



# SPECIAL EAGLECREST BOARD OF DIRECTORS

## AGENDA

January 09, 2025 at 5:30 PM

Zoom Webinar

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Join Zoom Meeting:

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and enter Meeting ID: 882 5948 4580

Passcode: 372236

- A. **ROLL CALL:** In attendance via Zoom: Norton Gregory, Hannah Shively, Brandon Cullum, Mike Satre, Kevin Krine, TJ Mason, Meeting called to order by Mike Satre at 5:37 p.m. Jonathan Dale (Joined at 6:03 PM)
- B. **APPROVAL OF AGENDA** – Motion by TJ. M/C
- C. **PUBLIC PARTICIPATION** - None
- D. **UNFINISHED BUSINESS**
  - 1. Review of and response to Duncan Report. Eaglecrest Financial Analysis 12.30.24 – see summary of discussion created by OtterAI, below.
- E. **PUBLIC PARTICIPATION**
  - 1. Charlie Herrington – See OtterAI generated transcript, below.
  - 2. Rick Harris - See - OtterAI generated transcript, below.
- F. **BOARD OF DIRECTORS' COMMENTS AND QUESTIONS** See - OtterAI generated transcript, below.

**ADJOURNMENT** – Motion by Norton. M/C. Meeting adjourned at 7:34 p.m.

The meeting focused on the review and response to the Duncan report, which highlighted issues such as wages, personnel costs, deferred maintenance, and the gondola project. Key points included the need for a balanced approach to addressing these issues, recognizing Eaglecrest's efforts, and the importance of a diverse board. The board discussed the financial implications of the report, noting that the Duncan model validated previous projections. They agreed to draft a response letter, outlining their plans and concerns, and to present it at the January 27th assembly meeting. The board also emphasized the need for clear communication and collaboration with CBJ personnel. The meeting focused on communication and funding challenges at Eaglecrest. General Manager, Craig Simmons highlighted strong collaboration with CBJ staff but noted difficulties with board communication due to public meeting requirements. Kevin Krein questioned the \$1.5 million funding need, and Craig emphasized the critical need for additional

funding to avoid staff burnout and operational collapse. The board discussed the Duncan report's findings, including deferred maintenance and wage issues, and emphasized the importance of addressing these challenges. The next steps include finalizing a letter for the assembly and scheduling a planning committee meeting to address management structure and operational policies.

## **Transcript**

### **Action Items**

- [ ] Incorporate board member comments into a draft letter to the assembly.
- [ ] Send draft letter to board members by January 12th for review.
- [ ] Schedule a follow-up board meeting on January 16th to review and approve the final letter.
- [ ] Provide the documents discussed in the meeting to the public upon request.

## **Outline**

### **Meeting Confusion and Technical Issues**

- Kevin Krein checks if everyone can hear him, confirming the audio setup.
- Charlie Herrington mentions confusion about the meeting location, stating it was supposed to be at the Valley Library.
- Hannah Shively apologizes for the confusion, explaining she is out of town and won't attend in person.
- Norton Gregory clarifies that the meeting was originally planned to be in person with zoom as well, however, based on an email from Mike this meeting will be Zoom-only.
- Brandon Cullum and Norton Gregory discuss new wireless speakers and their setup for better video conferencing quality.

### **Technical Setup and Note-Taking Preparations**

- Norton Gregory offers to take notes and annotate remarks for the group.
- Mike Satre mentions preparing some materials and asks Norton if he is in charge of the Zoom setup.
- Norton Gregory confirms he can share documents and suggests using AI note-taking for better integration with the board staff meeting.
- Mike Satre attempts to share documents in the Zoom chat but faces technical difficulties.
- Kevin Krein suggests using Google Docs for easier access, and Mike Satre agrees to email the documents to Norton for sharing.

### **Meeting Call to Order and Agenda Approval**

- Mike Satre calls the meeting to order for the Eaglecrest board of directors meeting.
- The agenda is approved without objection, with a motion by TJ Mason.
- Mike Satre provides context for the meeting, focusing on reviewing the Duncan report and preparing for a presentation to the assembly.
- Norton Gregory struggles with sharing documents in the Zoom chat, and Mike Satre suggests using the screen share feature instead.

## **Public Participation and Initial Comments on the Duncan Report**

- Mike Satre opens public participation, but no one raises their hand to speak.
- The meeting transitions to the unfinished business portion, focusing on the review and response to the Duncan report.
- Mike Satre shares a PDF of the Duncan report and outlines the main concerns raised by board members.
- Kevin Krein emphasizes the need to recognize Eaglecrest's efforts to address issues like wages and maintenance, rather than implying mismanagement.

## **Detailed Discussion on Wages and Personnel Costs**

- Norton Gregory appreciates the report for highlighting Eaglecrest's needs but criticizes the tone and lack of collaboration.
- Mike Satre acknowledges the board's efforts and the challenges of increasing wages within the city pay scale.
- TJ Mason and other board members discuss the long-term goal of increasing wages and the need for a sustainable plan.
- Brandon Cullum raises concerns about the report's focus on a single path forward and the need for a balanced approach.

## **Deferred Maintenance and Infrastructure Concerns**

- Mike Satre and Norton Gregory discuss the challenges of deferred maintenance and the need for accurate cost estimates.
- Jonathan Dale emphasizes the importance of understanding the full extent of deferred maintenance issues.
- The board agrees on the need for a comprehensive plan to address deferred maintenance and infrastructure needs.
- Mike Satre highlights the importance of balancing maintenance costs with the need for safe and efficient operations.

## **Gondola Project and Summer Operations**

- Kevin Krein and Norton Gregory discuss the need for additional revenue sources and the importance of the gondola project.
- Mike Satre provides context on the gondola project, including previous studies and the potential for summer operations.

- The board agrees on the importance of accessibility and reducing costs for local residents through summer operations.
- Mike Satre presents a chart comparing financial projections with and without the Duncan report, showing a positive fund balance over time.

## **Board Governance and Final Comments**

- The board discusses the importance of an empowered and diverse board, representing the public and the non-skiing public.
- Mike Satre acknowledges the need for a balanced approach and the importance of the board's role in guiding the general manager.
- The board agrees on the need to focus on positive points and provide a clear plan for addressing the issues raised in the Duncan report.
- Mike Satre suggests drafting a letter to the assembly, outlining the board's concerns and plans for the future.

## **Next Steps and Action Items**

- The board agrees to review and provide feedback on the draft letter to the assembly.
- Mike Satre proposes a deadline for comments and a meeting on the 16th to finalize the letter.
- The board discusses the need for a detailed budget proposal and plans for addressing deferred maintenance and personnel costs.
- Craig Simmons offers to provide input and support for the upcoming assembly presentation.

## **Communication Challenges and CBJ Collaboration**

- TJ Mason raises concerns about communication between the board, staff, and CBJ staff.
- Craig Simmons highlights the strong communication with CBJ staff, mentioning weekly meetings with Angie and Carlin Allen, and frequent interactions with HR and other departments.
- Craig notes that communication with the board is more formal and less dynamic, leading to guarded discussions during public meetings.
- Mike Satre emphasizes the constraints of the Open Meetings Act and the need for public meetings, despite the challenges in private discussions.

## **Financial Strain and Operational Stress**

- Kevin Krein questions the need for \$1.5 million next year to continue operations and seeks Craig's opinion.
- Craig explains the financial strain on Eaglecrest, emphasizing the need for funding to support operations and staff.
- Craig describes the stress and overwork among managers and operators, highlighting the critical need for funding to avoid a collapse.

- Craig argues that without sufficient funding, the team will continue to struggle, leading to poor decision-making and eventual operational slowdown.

## **Management Structure and Organizational Challenges**

- Norton Gregory asks Craig about the management structure options in the report.
- Craig acknowledges the broken organizational chart and the need for a complete overhaul, especially with many vacancies and a lack of middle management.
- Craig suggests that the report's recommendations for management structure are a good starting point but need to be integrated into a well-structured organizational chart.
- Mike Satre outlines the next steps for finalizing the report and preparing for the upcoming meeting on January 16.

## **Public Participation and Additional Comments**

- Charlie Herrington Right. Hey guys, yeah, I also agree with the board's comments about the Duncan report, or a lot of the board's comments about the Duncan report and the strangely aggressive tone. And I also agree with a lot of what he's saying about the challenges facing the ski area and the economic opportunity of the gondola. I disagree, though, with many of his more specific assertions, many of which don't have citations, and like Brandon said, he seems to lay out a singular path while picking and choosing as evidence, wanted to mention cost of doing business, expense increases over the past seven years. Eaglecrest budget was hit by \$877,000 877k in uncontrollable expense increases that any GM would have faced, including Mr. Duncan, and would have even he would have even been compelled to raise wages to be competitive this 877k came from the 30% wage increases. I think his report talks about 6% but 30% is more accurate over this period, bank card fees, interdepartmental expenses, what the city charges us for their legal, financial and other services, especially in Prop insurance and workers comp. This information was presented the Assembly last April during the budget presentation, but if there's a financial analysis about Eagle Crest, I think it would be right at the beginning, and it should be that's it's a huge number, and Duncan spends a lot of time pointing out the rising costs. Speaking of that ski patrol, I know this anecdotally, but I remember when I worked up there, the ski patrol director had a lot of his hours billed to the CIP budget, which is different than the operating budget, and Duncan is obsessed with pointing out the ski patrol price personnel increases, and I think that that might be a big lump of that money is the new patrol director and trail workers, and maybe some workers, maybe they're maybe their hours are getting hit to the regular budget. Thus, the personnel is much higher. Not to mention, we've had a lot of snow and a lot of explosives and a lot of safety control work, but it seems like you guys are on there, but that might that's something he missed, and I think it's worth mentioning in your response. And then, yeah, you guys talked a lot about wages, and I want to thank the board and past management for bringing up the wages. When I left Eagle Crest, it was 32% lower. Maybe I would have stayed if I had a little bit more money. But it's even if you guys do bring up the wages even say another 32% the challenge is your employee pool is so limited by the fact that Juno doesn't have affordable housing, Eagle Crest doesn't have employee housing, and Eagle Crest doesn't have any ski privileges. So why work at a mountain that you can't

ski at on your days off, and so, so I bet all a lot of what Craig's talking about was burnout staff and that, you know, there's no outlet. You know, when I worked at Ski Eries and Alta and Juno, you get to ski, and that's part of the recipe that that makes it all work. And we don't have that for our employees here, and that's a huge problem. It needs, needs to be part of the plan. And then a quick comment too, about deferred maintenance. This is I heard Mr. Dale talk about. This has been a systemic issue since well before Kirk Duncan's time. It was an issue for Mr. Scanlon now it's an issue for Mr. Simmons. Mr. Dale's comments seem to imply that systemic maintenance issues existed in a vacuum, resulting from the previous GM my memory of the last seven years was a ski area management overcoming systemic deferred maintenance challenges and delivering record setting winter operations and revenue. A lot of these issues are the same. Some you know, compounded by things getting older. It's how the Board of Management reacts and adapts to operational challenges. That's what factors into whether Eagle Crest has successful operations or not. And I also want to clarify, Did I hear correctly that the director of mountain operations said that Eagle Crest needs eight full time lift mechanics, and that is, that is all. Thank you. Rick Harris appreciates the Duncan report for highlighting problems but emphasizes the need for a comprehensive policy for managing resources and operations.

