EAGLECREST BOARD OF DIRECTORS
REPORT OF RETREAT – October 21, 2018

The Eaglecrest Board of Directors met in retreat on Sunday, October 21, 2018, in the boardroom at Porcupine Lodge. All board members were present along with General Manager Dave Scanlan. Also in attendance were CBJ Assembly Liaison Rob Edwardson and Erin Lupro, Director of Snow Sports. An agenda for the retreat was presented and approved. The discussions are reported in order of the agenda, beginning with item 2.

2. Recap of Projects Currently Underway or Completed This Summer.

Mr. Scanlan reviewed a list of projects and activities from this past summer, including:

a. "Carl's" Bridge, between Hooter and Ptarmigan. The repair/replacement of this bridge was completed and proved to be working as planned during a recent rain event. Total cost of the project was approximately $ 42,000, all of which will be covered by insurance.

b. Ptarmigan Top Ramp. Completed.

c. Old Tower Bar. Construction of a space in the main lodge for the Old Tower Bar is largely completed and is ready for installation of equipment. The status of licensing for the pub was discussed later in the meeting (item 10).

d. Snowmaking Expansion. Mr. Scanlan reported on the progress that has been made expanding the ski area's snow making capacity using funds appropriated by the CBJ Assembly last spring. The project is on budget and the upgraded system will be operational when colder weather arrives. Eaglecrest now has a total of nine snow guns, eight of which can be operated at one time. Mr. Scanlan outlined plans for making snow this season. Staff will first work to lay a base for the Porcupine lift and will then focus their efforts on making snow for arteries to allow skiers to get down the mountain from presumably better conditions up high, including down Sourdough from the top of Hooter, the run out from Black Bear chair to Hooter slopes, and then Logjam. Once these arteries are laid down, snowmaking will continue in other areas as conditions warrant.

e. Mountain Bike Trails. Mr. Scanlan reported on the site visit by Gravity Logic at the beginning of October, which he and staff found to be helpful and enlightening. The company's report is due at the end of November. He anticipates a general conclusion that expanding the area's mountain biking trails my not be very feasible as a stand-alone project, owing to the soil structure at the ski area, which makes trail development expensive, and because of a finite population to support a trail network. An expansion of mountain biking would instead have to be supported by an increase in revenues from other summer activities or as part of a larger project to develop a recreational complex to attract summer tourism (see item 5).

f. Black Bear Generator. Mr. Scanlan reported that the new diesel generator for the Black Bear chair has been installed and is in the final process for wiring, and he expects the chair will be spinning soon.

g. Cabin Construction. Dave Hanna said that the bridge from the service road across the creek to the new cabin site has been installed and that he expects to finish work on the abutments soon. This will allow work to begin on the road to the cabin site and, depending on weather, a building pad. Construction of the cabin itself will take place next spring/early summer, with a target of completion and occupancy by midsummer.

h. Nordic Loop Entrance. Mr. Scanlan said that his crew will shortly be wrapping up construction of a new rock ramp from the parking lot down to the Nordic loop, which will allow much-improved access to the trail for all levels of Nordic skiers. New signs will also be installed, welcoming skiers to the Eaglecrest Nordic Center and providing directions.

i. Cropley Lake Fish Screen. Mr. Scanlan detailed progress on a new screen over the water intake for the snowmaking system at Cropley Lake. A screen has been constructed, to the specifications of DNR and ADF&G, and will soon be installed. The new screen will be placed over the existing (deficient) screen, which will be removed with the help of a diver next summer. Mr. Scanlan is also continuing to work with the agencies to modify Eaglecrest's water rights permit, to allow the area to draw more water earlier in the season during peak snowmaking conditions.

j. Glading. Mr. Scanlan described the work that has been done this summer to brush various runs around the area so they can be opened and groomed with lower snow cover.

k. Hooter Ramp. The ramp at the top of Hooter has been repaired, with removal and replacement of decking and related improvements.

l. Painting. Staff have been painting various facilities around the area.

m. Website. Mr. Scanlan reported the Charlie Herrington, Marketing and Events Manager, has continued working to revamp and upgrade the ski area's website, and expects to roll it out very soon.

