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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

April 23, 2019

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 projects summarized in the attached outline, to be funded in the amount of \$1,976,000 by the Cannon Mountain Capital Improvement Fund. The Cannon Mountain Advisory Commission recommended submittal of this request and the Capital Budget Overview Committee approved this request on April 22, 2019 (CAP #19-010).

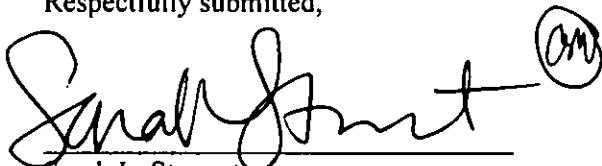
EXPLANATION

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 amount borrowed from the fund as of June 30, 2019 to include all issued and projected bonding via outstanding requests total approximately \$5.7 million thus maintaining a funding total within the \$6 million threshold limit as required by Chapter 134:13, Laws of 1998. The Sunapee lease payment revenues, as specified in the Chapter Law, maintain payment of the debt service for the CMCIF.

Attached for your information are the minutes from the April 5, 2019 Cannon Mountain Advisory Commission meeting, at which the attending commission members unanimously recommended Cannon’s Fiscal Year 2020 capital project plan utilizing \$1,976,000 of the CMCIF. These project initiatives will provide necessary infrastructure repairs and improvements to include lift maintenance and repairs, septic, fire suppression and restroom service and safety needs and other operational improvements. These improvements will continue to maintain our strong public relationships, address infrastructure needs and support growth of revenue. Your approval of this request to fund these much needed maintenance repairs and improvements will allow the agency to meet the operational goals and needs necessary to sustain this valuable enterprise, providing the service, safety and recreational vitality that represents our great State at Cannon Mountain.

Respectfully submitted,



Sarah L. Stewart
Commissioner

State of New Hampshire Department of Natural and Cultural Resources Cannon Mountain Aerial Tramway & Ski Area Fiscal Year 2020 Cannon Mountain Capital Improvement Fund (CMCIF) Request per RSA 12-A:29-b		
Project	Estimate	Explanation
INFRASTRUCTURE IMPROVEMENTS		
Summit Fire Suppression System Replacement	\$ 500,000	State Fire Marshal's Office and Cannon joint inspections done; partial system in place to ensure life safety, but entire system will need replacement, per recommendation of State Fire Marshal's Office.
Summit Septic Project (Boost to Remaining \$400K)	\$ 800,000	Tramway Summit Bldg (Mountain Station) had CMCIF money earmarked for septic system upgrade (for winter system) in FY19; best project estimate from engineering firm came in at \$1.2M, necessitating another \$800K to meet the need.
Tramway (Top and Bottom) Restrooms and Infrastructure	\$ 75,000	Phase I of restroom overhaul at the ski area is at the Aerial Tramway (top and bottom), multi-year project to address outdated furnishings, fixtures, equipment, flooring, walls, ceilings, etc. in all primary bldgs.
<i>Sub-Total Infrastructure Improvements</i>	<i>\$ 1,375,000</i>	
LIFT MAINTENANCE / REPAIRS		
Aerial Tramway Carriage Assembly Overhaul	\$ 400,000	Ten-year mandatory upgrade to carriage assemblies and internal elbow mechanism, including the full teardown and replacement of applicable parts and non-destructive (x-ray) testing of applicable steel componentry.
Zoomer Triple Gearbox Rebuild and Grip Replacement	\$ 130,000	Primary (Front-Five) lift requiring new grips (on haul rope) on all chairs at this stage of lifespan, and gearbox is due for major rebuild and overhaul.
<i>Sub-Total Lift Maintenance / Repairs</i>	<i>\$ 530,000</i>	
SNOWMAKING IMPROVEMENTS		
TossUp Terrain Park Air and Water Piping, 20 New Portable HKD's	\$ 71,000	Primary terrain park at Cannon has outdated water and air lines (steel piping) that requires replacement @ estimated \$35K, and snowmaking system and team require 20 more portable guns to maximize upon the system's efficiency.
<i>Sub-Total Snowmaking Improvements</i>	<i>\$ 71,000</i>	
GRAND TOTAL FY20 CAPITAL PLAN	\$ 1,976,000	

