



## **MEMORANDUM**

**Date: January 24, 2024**

**To: Borough Assembly, Committee of the Whole**

**From: Katie Koester, City Manager and Alexandra Pierce, Visitor Industry Director**

**Re: Eaglecrest Financial Analysis**

The Assembly asked the Manager's office to provide a review of the timeline and assumptions for the Eaglecrest gondola project and a pro forma that included reinvestment in winter infrastructure and an analysis of the timeline for Eaglecrest becoming financially self-sufficient. In order to effectively perform this analysis, Mr. Duncan needed to do a full financial review of the current and future issues facing Eaglecrest.

The Manager's office asked Kirk Duncan to provide the information requested by the Assembly. While it is difficult to say that Mr. Duncan is totally objective, his experience as the General Manager at Eaglecrest (2004-2011), Director of CBJ Public Works (2011-2015) as well as being CBJ Director of Parks and Recreation (2015-2018) translate to a unique knowledge of the ski area, CBJ governmental operations, and the issues concerning operating aging infrastructure in Juneau.

Selecting an outside contractor to provide the same information would have taken considerable time for the contractor to develop the total picture of Eaglecrest and hiring Mr. Duncan reduced the "learning curve" for the report. Mr. Duncan was hired by the Eaglecrest Board over the summer to identify issues concerning getting the operation open for the 2024-2025 season as well as assisting the Board in recruiting and hiring the new General Manager for the ski area.

When hired by the Manager's office for this report, Mr. Duncan's task was to identify the issues that the Eaglecrest Board and the Assembly will need to consider between now and the time the gondola comes online. In addition, Mr. Duncan was asked to provide a series of financial projections for the gondola operation as well as the winter ski operation going

forward. Duncan was not tasked to come up with a specific set of recommendations as that will need to be developed by the Eaglecrest board. However, in order to properly address summer operations, the costs and needs of winter operations need to be considered. Therefore, Mr. Duncan also provides context around the major issues facing Eaglecrest over the next several years with the intention of assisting the Board in developing operating plans.

There are three major takeaways for Assembly consideration:

1. While the report shows that the gondola will generate the revenue necessary to make Eaglecrest self-sufficient, if the assumptions in takeaway #3 are accurate, there will be significant funds needed to bridge the gap between today and when the gondola comes online.
2. Eaglecrest's preventive maintenance program has been less robust than needed to keep up with aging infrastructure. This is not new information to the Board or the Assembly, however, it is timely to have a discussion about how the most critical needs can be addressed to ensure continuity of operations. Some projects will need to be funded in the short-term to avoid this issue compounding in the long-term.
3. CBJ does not have a market analysis for the gondola that supports the \$85/ticket wholesale price set by the board. JEDC performed an initial analysis in 2022 that considered a \$35 ticket price. The only information we have to support the \$85 wholesale price (which does not include Goldbelt's share, transportation, and cruise line markup) comes from Goldbelt. CBJ does not have access to the supporting information that led to this decision. Because of this, Mr. Duncan presented a range of pricing options. In all of these scenarios, the Gondola turns a profit that can support Eaglecrest, the difference lies in the funds available for reinvestment in summer and winter operations. Mr. Duncan's projections do not include winter operational costs for the gondola. He suggests offsetting winter costs through requiring an extra pass for gondola use, with the argument that new children and beginners, the users that Eaglecrest is particularly interested in attracting, will not need access to the expert terrain serviced by the gondola.

The next steps are for the Eaglecrest Board to come forward with a concrete plan for FY25 in the form of a supplemental request, and the FY26 budget.

**Recommendation:** discuss Eaglecrest report; schedule joint meeting with Eaglecrest Board to discuss follow up and next steps.