CITY OF DULUTH

REQUEST FOR PROPOSALS FOR

SPIRIT MOUNTAIN RECREATION AREA OPERATOR

RFP NUMBER 25-AA24

ISSUED NOVEMBER 3, 2025

PROPOSALS DUE MONDAY, DECEMBER 15, 2025 AT 3:00

PM SUBMIT TO

CITY OF DULUTH ATTN:
PURCHASING DIVISION
CITY HALL, ROOM 120
411 WEST 1ST STREET
DULUTH, MN 55802
Purchasing@DuluthMN.gov

PART I - GENERAL INFORMATION

I-1. Project Overview.

The City of Duluth ("City") and the Spirit Mountain Recreation Area Authority (SMRAA) are seeking proposals for ski resort operation and management services for the Spirit Mountain Recreation Area ("Spirit Mountain") under a long-term operating lease.

A long-term operating lease agreement is desired to plan for and ensure the strategic reinvestment of resources into Spirit Mountain facilities and amenities, to provide continued recreational access and enjoyment of the site, and to reduce financial burden and risk to the City.

Additional detail is provided in **Part IV** of this RFP.

I-2. Calendar of Events. The City and SMRAA will make every effort to adhere to the following schedule (all times are Central Standard Time (CST)):

Activity	Date
Request For Proposals issued	Monday, November 3, 2025
Virtual Pre-Proposal Conference at 1:00 PM CST	Friday, November 14, 2025
On site tour at Spirit Mountain	The week of November 17, 2025
Deadline to submit Questions via email to Purchasing@duluthmn.gov	Monday, November 24, 2025
Answers to questions will be posted to the City website by 4:00 PM CST on this date.	Friday, December 5, 2025
Proposals must be received in the Purchasing Office by 3:00 PM CST on this date.	Monday, December 15, 2025
In-person interviews with finalists	TBD

I-3. Rejection of Proposals. The SMRAA and the City reserve the right, in their sole and complete discretion, to reject any and all proposals or cancel the request for proposals, at any time prior to the time a **lease contract** is fully executed, when it is in their best interests. The SMRAA and the City are not liable for any costs the Bidder incurs in preparation and submission of its proposal, in participating in the RFP process or in anticipation of award of the contract.

I-4. Pre-proposal Conference. The SMRAA and the City will hold an optional pre-proposal conference as specified in the Calendar of Events. Interested Bidders can attend via Microsoft Teams with the link provided at https://www.duluthmn.gov/purchasing/bids-request-for- proposals/.

I-5. On Site Tours. Proposers will be able to schedule a 2–3-hour tour of Spirit Mountain on the week of November 17. To schedule these tours, please contact Executive Director Ann Glumac at aglumac@spiritmt.com

I-6. Questions & Answers. Any questions regarding this RFP must be submitted by e-mail to the Purchasing Office at purchasing@duluthmn.gov **no later than** the date indicated on the Calendar of Events. Answers to the questions will be posted as an Addendum to the RFP.

I-7. Addenda to the RFP. If the SMRAA and the City deem it necessary to revise any part of this RFP before the proposal response date, the City will post an addendum to its website at https://www.duluthmn.gov/purchasing/bids-request-for-proposals/. Although an e-mail notification will be sent, it is the Bidder's responsibility to periodically check the website for any new information. Proposers **must** acknowledge their receipt and understanding of all addenda; this can be achieved by either by acknowledging the addenda on the Proposal Cover Sheet (Appendix A) or by including a copy of the first page of the addenda with their proposal.

I-8 Interviews. The SMRAA and the City reserve the right to request interviews from the high scoring proposers.

I-9. Proposals. To be considered, hard copies of proposals must arrive at the City on or before the time and date specified in the RFP Calendar of Events. The City will not accept proposals via email or facsimile transmission. The SMRAA and the City reserve the right to reject or to deduct evaluation points for late proposals.

Proposals must be signed by an authorized official. If the official signs the Proposal Cover Sheet attached as Appendix A, this requirement will be met. Proposals must remain valid for 90 days or until a lease contract is fully executed, whichever is later. Terms of the awarded proposal as stated must be valid for the project length of time.

Please submit **One** unbound paper copy of the Technical Submittal and **One** unbound paper copy of the Cost Submittal. The Cost Submittal must be in a separate sealed envelope.

All materials submitted in response to this RFP will become property of the SMRAA and the City and will become public record after the evaluation process is completed and an award decision made.

I-10. Small Diverse Business Information. The City encourages participation by minority, women, and veteran-owned businesses as prime contractors, and encourages all prime contractors to make a significant commitment to use minority, women, veteran-owned and other disadvantaged business entities as subcontractors and suppliers**.** A list of certified Disadvantaged Business Enterprises is maintained by the Minnesota Unified Certification Program at http://mnucp.metc.state.mn.us/ .

I-11. Award. The awarded proposer will negotiate a lease agreement with the SMRAA.

I-12. Term of Contract. The term of the contract is anticipated to begin no later than October 1, 2026, for a minimal operations and budgetary transition, with full service provision commencing no later than January 1, 2027, continuing through December 31, 2046. Two, additional 10-year extensions shall be possible, should all parties agree in writing. The selected Bidder shall not start the performance of any work nor shall SMRAA or the City be liable to pay the selected Bidder for any service or work performed or expenses incurred before the contract is executed.

I-13. Prompt Payment of Subconsultants. Per MN Statute 471.425, Subd. 4a., each contract of a municipality must require the prime contractor to pay any subcontractor within ten days of the prime contractor's receipt of payment from the municipality for undisputed services provided by the subcontractor. The contract must require the prime contractor to pay interest of 1-1/2 percent per month or any part of a month to the subcontractor on any undisputed amount not paid on time to the subcontractor. The minimum monthly interest penalty payment for an unpaid balance of$100 or more is $10. For an unpaid balance of less than $100, the prime contractor shall pay the actual penalty due to the subcontractor. A subcontractor who prevails in a civil action to collect interest penalties from a prime contractor must be awarded its costs and disbursements, including attorney's fees, incurred in bringing the action.

I-14. Mandatory Disclosures. By submitting a proposal, each Bidder understands, represents, and acknowledges that:

A. Their proposal has been developed by the Bidder independently and has been submitted without collusion with and without agreement, understanding, or planned common course of action with any other vendor or suppliers of materials, supplies, equipment, or services described in the Request for Proposals, designed to limit independent bidding or competition, and that the contents of the proposal have not been communicated by the Bidder or its employees or agents to any person not an employee or agent of the Bidder.

B. There is no conflict of interest. A conflict of interest exists if a Bidder has any interest that would actually conflict, or has the appearance of conflicting, in any manner or degree with the performance of work on the project. If there are potential conflicts, identify the municipalities, developers, and other public or private entities with whom your company is currently, or have been, employed and which may be affected.

C. It is not currently under suspension or debarment by the State of Minnesota, any other state or the federal government.

D. The company is either organized under Minnesota law or has a Certificate of Authority from the Minnesota Secretary of State to do business in Minnesota, in accordance with the requirements in M.S. 303.03.

I-15. Notification of Selection. Bidders whose proposals are not selected will be notified via email.

PART II - PROPOSAL REQUIREMENTS

Minimum Requirements

To be considered responsive, proposers must clearly demonstrate that they meet or exceed the following minimum requirements. The SMRAA and the City reserve the right to verify all information and reject proposals that do not address each item.

1. *Industry Experience*
    - At least five (5) years of experience operating and managing a ski area, mountain resort, or comparable multi-season recreation facility.
    - Experience managing both winter and summer operations, including lifts, snowmaking, guest services, and recreation programming.
2. *Financial Capacity*
    - Demonstrated financial stability and ability to fund working capital, operating expenses, and capital maintenance obligations.
    - Capability to assume debt service for Spirit Mountain's $6.5 million capital share.
    - Submission of audited or certified financial statements for the past three (3) fiscal years.
3. *Operational Competence*
    - Proven record of safe, compliant, and efficient mountain operations.
    - Demonstrated ability to recruit, train, and retain qualified staff.
    - Commitment to guest safety, service quality, and environmental stewardship.
    - Documented compliance with safety findings from regulatory agencies.
4. *Capital Planning and Maintenance*
    - Experience developing and implementing capital maintenance programs.
    - Ability to execute capital projects within multi-year financial frameworks.
    - Willingness to contribute annually to the Capital Maintenance Fund per lease terms.
5. *Community and Stakeholder Engagement*
    - Experience working collaboratively with municipalities, public boards, or community organizations.
    - Commitment to maintaining public access and community benefit consistent with Spirit Mountain's mission.

Failure to meet these minimum requirements may result in disqualification from further consideration.

Proposal Submission Requirements

Each proposal must be complete, well-organized, and responsive to the SMRAA's and the City's objectives for identifying an experienced, financially capable operator to lease and operate Spirit Mountain under a long-term agreement with the Spirit Mountain Recreation Area Authority (SMRAA).

1. *Cover Letter*
    - Introduce the proposer and summarize the firm's qualifications and motivation for pursuing this opportunity.
2. *Company Profile*
    - Provide legal name, corporate structure, ownership, and primary office location(s).

Identify all proposed partners, parent entities, or affiliates.

3. *Qualifications and Experience*
   - Describe relevant experience operating comparable four-season mountain resorts or recreation areas. Highlight:
     a. Demonstrated success improving guest experience, operational efficiency, and financial sustainability
     b. Long-term public-private or municipal partnerships
     c. Investment in capital maintenance and expansion projects of similar scale.
4. *Key Personnel*
   - Identify individuals who would manage the resort and oversee capital and operational planning. Include brief resumes describing their credentials
5. *Approach to Operations and Maintenance*
   - Outline how the proposer will:
     a. Maintain safe, high-quality recreation facilities year-round.
     b. Manage staff, snowmaking, lifts, and guest services, including food and beverage operations.
     c. Integrate environmental stewardship and community access.
6. *Business and Capital Maintenance Plan*
   - Provide an overview of proposing operating structure, investment strategy, and funding capacity to meet the capital maintenance obligation described in the Lease Guidelines
7. *Financial Capacity and References*
   - Include audited or reviewed financial statements for the past three years and at least three references for comparable operations
8. *Proposed Terms or Variations*
   - If proposing alternate terms, clarifications or additions to the draft Lease Guidelines, clearly identify and justify them.
9. *Cost Submittal*
   - Provide a proposed rent and capital-maintenance payment structure consistent with the guidelines discussed below, presented in a sealed envelope separate from the technical submittal
10. *Page Limit*
    - The submittal should not exceed 30 pages, not including the Proposal Cover Letter (see I-9) or any addenda included as acknowledgement of receipt, if any.

PART III - CRITERIA FOR SELECTION

Proposals will be evaluated by a panel of SMRAA and City representatives using the following weighted criteria (total = 100 points):

1. *Qualifications of Bidder and Personnel* — *35%*
   - Experience managing ski resorts or comparable outdoor recreation opportunities; demonstrated record of safety, quality, and financial performance
2. *Financial Capacity and Proposed Lease Terms* — *25%*
   - Strength of financial backing and ability to meet required capital maintenance, debt, and rent obligations
3. *Work Plan / Operational Approach* — *15%*
   - Understanding of Spirit Mountain’s four-season mission; creativity in programming; approach to governance, community engagement, and sustainability

4. *Experience with Public-Private Lease or Concession Agreements* *15%*
   - Evidence of collaboration with municipalities or public agencies under long-term arrangements
5. *Overall Value to Spirit Mountain and the City of Duluth* *10%*
   - Projected community, economic, and environmental benefits; alignment with SMRAA and City priorities

SMRAA and the City intend to identify one preferred proposer with whom to enter lease negotiations by year-end 2025.

PART IV - PROJECT DETAILS

A. Project Purpose

The SMRAA on behalf of the City seeks to enter a long-term operating lease with a qualified ski-area operator. The operator will manage, maintain, and enhance Spirit Mountain's year-round recreational offerings while advancing community, economic-development, and environmental goals and reducing financial risk to the City.

B. Site Overview

Spirit Mountain is a municipally owned, four-season recreation area overlooking the St. Louis River Valley in Duluth, MN. See attached Data Sheet for key characteristics (Appendix B).

C. SMRAA and City Objectives

- Engage a high-performing, experienced operator through a long term operating lease.
- Ensure financially sustainable continuation of public recreation services
- Safeguard and reinvest in public assets via capital-maintenance commitments in lieu of traditional rent
- Maintain local identity and strong community access while leveraging private-sector expertise
- Support the City's broader recreational and economic-development strategy along the St. Louis River corridor. (Appendix E)

D. *Lease Guideline*s

See attached Key Lease Terms (Appendix C)

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Appendix A: Proposal Cover Sheet
Appendix B: Spirit Mountain Summary Data Sheet (2024)
Appendix C: Key Lease Terms (2025)
Appendix D: Spirit Mountain Strategic Business Plan Update (2024)
Appendix E: City of Duluth St. Louis River Corridor strategies (2021)
Appendix F: Spirit Mountain Task Force report (2021)

APPENDIX A - PROPOSAL COVER SHEET
CITY OF DULUTH
RFP# 25-AA24

Bidder Information:	
Bidder Name	
Mailing Address	
Contact Person	
Contact Person's Phone Number	
Contact Person's E-Mail Address	
Federal ID Number	
Authorized Signature	
Name of Authorized Signer	
Title of Authorized Signer	
Email of Authorized Signer	

APPENDIX B

Spirit Mountain Ski & Recreation Area
SUMMARY DATASHEET

Executive Summary

Spirit Mountain, located in Duluth, Minnesota, is a popular year-round destination known for its wide array of outdoor activities that take advantage of its scenic beauty and terrain. The Spirit Mountain Recreation Area Authority and the City of Duluth seek a long-term lessee to take over operations at Spirit and realize its bright future. This partnership provides an opportunity to influence the success of a beloved resort and realize its potential.

Spirit is uniquely positioned as a locally supported and loved institution poised for massive capital infusion. A future operator can take over operations, optimize business strategies, and shepherd a new era in Spirit's history. The Spirit Mountain Recreation Area Authority and the City of Duluth are excited to work with an operator that understands Spirit's position within the community and recognizes the many opportunities moving forward.

Below is a summary of what Spirit offers across seasons:

Winter Details

In the winter, Spirit Mountain transforms into a skiing and snowboarding hub, featuring a range of slopes suitable for all skill levels. Highlights include:

- Terrain - 175 acres of skiable terrain
- Lifts - 4 lifts, including 3 chair lifts and 1 surface lift
- Vertical drop - 700 ft
- Runs - 22 alpine runs
- Two terrain parks
- Two full-service restaurants and one café
- Other activities - International caliber Nordic competition center, another 22k of groomed Nordic trails, snow tubing
- ~ 51K Visits via Daily Lift Tickets & ~58K via Season passes (7,300 passes @ 8 visits/pass)

Summer Details

Spirit Mountain offers warm-weather fun with activities for adventurers and families alike:

- Mountain Biking – 32 lift-served downhill trails, skills park, and pump track. Spirit's trail network anchors Duluth's IMBA Gold Ride Center, 1 of 6 worldwide.
- Adventure Park – Timber Flyer Zip Ride, Timber Twister Alpine Coaster, Scenic Chairlift Rides, Jumping Pillow, Disc Golf, Mini-Golf.
- Hiking – Access to the 310-mile Superior Hiking Trail and the North Country National Trail.
- Camping - Forested campground with 73 campsites (39 with water hook-ups), and two shower houses. Fire pits, picnic tables, and electricity at all sites.

- Summer Camps – Multiple biking and non-biking camp options for children. Trained counselors and coaches staff all camps.
- Weddings & Events – 2 reception rooms host up to 450 guests. On-site catering available.
- One full-service restaurant.
- Paddle Sports – Adjacency to new St. Louis River Estuary National Water Trail.

Capital Expansion

Spirit Mountain plans to complete a $26 million capital improvement campaign over the next several years. The plan, subject to discussion with a future long-term lessee, will address key operational and infrastructure needs. Half of the funding ($13 million) will come from the State of Minnesota, with the remaining $13 million split between the City of Duluth and Spirit Mountain ($6.5 million each). The City will assume debt service for its share, while Spirit Mountain—and ultimately the operator—will be responsible for the other $6.5 million.

Of the $26 million total, $4.5 million has already been invested to replace two aging chairlifts (the Gandy and Summit lifts) with a single, new fixed-grip quad, the "Highline" lift. The remaining $21.5 million was originally designated for improvements to the Skyline Chalet, a key facility that requires updates to enhance the guest experience and reduce operating costs. The Skyline Chalet improvement project was deferred to allow a future operator to guide how the remaining funds are allocated, providing them the opportunity to shape the capital expansion plan and support Spirit's long-term success.

Spirit Mountain Recreation Area and City of Duluth Priorities

- Engagement of high performing industry operator in long-term (20-to-40-year) lease.
- Enhancement of Spirit Mountain's business performance, financial sustainability, and economic impact.
- Financially sustainable continuation of outdoor recreation opportunities for Duluth residents and visitors.
- Mitigation of financial risk in a volatile, weather-dependent industry.
- Sustainable long-term preservation, maintenance, and replacement or renewal of assets.

Preliminary Assumptions

- Continued public ownership of land and assets critical to the ski operation (including all existing assets)
- Streamlined public oversight and reporting
- City acceptance of agreed upon lessee capital maintenance investments in lieu of lease payments.

Precedent Projects - Long-Term Leases of Public Ski Areas

- Granite Peak - Wisconsin
- Mount Sunapee - New Hampshire
- Winter Park - Colorado

Financials

Two-Year Summary	SMRA Apr-23	SMRA Apr-22
Number of Areas in Category	1	1
Ski Area Characteristics		
Season Length (days)	98	92
Skiable Terrain (acres)	89	89
Skier Visits	105,822	105,993
VTF/Hr (000)	4,383	4,383
Ski Area Economic Characteristics		
Adult Weekend Ticket Price	$81.00	$72.94
Adult Season Pass Price	$477.96	$455.01
Child Season Pass Price	$310.29	$295.05
Summary Financial Data		
Gross Assets Fixed Assets	$33,094,572	$32,098,822
Operating Profit (Loss) Before Tax	$417,255	$1,323,160
Operating Profit Margin	6%	22%
Profit (Loss) / Skier Visit	$3.94	$12.48
Revenue Sources & Analysis [1]		
Ticket Sales (including Season Passes)	$3,267,031	$3,158,272
Snowplay & other winter ops	$110,058	$120,903
Lessons	$272,128	$224,133
Food & Beverage	$1,103,915	$748,177
Retail	$161,083	$151,420
Rentals	$419,142	$399,884
Lodging	$42,985	$128,926
Miscellaneous		
Other Operating Rev	$1,158,909	$1,192,948
Property Operation		
Total Revenue	**$6,535,251**	**$6,124,663**
Total Rev / Skier Visit	$61.76	$57.78
Ticket Rev / Skier Visit	$30.87	$29.80
Ticket Yield	38%	41%
Snowplay & other winter ops/ Skier Visit	$1.04	$1.14
Lesson Rev/ Skier Visit	$2.57	$2.11
Food & Beverage / Skier Visit	$10.43	$7.06
Retail / Skier Visit	$1.52	$1.43
Rental / Skier Visit	$3.96	$3.77
Lodging	$0.41	$1.22
Other Operating Rev	$10.95	$11.25
Property Operation	$0.00	$0.00
Ticket Rev / Total Rev	50.0%	51.6%
Snowplay & other winter ops/ Total Rev	1.7%	2.0%
Lesson Rev / Total Rev	4.2%	3.7%
Food & Beverage Rev / Total Rev	16.9%	12.2%
Retail Rev / Total Rev	2.5%	2.5%
Rental Rev / Total Rev	6.4%	6.5%
Lodging	0.7%	2.1%
Other Operating Rev	17.7%	19.5%
Property Operation	0.0%	0.0%
Expenses & Analysis		
Cost of Goods Sold	$744,144	$547,112
Direct Labor	$3,453,446	$2,596,861
Other Operating Expenses	$1,920,406	$1,657,530
Total Operating Expenses	**$6,117,996**	**$4,801,503**
Total Expenses / Skier Visit	$57.81	$45.30
Cost of Goods Sold / Skier Visit	$7.03	$5.16
Other Op Expenses /Skier Visit	$18.15	$15.64
Direct Labor / Skier Visit	$32.63	$24.50
Cost of Goods Sold / Total Expenses	12.2%	11.4%
Direct Labor / Total Expenses	56.4%	54.1%

APPENDIX C

Spirit Mountain Recreation Area

Key Lease Terms

Proposed Lease Framework

Operational Governance

The lease would be executed by the Spirit Mountain Recreation Area Authority (SMRAA), the only entity authorized to do so on behalf of the City. The governance framework would ensure efficient oversight while maintaining the operator's independence.

The operator would maintain all insurance, routine maintenance, and operating expenses. Spirit Mountain, as City property, would remain subject to annual audit. It also would not receive City of Duluth tourism tax funds.

The intent of this structure would be to provide the SMRAA with only the minimum necessary oversight, enabling the operator to manage day-to-day operations independently while maintaining transparency and accountability to SMRAA and the City.

Lease Terms

Lease Duration

The lease would have a 20-year initial term with two optional 10-year extensions.

Land and Asset Ownership Structure

All land and fixed assets essential to Spirit Mountain's operations would remain owned by the City. The operator would lease all property required for year-round operations under the long-term lease.

Mixed ownership of fixed assets is discouraged to prevent complications if the lease were to end. The lease term is designed to allow a reasonable return on investments such as new lifts or other infrastructure, which would transfer to City ownership upon completion of the lease.

If the operator wished to invest in facilities that complement—but are not integral to—the ski area, they could do so and retain ownership, provided they obtain all necessary approvals.

All new activities or events on leased property would be reviewed and approved annually by the SMRAA through the Operating and Business Plans.

Planning Framework

Within one year of execution, the operator would prepare and submit five key planning documents to the SMRAA for review and approval: Master Plan, Development Schedule, Capital Maintenance Schedule, Operating Plan, and Business Plan. These documents establish a shared framework for development, maintenance, and operations.

Capital Maintenance Fund

The operator would make an annual contribution to a Capital Maintenance Fund. The contribution would be at minimum 5% of total annual revenue.

These funds would be dedicated exclusively to capital maintenance projects, as outlined in the annual Capital Maintenance Schedule.

Debt Service

The operator would assume responsibility for debt service on Spirit Mountain's $6.5 million portion of the $26 million capital improvement fund.

APPENDIX D



spirit mountain

STRATEGIC BUSINESS PLAN UPDATE

FEBRUARY 2024

2024 STRATEGIC BUSINESS PLAN UPDATE

Prepared For:

Spirit Mountain
9500 Spirit Mountain Pl
Duluth, Mn 55810

Prepared By:

SE Group
1 Mill Street, Suite 190
Burlington, Vt

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I. Introduction

In 2020, a 16-member Spirit Mountain Task Force (Task Force) convened to recommend ways to ensure the long-term financial sustainability of this community resource, including financing to repair or replace deteriorated infrastructure. SE Group was retained to support the work of the Task Force by providing professional expertise to its deliberations and by researching and developing a Strategic Business Plan for Spirit (2021 Plan), which was included in the 2021 Task Force Report.

Based on the Task Force recommendations informed by the deferred maintenance and capital improvement projects identified in the 2021 Plan, the City of Duluth (City) successfully advocated for a $13 million appropriation from the State of Minnesota that will be matched locally, resulting in a budget allocation of $26 million.

Since then, Spirit has made strides toward realizing several of the recommendations outlined in the 2021 Plan. However, random events like the Covid-19 Pandemic, ongoing labor shortages, and unprecedented inflation rates have hindered Spirit's ability to fully execute the 2021 Plan's recommendations.

The need for upgrading of the Skyline Chalet was identified in the 2021 Plan. To advance this project, the City worked with Spirit to select a construction manager and also a Design Team, consisting of ski area planning architectural specialists (Bull Stockwell Allen), Duluth and Minnesota-based architects (Architecture Advantage and Alliiance, respectively), and Minnesota-based cost estimator (Kraus-Anderson).

Several factors combined to require modifications of the SE Group's original capital budget:

- It included items that, while needed, are not eligible for state funding such as groomers, chalet trucks, and snowmobiles;
- It included items that Spirit since has addressed, such as hill lighting;
- A subsequent engineering analysis required to pursue state funding determined the Skyline Chalet needed far more extensive work than originally envisioned;
- Pandemic delays increased demand for contractors once things opened up; and
- Pandemic-created supply chain issues drastically increased the cost of construction in 2023 over 2020, when SE Group made its recommendations.

These factors resulted in significant increases to the estimated cost of the recommended capital projects beyond the $26 million available. Compromises needed to be found.

The core principles of the 2021 Plan emphasize that "the whole is greater than the sum of its parts." Consequently, adopting a downsized version of the initial recommendations (i.e. in the case of the Skyline Chalet) is unlikely to yield the financial outcomes that Spirit's long-term sustainability requires. Recognizing this, Spirit Mountain's leadership sought additional counsel from SE Group.

This 2024 Strategic Business Plan Update (2024 Plan Update) aims to support the Spirit Mountain team in making informed decisions about future investments, including and beyond the $26 million available. The recommended investments capitalize on state funding opportunities, address deferred maintenance issues, and upgrade the current facility to enhance Spirit's year-round economic sustainability. It is important to note that, of the local match to the State's $13 million, the City, and Spirit Mountain, are each responsible for $6.5 million. This means that Spirit must service the debt associated with its portion.

Given these considerations, this 2024 Plan Update is guided by the following questions:

1. How should Spirit Mountain spend $26 million to most effectively:
    a. Address deferred maintenance; and
    b. Create an economically sustainable future (i.e., generate more profit)?

2. In this condition, does Spirit generate sufficient capital to pay for its operating expenses, service its debt, and self-fund future projects, or portions thereof?

3. If not, what does Spirit need to do to close the gap, and how much would that cost, in addition to the $26 million?

This 2024 Plan Update outlines a strategic approach for the effective allocation of $26 million, focusing on addressing deferred maintenance and enhancing Spirit Mountain's offerings. It includes an in-depth examination of design capacity in ski area planning that informs recommendations for replacing the Gandy and Summit lifts. This design capacity study also informs programmatic recommendations for the future Skyline Chalet, which aim to increase operational efficiency, improve the guest experience, and increase Spirit's operating revenue. The Gandy/Summit Replacement Lift and recommended upgrades to the Skyline Chalet, along with minor changes to the Grand Avenue Chalet, are expected to command the full $26 million that has been allocated to Spirit. Beyond this $26 million, strategic enhancements to the Adventure Park are recommended, which aim to increase Spirit's operating revenue.

To evaluate Spirit's financial outlook, the 2024 Plan Update compares Spirit's financial performance metrics with those of other large Midwestern ski areas and Spirit's own historical performance, as previously reviewed in the 2021 Plan. This financial assessment underpins the recommendations for addressing deferred maintenance and boosting revenue through improvements to facilities/infrastructure, programs, and pricing.

The primary goal of these strategies is to elevate Spirit's operating income to a level that allows for ongoing maintenance, debt servicing, and self-financed future capital projects. It is important to note that some recommended changes, such as replacing two lifts with one and/or increasing prices, might initially provoke negative public reactions. This plan acknowledges the challenges that the operating team may face in maintaining their strategic direction amidst this backlash. However, it emphasizes that such negative sentiments are likely to be temporary. Although some of the suggested changes in this plan might not garner universal approval, most critics would prefer that Spirit continue operating with potentially unpopular adjustments than cease to operate at all.

A. Supplemental Analyses

Increasingly, the ski industry is realizing, and harnessing the power of data. Collecting and analyzing data related to customer behavior and key operating metrics, lead to a greater understanding of market potential, and allow for informed decision making. SE Group encourages the Spirit Mountain operating team to continue to refine their techniques for building and maintaining a database for both financial and customer information.

To aid in forming recommendations related to facilities/infrastructure, programming and pricing improvements for Spirit Mountain, SE Group's analysis incorporates Zip Code Data (Zip Data) generated from Spirit's POS system and Passholder Survey Results (Survey Results) collected by the operating team as part of this 2024 Plan Update initiative. This data was solicited to validate anecdotal assumptions and provide objective and quantifiable support to the operating team's understanding of customer demographics, behavior, and preferences.

1) Passholder Survey

In concert with SE Group's analysis, Spirit Mountain conducted a Passholder survey from November 14th through November 22nd, 2023. It was distributed electronically to people who had purchased season passes for the upcoming 2023/24 season by November 2nd, 2023. Of 3,500+ emails sent, a total of 1,826 passholders responded at the point of data collection. This +50% response is a strong indicator of engagement within the Passholder community.

Passholder participation at Spirit Mountain is significant, as it accounts for roughly 50% of the annual skier visitation (which is consistent with national trends). This survey provided valuable qualitative insights into the preferences and behaviors of this loyal, and important customer base.

- **Time and Duration of Participation.** Survey respondents visit significantly more times per season (~75% visit 10 times or more) than the average U.S. season passholder at the average U.S. resort. This was of particular interest to the operating team, as they currently rely on an estimated "average use" by passholders when calculating skier visitation. Survey respondents visit midweek more often than expected (~55% visit on Tuesdays with a steady increase to ~78% on Saturdays, and slight dip on Sundays, and the mountain is closed Mondays). The majority of respondents indicated visit lengths of 4 hours, with a staggered use throughout operating hours. These last two factors are of note, as it indicates an even spread of visitation throughout the day and evening, which would put less pressure on guest service facilities.
- **Food & Beverage.** Approximately two-thirds of passholders responding to the survey do not patronize Spirit's F&B venues. This is not surprising given the preference for shorter "days" on the mountain, leading to the assumption that these passholders come to the mountain, ski for 4 hours and leave at mealtime. Additionally, both positive and negative themes arose in the comments that can frame the opportunity for F&B improvements: dissuaded by limited and inconsistent hours, confusing flow, service variability and inconsistency in quality, price point relative to quality, as well as great fries, desire to bring back pizza, grateful for passholder discount.

- **Seasonal Lockers.** Fifty-eight respondents report interest in a seasonal locker. This is somewhat surprising as at the close of last season (2023) Spirit reported 20 open lockers. This could indicate a disconnect or lack of awareness of amenities with the new passholders (70% of respondents have been passholders for 5 years or less), and/or the lack of appeal/approachability to the current locker setup. Regardless, demand for seasonal lockers represents an additional revenue-generating opportunity.

In summary, the survey data collected provided valuable insights that challenged previous assumptions about Spirit's customer base. It revealed that Spirit Mountain functions as both a local ski hill for Duluthians and as a regional destination for some guests from the Twin Cities, as well as a few other towns and cities within driving distance of Duluth. These findings suggest that there are opportunities for Spirit to expand its marketing and operational strategies to cater to a broader customer base, with the goal of balancing a continued commitment to locals with enhanced regional appeal.

2) Zip Code Data

The available Zip Code data includes sales records from all guest interactions at Spirit from November 1, 2022, to March 23, 2023, as well as data on season passes purchased for the 2023/24 season before November 2, 2023. While incomplete (due to unverifiable zip codes[1]) this data provided insights into the geographical origins of Spirit's guests by the activities in which they participated.

Except for Seasons Passholders, which not surprisingly are primarily from the Duluth area, the majority of collected zip codes for day ticket, lessons, and tubing guests were not Duluth (or Superior) residents and a significant sub-set (as noted below) were from the Twin City area. While Spirit "identifies" primarily as a local community facility, this indicates that its market capture extends significantly beyond this local domain.

- **Day Tickets:** More Twin City residents buy day tickets than locals (of the available dataset, 14% to "local" Duluth and Superior residents, and 19% to Twin City residents). Approximately 50% of Spirit Mountain's skier visitation comes from day ticket use.
- **Lessons:** For both private lessons and kids lesson, the breakdown between local and Twin City participation was very similar (of the available dataset, private lessons = 19% were local and 16% Twin City residents, and kids' lessons = 10% were local and 8% Twin City residents.
- **Tubing:** Twin City residents come to Spirit to go tubing! Of the available dataset, 6% of tubing visits were from Twin City residents. It is unlikely that these participants made the trip solely for tubing, indicating that the activity is part of a larger "trip to Duluth" experience.

The Zip Data confirmed that Spirit Mountain has broader regional appeal: in addition to catering to the local Duluthian audience, patrons come to Spirit from the Twin Cities and surrounding areas, year-round, and for varying activities. The data emphasizes the importance of harnessing the opportunities afforded by this larger market capture area, while maintaining a balance between catering to local patrons and welcoming non-local visitors. As a regional destination, optimizing visitation potential from both audiences is crucial for long-term sustainability and financial stability.

[1] The amount of unverifiable zip code data varied by category: 3% (2022/23 Seasons Passholder), 22% (2022/23 Day Tickets), 46% (2022/23 Lesson Participants) 48% (2022/23 Tubing Participants).

II. The Relevance of Capacity

In service of these recommendations, SE Group calculated the capacity of Spirit Mountain's ski[2] infrastructure and facilities, both in their existing and potential future states. The concept of ski area capacity has a precise definition, and nuances apply to capacity calculations for each ski area. An understanding of Spirit Mountain's capacity allows for an accurate assessment of existing imbalances and recommendations for future adjustments.

A. Defining Comfortable Carrying Capacity

In ski area planning, a "design capacity" is established, which represents a daily guest population to which all ski area functions are balanced. The design capacity is a planning parameter that is used to establish the correct size of the primary facilities of a ski area: ski lifts, ski terrain, guest service, restaurant seats, building space, utilities, parking, etc. This design capacity is referred to as Comfortable Carrying Capacity (CCC), which represents the level of utilization that provides a pleasant recreational experience, without overburdening the ski area infrastructure. Accordingly, CCC does not indicate a maximum level of visitation, but rather the number of visitors that can be "comfortably" accommodated on a daily basis. CCC is typically representative of approximately a ski area's tenth busiest day, and peak day visitation at most ski areas is at least 25% higher than the design capacity. CCC is derived from the ski area's supply of vertical transport (the vertical feet served combined with the hourly capacity of the lifts) and demand for vertical transport (the aggregate number of runs desired multiplied by the vertical rise associated with those runs). CCC is calculated by dividing vertical supply (VTF/day) by vertical demand, and factors in the total amount of time spent in the lift waiting line, on the lift itself, and in the descent. Small, day-use ski areas typically have smaller CCCs, and large, destination resorts have larger CCCs.

B. Spirit Mountain's Comfortable Carrying Capacity

Spirit Mountain has five chairlifts and three surface lifts. When all are operational, this infrastructure provides a CCC of 2,980 guests. However, Double Jaw has not operated in recent years, and its removal is imminent. Without Double Jaw, Spirit's CCC is 2,650 guests. This 2024 Plan Update includes proposed lift improvements, namely the removal of the Summit lift and replacement/realignment of the Gandy lift, which would further reduce the CCC to approximately 2,400[3]. While this future capacity number is less than existing, the small decrease would not adversely impact the on-hill experience nor the ability to increase annual visitation.

C. Comfortable Carrying Capacity and the Skyline Chalet

In addition to determining the scope and scale of lifts and terrain, CCC is utilized to determine the right balance of guest service facilities. This includes the more specific calculation of the amount of food and beverage (F&B) seating required to accommodate the area's capacity over the lunchtime period, which then translates into a physical space requirement (i.e., square footage per seat). While initial correlations between CCC and space/number of seats serve as master planning parameters, more detailed investigations into the needs and characteristics of serving the guest are undertaken

[2] In this document, the term "skier" represents all sliders at Spirit Mountain, including, but not limited to, disabled skiers, telemark skiers, snowboarders, and those skiers using shaped skis.
[3] Replacing the Gandy lift with a fixed grip quad results in a CCC of approximately 2,400 guests. Replacing Gandy with a detachable quad chairlift results in a CCC of approximately 2,360 due to the greater efficiency of moving guests through the system. For the purposes of this analysis, 2,400 has been used as the upgrade CCC. This is discussed further in Section III.C.

as planning advances into developing a design program for implementation. Given the direct correlation between the amount of space required and the cost to construct (cost/square foot), as well as the limitations in budget, undertaking these more detailed investigations is a significant task within this exercise.

III. Capital Investment

Resorts that sequentially and serially make disciplined capital investments—both to address maintenance issues and to upgrade/improve their offerings—continue to maintain or gain market share. Those that don't fail to remain competitive. Lack of capital investment leads to decreased visitation and lower net operating income, which further decreases the resort's ability to make capital investments. Without capital to invest, the resort's ability to regain its market share is little to none. Without disciplined capital investment, the operation fails.

Spirit Mountain is currently facing financial challenges that have led to deferred maintenance problems throughout the property and the inability to re-capitalize the facility appropriately. In recent years, Spirit has gained significant ground in addressing maintenance issues and improving its financial metrics, but there is still work to be done. While Spirit has plans to continue this remediation, such as by incrementally upgrading its snowmaking system, some of the most critical (and costly) deferred maintenance matters have become pressing concerns. These include replacing modernizing the Skyline Chalet and the Gandy and Summit lifts. SE Group recommends allocating the $26 million budget to these projects, as they are crucial for the ski operation's viability. Furthermore, this plan suggests minor capital investment in the Grand Avenue Chalet to maximize its utility as a guest service facility. Additional capitalization beyond the $26 million budget is recommended in the Adventure Park, which is likely to yield a swift return on investment and serve as a revenue-generating asset for Spirit Mountain.

A. The Skyline Chalet

The 2021 Plan noted challenges with the Skyline Chalet: an inefficient layout, imbalanced space relative to guest service and employee needs, inefficient thermoregulation systems, and other deferred maintenance. Since recent master planning had been completed for the resort (2017), the 2021 Plan did not explore these issues in detail, but recommended the building undergo a phased renovation.

Though these 2021 recommendations were directionally correct, they did not anticipate the level of deferred maintenance and scale of renovations required. After the completion of the 2021 Plan, a more rigorous assessment of the building condition was undertaken leading to greater clarity regarding the scope and costs associated with building renovations.

Given this greater understanding of the condition of the existing Chalet, the recent design efforts explored solutions to the spatial challenges identified in the 2021 Plan (i.e., inefficient layout, imbalanced guest service space) within the context of complete removal as well a complete or partial renovation of the existing structure.

Simultaneously, the U.S. experienced unprecedented inflation in building costs. This expansion of the necessary scale of renovations, combined with higher-than-expected building costs, significantly increased the capital magnitude of the project. A series of "compromise" plans were created by the designated Design Team to optimize functionality within tight budgetary constraints.

These unforeseen factors were a major catalyst in SE Group's recent involvement with Spirit Mountain. The "compromise" plans unsettled leadership, which recognized that this deviation was unlikely to deliver the financial results anticipated in the 2021 Plan, in turn compromising the

operation's ability to fulfill its debt obligations. SE Group was engaged to revisit the strategy inherent to the 2021 Plan and determine the most appropriate way to achieve the overarching goals of the larger endeavor, and thus provide guidance to the Design Team to develop a sustainable plan for the Skyline Chalet.

1) Guest Service Space Programming

The Design Team has developed a very thorough and sound space program based on assumptions related to capacity (CCC), discussions with the operating team, and industry best practices. This program has undergone several rounds of discussion and revisions, resulting in a recommendation of approximately 43,000 square feet for the future Skyline Chalet. Through further analysis and conversations with the operating team, SE Group believes that there are efficiencies to be found that can still achieve the improvements necessary to deliver a better experience, justify pricing increases, and drive both visitation and revenue.

a) Capacity Assumptions

The Design Team developed the program for guest service space, and more specifically the amount of F&B seating space around the assumed CCC of 2,700. As noted, the more recent detailed capacity modeling adjusted that existing CCC to 2,650, and the future CCC (to be used in this analysis) to 2,400. Assuming that seating areas must also accommodate a small population of "non-skiing" guests who accompany active participants (5% is assumed for this analysis), this number increases to approximately 2,500.

At its most basic level, utilizing CCC to determine F&B seating space involves determining how many seats are needed. This is determined by assuming a "turnover rate" of the seats. The seat turnover rate at a restaurant refers to how quickly tables or seats are vacated and then occupied by new customers. In ski area planning, a 30-minute turnover is considered very fast and may be appropriate for "grab & go" or coffee shop-style venues. A one-hour turnover is typical for cafeteria style seating, and sit-down style restaurants can have turnovers closer to 90 minutes. Turnover plays an important role in F&B planning, since ski areas typically need seats to accommodate most of their guests within a three-hour lunch period, from 11am to 2pm.

In its calculations, the Design Team used an average turnover rate of three, or once per hour throughout the lunch period, for a total need of 900 seats. SE Group utilized the recently gathered data supplied by the operating team (zip code data and results from the Passholders Survey) and conversations with Spirit's operating team, determining circumstances unique to Spirit's size, customer demographics and urban location, that would lower the effective number of seats required. These unique circumstances include:

- Many guests come to Spirit for a finite amount of time (i.e., 4 hours) and leave without eating. Based on the season pass holders survey results, this "staggering" of use occurs equally throughout the day (i.e., opening until 2pm, 1-2pm until 5-6pm, 5-6pm until 8pm).
- Some of Spirit's F&B venues also remain active beyond the lunch hour. The 150 seats in Moosehead are often occupied from lunchtime until 4pm, resulting in the potential for a higher turnover of these seats. The Skyline cafeteria seats see this phenomenon as well, though it is not as pronounced as the more popular Moosehead venue.

Given these uncommon conditions, SE Group recommends using an average turnover rate of four to determine seating capacity. Seating 2,500 guests with a turnover of four requires approximately 625 seats. SE Group breaks this down as follows:

- Continuing to provide 150 in the new Moosehead space, which has been referred to as "Moosehead II"
- 300 in the renovated Bear Paw room, with continued connectivity with the Eagle's Nest room to allow for overflow space during extra-large events
- 175 seats in the Grand Avenue Chalet (the current space is designed for 250 seats –175 designated for alpine use, 50 for Nordic, and 25 for additional "non-skiing" patrons of the Riverside Bar and Grill).

b) Industry Best Practices

Use of Technology

The use of technology to maximize convenience and expedite customer service is becoming more and more omnipresent in our world, and within the ski industry. The benefit of this transition is the decreased need in physical space: The space needed for service counters, and the accompanying lines can be significantly reduced by pre-visit registrations and purchasing.

The Design Team considered the use of technology when developing the program for the Skyline Chalet. While employing the use of technology at Spirit would take time and investment, the resulting efficiencies in guest service, staffing, and space needs warrant the effort.

"Guestination" Space

The advances in technology have allowed for continually evolving the size and location for beginning of day services (ticketing, lesson registration, retail and even F&B), resulting in a "one-stop-shop" blending of space for all these guest service needs.

The Design Team considered this opportunity in the Chalet Program. SE Group agrees with allocating space for this function. Given the "throughout the day" dispersal of arrival and departure of the Spirit customer, a 25% reduction in the proposed "Guestination" multi-use space is recommended. A 35% reduction in retail space is recommended based on the context of Spirit within Duluth, and the operating team understanding of customer demand (i.e., focus on soft goods only and simplify the offering (hand warmers, hats/gloves, etc.).

Seasonal Lockers

Seasonal lockers are often in demand, and can be an easy to provide, low expense, source of reliable income. It is also a great way to provide a positive guest service experience for loyal customers.

The Design Team recognized this opportunity and suggested an increase (and improvement) in seasonal locker space in the Chalet. The survey confirmed this opportunity: there are currently 58 interested passholders without seasonal lockers, though there are 20 vacant lockers in the lower level of the Skyline Chalet. If and when this space improves, demand may increase. SE Group supports the Design Team's recommendation to increase this space, with a slight decrease (less than 10%) since the demand/waiting list at Spirit is presently small.

Administration

Providing sufficient administration space is often overlooked, to the detriment of the operating team's ability to execute effectively and efficiently. The Design Team developed a detailed breakdown of administrative needs; SE Group worked with leadership to refine this program, which ultimately led to a slight increase in space.

Children's Lesson Programs

Ski school lesson programs focused on children and learn-to-ski/ride are foundational to maximizing departmental revenue, as well as attracting and keeping family-oriented loyalists. Purpose-built "Learning Centers" are common throughout the industry, including age-specific space and lunchtime seating that accommodates full-day participants. The Design Team considered this opportunity at Spirit and acknowledged during the "value-engineering" process that it could be characterized as "like to have" rather than "must have" and thus relegated to a later phase of development. SE Group agrees with this recommendation, noting that much can be done to create a robust lesson program at Spirit that focuses on shorter duration lessons and thus requires less indoor space. There should continue to be some indoor space for children's programs, to provide a place to bring children inside to warm up during cold weather.

F&B

Providing F&B services is perhaps the most complex piece of the guest service puzzle. It can also provide a significant source of revenue – both during the ski season as well as in the spring/summer/fall and contribute to providing a memorable guest experience. The industry has come to recognize both this complexity and opportunity, leading to a greater focus on improving this part of the operation.

The Design Team has provided much counsel on this topic and has built in considerable upgrading and expansion of Spirit's F&B operation into the programming of the Skyline Chalet. SE Group supports these recommendations, with the adjustment of the targeted number of seats as noted in the earlier capacity discussions.

Ski Patrol / First Aid

Finding the optimal location for ski patrol/first aid is often difficult, as it requires a balance between vehicular and on-snow access, and visibility of location for those needing first aid services (or looking for members of their party who have been taken there by patrol) while allowing for some degree of privacy and discretion during emergencies. Providing this ideal location may lead to the desire for an independent structure rather than incorporating it into the main chalet building. SE Group recommends that given this challenge and the additional need for Spirit to minimize space requirements for the Skyline Chalet, a separate structure be considered in future design exercises.

c) Summary of SE Group Recommendations

The following table summarizes SE Group's recommendations for adjustments to the Design Team's revised 12/15/2022 "Preliminary Design Program." The following key parameters were identified:

- Full renovation of the North Chalet = 22,000 SF
- New addition (replacing the South Chalet) = 15,000 SF
- Ski patrol in a separate structure

Coincidently, this aligns with the “Sliding Bars” approach developed by the Design Team. The Grand Avenue Chalet would be renovated to maximize use of this existing F&B facility.

SE Group cautions that the new addition should not in any way encroach on the snowfront, as the current “Sliding Bar” concept implies. This is critical teaching terrain and must be maintained to allow for future growth in lesson programs, a fact that should be considered as design resumes. SE Group is willing to provide further counsel and/or design review throughout the process to this end.

Connected to this, SE Group counsels that further analysis should be undertaken to investigate the benefits and drawbacks of trying to work around the demolition of the Skyline Chalet by building in an adjacent site (i.e., rather than building in the same location as the demolished building). We recognize that there are implications to operating for a year without that space. Temporary structures and/or a temporary refocusing of guest service operations to the Grand Avenue Chalet should be explored. This latter approach fosters a habit among guests of visiting the Grand Avenue Chalet more frequently, the continuation of which would be necessary for the success of the future Skyline Chalet, as currently envisioned.

