

GUNSTOCK AREA COMMISSION MEETING

October 27, 2021

Main Hall, Historic Lodge at Gunstock Mountain Resort

APPROVED MINUTES

Gunstock Area Commissioners Present: Russell Dumais, Brian Gallagher, Gary Kiedaisch, Rusty McLear, Peter Ness, Jade Wood

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

Belknap County Delegates Present: Representatives Howard, Sylvia, Silber, Johnson, Littlefield, and Ploszaj

Chair Kiedaisch called the meeting to order at 6:00PM with the Pledge of Allegiance. Chair Kiedaisch invited Rep. Howard to take a seat at the meeting table along with the Gunstock Area Commissioners and GMR management team. Rep. Howard declined and Chair Kiedaisch reminded him that he was welcome to engage in the discussion at any point during the meeting. He noted a change to the order of business on the agenda to allow Commissioner Dumais to vote on the September meeting minutes before swearing in the new Commissioner.

Minutes

The minutes of the September 22, 2021 Gunstock Area Commission public meeting were reviewed.

ACTION

- Motion:** Commissioner Dumais made a motion to approve the minutes as presented.
- Second:** Commissioner McLear.
- Vote:** All in favor (Commissioner Ness abstained due to absence in the September meeting.)

Swearing In of New Commissioner

Jade Wood of Gilford was sworn in as the newest member of the Gunstock Area Commission. She asked if the GAC Ethics Policy that she was asked to sign was deemed a legal document by the GAC's legal counsel. Chair Kiedaisch said it was deemed legal by their counsel and Commissioner Wood signed the Oath of Office and GAC Ethics Policy. Chair Kiedaisch welcomed Commissioner Wood to the GAC and thanked Commissioner Dumais for his years of public service on the GAC. He noted Mr. Dumais' experience as a state representative, town selectman, ski area operator and local business owner was commendable.

Election of Officers

Chair Kiedaisch said he has served as GAC Chair for the past 18 months since Steve Nix resigned in January 2020. He would like to see Commissioner Gallagher appointed as Chair.

ACTION

- Motion:** Commissioner Kiedaisch made a motion to elect Commissioner Gallagher as the new Chair of the Gunstock Area Commission.
- Second:** Commissioner McLear.

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Discussion: Commissioner Wood asked if there would be discussion on the motion. Commissioner Kiedaisch opened it up for discussion and there was none.

Roll Call Vote: Kiedaisch - Yes
McLear - Yes
Gallagher - Yes
Ness - No
Wood - Yes

Chair Gallagher took over the October GAC meeting after the vote and said the next order of business would be to nominate and appoint a Vice Chair.

ACTION

Motion: Commissioner McLear made a motion to elect Commissioner Kiedaisch as Vice Chair of the Gunstock Area Commission.

Second: Chair Gallagher.

Discussion: Commissioner Wood said that, at a recent BCD meeting, Chair Sylvia indicated that the statute only calls for Chair and Clerk, not a Vice Chair. Chair Gallagher said he asked the same question in his first year as Commissioner. He explained the statute allows for a Chair and Clerk position but it also allows the GAC to initiate their own bylaws on how to run the organization. The bylaws that have been approved the GAC includes the position of Vice Chair, Chair and Secretary. This is in the event that the Chair is unable to attend a meeting, the Vice Chair can run the meeting as acting Chair.

Roll Call Vote: Kiedaisch - Yes
McLear - Yes
Gallagher - Yes
Ness - No
Wood - No

ACTION

Motion: Commissioner Kiedaisch made a motion to elect Commissioner McLear as Secretary of the Gunstock Area Commission.

Second: Chair Gallagher.

Discussion: Commissioner McLear asked if they were allowed to vote for themselves and Chair Gallagher said yes. Chair Gallagher said the Secretary would be able to act as Chair in the event that neither the Chair nor Vice Chair were able to attend a meeting that had a quorum of Commissioners.

Roll Call Vote: Kiedaisch - Yes
McLear - Yes
Gallagher - Yes
Ness - No
Wood - Yes

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Chair Gallagher welcomed Commissioner Wood to the GAC and asked her to share her background and vision for her service on the Commission. She asked if he was making a motion to amend the agenda because she believes that requires it be posted 72 hours in advance. Chair Gallagher said he was just extending her a courtesy but did not want to put her on the spot. He offered to let her speak again later in the meeting.

