

Eaglecrest Financial Analysis



Photo courtesy of Eaglecrest website

Prepared for City and Borough of Juneau



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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 invest 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.

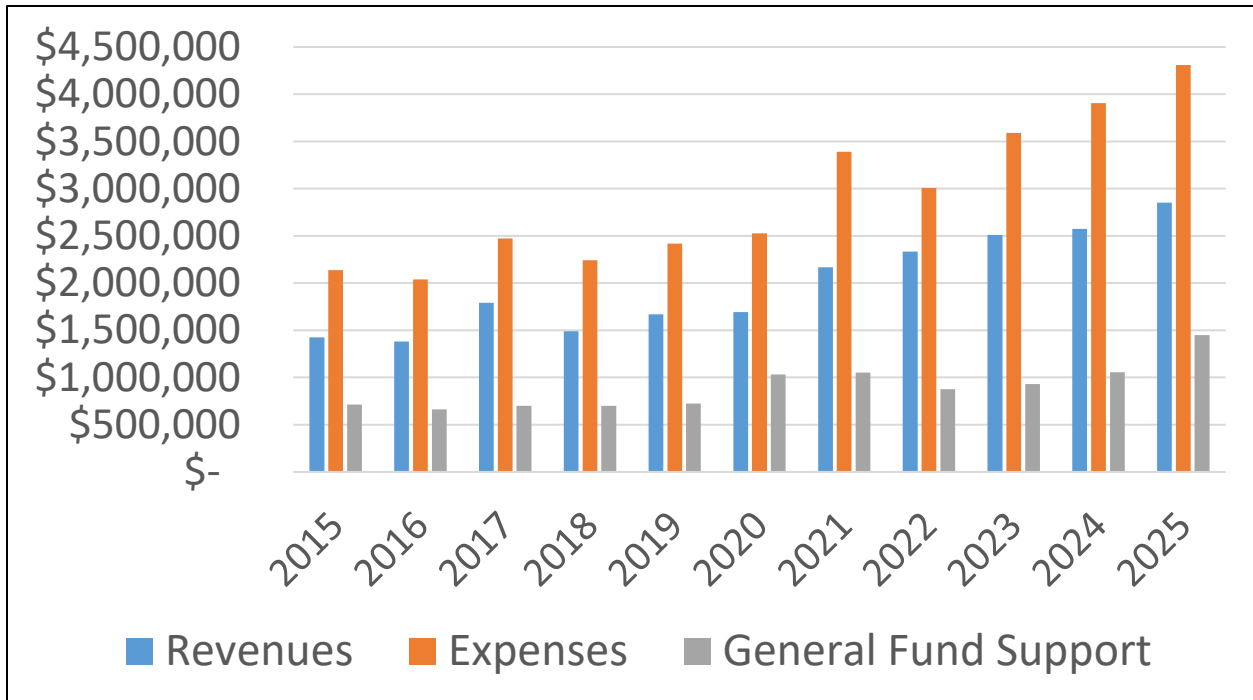
Eaglecrest Financial Review

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 fundamentally 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.

