

GUNSTOCK AREA COMMISSION MEETING

March 16, 2020 AT 6:30 PM

Gunstock Mountain Resort, Main Hall

APPROVED MINUTES

Notice of the meeting was posted at the Gilford Town Hall, County Commissioners Office, Gunstock Mountain Resort Administration Office, and online at GUNSTOCK.COM. The meeting location was moved on March 16, 2020 due to the closure of the Belknap County Complex to public meetings. Notices about the location change were posted on both entrances to the Belknap County Commissioners offices and the public meeting start time was pushed back to 6:30PM to allow for members of the public to travel to the new location at Gunstock Mountain Resort.

GAC: Russell Dumais, Brian Gallagher, Gary Kiedaisch, Peter Ness

Gunstock Personnel: Tom Day, Robin Rowe, Patrick McGonagle, Becky LaPense, Iwan Fuchs, Cathy White (by phone)

BDC: Rep. Sylvia (BCD Chair), Rep. Howard

Chairman Kiedaisch called the meeting to order at 6:30PM with the pledge of allegiance.

Minutes

The minutes of the February 24, 2020 Gunstock Area Commission public meeting were reviewed. Chairman Kiedaisch asked to have it noted that at the end of the first paragraph on page 2, that a vote was not taken on the selection of the Vice Chair and Secretary so the Commission will vote on those nominations in this meeting.

ACTION

Motion: Commissioner Gallagher made a motion to approve the minutes as presented.
Second: Commissioner Ness.
Vote: All in favor.

The minutes of the February 24, 2020 Gunstock Area Commission non-public meeting were reviewed.

ACTION

Motion: Commissioner Dumais made a motion to approve the minutes as presented.
Second: Commissioner Ness.
Vote: All in favor.

Election of Officers

Chairman Kiedaisch reported that nominations for a Vice Chair and Secretary were made and accepted in the February meeting but a formal vote was not taken.

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ACTION

- Motion:** Commissioner Dumais made a motion to elect Commissioner Gallagher as Vice Chair and Commissioner Ness as Secretary of the Gunstock Area Commission.
- Second:** Commissioner Gallagher.
- Vote:** All in favor.

Public Presentations - Rose-Marie Robichaud of Belmont, NH was invited by Commissioner Gallagher to speak to the GAC about her experience getting her children's book published and its connection to Gunstock Mountain Resort. Ms. Robichaud wrote the story of "Dee's Pig" while teaching skiing at Gunstock and working for Dee Chitty. She said she was inspired to write the story while teaching others to ski and watching them face their fears and make new friends in the process. For 20 years she tried to get the story published and when she found an illustrator for the story a year ago, she decided to self-publish. She wanted the Gunstock Commissioners to know about the connection and special meaning that the mountain has to her. Chairman Kiedaisch thanked her for sharing her story and agreed that the mountain has meant a lot to many people.

Commissioner Gallagher introduced Dalton McLaughlin of Northern Border Regional Commission (NRBC) to provide an overview of a potential funding source for the Gunstock parking lot project. Mr. McLaughlin works in Rep. Pappas' office and believes this project may qualify for grant money from the NRBC. Commissioner Gallagher attended a conference call on March 2 with Mr. McLaughlin and Mollie Kaylor of the NH Division of Economic Development for an overview of the grant program. It is a federal and state joint grant venture with total available funding of \$4.6mm for 2020. The funding comes directly from the NBRC and Governor Sununu has direct input on the successful grant allocations. The criteria of focus for these grants are infrastructure projects and tourism/recreational areas in the state of NH. Applications for funding opened online on March 1 and are due by May 15, 2020. Awards will be announced by August 1, 2020.

Chairman Kiedaisch asked if there have been any grants allocations already. Mr. McLaughlin said no one has applied yet because the application portal just went live last week. He said the grant is federally funded so the state does not have to put anything into it. The award is grant funding up to 50% of the cost of the project and can be applied for in stages. Commissioner Gallagher said the parking lot paving project at Gunstock meets two of main criteria that the grant focuses on - infrastructure and tourism projects. If current estimates are accurate, the NBRC grant could provide up to \$445,000 of the \$890,000 needed to pave the main parking lot. He noted that the other 50% could come from hard dollars spread out over three years from either operational or reserve funds, as well as in kind service credits from pro bono contracted services. He added that private donation could also be counted toward the match requirements. To apply, the GAC must submit a formal letter of intent to the NBRC with some details about the project and completed online application by May 15th. Commissioner Gallagher said he has received some positive encouragement that the project is worthwhile and asked for the GAC to approve sending a letter of intent. Chairman Kiedaisch asked if he had any contacts with experience in grant writing. Commissioner Ness said he has some contacts that may be able to assist. Chairman Kiedaisch asked what would happen if the resort

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were unable to raise the other 50% in matching funds. Commissioner Gallagher said they would have three years to satisfy that requirement but would encourage the GAC to be forward-thinking by budgeting the sources each year. Commissioner Dumais said he believes its worthwhile and a great opportunity, especially if will allow management to address some of the water drainage needs at the base of the mountain.

