

GUNSTOCK AREA COMMISSION MEETING
April 29, 2020
Gunstock Mountain Resort, Main Hall
Public Access via Zoom Audio Conference
APPROVED MINUTES

Notice of the meeting was posted at the County Commissioners Office, Gunstock Mountain Resort Administration Office, and online at GUNSTOCK.COM. Due to the COVID-19 crisis and in accordance with Governor Sununu’s Emergency Order #12 pursuant to Executive Order 2020-04, this Board is authorized to provide public access to the meeting electronically and will be limited to no more than 10 people in accordance with Emergency Order #16. In-person attendance was restricted to Gunstock Area Commissioners and select members of the Belknap County Delegation and Gunstock Mountain Resort management team.

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

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

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

Public: 10 members of the public joined the Zoom audio conference

Chairman Kiedaisch called the meeting to order at 6:00PM with the pledge of allegiance. He opened the meeting by explaining how members of the public can participate during the audio conference call and introduced all members of GAC, BCD and GMR management team who were present for the meeting.

Minutes

The minutes of the March 16, 2020 Gunstock Area Commission public meeting were reviewed. Commissioner Ness requested a change to page 3 from “reserve cash” to “preserve cash”.

ACTION

Motion: Commissioner Dumais made a motion to approve the minutes as amended.
Second: Commissioner Ness
Vote: **Roll Call** Commissioner Ness - Yes
Commissioner Gallagher - Yes
Commissioner Dumais - Yes
Chairman Kiedaisch - Yes

The minutes of the April 14, 2020 Gunstock Area Commission emergency public meeting were reviewed.

ACTION

Motion: Commissioner Gallagher made a motion to approve the minutes as presented.
Second: Commissioner Ness.
Vote: **Roll Call** Commissioner Ness - Yes
Commissioner Gallagher - Yes
Commissioner Dumais - Yes
Chairman Kiedaisch - Yes

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Public Presentations - None

Financial MD&A

Cathy White, CFO, provided an overview of the financial statements presented for March and April. Cathy explained that by the end of February, YTD EBITDA was \$762k better than budget but by the end of March that dropped to \$58k below budget. Chairman Kiediasch asked how much of the March shortage could be attributed to the loss of revenue in March and April as opposed to fixed operating expenses that could not be cut. Cathy explained the loss in revenue between March and April was \$560k in total but management acted early to adjust spending. As a result, the total net loss to the bottom line was \$320k. Chairman Kiedaisch thanked the management team for their foresight and proactive response to the crisis. Commissioner Dumais asked if the furloughed and laid off employees were eligible for the federal stimulus unemployment benefit. Becky LaPense, HR Director, said the extra \$600 in weekly federal unemployment benefits were available to anyone eligible for state unemployment because of the COVID-19 crisis. The FFCRA extended the state benefits by 13 weeks so NH residents would be eligible for up to 39 weeks. She noted that the \$600 federal supplement sunsets on 7/31 unless Congress extends that funding. She added that the Gunstock employees have experienced delays because of the backlogs in the system but they have been seeing movement on those claims in the past week.

Cathy pointed out that the balance sheet remains intact and payables are light because spending has been deferred. Management has decided not to change the fiscal cycle because of everything that has been going on, but she is moving the budget to fiscal weeks instead of calendar weeks. Chairman Kiedaisch asked if they intended to revisit the fiscal year end and she said they will, but she suspects the change to a 13-week cycle may make that unnecessary in the end. Chairman Kiedaisch asked if it would be easier to manage the need for a RAN/line of credit by moving the earning months to the beginning of the fiscal year. Cathy said it would make more sense if they were starting the business from scratch but because of Gunstock's legacy expenses, it may not make much difference to the need for a line of credit. Tom Day, President and General Manager, said it has been put on the back burner because of other priorities but agreed it is worth further consideration because it will also give the management team better time for planning. Chairman Kiedaisch added that it would take some of the terror out of building the operating budget because there would be fewer unknown variables. Discussion ensued around the legal requirements for Gunstock to obtain county approval for loans/lines of credit.