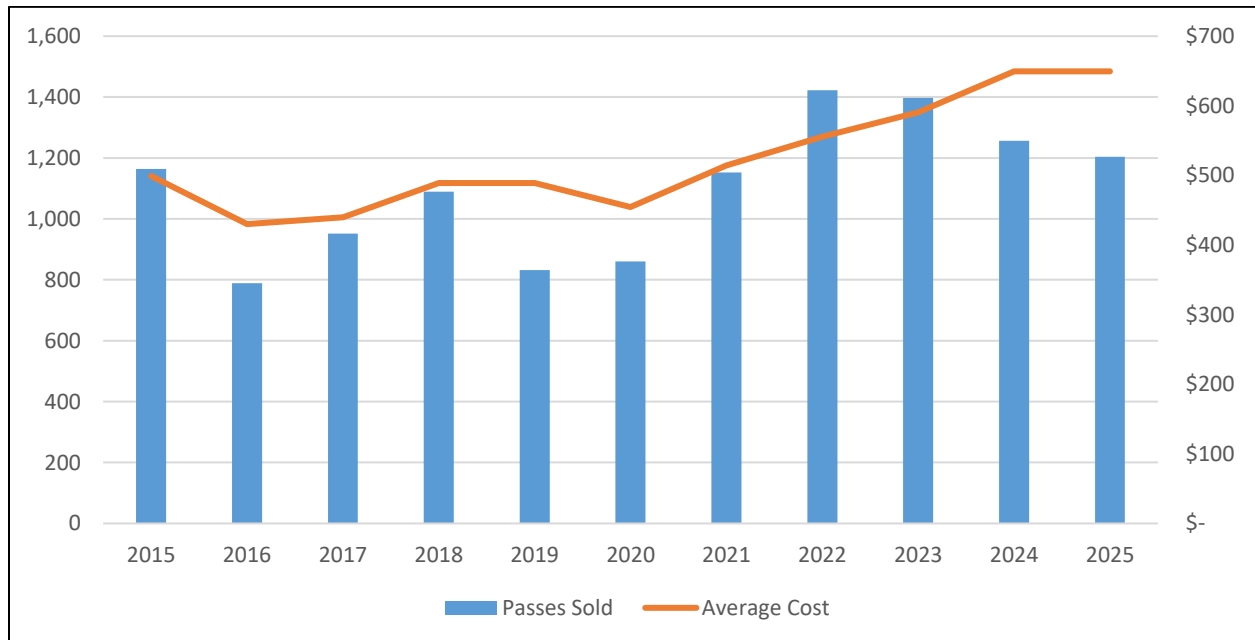
Sampling various ski areas that are located near Juneau or are similar sized operation, it will be noted that season pass and day ticket (the vast majority of total ski area revenue) pricing vary widely.

	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		FY25 Adopted Budget	FY26 Approved Budget	FY 24/FY 24 Projected Actuals	FY 24/FY 25 Budget to Budget
		Amended Budget	Projected Actuals				
EXPENDITURES							
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	-	-	-	-	-		
Total Expenditures	3,585,700	3,875,600	3,840,000	4,310,100	4,431,200		
FUNDING SOURCES							
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		
Total Funding Sources	3,420,400	3,808,100	3,731,500	4,300,800	3,933,000		