Financial MD&A & Executive Summary- August

Cathy White, CFO, reviewed the month end results for September. Operational Level EBITDA for the month was \$47K, \$120K favorable to budget and \$202K favorable to last year. Total Company EBITDA was (\$163K), \$180K favorable to budget and \$173K favorable to last year. YTD Total Company EBITDA was (\$962K), \$760K favorable to budget and \$179K favorable to last year. YTD Operational Level EBITDA was \$171K, \$757K favorable to budget and \$591K favorable to last year. Revenue for September was \$564K, \$148K favorable to budget and \$271K favorable to last year. YTD Revenue was \$2.5mm, \$704K favorable to budget and \$1.8mm favorable to last year. Net Income (Loss) was (\$279K), \$219K favorable to budget and \$171K favorable to last year. YTD Net Loss was (\$1.7mm), \$848K favorable to budget and \$140K favorable to last year. She reviewed the Balance Sheet and Cash Flow financials reporting that cash was \$3.9mm, \$2.8mm favorable to budget and \$3.6mm favorable to last year. YTD Capital Expenditures were \$178K, \$1.5mm favorable to budget (\$348K in CIP), related to timing of projects. Deferred Revenue was \$2.7mm, \$804K favorable to budget, \$1.2mm favorable to last year. YTD Long-Term Debt had a net decrease of \$31K.

Chair Gallagher opened the floor for discussion. Commissioner Kiedaisch asked Cathy if it was her opinion that Gunstock's cash flow situation was sustainable. She said yes that the working capital is what makes it possible to pay for expenses and plan for capital. She noted the past few years have been good for Gunstock and management has been taking advantage of their cash flow positions and closely watching the deferred spending. She said the sustainability is made possible by the pre-committed sales in March and April. Commissioner Kiedaisch asked if they were accruing for expenses that have not been paid but that Gunstock could be liable for. Cathy said yes and if they do not come due, the expenses are reversed back into the P&L. She explained that the Belknap County fee is being accrued against actual sales so that they can maintain an accurate accrual. She said she maintains an EBITDA recapture report, which further helps manage the deferred revenue against expenses. Tom Day, President & GM, added that going into the winter, management analyzed discounts and their hit to ticket yield. They eliminated most discounts as a result, now only large groups receive ticket discounts, but it was an important adjustment to meet their target margins.

Chair Gallagher invited Rep. Howard and Rep. Sylvia to ask questions or comments on the financial report as presented. Rep. Howard said it is nice to say there is this amount of money here and there, but people also want to know what the money is being spent on. He said there is never any actual reporting of the repairs and maintenance that is happening at the resort and not much discussion about prospects for different profit areas. Chair Gallagher said he would take that as a constructive comment and would invite Tom to respond shortly.

Cathy reported out on the Department P&L statements highlighting the performance in the Adventure Park and Camping. Chair Gallagher asked if Gunstock's cash position allowed them to stay away from using their cash reserves and Cathy confirmed that was correct. Chair

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Gallagher asked if she had any concerns with debt payments this fiscal cycle. Cathy reported that Gunstock has \$3m in long-term debt with about \$2m in bonds with 5-8 years to mature. She said she has no concerns with their current debt service limits and she continues to schedule bond payments when cash flow is strongest. Chair Gallagher said the reason he wanted to bring up the debt service is because it sometimes come up in the public forum. He wanted confirmation from the CFO that Gunstock can meet its debt obligations and that it is managed so as to not impact cash flow and business planning. He said they have begun to share the GAC financials with Belknap County Delegates in advance of their monthly meetings and they will continue to share this information with BCD members each month. Commissioner Kiedaisch added that Gunstock has provided monthly financial reports and department P&L reports in this fashion for the past three years. He asked Cathy if any of the reported revenue comes from tax dollars. Cathy said no, all of Gunstock's revenue comes from the sale of their products and services. He asked if any of Gunstock's revenue comes from donations and Cathy said no. He noted that all of Gunstock's revenue is coming from people who choose to be at Gunstock. He asked if, during her time as CFO, Gunstock has sent any bills to the Belknap County taxpayers to support operations at Gunstock. Cathy said no. Chair Gallagher asked Representatives Howard and Sylvia if they had any questions on what had been presented so far. There were none. Tom Day added that management also maintains a daily sales and labor report (DSL) to ensure that all managers understand the impact of labor on revenue. This allows them to adjust staffing levels according to weather and business volumes and helps them better manage their margins.

