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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

August 10, 2015

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 by the Cannon Mountain Capital Improvement Fund in the amount of \$625,000 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 August 4, 2015 (CAP #15-026).

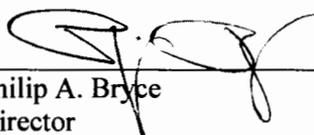
EXPLANATION

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, 2015 bonds outstanding total approximately \$3.8 million and therefore this request is within the \$6 million threshold.

Attached for your information and review are the minutes from the April 10, 2015 Cannon Mountain Advisory Commission meeting, a project outline detailing the requested projects to be completed before December 2015, and the letter of approval from the Capital Budget Overview Committee. Said projects will provide snowmaking, lift maintenance, and other operational improvements. The snowmaking improvements will continue to enhance conditions, improve public relations and increase revenue, while other improvements will comply with mandates 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 2015		
Cannon Mountain Capital Improvement Fund (CMCIF) Request - RSA 12-A:29-b		
Project	Estimate	Explanation
Purchase Excavator	150,000	Utilization on all terrain types and in countless other applications, but predominantly to even and balance snowmaking areas and improve snowmaking efficiency
Purchase AEBI Slope Mower	120,000	Utilization on flat-to-moderate terrain types in order to lower vegetation and increase / improve snowmaking efficiency; current AEBI slope mower nearing end of alpine use life
Purchase Cat (off lease) for Snowmaking Department	95,000	Mittersill expansion and a two-mtn snowmaking system, requires the Snowmaking department to utilize a far more heavy duty utility cat to support its own operations
Purchase Trooper Trax	35,000	New set of (winter) tracks for smaller winter (snowmaking) / summer (trails crew) cat in order to lengthen lifespan of the machine; current tracks have 5 full years on them
100 Units / Polar Vortex Blizzard One	60,000	Groundbreaking snowmaking technology currently in testing at US Army Corps of Engineers Cold Regions Laboratory; hose / gun interface to produce up to 50% more volume
Sub-Total Snowmaking	460,000	
Zoomer Bullwheel Bearings / Peabody and Tram Brake Cabinet Upgrade	55,000	Bullwheel bearing sets (incl. installation) on two primary lifts and Aerial Tramway brake cabinet upgrade performed by manufacturer via contracted services
Sub-Total Lift Maintenance	55,000	
Underground Storage Tank (UST) Revisions - Electronic pumps at Maintenance Garage	110,000	UST revisions to meet State and Federal mandates by December 31st; electronic fuel pumps to maximize efficiency and tracking of fuel dispensation
Sub-Total Other Ops	110,000	
GRAND TOTAL	625,000	

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 2013 TO 2019

	Fiscal Year						
	Actual		Projected			Projected	
	2013	2014	2015	2016	2017	2018	2019
Beginning Balance - July 1	\$ (235,207)	\$ (312,371)	\$ (327,226)	\$ (335,892)	\$ (30,562)	\$ 265,202	\$ 305,367
Revenue from Sunapee lease payment	502,280	615,399	642,260	662,000	681,000	700,000	721,000
Debt Service:							
Existing	642,357	630,253	608,589	575,361	552,160	529,041	506,488
Actual for bonding in FY 2014 \$489,125 Issue #N219S	-	-	37,001	38,120	38,270	38,370	38,420
Actual for bonding in FY 2015 \$260,325 Issue #N222S	-	-	5,335	27,564	26,993	26,486	25,900
Estimate for bonding \$625,000 in Fall 2015 using a fixed coupon of 5%.	-	-	-	15,625	67,813	65,938	64,063
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Total Projected Debt Service	642,357	630,253	650,926	656,670	685,237	659,835	634,871
Annual Revenue Over (Under) Debt Service	(140,077)	(14,854)	(8,666)	5,330	(4,237)	40,165	86,129
Transfers of Net Revenue from Cannon Operations	62,913	-	-	300,000	300,000	-	-
Projected Balance - June 30	\$ (312,371)	\$ (327,226)	\$ (335,892)	\$ (30,562)	\$ 265,202	\$ 305,367	\$ 391,495
Available to Borrow from Fund	\$ 2,240,414	\$ 2,233,054	\$ 2,468,509	\$ 2,344,595	\$ 2,881,262	\$ 3,415,068	\$ 3,946,033

