

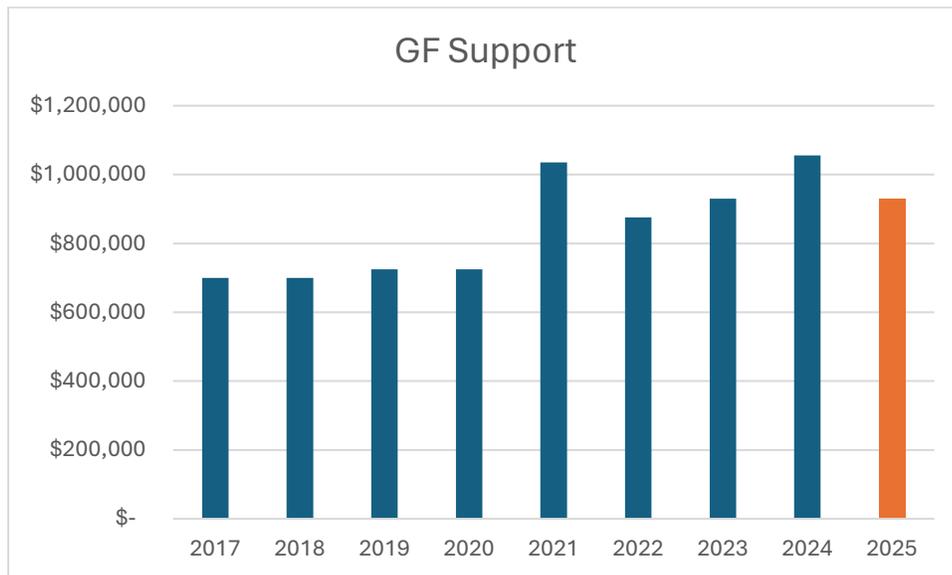


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TO: Chair Woll and Assembly Finance Committee
 DATE: May 1, 2024
 FROM: Robert Barr, Deputy City Manager
 RE: Eaglecrest

The purpose of this memo is to clarify the amount of general fund (GF) support provided to Eaglecrest for its operational needs, its request for future operational support as summer operations begin, and to offer Assembly options and Manager recommendations. In addition to this memo, attached is a funding worksheet as well as a timeline of anticipated events and milestones.

Background / Context



FY24 – includes \$125,500 of one-time support with intent to revisit the increase this year
 FY25 – Manager Proposed Budget

At the FY25 GF support funding level, Eaglecrest’s budget as presented at the April 6th Assembly Finance Committee meeting has a \$406,700 deficit and does not add positions.

Eaglecrest has requested a FY25 \$810,824¹ GF loan, which would be in addition to the level of GF support provided in the FY25 Manager Proposed Budget. As presented, this loan would accomplish all of the following:

¹ This number has been changing periodically since Eaglecrest’s budget meeting and has changed from the April 6 AFC meeting, at that time it was \$884,649.

- Care for the \$406k deficit and increase FY25 expenditures by \$1,160,100 and positions by 14.22 FTEs.
- Enable summer operations to begin in FY25 with daily chairlift supported tours in May and June of 2025 and 400 people per day
- Enable Eaglecrest to be mostly self-sufficient in FY26 with an online gondola

This loan is combined with an expectation of \$756,000 new revenue in FY25 and \$3.47M new revenue in FY26. For reference, \$3.47M approximates Eaglecrest's total revenue currently. These estimates and requests appear to be optimistic to the Manager's Office and Finance staff. They require all of the following:

- Accurate revenue projections.
- A good FY25 winter season, from both weather and operations perspectives.
- Successful recruitment of summer operations staff while competing with other tourism-based employers.
- Assembly and community alignment around summer 2025 chairlift-based tour operations.
 - The number of proposed FY25 daily visitors is not significantly greater than current summer operations, but current operations span two weeks whereas new operations will span the season.
- Successful negotiation with Goldbelt or another entity to manage tour sales and tourist transportation starting in FY25 and continuing in future years, including Assembly alignment around this concept – this is on the June Committee of the Whole tentative agenda.
- Onboarding of a new client project manager for the gondola project within the next few weeks.
- Successful resolution of an Army Corps wetlands permitting issue within the next several weeks.
- Onboarding a contractor using alternate procurement by June/July (RFP not yet issued), with time remaining for road work this construction season and concluding in the summer of 2025 and meeting all time/budget goals.
- Assembly and community alignment around summer 2026 Gondola operations and use at 600 guests/day. By FY29, summer revenue is projected to be approximately 4.5x that of winter revenue.

With consideration of the above, it does not seem realistic that a one-time \$811k GF loan will be sufficient to enable Eaglecrest to gain operational self-sufficiency by FY26.

Options

The following options assume that the Assembly does not want the Eaglecrest Board to significantly increase winter revenues or significantly reduce winter operations. The Assembly can request these options be explored if desired.