Table 1. Spirit Mountain Preliminary Design Program

RECOMMENDATION FROM DESIGN TEAM (12/13/2022)				RECOMMENDATION FROM SE GROUP				
Comfortable Carrying Capacity (CCC): 2,700				**BREAKDOWN OF REVISED COSTS**				
	Existing Chalet	**Adjusted Chalet**	**Notes**	**Revised**	**Reno**	**New**	**Other**	**Comments**
'Guestination'								
Guest Welcome Center	2,749	1,650	Multi-Use Space, includes retail	1,200		1,200		Minimize this as much as possible. Agree with all e-commerce comments
Ticketing	738	-	Minimal/technology based, in Welcome Center					
Queuing Space	484	-	In Welcome Center					
Season Passes		-	Minimal/technology based, in Welcome Center					
Guest Experience Desk								Include in welcome center
Guest Service Office		100						
Retail	322	1,375	Soft Goods Only, including Logo Wear; See Retail Breakdown	500		500		Not as big as original intended
Restrooms		-	See Below; split between Guestination and F&B					
Retail Café		-	Not recommended given CCC					
Lost & Found		80		80		80		
Guest Services Sub Total	**4,293**	**3,205**		**1,780**	**-**	**1,780**	**-**	
Additional Retail								
Retail Mgr.			See admin; could be located in retail if desired					
Demo Center			High end rental: Recommend at Grand Avenue					New sports shop being built across the road will provide significant competition
Storage		200	Convenient to loading and retail	200		200		
Changing Room		80						Do not need changing room
Retail Sub Total	**-**	**280**		**200**	**-**	**200**	**-**	
Guest Lockers								
Day Lockers		-	Included in spaces above. 18x18 5 stack; In addition to rental day lockers					
Season Lockers	1,134	1,920	Revenue Opportunity; BSA Recommends 2x2 lockers w/integral boot drying; includes changing rooms	1,800	1,800			Agree with slight demand for more lockers (survey confirms). Do need to improve space!
Basket Check		-	Not recommended due to operation costs					
Lockers Sub Total	**1,134**	**1,920**		**1,800**	**1,800**	**-**	**-**	
Administration								Executive director, general manager, finance director, human resources, vault office all closed offices. Remaining team in 12 "open concept" desks @80sf/desk
Executive Director	141	140	Includes guest table space	120		120		Can be slightly downsized per ops convo
Finance Director	89	90		90		90		
GM		120		120		120		
Dir Mt. Ops		-		-		-		Mountain operations director housed in maintenance building
Outdoor ops	99	80				-		In open concept office
Marketing Mgr.		80				-		In open concept office
F&B Mgr.	325	80				-		In open concept office
Retail Manager		80						In open concept office
Accounts Payable and Receivable	242	80						In open concept office
Vault Office		40	Enclosed office space	90		90		Need space for cash, high-value items (payroll, lost phones, etc.)
Catering Sales Conference Room	91	-		-		-		
Safety & Risk Office	138	80				-		In open concept office
Safety Documents & Materials Storage		-		-		-		
Human Resources Mgr.	85	125		90		90		
Misc. Existing Offices (Lg Office)	591			-		-		
Kitchenette	457	80	See staff break room below	80		80		In open concept office
Administrative Support (Open Office)		225	Assume 3 stations	140		140		In open concept office / downsized per operations conversation
Conference Room	138	300	For 12-16	300		300		Multipurpose - board, staff mtgs & can be rented out for events
Lobby/Waiting	312	150	One per lodge					Not necessary
Group Sales/Reservations		150						In open concept office
Cash-Out (Vault)		-	In other office - move toward a cashless operation					
Marketing Storage								

RECOMMENDATION FROM DESIGN TEAM (12/13/2022)				RECOMMENDATION FROM SE GROUP				
Comfortable Carrying Capacity (CCC): 2,700				BREAKDOWN OF REVISED COSTS				
	Existing Chalet	Adjusted Chalet	Notes	Revised	Reno	New	Other	Comments
OPEN CONCEPT OFFICE AREA				960		960		Includes 12 stations @80sf each
Workroom/Collateral Storage	452	160	One per lodge	160		160		
Active File Storage	168			-		-		
Cold File Storage	146	100		100		100	-	As public entity, Spirit must keep detailed records
Server Room	135	100		100		100		
Staff Restrooms		130	Two per lodge	130		130		
Janitor Closet (Custodial)		40	One per lodge (see restroom section for additional janitor closets)	40		40		
Administration Sub Total	**3,609**	**2,430**		**2,520**	**-**	**2,520**		
Ski School Operations/Daycare								
Instructors Training/Break Room/	287	450	with kitchenette	350	350			Must limit space to be consistent with work experience for all staff (require some meeting space)
Instructor's Lockers		800	2x2 full height lockers with integral boot drying	400	400			Agreed – opportunity to incentivize instructors
Adult Check-in		-	In Welcome Center	-	-			
Kid's Check-in	282	200	Assumes technology-based pre-registration	200	200			
Kid's Ski/Board Fleet		-	Assume in adult fleet	1,000	1,000			Kids warming area - similar to Slopeside Saloon room (not providing lunch)
4-6 Year Old Program		-	See Program Below					
7-9 Year Old Program		-	See Program Below					
10 to 12 Program		-	See Program Below					
Specialty/Small Kid's Restrooms		-	See Program Below					
Kitchen/Servery		-	See Program Below					
Adaptive Ski Program	136	180					180	Opportunity to relocate with patrol
Day Care (For Discussion)		-	Independent Play, and napping spaces; includes W/D and special restrooms. Spirit has confirmed that they will not be offering daycare.					
Office	136			-				
Ski School Sub Total	**841**	**1,630**		**1,950**	**1,950**	**-**	**180**	
Rental								
Rental Facility (Overall)	4,862	4,920	Skis/Board Recommendation: 35% x 1.15 of CCC					
Kids Rentals			350 pair of kids skis included in main fleet					
Check-in/Return		-	Included in Overall					
Boot Racks		-	Included in Overall					
Boot Fitting		-	Included in Overall					
Skis/Boards		-	Included in Overall					
Poles/Helmets		-	Included in Overall					
Tune Up / Repair		450	Critical resort need in order to maintain a safe and effective ski fleet. Also ideally serves public as revenue opportunity.					
Rental Manager (Office)	450	80						
Day Lockers		-	Included in Overall					
Rental Sub Total	**5,312**	**5,450**		**5,312**	**5,312**			No change is amount/location of space. Agree with tuning comment on maintenance though public revenue opportunity is limited.
Restrooms								
Men's	822	1,000	Assume 42 Fixtures total; 30 main chalet	822				
Women's	862	1,400	Assume 62 fixtures total; 44 main chalet	862				
Restrooms Overall								
Family Restrooms (Gender Neutral)		250	at main Chalet					
General Toilet	81			81				
Janitor Closet	45	80	Two at Main Chalet (see administration section for additional janitor closet)	45				
Bride/Groom private restroom			Refer to Food and Beverage section					
Restroom Sub Total	**1,810**	**2,730**		**1,810**	**1,810**			Assuming this will sized to code (and may shrink with less seats)
Food and Beverage			2700/3 Turns = 900 Seats					2,500/4 turns=625 seats (upgrade CCC 2,400 + 5% non-skiers = approx. 2,500)
Restaurant	-		Recommend converting Grand Ave restaurant seating space to Scramble to increase food service volume and efficiency; could serve 250 seats.					Recommend keeping the 250 Grand Ave Chalet (175 for alpine, 50 for Nordic, 25 for additional non-skiers visiting Riverside Grill)

RECOMMENDATION FROM DESIGN TEAM (12/13/2022)				RECOMMENDATION FROM SE GROUP				
Comfortable Carrying Capacity (CCC): 2,700				BREAKDOWN OF REVISED COSTS				
	Existing Chalet	Adjusted Chalet	Notes	Revised	Reno	New	Other	Comments
Volume/Flexible Space	7,415	7,500	Recommendation assumes 250 seats at Grand Ave Chalet; 500 Seats at Main Chalet (3 divisions for multiple weddings/break-out spaces)	4,500	4,500			Recommend 300 Bear Paw/Eagles Nest
Banquet Room								
Bar/Pub/Après Ski (Cocktail Lounge)	2,721	2,700	150 Seats; At Main Chalet	2,700		2,700		Recommend 150 seats in Moosehead II
Private Dining/Board Room		-						
Bride/Grooms Suite	665	220	Includes Dressing and private restroom	220	220			
Event Suite A								
Event Suite B								
Seating/Front-of House sub-total	**10,801**	**10,420**		**7,420**	**4,720**	**2,700**		Stays largely the same (in retained the north chalet)
Kitchen Prep and Storage	1,300	2,685	Current kitchen spaces are split and inefficient	2,685		2,685		Agree to bigger kitchen
Scramble/Market Place	1,493	2,685		2,000	2,000			This may not need to be twice the size of existing
Chef's Office		80	At main Chalet	80	80			
Private Toilet A								
Private Toilet B								
Misc. Storage (General Dry, Secured Dry, Catering, Soda)	1,339	1,275	Also see Loading/Storage below.	1,275		1,275		
Walk in Keg & Wine Refrigerator								
Walk in Freezer								
Dish Room	314		Included in kitchen and storage numbers					
Banquet Storage	92							
Kitchen Staff Restroom		65	Unisex	65		65		
Back-of House sub-total	**4,538**	**6,790**		**6,105**	**2,080**	**4,025**		
Food and Beverage Sub Total	**15,339**	**17,210**		**13,525**	**6,800**	**6,725**		
Back of House								
Ski Patrol	704	550	At both Main and Grand Ave. chalets	550			550	
Loading Area/Trash/Recycling/Storage	569	1,457	At Main Chalet, includes food service and catering storage areas	1,457		1,457		
Receiving Office	90	80	At Main Chalet, included above.			-		Don't have one now and don't need in future
Staff Breakroom with Kitchenette and Vending	457	350	At Main Chalet	350		350		
Staff Lockers		170	Shared, double height 18 x 18 lockers	170		170		
Staff Restrooms/Changing		240	At Main Chalet	120		120		Do we need these and those in admin both? Reduce by 50%
Uniforms/Laundry/Misc.		-	In Kitchen BOH					
Central Plant								
IT Closets	135		See admin.					
Tool Room	924		Included elsewhere					
BOH Sub Total	**2,879**	**2,847**		**2,647**	**-**	**2,097**	**550**	
AREA SUB-TOTALS	**35,217**	**37,702**		**31,544**	**17,672**	**13,322**	**730**	
Building Efficiency								
Mechanical/Circulation Factor	9,614	5,655		4,732	2,651	1,998	110	15% - this will adjust based on final size
Efficiency Sub Total	**10,069**	**5,655**		**4,732**	**2,651**	**1,998**	**110**	
AREA TOTALS*	**45,286**	**43,357**		**36,276**	**20,323**	**15,320**	**840**	
***2021 Predesign Report**	**49,056**	**88%**	**Percent reduction from Predesign**	74%				

2) Weddings

The 2021 Plan highlighted weddings/events as an area of opportunity for Spirit Mountain. At that time, Spirit had a very strong wedding business, with multiple weddings per day in the summer. The 2021 Plan noted that opportunities to expand the business were likely limited, though improvements to the venue space within the Skyline Chalet could allow for a small increase in pricing.

This 2024 Plan Update largely concurs with these findings. It is important that the future Skyline Chalet optimize for both ski and wedding/event needs. Weddings and events continue to drive a tremendous volume of business, generating nearly 10% of Spirit Mountain's total revenue in 2023. Though Spirit's wedding/event capacity has been exceeded in recent post-pandemic years (73 weddings in a recent summer!), opportunities exist for Spirit to slightly increase its baseline without returning to that taxing level of weddings and events (i.e. to 60 weddings and 5 events per summer season). Greater opportunities exist for Spirit to increase its wedding revenue through pricing increases, which would correlate to facility upgrades. The future Skyline Chalet is ripe to facilitate these improvements.

At present, Spirit has two primary wedding venues: the smaller Moosehead room, and the larger Bear Paw room. The current Moosehead can seat 150 wedding guests, or 125 skiers with bulky gear. This size works well in both seasons. The existing Bear Paw can squeeze 300 seats for wedding guests, which leaves little room for a dance floor, or comfortably fit 240 skiers and riders. It is supplemented by the Eagle's Nest room, which can fit approximately 140 additional seats for extra-large events or busy winter weekends. The operating team noted that having a slightly bigger Bear Paw room—large enough to comfortably fit 300 wedding guest seats with a dance floor, or 300 winter seats for skiers and riders to spread out—would be ideal.

Spirit's operating team also noted limitations around the Skyline Chalet's current kitchen and building layout. Presently, F&B output is hindered by the kitchen's small size and lack of equipment. The building's long, inefficient layout adds unnecessary complication to the process of transporting food. Spirit Mountain's wedding/event business, along with its skier food and beverage services, would benefit from a kitchen that is more proximate to the venues it serves, twice its current size, and equipped with the necessary preparation and storage facilities to support a high-capacity operation. Fortunately, the F&B and back of house spaces required would improve both ski operations, and optimize the wedding business, simultaneously.

3) Moosehead II

In addition to being an important venue for future weddings at Spirit Mountain, the new Moosehead II plays an important role in Spirit's future winter F&B business. This 150-seat sit-down venue can experience high demand on weekends and holidays during the ski season and can be busy from lunchtime through late afternoon (noon to 4-5pm) during which time guests can wait up to 40 minutes for food. This 2024 Plan Update envisions it remaining the same size (150 seats), as discussed, but improving the services so that it can turn over tables far more quickly than it currently does.

B. The Grand Avenue Chalet

The Grand Avenue Chalet is relatively new and has the potential to contribute more than it currently does to Spirit's F&B operation. Given current building space costs and the resulting need to be as efficient as possible when determining the spatial needs for the upgrading of the Skyline Chalet, the Grand Avenue Chalet must be operating at its maximum capacity.

The primary area in which the Grand Avenue Chalet needs to enhance its performance is in the realm of F&B/seating capacity. Its current seating capacity is 56 seats in the Riverside Bar & Grill and 192 in the Great Room, for a total potential capacity of 250 guests, though at present the Great Room contains only 150 seats. The Grand Avenue Chalet's cafeteria food service (which serves the Great Room) has been dormant in recent years, partially due to challenges that accompanied the Covid-19 Pandemic. The Riverside Bar & Grill has the potential to benefit from a lack of local competition, but Spirit's management has observed its clientele decreasing in recent years due to inconsistent operating hours. The survey confirmed this finding. Maximizing use of both venues is key to improving the F&B contribution to the financial performance of the operation.

There is agreement within the operating team that the Grand Avenue Chalet's contribution to the operation needs to be greater, and ideas on how to improve the building's utilization include reconfiguring the kitchen/servery and adding key equipment, as well as replacing the poorly performing rental/retail space with additional F&B seating. Minor additional investments are recommended to increase the cafeteria's odds of success and should be determined in a future planning exercise.

C. Gandy/Summit Replacement Lift

Beyond Double Jaw, Spirit Mountain has two other lifts that have reached the end of their useful lives: the Gandy chair and the Summit chair. The 2021 Plan notes that these lifts were built in the 1970s and increasingly require costly maintenance, including drive upgrades. During the summer of 2023, the haul rope of the Gandy lift was flagged for imminent replacement: it would not be able to operate during the 2024/25 season unless a $100,000 to $125,000 capital investment is made to extend its lifespan, which it has already well exceeded. Recent inspections suggest that the haul rope of the Summit chair is not far behind and would also require replacement in the next few years. Rather than continuing to invest in these failing lifts, SE Group recommends that Spirit Mountain invest in a new, and thus lower-maintenance replacement solution.

In recognition of Spirit's needs to address deferred maintenance in a manner that maximizes fiscal conservatism, SE Group recommends replacing both Gandy and Summit with a singular lift. During the October 2023 site visit, it was discussed that the Gandy chair is essential to mountain operations, and the Summit lift provides additional capacity that can be useful on busy winter days but is non-essential, confirming that two lifts could be replaced with one, if necessary. The bottom terminals of Summit and Gandy are adjacent, but their top terminals are not: the Summit chair deposits guests near the top of the mountain near the Loan Oak Rope Park, and the Gandy chair terminates at a high point above the Skyline Chalet. The Spirit Express high-speed quad chairlift also lands at the top of the mountain, and all the ski trails served by the Summit chair can also be skied from the Spirit Express. Therefore, the primary purpose of the Summit chair is to provide additional capacity on peak days. If the designed uphill hourly capacity of the combined Gandy/Summit Replacement Lift

is nearly equal to the combined actual operating hourly capacity of existing Gandy and Summit chairs, it would effectively replace the primary functionality of the Summit chair.

Potential alignments were explored during the site visit, and a preferred solution was identified. The chosen alignment optimizes skier circulation while accounting for snowmaking infrastructure and potential existing lift foundations. In this optimal alignment, the replacement lift's bottom terminal would be adjacent to the bottom terminal of the existing Summit Chair, and its top terminal would replace the top terminal of the existing Gandy chair, improving service to the ski trails served by the existing Gandy chair. To approximate the capacities of the lifts it would be replacing, the new lift is recommended to be four-person.

Quotes for the new lift were secured from Leitner-Poma of America (LPOA). Considerations include capital cost, contribution to hourly capacity in people per hour (pph), fixed grip lift differences, and initial public reaction:

Table 2. Gandy/Summit Replacement Lift Type Decision

	Existing Gandy/Summit	**Fixed Grip Skytrac Monarch**	**Fixed Grip LPOA Alpha**	**Detachable LPOA**
Capital Cost	-	$2,630,000	$3,024,500	$6,360,000
Contribution to Hourly Capacity (pph)	3,600	2,400	2,400	2,400
Delivered Contribution to Houly Capacity (pph)	2,600-2,800	1,900	1,900	2,300
Which Fixed Grip Lift?	-	Newer to the market, different maintenance than Spirit's other lifts	Time-tested, similar maintenance to Spirit's existing LPOA lift (Spirit Express)	-
Initial Public Reaction	-	Potentially less favorable	Potentially less favorable	Potentially more favorable

Capital Cost: As shown, replacing the Gandy and Summit chairs with a detachable lift would cost more than twice as much as replacing Gandy and Summit with a fixed grip lift. Since Spirit must aim to address its deferred maintenance in a manner that maximizes fiscal conservatism, this difference is significant. Furthermore, Spirit is expected to be able to pay for a fixed grip lift with funding from the allocated $26 million, whereas installing a detachable lift would require Spirit to procure additional funds beyond the $26 million, given the projected cost of the necessary renovation and new construction associated with the Skyline Chalet (which would require the majority of the $26 million, as outlined in Section V.B.1). For either lift type, sitework (which includes tree clearing, grading, and electrical work) is expected to cost approximately $175,000. This includes the removal of all trees that are within the lift's airspace corridor (a width of 40-50 feet).

Contribution to Hourly Capacity: Both the fixed grip and detachable chairlifts can be designed with an hourly capacity of 2,400 pph, which is the suggested design hourly capacity for the Gandy/Summit Replacement Lift. However, fixed grip chairs are more difficult to load at that capacity because the chairs are moving through the terminal faster than detachable chairs. As a result, there are higher occurrences of misloads and stoppages on fixed grip chairlifts and the actual *delivered* hourly capacity of a fixed grip chair would be lower than a detachable chair having the same designed capacity. The estimated *delivered* hourly capacity of a fixed grip chairlift with a

design hourly capacity of 2,400 pph is 1,900-2,000 pph. The estimated *delivered* hourly capacity of a detachable chairlift with a design hourly capacity of 2,400 pph is about 2,300 pph. Based on conversations with the operating team at Spirit, the *delivered* hourly capacity of existing Gandy and Summit Chairs combined is about 2,600-2,800 pph, despite their combined design capacity of 3,600 pph. This is due to a higher misloading rate than either a detachable chairlift or a new fixed grip chairlift (with optimal loading design) would have.

Contribution to CCC: Though a detachable lift would have a higher *delivered* hourly capacity, its contribution to Spirit Mountain's CCC would be slightly lower than that of a fixed grip lift. This is because the CCC number includes guests who are riding on the chairlift, in addition to guests who are getting off the chair, skiing down, waiting in the lift line. CCC also includes guests in support facilities and guests who are milling about the base area. Since detachable lifts operate at higher speeds than fixed grip lifts, they can transport the same number of people up a mountain using fewer chairs (and thus carrying fewer guests) during any given period. More specifically, the chair spacing on fixed grip lifts is less than half the distance of spacing on detachable chairlifts with the same hourly capacity. Thus, on a day when every chair is full, more than twice as many people will be riding on a fixed grip lift than a detachable lift at any given moment. This slightly increases the CCC of the fixed grip Gandy/Summit Replacement version relative to that of the detachable version, since these two options are designed to facilitate the same number of guests getting off the chair, skiing down, and waiting in the lift line at any time—all factors that contribute to the CCCs of the both lift options equally.

Comparison of Lift Line Wait Times: To assess the implications of installing one chairlift with a lower delivered hourly capacity than the two lifts that are being replaced, an analysis was conducted to establish resultant lift line wait times at the lower hourly lift capacity to achieve the same CCC as existing conditions. Currently, Gandy and Summit have a combined CCC of 820 skiers per day, which is calculated using a lift line wait time of 2 minutes. If Gandy were replaced with a fixed grip quad with a delivered hourly capacity of 1,900 people per hour, the wait time would grow to about 7.5 minutes to support a CCC of 820 skiers. Similarly, if Gandy were replaced with a detachable quad with a delivered hourly capacity of 2,300 people per hour, the wait time would grow to just over 7 minutes to support a similar CCC. In general, skiers are more tolerant of waiting in a longer lift line at a detachable lift than at fixed grip lifts due primarily to the shorter ride time and more comfortable loading and unloading.

Which Fixed Grip Lift? The LPOA Alpha chairlift has been a "workhorse" lift in the ski industry for many decades. The Alpha chair is known throughout the industry as being built to last and it has an excellent track record for longevity. The Alpha has been a model of choice for ski area operators throughout North America longer than any other chairlift model, by any manufacturer. The known quality of the LPOA Alpha comes at a cost, but its popularity would indicate that you get what you pay for.

Skytrac is the newest manufacturer of chairlifts in the country, although the company and its basic technology is a carry-over of the former CTEC lift company. Skytrac builds a very high-quality chairlift and the company's focus is on a reliable and cost-effective design. While the Skytrac Monarch doesn't have the level of track record as the Alpha, due primarily to their limited time in the market, the differentiator for Skytrac lifts is their lower cost, as can be seen in the cost proposals to Spirit between the Skytrac Monarch and LPOA Alpha lifts.

One other important point of distinction between the LPOA Alpha and the Skytrac Monarch lifts is efficiencies in maintenance. Since Spirit Mountain already has an LPOA lift (the Spirit Express), Spirit's lift technicians are educated in the operations and maintenance of LPOA lifts, and they likely have relationships with LPOA's lift technicians. This would make it relatively easy for Spirit's lift technicians to operate and maintain another LPOA lift, whether it's the fixed grip Alpha or another detachable chair. Installing a Skytrac lift would require Spirit's lift technicians to learn how to operate and maintain a new type of lift, and it would require separate visits from LPOA technicians and Skytrac technicians when more extensive maintenance/repair is required.

Initial Public Reaction: During the site visit, the operating team noted that Spirit Mountain's skiers and riders may react negatively to the replacement of the Gandy and Summit chairs. These reactions are likely to center around three criticisms: 1) it may be unpopular to replace two lifts with one; 2) the replacement lift will no longer go to the "summit" of Spirit Mountain; and 3) the typical lift line for the replacement lift will be longer (7 minutes vs. the previous 2 minutes) than the lift line for either the Gandy or Summit chair was prior. Spirit's operating team should prepare talking points to address these concerns, focusing on the ultimate goal of long-term viability of the operation.

At ski areas where detachable lifts are not ubiquitous, detachable lifts tend to generate excitement for guests, as they are viewed as state-of-the-art upgrades to the skiing and riding experience. Thus, the potential disappointment of Spirit Mountain's patrons in replacing two lifts with one may be outweighed by the excitement generated by a new detachable lift. Though a fixed grip lift would have similar functional capacities, it is unlikely to generate similar excitement to that of a detachable chairlift.

Deciding which lift to use as a replacement for the Gandy and Summit chairs is a complex question. SE Group is available to continue advising and facilitating in these conversations, as necessary.

D. The Adventure Park

The 2021 Plan identified a significant market opportunity for continued investment in the Adventure Park. In 2022, SE Group and independent consultant Strategic Adventures provided a Summary of Recommendations for the Spirit Mountain Adventure Park (2022 AP Plan) to expand upon the preliminary recommendations for investment proposed in the 2021 Plan. This document evaluated existing conditions, made recommendations for improvements to existing activities, proposed new activities (phase 1 and phase 2), listed additional considerations that would enhance the Adventure Park's overall appeal, and summarized the financial results of the plan. Though some circumstances have changed that invalidate certain recommendations (i.e. Spirit replaced the damaged Jumping Pillow), many of these recommendations still apply. In late 2023, SE Group continued the Adventure Park conversations with Spirit's operating team and recommended that Spirit pursue the following in the coming years:

Summer Tubing: It is SE Group's understanding that Spirit Mountain plans to install summer tubing during the late spring/early summer of 2024, so long as financial circumstances allow. Summer tubing is anticipated to be a valuable addition to the Adventure Park.

Netted Playground/Adventure Course: A derivation of the Aerial Adventure Park recommended in the 2022 AP Plan, this attraction would not require ropes or harnesses, or trained staff to facilitate and monitor harness use. This leads to staffing efficiencies and widens the appeal of the activity.

This industry has undergone rapid innovation in recent years, and product customization is common. SE Group recommends working with a supplier to build an experience that is well suited to Spirit.

Ball Tower Playground: Relatively new to ski area summer attractions, ball mazes are simple to build, operate, maintain, and use. Participants (typically kids) purchase a wooden ball (which monetizes the activity) and watch/chase it through the obstacles on a track. This feature is perfect for four- to seven-year-olds—an age range that can be difficult to entertain at an Adventure Park if other experiences have minimum height and weight requirements. The ball tower playground is like an enhanced version of a ball tower track, with opportunities for kids to climb and slide alongside their ball. This product is also somewhat customizable.

Continued Investment: Adventure Park-type operations require a critical mass of attractions to satisfy guests. For a park aiming to occupy guests for a full day, a minimum of 10 activities is recommended; for a park aiming to occupy guests for part of a day, fewer activities are acceptable. Due to Spirit's urban location, many Adventure Park guests come for part of the day. Nonetheless, increasing the number of Spirit's Adventure Park attractions from four to seven (by adding the three aforementioned activities) is likely to increase guest satisfaction. Since attractions wear out (and lose their guest appeal) over time, savvy operators should maintain a capital fund to reinvest in the facility.

Non-Attraction Investments: As in the 2022 AP Plan, SE Group recommends minor capital investments to improve the overall Adventure Park experience for guests. Key among these are building a deck on the existing Sprung structure, which would offer customers comfortable seating with views of the Jumping Pillow, and purchasing an ice cream cart, which can serve hungry and hot guests waiting in line for the coaster and other attractions.

As noted, Spirit would need to independently fund all the recommended Adventure Park projects. The $26 million bonded should be used to upgrade the Skyline Chalet and replace the Gandy/Summit lifts, both of which are required for the continued viability of Spirit's ski operation. Additional investment should be made in the Grand Avenue Chalet to maximize its utility, which would be required for the future Skyline Chalet. These Grand Avenue Chalet expenditures may or may not be funded by the $26 million, depending upon the type of lift selected for the Gandy/Summit Replacement and the final cost of the Skyline Chalet project. The financial details of these initiatives are discussed further in subsequent sections.

IV. Benchmark Analysis

This chapter examines Spirit's financial performance, relative to comparable ski areas and Spirit's own previous economic standing. SE Group used the awareness of departmental opportunities and challenges revealed in this Benchmark Analysis, along with the awareness of facility opportunities and challenges discussed in the "III. Capital Investment" Chapter, to inform specific recommendations around how to spend money and increase revenue.

A. Results from the 2021 Benchmark Analysis

The 2021 Plan included a Benchmark Analysis to assess the historical financial performance of Spirit Mountain. This analysis compared Spirit's key economic indicators to those of two other datasets using data from the 2019 Fiscal Year (FY19), which is the 2018 summer and the 2018/19 winter season:

1. **"Large" Midwestern Ski Areas**, which are defined as those with 3.0 million or more (3.0M+) Vertical Transport Feet per Hour (VTFH). This data was obtained from the National Ski Areas Association (NSAA) Economic Analysis of the U.S. Ski Industry, which is published annually.

2. **A "Custom Dataset" of Midwestern ski areas,** which was specially put together for purposes of the analysis by SE Group and RRC Associates. This customized comparison data set averaged key indicators from the seven of the 20 Midwest ski areas in the NSAA data that were most similar to Spirit Mountain on a size-ranking basis.

Results from the FY19 Benchmark Analysis indicated that Spirit Mountain performed well in the summer season, with revenue values aligning favorably with the comparables. For the winter operating season, Spirit Mountain was notably, and substantially, underperforming in all revenue departments, averaging only 53 to 57% of the revenue generation of the comparable areas. Spirit Mountain's total operating expenses trended slightly higher than the comparables but not alarmingly so, indicating there may have been some areas for improvement in reducing expenses, but none that would have substantially altered the overall profitability of the facility.

B. Methodology for the 2024 Benchmark Analysis Update

This 2024 Plan Update includes a Benchmark Analysis Update, which analyzes Spirit's financial performance for FY22 relative to data from other "Large" Midwestern Ski Areas. Even though Spirit Mountain is relatively small for a "large" ski area (across multiple metrics), Spirit's status as a regional destination ski area confirms this category for comparison. Since the FY19 Benchmark Analysis was prepared, the NSAA has updated their definition of the "Large" Midwestern Ski Area category to be ski areas with 3.5M+ VTFH (previously it was 3.0M+ VTFH).

1) Accuracy of Data

The industry data represents the actual performance of the resorts against which Spirit Mountain was compared, which is then is anonymized and amalgamated. Though Spirit Mountain's financial reporting has improved since the FY19 Benchmark Analysis was prepared, it is important to note that additional disaggregation is recommended. For example, tracking ticket revenue separately for all types of tickets sold (i.e., downhill skiing, Nordic skiing, mountain biking, Adventure Park, etc.) would make it easier to assess the performance of each specific operation. It should also be noted

that Benchmark Analyses rely heavily upon skier visitation data; without an accurate skier visit count, comparing a ski area's departmental performances to industry averages is less reliable. While it is believed that Spirit Mountain's skier visitation data accuracy has improved in recent years, there is room for further accuracy.

2) Why the 2022 Fiscal Year was Used

The NSAA typically publishes ski industry data (such as the data used in this report) approximately one year after the previous fiscal year closes. This allows ski areas to conduct their year-end accounting and send the requested data to the NSAA, and then the NSAA anonymizes, agglomerates, and analyzes the data. Since the FY19 Benchmark Analysis was prepared, the NSAA has published industry data for FYs 20, 21, and 22. (Though Spirit's financial performance data is available for FY23, the corresponding FY23 NSAA data has not been published yet.) Since the 2019/20 winter season (FY20) was cut short due to the Covid-19 Pandemic, and since FY21 was also heavily affected by the Covid-19 Pandemic, FY22 was used in this Benchmark Analysis Update.

Spirit's financial performance data for FY23 has been included in the benchmark table in blue for purposes of comparison to Spirit's performance in FY22. As noted, industry data is not yet available to reveal widespread trends in FY23. Thus, the industry data for FY22 should only be used to evaluate Spirit's financial performance in FY22. In other words, compare the black text to the black text; compare the blue text (FY23) only to Spirit's previous year (FY22).

3) Trends in the Broader Ski Industry during Fiscal Year 2022

Though believed to be more representative of a "typical" year than FY20 or FY21, FY22 was a very good year for the U.S. ski industry, overall. Skier visits reached an all-time high (though this record was surpassed by an even greater number of U.S. skier visits reported for FY23). Season pass sales demonstrated increasing strength, demand for outdoor recreation remained robust in the post-pandemic era, and skiers and snowboarders resumed traveling longer distances to partake in snowsports. These elements collectively contributed to the industry's improved financial performance, and they presumably benefitted Spirit Mountain during FY22 as well.

4) A Note of Comparison Caution

When comparing Spirit's financial performance data from FY22 to that of FY19, one may be tempted to draw conclusions about the trajectory of Spirit Mountain's overall financial performance. However, these two isolated data points do not accurately portray Spirit's financial trajectory—no two years in isolation would. In the case of FY22, the conditions that boosted the overall industry are very likely to have benefitted Spirit Mountain as well. This would imply (at the profit level) that Spirit has made significant progress since FY19. Though improvements have been made (and should be celebrated!), Spirit Mountain's true financial trajectory is not as positive as this might indicate.

To this end, FY23 has been included in the Benchmark Analysis table alongside FY22.

Comparing Spirit's financial performance data from FY22 to FY19 sheds light on how changes that Spirit has made since FY19 affect the mountain's financial performance, but these two data points in isolation do not reveal the full story. (FY23 helpfully clarifies that the FY19-FY22 trajectory was not continued.) To reveal the full story behind Spirit's financial performance, benchmarking should be repeated annually and viewed over a longer period of time with more data points.

C. The 2024 Benchmark Analysis Update

Results from the 2024 Benchmark Analysis Update revealed that Spirit Mountain is still underperforming in all revenue departments. Improvements have been made in some categories, and these should be celebrated. Nonetheless, this 2024 Update highlights that there is still significant potential to improve financial performance. Spirit's ability to generate additional revenue would be largely contingent upon its willingness to implement the recommendations subsequently outlined in this report.

Table 3. Benchmark Analysis

	SMRA FY23	SMRA FY22	NSAA MID-WEST VTFH 3.5M+ FY22	% 3.5M+ VTFH FY22
Number of Areas in Category	1	1	9	
Ski Area Characteristics				
Season Length (days)	98	92	118	78%
Skiable Terrain (acres)	89	89	268	33%
Skier Visits	105,822	105,993	139,444	76%
VTF/Hr (000)	4,383	4,383	5,392	81%
Ski Area Economic Characteristics				
Adult Weekend Ticket Price	$81.00	$72.94	$85.22	86%
Adult Season Pass Price	$477.96	$455.01	$614.00	74%
Child Season Pass Price	$310.29	$295.05	$471.00	63%
Summary Financial Data				
Gross Assets Fixed Assets	$33,094,572	$32,098,822	$38,219,000	84%
Operating Profit (Loss) Before Tax	$417,255	$1,323,160	$4,416,000	30%
Operating Profit Margin	6%	22%	25%	87%
Profit (Loss) / Skier Visit	$3.94	$12.48	$31.67	39%
Revenue Sources & Analysis				
Ticket Sales (including Season Passes)	$3,267,031	$3,158,272	$6,891,000	46%
Snowplay & other winter ops	$110,058	$120,903	$285,000	42%
Lessons	$272,128	$224,133	$428,000	52%
Food & Beverage	$1,103,915	$748,177	$3,073,000	24%
Retail	$161,083	$151,420	$1,219,000	12%
Rentals	$419,142	$399,884	$943,000	42%
Lodging[4]	$42,985	$128,926	$2,559,000	5%
Miscellaneous			$120,000	0%
Other Operating Rev	$1,158,909	$1,192,948	$2,027,000	59%
Property Operation			$245,000	0%
Total Revenue	**$6,535,251**	**$6,124,663**	**$17,790,000**	**34%**
Total Rev / Skier Visit	$61.76	$57.78	$127.58	45%
Ticket Rev / Skier Visit	$30.87	$29.80	$49.42	60%
Ticket Yield	38%	41%	58.0%	70%
Snowplay & other winter ops/ Skier Visit	$1.04	$1.14	$2.04	56%
Lesson Rev/ Skier Visit	$2.57	$2.11	$3.07	69%
Food & Beverage / Skier Visit	$10.43	$7.06	$22.04	32%
Retail / Skier Visit	$1.52	$1.43	$8.74	16%
Rental / Skier Visit	$3.96	$3.77	$6.76	56%
Lodging	$0.41	$1.22	$18.35	7%
Other Operating Rev	$10.95	$11.25	$14.54	77%
Property Operation	$0.00	$0.00	$1.76	0%
Ticket Rev / Total Rev	50.0%	51.6%	38.7%	
Snowplay & other winter ops/ Total Rev	1.7%	2.0%	1.6%	
Lesson Rev / Total Rev	4.2%	3.7%	2.4%	
Food & Beverage Rev / Total Rev	16.9%	12.2%	17.3%	
Retail Rev / Total Rev	2.5%	2.5%	6.9%	
Rental Rev / Total Rev	6.4%	6.5%	5.3%	
Lodging	0.7%	2.1%	14.4%	
Other Operating Rev	17.7%	19.5%	11.4%	
Property Operation	0.0%	0.0%	1.4%	
Expenses & Analysis				
Cost of Goods Sold	$744,144	$547,112	$1,500,000	36%
Direct Labor	$3,453,446	$2,596,861	$5,386,000	48%
Other Operating Expenses	$1,920,406	$1,657,530	$6,488,000	26%
Total Operating Expenses	**$6,117,996**	**$4,801,503**	**$13,374,000**	**36%**
Total Expenses / Skier Visit	$57.81	$45.30	$95.91	47%
Cost of Goods Sold / Skier Visit	$7.03	$5.16	$10.76	48%
Other Op Expenses /Skier Visit	$18.15	$15.64	$46.53	34%
Direct Labor / Skier Visit	$32.63	$24.50	$38.62	63%
Cost of Goods Sold / Total Expenses	12.2%	11.4%	11.2%	102%
Direct Labor / Total Expenses	56.4%	54.1%	40.3%	134%

[4] Spirit Mountain does not operate lodging, but rather receives lease payments from the privately owned villas. Recent decreases in revenue reflects a change in the payment agreement with the villas.

D. Results from the 2024 Benchmark Analysis Update

The results from the 2024 Benchmark Analysis Update, which examines Spirit's financial performance in FY22 relative to the broader industry's performance in FY22, are very similar to the results from the 2021 Benchmark Analysis, which examined FY19. This Section includes an overview of these results, and the following chapters discuss opportunities to increase departmental revenue, in detail.

1) Size

As measured in VTFH, Spirit Mountain is approximately 71% the size of the Midwest VTFH 3.5M+ comparison ski areas. When compared by average skiable acreage, Spirit Mountain is 33% of its cohort. Thus, Spirit Mountain is on the smaller side for lifts and terrain for the Midwest VTFH 3.5M+ dataset.

2) Skier Visits

Since the 2021 Plan, Spirit has made efforts to improve its tracking of skier visitation. These efforts have been met with significant challenges, and there is still substantial room for improvement. It is likely that there is still a significant group who visits Spirit without purchasing a ticket, resulting in a loss of revenue and a liability risk.[5]

Using metrics informed by industry data, Spirit calculated a total of 105,993 skier visits for the 2021/22 season. This metric suggests that Spirit Mountain receives approximately 76% of the visits of the Midwest VTFH 3.5M+ comparison ski areas. Given Spirit's size (small for a large Midwestern ski area), these figures indicate solid visitation with room for moderate growth, both through additional ticket scanning and additional market capture.

3) Lift Ticket/Pass Pricing

In 2018/19, Spirit's lead day ticket price was $65, which was 86% of the Midwest VTFH 3.0M+ comparison ski areas. In 2021/22, Spirit's lead day ticket price was $73—an increase that maintained Spirit's ticket price position at 86% of the Midwest VTFH 3.0M+ ski areas.

In 2018/19, adult season pass pricing was 85% of the Midwest VTFH 3.0M+ comparison ski areas. Between the 2018/19 and the 2021/22 seasons, Spirit increased its adult pass pricing from $449 to $455 and slid to 74% of the Midwest VTFH 3.5M+. For the 2022/23 season, Spirit increased its pass pricing to an average of $478 for an adult season pass—a meaningful jump that is likely to bring Spirit closer to the Midwest VTFH 3.5M+ average. Pricing increases are often met with criticism, but they are imperative to implement, since ticket sales typically comprise the greatest portion of a ski area's revenue. Spirit's lift ticket pricing is now likely in the appropriate range, with some room for moderate increase on top of regular inflationary adjustments.

4) Revenue Yields

Comparable revenue yields are derived by dividing a ski area's revenue data by its annual skier visitation. This can be then understood as a "per visitor" metric, which enables relevant comparison between resorts with total revenues that differ due to size, market, and other factors.

The 2021 Plan noted that Spirit's total revenue per skier visit figure for FY19 may have been somewhat misleading, as 33% of the total revenue recorded was derived from the "Other Operating

[5] SE Group recently reviewed data from a western U.S. ski area that implemented a modern ticket scanning system with added security measures. This mountain observed a 10% increase in visits that were previously be lost to fraud. Given Spirit Mountain's data, this type of increase would equate to approximately $500,000 of additional revenue the year implemented.

Revenue" category, which included Spirit's very strong performance in summer operations and weddings. In the FY22, this condition was less pronounced, with Other Operating Revenue comprising 20% of Total Revenue. Spirit's strong performance in this category for both years reflects the importance of Spirit's non-ski business to its operating profit, suggesting that non-ski revenue generating activities, events, etc. should continue to be pursued and invested in.

In FY19, Spirit's total revenue per skier visit was just over 50% of that of the Midwest VTFH 3.0M+ ski areas: $52.38 per visit compared to an average of $103. In FY22, Spirit's total revenue per skier visit has fallen to 45% of that of the Midwest VTFH 3.5M+ ski areas: $57.78 per visit compared to an average of $128 per visit. Some of this relative decrease may be due to the change of the NSAA size category, which now may include slightly larger ski areas than it did before, which are likely to be making slightly more revenue per skier visit than their smaller counterparts. Nonetheless, this is an important indicator that Spirit must redouble its efforts to increase revenue generation. The following chapters explore opportunities and outline granular approaches to doing so.

5) Expense Analysis

Spirit's operating expenses are remarkably modest, which could be attributed in part to its compact size and urban setting. This location advantage enables streamlined procurement of goods and services, as compared to other ski areas. However, Spirit's extensive summer activities and operations necessitate significant resources for successful execution, which may elevate Spirit's operational costs above those of its competitors that host in fewer such activities. While low expenses beneficially offset Spirit's soft revenue, it is important to provide the operation with the resources it needs to meet guest experience standards and achieve revenue goals.

a) Total Operating Expenses

Total expenses at Spirit Mountain for FY22 are $45.30 per skier visit, which actually decreased from FY19's $49.96 per skier visit. This decrease may have to do with conditions related to the Covid-19 Pandemic, such as challenges in hiring and retaining staff, which were widespread throughout the ski industry during this particular season. This compares to $95.91 per skier visit for FY22 for the Midwest VTFH 3.5M+ ski areas. In other words, Spirit's expenses are 48% of its comparative group.

b) Other Operating Expenses

Relatively speaking, Spirit is leanest in this category, as compared to the Midwest VTFH 3.5M+ ski areas. During FY22, Spirit spent just $15.64 per skier visit here, or 34% of the $46.53 spent by the larger Midwestern ski areas. This category includes: contract services and fees; materials and supplies; maintenance and repairs; leases and rentals; marketing; utilities; and other miscellaneous expenses for year-round operations.

c) Direct Labor

At $24.50 per skier visit for FY22, Spirit's direct labor costs are 63% of the Midwest VTFH 3.5M+ ski areas' $38.62 average. It is known that compensation plays a significant role in employee attraction and retention, which challenged Spirit Mountain and other ski areas throughout the country during the Covid-19 Pandemic. It is also recognized that the presence of a union plays a role in Spirit's labor costs.

d) Cost of Goods Sold

Cost of Goods Sold (COGS) includes both items available for retail sale and F&B supplies. Like its other expense categories, Spirit's COGS are low: $5.16 compared to $10.76 for the Midwest VTFH 3.5M+ ski areas, or 48%. Factors that likely contribute to this low number include Spirit's urban location, which decreases transportation costs associated with retail items and F&B supplies, and its decision to not sell hard goods such as skis and snowboards, which are significantly more expensive

than soft goods, like handwarmers and ChapStick. Other factors that may contribute to this low number may be related to the quality, portions, and potential margins associated with the food and beverage and retail offerings.

6) Operating Profit/Loss

For FY22, Spirit Mountain captured $12.48 in net profit per skier visit, or 39% of the Midwest VTFH 3.5M+ ski areas' $31.67, resulting in an operating profit margin of 22%. It should be noted—and celebrated!—that $12.48 per skier visit is a significant increase from FY19's $2.42 per skier visit, and it equates to an operating profit of $1,323,160 for FY22. If Spirit were able to maintain this year-over-year, Spirit would be appropriately positioned to address its current and future needs.

As noted in discussion of trends in the broader ski industry during FY22, this year was a very good year for ski areas across the U.S., and Spirit Mountain, which also had a very good year, is not an exception. The temporary nature of Spirit's profitability upswing is reflected in its FY23's net profit of $3.94 per skier visit, or $417,255 total. This FY23 result does not position Spirit to withstand weaker years (i.e., low snow, economic downturn, etc.), pay off its capital expenditures, or appropriately maintain its facilities over the long-term.

Earlier in this document, SE Group noted the importance of reinvesting in the facility. This point is underscored here to emphasize the insufficiency of Spirit Mountain's typical operating profit:

Resorts that sequentially and serially make disciplined capital investments—both to address maintenance issues and to upgrade/improve their offerings—continue to maintain or gain market share. Those that don't fail to remain competitive. Lack of capital investment leads to decreased visitation and lower net operating income, which further decreases the resort's ability to make capital investments. Without capital to invest, the resort's ability to regain its market share is little to none. Without disciplined capital investment, the operation fails.

V. Recommendations for Facilities

As noted in the 2021 Plan, there exist numerous paths forward for Spirit Mountain. To transform this valued community asset into a more dynamic enterprise, a disciplined approach is needed to boost revenue. This 2024 Plan Update recommends doing so via improvements to Spirit's existing facilities, programming, and pricing.

This chapter outlines the financial implications of the recommendations that are discussed in "III. Capital Investment." As noted, critical deferred maintenance items for Spirit Mountain to address include modernizing the Skyline Chalet and replacing the Gandy and Summit lifts. Further investment is also recommended for the Grand Avenue Chalet to maximize its utility. These three facility/infrastructure projects command Spirit's $26 million budget, as Spirit's ski operation would fail to be viable without them. Beyond the $26 million, SE Group also recommends investing in the Adventure Park to increase Spirit's revenue generated and maximize its odds of continual financial viability.

A. The Skyline Chalet

As noted, the Skyline Chalet requires significant capital investment—much greater than was initially anticipated. Given the degree of deferred maintenance, rebuilding the southern portion of the building and renovating the northern portion of the building are important for the longer-term viability of Spirit Mountain's guest service operations. SE Group is available to provide further guidance and/or review throughout the design process to this end.

1) Capital Costs

SE Group undertook a detailed review of the Design Team's space recommendations (Section III.B), since amount of space and building cost are directly correlated. The resulting calculated costs used this adjusted space use recommendations and quotes from Kraus Anderson (KA), which were obtained in March of 2023. To account for subsequent inflation and unknown factors in the construction process, we included a 10% contingency factor. SE Group also included a 15% design and permitting factor, since KA's quote included a contractor fee but not a design fee. The table below illustrates these calculations.

Table 4. Skyline Chalet Costs

	COST PER SF	SF	TOTAL COST EST
Site Improvements	$33.97	150,421	$1,485,896
Structural Demolition	$9.88	33,570	$331,643
New Construction – SE	$454.87	15,400	$7,004,998
Other Space - SE	$200.00	800	$160,000
Renovation	$395.10	22,000	$8,692,254
Estimated Cost	**-**	**-**	**$17,674,791**
Design & Permitting (15%)	-	-	$2,651,219
Contingency (10%)	-	-	$1,767,479
Total Estimated Cost	**-**	**-**	**$22,093,489**

SE Group used this cost per square foot metric that KA provided ($454.87) and our revised square foot requirement (down from 21,000 to 15,400) to estimate the total costs for the new construction component of the project: approximately $7 million. An additional $160,000 has been included to account for the additional space that Spirit would need to procure under this "reduced space" condition. This "Other Space," specifically for ski patrol and adaptive sports, may be provided by trailers or a different, cheaper on-site solution with a significantly cheaper cost per square foot.

Given that the Skyline Chalet project is projected to cost slightly more than $22 million, slightly less than $4 million of Spirit's $26 million bonding allocation remains for the Gandy/Summit Lift Replacement, as well as any other capital projects that are imperative to the ski area's viability.

2) Skier Visitation

The new/remodeled Skyline Chalet is expected to drive a modest increase in skier visitation, a result of good press and an upgraded guest experience. This model attributes 5,000 additional annual skier visits to this improved facility, which is assumed to come online in Year 2.

3) Revenue

Additional winter revenue has been attributed to the improved Skyline Chalet. This revenue will be generated by moderate increases to ticket pricing (upgraded guest experience), higher turnover in the Moosehead II restaurant (discussed with the operating team), and an expanded retail operation (better space). Note that menu pricing in the current Moosehead restaurant was determined to be appropriate when reviewed on SE Group's October 2023 site visit, so all additional revenue attributed to the Moosehead II is expected to result from faster table turnover. Conversations with the operating team revealed that Moosehead's current turnover is approximately 90 minutes and could be reduced to 60 with a larger, well-equipped, proximate kitchen. It is recognized that doing so would require additional staffing and/or the employment of technology to expedite the seating, ordering, serving, and/or paying processes. SE Group has accounted for these additional costs in the expense portion of our financial modeling.

The improved Skyline Chalet will also benefit Spirit's summer revenue streams. Revenue is expected to increase following pricing increases to Spirit's wedding/event F&B offerings (nicer food with a better kitchen) and Spirit's venues (nicer spaces). Members of Spirit's operating team confirmed that there is likely room to increase wedding/event prices without foregoing valuable business. While Duluth boasts a thriving venue market, Spirit's prices are currently positioned within the lowest venue tier and have room for upward adjustment without compromising valuable market share. Understanding the facility upgrades necessary to improve Spirit's venue offerings and staff efficiency required an exploration of current constraints.

B. The Grand Avenue Chalet

As discussed in "III. Capital Investment," the Grand Avenue Chalet must increase its current contribution to Spirit's overall F&B operation. This is a pre-condition to some of the space saving strategies employed in recommendations for the Skyline Chalet. Spirit's operating team has identified that adding to its current kitchen equipment and improving the cafeteria/scramble layout are necessary to getting this building to "work harder." Modifications/improvements to the room that is currently used for ticketing and retail were also discussed.

