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STATE OF NEW HAMPSHIRE
DEPARTMENT of RESOURCES and ECONOMIC DEVELOPMENT
OFFICE OF THE COMMISSIONER

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

May 12, 2016

Her Excellency, Governor Margaret Wood Hassan
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 Resources and Economic Development 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 \$350,000 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 May 10, 2016 (CAP #16-024).

EXPLANATION

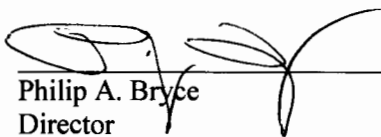
Chapter 134:13, Laws of 1998, authorized the State Treasurer “[t]o provide funds for the Cannon Mountain Capital Improvement Fund (CMCIF)... to borrow from time to time upon the credit of the State such amounts so that the total State obligation shall at no time exceed the sum of \$6,000,000, and for 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, 2016 bonds outstanding total approximately \$3.6 million and therefore this request is within the \$6 million threshold as required by Chapter 134:13, Laws of 1998. The Sunapee lease payment revenue is expected to exceed this year’s debt service outlay for the Cannon Mountain Capital improvement Fund. Although a drop in revenue is estimated in the Sunapee Lease payment in 2017 due to the unprecedented mild winter in 2016 and a recovery period in 2018, revenue is estimated to continue exceeding debt service in 2019 with a fund surplus being posted in 2020 and beyond that will significantly accelerate bond payoff.

Also, attached for your information are the minutes from the April 15, 2016 Cannon Mountain Advisory Commission meeting and a project outline detailing the requested projects to be completed between June and December 2016 totaling \$350,000. Said projects will provide snowmaking improvements, Tramway/lift maintenance, and other operational improvements. The snowmaking improvements will improve public relations and increase revenue, while the other improvements will decrease costs and create efficiencies.

Respectfully submitted,

Concurred,


Philip A. Bryce
Director


Jeffrey J. Rose
Commissioner

State of New Hampshire - Department of Resources and Economic Development		
Cannon Mountain Aerial Tramway & Ski Area - Fall 2016		
Cannon Mountain Capital Improvement Fund (CMCIF) Request - RSA 12-A:29-b		
Project	Estimate	Explanation
Snowmaking		
Snowmaking Improvements	50,000	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)
Sub-Total Snowmaking	50,000	
Lift/Tramway Maintenance		
Peabody Express Quad terminal refurbishments	80,000	For painting and refurb on top terminal at Peabody Express Quad and both top and bottom terminals at the Aerial Tramway
Tramway Terminal refurbishments	50,000	Refurbishment of the old top terminal (tramway slip) at the Aerial Tramway as Patrol HQ
Sub-Total Lift Maintenance	130,000	
Other Operations		
Septic Outflow System	75,000	For revisions to the system at the summit for better capacity and system performance
Restroom Facility Refurbishment	50,000	Restroom facility refurb at the top and bottom of the Aerial Tramway
Roofing repairs	25,000	Roof repairs over the Aerial Tramway motor room
Peabody Express Electrical Improvements	20,000	New wiring/conduit at the Peabody Express return station
Sub-Total Other Ops	170,000	
GRAND TOTAL	350,000	

STATE OF NEW HAMPSHIRE
DEPARTMENT OF RESOURCES AND ECONOMIC DEVELOPMENT (DRED)
SUMMARY OF CANNON MOUNTAIN CAPITAL IMPROVEMENT FUND (CMCIF) RSA 12-A:29-c
FISCAL YEAR 2009 TO 2020
 Updated by DRED Business Office

