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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 6, 2018

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, V, the Department of Natural and Cultural Resources respectfully requests approval to implement the Cannon Mountain Aerial Tramway & Ski Area capital improvement projects summarized in the attached outline to be funded in the amount of \$900,000 by the Cannon Mountain Capital Improvement Fund effective upon Governor and Executive Council approval. The Cannon Mountain Advisory Commission recommended submittal of this request and the Capital Budget Overview Committee approved this request on June 6, 2018 (CAP #18-009).

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, 2018 bonds outstanding total approximately \$3.7 million. Thus, this request is within the \$6 million threshold as required by Chapter 134:13, Laws of 1998. The Sunapee lease payment revenue will support the debt service outlay for the Cannon Mountain Capital improvement Fund. Projected growth of base payments will create a surplus in debt service by 2022 that will significantly accelerate bond payoff.

Also, attached for your information are the minutes from the March 30, 2018 Cannon Mountain Advisory Commission meeting and a project outline detailing the requested projects totaling \$900,000 to be completed between June and December 2018. Said projects will provide infrastructure improvements, lift maintenance and repairs, and other operational improvements. These improvements will continue our strong public relations push and grow revenues. Your approval of these improvements will allow the agency to meet its project schedule.

Respectfully submitted,

Handwritten initials "CSW" circled in black ink.

A large, cursive handwritten signature of Sarah L. Stewart.

Sarah L. Stewart
 Commissioner

State of New Hampshire - Department of Natural and Cultural Resources

Cannon Mountain Aerial Tramway & Ski Area - Summer / Fall 2018

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

| Project | Estimate | Explanation |
|--|-------------------|--|
| INFRASTRUCTURE IMPROVEMENTS | | |
| Aerial Tramway (Mountain Station) Septic System Repair / Replacement | \$ 485,000 | The summer system works well but the winter system works poorly. Engineering firm engaged to recommend best course of action (repair / replace). |
| Fiber Optic Line Installation Across Primary Base Area and Buildings | \$ 235,000 | Still using copper wiring system. Must advance technology to better serve guests and avoid business interruption. |
| Sub-Total Infrastructure Improvements | \$ 720,000 | |
| LIFT MAINTENANCE / REPAIRS | | |
| Peabody Express Quad, Zoomer Triple and Eagle Cliff Triple Maintenance and Repairs | \$ 130,000 | Cat Planetary gearbox and Santasolo (primary) gearbox on Peabody Express Quad; low-speed couplings on Zoomer Triple and Peabody Express Quad; and drive screens and drive motor rebuilds on Peabody Express Quad and Eagle Cliff Triple. |
| Sub-Total Lift Maintenance / Repairs | \$ 130,000 | |
| SNOWMAKING IMPROVEMENTS | | |
| Snowmaking Water Line Replacement on Paulie's Extension (Trail) | \$ 50,000 | Main connecting line to Front Five trail network. Preceding pipe has exceeded its useful life and breached in late January, 2018. |
| Sub-Total Snowmaking Improvements | \$ 50,000 | |
| GRAND TOTAL FY18 CAPITAL PLAN | \$ 900,000 | |

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 2013 TO 2023

| Fiscal Year | Fiscal Year | | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Actual | Actual | Actual | Actual | Actual | Projected | | | | | |
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Beginning Balance - July 1 | \$ (235,207) | \$ (312,372) | \$ (327,226) | \$ (332,616) | \$ (302,214) | \$ (426,286) | \$ (365,666) | \$ (381,778) | \$ (263,555) | \$ (88,823) | \$ 131,553 |
| Revenue from Sunapee lease payment | 502,280 | 615,399 | 637,993 | 650,534 | 517,457 | 621,024 | 615,000 | 649,000 | 664,000 | 679,000 | 694,000 |
| Debt Service: | | | | | | | | | | | |
| Existing as of FY 2009 | 642,357 | 623,640 | 601,048 | 554,449 | 549,523 | 338,912 | 329,219 | 160,340 | 128,870 | 112,428 | 79,434 |
| Actual for bonding in FY 2014 \$489,125 Issue #N219S | - | 6,613 | 37,001 | 38,120 | 37,291 | 36,411 | 36,461 | 36,461 | 36,411 | 36,311 | 36,161 |
| Actual for bonding in FY 2015 \$260,325 Issue #N222S | - | - | 5,335 | 27,564 | 26,993 | 26,486 | 25,900 | 25,119 | 24,338 | 23,557 | 22,776 |
| Actual bonding for FY 2017 Issue Adjustment to N227, #N226S | - | - | - | - | 378 | 4,420 | 4,283 | 4,760 | 4,554 | 235 | 1,854 |
| 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 |
| Projected bonding for FY 2018 \$750,000 Issue | - | - | - | - | - | 18,750 | 81,375 | 79,125 | 76,875 | 74,625 | 72,375 |
| Projected bonding for FY 2019 \$900,000 Issue | - | - | - | - | - | - | 22,500 | 97,650 | 94,950 | 92,250 | 89,550 |
| Total Projected Debt Service | 642,357 | 630,253 | 643,382 | 620,133 | 641,528 | 560,404 | 631,112 | 530,777 | 489,268 | 458,624 | 417,316 |
| Annual Revenue Over (Under) Debt Service | (140,077) | (14,854) | (5,389) | 38,401 | (124,071) | 60,620 | (16,112) | 118,223 | 174,732 | 220,376 | 276,684 |
| Transfers of Net Revenue from Cannon Operations | 62,913 | - | - | - | - | - | - | - | - | - | - |
| Projected Deficit/Surplus Account Balance - June 30 | \$ (312,372) | \$ (327,226) | \$ (332,616) | \$ (302,214) | \$ (426,286) | \$ (365,666) | \$ (381,778) | \$ (263,555) | \$ (88,823) | \$ 131,553 | \$ 408,237 |
| Available to Borrow from Fund | \$ 2,272,623 | \$ 2,265,262 | \$ 2,504,447 | \$ 2,984,061 | \$ 2,690,189 | \$ 2,341,838 | \$ 1,890,987 | \$ 2,235,801 | \$ 2,556,206 | \$ 2,860,256 | \$ 3,137,306 |