CANNON MOUNTAIN ADVISORY COMMISSION MEETING MINUTES (DRAFT – April 11, 2019)

April 5, 2019 // 10:05 AM – 12:49 PM // Karen Irwin as acting Chair to commence

Attendees: Karen Irwin, Senator David Starr, Representative Erin Hennessey, Representative Joyce Weston, Representative Kevin Maes, State Treasurer Bill Dwyer, Richard McLeod, Terry Penner, and Frank MacConnell as voting CMAC members.

DNCR Commissioner Sarah Stewart, NH Parks & Recreation Director Phil Bryce, and Cannon-FNSP GM John DeVivo (acting as scribe) as non-voting / non-member attendees

Absent: Senator Jeb Bradley (CMAC member)

1. Call to order / introductions / hand out prior mtg minutes (March 30, 2018) Irwin

Vice Chair (acting Chair) Karen Irwin called the meeting to order at 10:05 AM. Introductions were made around the table. The minutes of the March 30, 2018 meeting were perused, and acceptance of them was moved by Representative Hennessey, seconded by Treasurer Dwyer, and passed with one abstention (Terry Penner).

2. Review of CMAC statute Irwin

Vice Chair Irwin read through the statute (RSA 12-A:29-b Cannon Mountain Advisory Commission) noting the Commission's purpose of making recommendations for capital projects to the DNCR Commissioner. No comments or discussion were made or had.

3. Nomination and vote on Chair position (and if necessary, on Vice Chair position) CMAC Membership

Vice Chair Irwin called for nominations for the position of Chairperson. Treasurer Dwyer nominated Vice Chair Irwin, citing her excellent tenure and experience as Vice Chair. Representative Hennessey seconded, and the motion passed unanimously. Chairperson Irwin then called for nominations for the position of Vice Chair. Senator Starr nominated Richard McLeod, citing his excellent tenure and experience as former Chairman. Treasurer Dwyer seconded, and the motion passed unanimously.

4. Quick (white board) overview of Cannon's linear structure & capital funding DeVivo

DeVivo detailed Cannon's linear structure (Cannon... NH Parks & Rec... NH DNCR... Legislature... Governor & Executive Council) and compared it to that of other ski areas and resorts. He then detailed the five (5) different mechanisms of accessing capital funding utilized by Cannon (Cannon Mountain Capital Improvement Fund, operating funds, public-private partnerships, performance contracting, and general funds) and gave examples of each, and pointed out that the one mechanism used very rarely is general funds, clarifying that the other four are all non-generally funded.

5. Hand out (Cannon's "blueprint" document covering 2008-19 growth & success) DeVivo

As an informational item for general consumption, DeVivo handed out a three-page document that fully details Cannon's operational growth, changes, and successes between 2008 and 2019 to date. In addition to the capital and operational improvements that've been made, noted Commissioner Stewart, the changes in Cannon's

overall marketing plans and strategies have paid off quite well. DeVivo noted that Cannon is now a 3-time NSAA National Marketing Award finalist, and may very well be a finalist again this May.

6. Cannon Mountain 2018/19 ski season and FYTD (19) status update

DeVivo

Ski season 2018/19

- Fantastic start with great snow, fully open in week 2
- 19 weeks completed as of March 31 (out of 21-22) // Open through April 15, may offer bonus weekend
- Crazy el Nino winter... wild temperature swings, above average snow, wind, and rain totals
- Ski season visitation has been ahead of both last year and the 8-yr average in 16 weeks
- Ski season revenue has been ahead of both last year and the 8-yr average in 15 weeks
- Ski season visits to date trending 12% ahead of last year and 15% ahead of the 8-yr average
- Ski season revenue to date trending 4% ahead of last year and 8% ahead of the 8-yr average

FY19 YTD (July 1-current)

