An Economic and Strategic Analysis of Two Ski Areas Owned and Operated by the State of New Hampshire: Cannon Mountain and Mt. Sunapee

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ABSTRACT

Both Mt. Sunapee State Park and Franconia Notch State Park are losing money. The amount of the losses is very difficult to determine. Part of the problem is that the State continues to make incremental decisions, both budgetary and operational, with respect to the areas. In the long run, such decisionmaking leads to poor decisions because it is not based on proper prior planning and lacks direction and focus. The paper analyzes the current operations and proposes alternatives to the current operational structure. The current operations are inefficient, tied to politics, lack necessary capital commitments and lack continuity of vision and marketing to be successful in a competitive business. The alternatives are meant to serve as a list of options available to the State of New Hampshire. The paper proposes methods of operation which may result in lower operational losses than those currently being experienced by the State while at the same time seeking to ensure that the access to and quality of the areas as State resources are not compromised. Some of the proposals involve the application of private management techniques, including the leasing of the areas, to what have been solely public assets. This paper can be considered a term sheet for a proposed lease which, if the State so chose, could be appropriate for it to pursue with private operators. Finally, the State must face up to the deficiencies in the current operations of the areas and recognize that the public operation of what are normally private assets may not be the best way to serve its residents.

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CHAPTER ONE--INTRODUCTION

Cannon Mountain located in Franconia Notch State Park and Mt. Sunapee located in Mt. Sunapee State Park are two ski areas owned and operated by the State of New Hampshire. The areas have been operated by the State as parks since 1947 and 1948, respectively. The land areas of the parks were originally assembled at the direction and under the leadership of the Society for the Protection of New Hampshire Forests, and later transferred to the State. Although both areas were designated parks--permanent public reservations to be enjoyed by the residents of New Hampshire--they were also developed as recreational areas to encourage tourism and economic development in the areas of the State in which they were located.[1]

For the last forty or so years, the areas have been operated as a part of the New Hampshire Department of Resources and Economic Development (DRED). DRED has operated these areas to offer many residents of the State skiing at reduced rates when compared to other, privately owned ski areas in the State.[2] This has traditionally been viewed as a service to the State residents.[3] However, in recent years the parks have been losing money, particularly on account of their ski operations. Because of the financial accounting practices employed, it is extremely difficult to get a clear view of the amount of the losses for these areas.

> Although initially conceived as the [park] systems 'money makers' the two ski areas both directly and indirectly (through their continuing needs of capital improvement) drained money and legislative attention from the other parks for over two decades. Capital improvements languished throughout the parks and the deferred maintenance bill climbed, as the two ski areas battled to compete with snow making, lodge improvements, and a new

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[1] Conversation with State Representative Gene G. Chandler, June 21, 1995.
[2] Conversation with William S. Bartlett, Jr., Commissioner of DRED, April 14, 1995.
[3] *Ibid.*

$4 million aerial tramway.[4]

It appears that the ski areas now lose more than $3 million per year and even their revenues, due to lost tickets and other operational irregularities, are uncertain.[5] Accordingly, there have been suggestions that maybe the parks should be operated differently, by private parties or otherwise so that they can operate competitively with privately owned ski areas and perhaps make money or at least lose less money.[6] Most residents of the State are not aware of the extent of the losses and one of the purposes of this paper is to try to document the losses and identify a strategy to minimize or limit them in the future.

This paper explores the operations of the areas, from both an historical and a governmental perspective. It is clear that the State has a legitimate and well founded interest in seeing that these resources are preserved and managed so as to benefit all and future residents of the State as well as the economies of the areas in which they are located. The paper proposes strategies for future operation of the parks which will serve to focus attention on the possibilities for less costly operation of the parks from the State's point of view. Ultimately, the State will have to make a choice as to how much of its own resources it is willing to commit to operating businesses not normally operated by states in a highly competitive business environment or how much of its stewardship it is willing to give up to 'stop the financial bleeding'.

According to Wilbur La Page, former Director of New Hampshire State Parks, there are ten principles that guide the New Hampshire state park system:

> 1. The value of a 'community's' parklands is not correlated with the size of (or cuts in) the budget.
> 2. Parklands are living parts of their community, and their flow of benefits cannot be interrupted without adversely affecting that

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[4] Parks, Vol. 4, No. 2, Wilbur F. La Page, Director New Hampshire State Parks (June, 1994).
[5] State of New Hampshire Department of Resources and Economic Development, Audit Report for the Fiscal Year ended June 30, 1994, (November 10, 1994) p. 40.
[6] Conversation with William S. Bartlett, Jr., *op. cit.*

community.
3. The viability of a community's parklands is a highly visible barometer of the community's health, vigor, and pride.
4. Support for sustaining a park[`s] flow of benefits cut across all segments of the community and can be readily identified.
5. The only obstacles to developing alternative funding sources are the lack of will and the lack of know-how to do it.
6. The number, quality, and diversity of potential park partnerships produces benefits vastly in excess of what might be achieved through 'full funding'.
7. By opening park management to true public involvement, our parks can play a major role not just in 're-inventing our government', but also in re-energising (sic) our democracy.
8. The usually silent constituency for parks exhibits a willingness to support their parks through fees and cooperation that is dramatically incongruent with political demands for free use.
9. There is no short-term 'fix' for underfunded park budgets; and multiple support sources with their attendant complex organisational (sic) relationships are not only here to stay but are a superior way to manage parks.
10. As our concept of park management matures, so too does our understanding of what constitutes park planning, protection, development, stewardship, and even what a park is.

If stewardship is the key to restarting the public parks movement, and if stewardship is limited by funding, then we can no longer afford to let our parklands wither under General Fund tokenism. Our parks ... and natural areas are essential parts of our lives and our economies. They deserve to be funded as such, not as wards of the state! Getting parks off the dole and onto a stable funding base will not be easy. But parks have much more to 'sell' than entrance fees; and much more to manage than visitors! As we introduce the next generation of school children to their parklands heritage, let's not teach them that these places are so special that we have chosen to let the buildings rot, the lands be eroded, the vegetation be destroyed, and the waters be polluted because we had no funds. And that we lacked the courage and the commitment to seek alternative ways of doing business.[7]

The thrust of this paper is that the State must make some long term, intelligent resource allocation and operational decisions with respect to these two State Parks.

[7] Parks, *op. cit.* pp. 26, 27.

Chapter Two will provide an historical overview of the areas' operations and structures. Chapter Three will review the operations today, including the losses being incurred. Chapter Four will suggest solutions to the operational and profitability problems. Specifically, it can be viewed as a term sheet for the leasing of one or both of the areas. Chapter Five, the Conclusion, suggests some steps which should be taken in order to position the State to offer these resources to its residents and others in the most cost effective manner.

CHAPTER TWO--HISTORICAL OVERVIEW AND STRUCTURE

INTRODUCTION

The residents of New Hampshire have a long history as leaders in the ski industry from its very beginnings. Skiing was first introduced in the New England states in the 1870's, with the first ski club being formed in Norway Village, New Hampshire.[8] Because there were no dedicated ski trails, logging roads, roads and hiking trails were used by the first skiers. Soon Dartmouth and other colleges and organizations formed ski clubs. The first skier to descend Mount Washington did so in 1931.[9]

The Boston and Maine Railroad began running snow trains to bring people into the mountains and from 1931 to 1936 over 40,000 skiers came to New Hampshire.[10] Robert P. Peckett, Sr. owned the inn, Peckett's on Sugar Hill, which was one of the first inns in the Franconia, New Hampshire area to cater to winter guests. In fact, in 1931, Mr. Peckett established what is believed to be the nation's first ski school at his inn by hiring Austrian, Sig Buchmayr, to teach skiing to his guests.[11] At this time, members of the Civilian Conservation Corps and local citizens cut the Taft trail on Cannon Mountain which was the first racing trail in the country. In 1935, the Gunstock ski area in New Hampshire boasted of having the world's longest rope tow. About this same time, famed Austrian skier, Hannes Schneider, began teaching skiing in North Conway, New Hampshire at the Eastern Slopes.[12]

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[8] "The New Hampshire Ski Industry, 1992-1993, Its Contribution to the State's Economy", The Institute for New Hampshire Studies, Plymouth State College, Plymouth, New Hampshire (December, 1993), p. 1.
[9] *Ibid.*
[10] *Ibid.*
[11] "Franconia Notch State Park--An Historical Perspective", Remarks by George T. Hamilton, Director, Division for Parks (October 18, 1974), p. 3.
[12] 'The New Hampshire Ski Industry" *op. cit.*

CANNON MOUNTAIN

State title to Cannon Mountain was obtained in 1928 pursuant to legislation passed in 1925 and with the help of the Society for the Protection of New Hampshire Forests and many other citizens who helped to raise the $400,000 needed for the acquisition.[13] In formulating plans for the park, it was recognized that the primary purpose should be " To preserve Franconia Notch as a Public Reservation and Memorial Park"[14] , memorializing the men and women of New Hampshire who have served the nation in times of war.

As skiing became more popular, an aerial tramway was first proposed for Cannon Mountain in 1933. In 1937, the New Hampshire legislature established an Aerial Tramway Commission and authorized a bond issue of $250,000 to build the tramway. The tramway opened for business on June 28, 1938. It was the first aerial passenger tramway in North America and serviced five ski trails during its first winter of operation. Thereafter, ski trails, parking and other facilities were developed.[15] One of the chief planners of the Park was Boston Landscape Architect Arthur Shurcliff who wrote the following to State Forester John Foster in 1941:

> Recently when passing through Franconia Notch, I found myself thinking over the ideals which were discussed for its preservation. These ideals were foremost in all minds when your Commission and the Society for the Preservation (sic) of New Hampshire Forests asked me to join you in the discussion. We realized fully that a responsibility rested on our decisions on the part of the many organizations, individuals, and state authorities who contributed funds and devoted their labors to make a purchase of the Notch possible. It was plain that these ideals were based on the belief that the natural beauty of the Notch must be preserved. Scars made by previous

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[13] Remarks by George T. Hamilton, *op. cit.*, p. 10.
[14] *Ibid.*, p. 12 (no emphasis added).
[15] Remarks by George T. Hamilton, *op. cit.*, p. 14.

> owners were to be removed and these areas restored as far as possible to their natural beauty.
>
> It was also plain that in undertaking these responsibilities your Commission and the Society for the Protection of New Hampshire Forests must be careful that no new blemishes would be made and that no recreative facility would compete by extent or prominence with the scenic beauty of the Notch. Consequently, in viewing the work at my recent visit, I considered two main points: First, have the ancient scars been removed and the ancient beauty properly restored: And, second, have any of the activities in the Notch since its acquisition created any new scars?
>
> Any effort to make a concession or a utility a source of income beyond the normal and relatively small requirement of visitors, would jeopardize the very purpose for which the Notch was acquired, and would threaten public confidence in the custody of the State.

Furthermore, at a 1947 dedication in the memory of Philip Ayers, former Forester for the Society for the Protection of New Hampshire Forests, Mr. W. R. Brown, Chairman of the Forestry and Recreation Commission, made the following observations:[16]

> As to the general policy of operation of Franconia Notch area, there appear to be two conflicting views that have received publicity. From the ultra-conservative standpoint, the scenic splendor of the popular area should be preserved as a sylvan wilderness, where only quiet and solitude should prevail and the minimum of provision made for the public. From the other extreme standpoint, this area should be developed with a view towards receiving the greatest possible revenue from the greatest number of people, even at the expenses of some of its natural beauty. Our Commission believes in the middle way between these extremes, signified by the expression 'use but not abuse'. ...Franconia Notch State Park...[must] be preserved by the careful protection of its natural scenery, and at the same time, by good planning, the

[16] Remarks by George T. Hamilton, *op. cit.*, p. 15.

> comfort of the myriads of nature lovers who will pour through this Notch can be provided for. The inspiration derived from a trip to the White Mountains is not alone for the young, the strong, or the privileged few, it is equally appreciated by the old, the weak, or the underprivileged dwellers of our hot cities. The cult of exclusiveness can be no part of a public trust and all the people who come to enjoy our beautiful state must be hospitably received, albeit with reasonable restrictions for the general good.

Franconia Notch (and Cannon Mountain) State Park was put under the New Hampshire Division of Parks in 1945. Through further adjustments of authority the Tramway Commission was abolished (1950) and the Division of Parks was established as a part of the New Hampshire Department of Resources and Economic Development where it now resides. The park is the most heavily used park in the State.[17] Many people use the park to camp, ride the tramway year round, hike, climb, fish, use the beach on Echo Lake , etc. In the winter, approximately 100,000 skiers ski at Cannon Mountain and technical climbers climb the Cannon Cliffs.

In 1980, a new 80 passenger tramway was dedicated, replacing the old 27 passenger tramway and many new ski lifts have been built over the years. In 1982, the snowmaking system was extended to the summit and now covers 158 acres, or 97% of the skiable area on the mountain. The mountain is 4,180 feet high with a vertical drop of 2,146 feet. The base facilities are somewhat old and small and include daycare facilities, ski school, ski shop and the New England Ski Museum.

MT. SUNAPEE

The Society for the Protection of New Hampshire Forests also played a major role in acquisition of the land for and the creation of Mt. Sunapee State Park.

[17] Conversation with Richard McLeod, Acting Director of N. H. Parks, April 14, 1995.

In the early years of this century, extensive clear cut logging on Mt. Sunapee greatly concerned local residents and business people dependent upon the ever growing tourist trade. With the help of the Society for the Protection of New Hampshire Forests, citizens raised $8,000 and purchased 656 acres of land in 1911 in what is now the state park. The Society was designated the Trustee of the land and it became the Society's first reservation. The purpose of the purchase was to prevent future logging, reforest the land and preserve it for future generations. The opening of the Cannon Mountain tramway initiated a movement by local business people to construct a similar lift so that the area would become attractive, not only for its lake but also for the mountain experience. At that time, support for the lift grew out of a desire to support the summer tourist trade rather than to spawn a ski attraction. Accordingly, the initial plans called for the lift to go to the water's edge in Newbury so that steamboat passengers could get right on the lift to ascend the mountain.[18]

World War II intervened and by 1945 skiing had become quite popular. A 1941 legislative bill originally authorizing the construction of an aerial tramway at Mt. Sunapee was extended several times and amended in 1945 to provide that the originally appropriated $375,000 could fund the construction of a tramway or "other lifting device."[19] As a result of the interest in skiing, some people thought the lift should not begin at the lake, but rather should service the mountain solely. Further studies and the shrinking due to inflation of the original appropriation resulted in a chairlift being built to the north peak of the mountain in 1948. Just prior to the construction, the land held by the Society for the Protection of New Hampshire Forests was transferred to the State of New Hampshire and became Mt. Sunapee State Park.[20]

Mt. Sunapee ski area opened on December 26, 1948 and everything went according to plan except that there was no snow. According to the initial enabling

[18] Information supplied by Richard McLeod, Acting Directorr of N.H. Parks.
[19] *Ibid.*
[20] *Ibid.*

legislation, the operation was supposed to support itself; however, the first four out of five seasons the area incurred a deficit. Summer operations did well, but not well enough to put the operation in the black.[21]

In 1950, the State acquired land on the shore of the lake and opened the beach which remains very popular to this day. Snowmaking to the summit was installed in 1982 and the mountain is now 95% covered by snowmaking. The mountain is 2,743 feet high and has a vertical drop of 1,500 feet. Mt. Sunapee has a ski school, daycare facility, ski shop and an older lodge. The facility is used both winter and summer with summer activities being camping, hiking, swimming, etc.

STRUCTURE OF STATE CONTROL--BOTH AREAS

In conversations with many state residents, one senses a great amount of pride that the State has two such fine mountains and that the history of skiing in the State was long and rich. Each mountain is extremely well located, being next to a parkway in Cannon's case (essentially an interstate highway) and very close to an interstate highway in the case of Mt. Sunapee. Additionally, both areas enjoy access to almost unlimited supplies of water for snowmaking--Lake Sunapee for Mt. Sunapee and Echo Lake for Cannon Mountain. This is critical to the success of a New England ski area. Both mountains are good ski mountains and each has an adequate amount of infrastructure although the lodges are somewhat small and outdated and some lifts need to be upgraded[22]. Each mountain has the three critical ingredients for success: accessibility, water for snowmaking and good terrain. Additionally, both the Sunapee and Franconia regions have reasonably good infrastructure to support activities at the mountains.

[21] *Ibid.*
[22] Conversations with various people in the ski industry in New Hampshire.

Until the late 1980's, ski area operations in New Hampshire were run out of the State's Department of Resources and Economic Development (DRED) in accordance with the organizational chart found on the following page.

State Ski Area Organization

The following is the organizational structure in which the Cannon and Sunapee ski areas currently operate.

New Hampshire Residents

Governor — Governor's Council

Legislative — Legislative Committees

Department of Resources and Economic Development

- Administration
  - Accounting
  - Personnel
  - Purchasing
- Promotion/Marketing
  - Publicity
  - Advertising

Division of Parks

- Area Superintendent
  - Area Assistant Superintendent
    - Mountain Operations
      - Lifts
      - Trails
      - Grooming
      - Vehicles
      - Snowmaking
      - Buildings/Grounds
      - Electrical/Mechanical
      - Building Maintenance
      - Parking
      - Utilities
      - Ski Patrol
      - Security
- Concessions
  - Ski School
  - Food/Beverage
  - Retail/Rentals/Repairs

The difficulty with this organizational structure is that, while the on-site Area Superintendents had authority to effect some operational decisionmaking, their authority was severely constrained compared to the authority of mountain managers in the private sector.[23] The constraints were effective with respect to not only decisionmaking authority but also spending limits. For instance, on site spending authority was limited to $100 without further review; therefore, if a compressor needed replacement overnight, such replacement could not practically be effected for some time, thereby limiting the ability of the area to function fully.