3. Future Projects from Past Priority Lists.

The board next reviewed the current CIP list. Staff will begin working with the finance committee to update this list for preliminary submission to the CBJ Engineering Department in December. The board also discussed a list of projects identified by the manager from past priority lists. These include:

a. Tower Painting. Staff plans to undertake this next summer, using in-house labor.

b. Sand Shed. Mr. Scanlan initially said that staff was considering stockpiling and tarping a supply of sand for this season, with a view to developing a more permanent facility next year. Mr. Hanna pointed out that construction of an actual shed might still be possible this year, using materials already on hand (*e.g.*, beams removed from the old Ptarmigan ramp) for

relatively minimal cost. This might also result in a general clean-up and reorganization of the lower shop yard. Staff will work with Mr. Hanna on this idea.

c. Cropley Lake Road/Trail. Mr. Scanlan indicated that staff intends to move forward with developing a road/trail to Cropley Lake next summer, and will be working to identify costs and a plan. Mr. Hanna said that there is a good amount of material at the bottom of Cropley chutes that could be used in constructing a road, which would reduce the amount of material that would have to be hauled uphill.

d. Raising Cropley Lake Dam. Staff will monitor the water flow resulting from modification of the area's water rights, to determine if raising the Cropley Lake Dam is warranted. Raising the dam height by three feet would likely double the amount of useable water for snowmaking. Mr. Hanna, who was involved in construction of the existing dam, discussed the logistics involved, which he believes are feasible.

e. Traffic Plan. Mr. Scanlan reported that after monitoring traffic flow this past season, staff recommends staying with the current plan for now. Suggestions were made for better signage for the SAIL/disability parking area around Porcupine Lodge and to confirm that the upper parking lot is one way only.

f. Magic Carpet. Acquisition of a magic carpet remains a priority but more investigation is needed regarding cost, including for staff to operate.

g. Phase II Renovation of Fish Creek Lodge. Mr. Scanlan presented schematics from a report previously prepared by Allen Rogers (2011) regarding renovation of Fish Creek Lodge, which included expansion of the mezzanine and enclosing portions of the main deck. Board members raised questions about the need for expanding the lodge in this manner, based on current usage. Mr. Scanlan also described ongoing repairs of the lodge, including installation of a new boiler and sealing roof seams and other leaks. Bruce Garrison reiterated a concern recognized by past boards, that the current aid room is inadequate. Mr. Scanlan said that staff is still interested in having a new base operations building, including a new aid room, but wants to hold off planning for this project until the board determines the direction it wants to go in growing summer recreational opportunities and facilities.

After further discussion of the above list, the consensus of board members was to assign priority to existing maintenance and operational projects (tower painting and sand storage) and to building a road/trail to Cropley Lake and acquiring a magic carpet. Lower priority should be given to revising the traffic flow, raising Cropley Lake dam, and Phase II renovation of Fish Creek Lodge.

4. Summer Opportunities from the 2012 Master Plan.

Mr. Garrison and Mr. Scanlan provided a brief overview of summer recreational opportunities that were identified in the 2012 Master Plan and that have either been implemented or are in progress. The reports of the board's retreats in 2012, 2015, and 2017 further elaborate on this topic.

5. New Summer Opportunity Developed by Staff.

Mr. Scanlan presented his and staff's proposal for developing a new recreational complex at the ski area, primarily to attract summer tourist visits (from cruise ships) but with winter benefits as well. Prior to the retreat, he distributed to the board various documents illustrating staff's ideas and expanded on this information in his presentation, including with maps depicting the project location. As currently envisioned, the complex would involve construction of a gondola for scenic lift rides to the top of Mt. Ben Stewart, with a midway station on Fish Creek Knob; a mountain coaster; additional mountain biking trails; and associated food and beverage facilities, possibly including lodging. Mr. Scanlan emphasized that this development would occur in the area north of the Porcupine lift, in an area that the 2012 Master Plan partially designated for Potential Active Alpine Recreation (PAAR), and would not intrude on the existing ski lift zones or summer usage of the service road, which is highly popular for citizens of Juneau. Mr. Scanlan believes that this project has the potential to significantly increase summer revenues for Eaglecrest, and thereby provide funds to support winter recreation and other existing activities at the ski area, and would also expand opportunities for partnering with various private tour operators for their offerings, such as ziplining and gold panning. Mr. Scanlan acknowledged concerns that have been expressed in the past about Eaglecrest undertaking revenue-generating activities in competition with the private sector, but believes that these concerns are not as acute today as they were at an earlier time.