ACTION

- Motion:** Commissioner Gallagher made a motion that the GAC submit a letter of intent to the NBRC by March 31 that the GAC plans to initiate an application for a grant for the reconstruction of the main parking lot at Gunstock Mountain Resort.
- Second:** Chairman Dumais.
- Vote:** All in favor.

Chairman Kiedaisch asked Commissioner Ness to reach out to his resources to find a grant writer for the project.

At this point in the meeting Cathy White, Finance Director, joined the meeting by phone.

Financial MD&A - Finance Director, Cathy White, provided an overview of the March financial performance. She explained that she prepared two separate P&L reports, one without the F&B revenue to better demonstrate year by year comparisons. She reviewed the overall resort performance and walked through the department financial reports. Revenues were \$557K favorable to budget for February. Total YTD company EBITDA was \$2.7mm at the end of February, which was \$762K favorable to budget and \$130K favorable to last year.

Chairman Kiedaisch asked about long-term lift maintenance needs and GM Tom Day said Doppelmayr will be on site next week to discuss their recommendations. Chairman Kiedaisch said there is a lot of uncertainty in the business community surrounding the COVID-19 virus and said the best approach for management at the moment is to preserve cash since no one knows how long the virus will impact business. He asked Resort Services Director, Robin Rowe, how she sees the rest of the month impacting overall revenue. She said the cancellation of the Piche race left a sizable shortfall in income that will be difficult to make up. She added that they are working through some minor inventory discrepancies in Intouch that may be favorable. Chairman Kiedaisch asked when they completed the last inventory, and Robin said it was done at the end of last fiscal year. He asked if there was shrinkage in that inventory and she said there was but did not recall how much. Cathy White said she intends to institute mid-season inventory checks for better control against shrinkage. Chairman Kiedaisch asked them look closely at inventory aging and encouraged them to write down items not likely to sell because of their age or odd sizing. Cathy White said the Rental Shop depreciation number being reported appears inaccurate and she needs to research that figure. She said the current cash balance is \$1.4mm over last year but there is concern about March given the MTD performance. Chairman Kiedaisch asked how for Cathy and Tom to work through projections to determine how much of the \$1mm cash balance can be preserved through the current crisis.

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Cathy gave an overview of March's MTD revenue including F&B. The FY20 budget for March is \$1.8mm, with last year's actuals at \$1.7mm. Currently, with deferred funds March revenue is at \$1.2mm, which would result in a \$600k shortfall for the year if sales were to end immediately. That variance will drop to \$840k if sales were to average the budgeted revenue of \$41k/day for the remainder of March. To achieve the YTD revenue targets, sales would need to be at least \$20k/day to not give up any YTD overage. Chairman Kiedaisch asked what the average daily revenues were last March, understanding they are not the same seasons. Cathy said last year, Gunstock brought in an average of \$17k/day. She noted that month also delivered with 17" of snow and no virus, and most of that revenue came through before the 16th, when daily revenue drop sharply. She reported that the last 15 days of March 2019 brought in \$225k in sales, including \$50k in retail. Chairman Kiedaisch thanked her for the data and said it was good information for the GAC to review when they take up discussion on end of season plans. Chairman Kiedaisch asked how the season pass sales are being allocated with the change to the fiscal year. Cathy said there should be no impact, they will continue to accrue over the same time frame because they do not start recognizing that deferred revenue until December. Discussion shifted to budget planning and Tom Day said they have begun working on a high-level business planning template that he has used in the past and really simplifies the budgeting process. He noted that March was budgeted very heavily which is not a normal budgeting strategy for ski areas since March is usually light. He has asked Cathy to participate in the sales forecasting for this year's budget, which she was not involved in last year. He plans to budget for labor daily instead of weekly which will smooth out some of the reporting variances. Chairman Kiedaisch said it is alarming to hear that she was not involved in the budgeting process for revenue and wants to emphasize how important that will be going forward. He added that when it comes to big strategic initiatives, Gunstock management should use the GAC as a sounding board given their collective depth of experience. Cathy left the meeting at the end of this discussion.