> ... such an organization would appear to have fragmented authority and negatively affected the efficiency of the manner in which the State runs its ski areas.
>
> The point is that a superintendent can best affect mountain operations, and all other aspects of ski area operations are left to be coordinated by various people, found at different levels within the organization with varying sets of priorities and located some distance from the ski area if not in miles ... [then in] perceived accessibility.[24]

As a result of the report of the so called Weymouth Committee,[25] in 1989 the State set up the Division of Ski Operations under the Department of Resources and Economic Development. The Division was not an independent State entity or department and the Director of Ski Operations still reported to the Commissioner of the Department of Resources and Economic Development. However, after three Directors of Ski Operations, the Division went out of existence with the new budget on July 1, 1995. Apparently, the anticipated savings and efficiencies were not realized because the

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[23] State of New Hampshire Management Review Ski Area Operations (Preliminary Draft), Prepared by Sno-Engineering, Inc. (November, 1985), p. 27.
[24] *Ibid,* p.28.
[25] Study Committee For The State-Owned Ski Operations, Report and Recommendations (Nov. 28,1988).

independence from state related constraints such as quick decisionmaking, purchasing and union wages could not be achieved.[26]

From the outset, both ski areas were to be operated at a profit and were intended to be a valuable recreational resource to the residents of New Hampshire.[27] The areas are still a valuable year round recreational resource to the residents of the State of New Hampshire but their profitability is erratic as will be seen shortly. Many residents take great pride in the fact the areas are run for them.[28] The State purposely charges less to residents for a skiing experience, i.e. all citizens over 65 ski free on weekdays, many school children ski at reduced rates and all full time state employees are entitled to receive a 50% discount, etc.[29] Adult season passes for the 1944/1995 season were $520 for residents and $695 for nonresidents at Cannon Mountain. At Mt. Sunapee, they were $470 and $630, respectively.[30]

Indeed, charges at Cannon Mountain equal the lowest of its closest competitors, being $31 and $38 for adult weekday and weekend/holiday tickets. Attitash charges $31 and $38, Waterville Valley charges $36 and $41 and Loon Mountain charges $35 and $41 for similar tickets. Mt. Sunapee charged more than its closest competitors for the 1994/1995 ski season, Ragged Mountain and King Ridge (which has since gone out of business) for similar tickets, being $31 and $37, respectively, to Ragged's $12 and $25 and King Ridge's $14.95 and $22.95, respectively. Mt. Sunapee is considerably larger than either Ragged Mountain or King Ridge.

Unlike most private ski areas, the State of New Hampshire has virtually no land cost and certainly does not pay any fees to anyone such as the United States

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[26] Conversations with various people in the ski industry in New Hampshire.
[27] *Ibid,* including Richard McLeod.
[28] Conversation with Richard Hamilton, Exec. Director of the White Mountains Attractions Association, June 16, 1995.
[29] Conversations with Richard Mcleod, June 27, 1995, and Kenneth C. Plourde, Business Administrator for DRED, June 29, 1995.
[30] Information supplied by Richard McLeod.

Forest Service for the use of la: :. Competitors such as Waterville Valley, Loon Mountain and Attitash each have permits from the United States Forest Service requiring payment for the use of government land.[31] Moreover, the State areas do not take a deduction from their operating profit for depreciation as do other, privately owned areas. The State areas do not pay any income or real property taxes which all other, privately owned areas are required to pay. Such items as depreciation, income and real property taxes and land use fees make up approximately 16% of the average ski area's expenses.[32] Although the State does not account for depreciation in the manner of a private operation, equipment does depreciate and wear out regardless of who owns it. Accordingly, because the State does not pay such charges, it should be 16% ahead of other, privately owned areas in profit solely on account of these items.

Why, then, are the areas not more profitable? In seven of the last thirteen years (fiscal 1983 -1995) the areas have shown an operating loss and, when debt service is included, the areas have lost money in ten of the last thirteen years.[33] The next Chapter will analyze the recent ski area operations in light of the State method and philosophy of operation and in light of other ski area operations.

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[31] See, the permits with respect to each facility.
[32] 1992-1993 Economic Analysis of Untied States Ski Areas, National Ski Areas Association (1993), p.20.
[33] See Appendix 1, "Summary of Winter & Summer Ski Operations", N.H. Dept. of Resources and Economic Development.

CHAPTER THREE--OPERATIONS TODAY

As noted earlier, one of the fundamental problems with the state run ski areas in New Hampshire is that many of the controls and authorities are in a rigid bureaucratic, system where there is little flexibility delegated to the people who actually direct the skiing.[34] The creation of the Division of Ski Operations was an effort to solve the problems created by such a structure but there were still too many constraints. Expected efficiencies in operations were not achieved.[35] In order to operate profitably and efficiently today, a ski operation has to be lean and able to respond quickly to changing conditions, be they market driven, weather dependent, equipment related or otherwise.[36]

Another very significant problem in the competitive operation of the state ski areas is the fact that the employees are members of the State Employees' Association or union. This has several negative and serious effects. First, while the great majority of the union employees are competent, the ability to hire and fire is severely constrained. Accordingly, inefficiencies in staffing and operation can go unresolved well past the time when a private operator would have solved the problem. One operator cited the story of a state employee who was not competent at his rather critical job regarding snow operations and it took one whole season to get him moved to another job. There were requirements regarding verbal and written warnings which made quick, effective action all but impossible. Another ski area operator cited a case where it took the State 1 1/2 years to fire an incompetent ski area employee. Such, apparently, is often the case.[37]

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[34] State of New Hampshire Management Review Ski Area Operations (Preliminary Draft), Sno-Engineering, Inc., Littleton, NH (November, 1985).
[35] Conversations with various people in the New Hampshire ski industry, including two former Dirs. of Ski Operations.
[36] Conversation with John Vorel, General Manager, Gunstock, N. H. Ski Area, June 7, 1995.
[37] Conversations with various people in the New Hampshire ski industry, including two former Dirs. of Ski Operations.

Another significant problem stemming from the requirement of using union employees is that shift scales are drastically different than they are at private ski areas. For example, private operators of seasonal amusement devices begin paying overtime rates to their employees after 56 hours of work. The State of New Hampshire begins paying overtime rates after 40 hours of work. Moreover, the minimums which must be paid for being on call for a particular job are also more expensive for the State. For example, if a person is called in to perform snowmaking duties and it turns out for meteorological reasons that snow cannot be made, a State employee will receive payment for a higher minimum number of hours than will an employee of a private ski area.[38] Additionally, part time State employees receive more benefits than do those in the private sector. The cost of the benefits for an average State union employee equal 31% of his or her salary.[39] State union employees receive double time and a half for working on holidays. Needless to say, many ski areas are busiest on holidays, but the private areas do not pay increased wages on such days.[40]

Perhaps the most telling difference regarding labor between the private and State run ski areas are the wage rates. Because of the union scale, wage rates at the State owned areas are much higher than at private areas. The ANALYSIS OF HOURLY RATES on page 23 shows the differences in wage rates between the State owned areas and other New Hampshire areas.[41] The average hourly rate for the State owned areas is $11.24 per hour versus $9.12 per hour for other areas--a 23.25% increase. These

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[38] *Ibid.*
[39] Conversation with Kenneth C. Plourde, *op. cit.*
[40] Conversation with Richard McLeod, June 27, 1995.
[41] Information provided by DRED.

numbers do not count the positions shown on the State's list for Assistant Park Superintendent, Park Manager IV, Resident Care Assistant I or Retail Store Manager I which do not appear on the list for the private areas. Of course, not all areas public or private will have the same employee positions but this list is clearly illustrative of increased wage rates paid by the State.

ANALYSIS OF HOURLY RATES

	DIV. OF SKI OPERATIONS			OTHER NH SKI AREAS		
				LARGE AREAS	SMALL AREAS	ALL AREAS
	MIN	MAX	AVE	AVE	AVE	AVE
Accounting Technician	$9.54	$11.16	$10.35	$8.31	$8.43	$8.37
Administrative Supervisor	$11.11	$13.09	$12.10	$14.19	$18.44	$16.31
Administrator of Marketing	$13.82	$19.74	$16.78	$17.21	$12.95	$14.72
Aerial Lift Mechanic	$11.16	$13.71	$12.44	$9.80	$8.91	$9.25
Apprentice Electrician	$9.54	$12.08	$10.81			$9.18
Assistant Park Superintendent	$14.92	$17.66	$16.29			
Asst. Ski Patrol & Maint. Chief	$10.30	$12.08	$11.19	$7.69	$7.69	$7.69
Asst. Ski School Director	$11.16	$13.16	$12.16	$11.29	$9.46	$10.19
Automotive Mechanic	$10.73	$12.57	$11.65	$10.11	$10.44	$10.31
Carpenter I	$9.54	$11.16	$10.35	$9.75	$7.25	$8.75
Cashier	$8.46	$9.91	$9.19	$7.25	$7.20	$7.28
Clerk I	$6.83	$7.69	$7.26	$6.79	$5.77	$6.33
Clerk IV	$9.54	$11.16	$10.35		$9.06	$9.06
Custodial Watchperson	$7.69	$8.64	$8.17	$7.22	$7.25	$7.24
Electrician Sub Foreman	$11.16	$13.16	$12.16	$11.15	$8.75	$9.95
Equipment Mechanic Foreman	$12.64	$14.92	$13.78	$12.69	$11.16	$11.67
Laborer	$6.83	$8.39	$7.61	$7.02	$6.35	$6.60
Lifeguard	$7.69	$8.90	$8.30	$7.12		$7.12
Lift Attendant	$7.92	$8.90	$8.41	$6.46	$5.72	$5.98
Lift Operator	$8.46	$10.73	$9.60	$6.96	$7.00	$6.98
Maintenance Mechanic	$8.15	$11.16	$9.66	$9.54	$9.40	$9.45
Mountain Equipment Operator	$9.54	$11.16	$10.35	$8.38	$7.44	$7.91
Mountain Manager	$13.82	$19.74	$16.78	$13.54	$14.93	$14.68
Park Manager IV	$11.64	$13.71	$12.68			
Plant Maintenance Engineer III	$13.71	$16.23	$14.97			$14.20
Rental Manager	$10.73	$12.57	$11.65	$10.74	$8.42	$9.35
Resident Care Assistant I	$7.92	$8.90	$8.41			
Retail Store Manager IV	$12.64	$14.92	$13.78	$9.72	$7.25	$8.93
Retail Store Manager I	$9.91	$11.60	$10.76			
Ski Patrol & Trail Maint. Chief	$11.64	$13.71	$12.68	$9.07	$8.98	$9.01
Ski Patrolman	$9.54	$11.60	$10.57	$7.49	$6.52	$5.86
Ski Patrolman Trainee	$8.46	$9.91	$9.19		$4.63	$5.80
Ski School Director	$12.64	$14.92	$13.78	$14.34	$13.34	$13.72
Ski School Instructor	$7.24	$12.08	$9.66	$8.20	$7.63	$7.93
Ski School Instructor Trainee	$6.83	$7.69	$7.26		$4.75	$5.47
Snowmaking & Construction Forema	$11.64	$13.71	$12.68	$9.84	$10.83	$10.38
Ticket Seller	$8.15	$9.54	$8.85	$6.58	$6.28	$6.41
Tramway Security Patrol	$8.46	$9.91	$9.19	$7.98		$7.98

Another problem in the operation of the State ski areas is the New Hampshire budget cycle. Requests for allocation under the State budget must be made, in most cases, approximately two years before the money is to be needed. This is the result of New Hampshire being on the biennial budget system. For example, the fiscal year in New Hampshire runs from July 1 to the following June 30. Fiscal Year 1996 begins on July 1, 1995 and the planning and allocations for the two Fiscal Years 1996 and 1997 are done beginning in the Fall of 1994. Accordingly, requests for grooming machines and other capital items must be made well in advance of when the money might actually be needed.[42]

Obviously, it is extremely difficult to plan so far in advance for problems which may not be foreseeable. Even for anticipated capital expenditures, such as a new lift, several years of planning is required. Even after a budget allocation is submitted in the Fall before the budget is to be approved, there is no certainty that it will be approved fully, partially or at all. The result is a very difficult planning process for those running the ski areas. Owners of private areas can go to their bankers and determine rather quickly when and how much money will be available and, indeed, most have lines of credit immediately available to draw upon.

A former Director of Ski Operations stated that his authority to requisition funds for a ski area went up to $1,000. This amount far exceeded the $100 authority which most people at his level had from the State of New Hampshire. Even so, such an amount is trivial when compared to the immediate needs for funds which ski areas can require. Clearly, a broken lift gear assembly, generating or pumping system can require immediate cash needs far in excess of that available to the operators of the State ski areas. To the extent that funds were not immediately available, repairs were not made or

[42] Conversations with former Directors of Skiing Operations.

a lengthy requisition process had to be commenced with no certainty of amount or timeliness of funds. Thus, ski operations were adversely affected.

Because of the manner in which the budgets are prepared and reported by DRED with respect to the ski areas, it is very difficult to determine exactly how much it costs to run the areas. For an average ski area, the expenses break down as follows:[43]

	Avg. Area*	Cannon	Sunapee
Costs of Goods Sold	8.7%	**0%**	**0%**
Labor	27.8%	**49%**	**52%**
Utilities, Supplies, Maint., Etc	17.7%	**33%**	**36%**
General and Administrative	9.7%	**1%**	**1%**
Advertising/Marketing	5.5%	**5%**	**8%**
Insurance	2.8%	**1%**	**2%**
Land Use Fees	1.8%	**0%**	**0%**
Property and Other Taxes	1.6%	**0%**	**0%**
Miscellaneous	1.8%	**1%**	**1%**
Depreciation	9.9%	**0%**	**0%**
Interest	4.5%	**11%**	**0%**
Income Tax	2.7%	**0%**	**0%**
Profit	5.5%	**0%**	**0%**
	100%	100%**	100%

*Percentages for the average area are from the 1992-1993 ski season. The other percentages are from New Hampshire Fiscal Year 1994.
**All numbers have been rounded.

The numbers with respect to Cannon Mountain and Mt. Sunapee were interpreted from figures given to the author by DRED and are shown in Appendices 2 and 3. The actual numbers received from DRED are shown in Appendices 4 and 5. From these numbers, it is apparent that the State labor costs are 176% of the average ski area's expenses at Cannon Mountain and 187% of the average ski area's expenses at Mt.

[43] 1992-1993 Economic Analysis of United States Ski Areas, *op. cit.*, p.20.

Sunapee. Utilities, Supplies, and Maintenance, etc. expenses for Cannon Mountain and Mt. Sunapee are 186% and 203%, respectively, of the average ski area's expenses.

Of course, the percentages for the State owned and operated areas would change to the extent that any of the components changes. For instance, the State shows no separate figures for the cost of goods sold and, to the extent these were accounted for separately, the other percentages, such as labor, would go down. Apparently, the State does account for the cost of goods sold, but not separately with respect to the ski areas.[44] Therefore, no number for such category has been used in the foregoing calculations.

As noted earlier, the State owned ski areas pay no income or property taxes, land use fees and do not account for depreciation, all of which should put them at an economic advantage with respect to privately owned areas; however, the excess of the Labor and Utilities, Supplies, Maintenance, etc. costs more than makes up for these lacking obligations. In general, "by far the greatest expense to the operator continues to be labor, followed by utilities, supplies and maintenance, depreciation, general and administrative, and interest expense."[45]

According to Appendix 1, the two state parks had total operating income of $3,690,231 at Franconia and $3,018,327 at Mt. Sunapee with total operating expenses being $4,045,146 and $2,581,935, respectively for Fiscal Year 1994. Both areas, before debt service of $1,306,690, had a "net combined gain" of $81,527. After debt service, both areas had an "adjusted net operating loss" of $1,225,163.

With respect to interest payments or debt service, the only one that shows up on the DRED figures is $447,086 for the Cannon Mountain Aerial Tramway. Nothing is noted for Mt. Sunapee.; however, in papers supporting testimony of the Commissioner

[44] Conversation with Kenneth C. Plourde, June 29, 1995.
[45] 1992-1993 Economic Analysis of United States Ski Areas, *op. cit.*, p.19.

of DRED on February 14, 1995 before State Representative Chandler's Public Works and Highways Committee, he notes that the apportioned debt service for the ski areas for Fiscal Year 1995 is to be Principal of $1,214,603 and interest of $821,030 for a total of $2,035,633.

Analysis is further complicated by a part of a State of New Hampshire Audit Report of DRED, which was issued in late spring 1995 and which contains in Note 8 a reference to payments of principal and interest on bonds "used to support the construction of the Mount Washington Summit Facility, the Hampton Seawall and the replacement of the Cannon Aerial Tramway" as being $863,818 for Fiscal Year 1995[46] not $2,035,633 as noted in the Commissioner's figures. In the same papers supporting the Commissioner's testimony, he noted that the total principal and interest due on the debt for the ski areas was $25,417,589, whereas the figures from the Office of the Legislative Budget Assistant is stated to be $7,274,588 including obligations unrelated to the ski areas.[47] There appears to be some confusion as to the amounts actually owing, but the Commissioner's numbers show that the ski areas lost nearly one and a quarter million dollars in Fiscal Year 1994.

The numbers in Appendices 2 and 3 purposefully do not contain expenses directly related to the Administration of the Division of Ski Operations because this Division ceased to exist as of July 1, 1995 and the operations should be viewed on an ongoing basis; however, if the administrative expenses for the Division were included in the Fiscal Year 1994 numbers, an additional loss of approximately $221,000 would have been incurred in addition to the existing $1,225,000 loss for a loss of nearly $1.5 million. (See, Appendix 6, Division of Ski Operations Administration Other Expenses).