A primary motivation for considering a new complex as described is to increase the city's capacity for providing quality recreational experiences for a growing tourist population. Mr. Scanlan is a member of a JEDC working group that has been examining this issue, and says that the tourism industry providers, particularly cruise lines, are increasingly expressing concern regarding the lack of new opportunities for the growing number of cruise ship passengers. The tourism representatives with whom he has interacted have all expressed interest in seeing an expansion of visitor activities at Eaglecrest and are enthused about the concepts he has presented.

The revenue potential of a development of this nature is substantial. Mr. Scanlan related the experiences of other area that have installed mountain coasters, for instance, and saw an immediate spike in their revenues. The income gains that might be realized from a project of this magnitude could be used to support and expand winter recreation at the area and could also be used to meet other needs the board has previously recognized, such as bringing staff pay into line with other CBJ entities. Mr. Scanlan said he has been working on a package of information that will lay out specific projections for both costs and revenues, and will soon present this to the board.

Mr. Scanlan estimated that a fully realized project, including the lifts and activities identified to date, along with buildings in the base area, could be as high as $ 18 – 20 million. He suggested that a combination of sources could be accessed for funding, including Alaska economic development grants, Land and Water Conservation Funds, and local revenue bonds. The package he is putting together will address these ideas.

Assuming a gondola is part of the complex, Mr. Scanlan believes that it would open up a large area to skiing and boarding that is now accessed only by backcountry skiers, and has the

potential to significantly increase Eaglecrest's attractiveness as a destination ski area. Recognizing that the weather on the top of Mr. Ben Stewart may often be challenging, the gondola could be configured to operate only to the midway station of Fish Creek Knob. Skiing from the Knob down would mostly be within the PAAR area referenced above.

One hurdle to developing a gondola to the top of Mr. Stewart, is that some of the land is not within the current CBJ boundaries but is state land. This would require the CBJ to acquire rights to develop this land, presumably through a lease. Mr. Edwardson, who worked for the Alaska Department of Natural Resources (DNR) for many years, provided helpful insight into the agency's leasing process. He said there are currently approximately 900 applications on file with DNR and that with fewer staff resources, the agency is taking a long time to act on any particular one. A project that benefits a large number of people or that has significant community and/or political support – including "810" leases or public and charitable leases – may be handled somewhat more expeditiously, but it would still take considerable lead time. For this reason, Mr. Edwardson emphasized that the sooner an application could be filed, the better. He also suggested that having a complete application and a solid development plan would enhance prospects for timely approval, and that current DNR application guidelines and forms could provide a good template for planning purposes.

The board had several questions regarding staff's proposal. One was whether Ptarmigan could be used as a platform for high alpine tours, instead of Mr. Ben Stewart. Mr. Scanlan said that this had been tried before (in the early 1980s, using bubble chairs) and was not successful. In addition, this would bring commercial activity into an area that the 2012 Master Plan currently proscribes, which could result in conflicts with local hikers who access the ridge from the service road. Another was how far the board wants to go in committing staff resources to planning a project of this magnitude. After discussion, the board agreed that it would worthwhile to promptly undertake a preliminary assessment of the feasibility of the proposed recreational complex by having the planning committee work with staff over the next few months to frame a conceptual plan, budget, and timeline. The board intends to put this question on its agenda for its meeting on November 1, and will formally decide whether to forward this idea to the planning committee

6. Committee Operations and Officer Duties.

Bruce Garrison presented his written outline of committee operations and officer duties. He first reviewed the duties of each of the officers. He then discussed the responsibilities of each committee, as framed by the bylaws and consistent with past practice. Board members were reminded that, even if they are not a member of a specific committee, all members are welcome to attend any committee meeting. Mr. Garrison also talked about the status of the board's two advisory groups, the Nordic Advisory Group and the Trails Advisory Group. Both are still active and should continue operating as they have been. The board also briefly discussed the role of the board's liaison to the Eaglecrest Foundation, which led into a discussion of the next topic.