Assumptions:

1. Sunapee Payments after recovering from 2011-2012 Season, revenue projected to grow @ 2.75% to 3.00%.
2. Future Bond Issues conservatively projected @ 5% Interest Rate.
3. Debt Service for all capital spending request included through FY15. Future requests are projected.
4. Additional Authorization requested of \$625K factored into analysis.
5. Est increase to \$150K per year from annual operations in FY 2016-2017 pending Budget passage with new Chapter 144 Law (HB2)

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

	Actual FY 13	Actual FY 14	Projected FY 15	Projected FY 16	Projected FY 17
Transfer To					
To Park Fund	650,000	324,903	300,000	-	-
Fish and Game Search & Rescue	50,000	-	-	300,000	300,000
Cannon Capital (Balance)	62,913	324,903	300,000	300,000	300,000
Total	762,913	324,903	300,000	300,000	300,000

Cannon Mountain Advisory Commission Meeting April 10, 2015 // Meeting Minutes

In attendance:

CMAC members: Chairman Rich McLeod, Vice Chair Karen Irwin, Senator Jeff Woodburn, Representative Edmond Gionet, Representative John Mullen, State Treasurer Bill Dwyer, Kathy Taylor, Kevin Johnson

Non-members: DRED Commissioner Jeff Rose, NH Director of Parks & Rec Phil Bryce, Cannon/FNSP GM John DeVivo, media member Darrin Wiperman, Jill Mullen

Introductions / review of CMAC statute (McLeod):

10:10 AM gavel / start of meeting / introductions. Review of statute by McLeod.

Old minutes / approval from January (McLeod):

Correction to January meeting minutes; Karen Irwin is Vice Chair, and it was reported that Dennis Murphy is Vice Chair. McLeod had a question regarding whether the intended use of Cannon's FY15 surplus had been discussed / noted in the January meeting minutes. DeVivo agreed to amend the minutes; Irwin motioned approval of the January meeting minutes as amended, Taylor seconded, vote was unanimous.

Current season performance (DeVivo):

- Great start
- Tough Christmas Week after rain (down some 25%)
- Got cold in January, then started snowing
- Tough Prez Week (too much snow / cold) (down some 50%)
- Other weeks have been strong
- Ski season revenue off 2% to last year (*improved to + 1% as of Apr 12*)
- Skier visits ahead 3% to last year (*improved to + 5% as of Apr 12*)

- FYTD numbers (vary widely; one day in time)
- Revenue of \$6.454M is 10% under budget & 1.8% under last year
- Expense of \$5.811M is 14% under budget & 5% over last year
- Net total of \$643K is 38% over budget & 38% under last year
- Biggest question mark remains... what will hit for Workers' Comp (?)

Workers' Comp discussion; details by DeVivo, Rose, Bryce re: earlier discussion with State's insurance bureau last fall about whether to put WC policy / coverage out to bid; verdict was negative, costs would likely have exceeded current costs.

Safety culture discussion; job hazard analyses ongoing, injury rates down (public and team members), mandatory helmet use by Cannon team members next year and beyond.

Numbers discussion; Cannon continues to reel performance back in after suffering heavy losses during two primary vacation weeks, ski season-to-date numbers have remained strong, fiscal year to date numbers improving weekly; largest challenge is power rates, largest question mark is WC costs to hit this spring.