Assumptions:

- 1 Sunapee Payment Increase in 2014 reflects recovery from 2011-2012 Season, (2013); Projected revenue estimated to grow @ 3.00%.
- 2 FY 2017 Actual Revenue of \$517k reflects decrease of 21% from FY 2016 based on weather related low performance for 15-16 winter season.
- 3 Future Bond Issues projected @ 5% Interest Rate.
- 4 Bonding refund for portion of N219S results in accelerated deficit balance payoff by FY 2022.

| Summary of Transfers from Cannon Operations - Ch. 144:90/91 L'13 | | | |
|--|--------------|--------------|--------------|
| Transfer To | Actual FY 13 | Actual FY 14 | Actual FY 15 |
| To Park Fund | 650,000 | 324,903 | 322,679 |
| Fish and Game Search & Rescue | 50,000 | | |
| Cannon Capital (Balance) | 62,913 | | |
| Total | 762,913 | 324,903 | 322,679 |

CANNON MOUNTAIN ADVISORY COMMISSION MEETING
Meeting Minutes from March 30, 2018

1. Call to order / introductions / review – vote on acceptance of Nov 3, 2017 mtg minutes

Meeting called to order by Chairman McLeod at 10:03. No introductions were necessary, as all parties are familiar with one another.

CMAC attendees were... Chairman Rich McLeod, Vice Chair Karen Irwin, Representative Erin Hennessey, Representative John Mullen, State Treasurer William Dwyer, Kevin Johnson, and Charles Chandler.

Absent CMAC members were... Senator Jeff Woodburn, Senator William Gannon, and John Tholl.

Other attendees were... DNCR Commissioner Jeff Rose, NH Parks & Recreation Director Phil Bryce, and Cannon & FNSP General Manager John DeVivo (also acting as scribe).

Note – Rep. Hennessey requests addendum to Nov. minutes to reflect her inquiry as to a multi-year capital plan, and Director Bryce mentioned that he is pulling together a 5-10 year capital plan for Cannon as part of an overall plan for the Division of Parks & Recreation.

Motion to approve the minutes as amended made by Rep. Mullen, seconded by Chandler, motion passed unanimously, DeVivo will send amended Nov. 3rd minutes out with March 30th minutes.

2. Review of CMAC statute (interpretation by CMAC Chairman McLeod)

Chairman McLeod mentioned that there's no real need to read through the CMAC RSA at each meeting. DeVivo asked whether a change in language is necessary to reflect the reference to "DRED," and Rep. Mullen mentioned (and Commissioner Rose concurred that that had likely happened during the changeover to DNCR. Rep. Mullen later found a revised version. DeVivo had also agreed to check, and subsequently found it changed, having handed out an earlier version.

3. Cannon Mountain 2017/18 winter season status (as of Sunday, March 29th)

DeVivo's review...

| | |
|--------------------|--|
| Ski Season Revenue | Now within 7% of last year // Now 3% over the 7-year avg |
| Ski Season Visits | Now within 5% of last year // Now 6% over 7-year avg |

Supplemental... the week of Monday, March 26th through Sunday, April 1st ended at 26% up in visits over the same week last year, so we should pick up another percentage point or two. Revenue comparison numbers are usually posted later in the week.

Notes: Fantastic start... great December... very tough Christmas Week and all of January... great first half of February... very challenging weather during the second half of February... March has been outstanding... we've closed the gap from 20% down on visits and 25% down on revenue (versus last year) to now being within 5% on visits and 7% on revenue within just March alone... similar to 2014/15 season... we may extend the ski season to April 22... TBD after this warm-up.