7. Protocols for Drawing Funds from the Eaglecrest Endowment.

Mike Stanley and Bruce Garrison provided background on the function of the Eaglecrest Foundation (EF) and the endowment fund that it holds from contributions made by the Juneau Community Foundation (JCF). JCF annually disburses to EF the sum of $ 100,000 from the Eaglecrest Operating Endowment Fund, a donor-advised fund established with the JCF by the Corbus family. This disbursement is made each year on or about March 1; to date, there have been four disbursements totaling $ 400,000. The EF deposits these funds into an endowment account it maintains, from which Eaglecrest may draw to support operations at Eaglecrest. Per the terms of the operating endowment, these monies may only be used to defray the costs of operating Eaglecrest Ski Area and may not be used for capital improvements or for maintenance of area facilities. Eaglecrest has requested and received approximately $ 225,000 from this endowment to date; the balance of $ 175,000 remains on deposit with the EF.

Due to some uncertainty with the process for Eaglecrest to draw upon these endowment funds this past summer, the board discussed a variety of related issues – *e.g.*, when and how to request funds from the EF and what amount of reserve (if any) should be maintained at the EF as a backstop for poor revenue years. The board reviewed an e-mail from Jim Calvin, former Eaglecrest board member and president, and the current Vice-President of the EF, with his suggestions on these matters. After discussion, the board agreed on the following points, which Mr. Stanley and Ms. Gregory will present to the EF board when it meets in November (at a date yet to be scheduled):

-- The Eaglecrest operating budget for FY 19 (current) provided for a draw of the full $ 100,000 annual contribution this year. The board does not intend to modify its request for FY 19. The amount of the draws in subsequent fiscal years will be determined by the board during its annual budgeting process, which typically begins toward the end of the calendar year and is finalized early the following year for presentation to the CBJ in February.

-- The board will request the EF to disburse the amount budgeted for a draw from the endowment within approximately 30 days of the EF receiving its annual contribution from the JCF. For FY 19, this would mean a disbursement of $ 100,000 on or about May 1, 2019. The board wants these funds transferred during the current fiscal year, rather than after July 1, in the next fiscal year, as suggested by Mr. Calvin.

-- The board is willing to work with the EF to develop a mechanism for requesting an annual draw from the endowment fund, with whatever degree of formality the EF deems necessary for its purposes, but would like to keep this fairly general. Because the funds drawn from the endowment are based on Eaglecrest's annual operating budget, and hence are necessarily within the terms of the restrictions on use of the funds stated in the Operating Endowment Agreement between the JCF and the Corbus family, the board believes it is unnecessary to provide specific details on how the funds will be used or earmarked.

-- The board intends, in its upcoming budget cycle, to discuss what sort of reserve it wishes to maintain with the EF and to budget for its annual draw accordingly. A split of 75/25 was mentioned – a $ 75,000 annual draw, leaving $ 25,000 to grow the reserve beyond the

current $ 175,000 – but no final decision on this point was made. The board emphasized that the amount of the annual draw will be determined through its budgeting process each year and will not be linked to revenues or actual financial performance in any given year, unless circumstances warrant.