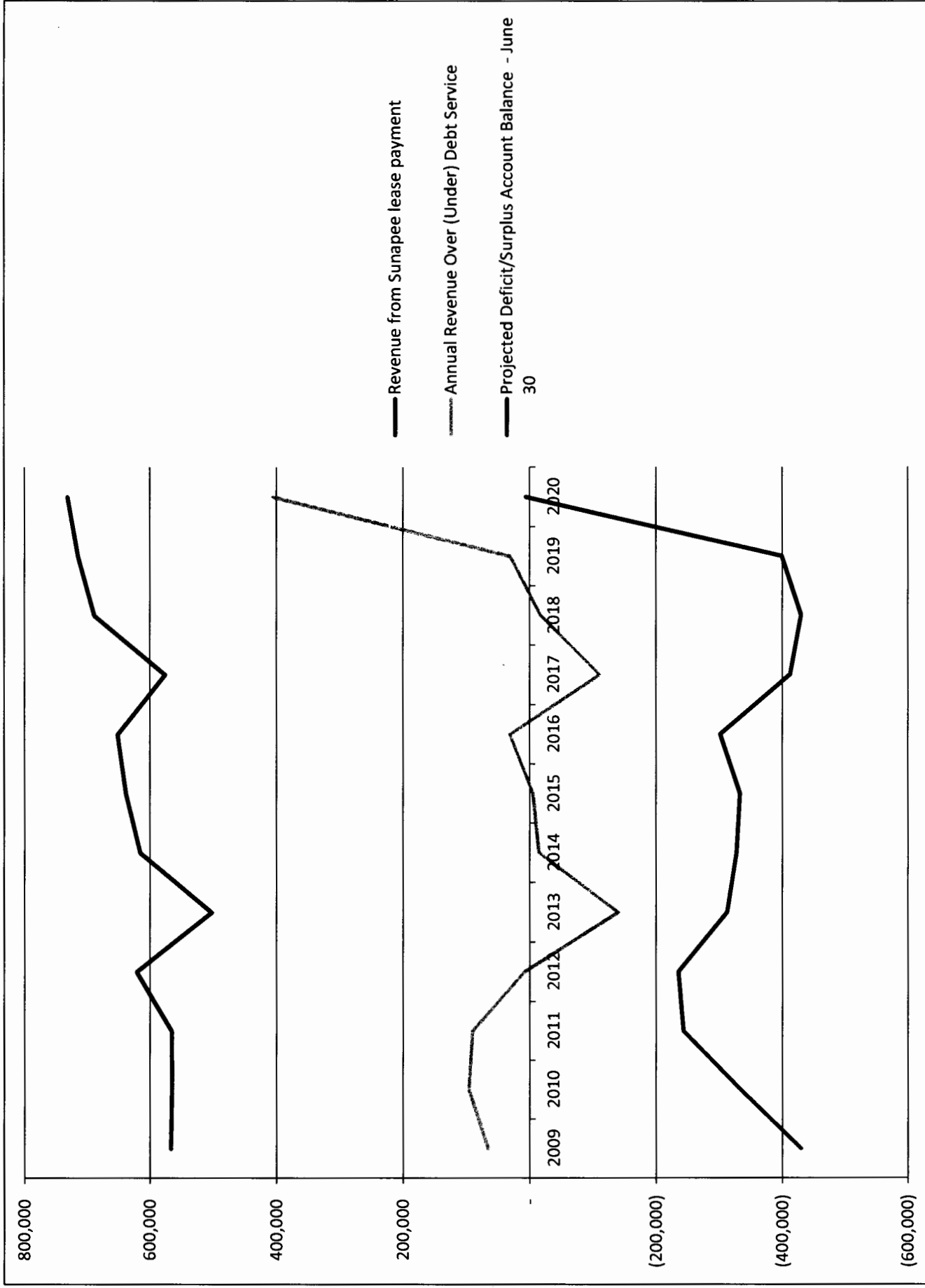
	Fiscal Year											
	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Actual 2015	2016	2017	Projected 2018	2019	2020
Beginning Balance - July 1	\$ (495,207)	\$ (429,397)	\$ (333,415)	\$ (243,317)	\$ (235,207)	\$ (312,372)	\$ (327,226)	\$ (332,616)	\$ (301,471)	\$ (412,479)	\$ (429,859)	\$ (399,334)
Revenue from Sunapee lease payment	566,753	565,021	565,557	620,815	502,280	615,399	637,993	651,277	575,647	688,000	714,000	731,000
Debt Service:												
Existing as of FY 2009	500,943	469,039	475,460	612,705	642,357	630,253	601,046	554,449	553,579	534,586	515,842	161,404
Actual for bonding in FY 2014 #489,125 issue #N219S							37,001	38,120	38,270	38,370	38,420	38,420
Actual for bonding in FY 2015 \$260,325 issue #N222S							5,335	27,564	26,993	26,486	25,900	25,119
Estimate for bonding \$625,000 in Fall 2015 using a fixed coupon of 5%.							-	-	67,813	65,938	64,063	62,188
Estimate for bonding \$350,000 in Fall 2016 using a fixed coupon of 5%.							-	-	-	40,000	39,250	38,538
							-	-	-	-	-	-
							-	-	-	-	-	-
							-	-	-	-	-	-
Total Projected Debt Service	500,943	469,039	475,460	612,705	642,357	630,253	643,382	620,133	686,655	705,379	683,475	325,669
Annual Revenue Over (Under) Debt Service	66,810	96,982	90,097	8,110	(140,077)	(14,864)	(6,389)	31,144	(111,006)	(17,379)	30,626	406,331
Transfers of Net Revenue from Cannon Operations					62,913							
Projected Deficit/Surplus Account Balance - June 30	\$ (429,397)	\$ (333,415)	\$ (243,317)	\$ (235,207)	\$ (312,372)	\$ (327,226)	\$ (332,616)	\$ (301,471)	\$ (412,479)	\$ (429,859)	\$ (399,334)	\$ 5,997
Available to Borrow from Fund	\$ 2,178,708	\$ 2,521,219	\$ 1,824,984	\$ 1,796,945	\$ 2,272,823	\$ 2,265,262	\$ 2,504,447	\$ 2,359,061	\$ 2,570,729	\$ 3,133,661	\$ 3,697,651	\$ 3,920,716