Identifying the equipment and spatial changes necessary to optimize the Grand Avenue Chalet's F&B operation is the purview of a subsequent exercise. In recognition of this, a "placeholder" amount of $200,000 has been allocated in SE Group's financial model.

No increases to skier visitation or pricing were assumed for this minor renovation. An extremely modest increase in winter revenue is expected to result from the activation of this F&B facility.

C. Gandy/Summit Replacement Lift

In recognition of Spirit's needs to address deferred maintenance in a manner that maximizes fiscal conservatism, SE Group recommends replacing both Gandy and Summit with a singular lift. Per SE Group's capacity calculations, the replacement lift should be a four-place chairlift. Solicited quotes yielded three options: the Skytrac Monarch, the LPOA Alpha, and a LPOA detachable lift. The Monarch and the Alpha are both fixed grip lifts and have relatively similar price points. The detachable lift is more than twice as expensive as either of the fixed grip options.

To illustrate differences in capital costs, skier visitation, and revenue, SE Group created two versions of the financial model: one for a fixed grip lift, and one for a detachable lift. In the spirit of fiscal conservatism, the LPOA Alpha was used in the fixed grip model, since it is slightly more expensive than the Skytrac Monarch. The resulting differences in capital costs, skier visitation, recommended ticket pricing, and overall financial performance are illustrated below.

1) Capital Costs

For any of these lift options, sitework (electrical, grading, tree clearing, etc.) is expected to cost no more than $175,000, and permitting is expected to cost less than $50,000.

Table 5. Gandy/Summit Replacement Lift Type Costs

	FIXED GRIP SKYTRAC MONARCH	**FIXED GRIP LPOA ALPHA**	**DETACHABLE LPOA**
Capital Cost	$2,630,000	**$3,024,500**	**$6,360,000**
Sitework	$175,000	**$175,000**	**$175,000**
Contingency (10%)	$280,500	**$319,950**	**$653,500**
Design & Permitting	$50,000	**$50,000**	**$50,000**
Total Estimated Cost	**$3,135,500**	**$3,569,450**	**$7,238,500**

It is understood that the existing Gandy lift would need a new haul rope to continue operating for the 2024/25 season, which is expected to cost approximately $125,000. Both models recommend that the new lift come online in Year 4 so that Spirit may improve its return on this not insignificant investment. However, if the Gandy lift requires another critical upgrade soon (i.e. a new gear box), then Spirit should expedite the lift replacement in attempt to forgo another significant investment in this aged infrastructure.

The Summit lift will also require a new haul rope soon. Since the Summit lift is not essential to Spirit Mountain's operations, SE Group recommends that Spirit forego this investment and decommission the Summit lift. This would allow the reallocation of approximately $125,000 toward more enduring investments.

It has been assumed that the Gandy/Summit lift replacement would be funded from Spirit's $26 million bond. Given the projected costs of rebuilding/renovating the Skyline Chalet, which amount to slightly more than $22 million, this is only possible in the fixed grip scenario. If Spirit purchases a detachable lift, or any solution that exceeds the lift's assumed allocation from the $26 million, Spirit would need to finance the amount exceeding $26 million independently.

2) Skier Visitation

New lifts generate public excitement—especially if they are detachable. Given this, an annual skier visitation increase of 2,500 was included for replacing Gandy/Summit with a fixed grip lift. An increase of 5,000 skier visits was projected for replacing Gandy/Summit with a detachable lift. This increase in visitation would increase revenue, even if prices stay the same.

3) Ticket Pricing

A rise in ticket pricing is not associated with the introduction of a new fixed grip lift. However, the introduction of a new detachable lift could justify a modest increase. This increase might be $30 for season pass pricing and $4 for day ticket pricing, depending on the allocation of these price adjustments.

4) Financial Performance

Two financial models were built to illustrate the differences in Spirit's capital costs and projected financial performance that accompany its decision to purchase a fixed grip vs. detachable lift. Beyond the lifts, the models are identical.

Year 3 revenue is the same in both the fixed grip and detachable versions of the financial model: $9,125,293. In Year 4, when the new lift is up and running, the fixed grip and detachable scenarios diverge. They continue to differ through Year 10, since the elevated visitation and ticket pricing associated with the detachable lift generate additional revenue. More specifically, greater revenue is generated in the detachable lift scenario. However, more revenue does not directly equate to better financial health, since the capital costs associated with a detachable lift exceed the lift's assumed allocation from the $26 million. In other words, Spirit would require more years to recover from the costs incurred from funding part of the detachable lift on its own.

D. The Adventure Park

Due to the costs of the Gandy/Summit Replacement Lift, the Skyline Chalet rebuild/renovation, and the Grand Avenue Chalet investments, there is a lack of available funding from Spirit Mountain's bonded $26 million for the Adventure Park. However, SE Group recognizes that the Adventure Park is an important revenue engine for Spirit, and it has the potential to financially contribute much more than it currently is contributing. Therefore, SE Group recommends continued capital investment in the Adventure Park, a return on which is expected to come quickly. SE Group also recommends the allocation of capital to address deferred maintenance in the Adventure Park, which is accumulating as many of the initial attractions age.

1) Capital Costs

As discussed in "III. Capital Investment," recommended imminent additions to the Adventure Park include summer tubing, a netted playground/adventure course, and a ball tower playground. Summer tubing is not included in the table below, since it is SE Group's understanding that summer tubing is planned for implementation in the spring of 2024 so long as financial circumstances allow. Recommended non-attraction investments include an ice cream cart and a deck for the existing sprung structure. Continued investment (i.e. upgrading or replacing an attraction or adding to the

park in some other way) is recommended subsequently to these imminent additions. These should be selected at a future time since the summer adventure market evolves quickly.

Table 6. Adventure Park Costs

	CALCULATED COST
Netted Playground/Adventure Course	$937,500
Ball Tower Playground	$221,037
Continued Investment	$1,500,000
Ice Cream Cart	$10,000
Deck for Sprung	$144,250
Total Estimated Cost	**$2,812,787**

Since Spirit's $26 million bond is not projected to fund Adventure Park improvements, Spirit will need to source this $2.8 million independently.

2) Adventure Park Visitation

Spirit's current Adventure Park visitation is estimated to be approximately 37,000 guests annually. Detailed utilization calculations for the three planned additions (summer tubing, netted playground/adventure course, ball tower playground) are projected to increase Spirit's Adventure Park visitation by 15,000 guests to 52,000.

3) Revenue

With no other adjustments, this increase in visitation would increase Adventure Park revenue substantially. Increased ticket prices to account for the three new activities would elevate the Adventure Park's revenue even more. Together, these increases in Adventure Park revenue that can be attributed to new attractions are projected to amount to $280,000.

Other increases in Adventure Park revenue may be attributed to additional F&B spending (current F&B pricing is appropriate and no adjustment is proposed), which would be facilitated by the ice cream cart and the deck (which would make purchasing and eating food on-site more appealing). Increased revenue from the F&B amenities is projected to reach approximately $39,000.

Continued investment, which constitutes most of the $2.8 million recommended capital investment, would continue to increase these revenue numbers.

VI. Recommendations for Programming

SE Group's observations during the October 2023 site visit, subsequent conversations with the operating team, research, and analysis revealed that Spirit Mountain has the potential to generate additional revenue through improved programming. Departments with the greatest opportunity for additional revenue generation from changes/improvements to programming include lessons (ski school), winter tubing, and mountain biking. It should be noted that price increases that are independent of changes/improvements to programming are discussed in a subsequent section. All revenue generated in this "programming" section responds to increases in departmental usage rather than the price of offerings.

A. Winter Tubing

Spirit Mountain's operating team has identified potential to grow Spirit's existing winter tubing visitation by approximately 30%. Considering what other Midwestern ski areas are doing, SE Group agrees with this assessment. This growth potential is supported by the Zip Data analysis findings which indicate tubing visitation by both locals and non-residents. Attracting visitors to the Duluth area is a significant opportunity for Spirit's tubing operation. Like all incremental revenue increases, this additional 30% has a small but meaningful impact (approximately $33,000) on Spirit's annual revenue.

B. Lessons

Spirit Mountain has significant room to improve programming and performance in the "lesson" department. As the Zip Data indicates, lesson programs attract both local and non-resident participants, and there is market opportunity to increase participation from both. This room can be attributed to two opportunities: increasing overall lesson volume and eliminating/changing the structure of the Team Duluth Holiday Camp.

1) Increase Volume

At present, approximately 3% of Spirit Mountain's skier visits can be attributed to lessons. According to the 2022-23 Kottke End of Season and Demographic Report, an average of 7% of skier visits is normally attributed to lessons across other Midwestern ski areas. Spirit has favorable terrain for both learning to ski/ride as well as a variety of terrain to facilitate skills progression, making it a great venue for lesson programs. As a convenient location for Duluthian, and a popular destination for Twin City skiing families, Spirit should aim to increase lessons volume to comprise 7% of total skier visits. This may be approached through an assessment of the "lesson products" Spirit is presently offering such as lesson duration, group composition and/or other combined offerings that would make taking a lesson at Spirit more convenient or appealing to guests. This would add the equivalent of $6 per skier visit, or $634,965 annually, to Spirit's operating revenue.

2) Team Duluth Holiday Camp

For many years, Team Duluth has conducted a "Holiday Camp" fundraising event during the week between Christmas and New Years, which is traditionally the busiest and most lucrative week of the year for ski areas. Though these two-hour afternoon sessions don't prevent other skiers and riders from accessing the hill, they occupy valuable terrain and consume Spirit Mountain's instructors. Many ski areas are home to race teams, and most race teams fundraise in other ways, such as bake sales and car washes. In future years, SE Group recommends that Spirit Mountain take over/run this camp, which would add a small but meaningful amount approximately $17,900) to its annual revenue.

C. Rentals

The October 2023 site visit revealed that Spirit's rental shop and gear are in good condition. No major changes are recommended to this space or operation. Minor additional rental revenue is expected to be generated from the growth of Spirit's lesson program, since lessons and rentals are typically correlated businesses for ski areas.

D. Mountain Biking

Discussions with Spirit Mountain's operating team revealed that there is little room to measurably grow children's mountain biking programs. There is opportunity to increase adult programming does exist—specifically adult women's clinics, to occur in evenings and/or weekends when the kids camps are not in session. This model assumes a modest increase of 1 clinic every other week for four summer months, which are assumed to average 8 students. When accounted for in "per skier visit" terms, this would have a nearly negligible impact on Spirit's revenue. However, every opportunity is important to capture.

VII. Recommendations for Pricing

As with programming, SE Group's pricing recommendations were informed by the October 2023 site visit, subsequent conversations with the operating team, research, and analysis of comparable operations. Though these pricing changes are the most straightforward to recommend, we recognize that they may be perceived as the most challenging to implement due to an assumed anticipation of push back from guests—particularly in a close ski community. Being community-minded and sensitive to create a culture of inclusion for all Duluthians, Spirit has taken the position of effectively discounting all its products and services for all visitors regardless of the specific "means" of the individual, or, if they are even from Duluth. Chapter IV of this report provides the benchmark analysis where Spirit's winter time revenue yields per skier visit are observed to be as low as 16% of the comparative data set (for retail goods) and only as high as 60% of the comparable resorts (for lift tickets).

SE Group strongly recommends that Spirit move to a fully different pricing approach. Simply characterized, pricing for all products and services should be set at a rate that will allow Spirit to be financially sustainable in the long term. An increased pricing program could be paired with other programs that are more specific and targeted to provide the necessary financial assistance for individuals, kids, and groups of lower financial means, and, possibly, only offered to Duluthians. With the present pricing program, every visitor receives a discount regardless of their financial abilities, or local resident status. It is inevitable that criticism will come from a vocal minority. However, from experience with other ski areas across the country, SE Group has observed very low degrees of price sensitivity. Complaints, which come from a small but outspoken faction of guests, typically subside within one to two seasons of when the changes are made. The operating team should be prepared with talking points that address these concerns.

Through discussion with Spirit's management team, it has become apparent to SE Group that present pricing is heavily influenced by a fear of being out of synch with other local opportunities—such as the price of a hamburger at a fast-food establishment that a guest might pass as they travel to Spirit. While these two opportunities may seem similar, the food product offered at Spirit is truly differentiated by the context in which is provided and enjoyed, including the convenience of being "on-mountain." This context will only improve and become a much more notable factor as the guest facilities are improved at Spirit.

A. Tickets & Passes

Ticket and pass price increases that are recommended for Spirit Mountain correlated to two factors: basic pricing increases, and decreases to Spirit's existing discounting programs.

1) Increase Pricing

Relative to Spirit's Midwestern competitors, Spirit has room to increase lift ticket pricing. It is recommended that Spirit increase the price of its average season pass by $50 and the price of its average day lift ticket by $5 to right-size to competitors, given its regional market position, and to account for inflation. This would add significant revenue—approximately $605,300 annually. This figure accounts for minor attrition that may accompany this price increase (approximately 5% of annual skier visits).

2) Reduce Discounting

At present, Spirit Mountain discounts a significant quantity of tickets. These tend to be for certain population groups (school groups, students, seniors, etc.) and for guests who are affiliated with

Spirit (work or do business with Spirit Mountain). Many users of these free and/or discounted products would continue to purchase and participate at higher prices; users of these discounted products exhibit a particularly low degree of price sensitivity.

One group of particular note is seniors. This demographic cohort has surged in recent years with the rapid increase of aging baby-boomers. As such, many U.S. ski areas and mountain resorts have opted to eliminate "senior discounts" or have raised the age requirement. Additionally, within the ski industry this group tends to be of higher financial means than other comparative demographics. Thus, this 2024 Plan Update recommends the elimination of senior discounting for the 62+ category. Assuming that 10% of seniors would not renew their passes under these circumstances, this adjustment adds approximately $98,000 to Spirit's annual revenue.

This plan recommends continuing the discount for the 80+ category in recognition of what a stupendous achievement it is to continue skiing at that age.

Certain discounting-oriented programs are required: as a recipient of tourism tax appropriations, Spirit is obligated to offer some type of community day, which it does every February in the form of "Spirit Loves Duluth" days (two a season) offers discounted passes, rentals and tubing to Duluth residents.

B. F&B

During the October 2023 site visit, SE Group noted several opportunities to increase Spirit's F&B revenue. Some, such as higher turnover in the Moosehead II and improved Grand Avenue Chalet utilization, require upgrades to facilities. Others require measurably increasing menu prices, which is simple to implement (operationally) but may be met with criticism from guests. The importance of maintaining the strategic course throughout this criticism is emphasized throughout this document.

Though some of Spirit Mountain's F&B operations appear to be charging appropriate prices for their fare, such as the Riverside Grill and the Adventure Park Sprung structure, other menu items were quite notably underpriced relative to similar offerings at other resorts and at comparable ski and non-ski facilities. In particular, the food offered in the Skyline Chalet's cafeteria is substantially underpriced. This 2024 Plan Update recommends that those prices increase, and when the Grand Avenue Chalet's cafeteria comes back online, this 2024 Plan Update recommends that those prices be comparable to the elevated prices in the Skyline cafeteria. The re-activation of the Grand Avenue Chalet is expected to have a nearly negligible impact on Spirit's revenue; however, it is necessary for the success of the future (smaller) Skyline Chalet, which has the risk of being overcrowded if the Grand Avenue Chalet continues to be underused.

VIII. Financial Modeling

As noted in the 2021 Plan, there exist numerous paths forward for Spirit Mountain. To transform this valued community asset into a more dynamic and financially sustainable enterprise, a disciplined approach is needed to boost revenue. An informed understanding of current and future financial responsibilities is also needed to guide decisions related to capital investment. To this end, SE Group developed two financial models: one evaluating the financial implications of replacing the Gandy and Summit chairs with a fixed grip lift, and the other evaluating their replacement with a detachable lift. The models are otherwise identical.

The financial models that SE Group developed purposefully err on the side of conservatism. For example, in projecting revenues and visitation, SE Group used relatively low assumptions; in estimating expenses, relatively high assumptions were used. They are also calibrated to Spirit's specific setting, economic conditions, and attributes at this moment in time. Because Spirit's circumstances will inevitably change between the delivery of this plan and the implementation of certain recommendations, this model should be understood as a directional tool.

Relatedly, this financial model is both "aspirational" and "realistic." This means that, barring new information that would change the present understanding of Spirit's circumstances, Spirit's operating team *can* implement the recommendations in this plan. However, it is acknowledged that Spirit's operating team may face significant challenges as it attempts to do so. These challenges—both foreseen and unforeseen—may slow or even halt progress on certain initiatives. Hence, both "realistic" and "aspirational."

The next sections provide an overview of the key factors influencing Spirit's projected financial outcomes: capital expenditures, visitation and revenue projections, expense projections, and other unique factors that must be considered in Spirit's overall financial outlook. Note that each instance of a table is duplicated: the first version depicts the fixed grip lift scenario, and the second instance depicts the detachable lift scenario.

A. Summary of Capital Improvements

Anticipated capital expenditures are broken down into two primary categories: those that fall within Spirit's allocated $26 million, and those that exceed $26 million. Both sets of capital expenditures are phased over 10 years. The capital expenditures exceeding $26 million are significantly higher in the detachable lift scenario than in the fixed grip lift scenario. Additional details around anticipated capital costs for the Gandy/Summit Replacement Lift, the Skyline Chalet, and the Adventure Park are included in the "V. Recommendations for Facilities" Chapter.

1) Capital Cost Calculations

The following tables include the base cost estimates for each project, as well as a 15% "design and permitting" estimate and a 10% contingency factor where applicable. The design and permitting estimate for the Gandy/Summit Replacement Lift, which is less than 15% of the anticipated project cost[6], was provided by Spirit Mountain's operations team. Items that only have a "total project cost" are considered "placeholder" numbers and are believed to exceed the amount that Spirit will likely require for these projects.

[6] Costs associated with the design and engineering of lifts are incorporated into the overall price of the equipment.

Table 7. Recommended Capital Expenditures - FIXED GRIP LIFT MODEL

RECOMMENDED CAPITAL IMPROVEMENTS				
ITEM	**TOTAL COST EST.**	**DESIGN & PERMITTING 15%**	**CONTINGENCY 10%**	**TOTAL PROJECT COST**
$26M Bond				
Skyline Chalet				
New South Chalet + Renovated North Chalet	**$17,674,791**	**$2,651,219**	**$1,767,479**	$22,093,489
Grand Ave Chalet				
Minor Renovations				$200,000
Lifts				
Gandy/Summit Replacement	**$3,199,500**	**$50,000**	**$319,950**	$3,569,450
Fixed Grip Lift (C4) – LPOA Alpha	***$3,024,500***			
Sitework	***$175,000***			
Subtotal		**$2,701,219**	**$2,087,429**	**$25,862,939**
Remaining Funds in the $26M Bond				**$137,061**
Beyond the $26M Bond CapEx				
Chalet & Lift Expenditures exceeding $26M				$0
Adventure Park				
Netted Playground/Adventure Course	$750,000	$112,500	$75,000	$937,500
Ball Tower Playground	$176,830	$26,524	$17,683	$221,037
Continued Investment				$1,500,000
Ice Cream Cart	$10,000			$10,000
Deck for Sprung	$115,400	$17,310	$11,540	$144,250
Beyond the $26M Bond CapEx Total		**$17,310**	**$11,540**	**$2,812,787**
Total Capital Costs		**$2,701,219**	**$2,087,429**	**$28,675,726**

In this fixed grip lift scenario, Spirit's $26 million allocation is anticipated to cover the full costs of the Skyline Chalet improvements, the Grand Avenue Chalet minor renovations, and the new fixed grip Gandy/Summit Replacement Lift. This model shows a small amount—$137,061—remaining in the $26 million budget. However, due to the impossibility of forecasting exact project costs when their time for implementation comes, this factor is negligible. In practical terms, these three projects will command Spirit's full $26 million allocation.

SE Group recommends that Spirit invest $2,812,787 in the Adventure Park over the next 10 years, which Spirit would need to fund independently. In the fixed grip lift scenario, the total recommended investment in Spirit's infrastructure and facilities amounts to $28,675,726.

Table 8. Recommended Capital Expenditures - DETACHABLE LIFT MODEL

RECOMMENDED CAPITAL IMPROVEMENTS				
ITEM	**TOTAL COST EST.**	**DESIGN & PERMITTING 15%**	**CONTINGENCY 10%**	**TOTAL PROJECT COST**
$26M Bond				
Skyline Chalet				
New South Chalet + Renovated North Chalet	**$17,674,791**	**$2,651,219**	**$1,767,479**	$22,093,489
Grand Ave Chalet				
Minor Renovations				$200,000
Lifts				
Gandy/Summit Replacement	**$6,535,000**	**$50,000**	**$653,500**	$7,238,500
Detachable Lift (DC4) - LPOA	***$6,360,000***			
Sitework	***$175,000***			
Subtotal		**$2,701,219**	**$2,420,979**	**$29,531,989**
Amount Exceeding the $26M Bond				**$3,531,989**
Beyond the $26M Bond CapEx				
Chalet & Lift Expenditures exceeding $26M				$3,531,989
Adventure Park				
Netted Playground/Adventure Course	$750,000	$112,500	$75,000	$937,500
Ball Tower Playground	$176,830	$26,524	$17,683	$221,037
Continued Investment				$1,500,000
Ice Cream Cart	$10,000			$10,000
Deck for Sprung	$115,400	$17,310	$11,540	$144,250
Beyond the $26M Bond CapEx Total		**$17,310**	**$11,540**	**$6,344,776**
Total Capital Costs		**$2,701,219**	**$2,420,979**	**$32,344,776**

In this detachable lift scenario, Spirit's $26 million allocation is anticipated to *not* cover the full costs of the Skyline Chalet improvements, the Grand Avenue Chalet minor renovations, and the new detachable Gandy/Summit Replacement Lift. The same independently funded Adventure Park investment is recommended. In this detachable lift scenario, the total recommended investment in Spirit's infrastructure and facilities amounts to $32,344,776.

This is $3,669,050 greater than the total recommended investment in the fixed grip lift version of the financial model.

2) Capital Improvement Phasing

The following two tables phase the "total project cost" for each line item over 10 years. The majority of the project implementation occurs in Years 1 through 4, in concert with the disbursement of the $26 million funding: state law requires that state bonding funds be expended or encumbered within four fiscal years from when they went into effect. Making these investments with urgency will position Spirit to increase its operating revenue sooner rather than later, which will be necessary for Spirit to uphold its financial responsibilities and invest in the Adventure Park. Specific fiscal years and construction seasons (i.e. "Summer 202X") are included to ground the recommendations in temporal reality.

The minor renovations to the Grand Avenue Chalet are recommended for implementation in Year 1, since this building will need to "work harder" to operate at maximum capacity when the Skyline Chalet construction begins in Year 2. Since the upgraded Skyline Chalet will likely be smaller than the current Skyline Chalet, the Grand Avenue Chalet will need to continue "working harder" after the Skyline Chalet's construction is finished. If the Grand Avenue Chalet's minor renovations achieve the goal of improving its ability to serve guests (and thus increasing its appeal), Spirit's patrons will be conditioned to using the Grand Avenue Chalet during the Skyline Chalet's construction period. This increased use of the Grand Avenue Chalet is expected to continue once both facilities are in their upgraded form.

As discussed in the "V. Recommendations for Facilities" Chapter, SE Group's recommendation to wait until Year 4 to implement the Gandy/Summit Replacement Lift aims to allow the current Gandy Lift to continue operating for several years, once its new haul rope is installed during the summer of 2024. If the Gandy lift requires another critical upgrade soon (i.e. a new gear box), then Spirit should expedite the lift replacement in attempt to forgo another significant investment in this aged infrastructure. Since the Summit lift is not essential to Spirit's operations, SE Group recommends that Spirit forego any significant investment that is required for the Summit lift's continued operation and be prepared to discontinue use of this lift should conditions warrant.

Beyond the $26 million, SE Group recommends that the Adventure Park's ice cream cart be purchased and the Sprung structure's deck be built in Year 1, since these relatively minor capital investments are projected to increase summer revenue by a small but meaningful amount. It is SE Group's understanding that summer tubing will be installed in the summer of 2024, should the 2023/24 winter season generate sufficient revenue for the capital expenditures required to purchase and install this attraction. Summer tubing is expected to excite and attract new guests to the Adventure Park, and further investment is recommended every other year onward to keep the Adventure Park "fresh" (which many guests of the adventure park industry are conditioned to expect). In Year 3, the netted playground/adventure course and ball tower playground are recommended for complementary implementation since they appeal to guests of different ages and abilities. A "placeholder" investment of $500,000 is recommended for Years 5, 7, and 9 each to continue to "freshen" the Adventure Park and expand its offerings. Specific activities/attractions should be explored as these years approach since the adventure park industry innovates rapidly.

Table 9. Recommended Capital Expenditure Phasing - FIXED GRIP LIFT MODEL

RECOMMENDED CAPITAL IMPROVEMENTS		FY25 Summer 2024	FY26 Summer 2025	FY27 Summer 2026	FY28 Summer 2027	FY29 Summer 2028	FY30 Summer 2029	FY31 Summer 2030	FY32 Summer 2031	FY33 Summer 2032	FY34 Summer 2033
ITEM	**TOTAL PROJECT COST**	**YEAR 1**	**YEAR 2**	**YEAR 3**	**YEAR 4**	**YEAR 5**	**YEAR 6**	**YEAR 7**	**YEAR 8**	**YEAR 9**	**YEAR 10**
$26M Bond											
Skyline Chalet											
New South Chalet + Renovated North Chalet	$22,093,489		$22,093,489								
Grand Ave Chalet											
Minor Renovations	$200,000	$200,000									
Lifts											
Gandy/Summit Replacement – *Fixed Grip Lift (C4) – LPOA Alpha*	$3,569,450				$3,569,450						
Subtotal	**$25,862,939**	**$200,000**	**$22,093,489**	**$0**	**$3,569,450**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Remaining Funds in the $26M Bond	**$137,061**										
Beyond the $26M Bond CapEx											
Chalet & Lift Expenditures exceeding $26M	$0				$0						
Adventure Park											
Netted Playground/Adventure Course	$937,500			$937,500							
Ball Tower Playground	$221,037			$221,037							
Continued Investment	$1,500,000					$500,000		$500,000		$500,000	
Ice Cream Cart	$10,000	$10,000									
Deck for Sprung	$144,250	$144,250									
Beyond the $26M Bond CapEx Total	**$2,812,787**	**$154,250**	**$0**	**$1,158,537**	**$0**	**$500,000**	**$0**	**$500,000**	**$0**	**$500,000**	**$0**
Total Capital Costs	**$28,675,726**	**$354,250**	**$22,093,489**	**$1,158,537**	**$3,569,450**	**$500,000**	**$0**	**$500,000**	**$0**	**$500,000**	**$0**

Table 10. Recommended Capital Expenditure Phasing - DETACHABLE LIFT MODEL

RECOMMENDED CAPITAL IMPROVEMENTS		FY25 Summer 2024	FY26 Summer 2025	FY27 Summer 2026	FY28 Summer 2027	FY29 Summer 2028	FY30 Summer 2029	FY31 Summer 2030	FY32 Summer 2031	FY33 Summer 2032	FY34 Summer 2033
ITEM	**TOTAL PROJECT COST**	**YEAR 1**	**YEAR 2**	**YEAR 3**	**YEAR 4**	**YEAR 5**	**YEAR 6**	**YEAR 7**	**YEAR 8**	**YEAR 9**	**YEAR 10**
$26M Bond											
Skyline Chalet											
New South Chalet + Renovated North Chalet	$22,093,489		$22,093,489								
Grand Ave Chalet											
Minor Renovations	$200,000	$200,000									
Lifts											
Gandy/Summit Replacement - *Detachable (DC4) - LPOA*	$7,238,500				$3,706,511						
Subtotal	**$29,531,989**	**$200,000**	**$22,093,489**	**$0**	**$3,706,511**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Amount Exceeding the $26M Bond	**$3,531,989**										
Beyond the $26M Bond CapEx											
Amount Exceeding $26M	$3,531,989				$3,531,989						
Adventure Park											
Netted Playground/Adventure Course	$937,500			$937,500							
Ball Tower Playground	$221,037			$221,037							
Continued Investment	$1,500,000					$500,000		$500,000		$500,000	
Ice Cream Cart	$10,000	$10,000									
Deck for Sprung	$144,250	$144,250									
Beyond the $26M Bond CapEx Total	**$6,344,776**	**$154,250**	**$0**	**$1,158,537**	**$3,531,989**	**$500,000**	**$0**	**$500,000**	**$0**	**$500,000**	**$0**
Total Capital Costs	**$32,344,776**	**$354,250**	**$22,093,489**	**$1,158,537**	**$7,238,500**	**$500,000**	**$0**	**$500,000**	**$0**	**$500,000**	**$0**

B. Visitation

The 2021 Plan used 107,618—Spirit's estimated skier visits for the 2018/19 season—as a baseline for projecting skier visitation growth. Based on the identified market opportunity, the Plan forecasted that Spirit could grow this number by 30,000, bringing Spirit's annual skier visitation total to 137,618. While these skier visitation gains are still achievable for Spirit Mountain, the 2024 Plan Update forecasts more conservative growth.

The 2024 Plan Update projects that Spirit Mountain's alpine skier visitation could grow to approximately 120,822 in Year 10 of the financial model, from a baseline of 105,822 (estimated[7] visitation for the 2022/23 season). The operating team has greater confidence in the accuracy of this new baseline than past years' estimates that may have been inflated due to faulty data collection and use assumptions.

Of the 15,000 skier visits "gained," SE Group attributes 5,000 to a new RFID system, 5,000 to improvements to the Skyline Chalet, 2,500 to a new fixed grip Gandy/Summit Replacement Lift, and 2,500 to ongoing snowmaking and lighting improvements. If a new detachable Gandy/Summit Replacement Lift is implemented instead, 5,000 annual skier visits are anticipated to be added to Spirit's total visitation, bringing the total "gained" as a result of these recommendations to 17,500. Section V.A discusses how improvements to the Skyline Chalet may drive this additional visitation, and Section V.C examines the same for the Gandy/Summit Replacement Lift. The impact of the installation of an RFID system and ongoing snowmaking/lighting improvements to visitation were discussed in the 2021 Plan and carried forward in this 2024 Plan Update; Spirit's leadership team understands their importance and is working toward their implementation.

Upgrades to the Adventure Park are projected to increase summer visitation by 15,000 guests. This is more conservative than the 2021 Plan projected an increase of 36,500 visits, though SE Group asserts that the market opportunity for increasing visitation is still as strong. Improvements to Spirit's wedding/event venues and infrastructure may draw another 2,500 wedding/event guests to Spirit throughout the summer and fall months.

[7] Spirit Mountain currently does not have a wholly accurate way to determine visitation numbers, since it relies on an assumed average of season pass use. Future installation of RFID technology will allow for this improvement in data collection.

C. Operating Revenue

As done in the 2021 Plan, this 2024 Plan Update calculates revenue projections using "per skier visit" metrics. For FY23, Spirit achieved total revenue of $61.76 per skier visit. This includes all year-round revenue sources. If the improvements outlined in this plan are implemented as advised, Spirit could generate $86.89 per skier visit 10 years from now, with 15,000 additional skier visits to further boost its revenue.

Each of the recommended revenue increases shown below are based on specific opportunities discussed in preceding chapters. These opportunities were informed by results from the Benchmark Analysis, findings from the site visit/conversations with the operating team, and impending changes to Spirit's physical infrastructure.

Recommended increases to lift ticket revenue differ in the "fixed grip" and "detachable" versions of the financial model. The two tables below highlight this difference; all other recommended departmental revenue increases are the same.

Table 11. Benchmark Revenue Goals - FIXED GRIP LIFT MODEL

	SMRA FY23	Recommended Increase	SMRA Year 10	% Increase
Revenue Increases				
Total Rev / Skier Visit	$61.76	$25.14	$86.89	41%
Ticket Rev / Skier Visit	$30.87	$9.65	$40.52	31%
Snowplay / Skier Visit	$1.04	$0.31	$1.35	30%
Lesson Rev / Skier Visit	$2.57	$6.17	$8.74	240%
Food & Beverage / Skier Visit	$10.43	$3.70	$14.13	35%
Retail / Skier Visit	$1.52	$1.52	$3.04	100%
Rental / Skier Visit	$3.96	$1.00	$4.96	25%
Lodging	$0.41	$0.00	$0.41	0%
Other Operating Rev	$10.95	$2.79	$13.74	25%
Property Operation	$0.00	$0.00	$0.00	0%

Table 12. Benchmark Revenue Goals - DETACHABLE LIFT MODEL

	SMRA FY23	Recommended Increase	SMRA Year 10	% Increase
Revenue Increases				
Total Rev / Skier Visit	$61.76	$29.14	$90.89	47%
Ticket Rev / Skier Visit	$30.87	$13.65	$44.52	44%
Snowplay / Skier Visit	$1.04	$0.31	$1.35	30%
Lesson Rev / Skier Visit	$2.57	$6.17	$8.74	240%
Food & Beverage / Skier Visit	$10.43	$3.70	$14.13	35%
Retail / Skier Visit	$1.52	$1.52	$3.04	100%
Rental / Skier Visit	$3.96	$1.00	$4.96	25%
Lodging	$0.41	$0.00	$0.41	0%
Other Operating Rev	$10.95	$2.79	$13.74	25%
Property Operation	$0.00	$0.00	$0.00	0%

Together with the strategies outlined in Chapters V through VII, these "Benchmark Revenue Goals" can be used as a roadmap for reaching Spirit's overarching revenue goals: achieving $10,498,684 by Year 10 in the fixed grip model, or achieving $11,209,207 by Year 10 in the detachable version. Implementing the necessary changes in facilities, programming, and pricing to meet these objectives may be challenging. However, these recommendations are designed to be practical and attainable, rather than merely idealistic.

D. Operating Expenses

Future operating expenses were calculated using additional labor requirements that were discussed with the operating team and a categorical review of Spirit's existing other financial obligations. Certain expenses were projected using Spirit's existing expense to revenue ratio, and where appropriate, other expenses were increased to account for new demands.

E. Capital Maintenance/Deferred Maintenance

SE Group's financial models typically include a "capital maintenance" line item that comprises 5% of annual revenue—a ratio that is in line with that reserved by other ski areas across North America. In recognition of the significant capital maintenance that Spirit must address, both now and in future years, SE Group recommends that 20% of Spirit's projected revenue be allocated to a capital maintenance fund. This will increase Spirit's odds of being able to replace chairlifts, address lodge issues, and incur other large and potentially unforeseen capital expenditures in future years.

F. City Capital Maintenance Contributions

It is recognized that the City has contributed to Spirit's capital maintenance expenditures in recent years. The City has acknowledged that it is likely these contributions will continue. Thus, these contributions have been included in the model and escalated according to recommendations from the City.

G. Spirit's Portion of New Debt Service

As acknowledged in the introduction, the $26 million available is to be jointly provided by the State of Minnesota ($13 million), the City of Duluth ($6.5 million), and Spirit Mountain ($6.5 million). This means that Spirit must service debt for its $6.5 million share. Using a conservative interest rate of 5.5% and an amortization period of 20 years, calculations indicate that Spirit will owe $543,916 annually. Notably, this is greater than Spirit's FY23 operating profit of $417,255.

H. Bond and Lease Payments by the City

The final rows of the financial analysis detail bond and lease payments that the City has made to Spirit Mountain in recent years and is expected to continue. To promote the self-sufficiency of Spirit's future operations, these are not included in the lines summarizing Spirit's anticipated Net Operating Income (NOI).

I. Anticipated Financial Performance

The following table summarizes the results of the financial models over an anticipated 10-year time period.

Table 13. Anticipated Financial Performance – FIXED GRIP LIFT MODEL

ANTICIPATED FINANCIAL PERFORMANCE	2023 ACTUAL	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Operating Revenue	$6,535,251	$7,290,206	$8,535,642	$9,125,293	$9,993,175	$10,291,962	$10,411,790	$10,455,237	$10,455,237	$10,498,684	$10,498,684
Operating Expenses	$6,117,996	$6,323,382	$6,919,992	$7,146,701	$7,448,044	$7,537,238	$7,571,607	$7,587,563	$7,587,563	$7,603,519	$7,603,519
Operating Margin	**$417,255**	**$966,824**	**$1,615,650**	**$1,978,592**	**$2,545,131**	**$2,754,724**	**$2,840,183**	**$2,867,674**	**$2,867,674**	**$2,895,165**	**$2,895,165**
Operating Margin %	6%	13%	19%	22%	25%	27%	27%	27%	27%	28%	28%
Ongoing Capital Maintenance/ Deferred Maintenance (20% of Revenue)		$1,458,041	$1,707,128	$1,825,059	$1,998,635	$2,058,392	$2,082,358	$2,091,047	$2,091,047	$2,099,737	$2,099,737
City Capital Maintenance Contributions	$440,000	$600,000	$800,000	$600,000	$612,000	$624,240	$636,725	$649,459	$662,448	$675,697	$689,211
Operating Margin after Capital Maintenance	**$417,255**	**$108,783**	**$708,521**	**$753,534**	**$1,158,496**	**$1,320,572**	**$1,394,550**	**$1,426,086**	**$1,439,075**	**$1,471,125**	**$1,484,639**
Spirit Mountain's Portion of New Debt Service		$0	$543,916	$543,916	$543,916	$543,916	$543,916	$543,916	$543,916	$543,916	$543,916
Net Operating Income after Debt Service		**$108,783**	**$164,606**	**$209,618**	**$614,580**	**$776,656**	**$850,634**	**$882,170**	**$895,159**	**$927,209**	**$940,723**
TOTAL Capital Expenditures by Phase		$354,250	$22,093,489	$1,158,537	$3,569,450	$500,000	$0	$500,000	$0	$500,000	$0
Capital Expenditures funded by $26M bond		$200,000	$22,093,489	$0	$3,569,450	$0	$0	$0	$0	$0	$0
Capital Expenditures requiring other funding		$154,250	$0	$1,158,537	$0	$500,000	$0	$500,000	$0	$500,000	$0
Cumulative Net Operating Income after Debt Service and Capital Expenditures requiring other funding		**($45,467)**	**$119,138**	**($829,781)**	**($215,200)**	**$61,456**	**$912,090**	**$1,294,260**	**$2,189,419**	**$2,616,628**	**$3,557,352**
In addition to and separate from the above, the City is making the following contributions:											
Bond and Lease Payments by the City											
Original Grand Ave bond	$500,000	$500,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
Grand Ave bond refi			$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000
Coaster lease payment	$145,700	$145,700	$24,283								
Total Bond and Lease Payments by the City	**$645,700**	**$645,700**	**$224,283**	**$200,000**	**$200,000**	**$200,000**	**$200,000**	**$200,000**	**$200,000**	**$200,000**	**$200,000**

Table 14. Anticipated Financial Performance – DETACHABLE LIFT MODEL

ANTICIPATED FINANCIAL PERFORMANCE	2023 ACTUAL	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Operating Revenue	$6,535,251	$7,290,206	$8,535,642	$9,125,293	$10,689,837	$10,995,984	$11,118,313	$11,163,760	$11,163,760	$11,209,207	$11,209,207
Operating Expenses	$6,117,996	$6,323,382	$6,919,992	$7,146,701	$7,665,335	$7,756,640	$7,791,726	$7,808,256	$7,808,256	$7,824,785	$7,824,785
Operating Margin Operating Margin %	**$417,255** 6%	**$966,824** 13%	**$1,615,650** 19%	**$1,978,592** 22%	**$3,024,502** 28%	**$3,239,345** 29%	**$3,326,587** 30%	**$3,355,504** 30%	**$3,355,504** 30%	**$3,384,421** 30%	**$3,384,421** 30%
Ongoing Capital Maintenance/ Deferred Maintenance (20% of Revenue)		$1,458,041	$1,707,128	$1,825,059	$2,137,967	$2,199,197	$2,223,663	$2,232,752	$2,232,752	$2,241,841	$2,241,841
City Capital Maintenance Contributions	$440,000	$600,000	$800,000	$600,000	$612,000	$624,240	$636,725	$649,459	$662,448	$675,697	$689,211
Operating Margin after Capital Maintenance	**$417,255**	**$108,783**	**$708,521**	**$753,534**	**$1,498,535**	**$1,664,388**	**$1,739,649**	**$1,772,211**	**$1,785,200**	**$1,818,277**	**$1,831,791**
Spirit Mountain's Portion of New Debt Service		$0	$543,916	$543,916	$543,916	$543,916	$543,916	$543,916	$543,916	$543,916	$543,916
Net Operating Income after Debt Service		**$108,783**	**$164,606**	**$209,618**	**$954,619**	**$1,120,472**	**$1,195,733**	**$1,228,295**	**$1,241,284**	**$1,274,361**	**$1,287,875**
TOTAL Capital Expenditures by Phase Capital Expenditures funded by $26M bond Capital Expenditures requiring other funding		$354,250 $200,000 $154,250	$22,093,489 $22,093,489 $0	$1,158,537 $0 $1,158,537	$7,238,500 $3,706,511 $3,531,989	$500,000 $0 $500,000	$0 $0 $0	$500,000 $0 $500,000	$0 $0 $0	$500,000 $0 $500,000	$0 $0 $0
Cumulative Net Operating Income after Debt Service and Capital Expenditures requiring other funding		**($45,467)**	**$119,138**	**($829,781)**	**($3,407,150)**	**($2,786,678)**	**($1,590,945)**	**($862,649)**	**$378,635**	**$1,152,996**	**$2,440,872**
In addition to and separate from the above, the City is making the following contributions:											
Bond and Lease Payments by the City											
Original Grand Ave bond	$500,000	$500,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
Grand Ave bond refi			$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000
Coaster lease payment	$145,700	$145,700	$24,283								
Total Bond and Lease Payments by the City	**$645,700**	**$645,700**	**$224,283**	**$200,000**	**$200,000**	**$200,000**	**$200,000**	**$200,000**	**$200,000**	**$200,000**	**$200,000**

As shown, Spirit Mountain has the potential to be financially self-sustaining in both the fixed grip and detachable lift scenarios. In both of the "Anticipated Financial Performance" tables, Spirit generates sufficient revenue to pay for its operating expenses, address deferred maintenance, and service its debt in Years 2 through 10.

When capital expenditures beyond $26 million are considered, Spirit's Cumulative NOI after Debt Service and Capital Expenditures beyond the $26 million (cumulative NOI) is positive for seven out of 10 years in the fixed grip model and four out of 10 years in the detachable model. This assumes that Spirit must begin servicing the debt for its full $6.5 million portion of the $26 million bond in Year 2. In both the fixed grip and detachable lift scenarios, Spirit would need to generate funding for the recommended capital improvements exceeding $26 million independently.

J. Key Takeaways

Spirit's financial performance analysis yields several critical insights. Firstly, the $26 million provided in part by the State of Minnesota and in part by the City of Duluth is a significant gift reflecting the generosity of these public entities, and this should be duly acknowledged. This funding offers a chance to address a considerable portion of Spirit's deferred maintenance and to strategically position the operation to address future maintenance requirements. To effectively utilize this $26 million, Spirit needs to service the debt from its $6.5 million share, which is a substantial obligation for the operation. The importance of Spirit successfully servicing this debt cannot be overstated, as there are political ramifications for any shortcomings.

Additionally, Spirit is expected to invest its own funds, beyond what is needed for debt service, into potential revenue-generating ventures like the Adventure Park. Despite having four significant financial responsibilities—managing operating expenses, allocating 20% of revenue to a capital and deferred maintenance fund, servicing new debt, and funding capital projects beyond the initial $26 million—Spirit has the potential to become a profitable and self-sustaining entity, capable of making some of its necessary future capital investments. This financial independence is crucial for Spirit Mountain's long-term viability.

Achieving this will require a strong commitment from Spirit's operating team to implement the recommended strategic initiatives, which might not be well-received by staff, guests, or the community at large. However, if these directives are followed as planned, cumulative NOI could approach $2.4 to $3.6 million within the 10 years modeled (detachable lift, fixed-grip lift, respectively). This ultimate goal of continued financial viability should be the continued focus of the operating team and be imbedded in all internal and external communication related to change.

IX. Conclusion

Spirit Mountain's typical operating profit does not position it to withstand weaker years or make the capital investments necessary to address maintenance issues and improve its offerings. These criteria, as well as the ability to service its debt, are necessary for the survival of the operation. It cannot be said enough: Resorts that sequentially and serially make disciplined capital investments continue to maintain or gain market share. Those that don't fail to remain competitive. Lack of capital investment leads to decreased visitation and lower net operating income, which further decreases the resort's ability to make capital investments. Without capital to invest, the resort's ability to regain its market share is little to none. Without disciplined capital investment, the operation fails.

This 2024 Plan Update outlines the most effective way for Spirit to allocate $26 million to address deferred maintenance and enhance its offerings, leading to increased visitation and revenue generation, and resulting in a more financially viable operation. It qualifies and quantifies the connection between the mountain's design capacity (CCC) and guest service spatial needs, applies this to a review of the Design Team's plans for the Skyline Chalet and recommends programmatic adjustments accordingly. The plan also further vetted the concept first proposed in the 2021 Plan for an efficient solution to the impending needs for replacements of the Gandy and Summit lifts. It also explores strategic additions to the Adventure Park that aim to maximize the market-driven opportunities to increase the use of this asset and boost Spirit's summer revenue.

To assess Spirit's overall financial outlook, the 2024 Plan Update evaluates Spirit's financial metrics relative to those of other large midwestern ski areas, as well as Spirit's own past performance metrics. The assessments of Spirit's financial performance and challenges inform the subsequent recommendations around ways to address deferred maintenance and increase overall revenue via facilities/infrastructure, programs, and pricing.

The recommended facilities/infrastructure investments, in concert with recommendations for improvements to Spirit's programming and pricing, pave the way for a sustainable future for Spirit Mountain. Strategies for increasing revenue do not endeavor to generate robust earnings for Spirit Mountain, but instead aim to increase Spirit's operating profit to a level that enables Spirit to continue to address deferred maintenance, service its debt, and self-fund future capital expenditures. As noted in the introduction, certain changes (i.e. replacing two lifts with one, increasing prices, etc.) may generate a negative initial public reaction. While it may be challenging for the operating team to maintain their strategic direction throughout these adversities, it is important to recognize that these negative sentiments are temporary. Ultimately, it is widely acknowledged that the continued operation of Spirit is preferable, despite necessitating changes that may not be universally endorsed or agreed upon.

