

GUNSTOCK AREA COMMISSION MEETING
May 18, 2022 at 6PM
Belknap County Complex, Meeting Room #1
APPROVED MINUTES

GAC: Gary Kiedaisch, Peter Ness, Jade Wood, David Strang, Doug Lambert

Gunstock Personnel: Tom Day, Cathy White, Kristen Lodge, Peter Weber, Robin Rowe, Patrick McGonagle, Becky LaPense

Chair Ness called the meeting to order at 6:02PM with the pledge of allegiance.

Minutes

The minutes of the April 20, 2022 Gunstock Area Commission public meeting were reviewed.

ACTION

- Motion:** Commissioner Strang made a motion to approve the minutes as presented.
Second: Commissioner Kiedaisch.
Vote: All in favor.

The minutes of the May 6, 2022 Gunstock Area Commission special public meeting were reviewed.

ACTION

- Motion:** Commissioner Strang made a motion to approve the minutes as presented.
Second: Chair Ness.
Discussion: Commissioner Lambert suggested attaching the preliminary reports and legal bills that were recently made public to the minutes of the May 6th meeting.
Motion: Commissioner Strang motion to approve the meeting minutes to include the two documents that were approved for public release in the May 6th meeting.
Second: Chair Ness.
Vote: All in favor.

Financial MD&A and Executive Summary

Cathy White, Chief Financial Officer, gave an overview of the monthly financial reports for April. Revenue for the month was \$193K, \$82K favorable to budget and \$101K favorable to last year. Operational Level EBITDA was (\$282K), \$59K unfavorable to budget and \$104K favorable to last year. Total Company EBITDA was (\$622K), \$173K unfavorable to budget and \$165K favorable to last year. YTD Operational Level EBITDA was \$9.3mm, \$2.9mm favorable to budget and \$2.0mm favorable to last year. YTD Total Company EBITDA was \$5.3mm, \$2.3mm favorable to budget and \$1.2mm favorable to last year. The Fee Payable to Belknap County is estimated to be \$320K, an increase of \$73K over last year (29% YOY).

Commissioner Kiedaisch said the results are extraordinary. Commissioner Lambert agreed but cautioned that this was reported to be a record-breaking year for ski areas all over the country and the jury is still out as to whether Gunstock's success can continue or if the growth was

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COVID-specific. Cathy White reported that GMR's skier visits were down from the prior year, but they managed to be more profitable than last year. Commissioner Kiedaisch noted that a deeper look at the financials shows that their success is not only in top line growth, but also the effective management of expenses and allocations. Commissioner Strang said they needed to get a better handle on whether this is an industry-wide trend. Discussion ensued around the potential impacts from inflation and management's strategy for preparing and adjusting to those changes. Commissioner Lambert noted that CFO Cathy White detailed this process during the workshop meeting earlier in the week.

Cathy White presented the balance sheet reporting that cash and cash equivalents were \$8.0mm, \$4.4mm favorable to budget and \$2.9mm favorable to last year (related to EBITDA, CAPEX and deferred revenue). Resort Services Director, Robin Rowe, reported that YTD season pass sales are still pacing ahead of last year with \$2.6mm in sales so far. Cathy White added that YTD long-term debt had a net decrease of \$734K. She reviewed the department P&L statements and fielded Commissioner questions.

