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STATE OF NEW HAMPSHIRE
DEPARTMENT of NATURAL and CULTURAL RESOURCES
DIVISION of PARKS and RECREATION
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September 28, 2022

The Honorable Karen Umberger, Chairman
Fiscal Committee of the General Court and

His Excellency, Governor Christopher T. Sununu
and the Honorable Council
State House
Concord, New Hampshire 03301

REQUESTED ACTION

Pursuant to RSA 14:30-a, VI, authorize the Department of Natural and Cultural Resources, Division of Parks and Recreation, Cannon Mountain Aerial Tramway & Ski Area, to budget and expend prior year carry forward funds from the Cannon Mountain Ski Account in the amount of \$1,125,000 for the purpose of funding current fiscal year unanticipated additional expenses not previously budgeted, effective upon Fiscal Committee and Governor and Executive Council approvals through June 30, 2023. 100% Other Funds.

Funds are to be budgeted in Fiscal Year 2023 in the following accounts:

03-35-35-351510-37030000 Cannon Mountain Operations

Class-Account	Class Description	FY23 Current Adjusted Authorized	Requested Action	Revised FY23 Adjusted Authorized
009-402032	Agency Income	\$7,440,416	\$1,125,000	\$8,565,416
	Total Revenue	\$7,440,416	\$1,125,000	\$8,565,416
010-500100	Personal Services Perm Clas	\$838,203		\$838,203
011-500126	Personal Services Unclassif	\$94,998		\$94,998
018-500106	Overtime	\$46,000		\$46,000
019-500105	Holiday Pay	\$10,000		\$10,000
020-500200	Current Expenses	\$424,215	\$250,000	\$674,215
022-500255	Rents-Leases Other Than Sta	\$677,501		\$677,501
023-500264	Heat Electricity Water	\$1,000,000	\$825,000	\$1,825,000
024-500228	Maint Other Than Build-Grn	\$84,883		\$84,883
026-500251	Organizational Dues	\$60,000		\$60,000
027-582703	Transfers To Doit	\$236,608		\$236,608
029-500290	Intra-Agency Transfers	\$1,000		\$1,000
030-500311	Equipment New Replacement	\$152,980	\$50,000	\$202,980
039-500180	Telecommunications	\$50,000		\$50,000

040-501587	Indirect Costs	\$94,203		\$94,203
042-500620	Additional Fringe Benefits	\$67,812		\$67,812
044-500400	Debt Service Other Agencies	\$51,404		\$51,404
047-500240	Own Forces Maint Build-Grn	\$133,614		\$133,614
049-584914	Transfer To Other State Age	\$12,000		\$12,000
050-500109	Personal Service Temp Appoi	\$1,006,811		\$1,006,811
059-500117	Temp Full Time	\$370,771		\$370,771
060-500601	Benefits	\$989,099		\$989,099
061-500536	Unemployment Compensation	\$20,000		\$20,000
062-500538	Workers Compensation	\$200,000		\$200,000
069-500567	Promotional Marketing Exp	\$447,586		\$447,586
070-500703	In State Travel Reimburseme	\$100		\$100
080-500710	Out Of State Travel Reimb	\$9,500		\$9,500
103-500736	Contracts For Op Services	\$189,127		\$189,127
211-501530	Catastrophic Casualty Ins	\$172,000		\$172,000
	Total Expenses	\$7,440,416	\$1,125,000	\$8,565,416

EXPLANATION

Relative to our current expense supplies budget increase request of \$250,000, Cannon is in the contracting phase to roll out the implementation of a totally new, cloud-based, tailored and on-site built, point-of-sale ski lift ticketing system in November. This new system will streamline product offerings and sales channel management, dramatically improve financial management and reporting capabilities, create an estimated \$160,000 in savings on sales commission costs via reduced credit card processing fees and system maintenance costs and vastly improve our data collection and lift access management and control. The purchase (and shipping) of 235,000 pieces of Radio Frequency Identification (RFID) card stock was not included when the FY 2022-2023 budget was developed.

The purchase, sale, and use of these RFID cards is necessitated by the implementation of this new ticketing sales system, the sales of which is estimated to generate approximately \$900,000 in gross revenue. This translates to an estimated net revenue return of approximately \$700,000 from the sale of these reloadable and reusable RFID cards. Reloadable and reusable RFID cards have become the widely accepted norm throughout the ski and outdoor recreation industry, allowing the user much more flexibility in being able to load and store both user data (*ex. name, age, ticket type, rental ski type, rental binding setting, etc.*) and also reload them with cash value and reuse them to go directly to lifts and directly to on-mountain venues or shops. In this application, they will be used as reloadable and reusable day tickets and season pass stock. The use of RFID card technology has also added tremendous value from a business perspective when it comes to scanned lift access, use tracking and market experimentation based upon user trends, and quite importantly, the ability to message a guest (*when he/she is loading at lifts*) regarding an emergency

Relative to our utility appropriation increase request for \$825,000, electricity, heating oil, and propane rates have skyrocketed over the last two years, and because of its sharply spiked energy use profile during the four-month snowmaking season (similar to all Eastern ski areas), Cannon's electric rate in particular tripled in August and will remain at said level for two (2) calendar years, until we can again go out to bid to seek lower rates. This rate spike will result in an estimated \$822,000 electric rate increase in FY23, based upon Cannon's historic use of 6 million kilowatt hours per calendar year.

Relative to the equipment purchase budget increase request of \$50,000, Cannon's standard postseason inspection of its lifts revealed excess wear on approximately 60% of the haul rope grips on the Peabody

Express Quad, necessitating immediate replacement on them, rather than performing said haul rope grip replacements in FY24 as originally planned.

The Cannon Mountain Aerial Tramway & Ski Area fund balance at the close of Fiscal Year 2022 was \$2,169,978. While we estimate that this request of new appropriations for unanticipated costs will reduce the fund balance by more than half, we are confident that the rate increases proposed in the Fiscal Year 2023 Cannon Mountain Fee Package, the resulting winter revenue increases, and the increased revenue generated through the new gift card sales with the move to the new ticketing sales system, will offset this fund balance draw request before the close of FY23.

The following appropriation authorities are being requested:

Class 020 – Additional appropriation is needed to cover \$250,000 in Radio Frequency Identification (RFID) card stock (plus air freight) for Cannon's switch to a new online and on-site sales / POS / scanned lift access system. Said RFID card sales (day tickets and season passes) are expected to generate over \$900,000 in added gross revenue.

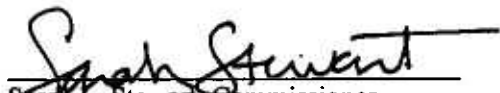
Class 023 – Additional appropriation is needed to cover unanticipated and dramatic increases in energy costs. Cannon's electric rates tripled in 2022, and both cost and consumption of heating oil and propane have risen. Cannon averages 6 million kWh usage annually, and in order to meet market demand and realize its revenue goals, must not reduce its snowmaking capacity.

Class 030 – Additional appropriation is needed to cover unforeseen replacement of haul rope grips on the Peabody Express Quad lift. The replacement of said grips was planned for FY24, but a standard postseason inspection revealed excess wear on a large percentage and necessitated immediate replacement.

Thank you for your consideration.

Respectfully submitted,

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Sarah L. Stewart, Commissioner
Department of Natural and Cultural Resources