The board also discussed other issues related to the EF. One was the status of funding for the Books-to-Boards program. The EF was unable to provide any contribution toward this program this past year, and entire cost was borne by Eaglecrest. The board encourages the EF to continue fundraising efforts to support this important program, and is prepared to assist the EF toward that end. A second topic discussed was the status of the tower signs. Mr. Stanley reported that, based on his understanding from the EF meeting last November, the agreements with various commercial and other entities for placement of signs on towers have all expired. The board encourages the EF to pursue renewal of these agreements as a source of revenue that could be used to support Books-to-Boards or other worthy programs. The board understands that some of the current tower signs serve as memorials to people who were instrumental in the development of Eaglecrest, and is willing to discuss with the EF whether these should be grandfathered or otherwise treated differently than commercial signs.

8. Juneau Nordic Ski Club Development Plan.

Mr. Scanlan presented information regarding revenues derived from Nordic skiing at Eaglecrest. The costs of grooming are close to being equaled by revenues from ticket and pass sales, not including the cost of staffing. Factor in the latter and the cost recovery is approximately 70 %, which is consistent with the ski area's overall goal. Board members expressed comfort with this and are committed to continue providing, and growing, Nordic ski opportunities at Eaglecrest. Nordic Advisory Group chair Stephanie Hoag said that a meeting with the JNSC is scheduled for November 8, and will include a review of the list of the group's priorities for improving the Nordic ski experience at the area.

Mr. Scanlan also reported on his recent meeting with members of the Juneau Nordic Ski Club (JSNC). They expressed appreciation for the new ramp down from the parking lot, but were not enthused about using the surplus lift shack that was constructed for the Ptarmigian ramp project as a waxing station, mainly because of its size. Instead they discussed moving the tubing building down to the Nordic area. Mr. Scanlan said that staff believes this is feasible, as the building would likely have to move anyway depending on plans for a summer recreational complex whose base would occupy that area. He said that moving the tubing cabin could be accomplished next summer; the question is cost. The board considered asking JNSC to fundraise for this purpose, but came to agree that this should be borne by the ski area. Once the building is moved, paying for further improvements – possibly including electrification – would be the responsibility of JNSC. The board referred the moving project to the finance committee for discussion in the context of the upcoming CIP request.

9. Winter Road Maintenance.

Mr. Scanlan reiterated the current situation: although DOT has agreed to continue plowing the Fish Creek Road for the coming season, at the current level of service, for future

seasons it will decrease the level of service to the lowest level, category 4, which means plowing within 72 hours of a snow storm and not on weekends or holidays. DOT appears to be trying to wash its hands of snow plowing responsibility for the road, as part of its overall effort to reduce departmental expenditures in the face of budget cuts. DOT recommends instead that either CBJ Streets and Fleets or Eaglecrest itself take over this task. Mr. Scanlan said that his preference would be for Eaglecrest to take this on, as it would allow the area to better control the timing and quality of snow plowing. He also said that if DOT does completely withdraw from snow plowing the Fish Creek Road, there will have to be a negotiation with the agency regarding how much it will pay for being relieved of its duty to maintain a state highway.

The board did not agree with the suggestion that Eaglecrest assume responsibility for plowing the Fish Creek Road, as it would involve significant capital expenditures for vehicles and equipment and increased costs for personnel. The board instead wants this discussion elevated to the CBJ Assembly to explore options for reversing DOT's position (which may affect other roads within the city's boundaries). Rob Edwardson agreed to talk with Mayor Weldon and/or Assembly member Jones, to determine which committee this issue should be assigned to as an initial matter, and will report back to the board.

10. Beer and Wine Sales.

Mr. Scanlan reported that Abby Williams, the applicant for a recreational site license for the Old Tower Bar, and some of her associates have been in discussions with various government officials, to explore options for getting back before the Alcohol and Marijuana Control Office (AMCO) at its next meeting in December. The goal would be to have AMCO reconsider its decision to deny her application. Mr. Scanlan will be meeting with Williams and her team this coming week to get an update on their efforts, and will be prepared to report to the board at its meeting on November 1. The board also discussed the possibility of a legislative fix to add ski areas to the designated list of activities for which a recreational site license may be issued, but agreed that further effort in this direction will likely have to wait until a solution with AMCO proves futile and the results of the upcoming election are known.

The board adjourned its retreat at 2:10 p.m.