ACTION

- Motion:** Commissioner Wood made a motion to require that all billing for legal services incurred be reviewed and approved by the GAC prior to payment.
- Second:** Commissioner Lambert.
- Discussion:** Chair Ness asked if the GAC approval could be made within the timeframes of the vendor payment schedules. Cathy White said getting approval for every legal expense would require a special meeting of the GAC, which would be cumbersome. She suggested a return to business as usual, noting that management already needs GAC approval for any expense that goes beyond the scope of the operating budget.
- Motion:** Commissioner Wood made an amended motion to require a review of all legal billing along with the monthly financial reports so that the GAC are aware of those expenditures as they come in.
- Discussion:** President and General Manager, Tom Day, said that would not be a problem for management. Commissioner Kiedaisch said he was concerned that if the GAC continues to require preapproval and authorization of expenses and payments, they will slow down management's ability to run the operation. He asked that the motion be withdrawn. Commissioner Strang said that GAC is supposed to slow things down if things are getting out of control and last year's legal bills were one example. He said he supports the notion for expenses that go beyond what's budgeted. Chair Ness said the duties of the GAC are not the same as a board of directors who are subject to corporate law. He said they are obligated to conduct oversight and manage the organization and supported the amended motion. Commissioner Lambert said he also supported the motion, especially given the heated realities of the past year. He said this

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action would show the public that their trust is well placed. Chair Ness said legal firms can produce billing invoices upon request as needed so management should be able to review them during their regular monthly meetings.

Motion: Commissioner Wood made an amended motion that all billing incurred for legal services must be reviewed by the GAC prior to payment in the regularly scheduled monthly meeting.

Second: Commissioner Kiedaisch.

Vote: All in favor.

Motion Passed.

Old Business

- 1) *CY23 Budget & Capex* - Cathy White reported that the budget was distributed last month, and since that time, she and Tom Day met with the Commissioners in a workshop meeting to review the budget in detail.

ACTION

Motion: Commissioner Kiedaisch made a motion to approve the operating budget as presented.

Second: Commissioner Wood.

Discussion: Commissioner Lambert said they asked management to provide them with more detail of the expenses in the “Other” expense line, which is 10% of gross revenue. He said after that discussion, he was more comfortable with the budget proposal. Commissioner Kiedaisch asked if there were any unanticipated expenses they are watching for. Cathy White said they are watching utilities but not concerned at this point. Chair Ness asked if there were plans to fill the Lift Maintenance Manager position or Mountain Operations Director. Tom Day said they are actively recruiting for a Lift Maintenance Manager but they have not made a decision on mountain operations yet.

Vote: All in favor.

Motion Passed.

Commissioner Lambert asked that management report on any changes made to the budget monthly. Cathy White said once the budget is approved, it doesn’t change. Discussion ensued on how expense overages are handled, and management confirmed they are not moving or reallocating funds from one line item to another. Budget variances are reported on the monthly financials, in addition to a monthly Recapture Plan which breaks out the variances to the budgeted EBITDA. Discussion shifted to the CY23 Capex (capital expenditures) budget proposal. Chair Ness said he would like two separate votes, one on the “maintenance” column of the Capex budget and a second vote on the “growth” column.

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ACTION

Motion: Chair Ness made a motion to approve the “maintenance” portion of the CY23 capex budget.
Second: Commissioner Strang.
Vote: All in favor.
Motion Passed.

Discussion moved to the Capex projects that support “growth” and centered around the Stockade Lodge remodel. Chair Ness stated he believes more detail is needed to address the concerns about mixed usage for seated dining and day lodge services.

ACTION

Motion: Commissioner Wood made a motion to table the approval of the Stockade Lodge project until the June GAC meeting.
Second: Commissioner Lambert.
Discussion: Commissioner Wood asked that management bring as much information as is available about their vision for the Stockade Lodge and that the GAC be prepared to make their questions and concerns known.
Vote: All in favor (Commissioner Kiedaisch abstained).
Motion Passed.

ACTION

Motion: Commissioner Lambert made a motion to approve the “growth” column of the capex budget proposal, except for the \$700K allocated for the Stockade Lodge equipment balance and construction.
Second: Commissioner Kiedaisch.
Vote: All in favor.
Motion Passed.