Action Items

FY21 Operating Budget - Tom Day, President and General Manager, opened the discussion with comments about the budgeting process and community sensitivity to the RAN request that Gunstock will submit to the Commission for approval. He said that Gunstock's requests for an annual line of credit from a local lending institution have been hotly debated in the past by members of the Delegation and Commission and he was not seeking a new controversy. He said the need to justify an annual line of credit from a bank every year is outside of standard business practices, especially a seasonal one like Gunstock. When cash flow slows up while

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expenses remain fixed, that line of credit literally becomes a “life line” to continue operating. Instead of managing the business around the RAN, he would like to take a slightly different approach and set the RAN funding for a level necessary to improve the asset and remain competitive. He added that Gunstock’s competitors were taking full advantage of the PPP program to keep up with capital investments and resort improvements. Any reduction to the operating budget that he has proposed would noticeably impact Gunstock’s ability to keep up with the competition. He said this year’s proposal reflects management’s commitment to doing what they believe is needed in the next fiscal year to keep the business both competitive and moving forward on vital resort improvements. He closed by saying that this year’s RAN request has been thoroughly vetted and that management is confident that they will be able to maintain the payment terms as they have in past years. He turned it over to Cathy to present the proposed operating budget for FY21.

Cathy said they are asking the Gunstock Area Commission to approve a request for a \$1.4mm line of credit (RAN) for FY21. She stated the current economic conditions are unprecedented, and no one knows precisely what the impact will be to winter operations. Spring season pass sales support the summer and fall operation, but she anticipates season pass revenue to come in at 50% below average. They do not expect to make up that deficit, but the installment plan is being utilized which helps stretch out the cash flow. Commissioner Gallagher said they have also deferred \$150k in debt payments, which is a good financial decision for the moment but it does not correct the problem. Chairman Kiedaisch asked Cathy to review the assumptions that management used when building the high-level operating budget for FY21.

Given the high economic uncertainty surrounding the COVID-19 crisis, Cathy said management made the following assumptions when building the high-level operating budget: 1) a modified summer operating plan that has already been approved by the GAC; 2) staff furloughs to remain in effect until winter operations resume; 3) a “normal” winter operation; 4) \$1.05mm in capital expenditures (\$650K funded with working capital and \$400k funded with 4-year equipment lease); 5) expansion of Tubing Park and Panorama Pub; 6) rescheduled debt payments; 7) season pass sales at 40% through May; and 8) RAN borrow of \$1.4mm - first draw in July, could be completely drawn by October but repayment scheduled in full by the end of February. Chairman Kiedaisch asked to see the RAN draw and payment schedule to see how it would be paid back by February. Cathy said she will share the cash flow statement which builds out the next 52 weeks and will allow them to adjust quickly in real time when needed. They are trying to protect the reserve funds in the event that there is an unexpected shortfall in one of their budgeted assumptions. The reserves will give management resources needed for any unforeseen emergencies. Discussion ensued about the uncertainty around their budgeting assumptions and milestones that will trigger adjustments or a change in direction.

Rep. Howard said the forest management plan calls for a timber harvest that is now overdue and that there may be some income there. He said it is not clear if those revenues belong to the county or if Gunstock could use them for operating costs. Rep. Sylvia said he believed it would go to the BCD to determine allocation. Rep. Howard said this may be an opportune time to do that harvest since it would not disrupt normal summer activities. Commissioner Dumais asked if there are any estimates on the potential value of the timber. Tom said he spoke with

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Peter Farrell, who drafted Gunstock's forest management plan, and they reviewed the timber harvest areas in the plan. They estimate there is \$132k of timber, maybe \$70k for this year. However, it is unclear if they can access the other harvestable timber. Chairman Kiedaisch said he did not want a cut that was visible to guests or an eyesore. Discussion ensued on responsible timber harvesting and Chairman Kiedaisch asked Tom to share the forest management plan with the rest of the Gunstock Commissioners. Commissioner Gallagher suggested that while they wait for the BCD RAN hearing, they should research the question of how the funds from the sale of timber would be allocated. Rep. Sylvia said he did not see a problem in discussing it further. Chairman Kiedaisch asked if those revenues could be used to replace infrastructure, not just put into the operating budget. Rep. Sylvia said the Belknap County budget year starts Jan 1 and must go through the County Commissioners so it would likely be a conversation for 2021 unless there was a special allocation. Discussion ensued on the question of timber revenues treated as real property and belonging to the county. Chairman Kiedaisch said if Gunstock were privately held, they would be able to use those resources to sustain the business. Commissioner Ness said he interprets it differently and that selling something associated with or a product of the land would not be considered "real property" and Gunstock would be able to keep those revenues. All agreed it was unclear and worth pursuing further. Rep. Sylvia said he would run it by the county attorney for his interpretation of it.

