

64 DAW



STATE OF NEW HAMPSHIRE
DEPARTMENT of RESOURCES and ECONOMIC DEVELOPMENT
DIVISION of PARKS and RECREATION

172 Pembroke Road P.O. Box 1856 Concord, New Hampshire 03302-1856
PHONE: (603) 271-3556 FAX: (603) 271-3553 E-MAIL: nhparks@dred.state.nh.us
WEB: www.nhstateparks.org

May 16, 2014

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, 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 \$750,000. The Cannon Mountain Advisory Commission recommended submittal of this request and the Capital Budget Overview Committee approved this request on May 13, 2014 (CAP #14-030).

EXPLANATION

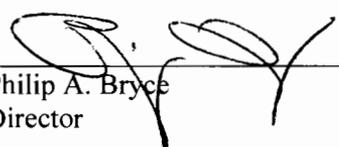
Chapter 134:13, Laws of 1998, authorized the State Treasurer “[t]o provide funds for the Cannon Mountain Capital Improvement Fund (CMCIF)... to borrow from time to time upon the credit of the State such amounts so that the total State obligation shall at no time exceed the sum of \$6,000,000, and for 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.”

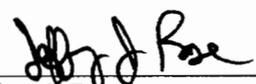
The projected June 30, 2014 bonds outstanding total approximately \$3.8 million and therefore this request is within the \$6 million threshold as required by Chapter 134:13, Laws of 1998. However, the Sunapee lease payment revenue source has not kept pace with the Debt Service outlays for Cannon Mountain Capital Program. Chapter 144:90/91, Laws of 2013, authorize Cannon Mountain Net Revenue after fulfilling other allocations to be transferred to the Cannon Mountain Capital Improvement Fund (see attached financial summary).

Also, attached for your information are the minutes from the April 21, 2014 Cannon Mountain Advisory Commission meeting, a project outline detailing the requested projects to be completed between June and December 2014 totaling \$750,000, and the letter of approval from the Capital Budget Overview Committee. Said projects will provide for infrastructure improvements in the areas of snowmaking, lift maintenance, electrical backup and/or efficiency systems, and water efficiency systems. The snowmaking improvements will improve public relations and increase revenue, while the other improvements will decrease costs, create efficiencies, and avoid primary system losses.

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 - Spring 2014

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

Project	Estimate	Explanation
Snowmaking		
Pumphouse renovation	180,000	Extend building; raise pumps to add incoming water volume and allow for water pit expansion; replace worn out piping; and install overhead gantry for installation / removal of pumps, motors, and compressors
Replace 400hp pump with 600hp pump	90,000	Increase water capacity by 500 gpm (10-20 land/tower guns or 2-3 fan guns)
Replace main system air line for Front Five trails	70,000	Tremendous inefficiency when that line froze last year; it's obsolete; and this is our most visible section of the entire ski area...America's largest billboard
Tower guns for TossUp Terrain Park and Time Zone Training Hill	68,000	Make double the volume on these trails, allows earlier use and faster move to other terrain; and support a large and growing population at Cannon, park users and recreational race students
New pipe & hydrants on Time Zone	40,000	Extend the snowmaking all the way to the base of Eagle Cliff Triple, and replace old equipment
Replacement water line on TossUp	23,000	The water line failed last year and water had to be re-routed to it from elsewhere; highly inefficient
Lower Hardscrabble / Redball partial pipe replacement & re-routing	15,000	Need more snow in both areas; old pipe section failed and needs replacement.
Valve Junction Building (J-House) to interface Gary's / TossUp / Time Zone	14,000	New setup on TossUp and Time Zone ties into main Front Five line
Sub-Total Snowmaking	500,000	
Water / Electrical Systems / Lift Mnt		
Electrical supply upgrade to Cannonball Quad	160,000	Obsolete power feed causes consistent problems; new power feed better supports new drive; primary upper mountain lift, only direct access from Peabody Express Quad and main area of mountain
Ernie's Haus Access Road electrical switch gear	50,000	Installed in the 70's, this sector cabinet is a safety and reliability concern; feeds power to Maintenance Garage, Ernie's Haus, and Zoomer Triple
Peabody / Notchview Water Storage Tank resurfacing	25,000	Fortify structural integrity and holding capacity of 8,500 gallon tank; essentially completes last year's water system upgrade for Peabody/Notchview side; and services Peabody, Notchview, Brookside, Echo Lake, Maintenance Garage, and Park HQ
Well installation / pipe repair replacement for Ernie's Haus / Park HQ	15,000	System failure during winter 12/13, frozen & damaged piping and recommendation by all that these two buildings be serviced by separate well.
Sub-Total Water / Electrical Systems	250,000	
GRAND TOTAL	750,000	