- Rick Harris: Thank you. Yeah. I appreciate the discussion today. I read the Duncan report now, probably at least twice now, and generally I find that it's it's a very useful report. It basically highlights a lot of the problems that existed at Eagle Crest, everything from policy to political issues CB administration. Board of Directors, operations and operational leadership. He's pointing out those things and and, and what it's doing, it's it's saying these are weaknesses that somehow need to be addressed. And I tend to agree with some I, when I get down into the details of it, there's a lot of complexity that I just don't think that I can offer useful comments, but, but I think the report deserves credit, because we're highlighting the shortcomings and we're but in that same report, he assures all the reviewers that Eagle Crest is got a lot of opportunity, and in a relatively short period of time, it will be able to be a sustaining operation independent of depending on financing. So where we are is back into the old cash flow problem that I mentioned the other day is that we are struggling to get through this part of the process, and I think that we've seen the different approaches, and I think your report or your chart was good, Mike, different different analysis, but we keep ending up in the same place. You know, maybe we're off a year or two, but we're at the different place. I think when grading wrote a damn good my turn on it, or his column, because he really said, ultimately, this is a resource. It's an asset and and with the right kind of management and the right kind of support throughout the community, we'll have something everybody will be proud about and they'll be asking, Why didn't we do this earlier? There are some issues, though, that came up, and one that I'm struggling with is, first of all, I kind of see a train wreck coming, and I think you guys touched on it a little bit, but I think it has to be addressed. Is you're going to have a winter ski operation up there, and then you're going to have a summer tourism operation. I worked in organizations where all of a sudden you start sharing resources and equipment and maintenance facilities, and it turns into a damn pissing match and pardon language, because people are fighting for resources. They're pirating people from one side of the other, and, and, and, I think the Eagle Crest board, it doesn't say ski and Eagle Crest board, it just says Eagle Crest board. And it's, you know, it's what you know, it's like over

700 800 acres up there, and, and if we don't have a comprehensive policy about who's going to be managing what, I just see that trying to operate a skier in a tourism facility is not going to work, and that needs to be addressed now and not later. And I think that somebody touched on it just briefly. Maybe it was an Norton, but I think that that has to be dealt with. I'd offered a I re wrote your ordinance for you one time, and you know you said, Hell, take, take control of this thing. The The second thing is that you're the Eagle Crest board. You're an enterprise board. And I'm, I'm frustrated by seeing so much of stuff being taken off that board and and ending up in the control of the of the city and and I think Craig highlight, he says, I got a problem. I can't work with you, but I can certainly work with the city. So you have to decide, as an Eagle Crest board is, and Duncan proposed that. He said, you've got an enterprise board, and you've got a city department, and you need to decide, can this board function as an enterprise board? It can it lead, and hopefully it can, I believe, in the enterprise board, because I think you're able, ultimately to move quicker and have more power and influence, but and, and you also get the strategic vision. I think the enterprise board ultimately brought the idea of a gondola trying to get that through a city. Thing is like, we'd still be talking about it, and now at least there's parts to a gondola setting at Eagle Crest. So I but I do think that Craig raised the issue, but somewhere and is, you've got to decide if you're if an enterprise board or just simply Eagle Crest, functioning as a department within the city is the best option for Eagle Crest. You know, I'm going to offer my opinions, but I think you have to sit back and self reflect on what you're going to do. And, you know, and I, like I said, I think the board needs to be a board, and it needs to be influential, and it needs to be effective. So those are my comments.

## **Final Board Comments and Next Steps**

- Norton Gregory inquires about the planning committee meeting and the availability of Carl and Alan.
- Craig confirms he is working on scheduling Carl and Alan for the meeting and prefers an in-person meeting.
- Hannah Shively acknowledges Kirk Duncan's work and emphasizes the importance of his contributions to the report.
- Kevin Krein encourages the public to comment to the assembly and reiterates the board's appreciation for Craig's support and decision-making.

Mayor Weldon and Members of the Assembly,

The Eaglecrest Board is pleased to take this opportunity to provide comments on the report entitled “Eaglecrest Financial Analysis”, hereafter referred to as the Duncan Report, that was completed at the request and under the direction of the City Manager.

Before we weigh in on the report, the Eaglecrest Board would once again like to thank the CBJ Assembly for its support of Eaglecrest. Eaglecrest has been proud to average around 70% cost recovery on an annual basis, however, without annual general fund support from the Assembly, Eaglecrest would cease to exist. The Assembly has repeatedly signaled its support for Eaglecrest by providing the budget increments needed to increase our pay plan to attract and retain ski industry professionals and it has committed to our long term future by purchasing the gondola and signing a contract with Goldbelt to provide the necessary capital to install it.

Even with the financial support for the gondola, we realize that both the public and the Assembly have had concerns about the financial viability of summer operations, which is why the Duncan Report was commissioned. Unfortunately, the report went much further than providing an analysis of the summer business plan and spends a considerable amount of time analyzing current operating conditions and management which, as we understand it, were outside the scope of the study.

The conclusions of the Duncan Report in many ways align with the stance of the board over the past years, even if we disagree as to how those conclusions were reached.

We agree that our pay plan is deficient, even though we have worked hard to raise it, and it still remains below industry standard. This is why we commissioned and provided the wage study to you in 2024 so we would have a baseline to justify future pay scale increases, subject to the Assembly’s ability to fund them. This will continue to be a board priority.

We agree that we will face challenges in funding and completing deferred and expected maintenance of our lifts and infrastructure. This is a problem that has plagued Eaglecrest for decades and is finally coming home to roost in our 50<sup>th</sup> year of operation. We look forward to working with you through the CIP and operating budget process to address these issues.

We wholeheartedly agree that the gondola and summer operations provide the opportunity to re-invest in Eaglecrest over the next decade. While the assumptions of the Duncan Report differ significantly from the various pro-forma plans that have been presented to the Assembly in the past, the projected rate of growth of the Eaglecrest fund balance once summer operations commence is almost identical to what we presented to you in January of 2024. This is highly encouraging that an independent reviewer has reached the same conclusion that the board and staff have reached in the past and completely underscores the criticality of completing the project and commencing operations as soon as possible.

Finally, we would like to address the comments in the Duncan Report regarding the board itself. An independent and empowered citizen board is critical to the success of Eaglecrest. Operating a ski area and summer operations is not a natural responsibility of city government and, like the Airport and Docks and Harbors, benefits from not operating within the CBJ hierarchy. The current board has members who have worked in the ski industry and also has members with expertise in



accounting, project management, human resources, and more. While the members serve at the pleasure of the Assembly and may come and go over the years, an empowered board provides the expertise and management needed as we enter the next fifty years of Eaglecrest operations.

In addition to this letter, we have provided some of the verbatim comments from members to the report to help provide context to your review. We also would appreciate the opportunity to provide our comments on the report when it is delivered to you at the COW meeting on Jan. 27.

Sincerely,

The Eaglecrest Board

## Report Organization and Tone

"I think the document could be organized differently focusing on major issues or findings. For example; gondola projections, operation financial projections, maintenance consideration, EC BOD structure and role. Within each of those major sections address some of the associated topics. Organizing the document will ensure the intended message is received by the public, CBJ staff, and the assembly."

"As I mentioned previously a positive outcome from this report for Eaglecrest will stem from a constructive report we can collaboratively agree upon. Many of the major concerns are also concerns we have been discussing as a board."

"I think we should structure it as short term problem, long term problem, best possible solution. Short term: deferred maintenance. Long term: ongoing commitments to improve the pay scale."

"Our response needs to praise CBJ. Not just CBJ's and the assembly's longstanding historical support for EC, but the FY25 grant amount, the support for the gondola project, and then immense support from individual and departments for EC over the past year."

## Wages and Personnel Costs

"Eaglecrest has not kept up with paying competitive wages to its employees' this fails to acknowledge the nearly 30% increase in the past 4 or 5 years."

"In FY 2026, if the decision is made to increase Eaglecrest salaries/wages to a competitive level, as identified by the wage study, the increased costs will range between \$600,000 and \$800,000' – This is not on the table so why bring it up."

"The report shows an increase in personnel costs from 2012-2023 of 45.3% and suggests that Eaglecrest take a hard look at personnel costs. However, if we keep in mind that cumulative inflation over that same time period was over 35%, this increase is not as drastic as it might seem at first glance."

"Looking specifically at ski patrol, the report indicates that ski patrol wages have nearly doubled since 2012 and that the number of hours worked by ski patrollers increased by 63% during that time. The implication is that this has been the result of poor management. On the contrary, this is one of the departments that is high functioning."

"A rational analysis would not introduce this issue [the report's statement about the growth of ski patrol wages] without exploring factors that led to the increase. Instead, the report assumes that growth was unnecessary and indicative of bad management and poor governance."

## Deferred Maintenance and Infrastructure

"Would it be possible to have some current budget information to include a clearer picture to where we are at for this season and where we think we may be going as far as cost overruns? Anything else

we have on blackbear repair estimates and current snowmaking system repair estimates would be useful too."

"Some portions of this document are unclear to me after reading this version and the previous meeting notes."

"Deferred maintenance and aging infrastructure are longstanding issues well understood by the board. However, the board has also held to the idea that we need to work within the budget approved by the assembly."

"If the assembly agrees to increase support to Eaglecrest by this amount [\$1,675,000], that is great. It would take a lot of pressure off of the Eaglecrest board and general manager. If not, my suggestion is that we continue to move forward with the resources allocated and continue to focus attention on installation of the gondola."

"The report overlooks important options. In the author's analysis of the next several years' maintenance requirements, he seems to take the position that the only path forward is one where the Assembly funds every bit of deferred maintenance and play plan gaps immediately. He does not analyze the impact of deferring maintenance until cash flow from the Gondola is available to bridge historical gaps in maintenance funding, or discuss approaches that strike a balance between catching up on maintenance and wages and managing tight resources."

### Gondola Project

"While from what I can find, it's true a specific market study has not been performed on potential gondola ticket pricing, or how large of market it potential is. The statement is somewhat misleading from the research I was able to perform in a couple of hours on the internet."

"This draft report doesn't feel complete without including or referencing relevant information or studies that have already been performed."