APPENDIX D

St. Louis River Corridor Initiative

2021 Progress Report

ST. LOUIS RIVER CORRIDOR
DULUTH, MINNESOTA

Duluth Parks & Recreation

Progress Report Overview

- Corridor Initiative
- Development Process
- Project Updates
- Looking Forward



ST. LOUIS RIVER CORRIDOR
DULUTH, MINNESOTA

Duluth Parks & Recreation

St. Louis River Corridor Initiative

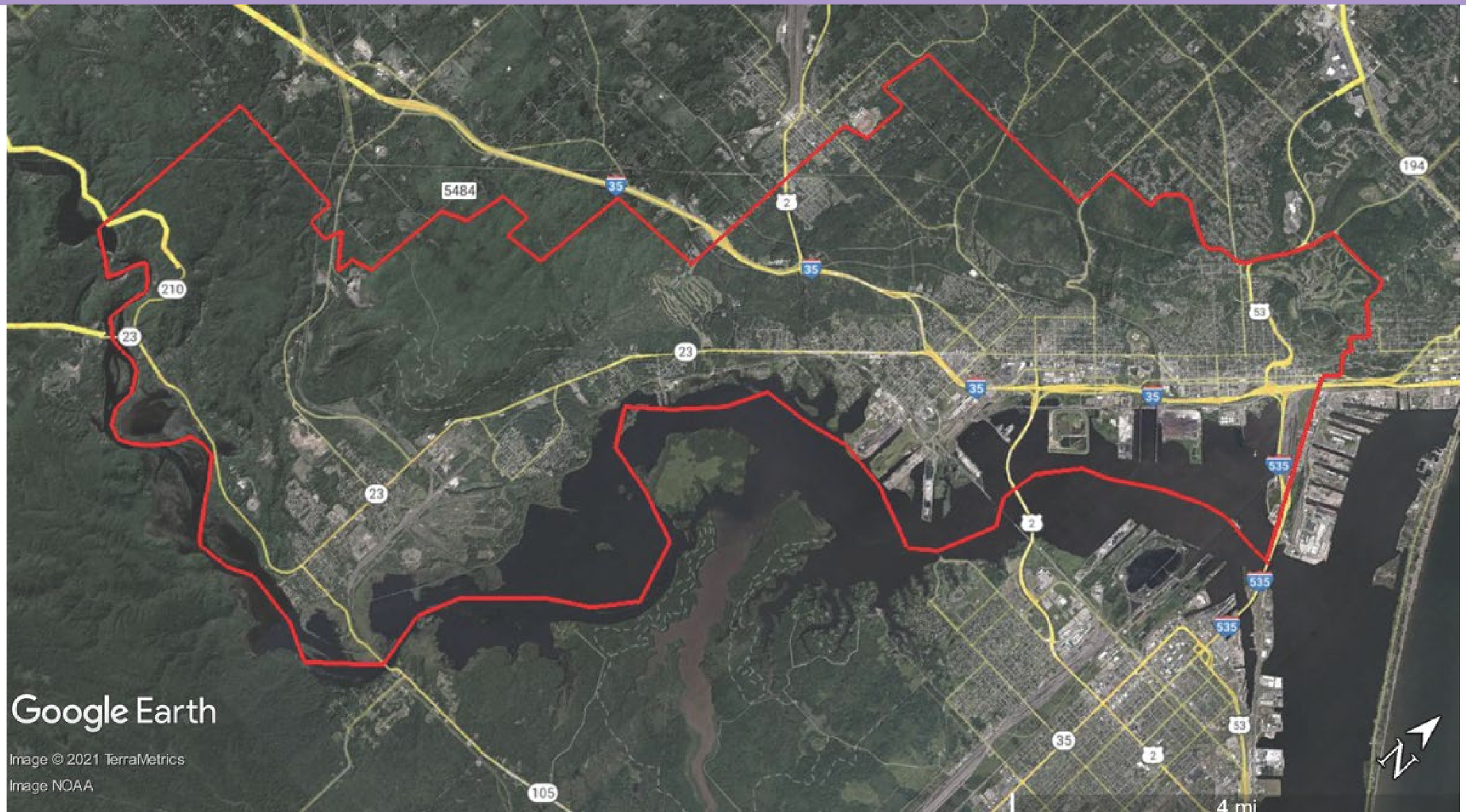
Overview

- Conceived in 2010 by former Mayor Don Ness
- Further enhanced by Mayor Emily Larson
- $50 million investment plan, leveraging tourism tax revenue
- Focused investment in St. Louis River corridor from Fond du Lac to Lincoln Park
- Address environmental contamination and neighborhood disinvestment
- Remediate and re-create healthy, beautiful, natural spaces
- Support community-based plans and improvements to parks system

ST. LOUIS RIVER CORRIDOR DULUTH, MINNESOTA

Duluth Parks & Recreation

St. Louis River Corridor Initiative



St. Louis River Corridor Initiative

Historical Context

- Historic appeal of St Louis River Estuary
- 19th & 20th century industrial contamination
- Late 20th century decline of industry and neighborhoods
- St. Louis River Estuary Area of Concern cleanup



Source: MNPCA

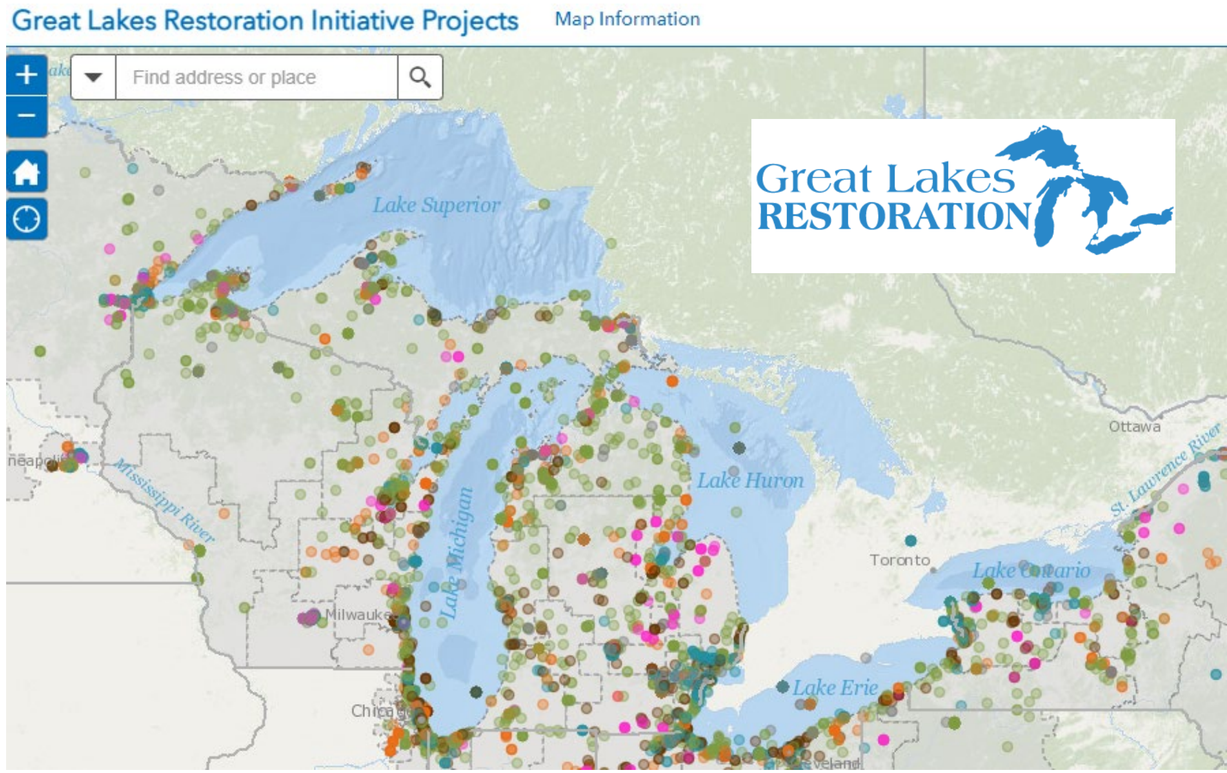
ST. LOUIS RIVER CORRIDOR DULUTH, MINNESOTA

Duluth Parks & Recreation

St. Louis River Corridor Initiative

Great Lakes Restoration Initiative (GLRI)

- Restoring the Great Lakes becomes a national priority in 2010
- Federal funds become available for remediation and restoration efforts
- Plan for St. Louis River Area of Concern calls for AOC delisting by 2025
- Restoring the estuary's natural beauty looks truly promising



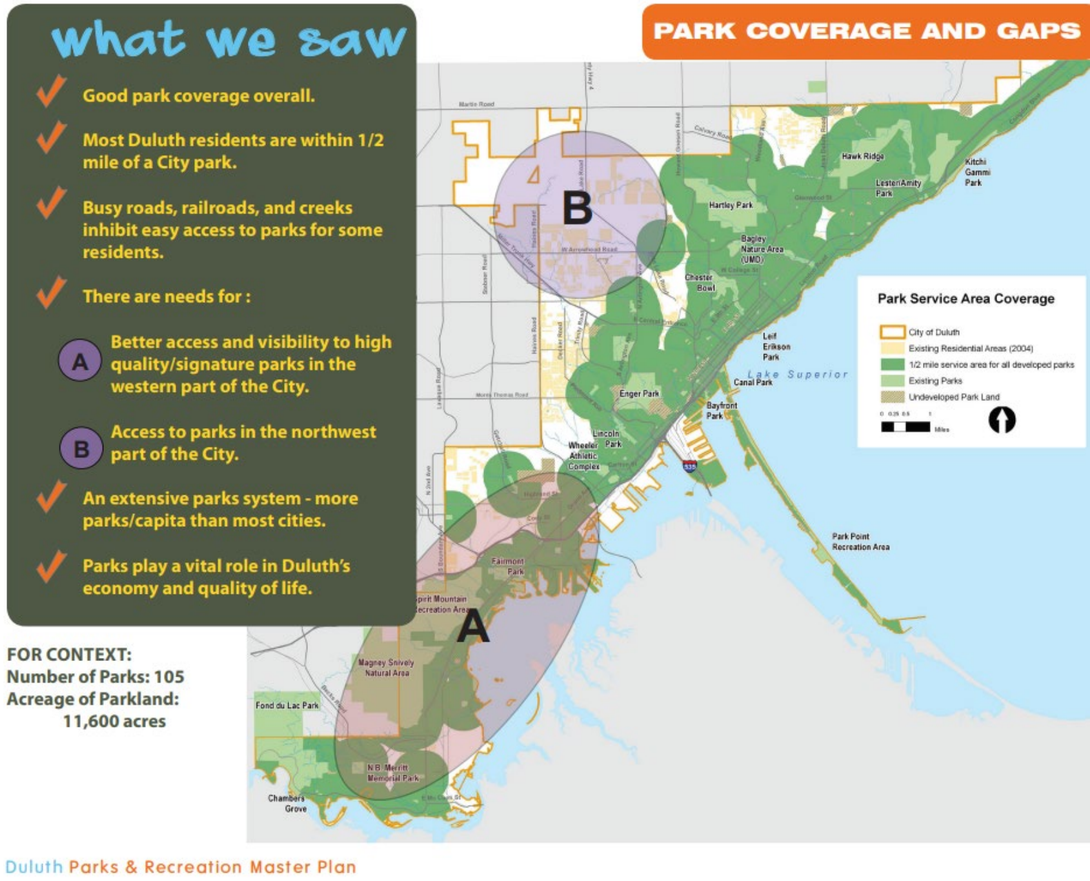
ST. LOUIS RIVER CORRIDOR DULUTH, MINNESOTA

Duluth Parks & Recreation

St. Louis River Corridor Initiative

2010 Parks & Rec Master Plan – Western Duluth

- Wealth of natural spaces and resources
- System in worse repair than eastern Duluth
- Fewer destination-quality parks and trails than eastern Duluth
- Existing destination-quality parks inaccessible to western Duluth residents with limited economic means



Duluth Parks & Recreation Master Plan

ST. LOUIS RIVER CORRIDOR DULUTH, MINNESOTA

Duluth Parks & Recreation

St. Louis River Corridor Initiative

Mayor Don Ness's Vision

- **Idea**: Seize the opportunity of environmental cleanup to help reverse a crisis of neighborhood decline
- **Strategy**: Provide destination-quality recreational access to natural resources to draw residents, visitors, and businesses to western Duluth and catalyze public-private investment in housing and economic development.



Development Process:
Project Selection, Planning, & Funding

Development Process

Timeline

- 2014: State Legislature authorizes ½ & ½ tourism tax renewal
- 2014: City Council renews ½ & ½ tourism tax to finance $18M in borrowing for outdoor recreation capital improvements targeted in western Duluth
- 2014 – 2015: Public engagement on project evaluation and selection
- 2015: City Council expands target area to include Lincoln Park neighborhood, and supports project funding levels
- 2015 – 2018: Development of Mini-Master Plans
- 2016 – Present: Seek outside funding, implementation of plans ongoing

ST. LOUIS RIVER CORRIDOR
DULUTH, MINNESOTA

Duluth Parks & Recreation

Project Selection

Considerations

- Projects and priorities identified in existing plans and documents
- Project priorities from citizen survey
- Input from user groups, neighborhood groups, and Citizen Advisory Committee

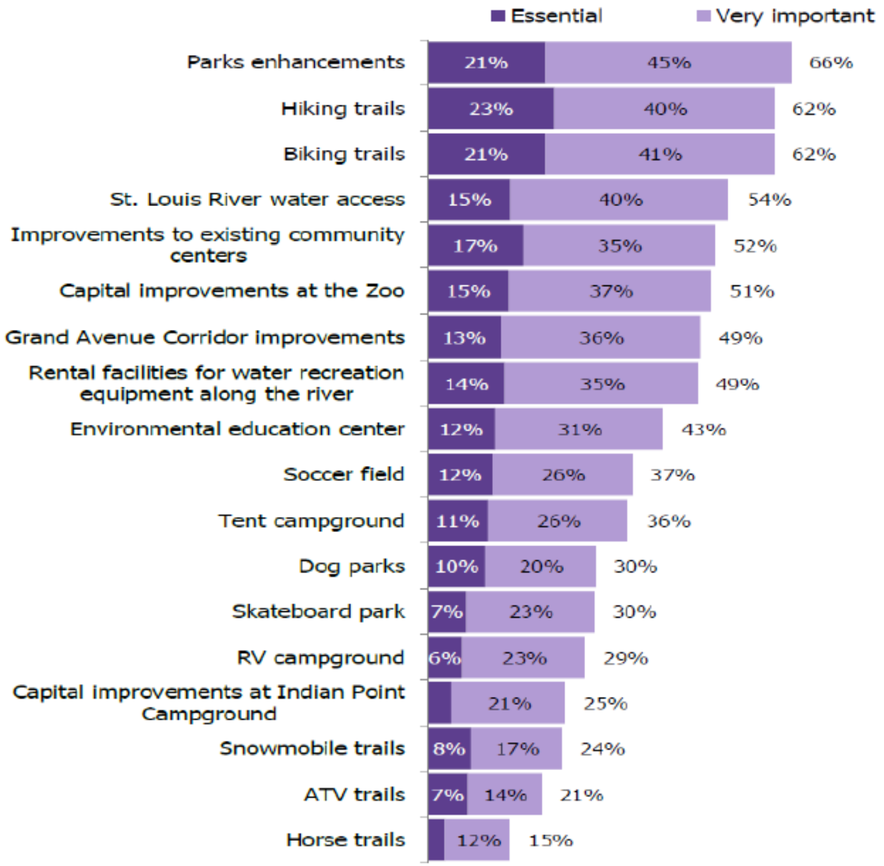


Project Selection

Project Selection Guidelines:

- Invest more in outdoor recreation facilities that are broadly appealing and accessible – i.e. multi-use accessible trails, destination-quality parks, etc.
- Invest less in single user facilities with high financial, cultural, and ability barriers to participation
- Connect people to the river in ways that require the least money, ability, and equipment.
- Restore and protect the natural resources upon which much outdoor recreation depends.

2014 National Citizen Survey



ST. LOUIS RIVER CORRIDOR DULUTH, MINNESOTA

Duluth Parks & Recreation

Project Funding

2015 City Council Preliminary ½ & ½ Approval

- $2.3M each for match for state bonding projects (Wade Stadium, Spirit Mountain, Zoo)
- $2.2M for parks
- $3.9M for walking and biking trails
- $250,000 each for equestrian trails and snowmobile trails
- $1.8M for river restoration

City Council Resolution 15-0175R

Passed March 23, 2015

ST. LOUIS RIVER CORRIDOR

RECREATION AND TOURISM PROJECTS

Project	Contribution from ½ of 1% taxes
Wade Stadium	$2.3 million
Spirit Mountain snow making	$2.3 million
Fairmount Park/the zoo	$2.3 million
Cross City trail	$900,000
West DWP trail	$400,000
Gary New Duluth Recreation Area	$500,000
Lincoln Park	$500,000
Memorial Park	$500,000
Wheeler Athletic Complex	$500,000
Neighborhood parks grant fund	$500,000
Duluth Traverse	$650,000
Lower Spirit Nordic	$1 million
Superior Hiking loops	$205,000
Spirit Mountain all-weather bike loop	$155,000
Equestrian trail(s)	$250,000
Snowmobile trail(s)	$250,000
ATV trail(s)	$250,000
Spirit Mountain river connector	$60,000
Tallus Island paddle center	$350,000
National water trail	$150,000
Kingsbury Bay restoration	$500,000
Kingsbury Creek river connector	$415,000
Western Waterfront Trail	$925,000
Indian Point renewal	$750,000
West Duluth Climbing Park	$200,000
Park and trail system infrastructure	$400,000
Contingency	$500,000;

ST. LOUIS RIVER CORRIDOR DULUTH, MINNESOTA

Duluth Parks & Recreation

Project Planning

Mini-Master Plans Development

- Community-based plans: advisory committees, surveys, public meeting, community workshops, public comment periods, and consultant support
- Council approved plans:
  - 17 park plans
  - 7 major trail plans, including National Water Trail
  - 2 Wayfinding and Interpretative Plans
  - St. Louis River Natural Area plan
  - Spirit Mountain



Project Funding

2016 Mayor Larson Fortifies Initiative

- Budget adjustments based on equity and inclusion approach
- Parks funding increased to $3.7M
- Some funds shifted away from projects that may be cost prohibitive
- Renewed focus on meaningful public engagement

Project	Original Allocation	Adjusted Allocation	Comments
Wade Stadium	$2,300,000	$2,360,000	Cost overrun, Council-approved
Spirit Mountain Water Supply	$2,300,000	$2,532,000	Cost overrun, Council-approved
Lake Superior Zoo	$2,300,000	$2,300,000	
Cross City Trail (Accessible)	$900,000	$900,000	
DWP Trail (Accessible)	$400,000	$650,000	Transferred from Duluth Traverse
Gary New Duluth Recreation Area	$500,000	$550,000	Increased to cover planning cost
Lincoln Park	$500,000	$550,000	Increased to cover planning cost
Memorial Park	$500,000	$550,000	Increased to cover planning cost
Wade/Wheeler Athletic Complex	$500,000	$550,000	Increased to cover planning cost
Neighborhood Parks	$500,000	$1,200,000	See detailed slides
Duluth Traverse	$650,000	$400,000	Transferred to DWP Accessible
Grand Avenue Nordic	$1,000,000	$1,000,000	
Destination Hikes	$205,000	$50,000	Decrease from 5 hikes to 3, lower than expected costs
All-Weather Mountain Bike Loop	$155,000	$155,000	
Equestrian Trails	$250,000	$250,000	
Snowmobile Trails	$250,000	$250,000	
ATV Trails	$250,000	$250,000	
Lower Spirit River Access	$410,000	$745,000	Full funding, levers $1.5m of outside funds for road/trail
National Water Trail	$150,000	$150,000	
Kingsbury Bay Restoration	$500,000	$0	Project fully funded by other entities
Fairmount Park	$415,000	$1,000,000	To fully fund Phase I conversion of west side to park
Western Waterfront Trail (Accessible)	$925,000	$925,000	
Indian Point Renewal	$750,000	$200,000	Seek Legacy Parks and Trails support
Quarry Park	$200,000	$200,000	
Trail Wayfinding and Barriers	$400,000	$400,000	
Contingency	$500,000	$0	Redundant, contingency built into each project

Project Funding

Initial Funding Plan



Project Funding

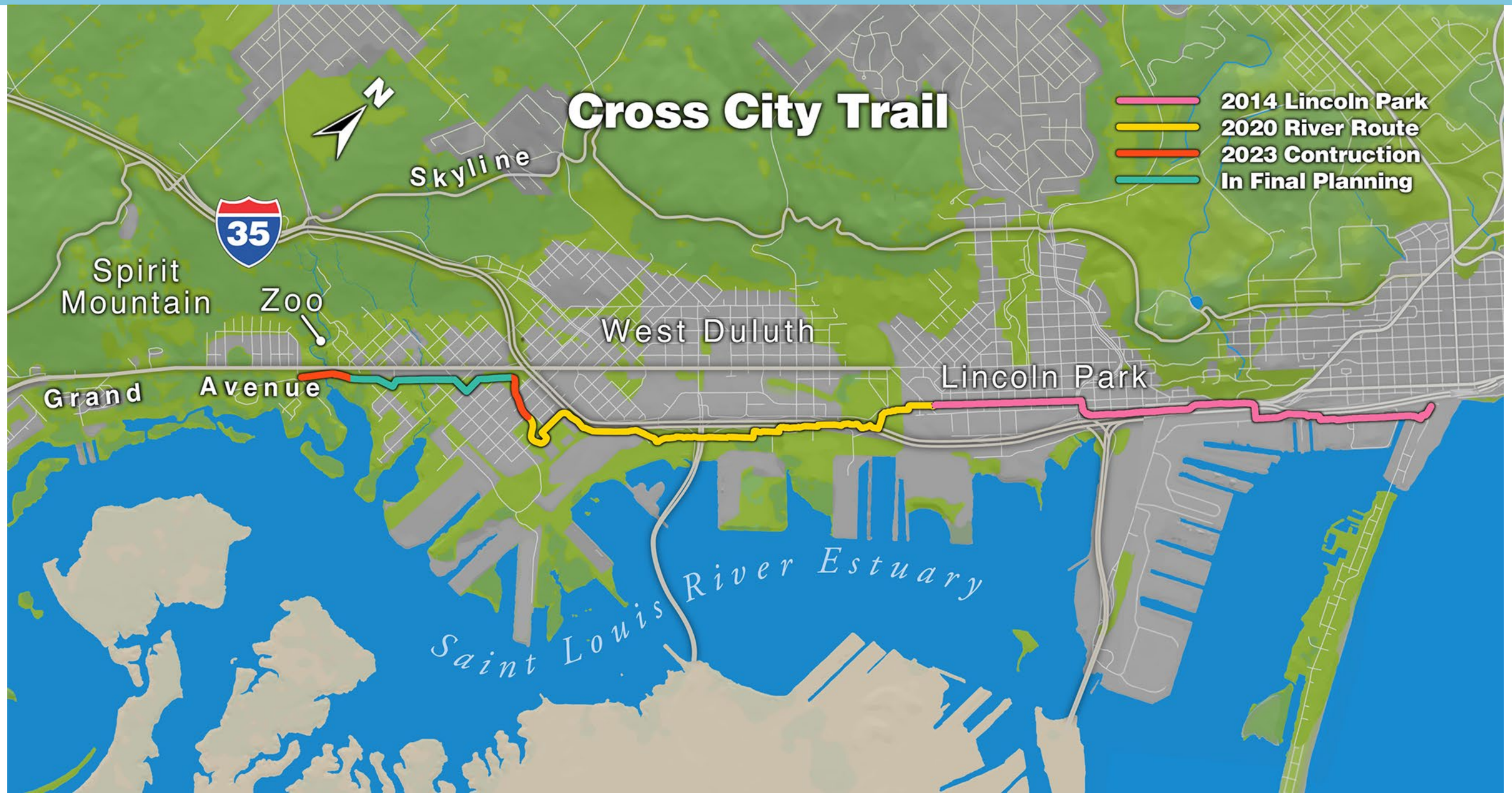
Outside Funding Awarded

- NOAA Coastal Program
- EPA Great Lakes Restoration Initiative
- Federal Recreational Trails Program
- MN Regional Trails Grant Program
- MN Parks and Trials Legacy Grant Program
- MN Arts and Culture Legacy Grant Program
- MN Conservation Partners Legacy Metro Grant Program

	Contributions	
Cross City Trail	$	4,488,730
DWP	$	1,639,198
Waabizheshikana	$	3,181,356
Duluth Traverse	$	982,750
Spirit Mountain Bike Trails	$	450,000
Snowmobile Trails	$	391,052
Grand Avenue Nordic Center	$	1,363,834
Equestrian Trails	$	51,530
SHT Loops	$	35,000
ATV Trails	$	-
Wade-Wheeler Complex	$	2,529,000
Lincoln Park	$	1,778,601
Chambers Grove	$	2,300,000
GND Recreation Area	$	1,891,000
Memorial Park	$	-
Neighborhood Parks	$	360,729
St. Louis River Natural Area	$	218,332
Land Acquisition	$	4,778,000
Plant Restoration & Care	$	800,000
Signage & Wayfinding	$	29,843
Spirit Mnt. Rec Area	$	4,373,083
Lake Superior Zoo	$	2,179,000
National Water Trail	$	461,000
Indian Point/Kingsbury Bay	$	500,000
Quarry Park	$	33,280
Spirit Landing	$	1,377,000
TOTAL	**$**	**36,192,318**

Project Updates: Trails

Cross City Trail



Cross City Trail

Establish a seven-mile paved accessible multi-use trail connecting the Munger State Trail to the Lakewalk.

- 2014: Lakewalk – Carlton constructed
- 2017: New Mini-Master Plan adopted
- 2020: Carlton – Irving constructed
- 2021: Clarifying Resolution adopted

Work Complete or Funded

Half & Half:	$	1,269,330
Other City Funds:	$	1,461,445
Non-City Contributions:	$	4,488,730
TOTAL:	$	7,219,505

Work Not Yet Funded

Cost to Complete	~$	1,000,000
City Funds Remaining:	$	Zero
NON-CITY FUNDS NEEDED:	$	1,000,000

- Segment VI Pt I to be bid out for construction in 2023
- Submitting grants in 2022 for construction of Segment VI Pt II in 2024
- Work remains to finalize and secure funding for Segment VI Pt III from Raleigh Street to Tappa Keg Inn.

ST. LOUIS RIVER CORRIDOR DULUTH, MINNESOTA

Duluth Parks & Recreation

Cross City Trail



Source: Duluth News Tribune

Duluth, Winnipeg & Pacific (DWP) Trail Corridor



Duluth, Winnipeg & Pacific (DWP) Trail Corridor

Conversion of eight miles of former DWP railroad bed to a universally accessible multi-use pathway.

- 2017: Clyde Connector completed
- 2018: Stewart Creek bridge completed
- 2019: DWP Trail Plan adopted, critical infrastructure completed
- 2020: Rock scaling, Sargent Creek bridge restoration, Munger connection, Beck's Rd. parking lot completed
- 2021: Clarifying Resolution adopted, capping, parallel DT spine, signage completed

Work Complete or Funded

Half & Half:	$	1,261,166
Other City Funds:	$	51,000
Non-City Contributions:	$	1,639,198
TOTAL:	$	2,951,364

Work Not Yet Funded

Cost to Complete:	$	2,100,000
City Funds Remaing:	$	Zero
NON-CITY FUNDS NEEDED:	$	2,100,000

- No additional work planned
- $2.1 million Spirit to Zoo segment cost is prohibitive

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Duluth Parks & Recreation

Duluth, Winnipeg & Pacific (DWP) Trail Corridor





ST. LOUIS RIVER CORRIDOR
DULUTH, MINNESOTA

Duluth Parks & Recreation

Waabizheshikana (The Marten Trail)

Establish a 10-mile universally accessible, crushed stone, multi-use, interpretive trail along the St. Louis River from the Irving neighborhood to the Fond du Lac neighborhood.

- 2016: Surfacing, stormwater accessibility improvements completed on Segment 0
- 2018: Habitat restoration completed for Segments 0, 1, and 2
- 2020: Waabizheshikana Mini-Master Plan adopted, Signage and wayfinding completed for Segment 0
- 2021: Waabizheshikana Interpretive Plan

Work Complete or Funded

Half & Half:	$	748,167
Other City Funds:	$	49,958
Non-City Contributions:	$	3,181,356
TOTAL:	$	3,979,481

Work Not Yet Funded

Cost to Complete:	$	4,000,000
City Funds Remaining:	$	330,000
NON-CITY FUNDS NEEDED:	$	3,670,000

- Repair of Segment 0 with FEMA funds in 2022
- Preliminary state commitment to fund construction of Segment 2 in 2023
- US Steel commitment to fund construction of Segment 3 in 2023
- Portion of Segment 7 likely to be built by MNDOT in 2024
- Submitting 2022 state application for 2024 funding of Segments 1, 6, and 7

ST. LOUIS RIVER CORRIDOR DULUTH, MINNESOTA

Duluth Parks & Recreation

Waabizheshikana (The Marten Trail)



Waabizheshikana (The Marten Trail)





Accessible Trails Expansion

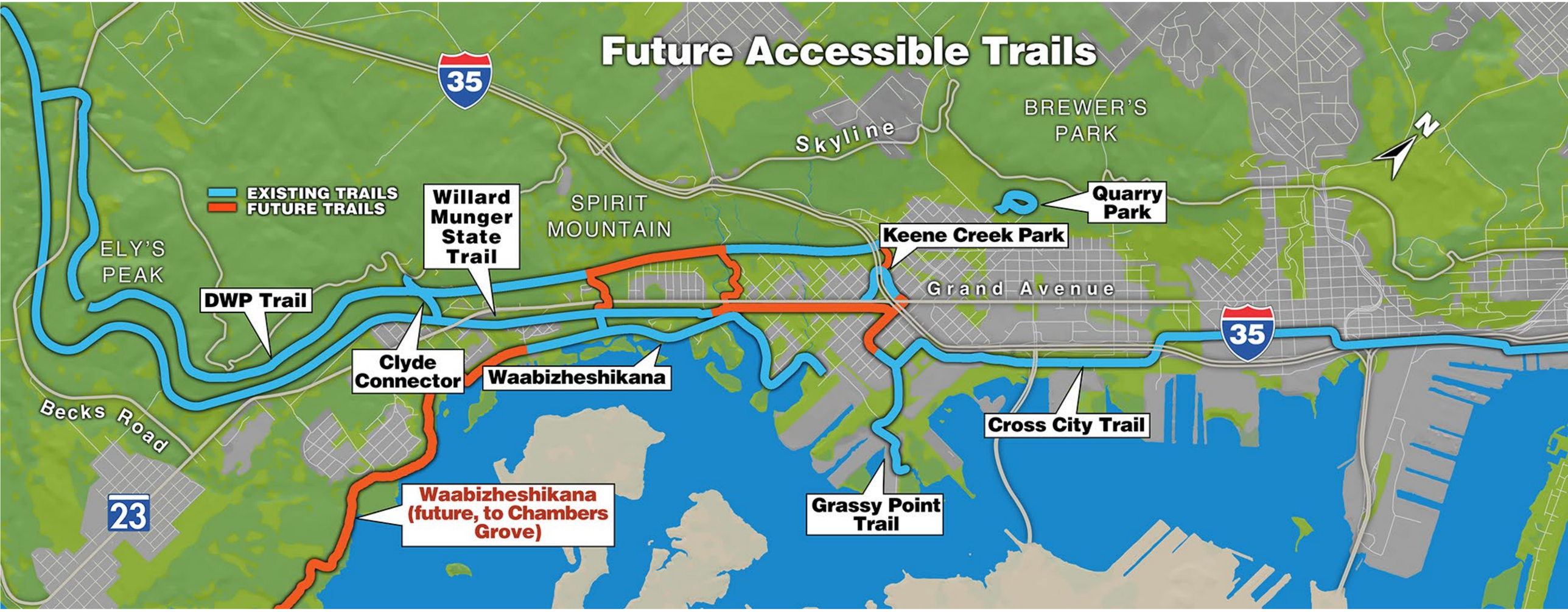




ST. LOUIS RIVER CORRIDOR
DULUTH, MINNESOTA

Duluth Parks & Recreation

Accessible Trails Expansion



Duluth Traverse (DT) Trail

100-mile bike-optimized, multi-use natural surface trail system comprised of a city-spanning beginner level connector trail, with several trail hubs and opportunities for riders of varying ability levels

- 2015 – 2021: 90+ miles completed (Mission, Brewer, Piedmont, Lincoln Park, Craft Connector, UMD, Lester, etc.)

Work Complete or Funded

Half & Half:	$	400,000
Other City Funds:	$	684,483
Non-City Contributions:	$	982,750
TOTAL:	$	2,077,233

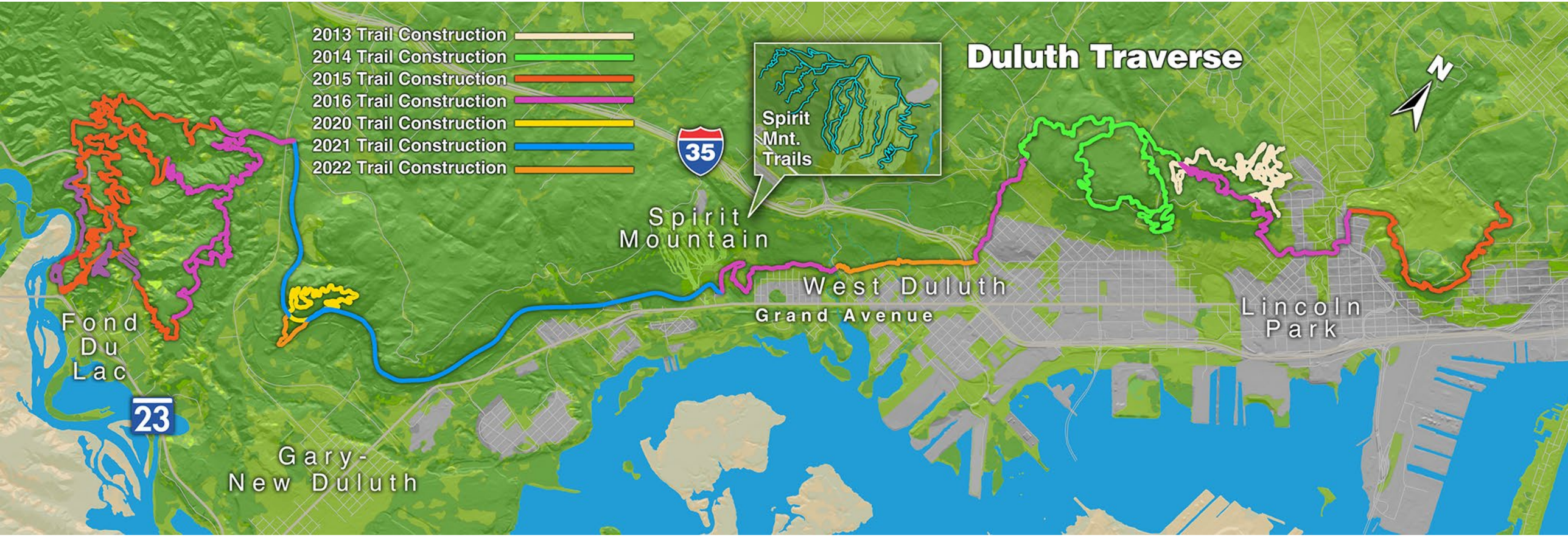
- 2017: DT Mini-Master Plan adopted
- 2019: DWP Trail Plan adopted

- Sargent Creek Bridge to Ely's Tunnel, Gogebic to Lower Chalet, Zoo to Green St., Shortline Trailhead to Ely's Tunnel to be completed in 2022

ST. LOUIS RIVER CORRIDOR DULUTH, MINNESOTA

Duluth Parks & Recreation

Duluth Traverse (DT) Trail



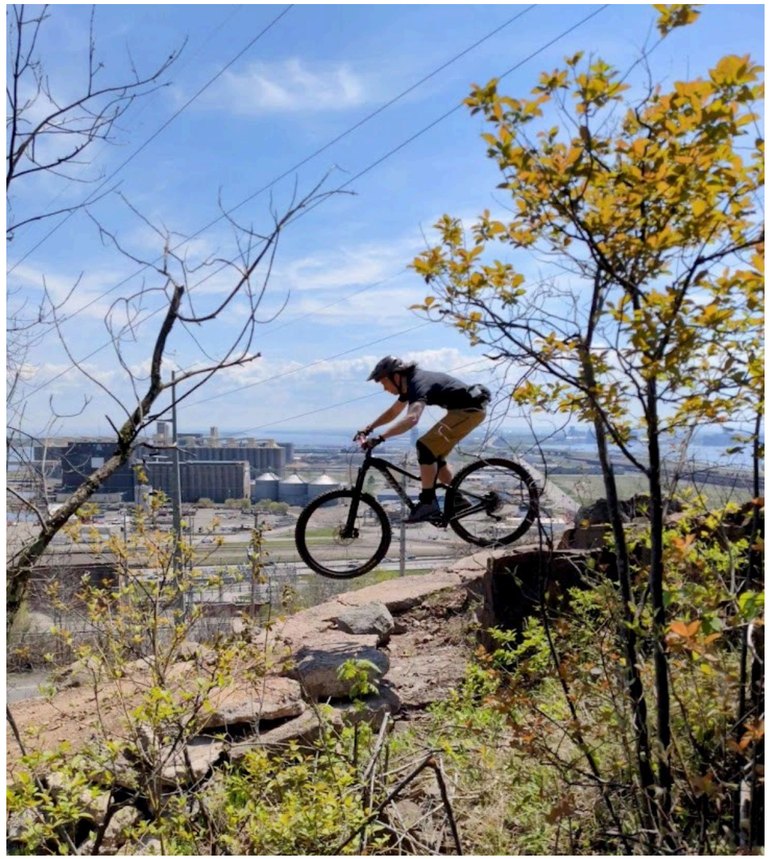
ST. LOUIS RIVER CORRIDOR
DULUTH, MINNESOTA

Duluth Parks & Recreation

Duluth Traverse (DT) Trail









Mountain Bike Trails at Spirit Mountain

Expand, renew and improve Spirit Mountain's system of downhill and cross-country mountain biking trails including a hardened all-weather trail.

- 2016: All-weather Trail Design and user group engagement completed
- 2017: DT Mini-Master Plan adopted, Spirit Mountain Master Plan adopted
- 2019: All-weather downhill trail completed
- 2021 Preliminary state award for expansion and improvement of Spirit system

Work Complete or Funded

Half & Half:	$	155,000
Non-City Contributions:	$	450,000
TOTAL:	$	605,000

- All-weather cross-country loop to be completed July 2022
- Downhill trails expected to be expanded and enhanced in 2023

ST. LOUIS RIVER CORRIDOR DULUTH, MINNESOTA

Duluth Parks & Recreation

Snowmobile Trails

Restoration and enhancement of western Duluth destination snowmobile trail system damaged by flooding and deferred maintenance

- 2017: St. Louis River Corridor Trails Plan adopted, Clyde Connector completed
- 2019 Clarifying Resolution adopted
- 2021: Thompson Hill trail and bridges (Kingsbury & Knowlton) restorations; preliminary state commitments to fund Spirit connections

Work Completed or Funded

Half & Half:	$	248,500
Other City Funds:	$	326,000
Non-City Contributions:	$	391,052
TOTAL:	$	965,552

Work Not Yet Funded

Cost to Complete:	$	300,000
City Funds Remaining:	$	Zero
NON-CITY FUNDS NEEDED:	$	300,000

- Spirit Mountain connections to be constructed with state support in 2023
- Seeking funds to construct bridge abutments at upper Knowlton Creek at the same time

ST. LOUIS RIVER CORRIDOR DULUTH, MINNESOTA

Duluth Parks & Recreation

Snowmobile Trails



ST. LOUIS RIVER CORRIDOR
DULUTH, MINNESOTA

Duluth Parks & Recreation

Snowmobile Trails



Grand Avenue Nordic Center

Establish a world-class cross country ski destination with snowmaking, lighting, and topnotch grooming that will provide reliable high-quality skiing from as early as November to as late as April.

- 2015: Cross County Ski Trail Plan adopted
- 2018: Grand Ave. Nordic Center opened, with 2.5km of new trail and some snowmaking
- 2021: Legacy funding preliminarily awarded to complete final 2.5km of trail

Work Complete or Funded

Half & Half:	$	1,000,000
Other City Funds:	$	350,000
Non-City Contributions:	$	1,363,834
TOTAL:	$	2,713,834

Work Not Yet Funded

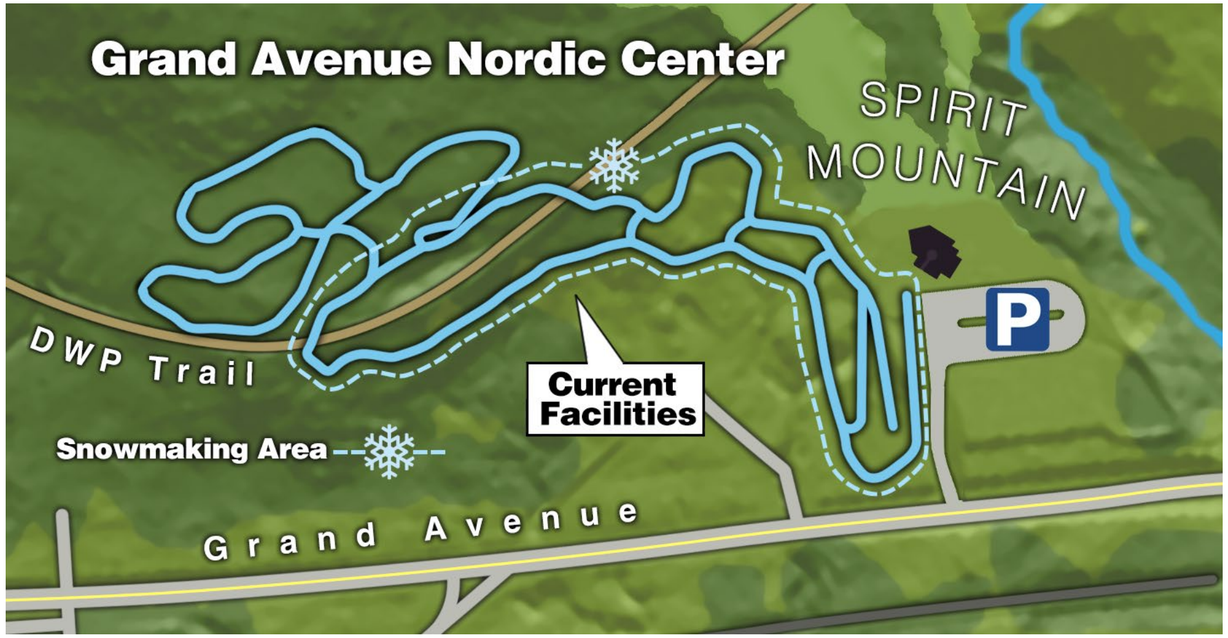
Cost to Complete:	$	2,000,000
City Funds Remaining:	$	Zero
NON-CITY FUNDS NEEDED:	$	2,000,000

- Completion of trail construction planned for 2023
- Funds for additional snowmaking and lighting included in state bonding request

ST. LOUIS RIVER CORRIDOR DULUTH, MINNESOTA

Duluth Parks & Recreation

Grand Avenue Nordic Center



Current Facility: 2.5 km trails, 1.5 km with snowmaking



Completed Facility: 5.5 km trails, 3.3 km with snowmaking and lighting

ST. LOUIS RIVER CORRIDOR
DULUTH, MINNESOTA

Duluth Parks & Recreation

Grand Avenue Nordic Center



Source: Perfect Duluth Day



Source: Duluth Cross Country Ski Club

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DULUTH, MINNESOTA

Duluth Parks & Recreation

Equestrian Trails



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DULUTH, MINNESOTA

Duluth Parks & Recreation

Equestrian Trails

Reestablishment of destination equestrian trails in western Duluth after floods destroyed former system.

- 2015: Feasibility study completed
- 2017: St. Louis River Corridor Trails Plan adopted; reconstruction of Clyde Connector Trail (8 miles) completed
- 2018: Hardening of Ely Peak Loop Trail
- 2019: Clarifying Resolution adopted
- 2021: West DWP Trail completed, horse trailer parking lot added at Beck's Rd.

Work Completed

Half & Half:	$	135,000
Other City Funds:	$	73,000
Non-City Contributions:	$	51,530
TOTAL:	$	259,530

** $115,000 of Equestrian Half & Half was assigned to DWP Trail to support its co-use by equestrians*

- Project is complete and in use

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Duluth Parks & Recreation

Equestrian Trails



Source: Duluth News Tribune

Superior Hiking Trail (SHT)



ST. LOUIS RIVER CORRIDOR
DULUTH, MINNESOTA

Duluth Parks & Recreation

Superior Hiking Trail (SHT)

Provide short destination-quality looped experiences on the Superior Hiking Trail and upgrade existing spine infrastructure to modern trail sustainability standards

- 2017: St. Louis River Corridor Trails Plan adopted
- Completed Destination Loops: Ely's Peak, Spirit Mountain, Brewer Park

- Completed Sustainability Upgrades: Mission Creek, 131st Ave connector, Sargent Creek crossing, Knowlton Creek reroute, Haines Rd. connector reroute, Lyman St. boardwalk

Work Completed

Half & Half:	$	50,000
Other City Funds:	$	0
Non-City Contributions:	$	35,000
TOTAL:	$	85,000

- Project is complete and in use

ST. LOUIS RIVER CORRIDOR DULUTH, MINNESOTA

Duluth Parks & Recreation

Superior Hiking Trail (SHT)





ST. LOUIS RIVER CORRIDOR
DULUTH, MINNESOTA

Duluth Parks & Recreation

ATV Trails

Study of the wisdom of planning and developing designated ATV trails in western Duluth.

- 2015-2016: City-stakeholder study process
- 2017: St. Louis River Corridor Trails Plan adopted without ATV trails

Work Completed

Half & Half:	$	26,958
Other City Funds:	$	0
Non-City Contributions:	$	0
TOTAL:	$	26,958

** $223,042 remainder of snowmobile Half & Half reassigned to completion of multi-use accessible trail system*

- No further work is planned

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Duluth Parks & Recreation

Project Updates: Parks

Wade – Wheeler Athletic Complex



Wade – Wheeler Athletic Complex

Renovate Wade-Wheeler Athletic Complex to create a destination-quality sports center.

Wade Stadium

- 2014: New artificial turf field, lighting and scoreboard updates completed at Wade
- 2015: West Duluth Sports Corridor Mini-Master Plan adopted, renewal of historic brick walls completed at Wade

Wade-Wheeler Athletic Complex

- 2019-2021: New or renewed concessions, restrooms, dugouts, walkways, volleyball area, fencing, maintenance building, and horseshoe area.

Work Complete or Funded

Half & Half:	$	3,115,000
Other City Funds:	$	596,117
Non-City Contributions:	$	2,529,000
TOTAL:	$	6,240,117

Work Not Yet Funded

Cost to Complete:	$	3,000,000
City Funds Remaining:	$	Zero
NON-CITY FUNDS NEEDED:	$	3,000,000

- Sport courts to be completed at Wheeler in spring 2022
- Near term term funding needed to waterproof walls and roof
- Long-term funding needed to rebuild parking lots and stormwater

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Duluth Parks & Recreation

Wade – Wheeler Athletic Complex













Lincoln Park

Restoration of historic Lincoln Park. Project highlights to include: new playground, parking areas, sport court, picnic pavilion, accessible walkways, nature playscape, and green stormwater infrastructure, as well as restoration of the road, stone walls, and event pavilion.

- 2016: Lincoln Park Mini-Master Plan adopted
- 2018: Miller Creek restoration completed
- 2022: Construction to begin

Work Complete or Funded		
Half & Half:	$	810,000
Other City Funds:	$	587,500
Non-City Contributions:	$	1,778,601
TOTAL:	$	3,176,101

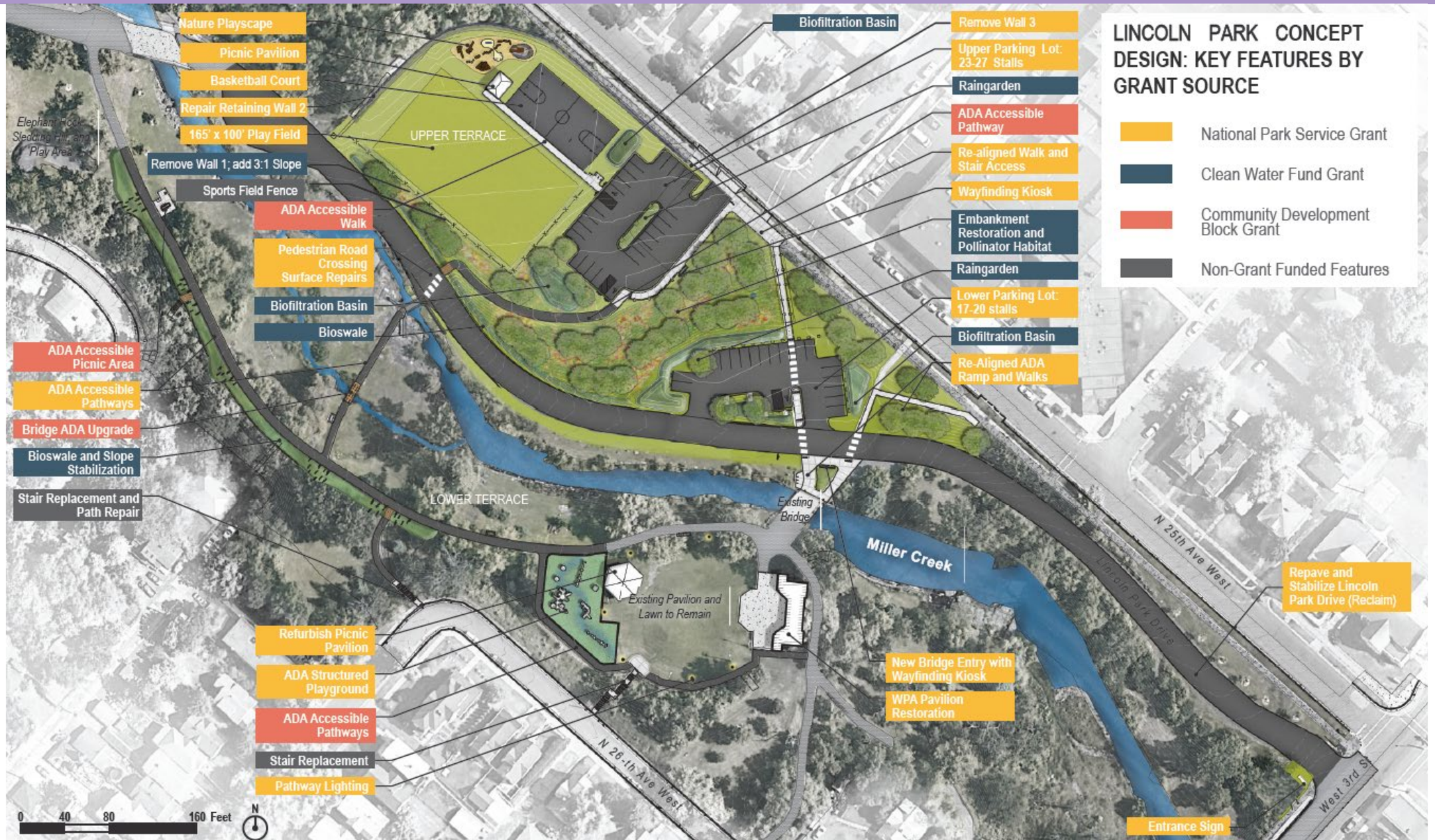
Work Not Yet Funded		
Cost to Complete:	~$	1,000,000
City Funds Remaining:	$	Zero
NON-CITY FUNDS NEEDED:	$	3,000,000

- Construction anticipated in 2022
- No current plans to seek additional funding to renew less developed upper park

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Duluth Parks & Recreation

Lincoln Park



Lincoln Park



Chambers Grove Park - Nagaajiwanaang

Comprehensive park restoration, including: shoreline naturalization, stormwater improvements, new interpretive trail loop, accessible restroom facility, improved parking and access road, and an accessible playground.

