

To: CBJ Assembly Finance Committee
 From: Kirk Duncan in collaboration with the Manager's Office
 Cc: Eaglecrest Board of Directors
 Date: September 18, 2024
 Re: FY 25 Increased funding

During the development of the FY 25 budgeting process, Eaglecrest requested a loan of \$518,000 to cover the cost of increased personnel services, as well as increases to insurance cost and full cost allocation. The concept of a loan versus an increase of general fund support to an operating department within CBJ was that the loan would be paid back the following year from revenues from the gondola project in FY 26.

The Eaglecrest Board of Directors was asked to comment on the concept of the loan and whether this increased funding would be needed in FY 26.

First, a very brief overview of the increases in expenses. More detail can be found by reading the attachment to this document. The primary increase in expenses was in personnel services. Eaglecrest increased funding to all positions by 6% and with realignment of several positions, increasing in steps to some positions, sign on bonuses, etc., the total in salaries increased 8.8%, related benefit costs went up 7.2%, overtime wages increased 17.8%, decreased transfers to CIP projects and increases in Worker's Comp brought the total personnel services increases to 12.9%.

The full cost allocation increased by 23% and ski area specialty insurance increased by 30.8%. Miscellaneous other operating costs increased by \$17,500. It was also decided rather than to increase to the deficit in Eaglecrest Fund Balance, the loan would fund the FY 24 operating deficit estimated to be \$108,500.

FY 25 Funding Increase Explanation	FY24 Budget	FY25 Budget	Increase	Variance %
Salaries (5110)	\$ 1,518,200	\$ 1,651,800	\$ 133,600	8.8%
Benefits (5120)	\$ 577,600	\$ 619,300	\$ 41,700	7.2%
Overtime Wages (5111)	\$ 56,300	\$ 66,300	\$ 10,000	17.8%
Deferred Comp Employer Match (5121)	\$ 8,700	\$ 6,600	\$ (2,100)	-24.1%
All Other Workforce (5141) - transfer to CIP projects	\$ (127,300)	\$ (61,900)	\$ 65,400	-51.4%
Worker's Comp (5130)	\$ 78,000	\$ 100,800	\$ 22,800	29.2%
Total Personnel Services	\$ 2,111,500	\$ 2,382,900	\$ 271,400	12.9%
Full Cost Allocation	\$ 361,500	\$ 444,600	\$ 83,100	23.0%
Specialty Insurance	\$ 121,600	\$ 159,100	\$ 37,500	30.8%
Other Operating Expenses			\$ 17,500	
Funding FY 24 Operating Deficit			\$ 108,500	
Total Funding Increase			\$ 518,000	

The investment in summer operations, especially the gondola, is an effort by Eaglecrest to reduce CBJ direct support.

In his [May 1 memo](#) to the AFC, Deputy Manager Barr laid out the conditions that would need to fall into place for the gondola to be operational in FY 26. As discussed in the 5/1 memo, it was unrealistic that those conditions would be met; they have not. The loan request was made based on the FY 26 assumption. Realistically, the gondola will be operational in FY 27 and therefore the revenue to repay the loan will not be available in FY 26. In addition, personnel services, full cost allocation and specialty insurance costs are all expected to continue to increase.

Once the gondola is operational there is no guarantee that it will become financially self-sustaining from day one of operations. Many businesses struggle to gain financial viability for the first few years of operation. While work remains to be done (see Long Range Planning below), if we wish to budget conservatively, Gondola operations will probably not be self-sustaining and will require General Fund support in FY 27/28 and potentially longer, especially if it turns out that additional top-side amenities are necessary to drive prices high enough to net a profit.

Due to the change the operating outlook for the gondola, the Eaglecrest Board of Directors requests that the Assembly increase the level of General Fund support to Eaglecrest until such time as the Eaglecrest Gondola Project creates sufficient fund balance to begin reducing the level of General Fund support. This would be in lieu of the loan.