Snowmaking Notes:

- Any rebate money earned from PSNH based on efficiency upgrades will go toward more low energy / high efficiency equipment;
- Opting for the expansion of the pumphouse this year in anticipation of the Mittersill enhancement project and to allow for greater water volume at both Cannon proper and Mittersill; and
- Efficiency project / performance contracting (FY16) will increase / change air and water capacities and gun inventory in key areas (currently out to bid).

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					
		2013	2014	2015	2016	2017	2018
Beginning Balance - July 1	\$ (235,207)	\$ (312,371)	\$ (186,731)	\$ (81,320)	\$ (151,216)	\$ (237,907)	\$ (275,598)
Revenue from Sunapee lease payment	502,280	618,394	636,000	654,000	673,000	693,000	713,000
Debt Service:							
Existing	642,357	630,253	608,589	575,361	552,160	529,041	506,488
Authorized but Unissued \$500k	-	12,500	54,250	52,750	51,250	49,750	48,250
\$717k - Approved July 2013	-	-	17,750	77,035	74,905	72,775	70,645
\$750k - Additional Proposed			18,750		81,375	79,125	76,875
Total Projected Debt Service	642,357	642,753	680,589	723,896	759,690	730,691	702,258
Annual Revenue Over (Under) Debt Service	(140,077)	(24,359)	(44,589)	(69,896)	(86,690)	(37,691)	10,742
Transfers of Net Revenue from Cannon Operation	62,913	150,000	150,000	-	-	-	-
Projected Balance - June 30	\$ (312,371)	\$ (186,731)	\$ (81,320)	\$ (151,216)	\$ (237,907)	\$ (275,598)	\$ (264,856)

- Assumptions:**
- Sunapee Payments after recovering from 2011-2012 Season, revenue projected to grow @ 2.75% to 3.00%.
 - Future Bond Issues conservatively projected @ 5% Interest Rate.
 - Debt Service for \$717k capital spending request included.
 - Additional Authorization requested factored into analysis.**
 - Transfers from Cannon Operations for FY 2014 - 2015 left at \$150k as originally projected in June 2013.

Summary of Transfers from Cannon Operations - Ch. 144:90/91 L'13			
Transfer To	Actual FY 13	Projected	
		FY 14	FY 15
To Park Fund	650,000	500,000	500,000
Fish and Game Search & Rescue	50,000		
Cannon Capital (Balance)	62,913	150,000	150,000
Total	762,913	650,000	650,000

**Cannon Mountain Advisory Commission (CMAC)
Minutes from spring meeting at Cannon Mountain
Monday, April 21, 2014**

Attendees:

Rich McLeod, Chairman / Senator Jeff Woodburn / Representative Suzanne Gottling / Representative Edmond Gionet / Commissioner of the Treasury William Dwyer / Kevin Johnson / Kathy Taylor (via phone) (CMAC members)

Phil Bryce, Director of Parks & Recreation / John DeVivo, General Manager at Cannon/FNSP (DeVivo is CMAC scribe)

Absent:

Senator Jeb Bradley / Karen Irwin (Vice Chair) / Dennis Murphy (CMAC members)

Introductions:

Chairman McLeod began the meeting at 10:05 AM and stimulated a round of introductions. DeVivo briefly went through the content of the information packets. Chairman McLeod advised the group that Representative Gottling had a prior commitment to attend in Concord at 12:30, and that Ms. Taylor was on the phone during her vacation trip, and that he'd be maneuvering the agenda slightly to allow for an early vote on the capital plan if necessary.