"Operating the gondola in the winter is not likely to increase revenue by a significant amount as most people riding the gondola will be using a season pass, a pass they may have purchased with or without the gondola being in operation."

"The suggested labor budget for the gondola on page 14 is completely out of place and more data needs to be reviewed by the board."

"Operating the gondola in during the ski season has always been part of the plan. Doing so will help mitigate the effects of climate change, giving Eaglecrest a more reliable season and possibly extending the season."

"The main cost in operating the gondola in the winter is avalanche control work in the Heavenly area. While this remains part of the plan for winter gondola operations, opening this terrain is optional and the gondola could be used in the winter without expanding the current Eaglecrest terrain boundaries."

## Board Governance

"From my perspective this is already the process in place. While it is stated that the Eaglecrest board has folks that care about Eaglecrest it is also alluded that these members may be unqualified. What is left out is that the selection process by the assembly already focuses on specific knowledge."

"I would probably not have even applied [to the board] if that wasn't specially listed as I didn't have knowledge in the other areas requested."

"The Eaglecrest board has folks that care about Eaglecrest deeply. That being said they do not have an extensive knowledge of ski area operations – boards don't need extensive knowledge to succeed."

"Kirk does not understand that we have met with the Assembly and routinely engage with the assigned rep."

"Considering option 1, the board currently has a broad range of expertise with accounting, human resources, ski industry, project management, and general industry experience. The assembly has the authority to appoint board members with different types of experience."

"Finally, there is an overarching issue. Eaglecrest's purpose is to serve the Juneau community. An important role of the board is to be in touch with, and to represent that community."

"The board welcomes Kirk's perspective, given that he also worked with the past board as GM, and we would welcome changes to our structure in ways that would create better communication flow with the city, but the board structure exists to solve some inherent hurdles with municipal ownership and we need to be careful not to re-create the problems of the past."

"Another example of this is the report's criticism of the board. The author claims the board of directors is the source of many of Eaglecrest's challenges, but does not give specific and supported examples of how the current governance model contributes to Eaglecrest's challenges. Further, he makes claims about board members' skill sets that are inaccurate and unscrupulously convenient."



# SPECIAL EAGLECREST BOARD OF DIRECTORS AGENDA

January 09, 2025 at 5:30 PM

Zoom Webinar

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Join Zoom Meeting:

<https://juneau.zoom.us/j/88259484580?pwd=Z0dyTUdKdHh4ZEY0STU0N1M0VnovZz09> or dial 1-253-215-8782  
and enter Meeting ID: 882 5948 4580

Passcode: 372236

- A. ROLL CALL
- B. APPROVAL OF AGENDA
- C. PUBLIC PARTICIPATION
- D. UNFINISHED BUSINESS
  - 1. Review of and response to Duncan Report. Eaglecrest Financial Analysis 12.30.24
- E. PUBLIC PARTICIPATION
- F. BOARD OF DIRECTORS' COMMENTS AND QUESTIONS
- G. ADJOURNMENT

## Eaglecrest Financial Analysis



Photo courtesy of Eaglecrest website

Prepared for City and Borough of Juneau



Submitted by:

**Kirk Duncan**

Former Eaglecrest General Manager and  
CBJ Public Works and Parks & Recreation Director  
December 30, 2024

## Executive Summary

This report's purpose is to provide an objective view of the current state of Eaglecrest, what will be needed in the next several years, and expectations for gondola project financial performance.

The Eaglecrest Ski Area is at a pivotal time in its history. Three of the five senior management positions are held by newly hired individuals who are qualified to do the job but face steep learning curves. Eaglecrest is a complicated ski area compared to many areas of its size in that it has extensive avalanche mitigation which increases costs. In addition, its relatively low elevation and maritime climate make a consistent opening date and operations a challenge. Compounding this issue, Eaglecrest has not kept up with paying competitive wages to its employees as indicated by the "Comparative Wage and Salary Analysis compiled by Sierra Research Associates 2022-2023" and lacks a coherent long term pricing structure and has added year-round, full-time, benefitted positions.

This report endeavors to present the range of issues affecting Eaglecrest, projections for future revenue, and options for "bridging the gap" between today and such time as winter operations at Eaglecrest are subsidized by summer revenue. This information will be presented in the form of FY25 and 26 concerns, followed by projections for revenues for future gondola operations.

As made apparent by the loss of the Black Bear Chairlift for the 2024-2025 ski season, Eaglecrest has not maintained its lifts to an acceptable standard and at present does not have adequately trained lift mechanics. While the new management intends to develop necessary training programs, until such time that staff is fully trained, additional funds over current levels will likely be required for contracted services. Insufficient maintenance and lack of ongoing training over the past several years have resulted in the Black Bear chair not operating this winter and added to the cost of maintenance on the other chairlifts in the years to come.

There is much hope that gondola summer operations will "save" Eaglecrest, supporting additional investment in the ski area and ultimately replacing city support for winter operations and the financial projections shown later in this document support that. However, as in any business endeavor, future financial performance is uncertain, particularly in the absence of market demand research. How many people will use the service and how much are they willing to pay for the service? These questions are critical when planning a restaurant, a gas station or any other enterprise. This important due diligence has never been done for the gondola. The expense numbers are relatively easy to develop, however, the revenue numbers are very uncertain, leaving the gondola operation business plan with a wide range of possible financial outcomes – three different scenarios are presented herein.

Many of the issues facing the ski area can be traced back to the Eaglecrest Board of Directors. While board members are very dedicated to the ski area and its success, the governance structure of an empowered board directing a general manager with broad authority creates a sense of separation between Eaglecrest and the rest of CBJ. This system functions well with a board made up of committed individuals with broad experience and a general manager who is proficient in both navigating municipal government and operating complex ski area infrastructure. The inherent structural challenges associated with empowered board become apparent when any of these factors is out of balance. As

such, the Assembly should take a hard look at Eaglecrest's governance and consider where improvements in accountability and support can be made.

Due to factors including the need to purchase lift maintenance parts (i.e. gear box rebuilds) and contractual services to perform the work needed on all chairlifts in Fiscal Year 2025 to ensure those parts are in Juneau for the summer maintenance season of 2025 (Fiscal Year 2026) as well as an apparent budgeted increase in season pass and daily lift ticket revenue that did not occur during the management transition, Eaglecrest may have an increase in the budget by as much as \$750,000. . This amount could be offset by increasing the level of general fund support, increasing the negative fund balance, increase in fund raising, reducing costs, or some combination of these or other offsets.

In FY 2026, if the decision is made to increase Eaglecrest salaries/wages to a competitive level, as identified by the wage study, the increased costs will range between \$600,000 and \$800,000. This increase assumes that Eaglecrest maintains its current staffing level. There will be one more year of increased lift maintenance costs before Eaglecrest will be back on a more routine preventive maintenance program. Lift maintenance and personnel services could increase the budget by as much as \$1,500,000. There may be some limited opportunity to offset increased costs with increased user fees, though development of a rationalized pricing model and strategy would first be required.

In FY 2027, the ski area will be back to "normal" winter operations with no need to bring in outside lift maintenance contractors as the two lift mechanics will have been trained. This will be the year when some up front gondola expenses occur. These would include the need to hire two additional lift mechanics to maintain the gondola, some capital equipment costs related to the gondola operation such as an all-wheel drive 18 passenger van to get people off the top of the mountain if the gondola has a mechanical issue, additional evacuation equipment purchases, potential point of sale interface costs and other related items. These FY 27 gondola expense numbers have not been factored into the operating budget as these costs may come out of the construction budget, yet to be determined.

With regard to the financial projections for the gondola, three scenarios have been developed (more details on the following pages).

In FY 2028, if the gondola realizes it's projected ridership and revenue targets (40,000 riders with revenue of \$85 per rider as specified by the Eaglecrest Board) and expected expenses are correct, the summer operation would have net income of about \$1 million. With projected ridership increasing to 125,000 and revenue per rider increasing to \$125, the gondola would generate net income of \$10 million annually by 2043. Eaglecrest would over time be able to invest \$19 million back into the mountain, have a positive fund balance of \$42 million by 2043 and no longer need general fund support by 2031.

If revenue per rider is assumed at \$65 (rather than \$85) and ridership remains as projected, the mountain will have adequate revenue to reinvest \$19 million, have a \$31 million fund balance and not need general fund support after 2031.

In a third scenario, ridership again remains the same, revenue per rider drops to \$45. Eaglecrest has \$6 million to reinvest in the mountain, a positive fund balance of \$3.6 million and does not require general fund support after 2031.



This financial modeling should be updated as better ridership and revenue-per-rider estimates become available. Eaglecrest is relying on Goldbelt's expertise in estimating ridership expectations and revenue per ticket projections.

More details about the financial aspects of the gondola are provided later in this document.

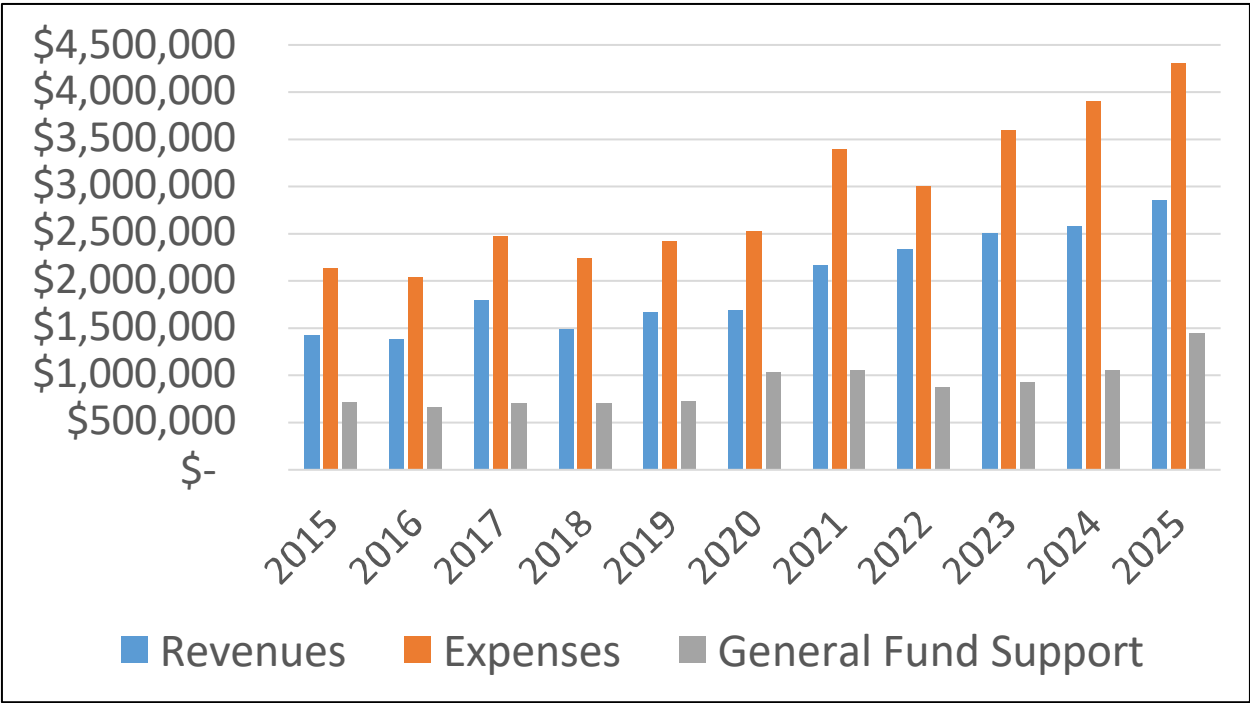
## Eaglecrest Financial Review

The CBJ Website under the Finance Department tab has Annual Financial Reports going back to 1997. During that time period, Eaglecrest averaged a 70% cost recovery (70% of expenses covered by user fees)

As demonstrated in the table below, during the years 2003 to 2012, Eaglecrest operated with a negative fund balance after a season (2003) where the Board decided to give refunds and season pass credits to make up for a low snow year. Eaglecrest paid off that negative fund balance by FY 2014 and maintained a positive fund balance until FY 2024 when an inventory write-off of obsolete parts caused Eaglecrest to create a negative fund balance of \$160,000.