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[46] State of New Hampshire Department of Resources and Economic Development, Audit Report For Fiscal Year Ended June 30, 1994, p. 50.
[47] *Ibid.*

The actual expenditures for DRED in Fiscal Year 1994 were $23,922,272 for all of its operations.[48] Included in this number is $6,900,000 attributed to ski operations expenses.[49] This appears to be an accurate number based upon the following supplied by DRED:[50]

Total Operating Expenses	
Cannon Mountain	$4,045,146
Mt. Sunapee	$2,581,935
Div. of Ski Operations	$221,000
TOTAL	$6,848,081

There appears to be approximately $50,000 which is not accounted for. These are probably general administrative expenses of DRED that are associated with ski operations, which brings the total losses so far to $1.55 million.

In addition, there were $1,700,000 in Capital Fund Expenses for Fiscal Year 1994 attributed to the ski operations.[51] Part of this amount can be viewed as a loss because it is net of any revenue as shown by the figures provided by DRED.[52] The Capital Projects Fund "accounts for certain capital improvement appropriations that are, or will be, primarily funded by the issuance of state bonds or notes, or by the application of certain restricted revenues."[53] The $1,700,000 in Capital Funds will be amortized over a period of years, probably twenty, and the annual cost of the principal and interest attributable thereto will be paid by the residents of New Hampshire.[54] If interest of 5% on this amount was paid by the State twice a year for twenty years, the

[48] State of New Hampshire Audit Report (June 30, 1994), *op. cit.*, p.43.
[49] *Ibid*, p.3.
[50] See, Appendices 1 and 6.
[51] State of New Hampshire Audit (June 30, 1994) *op. cit.*, p 3.
[52] See, Appendix 1.
[53] State of New Hampshire Audit (June 30, 1994) *op. cit.*, p 46.
[54] Conversation with Kenneth C. Plourde, June 29, 1995.

yearly cost would be approximately $66,000 per year. It is assumed that this amount is included in the Fiscal Year 1994 estimated debt service figure.

Because the State does not account specifically for depreciation, no amount in expenses is attributed to depreciation; however, all equipment purchased in connection with the ski areas is wearing out through depreciation. The average ski area determines that 9.9% of its expenses constitute depreciation expense.[55] Application of this percentage to the total ski area expenses of $6,900,00, suggests that approximately $683,000 should be added to the expenses annually on account of ongoing depreciation of equipment. Consequently, the yearly net loss figure appears to be $2,233,000.

Certain services provided directly to the two park operations but not attributed to them in any specific budgetary manner are services provided by DRED with respect to central warehousing, the services of the Commissioner's office and the services of the office of DRED's Business Administrator.[56] These are estimated to total approximately $500,000.[57] These are services such as warehousing of materials, invoice collection and payment and administrative services provided by DRED, specifically for the Franconia and Mt. Sunapee State Park operations. Accordingly, the loss on account of these two parks in Fiscal Year 1994 appears to be $2,733,000.

In addition, there must be significant expenses for engineering, construction and surveying that do not show up in any of the numbers supplied by DRED and are often a part of general appropriations.[58] These numbers can be substantial, but cannot be estimated with any accuracy.[59] Suffice it to say that other Departments of the State of New Hampshire must supply these services (and others, like signage) with no specific expense therefor appearing in the expense figures for the ski operations. In fact, on all

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[55] 1992-1993 Economic Analysis of United States Ski Areas, *op. cit.*, p. 20.
[56] Conversation with Kenneth C. Plourde, June 29, 1995.
[57] *Ibid.*
[58] Conversation with Kenneth C. Plourde, June 29, 1995.
[59] Conversations with various people in the ski industry.

projects costing more than $150,000, New Hampshire law requires that supervision of the work be conducted by the New Hampshire Department of Transportation. The Department of Transportation will be responsible for contract formation and administration as well as supervision of the work. There is no charge to DRED or the specific park operations for these services.[60] Opinions differ as to whether or not services such as snowplowing by the Department of Transportation are provided to the two park operations but not charged to DRED.[61]

This leads to a discussion of the capital expenditures which have been made on account of the ski operations out of the General Fund of the State of New Hampshire. "The General Fund accounts for all financial transactions not specifically accounted for in any other fund. ... All expenditures that are not allocated by law to other funds are charged to the General Fund."[62] Accordingly, expenditures from this fund would not be likely to be shown as expenses for the ski operations and are impossible to estimate.

According to the most recent State audit of DRED, "during fiscal years 1990-1994, DRED received capital appropriations of $7.4 million for ski area improvements."[63] According to the first Director of Ski Operations for the State of New Hampshire, the State has spent approximately $23 million in ski area capital improvements in the last ten years.[64] To the extent that these moneys were appropriated from the General Fund and not treated as Capital Projects Funds to be amortized through the issuance of State bonds or notes, the moneys will not show up as being expenses of the ski operations. Hence, they are impossible to estimate on a yearly basis without further information, although the Business Administrator for DRED thought that

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[60] Conversation with Kenneth C. Plourde, June 29, 1995.
[61] Conversations with Kenneth C. Plourde, June 29, 1995 (charged) and State Representative Tom Behrens, June 24, 1995 (not charged).
[62] State of New Hampshire Audit (1994), *op. cit.*, p. 46.
[63] State of New Hampshire Audit (1994), *op. cit.*, p. 7.
[64] Conversation with John Vorel, June 7, 1995.

payments on account of the $7.4 million were in the Commissioner's debt service numbers.[65]

The most recent audit of DRED pointed out some "material weaknesses" in its operations.[66] These included the fact that 13,000 tickets at Mt. Sunapee and 3,000 tickets at Cannon Mountain could not be accounted for from physical inventories existing at the beginning of the season when compared with log book records (Mt. Sunapee) or daily cashier's reports (Cannon Mountain) of ticket sales. Based on an average lift ticket revenue per skier visit of approximately $20,[67] these tickets would have a value of $320,000. This is a substantial amount, given the losses already being incurred. In order to assume that this was a direct nonrealization of revenue that would otherwise be recognized, one must assume that all the unaccounted for tickets were, indeed, used. In the case of Mt. Sunapee, it is believed that the tickets were burned as many unused tickets are.[68] However, no numerical or serial records were kept, so no one knows.

In addition, there were problems with employees underpaying by approximately $9,800 for season passes for themselves and dependents,[69] and understatement of inventory at both mountains in the aggregate of approximately $265,000.[70] Money for season passes in the amount of $128,250 went unrecorded and undeposited for from four to fifty-two days.[71] As part of the audit report, DRED has responded to each of the "material weaknesses" noted therein with a proposed course of action. However, the Office of Legislative Budget Assistant which conducted the audit said, as part of its report, that

> "[t]he duties related to the collection and reporting of receipts from the operation of the ski areas were improperly segregated

[65] Conversation with Kenneth C. Plourde, June 29, 1995.
[66] State of New Hampshire Audit, *op. cit.*, p. 7.
[67] Conversation with Ellen Chandler, N.H. Director of Marketing for the areas, July 6, 1995.
[68] Conversation with Kenneth C. Plourde, June 29, 1995.
[69] State of New Hampshire Audit, *op. cit.*, p. 31.
[70] *Ibid,* p. 33.
[71] *Ibid,* p. 17.

> to such a degree that we could not rely on the documentation supporting reported sales. DRED's records did not permit the application of other audit procedures to the sales figure.
>
> Since DRED did not segregate the duties related to the collection and reporting of ski areas receipts and we were not able to apply other auditing procedures to satisfy ourselves as to the amount of such sales, the scope of our work was not sufficient to enable
>
> us to express, and we do not express, an opinion on the financial statements.[72]

Which is to say that the auditors did not feel comfortable stating how much money the ski areas made in revenue. The same is true with respect to the expenses. To this point, it has been shown that the areas are losing at least $2,733,000 per year even when certain charges are not included in their operations when they most certainly must be i.e., construction and surveying costs. Indeed, some entries are quite perplexing. For example, in Fiscal Year 1993, $116,362 was specifically paid for the salaries of snowmakers at Cannon Mountain. In Fiscal Year 1994, $0 was paid for snowmaking salaries at Cannon Mountain. For Mt. Sunapee, the numbers are $83,023 and $178, respectively. It is possible that these savings were achieved through staff efficiencies, but it appears that the State can move money in and out of certain accounts so that it does not appear as a direct budget item with respect to the ski or park operations.[73] In other words, the money was paid out of a different account, such as utilities. It seems odd that the salaries for snowmaking, a central activity to the conduct of ski operations, could virtually disappear from one year to the next.

Just as the auditors will not express an opinion as to the revenues of the ski areas, no one really knows how much money the two State owned and operated areas lose each year. One former Director of Ski Operations honestly speculated that it was between $5-$6 million per year when all costs were considered. That seems a little high. DRED's

[72] *Ibid,* p. 40.
[73] Conversation with State Representative Tom Behrens, June 24, 1995.

Business Administrator thought that $3 million would be at the high end.[74] The author has been able to document approximately $2.7 million in losses for Fiscal Year 1994. The losses for Fiscal Year 1995 (ended June 30, 1995) are shown by DRED to be $1,708,457[75] before expenses of DRED maintenance staff (approximately $250,000), before debt service of $2,036,633 and any other ancillary charges as noted herein. This means that a loss of approximately $4,000,000 was incurred in Fiscal Year 1995 on account of the operations at Franconia Notch and Mt. Sunapee State Parks. This equals $3.60 for each of the 1.1 million residents of New Hampshire. Ultimately, it is up to the residents of the State of New Hampshire to determine how much in losses they are willing to tolerate for the use of their State's natural and other resources. The point is that an informed decision cannot be made until all the financial facts are known.

Note that in Appendix 7 revenues decreased almost 80% at Mt. Sunapee and 60% at Cannon Mountain between Fiscal Years 1994 and 1995. Skier visits in the 1994/1995 season were 72,719 at Mt. Sunapee and 85,750 at Cannon Mountain compared with recent highs of 122,527 (1993/1994) and 127,733 (1991/1992), respectively.[76] The 1994/1995 season was not a good ski season because of a thaw in January.

An average ski area makes 3.5% of its revenues in profits before taxes.[77] Another source states that the average ski area makes 5.5% of its revenues in profits after the payment of taxes.[78] Assuming that the number is approximately 4% of revenues and knowing that the State of New Hampshire pays no taxes (and allows for no depreciation and pays no land use fees or real property taxes), the State should have had a profit of $126,610 on revenues of $3,165,262 in Fiscal Year 1995 and profit of

[74] Conversation with Kenneth C. Plourde, June 29, 1995.
[75] Appendix 7.
[76] Conversation with Ellen Chandler, July 6, 1995.
[77] Testimony of Tim Beck, President of Sno-Engineering, Inc., before the United States House of Representatives Subcommittees on Forest, Family Farms and Energy and on Operations, Agriculture and Foreign Research, July 22, 1992.
[78] 1992-1993 Economic Analysis of United States Ski Areas, *op. cit.*, p. 20.

$268,344 on revenues of $6,708,608 in Fiscal Year 1994. Yet, the State incurred losses for those years of $4,000,000 and $2,733,000, respectively. (The references in Appendix 1 to "Total Operating Income" and in Appendix 7 to "Revenues" are confusing. It is assumed that they refer to similar income streams). Assuming that a private operator was in the combined federal and state income tax bracket of 40%, it would have realized net profits of $76,000 and $161,000, respectively for those two years--total private profits of $237,000 versus public losses of $6,733,000. That is almost a 3000% difference.

The State should undertake a break even analysis of each of the operations, both winter and summer, to determine where its operations are out of line. The answer may be so simple as keeping union employees at union wages employed year round. The combined approximately 23% wage differential for the two areas over the percentage of wages to expenses of the average ski area would account for $1.5 million annually. Accordingly, the costs of staffing the areas account for much of the losses. With respect to the ski operations, such an analysis should focus on a process designed to determine what practices, strategic decisions, marketing and operational guidelines have and can lead to increased revenues or have been a drain on revenues such that revenues have not met costs.[79]

Skiing in the 1990's is a highly competitive business. Skiers have choices as to where they will ski. New England weather is unpredictable and market share during the bad climatological times must be preserved or, better yet, increased at the expense of the competition. The biggest challenge today in the ski industry is not just getting customers to the mountain, it is getting them to come back.[80]

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[79] See, A Manual for Preparing Break-Even Analyses, Ski Area Economic Feasibility, Ted Farwell & Assoc., Inc., Boulder, CO (Revised 1993).
[80] Conversation with Walter Elander, Sno-Engineering, Inc. (June 12, 1995).

The key to repeat customer visits appears to be in adopting and maintaining a customer service orientation.[81] The front line employees--the ticket sellers, lift attendants, cafeteria workers--all must be empowered and given incentives to make the skier's day the very best that it can be. Then the skier will come back. For the State of New Hampshire, this may be a fundamental weakness because the union system does not foster individual action or attention. Bureaucratic or union rules regarding job descriptions or boundaries are not conducive to solving a customer's problems; nor is a system which does not reward initiative and successful completion of tasks. Many private businesses go out of their way to say "Our people are good people. They are here for you." There appears to be a lack of management vision as to what is being delivered now and to be delivered in the future.

> Successful owners and operators of ski areas generally have a passion for skiing and a long term commitment to a long term plan of action. Few in State Government possess either the passion or the commitment that affects most of the competition.[82]

This may point out a basic problem with government being in the hospitality business--it is too structured, too bureaucratic and, perhaps, too narrowly focused. States are in the business of spending money, not making it. Skiing has changed a lot in the last 5-10 years and the same old formulas do not work.[83] In addition to snowmaking and efficient operational procedures, a ski area must be able to judge what the skier wants, whether it be a certain type of daycare, snowboarding areas or activities, specific teaching techniques or programs, etc. Again, skiers have many choices and efforts must be made to prevent them from exercising those choices in favor of other ski areas.

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[81] Conversations with various people in the ski industry.
[82] "Opinion Letter", from Bill Murphy, Director of Ski Operations to William S. Bartlett, Jr., Commissioner of DRED, January 6, 1995, p. 5.
[83] Conversations with various people in the ski industry.

In creating the Division of Ski Operations, the State of New Hampshire was trying to get closer to making decisions and operating the way that private ski areas do.[84] However, the State was plagued by purchasing, budgeting, personnel and other constraints. Unfortunately, the State still could not give the Director the autonomy he or she needed to plan and act effectively in a very competitive, fast paced industry. As a result, the State has abolished the Division of Ski Operations and gone back to the previous management structure.

Now that it has been established that the State owned and operated ski areas are losing significant amounts of money yearly, there remains the investigation into what alternatives may exist to the present structure that may bring some profit (or at least lower losses) to the State and still address the legitimate concerns of the residents of the State so eloquently stated by Messrs. Shurcliff and Brown in the early part of this paper. The next Chapter will explore the alternatives to the current State operation and the pros and cons of each.

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[84] Conversation with Walter Elander, Sno-Engineering, Inc. (June 12, 1995).

CHAPTER FOUR--SOLUTIONS TO OPERATIONAL/PROFITABILITY PROBLEMS

> All change should be based, first, upon an evaluation of the current performance; second, upon an analysis of opportunity; and, third, with a set of goals to guide rational decisions.[85]

As the last chapter showed, an evaluation of the current performance of the areas leads one to conclude that current performance is not adequate and could probably be better. What, then, are the alternatives? Listed separately, they appear to be:

1. Continue operations as is.
2. Close and sell everything, including the land.
3. Close and liquidate everything but the land.
4. Run the areas under a new government structure.
5. Lease the entire operation to an operator--State would own the assets.
6. Lease the land to an operator, sell/lease the assets to an operator.

One can quickly dispose of some of the alternatives at the outset. Indeed, DRED Commissioner Bartlett has said that the only two options he would consider would be either some sort of lease or continuing as is.[86] Many others in the State said they thought that outright disposition of the areas would not be acceptable to State residents, particularly because Cannon Mountain is so near to the Great Stone Face or the Old Man of the Mountain, which is on the State seal.[87] Also, the acquisition of both of the areas was accomplished partially with funds from the United States Government with funding

[85] Ski Area Economic Feasibility, *op. cit.* p. 1.
[86] Conversation with William S. Bartlett, Jr., *op. cit.*
[87] Conversations with various people in the ski industry and the State Legislature.

from the Land and Water Conversation Fund program administered by the National Park Service.[88]

A fundamental basis of the program is that facilities acquired or developed with such funds cannot be "converted" out of public outdoor recreation without the prior approval of the Secretary of the Interior of the United States. The State has made legal commitments in conjunction with the acceptance of these funds not so to convert any of the properties without providing substitution of both land and facilities for recreational use of at "least equal fair market value and recreational usefulness."[89] It is arguable that each of the two properties is unique and, hence, could not be replaced either on a fair market value concept or replicated in usefulness and beauty.
It appears, however, that the State can lease the properties and not run afoul of the law, but this approach would still require the consent of the Department of the Interior. This proposal will be addressed shortly. It also appears that a repayment of the federal moneys is not permissible.[90]

Therefore, it appears that options 2 and 3 are not feasible. The State could, as Commissioner Bartlett suggests, continue to operate the areas as is with the resulting losses which are likely to get larger as time progresses due to the necessity for equipment replacement and the need to stay competitive in the ski industry. This is always an option for the State and, according to Commissioner Bartlett, there are many in the State who would like to continue with this option.[91] Certainly the method of the acquisition of these areas with the leadership of the Society for the Protection of New Hampshire Forests would cause some philosophical difficulties if the State elected to sell the land.