Minutes from December 6, 2013 meeting:

Rep Gottling motioned to approve, seconded by Sen Woodburn. Unanimous vote to approve.

Review of RSA 12-A:29-b Cannon Mountain Advisory Commission:

Chairman McLeod included the RSA detailing the charge of the CMAC with the day's information packets. No questions or comments from the group at this time.

Summary of 2013/14 season: (all numbers approximate) (given by DeVivo)

- Great opening scenario
- Strong 1st month, rough 2nd month, decent 3rd month, strong 4th month, good 5th month
- Three weeks of warmth / four rainstorms... mid-Dec through mid-Jan
- Down 25% during Christmas Week
- Winter kicked in hard in mid-January
- Good snowfall from mid-January onward... Feb & Mar strong
- Snow total of 183" close to last year (201)
- GREAT "extra" week right at the end... with a PERFECT final Friday & Sunday
- Skier visits down 2% // Ski season revenue up 2%... versus 12/13 season
- Season Pass revenue exceeded \$1 Million for 5th consecutive year

FY14 financial update // Projected close-out: (given by DeVivo)

All numbers approximate // fiscal year runs Jul 1 – Jun 30

- *July 1st - April 17th update*
- Total Revenue of \$6.708M is 4.1% under FY14 budget and 2.1% over FY13 actuals
- Total Expense of \$5.753M is 12% under FY14 budget and 3.9% over FY13 actuals
- Total Surplus of \$955K is 209% over FY14 budget and 8% under FY13 actuals

Note: Biggest single factor this year is Workers' Comp (*ski season visits & revenue are nearly dead-on*)
W-Comp \$172K over FY14 budget and \$307K over FY13 actuals
Much of current FY's W-Comp expense comes from prior year
No specific trends; no unsafe culture exists

- Projected close-out is approximately \$700K
- First \$500K goes to NH Parks & Recreation

- Remaining \$200K goes toward CMCIF balance deficit of \$312K
- Last year we transferred \$763K
 - \$650K to NHP&R
 - \$50K to NHF&G
 - \$63K to CMCIF balance deficit

CMCIF Review // Available Funds // Cannon Payment: (given by DeVivo)

- Projected Sunapee Revenue (FY14) \$618K
 - Projected debt service (FY14) \$643K
 - Projected Sunapee shortfall (\$24K)
 - Balance July 1 was (\$312K)
 - Projected shortfall total (\$336K)
 - Projected Cannon payment \$200K
 - Projected balance Jun 30 (\$136K)
-
- Cannon transferred \$63K last year and eliminated 17% of the current deficit (at the time it was \$375K)
 - Cannon projects to transfer \$200K in FY14 and eliminate 60% of remaining negative balance (\$336K)
 - Recommendation @ CMAC last spring was to cover 20% per year until paid down...
 - We're well ahead of that plan
-
- Projected available funds in the CMCIF (FY14)... \$2.222M
 - We're asking for a recommendation on our \$750K capital plan

Once we zero out that CMCIF deficit next year, we'll begin asking for seven-figure projects

Proposed \$750K CMCIF Project List: (given by DeVivo)

Snowmaking –

Pumphouse renovation	\$180,000
<ul style="list-style-type: none"> • Extend building • Raise pumps to add incoming water volume & allow for water pit expansion • Replace worn out piping • Install overhead gantry for installation / removal of pumps, motors, compressors 	
Replace 400hp pump with 600hp pump	\$ 90,000
<ul style="list-style-type: none"> • Increase water capacity by 500 gpm (10-20 land/tower guns or 2-3 fan guns) 	
Replace main system air line for Front Five trails	\$ 70,000
<ul style="list-style-type: none"> • Tremendous inefficiency when that line froze last year; it's obsolete • This is our most visible section of the entire ski area... America's largest billboard 	
Tower guns for TossUp Terrain Park and Time Zone Training Hill	\$ 68,000
<ul style="list-style-type: none"> • Make double the volume on these trails, allows earlier use & faster move to other terrain • Support a large and growing population at Cannon; park users and recreational race students 	
New pipe & hydrants on Time Zone	\$ 40,000
<ul style="list-style-type: none"> • Extend the snowmaking all the way to the base of Eagle Cliff Triple, replace old equipment 	
Replacement water line on TossUp	\$ 23,000
<ul style="list-style-type: none"> • The water line failed last year & water had to be re-routed to it from elsewhere • Highly inefficient 	