- 2015: Authorization of DNR shoreline naturalization
- 2016: Authorization of park renewal construction contract

- 2016: park and river restoration completed
- 2018: Interpretative Trail completed
- 2020: Signage completed

Work Completed or Funded

Half & Half:	$	100,000
Other City Funds:	$	1,392
Non-City Contributions:	$	2,300,000
TOTAL:	$	2,401,392

- Project complete

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Chambers Grove Park - Nagaajiwanaang



Chambers Grove Park - Nagaajiwanaang









Gary New Duluth Community Recreation Area

Renewal and improvement of community recreation area in partnership with Gary New Duluth Development Alliance (GNDDA), including establishment of a destination skate park.

- 2015: Community center renovation completed by GNDDA
- 2016: Soccer fields, pavilion, parking lot, stormwater, garden, and open play area completed
- 2017: Storage building completed by GNDDA
- 2018: Dog park completed by GNDDA
- 2019: Sport court and community garden completed by GNDDA
- 2020: Foundations for skate park features completed

Work Completed or Funded

Half & Half:	$	725,413
Other City Funds:	$	44,637
Non-City Contributions:	$	1,891,000
TOTAL:	$	2,661,050

Work Not Yet Funded

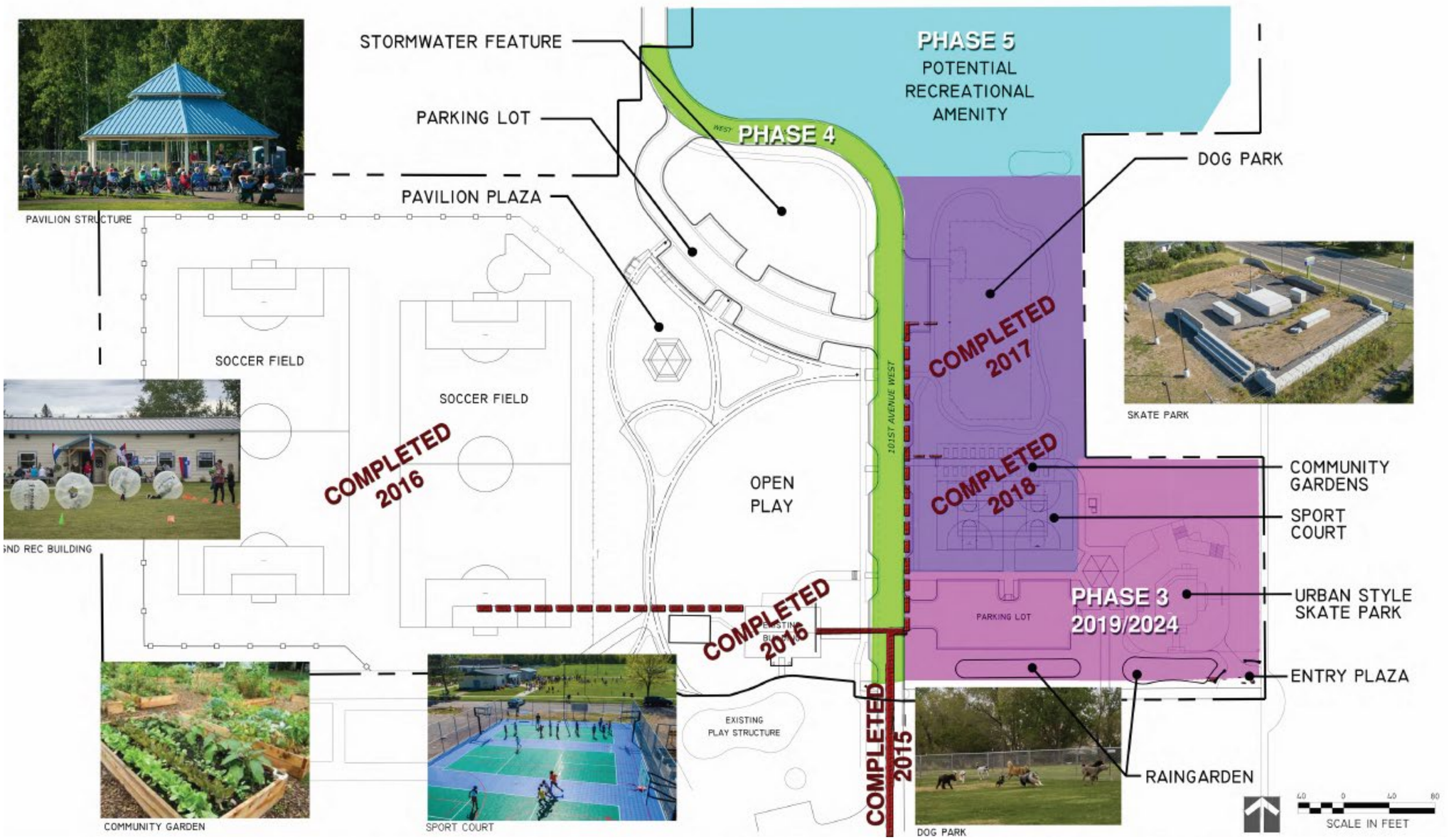
Cost to Complete:	~$	600,000
City Funds Remaining:	$	Zero
NON-CITY FUNDS NEEDED:	$	600,000

- Need to raise $600,000 to complete skate park
- Goal to complete skate park by 2024

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Gary New Duluth Community Recreation Area



Memorial Park

Planned restoration of urban park central to the West Duluth business district.

- 2012: Memorial Park Mini-Master Plan adopted
- 2015: Demolition of former community center
- 2019: Installation of new World War I memorial, plantings, sidewalk, and flag pole

Work Completed or Funded		
Half & Half:	$	685,000
Other City Funds:	$	0
Non-City Contributions:	$	0
TOTAL:	$	685,000

Funds Remaining	
City Funds Remaining:	$594,853

- Engage the community to determine whether the community wishes to renew the park without a new community center or continue to seek the $3-$6 million that is likely to be necessary to construct a new center.

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Duluth Parks & Recreation

Memorial Park

Preferred Master Plan



Staff and the public reviewed park concept plans and provided input on desired features and design. A preferred Master Plan emerged based on that direction.

The Memorial Park Master Plan contains the following features/activities:

- New three-sided Park Pavilion with bathrooms. Pavilion open to the plaza.
- Multi-use Plaza area to accommodate picnicking, neighborhood gathering and events.
- Water Play/Spray Pad as a signature play experience. Consider installing a storage tank to re-use spray pad water for irrigation.
- Tree-lined Arbor Walk with decorative paving.
- Pathway connections to N. Central Ave., Grand Ave. and Elinor St.
- Renovation of the former softball field into a multi-use green space for open play and pleasure skating rink (no hockey boards).
- Memorial Plaza and Memorial Wall – Relocate and display existing memorials and provide information on the historic Evergreen Highway (Grand Avenue).
- Mini-basketball hoop.
- Site furnishings (benches, tables and grills), decorative fence and pedestrian/ safety lighting.
- Grand Ave. walkway connection and garden.
- Born Learning Trail which consists of stencils and markers that foster interactive learning.

Neighborhood Parks

For neighborhoods parks in the corridor, co-create park mini-master plans and improvement projects (up to $100,000) with neighborhood groups, having a 9:1 match generated through community efforts.

- 2017: Harrison Park plan implemented
- 2018: Riverside Park plan implemented
- 2021: Keen Creek Park, Merritt Park, and Piedmont Park plans implemented; Grassy Point work currently underway

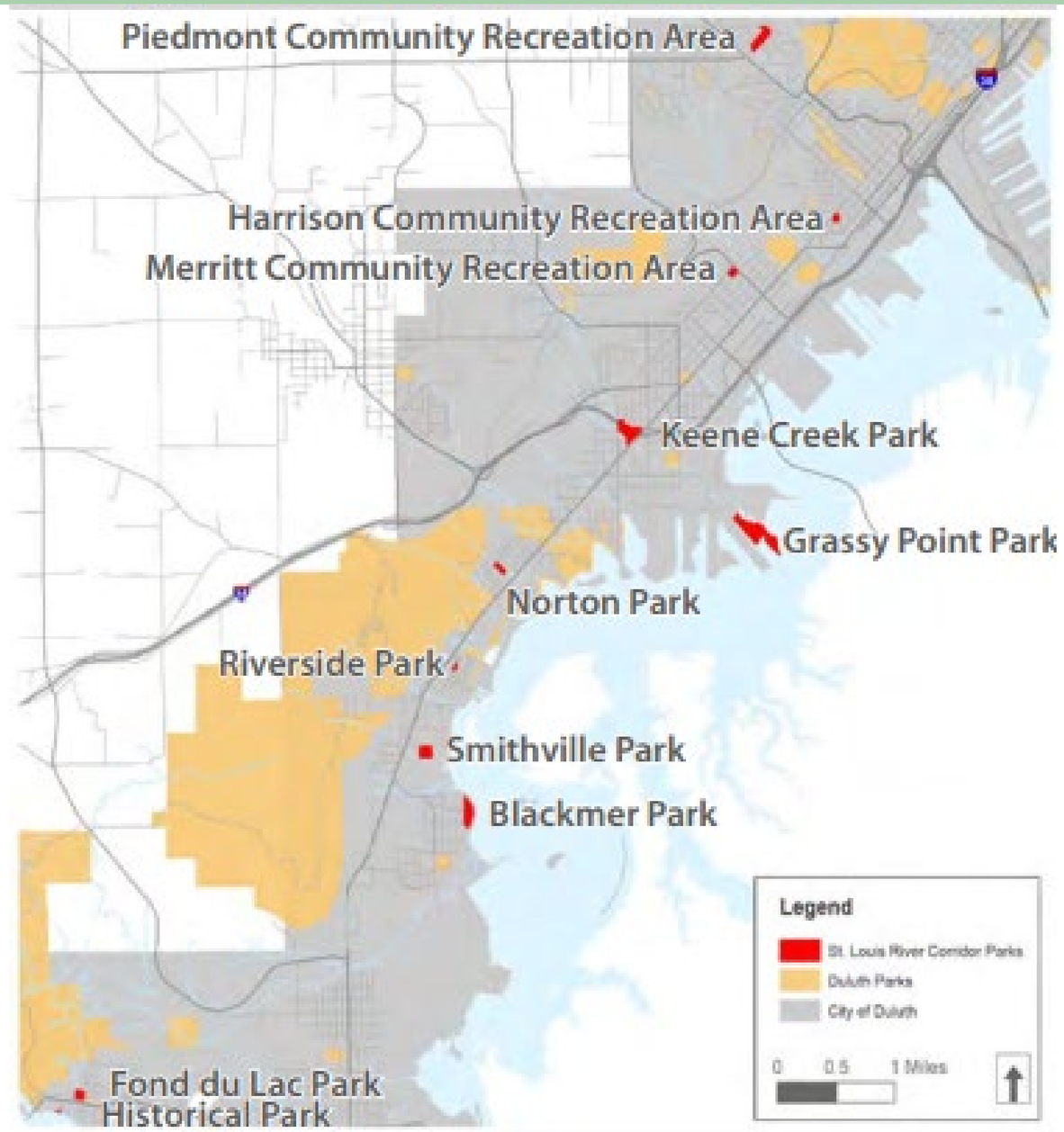
Half & Half:	$	1,013,986
City Funds:	$	673,286
Contributions:	$	360,729
Funds Seeking:	$	960,000
TOTAL:	$	3,008,001

- Fond du Lac Park planning/design 2022, implementation 2023
- Norton Park planning/design 2023, implementation 2024
- Blackmer Park implementation 2024
- Morgan Park implementation 2025
- Historical Park and Smithville Park future planning/design/implementation

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Neighborhood Parks







Project Updates: Environmental Protection

St. Louis River Natural Area

Protect and preserve 1,230 acres along the St. Louis River as part of the Duluth Natural Area Program (DNAP). The natural area protects the waters of the St. Louis River estuary, and provides river access for Duluth's residents and visitors.

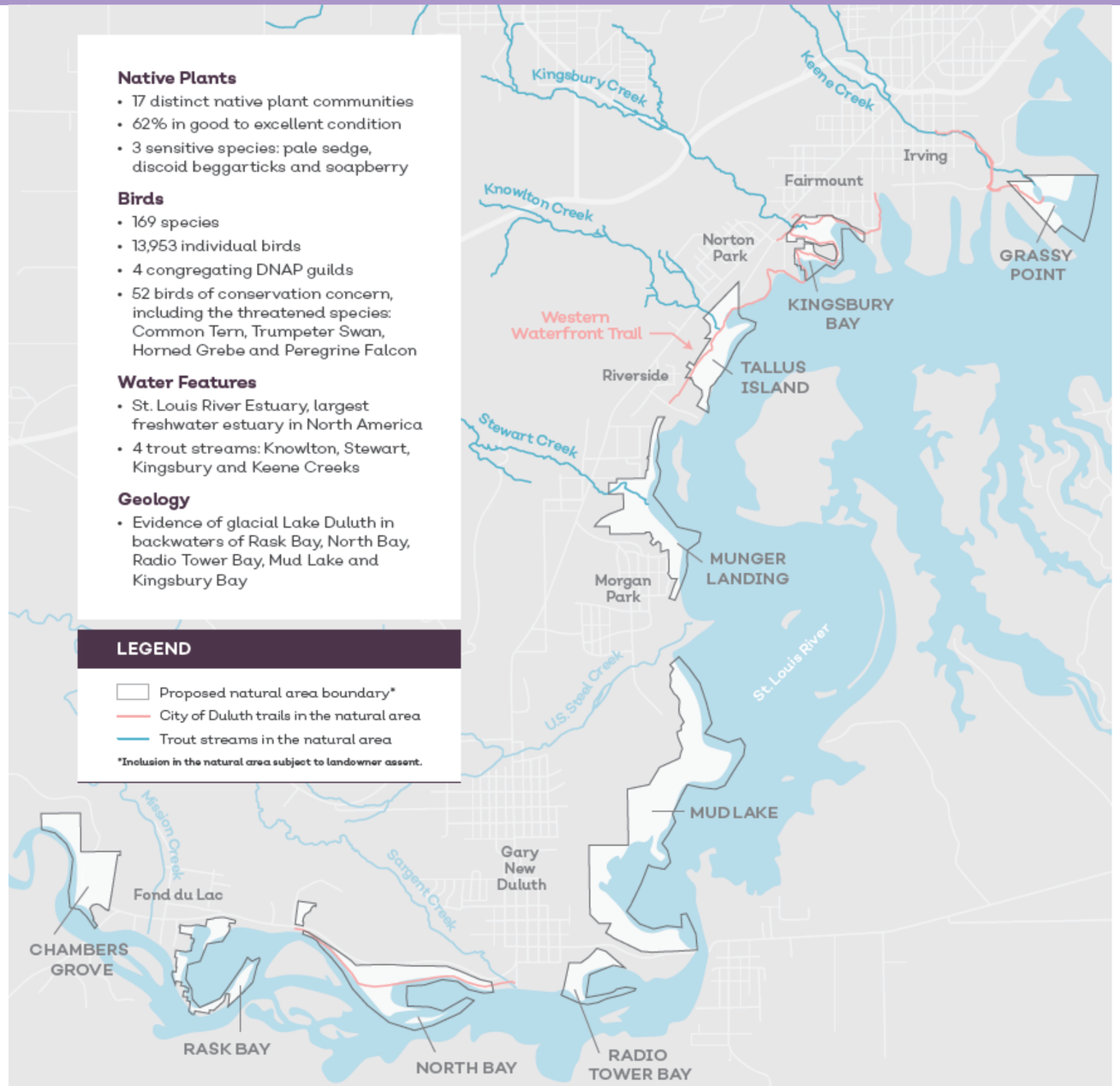
- 2002: City of Duluth enacted DNAP
- 2016: St. Louis River Corridor Initiative launched
- 2019: St. Louis River Natural Area nominated to DNAP
- 2020: St. Louis River Natural Area designated under DNAP (Management Plan approved)

Work Completed or Funded

Half & Half:	$	0
Other City Funds:	$	0
Non-City Contributions:	$	218,332
TOTAL:	$	218,332

- Acquire additional lands as identified in Management Plan

St. Louis River Natural Area







Land Acquisition

Identify, assess, and invest in the most meaningful tracts of publicly-owned open space lands to preserve the ecological functions and values, enhance the ecosystem, and reduce impacts of natural disasters

- 2020: St. Louis River Natural Area designated under DNAP, Management Plan adopted
- 2021: Tax-forfeit lands identified and reviewed by County and City
- 2022: Final approvals and transactions to occur

Work Completed or Funded

Half & Half:	$	0
Other City Funds:	$	270,000
Non-City Contributions:	$	4,778,000
TOTAL:	$	5,048,000

- Complete Mission and Piedmont acquisitions
- Designate new Mission and Piedmont parks
- Initiate acquisition of essential green space in Spirit and Brewer Park areas

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Duluth Parks & Recreation

Native Plant Restoration and Care

Control invasive species, reintroduce native plants, and maintain plantings.

- 2020: St. Louis River Natural Area designated under DNAP, Management Plan adopted
- 2015 – Present: Invasive species removal and native plant reintroduction at Western Waterfront Corridor, Kingsbury Forest, Lincoln Park, Fairmount Park, and Piedmont
- 2022: Grassy Point invasive species removal and Kingsbury Forest plantings by Minnesota Land Trust

Work Funded or Completed

Half & Half:	$	175,000
Other City Funds:	$	96,150
Non-City Contributions:	$	800,000
TOTAL:	$	1,071,150

- On-going invasive species maintenance and care for new plantings
- Messaging to public on invasive species prevention and management

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Duluth Parks & Recreation

Project Updates: Special Projects

Signage and Wayfinding

Establish a plan for the design, engineering, installation, and implementation of modern, cohesive, and comprehensive park and trail signage in Duluth.

- 2017: Gate, Wayfinding, and Signage Design Plan adopted
- 2019: Engineering Specifications established, plan implementation begins
- 2020-22: Wayfinding and gates installed on CCT, Waabizheshikana, DWP, Chambers Grove, neighborhood parks, Duluth Traverse, GND Rec, Quarry, Wade/Wheeler

Work Completed or Funded

Half & Half:	$	310,936
Other City Funds:	$	0
Non-City Contributions:	$	29,843
TOTAL:	$	340,779

Funds Remaining

City Funds Remaining: $77,420

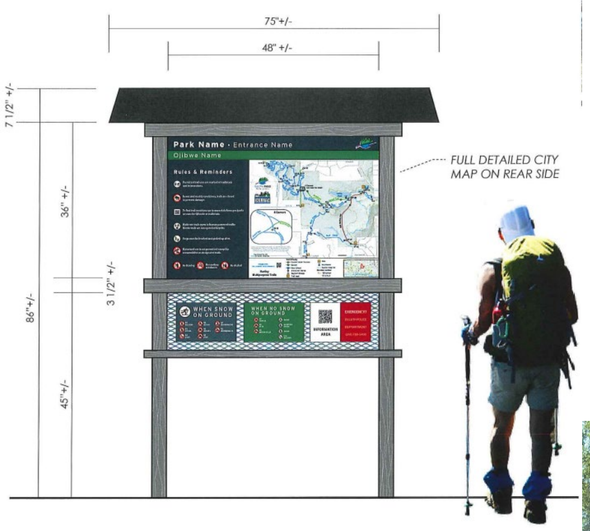
- Ensure signage and wayfinding is built into future project budgets, and continue installation of cohesive and comprehensive trail signage throughout Duluth parks and trails.

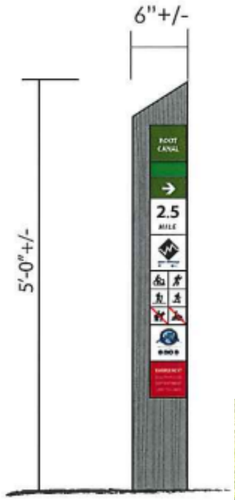
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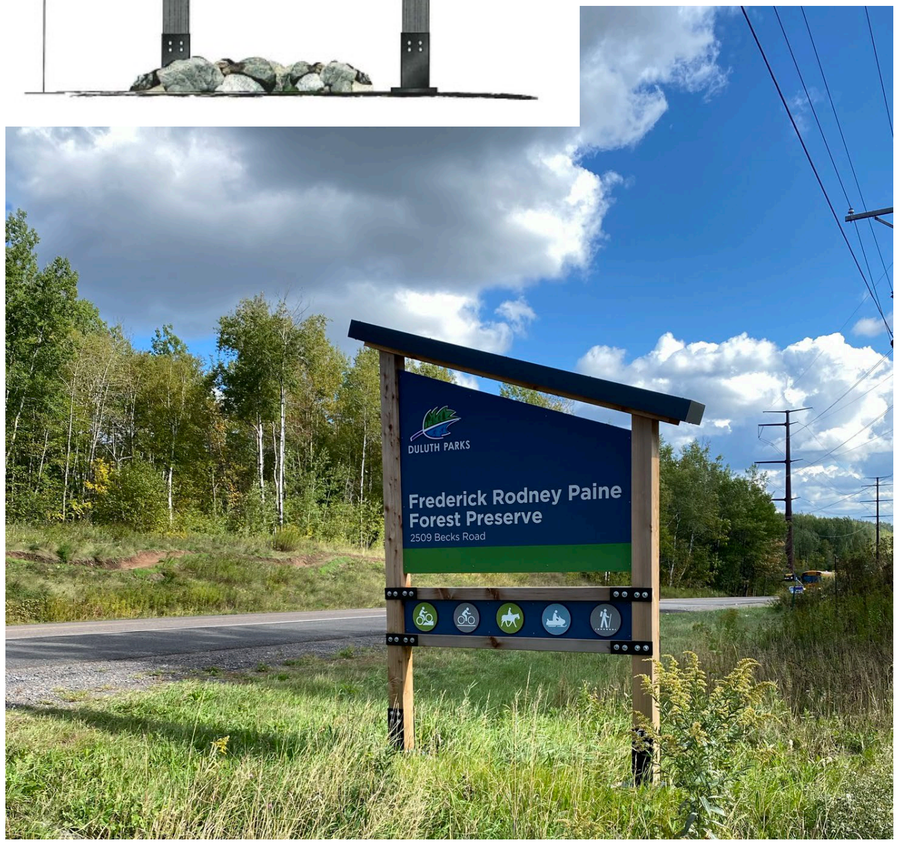
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Signage and Wayfinding













Spirit Mountain Recreation Area Snowmaking

Establish new, more sustainable snowmaking system and drainage system at Spirit Mountain Recreation Area.

- 2017: Spirit Mountain Master Plan adopted
- 2018: System installation completed

Work Completed or Funded

Half & Half:	$	2,818,276
Other City Funds:	$	0
Non-City Contributions:	$	4,373,083
TOTAL:	$	7,191,359

- Project complete

Lake Superior Zoo

Lake Superior Zoo improvements, including the renovation and repurposing of WPA pavilion, new and improved exhibits for brown bears, black bears and cougar, main building renovations, and other site enhancements.

- 2014: WPA pavilion renovation completed
- 2016: Lake Superior Zoo Concept Plan adopted
- 2018: Amended Concept Plan adopted
- 2021: Bear exhibits completed

Work Completed or Funded

Half & Half:	$	2,306,870
Other City Funds:	$	0
Non-City Contributions:	$	2,179,000
TOTAL:	$	4,485,870

- Prepare plans and seek project financing for main building renovations and general improvements to grounds

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National Water Trail & Water Access

Creation and implementation of the St. Louis River Estuary National Water Trail Plan, and improve and expand river access along the corridor.

- 2017: National Water Trail Master Plan adopted
- 2018: Spirit Landing site plan approved
- 2019: Waabizheshikana Mini-Master Plan adopted, including access point recommendations
- 2020: St. Louis River Estuary Water Trail officially designated as a National Water Trail

Work Completed or Funded

Half & Half:	$	200,000
Other City Funds:	$	0
Non-City Contributions:	$	461,000
TOTAL:	$	661,000

Funds Remaining

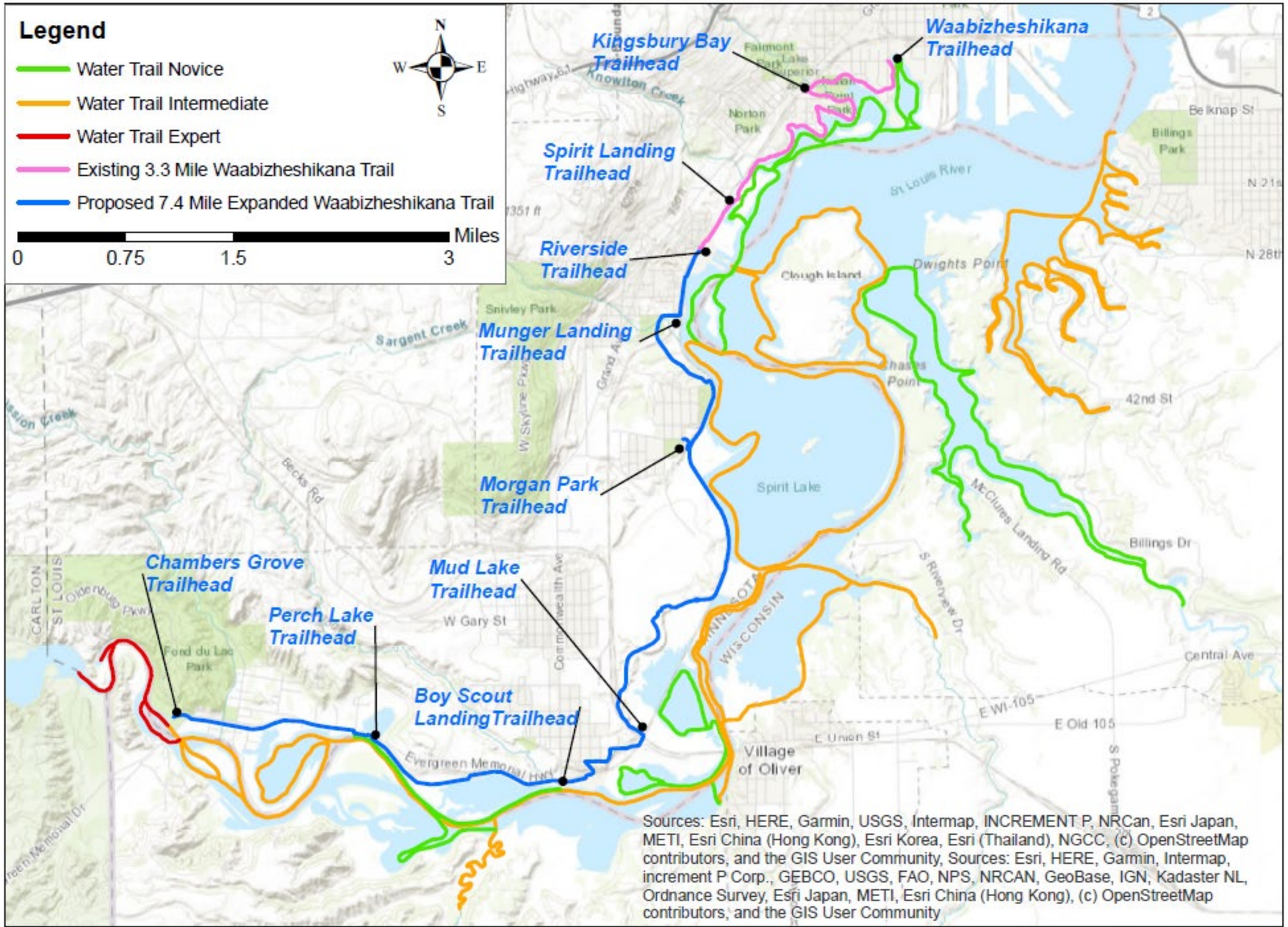
City Funds Remaining: $120,180

- Water trail programming, marketing, and outreach led by St. Louis River Alliance
- Munger Landing & Perch Lake improvements planned for 2022 and 2023
- Slag Point water access development in partnership with U.S. Steel
- Spirit Landing carry-in paddle access – specific plan to be developed

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National Water Trail & Water Access



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Spirit Landing

Secure and improve continued public access for pedestrians, cyclists, and paddlers to a restored and protected riverfront opposite Tallas Island.

- 2015: Riverside Small Area Plan adopted including recommendations to secure and maintain the Spirit Landing area as a minimally improved, publicly accessible natural area
- 2019: Waabizheshikana Mini-Master Plan adopted, including realignment of trail segment connecting Riverside and Spirit Landing
- 2020: City publicly abandons plans to extend Riverwest Drive across the BN railroad
- 2021: Riverwest Drive and parallel bike/ped path constructed to the uphill side of railroad

Work Completed or Funded

Half & Half:	$	450,000
Other City Funds:	$	0
Non-City Contributions:	$	1,377,000
TOTAL:	$	1,827,000

Funds Remaining

City Funds Remaining: $ 375,619

2022 – Acquire, restore, and permanently protect BN-owned riverfront and adjoining tax forfeit property including Tallas Island

2023 – Construct bike/ped crossing of BN line at terminus of Riverwest Drive and relocate portion of Waabizheshikana away from the BN line

TBD – Develop and implement plan for carry-in canoe/kayak access

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Quarry Park

Establish a neighborhood park with accessible trails, disc golf, connections to the Superior Hiking Trail and the Duluth Traverse, a multi-use gathering space, and world-class ice climbing.

- 2016: Quarry Park officially dedicated as a park, and Mini-Master Plan adopted
- 2018: Accessible trail loop and parking lot completed
- 2019: Disc golf course, hiking loop, mountain bike trail, service road, and gates completed
- 2020: Signage and wayfinding completed
- 2021: Ice-farming system and pump house completed

Work Completed or Funded

Half & Half:	$	210,000
Other City Funds:	$	0
Non-City Contributions:	$	33,280
TOTAL:	$	243,280

- Project complete
- Inaugural ice farming season in 2022

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Quarry Park







Indian Point Campground

Planning and renewal of Indian Point Campground.

- 2021: Restroom and shower-house facility improvements

Work Completed or Funded		
Half & Half:	$	50,000
Other City Funds:	$	0
Non-City Contributions:	$	500,000
TOTAL:	$	550,000

Funds Remaining		
City Funds Remaining:	$	0

** Remainder of original Indian Point Half & Half reassigned to completion of multi-use accessible trail systems*

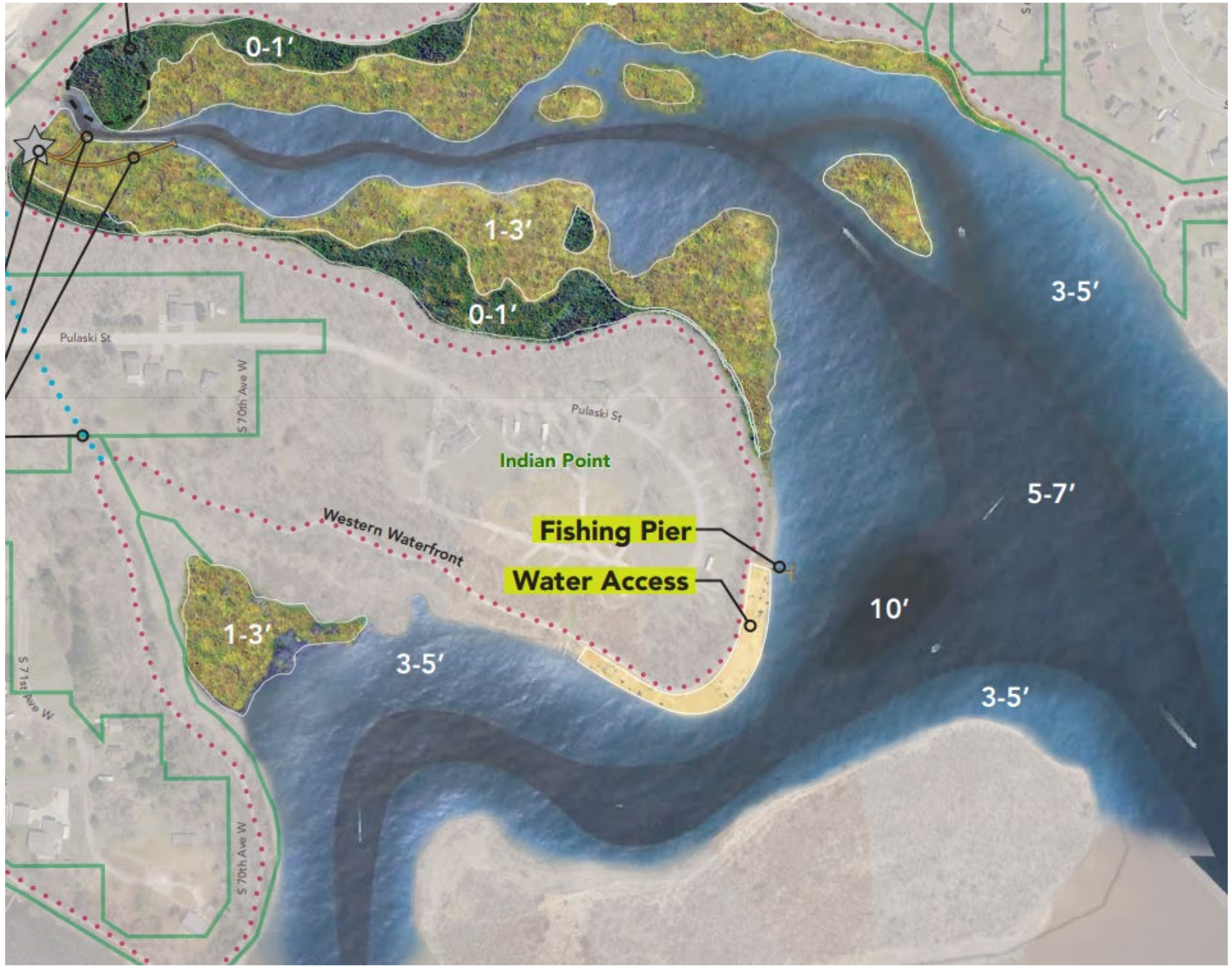
- 2022 – DNR to complete dredging for potential swimming area, install new fishing pier, and complete trail improvements
- Determine purpose of site – campground, park, or both – and develop mini-master plan. Timing tbd.

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Indian Point Campground

Improvements to the Indian Point Area



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Looking Forward

- **2022-2023:** Complete green space acquisition and associated park and Duluth Natural Area designations.
- **2023:** Plan and implement tourism promotional strategy for St. Louis River Corridor
- **2023-2025:** Complete big projects that are nearing the finish line – e.g. Lincoln Park, Grand Avenue Nordic Center, the Cross City Trail, Gary New Duluth, etc.
- **2023-2026**: Cost-effectively build out Waabizheshikana and National Water Trail in association with completion of riverfront contaminant cleanup projects

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Project Funding

Half and Half Funds Remaining (By Project)

	Half & Half Remaining	
Cross City Trail	$	186,700
DWP	$	-
Waabizheshikana	$	330,646
Duluth Traverse	$	-
Spirit Mountain Bike Trails	$	-
Snowmobile Trails	$	23,449
Grand Avenue Nordic Center	$	-
Equestrian Trails	$	-
SHT Loops	$	20,490
ATV Trails	$	-
Wade-Wheeler Complex	$	-
Lincoln Park	$	467,061
Chambers Grove	$	-
GND Recreation Area	$	-
Memorial Park	$	594,853
Neighborhood Parks	$	366,529
St. Louis River Natural Area	$	-
Land Acquisition	$	-
Plant Restoration & Care	$	-
Signage & Wayfinding	$	77,420
Spirit Mnt. Rec Area	$	-
Lake Superior Zoo	$	-
National Water Trail	$	120,180
Indian Point/Kingsbury Bay	$	-
Quarry Park	$	32,124
Spirit Landing	$	375,619
TOTAL	**$**	**2,595,071**

Questions?

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APPENDIX F

SPIRIT MOUNTAIN TASK FORCE

RECOMMENDATIONS

MARCH 2021

SPIRIT MOUNTAIN TASK FORCE MEMBERS

Co-Chairs:

City Councilor **Arik Forsman**, Parks, Libraries and Authorities Chair
City Councilor **Janet Kennedy**, Fifth District

Task Force Members:

Matt Baumgartner
Amy Brooks
Barbara Carr
Michele Dressel
Mark Emmel
Daniel Hartman
Hansi Johnson
Noah Kramer
Dale Lewis
Sam Luoma
Chris Rubesch
Scott Youngdahl
Aaron Stolp, Spirit Mountain Recreation Area Authority Board Chair
Wayne DuPuis, an Indigenous representative with expertise in Indigenous cultural resources

Ex officio members:

Gretchen Ransom, Dave Wadsworth and **Jane Kaiser** (retired), directors at Spirit Mountain
Anna Tanski, executive director of Visit Duluth
Tim Miller and **Bjorn Reed**, representatives of the Spirit Mountain workforce selected in consultation with the AFSCME collective bargaining unit

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INTRODUCTION

In July 2020, Mayor Emily Larson created the Spirit Mountain Task Force (SMTF), charging its 16 members to develop a set of recommendations to put the Spirit Mountain Recreation Area on a financially sustainable, long-term trajectory.

Mayor Larson directed the Task Force to examine all options to achieve this financial sustainability, including:

1. Business improvement strategies addressing pricing, scope of services, marketing, days and seasons of operation, etc.
2. Capital infrastructure right-sizing and renewal
3. Adjustments to tourism tax support
4. Strategic partnerships with nonprofits, units of government, resort management firms, and/or developers for sale, lease, contract operation, and/or redevelopment of all or portions of Spirit recreational facilities and operations.

Co-chaired by Councilors Janet Kennedy and Arik Forsman, the 16 members of the task force and five ex officio members met 20 times beginning in early August 2020, in addition to participating in multiple subcommittee meetings. Their combined service amounts to more than 900 hours of presentations, discussions and deliberations.

Throughout the summer and fall, Task Force members grounded themselves in the very early and more recent history of Spirit Mountain and the enabling legislation that created the recreation area. Task Force members toured the recreation area to get a first-hand look at the issues and opportunities, in addition to having in-depth presentations from City of Duluth and Spirit Mountain staff.

Task Force members formed subcommittees to conduct independent research, learning more about ski resorts of different types across the country through independent online research and interviews with leaders at the resorts.

To make industry expertise available to the Task Force, the City of Duluth hired the SE Group, a consulting firm with worldwide experience and expertise in working with ski resorts and other outdoor projects; it's one of five firms in the world that specialize in consulting with ski areas. Task Force members had several opportunities to learn from and ask questions of the SE Group's team of experts throughout the latter stages of the process and also had access to their detailed report, which is appended to this Task Force report.

EXECUTIVE SUMMARY

The Task Force weighed in on each element of the Mayor's charge; recommendations are detailed in the body of the report. The following is a summary of the Task Force's work:

Business improvement strategies:

- Engage Broadly with the Community
- Strengthen the Leadership of the SMRA
- Increase Revenue from Operations
- Improve Overall Guest Experience
- Increase the Number of Users SMRA
- Increase the Variety of Users of SMRA
- Enhance Programming
- Pursue Other Sources of Revenue

Capital Infrastructure Right-Sizing and Renewal:
The Task Force reviewed three potential levels of investment identified by the SE Group and identified the strengths and limitations of each that City decision-makers should consider when weighing the investment options.

Adjustments to Tourism Tax Support:
Given the $22.4 million annual economic impact Spirit Mountain has on the economy and the benefits it provides residents, visitors and the hospitality industry, the Task Force recommended continued investment of tourism tax proceeds in Spirit Mountain. The Task Force also recommended that Spirit Mountain be held accountable for strategic investment of those proceeds.

The Task Force recommended the City and Spirit Mountain explore options for repaying operating debt to help ensure Spirit's long-term financial sustainability.

Strategic Partnerships
The Task Force assessed five potential options for the ownership/operation of Spirit Mountain: 1. Sale of the City-owned facility; 2. Cooperative ownership/operation; 3. City ownership/ operation; 4. City ownership/non-profit operation, and 5. City ownership/operation under a long-term lease. Task Force members researched options 3, 4 and 5, and identified the strengths and limitations of each. In addition the Task Force identified elements that must be a part of any ownership/operation model.

Redefining the Leadership Structure at Spirit Mountain
The Task Force identified opportunities for the City of Duluth, the Spirit Mountain Recreation Area Authority Board, Spirit Mountain executive director and leadership team to work together to develop and support a community vision and ensure the governance, resources and preservation of the facility support that vision.

FULFILLING THE CHARGE

BUSINESS IMPROVEMENT STRATEGIES

The business improvement strategies outlined below emerged from the SE Group's recommendations and Task Force members' deliberations throughout their meetings. The strategies represent operational changes that the Task Force recommends Spirit Mountain undertake to improve its operations, as well as its standing in the community at large.

Strategy A: Engage Broadly with the Community

- Rebuild the relationship with the community
- Form strategic partnerships including with sponsors, nonprofits, etc.
- Engage more broadly with volunteers
- Offer entertainment and other options accessible to the local community – i.e. concerts, etc.

Strategy B: Strengthen the Leadership of the SMRA

- Foster top-line leadership that that supports greater team collaboration, transparency, community relations and enhanced operations
- Ensure greater collaboration among the City of Duluth, board, executive director and staff

Strategy C: Increase Revenue from Operations

- Set prices to optimize business performance
- Adjust lesson prices to generate more revenue
- Adjust rental prices to generate more revenue, consistent with improvement in the rental fleet
- Serve higher quality, more appealing food options and adjust operations to improve margins and generate more revenue
- Ensure each guest has a valid pass or ticket
- Rebrand the Spirit Mountain Recreation Area
- Develop and implement a strategic marketing plan

Strategy D: Improve Overall Guest Experience

- Create a better guest experience by improving customer service throughout
- Use technology to enhance process of selling tickets
- Further engage hospitality partners in selling tickets for winter and summer activities

Strategy E: Increase the Number of Users SMRA

- Explore increasing accessibility by adjusting prices for some local users
- Create a more welcoming atmosphere

Strategy F: Increase the Variety of Users of SMRA

- Embrace a year 'round culture
- Continue to offer and explore additional activities with low barriers to entry that could bring a broad swath of visitors to the recreation area
- Reach out intentionally to all segments of the community, especially those that have been marginalized

STRATEGY G: Enhance Programming

- Maximize snow sports programming critical to Spirit's mission as a family-oriented ski area
- Create more opportunities at the Adventure Park
- Re-envision the Grand Avenue Chalet as a year 'round outdoor recreational hub for the entire City

STRATEGY H: Pursue Other Sources of Revenue

- Consider creating a Friends of Spirit nonprofit to solicit and receive donations
- Pursue corporate sponsorships/advertising

CAPITAL INFRASTRUCTURE RIGHT-SIZING AND RENEWAL

The SE Group developed three different approaches to investing in the aging infrastructure at Spirit Mountain, giving the Task Force different options to consider in terms of cost, types of investment and calculated return on investment; however, the SE Group recommended only one of those options.

The SE Group based its recommendations on calculations of the internal rate of return of the investment and the investment's contribution to the value of Spirit Mountain over ten years.

Because the details of any funding package cannot be known until they are developed, the Task Force reviewed each proposal based on its strengths and its limitations – sharing with decision-makers at the City of Duluth things that should be kept in mind as projects are considered and as any funding packages are developed and examined.

The following pages capture individual Task Force members' perceived strengths and limitations of each investment option; similar comments are grouped together to indicate that more than one Task Force member shared a similar perspective.

Low-Level Investment Option

The SE Group did not recommend this capital investment package because it generated a negative rate of return and would not be sufficient to bring Spirit Mountain to profitability within 10 years. The package focused on some Skyline Chalet renovations, new rolling stock like groomers, investments in the Adventure Park and improvement in the point of sale system.

Low-Level Investment Option	
Strengths	**Limitations**
▪ Low investment ▪ Does not "throw money" at Spirit for infrastructure without a payment plan ▪ Low risk ▪ Low political risk ▪ Manageable and possibly more palatable	▪ Zero investment in infrastructure with this age ▪ Not enough investment to truly change things ▪ Doesn't address the issues raised by the SE Group ▪ Will produce snowballing infrastructure failures ▪ SE characterized the low-investment level as slow, inevitable death ▪ Doesn't help Spirit long-term to be more financially sustainable ▪ Would this make Spirit sustainable? ▪ Would not put Spirit into position to reach full potential ▪ Does not allow Spirit Mountain to sustain financial viability ▪ Seems like kicking the can further down the road, which could be a significant political risk with a crisis—meaning losing the support of elected leaders down the road ▪ It's a political risk also to keep going back time and time again ▪ Not easy to go back for bonding funds every year ▪ Low internal rate of return ▪ Low reward ▪ The longer Spirit waits on infrastructure, the more it's going to cost ▪ No funding for ADA improvements ▪ Deferred maintenance on the lifts

Medium-Level Investment Option

The SE Group did not recommend this infrastructure investment option. While it had a positive rate of return and resulted in a very modest increase in value, both were far less than the recommended level of investment. The medium-investment level focused on lift improvements, investments in summer-related tourism activities, improvements to the lodge and maintenance area, and the addition of rolling stock like groomers.

Medium-Level Investment Option	
Strengths	**Limitations**
▪ Helps grow summer business ▪ Seems to invest in higher return projects (summer) ▪ Consistent operating income ▪ Addresses deferred maintenance and improvements to infrastructure ▪ Doesn't depend on price increases on lift tickets ▪ It's the middle of the road, puts Spirit in a place where it makes more $$$ but doesn't cripple them with debt that is unrealistic to pay off	▪ Shifts focus away from winter long-term ▪ Lower investment could be less attractive for state bonding dollars ▪ Focuses on boosting summer when winter is where the community gets the ROI, both financially and for seasonal recreation opportunities

Recommended Investment Level Option

SE Group recommended this level of investment based on a strong rate of return and increase in the value of Spirit Mountain over 10 years. SE Group also modeled Spirit's annual economic impact under this scenario and projected a 77% increase in the annual economic impact, from $22 million to $39 million. The recommended investments include a new lift, upgrades to the beginner terrain and lighting, improvements to summer offerings and significant investment in the Skyline Chalet and other aging infrastructure.