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[88] Letter from N.H. Senior Assistant Attorney General Michael J. Walls to Commissioner Bartlett, dated February 9, 1995.
[89] *Ibid.*
[90] *Ibid.*
[91] Conversation with Commissioner Bartlett, *op. cit.*

The Society has said:

> The people of New Hampshire acquired these wonderful parks as permanent reservations. Fragmenting such cherished landscapes through privatization is unacceptable, for it is clearly against the state's best interests. ... The Society is not philosophically opposed to leasing public land, but truly unique parks like Franconia Notch are off-limits. It is clear that the Notch would be unalterably changed by the commercial demands of a privately operated ski area at Cannon Mountain. This would negatively affect tourism, scenery, environmental values, and public enjoyment of the state's most important landmark.[92]

Because the Society is not philosophically opposed to leasing public land, perhaps it would not be opposed to the leasing of Mt. Sunapee but not Cannon Mountain. It would seem, however, that if leases are to be considered they should be considered for both properties. Otherwise, the State still has to maintain one of the areas with all the administrative and other expense which that entails. Also, if a lease for Mt. Sunapee was very successful, the State might want to keep the option to lease Cannon Mountain upon similar terms.

An initial review by appropriate State legal representatives indicates that

> "leases of the Cannon and Sunapee ski areas would not constitute a 'conversion' of the properties for the purposes of the Land and Water Conservation Fund Program and may, therefore, represent a feasible option. (The leases would presumably be to ski area operators or (sic) the continued operation of the properties as public recreation facilities. This position should, of course, be confirmed with the National Park Service, which may require approval authority over any lease to ensure consistency with the requirements of the Land and Water Conservation Act.[93]

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[92] Letter from Paul O. Bofinger, President of the Society for the Protection of New Hampshire Forests to State Representative Gene G. Chandler, dated February 28, 1995.

[93] Letter from N.H. Senior Assistant Attorney General, Michael J. Walls, to Commissioner Bartlett, dated February 9, 1995.

In conceiving of a lease, it is almost easier to work backwards in the process from the result to be achieved to the details and clauses that support the result. Of course, the paramount determinant of the price the State receives for the lease on an up front basis will be the amount it requires in revenue. However, price will be discussed later in the paper. The focus here is on a macro view of the transaction. It appears to have three broad components which need to be considered before there is much discussion of specific lease terms. The three components are: operations, constituencies and forces.

The operations component is that which must deal with the internal operations of the areas and also the "cultural" aspects of the operations, being employment and public perceptions of the areas as State parks. The constituencies are those people who have an interest in the areas. These constitute all the residents of New Hampshire, generally, as well as all other "stakeholders". These are government at all levels, regulators, unions, suppliers, abutters, public and special interest groups, such as timber organizations, the Appalachian Mountain and similar clubs, skiers, hikers, naturalists and the local Chambers of Commerce and the interests they represent. Finally, there are the forces which dynamically affect all that occurs at the areas. These are historical socio-economic forces of the surrounding communities, the political and legal forces in government and the private sector, technological forces , such as snowmaking, lift operations, grooming, etc. and perceptions of the meaning of what is public access. In the pages that follow, these components will be behind most of the discussion of the lease terms. It is assumed that, in addition to the terms specified herein, the lease will contain other, typical clauses regarding amendments, identity of the parties, affirmative action, nondiscrimination, a tailored quiet enjoyment clause, etc.

The main substantive issues are as follows:

- Should the lease be year round?

- What should be leased?
- What should be the term of the lease?
- What State controls are appropriate?
- What insurance is appropriate?
- Who will own the improvements?
- How can the improvements be financed?
- How to determine the appropriate rent?
- What other terms are appropriate?

Should the lease be year round?

The first question is whether or not the areas should be leased on a year round basis or just be leased for ski operations during the winter. There appear to be at least three reasons why the areas should be leased on a year round basis. First, various people in the ski industry indicated that, particularly where lifts and other such equipment is involved, there cannot be two maintenance teams involved for reasons of safety and continuity of maintenance. Second, both areas lose money on their summer operations[94] so the State would still be incurring losses, although they might be somewhat less than they are today. Third, any operator of the areas in the winter would prefer to have the ability to hire staff and use facilities on a year round basis because of the savings in hiring personnel and in equipment usage. For example, perhaps food could be prepared in Mt. Sunapee's kitchens to be served at the lakefront operation. There is also the question of the payment and receipt by the local governments of real property taxes.

The State currently pays nothing in the form of real estate taxes to the localities where the areas are located, Newbury and Goshen, N.H. in the case of Mt. Sunapee and Franconia, N.H. in the case of Cannon Mountain. If the areas were leased to private

[94] Papers supporting the testimony of William S. Bartlett, Jr., Commissioner of DRED before the N.H. House Public Works and Highways Committee, February 14, 1995.

operators, New Hampshire law requires that the "leases provide for the payment of properly assessed real and personal property taxes by the lessees."[95] As noted previously, the estimated amount of these taxes is $145,088 per year to Franconia and $150,814 and $1,374 to Newbury and Goshen, respectively.[96] If the areas were leased for only part of the year, appraisers would have a difficult job of accurately determining value for each such period. Of course, there could also increased local tax receipts in the form of rooms and meals taxes if the park area businesses were more active as well as State receipts from Business Profits Taxes..

Finally, there is the question of the consistency of personnel on the operations and "flavor" of the areas and not from a strictly economic point of view. It is easy to imagine the problems which could arise with shared equipment, storage and other facilities. Also, presumably a full time work force is preferable to two part time work forces. Accordingly, the above conditions suggest that a year round lease to a private operator is preferable to seasonal leasing.

What should be leased?

The next question is whether or not there should be a lease of all land and equipment at the areas or a lease of land only and a sale of the equipment. Regarding the land, there is little question that, at least with respect to Cannon Mountain and its close proximity to the State's symbol, the area leased should be very closely circumscribed and defined in the lease. The focus should be on several areas of activity, such as logging, wilderness, buffer, expansion and ski area zones. The State must make a determination as to whether or not it is going to draw a tight line around the existing ski areas and summer operations areas to constitute the leased premises.

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[95] Letter form N.H. Senior Assistant Attorney General, Michael J. Walls, to Commissioner Bartlett, *op. cit.*

[96] Memorandum from Kenneth C. Plourde, DRED Business Office, to Commissioner Bartlett, dated February 10, 1995.

The State must also give careful thought to master planning, i.e. any expansion possibilities and plans should be clearly and specifically spelled out in the lease and clear terms articulated for any decisionmaking with respect thereto. It is at this point that the State has the best opportunity to protect its interests and those of its residents throughout the term of any leasing relationship. The State should draft the lease before any proposals for it are solicited. Thus, when proposals are received, those doing the proposing will know exactly what they are buying and the value of it, and the detriment of any constraints will be reflected in the price offered.

The State should consider whether or not it will allow non-ski or summer activity development. Consideration should be given as to whether or not increased traffic will require modification of the access roads, parking areas, solid and other waste disposal systems, access to water for snowmaking and other uses, and modification of the lodges and other structural facilities.

In addition, the State should conduct studies regarding the impact of the proposed operation and/or expansion on neighboring towns, particularly with regard to traffic, emergency services, community growth and tax base. It must be remembered that the surrounding communities, for fifty years, have built their growth and economic base in light of the State operation of these areas. Accordingly, close attention must be given as to what, if any, satellite profit centers a lessee would be able to create, i.e. grocery stores, service stations, retail, hotels, etc. These are not insurmountable issues. It is assumed that real estate development would not be allowed under the lease.

The State should lease the land and sell all of the facilities and equipment as part of the same transaction. The lessee needs the ability to finance its improvements and, therefore, the lessee needs to have as much title as the State can give it while still protecting the State's interests. The lessee needs the ability to take advantages of tax credits, benefits and depreciation which ownership of the improvements will give it. If the State retains title to the improvements, questions of responsibility for maintenance and repairs, financing, etc. can become quite complex. The goal should be to make any lease transaction as simple as possible.

What should be the term of the lease?

The lease must be for a sufficiently long term so that the lessee can obtain appropriate financing for improvements, reap the benefit of depreciation and have a sufficiently strong interest in making the improvements which an owner would determine necessary and desirable for a competitive ski and summer operation. A thirty or forty year lease with some ten year renewal periods would be sufficient. Anything less than this would probably be too constricting.

What State controls are appropriate?

The State, in the first instance, must determine that the construction and use of any buildings, structures and equipment on the leased premises during the term of the lease must be subject to the initial and ongoing approval of the appropriate State official, perhaps the Commissioner of DRED. All design, construction, operation and maintenance must be conducted in accordance with specified guidelines. No construction or major maintenance should be considered complete until "accepted" by the State. All lifts should be certified as being in compliance with the American National Safety Requirements for Aerial Passenger Tramways (B77.1) and complete installation, maintenance and safety records should be maintained by the lessee and available for inspection by the State.

Before any erection, modification, addition to or alteration of any structures, fixtures, buildings or landscapes, the lessee should be required to submit plans to the State in accordance with specified scales, cross sections, surveys and engineering practices. The State should have absolute discretion to determine whether or not the proposed alteration is consistent with the operation of the area and the State's policy for the management and development of the area, including its eventual reversionary interest. However, such State determination must be made in a timely manner and by people who are qualified and empowered to act with authority and judgment.

All working plans should be submitted in accordance with all applicable federal, state and local laws and codes, including engineering, plumbing, electrical and similar codes and should be certified by an engineer or architect licensed in the State of New Hampshire. Materials, construction techniques, systems and schedules should be specified. The State should have the right to inspect all work in progress, as well as completed work, to determine compliance with all submissions and to determine whether or not any work is at variance with any submission, rule, law or order. Certified As Built Surveys should be required. Failure of the lessee to comply in all respects should be a default under the lease. The State may want to designate its own construction supervisor to be paid by the lessee, but who will report to the State with respect to all plans, construction, etc.

At the outset, the State should commission an environmental survey of the premises, to be made available to any proposed lessees, so that all parties know the environmental condition of the premises and can make determinations as to who will be responsible for what condition and when it occurs. This is important, as fifty years of State operation may have caused the sites to be tainted environmentally. All environmental spills, seepages, leaks and events must be reported immediately with submission of a plan of corrective and preventive action. All engineering and supervision of work shall be paid for by the lessee, all permits will be obtained and maintained by the lessee and all expenses for utility use, installation and maintenance shall be the lessee's responsibility. All food and beverage permits and licenses and environmental impact reports will be obtained and maintained by the lessee with the State's help in obtaining same if necessary.

What insurance is appropriate?

All insurance must be maintained by the lessee in amounts approved by the State and placed with companies approved by the State with at least an A.M. Best's A+ rating. Such insurance shall name the State as an additional insured so that acts of the lessee, i.e. arson, do not prevent the State from recovering. Coverages should include liability, property damage, fire, theft, Dram Shop Act, Workers' Compensation, construction insurance (All Risk, Builder's Risk Insurance with Completed Value property damage coverage). The policies should specifically state that they may not be amended or canceled without thirty days prior written notice to the State. Coverage should extend to all subcontractors and others working at or using the areas. All construction should be bonded with sureties acceptable to the State and should include performance, completion and payment bonds. The State should be indemnified against and defended by the lessee with respect to all acts and damages by the lessee, its servants and agents.

The areas should be leased "as is, where is" meaning that all equipment, lodges, lifts, etc. will become part of the lease and subject to any lessee's prior inspection. The lease should specify that the lessee has inspected the entire premises and equipment and, except for defects which are not readily ascertainable, that everything is in satisfactory order and condition for the purposes of the lessee's intended operations. No representations or warranties of the lessor should be relied upon. Upon acceptance of the lease, the lessee should be given the exclusive right to operate the premises, subject to the rights of the public, for the intended uses which should include the development, operation and maintenance of recreational and support facilities presently located upon or to be constructed upon or used in connection with the premises. Obviously, the rights of the public should be clearly stated. The lessee, with the lessor's approval, may remove buildings and structures on the premises with salvage rights in the lessee.

Who will own the improvements?

Title to all property used in connection with the premises should vest in the lessee, except, of course, title to the land. This will ensure that the lessee is able to finance the improvements and retain appropriate tax benefits as noted above. A determination must be made at some point in time as to who owns what, either at the expiration or earlier termination of the lease for whatever reason. Title to all improvements and equipment could vest immediately in the lessee and that after all financing and depreciation with respect to an item has occurred, title shall vest in the State with the possessory interest with all other incidents of ownership being in the lessee. Of course, in the case of reversion of the leased estate to the State for whatever reason title and possessory interest shall rest in the State.

How can the improvements be financed?

The State will want only a credit worthy, experienced, reputable operator; however, financing of additions to the leased premises should be contemplated. All financing should be subject to the State's approval as to lender, amount financed, duration, item financed and type of security interest, if any. The State could prohibit the attachment of security interests or encumbrances on the areas, thereby requiring all financing to be based upon the general credit of the lessee. Or the lease could contain a financing clause as follows:

> No mortgage shall be executed, and no bonds or other evidence of interest in, or indebtedness upon, the assets of the Lessee in the leasehold improvements, including this contract, ... shall be issued, except for the purposes of installing, enlarging or improving, plant equipment and facilities, provided that such assets, including possessory interests, or evidences of interests therein, in addition, may be encumbered for the purposes of purchasing existing concession plant (sic),equipment and facilities. In the event of a default on such mortgage, encumbrance, or any other assignment transfer, or encumbrance, the creditor or any assignee thereof, shall succeed to the interest of the

> Lessee in such assets but shall not thereby acquire operating rights or privileges which shall be subject to the disposition of the [State]. Nor shall any mortgage or other encumbrance be given by Lessee which will entitle the holder thereof to the removal of any fixtures or equipment essential to the operation of the ... facility.[97]

The issue of financing also involves the discharge of any financing interest at a time when the State has possession of the property through lease expiration or otherwise. The State could provide that, in such an instance, the leasehold mortgagee would be paid the book value of the assets subject to the mortgage or the balance of the amount owing under the loan whichever is less, with no recourse to the State. In the alternative, the State could agree to pay the amount owing under the loan.

How to determine the appropriate rent?

In order to determine the amount of rent payable under the lease, the State has several options. First, it could cause an appraisal to be made of the areas and determine the present value of the areas. Using that number and a charge for interest, a rental amount can be determined as though the lease transaction was a purchase by the lessee financed by the State. The State could adjust this number upward if it sought more revenue from the transaction. The appraisal could be done on a gross fixed asset basis, comparable sale basis, if there have been any, a capitalization of income approach or by using a multiplier such as a certain dollar amount per skier visit. If the State has problems with a sale concept because of the historical use of federal funds in connection with the areas, characterization of the transfer of the assets as a lease might be appropriate to get further away from the conversion concept noted earlier. Beyond the foregoing, this paper will not address the determination of value of the areas. It can be done.[98]

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[97] Lease between the Commonwealth of Massachusetts, acting by and through its Department of Environmental Management and Wachusett Mountain Associates, Inc., dated October 1, 1981, p. 48-49.

Second, it could determine the rent to be a straight percentage of gross revenues, i.e. 2% of gross revenues. The benefit of this approach is that it is familiar to ski area operators, it allows the State to enjoy the benefits of increased revenues, if any, and it is fair to the operator because a bad season does not require onerous rents. Two detriments for the State are that the State does not know exactly how much rent it will receive in a given year and it may require auditing by the State, which involves costs.

Third, the State could specify that the rent will be a percentage of gross revenues over the value of gross fixed assets such as is done under the United States Forest Service's Special Permit graduated rate fee system.[99] Such a system has been accepted by the ski industry and it is linked to the lessee's ability to produce revenue each year. The system should be based upon break even points in the revenue stream so that the lessee is sure that it will be able to meet all of its costs.[100] The result is that the lessee, because payments are tied to a ratio of revenues to the value of gross fixed assets, has an incentive to improve the leased premises, thereby making the payment thresholds higher. Also, linking rental payments to revenues avoids any concerns regarding inflation and avoids artificial adjustments based on such indexes as the Consumer Price Index, which contains components not relevant to the operation of the areas which are the source of the rental stream.

The value of the gross fixed assets should be the undepreciated value or cost of the assets so that the lessee is not penalized because of accounting or tax concepts. The State could require a minimum rental payment with other payments tied to sales below

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[98] See, "Fair Market Value", Ski Area Management, by Ted Farwell, MAI, (March 1993) and "Measuring Ski Area Value", Ski Area Management, by Ted Farwell, MAI, (March 1994).
[99] See, Special Use Permit to LBO Holding Inc. for the Mt. Attitash Ski Area Carroll County, New Hampshire, dated July 19, 1994, Special Use Permit for the Loon Mountain Ski Area, Grafton County, New Hampshire, dated March 16, 1994, Special Use Permit to Waterville Valley Ski Area Ltd. for the Waterville Valley Ski Area, Grafton County, New Hampshire, dated October 31, 1994.
[100] *Ibid.*

break even and to points above break even.[101] Of course, there must be a very clear definition as to which sales, and where they occur, are subject to the ratio.

It is recommended that, once the definition of gross revenues is determined, there be a requirement of the submission of audited financial statements by the lessee in support of the amount of its rental payments be made. The State would want to specify the type of revenue receipt recording system used at the areas Additionally, the lease could provide for a yearly contribution to a State land acquisition fund.[102]

In any case, the State, at least in the early years of a lease, is not likely to receive significant amounts of money on account of the lease. Gross revenues at the two parks were $6,708,608 in Fiscal Year 1994 and $3,165,262 for Fiscal Year 1995. Two percent of such revenues, for example, equals $134,172 and $63,305, respectively. To the extent that payments are based on a revenue to gross fixed assets ratio, the payments would be even less; however, profit, no matter how small, is better than the apparently growing losses now being incurred.