Eaglecrest Financial History							
Winter Operations							
	Fiscal	Revenues	Expenses	General Fund	Operational	Fund	Cost
	Year			Support	Result	Balance	Recovery
Actual	1997	\$ 826,972	\$ 1,201,915	\$ 363,100	\$ (11,843)	\$ 162,303	69%
Actual	1998	\$ 661,252	\$ 1,148,537	\$ 363,100	\$ (124,185)	\$ 38,118	58%
Actual	1999	\$ 1,247,663	\$ 1,400,375	\$ 363,100	\$ 210,388	\$ 248,506	89%
Actual	2000	\$ 1,174,330	\$ 1,409,882	\$ 358,100	\$ 122,548	\$ 422,207	83%
Actual	2001	\$ 772,842	\$ 1,344,989	\$ 358,100	\$ (214,047)	\$ 208,160	57%
Actual	2002	\$ 1,061,114	\$ 1,596,916	\$ 358,100	\$ (177,702)	\$ 30,458	66%
Actual	2003	\$ 470,893	\$ 1,399,255	\$ 388,100	\$ (540,262)	\$(509,804)	34%
Actual	2004	\$ 1,110,423	\$ 1,641,870	\$ 388,100	\$ (143,347)	\$(653,151)	68%
Actual	2005	\$ 1,057,928	\$ 1,610,295	\$ 488,100	\$ (64,267)	\$(717,418)	66%
Actual	2006	\$ 1,089,369	\$ 1,795,484	\$ 594,302	\$ (111,813)	\$(829,231)	61%
Actual	2007	\$ 1,460,172	\$ 2,038,425	\$ 600,000	\$ 21,747	\$(807,484)	72%
Actual	2008	\$ 1,496,611	\$ 2,094,687	\$ 650,000	\$ 51,924	\$(755,560)	71%
Actual	2009	\$ 1,680,879	\$ 2,333,294	\$ 700,000	\$ 47,585	\$(707,975)	72%
Actual	2010	\$ 1,661,436	\$ 2,298,074	\$ 750,000	\$ 113,362	\$(594,613)	72%
Actual	2011	\$ 1,761,638	\$ 2,402,519	\$ 750,000	\$ 109,119	\$(485,494)	73%
Actual	2012	\$ 1,958,429	\$ 2,468,678	\$ 750,000	\$ 239,751	\$(245,743)	79%
Actual	2013	\$ 1,976,769	\$ 2,528,769	\$ 750,000	\$ 198,000	\$ (47,743)	78%
Actual	2014	\$ 1,987,696	\$ 2,597,762	\$ 750,000	\$ 139,934	\$ 92,191	77%
Actual	2015	\$ 1,426,177	\$ 2,137,283	\$ 712,500	\$ 1,394	\$ 93,585	67%
Actual	2016	\$ 1,381,911	\$ 2,037,598	\$ 662,500	\$ 6,813	\$ 100,398	68%
Actual	2017	\$ 1,791,461	\$ 2,472,364	\$ 700,000	\$ 19,097	\$ 119,495	72%
Actual	2018	\$ 1,488,396	\$ 2,242,360	\$ 700,000	\$ (53,964)	\$ 65,531	66%
Actual	2019	\$ 1,667,695	\$ 2,419,250	\$ 725,000	\$ (26,555)	\$ 38,976	69%
Actual	2020	\$ 1,694,161	\$ 2,527,544	\$ 1,030,399	\$ 197,016	\$ 235,992	67%
Actual	2021	\$ 2,166,455	\$ 3,390,013	\$ 1,053,252	\$ (170,306)	\$ 65,686	64%
Actual	2022	\$ 2,333,194	\$ 3,005,968	\$ 875,000	\$ 202,226	\$ 267,912	78%
Actual	2023	\$ 2,510,653	\$ 3,590,761	\$ 930,000	\$ (150,108)	\$ 117,804	70%
Actual	2024	\$ 2,572,590	\$ 3,906,047	\$ 1,055,500	\$ (277,957)	\$(160,153)	66%
Budget	2025	\$ 2,852,000	\$ 4,310,100	\$ 1,448,800	\$ (9,300)	\$(169,453)	
Potential Additional	2025		\$ 750,000			\$(919,453)	56%

This information is presented graphically below for years 2015-25:



## Fiscal Year 2025 Financial Concerns

The major issue for 2025 is the need to order lift maintenance parts and services in FY 2025 to ensure those parts are ready for the summer maintenance season. Major jobs this summer will be the rebuilding of the Hooter and Ptarmigan gear boxes and Black Bear lower terminal work. In addition, Eaglecrest will need to contract for lift maintenance assistance as the lift maintenance positions are staffed and trained. Cost estimates for all this work are being developed while at the same time the limited staff is working to get the mountain open.

From a budgeting perspective, allocating an estimated \$750,000 for summer maintenance work would be prudent.

## Fiscal Year 2026 Financial Concerns

### Pay Plan

When Eaglecrest was first conceived, the pay plan was to pay ski area employees similar wages to what they would receive working down south adjusted for cost of living in Juneau, so the concept was to have a separate pay plan from the CBJ. However, under this separate pay plan Eaglecrest has not kept up with paying its employees wages that, considering current economic conditions, enable successful recruitment and retention. In 2024, the Assembly approved a 6% wage increase across all Eaglecrest positions, which was a step in the right direction but still does not achieve parity with comparable ski areas or the CBJ wage grid. A new pay plan is suggested and attached to this document. The plan will

need to be reviewed by the CBJ Human Resources and the Eaglecrest Board. Evaluating how Eaglecrest positions would fit into the CBJ wage grid would be a significant project for CBJ staff. This project is further complicated by the prospect of summer operations and has not been directed by the Assembly.

However, the proposed pay plan comes fairly close and can certainly be modified. If the plan was to be implemented in 2026, costs would increase by \$778,000, including all funded and unfunded positions. CBJ may choose to do this incrementally while attempting to balance recruitment challenges and budget considerations.

As proposed in the attached spreadsheet, the positions on the lower end of the wage grid see bigger increases than those positions toward the top of the grid. Lift operators (range 104) go from \$13.66 per hour to \$20.17 (an increase of 47%), the lift supervisor (range 110) goes of \$22.28 to \$30.32 (an increase of 36%) while the director of mountain operations (a range 112) goes from \$37.37 to \$43.76 (an increase of 17%). This plan brings a more comparative pay scale to Eaglecrest and should fundamentality change the employee landscape at the mountain. Eaglecrest employees are excluded from PERS with the exception of year-round staff. Health and wellness would not be paid to employees until the 1560-hour threshold is met.

## Materials and Commodities

The summer of 2026 will be another year of intensive lift maintenance, though no cost numbers have yet been developed. It is envisioned that at the end of the summer maintenance season Eaglecrest should be back in a well-grounded lift maintenance program with a trained staff capable of handling the workload. This report includes a placeholder materials and commodities increase for 2026 is \$875,000. This is subject to approval by the EC board and would be part of the FY26 budget process.

## Equipment Replacement

The equipment replacement reserve was created to set aside funds each year and build up a reserve for major purchases. Eaglecrest currently has an equipment replacement schedule similar to the fleet schedules maintained by other CBJ departments, but it has been chronically underfunded for over a decade. The annual equipment replacement reserve contribution has been set at \$100,000 since 2004. This should be budgeted to increase to an amount adequate to fund snow cat purchases, replacement for snow removal equipment and utility pickup trucks. An estimate is \$200,000 per year. This is subject to approval by the EC board and would be part of the FY26 budget process. Related to this subject, Eaglecrest would likely benefit from a more robust asset management program.

## Guest Survey to Clarify Revenue Potential

In order to maintain a 70% cost recovery, Eaglecrest will need to increase prices to cover costs.

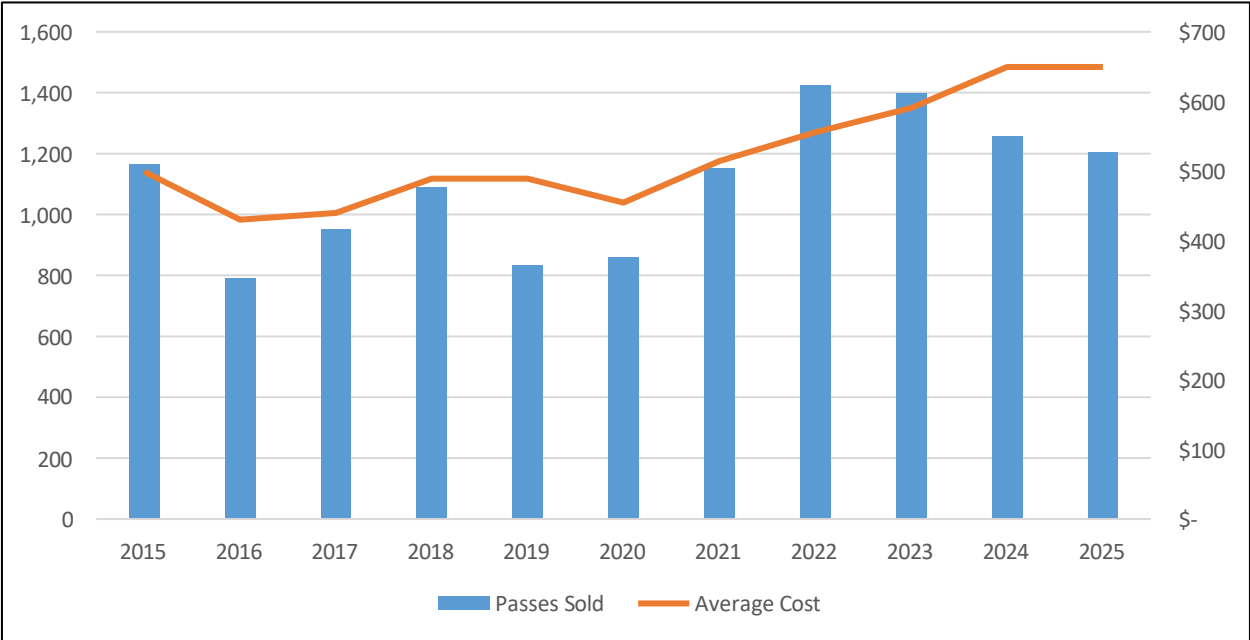
Sampling various ski areas that are located near Juneau or are similar sized operation, it will be noted that season pass and day ticket (the vast majority of total ski area revenue) pricing vary widely.