- 2) *Gunstock Parking Lot* - Facility Operations Director, Patrick McGonagle reported that the RFP has been posted and two firms have expressed interest in attending the pre-proposal meeting on Friday, May 20th. He reported that three firms have declined, and some others are still considering the proposal. Discussion turned to plans to install electric vehicle charging stations as part of the project. Patrick McGonagle said it is a revenue source, not a free service. Guests would pay at the charging stations with credit cards. He added this has become a frequent request from guests and management usually ends up finding spaces around the resort for guests to plug into, but the demand is expected to grow. They are planning to select an engineering firm in the June GAC meeting.
- 3) *Main Lodge HVAC Status* - Patrick McGonagle reported that parts are arriving on schedule and the prep work has been completed by GMR personnel. The installation is expected to begin in the middle of next week.

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- 4) *RSA 91-A Compliance Efforts and Requests* - Tom Day said that management has responded to all known RTK requests. Discussion noted that there was still one outstanding request that Tom Day said he has not received. Commissioner Lambert recalled that it had been hand-delivered to Commissioners in attendance at the May 6 special meeting. He said he would obtain an electronic copy of the request and forward it.

New Business

1) *New GAC Committees*

- a. *Legal Committee* - Chair Ness provided an update on recent actions by the GAC's Legal Committee. He reported that Devine Millimet is in the process of transferring their legal files to Preti Flaherty. The GAC approved a record retention policy on May 6th and asked current and past commissioners, as well as GMR personnel, to sign it to ensure any relevant documents or records are maintained and not destroyed. Tom Day asked how much they expect to spend on legal fees and Chair Ness said he asked counsel to send them a bill that starts from the date they were retained through May 6th, but he is waiting for that bill. Commissioner Wood asked to make a motion that the GAC direct the Chair to immediately initiate a discussion with the BCD Chair to settle the legal dispute. Chair Ness replied that this is why they have retained counsel, so that they can understand how the litigation began. He said it was premature to settle the dispute because they do not know exactly what happened in those files. Motion failed. Commissioner Wood asked to make a second motion that only the GAC Chair be authorized to contact and consult with legal counsel in an effort to avoid adding further costs related to multiple contacts, as has happened in previous circumstances. Chair Ness suggested that, at their next meeting, they discuss how they want to engage counsel to ensure the GAC has critical oversight. Commissioner Wood withdrew her motion.
- b. *Snowsports* - Chair Ness said that as management is looking for new ways to generate revenue, he would like to explore ways to increase snowsports school revenue. He noted the projected budget revenue increase was 4.87% from FY22 to FY23. He said he and Commissioner Wood would like to explore ways to polish or tweak the business model and believes they can do things to substantially increase the revenue of the ski school. He shared a one-page summary of six principles that he believes would grow the ski school and affect change for Alpine and Nordic lesson revenue: 1) attract and retain skilled instructors that are credentialed through compensation and expand service delivery goals; 2) when people have skills they are rewarded; 3) implement a lesson staffing cap; 4) look into the technology used in ski school compared to what is needed and is available; 5) with a compensation model that is attractive to credentialed instructors, GMR can aggressively recruit staff from other areas; 6) introduce short-term pricing strategies to achieve the sales needed and drive more lesson revenue. He said he would like to meet with management and others associated with the ski school to explore these ideas. Commissioner Kiedaisch said these concepts were presented by him two years ago just as management changes were being made. Since that time, they have made vast improvements to the department. Cathy White added that YOY, ski school revenue has grown by almost 40%. Chair Ness said he is not disputing the results or management's expertise but is suggesting there are

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institutional constraints he would like to address. Commissioner Wood said she agreed to participate in the Snowsports Committee for balance, adding that the communication lines are open. Tom Day said he had hoped Chair Ness would have approached them before bringing his proposal to a public forum.

ACTION

Motion: Commissioner Strang made a motion to accept this one-page document and empower the snowsports committee to sit down with Tom Day and Peter Weber to discuss possible implementation.

Second: Commissioner Lambert.