Other Eaglecrest Topics

Management team status: A new general manager, Craig Cimmons has been hired along with a new director of mountain operations, Kellan Cousins as well as a new director of base operations, Chris Goedeker. Erin Lupro, who served as interim general manager remains the director of Snow Sports School, Rental, Repair and Repair while Justin Spurrier remains the director of snow safety. This new management team will have a very positive impact on the operation of the mountain.

Lift Status: Eaglecrest retained Frank Judge from Superior Tramway (the leading expert on Eaglecrest's Riblet Chairlifts) to inspect the lifts. His written documentation is forthcoming and his verbal report indicated that the lifts, while needing routine maintenance which is being accomplished, have additional service years before needing replacement. Professional prepping and painting the towers and machinery will extend the service life another ten + years. An estimate for the prep and painting work is being developed.

Snowmaking: Eaglecrest retained Scott Towsley owner of Towsley Welding and Construction of Big Bear Lake, California to examine the existing snow making system. Scott was contacted after consultation with SE Group, the leading ski area planning company in the country. Scott spent several days at the mountain inspecting the snowmaking system and going through relevant documentation. In his report he cites several safety concerns that need to be addressed before the coming season. Given the lack of qualified staff at this time, these updates will be a challenge to accomplish, however it is hoped the system will be ready for the upcoming season.

Personnel Services Budget:

In the FY 2025 budget, the Eaglecrest pay grid was increased across the board by 6%. Earlier this year, the Eaglecrest Board reviewed the Sierra Research Associates, LLC Comparative Wages and Salary Analysis of US ski areas. Eaglecrest was found to be compensating its employees about 82% of what ski area employees were being paid down south. The same report notes Juneau's cost of living is 1.279 times the national average. We don't know how Juneau compares, on a cost-of-living basis, to other ski towns. As noted earlier, the 6% wage adjustment cost the ski area \$112,100. The overall increase to all personnel services was \$271,500. It appears that in order to pay Eaglecrest employees a competitive Juneau wage, the cost to the ski area will be in the vicinity of \$600,000. Much more work needs to be done to refine that number and that will be done as part of the FY 2026 budgeting process.

Eaglecrest Foundation: Each year, the Eaglecrest Foundation receives approximately \$100,000 from the Juneau Community Foundation's Eaglecrest Operating Endowment Fund. For the past few years, this amount has been included in the Eaglecrest operating budget which does not align with the Eaglecrest Board or Foundation's intent for the money. The original intent was to build up funds for a special project or other needs as determined by both the Eaglecrest Board of Directors and the Board of Directors for the Eaglecrest Foundation. Separately, an agreement exists between the Manager's Office and the Foundation with regard to increased risk associated with the J-1 work program. The current agreement is that in the event of an incident, the Foundation will cover the first \$200k of costs prior to CBJ self-insurance kicking in. It's unclear whether the Foundation will continue covering this risk going forward.

Long Range Planning for Eaglecrest:

The Assembly asked the Manager's office to develop a financial model for Eaglecrest which would include the long-term infrastructure needs as well as growth in revenues, expenses and the financial contribution of the gondola project. The Manager's Office has asked me to complete this work based on my experience as Eaglecrest General Manager, CBJ Public Works Director and CBJ Parks and Recreation Director. It is expected that the information will be available for the FY 2026 budget process.

Hooter Summer Operations:

Earlier this year, Eaglecrest and Goldbelt had discussed operating Hooter in the summer of 2025. Further analysis of the Hooter Summer Operations concept has brought to light significant conflicts with Gondola construction which make for a negative guest experience and staff have determined it is not feasible.

Gondola status:

The gondola is an exciting business opportunity for Eaglecrest. While the gondola has great potential, no market research has been performed in regard to a pricing model as well as cruise ship passenger demand. The yet to be signed franchise agreement discusses \$85 per visit to be paid to Eaglecrest. The next step is to finalize the franchise agreement. Once the franchise agreement is completed, we will report back to the Assembly.