Recommended Investment Level	
Strengths	**Limitations**
▪ Now is the time to ask given the State support, etc. It is better to ask for need for future and not limp through the years. ▪ You will always have to manage the political ask. Do it well. Do it once. Make it sustainable. ▪ Political signs at the state are all positive. That may not be the case in 2 years or 4 years. This might be Spirits time to "take a bite of the apple" ▪ In my experience, often you get less than you actually ask for. So go high; you may still end up medium to low, regardless. ▪ There may never be a better time to go for the recommended level ▪ Addresses all the issues Spirit is currently facing ▪ Spirit Mountain requires capital investment for deferred as well as upgrades. ▪ It is mostly deferred maintenance catch up and a picture can be painted of a chronically cash-starved operation that is getting turned around ▪ The strengths of this, to me, are these people are the experts and their experience is invaluable ▪ I trust the experts, SE Group. These folks do this every day. ▪ The full investment is ideal but is it realistic? Does the city have an appetite for that significant level of bonding required? ▪ Private investment, either through a lease or other arrangement like corporate	▪ Harder to message to the public versus the medium investment ▪ I don't think the community as a whole is ready for significant investment at this moment, but in time with more community involvement from Spirit, I could see the community supportive of the full investment later ▪ It's a much greater risk. ▪ I struggle with the assumption in the highest level would result in sustained 3% real revenue growth, which then results in a huge "terminal value" and 13% return ▪ I am not that confident that things will come back based on this high level of investment. It is not conservative. ▪ We have to prove our numbers first. ▪ High investment is totally dependent on the accuracy of SE projections and management's ability to implement the recommendations. There is no room for error. What if the projections are off? We need to prove ourselves first. ▪ The "High" model that is recommended builds permanent 5,000 visit increases in FY22/23 and another 5,000 in FY23/24 as a result of the lodge renovations. For the "Medium" model this is reduced to 2,000 visit permanent bump starting in FY22/23 only. Given the differences in capital items between the "High" and "Medium" investment models, it is surprising that there is such a difference in the assumed increases in visitation, ability to increase prices, and consequent returns on investment

sponsorships, could help defer costs for specific items in the medium or high models ▪ Potential for public/private partnerships may defray the cost of the lighting and the lodge renovation.	of 13% vs. 4%. ▪ I worry that Duluth historically gets caught up in making big investments using debt, with the justification that it will boost revenues and tourist dollars. Post mortems often don't look so good ▪ I don't know that a Bond ask would be approved without restructuring the debt ▪ There is no plan for repayment of debt ▪ We can take bigger bites of the apple later if we can improve the cash flow and the image in the next few years.

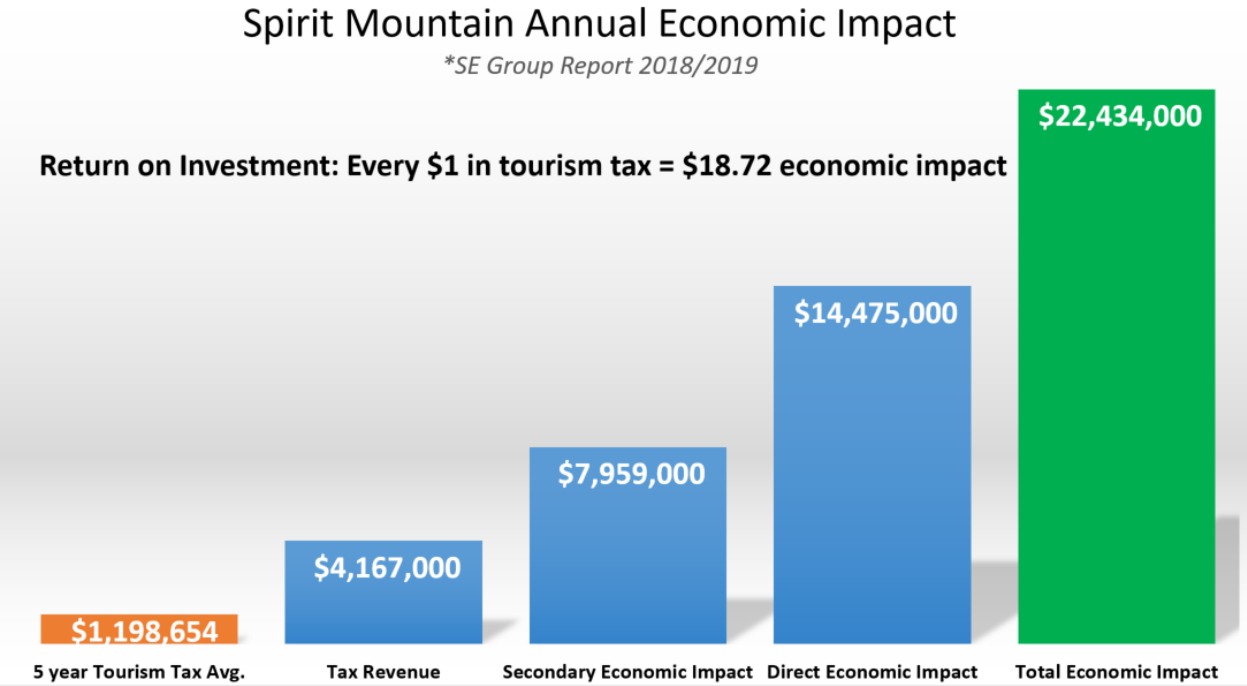
ADJUSTMENTS TO TOURISM TAX SUPPORT

History: The City of Duluth collects taxes on lodging and restaurant/bar food and beverage sales via its “tourism tax." Legislation passed in 1980 named Spirit Mountain as one of two entities specifically intended as one of the recipients of the tax proceeds, and it has benefitted from investment of tourism taxes in both its infrastructure and its operation.

The amount and the percentage of the tourism tax proceeds appropriated to Spirit have varied widely, however. (*See Appendix II on Page 29*). The first appropriation in 1978 was $388,433 or 46.6% of total collections. In 2002, the appropriation was $64,200 or 1.46% of total tax proceeds; in 2003, the City of Duluth did not appropriate any tourism tax proceeds to Spirit Mountain. In 2019, the City of Duluth dedicated $1.4 million or 11% of the proceeds to Spirit.

Since 1978, the City of Duluth has invested a cumulative $19,846,000 in tourism tax proceeds for Spirit Mountain for operations and capital improvements; in addition, since 1974, the City has issued a cumulative $19,301,000 in bonds to build the original infrastructure, build the Grand Avenue Chalet and install a new lift and to cover a portion of the St. Louis River water project for snowmaking.

These investments, in turn, have generated significant economic impact, including the 300 full-time equivalents employed by Spirit Mountain annually. The chart below demonstrates the rate of return on the City’s most recent investments. Every dollar of tourism tax appropriated to Spirit Mountain generates $18.72 in economic impact.



Spirit Mountain Task Force Recommendation for Ongoing Tourism Tax Support:

The City of Duluth should continue to invest proceeds from the tourism tax in Spirit Mountain, which enhances the quality of life for residents, makes a significant contribution to the local economy with an annual economic impact of $22.4 million, attracts out-of-town visitors and has a positive impact on its partners in the hospitality industry, especially during the winter months.

To have the greatest impact on the future sustainability of Spirit Mountain, ensure predictability and minimize political/public negativity, the City of Duluth consistently should appropriate a dedicated and sustained amount of tourism tax proceeds commensurate both with Spirit Mountain's identified needs and the benefits it generates for residents, guests and the local economy.

In return for consistent investment by the City of Duluth, Spirit Mountain leadership must enter into a binding agreement to develop and be held accountable for making strategic investments with tourism tax proceeds rather than relying on tourism taxes to cover day-to-day operations and regularly communicating its strategy to the City of Duluth and the community at large.

Spirit Mountain Task Force Recommendation on Operating Debt:

It is important for a seasonal business like Spirit Mountain to have access to a flexible line of credit for normal business operations. To address the existing operating debt, the Task Force recommends the City of Duluth and Spirit Mountain enter into a debt repayment plan, which could include relief of some of the existing operating debt, as part of a set of actions designed to achieve financial sustainability for the Spirit Mountain Recreation Area.

STRATEGIC PARTNERSHIPS

The Mayor directed the Task Force to examine all options to achieve financial sustainability including: "Strategic partnerships with nonprofits, units of government, resort management firms, and/or developers for sale, lease, contract operation, and/or redevelopment of all or portions of Spirit recreational facilities and operations."

The Task Force initially assessed five potential options for the ownership/operation of Spirit Mountain:

- Sale of the City-owned facility to a private entity;
- Sale of the City-owned facility to a cooperative that would own and operate it;
- Government owned and government operated (the current model at Spirit Mountain)
- Government owned and non-profit operated
- Government owned and operated by business under a long-term lease with the City

After deliberations, the Task Force opted to forego further exploration of the sale of Spirit Mountain on the basis of City staff analysis that sale is impracticable as a result of the federal law that provided funding for the creation of Spirit Mountain and, in association, restricted the future ownership and use of the facility. For the same reasons, the Task Force declined to explore further the cooperative model, which would entail sale of the facility to cooperative members.

Task Force members used their own contacts and the connections of the SE Group to identify and research the remaining three types of ownership/management partnerships:

- Government owned and government operated (the current model at Spirit Mountain)
- Government owned and non-profit operated
- Government owned and operated by business under a long-term lease with the City

Task force members formed three subcommittees to study each of the options, organizing the subcommittee meetings, accepting research assignments, compiling their findings, and ultimately reporting them to the full Task Force so all members could have the benefit of their newly acquired knowledge.

Because the details of any new operational models couldn't be known, the Task Force reviewed each option based on its strengths and its limitations – sharing with decision-makers at the City of Duluth things that should be kept in mind as operational models are considered.

Task Force members expressed strong desires that regardless of the operating model chosen, the following elements must be reflected:

- A committed owner

- An accountable management structure that works with a written contract for financials and performance expectations of all parties
- Financial sustainability
- A strategic capital reinvestment plan utilizing tourism tax resources and additional state or private dollars
- A community resource with affordable recreational facilities for local residents
- An all-around recreational attraction (more than just a ski and snowboard hill)
- An emphasis on the natural beauty of the Spirit Mountain Recreation Area, the history of humans and nature in the area and the cultural resource it represents
- A commitment to rebuild and retain community input in the recreational opportunities at Spirit Mountain

As noted elsewhere in this report, the Task Force recommends consistent and ongoing dedication of tourism tax proceeds to Spirit Mountain, regardless of the operating model eventually chosen.

Government Owned and Government Operated:

(This ownership/management structure currently exists at Spirit Mountain.)

Government Owned and Government Operated	
Strengths	**Limitations**
▪ Representative of community values ▪ Community connection remains ▪ Stakeholder aka citizen input and control ▪ Ability to adapt and include more types of activities and thus more connection to more types of people in the community. ▪ Best chance to "be everything" ▪ Maintain operating control ▪ The City will retain control of the asset ▪ Ownership of Tax Base ▪ Transparency ▪ Patient owner and lender ▪ Government's ability to raise capital ▪ More stability because of the City support ▪ Bonding for Capital Improvement ▪ Maintain affordability for all in the community!	▪ Backing by tax base has historically enabled poor performance ▪ Financial backing of the city has been used to overcompensate for lack of leadership ▪ Enabling poor management to continue ▪ Inconstant, unprofessional board ▪ Enabled board to function at a subpar level ▪ Negative is that the backing by tax base politicizes everything ▪ Turnover of city council and changes in Mayor make it challenging to navigate political climate and level of support will vary depending upon who's in those positions ▪ Weakness, convoluted budgeting, slow changing and confusing structure ▪ Complicated financial structure, as discussed today ▪ Negative is that so far customer experience seems to foster a "Governmental" Customer experience…. ▪ I can't think of any government-owned and operated restaurant winning any awards ▪ Optics for the general population is negative given the complicated/involved relationship with the government ownership ▪ Even though it is controlled by the city, the public doesn't necessarily judge Spirit like a government asset. ▪ Current structure did not allow Spirit to participate in COVID funding

Government Owned / Non – Profit Operated

Government Owned and Non-Profit Operated	
Strengths	**Limitations**
▪ More community buy-in ▪ Buy-in from a larger community ▪ Good way to change branding and connection to Community ▪ Community support ▪ Chance to hit reset culturally ▪ Flexibility and ability to make changes quickly, connected to community, would include a major restructuring of staff & management, would force Spirit to become an efficient as possible ▪ Could be more entrepreneurial ▪ Central "Mission statement" to follow for staff and board ▪ More available financial resources ▪ Ability to be more than a ski hill…Diversification is a positive ▪ We have an example of a local similar success in Great Lake Aquarium ▪ Greater ability to focus specifically on the success of Spirit Mountain and not the city as a whole	▪ Duluth saturated with non-profits ▪ At some point the area won't be able to support more nonprofit fundraising ▪ Amount of nonprofits we have in the City already ▪ Competition for fundraising with other worthy uses in community ▪ The time it takes to cultivate an organization to be equipped to actually run the place ▪ The time it would take to create and how the nonprofit would be structured ▪ Management makes or breaks the organization (if you have the wrong management in it will sink the whole ship) ▪ They would be on an even leaner budget than under the City ▪ Meeting union benefits will be a challenge ▪ None, it is essentially what we are today in an Authority. Would just add another layer of Bureaucracy ▪ Can change over the course of time resulting in a drifting mission.

Government Owned/Operated under a Long-Term Lease

Task Force members noted the difficulty in identifying strengths and limitations without knowing the terms of a specific lease.

Government Owned/Operated under Long-Term Lease	
Strengths	**Limitations**
▪ Bring in private resources for financing ▪ Less reliance on public funding ▪ Opportunity for real investment ▪ Likely an easier political path to reinvest in Spirit with a private partner that is covering some of that expense ▪ Will bring in operating expertise ▪ Polished operator ▪ Experience in running ski area ▪ Contribution to taxes ▪ Potentially achieve much greater growth and economic impact ▪ A for profit generates tax revenue that go to lessen the tax burden on locals. Additionally, tax revenue can support CRITICAL needs within the community ▪ Lower risk to the city bottom line ▪ Reduce financial risk for City ▪ Better customer experience ▪ Obvious change by the public - easier story to tell about what is changing ▪ Lessens political optics away from the City ▪ Potential for establishing reliable income streams, such as in food and beverage	▪ Potential for less community feel and less drive to create community value. ▪ Less control for community potentially ▪ We have to fix our own problems before we attract new lease operator. ▪ Community disconnect. For example, when Vail bought Afton Alps they jacked the price up and priced out the market ▪ Loss of control ▪ Price increases that make it harder for locals to ski or ride ▪ Would not serve the lesser market ▪ Raised prices ▪ Reduced affordability ▪ Independent operator could significantly change the facility reduce lifts, space, staff, etc. to maximize profits. ▪ Could end up like golf courses where an operator comes in and takes all the profit without making capital/maintenance investments leaving the City with a bigger mess ▪ More of Spirit's money goes out the door ▪ Profits would leave town and out of the local economic cycle ▪ Our research on the operating lease model found that we should not expect private operators to bring all of the financial resources. A financial commitment from the city would likely still be needed. ▪ Another caveat was that private operators can be of varying quality in terms of industry expertise and professionalism, and care should be taken to vet the potential partners carefully. ▪ Risk of losing our jobs ▪ Wages cuts

	▪ Probably lesser benefits for employees (probably not lower wages) ▪ Some reduced willingness to do things that are community positive but not great for business ▪ Outside companies may not provide the programming for community events that we work toward ▪ Opens up risk to mergers and acquisitions of the private company ▪ The politicians won't want to let go ▪ Not a magic bullet in getting the city off the hook. ▪ Limited opportunity right now is to create a nonprofit to raise funds for Spirit that might, years from now, be able and willing to assume some or all operating responsibilities. ▪ They might put all of their investment dollars into the lodge for increasing the profits in food and beverage, and nothing in the hill renovation. This is informative in terms of a strategy for pure financial sustainability if the quality of the skiing experience is disregarded.

REDEFINING THE LEADERSHIP STRUCTURE

Throughout its deliberations, the Task Force continually returned to the topic of leadership at Spirit Mountain Recreation Area and how critical effective leadership will be to ensuring the long-term sustainability of this community resource. Indeed, Task Force members noted that none of its recommendations will succeed in helping Spirit Mountain realize long-term sustainability without strong leadership exhibited throughout the leadership structure responsible for its success.

Spirit Mountain is an incredibly unique community resource that, as yet, has not realized fully the vision its founders had to develop a wide range of recreational facilities available to both local residents and tourists. While Spirit Mountain has had many notable successes in its 46-year history, the recreation area and its vision also have suffered from inconsistent leadership and support at all levels. The following describes in a model leadership structure that would ensure the community benefits from this resource in the manner its founders and funders intended.

	City of Duluth	**SMRA Board**	**SMRA Executive Director**	**SMRA Leadership Team**
Vision	Unite the community in a commonly held vision for this unique community resource	▪ Commit to ensuring SMRA lives into the community vision ▪ Serve as ambassadors for the SMRA and the vision it is striving to realize	▪ Embrace and implement the community vision ▪ Engage the community in support of the vision ▪ Ensure staff embrace, implement and reflect vision	▪ Embrace and help implement the community vision ▪ Ensure staff embrace, implement and reflect the vision
Governance	▪ Ensure board appointees reflect and support the community vision. ▪ Appoint a councilor and administration member as ex officio members	Hire, support and hold accountable an E.D. who will work to implement the community vision	▪ Ensure the board has the information it needs to govern effectively ▪ Support the board in its governance and ambassador roles	Support the board in its governance role
Resources	Maintain predictable level of support for SMRA	▪ Review and approve budgets that will lead to implementation of the community vision ▪ Support SMRA efforts to secure financial resources from multiple sources	▪ Ensure strong financial performance with strong revenue and controlling expenses ▪ Develop budgets that include ongoing re-investment in infrastructure ▪ Secure grants, sponsorships and donations to support the SMRA vision	Perform to revenue and expense budgets
Preservation	Invest in maintenance of this public asset	Ensure budgets and performance include investment in infrastructure	Develop budgets that include ongoing re-investment in infrastructure	Identify capital infrastructure repair/improvement needs to be included annually in budget

BACKGROUND:

Spirit Mountain Recreation Area (SMRA) was created in state law in 1973 after local leaders envisioned and lobbied for a public recreation area that would provide expanded recreational opportunities to residents and tourists, enhance the economy of northeastern Minnesota and help preserve the environment via an intelligent plan of development. The original funding package included support from federal, state and city governments, as well as private contributions.

SMRA was created as an entity of the City of Duluth with a governing board appointed by the mayor and approved by the city council. The enabling legislation intertwined SMRA's operation with that of the City of Duluth, for example requiring that the city treasurer serve as treasurer and have custody of all monies and requiring that the City Attorney serve as the attorney for the SMRA. Dollars generated by SMRA are public dollars and employees are public employees.

The ski resort at Spirit Mountain opened in 1974. Owned by the City of Duluth on behalf of residents, governed by a board appointed by the mayor and operated by an executive director and leadership team, the ski resort has struggled almost from the beginning with an overall leadership structure that has been inconsistent in its level of support, performance and common vision.

For the SMRA to realize its original intent, all parts of the leadership structure described above have to function effectively, consistently and cooperatively.

VISION:

<u>Past:</u>
The founders of SMRA had a compelling vision. Over time, however, that compelling vision has receded, and the leadership structure – City, Board, Executive Director and Leadership Team – has failed to unite under a common vision, has failed to work together toward a common purpose. In fact, there are competing visions throughout the community and sometimes the leadership:

Is SMRA a ski resort or a recreation area?
Is it a public recreational area or a business that should turn a profit?
Should it focus on the bottom line or strive to serve all community segments?
Should it continue to exist or should it be sold to a private operator?

An organization whose leadership structure isn't united in a common vision, a common definition of success, cannot answer those questions. It cannot be successful over the long term.

Redefined:
Moving forward, the City, SMRA Board, Executive Director and Leadership Team have the opportunity and responsibility to ensure SMRA is guided by a common, compelling vision.

As the owner, the City of Duluth should unite the community at large under a commonly held vision for SMRA that is inclusive of the diversity of users who would or could benefit from the recreational opportunities it offers.

The SMRA board not only must commit to pursuing the community's vision but also serve as ambassadors for it.

The executive director must embrace and be passionate about advancing the vision, ensure its implementation, understand the importance and value of community support and actively work to earn it through community engagement.

GOVERNANCE:

Past:
SMRA is a public asset worth tens of millions of dollars that generates significant economic activity in the community--$22.4 million, according to an economic impact study recently completed. The City of Duluth has invested tens of millions in infrastructure improvements and operational support over the years. And yet, similar to and perhaps because of the lack of a common vision, governance frequently has faltered. Good governance ensures an organization focuses on realizing its vision and that its decisions lead to sustainability in pursuit of the vision.

At one time or another, each member of that tripartite leadership structure – City of Duluth, SMRA board, SMRA executive director – has failed in its governance responsibility. Sometimes more than one member has fallen short at the same time.

Redefined:
Good governance starts with the City of Duluth selecting SMRA board members who are committed to the community vision and who have the drive and capacity to be active participants in helping to realize that vision. SMRA board members as a group also should reflect the community vision, not a single community of interest.

SMRA board members should hire, support and hold accountable an executive director to implement the community vision. This requires being attentive to all aspects of implementation, including but not limited to community engagement as well as operational performance. Board members' roles include supporting the executive director formally through adoption of policies, planning and regular interaction at board and committee meetings and informally by helping expand contacts within the community, serving as informal advisors, etc. Finally, the Board must hold the executive director accountable for performance toward the vision.

The executive director's role in governance is one of supporting both the City and the SMRA board to help each perform its role successfully and, ultimately, contribute to strong governance.

The executive director must keep the SMRA owner, the City of Duluth, apprised of its progress and performance toward the vision and promote potential board candidates who would support the vision and enhance overall governance. The executive director also must ensure that the City of Duluth has the information it needs to make informed decisions about operational and/or capital support of the SMRA.

In addition, the executive director must support the governance role of the SMRA board, providing sufficient orientation for new members; ensuring committees maximize board efficiency, and ensuring board members are well informed and have the data necessary to make governance decisions around policies and budgets. The executive director also must help board members serve as effective ambassadors for the community vision by providing information, supporting outreach opportunities, etc.

RESOURCES:

Past:
SMRA's ongoing financial challenges are, in large part, a consequence of the lack of a unified community vision and inconsistent leadership structure performance. Lacking a unified community vision, city leaders over time have been inconsistent in the support provided to SMRA. The SMRA board hasn't always held the executive director accountable for overall financial performance. The executive director – regardless of who has held the position – has not always managed toward a vision, frequently instead lurching from challenge to challenge, navigating changes in political will and failing to invest sufficiently in SMRA infrastructure.

Redefined:
A commonly held community vision will allow the City of Duluth to make judgments on the level, if any, of operational and/or capital support it should provide to SMRA based on the value the community puts on the resource. This, in turn, will create some predictability for the SMRA board and executive director and allow for longer-range planning.

Consistent levels of support – as much as consistency can be guaranteed given the mayor and council members do not remain static over time – will allow the SMRA board and executive director to develop longer range plans to realize the community vision and annual budgets that implement the plans. The longer range plans also will create additional opportunities to secure financial support via grants, sponsorships and donations.

The executive director must develop annual budgets that generate sufficient revenue to cover operations that move the SMRA closer to the community vision and include capital

expenditures, including those that address aging infrastructure, and creation of a small reserve. The SMRA Board must hold the executive director accountable for performing according to budget.

PRESERVATION:

Past:
A significant portion of SMRA's infrastructure is nearly 50 years old, and investment in maintenance of this aging resource has been sporadic to non-existent. Tight operational budgets have resulted in inadequate regular reinvestment, which in some cases has led to physical collapse of portions of infrastructure. ***Note: This is pointedly not true of investments that ensure safe operations, which always have been prioritized.***

While the City of Duluth has invested in new amenities for the SMRA (Grand Avenue Chalet, water system, rides in the Adventure Park, etc.) and other groups have supported development of cross-country ski and mountain-biking trails, routine re-investment in the preservation of this multi-million dollar asset has been lacking.

Redefined:
Once again, a community vision for the SMRA will help the City of Duluth and the SMRA prioritize investment in new amenities and re-affirm the need to preserve existing infrastructure.

The City of Duluth ultimately is accountable for ensuring the preservation of this public asset – potentially through additional capital investment but certainly by approving SMRA budgets only if they include investment in infrastructure. The SMRA board must hold the executive director accountable for developing budgets that address infrastructure.

EXECUTIVE DIRECTOR:

While the City of Duluth and the SMRA board have a critical role to play in the leadership of SMRA, the City and board members also have multiple other focuses. The executive director, however, has only one focus: Ensuring the success of SMRA consistent with the community vision. Therefore, a common understanding of the skills and attributes of an ideal executive director candidate is critical. The ideal executive director would:

- Embrace the community vision
- Ensure staff directors embrace the community vision
- Establish, model and reinforce a culture consistent with the community vision
- Ensure staff directors foster the culture
- Understand the importance of/invest in ongoing engagement with all segments of the community

- Support the city in its leadership role
- Support the SMRA in its leadership role

- Develop a strategic plan, as well as annual operational plans and budgets
- Hold staff directors accountable for budgets without micromanaging
- Practice sound fiscal management
- Reinvest in infrastructure

- Develop and support a leadership team that consistently can execute the operational plans and perform to budget

- Be forward looking to identify ongoing opportunities to enhance SMRA consistent with the community vision

APPENDICES

APPENDIX I: SPIRIT MOUNTAIN TASK FORCE CHARGE

Duluth Mayor Emily Larson has charged a Spirit Mountain Task Force to deliver, no later than March 1, 2021, a set of recommendations intended to put Spirit Mountain Recreation Area on a financially sustainable long-term trajectory including financing to repair or replace deteriorated infrastructure.

The Mayor has directed the Task Force to examine all options to achieve financial sustainability including:

1. Business improvement strategies addressing pricing, scope of services, marketing, days and seasons of operation, marketing, etc.

2. Capital infrastructure right-sizing and renewal

3. Adjustments to tourism tax support

4. Strategic partnerships with nonprofits, units of government, resort management firms, and/or developers for sale, lease, contract operation, and/or redevelopment of all or portions of Spirit recreational facilities and operations.

Task Force: The group was comprised of 16 voting members including:

Co-Chairs:

City Councilor **Arik Forsman**, Parks, Libraries and Authorities Chair

Fifth District Councilor **Janet Kennedy**

Twelve residents with business expertise and strong connections to Spirit Mountain:

- **Matt Baumgartner**
- **Amy Brooks**
- **Barbara Carr**
- **Michele Dressel**
- **Mark Emmel**
- **Daniel Hartman**
- **Hansi Johnson**
- **Noah Kramer**
- **Dale Lewis**
- **Sam Luoma**
- **Chris Rubesch**
- **Scott Youngdahl**

- The Spirit Mountain Recreation Area Authority Board President: **Aaron Stolp**
- One Indigenous representative with expertise in Indigenous cultural resources: **Wayne Dupuis**

Ex officio members:

- Directors at Spirit Mountain, **Gretchen Ransom**, **Dave Wadsworth** and **Jane Kaiser** (retired)
- Visit Duluth Executive Director, **Anna Tanski**
- Two representatives of the Spirit Mountain workforce selected in consultation with the AFSCME collective bargaining unit, **Tim Miller** and **Bjorn Reed**

Primary support for the task force was provided by:

- City Liaison – Property, Parks, and Libraries Director **Jim Filby Williams**
- City Administrative Information Specialist – **Amanda Anderson**
- City Administrative Clerical Specialist – **Jennifer Ondrik** (filling in for Amanda Anderson)
- Professional facilitator – **Ann Glumac**
- Ski industry business consultant - **SE Group**
- City of Duluth staff experts from Finance, Planning and Economic Development, Property, Parks, and Libraries, and City Attorney, as needed

APPENDIX II: HISTORY OF TOURISM TAX INVESTMENT IN SPIRIT MOUNTAIN

Spirit Mountain Tourism Tax Subsidy Historical Data

Year	Tourism Tax Receipts	Spirit Mtn Support ①	Percentage
1978	833,257	388,433	46.62%
1979	899,782	426,614	47.41%
1980	943,810	437,498	46.35%
1981	1,034,263	428,000	41.38%
1982	992,812	374,244	37.70%
1983	1,044,816	385,456	36.89%
1984	1,146,799	415,937	36.27%
1985	1,181,113	414,263	35.07%
1986	1,267,431	295,483	23.31%
1987	1,414,510	325,000	22.98%
1988	1,524,818	330,000	21.64%
1989	1,625,633	335,000	20.61%
1990	1,990,806	330,000	16.58%
1991	2,117,963	330,728	15.62%
1992	2,228,018	330,000	14.81%
1993	2,282,018	115,000	5.04%
1994	2,393,914	100,000	4.18%
1995	2,457,378	85,000	3.46%
1996	2,586,732	118,621	4.59%
1997	2,750,686	88,100	3.20%
1998	3,413,124	73,100	2.14%
1999	4,063,793	58,100	1.43%
2000	4,332,348	49,800	1.15%
2001	4,454,907	302,100	6.78%
2002	4,742,461	69,200	1.46%
2003	4,846,950	-	0.00%
2004	4,941,611	225,000	4.55%
2005	5,026,161	225,000	4.48%
2006	5,446,139	225,000	4.13%
2007	6,121,080	225,000	3.68%
2008	6,799,359	225,000	3.31%
2009	7,235,311	225,000	3.11%
2010	7,786,722	275,000	3.53%
2011	8,198,813	350,000	4.27%
2012	8,444,198	421,568	4.99%
2013	7,644,763	560,000	7.33%
2014	8,822,830	975,700	11.06%
2015	10,645,487	827,092	7.77%
2016	11,344,909	1,189,300	10.48%
2017	11,623,885	1,037,021	8.92%
2018	12,172,758	1,067,000	8.77%
2019	12,416,044	1,400,200	11.28%
2020②	12,000,000	1,368,350	11.40%

DATA PRIOR TO 2008 HAS NOT BEEN VERIFIED BY THE CITY FINANCE DEPARTMENT. DATA AFTER 2007 PROVIDED BY CITY FINANCE DEPARTMENT

① Spirit Mtn support includes city made bond payments, direct operating assistance and capital contributions

② Significant shortfall expected for tourism tax collections between 30% to 50%

APPENDIX III: TASK FORCE MEETING NOTES

The following pages contain the notes from 19 Task Force meetings held between August 2020 and February 2021. Task Force members also participated in an on-site tour in October 2020, although notes weren't taken during the tour.

City of Duluth
411 West First Street
Duluth, Minnesota 55802

218-730-5000

Spirit Mountain Task Force - Meeting 1 Notes

Friday, August 14, 2020--1:00 p.m. to 2:30 p.m.

Virtual meeting via Zoom

Attendees: Ann Glumac, Amanda Anderson, Janet Kennedy, Jane Kaiser, Dale Lewis, Bjorn Reed, Tim Miller, Daniel Hartman, Michele Dressel, Anna Tanski, Aaron Stolp, Gretchen Ransom, Arik Forsman, Jennifer Ondrik, Sam Luoma, Amy Brooks, Chris Rubesch, Matt Baumgartner, Barb Carr, Wayne Dupuis, Hansi Johnson, Mark Emmel, Noah Kramer, Scott Youngdahl, Jim Filby Williams

1:00 p.m. **Call to Order/Welcome**

Councilors Arik Forsman and Janet Kennedy gave a welcome and introduction of the Task Force. Jim Filby Williams gave a warm welcome and introduction on behalf of Mayor Larson's office and touched on the group's charge.

1:10 p.m. **Teleconferencing Etiquette**

Task Force Facilitator Ann Glumac reviewed teleconferencing etiquette that is expected of this group. She would like to have all cameras on so we can see each other and to mute yourself when you are not speaking.

1:15 p.m. **Introductions**

All of the members gave a brief introduction of themselves and why they wanted to be on the Task Force or how they were connected to Spirit Mountain.

1:30 p.m. **Task Force Charge from Mayor Larson**

Jim Filby Williams reviewed the attachment that included the Mayor's charge for the group. This is what the Task Force will be working on and towards in the coming months.

1:35 p.m. **Discussion of Roles**

- Co-chairs
- Ex-Officio Members
- Facilitator

City of Duluth
411 West First Street
Duluth, Minnesota 55802

218-730-5000

There was a discussion of roles for the group. Janet Kennedy and Arik Forsman are co-chairs and help bring items forward to the Task Force meetings. They continue to keep an eye on the politics of Spirit Mountain. The Ex-Officio members were named: Anna Tanski, Jane Kaiser, Tim Miller and Bjorn Reed. Ann Glumac gave an overview of her role as facilitator and talked about being named the Interim Director at Spirit Mountain and how her role as facilitator and Interim would be separate.

1:40 p.m. **Initial Task Force Meetings**

- Discussion of meeting days/times
  The group seemed to come to a consensus that Wednesdays or Thursdays during the day worked best to meet. Future meetings of the Task Force will likely be two hours in length.

- Review of topics for upcoming meetings
  - History of Spirit Mountain Development
  - Governance Structure
  - Financial Overview
  - Finances and Operations

1:45 p.m. **Review/discuss background documents sent in advance**

- Formal charge
- Facilitator's Scope of Work
- Roster of Task Force Members
- Spirit Mountain Master Plan approved by City Council
- Most recent audited financials

2:25 p.m. **Next steps**

The Task Force is looking to set up another meeting and will likely meet twice a month for two hours at a time. There will be a leadership meeting with the Indigenous Commission.

2:30 p.m. **Adjourn**

MEETING AGENDA

Spirit Mountain Task Force
Meeting 2 Notes
9 a.m. to 11 a.m.
Thursday, August 27, 2020

Virtual meeting via Zoom

Attendees: Ann Glumac, Amanda Anderson, Janet Kennedy, Jane Kaiser, Dale Lewis, Bjorn Reed, Tim Miller, Daniel Hartman, Michele Dressel, Anna Tanski, Aaron Stolp, Gretchen Ransom, Arik Forsman, Jennifer Ondrik, Amy Brooks, Chris Rubesch, Matt Baumgartner, Barb Carr, Wayne Dupuis, Hansi Johnson, Mark Emmel, Noah Kramer, Scott Youngdahl, Jim Filby Williams, Claire Humber, Kent Sharp

Meeting Goals:

- Develop a common understanding of the history of Spirit Mountain and the Spirit Mountain Recreation Authority
- Outline Task Force Process moving forward

9:00 a.m. **Call to Order/Welcome**
Co-Chairs Councilors Janet Kennedy and Arik Forsman
Director of Property, Parks and Libraries Jim Filby Williams

Councilor Forsman and Director Filby Williams reminded members that the task force charge is the long-term sustainability of Spirit Mountain, confident that the board and staff of Spirit Mountain are working on current operations.

9:10 a.m. **Spiritual and Cultural History of Spirit Mountain**
Task Force Member Wayne DuPuis,
Environmental Program Manager
Fond du Lac Band of Lake Superior Chippewa

Wayne Dupuis provided his background knowledge and cultural history with Spirit Mountain, which is derived from the Ojibwe “Manidoo madjiwe.” He talked about the connection of Spirit Mountain to several other bands including the Lakota, Dakotas and Cheyenne. The Dakotas and Lakotas lived near Nopeming in the early 1600’s. There was discussion around whether or not the Tribal or Native members of the community had been included in conversations around the proposed Spirit Mountain Development. When Spirit Mountain was

proposed, times were very informal so there was very little inclusion from the Native peoples. There was not much push back from the tribes in relation to Spirit Mountain. There is a resolution somewhere by the Native peoples to the City of Duluth that was opposing a golf course at Spirit Mountain. There was also discussion around how to celebrate the connection between the Natives and Spirit Mountain area in the form of a cultural center.

9:40 a.m. **History of the Spirit Mountain Recreation Area**
Task Force Member Dale Lewis,
Early SMRA Board Member

Dale Lewis gave an overview of the construction of the Spirit Mountain Recreation Area and about how it was put up quickly with not much inclusion of the Native peoples. Spirit Mountain grew in popularity once it was open and had quite a few good years with increasing season pass sales before it started to run into trouble. The recreation area was turned into a party place, which did not last long because of the many disturbances attributed to parties. A year-round establishment was not feasible at that time and the fine dining experienced had been tried there and failed. There have been many master plans for Spirit Mountain and one such included housing plans to try to generate revenue, but was never utilized.

10:10 a.m. **Task Force Consultants**

Claire Humber and Kent Sharp from the SE Group gave an overview of their scope of work. The group would start with a detailed overview of the existing conditions and financials and would analyze the multi-season component.

10:25 a.m. **Task Force Process Overview**

- Meeting 3: Governance Structure Overview
- Meeting 4: Financial Overview
- Meetings 5 & 6: Finances and Operations

10:35 a.m. **Task Force Organization**

- Optimal meeting day/time per survey

9-11 am on Thursdays seemed to work best for those who took the survey. The next two meetings will be: Meeting 3—September 10th (9-11 am) and Meeting 4—September 24 (9-11 am)

Task Force members decided to hold off on the creation of subcommittees until after hearing more from SE Group about its proposed scope of work.

11:00 a.m. **Adjourn**

MEETING AGENDA

Spirit Mountain Task Force

Meeting 3 Notes
9 a.m. to 11 a.m.
Thursday, September 10, 2020

Virtual meeting via Zoom
Attendees: Ann Glumac, Janet Kennedy, Jane Kaiser, Dale Lewis, Bjorn Reed, Tim Miller, Daniel Hartman, Michele Dressel, Anna Tanski, Aaron Stolp, Gretchen Ransom, Arik Forsman, Jennifer Ondrik, Amy Brooks, Chris Rubesch, Matt Baumgartner, Barb Carr, Wayne Dupuis, Hansi Johnson, Mark Emmel, Noah Kramer, Scott Youngdahl, Jim Filby Williams, Claire Humber (SE Group), Kent Sharp (SE Group)

Meeting Goals:

- Solicit Task Force input on SE Group Scope of Work Proposal
- Develop common understanding of Spirit Mountain's unique governance structure

9:00 a.m. **Call to Order/Welcome**
Co-Chairs Councilors Janet Kennedy and Arik Forsman
Director of Property, Parks and Libraries Jim Filby Williams

Councilor Forsman and Councilor Kennedy welcomed task force members. Director Filby Williams reminded members that there still is time to make minor refinements to the SE scope of work proposal and informed the task force that Steve Hanke, Assistant City Attorney, was unable to join us today.

9:10 a.m. **SE Group Scope of Work Proposal Discussion**
Claire Humber; Director, Resort Planning & Design
Kent Sharp; President/CEO

Claire and Kent provided detailed information on the major parts of the scope of their services including the: (1) Feasibility Study, (2) Financial Analysis and Implementation Strategies and (3) Community Engagement. The task force learned more on how the SE group proposed to conduct their operational review and provide comparative market analysis and assessment.

Following the presentation by the SE Group there was a lengthy discussion on the task force's interest in utilizing their services. The group discussed and decided to draft a letter of support of the proposal to send to City Councilors urging them to support the resolution and approve the expenditure of the $74,000 on this work.

10:30 a.m. **Media**

Some members of the Task Force wondered whether they would be getting inquiries from the local media. The group discussed and decided that the best approach was to develop some key talking points. Additionally, Councilors Forsman and Kennedy both agreed to act as the media representatives for the group.

10:40 a.m. **On-site Tour**

The group determined that an *optional* on-site tour on a Saturday this fall would be a wonderful idea. Ann agreed to work with Spirit Mountain staff on tour ideas and send out a doodle pool to assemble availability.

10:45 a.m. **Upcoming Task Force Meetings**

Meeting 4: Spirit Mountain Governance Structure (rescheduled from today)
Big Picture Financial Overview
Thursday, September 24, 2020
9 a.m. to 11 a.m.

Meeting 5: Finances and Operation
Thursday, October 8, 2020
9 a.m. to 11 a.m.

Meeting 6: Finances and Operations (continued)
Thursday, October 22, 2020
9 a.m. to 11 a.m.

11:00 a.m. **Adjourn**

MEETING AGENDA

Spirit Mountain Task Force

Meeting 4 Notes
9 a.m. to 11 a.m.
Thursday, September 24, 2020

Virtual meeting via Zoom
Attendees: Ann Glumac, Janet Kennedy, Jane Kaiser, Dale Lewis, Tim Miller, Daniel Hartman, Michele Dressel, Anna Tanski, Aaron Stolp, Gretchen Ransom, Arik Forsman, Jennifer Ondrik, Amy Brooks, Matt Baumgartner, Barb Carr, Hansi Johnson, Mark Emmel, Scott Youngdahl, Jim Filby Williams.
Absent: Bjorn Reed, Noah Kramer, Chris Rubesch, Wayne Dupuis

Meeting Goals:

- Develop common understanding of Spirit Mountain's unique governance structure
- Ensure working knowledge of the financial "big picture"

9:00 a.m. **Call to Order/Welcome**
Co-Chairs Councilors Janet Kennedy and Arik Forsman

Councilor Forsman and Councilor Kennedy welcomed the task force members. Councilor Forsman reminded the group that a resolution would be going before the City Council for the appropriation of $300,000 to Spirit Mountain Recreation Area Authority. Councilor Forsman encouraged members to engage with the council via email, telephone, or by attending the council meeting in person. Lastly, he reminded the group of the media guidelines that were sent out to be utilized as talking points for clear and consistent messaging.

9:15 a.m. **Governance and Implications**
Director of Property, Parks and Libraries Jim Filby Williams
SRMA Board President & Task Force Member Aaron Stolp

Director Filby Williams explained the relationship between the City of Duluth and the Spirit Mountain Recreation Area as written in state legislation. He described the co-governance structure as deeply integrated and symbiotic and highlighted the ebbs and flows that have occurred throughout its establishment. Director Filby Williams reminded the task force that the City indeed currently acts as a financial backstop but emphasized that if Spirit Mountain closes the City assumes all buildings and maintenance responsibilities and would assume a large number of debts and liabilities.

Aaron Stolp explained the relationship between the City of Duluth and the Spirit Mountain Board of Directors. He indicated that there will soon be two volunteer seats open and encouraged folks to spread that message and/or apply. President Stolp described the changes that have been made in the past few years in leadership and the establishment of several committees.

10:00 a.m. **Spirit Mountain Governance Structure & Task Force Discussion**

Members of the task force discussed remaining questions about Spirit Mountain's governance structure. The group spent time identifying both the strengths and limitations of this structure. Spirit Mountain staff explained how the annual budgets were prepared, approved by the Board of Directors, and ultimately adopted by the City.

10:25 a.m. **On-site Tour**

Task force members briefly shared what they would like to see during our on-site tour planned for Saturday, October 3rd at 9:00 AM. The task force requested specifically to see some deferred maintenance items.
Ann explained that Spirit Staff would largely be charged with leading the "behind the scenes" tour.

10:40 a.m. **Upcoming Task Force Meetings**

Meeting 5: Finances and Operation
Thursday, October 8, 2020
9 a.m. to 11 a.m.

Meeting 6: Finances and Operations (continued)
Thursday, October 22, 2020
9 a.m. to 11 a.m.

10:45 a.m. **Adjourn**

MEETING AGENDA

Spirit Mountain Task Force
Meeting 5 Meeting Minutes
9 a.m. to 11 a.m.
Thursday, October 8, 2020

Virtual meeting via Zoom
Attendees: Ann Glumac, Janet Kennedy, Jane Kaiser, Dale Lewis, Daniel Hartman, Michele Dressel, Anna Tanski, Aaron Stolp, Gretchen Ransom, Arik Forsman, Jennifer Ondrik, Amy Brooks, Matt Baumgartner, Mark Emmel, Scott Youngdahl, Jim Filby Williams, Chris Rubesch, Barb Carr.
Absent: Bjorn Reed, Noah Kramer, Wayne Dupuis, Tim Miller, Hansi Johnson

Meeting Goals:
- Develop common understanding of Spirit Mountain operations
- Confirm future meeting dates through 2020

9:00 a.m. **Call to Order/Welcome**
Co-Chairs Councilors Janet Kennedy and Arik Forsman
Director of Property, Parks and Libraries Jim Filby Williams

Councilor Forsman and Councilor Kennedy welcomed the task force members. Councilor Kennedy thanked the Spirit Mountain staff for a wonderful on-site tour last weekend and reminded the group that the appropriation of $300,000 was unanimously approved by City Council since the last meeting. Director Filby William commented on his deeper appreciation for Spirit Mountains' staff and the passion they clearly bring to their jobs!

9:15 a.m. **Spirit Mountain Operations**
Gretchen Ransom
Director of People Operations and Risk

Gretchen gave an overview of the organizational structure for Spirit Mountain and highlighted some of the changes in operations expected for the upcoming year. She explained the roles of several committees, provided detailed information on a number of the department functions, and associated duties.

9:45 a.m. **Task Force Discussion**

Several task force members expressed interest and desire in obtaining financial information. Director Filby Williams explained that City staff would be prepared to present on October 22nd. The group discussed the scope of the SE Groups work and upcoming engagement with the Task Force.

MEETING AGENDA

10:30 a.m. **Upcoming Task Force Meetings**

Meeting 6: Finances
Thursday, October 22, 2020
9 a.m. to 11 a.m.

10:45 a.m. **Future Meeting Schedule Discussion**

- Thursday, November 5
- Thursday, November 19
- Thursday, December 3
- Thursday, December 17
- Thursday, December 31?????

11:00 a.m. **Adjourn**

MEETING AGENDA

Spirit Mountain Task Force
Meeting 6 Meeting Notes
9 a.m. to 11 a.m.
Thursday, October 22, 2020

Virtual meeting via Zoom
Attendees: Ann Glumac, Janet Kennedy, Arik Forsman, Jim Filby Williams, Jane Kaiser, Dale Lewis, Daniel Hartman, Michele Dressel, Anna Tanski, Aaron Stolp, Gretchen Ransom, Jennifer Ondrik, Amy Brooks, Matt Baumgartner, Barb Carr, Hansi Johnson, Mark Emmel, Scott Youngdahl, Noah Kramer, Chris Rubesch, Wayne Dupuis, Kent Sharp (SE Group), Claire Humber (SE Group), Wayne Parson (City of Duluth), Jennifer Carlson (City of Duluth).
Absent: Bjorn Reed, Tim Miller

Meeting Goals:
- Develop common, high-level understanding of historic City of Duluth involvement in finances of Spirit Mountain
- Develop common, high-level understanding of Spirit Mountain recent finances
- Map out next steps for Task Force and for engagement with SE Group efforts

9:00 a.m. **Call to Order/Welcome**
Co-Chairs Councilors Janet Kennedy and Arik Forsman
Director of Property, Parks and Libraries Jim Filby Williams

Councilor Forsman commented on the recent snow event in Duluth and welcomed the Task Force to winter! He reread section 1, Purpose, of the Spirit Mountain Recreation Area Authority enabling legislation and reminded folks that the term profit was not mentioned.

> Section 1. DULUTH, CITY OF; SPIRIT MOUNTAIN REC- REATION AREA AUTHORITY; PURPOSE. The purpose of this act is to facilitate the development of a land area with the following objectives: (1) The development of wide-range recreational facilities available to both local residents and tourists; (2) The aiding of the economy of northeastern Minnesota by encouraging private enterprise efforts in conjunction with the recreational facilities; and (3) The preservation of the environment in the area by a timely and intelligent plan of development.

Director Filby Williams shared with the Task Force the flurry of meetings and consultations he and other City staff had been conducting behind the scenes. He explained the survey work that Zenith Research will be conducting in support of the SE Groups work. He reread the mayor's formal charge and reminded members of the ultimate goal of delivering a set of recommendations by February. Finally, he proposed that in future meetings the Task Force divide into subcommittees to research and investigate organizational structures that may aid Spirits future and long-term financial success.

MEETING AGENDA

9:15 a.m. **Overview of City of Duluth financial involvement in Spirit Mountain**
Chief Financial Officer - Wayne Parson
Director of Finance - Jen Carlson

Wayne gave an overview of the City's financial involvement in Spirit Mountain over his tenure with the City. He went over the three financial documents that were sent out to the Task Force members and answered specific questions from the group. The group analyzed and discussed the increase in tourism tax contributions and city appropriations overtime and resolved that the figures indicate definite shortage of capital investment.

9:45 a.m. **Spirit Mountain Recent Finances**
Jane Kaiser
Director of Finance

Jane gave an overview of the Spirit Mountains financials over the past two years leading up to 2020 and went over the documents provided to the Task Force, explaining that the 2020 financials have not yet been audited. Task Force members asked to see financial breakdowns by activity center along with loan rates and balances on bonds.

10:30 a.m. **Task Force Discussion**

Several task force members expressed interest in determining what specific operational activities are the most financially successful and obtaining the associated financial breakdowns. Director Filby Williams assured the task force that the SE Groups work will likely aid in obtaining and understanding this information. The task force asked Ann for an updated organizational chart and median salary costs. The group discussed the potential for increased grant funding for future investments and programming.

