system, and operations infrastructure projects will provide necessary upgrades in timely order. These improvements help to continue our strong push on high quality service and experiences and addresses our infrastructure needs, allowing us to continue to provide revenue growth in support of the entire State Park System. Your approval of this project would allow Cannon to get a much-needed jumpstart on the contracting and purchasing processes to complete these projects in the Fall of 2023, or at the latest, during the Spring of 2024.

Respectfully submitted,

Sarah Stewart

Sarah L. Stewart
Commissioner

CAP 23-014

STATE OF NEW HAMPSHIRE
DEPARTMENT of NATURAL and CULTURAL RESOURCES
OFFICE OF THE COMMISSIONER

172 Pembroke Road Concord, New Hampshire 03301
Phone: 271-2411 Fax: 271-2629

May 11, 2023

Approved by the Capital Budget Overview Committee May 26, 2023

The Honorable Mark McConkey, Chairman
Capital Budget Overview Committee
State House
Concord, New Hampshire 03301

REQUESTED ACTION

In accordance with RSA 12-A:29-b, the Department of Natural and Cultural Resources respectfully requests approval of the recommendation of the Cannon Mountain Advisory Commission to implement the Cannon Mountain Aerial Tramway & Ski Area capital improvement project listed in the attached outline, to be funded in the amount of up to $800,000 by the Cannon Mountain Capital Improvement Fund. No general funds will be used. The projects for which funding is being requested are water pipe and hydrant replacements and various small equipment refurbishments and replacements as outlined on the attached proposal as recommended by the Cannon Mountain Advisory Commission.

EXPLANATION

Chapter 134:13, Laws of 1998, authorized the State Treasurer "[t]o provide funds for the Cannon Mountain Capital Improvement Fund (CMCIF)… to borrow from time to time upon the credit of the State such amounts so that the total State obligation shall at no time exceed the sum of $6,000,000, and for said purpose may issue bonds and notes at such time in the name of and on behalf of the State of New Hampshire in accordance with RSA 6-A."

The projected June 30, 2024 available balance outstanding is approximately $857,613. Thus, this request is within the $6 million threshold as required by Chapter 134:13, Laws of 1998. The Mount Sunapee lease payment revenues support the debt service for the Cannon Mountain Capital improvement Fund (CMCIF). Projected growth of base payments under Vail Resorts' ownership is estimated to increase consistently going forward, thus accelerating bond payoff. Attached you'll find the updated spreadsheet as provided by the NH Treasury Department.

Also attached for your information are the minutes from the May 8, 2023 Cannon Mountain Advisory Commission meeting, at which the attending commission members unanimously recommended Cannon's FY24 capital project plan utilizing said $800,000 in CMCIF funds as a not-to-exceed. These water and hydrant system, and operations infrastructure projects will provide necessary upgrades in timely order. These improvements help to continue our strong push on high quality service and experiences and addresses our infrastructure needs, allowing us to continue to provide revenue growth in support of the entire State Park System. Your approval of this project would allow Cannon to get a much-needed jumpstart on the contracting and purchasing processes in an effort to complete these projects in the Fall of 2023, or at latest, during the Spring of 2024.

Respectfully submitted,

Sarah L. Stewart, Commissioner
Department of Natural & Cultural Resources

State of New Hampshire

Department of Natural and Cultural Resources

Cannon Mountain Aerial Tramway & Ski Area

Fiscal Year 2024 Cannon Mountain Capital Improvement Fund (CMCIF) Request per RSA 12-A:29-b

Project	Estimate	Explanation
INFRASTRUCTURE IMPROVEMENTS		
N/A	$ -	*Infrastructure improvements in FY24 will be smaller-scale and handled within the FY24 operating budget.*
Sub-Total Infrastructure Improvements	**$ -**	
LIFT MAINTENANCE / REPAIRS		
Gearbox rebuild on Cannonball Quad; Motor rebuild on Cannonball Quad; Bullwheel bearing replacement on Peabody Quad; Electrical assessment and overhaul on Mittersill Double	$ 166,000	Cannonball Quad offers primary access to summit and is due for a gearbox and motor rebuild; Peabody Quad offers primary exodus from main base area and is due for bullwheel bearing replacement; Mittersill Double offers primary access to Mittersill summit and is due for electrical system assessment and overhaul
Sub-Total Lift Maintenance / Repairs	**$ 166,000**	
SNOWMAKING IMPROVEMENTS		
Air and water pipe replacements on Gremlin, Lower Cannon, and Upper Ravine arteries; replacement of shaft and bowl assembly on Pump 102; electrical upgrade on both of the Joy compressors	$ 634,000	Gremlin and Lower Cannon offer primary access to the lower portion of Cannon, and Upper Ravine is a primary artery at the summit and those lines feed other summit trails, all are overdue for replacement; Pump 102 failure necessitated replacement of everything below the motor and head, and that pump serves 35% of our water capacity; Upgrading the two Joy compressors allows us to stage our air usage and be much more efficient financially when creating and using much less compressed air
Sub-Total Snowmaking Improvements	**$ 634,000**	
GRAND TOTAL FY24 CAPITAL PLAN	**$ 800,000**	Upgrades and replacements in vital snmk'g / lift maint areas