Lower Hardscrabble / Redball partial pipe replacement & re-routing \$ 15,000

- Need more snow in both areas; old pipe section failed & needs replacement

Valve Junction Building (J-House) to interface Gary's / TossUp / Time Zone \$ 14,000

- Pretty self-explanatory; new setup on TossUp & Time Zone ties into main Front Five line

Snowmaking Subtotal \$500,000

Snowmaking Notes:

- Any rebate money earned from PSNH based on efficiency upgrades will go toward more low energy / high efficiency equipment
- Opting for the expansion of the pumphouse this year in anticipation of the Mittersill enhancement project and to allow for greater water volume at both Cannon proper and Mittersill
- Efficiency project / performance contracting (FY16) will increase / change air and water capacities and gun inventory in key areas; currently out to bid

Water / Electrical / Lift Maintenance –

Electrical supply upgrade to Cannonball Quad \$160,000

- Obsolete power feed causes consistent problems; new power feed better supports new drive
- Primary upper mountain lift, only direct access from Peabody Express Quad and main area of mountain

Ernie's Haus Access Road electrical switch gear \$ 50,000

- Installed in the 70's, this sector cabinet is a safety and reliability concern
- Feeds power to Maintenance Garage, Ernie's Haus, Zoomer Triple

Peabody / Notchview Water Storage Tank resurfacing \$ 25,000

- Fortify structural integrity and holding capacity of 8,500 gallon tank
- Essentially completes last year's water system upgrade for Peabody/Notchview side
- Services Peabody, Notchview, Brookside, Echo Lake, Maintenance Garage, Park HQ

Well installation / pipe repair replacement for Ernie's Haus / Park HQ \$ 15,000

- System failure during winter 12/13, frozen & damaged piping and recommendation by all that these two buildings be serviced by separate well

Water / Electrical / Lift Maintenance subtotal \$250,000

VOTE TO RECOMMEND CAPITAL PLAN:

Chairman McLeod motioned for a vote to recommend the \$750,000 capital plan laid out by DeVivo. Seconded by Rep Gottling. A vote was taken, and the motion to recommend passed unanimously from amongst the quorum, 7-0.

CMCIF Project update from last year // remaining projects: (given by DeVivo)

Snowmaking –

- 135 Ratnik Baby Giant Snowguns \$ 97,875
- 32 HKD Raptor Snowguns \$137,600
- 5 Ratnik Snow Giant V Snowguns \$ 11,600
- 37 sets of air & water hydrants \$ 18,712
- New water line and added air line on Tramway \$103,680
- Replacement air & water lines on Tram Cutback and Jasper's Hideaway \$ 36,494
- Excavator rental (2 months) \$ 14,875

Lift Maintenance –

- New haul rope for Peabody Express Quad \$131,101

Water / Electrical –

- Peabody / Notchview / Ernie's Haus low-flow fixtures / system upgrades \$ 45,225
- Well house / system repair \$ 51,702
- Power Factor Correction Capacitor (retro agenda item for G&C) \$ 16,000
- Zoomer Triple upgrade / line reactor \$ 3,887
- Misc supplies, etc. for water / elec repairs & projects \$ 15,014
- New comm. line to summit \$ 18,012

Capital Project Subtotal

\$617,776
Plus adjustments

Remaining Funds

\$ 95,286
Minus adjustments

Remaining projects – Summer 2014

Tramway side electrical switch gear upgrade / replacement

\$ 60,000

- Installed in the 70's, this sector cabinet is a safety and reliability concern
- Feeds power to Aerial Tram (top & bottom), Ski Museum, Park HQ

