EAGLECREST SUMMER OPERATIONS TASK FORCE
THE CITY AND BOROUGH OF JUNEAU, ALASKA
Tuesday, February 22, 2022, 6:00pm, Zoom Webinar
Meeting Minutes

1. CALL TO ORDER/ROLL CALL:

Chair Smith called the meeting to order at 6:03 pm.

Members present: ***Assemblymember Greg Smith, Chair; Assemblymember Carole Triem, Assemblymember Wade Bryson; Eaglecrest Board members Michael Satre, Jonathan Dale, Shawn Eisele***

Other Assembly & Eaglecrest Board members present: Mayor Beth Weldon, Assemblymember Maria Gladziszewski, …

Staff Present: Eaglecrest General Manager Dave Scanlan, City Manager Rorie Watt, Municipal Clerk Beth McEwen…

2. APPROVAL OF AGENDA

The Agenda was approved by unanimous consent with no changes.

3. APPROVAL OF MINUTES: February 11th 2022 (minutes to be provided at future meeting)

4. Review of financial models

Chair Smith noted that the Funding Ordinance was introduced, additional ESOTF meeting and a Special Eaglecrest Board meeting were held and it was discussed at an Assembly COW meeting. Members of the EOSTF were asked to send in questions that needed to be addressed. Chair Smith noted that the intent at this meeting was to answer some of those questions as well as to provide additional Q&A opportunities from members. Financial information will be provided by Mr. Scanlan as well as CBJ Staff R. Watt and J. Rogers. Work session to continue to ask Q&A.

Mr. Watt provided some additional information as found in the red folder memo from Engineering/PW Director Katie Koester. Mr. Watt noted that their construction cost estimates were very rough as this is a “specialty project” with quite a bit of uncertainty but the total amount of estimated costs were $7.5-9.9 Million.

Mr. Scanlan noted that he had some meetings with outside individuals and agencies and has additional meetings scheduled over the next week. He provided narrative explanation with the assumptions made in larger model and then just pulled out the base amounts for the Gondola only based on that original model.

a. **Gondola only Base Line Model**

Q&A

Carole Triem re: Personnel costs staying flat across fiscal years. Dave – explained seasonal nature of Eaglecrest positions and high turnover/vacancy rates keeping FTE steps often the same level from year to year.

Mayor Weldon – how often running this during the summer vs. FTEs. Dave – 7 days/wk during the summer.

Shawn Eisele – unrealistic to go through this level of spreadsheets in detail at the meeting. Added expenses for winter operation, what is being planned – would it increase costs for avalanche control, increase for operations, etc…?
Dave Scanlan – not contemplated bringing in extra staff to run the lift every day that they are open. Found in Expense Detail tab.
Shawn – Hooter, Black bear, etc... 6:35p.m.

Dave S. – Summary Proforma detail provided. Low Projections = warmer/low snow years; Mid Projections are average snow winters, and High Projections are high snow years similar to this winter. Then explained cruise passenger projections and then showed a financial summary without general fund support but not taking any money out for debt service.

Chair Smith – asked for a variety of formula adjustments to see what effect a number of different variables would mean to the Summary Proforma numbers.

Dave S. then modified a number of the amounts/levers to demonstrate different scenarios. This model is for only selling gondola lift tickets and any other amenities would be operated by private entities.

Ms. Triem commented that she would like more time to have professional analysts dig through the financials and that she is feeling rushed.

Mr. Bryson- asked if we would be able to receive more time from the seller to allow more time for the Assembly to do more due diligence. Dave S. we do not have any more time prior to the decommissioning of the lift in early April to make a deposit on the lift and secure the purchase.

Mr. Dale feels that this is the best way to start to create revenue needed to update infrastructure and feels that the status quo without commitment to large capital is not sustainable.

Chair Smith- asked if this would be a Ptarmigan replacement. Mr. Scanlan explained a couple of reasons why this would not be a Ptarmigan replacement. The goal would be to generate the revenue from the Gondola to be able to replace Ptarmigan in the future.

b. Gondola/Coaster/Lodge Model

Q&A

Chair Smith – asked how Mr. Scanlan had factored in the feedback from feedback from CBJ Engineering, the Mayor and other business professionals. Mr. Scanlan produced a narrative summary of the financial model and addressed and incorporated the feedback into the information provided today. Mr. Scanlan went through some of the lines in the expense detail tab where he addressed these items.