Tom stepped away from the meeting at 7:40pm to attend to another matter.

Chairman Kiedaish said if the full line of credit were to be exhausted by October, he would not sleep well until December cash begins coming in, especially if there is a second wave of COVID-19. He asked Cathy if there was another way to manage the draw so that the RAN funds are held until there is a clearer picture of how the winter will shape up. Cathy pointed to the "risk" and "levers" outlined in her budget proposal. She said there are several "levers" that management would use if one of four "risks" took place: 1) NH keeps campgrounds closed; 2) Q1 season pass sales fall below assumptions; 3) the RAN request is denied or less than proposed and; 4) winter operations were modified due to COVID-10. The "levers" to adjust to these conditions would include pulling back on capital spending, additional bond deferrals and restructuring of notes, modified winter operations, and utilizing cash reserves. Commissioner Gallagher said he would like to be more conservative in the RAN request because if it does not pass on the first ask, precious time will be lost. He said reserve funds should be reserved for extraordinary situations like this one. He noted that if capital spending isn't scheduled until the late fall, then the money might not be necessary until late summer. He suggested using the reserves to bridge the summer and reduce the RAN request to increase the odds of approval by BCD. By August, they can make a more informed decision on how much RAN funding is needed. This would minimize the risks of getting the higher RAN rejected and potentially defaulting because the money was spent too early. Cathy asked Rep. Sylvia if the RAN could be structured up to \$1.4mm, but only allow management to exceed \$1mm until certain milestones are met. Rep. Sylvia said bond counsel would be pivotal to those discussions but if the GAC agreed to present that to the BCD, it could be possible.

Tom Day rejoined the meeting at 7:52pm.

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Chairman Kiedaisch agreed that they need to get the RAN approved on the first attempt and that they cannot fail at that. He is concerned that the burn rate being proposed is too aggressive, especially not knowing how winter will shake out and there is no going back once the funds are exhausted. He concurred that having flexibility with the RAN funds would be beneficial. Commissioner Ness said he supported the higher amount and asked would the \$1.4mm request be more politically palatable with performance milestones built in. Rep. Sylvia said possibly but the other issue is that county operations are currently exceeding budget and revenues are down because of the COVID-19 crisis. This a big question for many municipalities - will the towns receive their property taxes from residents to pay the county? The delegation may be more assured by the structured proposal. He added that things are very fluid and government operations are not as flexible or responsive and he agreed it was a good idea considering these risks. Rep. Howard said the BCD is on the hook with the taxpayers if things go poorly but many members of the BCD feel they have little control over the GAC's actions and does not know how receptive they will be. Commissioner Dumais said he believes Commissioner Gallagher's suggestion makes sense and he would support that approach. He said members of the BCD will see that there are thresholds and if they are not met, the spending stops. Chairman Kiedaisch summarized their decision would need to protect the integrity of the business, give management the resources they need, be mindful of the relationship to the delegates and be cautious of any undue risk.

ACTION

Motion: Commissioner Gallagher made a motion that the GAC request authorization for a Revenue Anticipation Note up to \$1mm from BCD for fiscal year 2021 and that Tom Day, President and General Manager, be authorized to use up to \$600k of the approved RAN.