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
EXPENDITURES					
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
	\$ -			\$ -	
Total Expenditures	\$ 4,310,100	\$ 5,060,100		\$ 4,431,200	\$ 6,106,200
FUNDING SOURCES					
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
Total Funding Sources	\$ 4,300,800	\$ 4,300,800		\$ 3,933,000	\$ 3,933,000
Inventory Reserve					
Beginning Reserve Balance	\$ 253,900	\$ 253,900		\$ 253,900	\$ 253,900
Increase (Decrease) in Reserve					
End of Period Reserve	\$ 253,900	\$ 253,900		\$ 253,900	\$ 253,900
Available Fund Balance					
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)
End of Period Available	\$ (253,900)	\$ (1,003,900)		\$ (752,100)	\$ (2,923,200)
Combined End of Period Fund Balance	\$ -	\$ (750,000)	\$ -	\$ (498,200)	\$ (2,669,300)
Staffing	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			General Fund Support	Operational Result	Fund Balance	Cost Recovery
	Fiscal Year	Revenues	Expenses				
Projected	2026	\$ 3,003,000	\$ 6,084,200	\$ 930,000	\$ (2,151,200)	\$ (3,070,653)	49%
Projected	2027	\$ 3,153,150	\$ 5,084,200	\$ 957,900	\$ (973,150)	\$ (4,043,803)	62%
Projected	2028	\$ 3,310,808	\$ 5,338,410	\$ 986,637	\$ (1,040,966)	\$ (5,084,769)	62%
Projected	2029	\$ 3,476,348	\$ 5,605,331	\$ 1,016,236	\$ (1,112,747)	\$ (6,197,515)	62%
Projected	2030	\$ 3,650,165	\$ 5,885,597	\$ 1,046,723	\$ (1,188,709)	\$ (7,386,224)	62%
Projected	2031	\$ 3,832,674	\$ 6,179,877	\$ 1,078,125	\$ (1,269,078)	\$ (8,655,302)	62%
Projected	2032	\$ 4,024,307	\$ 6,488,871		\$ (2,464,564)	\$ (11,119,866)	62%
Projected	2033	\$ 4,225,523	\$ 6,813,314		\$ (2,587,792)	\$ (13,707,657)	62%
Projected	2034	\$ 4,436,799	\$ 7,153,980		\$ (2,717,181)	\$ (16,424,839)	62%
Projected	2035	\$ 4,658,639	\$ 7,511,679		\$ (2,853,040)	\$ (19,277,879)	62%
Projected	2036	\$ 4,891,571	\$ 7,887,263		\$ (2,995,692)	\$ (22,273,571)	62%
Projected	2037	\$ 5,136,149	\$ 8,281,626		\$ (3,145,477)	\$ (25,419,048)	62%
Projected	2038	\$ 5,392,957	\$ 8,695,707		\$ (3,302,751)	\$ (28,721,799)	62%
Projected	2039	\$ 5,662,604	\$ 9,130,493		\$ (3,467,888)	\$ (32,189,687)	62%
Projected	2040	\$ 5,945,735	\$ 9,587,017		\$ (3,641,283)	\$ (35,830,970)	62%
Projected	2041	\$ 6,243,021	\$ 10,066,368		\$ (3,823,347)	\$ (39,654,317)	62%
Projected	2042	\$ 6,555,172	\$ 10,569,687		\$ (4,014,514)	\$ (43,668,831)	62%
Projected	2043	\$ 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 1st through September 15th 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 per Day	Days per Season	Hours Per Year	Rate of Pay	Gross Wages	Health & Wellness	Other Benefits	Total 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%	
Total Operating Costs	\$	878,872	28.9%	

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	\$ 977,500	\$ 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	\$ 115.00	\$ 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)
2026	\$ (2,151,200)		\$ (3,070,653)		\$ (3,070,653)		\$ (3,070,653)
2027	\$ (973,150)		\$ (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)
2029	\$ (1,112,747)	\$ 2,164,240	\$ (3,055,100)	\$ 1,169,990	\$ (4,764,526)	\$ 175,740	\$ (6,473,952)
2030	\$ (1,188,709)	\$ 2,765,611	\$ (1,478,197)	\$ 1,605,611	\$ (4,347,623)	\$ 445,611	\$ (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)
2032	\$ (2,464,564)	\$ 5,308,762	\$ 4,071,815	\$ 4,498,762	\$ (1,077,611)	\$ 1,258,762	\$ (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)
2034	\$ (2,717,181)	\$ 7,201,672	\$ 12,582,963	\$ 5,529,172	\$ 4,801,037	\$ 1,689,172	\$ (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)
2036	\$ (2,995,692)	\$ 8,438,339	\$ 23,277,700	\$ 6,682,637	\$ 11,992,573	\$ 3,339,512	\$ (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)
2038	\$ (3,302,751)	\$ 9,108,462	\$ 34,036,173	\$ 9,108,462	\$ 22,751,045	\$ 4,819,625	\$ (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)
2040	\$ (3,641,283)	\$ 8,780,689	\$ 44,656,263	\$ 8,780,689	\$ 33,371,135	\$ 7,946,939	\$ (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
2042	\$ (4,014,514)	\$ 9,581,819	\$ 56,167,132	\$ 9,581,819	\$ 44,882,004	\$ 8,675,569	\$ 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
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		Fund Balance	Capital Investment	Fund Balance After Capital Investment
	Beginning	Winter	Summer	Fund			
	Fund Balance	Total	Total	Balance			
	\$ (919,453)						
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)	Kirk: 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	Kirk: 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	Kirk: 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	Kirk: Hooter replacement
2037	\$ (3,145,477)	\$ 8,098,238		\$ 28,230,461		\$ 18,230,461	
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	Kirk: 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 manage 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.