Commissioner Wood said that Commissioner Kiedaisch made a point to say that Gunstock has not sent any bills to the taxpayers but she said she was recently asked why the privileges that were formerly made available to county residents were no longer available and when was the last time they were offered. Chair Gallagher answered that Gunstock has not sent any bills to or received any appropriations from the BCD and the operation is funded entirely from the revenues from the ski area. He asked Robin Rowe, Resort Services Director, to explain the history of the Belknap County resident discounts. She said Gunstock used to have an in-county and out-of-county season pass more than 10 years ago. As she understands it, management discovered that a large portion of the in-county passes were purchased by second homeowners. They believed this negatively impacted the people who paid the out-of-county rate and decided that everyone should pay the same price so management reduced pass prices across to the board down to the in-county rate. Rep. Howard said he has fielded this same question and he explained it as the only fair way to distribute it was to distribute it evenly to all taxpayers. Tom added that Gunstock offers significantly reduced pass prices to students in their Outreach Program, which provides passes, lessons and rentals to more than 2500 children. Chair Gallagher asked Tom to share where the expenses for repairs and maintenance go. Tom said the money for normal R&M comes out of operational income, but that kind of detail is not usually reported out at these meetings. He offered to share the R&M punch list with any of the GAC or BCD members if they would like more detail. Rep. Howard commented that Directors and Department Managers used to report their monthly activity in written reports to the GAC, which he thinks gives the general public a better understanding of what's happening at the resort. Tom said he will consider ways to report on operational activities in a concise manner, noting that prior meeting packets were routinely 50 pages long until they changed the format.

Old Business

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- a. *BCD October 25th Public Hearing Results* - Chair Gallagher asked Commissioner Kiedaisch to provide a report on the public hearing. Commissioner Kiedaisch explained it was important to share the results and the implications of the votes that were made. He reported that the GAC's motion to remove Commissioner Ness from the GAC was denied, the ability to present any evidence was denied and the BCD took no testimony from the GAC or from the public. The BCD accepted Commissioner Ness' statement that he did nothing wrong because no actual sale or transaction took place. He said they are disappointed with the Delegation's decision but they welcome Mr. Ness back to the table and look forward to his continued cooperation. Commissioner Kiedaisch added that recent statements from Delegation members that GMR is not a "business" is leading to confusion and he believes the BCD's vote to dismiss the charges was out of order. He added their second vote to control Gunstock's operating budget was without merit. He stated a business is a group of individuals who come together to create a service or product and make money from it, it is up to management to generate the income to support the resort. He said management is doing a better job than ever before, and the GAC is about to unveil an ambitious master plan that is probably the biggest since the recreation area was created in 1937. Chair Gallagher asked Commissioner McLear if he had anything to add to the discussion. Commissioner McLear said his observations are that Gunstock's financials are terrific for this time of the year and he thought the BCD hearing was a travesty. He said the hearing was not clear or fair and that the Delegates did not seem to know what they were supposed to do other than not allow Commissioner Ness to be removed. And instead, they attempted to remove others on the GAC. Chair Gallagher invited Commissioner Wood to comment, and she said she recently heard Commissioner Kiedaisch say that you don't show your opposition how to make sausage but that someone else from the Delegation told her you do need to know how the sausage gets made. She said she believes there was disrespect in the way she has been ping-ponged about when she has been nothing but eager to serve the residents of Belknap County, the GAC and the employees of Gunstock. She added that there was some excellent display of parliamentarianism at the hearing and that everyone needs to work together and stop attacking each other. Chair Gallagher asked Commissioner Ness if he would like to comment, and he said no. Chair Gallagher said that from his time in the statehouse, he had the understanding that a public hearing or meeting was an invitation for people to have discussion and share the comments. He acknowledged that the Chair could choose not to allow public comment, but he was disappointed that the minority position on the Delegation who were asking for the opportunity to hear more about the matter were not allowed that chance. He said the Delegation has made their decision and that he hopes everyone can move forward but he was disappointed that public comments were not allowed. Rep. Sylvia said he believes it is important to understand that the idea of presenting testimony at that hearing would have been unfair since there was not notice of testimony to be received. Rep. Sylvia stated it is embarrassing and shameful that the GAC did not take any testimony against Commissioner Ness before bringing it to the Delegation, and then produced a defamatory report and presented it to the public.
- b. *Opening Plan* - Tom Day reported on the opening plan for the winter. The work done on snowmaking this summer will allow them to open from top to bottom in December. Opening Day is December 10th, which is a week later than usual, but they should be able