<u>What other lease terms are appropriate?</u>

Other terms of the lease will have to include an agreed upon schedule of operations, including a minimum number of days for winter and summer operation, so that the State can ensure public access to its resources. Obviously, provision has to be made for weather and other emergencies. This should be examined on a yearly basis and there should be no waiver of any minimum rental fees based upon emergency shut downs. The lessee should be responsible for continuing operations.

The lease should provide that the lessee will replace all vegetation which it disturbs at any time for any reason and shall give plans of such plantings to the State.

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[101] *Ibid.*

[102] See, Commonwealth of Massachusetts lease, *op. cit.*

The plans should note the vegetation which was disturbed and the vegetation which is planted in place thereof. Obviously, any future trail cutting would require scrutiny as to environmental damage, drainage, erosion control, etc.

The State will want to ensure that all advertising and signage is acceptable to the State and that all goods and services offered at the areas are acceptable to the State. This really goes to the issue of quality of goods and services and price therefor. If the State will require certain discounts to be given to State residents, students, senior citizens, etc. it should be addressed very specifically in the lease. To the extent that the State has such requirements, it will affect the revenue which can be generated by the lessee and, hence, the price paid for the operation. In this regard, the yearly rate structure for the operation of the areas should be submitted to the State for its approval, not to be unreasonably withheld.

The central focus of the lease must be on the protection of the State's resources, the availability of quality operations for its residents and the process by which this is achieved. The State must not be able to act arbitrarily as a result of politics or other issues, but it must be able to act quickly and effectively when necessary or desirable. Consequently, an articulation of necessary times for action and the appropriate response thereto would be appropriate. There must be a statement in the lease regarding the objectives sought to be achieved by the State and the interests sought to be protected. One or two people in the State organization should be designated to act for and on behalf of the State.

The State must recognize and state that by leasing these areas it is seeking to balance the economic return to its residents and the lessee with the beauty, conservation and preservation of its unique natural resources. Accordingly, the State must be given the authority under the lease and through its designated representatives to act quickly, unilaterally, fairly and without limitation as to reasonableness to protect its cherished resources. It is necessary that this be articulated and agreed upon by the parties to the lease. The public use and enjoyment of these resources must be paramount and the lessee must operate the areas consistent with the public's rights. The lessee must have plans for the protection of the environment covering the use of pesticides, defoliants, chemicals in snow operations, fertilizers, water pollution, erosion control and soil stabilization, views and aesthetics, landscape maintenance and preservation of natural beauty. Moreover, any animal life must be considered and be undisturbed to the extent it is possible.

The State must have the right to inspect all aspects of the operations upon reasonable notice (and in an emergency situation as determined by the State, upon no notice) without disturbing or interfering with the normal operations of the lessee. All of this may affect the price paid for the lease, but one cannot lose sight of the goal here--to provide more revenue (or lower losses) in the operations while preserving the public's access to and enjoyment of publicly owned lands.

Accordingly, the lessee must have a program of maintenance and repairs that is satisfactory to the State and that allows the State to intervene when it determines it is necessary, either by billing the lessee for such intervention or by suspending the lessee's right to operate. In addition, the State could require that the lessee post a bond, obtain a letter of credit, deposit money in an account or buy government bonds (with interest to the lessee in all cases) to which the State has access as security for the faithful performance of the lessee's duties. Once the State has determined, in its reasonable discretion, that it should draw on the security because of the failure of the lessee to perform under the lease, such a draw would constitute a default under the lease giving the State the right, but not the obligation, to terminate the lease. Additionally, the lessee would still be obligated to complete performance under the lease, as specified by the State or the lease, and to replenish the security to its original amount before any such draw.

It is necessary that the State determine the appropriate amount for such security; however, the state should guard against another concern--the level of the lessee's performance under the lease during the last five years of the lease if the lessee knows that it will not be trying to renew the lease. Such an attitude on the part of the lessee could lead to unacceptable marketing (which might affect revenues), maintenance and safety practices. Accordingly, an additional bond or an increased level of bonding might be required in the last five years of any lease to ensure faithful compliance with the terms of the lease.

In addition to a program with respect to the use of pesticides, etc., the lessee should be required to articulate operating and safety procedures at the area or areas. Concerning operations, such a program would cover such matters as fire control, signage, snow and ice removal, trash storage, removal and general sanitation, communications, erosion control, debris and timber removal and the like. Safety concerns would include operations and maintenance, accident reporting, first aid and ski patrol, life saving and water safety, hiking and climbing safety, conditioning of trails (both winter and summer), emergency operations plan, lift and mountain evacuation, rescue and fire equipment, and food and fuel handling and storage.

Thought must be given to other effects of nonperformance by the lessee, such as default. Because the lessee is buying ownership to everything located at an area but the land, a determination must be made as to who gets what on termination, the reason for the termination and whether or not the operations are to be continued after termination. It would seem reasonable to compensate the lessee for the then book value of its improvements, determined according to GAAP, including all structures, lifts, equipment, supplies and merchandise. An appraisal can also be conducted, although this might take more time and could be more subjective. If operations were to continue without the lessee, it will have been fairly compensated, although matters of value such as good will would not have been compensated for and might require adjustment. If operations are not to continue, then the State might have to give the lessee the right to remove its fixtures and equipment to the extent they are still owned by the lessee and have not otherwise vested in the State. Thought must be given as to who pays to restore the land after such removal and who pays the cost of such removal. Upon termination of the lease because of unsatisfactory performance by the lessee, failure to pay rent, or because the lessee makes an assignment for the benefit of creditors or is otherwise involved in bankruptcy or dissolution proceedings, it would seem that payment of the book value referred to above would be sufficient. If the lease were terminated because of no specific action or inaction by the lessee, but rather for reasons of public need or otherwise to protect public resources, the State might consider compensating the lessee for such matters as penalties for forced early loan repayments, required severance pay, reasonable overhead and the like. Such issues are often addressed in commercial leases.

With respect to renewal, such could occur upon appropriate notice by the lessee and there being no declared event of default or there being the existence of no circumstances which, in the State's discretion but for the giving of notice, would constitute a default under the lease. The price for renewal could be the same percentage of gross revenues as in the prior term if that had been the arrangement, it could be an agreed upon set amount which would be difficult to predict 30 or 40 years in advance or it could be as then agreed upon by the parties and failing agreement, as decided by binding arbitration.

The lessee's interest under the lease should be assignable and the lessee should be able to sublease and transfer its interest under the lease subject to the written approval of the State, not to be unreasonably withheld or delayed. A statement in this clause regarding the State's concern about the quality and integrity of the operator is advisable. A clause should also reference transfers of ownership and beneficial interests, if any, in the lessee. It would also be appropriate to cover the contracting out of services or concessions as requiring the State's approval.

Careful thought must be given to the giving of notices, not so much in the ordinary course of business between the parties but in emergency situations. In some circumstances, telephone notice followed quickly by written notice would be appropriate. A party should also be able to act unilaterally in good faith in the face of an emergency without severe prejudice to its position or standing under the lease.

One issue not yet addressed is that of the state employees employed at the two areas. Presumably, a private operator would want to control and be in charge of hiring all employees who worked for it. These employees might or might not include those currently working at the areas, although is hard to imagine that many of these employees do not have valuable knowledge and skills regarding the operations of the areas. The State must face this issue and has several choices. It could make available to the lessee all state employees the lessee desires to employ; however, those employees presumably would have to agree to work for a lower wage than they were earning under the State. As previously noted, one of the primary reasons the areas are not competitive is the high costs of their labor due to the state wage scales. The State would have to try to find other job assignments for those employees who chose not to work for the lessee. This might involve employee relocation and, therefore, not be very feasible. In the alternative, the State could terminate all the employees who chose not to relocate or work for the lessee. Apparently, the cost of this would be approximately $370,000.[103] A very real obstacle to dealing with the union employees in this regard is that the union is apparently quite powerful politically, representing approximately two thirds of the State employees. Such political considerations would have to be addressed.

It is recommended that, if the leasing option is pursued by the State, the lease be drafted and substantially not negotiable before any proposals are solicited, for two reasons. First, the State can best decide how to protect its interests and citizens when drafting the lease. Matters severely adverse to a lessee can be reflected in the price

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[103] Testimony of Commissioner Bartlett, *op. cit.*, February 14, 1995.

offered for the opportunity to lease an area and to obtain future revenues therefrom. Second, the State must be able to compare "apples with apples" when evaluating proposals. That is, there should be as few variables between proposals as is possible. If the State is satisfied that it has safeguarded its interests and those of its residents, it is relatively easy to focus not on the nature of the relationship between the parties, but on who the lessee is and how much the State will benefit economically.

It may be that the State should solicit proposals under a Request For Proposals (RFP) format rather than a straight bidding format. The latter constrains the State more in its dealings with the parties and does not allow so much flexibility as scoping sessions under an RFP format allow.[104] In such a major transaction, the State would want to give all interested parties an opportunity to be heard and accommodated. Any leasing transaction will undoubtedly require specific enabling legislation and the State can specify therein the manner in which decisions regarding the lease transaction will be made. Consequently, the focus should not be on present opportunities available to the State regarding bids or RFPs, but on how the State would want to proceed specifically with a lease transaction of one or both areas.

Finally, as noted above, the goals of any leasing transaction must be kept in mind--to bring revenue to the State and the lessee while giving State residents good and quality access to their natural resources. To this end, the creditworthiness, experience and reputation of the lessee are critical. So, too, is the ability of the State to structure itself in its dealings with the lessee to be responsive, prompt, understanding and not arbitrary or political. A lease of either one of the areas is not something to be undertaken lightly because it will be long term, highly visible and the subject of a lot of discussion within the State. Ancillary, yet important, issues will arise, such as whether or not a private party who leases from the State is subject to the local planning and zoning regulations. If not, should it contract to be? Another issue will be the lessee's access to

[104] Conversation with State Representative Gene G. Chandler, *op. cit.*

water for snowmaking. A determination should be made as to maximum draws during certain periods, if appropriate. It appears that abundance of water is not an issue. Any leasing transaction will no doubt require the strong backing of the Governor and both houses of the State Legislature.

It is important to recognize the multiplier spending effect that the Mt. Sunapee and Franconia State Parks can have. One should not lose sight of the fact that, although the parks themselves may be losing money, the State may be benefiting in the long run by other spending in connection with the areas, i.e. meals, rooms, retail sales, etc.

> Total direct spending by skiers and non-skiing members of ski parties during the 1992-3 skiing season totaled an estimated $138,869,800. Visitors to ski areas spent an additional $36,632,400 during the non-skiing season, for a total spending estimated a $175,502,200 during the period between May 1992 and April 1993. This direct spending led to an estimated $242,192,800 in secondary sales within the state of New Hampshire. Secondary sales include such items as hotel and restaurant purchases from suppliers, ski ares (sic) purchases of electricity, state and local taxes and ski area employees' purchases of household goods. The total direct and secondary sales spending is $417,695,000.[105]

Obviously, such spending is not insignificant and, to the extent that visits to the areas are increased, secondary spending will increase.

Operating the Areas Under a New Government Structure

Perhaps a more palatable alternative to leasing would be the creation of an independent ski authority within the State. This is much like what the State was trying to achieve with the creation of the Division of Ski Operations and the Director

[105] The New Hampshire Ski Industry 1992-1993, Its Contribution to the State's Economy, prepared by The Institute for New Hampshire Studies, Plymouth State College, Plymouth, New Hampshire (December, 1993), p. 2-4.

thereunder; however, it is widely agreed that the effort failed largely because it simply put another level of bureaucracy in place without any real operational, financial or decisionmaking authority in the hand of the Director and his staff.[106]

A fully independent authority is required, with decisionmaking authority and funds so that it can act quickly and much like a private organization. Such a structure, like leasing, would put the ski areas on operational parity with the competition. Yet, the State could still have oversight which is important to protect the State resources involved--both natural and otherwise.

Such an authority could be made up of nine members with at least two of them being chosen from each of the two business communities in which the areas are located. At least one should be quite familiar with the ski industry and its operations, one should have financial expertise, one should have marketing expertise and one should probably have political connections with the State--either by being elected or appointed. One should be a representative of the State Employees' Association or union. It is assumed that all would be appointed by the Governor or his designee.

Creating an independent authority would require serious and accurate determination of the amount of funds necessary for the authority to operate competitively. To the extent the authority was under funded, the value of its creation would not be realized and it would fail. This means that the authority would have to market the areas competitively, it might have to charge competitive prices and all facilities would have to be upgraded to offer spaces and services such as those offered by the competition. A very specific ten year development plan would have to be created covering all of these issues.

[106] Conversations with various people in the N.H. ski industry and the N.H. House of Representatives.

A model for such an authority is the Winter Park Recreation Authority in Winter Park, CO. The recreation area was founded in the 1930's on land owned by the United States Forest Service and the Moffit Tunnel Improvement Authority, which is associated with the railroad which runs through Winter Park, and master leased to the city of Denver, which leases the area to the Association. The operations were run by the city of Denver until the early 1950's when a nonprofit (501(c)(4)) corporation (the Association) was formed by some local citizens. It is important to note, however, that the maximum amount of public funds invested into the area was $275,000, with the last $75,000 of public money being invested in 1952.[107]

It is critical to realize, however, that, since its inception, the Association has been blessed with an extremely active board, many of the members of which have personally guaranteed debt of the Association. The Association was set up under enabling legislation of the city of Denver, is self funding with the authority to borrow money and merely reports to the city of Denver. Except in the case of nonpayment of rent, the city has no authority over the Association. The Association has approximately $18.5 million in debt and paid the city of Denver about $2 million in rent last year. It makes a profit every year. It works because "government is not involved in the business".[108]

Another alternative available to the State is to change the way it operates these areas without the addition of any new structural layer, such as an independent authority. An additional, new regime is not necessarily required. Rather, the State could streamline the current operational structure to encourage and facilitate prompt, responsive decisionmaking. The State, to be competitive, would have to deal with the union wage scales. Finally, the State would have to approach operation of the areas in the context of the competition, focusing on ticket prices, marketing, delivery of services, capital needs, etc.

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[107] Conversation with Gerald Groswold, President & CEO of the Winter Park Recreation Association, July 7, 1995.

[108] *Ibid.*

Even if the State decides to lease, to create an independent authority or retain operations within a streamlined State structure, it still has some fundamental issues with which to deal. First, the State still owes approximately $25,000,000 in principal and interest in debt service attributable to the areas. Because the payments on this are approximately $2,000,000 for the next several years, it is probably unrealistic to conclude that a lessee could operate the areas, pay the debt service and contribute any more revenue to the State. Thus, the State will still have this obligation, but it could be receiving revenue against this generated either by a lessee or by the authority.

There is also the issue of the now closed Mittersill ski area adjacent to Cannon Mountain. Many feel that, for Cannon Mountain to be competitive and economically viable, Mittersill must be joined to it by a lift.[109] A new, fixed grip quad chairlift costs approximately $350 per foot.[110] Obviously, there would also be other expenses which would have to be determined. It has been estimated that the amount of such expenses, including an addition to the base lodge, snowmaking improvements, lift additions, new trails, etc., would be between $7,764,000 and $10,343,000.[111] The cost of such improvements would be in addition to whatever capital needs the two existing areas now or will have.

[109] Conversations with various people in the N.H. ski industry.
[110] Conversation with Walter Elander, *op. cit.*, June 12, 1995.
[111] "Opinion Letter", Murphy to Bartlett, *op. cit.*, p. 9.

CHAPTER FIVE-- CONCLUSION

It is obvious that the State has a very difficult issue before it. The two State owned and operated ski areas and summer operations are losing money and it appears that they will continue to do so, perhaps at a greater rate. It appears that it has been politically expedient and desirable to continue the State operations as they have been and to lose money. The Commissioner of DRED has stated that he will either continue the operations as is or lease the areas.

The real problem is economic and the State of New Hampshire has gotten itself into quite a deep hole. No matter what the State does from today forward, if it does not put one more dollar into Franconia Notch or Mt. Sunapee State Park, it still owes approximately $25 million until 2014. With payments of $2 million plus per year for the next several years, it is doubtful that any lessee will take on such a responsibility.

It has been shown that the areas lost at least $4 million in Fiscal Year 1995. By way of comparison, the State of New Hampshire, in Fiscal Year 1995, spent $1.9 million on the State Planning Office (Regional Planning) and $832,000 for all school food and nutrition programs, both from the General Fund.[112] (It should be noted that the federal government contributes a large amount to the school food and nutrition program, so why should the State contribute any more than it has to contribute, and it is assumed that the State institutions of higher learning are not included in this amount.) The "Total Estimated Source of Funds for Division of Ski Operations, General Fund" for Fiscal Years 1996 and 1997, each, is $5.5 million.[113]

[112] 1994-1995 OPERATING BUDGET, N. H. Laws of 1993, Chapter 349, pp. 11, 12, 352, 354, Director of Legislative Services, Concord, N.H. (1993).
[113] 1996-1997 OPERATING BUDGET, N.H. Laws of 1995, Chapter 307, p. 215, Director of Legislative Services, Concord, N.H. (1995).

The capital needs of the areas are especially large and include improvements in lifts and facilities which many believe are necessary for the operation of the areas on a competitive basis. Estimates of the capital needs range from $15 million[114] to $60 million[115] over the next ten years. Even $15 million is a considerable additional amount for the taxpayers of New Hampshire to bear.

If the state continues to operate the areas, it will do so under budget constraints which may exist from time to time. The areas will not be open for the "full ski season", i.e. November to May, but will open in mid December and close about April 1.[116] If the areas are scheduled to close April 1 and there is a huge snowstorm on March 31, the areas will still close on April 1.[117] It may be that this service is acceptable to state residents, but such a policy wreaks havoc on those planning ski vacations to either of the State ski areas. People who depend upon skier business, such as restaurateurs and innkeepers, can be severely hurt by such a policy.