Supplemental... weather expected during the middle of the April 2 – 8 week, could be snow or rain, so no decision on any extension was announced on April 1st, and may not be until the 8th.

Price rollbacks and incentives (to kick off our Cannon 80 celebration year) and tremendously good spring conditions and grooming have us selling season passes at roughly 4X our normal volume and revenue right now... and nearly 75% are new (or newly returning) passholders.

Last year and this year we saved over \$400K on snowmaking energy costs (vs 2015/16), and we won the Governor's Energy Efficiency Award. This year we improved upon that by nearly another \$100K... and used that \$100K to offset many unforeseen emergency repairs and challenges.

Cannon FYTD (July 1, 2017 – March 28, 2018)

- **Note...** This is a snapshot, and it changes daily
Ops Div is all non-retail division operations
Retail Div is all retail, rental, repair, and ski school operations

- Cannon Ops Div Rev FYTD \$4.968M 7% down vs FY17
- Cannon Retail Div Rev FYTD \$1.551M 6% down vs FY17
- Cannon Total Rev FYTD \$6.519M 6% down vs FY17

- Cannon Ops Div Exp FYTD \$5.024M 7% below FY17
- Cannon Retail Div Exp FYTD \$1.103M 46% above FY17 (payroll coding error)
- Cannon Total Exp FYTD \$6.127M 1% below FY17

- Cannon Net Total YTD \$392K 51% below FY17 (\$416K)

- **Note...** Net total was negative \$200K in November
Spent \$100K on unforeseen emergency repairs
Down nearly 50% on both primary vacation weeks
STILL holding at \$391K positive, and currently on a positive trend
Just \$416K off of last year, which included a Top 3 ski season
The entire difference is on the revenue line (\$448K)

4. Update on FY18 capital project plan (\$750K bonded / other capital funds carried over to cover difference)

DeVivo's review...

\$156K Bullwheel bearing replacement @ Aerial Tramway

- Covers all 8 sets of bearings (top and bottom) even if sent to St. Jerome, QC
- Top project in fall 2017 / Bottom to be completed in spring 2018

\$29K Bullwheel bearing replacement @ Eagle Cliff Triple

- Project completed

\$250K Snowmaking pipe replacement

- Skylight, TossUp, and Short Fuse replacement and Fleitman Trail spur line to Mittersill completed

\$90K Efficiencies and upgrades on JOY compressors

- Project completed

\$155K Wintersteiger Mercury Tuning Machine / System

- Project completed

\$200K Patrol Hut atop Cannon Mountain – November 2018 completion

- Project came in at \$165K (exterior / roof / siding)
- Foundation bid out, came in at \$35K, goes to G&C in April
- Cannon crews will complete interior / gifted funds will cover that

\$49K Miscellaneous Projects completed

- \$5K Aerial Tramway winter flooring (rubber)
- \$5K Fire Suppression System (water) tank upgrade @ Peabody
- \$5K Slope stabilization / retaining wall at Mittersill Warming Hut
- \$34K auxiliary generators for Aerial Tramway

\$15K Notchview Lodge re-carpet

- Project completed

\$24K Roofing repair project @ Ernie's Haus completed (*Ops funds // seeking FEMA reimbursement*)

5. Review of Cannon Mountain Capital Improvement Fund (CMCIF) status

DeVivo's review...

- \$2.342M available for bonding, asking to bond \$900K in FY19
- Start of FY09 neg balance \$495K... currently neg balance \$366K
- Trending downward while still making annual capital improvements to Cannon
- Averaging \$340K neg balance... while averaging \$635K in debt svc and \$584K in Sunapee payments (5-yr avg)
- Cannon's net total has avg'd \$354K over the same 5-yr timeframe
 - o *Note... one negative net total finish during that time, otherwise a low net of \$314K and a high of \$822K*
 - o *FY13 \$822K, FY14 \$314K, FY15 \$339K, FY16 (\$475K), FY17 \$772K*
- DNCR Commissioner's discretion, but Cannon's average annual net surplus could offset the neg balance
- State Treasurer has referred to this as "good debt" to protect, preserve, and improve the asset

Director Bryce reviewed the CMCIF from his perspective, and referred to the overall picture of the "Parks Fund" as a relatively safe haven for any and all prospective shortfalls ("rainy day fund"), given that the parks fund is in the black by more than \$4.5 Million. DeVivo noted that since FY08, Cannon has reversed a \$1.5 Million deficit on its operating line, transferred \$2.8 Million into the parks fund, and is carrying a \$250K positive balance... all while making some \$17.8 Million in improvements.