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to open with more terrain available including two routes from summit, plus the Penny complex. They plan to open the Tubing Park on Thanksgiving weekend. As usual, this opening plan is dependent on early season weather conditions and snowmaking activities. He reported that fall mowing is done, which is a big deal, with some targeted trail brushing on the mountain. Most of the winter prep work is happening over the next six weeks. They have experienced some supply chain issues and they are trying to stay on top of any disruptions before they become a problem.

- c. *October Flash Report* - Cathy White reported that the October fiscal cycle ends on 10/28 but they are on pace to exceed their sales budget by a significant amount. Commissioner Wood asked if she could meet with Cathy to discuss the bonus structure and understand how those decisions will be made next year. Chair Gallagher agreed that would be a good discussion and suggested that he and Tom be included. He said they should review any other questions she has to make her feel fully informed on outstanding questions. Robin Rowe, Resort Services Director, reported that season pass sales were very strong, with 6,600 passes sold YTD. This same time last year, they sold 3,600 passes and that was a record-breaking year for Gunstock. She said this speaks volumes to the experience that passholders had last year and they are especially pleased to report that 30% of this year's passholders are new passholders. She expects that number to climb since the 2nd tier pricing ends on 10/31 and there is always a strong last-minute push. She noted that Outreach passes are projected to generate an additional \$250k-\$300k. Commissioner Kiedaisch said it is worth noting this is the most aggressively competitive environment with multi-mountain passes gaining traction, so these results are extraordinary. Tom Day emphasized the importance of pre-committed sales for the ski business, which protect against unplanned revenue shortages.
- d. *COVID Mitigation Plans* - Tom Day reported that last year, Gunstock spent \$130k on COVID mitigation efforts. This year, he is waiting to see what happens with the virus and with vaccinations before deciding on this winter's plan. He is hoping things level out and that they do not have to operate with the same level of COVID protocols. Commissioner Wood suggested making a restroom available closer to the learning terrain for children who need a bathroom during their lessons.
- e. *Sales and Marketing Activities* - Marketing Director, Kristen Lodge, presented an overview of Gunstock's current sales and marketing activities.

New Business

- a. *Master Plan Public Presentation & Open House, Dec 4th* - Chair Gallagher said this effort over the next five weeks requires a collective effort and that each Commissioner has a unique responsibility to get the public out to the meeting when the project is unveiled. He encouraged Commissioners Wood and Ness to connect with Commissioners Kiedaisch and Gallagher so they can be brought up to speed on the project. Tom Day also offered to review the project proposals with them. Commissioner Kiedaisch said the master plan needed updating and the GAC decided two years ago to refocus on a full potential plan that included on-mountain development, which was a big opportunity that was missing from earlier proposals. The plan also lays out how it is to be paid for and sustained over time. He said Tom will be presenting the details of the plan to the public on December

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4th and they envision a full lodge with passholders, business partners, ski club members, and even people from the community who don't ski so that everyone can understand what it will mean to this community. He added that a healthy, thriving, current and progressive resort is good for the whole community in many ways. The key component of the plan is to improve and increase the satisfaction of their customers without changing what makes Gunstock special. Chair Gallagher commented that it was important for the public to be present in this meeting so that the GAC can hear directly from them about what they want to see at Gunstock for the future. He suggested inviting the BCD, boards of selectmen in each town, and passholders.