	Adult	Weekend Adult
	Season Pass	Day Ticket
Eaglecrest	\$ 630	\$ 75
Mt Baker	\$ 1,047	\$ 94
Mt Sima	\$ 579	\$ 68
Alyeska	\$ 1,549	\$ 159
Skeetawk	\$ 499	\$ 44
Mt Spokane	\$ 849	\$ 80
49 Degrees North	\$ 859	\$ 79
Red Mountain	\$ 1,299	\$ 174
Ski Bluewood	\$ 599	\$ 66
Sugar Bowl	\$ 1,399	\$ 162
Schweitzer	\$ 1,399	\$ 130

It is recommended a guest survey be conducted to ask what Juneau residents would be willing to pay to keep a high level of service at Eaglecrest and conversely what they would be willing to give up maintaining pricing at current levels. Eaglecrest did not hit its budgeted revenue for FY24. The approved budget shows a \$130,000 revenue increase for FY25 over the FY24 budget. The below table shows a budget-to-budget comparison for FY24 and 25.

	FY23 Actuals	FY24 Amended Budget	FY24 Projected Actuals	FY25 Adopted Budget	FY26 Approved Budget		
<b>EXPENDITURES</b>							
Personnel Services	\$ 1,993,700	2,111,500	2,155,400	2,382,900	2,450,400		
Commodities and Services	1,592,000	1,764,100	1,684,600	1,927,200	1,980,800		
Support to:							
Pandemic Response Fund	-	-	-	-	-		
<b>Total Expenditures</b>	<b>3,585,700</b>	<b>3,875,600</b>	<b>3,840,000</b>	<b>4,310,100</b>	<b>4,431,200</b>	FY 24/FY 24 Projected Actuals	FY 24/FY 25 Budget to Budget
<b>FUNDING SOURCES</b>							
Charges for Services	1,759,000	1,895,000	1,860,000	1,957,000	2,048,000	(35,000)	(62,000)
Licenses, Permits, and Fees	276,200	394,000	329,000	398,000	448,000	(65,000)	(69,000)
Sales	73,100	63,000	76,400	81,400	81,400	(100,000)	(131,000)
Rentals and Leases	281,700	300,600	310,600	315,600	325,600		
Donations and Contributions	100,400	100,000	100,000	100,000	100,000		
Support from:							
Roaded Service Area	50,000	50,000	50,000	50,000	50,000		
General Fund	880,000	1,005,500	1,005,500	1,398,800	880,000		
<b>Total Funding Sources</b>	<b>3,420,400</b>	<b>3,808,100</b>	<b>3,731,500</b>	<b>4,300,800</b>	<b>3,933,000</b>		

The below graph shows the relationship between season pass prices and pass sales from 2015 to 2025.



## Biweekly Financial Reports

Eaglecrest is a highly weather dependent business operation with constantly changing financial landscape. As with any business, it is important to know where the business is financially every two weeks (which matches the payroll cycle). The critical components are sales and labor costs. While other operational expenses are important to manage, knowing where the sales and labor costs are will determine the success of the business.

The Eaglecrest finance committee should meet monthly to review the reports. Staff and management should agree to the format. The reports should be sent every two weeks to the board and discussed at the monthly meeting. This financial report cannot be time-consuming to put together. A suggested format is presented below.

	FY 24		FY 25	
	12/4/2023	Year to	12/2/2024	Year to
	12/17/2024	Date Sales	12/15/2024	Date Sales
Revenue				
Season Pass Sales				
Lift Ticket Sales				
Advance Ticket Sales				
Locker Rentals				
Rental				
Retail				
Repair				
Food and Beverage				
Snow Sports School				
Lodge Rentals				
Bus Fees				
Misc Revenue				
Payroll Expenses				
Administration				
Ski Patrol				
Lift Operations				
Mountain Maintenance				
Base Operations				
Snow Sports School				
Food Service				
Ski Rental Shop				
Marketing				
Total Income				

## Decreased costs – Hard Look at Staffing

Following on the conversation about looking at costs on a timely basis, it appears that personnel service has increased by 45% in 11 years. More research needs to be done to determine the actual FTEs and whether the year-round staffing increase also represents a net increase in FTEs. This is currently unclear because the Eaglecrest budget in recent years has contained budgeted positions that have been transferred to the Capital Improvement Program budget. This practice will not continue going forward.

Total Personnel Services		
FY 23	\$ 1,993,700	
FY 12	\$ 1,371,700	
	\$ 622,000	45.3%

FY 12		FY 25
FTE		FTE
1.00	General Manager	1.00
1.00	Director of Mt Operations	1.00
1.00	Director of Base Operations	1.00
1.00	Lift Supervisor/Mechanic	1.00
1.00	Vehicle Mechanic	1.00
0.50	Director Snow Safety	1.00
0.75	Director of Snow Sports School	1.00
6.25		
	Lift Mechanic	1.00
	Custodian	1.00
	Snow Sports Outreach Manager	1.00
	Ski Shop Supervisor	1.00
	Marketing and Events Manager	1.00
		12.00

Total budgeted full-time staff has increased from 6.25 positions to 12 positions.

In addition, ski patrol wages from 2012 to 2023 have nearly doubled and the number of hours worked has increased by 63%.

Fiscal Year 2012					
Total Ski Patrol Wages	\$	108,082			
Total Ski Patrol Hours		6500	\$	16.63	Average Hourly Wage
Fiscal Year 2023					
Total Ski Patrol Wages	\$	206,523			
Total Ski Patrol Hours		10611	\$	19.46	Average Hourly Wage

Given that payroll is Eaglecrest's biggest controllable expense, there needs to be a hard look at these positions and overall FTEs to answer the question; can the ski area afford all these services and at these levels, and are the right positions being funded?

## Donation Revenue

Each year, the Eaglecrest Foundation receives about \$100,000 from the Juneau Community Foundation's Eaglecrest Operating Endowment. Over the past several years this money has been used largely to supplant CBJ funds for Eaglecrest, instead of being used as originally intended. This money was originally intended to assist the Eaglecrest Foundation in creating a "rainy day" fund that could be used when needed to address short-term, unbudgeted needs (that might result from a low-snow year, for example). Eaglecrest has not accounted for which specific budget items are funded by this extra revenue, however, as mentioned above, Eaglecrest has increased year-round staffing over the past several years.

## Potential Increased Funding Needs in FY 2026

The potential increase in funding in FY26 is detailed below:

FY2025/2026 Adopted Budget					
Department Budget Presentations					
Eaglecrest					
	FY25	FY 25		FY26	FY 26
	Adopted	Potential		Approved	Potential
	Budget	Change		Budget	Change
<b>EXPENDITURES</b>					
Personnel Services	\$ 2,382,900	\$ 2,382,900		\$ 2,450,400	\$ 3,250,400
Commodities and Services	\$ 1,927,200	\$ 2,677,200		\$ 1,980,800	\$ 2,855,800
	\$ -			\$ -	
<b>Total Expenditures</b>	\$ 4,310,100	\$ 5,060,100		\$ 4,431,200	\$ 6,106,200
<b>FUNDING SOURCES</b>					
Charges for Services	\$ 1,957,000	\$ 1,957,000		\$ 2,048,000	\$ 2,048,000
Licenses, Permits, and Fees	\$ 398,000	\$ 398,000		\$ 448,000	\$ 448,000
Sales	\$ 81,400	\$ 81,400		\$ 81,400	\$ 81,400
Rentals and Leases	\$ 315,600	\$ 315,600		\$ 325,600	\$ 325,600
Donations and Contributions	\$ 100,000	\$ 100,000		\$ 100,000	\$ 100,000
Support from:					
Roaded Service Area	\$ 50,000	\$ 50,000		\$ 50,000	\$ 50,000
General Fund	\$ 1,398,800	\$ 1,398,800		\$ 880,000	\$ 880,000
<b>Total Funding Sources</b>	\$ 4,300,800	\$ 4,300,800		\$ 3,933,000	\$ 3,933,000
<b>Inventory Reserve</b>					
Beginning Reserve Balance	\$ 253,900	\$ 253,900		\$ 253,900	\$ 253,900
Increase (Decrease) in Reserve					
<b>End of Period Reserve</b>	\$ 253,900	\$ 253,900		\$ 253,900	\$ 253,900
<b>Available Fund Balance</b>					
Beginning of Period	\$ (244,600)	\$ (244,600)		\$ (253,900)	\$ (750,000)
Increase (Decrease) in Fund Balance	\$ (9,300)	\$ (759,300)		\$ (498,200)	\$ (2,173,200)
<b>End of Period Available</b>	\$ (253,900)	\$ (1,003,900)		\$ (752,100)	\$ (2,923,200)
<b>Combined End of Period Fund Balance</b>	\$ -	\$ (750,000)	\$ -	\$ (498,200)	\$ (2,669,300)
<b>Staffing</b>	33.99			33.99	

In summary:

Personnel services	\$ 800,000
Materials and Commodities	\$ 875,000
Potential total FY 2026 need	\$1,675,000



## Fund Balance Projection

Assuming that the Assembly does not provide additional general fund support to Eaglecrest in FY26 (as presented in the current FY 2026 budget) and will increase 3% annually going forward from FY 2026, and assuming a 5% increase in both revenues and expenses annually, with general fund support ceasing in 2031, the financial situation would be as follows. This assumes that Eaglecrest runs a cumulative negative fund balance of approximately \$48 million for winter operations, this is offset by the revenue from the Gondola. How the gondola factors into this scenario is detailed in the next section.