The issue remains. Given the budget constraints, the perceived capital needs and debt associated with the two areas, what can be done to improve the situation? The two basic options are to lease one or both of the areas or to change the State operation of the areas, either by forming an independent ski authority or radically changing the structure of government that is now running the areas. The State should explore the lease option because it appears to have the greatest chance of success and to be the least costly to the State. Several steps must be taken.

First, the Governor must require that all revenues and expenses, direct and indirect, in connection with the two parks be clearly determined so that the magnitude of the present situation can be understood. Serious thought must be given to future capital commitments and needs, and the funding for same. One must determine whether or not

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[114] Conversation with Kenneth C. Plourde, June 29, 1995.
[115] Conversation with State Representative Tom Behrens, June 24, 1995.
[116] Conversation with Richard McLeod, June 27, 1995.
[117] *Ibid.*

these ski areas are to be poor step sisters to the competition or cutting edge, market driven resorts with all the commitments that requires.

At present, it appears that, due to budget constraints and high operational costs, the areas are falling behind the competition when it comes to ski operations--and maybe not too slowly. A clear determination must be made as to what is to be offered to the residents of New Hampshire and at what price, direct and indirect. Whether one looks at the history of the areas or their future, and one should do both, a decision has to be made as to the operations and offerings of these areas ten or twenty years from now.

Second, the debt with respect to the two areas must be addressed. Is it to be frozen in time and amortized as anticipated or will it be allowed to grow and by how much? Leasing will "stop the bleeding" and put the responsibility for future improvements on the lessee. Of course, there is always the question of who would to lease the areas and upon what terms? That is why a break even analysis must be undertaken, so the State can determine what it has to offer and if it wants to offer one or both areas for operation to a private party.

An independent ski authority will neither relieve the State of the current debt, nor of debt associated with future improvements. Essentially, all an independent authority does is to remove much of the politics (and there appear to be a lot of politics) from the operations, but not to remove the necessity for State money to fund the operations. Where does the State of New Hampshire want these parks and their ski operations to be in 25 years, for its future residents?

Third, a decision must be made with respect to the State Employees' Association--the union. These areas can never operate profitably under the current wage and shift structure. If that is the choice, so be it, but if $370,000 is all that is required to remove the union employees, it seems like a small price to pay given the potential reward. Note that this amount would be recovered in less than one year in wage savings, as noted above. There still remains, however, the question as to who is willing to force the issue with the union.

Fourth, if the State keeps control of the operation of the areas, it must have a good and consistent marketing campaign. Commissioner Bartlett has stated that he purposefully does not go head to head in marketing with Loon Mountain, Waterville Valley and some of the other competitors because they pay a lot in taxes and employ a lot of people.[118] Others in the private sector have said that such a campaign would not be offensive.[119] The State should decide what niche it wants to address or fill--rough and steep at Cannon, family at Mt. Sunapee or whatever--and stay with it.

The pricing and level of services offered at the areas have to be consistent so that the visitor, particularly the skier, knows what he or she can expect and will get. A marketing campaign must sell the areas and be ongoing. Intermittent attempts at marketing are not successful.[120] The choice of an advertising agency should not be a political decision, which some people have suggested it was. The Director of Marketing should be given the authority and budget to do whatever is necessary and desirable to achieve whatever goal is specified.

Fifth, there is the fact of the current debt associated with the areas, without any concern for any future debt. The State must come to grips with this issue. One answer is to continue as is with general obligation bonds funding the debt and the moneys coming out of the State's coffers. Another answer is to consider a user's fee for all recreational areas to fund the amortization of the debt. If a user's fee was associated with just Mt. Sunapee or Franconia Notch State Parks, at least with regard to the ski operations, it would seem that the areas would be at a further disadvantage than they are today.

> Much of [Cannon Mountain] seems out-dated.--but in

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[118] Conversation with William S. Bartlett, Jr., *op. cit.*
[119] Conversation with Tom Corcoran, June 29, 1995.
[120] *Ibid.*

> the negative sense, not in the quaint sense. Is there any market research to support the brochure positioning as a no-frills ski experience?[121]
>
> New Hampshire's initial investment in the down-hill ski area business was made in an era which was far less competitive. The ski-resort industry of the 1980's is one of rapid change, high technology, intense competition for skiers and for managers. To operate successfully in today's environment, New Hampshire's state operated ski areas must have facilities, management, and promotional capabilities comparable to those of the rest of the industry.[122]

Whether or not such a fee, directed to pay down specific debt, would be legal is a matter for the Attorney General of the State of New Hampshire. Other options are available, such as raising tolls, the institution of gaming, the use of lottery proceeds or increasing other fees. Such options may not be politically attractive. It would seem that the leasing of one or both areas offers the best hope of stopping the slide into debt while positioning the areas to be competitive.

In short, maybe it is acceptable for the residents of New Hampshire to incur yearly losses in order to have, in some cases, "privileged" access to their beautiful natural resources. But all residents should understand how much such access is costing, now and in the future, and what alternatives to current operations and access exist. There is work to be done by the State in this regard. None of it is insurmountable, but all of it is necessary so that the next generation of school children are not taught

> that these places are so special that we have chosen to let the buildings rot, the lands be eroded, the vegetation destroyed, and the waters polluted because we had no funds. And that we lacked the courage and the commitment to seek alternative ways of doing business.[123]

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[121] Cannon Mountain Professional Quality Audit Narrative, Audit Conducted on Saturday, March 12, 1994, by Sno- Engineering, Inc., Littleton, N.H., p. 11.
[122] Study Committee For The State-Owned Ski Operations, Report and Recommendations (the "Weymouth Report"), November 28, 1988, p. 6.
[123] Parks, *op. cit.*, p. 27.

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Author's Note: Some of the people with whom I spoke did not want to be quoted or to have statements, opinions or concepts attributed specifically to them. Accordingly, where appropriate, cites have been to people in the New Hampshire ski industry rather than to individuals.

LBAO
01/17/05
SKILOSS

DEPARTMENT OF RESOURCES AND ECONOMIC DEVELOPMENT
SUMMARY OF WINTER SKI OPERATIONS + Summer
FISCAL YEAR 1983 THROUGH FISCAL 1994
(SOURCE DRED STATEMENTS OF INCOME AND EXPENSES)

	1994		1993		1992		1991		1990		1989	
	FRANCONIA	SUNAPEE	FRANCONIA	SUNAPEE	FRANCONIA	SUNAPEE	FRANCONIA	SUNAPEE	FRANCONIA	SUNAPEE	FRANCONIA	SUNAPEE
TOTAL OPERATING INCOME	$3,690.231	$3.018.377	$3,130,972	$2,456,469	$1,896,277	$1,720,387	$1,245,330	$1,398,379	$1,650,861	$1,879,307	$1,500,277	$1,048,428
TOTAL OPERATING EXPENSES	$4,045,146	$2,581,935	$3,457,826	$2,662,368	$2,101,324	$1,693,142	$2,012,505	$1,527,551	$1,826,059	$1,479,830	$1,749,210	$1,365,073
NET OPERATING GAIN/(LOSS)	($354,915)	$436,442	($326,854)	($205,899	($205,047)	$27,245	($767,175)	($139,172	($175,198)	$399,477	($248,941)	($316,645
NET COMBINED GAIN/(LOSS)	$81,527		($532,753)		($177,802)		($896,347)		$224,279		($565,586)	
ESTIMATED DEBT SERVICE	$1,306,690		$921,637		$806,704		$831,458		$856,859		$533,699	
ADJUSTED NET OPERATING GAIN OR (LOSS)	($1,225,163)		($1,454,390)		($984,506)		($1,727,805)		($632,580)		($1,099,285)	
WINTER SEASON DATES	11/13 – 4/30	12/10 – 4/3	10/31 – 4/11	11/27 – 4/11	11/8 – 4/30	11/29 – 4/5	11/16 – 4/7	11/16 – 3/21				

	1988		1987		1986		1985		1984		1983	
	FRANCONIA	SUNAPEE	FRANCONIA	SUNAPEE	FRANCONIA	SUNAPEE	FRANCONIA	SUNAPEE	FRANCONIA	SUNAPEE	FRANCONIA	SUNAPEE
TOTAL OPERATING INCOME	$1,598,062	$1,818,278	$1,880,904	$2,095,431	$1,385,147	$1,188,894	$942,679	$730,333	$1,613,883	$922,590	$1,224,243	$612,319
TOTAL OPERATING EXPENSES	$1,904,010	$1,170,567	$1,525,060	$984,706	$1,622,479	$829,529	$1,246,957	$660,123	$1,656,210	$634,023	$1,563,456	$607,722
NET OPERATING GAIN/(LOSS)	($305,948)	$647,711	$355,844	$1,110,725	($237,332)	$359,365	($304,278)	$70,210	($42,327)	$288,567	($339,213)	$4,597
NET COMBINED GAIN/(LOSS)	$341,763		$1,466,569		$122,033		($234,068)		$246,240		($334,616)	
ESTIMATED DEBT SERVICE	$407,273		$420,204		$97,453		$0		$0		$0	
ADJUSTED NET OPERATING GAIN OR (LOSS)	($65,510)		$1,046,365		$24,580		($234,068)		$246,240		($334,616)	

* Debt service is not included in the Operating Expenses.
**Debt service calculations are based on capital appropriations beginning in 1981.

APPENDIX 1

APPENDIX 2

OPERATING EXPENSES
FISCAL YEAR 1994--TOTAL OPERATIONS
FRANCONIA NOTCH STATE PARK

		GENERAL	SNOWMAKING	SKI SCHOOL	RENTAL SHOP	PEABODY RETAIL	TRAM RETAIL	BEACH		
LABOR										
	Permanent Salaries	$914,481	$0	$0	$0	$0	$0	$0		
	Other Salaries	$455,061	$0	$123,495	$55,503	$26,066	$7,191	$0		
	Benefits	$351,658	$0	$15,202	$7,571	$5,484	$550	$0		
	Total	$1,721,200	$0	$138,697	$63,074	$31,550	$7,741	$0	$1,962,262	LineTotal
									49%	of Total Expenses
UTILITIES, SUPPLIES MAINTENANCE, ETC.										
	Supplies	$71,730	$2,527	$2,875	$27,675	$6,940	$0	$1,077		
	Stock in Trade	$613	$0	$0	$48,337	$119,256	$0	$0		
	Fuel	($128)	$43	$0	$0	$0	$0	$0		
	Telephone	$22,293	$2,458	$677	$0	$251	$40	$0		
	Contract Repairs-M&E	$2,322	$0	$139	$0	$0	$0	$0		
	Contract Repairs-B&G	$3,993	$8,817	$0	$0	$113	$0	$0		
	Supplies for Repairs-M&E	$0	$2,193	$0	$0	$0	$0	$0		
	Contract Repairs-Office Equipment	$410	$0	$0	$0	$0	$0	$0		
	Other Repairs & Alterations	$0	$0	$0	$0	$0	$0	$0		
	Own Forces Repairs-M&E	$1,558	$0	$0	$180	$0	$0	$0		
	Motor Vehicle Upkeep	$55,278	$5,637	$0	$0	$0	$0	$0		
	Supplies for Repairs-B&G	$0	$6,618	$469	$35,429	$1,583	$0	$0		
	Own Forces Repairs-B&G	$2,475	$0	$0	$0	$0	$0	$0		
	Own Maintenance-B&G	$27,690	$0	$0	$0	$0	$0	$0		
	Equipment	$167,705	$432	$2,788	$11,550	$1,370	$1,370	$0		
	Heating Fuels & Electricity	$656,723	$0	$0	$0	$0	$0	$0		
	Maintenance Other Than B&G	$18,245	$0	$0	$0	$0	$0	$0		
	OYR Current Expenses	$353	$0	$0	$0	$0	$0	$0		
	OYR Equipment	$335	$0	$0	$0	$0	$0	$0		
	Total	$1,031,595	$28,725	$6,948	$123,171	$129,513	$1,410	$1,077	$1,322,439	LineTotal
									33%	of Total Expenses
GENERAL AND ADMINISTRATIVE										
	Publications	$613	$0	$2,875	$0	$0	$0	$0		
	Postage	$2,668	$0	$1,015	$0	$0	$0	$0		
	Printing	$13,346	$0	$1,838	$0	$11	$0	$0		
	Transportation of Things	$381	$0	$9	$480	$126	$0	$0		
	Rental/Lease Office Equipment	$1,931	$0	$0	$0	$0	$0	$0		
	Janitorial Services	$0	$0	$0	$0	$0	$0	$0		
	Travel in State	$391	$0	$0	$2,782	$1,316	$0	$0		
	Travel out of State	$1,485	$176	$0	$0	$0	$0	$0		
	Total	$20,815	$176	$5,737	$3,262	$1,453	$0	$0	$31,443	LineTotal
									1%	of Total Expenses
ADVERTISING/MARKETING										
	Advertising	$125	$0	$54	$415	$81	$0	$0		
	Promotion Marketing	$184,940	$0	$0	$0	$0	$0	$0		
	Total	$185,065	$0	$54	$415	$81	$0	$0	$185,615	LineTotal
									5%	of Total Expenses
INSURANCE										
	Insurance	$0	$0	$0	$0	$0	$0	$0		
	Liability Insurance	$52,014	$0	$0	$0	$0	$0	$0		
	Total	$52,014	$0	$0	$0	$0	$0	$0	$52,014	LineTotal
									1%	of Total Expenses
MISCELLANEOUS										
	Clothing	$1,622	$0	$6,312	$9	$0	$0	$0		
	CE Earnings	$1,400	$0	$0	$0	$0	$0	$0		
	Rents & Rentals	$0	$0	$0	$1,550	$81	$0	$0		
	Rentals & Leases--Non-State	$0	$0	$0	$0	$0	$0	$0		
	Membership Fees	$5,925	$0	$2,095	$0	$0	$0	$0		
	Miscellaneous	$8,533	$138	$572	$600	$484	$40	$0		
	Total	$17,480	$138	$8,979	$2,159	$565	$40	$0	$29,361	LineTotal
									1%	of Total Expenses
INTEREST										
	Tram Debt Service	$447,086								
	Total	$447,086	$0	$0	$0	$0	$0	$0	$447,086	Line Total
									11%	of Total Expenses
									100%	Total Percentage (Rounding)

APPENDIX 2

OPERATING EXPENSES
FISCAL YEAR 1994--TOTAL OPERATIONS
MT. SUNAPEE STATE PARK

		GENERAL	SNOWMAKING	SKI SCHOOL	SKI RENTAL	SAIL BOARDING		
LABOR								
	Permanent Salaries	$343,408	$0	$0	$0	$0		
	Other Salaries	$585,445	$178	$116,284	$77,278	$4,568		
	Benefits	$186,923	$99	$11,339	$13,831	$349		
	Total	$1,115,776	$277	$127,623	$91,109	$4,917	$1,339,702	LineTotal
							52%	of Total Expenses
UTILITIES, SUPPLIES MAINTENANCE, ETC.								
	Supplies	$29,586	$2,846	$4,498	$3,279	$0		
	Fuel	$292	$0	$0	$0	$0		
	Water & Sewage	$920	$0	$0	$0	$0		
	Telephone	$27,759	$0	$1,673	$752	$449		
	Stock in Trade	$0	$0	$175	$0	$0		
	Contract Repairs-M&E	$6,870	$56,151	$0	$131	$125		
	Contract Repairs-B&G	$2,507	$0	$874	$0	$0		
	Supplies for Repairs-M&E	$2,711	$1,058	$0	$0	$0		
	Contract Repairs-Office Equipment	$615	$0	$0	$0	$0		
	Other Repairs & Alterations	$0	$0	$0	$0	$0		
	Own Forces Repairs-M&E	$0	$0	$0	$180	$0		
	Motor Vehicle Upkeep	$50,106	$4,417	$0	$0	$0		
	Supplies for Repairs-B&G	$11,165	$756	$0	$48	$0		
	Own Forces Repairs-B&G	$0	$0	$0	$0	$0		
	Own Maintenance-B&G	$36,657	$0	$0	$0	$0		
	Equipment	$161,533	$310	$4,933	$2,880	$936		
	Heating Fuels & Electricity	$513,274	$0	$0	$0	$0		
	Maintenance Other Than B&G	$260	$0	$0	$0	$0		
	Contract Earnings	$0	$0	$0	$0	$0		
	Contractual Maint.-B&G	$439	$0	$0	$0	$0		
	OYR Current Expenses	$0	$0	$0	$0	$0		
	OYR-Other Expenditures	$0	$0	$0	$0	$0		
	OYR-Own Maint.-B&G	$0	$0	$0	$0	$0		
	OYR Equipment	$1,173	$0	$0	$0	$0		
	Total	$845,867	$65,538	$12,153	$7,270	$1,510	$932,338	LineTotal
							36%	of Total Expenses
GENERAL AND ADMINISTRATIVE								
	Publications	$0	$0	$0	$0	$0		
	Postage	$324	$0	$0	$0	$0		
	Printing	$11,582	$0	$1,826	$0	$0		
	Transportation of Things	$306	$0	$0	$0	$0		
	Rental/Lease Office Equipment	$1,179	$0	$0	$0	$0		
	Janitorial Services	$11,472	$0	$0	$0	$0		
	Dev. Training	$570	$0	$0	$0	$0		
	Travel in State	$453	$106	$439	$0	$0		
	Travel out of State	$1,916	$0	$0	$0	$0		
	Total	$27,802	$106	$2,265	$0	$0	$1,916	LineTotal
							0%	of Total Expenses
ADVERTISING/MARKETING								
	Advertising	$380	$0	$15,406	$0	$0		
	Promotion Marketing	$188,082	$0	$0	$0	$68		
	Total	$188,462	$0	$15,406	$0	$68	$188,150	LineTotal
							7%	of Total Expenses
INSURANCE								
	Insurance	$0	$0	$0	$0	$0		
	Liability Insurance	$51,486	$0	$0	$0	$0		
	Total	$51,486	$0	$0	$0	$0	$51,486	LineTotal
							2%	of Total Expenses
MISCELLANEOUS								
	Clothing	$2,015	$15	$180	$18	$0		
	CE Earnings	$1,400	$0	$0	$0	$0		
	Rents & Rentals	$0	$0	$0	$0	$0		
	Rentals & Leases--Non-State	$5,251	$0	$0	$0	$0		
	Membership Fees	$6,431	$0	$2,055	$0	$0		
	Miscellaneous	$6,700	$0	$412	$4,228	$642		
	Total	$21,797	$15	$2,647	$4,246	$642	$29,347	LineTotal
							1%	of Total Expenses
							100	Total Percentage