STATE OF NEW HAMPSHIRE
DEPARTMENT OF NATURAL AND CULTURAL RESOURCES (DNCR)
SUMMARY OF CANNON MOUNTAIN CAPITAL IMPROVEMENT FUND (CMCIF) RSA 12-A:29-c
FISCAL YEAR 2016 TO 2026

		Actuals							Projected			
	Fiscal Year =>	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
	Beginning Balance - July 1	$ (332,616)	$ (302,214)	$ (425,908)	$ (343,975)	$ (199,291)	$ (241,548)	$ (115,284)	$ 47,545	$ 250,422	$ 433,878	$ 709,608
	Revenue from Sunapee lease payment	650,534	517,457	623,586	615,606	356,426	586,118	747,806	812,734	777,700	799,000	821,000
	Debt Service Issues:											
A	Debt service issued as of 6/30/2009 but prior to 2014	554,449	549,523	338,912	277,374	163,769	120,188	106,362	73,368	70,822	68,680	69,223
B	Actual for bonding in FY 2014 $489,125 Issue #N219S	38,120	37,291	36,411	36,461	36,461	43,741	42,111	40,481	8,257	8,257	25,847
C	Actual for bonding in FY 2015 $260,325 Issue #N222S	27,564	26,993	26,486	20,954	25,119	24,338	23,557	22,776	21,995	21,215	15,358
D	Re-Funding Bond Issue Adjustment FY 2017 #N226 on Pre 2009 Issues	-	-	4,420	4,760	4,760	4,554	235	1,854	2,330	825	-
E	Actual bonding for FY 2017 $1,215,210.00 Issue #N227S	-	27,344	135,426	131,374	127,322	123,270	119,218	115,166	111,114	107,062	103,010
F	Actual for bonding in FY 2019 $356,510 Issue # 232	-	-	-	-	41,252	36,250	35,152	34,082	33,013	31,943	30,873
G	Actual for bonding in FY 2020 $753,997 Issue # 235	-	-	-	-	-	81,850	79,586	77,322	75,058	72,794	70,484
H	Actual for bonding in FY 2021 $1,220,783 Issue # 237					-	25,664	129,566	125,902	122,237	118,573	114,908
I	Refunding Bond Issue Adjustment FY 2021 #238 on pre-2009 Issues						-	2,528	1,754	8,742	12,583	3,847
J	Refunding Bond Issue Adjustment FY 2021 #239 on pre-2009 Issues						-	46,661	74,857	58,935	-	-
K	Actual for bonding in FY 2022 $400,000 Issue # 240							-	42,295	42,341	41,140	39,939
L	Projected bonding in FY 2023 from FY 2023 approved $400,000 Issue							-	-	43,400	42,200	41,000
	Total Debt Service Cost	620,133	641,150	541,654	470,924	398,683	459,855	584,977	609,857	594,244	523,270	514,488
	Annual Revenue Over (Under) Debt Service	30,401	(123,693)	81,932	144,684	(42,257)	126,263	162,829	202,877	183,456	275,730	306,512
	Transfers of Net Revenue from Cannon Operations	-	-	-	-	-	-	-	-	-	-	-
	Projected Deficit/Surplus Account Balance - Fiscal Year End of June 30	$ (302,214)	$ (425,908)	$ (343,975)	$ (199,291)	$ (241,548)	$ (115,284)	$ 47,545	$ 250,422	$ 433,878	$ 709,608	$ 1,016,120
	Available to Borrow from Fund	$ 2,984,061	$ 2,690,189	$ 2,341,838	$ 1,798,029	$ 112,624	$ 430,309	$ 431,179	$ 456,492	$ 857,613	$ 1,198,515	$ 1,558,789

Notes:

1 Revenue projection estimates based on assumption of 3% growth each year.
2 Revenue projection in 2024 assumes 10% decrease from 2023 due to higher than average recreational activity in 2022 driven by COVID pandemic.
3 Actual Revenue in FY 2017 of $517k reflects decrease of 21% from FY 2016 based on weather related low performance for 15-16 winter season.
4 Future Bond issues projected @ 5% Interest Rate.
5 Projected Debt Service is based on future timing of issuance of treasury bonding of approved capital spending. Projections may shift to later fiscal years depending on date of bond issues.
6 Debt Service figures for FY 2023 are projected per Treasury as reported

Cannon Mountain Advisory Commission
Spring Meeting minutes (draft version) from May 8, 2023

Expected CMAC attendees:

Terry Penner (Chair), Frank MacConnell (Vice Chair), Senator Carrie Gendreau, Senator Shannon Chandley, Thad Presby, Richard McLeod, Jon Tholl

Expected other attendees:

NH State Parks Director Brian Wilson, Cannon-FNSP GM John DeVivo (as scribe), Cannon-FNSP Admin Chief Dave Webster, and Peter Kailey (member of the public), and DNCR Commissioner Stewart attended via phone.

Expected absentees:

The two House members of the CMAC have not yet been appointed, and State Treasurer Monica Mezzapelle was unable to attend.

Introductions / quick summary for new members

Chairman Penner went around the room with introductions.

Approval of previous meeting minutes

Presby moved approval, seconded by Vice Chair MacConnell, motion passed with 5 affirmatives and two abstentions (Senators Gendreau and Chandley), and DeVivo will send final approved version.

CMAC purview (statute) review

Quick review was given by DeVivo / Wilson relative to the informative nature of the meetings and the purview of the CMAC; revolves around the recommendation on the expenditure of Cannon Mountain Capital Improvement Fund dollars, but the group is well-informed by design.

Overview of past ski season

DeVivo gave the following bullet-pointed review:

- Entabeni rollout was rocky but came around quickly
- Tix, passes, reporting, scanned lift access, ski school, rental, repair, retail
- RFID card sales was the #2 revenue source behind tix-passes

- First ten weeks were difficult... snowmaking at warm temps constantly
- That showed in our revenue and in our offerings on lift and trail count
- Ski area shone brightly from an operations perspective
- Scored high marks with sell-outs on many weekends to offer great experience
- Could've handled another 200 per day and do not plan to impose sell-outs next year

- Breakdown with Pump #102 (35% of water cap), handled 2x, going to G&C in June / July
- Zoomer Triple gearbox rebuild (Jan 22), handled in 5 weeks, not 12-14 weeks
- Grips replaced on Cannonball Quad, timing was delayed 2 months by shipping

- Mittersill Double will be targeted this summer for full assessment and upgrades

- Overall revenue was down about $100K (versus last year)
- Overall expense was up more than $1M (versus last year)
- All of that $1M overage is on the heat / water / electricity line
- Electricity rates tripled, that alone was an extra $825K

- Return of UK-based student groups at very high volume, very welcome business segment
- Well-behaved and very well-received groups
- There were many days on which they represented at least 50% of our midweek crowds

- We operated on 127 days... lost 15 days of operation due to weather / winds / power outage
- Visits were off about 15% on scanned versus old method car counts
- Snowfall total was off about 11%... but doesn't account for rain and warmth

- Overall financials should settle out at net zero (or close) come June 30th
- Yeoman work has been done by Dave and Chris (Marino) in Concord to reconcile
- Many transfers done, and also went to Fiscal Comm 2x to draw from our existing balance

- Staffing challenges have had a massive impact upon our ops, revenue, and expense
- Half a ski school staff meant that we had to cut half of our programs
- Half a lift ops staff had us running at roughly 60-70% lift capacity

- One third of a snowmaking staff put us behind on the calendar and Mother Nature backed us up by a month AND caused us to make snow for 2,000 hours rather than the usual 1400-1500

- Persevered and received some snow late and made snow later and hosted both the Eastern HS Championships and the U18 Nationals to RAVE REVIEWS... and we stayed open until April 16th very easily... one of just 4 ski areas in NH remaining open that late

- We'll spend the entirety of our spring-summer-fall season working creatively to boost our pay scales and benefits packages and morale in order to improve our staffing levels; we need to hire more people and we need to boost the morale and performance of our retained people

Preview of impending summer season

DeVivo gave the following bullet-pointed preview:

- Tram 85 this summer! We'll host a celebration on Fri, July 7th
- Hopefully on that date we'll be making an announcement re: Tram system replacement
- Franconia 250 (Old Home Day) parade on Sat, July 8th