10:45 a.m. **Upcoming Task Force Meetings**

- Thursday, November 5
- Thursday, November 19
- Thursday, December 3
- Thursday, December 17

11:00 a.m. **Adjourn**

MEETING AGENDA

Spirit Mountain Task Force
Meeting 7 Meeting Notes
9 a.m. to 11 a.m.
Thursday, November 5, 2020

Virtual meeting via Zoom
Attendees: Ann Glumac, Janet Kennedy, Arik Forsman, Jim Filby Williams, Jane Kaiser, Dale Lewis, Daniel Hartman, Michele Dressel, Anna Tanski, Aaron Stolp, Gretchen Ransom, Jennifer Ondrik, Amy Brooks, Matt Baumgartner, Barb Carr, Hansi Johnson, Mark Emmel, Scott Youngdahl, Noah Kramer, Chris Rubesch, Wayne Dupuis, Bjorn Reed, Tim Miller, Kent Sharp (SE Group), Claire Humber (SE Group), Elllie Wachtel (SE Group)

Meeting Goals:
- Create task force subcommittees to do additional research on different ownership/management structures and the potential pros/cons for Spirit Mountain
- Create common understanding of future meeting schedule

9:00 a.m. **Call to Order/Welcome**
Co-Chairs Councilors Janet Kennedy and Arik Forsman
Director of Property, Parks and Libraries Jim Filby Williams

Councilor Kennedy welcomed Task Force members and thanked them for their volunteerism and expertise. She acknowledged that many have more working knowledge of the ski industry and familiarity of the management strategies that will be presented today. Lastly, she informed the task force that the leadership team will be developing a timeline that will aid in the final decision making process.

9:10 a.m. **Case Studies: Ownership and Management Structures**
Claire Humber, SE Group's Director of Resort Planning and Design

Claire gave an overview of organizational structures and some examples that are relevant and informative for Sprit Mountain. Each briefing included general statistics of each area as well as available information related to ownership, governance, finances, and external financial support.

9:20 a.m. **Task Force Ownership/Management Structure Subcommittees**
The SE Group's recommendations to the task force likely will include an ownership/management structure. Therefore, Task Force members were divided into subcommittees based on personal interest. The subcommittees' research and later reports will help ensure that task force members are grounded in the strengths and limitations of each structure – particularly as they might relate to Spirit Mountain and Duluth.

MEETING AGENDA

10:45 a.m. **Upcoming Task Force Meetings**

- **Thursday, November 19**
  - **SE Group**
    Preliminary Financial and Operational Benchmarking
    Market Perspective

  - Survey Results Discussion

- **Thursday, December 3**
  - Task Force Subcommittees report what they've learned

- **Thursday, December 17**

- ***Late December Meeting: Date TBD***
  - **SE Group**
    Recommendations

- ***January: Likely weekly meetings***

11:00 a.m. **Adjourn**

MEETING AGENDA

Spirit Mountain Task Force
Meeting 8 Meeting Notes
9 a.m. to 11 a.m.
Thursday, November 19, 2020

Virtual meeting via Zoom
Attendees: Ann Glumac, Janet Kennedy, Jim Filby Williams, Jane Kaiser, Daniel Hartman, Michele Dressel, Anna Tanski, Aaron Stolp, Gretchen Ransom, Jennifer Ondrik, Dale Lewis, Amy Brooks, Matt Baumgartner, Barb Carr, Hansi Johnson, Mark Emmel, Scott Youngdahl, Noah Kramer, Chris Rubesch, Wayne Dupuis, Kent Sharp (SE Group), Claire Humber (SE Group), Elllie Wachtel (SE Group), George Schmidt (SE Group), Jake Jorgensen (RRC), Dave Belin (RRC).
Absent: Arik Forsman, Bjorn Reed, Tim Miller

Meeting Goals:
- Better understand Spirit Mountain's market
- Gain initial understanding about Spirit Mountain finances and operations when benchmarked with similar ski areas in the Midwest

9:00 a.m. **Call to Order/Welcome**
Co-Chairs Councilors Janet Kennedy and Arik Forsman (Absent)
Director of Property, Parks and Libraries Jim Filby Williams

Councilor Kennedy welcomed that the Task Force members and emphasized the importance of the small subcommittee work ahead of them.

9:10 a.m. **Spirit Mountain Market Assessment**
Jake Jorgensen and Dave Belin
RRC

The RRC group presented information on competitive market opportunities based on Duluth's demographics as a city, within St. Louis County, and among the Midwest. Claire Humber (SE Group) explained how this work and these figures will be used to validate the assumptions of the SE group's analysis and final recommendations. The Task Force group discussed *packaging* and *place attachment* and brainstormed how might be used in local marketing campaigns.

9:40 a.m. **Spirit Mountain Performance Benchmarking**
Kent Sharp, George Schmidt and Claire Humber
SE Group

Kent gave a brief overview of the initial industry benchmarking and explained how this work allows the identification of both opportunities and challenges when looking at specific operations. He presented initial comparison figures comparing Spirit Mountain to Midwest Area operations and to a custom set of five facilities of similar size to Spirt.

Spirit Mountain Performance Site Visit Review
Kent Sharp, George Schmidt and Claire Humber
SE Group

Kent gave the highlights of the six separate virtual tours he and his team had with Spirit Mountain staff including: Mountain Maintenance, Resort Operations, Guest Relations, Food & Beverage, Operations and Risk, and Finance.

10:50 a.m. **Upcoming Task Force Meetings**

- **Thursday, December 3**
  - Task Force Subcommittees report what they've learned
- **Thursday, December 17**
- **Future dates to be determined**

11:00 a.m. **Adjourn**

MEETING AGENDA

Spirit Mountain Task Force
Meeting 9 Meeting Notes
9 a.m. to 11 a.m.
Thursday, December 3, 2020

Meeting Goals:

- Review and discuss highlights of electronic survey
- Gain more insight into the public ownership/nonprofit management structure

9:00 a.m. **Call to Order/Welcome**
Co-Chairs Councilors Janet Kennedy and Arik Forsman
Director of Property, Parks and Libraries Jim Filby Williams

9:10 a.m. **Spirit Mountain Survey Highlights**
Claire Humber, SE Group

9:40 a.m. **Public Ownership/Nonprofit Management Structure Subcommittee Presentation**

The Subcommittee on Public Ownership/Nonprofit Management presented to the Task Force and held a facilitated discussion highlighting the strengths and limitations of this structure as it applies to the City of Duluth and Spirit Mountain.

10:45 a.m. **Upcoming Task Force Meetings**

- **Thursday, December 17**
  Presentations by subcommittees on Public Ownership/Public Management Structure and Public Ownership/Long-term Private Lease Structure, followed by task force discussion.

- **Discussion of Future Meeting Options**
  The task force will receive SE Group's recommendations at the end of December, and task force recommendations are due February 1. Questions to consider:

  - Should we plan weekly meetings in January?
  - Is Thursday from 9-11 the best time?
  - Other options/questions?

11:00 a.m. **Adjourn**

MEETING AGENDA

Spirit Mountain Task Force
Meeting 10 Notes
9 a.m. to 11 a.m.
Thursday, December 17, 2020

Meeting Goals:

- Gain more insight into the public ownership/public management structure
- Gain more insight into the public ownership/long-term lease management structure
- Finalize remaining task force meeting dates and times

9:00 a.m. **Call to Order/Welcome**
Co-Chairs Councilors Janet Kennedy and Arik Forsman
Director of Property, Parks and Libraries Jim Filby Williams

9:10 a.m. **Public Ownership/Public Management Structure Subcommittee Presentation**

The Subcommittee on Public Ownership/Public Management will make its presentation, after which task force members will engage in a facilitated discussion designed to highlight the strengths and limitations of this structure as it applies to the City of Duluth and Spirit Mountain.

10:00 a.m. **Public Ownership/Long-term Lease Management Structure Subcommittee Presentation**

The Subcommittee on Public Ownership/Long-Term Lease Management will make its presentation, after which task force members will engage in a facilitated discussion designed to highlight the strengths and limitations of this structure as it might apply to the City of Duluth and Spirit Mountain.

10:50 a.m. **Future Meetings**

- **Thursday, December 31:**

Finalize task force process. Outline areas for recommendations.

- **Thursday, January 7:**

Final recommendations presented by the SE Group.

- **Thursday, January 14:**

Develop draft recommendations

- **Thursday, January 21:**
Develop draft recommendations

- **Thursday, January 28:**
Finalize recommendations

11:00 a.m. **Adjourn**

MEETING AGENDA

Spirit Mountain Task Force
Meeting Notes - 11
December 31, 2020

Virtual meeting via Zoom

Attendees: Ann Glumac, Arik Forsman, Daniel Hartman, Michele Dressel, Anna Tanski, Aaron Stolp, Gretchen Ransom, Jennifer Ondrik, Amy Brooks, Matt Baumgartner, Barb Carr, Hansi Johnson, Mark Emmel, Scott Youngdahl, Sam Louma, Dave Wadsworth.

Absent: Janet Kennedy, Jim Filby Williams, Dale Lewis, Noah Kramer, Chris Rubesch, Wayne Dupuis, Bjorn Reed, Tim Miller.

Meeting Goals:

- Ensure we get the best of task force members' ideas reflected in recommendations
- Ensure all task force members feel heard and valued during the meetings and afterward
- Create an equitable process that solicits ideas from all and respectfully prohibits the loudest voices from dominating
- Develop a task force member-approved method of final decision-making
- Ensure the process will deliver the scope of work that the mayor asked us to complete

9:00 a.m. **Call to Order/Welcome**
Co-Chair Councilor Arik Forsman

Councilor Forsman welcomed the Task Force members and shared his insights from past Committees on process and decision-making. He encouraged the group that these decisions will prove very useful in the weeks ahead. Lastly, he expressed his excitement for the pending SE group final report and presentation next week!

9:10 a.m. **Facilitator's Role**
Ann Glumac

Ann thanked the Task Force for their hard work and dedication over the past several weeks. She shared her goals as facilitator and reminded the group that over the next few meetings she will not only encourage but insist on members having equitable time and opportunity for the "mic" and that the use of the chat function will be essential.

9:15 a.m. **Task Force Norms**

The Task Force members brainstormed and shared their desired norms (group behaviors) that will be endorsed throughout upcoming meetings. These were:

- Treat task force meetings as a safe space for sharing ideas and opinions
- Ensure we have all the facts
- Leave our biases on the shelf

- Remember: We are making recommendations and not solving the problems
- Capture different perspectives
- Have fun
- Remember breakout groups are great for more in-depth discussion

9:25 a.m. **Task Force Decision-Making**

The Task Force members discussed the pros and cons of several different decision-making models including consensus, simple majority, and super-majority votes. A lengthy discussion took place it was determined that the Spirit Mountain Task Force will accept a simple majority of voting members but will work toward a super majority on final recommendations. The group also felt that it would be imperative to incorporate and share what recommendations were *considered* but not chosen and to clearly explain why.

9:45 a.m. **What Happens to the Task Force Recommendations?**
Co-Chair Councilor Arik Forsman

Councilor Forsman shared his expectations on events likely after the final report is released. There will likely be a flurry of local media requests and reports followed by a lull in action. He expects that it will take a few months for the City Council to process, deliberate, and vote on the recommendations. Then it will be up to City Administration and staff to proceed on longer-term initiatives. Realistically, this will be a multi-year implementation effort.

10:00 a.m. **Reviewing and Fulfilling the Task Force's Charge**

Ann facilitated a discussion based on Mayor Larson formal charge to the Task Force. The group discussed the possible need for a public process of some kind that could include public education, additional survey work and/or public meetings.

10:30 a.m. **Future Meetings**

Time investment – Our weekly meetings will be held on Thursdays from 9:00 – 12:00 (with a short break!)

- January 7: SE Group Presentation
- January 14: Q&A with SE Group and task force deliberations
- January 21: Task force deliberations
- January 28: Task force deliberations

10:45 a.m. **Adjourn**

MEETING AGENDA

Spirit Mountain Task Force
Meeting 12 – Meeting Minutes
January 7, 2021

Meeting Goals:
- Gain high-level understanding of the SE Group report

Task Force Norms:
- Treat task force meetings as a safe space for sharing ideas and opinions
- Ensure we have all the facts
- Leave our biases on the shelf
- Remember: We are making recommendations and not solving the problems
- Capture different perspectives
- Have fun
- Remember breakout groups are great for more in-depth discussion

Task Force Decision-making Process:
- We will accept a simple majority of voting members but will work toward a super majority
- We will also share what we considered and chose not to recommend and why

9:00 a.m. **Call to Order/Welcome**
Co-Chairs Councilors Janet Kennedy and Arik Forsman
Director of Property, Parks and Libraries Jim Filby Williams

Councilor Forsman thanked the Task Force members that were able to make the meeting held on New Year's Eve. He expressed his excitement regarding the presentation by the SE group and reviewing their written report and recommendations.

9:10 a.m. **Review meeting goals and task force norms/decision-making**
Ann Glumac, facilitator

Ann reminded the Task Force members about the norms (meeting behaviors) that were adopted by the group at our last meeting. Additionally, she recapped that the group would accept a simple majority but work toward a super majority in voting on final recommendations.

9:15 a.m. **SE Group Report Presentation**
Kent Sharp, President and CEO
George Schmidt, CFO
Claire Humber, Director of Resort Planning

Claire thanked the Task Force members for their patience on obtaining the written report. She gave a brief summary of the Opportunities noted in the SE Groups report including: (1) Checking Tickets, (2) Addressing Pricing, (3) Summer Growth, (4) Nordic & Mountain Biking, (5) Lift Network Efficiency, (6) Addressing Deferred Maintenance, (7) Margin Improvements in Food and Beverage, (8) Skyline Chalet Renovations.

Kent Sharp gave a high-level executive summary of the Financial Analysis and outlined several potential paths for Spirit Mountain going forward. He concluded by sharing that his group views Spirit Mountain as a *tremendous resource* and promised that Task Force members would be receiving the written report via email tomorrow.

10:15 a.m. **Question/Answer session**

The group discussed several management and operational approaches for Spirit. Director Filby Williams gave a brief explanation of the biannual Minnesota State bonding process. Task Force members will have a chance to ask additional questions of the SE Group on January 14th.

10:55 a.m. **Next Meetings**

January 14, 2021
9:00 a.m. to noon

- Additional question and answer with SE Group
- Decide topics/decisions for future meetings based on Mayor's Charge
  Business improvement strategies
  Capital infrastructure
  Adjustments to tourism tax support
  Strategic partnerships
  Other

January 21, 2021
9:00 a.m. to noon

January 28, 2021
9:00 a.m. to noon

MEETING AGENDA

Spirit Mountain Task Force
Meeting 13 - Notes
January 14, 2021

Virtual meeting via Zoom

Attendees: Ann Glumac, Arik Forsman, Daniel Hartman, Janet Kennedy, Jim Filby Williams, Dale Lewis, Michele Dressel, Anna Tanski, Aaron Stolp, Gretchen Ransom, Jennifer Ondrik, Amy Brooks, Matt Baumgartner, Hansi Johnson, Mark Emmel, Scott Youngdahl, Sam Louma, Chris Rubesch, Dave Wadsworth, Wayne Dupuis, Kent Sharp (SE Group), Claire Humber (SE Group), George Schmit (SE Group).
Absent: Noah Kramer, Barb Carr, Bjorn Reed, Tim Miller.

Meeting Goals:

- Gain clarity on SE Group recommendations
- Map out future meetings

Task Force Norms:

- Treat task force meetings as a safe space for sharing ideas and opinions
- Ensure we have all the facts
- Leave our biases on the shelf
- Remember: We are making recommendations and not solving the problems
- Capture different perspectives
- Have fun
- Remember breakout groups are great for more in-depth discussion

Task Force Decision-making Process:

- We will accept a simple majority of voting members but will work toward a super majority
- We will also share what we considered and chose not to recommend and why

9:00 a.m. **Call to Order/Welcome**
Co-Chairs Councilors Janet Kennedy and Arik Forsman
Director of Property, Parks and Libraries Jim Filby Williams

Councilor Kennedy praised the good work the Task Force has accomplished to date and informed the group that she and Councilor Forsman would be seeking a deadline extension from the Mayor to allow additional time to finalize recommendations and prepare the written report. She explained that by extending the deadline to the first week in March, it would allow a more structured weekly discussion on the development of recommendations and options for Spirit to achieve financial sustainability.

MEETING AGENDA

9:15 a.m. **Question and Answer Session with the SE Group**
Kent Sharp, President and CEO
George Schmidt, CFO
Claire Humber, Director of Resort Planning
Ellie Wachtel, Associate Analyst + Planner

Task Force members were given an opportunity to send in Questions in ahead of time so that the SE group could be prepared to provide specific answers. The group discussed the opportunities and potential impacts of discounted prices (tickets) and interest in Community type marketing discounts. The group held a lengthy discussion around the search, desired skill sets, and advertisement for its vacant leadership position (GM/CEO). The group talked about potential changes needed in the relationship and structure of the Spirit Mountain Board of Directors and their interface with City Administration. Kent Sharp provided additional details on the market analysis and three-year projection figures used throughout the report and described how these figures related to potential increases in revenue centers. The group deliberated over debt scenarios and how different ownership models could mitigate financial risk. Lastly, the group discussed unique niche marketing strategies for the Grand Avenue Chalet.

11:00 a.m. **Future Task Force Meetings**

Thursday, January 21
9:00 a.m. to noon
Recommendations on business improvement strategies
- SE Group recommendations
- Other recommendations

Thursday, January 28
9:00 a.m. to noon
Capital infrastructure right-sizing and renewal
- Should the City continue invest in Spirit Mountain infrastructure
- Other questions/recommendations?

Thursday, February 4
9:00 a.m. to noon
Tourism Tax support
- What level of tourism tax support, if any, and for what purposes – operations or capital improvements – should the City appropriate to Spirit Mountain?
- Other questions/recommendations?

THE CITY OF DULUTH MINNESOTA

MEETING AGENDA

Thursday, February 11
9:00 a.m. to noon
Strategic Partnership/Ownership-Management Structure

- Reflect recommendations made in prior meetings
- Preceded by an electronic straw poll on options not deserving of further consideration
- Based on our research, what options are worthy of further exploration now or in the future?
    - What needs to happen before further exploration is warranted?

Thursday, February 18
9:00 a.m. to noon

- Other recommendations not specifically addressed in the charge, i.e.
    - Governance
    - Transparency
    - Responsiveness
    - Accountability
    - Is Spirit Mountain a business or a park?
    - Other

spirit mountain

MEETING AGENDA

Spirit Mountain Task Force
Meeting Notes - 14
January 21, 2021

Meeting Goals:

- Identify business improvement strategies to include in recommendations

Task Force Norms:

- Treat task force meetings as a safe space for sharing ideas and opinions
- Ensure we have all the facts
- Leave our biases on the shelf
- Remember: We are making recommendations and not solving the problems
- Capture different perspectives
- Have fun
- Remember breakout groups are great for more in-depth discussion

Task Force Decision-making:

- We will accept a simple majority of voting members but will work toward a super majority
- We will also share what we considered and chose not to recommend and why

Facilitator Role:

- Ensure meetings start/end on time and accomplish our agenda
- Ensure the "mike" is shared equally
  - Asking members to use chat before speaking
  - Recognizing members before they speak
  - Asking members to limit duration of their comments
  - Calling on members who haven't shared opinions
  - Sharing comments on chat

9:00 a.m. **Call to Order/Welcome**
Co-Chairs Councilors Janet Kennedy and Arik Forsman
Director of Property, Parks and Libraries Jim Filby Williams

Councilor Kennedy welcomed Task Force member and shared that she had gone back to review the Mayor's charge in preparation for today's discussion. She also reminded the group of the adopted norms (group behaviors) that were adopted at a previous meeting. She thanked Ann for her role as the facilitator and encouraged a productive discussion on the proposed business strategies.

MEETING AGENDA

9:15 a.m. **Review, discuss and recommend business improvement opportunities**

- **SE Group recommendations**
- **Other recommendations identified by task force members**

The Task Force reviewed the recommended business improvement opportunities document prepared by the Leadership group. The group's discussion was focused primarily on the operational enhancements that would require only a modest investment or could be addressed in an annual budget.

11:45 a.m. **Review/confirm future task force meetings**

Thursday, January 28
9:00 a.m. to noon

Capital infrastructure right-sizing and renewal

- Should the City continue invest in Spirit Mountain infrastructure
- Other questions/recommendations?

Thursday, February 4
9:00 a.m. to noon

Tourism Tax support

- What level of tourism tax support, if any, and for what purposes – operations or capital improvements – should the City appropriate to Spirit Mountain?
- Other questions/recommendations?

Thursday, February 11
9:00 a.m. to noon

Strategic Partnership/Ownership-Management Structure

- Reflect recommendations made in prior meetings
- Preceded by an electronic straw poll on options not deserving of further consideration
- Based on our research, what options are worthy of further exploration now or in the future?
    - What needs to happen before further exploration is warranted?

Thursday, February 18
9:00 a.m. to noon

- Other recommendations not specifically addressed in the charge, i.e.
    - Governance

spirit mountain

- Transparency
- Responsiveness
- Accountability
- Is Spirit Mountain a business or a park?
- Any additional surveys

12:00 **Adjourn**

MEETING AGENDA

Spirit Mountain Task Force
Meeting Notes - 15
January 28, 2021

Meeting Goals:

- Approve initial business improvement strategies to include in recommendations
- Identify capital expenditures to be included in recommendations

Task Force Norms:

- Treat task force meetings as a safe space for sharing ideas and opinions
- Ensure we have all the facts
- Leave our biases on the shelf
- Remember: We are making recommendations and not solving the problems
- Capture different perspectives
- Have fun
- Remember breakout groups are great for more in-depth discussion

Task Force Decision-making:

- We will accept a simple majority of voting members but will work toward a super majority
- We will also share what we considered and chose not to recommend and why

Facilitator Role:

- Ensure meetings start/end on time and accomplish our agenda
- Ensure the "mike" is shared equally
  - Asking members to use chat before speaking
  - Recognizing members before they speak
  - Asking members to limit duration of their comments
  - Calling on members who haven't shared opinions
  - Sharing comments on chat

9:00 a.m. **Call to Order/Welcome**
Co-Chairs Councilors Janet Kennedy and Arik Forsman
Director of Property, Parks and Libraries Jim Filby Williams

MEETING AGENDA

Councilor Forsman welcomed the Task Force members and thanked them for their great work on the Business Strategies last week. He shared that he was looking forward to the pending discussion on Capital Infrastructure and reminded folks to use the chat function to share thoughts and ideas.

9:10 a.m. **Review/approve initial business improvement opportunities**

- SE Group recommendations
- Task force recommendations
-

Several Task Force members shared suggestions to be added to the Business improvement strategies document. Ann agreed to send a numbered listing versus a bulleted listing for easier referencing. Her intent is to compile and organize these suggestions and not to filter them. The group agreed to devote time at an upcoming meeting to discuss the finalized listing.

9:30 a.m. **Capital infrastructure right-sizing and renewal**

- Should the City continue invest in Spirit Mountain infrastructure
- Other questions/recommendations?

Pete Williams (SE Group) presented additional information and answered questions on the proposed chairlift reduction/ reconfiguration. Task Force members disused the pros and cons of reducing the number of chairlifts at Spirit. The group then addressed each subsection of the Capital infrastructure listing and asked Ann to obtain some additional information from the SE group on lighting, mini-golf, and maintenance costs. The group discussed the financial options and obligations related to state bonding for capital improvements.

11:45 a.m. **Future Task Force Meetings**

Thursday, February 4
9:00 a.m. to noon

Tourism Tax support

- What level of tourism tax support, if any, and for what purposes – operations or capital improvements – should the City appropriate to Spirit Mountain?
- Other questions/recommendations?

Thursday, February 11
9:00 a.m. to noon

Strategic Partnership/Ownership-Management Structure

- Reflect recommendations made in prior meetings

- Preceded by an electronic straw poll on options not deserving of further consideration
- Based on our research, what options are worthy of further exploration now or in the future?
    - What needs to happen before further exploration is warranted?

Thursday, February 18
9:00 a.m. to noon

- Other recommendations not specifically addressed in the charge, i.e.
    - Governance
    - Transparency
    - Responsiveness
    - Accountability
    - Is Spirit Mountain a business or a park?
    - Any additional surveys

12 noon **Adjourn**

MEETING AGENDA

Spirit Mountain Task Force
Meeting 16 – Meeting Notes
February 4, 2021

Meeting Goals:

- Develop recommended approach for tourism tax support, if any, for Spirit Mountain
- Confirm task force process going forward

Task Force Norms:

- Treat task force meetings as a safe space for sharing ideas and opinions
- Ensure we have all the facts
- Leave our biases on the shelf
- Remember: We are making recommendations and not solving the problems
- Capture different perspectives
- Have fun
- Remember breakout groups are great for more in-depth discussion

Task Force Decision-making:

- We will accept a simple majority of voting members but will work toward a super majority
- We will also share what we considered and chose not to recommend and why

Facilitator Role:

- Ensure meetings start/end on time and accomplish our agenda
- Ensure the "mike" is shared equally
  - Asking members to use chat before speaking
  - Recognizing members before they speak
  - Asking members to limit duration of their comments
  - Calling on members who haven't shared opinions
  - Sharing comments on chat

9:00 a.m. **Call to Order/Welcome**
Co-Chairs Councilors Janet Kennedy and Arik Forsman
Director of Property, Parks and Libraries Jim Filby Williams

Councilor Forsman welcomed the Task Force members and reminded them of the important task ahead of them. He emphasized that the most important and impactful outcomes from the group's recommendations will be the high level decisions and strategies proposed to increase long-term financial sustainability.

9:15 a.m. **Discussion of Tourism Tax and Spirit Mountain**

- What should the city take into consideration when making decisions about appropriating tourism tax proceeds to Spirit Mountain?
- How can the task force make a recommendation that will be of greatest use to decision-makers?

Director Filby Williams gave an account of the formal application process entities are required to follow to request tourism dollars. He explained how City Administration and staff prioritize and propose the annual funding allocations to the City Council. The Task Force identified quality of life and cost of living as important criteria in determining funding levels. The Task Force established that they would like to see a more strategic and constant level of support allocated to Spirit Mountain. The Task Force deliberated on whether or not to request that the City forgive past debt(s) versus the opportunity to restructure this debt.

10:40 a.m. **Strategic Partnership/Ownership-Management Structure**

The Task Force voted to eliminate further discussion on the sale of Spirit Mountain to a For-Profit entity and spent the remainder of the meeting listing the pros and cons for each remaining ownership-management structure. This listing will be consolidated and made available to the group prior to the next meeting.

11:55 a.m. **Review future meetings**

Thursday, February 11
9:00 a.m. to noon

- Business improvement strategies
- Priority capital investments

Thursday, February 18:
9:00 a.m. to noon

- Other recommendations not specifically addressed in the charge
  - Governance
  - Transparency

- Responsiveness
- Accountability
- Is Spirit Mountain a business or a park?
- Any additional surveys

- Final recommendations

12 noon **Adjourn**

MEETING AGENDA

Spirit Mountain Task
Force Meeting 17 Notes
February 11, 2021

Meeting Goals:

- Finalize business improvement strategy recommendations
- Finalize recommendations on tourism tax support
- Finalize recommendations on capital infrastructure

Task Force Norms:

- Treat task force meetings as a safe space for sharing ideas and opinions
- Ensure we have all the facts
- Leave our biases on the shelf
- Remember: We are making recommendations and not solving the problems
- Capture different perspectives
- Have fun
- Remember breakout groups are great for more in-depth discussion

Task Force Decision-making:

- We will accept a simple majority of voting members but will work toward a super majority
- We will also share what we considered and chose not to recommend and why

Facilitator Role:

- Ensure meetings start/end on time and accomplish our agenda
- Ensure the "mike" is shared equally
  - Asking members to use chat before speaking
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  - Asking members to limit duration of their comments
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  - Sharing comments on chat

9:00 a.m. **Call to Order/Welcome**
Co-Chairs Councilors Janet Kennedy and Arik Forsman
Director of Property, Parks and Libraries Jim Filby Williams

THE CITY OF DULUTH MINNESOTA

MEETING AGENDA

9:15 a.m. **Finalize Draft Business Improvement Strategies**
Refer to strategies with detailed comments, as well as summary of strategies.

9:45 a.m. **Finalize Tourism Tax Recommendation**

10:15 a.m. **Capital Infrastructure Improvements**
Review recommendations of SE Group and other options
- What are the strengths of each?
- What are the limitations of each?

11:50 a.m. **Discuss future Task Force meeting(s)**

Thursday, February 18:
9:00 a.m. to noon

- Redefining Leadership at Spirit Mountain
- Other recommendations not specifically addressed in the charge
  - Governance
  - Transparency
  - Responsiveness
  - Accountability
  - Is Spirit Mountain a business or a park?
  - Any additional surveys
- Final recommendations

Thursday, February 25
9 a.m. to 11 a.m.

- Possible meeting to discuss/vote upon final Task Force Report.

12 noon **Adjourn**

spirit mountain

MEETING AGENDA

Spirit Mountain Task Force
Meeting 18 Notes
February 18, 2021

Meeting Goals:

- Finalize recommendations on tourism tax support
- Finalize recommendations on debt and Spirit's long-term financial sustainability
- Review and discuss "Redefining Leadership" document
- Start reviewing final task force recommendations

Task Force Norms:

- Treat task force meetings as a safe space for sharing ideas and opinions
- Ensure we have all the facts
- Leave our biases on the shelf
- Remember: We are making recommendations and not solving the problems
- Capture different perspectives
- Have fun
- Remember breakout groups are great for more in-depth discussion

Task Force Decision-making:

- We will accept a simple majority of voting members but will work toward a super majority
- We will also share what we considered and chose not to recommend and why

Facilitator Role:

- Ensure meetings start/end on time and accomplish our agenda
- Ensure the "mike" is shared equally
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  - Asking members to limit duration of their comments
  - Calling on members who haven't shared opinions
  - Sharing comments on chat

9:00 a.m. **Call to Order/Welcome**
Co-Chairs Councilors Janet Kennedy and Arik Forsman
Director of Property, Parks and Libraries Jim Filby Williams

Councilor Forsman welcomed the Task Force Members and thanked them for their work over the past several months. He explained that these final recommendations will be incredibly useful for the decision makers in the weeks and months to come. He reminded the Task Force that he and Councilor Kennedy are scheduled to present to the Chamber on March 9th. Councilor Kennedy shared her appreciation for the Task Force's expertise, collective wisdom, and dedication in this endeavor.

9:15 a.m. **Finalize Tourism Tax Recommendation Draft 2**

The group deliberated over the wording in the second draft. Ann committed to adding the group's comments and incorporating them into the next revision.

9:45 a.m. **Review, Discuss and Finalize Operating Debt Recommendation**

Task force members discussed the proposed draft statement and provided feedback. Ann committed to adding the group's comments and incorporating them into the next revision.

10:15 a.m. **Review, Discuss and Determine Next Steps, if any, re "Redefining Leadership"**

The Task force members reviewed and discussed the document prepared by facilitator Ann Glumac. Ann explained that this document was developed based on her experience, observations while at Spirit and interpretations of task force discussions. The Task Force voted to incorporate this document into the final recommendations rather than as an Appendix.

10:45 a.m. **Break**

10:55 a.m. **Review current draft strengths and limitations re operating structure and capital investment**

Task force members were given the opportunity to add any missing strengths and limitations on the three operating models and the different capital investment models (Low/Medium/High). Ann encouraged the group to share their additions and comments in the chat function for incorporation into the recommendations. The group deliberated and discussed recommending a *specific* operating structure but decided rather to leave this determination to City Administration.

11:55 a.m. **Next (and final) Meeting**

Thursday, February 25
9 a.m. to 11 a.m.

- Discuss/vote upon final Task Force Report.

12 noon **Adjourn**

MEETING AGENDA

Spirit Mountain Task Force
Meeting 19 - Notes
February 25, 2021

Meeting Goals:

- Finalize recommendations on tourism tax support
- Finalize recommendations on debt and Spirit's long-term financial sustainability
- Review and discuss "Redefining Leadership" document
- Start reviewing final task force recommendations

Task Force Norms:

- Treat task force meetings as a safe space for sharing ideas and opinions
- Ensure we have all the facts
- Leave our biases on the shelf
- Remember: We are making recommendations and not solving the problems
- Capture different perspectives
- Have fun
- Remember breakout groups are great for more in-depth discussion

Task Force Decision-making:

- We will accept a simple majority of voting members but will work toward a super majority
- We will also share what we considered and chose not to recommend and why

Facilitator Role:

- Ensure meetings start/end on time and accomplish our agenda
- Ensure the "mike" is shared equally
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  - Asking members to limit duration of their comments
  - Calling on members who haven't shared opinions
  - Sharing comments on chat

9:00 a.m. **Call to Order/Welcome**
Co-Chairs Councilors Janet Kennedy and Arik Forsman
Director of Property, Parks and Libraries Jim Filby Williams

Councilor Forsman welcomed the Task Force members and thanked them for their service over the last six months. He expressed his appreciation for the way the report has come together and shared that it will have great

dividends down the road. Director Filby Williams thanked the group for their efforts and commented that he was pleased with the direction of the report. He shared that strong plans like this one serve as enduring touchstones for Administration as they move forward with making decisions.

9:15 a.m. **Review, Discuss and Finalize Draft Task Force Report**

The Task Force looked at each section of the report and discussed the changes made from last week's draft. Several members felt strongly that a bar chart or graphic on tourism tax investments relative to figures on economic impact could help show the overall significance Spirit has in our Community. The group discussed the tourism tax support language and the operating debt language. Ann shared proposed wording over the zoom chat function as the group assisted in crafting the amended language. The Task Force discussed how to best describe the process it used in examining, evaluating, and narrowing down the different types of operating models. The group discussed the potential public reaction it may receive over not recommending a *specific* operating model but concluded that they were comfortable in work they did on providing an overall set of recommendations. Lastly, the Task Force members asked Ann to add an executive summary to the beginning of the report. The Task Force unanimously voted to adopt the report with the changes discussed. Barbara Carr, Mark Emmel, Noah Kramer, and Dale Lewis were not present for the vote.

10:20 a.m. **Next Steps**

Director Filby Williams indicated that he had already engaged the Communications Team in the best approach to release the Task Force's report in conjunction with the upcoming Chamber presentation on March 9th. He indicated that the Task Force would be kept in the loop about financial and administrative decisions made regarding Spirit Mountain. He shared that he and the Mayor would be working with Wayne Dupuis and other tribal neighbors to give more substance to making indigenous people and heritage visible at Spirit. Lastly, he thanked Ann Glumac for her assistance in wearing both hats and her leadership throughout this process.

10:30 a.m. **Final Comments**

The group shared parting comments and indicated they would like to have an in-person reunion party at Spirit Mountain in the near future.

11:00 a.m. **Adjourn**

Spirit Mountain

Strategic Business Plan



January 2021

Prepared for:
Spirit Mountain Taskforce

Prepared by:
SE GROUP

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KEY FINDINGS

As further detailed in the sections below, SE Group's key findings are:

- *The marketplace.* Spirit Mountain has a large market to draw from with the Duluth area and tourism from the Twin Cities. The market is especially strong for summer activities with low barriers to entry. Capturing the market amidst the competitive landscape, particularly for skiing, will require robust marketing efforts and packaging the Spirit Mountain offering with all that Duluth has to offer.
- *Outdoor recreation and Duluth.* Duluth is growing in renown as an outdoor recreation destination and a desirable community for outdoor recreation enthusiasts to live. Spirit Mountain is very much at the heart of that and continuing to add to the Nordic skiing and mountain biking offerings are prime opportunities to enhance the community recreation landscape.
- *Community support*. A community survey undertaken as part of this business planning process identified key areas of community priority such as affordability, a greater variety of activities, and enhancing the skiing experience. Community members also commented that they were unaware of much of what Spirit Mountain offers, highlighting the importance of marketing to the local audience in addition to potential destination visitors.
- *Economic impact.* Spirit Mountain is a major economic driver for the Duluth area. Visitor and local resident spending associated with Spirit Mountain generates an estimated $22.43 million annually in economic activity in the region.
- *Visitation data.* To date, Spirit has not collected detailed visitation data. Collecting better visitor data such visitor origin and frequency of season pass use would enable better targeted marketing, visitation tracking, and evaluating financial metrics. Enhancing the point-of-sale system and increasing the granularity of financial data would support further understanding of key revenue and expense categories and help guide future financial performance.
- *Checking tickets.* It has been a well-known fact that ticket checking at Spirit Mountain has been sparse and one can get on the mountain without one. This presents both a loss of revenue and a major insurance liability risk. It is estimated that Spirit Mountain can see an additional 10,000 paid skiing visitors per year through consistent ticket checking. This effort is already underway.
- *Deferred maintenance.* Given Spirit's recent financial challenges, there is a significant backlog of deferred maintenance projects. These projects include lift maintenance, snowmaking upgrades, and renovations to the Skyline Chalet. It is becoming relatively urgent to address many of these projects. Ski areas that continue to reinvest in their facilities are successful in the long-term, while those who fail to maintain and invest in their facilities typically begin to lose market share and business.
- *Performance metrics.* In comparison to many ski areas of its size in the region, Spirit underperforms in several key revenue categories in revenue per visit: ticket yield, retail, rentals, and food and beverage. Enhancing the offering and adjusting pricing will be key to driving additional revenue in these categories. Spirit does achieve significantly greater revenue with its summer operations (Adventure Park, weddings, campground, mountain biking) than many of the comparative ski areas. Spirit's expenses are relatively in line with that of the comparative ski areas, and thus it has achieved much lower operating margins than those ski areas.

- *Recommended approach.* The recommended business approach includes significant capital spending, about $23 million dollars, towards making Spirit a well-maintained, attractive facility that competes in the market. These capital projects have been identified through this analysis, previous planning efforts, and conversations with Spirit Mountain and City staff. The financial model for this approach shows the recreation area achieving healthy operating margins that would allow it to weather weaker seasons, reinvest in maintenance, and service its debt, towards being a self-sustaining operation. This approach would also generate an estimated $39 million annually in local economic impact, compared to the current impact of $22 million.
- *Studying alternatives.* Other lower capital investment approaches have been explored as part of this process. A minimalist approach where essential maintenance projects would be addressed but few other capital projects would be undertaken would leave Spirit in a similar position to at present, with low operating margins that do not allow it to weather weaker years and invest in capital and maintenance. A medium capital spend approach, where capital spending includes the essential maintenance projects and new summer activities, likely would result in sufficient operating margins, but move the focus at Spirit Mountain away from skiing.
- *Future management.* Spirit has several options future management and operational approaches. The City could continue to operate the recreation area and achieve better margins. The potential margins of the recreation area may also make it attractive to a long-term lease. A non-profit could be involved as well, either as the lessee, or as a separate entity that raises funds for capital projects and scholarships.
- *Leadership.* The recreation area has been poorly run in the past. Spirit Mountain can achieve a reversal of the recent trend with leadership that supports greater team collaboration, transparency, community relations, and enhanced operations. The existing team of departmental directors possess the depth of experience and knowledge to effectively operate the recreation area under such effective top-line leadership.

INTRODUCTION

Spirit Mountain Recreation Area (Spirit Mountain or Spirit) is Duluth's year-round outdoor recreation destination, from alpine and Nordic skiing in the winter to mountain biking and riding an alpine coaster in the summer. Spirit Mountain is the focal point of Duluth's outdoor recreation offering and a key component of what makes Duluth an excellent place to live and visit. In the winter, it is a fantastic and affordable place to learn to ski, offers some of the best terrain parks in the Midwest, and is the only Nordic skiing venue in Duluth with lighting and snowmaking. Increasingly, the recreation area is attracting summer visitors for its Adventure Park, mountain biking, campground, wedding/events. It also serves as a winter and summer trail hub for the Superior Hiking Trail, the Duluth Traverse, and many other area trails. The Spirit Mountain Recreation Area Authority, which operates the area, is an authority of the City of Duluth and governed by a board of directors appointed by the mayor.

Today, Spirit Mountain is in a challenging situation. The recreation area has invested heavily in new infrastructure over the past decade, but revenues have not been sufficient to pay off the debt. And even with some new infrastructure, much of the recreation area infrastructure is aging; more repairs, upgrades, and replacements are necessary to allow the recreation area to offer functional and comfortable facilities to its guests.

The City of Duluth owns the recreation area and has financially supported it for many years. In 2020, the mayor appointed a sixteen-member Task Force to draft a set of recommendations to help Spirit Mountain achieve financial stability and develop a sustainable plan to pay for the repair and replacement of deteriorated infrastructure. The Task Force has contracted with SE Group, a ski area planning firm, to bring industry expertise to the planning process and develop this Strategic Business Plan.

This Strategic Business Plan combines an analysis of existing conditions with a financial analysis and recommendations for the future of Spirit. The existing conditions analysis is an in-depth look at the current operations and site conditions, market conditions, and opportunities for future business. This analysis provides the foundation and validation of all assumptions and recommendations of the financial analysis. The financial analysis models various scenarios for capital expenditures and future operations at the recreation area.

CONSULTANT TEAM

The consultant team that assisted the Spirit Mountain Task Force with the strategic business planning process consisted of SE Group and RRC Associates.

SE GROUP

With over 60 years of experience working with ski areas and mountain resorts, SE Group brings broad experience in helping ski areas realize opportunities for sustainable multi-season operations, while maintaining the qualities and character of the area that are important to the community.

The SE Group team is respected as leaders and "knowledge brokers" with unprecedented depth and breadth of experience in the ski industry. SE Group understands the "business of skiing," and understands that a sustainable business model will likely need to include more than just skiing. SE Group's strategic business planning process has been used to assist many areas in developing successful multi-season operations to address the industry-wide challenge of creating and maintaining a sustainable business.

RRC ASSOCIATES

RRC Associates is a multi-disciplinary consulting firm providing market research, strategic analysis, and community/land planning services. Principal areas of focus by RRC include the ski and snowboard industry, as well as the larger travel, tourism, and recreation industries.

RRC Associates are experts in the field of recreation-oriented market research and are frequently quoted and contacted for information concerning trends and opportunities. Their assessment of the opportunities within Spirit Mountain's market area provides the foundation for future visitation projections and programming.

MARKET ASSESSMENT

A market assessment was undertaken by RRC Associates to define trends in ski areas and outdoor recreation, present visitor trends and local and regional market demographic profiles, and broadly analyze existing regional amenities, market trends, and attractions in the greater Duluth area. The report is intended to serve as a framework for discussions to assist Spirit Mountain in making strategic decisions around the opportunities for future planning scenarios. The key findings and market-related opportunities are noted below. The full assessment is provided as Appendix A of this document.

SKIER VISITS AND DIVERSIFYING REVENUES

Total skier visits in the United States (U.S.) have remained relatively stable over the past twenty years, with some fluctuations due to weather, economic conditions, and other factors. Therefore, many ski areas have looked to diversify revenue streams, better differentiate themselves in the market, and bring guests during the summer and shoulder seasons. Spirit Mountain has already developed a strong summer business, which, when combined with other tactics to expand business, will be essential to its growth.

MULTI-MOUNTAIN PASSES

Multi-mountain season passes are exploding in popularity and help drive people to visit ski areas large and small. Spirit Mountain, along with many of its competitors, is part of the Indy Pass. This encourages skiers from the Twin Cities region to spend a few days of the season at Spirit. With a strong offering, the recreation area can capture some of those visitors to buy specific Spirit Mountain season passes going forward.

ST. LOUIS COUNTY DEMOGRAPHICS

The population of St. Louis County has remained very stagnant over the past decade. This suggests stability and a continued market for the outdoor recreation opportunities. Other demographic trends (e.g., income, age) do align with characteristics that visit outdoor recreation destinations.

TWIN CITIES DEMOGRAPHICS

The Twin Cities metropolitan area offers a large and market, with several positive demographic trends towards participation in skiing and outdoor recreation participation. However, there are several ski areas competing in that market. Capturing well from that market is important.

PACKAGING THE OFFERING

The Duluth area sees strong winter and summer tourist visitation; having more of those visitors include Spirit Mountain in their trip is a major opportunity. Additionally, many of the recreation area's primary competitors (Giants Ridge, Lutsen Mountains) are in resort environments with restaurants and hotels. There are many restaurants and hotels in Duluth, providing an opportunity for Spirit to offer a destination experience both for the high-end overnight visitors and those looking for more affordable lodging and dining options. Marketing the comprehensive experience would allow Spirit to compete in the same playing field as their competitors. Towards capturing out-of-town visitors, it is imperative going forward that Spirit better packages itself with Duluth and vice-versa.

MONT DU LAC COMPETITION

In the local market, Spirit faces competition from Mont Du Lac. Continuing to invest in facilities and marketing the additional terrain is important.

OUTDOOR RECREATION PARTICIPATION

Nationally, the most popular outdoor recreation activities are those with the lowest barrier to entry in terms of cost and convenience (e.g., hiking, running, fishing). Spirit Mountain should continue to offer, as well as explore additional activities with low barriers to entry that could bring a broad swath of visitors to the recreation area. The market of outdoor recreation participants is large for such activities including hiking and adventure park elements.

MOUNTAIN BIKING

Duluth is an International Mountain Bike Association (IMBA) Gold Level Rider Center, the highest designation, and is the only place east of the Rockies to receive that designation. The level of mountain biking in Duluth is an incredible opportunity for the City to attract visitors from across the country. Spirit Mountain is positioned at the center of this, with the only lift-served mountain biking, and access to many miles of Duluth's trail system from the parking lots. However, participation in mountain biking, while a growing sport, remains a small population. Continuing to offer other summer activities that can appeal to the broader population, such as the Adventure Park activities, is also very important.

VISITATION POTENTIAL

In the 2018/19 season, Spirit saw 107,618 skier visits; 75,522 visits to the Adventure Park; 16,614 visits to the campground; and 6,757 visits to the Mountain Bike Park. The recreation area also sees many visitors for Nordic skiing, weddings/events, and non-ticketed cross-country mountain biking and hiking. Including these additional activities, the recreation area sees approximately 250,000 people a year.

Of skier visits, an estimated 49% are from the Duluth area and 51% are from visitors to the area. No such data was available for other activities. The market assessment identifies the potential to increase visitation from both out-of-town visitors and local residents.

OUT-OF-TOWN VISITATION POTENTIAL

Information from Visit Duluth on tourist visitation provides insights on the type and complexion of visitors to the area, allowing for assumptions to be made related to the potential to increase out-of-town visitation at Spirit Mountain.[1]

In 2015, the City of Duluth saw 2.3 million overnight trips and 4.4-million-day trips. The majority of these trips were "marketable" or involved people visiting family and friends (VFR). Marketable trips are those trips that can be influenced by marketing efforts and include leisure and business-leisure trips but excluding business-only trips. Of marketable and VFR trips, 43% of overnight trips and 38% of day trips listed the main reason as touring/outdoors. Touring/outdoors is predominantly summer travel and represents the potential market for Spirit to capture with its summer activities. Combined, this is approximately 2.5 million visits to Duluth for outdoors/touring annually.

Of marketable and visiting friends and family trips to the Duluth area, 3% of overnight trips and 5% of day trips listed the main reason as ski/snowboard. This represents about 270,000 trips annually, and Spirit currently captures approximately 20% of those trips. The remaining ski/snowboard trips to the Duluth area are currently being captured by Nordic skiing or visits to other nearby downhill ski areas.

Table 1. Duluth Area Tourism Trips and Trip Purpose

	Overnight Trips	Day Trips	Total
Total Trips	2.3 million	4.4 million	6.7 million
Total Marketable + VFR Trips	2.2 million	4.1 million	6.3 million
% of marketable + VFR trips for outdoors/touring	43%	38%	-
Total marketable + VFR trips for outdoors/touring	930,268	1,549,545	2,479,833
% of marketable + VFR trips for skiing/snowboarding	3%	5%	-
Total marketable + VFR trips for skiing/snowboarding	62,018	206,609	268,627

Source: Visit Duluth

Going forward, enhancements to the facility, marketing, and other upgrades have the potential to draw additional visitors to Spirit. The potential of this growth is represented by conservative assumptions of additional "capture" of visitors to the Duluth area. These conservative assumptions were made respecting the size and competitiveness of the market and are presented below.

For summer, it is estimated that Spirit could capture an additional 1% to 5% outdoor/touring visits (approximately 25,000 to 124,000 visits).[2] In winter, it is estimated that Spirit could capture an additional 2% to 10% of ski/snowboard visits (approximately 5,000 to 27,000 visits). Table 2 shows potential new visits amongst the outdoor/touring (summer) and ski/snowboard (skier visits) markets.

[1] 2015 Longwoods International Study for Visit Duluth
[2] It is assumed that additional summer visitation opportunities are focused on the Adventure Park and mountain biking. The wedding/event and campground businesses are both very strong, and increased visits for those activities are not anticipated.