	Winter Operations						
	Fiscal	Revenues	Expenses	General Fund	Operational	Fund	Cost
	Year			Support	Result	Balance	Recovery
Projected	2025	\$ 3,003,000	\$ 6,084,200	\$ 930,000	\$(2,151,200)	\$ (3,070,653)	49%
Projected	2026	\$ 3,153,150	\$ 5,084,200	\$ 957,900	\$ (973,150)	\$ (4,043,803)	62%
Projected	2027	\$ 3,310,808	\$ 5,338,410	\$ 986,637	\$(1,040,966)	\$ (5,084,769)	62%
Projected	2028	\$ 3,476,348	\$ 5,605,331	\$ 1,016,236	\$(1,112,747)	\$ (6,197,515)	62%
Projected	2029	\$ 3,650,165	\$ 5,885,597	\$ 1,046,723	\$(1,188,709)	\$ (7,386,224)	62%
Projected	2030	\$ 3,832,674	\$ 6,179,877	\$ 1,078,125	\$(1,269,078)	\$ (8,655,302)	62%
Projected	2031	\$ 4,024,307	\$ 6,488,871		\$(2,464,564)	\$ (11,119,866)	62%
Projected	2032	\$ 4,225,523	\$ 6,813,314		\$(2,587,792)	\$ (13,707,657)	62%
Projected	2033	\$ 4,436,799	\$ 7,153,980		\$(2,717,181)	\$ (16,424,839)	62%
Projected	2034	\$ 4,658,639	\$ 7,511,679		\$(2,853,040)	\$ (19,277,879)	62%
Projected	2035	\$ 4,891,571	\$ 7,887,263		\$(2,995,692)	\$ (22,273,571)	62%
Projected	2036	\$ 5,136,149	\$ 8,281,626		\$(3,145,477)	\$ (25,419,048)	62%
Projected	2037	\$ 5,392,957	\$ 8,695,707		\$(3,302,751)	\$ (28,721,799)	62%
Projected	2038	\$ 5,662,604	\$ 9,130,493		\$(3,467,888)	\$ (32,189,687)	62%
Projected	2039	\$ 5,945,735	\$ 9,587,017		\$(3,641,283)	\$ (35,830,970)	62%
Projected	2040	\$ 6,243,021	\$ 10,066,368		\$(3,823,347)	\$ (39,654,317)	62%
Projected	2041	\$ 6,555,172	\$ 10,569,687		\$(4,014,514)	\$ (43,668,831)	62%
Projected	2042	\$ 6,882,931	\$ 11,098,171		\$(4,215,240)	\$ (47,884,071)	62%

In summary, potential solutions for the financial needs at Eaglecrest include:

- Increased general fund support (problematic given all the other CBJ needs)
- Increased negative fund balance, which amounts to an interest-free GF loan (to be paid down when the gondola comes online)
- Work with the Eaglecrest Foundation for fund raising
- Increased user fees
- Reducing some expenses

This report is intended to address the financial aspects of the gondola once it is up and operating. The construction budget and timeline are being developed outside of this report.

With expectations about the gondola very high, a few points should be considered before discussing its financial details.

Prior to considering summer operation of the gondola, it needs to be stated that operating the gondola in the winter is not likely to increase revenue by a significant amount as most people riding the gondola will be using a season pass, a pass they may have purchased with or without the gondola being in operation. A special gondola pass could be offered in addition to a season pass and if an adequate number of people purchase that pass, the gondola could operate on whatever schedule the board and staff determine is appropriate. By selling this gondola pass it would potentially limit the riders to those skilled enough to handle the increased and more challenging terrain (keeping inexperienced users from accessing this more difficult terrain).

Winter expenses will increase with the gondola due to increased avalanche control work, new gondola operator positions, and increased annual maintenance costs. Nordic considerations of the Cropley Flats area accessed by the gondola mid station will also need to be part of the discussion. No recommendation at this time, however consideration of this issue is suggested.

In terms of summer operations, the expenses are relatively fixed regardless of how many visitors ride the gondola on a daily basis. The suggested budget (presented below) calls for a full-time gondola manager who reports to the general manager. Too many ski operations struggle with year-round operations as they try to “fit” winter personnel into summer operating roles which often leads to neither winter nor summer operations being as successful as the operations could be due to lack of focus on both seasons. This full-time gondola manager will focus on all things gondola allowing the winter staff to focus on winter operations.

In addition, two gondola mechanics will be needed to service the lift during both winter and summer to provide necessary ongoing maintenance. Seasonally, there will be one lift operator with five lift attendants and four employees available for lift evacuation if needed (who could be used as summer guides near the top terminal). One ticket window person and one full time facility maintenance person would be needed. For context, Goldbelt has 14 full-time, year-round staff for the tram.

The proposed budget assumes that all of the summer employees will receive Health and Wellness benefits as they will probably work both summer and winter reaching the 1560-hour threshold. PERS payment is also factored in as it is more rational to plan on higher costs than assuming lower costs.

For this document’s purpose, it is assumed that the gondola will operate June 1<sup>st</sup> through September 15<sup>th</sup> with 5 days on either side of the operating season to train staff and close operations. More days can be added to the operating calendar, however, transitioning from winter to summer operations must be kept in mind. The suggestion of a winter gondola pass above is designed to facilitate revenue neutral winter operations. A list of summer gondola operating assumptions is attached to this document.

The suggested labor budget is presented below:

	Hours	Days	Hours	Rate of	Gross		Health &	Other	Total
	per Day	per Season	Per Year	Pay	Wages		Wellness	Benefits	Payroll
Gondola Manager			2080	\$ 47.16	\$ 98,100		\$ 22,500	\$ 29,430	\$ 150,030
Gondola Mechanic			2080	\$ 39.30	\$ 81,750		\$ 22,500	\$ 24,525	\$ 128,775
2nd Gondola Mechanic			2080	\$ 39.30	\$ 81,750		\$ 22,500	\$ 24,525	\$ 128,775
							\$ -		
Lift Operator	12	117	1404	\$ 32.70	\$ 45,911		\$ 15,188	\$ 13,773	\$ 74,872
Lift Attendant #1	12	117	1404	\$ 27.25	\$ 38,259		\$ 15,188	\$ 11,478	\$ 64,924
Lift Attendant #2	12	117	1404	\$ 27.25	\$ 38,259		\$ 15,188	\$ 11,478	\$ 64,924
Lift Attendant #3	12	117	1404	\$ 27.25	\$ 38,259		\$ 15,188	\$ 11,478	\$ 64,924
Lift Attendant #4	12	117	1404	\$ 27.25	\$ 38,259		\$ 15,188	\$ 11,478	\$ 64,924
Lift Attendant #5	12	117	1404	\$ 27.25	\$ 38,259		\$ 15,188	\$ 11,478	\$ 64,924
Lift Evac Personnel #1	12	117	1404	\$ 27.25	\$ 38,259		\$ 15,188	\$ 11,478	\$ 64,924
Lift Evac Personnel #2	12	117	1404	\$ 27.25	\$ 38,259		\$ 15,188	\$ 11,478	\$ 64,924
Lift Evac Personnel #3	12	117	1404	\$ 27.25	\$ 38,259		\$ 15,188	\$ 11,478	\$ 64,924
Lift Evac Personnel #4	12	117	1404	\$ 27.25	\$ 38,259		\$ 15,188	\$ 11,478	\$ 64,924
					\$ -				
Ticket Window	11	117	1287	\$ 24.53	\$ 31,564		\$ 13,922	\$ 9,469	\$ 54,955
					\$ -				
Janitorial	12	117	1404	\$ 24.53	\$ 34,433		\$ 15,188	\$ 10,330	\$ 59,951
Other Personal									
		117	0		\$ -		\$ -	\$ -	\$ -
		117	0		\$ -		\$ -	\$ -	\$ -
		117	0		\$ -		\$ -	\$ -	\$ -
		117	0		\$ -		\$ -	\$ -	\$ -
		117	0		\$ -		\$ -	\$ -	\$ -
		Total Payroll and Benefits			\$ 717,839		\$ 248,484	\$ 215,352	\$ 1,181,675
	\$ 22,500	Annual Cost Health & Wellness							
	2080	Work Hours in a Year							
	\$ 10.82	Cost of H&W per Hour							
	10	Startup & Close Down Days							
	107	Operating Days							
	117								

The fixed operating costs (not including payroll) are listed below and have a large amount of potential variance. However, the philosophy is to estimate the expenses higher than lower.

Fixed Costs			
Insurance	\$ 161,000	5.3%	Check with risk - may be less
Electricity	\$ 86,300	2.8%	Winter expense - may be less
Equipment Replacement	\$ 100,000	3.3%	
Fleet Replacement Reserve	\$ 100,000	3.3%	
Contractual Services	\$ 100,000	3.3%	
Travel & Training	\$ 15,000	0.5%	Training expenses
Bank Card Fees 2.5% of revenue	\$ 132,086	4.3%	Reduce this figure as the cruise lines will be paying this fee except for walk up riders
Office Supplies	\$ 5,000	0.2%	
Material & Commodities	\$ 1,987	0.1%	5% of sales
Fuel - Vehicle	\$ 30,000	1.0%	
Repairs & Maintenance	\$ 45,000	1.5%	
Minor Equipment	\$ 15,000	0.5%	
Water & Wastewater Systems	\$ 37,500	1.2%	
Miscellaneous	\$ 50,000	1.6%	
<b>Total Operating Costs</b>	<b>\$ 878,872</b>	<b>28.9%</b>	

Total annual estimated costs will be \$1,181,765 for payroll and \$878,872 in other expenses for a total of \$2,060,637. The budget assumes an annual 5% increase in both payroll and fixed costs again with the assumptions that it best to potentially overestimate expenses.

There are three revenue pricing models presented

Net to Eaglecrest		Potential Sales Price on Board the Cruise Ships
Aggressive	\$85 per visit	\$171.50
Moderate	\$65 per visit	\$145.00
Conservative	\$45 per visit	\$118.00

Please keep in mind that the per visit rates are net amounts to Eaglecrest. In order to sell on the cruise ships, the cruise lines take an average of a 30% commission, Goldbelt has stated they will charge \$35 per person for bus transportation. Goldbelt estimates that when the gondola comes online, they will be able to sell the complete mountain gondola tour with bus ride with a potential stop at the North Douglas boat launch for \$171.50 on the ships. They also project that 55,000 (~3% of cruise visitors) in the second year of operation is reasonable with total ridership growing to 125,000 visits by 2043 (~7% of cruise visitors assuming no significant increase in visitation). This information is based on projections made by our partner, Goldbelt. CBJ has not seen any business case analyses conducted to support these projections.

These estimates can be validated through a cruise ship passenger demand studies to forecast how many passengers will ride the gondola and how much they would be willing to pay. A careful market demand and revenue forecast would include the following: a passenger survey to gauge interest in a gondola excursion and willingness-to-pay; an analysis of the tour product market under the current daily limits; and interviews with on-board tour sales managers to gain their opinions about demand and pricing for a gondola excursion. Market research encompassing some or all of these tasks would reduce the uncertainty about the gondola’s summertime revenue generating potential. This information would provide some surety to all parties and should be shared by Goldbelt or commissioned by either or both parties.