Motor Generator Rebuild for Aerial Tramway

\$ 15,000

- Test results from 2012 showed degradation of winding insulation

Other Capital Projects (non-CMCIF): (given by DeVivo)

Mittersill Enhancement Project –

\$4 Million

- Alteration of Terrain permit secured
- Wetlands permit secured
- 401 Water Quality (withdrawal) permit in the works

- Franconia Ski Club has over \$1.5 Million in hard pledges
- Several avenues toward remaining \$2.5 Million
- Several key (major) potential donors ID'd and may come forward soon
 - Contingent upon permitting
 - Contingent upon USSA as an approved subcontractor

Performance contracting / snowmaking system upgrades

\$5-8 Million (est.)

- Re-bid last fall; no contractors meet bid specs to our satisfaction
- Review... overhaul of key componentry and gun inventory, plus some pump / compressor and booster pump work / replacement
- Front-loaded by contractor

Paid back over 5-20 years, depending on scope and negotiations

Capital Recommendation Subcommittee Report: (given by Johnson)

Kevin Johnson detailed the meeting held at Cannon in January (attended by Johnson, DeVivo, Irwin, Taylor, Bryce). Johnson advocated then, and at this meeting, for an increase in summer expansion (programs) at Cannon, citing the ski area's role as an economic engine in the north country / Franconia Region. Discussed at length (on April 21st) were ideas toward mountain biking, cross-country skiing, summer concert series, and the like. Johnson asserted that the local lodging economy has waned in recent years (during the winter months), despite Cannon's concentration on snowmaking / infrastructure, and that the situation may improve if the ski area looked toward year-round recreation. Discussion followed regarding whether the need to fill beds locally during the winter months (the more pressing need by percentage) meant that Cannon should continue on its current trend toward snowmaking, infrastructure, and water / electric enhancement.

More detailed discussion followed, with Johnson leaning toward year-round recreation at the ski area, Bryce and DeVivo toward agreement on there being potential for mountain biking, cross-country skiing, and concert series but also a need to continue on the current track with snowmaking and infrastructure maintenance and enhancement, and Chairman McLeod touting the need for an overall master plan for Franconia Notch State Park. DeVivo offered to Johnson (and the group) that there will be a (first annual) springtime community open house / meeting at Cannon soon to apprise the public as to Cannon's capital planning and allow for input on future planning. DeVivo also offered to Johnson a report on any sales trends from amongst its lodging partners over the last several years (business names to remain confidential).

NO OTHER TOPICS

NO OTHER NEW BUSINESS

NO OLD BUSINESS

MOTION TO ADJOURN:

Chairman McLeod made a motion to adjourn at 12:05 PM. The motion was seconded by Rep Gionet and a vote was passed unanimously to adjourn.



CAP 14-030

JEFFRY A. PATTISON
Legislative Budget Assistant
(603) 271-3161

MICHAEL W. KANE, MPA
Deputy Legislative Budget Assistant
(603) 271-3161

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

RICHARD J. MAHONEY, CPA
Director, Audit Division
(603) 271-2785

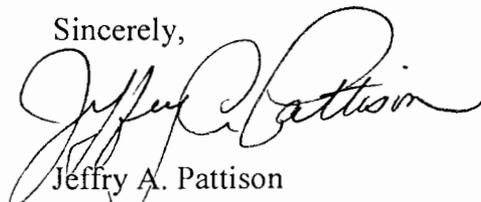
May 15, 2014

Jeffrey J. Rose, Commissioner
Department of Resources and Economic Development
172 Pembroke Road
P.O. Box 1856
Concord, New Hampshire 03302-1856

Dear Commissioner Rose,

The Capital Budget Overview Committee, pursuant to the provisions of RSA 12-A:29-b, on May 13, 2014, 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 \$750,000 by the Cannon Mountain Capital Improvement Fund, as specified in the request dated May 5, 2014.

Sincerely,


Jeffrey A. Pattison
Legislative Budget Assistant

JAP/pe
Attachment

Cc: Philip Bryce, Director, Division of Parks and Recreation
Thomas Martin, Business Manager