Johnson asked about the positive benefit of simply paying off the negative balance of \$366K, whether from Cannon's net surplus or the park fund's net surplus. Healthy discussion followed re: carrying some debt, deferred maintenance, and a variety of other related topics.

6. Seeking recommendation on FY19 CMCIF project plan at \$900K (*as a not-to-exceed*)

DeVivo's review...

Projects such as:

- Septic system repair / upgrade at Mountain Station
- Fiber Optic installation across primary base area and buildings
- Pipe & infrastructure for snowmaking on Paulie's Extension (*Primary connection from mid-mtn to Front Five trails*)
- Critical lift infrastructure repair / replacement

Notes:

Cannon working with NHDES all winter and consultant (Underwood) this spring to determine best course of action to repair septic system at Mountain Station

Copper lines for communication and IT / POS across base area are inadequate for our business volume

Gearbox replacements on PBX and ZMT, Low Speed Couplings on TBQ – BST – PBX, Cat Shaft on PBX

Pipe and infrastructure repairs to snowmaking system will be an annual requirement / request; this is a primary connection between two high-volume areas of the mountain

Rep. Mullen motioned that the CMAC recommend (to *Commissioner Rose*) the bonding of up to \$900K (as a *not to exceed number*) to undertake the aforementioned projects. Chandler seconded, and the motion passed unanimously.

DeVivo will draft the minutes and forward them (once approved by Chairman McLeod) to Chris Marino at DNCR for the Commissioner's concurrence on the recommendation, and Marino will then place a request for a meeting of the Capital Budget Overview Committee to seek CBOC approval. If approval is granted, then the expenditure (from the CMCIF, not general funds) will go to the Governor's Office with a request that it be placed on the agenda of the Governor and Executive Council (G&C) for approval. Resulting contracts will also go before the G&C for approval.

7. Old business

Rep. Hennessey asked again about a longer-term capital plan. Director Bryce repeated that it's on the radar screen, but that much of the last year was consumed by other more pressing and time-sensitive matters. Bryce and DeVivo agreed that a draft could easily be put together for a 5 and 10-year plan by DeVivo and the team at Cannon, and that such a draft may be available at the fall meeting.

8. New business

Chandler asked Director Bryce about the new parcel of land adjacent to Cannon, citing examples around northern New England where such parcels have been used for mountain biking, hiking, etc. to bolster the local economy. Bryce answered that the parcel was purchased with both grant money and parks fund money as an addition to FNSP as a whole, and that the Division will make that land available for recreational use, but that it'll take some time to get there.

Johnson mentioned that there's a very active local trails committee, and that the committee and community have discussed the potential for adding said parcel to the local network. A meeting was held in Franconia back in November, attended by both Bryce and DeVivo.

Johnson asked Director Bryce if there is any specific timeframe in which the longer term capital plan may be forthcoming for both FNSP-Cannon and the Division of Parks & Recreation. Bryce said that there's no specific timeframe, but that a "Cannon draft" could easily be put together for a 5 and 10-year plan by DeVivo and the team at Cannon, reviewed with (Bryce), and that it may be available at the fall CMAC meeting.

Chairman McLeod took time to officially recognize and thank both Commissioner Rose and Treasurer Dwyer for bringing such clarity to the true nature and functionality of the CMCIF. He noted that there's been a varying degree of understanding over the last 20 years that the CMAC has been in existence, but that now the membership seems to be in a far better position of understanding.

9. Set date for Fall CMAC meeting

Next meeting set for Friday, November 9th at Cannon Mountain Ski Area (Park HQ Bldg), from 10 AM – Noon.

10. Adjournment

Vice Chair Irwin motioned adjournment at 11:19 AM. Seconded by Rep. Mullen. Passed unanimously.



CAP 18-009

MICHAEL W. KANE, MPA
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State of New Hampshire

OFFICE OF LEGISLATIVE BUDGET ASSISTANT
State House, Room 102
Concord, New Hampshire 03301

STEPHEN C. SMITH, CPA
Director, Audit Division
(603) 271-2785

June 6, 2018

Sarah L. Stewart, Commissioner
Department of Natural and Cultural Resources
172 Pembroke Road
Concord, New Hampshire 03301

Dear Commissioner Stewart,

The Capital Budget Overview Committee, pursuant to the provisions of RSA 12-A:29-b, on June 6, 2018 approved the request of the Department of Natural and Cultural Resources, for approval of the recommendation of the Cannon Mountain Advisory Commission to implement the Cannon Mountain Aerial Tramway and Ski Area capital improvement projects to be funded in the amount of \$900,000 by the Cannon Mountain Capital Improvement Fund, as specified in the request dated April 18, 2018.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael W. Kane".

Michael W. Kane
Legislative Budget Assistant

MWK/pe
Attachment

Cc: Philip Bryce, Director, Division of Parks and Recreation
Christopher Marino, Business Manager