To illustrate the bottom-line results of the three revenue models, the following net income (sales minus all expenses) projection for FY 25 to FY 43 is based on the assumption that the gondola attracts the anticipated ridership.

	Model		
	Aggressive: \$85 net/ticket	Moderate: \$65 net/ticket	Conservative: \$45 net/ticket
Net profit FY25-43	\$109,233,436	\$97,938,308	\$58,081,919

Year over year projections are detailed below:

Aggressive Pricing - \$85 Revenue per Visit (R.P.V.)																
	FY 28	FY 29	FY 30	FY 31	FY 32	FY 33	FY 34	FY 35	FY 36	FY 37	FY 38	FY 39	FY 40	FY 41	FY 42	FY 43
Ridership	39732	55250	65000	85000	95000	115000	125000	125000	125000	125000	125000	125000	125000	125000	125000	125000
R.P.V.	\$ 85.00	\$ 85.00	\$ 85.00	\$ 85.00	\$ 95.00	\$ 95.00	\$ 95.00	\$ 105.00	\$ 105.00	\$ 105.00	\$ 115.00	\$ 115.00	\$ 115.00	\$ 125.00	\$ 125.00	\$ 125.00
Total Revenue	\$ 3,377,220	\$ 4,696,250	\$ 5,525,000	\$ 7,225,000	\$ 9,025,000	\$ 10,925,000	\$ 11,875,000	\$ 13,125,000	\$ 13,125,000	\$ 13,125,000	\$ 14,375,000	\$ 14,375,000	\$ 14,375,000	\$ 15,625,000	\$ 15,625,000	\$ 15,625,000
Revenue Share	\$ 337,722	\$ 470,688	\$ 595,000	\$ 777,500	\$ 1,330,000	\$ 1,805,000	\$ 2,042,500	\$ 2,257,500	\$ 1,786,173	\$ 1,981,250	\$ 2,068,750	\$ 2,068,750	\$ 2,068,750	\$ 2,156,250	\$ 2,156,250	\$ 2,156,250
Operating Costs	\$ 2,061,323	\$ 2,061,323	\$ 2,164,389	\$ 2,272,608	\$ 2,386,238	\$ 2,505,550	\$ 2,630,828	\$ 2,762,369	\$ 2,900,488	\$ 3,045,512	\$ 3,197,788	\$ 3,357,677	\$ 3,525,561	\$ 3,701,839	\$ 3,886,931	\$ 4,081,278
Net income	\$ 978,175	\$ 2,164,240	\$ 2,765,611	\$ 3,974,892	\$ 5,308,762	\$ 6,614,450	\$ 7,201,672	\$ 8,105,131	\$ 8,438,339	\$ 8,098,238	\$ 9,108,462	\$ 8,948,573	\$ 8,780,689	\$ 9,766,911	\$ 9,581,819	\$ 9,387,472
																\$ 109,223,436
Moderate Pricing - \$65 Revenue per Visit (R.P.V.)																
	FY 28	FY 29	FY 30	FY 31	FY 32	FY 33	FY 34	FY 35	FY 36	FY 37	FY 38	FY 39	FY 40	FY 41	FY 42	FY 43
Ridership	39732	55250	65000	85000	95000	115000	115000	115000	121500	125000	125000	125000	125000	125000	125000	125000
R.P.V.	\$ 65.00	\$ 65.00	\$ 65.00	\$ 65.00	\$ 85.00	\$ 85.00	\$ 85.00	\$ 95.00	\$ 95.00	\$ 105.00	\$ 115.00	\$ 115.00	\$ 115.00	\$ 125.00	\$ 125.00	\$ 125.00
Total Revenue	\$ 2,582,580	\$ 3,591,250	\$ 4,225,000	\$ 5,525,000	\$ 8,075,000	\$ 9,775,000	\$ 9,775,000	\$ 10,925,000	\$ 11,542,500	\$ 13,125,000	\$ 14,375,000	\$ 14,375,000	\$ 14,375,000	\$ 15,625,000	\$ 15,625,000	\$ 15,625,000
Revenue Share	\$ 258,258	\$ 359,938	\$ 455,000	\$ 747,500	\$ 1,190,000	\$ 1,615,000	\$ 1,615,000	\$ 1,805,000	\$ 1,959,375	\$ 1,981,250	\$ 2,068,750	\$ 2,068,750	\$ 2,068,750	\$ 2,156,250	\$ 2,156,250	\$ 2,156,250
Operating Costs	\$ 2,061,323	\$ 2,061,323	\$ 2,164,389	\$ 2,272,608	\$ 2,386,238	\$ 2,505,550	\$ 2,630,828	\$ 2,762,369	\$ 2,900,488	\$ 3,045,512	\$ 3,197,788	\$ 3,357,677	\$ 3,525,561	\$ 3,701,839	\$ 3,886,931	\$ 4,081,278
Net income	\$ 262,999	\$ 1,169,990	\$ 1,605,611	\$ 2,504,892	\$ 4,498,762	\$ 5,654,450	\$ 5,529,172	\$ 6,357,631	\$ 6,682,637	\$ 8,098,238	\$ 9,108,462	\$ 8,948,573	\$ 8,780,689	\$ 9,766,911	\$ 9,581,819	\$ 9,387,472
																\$ 97,938,308
Conservative Pricing - \$45 Revenue per Visit (R.P.V.)																
	FY 28	FY 29	FY 30	FY 31	FY 32	FY 33	FY 34	FY 35	FY 36	FY 37	FY 38	FY 39	FY 40	FY 41	FY 42	FY 43
Ridership	39732	55250	65000	85000	95000	115000	115000	115000	115000	115000	121650	125000	125000	125000	125000	125000
R.P.V.	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 65.00	\$ 75.00	\$ 85.00	\$ 95.00	\$ 115.00	\$ 115.00	\$ 125.00	\$ 125.00
Total Revenue	\$ 1,787,940	\$ 2,486,250	\$ 2,925,000	\$ 3,825,000	\$ 4,275,000	\$ 5,175,000	\$ 5,175,000	\$ 5,175,000	\$ 7,475,000	\$ 8,625,000	\$ 10,340,250	\$ 11,875,000	\$ 14,375,000	\$ 14,375,000	\$ 15,625,000	\$ 15,625,000
Revenue Share	\$ 178,794	\$ 249,188	\$ 315,000	\$ 517,500	\$ 630,000	\$ 855,000	\$ 855,000	\$ 855,000	\$ 1,235,000	\$ 1,990,000	\$ 2,322,838	\$ 2,582,500	\$ 2,902,500	\$ 2,902,500	\$ 3,062,500	\$ 3,062,500
Operating Costs	\$ 2,061,323	\$ 2,061,323	\$ 2,164,389	\$ 2,272,608	\$ 2,386,238	\$ 2,505,550	\$ 2,630,828	\$ 2,762,369	\$ 2,900,488	\$ 3,045,512	\$ 3,197,788	\$ 3,357,677	\$ 3,525,561	\$ 3,701,839	\$ 3,886,931	\$ 4,081,278
Net income	\$ (452,177)	\$ 175,740	\$ 445,611	\$ 1,034,892	\$ 1,258,762	\$ 1,814,450	\$ 1,689,172	\$ 1,557,631	\$ 3,339,512	\$ 3,589,488	\$ 4,819,625	\$ 5,934,823	\$ 7,946,939	\$ 7,770,661	\$ 8,675,569	\$ 8,481,222
																\$ 58,081,919

It is important to note that these values are cumulative totals, over a 15-year period from FY2028 through FY2043, that have not been adjusted for inflation or the uncertainty of future cashflows. Discounting future cashflows at a prescribed interest rate provides such an adjustment. For example, at a 7% discount rate, the net profit/income to Eaglecrest is \$56.6 million in the \$85 per rider scenario, \$48.7 million at \$65 per rider, and \$25.8 million at \$45 per rider

In the conclusion, the combined winter costs and summer income will be discussed.

## Conclusion

it is possible to see the summer operations supporting the winter operation if cruise ship visitation stays at or above current levels and if the Assembly and ultimately the community support substantial summer cruise ship passenger visitation to the ski area.

Given that general fund support could end in 2032, based on revenue and expense figures, Eaglecrest could have somewhere between \$10 and \$61 million to reinvest in the mountain between 2026 and 2043 while keeping the ski area financially viable. The wide range in potential funds for reinvestment is based on the range of projections from the conservative to aggressive pricing models. Some of that reinvestment may be required for mountain top gondola facilities. The table below shows the total funds available for Eaglecrest to invest in infrastructure under each of the three pricing models.