Chair Smith – asked what would all be included from a Capital Costs in the full development scenario. Mr. Scanlan summarized that the full development scenario would include the Gondola Installation, a small Summit House and a Mountain Coaster.

c. Comments from JEDC or other Financial Analysts

d. Impacts to General Fund Balance

5. Financing Options

a. Central Treasury Loan

b. 1% Sales Tax Option

c. Revenue Bonds / Public Private Partnership

Chair Smith – Invited over Jeff Rogers, CBJ Finance Director to discuss various financing options. Mr. Rogers acknowledged that the three options presented are the three most likely options available to the Assembly. The Central Treasury Loan would have a 1% to 2% interest rate which needs to be repaid in 5 years. It could be structured to be weighted more toward the rear end of the repayment period. There is currently not anything in the code as to what happens if it could not be repaid. Likely the balance would be paid from General Funds or refinanced over a longer period.

The 1% sales tax option could pose some timing issues on how those funds come in and how they get allocated to specific projects. There are tools that can be used to help with that. This is a low risk option using general funds accrued through the 1% sales tax revenue.

Revenue bonds are complicated for this project. The cost of the debt is likely to be high because it is high risk. The Alaska Bond Bank would likely not back this. There are options to issue a revenue bond not through the Alaska Bond Bank but it would be expensive.

Mr. Bryson – asked if the difference between the Central Treasury Loan and a Revenue bond would be in the length of time of each funding option. Mr. Rogers - yes, but the cost of each would be much different between 1% on Central Treasury Loan and the Revenue Bond being likely 7% to 8%.

Ms. Triem – what are the reserve requirements and how would be come up with those. Mr. Rogers – typically reserve requirements are typically one year of payments, which are usually funded through the bond.

Mr. Rogers – talked about how when we do revenue bonds we typically go out to the market through an underwriter to find individuals interested in buying the bonds that we are offering. He described another option that we do not typically do. We can simply go to a local bank, which is called a direct placement. We would find a local bank that would be interested in taking on that debt. Typically, they do not want terms over 10 years. With this type of complicated project, a direct placement might be the preferable way to go as opposed to utilizing an underwriter.

Mr. Eisele – asked if we would be able to look toward one of these financing options as a way to fund a replacement of Ptarmigan with a fixed grip quad as a way to keep Eaglecrest running under a more simplistic option. Mr. Rogers – the answer would be yes. He would frame it as opportunity cost. If the Assembly is not going to use this funding or debt capacity on a Gondola then the Assembly will have to weigh all of the other things that are needed in the city. Mr. Rogers did admit that Eaglecrest is a capital hungry enterprise with many large capital needs. Mr. Watt commented that it is an order of magnitude questions. The higher the capital costs the more complicated the financing.

Mr. Satre – Thanked Mr. Rogers for pointing our opportunity costs. He talk about the efforts of the Board to significantly increase our annual CIP requests to help funding the large capital needs that we have. The Gondola should give us the financial capacity to continue funding improvements out of revenue generated. If the Gondola project does not move forward the Eaglecrest Board will continue coming to the Assembly with large capital needs.

Mr. Bryson – talked about the amount of value this project can bring to the community since we are able to purchase the Gondola at such a low purchase price. In his mind the Gondola can balance out the fluctuations of weather that impacts typical revenue cycles at Eaglecrest.

Chair Smith – asked what the market or likely hood of reselling this Gondola if things did not work out. Mr. Scanlan commented that the larger ski area are looking for higher capacity ski lifts so we would be looking at smaller independent ski areas as potential buyers.

Chair Smith – asked how the Gondola storage would be cared for and stored if it came to Juneau. Mr. Scanlan – There are currently funds available in the FY 23 CIP budget that could be used to expand a new parking area that could be used as a storage lot in the short term and turn into new expanded parking lot in the longer term.

6. **Other remaining questions from the Assembly / Eaglecrest Board**
7. **Jon Dale – request Mr. Palmer possibly provide information on legal questions for next meeting.**

Discussion as to whether or not a motion of support would be appropriate to forward to the Assembly with respect to the ordinance.

8. **Adjournment – 7:59 p.m.**