DEPARTMENT OF RESOURCES AND ECONOMIC DEVELOPMENT
STATEMENT OF INCOME AND EXPENSES - FISCAL YEAR 1993 & 1994
FRANCONIA NOTCH STATE PARK

INCOME	FISCAL 1993			FISCAL 1994		
	WINTER	SUMMER	TOTAL	WINTER	SUMMER	TOTAL
Agency Income	557,388	801,562	1,358,950	614,752	790,240	1,404,992
Peabody Slopes	944,564	0	944,564	1,170,116	0	1,170,116
Season Tickets	266,877	0	266,877	310,529	0	310,529
Group Reservations	600	0	600	100	0	100
Rec. Tickets - Chamber of Commerce	90,007	0	90,007	0	0	0
Echo Lake - Service Charge	0	26,194	26,194	0	37,008	37,008
Package Plan-Mass. Junior Ski	1,376	0	1,376	479	0	479
John Tracy Ski Club	5,908	0	5,908	5,599	0	5,599
Misc. Ski Clubs	3,318	0	3,318	1,281	0	1,281
Camping	70	1,949	2,019	40	4,516	4,556
Concession Inc.-Food,Souv.& Alcohol	117,008	101,968	218,976	88,893	128,676	217,569
Ski Shop Rent. Comm.	48,085	0	48,085	0	0	0
Miscellaneous	3,507	6,628	10,135	3,170	2,846	6,016
Canadian Exchange	3	(2)	1	0	(5)	(5)
Sanitary Supplies	80	30	110	8	131	139
Viewing Machines	0	4,328	4,328	0	4,888	4,888
Peabody Shelter Bldg.-Rent	0	2,300	2,300	300	1,250	1,550
Telephone Commissions	262	363	625	262	358	620
Cash Over or (Short)	(2,085)	(605)	(2,690)	(3,688)	(1,302)	(4,990)
Gift Certificates	7,234	0	7,234	9,330	0	9,330
Nursery	8,309	0	8,309	9,971	0	9,971
Rental Income	0	0	0	130,020	3,361	133,381
Tram Retail	0	0	0	61,440	104	61,544
Peabody Retail	0	0	0	122,685	0	122,685
Ski NH	0	0	0	7,258	0	7,258
Corp. Ski Incent	0	0	0	3,076	0	3,076
Inns	0	0	0	12,209	0	12,209
Ski School Income	133,746	0	133,746	170,330	0	170,330
TOTAL OPERATING INCOME	2,186,257	944,715	3,130,972	2,718,160	972,071	3,690,231

DEPARTMENT OF RESOURCES AND ECONOMIC DEVELOPMENT
STATEMENT OF INCOME AND EXPENSES - FISCAL YEAR 1993 & 1994
FRANCONIA NOTCH STATE PARK

OPERATING INCOME	FISCAL 1993	FISCAL 1994
Lift Income	1,358,950	1,404,992
Peabody Slopes Lift Income	944,564	1,170,116
Season Tickets	266,877	310,529
Group Reservations	600	100
Rec. Tickets - Chamber of Commerce	90,007	0
Echo Lake - Service Charge	26,194	37,008
Package Plan-Mass. Junior Ski	1,376	479
John Tracy Ski Club	5,908	5,599
Misc. Ski Clubs	3,318	1,281
Camping	2,019	4,556
Concession Income-Food,Souv. & Alcohol	218,976	217,569
Ski Shop Rent. Comm.	48,085	0
Miscellaneous	10,135	6,016
Canadian Exchange	1	(5)
Sanitary Supplies	110	139
Viewing Machines	4,328	4,888
Peabody Shelter Bldg.-Rent	2,300	1,550
Telephone Commissions	625	620
Cash Over or (Short)	(2,690)	(4,990)
Gift Certificates	7,234	9,330
Nursery	8,309	9,971
Rental Income	0	133,381
Tram Retail	0	61,544
Peabody Retail	0	122,685
Ski NH	0	7,258
Corp. Ski Incent	0	3,076
Inns	0	12,209
Ski School Income	133,746	170,330
TOTAL OPERATING INCOME	3,130,972	3,690,231

APPENDIX 4 CONTINUED

DEPARTMENT OF RESOURCES AND ECONOMIC DEVELOPMENT
STATEMENT OF INCOME AND EXPENSES - FISCAL YEAR 1993 & 1994
FRANCONIA NOTCH STATE PARK

LESS OPERATING EXPENSES		FISCAL 1993		FISCAL 1994
Permanent Salaries		626,278		914,481
Other Salaries		631,026		455,061
Benefits		354,483		351,658
Current Expenses-				
Supplies	87,317		71,730	
Publications	296		613	
Fuel	453		(128)	
Clothing	10,932		1,622	
Telephone	28,868		22,293	
Postage	1,943		2,668	
Printing	11,251		13,346	
Transportation of Things	42		381	
Contract Repairs M&E	6,344		2,322	
Contract Repairs B&G	2,391		3,993	
Contract Repairs Office Equip	464		410	
Other Repairs & Alter	0		0	
Own Forces Repairs - M&E	9,653		15,558	
Motor Vehicle Upkeep	30,857		55,278	
Own Forces Repairs - B&G	7,169		2,475	
Advertising	2,704		125	
CE Earnings	0		1,400	
Rent and Rentals	283		0	
Insurance	2,820		0	
Membership Fees	0		5,925	
Miscellaneous	9,283		8,533	
Rental/Lease - Office Equipment	1,583		1,931	
Janitorial Services	260	214,913	0	210,475
Own Maint-B&G		31,142		27,690
Equipment		69,115		167,705
Travel In-State		0		391
Travel Out-of-State		0		1,485
Heating Fuels & Electricity		580,394		656,723
Liability Insurance		64,755		52,014
Debt Service-Tramway		391,567		447,086
Rents & Leases Non-State		0		0
Promotion Marketing		159,794		184,940
Maint Other Than B&G		10,630		18,245
OYR - Current Expenses		3,635		353
OYR - Equipment		0		335
TOTAL OPERATING EXPENSES		3,137,732		3,488,642
PLUS EXPENSES FOR SNOWMAKING		168,001		29,039
PLUS EXPENSES FOR SKI SCHOOL		152,093		157,605
PLUS EXPENSES FOR BEACH		0		1,077
PLUS EXPENSES FOR RENTAL SHOP		0		196,551
PLUS EXPENSES FOR PEABODY RETAIL		0		163,081
PLUS EXPENSES FOR TRAM RETAIL		0		9,151
ADJUSTED OPERATING EXPENSES		3,457,826		4,045,146
NET OPERATING GAIN OR (LOSS)		(326,854)		(354,915)

APPENDIX 4 CONTINUED

DEPARTMENT OF RESOURCES AND ECONOMIC DEVELOPMENT
STATEMENT OF INCOME AND EXPENSES - FISCAL YEAR 1993 & 1994
FRANCONIA NOTCH STATE PARK

EXPENSES	FISCAL 1993			FISCAL 1994		
	WINTER	SUMMER	TOTAL	WINTER	SUMMER	TOTAL
Permanent Salaries	271,681	354,597	626,278	386,294	528,187	914,481
Other Salaries	355,726	275,300	631,026	385,163	69,898	455,061
Benefits	185,517	168,966	354,483	191,579	160,079	351,658
Current Expenses-						
Supplies	48,581	38,736	87,317	48,118	23,612	71,730
Publications	296	0	296	37	576	613
Fuel	192	261	453	(272)	144	(128)
Clothing	10,384	548	10,932	1,375	247	1,622
Telephone	21,340	7,528	28,868	17,723	4,570	22,293
Postage	1,282	661	1,943	868	1,800	2,668
Printing	10,967	284	11,251	13,346	0	13,346
Transportation of Things	24	18	42	182	199	381
Contract Repairs M&E	3,110	3,234	6,344	1,199	1,123	2,322
Contract Repairs B&G	111	2,280	2,391	3,993	0	3,993
Contract Repairs Office Equip	0	464	464	0	410	410
Own Forces Repairs - M&E	0	0	0	0	0	0
Own Forces Repairs - M&E	6,856	2,797	9,653	9,374	6,184	15,558
Motor Vehicle Upkeep	23,829	7,028	30,857	45,157	10,121	55,278
Own Forces Repairs - B&G	2,196	4,973	7,169	467	2,008	2,475
Advertising	2,704	0	2,704	125	0	125
CE Earnings	0	0	0	1,400	0	1,400
Rent and Rentals	(78)	361	283	0	0	0
Insurance	406	2,414	2,820	0	0	0
Membership Fees	0	0	0	0	5,925	5,925
Miscellaneous	3,976	5,307	9,283	6,408	2,125	8,533
Rental/Lease - Office Equipment	1,068	515	1,583	1,260	671	1,931
Janitorial Services	260	0	260	0	0	0
Own Maint-B&G	22,787	8,355	31,142	21,672	6,018	27,690
Equipment	64,094	5,021	69,115	147,234	20,471	167,705
Travel In-State	0	0	0	266	125	391
Travel Out-of-State	0	0	0	845	640	1,485
Heating Fuels & Electricity	551,183	29,211	580,394	612,481	44,242	656,723
Liability Insurance	64,655	100	64,755	50,870	1,144	52,014
Debt Service - Tramway	195,784	195,783	391,567	0	447,086	447,086
Rents & Leases Non-State	0	0	0	0	0	0
Promotion Marketing	129,231	30,563	159,794	162,590	22,350	184,940
Maint Other Than B&G	9,413	1,217	10,630	12,966	5,279	18,245
OYR - Current Expenses	0	3,635	3,635	0	353	353
OYR - Equipment	0	0	0	335	0	335
TOTAL OPERATING EXPENSES	1,987,575	1,150,157	3,137,732	2,123,055	1,365,587	3,488,642
PLUS EXPENSES FOR SNOWMAKING	168,001	0	168,001	29,039	0	29,039
PLUS EXPENSES FOR SKI SCHOOL	152,093	0	152,093	157,605	0	157,605
PLUS EXPENSES FOR BEACH	0	0	0	1,077	0	1,077
PLUS EXPENSES FOR RENTAL SHOP	0	0	0	196,551	0	196,551
PLUS EXPENSES FOR PEABODY RETAIL	0	0	0	163,081	0	163,081
PLUS EXPENSES FOR TRAM RETAIL	0	0	0	9,151	0	9,151
ADJUSTED OPERATING EXPENSES	2,307,669	1,150,157	3,457,826	2,679,559	1,365,587	4,045,146
NET OPERATING GAIN OR (LOSS)	(121,412)	(205,442)	(326,854)	38,601	(393,516)	(354,915)

1993 winter season 10/31/92 to 4/11/93

1994 winter season 11/13/93 to 4/30/94

APPENDIX 4 CONTINUED

SNOWMAKING*
OPERATING EXPENSES
FRANCONIA NOTCH STATE PARK

	FISCAL 1993		FISCAL 1994	
Other Salaries		116,362		0
Benefits		10,522		0
Current Expenses				
200 - Supplies	630		2,527	
210 - Fuel Non MV	0		43	
212 - Clothing	0		0	
215 - Telephone	0		2,458	
225 - Contract Repairs-M&E	565		0	
226 - Contract Repairs B&G	0		8,817	
228 - Supplies for Repairs-M&E	9,728		2,193	
235 - Motor Vehicle Upkeep	0		5,637	
240 - Supplies for Repairs-B&G	6,797		6,618	
252 - Miscellaneous	95	17,815	138	28,431
Heating Fuels & Electricity		23,000		0
Equipment		302		432
Travel - Out State		0		176
TOTAL OPERATING EXPENSES		168,001		29,039

*TOTALS FOR THIS OPERATION ARE INCLUDED IN THE STATEMENTS FOR FRANCONIA NOTCH

APPENDIX 4 CONTINUED

SKI SCHOOL*
OPERATING EXPENSES
FRANCONIA NOTCH STATE PARK

		FISCAL 1993		FISCAL 1994
Other Salaries		116,713		123,495
Benefits		11,416		15,202
Current Expenses				
200 - Supplies	6,746		2,875	
201 - Publications	0		65	
212 - Clothing	9,660		6,312	
215 - Telephone	766		677	
216 - Postage	0		1,015	
217 - Printing & Binding	1,390		1,838	
219 - Transportation of Things	13		9	
225 - Contract Repairs M&E	0		139	
240 - Supplies for Repairs-B&G	980		469	
247 - Advertising	0		54	
248 - Rent and Rentals	249		0	
251 - Membership Fees	2,504		2,095	
252 - Miscellaneous	1,026	23,334	572	16,120
Heating Fuels & Electricity		0		0
Equipment		630		2,788
TOTAL OPERATING EXPENSES		152,093		157,605

*TOTALS FOR THIS OPERATION ARE INCLUDED IN THE STATEMENTS FOR FRANCONIA NOTCH

CANNON BEACH
OPERATING EXPENSES
FRANCONIA NOTCH STATE PARK

	FISCAL 1993		FISCAL 1994	
Other Salaries		0		0
Benefits		0		0
Current Expenses				
200 - Supplies	0		1,077	
212 - Clothing	0		0	
215 - Telephone	0		0	
216 - Postage	0		0	
252 - Miscellaneous	0	0	0	1,077
Heating Fuels & Electricity		0		0
Equipment		0		0
TOTAL OPERATING EXPENSES		0		1,077

*TOTALS FOR THIS OPERATION ARE INCLUDED IN THE STATEMENTS FOR FRANCONIA NOTCH

APPENDIX 4 CONTINUED

RENTAL SHOP
OPERATING EXPENSES
FRANCONIA NOTCH STATE PARK

		FISCAL 1993		FISCAL 1994
Other Salaries		0		55,503
Benefits		0		7,571
Current Expenses				
210 - Supplies	0		27,675	
212 - Clothing	0		9	
213 - Stock in Trade	0		48,337	
215 - Telephone	0		0	
216 - Postage	0		0	
217 - Printing & Binding	0		0	
219 - Transportation of Things	0		480	
226 - Contract Repairs B&G	0		4,470	
228 - Own Forces Repairs	0		180	
240 - Supplies for Repairs-B&G	0		35,429	
247 - Advertising	0		415	
248 - Rent and Rentals	0		1,550	
251 - Membership Fees	0		0	
252 - Miscellaneous	0	0	600	119,145
Heating Fuels & Electricity		0		0
Equipment		0		11,550
Travel - In State		0		2,782
TOTAL OPERATING EXPENSES		0		196,551

*TOTALS FOR THIS OPERATION ARE INCLUDED IN THE STATEMENTS FOR FRANCONIA NOTCH

APPENDIX 4 CONTINUED

PEABODY RETAIL
OPERATING EXPENSES
FRANCONIA NOTCH STATE PARK

		FISCAL 1993		FISCAL 1994
Other Salaries		0		26,066
Benefits		0		5,484
Current Expenses				
210 - Supplies	0		6,940	
212 - Clothing	0		0	
213 - Stock in Trade	0		119,256	
215 - Telephone	0		251	
216 - Postage	0		0	
217 - Printing & Binding	0		11	
219 - Transportation of Things	0		126	
226 - Contract Repairs B&G	0		113	
240 - Supplies for Repairs-B&G	0		1,583	
247 - Advertising	0		81	
248 - Rent and Rentals	0		0	
251 - Membership Fees	0		0	
252 - Miscellaneous	0	0	484	128,845
Heating Fuels & Electricity		0		0
Equipment		0		1,370
Travel - In State		0		1,316
TOTAL OPERATING EXPENSES		0		163,081

*TOTALS FOR THIS OPERATION ARE INCLUDED IN THE STATEMENTS FOR FRANCONIA NOTCH

APPENDIX 4 CONTINUED

TRAM RETAIL
OPERATING EXPENSES
FRANCONIA NOTCH STATE PARK

		FISCAL 1993		FISCAL 1994
Other Salaries		0		7,191
Benefits		0		550
Current Expenses				
210 - Supplies	0		0	
212 - Clothing	0		0	
215 - Telephone	0		40	
216 - Postage	0		0	
217 - Printing & Binding	0		0	
252 - Miscellaneous	0	0	0	40
Heating Fuels & Electricity		0		0
Equipment		0		1,370
TOTAL OPERATING EXPENSES		0		9,151

*TOTALS FOR THIS OPERATION ARE INCLUDED IN THE STATEMENTS FOR FRANCONIA NOTCH

APPENDIX 5

DEPARTMENT OF RESOURCES AND ECONOMIC DEVELOPMENT
STATEMENT OF INCOME AND EXPENSES - FISCAL YEAR 1993 & 1994
MT. SUNAPEE STATE PARK

