

Executive summary –

This report's purpose is to provide an objective view of the current state of Eaglecrest, what will be needed in the next several years, and expectations for gondola project financial performance.

The Eaglecrest Ski Area is at a pivotal time in its history. Three of the five senior management positions are held by newly hired individuals who are qualified to do the job but face steep learning curves. Eaglecrest is a complicated ski area compared to many areas in that it has extensive avalanche mitigation which increases costs. In addition, its relatively low elevation and maritime climate make a consistent opening date and operations a challenge.

Eaglecrest has not kept up with paying competitive wages to its employees and lacks a coherent pricing structure. Eaglecrest, in anticipation of the gondola operation has increased year-round staffing, which needs to be reexamined as the gondola is not coming online until July of 2027 at the earliest.

Eaglecrest has not maintained its lifts to industry standards (which are somewhat subjective) and at present does not have adequately trained lift mechanics. While the new management intends to develop necessary training programs, until such time that staff is fully trained, additional funds over current levels will likely be required for contracted services. Insufficient maintenance and lack of ongoing training over the past several years have resulted in the Black Bear chair not operating this winter and added to the cost of maintenance on the other chairlifts in the years to come.

There is much hope that gondola summer operations will “save” Eaglecrest, supporting additional investment in the ski area and ultimately replacing city support for winter operations. However, as in any business endeavor, future financial performance is uncertain, particularly in the absence of market demand research. How many people will use the service and how much are they willing to pay for the service? These questions are critical when planning a restaurant, a gas station or any other enterprise. This important due diligence has never been done for the gondola. The expense numbers are relatively easy to develop, however, the revenue numbers are very uncertain, leaving the gondola operation business plan with a wide range of possible financial outcomes.

Many of the issues facing the ski area can be traced back to the Eaglecrest Board of Directors. While board members are very dedicated to the ski area and its success, they

lack the industry knowledge needed to provide supervisory overview of the area. As a city department, some of the past and current issues at the ski area would not have been allowed to grow to the point that the board had to take drastic action. Whether Eaglecrest remains as an empowered board or a city department with an advisory board (ala the Parks and Recreation Advisory Committee) will be a much needed conversation within the community.

In Fiscal Year 2025, there are many unfunded positions within the current budget. The need to purchase lift maintenance parts in Fiscal Year 2025 to ensure those parts are in Juneau for the summer maintenance season of 2025 (Fiscal Year 2026) as well as an apparent budgeted increase in season pass revenue that did not occur during the management transition, Eaglecrest may have an increase in the budget by as much as \$1,000,000. This amount could be offset by increasing the level of general fund support, increasing the negative fund balance, increase in fund raising, reducing costs, or some combination of these or other offsets.

In FY 2026, if the decision is made to increase Eaglecrest salaries/wages to a competitive level, the increased costs will range between \$600,000 and \$800,000. There will be one more year of increased lift maintenance costs before Eaglecrest will be back on a more routine preventive maintenance program. Lift maintenance and personnel services could increase the budget by as much as \$1,500,000. There may be some limited opportunity to offset increase costs with increased user fees, though development of a rationalized pricing model and strategy would first be required.

In FY 2027, the ski area will be back to “normal” winter operations with no need to bring in outside lift maintenance contractors as the two lift mechanics will have been fully trained. This will be the year when some up front gondola expenses occur. These would include the need to hire two additional lift mechanics to maintain the gondola, some capital equipment costs related to the gondola operation such an all-wheel drive 18 passenger van to get people off the top of the mountain if the gondola has a mechanical issue, additional evacuation equipment purchases, potential point of sale interface costs and other related items.

In FY 2028, if the gondola realizes it’s projected ridership and revenue targets (40,000 riders with revenue of \$85 per rider as specified by the Eaglecrest Board) and expected expenses are correct, the summer operation would have net income of about \$1 million. With projected ridership increasing to 125,000 and revenue per rider increasing to \$125, the gondola would generate net income of \$10 million annually by 2043. Eaglecrest would over

time be able to invest \$19 million back into the mountain, have a positive fund balance of \$43 million by 2043 and stop receiving general fund support in 2031.

It would be wise for the CBJ Finance Department to spend time verifying and/or changing these numbers as there are a lot of moving parts and many opportunities for errors. The following pages provide more detailed information.

Further information –

FY 2025 discussion

Budget topics

- Increased labor

Staffing discussion

- Training local residents to be paid lift mechanics

- Correct people in the correct positions

- Increased material and commodities

FY 2026 discussion

Budget topics

- Revenue

- Increased labor

- New Pay Plan

- Increased material and commodities

- Equipment replacement fund increases – going forward

- Trail maintenance

FY 2027 discussion

- Preparation for the gondola

Budget topics

- Personnel services

- Deferred Maintenance – getting back to preventive maintenance

- Gondola mechanics training

- Gondola auxiliary expenses

FY 28 – long term planning

- Winter operations

- Increased year-round benefits

- Gondola operations?

Expensed terrain – more patrollers

Putting inexperienced users in difficult terrain

Summer operations

Gondola Projections

Revenue – Total visits and per visit projections

Expenses

Staffing

Material and commodities

Multi year financial planning

Winter budget

Summer budget

Capital replacement

Professional Planning

Lifts

Facilities

Infrastructure

Snowmaking

Water/wastewater

Road

Parking lot

Access road

On mountain road

Governance

Empowered Board versus CBJ Department

Financial Impact