Discussion: Commissioner Wood said she did not believe there was anything malignant or threatening in having a roundtable discussion on this topic. Commissioner Kiedaisch said the GAC should hire good people and empower them to do their jobs, not tell them how to do their jobs because it will be demotivating. He said Peter Weber, Snowsports Director, is highly qualified and well-respected throughout the industry and he is embarrassed that this motion is on the table from people who do not manage ski schools or know what it takes to do the job well. Chair Ness said he is not questioning Peter Weber's skills.

Vote: Yes - 4, No - 1

Motion Passed.

New Business

Chair Ness asked Commissioner Lambert to work with Tom Day and GMR's IT department to understand what technology and infrastructure is currently in use at Gunstock. He said this is a fundamental concern that he has been made aware of and would like to know of any gaps in GMR's technology infrastructure. Commissioner Lambert agreed to work with the GMR team on IT infrastructure.

Chair Ness said he would also like to propose the creation of an Audit Committee as a means of extending an olive branch to the BCD. He does not want to be on it but having a member of the commission involved in the audit process, along with a member of the delegation and maybe a taxpayer would be beneficial to GAC/BCD relations. Commissioner Strang agreed to serve on the Audit Committee.

Miscellaneous

The June GAC meeting is scheduled on June 22, 2022.

Commissioner Kiedaisch asked that the master plan be added to the June agenda for discussion before the plan is shelved. Chair Ness said the GAC voted to cease work on the master plan until they received the information that was requested in the March 1st GAC meeting. Discussion ensued on the specifics of the information being requested. Tom Day agreed to ask the SEGroup create another document as requested at no additional cost and send to Chair Ness for the GAC's review.

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Public Comment

Gretchen Casey (Gilmanton Iron Works) said it is difficult to ask the public to sit through a five-hour meeting and hold all comments until the end. She said they did not engage the public during their discussion of the Stockade Lodge and that every person in the audience is very interested in the sit-down restaurant/bar remodel. She said in her role as Sales Manager, it is

difficult to find workable space for group/corporate functions and this remodel would help drive that side of the business. She said the commissioners are hearing from a small portion of people and that, as a taxpayer, she would like them to ask for the data that management uses to make these important decisions.

Lisa Graham (Laconia) said she concurred with Ms. Casey's comments but noted that the GAC's communication toward her during her public comment was problematic and aggressive.

Denise Sleeper (Laconia) commented that Vail Resorts reported record sales last year but delivered a terrible guest experience. She said that is the opposite of what's happening at GMR, and guests were very happy. Said it's important to look at the whole customer experience, not just sales and revenue.

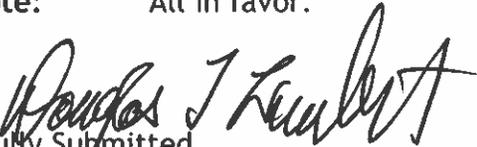
Cindy Creteau-Miller (Meredith) asked if the Stockade remodel has already been approved, how does it legally work that the GAC stopped it after the equipment was bought and work started. Chair Ness said the dispute is whether that project was articulated properly to the commission before getting budget approval. She asked if ski school already does any of the things on the Chair's list of principles. Chair Ness said he went through due diligence of the prior ski school director and presented those findings to the GAC. There has since been a new GM and SS Director, and he would like more research on what they need to consider in order to attract new skiers.

Dan Carbonneau (Belmont) asked that when talking about increasing the number of instructors, if the Chair has considered the impact of more lessons on the lifts and trail system. He said that the longest lift lines are on the beginner terrain and asked how they would alleviate those lift lines and trail crowding. Chair Ness said it's important to recognize these are simply principles to review the model and he is aware that crowding and lift lines are a problem at the carpet. But they are not at that point in the discussion yet.

ACTION

- Motion:** Commissioner Lambert made a motion to adjourn the public meeting of the Gunstock Area Commission at 10:58PM.
Second: Commissioner Strang.
Vote: All in favor.

Adjourn


Respectfully Submitted,
Douglas Lambert
Secretary Gunstock Area Commission