- Headed into ski season with nearly \$400K in one-time expenses as a part of our overall bus. strategy
- Better than average ski season and strong (pre-April 15th) season pass sales should boost numbers
- Expected to essentially break even in FY19 (July 1 – June 30)
- Cannon Ops is sitting on a current surplus of \$477K, other annual surpluses have gone into parks fund
- Cannon after FY07 was negative \$1.5M, now nearly \$500K positive, plus nearly \$4M into parks fund

7. Update on remaining / ongoing FY18 – FY19 CMCIF & non-CMCIF projects

DeVivo

- \$150K Bullwheel bearing replacement @ Aerial Tramway
 - Covers all 8 sets of bearings (top and bottom) even if sent to St. Jerome, QC
 - Contracted at \$156K as a not-to-exceed (*we'll save up to \$80K on the project*)
 - One more bullwheel to complete (G&C approval on contract extension pending)
- \$500K Septic system upgrade at Mountain Station (*\$500K was original estimate*)
 - Underwood engineering review last summer/fall
 - Best estimate (their recommendation) came in @ \$1.2M (*we still have \$400K*)
- \$74K Drive system upgrades @ Peabody Quad and Eagle Cliff Triple
 - NHEC project received G&C approval, project will occur in summer 2019
- \$80K Peabody Quad motor replacement
 - Funding available via savings on Tramway bullwheel project
- \$200K (approx.) remaining Tram Summit & Flume Gorge F&B upgrades/facelift
 - Total joint project with Centerplate was \$300 CP + \$250 Cannon, **front-loaded by CP**
 - **Non-CMCIF...** CP pays Cannon \$125K less for 2 consecutive years

Representative Hennessey asked about the "Aerial Tramway steel superstructure painting" item that had been a part of previous capital plans. DeVivo remarked that the original bid of \$58K had been quickly withdrawn a few

years back, and that after an exhaustive search, a bridge painting contractor had come in with a bid of \$1.8M, and the project was shelved. There is no immediate cause for concern operationally or structurally, but the project is on the list as an immediate / medium need.

8. Review of draft 1-3-5-10 year capital plan

Bryce/DeVivo

Director Bryce handed out the 11-page document that he and the Cannon ops team have been working on, geared toward 1-3, 3-5, and 6-10 year infrastructure needs, and citing the work that has occurred during the last decade or so. The document is very extensive, and covers all facets of the ski area infrastructure (lifts, snowmaking, buildings (interior/exterior), septic and fire suppression systems, restrooms, parking/walkways, roofs, retail spaces, and F&B areas. Bryce and DeVivo stressed that this is a working draft that will morph and change. The commission as a whole was pleased with the document.

Representative Weston pointed out Cannon's need to address restroom needs as a high priority. Representative Hennessey asked about roof repairs in general, and DeVivo noted that Cannon will work with DD&M in Concord (a branch of NH Parks & Rec and DNCR) to identify potential sources of funding for several priority roofing projects. Representative Hennessey also asked that the document be made more extensive with prospective dollar figures and timelines attached. A question was raised as to whether all immediate needs would be on this year's capital plan, and both DeVivo and Director Bryce noted that they would not all be on there.

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

Bryce/Dwyer

Director Bryce handed out two documents that detail the current (and prospective future) status of the Cannon Mountain Capital Improvement Fund, and he, Treasurer Dwyer, Chairperson Irwin, and DeVivo answered questions during a lengthy discussion relative to the status of the fund. Director Bryce supported spending to near-capacity in order to address some primary immediate needs, so long as the \$6M cap is not exceeded, and mentioned that within the near term (after this cap is reached or nearly reached), Cannon will draw only on available funds within the CMAC, in addition to utilizing its own net surplus to address capital needs. He pointed out that NH Parks is currently holding a nearly \$5M surplus, and that Cannon is currently holding a nearly \$500K surplus. Treasurer Dwyer also spoke extensively about the timing on when funds are bonded and drawn, and saw no cause for alarm (timing-wise) on bonding nearly to the \$6M cap, relative to other active bonding for projects currently underway. Two more points were made, as they typically are at CMAC meetings:

- DNCR Commissioner's discretion, but Cannon's annual net surplus could offset the neg balance
- State Treasurer has referred to this as "good debt" to protect, preserve, and improve the asset

10. FY20 CMCIF project plan / estimates

DeVivo

*Seeking CMAC (not-to-exceed) recommendation of \$1.976M for "projects such as"
NH Parks Fund will cover \$650K / CMCIF will cover \$1.976M*

- | | |
|---|----------------------------|
| • \$500K fire suppression system replacement at summit | Infrastructure |
| • \$800K boost to (remaining) \$400K for summit septic project | Infrastructure |
| • \$400K carriage assembly overhaul on Aerial Tramway | Lift Maintenance |
| • \$75K Tramway (top and bottom) restrooms & infrastructure | Buildings / Infrastructure |
| • \$130K motor rebuild and grips on Zoomer Triple | Lift Maintenance |
| • \$71K TossUp Terrain Park air & water piping, 20 new portable HKD's | Snowmaking Infrastructure |

\$1.976M CMCIF total request (*for recommendation to DNCR Commissioner by CMAC membership*)

- NH Parks will also put \$500K toward fire suppression system replacement at summit
- NH Parks will also put \$75K toward Tramway (top and bottom) restrooms
- NH Parks will put \$50K toward critical backup power (generator) for FNSP HQ bldg
- NH Parks will put \$25K toward adaptive route paving at rear of the Tramway

\$650K total pledged toward capital plan (*from parks fund*) by Director Bryce

Representative Hennessey asked whether the parks fund could legally cover Cannon Mountain capital projects as such. Director Bryce noted that he checked with the Department's business administrator regarding the parks account and ski account in the Parks Fund and confirmed that there is nothing that prevents the parks account from spending money on ski area improvements. In the summer, all of the venues, such as the beach, the Flume Gorge, and the Aerial Tramway support the visitor experience, so the condition of the venues affects the success of the entire park. Additionally, DeVivo pointed out that Cannon's ski account surpluses have been transferred to the parks account in the past, and that FNSP provides the largest single source of surplus to support the parks fund, and that the Aerial Tramway generally sees at least 50% more ridership during the spring-summer-fall season than it does during the winter months, when it operates as one of eleven ski lifts.

- OTHER (pending) capital projects...
 - \$2M new (public access) mini-lodge @ Mittersill (*to be funded, built, and gifted by FSC*)
 - Fundraising has been highly successful, ramping up permitting efforts
 - May break ground as soon as this spring-summer
 - \$10K Cannonball Quad motor overhaul (using expense funds)

11. Call for vote on recommendation re: FY20 capital plan (CMCIF \$1.976M not-to-exceed) Irwin

After a lengthy discussion regarding the phrasing to be used, Chairperson Irwin called for a motion to recommend the bonding of up to \$1.976M as a 'not to exceed,' specifically for the projects listed and discussed, provided that doing so does not exceed the \$6M bonding cap of the Cannon Mountain Capital Improvement Fund. The motion was made by Terry Penner and seconded by Representative Weston, and the motion was passed unanimously by the nine (9) voting members in attendance.

12. Old business N/A

13. New business

Representative Hennessey reiterated her request for a "larger" scope of the working draft of the capital plan, to include prospective dollar figures and project dates. Director Bryce and DeVivo agreed to work toward that end in order to produce such a document for the November meeting.

14. Set date for fall CMAC meeting

Irwin

Chairperson Irwin set the date for the fall CMAC meeting as Monday, November 4th, from 10:00 – Noon.

15. Adjournment

Motioned by Representative Hennessey, seconded by Frank MacConnell, and passed unanimously at 12:49 PM.



CAP 19-010

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State of New Hampshire

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Director, Audit Division
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April 22, 2019

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 April 22, 2019 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 \$1,976,000 by the Cannon Mountain Capital Improvement Fund, as specified in the request dated April 11, 2019.

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