Assumptions:

- 1 Sunapee Payment increase in 2014 reflects recovery from 2011-2012 Season, (2013); Projected revenue estimated to grow @ 3.00%.
- 2 FY 2017 Estimated Revenue projection of \$575k reflects decrease of 18% from FY 2016 based on weather related low performance for season.
- 3 Future Bond issues projected @ 5% Interest Rate.
- 4 Debt Service projection is estimated for approved FY 15 capital spending request of \$625k and anticipated FY 16 request of \$350k.
- 5 In fiscal 2019, final payments due on fully amortized bonds result in a \$335k reduction to debt service on principal starting in fiscal 2020.

Summary of Transfers from Cannon Operations - Ch. 144:90/91 L'13

Transfer To	Actual FY 13	Actual FY 14	Actual FY 15	Projected FY 16	Projected FY 17
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 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
- Last 6 months... extensive due diligence by joint team from DRED / Cannon / ESCO Energy Contractor
- Project narrowed in scope to include the highest benefit/return ratio items
- 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 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 ESCO energy contract'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 lease payments from Sunapee this year is \$651K
- Current balance is (\$338K) up from a low of (\$495k) in 2008 and is estimated to be in surplus by 2020.
- 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 and fee schedule further refined by business office and updated since CMAC meeting:*
 - o *This year's actuals debt service will come in about \$30k lower than the budget estimate*
 - o *Revenue projections from Sunapee adjusted*
 - o *New bonding (for 16 & 17) shifted one year for accuracy; debt service payments for ne bonding expected to start in 2018.*

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 energy efficiency project 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 commissioner 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 energy efficiency / snowmaking enhancement project 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 FNSP Headquarters at 10 AM.

MAY 12 2016

CAP 16-024

D.R.E.D.



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State of New Hampshire

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STEPHEN C. SMITH, CPA
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May 10, 2016

Jeffrey J. Rose, Commissioner
Department of Resources and Economic Development
172 Pembroke Road
Concord, New Hampshire 03301

Dear Commissioner Rose,

The Capital Budget Overview Committee, pursuant to the provisions of RSA 12-A:29-b, on May 10, 2016, approved the request of the Department of Resources and Economic Development, 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 \$350,000 by the Cannon Mountain Capital Improvement Fund, as specified in the request dated May 2, 2016.

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 ✓