Net Income Scenarios									
		Aggressive		Moderate		Conservative			
		Gondola	Fund	Gondola	Fund	Gondola	Fund		
	Winter	Pricing	Balance	Pricing	Balance	Pricing	Balance		
	Operating	Model	No Capital	Model	No Capital	Model	No Capital		
	Deficit	Income	Investment	Income	Investment	Income	Investment		
	\$ (919,453)		\$ (919,453)		\$ (919,453)		\$ (919,453)		\$ (919,453)
2026	\$ (2,151,200)		\$ (3,070,653)		\$ (3,070,653)		\$ (3,070,653)		\$ (3,070,653)
2027	\$ (973,150)		\$ (4,043,803)		\$ (4,043,803)		\$ (4,043,803)		\$ (4,043,803)
2028	\$ (1,040,966)	\$ 978,175	\$ (4,106,593)	\$ 262,999	\$ (4,821,769)	\$ (452,177)	\$ (5,536,945)		\$ (5,536,945)
2029	\$ (1,112,747)	\$ 2,164,240	\$ (3,055,100)	\$ 1,169,990	\$ (4,764,526)	\$ 175,740	\$ (6,473,952)		\$ (6,473,952)
2030	\$ (1,188,709)	\$ 2,765,611	\$ (1,478,197)	\$ 1,605,611	\$ (4,347,623)	\$ 445,611	\$ (7,217,049)		\$ (7,217,049)
2031	\$ (1,269,078)	\$ 3,974,892	\$ 1,227,617	\$ 2,504,892	\$ (3,111,809)	\$ 1,034,892	\$ (7,451,235)		\$ (7,451,235)
2032	\$ (2,464,564)	\$ 5,308,762	\$ 4,071,815	\$ 4,498,762	\$ (1,077,611)	\$ 1,258,762	\$ (8,657,037)		\$ (8,657,037)
2033	\$ (2,587,792)	\$ 6,614,450	\$ 8,098,473	\$ 5,654,450	\$ 1,989,047	\$ 1,814,450	\$ (9,430,379)		\$ (9,430,379)
2034	\$ (2,717,181)	\$ 7,201,672	\$ 12,582,963	\$ 5,529,172	\$ 4,801,037	\$ 1,689,172	\$ (10,458,389)		\$ (10,458,389)
2035	\$ (2,853,040)	\$ 8,105,131	\$ 17,835,054	\$ 6,357,631	\$ 8,305,628	\$ 1,557,631	\$ (11,753,798)		\$ (11,753,798)
2036	\$ (2,995,692)	\$ 8,438,339	\$ 23,277,700	\$ 6,682,637	\$ 11,992,573	\$ 3,339,512	\$ (11,409,978)		\$ (11,409,978)
2037	\$ (3,145,477)	\$ 8,098,238	\$ 28,230,461	\$ 8,098,238	\$ 16,945,333	\$ 3,589,488	\$ (10,965,968)		\$ (10,965,968)
2038	\$ (3,302,751)	\$ 9,108,462	\$ 34,036,173	\$ 9,108,462	\$ 22,751,045	\$ 4,819,625	\$ (9,449,094)		\$ (9,449,094)
2039	\$ (3,467,888)	\$ 8,948,573	\$ 39,516,857	\$ 8,948,573	\$ 28,231,729	\$ 5,934,823	\$ (6,982,159)		\$ (6,982,159)
2040	\$ (3,641,283)	\$ 8,780,689	\$ 44,656,263	\$ 8,780,689	\$ 33,371,135	\$ 7,946,939	\$ (2,676,503)		\$ (2,676,503)
2041	\$ (3,823,347)	\$ 9,766,911	\$ 50,599,827	\$ 9,766,911	\$ 39,314,699	\$ 7,770,661	\$ 1,270,811		\$ 1,270,811
2042	\$ (4,014,514)	\$ 9,581,819	\$ 56,167,132	\$ 9,581,819	\$ 44,882,004	\$ 8,675,569	\$ 5,931,866		\$ 5,931,866
2043	\$ (4,215,240)	\$ 9,387,472	\$ 61,339,364	\$ 9,387,472	\$ 50,054,237	\$ 8,481,222	\$ 10,197,848		\$ 10,197,848
Cumulative Total	\$ (47,884,071)	\$ 109,223,436		\$ 97,938,308		\$ 58,081,919			

The aggressive and moderate pricing models allow for major reinvestment in the mountain. A proposed schedule would have \$1M in 2032 for remodel of the Brown shop for gondola maintenance and equipment storage, \$4M in 2033 for the Ptarmigan chairlift replacement, \$5M in 2035 for lodge renovations, \$4 M in 2038 for the Hooter chairlift replacement, and \$4M in 2040 for Black Bear and Porcupine chairlift replacements. These are suggested placeholders that can be moved and adjusted as needed.

The conservative pricing model indicates \$10M available for mountain investment. A decision would need to be made on how best to spend those available funds. The table below shows how this could look under the aggressive pricing model.

Gondola Spreadsheet - Aggressive Scenario						
Combined Operations	Net Income	Net Income				
Beginning	Winter	Summer				
Fund Balance	Total	Total	Fund	Capital	Fund Balance	
\$ (919,453)			Balance	Investment	After Capital Investment	
2026	\$ (2,151,200)		\$ (3,070,653)		\$ (3,070,653)	
2027	\$ (973,150)		\$ (4,043,803)		\$ (4,043,803)	
2028	\$ (1,040,966)	\$ 978,175	\$ (4,106,593)		\$ (4,106,593)	
2029	\$ (1,112,747)	\$ 2,164,240	\$ (3,055,100)		\$ (3,055,100)	
2030	\$ (1,188,709)	\$ 2,765,611	\$ (1,478,197)		\$ (1,478,197)	<b>Kirk:</b> Brown shop update
2031	\$ (1,269,078)	\$ 3,974,892	\$ 1,227,617		\$ 1,227,617	
2032	\$ (2,464,564)	\$ 5,308,762	\$ 4,071,815	\$ 1,000,000	\$ 3,071,815	<b>Kirk:</b> Ptarmigan replacement
2033	\$ (2,587,792)	\$ 6,614,450	\$ 8,098,473	\$ 4,000,000	\$ 3,098,473	
2034	\$ (2,717,181)	\$ 7,201,672	\$ 12,582,963		\$ 7,582,963	<b>Kirk:</b> Lodge addition
2035	\$ (2,853,040)	\$ 8,105,131	\$ 17,835,054	\$ 5,000,000	\$ 7,835,054	
2036	\$ (2,995,692)	\$ 8,438,339	\$ 23,277,700		\$ 13,277,700	
2037	\$ (3,145,477)	\$ 8,098,238	\$ 28,230,461		\$ 18,230,461	<b>Kirk:</b> Hooter replacement
2038	\$ (3,302,751)	\$ 9,108,462	\$ 34,036,173	\$ 4,000,000	\$ 20,036,173	
2039	\$ (3,467,888)	\$ 8,948,573	\$ 39,516,857		\$ 25,516,857	<b>Kirk:</b> Black Bear and Porcupine replacement
2040	\$ (3,641,283)	\$ 8,780,689	\$ 44,656,263	\$ 5,000,000	\$ 25,656,263	
2041	\$ (3,823,347)	\$ 9,766,911	\$ 50,599,827		\$ 31,599,827	
2042	\$ (4,014,514)	\$ 9,581,819	\$ 56,167,132	\$ -	\$ 37,167,132	
2043	\$ (4,215,240)	\$ 9,387,472	\$ 61,339,364	\$ -	\$ 42,339,364	
	\$ (46,964,618)	\$ 109,223,436		\$ 19,000,000		

It is strongly suggested that a small group comprised of CBJ staff, Eaglecrest Board members and the general public review the assumptions attached to this document.

Eaglecrest will need to look to areas where costs may be reduced, revenues increased, fund rising possibilities undertaken. Operating a ski area is a capital-intensive business. In an isolated town of 32,000 people, the ski area can only survive with governmental support without taking advantage of the summer tourism operation. Year to date facility rentals went from \$69,213 in FY 2024 to \$159,848 in FY 2025 based on the business from hosting an Eaglecrest tour for Viking Cruise Lines. There are likely other incremental revenue opportunities associated with Eaglecrest's existing facilities.

Funding Eaglecrest for the next three to five years until the gondola operation becomes established will be a challenge for all involved.

#### Governance –

The Eaglecrest board has folks that care about Eaglecrest deeply. That being said they do not have an extensive knowledge of ski area operations. As an empowered board, the members of the board report to the Assembly and several city managers have stated that they feel reluctant to provide oversight to the board as so not to overstep the manager's authority in regard to the Board's authority

There are at least three options for providing effective oversight to Eaglecrest.

1. Keeping the current structure of the special revenue fund empowered board with more in-depth selection of individuals with specific knowledge to assist the board, a lawyer, an accountant, human resource expert, someone knowledgeable in food service or rental shop operations, etc. While not getting involved in day-to-day operations, these board members would understand the questions to ask the general manager to keep the mountain operating at a high level.
2. Exploring different governance structures, for example, an external party could Eaglecrest with oversight by an Assembly-appointed empowered board.
3. Restructure the board to serve in an advisory capacity and explore more Assembly oversight by shifting some power and authority from the board to the Assembly.

Each of these has advantages and disadvantages. A combination of options 1 and 2 would likely be best in the best interest of the ski area. Preserving an empowered board, with suitably qualified members (to the extent that such members can be recruited to serve on the board), coupled with improved oversight mechanisms and protocols for communications between the board and the ski area manager, and between the board and the city manager's office (and Assembly), will together mitigate challenges such as those that have troubled the ski area recently.

## Final Points

To summarize, this analysis indicates the following:

- Eaglecrest will need significant additional financial support over the next three to five years to catch up on lift maintenance and provide wages necessary to fill key positions and otherwise provide competitive rates of pay.
- Eaglecrest's funding needs, beyond what has already been budgeted for FY25 and FY26, are substantial but somewhat uncertain. Important next steps include 1) identifying options to reduce ski area operating costs and, 2) developing a detailed lift maintenance plan with budget, detailed timeline for procurement, and implementation schedule.
- Gondola operations, likely to commence no sooner than summer of 2027, have the potential to gradually (within a ten-year period) transition Eaglecrest to a self-supporting financial position and pay down whatever negative fund balance is accrued over the next few years.

Thank you for allowing these thoughts and please reach out if you have questions



## Attachment A:

### Gondola Assumptions

- The gondola is constructed and passes all operational/code requirements
- Expenses are overstated for budgeting purposes as it is believed to be better to overestimate expenses when developing a business plan to allow for unforeseen circumstances
- Revenues are based on Goldbelt's best estimate for ridership and revenue per rider
- Eaglecrest will receive a fixed amount per rider with the cruise lines taking an assumed 30% of the sales price for all on ship purchases, Goldbelt will receive \$35 per passenger for the bus ride to the mountain with Eaglecrest receiving the remainder.
- No revenue for retail or food and beverage sales have been included in the projections. It is assumed these services if implemented will break even or contribute to the bottom-line revenue.
- Initially, there will be no services at the top of the mountain. Portable toilets will be available serviced and paid for by Eaglecrest (contractual services budget). Seasonal signage will provide for a self-guided experience (paid out of the construction budget).
- Startup expenses such as lift mechanic training, brown shop updates for gondola serving and passenger van for access to the top of the mountain when needed as well as other related gondola costs would be paid for out of the construction budget of the gondola project
- The gondola will have a year-round manager reporting to the Eaglecrest general manager as well as two year-round mechanics. These three positions and supporting seasonal staff will be fully benefitted
- The gondola will operate July 1 to September 15 for the first season and June 1 to September 15 for normal operation after the initial season. This schedule can be expanded as desired/economically feasible. Operating hours per day are assumed to be 9 am to 7 pm. One lift operator with five lift attendants, with four employees available for lift evacuation if needed along with one ticket seller and one janitor will work a 12-hour day. Adequate staff will be hired to minimize or eliminate overtime being paid. Total payroll costs for the initial year are estimated to be \$1,181,675
- Fixed expenses are budgeted as outlined. These numbers are assumed to be high and will be refined as more information becomes known such as insurance for summer operations, electricity for the gondola, credit card fees paid by whom, etc. Total fixed costs for the initial year will be \$878,672.

- Payroll and fixed expenses are budgeted to increase at 5% per year while revenue increases are based on increased ridership and per rider ticket price increases
- Ridership will start at 40,000 riders in the initial season, growing to 55,000 in the first full year of operations. This represents 2.32% of 1.7 million cruise ships passenger in the initial season and 3.25% in the first full year of operation. Goldbelt has stated that they believe the total ridership will eventually grow to 150,000, for budgeting purposes, 125,000 annual ridership is assumed.