Ongoing capital update (14/15 projects) (DeVivo):

- Elec supply upgrade to Cannonball Quad @ \$145K completion in June
- Ernie's Haus elec switch gear / oil switch @ \$52K completion in June
- Peabody / Notchview water storage tank resurface @ \$26K completion in June

Mittersill project (FSC) update (very rough figures) (DeVivo):

- * New compressor / elec / cooling \$625K completed
- * Baron's Run / Skyline / Ridge Run clearing @ \$250K completed
- * Planning / design of dam / Echo Lake project @ \$100K // out to bid

- * Funding is available (cash) for the dam project @ \$400K
- * Funding is available (cash) for the remaining trail footprint @ \$500K
- * Funding is pending (cash) for the snowmaking on Baron's Run @ \$500K

- * Remaining snowmaking @ \$750K next year (possibly this year)
- * Surface lift @ \$750K next year (possibly this year)

Additional capital projects (funded 2010) (DeVivo):

- * \$312K Mittersill improvements // unlikely to lapse
 - \$50K toward dam project // DES recommendation re: landscaping (2015)
 - \$50K saddle improvement // winch anchor points (2015)
 - \$30K summit patrol hut (2015)
 - \$25K wayfinding signage (2015 or 2016)
 - \$125K base area restroom facility (2016)
 - \$32K parking lot improvements (2016)

Cannon Mountain Capital Improvement Fund update (Bryce):

- \$336K would zero the CMCIF out; deficiency paid off
- Should come from Cannon's net surplus
- Bryce recommends doing it NEXT year, once HB-2 language is such
- Once at zero... Bryce advocates for bonding UP TO \$1M annually
 - But only if Cannon's surplus covers the deficiency in the CMCIF
- Options:
- #1 only bond what the Sunapee \$\$ will cover annually
- #2 bond more and have Cannon surplus cover the difference

2015/16 proposed capital plan (DeVivo):

- \$150K excavator purchase / snowmaking
- \$120K AEBl slope mower / snowmaking
- \$95K Purchase cat off of lease / snowmaking
- \$110K UST revisions / electronic pumps at Maint Garage
- \$60K for 100 Polar Vortex Blizzard One's
- \$55K bullwheel bearings Zoomer / Peabody & Tram Brake cabinet overhaul
- \$35K Trooper Trax / winter snowmaking / summer slopes

- **TOTAL = \$625K**

- **Next year's plan is to request \$1 Million for booster pumphouse overhaul**

Request for recommendation to Commissioner (DeVivo):

McLeod requested a motion to recommend DeVivo's plan to DRED Commissioner Rose. Taylor motioned, Mullen seconded, vote to recommend the capital plan utilizing CMCIF funds was unanimous.

Old business (McLeod):

Johnson requested the floor to detail his analysis of whether Cannon's capital improvements since 2008 have had any impact upon the Franconia business community. His assertion is that based upon no large scale growth in Cannon mountain ticket sales amongst area lodging properties, the capital improvements made by Cannon have had very little true impact upon the local business community. Said assertion was questioned directly by both Bryce and Dwyer.

Senator Woodburn discussed the potential project at The Balsams as a true boost an economic region, but mentioned that neither the Mountain View Grand's recent capital investments, nor Bretton Woods' recent capital improvements, have been proven to have a direct net effect upon their local economies, yet both are known success stories.

New business (McLeod):

None identified.

Next meeting scheduled // Adjournment (McLeod):

The group was polled, and a meeting date of Friday, November 20th, 2015 was selected.

Vice Chair Irwin motioned to adjourn, Mullen seconded, and the vote was unanimous.



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CAP 15-026

D.R.E.D.

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STEPHEN C. SMITH, CPA
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August 4, 2015

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 August 4, 2015, 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 & Ski Area capital improvement projects to be funded in the amount of \$625,000 by the Cannon Mountain Capital Improvement Fund, as specified in the request dated May 14, 2015.

Sincerely,

Jeffrey A. Pattison
Legislative Budget Assistant

JAP/pe
Attachment

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