Miscellaneous - Chair Gallagher said one of the things he envisions going forward is Commissioners working together on certain projects. He reported that he went on the NH legislative website and there is a bill being introduced by Rep. Silber. The details of the bill have not been published but there are co-sponsors; Rep. Howard, Rep. Johnson, and Rep. Terry have now cosponsored the bill. The NH House calendar says the deadline to sign off on all LSRs is November 5th, and that is when he expects the text will become available so the Commission can understand what is occurring. Chair Gallagher asked Commissioner Wood if she could keep an eye on the progress of the LSR and that, when the narrative for the House Bill is available, she come back to the GAC and share updates and recommendations for how the GAC should work with the bill. He shared the documents that were available with her and commented that, at some point, the GAC will have to take a position on the bill. He added that the meeting is being recorded for the public record and to help increase communications and availability of information for the public. They will continue to work on that process so they can maintain quality recordings of their public meetings. He also announced that the annual performance review for the President/GM is due shortly. HR Director, Becky LaPense, will send the Commissioners the link to their evaluation questionnaire and he will present a composite report to Tom when it is complete. He will then share those conversations with the Commissioners to decide on how to proceed with any contract or compensation changes. He then invited Commissioner Wood to introduce herself to the group. Commissioner Wood expressed her excitement for the position and her goal to do what she can to support the Gunstock community. Chair Gallagher asked her to send her bio and background information to Gunstock so that the GAC's website can be updated.

Public Comment - Chair Gallagher opened the meeting for public comment and asked speakers to be succinct in their comments.

Rep. Ploszaj, Center Harbor, asked for more information on the short-term investments reported by Cathy White. Cathy said the \$220k being reported in short-term investments is a CD. He asked about the extra \$2m in cash reserves, she noted it is not in cash reserves, that number is the cash balance in the bank. He asked about debt service and bond structures. She reported that Gunstock currently has multiple bonds, some have bi-annual interest payments, and one has an annual principal payment.

Rep. Sylvia stated that as a citizen of Belmont he was very troubled by the attack on a fellow citizen of Belmont that was orchestrated by the previous GAC Chair. He said the attack and defamatory comments printed in the minutes are there forever and this situation has brought about a concern for trust in the GAC. He said that, as a citizen of Belmont, he was asking for

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the resignation of Gary Kiedaisch. Chair Gallagher thanked him for his comment and asked for any additional public comment.

Alex Deluca commented that Gunstock's success last year had a lot to do with the people in the room. He said that benefitting the community doesn't have to be a discount, when he goes to Loon he sees the excitement for their projects. He said he does not feel that here and asked people to think of one positive thing that makes Gunstock amazing and share it within your community. He said Gunstock is a big benefit to the local businesses. Commissioner Wood thanked Alex for attending the GAC meetings. She would like to mention that the Gunstock staff who are not present also deserve recognition, and those staff members who showed up when others couldn't, they also deserve a bonus. She said she would love to learn more about it, and it needs to be acknowledged that a bonus was given out which could have paid the entire annual salary for someone.

Barbara Howard, Alton, said she would like to clarify the talk about giving taxpayers money because people need to understand that the reason for the MOA was because Gunstock needed a bailout. She said the taxpayers were nailed with a huge tax increase that year to bail out Gunstock and people remember that. She said the payments that Gunstock makes to the county is not a gift, it's a payback. She added people resent being told it's a gift and that they need to get the verbiage right. She said she attended an event at Gunstock this summer and commended Gretchen Casey, Sales Manager, on the work she did to make that happen. She said they had no A/C in the building, and it was so hot that Gunstock probably lost some potential business that day. She asked the GAC to please try to get the A/C in the Main Hall done. She said Gunstock was created in 1937 to create jobs because the county was poor, and she recently saw that Belknap County is still earmarked as an impoverished county. She said there is a certain amount of people with wealth in the county, but they also have plenty of seniors and disabled people living on fixed incomes. She cautioned the Commissioners to be mindful of this side of the coin.

Chair Gallagher thanked the public for their comments and asked for a motion to adjourn.

Adjourn

ACTION

- Motion:** Commissioner Kiedaisch made a motion to adjourn the GAC meeting at 8:31pm.
Second: Commissioner McLear.
Vote: All in favor.

The meeting adjourned at 8:31pm.

Respectfully Submitted,
Rusty McLear, Secretary
Gunstock Area Commission