Second: Commissioner Dumais

Discussion: Commissioner Ness said he would rather have the availability for more funds if there are going to be "levers" on the RAN usage that are directly tied to incoming revenue. Commissioner Gallagher said the risk of a higher request is that it may not pass the BCD. He believed that would be a tremendous setback and would rather utilize the money already available in the reserve funds. He would be more comfortable spending the remaining \$400k in RAN funds after key performance milestones are achieved. He suggested that management should be given access for up to 50% of the capital reserves, which would give them \$900k to work with. And if budgeted revenues are realized they will have another \$400k to access. He believes it is important to be reasonable on the first request. Commissioner Dumais said he is concerned that everything has been an overreaction and that people will want to distance themselves from any further liability, so he supports the motion on the table. Chairman Kiedaisch said he would support Commissioner Gallagher's motion if they could see a cash flow schedule reflecting this proposal. Cathy agreed to put that together. Rep. Howard commented that Gunstock's highest RAN of \$1.2mm in 2011 was used to fund Adventure Park installations, it was not just for operating expenses.

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Vote: **Roll Call** Commissioner Ness - Yes
 Commissioner Gallagher - Yes
 Commissioner Dumais - Yes
 Chairman Kiedaisch - Yes

ACTION

Motion: Commissioner Gallagher made a motion to authorize Tom Day, President and General Manager to utilize up to 50% of the funds in the cash reserves for the FY21 operating budget.

Second: Chairman Kiedaisch

Vote: **Roll Call** Commissioner Ness - Yes
 Commissioner Gallagher - Yes
 Commissioner Dumais - Yes
 Chairman Kiedaisch - Yes

Amendment Agreement for Bar Harbor Bank - Cathy asked for approval on the amendments to the agreement for Bar Harbor Bank that will allow them to restructure the debt payments.

ACTION

Motion: Commissioner Gallagher made a motion to approve the amendment to the agreement for Bar Harbor Bank as presented.

Second: Chairman Kiedaisch

Vote: **Roll Call** Commissioner Ness - Yes
 Commissioner Gallagher - Yes
 Commissioner Dumais - Yes
 Chairman Kiedaisch - Yes

FY20 Profit Sharing Contribution - Cathy reported that this is typically the time of the year when management makes a recommendation for the annual the profit sharing contribution. Given the current economic crisis, management is recommending that this decision be deferred until the fall when the financial picture is clearer. The Commissioners agreed to defer to that vote until the fall.

New Business - None

Old Business

a. *House Bills* -

- i. *Statute Amendments* - Rep. Howard said there are no further updates.
- ii. *Parking Lot* - Tom Day said the letter of intent has been accepted and they are in process.

b. *Master Plan Committee* - Chairman Kiedaisch said it would be good to take advantage of reduced operations and use that time to take meaningful steps in master planning. He would like to develop a planning calendar with timelines and priorities on development initiatives that will drive profitably in a new competitive environment.

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- Tom said he has been in regular contact with the SE Group and Chairman Kiedaisch asked that he set up a kick-off planning for June.
- c. *Endowments* - Commissioner Gallagher said Tom has requested that this be put on hold while they focus on sponsorships.

Other Business

- a. *BCD Subcommittee* - Chairman Kiedaisch said he would like to include the BCD subcommittee in the master planning.
 - i. *Business Model Update* - Nothing to report.
- b. *Affiliated Agencies Report* - Nothing to report.

Miscellaneous

Commissioner Gallagher said he has seen three public notices for the GAC vacancy in the newspaper and asked if there were any applicants. Becky said applicants were instructed to send their applications to Deb Shacket and she will reach out to her to find out. Commissioner Gallagher asked if the BCD will be meeting on the GAC vacancy in May and Rep. Sylvia said it was unclear right now.

Public Comment

Chairman Kiedaisch opened it up for public comment but there was none.

Non-Public Session

ACTION

- Motion:** Chairman Dumais made a motion to enter a non-public session in accordance with RSA 91-A 3 II (l) (a) at 8:50 pm.
- Second:** Commissioner Ness.
- Vote:** **Roll Call** Commissioner Ness - Yes
Commissioner Gallagher - Yes
Commissioner Dumais - Yes
Chairman Kiedaisch - Yes

The GAC went into non-public session at 8:50 pm.

Adjourn

The GAC ended the non-public session at 9:08 pm.

ACTION

- Motion:** Commissioner Dumais made a motion to adjourn the GAC meeting at 9:08 pm.
- Second:** Commissioner Ness
- Vote:** All in favor.

Respectfully Submitted,

Peter Ness, Secretary
Gunstock Area Commission