Management Executive Summary

President and GM, Tom Day, provided an operational summary for the month. He reported that capital expense planning is under way and some of the projects being considered for the current fiscal cycle are Tubing Park expansion, relocation and rebuild on Rental Shop and expansion to the Panorama Pub to include the drilling of a well at the summit. He has an architect scheduled for next week to review options for the Rental Shop and are considering either an addition to the Guest Services lodge or a sprung structure. Chairman Kiedaisch asked if they were considering adding power to the summit but Tom said there is no clear way to do that affordably at this time. He is still working on the snowcat lease agreements and a payment plan that works favorably with Gunstock's cash flows. He would also like to demolish the existing lift maintenance building and relocate that facility to the maintenance yard. He reported that the senior management team has been busy with department downloads which allows department managers and supervisors to share their hits and misses for the season and provides for some great dialogue. He reported they are working through the details for the recent kitchen appraisal which he already shared with the GAC. Chairman Kiedaisch said the GAC is in active negotiations with Centerplate to resolve the contract termination, which required an appraisal of the existing kitchen facilities. Tom reported that they have scheduled a luncheon with Lakes Region lodging properties at the end of March to revive lodging partnerships. They have a meeting scheduled in early April with LRTA to discuss other marketing opportunities in the local

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area. Commissioner Dumais asked about the potential expansion for summer operations as he believes that presents the best opportunity for growth given summer tourism visits to the Lakes Region. Chairman Kiedaish answered that much of the summer expansion plans are addressed in the master plan but there is an absence of planning on the winter side. There is a strong sense among the GAC that there is still much potential for further growth and expansion across summer and winter, but it will take significant capital for summer revenues to catch up to winter revenues. He would like to see management focus on “low hanging fruit” that will complement the master planning efforts.

Action Items None.

New Business

- a. *Biking Proposal* - Chairman Kiedaish asked for an update on the bike proposal that Alex Templar presented in a previous GAC meeting. Mountain Sports Director, Iwan Fuchs, reported that they are exploring adding e-bike tours this summer utilizing the existing cross-country terrain. He is researching a purchase or lease agreement for the bikes but believes there is some revenue potential. Tom said they may be able to secure the bikes without purchasing them after speaking with some partners. Chairman Kiedaish said the GAC has been trying to bring mountain biking to the resort for about a year and he would like to see management move forward with a viable plan. Commissioner Ness said during the last mountain bike presentation that he suggested that management explore potential bike terrain on Mount Rowe.

Old Business

- a. *House Bills*
 - i. *Statute Amendments* - Commissioner Gallagher said there were no new updated. The legislation has been forwarded to the House and Rep Howard said he is not aware of any opposition to it. He will provide an update to the GAC when it is on the schedule.
 - ii. *Parking Lot* - Commissioner Gallagher referred to the prior discussion on the potential grant opportunity with NBRC. Since earlier attempts have been stalled in the House, he believes this an important option to consider.
- b. *Master Plan Committee* - Chairman Kiedaish noted that although a small subcommittee has been assigned to this project, the entire Gunstock management team will be involved in its development. He and Tom Day displayed drawings for the public of the existing master plan. Chairman Kiedaish said this was an exciting opportunity but also distracting from daily operations. He will encourage Tom and his team make master planning a priority knowing that there are many other initiatives at play.
- c. *Outstanding Follow-Up Items* -
 - i. *Endowments* - Tom Day reported that he did contact Atty Pat Wood who has retired and was informed that his son has taken over for him and would be able to continue planning for endowments. Tom said that after giving this more thought, he would like to actively pursue sponsorships before developing an endowment fund so that is where he will focus his immediate efforts.

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Other Business

- a. *BCD Gunstock Subcommittee* - Nothing to report.
 - ii. *Business Model Update*
- b. *Affiliated Agency Reports* - Nothing to report.
 - a. *Gunstock Ski Club*
 - b. *Gunstock Nordic Association*

Correspondence None.