Where GF support is mentioned in the options below, we mean GF support in addition to the GF support already in the FY25 Manager's Proposed Budget (\$930,000). Unless noted, we assume the same level of support in FY26.

Eaglecrest has requested this additional support in the form of a GF loan.

Another assumption built in below is the Gondola will be operational by FY27 at the latest – if it is not, the "total" amounts will be greater due to additional fiscal year(s) of GF support. As shown, totals represent combined FY25 + FY26 GF need.

Option 1 – Status Quo Operations, No chair lift tours in CY2025.

1A: Base Budget – Requires:	\$406,700 in FY25, \$790,500 total
1B: Base Budget + 6% Pay Scale Increase:	\$518,800 in FY25, \$1,017,000 total
1C: Base Budget + 4.54 FTE ² :	\$569,600 in FY25, \$1,125,200 total
1D: All Status Quo increments (1B and 1C):	\$690,700 in FY25, \$1,369,700 total

Option 2 – Expanded Summer Operations starting in CY2025

- Assumes approval of all status quo increments (1D)
 - Assumes chairlift tours in CY2025
 - \$756,000 of new revenue
 - Assumes gondola is operational in May of 2026
 - \$3.4M of new revenue
- 2: Adds 9.68 FTE in FY25, 25.88 FTE in FY26: \$810,800 in FY25, \$490,500 total³

Option 3 – Expanded Summer Operations starting in CY2026

- Assumes approval of all status quo increments (1D)
 - Assumes chairlift tours start in CY2026
 - \$756,000 of new revenue
 - Assumes Gondola is operational in summer 2027
- 3: Adds 9.68 FTE in FY26: \$690,700 in FY25, \$1,489,800 total

Policy Questions

Question 1 – is the Assembly comfortable supporting Eaglecrest’s current operation with:

- a) current funding – Eaglecrest would need to cut expenses or increase revenues by \$406,700;
- b) additional GF support of \$406,700 – no cuts, but no additions;
- c) additional GF support of \$518,800 – no cuts with 6% pay scale increase;
- d) additional GF support of \$569,600 – no cuts, no pay increase, additional 4.54 FTEs;
- e) additional GF support of \$690,700 – no cuts, 6% pay increase and 4.54 additional FTEs.

Question 2 – is the Assembly comfortable with Eaglecrest opening daily tours utilizing the Hooter chairlift with approximately 400 visitors each day? If yes, when should that begin? Summer 2025? Summer 2026?

Question 3 – if starting in Summer 2025, is the Assembly comfortable supporting Eaglecrest with General Funds in FY25 amounting to \$810,800 and anticipating/approving \$756,000 additional revenue in FY25 along with a total of 14.22 FTEs (4.54 from status quo operational increase, remaining 9.68 related to summer operations). If yes, the Assembly should anticipate an additional

² Additional FTE for winter operational stability and to begin summer planning work

³ In this scenario, Eaglecrest is revenue positive in FY26 by \$320,300, which means the basic GF support in this year could be reduced from \$930,000 to \$609,700; however, we believe this projection to be optimistic.

25.88 FTEs in FY26 as well as a \$3.47M increase in revenue. Affirmative answers to these questions are in line with Eaglecrest's current request. We have a great deal of uncertainty around the revenue projections. Missing these projections could result in a massive budget shortfall.

Question 4 – If supportive of GF Support in general, what mechanism does the Assembly want to use?

- Use of Fund Balance (one-time support)
- Ongoing support (need on-going revenue such as other city reductions or mill rate increase)
- Loan – utilizing GF fund balance as the source? Include conditions such as 0% interest, 5-year payback, \$0 GF support at end of 5-years?

As presented above, there are a number of ways the Assembly can support its initial investment in the gondola to ensure that Eaglecrest achieves its goal of launching a successful attraction that leads to long-term financial solvency. This may require patience and additional operational and capital investment. This memo has not addressed capital costs associated with the gondola project – current funds available may be insufficient; we won't know until later this summer.

We recommend an independent analysis of the business plan and revenue projections associated with chairlift and gondola summer operations. This analysis should be done within the context of Goldbelt's loan. This will provide the Assembly and community with a clearer understanding of when CBJ may begin to see a return on its investment and will help anticipate any additional support Eaglecrest may require in the interim.

This analysis should coincide with a public process that provides a status update on the gondola, description of the associated improvements, and information on how current public uses at Eaglecrest will be affected. This public process should also address the impacts associated with summer sightseeing on the Hooter lift and set public expectations around capacity and traffic, as well as the temporary nature of Hooter summer operations.

Staff Recommendation

Approve the Eaglecrest Board request for a one-time loan of \$810,800 from restricted budget reserve at 0% interest for 5 years with the first year of payback in 2027.

Note: If chairlift/gondola operations slide a year, Eaglecrest will likely require an additional \$690,000 in general fund support/loan in FY2026.

Place \$50,000 for an independent analysis as described above on the FY25 budget pending list.