- Aerial Tramway expected to open on time May 26th
- Completing the track cable relocation this week
- Next up is the engineering study of the towers and concrete
- Should be very interesting with RFID card usage... revised scenario
- We'll bump our per-car loading up to 60 (was 40 in 2021, was 50 in 2022)

- Flume Gorge expected to open this Friday, the 12th
- Likely to be a partial opening; still working on ice-out and deck placement
- May need to do some repairs to railings on the back F&B deck ASAP
- We use Res-A for tickets and Entabeni for retail

- We'll stick with our 300 pph entries, works extremely well

- Echo Lake Beach expected to open Friday, May 26th (weekends), no concerns
- Adding to the size of the store to allow for easier boat rental / smoother retail ops
- We'll bump the ticket sales cap to 500, had been 350, but we let it flow easily
- There are days on which we'll sell 1,000 tickets as people come and go

- Lafayette Place Campground continues to roll along
- Top 3 CG within the system in most categories despite having just 98 sites
- Leads the pack (top 25%) in retail, firewood, sales percentage
- Also located right in the middle of a hiking mecca of the north country

- Hiker Interaction Team and Hiker Shuttle rolling along
- Cost of the program is $90K and we make $45K... so Brian will work on that with Fiscal Comm
- The legislature / Gov's Office had been resistant to charging new fees
- Brian will work on this with Fiscal Comm, has been recently successful with Hampton meters

Review of ongoing / current / recent capital projects

DeVivo gave the following bullet-pointed preview:

- Track cable relocation finishing up this week
- Summit septic upgrade project still ongoing discussion & great progress
  - Should be getting started this summer-fall
- CBQ & PBQ grip replacements were completed in Jan
- PB Boiler project & 3-line snowmaking project was completed last fall

Proposed capital project list

DeVivo gave details on the following bullet-pointed project list:

- Estimated $858K available for borrowing in FY24, the request is $800K –

- $550K for pipe & hydrant replacements on Lower Cannon, Gremlin, Upper Ravine

- $81K for gearbox rebuild @ CBQ (top-drive, so incl transport, etc.)
  - Also funding $18K up front for 50% of parts order to Kissling of Switzerland

- $54K for Trask-Decrow on Pump 102 shaft & bowl assembly replacement

- $50K for CBQ motor rebuild (after assessment)

- $30K to upgrade the 2 Joy compressors for efficiency in using stages and be more cost-effective

- $25K to replace the Peabody Quad bullwheel bearings

- $10K for Mittersill Double assessments and upgrades

DeVivo and Wilson also referenced Cannon's ongoing 1-3-5-10 year capital / infrastructure planning document and offered to resurrect it for circulation. Senator Chandley asked for such documentation to be kept well informed. MacConnell produced the document from 2019 as an example. Wilson and DeVivo will either track down the previous version or use the 2019 version to rebuild the matrix and get it circulated.

Senator Chandley asked that she and others be allowed to tour the property and sit in on an informational session with DeVivo and Wilson, and a discussion was had relative to dates. DeVivo will poll the group and try to pull this together in June / July for all who wish to take part.

Request for vote to recommend proposed capital project list

Chairman Penner requested a motion to recommend the proposed capital project list as detailed by DeVivo as a not-to-exceed at $800K. Senator Gendreau made the motion and Vice Chair MacConnell and Jon Tholl seconded. The motion to recommend passed with 6 affirmatives and one abstention (Senator Chandley).

BREAK

A request was made (and granted) to take a 5-10 minute break before moving onto Old / New Business. The meeting broke at 11:20 AM and resumed at 11:30 AM.

Old business

Wilson detailed his understanding on the current status of SB55, the bill supporting the replacement of the Aerial Tramway system at Cannon at $25 Million, and offered to share the email addresses of the members of the Senate Finance Committee. Senators Chandley and Gendreau concurred with Wilson on the importance of seeing this bill (and project) through the Legislature. Senator Chandley made it clear that the Senate has already voted in favor of the bill to fund the Aerial Tramway system replacement, and that it is still with the Senate Finance Committee to specifically discuss the funding. It is later slated to go to the House upon approval by the Senate.

New business

MacConnell asked Wilson to continue looking into the Vail Resorts accounting of the Epic Pass (season pass) funding to be certain that Mount Sunapee is receiving its fair share, and thusly that Cannon is receiving proper revenues via the lease agreement.

Set date for Fall 2023 meeting

Chairman Penner set the fall meeting date for Monday, November 13th.

Adjournment

Chairman Penner adjourned the meeting at 12:12 PM.