Miscellaneous

Chairman Kiedaisch reported Gunstock is operating on a day to day basis and that he has spoken with Governor Sununu several times about COVID-19 crisis. Tom Day reported that Gunstock can no longer operate their food and beverage operations but that ticket sales for the day were \$16k. He acknowledged that the public is enjoying the fact that the resort is still open for business but expressed concern about management's ability to provide adequate protections for the staff and keeping them safely distanced from others while the resort is open to the public. Chairman Kiedaisch said that Governor Sununu told him that the cafeteria could remain open for grab 'n go items, wrapped in plastic and sealed. He was told that as long as guest seating was disinfected and spread out, that the Governor encouraged to keep food concessions open. Facility Operations Director, Patrick McGonagle, said that their custodial staff were following the cleaning and disinfecting guidelines offered by the CDC and that staff were practicing physical distancing at work. Chairman Kiedaish said if sales were \$16k today on a Monday in mid-March, it makes sense to stay open and assess operations day by day. Commissioner Gallagher said the ski industry has reacted in a big way and that ski areas across the country have closed. He looked up the few NH ski resorts that remain open and said he believes that exercise, fresh air, and the ability to spread out just a bit could be a positive thing. He would like to see Gunstock continue to evaluate operations on a daily or weekly basis and to remain open for as long as they are making money. Tom said he is all for making money but is conflicted by the need to protect staff from possible exposure.

Public Comment

Rep. Michael Sylvia asked for clarification on the GAC's plan to advertise for the vacancy on the commission. He said there may have been some confusion with the County Commissioner's Office on their plans. Chairman Kiedaisch said there has been a lot of interest in the vacancy and the GAC has spoken with individuals expressing interest. They are looking for candidates with skills sets that balance out the strengths of the current Commissioners, particularly someone with hospitality or resort/hotel management experience, or retail experience. He said he would like to screen the candidates but not get overly involved so that the Belknap County Delegation can make the selection. Rep. Sylvia said he would like to hold the public hearing at the end of May but the date has not been set yet.

Bob Durfee of Laconia had a question about Rental Shop relocation project. During the February meeting, he noted that Tom Day said he would present a proposal with an ROI and asked if had that information available. Tom said he has taken the first few steps but has not put any numbers together on that project yet. Mr. Durfee asked if the sprung building would be

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temporary or permanent and Tom said it would depend on the master plan. He said is not sure if it will be a permanent solution but would get the resort closer to where they want to be with rentals. Mr. Durfee suggested that the sprung building could be leased instead of purchased and that the permanent solution is in the current master plan.

Rep. Sylvia asked for further discussion about the GAC's operating plans for the month of March in light of the COVID-19 outbreak. Discussion ensued around the efforts to disinfect and sanitize the facility, practice physical distancing in all public and employee areas, and monitor the impact of the virus on the local community. Commissioner Ness said he was at Windham Mountain this past week and said there were more people there than he sees at Cannon every weekend. Commissioner Gallagher said it does help seasonal workers to keep them employed so they can continue to earn a paycheck. HR Director, Becky LaPense, reported that she has had conversations with several employees who are seriously concerned about the issue and some who have been personally impacted. Chairman Kiedaisch said that was understandable and that any employee who did not feel comfortable coming to work out of concerns for the virus could choose not to come to work. Rep. Howard was asked for his opinion and he said he believes the mountain should stay open because people need something to do. He recalled that the H1N1 and swine flu outbreaks that were like this one but did not cause major problems in New England. Chairman Kiedaisch added that people who ski are typically more active and healthy than average. A member of the public who did not identify herself expressed concern about remaining open for ski operations. She said she was at Bretton Woods earlier and that there were a lot of people in the lift lines not observing the physical distancing recommendations from government officials. She said she believes this is not like other outbreaks which were not declared global pandemics like the COVID-19 virus. Chairman Kiedaisch thanked her for her comments and noted that the most of the NH ski resorts that closed are owned by corporations located in other states who were mandated to close. He believes there are ways to streamline the operation to further reduce exposure while remaining safely open for business. He suggested that the Commissioners take a vote on the matter.

ACTION

- Motion:** Commissioner Gallagher made a motion to recommend that Gunstock Mountain Resort continue to stay in operation and be diligent in monitoring health concerns as they arise.
- Discussion:** Commissioner Dumais said he would add that decision should be looked at day to day.
- Motion:** Commissioner Gallagher amended his motion to recommend that Gunstock Mountain Resort continue to stay in operation on a day to day basis and be diligent in monitoring health concerns as they arise.
- Second:** Chairman Dumais.
- Vote:** All in favor.

Non-Public Session None.

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Adjourn

ACTION

Motion: Commissioner Gallagher made a motion to adjourn the public meeting at 9:11PM.
Second: Chairman Kiedaisch.
Vote: All in favor.

Respectfully Submitted,

Peter Ness, Secretary
Gunstock Area Commission