INCOME	FISCAL 1993			FISCAL 1994		
	WINTER	SUMMER	TOTAL	WINTER	SUMMER	TOTAL
Lifts	1,635,828	44,562	1,680,390	2,057,040	59,852	2,116,892
Season Tickets	167,162	0	167,162	180,736	0	180,736
Camping	0	1,521	1,521	0	1,089	1,089
Group Reservations	3,800	0	3,800	2,750	0	2,750
Service Charges	0	87,109	87,109	0	91,014	91,014
Shelter Building	0	4,650	4,650	0	4,725	4,725
Ski Shop Rental	190,700	0	190,700	214,133	0	214,133
Ski Retail Commission	18,610	0	18,610	20,587	0	20,587
Sanitary Supplies	8	65	73	23	71	94
Viewing Machines	0	165	165	0	232	232
Telephone Commissions	314	104	418	354	70	424
Cash Over or (Short)	(1,422)	15	(1,407)	(3,596)	40	(3,556)
Leases	0	7,941	7,941	0	8,335	8,335
Gift Certificates	9,213	0	9,213	7,668	0	7,668
Miscellaneous	5,040	89	5,129	6,948	650	7,598
Mass. Ski Club	0	0	0	0	0	0
Ski School	152,036	0	152,036	214,426	0	214,426
Lake Sunapee Business Assoc.	0	0	0	0	0	0
Sail Boarding	0	5,873	5,873	0	6,327	6,327
Concession Inc.-Food.Souv. & Alcohol	76,343	36,122	112,465	80,689	51,548	132,237
Nursery	10,421	0	10,421	12,666	0	12,666
Miscellaneous Ski Clubs	200	0	200	0	0	0
Total Income	2,268,253	188,216	2,456,469	2,794,424	223,953	3,018,377

APPENDIX 5 CONTINUED

DEPARTMENT OF RESOURCES AND ECONOMIC DEVELOPMENT
STATEMENT OF INCOME AND EXPENSES - FISCAL YEAR 1993 & 1994
MT. SUNAPEE STATE PARK

OPERATING INCOME	FISCAL 1993	FISCAL 1994
Lifts	1,680,390	2,116,892
Season Tickets	167,162	180,736
Camping	1,521	1,089
Group Reservations	3800	2,750
Service Charges	87,109	91,014
Shelter Buildings	4,650	4,725
Ski Shop Rental	190,700	214,133
Ski Retail Commission	18,610	20,587
Sanitary Supplies	73	94
Viewing Machines	165	232
Telephone Commissions	418	424
Cash Over or (Short)	(1,407)	(3,556)
Leases	7941	8,335
Gift Certificates	9,213	7,668
Miscellaneous	5,129	7,598
Mass. Ski Club	0	0
Ski School	152,036	214,426
Lake Sunapee Business Assoc.	0	0
Sail Boarding	5873	6,327
Concession Income-Food,Souv. & Alcohol	112,465	132,237
Nursery	10,421	12,666
Miscellaneous Ski Clubs	200	0
TOTAL INCOME	2,456,469	3,018,377

APPENDIX 5 CONTINUED

DEPARTMENT OF RESOURCES AND ECONOMIC DEVELOPMENT
STATEMENT OF INCOME AND EXPENSES - FISCAL YEAR 1993 & 1994
MT. SUNAPEE STATE PARK

LESS OPERATING EXPENSES		FISCAL 1993		FISCAL 1994
Permanent Salaries		252,561		343,408
Other Salaries		650,461		585,445
Benefits		203,331		186,923
Current Expenses				
Supplies	46,275		29,586	
Publications	0		0	
Fuel	222		292	
Clothing	1,164		2,015	
Water & Sewage	0		920	
Telephone & Telegraph	26,975		27,759	
Postage	362		324	
Printing	11,090		11,582	
Contract Repairs-M&E	8,891		6,870	
Contract Repairs-B&G	4,691		2,507	
Supplies for Repairs-M&E	2,732		2,711	
Contract Repairs-Office Equipment	192		615	
Motor Vehicle Upkeep	25,030		50,106	
Transportation of Things	292		306	
Supplies for Repairs-B&G	5,692		11,165	
Advertising	2,832		383	
CE Earnings	0		1,400	
Rent and Rentals	0		0	
Insurance	841		0	
Membership Fees	350		6,431	
Miscellaneous Expenses	8,552		6,700	
Rental/Lease-Office Equipment	1,723		1,179	
Janitorial Services	10,732	158,638	11,472	
Dev. Training	0		570	174,893
Own Maint - B&G		31,450		36,657
Equipment		64,827		161,533
In-State Travel		0		453
Out-State Travel		0		1,916
Promotion Marketing		159,758		188,082
Heating Fuel & Electricity		582,835		513,274
Liability Insurance		50,017		51,486
Rents & Leases to Non-State		39		5,251
Maint Other Than B&G		15,562		260
Contractural Maint - B&G		816		0
OYR-Current Expense		1,034		439
OYR-Other Expenditures		182		0
OYR-Own Maint-B&G		0		0
OYR-Equipment		0		1,173
TOTAL OPERATING EXPENSES		2,171,511		2,251,193
PLUS EXPENSES FOR SNOWMAKING		149,304		65,936
PLUS EXPENSES FOR SKI SCHOOL		160,623		160,094
PLUS EXPENSES FOR SKI RENTAL		174,735		98,217
PLUS EXPENSES FOR SAIL BOARDING		6,195		6,495
ADJUSTED OPERATING EXPENSES		2,662,368		2,581,935
NET OPERATING GAIN OR LOSS		(205,899)		436,442

DEPARTMENT OF RESOURCES AND ECONOMIC DEVELOPMENT
STATEMENT OF INCOME AND EXPENSES - FISCAL YEAR 1993 & 1994
MT. SUNAPEE STATE PARK

EXPENSES	FISCAL 1993			FISCAL 1994		
	WINTER	SUMMER	TOTAL	WINTER	SUMMER	TOTAL
Permanent Salaries	87,535	165,026	252,561	146,832	196,576	343,408
Other Salaries	413,248	237,213	650,461	487,496	97,949	585,445
Benefits	100,072	103,259	203,331	104,257	82,666	186,923
Current Expenses-						
Supplies	29,266	17,009	46,275	21,282	8,304	29,586
Publications	0	0	0	0	0	0
Fuel	45	177	222	112	180	292
Clothing	91	1,073	1,164	1,279	736	2,015
Water & Sewage	0	0	0	920	0	920
Telephone & Telegraph	15,562	11,413	26,975	16,845	10,914	27,759
Postage	101	261	362	148	176	324
Printing	10,572	518	11,090	11,582	0	11,582
Contract Repairs-M&E	5,787	3,104	8,891	5,358	1,512	6,870
Contract Repairs-B&G	4,541	150	4,691	2,507	0	2,507
Transportation of Things	274	18	292	306	0	306
Contract Repairs-Office Equipment	0	192	192	0	615	615
Supplies for Repairs-M&E	1,553	1,179	2,732	2,318	393	2,711
Motor Vehicle Upkeep	17,461	7,569	25,030	41,333	8,773	50,106
Supplies for Repairs-B&G	3,131	2,561	5,692	10,781	384	11,165
Advertising	2,500	332	2,832	290	93	383
CE Earnings	0	0	0	1,400	0	1,400
Rent and Rentals	0	0	0	0	0	0
Insurance	136	705	841	0	0	0
Membership Fees	350	0	350	575	5,856	6,431
Miscellaneous	4,922	3,630	8,552	5,858	842	6,700
Rental/Lease-Office Equipment	1,107	616	1,723	387	792	1,179
Janitorial Services	6,265	4,467	10,732	6,046	5,426	11,472
Dev. Training	0	0	0	0	570	570
Own Maint-B&G	29,681	1,769	31,450	27,509	9,148	36,657
Equipment	59,574	5,253	64,827	138,137	23,396	161,533
Travel In-State	0	0	0	346	107	453
Travel Out-State	0	0	0	833	1,083	1,916
Promotion Marketing	127,266	32,492	159,758	170,537	17,545	188,082
Heating Fuel & Electricity	527,555	55,280	582,835	464,453	48,821	513,274
Liability Insurance	50,017	0	50,017	50,750	736	51,486
Rents & Leases to Non-State	39	0	39	5,032	219	5,251
Maint Other Than B&G	15,562	0	15,562	260	0	260
Contractual Maint - B&G	816	0	816	0	0	0
OYR-Current Expense	0	1,034	1,034	439	0	439
OYR-Other Expenditures	0	182	182	0	0	0
OYR-Own Maint-B&G	0	0	0	0	0	0
OYR-Equipment	0	0	0	1,173	0	1,173
TOTAL OPERATING EXPENSES	1,515,029	656,482	2,171,511	1,727,381	523,812	2,251,193
PLUS EXPENSES FOR SNOWMAKING	149,304	0	149,304	65,936	0	65,936
PLUS EXPENSES FOR SKI SCHOOL	160,623	0	160,623	160,094	0	160,094
PLUS EXPENSES FOR SKI RENTAL	174,735	0	174,735	98,217	0	98,217
PLUS EXPENSES FOR SAIL BOARDING	0	6,195	6,195	0	6,495	6,495
ADJUSTED OPERATING EXPENSES	1,999,691	662,677	2,662,368	2,051,628	530,307	2,581,935
NET OPERATING GAIN OR LOSS	268,562	(474,461)	(205,899)	742,796	(306,354)	436,442

1993 winter season 11/27/92 to 4/11/93

1994 winter season 12/10/93 to 4/3/94

APPENDIX 5 CONTINUED

SKI RENTAL*
OPERATING EXPENSES
MT. SUNAPEE STATE PARK

		FISCAL 1993		FISCAL 1994
Other Salaries		55,113		77,278
Benefits		4,808		13,831
Current Expenses				
200 - Supplies	63,645		3,279	
212 - Clothing	0		18	
215 - Telephone	77		752	
217 - Printing & Binding	1,416		0	
225 - Contract Repairs M&E	0		131	
235 - Motor Vehicle	32,000		0	
240 - Supplies for Repairs-B&E	0		48	
247 - Advertising	15,411		0	
252 - Miscellaneous	0	112,549	0	4,228
Heat, Electricity, & Water		0		0
Equipment		2,265		2,880
TOTAL OPERATING EXPENSES		174,735		98,217

*TOTALS FOR THIS OPERATION ARE INCLUDED IN THE STATEMENTS FOR MT. SUNAPEE

SAIL BOARDING*
OPERATING EXPENSES
MT. SUNAPEE STATE PARK

		FISCAL 1993		FISCAL 1994
Other Salaries		4,617		4,568
Benefits		353		349
Current Expenses				
200 - Supplies	130		0	
215 - Telephone	295		449	
216 - Postage	0		0	
225 - Contract Repairs M&E	0		125	
247 - Advertising	0		68	
249 - Contract Earnings	0		0	
250 - Insurance & Bonding	800		0	
252 - Miscellaneous	0	1,225	0	642
Equipment		0		936
TOTAL OPERATING EXPENSES		6,195		6,495

*TOTALS FOR THIS OPERATION ARE INCLUDED IN THE STATEMENTS FOR MT. SUNAPEE

APPENDIX 5 CONTINUED

SKI SCHOOL*
OPERATING EXPENSES
MT. SUNAPEE STATE PARK

		FISCAL 1993		FISCAL 1994
Other Salaries		89,672		116,284
Benefits		10,580		11,339
Current Expenses				
200 - Supplies	4,376		4,498	
212 - Clothing	14,888		180	
213 - Stock in Trade	0		175	
215 - Telephone	3,350		1,673	
216 - Postage	248		0	
217 - Printing & Binding	121		1826	
219 - Transportation of Things	18		0	
225 - Contract Repairs-B&G	32,000		874	
247 - Advertising & Publication	114		15,406	
251 - Membership Fees	2,720		2,055	
252 - Miscellaneous	736	58,571	412	27,099
Heat, Electric & Water		0		0
Equipment		1,540		4,933
Travel-In-State		260		439
TOTAL OPERATING EXPENSES		160,623		160,094

*TOTALS FOR THIS OPERATION ARE INCLUDED IN THE STATEMENTS FOR MT. SUNAPEE

SNOWMAKING*
OPERATING EXPENSES
MT. SUNAPEE STATE PARK

	FISCAL 1993		FISCAL 1994	
Other Salaries		83,023		178
Benefits		10,391		99
Current Expenses				
200 - Supplies	13,647		2,846	
212 - Clothing	919		15	
225 - Contract Repairs-M&E	28,932		56,151	
226 - Contract Repairs-B&G	0		0	
228 - Supplies for Repairs-M&E	173		1,058	
235 - Motor Vehicle Upkeep	5,507		4,417	
240 - Supplies for Repairs-B&E	4,055		756	
247 - Advertising	750		0	
252 - Miscellaneous	0	53,983	0	65,243
Heating Fuel & Electricity		0		0
Equipment		0		310
Travel-In-State		1,907		106
TOTAL OPERATING EXPENSES		149,304		65,936

*TOTALS FOR THIS OPERATION ARE INCLUDED IN THE STATEMENTS FOR MT. SUNAPEE

APPENDIX 6

DEPARTMENT OF RESOURCES AND ECONOMIC DEVELOPMENT
STATEMENT OF INCOME AND EXPENSES - FISCAL YEAR 1993 & 1994
DIVISION OF SKI OPERATIONS ADMINISTRATION
OTHER EXPENSES

OPERATING EXPENSES		FISCAL 1993		FISCAL 1994
Permanent Salaries		105,164		132,013
Other Salaries		0		21,786
Benefits		20,601		34,576
Current Expenses-				
200 - Supplies	40		153	
201 - Publications	0		371	
215 - Telephone & Telegraph	527		2,882	
216 - Postage	35		425	
217 - Printing and Binding	111		85	
219 - Transportation of Things	88		56	
227 - Other Repairs and Alter.	358		126	
247 - Adver. & Public of Notices	178		251	
250 - Insurance	0		250	
252 - Miscellaneous	3	1,340	385	4,985
Equipment		0		16,600
Travel-In-State		2,460		4,504
Travel Out of State		0		6,471
TOTAL OPERATING EXPENSES		129,564		220,935
CANNON NET OPERATING GAIN (OR LOSS)		(326,854)		(354,915)
SUNAPEE NET OPERATING GAIN (OR LOSS)		(205,899)		436,442
NET GAIN OR LOSS FROM SKI OPERATIONS		(662,317)		(139,408)

APPENDIX 7

CANNON MOUNTAIN

	FY 92	FY 93	FY 94	FY 95
REVENUE				
Winter	1,793,389	2,052,511	2,258,407	1,662,900
Summer	865,506	944,715	968,606	907,758
Total Revenue	2,658,895	2,997,226	3,227,013	2,570,658
EXPENSES				
010 Permanent Employees	584,979	587,801	859,148	847,715
011 Mountain Manager	36,399	38,477	39,991	42,057
019 Holiday Pay	0	0	15,342	18,159
020 Current Expenses	205,000	214,913	210,475	202,693
022 Rents & Leases Non-State	0	0	0	103,639
023 Utilities	429,856	580,394	656,723	502,577
024 Maint. Other Than B & G	0	10,630	18,245	19,522
030 Equipment	0	69,115	167,705	76,051
044 Debt Service	436,988	391,567	447,086	384,876
047 Own Forces Maint. B&G	28,720	31,142	27,690	32,310
050 Temp. Employees	280,942	210,529	326,189	280,200
059 Full-Time Temp Employees	282,229	420,498	128,872	135,174
060 Benefits	306,502	354,483	351,658	361,002
070 In-State Travel	240	0	391	558
080 Out-State Travel	0	0	1,485	1,012
090 Snowmaking	146,763	168,001	29,039	113,360
091 Liability Insurance	51,291	64,755	52,014	55,000
092 Promotion/Marketing	159,979	159,794	184,940	190,000
Total Expenses	2,949,888	3,302,099	3,516,993	3,365,905
CANNON PROFIT/(LOSS)	(290,993)	(304,873)	(289,980)	(795,247)

MOUNT SUNAPEE

		FY 92	FY 93	FY 94	FY 95
	REVENUE				
	Winter	1,441,715	1,941,482	2,536,113	1,502,362
	Summer	194,025	182,343	217,626	162,582
	Total Revenue	1,635,740	2,123,825	2,753,739	1,664,944
	EXPENSES				
010	Permanent Employees	211,826	218,820	287,040	305,319
011	Mountain Manager	0	33,741	39,182	41,347
019	Holiday Pay	0	0	17,185	15,903
020	Current Expenses	150,647	158,638	174,893	194,933
022	Rents & Leases Non-State	6,595	39	5,251	96,628
023	Utilities	381,285	582,835	513,274	467,409
024	Maint. Other Than B & G	595	15,562	260	517
030	Equipment	80,907	64,827	161,533	74,811
047	Own Forces Maint. B&G	28,534	31,450	36,657	32,548
048	Contract. Maint. B&G	0	816	0	0
050	Temp. Employees	423,668	381,801	464,571	410,326
059	Full-Time Temp Employees	189,950	268,660	120,874	121,591
060	Benefits	165,086	203,331	186,923	190,238
070	In-State Travel	190	0	453	176
080	Out-State Travel	0	0	1,916	2,000
090	Snowmaking	126,185	149,304	65,936	126,269
091	Liability Insurance	51,083	50,017	51,486	55,000
092	Promotion/Marketing	159,079	159,758	188,082	190,000
	Total Expenses	1,975,630	2,319,599	2,315,516	2,325,015
	SUNAPEE PROFIT/(LOSS)	(339,890)	(195,774)	438,223	(660,071)

	FY 92	FY 93	FY 94	FY 95
CANNON PROFIT/(LOSS)	(290,993)	(304,873)	(289,980)	(795,247)
SUNAPEE PROFIT/(LOSS)	(339,890)	(195,774)	438,223	(660,071)
ADMINISTRATION EXPENSES	151,219	129,564	220,935	253,139
DIVISION PROFIT/(LOSS)	(782,102)	(630,211)	(72,692)	(1,708,457)