Table 2. Projected Out-of-Town Visitor Capture to Spirit Mountain

	1% Outdoor/Touring Capture | 2% Ski/Snowboard Capture	2% Outdoor/Touring Capture | 5% Ski/Snowboard Capture	5% Outdoor/Touring Capture | 10% Ski/Snowboard Capture
Additional Touring/Outdoors Visits	24,798	49,597	123,992
Additional Ski/Snowboard Visits	5,373	13,431	26,863

Source: RRC Associates; SE Group

LOCAL VISITATION POTENTIAL

Enhanced facilities, marketing, and other upgrades to Spirit Mountain would also create an opportunity to increase season pass usage, the number of seasons passholders, and day tickets purchased by the local community. In the 2018/19 season, Spirit Mountain saw 35,600 seasons pass visits from local residents (from 4,450 passholders) and 17,156 visits from single day lift tickets of local residents.[3] It is estimated that Spirit could increase the number of local seasons pass visits by 5% to 15% (both creating additional season passholders and getting higher utilization from passholders). It estimated that the number of day lift tickets purchased at Spirit by local residents could increase by 5% to 10%. Table 3 shows projected visitor numbers based on the visitation increase scenarios.

Table 3. Projected Local Visitor Capture to Spirit Mountain

	Existing Visits (2018/19 season)	Additional at 5% pass visitation | 5% day visitation	Additional at 10% pass visitation | 7% day visitation	Additional at 15% pass visitation | 10% day visitation	Total Range
Season passholder visits by Duluth-area residents	35,600	1,780	3,560	5,340	37,400–40,900
Day skier visits by Duluth-area residents	17,156	857	1,199	1,713	18,000–18,900
Skier visits by Duluth-area residents	52,756	2,637	4,759	7,053	55,400–60,000

Source: Spirit Mountain; SE Group; RRC Associates

Based on these projected scenarios, the local seasons passholder visits could increase by approximately 1,800 to 5,300 visits per season and local day skier visits could increase by approximately 900 to 1,700 visits. With 35,600 existing seasons pass holder visits in the 2018/19 season, this would increase seasons passholder visitation to within the range of 37,400 to 40,900. Local day skier visits could increase from 17,156 in the 2018/19 season to between 18,000 and 18,900. Combined the local visits to Spirit Mountain could increase from 52,750 in the 2018/19 season to 55,400 to 60,000 visits.

[3] It is assumed that on average, a Spirit Mountain seasons passholder visits 8 times per season. The National Ski Area Association data shows that on average, small ski areas in the U.S. see 8 visits per passholder.

OVERALL SKIER VISIT PROJECTIONS

As described above, Spirit Mountain could see additional skier visits from a larger market capture of out-of-town visitors coming to ski or snowboard, additional local season passholders, additional local season passholder utilization, and additional local day ticket purchasing. Table 4 shows the potential increase in visits from the low set of scenarios (5% increase in local pass visitation; 5% increase in local day visitation; 2% increase in ski/snowboard capture), the moderate set of scenarios (10% increase in local pass visitation; 7% increase in local day visitation; 5% increase in ski/snowboard capture), and the high set of scenarios (15% increase in local pass visitation; 10% increase in local day visitation; 10% increase in ski/snowboard capture).

Table 4. Projected Total Skier Visit Capture to Spirit Mountain

	Existing Visits (2018/19 season)	Low Scenario Increase	Moderate Scenario Increase	High Scenario Increase	Total Range
Season passholder visits by Duluth-area residents	35,600	1,780	3,560	5,340	37,400–40,900
Day skier visits by Duluth-area residents	17,156	857	1,199	1,713	18,000–18,900
Out-of-town Ski/Snowboard Capture	54,862	5,373	13,431	26,863	60,000–81,500
Total Skier Visits	**107,618**	**8,010**	**18,190**	**33,916**	**116,000–142,000**

Source: Spirit Mountain, Visit Duluth, SE Group, RRC Associates

Based on these existing market conditions, and assuming enhancements to the facility and an increased emphasis on marketing and sales, Spirit Mountain could see an increase of between 8,000 and 34,000 visits, yielding approximately 116,000 to 142,000 skier visits each year.

CASE STUDIES

The following case studies present different operational management structures deployed by ski areas across the U.S. that are relevant to Spirit Mountain. These models are being considered by the Task Force as they consider the appropriate operational models for the recreation area. The case studies presented explain the operational history, associated challenges and opportunities, and the operational and financial realities for the not-for-profit (Mt. Ashland), public (Gunstock), private operator with lease (Mt. Sunapee), and cooperative (Mad River Glen) operational models. While no two ski areas are alike, care has been taken to select examples that are relevant and informative for Spirit Mountain. General statistics of each area are provided for comparison, as well as available information related to ownership, governance, finances, and external financial support. The full case studies are provided as Appendix B, with the summaries below.

Table 5. Comparison of General Statistics of Case Study Ski Areas

	Spirit Mountain (public)	Mt. Ashland (non-profit)	Gunstock (public)	Mount Sunapee (private operator with lease)	Mad River Glen (cooperative)
Location	Duluth, MN	Ashland, OR	Gilford, NH	Newbury, NH	Waitsfield, VT
Local County (Population)	St. Louis County (199,070)	Jackson County (203,206)	Belknap County (61,303)	Merrimack County (151,391)	Washington County (58,409)
Lifts	7	5	6	9	5
Vertical feet	700	1,150	1,340	1,510	2,037
Skiable Acres	175	240	227	233	115
Annual Skier Visits	107,618	70,943	166,247	~200,000	85,000
Summer Offering	Adventure Park, Trails	Limited	Adventure Park, Trails	Adventure Park, Trails	Limited

Source: SE Group; U.S. Census; websites of Mt. Ashland, Gunstock, Mount Sunapee, Mad River Glen, and Spirit Mountain

MT. ASHLAND

Mt. Ashland is a 240-acre ski area operated by a non-profit, the Mt. Ashland Association. The ski area primarily serves the population of the Ashland-Medford, Oregon area and received 70,943 skier visits in the 2018/19 season.

The Association assumed management in 1993. Previously, the ski area had been privately operated, with an intermediary year under City of Ashland ownership. Becoming a non-profit allowed the ski area to build a financial safety net to withstand low visitation winters/drought, keep prices low, withstand rising costs, and build a strong relationship to the community.

The Mt. Ashland Association has a thirteen-member board with three-year terms and a three-term limit. The board stays relatively high level and is not involved in day-to-day operations of the ski area.

Local government has a very limited role with the ski area at present. The City of Ashland and the Association have an agreement that states that City can appoint one person to the board; requires the Association provide architectural, engineering, construction, and logging plans to the City for technical review; requires that the Association maintain a "Restoration Amount" to cover area restoration if the ski area closed; requires that the Association not pursue certain projects without sufficient financial commitments; requires that if the ski area dissolves all assets will return to the City; and requires City approval if the ski area is transferred to another party.

Mt. Ashland's workforce is almost entirely a professional operation. The ski patrol is largely volunteer, and some additional volunteers assist with school programs. There is no union presence at Mt. Ashland.

The ski area has a sustainable annual operating budget but does rely on external financial support (donations) to support the operation in low visitation years and to provide capital funding. The Association currently receives about $200,000 a year in donations to its Local Mountain Fund (equivalent of an annual fund). These funds are raised from individuals, local businesses, and foundations. The donations go into supporting on-going maintenance capital projects, school programs, and maintaining the "rainy day fund" (currently standing at $2 million, largely built since 2014). The association fundraises separately for major capital projects. The Association does pursue grants, although they tend to be relatively small and where the Association has a high likelihood of receiving them. These grants have helped fund planning efforts, school programs, and a shuttle from Ashland.



GUNSTOCK MOUNTAIN RESORT

Gunstock Mountain Resort is a 227-acre ski area owned by Belknap County, NH. The ski area is a regional destination ski area for the Boston and Manchester, NH metropolitan areas. The ski areas saw 166,247 skier visits in the 2018/19 season and sees about 100,000 visits in the summer. A county-appointed, five-person Gunstock Area Commission overseeing operations and hiring staff. The Commission is responsible for "managing the ski area as a financially independent, self-sustaining organization." The Commission reviews operations, approves major expenditures, develops plans, and hires and oversees the general manager.

Currently, Belknap County has oversight over the ski area, but its taxpayers do not financially contribute to the ski area. Belknap County Commissioners appoint the members of the Gunstock Area Commission and approve the Revenue Anticipation Note (RAN) and other bonding measures pursued by the ski area. Annually, the ski area receives a RAN, a short-term business loan or line of credit from the county. This is used to cover operating expenses and winter operation start-up costs during the cyclic slow period from September to December. This request averages $850,000 a year and is paid back in full, with interest, by April 1. Gunstock has requested an annual RAN beginning in 1991 and every year thereafter—and has paid it back in full and on time each year.

Until 1990, the ski area operated as a self-sustaining entity. However, following $10 million in capital expenditures in the 1980s and consecutive poor snow years, the ski area began to require taxpayer funding for its debt service. In 2001, the County agreed to take on the ski area's remaining debts. A Memorandum of Agreement was established, requiring that Gunstock pay the County $150,000 annually. This statute has recently been changed to a payment of 1.75% of revenues (works out to between $200,000–$250,000) requested annually by the County. The original debt is now paid off, but the ski area continues to pay the County annually in continued (political) acknowledgment of the "ROI" related to forgiving the debt and to reduce the taxes the county must collect from residents. County-elected officials have debated increasing the percentage, as Gunstock profits have increased. In the 2017 budget, Gunstock projected revenues of $13 million, for a profit margin of $1.3 million.

The ski area is achieving sufficient revenues to build a strong "rainy day fund" and cover operational maintenance costs. For capital projects, the ski area relies on reserves and bonding measures depending on the extent of the project (the area budgets +/-$500,000 in self-funded capital projects per year beyond capital maintenance projects) and is responsible for all debt payments. All such projects requiring bonding must be approved by the County. The ski area has been very intentional about revenue generation, particularly through expanding its summer operations with elements such as a mountain coaster, aerial treetops adventure, climbing wall, and biking trails.

Many ancillary elements of the ski area (race teams, adaptive programs) are operated as separate non-profits. These non-profits can fundraise for expenses, rather than placing those expenses on the ski area. These non-profits also help to create affordable access for locals.





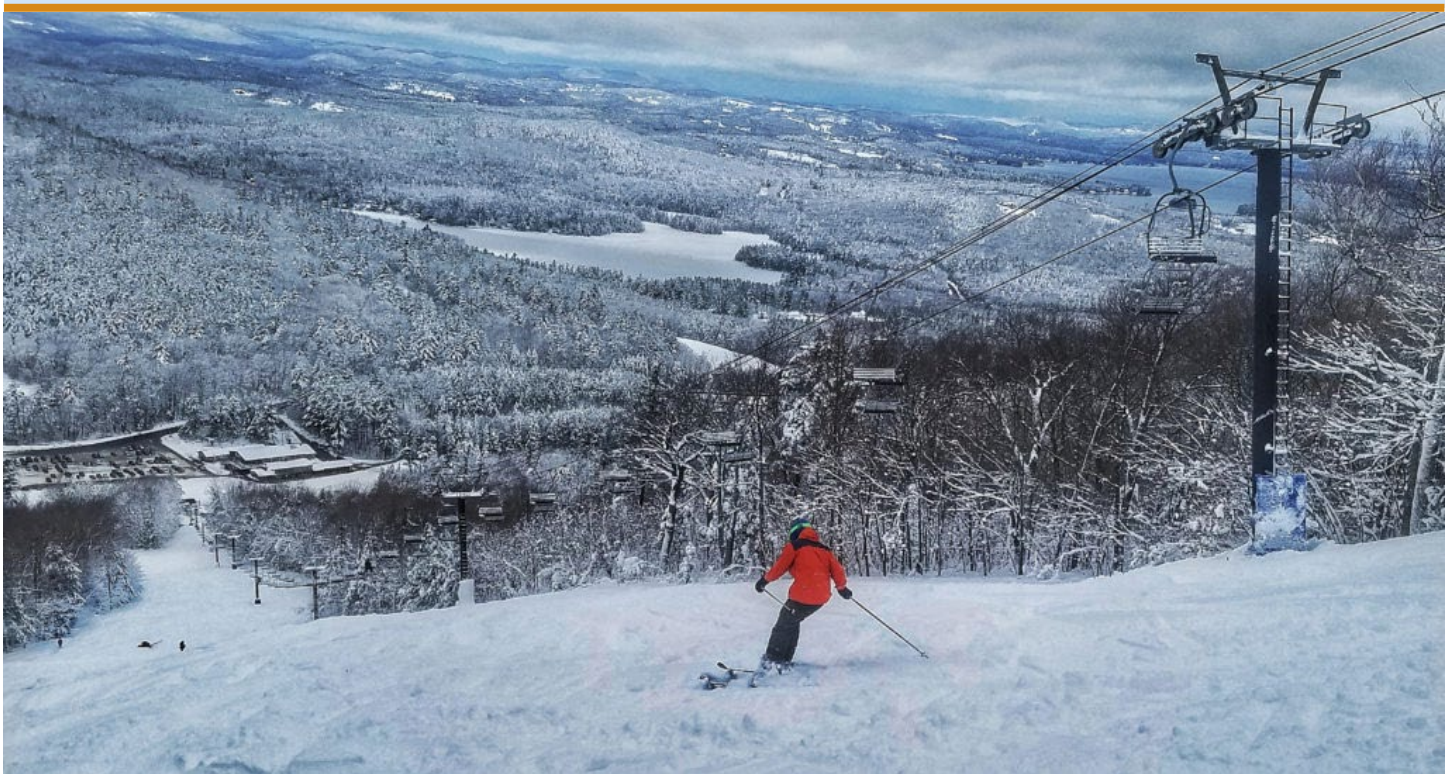
MOUNT SUNAPEE

Mount Sunapee is a 233-acre ski area in southern New Hampshire. The ski area is a regional destination from the Boston area and attracts approximately 200,000 skier visits each year. The ski area is on lands owned by the state of New Hampshire and leased to a private entity, Vail Resorts, on a twenty-year lease. In 1998, the state issued a Request for Proposals for a private operator to lease Mount Sunapee to efficiently operate the ski area and invest in capital improvements. The original lease was issued to Okemo Mountain Inc. The initial cost of the lease was a $1 million surety bond, with the stipulation that the leaseholder invest $5 million in capital improvements in the first five years. Under the terms of the lease, the land, existing infrastructure (real property), and improvements remain the property of the state following the conclusion of the lease.

The operator is responsible for all operating costs and capital projects. The operator is required to pay the state a base fee of $150,000 (adjusted for inflation since 1998) and 3% of gross annual revenues, equating today to roughly 5% of revenue overall. This percent of revenue is higher than that required by the U.S. Forest Service for ski areas operating under an SUP (typically 3%), making this one of the most expensive leases in the country. The annual lease payment to the state averaged $585,000 from 2009 to 2014. The operator does not pursue grants or outside fundraising.

The lease of Mount Sunapee has provided many benefits to the state: it created a mechanism for much-needed investment in the area as well as a funding mechanism for other state recreational assets, removed the drain on the state's budget from on-going support to the ski area, which consistently operated at a loss, and removed the risks associated with operating the mountain. In the first five years of the lease, the operators invested $14 million in the ski area, addressing deferred maintenance and bringing the area up to current market standards. Combined, these improvements ultimately enhanced the experience and operational efficiencies at Sunapee and another ski area on state land (Cannon Mountain), making them more competitive and drawing visitors to the state.

The lease requires the operator submit an Annual Operating Plan each year and a Master Development Plan (MDP) and Environmental Management Plan every five years. The State also tours the ski area each year with the operator to identify maintenance needs. Mount Sunapee is required to present the MDP to both the State of New Hampshire and to the local communities; specifically, the Town of Newbury and Town of Goshen where the ski area is located.



MAD RIVER GLEN

Mad River Glen in Vermont is the only ski area in the country owned and operated by a cooperative. The ski area offers a unique skiing experience with only a single and double chairlifts, steep slopes, and little grooming. The Mad River Glen Cooperative took over the ski area in 1995, when owner Betsy Pratt decided to sell to the only group she trusted with its future, its skiers. She generously agreed to sell the ski area for $2.5 million to the newly formed cooperative. For the cooperative, the purchase required 1,667 shares sold at $1,500 a share. The cooperative reached out to everyone living in the local area and the ski area's mailing list and managed to sell 1,000 shares in six months. By 2000, the cooperative had sold 2,000 shares and managed to pay off the mortgage early while contributing to capital upgrades as the need arose.

A paid staff handles most of the operations of the ski area, with oversight from the shareholders. The shareholders have an annual meeting with about 150 shareholders attending. They discuss the future of the ski area, the past season, and elect a nine-member Board of Trustees. The Board of Trustees meets more regularly, 7-10 times per year. The board also hires and oversees a general manager of the ski area. The general manager reports to the board at each meeting and manages seven year-round staff, 200 seasonal employees, and 100 volunteers.

The number of shareholders has remained relatively constant since 2000: at present, 1,800+ individuals own 2,200+ shares. A shareholder pays $2,000 initially (either in a single payment or a series of installments) and $200 annually in an advanced purchase requirement (APR). The APR provides the ski area with early season cash flow and shareholders typically spend that sum and more on passes, tickets, rentals, lessons, and food as the season goes on. The shareholders also receive a 15% discount on season passes and lift tickets.

The financial purpose of the shareholders was to purchase the ski area in the first place. Since then, the purchase of additional shares has made a small contribution to capital upgrades and annual operating costs. The funding for capital upgrades largely comes from the cooperative's non-profit. Since 1995, the cooperative has spent $4.5 million for upgrades to the ski area, primarily from tax-deductible donations to the Stark Mountain Foundation, the cooperative's partner 501(c)(3). The foundation and cooperative are partnering now on a fundraising campaign aiming to raise $6.5 million by 2021. One goal of the campaign is to build an endowment that would provide the ski area with an annual income independent of the weather conditions.

The year-to-year financials of the ski area are dependent on annual snowfall. The ski area typically turns a profit in moderate to good snow years but struggles in poor snow years, especially as it does not have a large snowmaking system. The ski area does have very little overhead and negligible debt, keeping operating expenses low. In the first nineteen years of cooperative ownership, the ski area finished in the black fifteen times.



COMMUNITY SURVEY

The Task Force and consultant team sought to understand customer interests and support related to the future of Spirit Mountain. The services of Zenith Research Group were retained to conduct an online survey. The survey was disseminated to the email addresses in the Spirit Mountain directory. The survey went out to 21,233 email addresses and received 4,895 survey responses, 68% of which were fully complete responses. About two-thirds of survey respondents were Duluth area residents. The full survey results summary is provided as Appendix C and key findings are summarized below.

- Respondents listed offering affordable tickets/season passes, expanding the variety of activities, and enhancing the skiing experience as key to improving the overall experience. Locals were slightly more likely to list the affordability as key.
- Many respondents had also visited Spirit's competitive set of ski areas recently (Mont Du Lac, Lutsen Mountains, and Giants Ridge) and were considering buying a season pass at those ski areas.
- About 55% of respondents had purchased a downhill season pass in the immediate past. Only 40% were certain about purchasing one in the future, with an additional 27% were uncertain about doing so. This suggests people are looking to see what the future brings to Spirit, but there is a larger group interested.
- Many respondents had tried the Adventure Park activities, but most had done so infrequently, making only one or two visits per year.
- Respondents participated in skiing and the terrain parks at a high frequency, with many stating they did so 11+ times per year. Nearly 95% of respondents rated downhill skiing as meeting or exceeding expectations, with 24% saying it exceeded.
- Most offerings at Spirit Mountain had relatively positive expectations ratings. Notable exceptions were the Skyline Chalet and putt-putt, where many respondents said the activities did not meet expectations.
- The lift-served mountain biking, alpine coaster, and hiking had the most respondents saying they exceeded expectations.
- Nearly half of respondents said that the addition of the Grand Avenue Chalet and the Spirit Express led them to make more visits to Spirit Mountain.
- Improved hiking/biking trails, enhanced terrain parks, and the alpine coaster also contributed to additional visits among respondents. The jumping pillow, putt-putt, disc golf, and summer youth programs led to the least change.
- Many commented that they were unaware of some of the activities offered at Spirit Mountain that were mentioned in the survey.
- Most respondents said that Spirit serves the interest of City residents well (76%), with 34% stating it does so very well. Duluth respondents were less likely to say that Spirit serves the residents well than Twin Cities metro respondents. Many of those who did not feel it served residents well cited the prices.

ECONOMIC IMPACT

Drawing recreationists to Spirit Mountain generates economic activity in the region. Visitors that come to the area and spend money at Spirit Mountain, as well as surrounding hotels, restaurants, and other businesses. This local spending supports the local economy and helps create jobs. For the Strategic Business Plan, the economic impact that user spending associated with Spirit Mountain generates for the local economy has been estimated. The summary of the existing economic impact is presented here, but the full report is available as Appendix D.

The economic impact calculated here extends beyond the recreation area, as local businesses see associated spending from visits to Spirit, and additional tax revenue is generated. The direct dollars spent at the recreation area and local businesses have a secondary (multiplier) impact, spurring additional spending, jobs, and economic activity.

Economic impacts of the existing and future visitation to Spirit Mountain were projected using a computer-based spending throughput model (IMPLAN3). IMPLAN3 economic modeling requires the estimation of annual visitation and visitor spending (both at Spirit and in the area associated with a trip to Spirit) in order to simulate the effect of these activities on the economy in terms of sales, employment, labor income, and tax revenues.



For existing conditions of Spirit Mountain, the economic impact of four visitation groups were assessed: alpine skiers, lift-served mountain bikers, summer Adventure Park visitors, and campground users. This was due to the better availability of visitation information, demographic data, and typical spending for each of these activities. Other activities, such as Nordic skiing, tubing, weddings/banquets, and use of Spirit Mountain as a trailhead for hiking and cross-country mountain biking, did not have sufficient data to include in the existing conditions analysis. However, it is understood that these activities are very important in drawing visitors to Duluth and making Duluth a desirable place to live.

Across the activities considered in this economic impact analysis, Spirit saw 201,025 visits in the 2018/19 winter season and the summer 2019 season. Overall, including the activities not available for this analysis, the recreation area sees an estimated 250,000 visits.

For each of these activities, three main data points were used to estimate economic impact: the number of individual visits; the breakdown between local day use visits, non-local day visits, and overnight visits; and the activity-specific spending profile. Typically, overnight visitors will spend more in the region than non-local day users, who in turn spend more than local day users (in association with their trip to Spirit). Therefore, three different spending profiles were required for each activity.

Visitation estimates were provided by Spirit Mountain based on season pass sales, day-ticket sales, and campsite reservations. Alpine skiing visitor spending profiles were based on Spirit Mountain revenue data and the *Minnesota Ski Areas Association Economic Impact Study* (2012). Summer visitor spending profiles (Adventure Park and Campground) were determined using data from the *Explore Minnesota Traveler Profile Study (Spring-Summer 2019 Seasonal Brief).* Lift-served mountain biking figures were derived from *The Economic Impact of Off-Road Cycling in Duluth: An Expenditures Approach* (2017). Spirit pricing was incorporated into these profiles for all activities. The spending profiles, visitation figures, visitation breakdown, and other assumptions can be found in Appendix D.

RESULTS

The annual economic impact of visitation to Spirit Mountain under the existing conditions is detailed in Table 6.

Visitation to the recreation area generates $14.48 million in direct output and $7.96 million in secondary output in the State of Minnesota per year, for a total economic impact of $22.43 million. Approximately $4.2 million in federal, state, and local tax revenue is generated each year by this economic activity. This activity also supports 301 full-time-equivalent jobs each year. This figure includes the recreation area's full time and part time employees and many employees in surrounding businesses. Spirit itself may have more than 300 employees, but two half time employees are a full-time-equivalent.

Table 6. Spirit Mountain Economic Impact Results (2018/19)

	Alpine Skiing	MTB Park	Campground	Summer Adventure Park	Total
Visits	107,618	6,757	16,600	70,050	201.025
Direct Economic Impact	$10,700,000	$501,000	$594,000	$2,680,000	$14,475,000
Secondary Economic Impact	$5,850,000	$277,000	$332,000	$1,500,000	$7,959,000
Total Economic Impact	$16,550,000	$778,000	$926,000	$4,180,000	$22,434,000
Tax Revenue	$3,100,000	$148,000	$161,000	$758,000	$4,167,000

SPIRIT MOUNTAIN ECONOMIC IMPACT



ALPINE SKI

- **107,618** estimated annual visits
- **$10,700,000** direct sales activity
- **$5,850,000** secondary sales activity
- **$3,100,000** in tax revenues (federal, state, and local)



ADVENTURE PARK

- **70,050** estimated annual visits
- **$2,680,000** direct sales activity
- **$1,500,000** secondary sales activity
- **$758,000** in tax revenues (federal, state, and local)



MTB PARK

- **6,757** estimated annual visits
- **$501,000** direct sales activity
- **$277,000** secondary sales activity
- **$148,000** in tax revenues (federal, state, and local)



CAMPING

- **16,600** estimated annual visits
- **$594,000** direct sales activity
- **$332,000** secondary sales activity
- **$161,000** in tax revenues (federal, state, and local)

2018/19 TOTAL ECONOMIC IMPACT

- **201,025** estimated annual visits from these activities
- **$14,475,000** direct sales activity
- **$7,959,000** secondary sales activity
- **$4,167,000** in tax revenues (federal, state, and local)

SE GROUP

spirit mountain

SITE ANALYSIS

Spirit Mountain is a 175-acre recreation area, and the land and all assets are owned by the City of Duluth. This analysis of the site and its existing facilities combines both key takeaways of the 2017 Spirit Mountain Master Development Plan (2017 MDP) and additional analysis conducted as part of this study.

EXISTING SITE CONDITIONS

This examination and analysis of existing facilities at Spirit Mountain is based on conversations with the mountain's leadership on the conditions of the infrastructure, a virtual tour of the facilities, and the application of ski industry standards to Spirit Mountain's existing operation. The condition of the existing facilities is presented, and operational inefficiencies and maintenance needs are noted as well.

WINTER FACILITIES

Lifts

Spirit Mountain has five chairlifts and three surface lifts. This lift infrastructure provides a comfortable carrying capacity of 2,980 guests per day, as calculated in this analysis. The chairlifts are a mix of newer, workhouse lifts and aging lifts with increasing maintenance demand.

The Spirit Express II Chair is the main chairlift of the mountain; it is a newer chairlift (installed in 2011) and runs well. The Big Air Chair, the handle tow, and the rope tow are in good condition and are appropriately located for providing access to the terrain park and beginner slopes.

The three other chairlifts (Summit Chair, Gandy Chair, and Double Jaw Chair) were built in the 1970s and have significant maintenance demands. These chairlifts require a high degree of maintenance on an annual basis and deferred maintenance projects are accruing. These chairlifts are not efficiently located for the layout of the mountain. Double Jaw Chair is redundant to the Summit Express II Chair, only operates a few hours a year, and could be removed without impacting skier circulation. The Gandy Chair and Summit Chair are located very close together and both require drive upgrades. The 2017 MDP recommended the removal of the Double Jaw and Summit chairlifts, and the replacement of the Gandy Chair with a fixed-grip quad.

The beginner conveyer lift presents many maintenance challenges with snowfall, and the manufacturer is no longer in business to provide parts.

The current layout of the lifts requires that many of them be operating to move people around the mountain, even at non-busy times. Replacements and a more efficient layout should be considered.

In addition, many of the lift shacks are aging structures that should be replaced.

Chairlifts are a major capital investment, but the maintenance and operating costs are significant, and maximizing efficiency is essential. Going forward, it will be critical to pursue opportunities to reduce maintenance costs, while keeping to a regular lift maintenance schedule to avoid unmanageable deferred maintenance costs or costly shutdowns due to equipment failure.

Terrain

The ski area has 89 acres of skiable terrain and 26 marked trails. Most of the runs are novice or intermediate, with few steeper options for advanced skiing and riding. On the contrary, the learning area does not have gentle grades for true beginners. The terrain parks are some of the best in the Midwest, drawing people to Spirit and retaining more advanced skiers and snowboarders.

Snowmaking

Spirit Mountain has snowmaking coverage on 100% of its alpine terrain and 1.5 km of Grand Avenue Nordic trails, with plans to cover 3.3 km of Nordic trails. The snowmaking is a solid system with the modern technology of fan guns and stick guns. There are needs for upgrades to the hydrants, and additional water sticks would greatly reduce the time required to make snow. Several of the snowmaking buildings have deferred maintenance needs. The River Station Pumphouse is a new facility, but sediment intake is causing damage to pumps and valves. Valve House 8 is an older structure that leaks, and upgrades will likely be necessary. Valve House C has sediment discharge issues and improvements must be made in the immediate future in accordance with the Minnesota Department of Natural Resources. The electrical system for snowmaking is outdated as well.

Night Lighting

Night skiing is offered at Spirit Mountain several nights a week and is an important part the Spirit offering. Visitation varies throughout the week and is largely unpredictable, but College Night draws many visitors. The lights on the hill are outdated and the switches are located across the mountain, which is an inefficient system.

Nordic Skiing

Spirit is one of the centers of Duluth's expansive and popular Nordic ski network. Duluth has a strong Nordic ski culture and Nordic skiing has brought new visitors and community to Spirit, while diversifying the offering. The Nordic skiing offering includes a new and expanding venue at the base of the mountain, with tickets, rentals, retail, and food and beverage services available at the Grand Avenue Chalet. Additionally, 22 km of trails are available at the top of the mountain and are maintained and operated by the Duluth Cross Country Ski Club out of the campground facilities. The upper Spirit Mountain trails are nicely wooded trails, but no rentals are available there.

Spirit Mountain, the City of Duluth, and Duluth Cross Country Ski Club have recently worked together to establish the trail network out of Grand Avenue that is groomed by Spirit Mountain. The Grand Avenue Nordic Center is envisioned as a season-long venue for recreational skiing, youth programs, and high school racing, with snowmaking to provide dependable snow coverage and lighting. As climate change has been presenting challenges to reliable, season-long snow coverage in Duluth, a facility with snowmaking became a key community priority. The Grand Avenue network is currently 2.5 km, with 1.5 km with snowmaking and 0.5 km with lighting, the only such venue in Duluth. Fundraising is underway for additional trails, including expanding the loop with snowmaking to 3.3 km and a connection to the trails at the top of the mountain.

Both the top of the mountain and the Grand Avenue trail network offer great connectivity to many additional kilometers of Nordic ski trails. Once Grand Avenue and the top of the mountain are connected, the venue will be suitable for both short and long races.

Nordic rentals are available at the Grand Avenue Chalet, but the Chalet currently caters to both the Nordic and alpine operations simultaneously.

Other Winter Activities Facilities

In addition to alpine and Nordic skiing, Spirit offers lift-served fat biking and tubing.

Spirit has the only lift-served fat biking in North America; however, the activity is only generating modest interest. Spirit has trouble grooming for cross-country fat biking, and the area at Spirit is not well-connected to the heart of Duluth's fat biking network.

A five-lane tubing park is located at the top of the mountain. It operates out of the Adventure Park facilities (Sprung structure, parking lot). It is very popular, especially the glow tubing offering, and helps bring people not interested in skiing to Spirit. The run-out of the tubing hill is short and there is no room in the current space for an expansion. The existing handle tow is not optimal for tubing, from an efficiency perspective.

BUILDINGS

Maintenance Facilities

The existing maintenance facility is a typical size relative to industry standards. The facility is older, and there are several items of deferred maintenance including the electrical system of both the shop and the mountain overall, carpeting, the garage doors, and water damage. The cold storage unit is undersized and vulnerable to thievery.

Skyline Chalet

The Skyline Chalet is the main guest services and food and beverage space at Spirit Mountain. The building was initially constructed in the 1980s, with several additions over the years resulting in a long and linear layout that is relatively inefficient. This inefficient layout poses challenges for guest circulation and food and beverage service. A space use analysis of the Skyline Chalet completed as part of the 2017 MDP found that the building has an excess of circulation/walls/waste/mechanical space, bar space, and ticketing space and a deficit of restrooms, kitchen & scramble, guest services/ski school space. Several spaces in the building leak (elevator shafts, windows, rental room), and the building must be heated to 80 degrees to keep the building at a comfortable temperature. Other deferred maintenance items include carpets in need of recarpeting, aging boiler and furnace, unsafe deck on the south side, and the dimmer system. Several additional items related to the kitchen and food seating spaces are included in the Food and Beverage discussion. Future renovations must consider the balance between costs, functionality, and the potential for increased revenue generation. The 2017 MDP recommends a phased renovation plan for the Skyline Chalet, to make changes as funds become available and keep the space in use.

Grand Avenue Chalet

The Grand Avenue Chalet is a new facility completed in 2013 and provides an alternative portal for Spirit Mountain. The chalet is primarily utilized by alpine skiers from the West Duluth area, and is the main chalet for those using the adjacent Nordic skiing or mountain biking opportunities.

The Grand Avenue Chalet duplicates the alpine guest service staging functions offered at the Skyline Chalet (ticketing, rentals, lockers). Additional storage, ski patrol, and first aid space are also provided, significantly alleviating the pressure placed on those spaces at the Skyline Chalet. As noted in the 2017 MDP, the Grand Avenue Chalet does create several redundancies, but is helpful to alleviate crowding with certain functions.

Food and beverage services are provided in the chalet at both the Riverside Bar & Grill restaurant and Grand Avenue Café. The Grill has been a popular dining location for West Duluth residents, though the varied and unpredictable hours of operation have detracted from its appeal. The planned adjacent multi-use

development, RiverWest, is slated to bring hotels, retail, and single and multi-family housing to the immediate area. This development will activate the area and can draw new/frequent business to the Grand Avenue Chalet.

Initial issues have emerged with the building's construction, including settling, cracks in the concrete in tiles, and several hazards. The building is relatively exposed and has been highly vulnerable to petty theft in recent years.

During the summer, the Grand Avenue Chalet is the center for the bike park, and the Riverside Bar & Grill is open to the public during the bike park's hours of operation.

GUEST SERVICES FACILITIES

Ticketing, Lockers, and Retail

Ticketing is located in both the Skyline Chalet and Grand Avenue Chalet. Both locations struggle with poor internet and phone service. Due to connectivity issues, the ticket printing and credit card reading machines will frequently fail, hampering the ticketing process and leading to long lines at peak times.

Day and seasonal lockers are available at both chalets. The seasonal lockers are very affordable and there is a small wait list for those at Skyline Chalet. There is availability and room to expand seasonal lockers at Grand Avenue Chalet, but there is not sufficient interest. The day lockers are popular at the Grand Avenue Chalet and there is no room to expand. The day lockers are fully utilized at the Skyline Chalet, and many people also occupy tables and chairs with their belongings.

The retail shop is located in the Skyline Chalet across from the cafeteria. The space is moderately sized and only sells soft goods (hats, hand warmers, sunscreen, logo wear). A few retail racks are located next to ticketing at the Grand Avenue Chalet.

Food and Beverage

Food and beverage is offered out of both the Skyline Chalet and Grand Avenue Chalet. The menu offerings are relatively similar at all locations.

The Grand Avenue Chalet includes the Riverside Bar & Grill and the Grand Ave Café. The Bar & Grill offers a more relaxed, sit down dining experience with larger menu and alcoholic beverages, while the Café is a typical ski area cafeteria. The two operate out of the same kitchen, which is reasonably sized for the operation, but back-ups can occur, particularly at the fryer.

The Skyline Chalet includes the Moosehead Bar & Grill and the Mountain Top Café, with many additional spaces used for food and beverage seating (hallways, Bear Paw, Eagle's Nest rooms). People frequently purchase their food in one location and bring it to another. Seating areas can be extremely crowded on busy days, with many seats occupied by those bringing their own food. The main kitchen and associated food storage space are undersized and disconnected from the service and seating areas. The kitchen has flooring issues and water damage. As the main production kitchen, these deficits prevent the efficient production of food product to serve the current demand, or support expansion of service offerings in terms of quantity and variety. The Moosehead kitchen is also very cramped, which limits menu options at this popular pub and requires bringing food up (via the shared public stairway) from the main kitchen. The Moosehead seating space needs to be recarpeted, the electrical service is outdated, and the space is not directly handicap accessible. The main café kitchen server space is appropriately sized, but there is limited adjacent seating. The Slopeside room is underutilized but providing food in that space is a challenge given its location on the lower level. The Bear Paw and Eagle's Nest rooms are well suited to hosting weddings and other events, but

the circulation within the building presents challenges for those events. The building does have two decks for outdoor seating, but the deck on the south side needs repair. The potential upgrades to the food and beverage spaces at the Skyline Chalet combine maintenance projects (i.e., improving electrical service, recarpeting) with space and circulation improvements that likely could only be addressed through a larger building renovation.

The Adventure Park provides a very limited food and beverage offering through a small concession stand within the Sprung structure. The available space is small and shared with ticketing. The campground has no associated food and beverage offering, although the campground is close enough that campers could choose to use the Adventure Park facilities.

Adequate food and alcohol secure storage is similarly insufficient contributing to elevated cost of goods.

Rentals

Spirit Mountain currently offers rentals out both the Skyline Chalet and the Grand Avenue Chalet. The Skyline Chalet rental shop registration area (shared with snowsports) is a narrow, congested space, and the toilets above leak onto the desk area. The rental shop space previously housed a swimming pool, has poor ventilation, and spalling concrete floors.

The Grand Avenue Chalet rental room shares the space with ticketing. There is limited demand for rentals in that facility due to its customer base and lack of proximity to the beginner terrain. The facility also offers Nordic skiing and fat biking ticketing and rentals. The mountain bike and fat bike rental fleets are relatively lean due to limited demand.

Snowsports School

The snowsports school has no designated indoor space, presenting challenges to operation. The registration desk is located adjacent to the main Skyline Chalet rental shop, and the congestion in the shop often leads to delayed programs. On the hill, the snowsports school has very limited learning hill space. The space limitations are particularly pronounced with the popular after school programs. There is a small room on the lower level where full day program participants eat lunch, which limits the participants to thirty kids.

Parking and Access

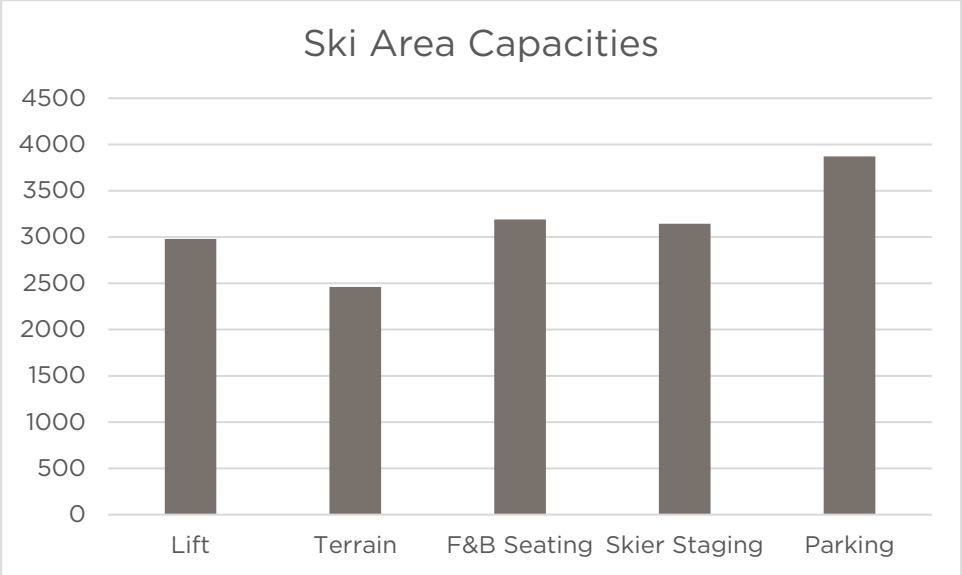
The ski area has parking at both the Skyline Chalet and Grand Avenue Chalet. The 2017 MDP estimated 1,087 parking spaces. Ski area staff shared that the parking lots do not fill up on busy days. While the parking capacity at the Grand Avenue Chalet accommodates current business, it is taxed during Nordic events and would be inadequate if demand for Nordic skiing and mountain biking continues to grow. Parking for tubing and the Adventure Park is provided adjacent to these offerings and is separate from the main lots. The entry road to Skyline Chalet and the parking lots need repaving. Currently the parking lots are being plowed by pick-up trucks with plow attachments which are insufficient and inefficient for the task.

Many of the signs welcoming people to Spirit Mountain use the old logo and should be updated.

SKI AREA BALANCE

The analysis of the terrain, guest services space, and food and beverage seating capacities completed in the 2017 Master Development Plan found that all those elements had capacities that were well-aligned at 2,500 to 3,000 skiers per day. The parking capacity calculated was 2,723 with no parking attendants and 3,871 when parking attendants are utilized. A revision to the lift capacity as part of this business plan found the daily lift capacity to be 2,980, aligning with the capacity of the other elements of the ski area.

This assessment of overall balance does not indicate specific deficits. For example, recreation area staff shared that on busy days, the parking lots do not fill up, but the Skyline Chalet can be extremely crowded, with people forced to sit on the floor. This is likely due to guests "setting up camp" in the lodges and keeping seats from being used by others over the busy lunch periods. Likewise, this summary does not identify specific deficits. As noted, the support space for food and beverage (kitchen, storage, back-of-house) is inadequately sized given current demand.



SUMMER FACILITIES

Adventure Park

The Spirit Mountain Adventure Park has been developed over the last ten years and includes the Timber Twister alpine coaster, Timber Flyer zip line, a jumping pillow, and a 9-hole putt-putt course. A disc golf course is part of the offering but is located out of the Grand Avenue Chalet. Tickets for the Adventure Park are sold out of the Sprung structure, a small facility in need of renovation.

Overall, the alpine coaster is the primary attraction, but it is a short-duration activity leaving visitors looking for more to do. The other offerings are not major attractors and do not entirely entice visitors to extend their stay to the full extent possible. Additionally, the lack of significant food and beverage offerings at the Adventure Park is a missed opportunity to encourage visitors to linger, have a snack or lunch, and spend more time at the park. Visits to the Adventure Park have been on a slight decline over the past few years.

Given recent developments in alpine coaster technology, an upgrade is necessary to improve the efficiency of the operation. The technology of ziplines has also advanced and new parts are necessary for operational reasons. The putt-putt course is lackluster and does not meet the expectations of guests for this activity.

The 2017 MDP calls for taking an experimental stance on future summer activities to reach the right mix of opportunities.

Mountain Biking

Spirit Mountain has both a downhill mountain bike park and cross-country trails, and acts as trailhead to the surrounding cross-country mountain biking trail system. The City of Duluth is an IMBA Gold Level Ride Center, the only area to receive that designation east of the Rockies. The downhill offering at Spirit enabled the City to receive that designation. Mountain biking, and specifically what is offered at the area, is a key component of what makes Duluth a desirable place to live and visit for outdoor recreation.

Of particular appeal to mountain biking enthusiasts, Spirit Mountain is located on the Duluth Traverse Trail, a purpose-built singletrack trail network connected to the Traverse Spine. Recent and planned trail projects have been aimed at making Spirit one of the well-known portals into Duluth's excellent mountain biking trail network. Spirit Mountain has the facilities, adjacent trail mileage, and large parking lots to support both residents and visitors starting their ride. The current parking lot can fill up, and additional parking areas may be necessary down the line as the popularity of the trail system grows.

The Spirit Mountain Bike Park opened in 2013 and currently has approximately 10 miles of trails and a skills park near the Skyline Chalet. The Spirit Express II Chair is used to provide lift access. The bike park has excellent and well-designed trails for beginner/novice riders and expert riders, but lacks trails geared towards the large intermediate market. The bike park is operated out of the Grand Avenue Chalet; it would be advantageous to locate a skills park and strider course there.

The trails need more regular maintenance, particularly as ridership increases, and the Candyland Trail is in need of a full re-build. The 2017 MDP called for a dedicated budget for maintaining the trail system. Trail maintenance has previously been a mix of in-house work, contracted labor, and volunteers from Cyclists of Gitchee Gumee Shores. The recreation area does not currently have the equipment to complete all maintenance projects in-house. Continued investment in the trail system is necessary to maintain the area as attractive for events and deserving of its Gold Level IMBA Ride Center Designation.

The 2017 MDP and the 2017 Duluth Traverse Mini Master Plan identified 9.1 miles of additional singletrack trail (both downhill and cross-country), 2.2 miles of doubletrack/Duluth Traverse Spine, and 1.8 miles of neighborhood connections to be built in the Spirit Mountain area. New trails have been constructed since the plans' adoption. As part of this study, the remaining planned trail mileage has been evaluated to ensure it aligns with the current gaps of the Spirit Mountain Bike Park.

An all-weather mountain biking trail loop has been proposed, fully funded, and is in the process of being built at Spirit Mountain. All weather trails are hardened with stone aggregate or wooden structures to accommodate riders in a variety of weather conditions. This loop will enable Spirit to offer a reliable course for races and events.

The Duluth Winnipeg, and Pacific (DWP) Trail is an important back-to-lift and neighborhood connection for the Spirit mountain biking trails. The rail crossing over Knowlton Creek was washed away in a 2012 flood and current users must travel through the Spirit Mountain maintenance yard. Long term, the trail is envisioned as part of the paved Cross City Trail, but in the short term, a rehabilitation of the existing trail and crossing is necessary.

The recreation area has begun operating summer kid's mountain biking camps, which are growing in popularity.

Campground

The campground has 73 sites and an additional overflow area for tents only. Of the 73 sites, 44 have electricity and water hookups for RVs. The overflow tent area has room for approximately forty tents, with picnic tables and fire pits at each site. The bathroom facilities are aging and in need of renovation. The campground is very popular and is full every weekend through the summer.

OPERATIONS ANALYSIS

This section reviews current operations from a departmental performance and financial perspective. This review includes the observations and recommendations of SE Group based upon an analysis of physical, market, and financial information provided by Spirit Mountain and a virtual site visit that included videos and commentary with each department director. The financial performance of these departments and revenues per skier visit are presented under the benchmarking section.

DEPARTMENTAL REVIEW

The following review discusses the strengths, weaknesses, challenges, and opportunities of each of the departments of Spirit Mountain. Many of these items help explain some of the underperformances listed in the benchmarking analysis.

TICKETING, GUEST RELATIONS AND MARKETING

Spirit Mountain is known to be inconsistent at checking tickets and many people will come ski without purchasing a pass. This represents both a financial loss and an insurance liability, as a ticket represents a signed waiver. Ticket checks should be conducted at all lifts, at all times. In addition, season pass scans are not recorded. Thus, Spirit cannot understand visits per season pass holder and total skier visits on the season.

The point-of-sale system, phone service, and internet service are all out of date, unreliable, and in need of an upgrade. This has made it quite challenging for ticketing, rentals, and generally conducting business. A new point-of-sale system would also allow the recreation area to capture valuable data about customers (e.g., where they are coming from, how many times they come) that can be used to target marketing and sales efforts.

Spirit's marketing efforts include billboards, videos, and social media. Messaging is targeted toward the day skier experience. As identified in the market assessment, there is an opportunity to compete with Lutsen Mountains and Giants Ridge for the destination skier by offering a destination experience that couples Spirit with the hospitality offerings of Duluth.

The Spirit Mountain logo was updated four years ago, but the old logo lingers, resulting in inconsistent messaging and signage.

FOOD AND BEVERAGE

The food and beverage program at Spirit Mountain includes both the cafés and bars, along with the wedding/banquet business. The wedding/facility rental business is very strong, with multiple weddings per day in the summer. The opportunities to expand the business are likely limited, though improvements to the venue space within the Skyline Chalet may allow for a small increase in pricing.

The food service program is challenged by space limitations and quality of the offering as described above in the site analysis. Over the past few years, Spirit has sought to align the hours the venue is open and

staffing levels with demand at the Grand Avenue Chalet and Moosehead Bar & Grill, but that continues to be a challenge. Many people bring their own food in lieu of purchasing at the recreation area. While some extent of this "brown-bagging" is always present at ski areas, better food options and a more appealing, distinct dining experience would encourage more skiers to purchase food at the mountain. However, a long, diverse menu can be complicated to produce and result in waste, as has occurred at the Grand Avenue Chalet. There is anecdotal evidence of a culture of giving away free food and beverage in exchange for tips and applying employee discounts liberally.

RECREATION AREA OPERATIONS

Snowsports School

The snowsports school and school programs bring many children and adults to Spirit Mountain, introducing them to the sport. As a family-oriented area, maximizing snowsports programs is critical to Spirit's mission. Currently the snowsports school offering is limited by terrain, indoor space, and the availability of instructors.

Summer Camps

Mountain biking summer camps are a relatively new offering at Spirit Mountain and have been growing in popularity. There is additional capacity for continued growth of those programs.

Rentals

Spirit has a very slow cycle for replacing its rental equipment and most of the equipment is over twelve years old and in declining condition. Typically, ski areas replace equipment after three to four years of use, to ensure that those using the equipment (typically beginner skiers/riders) have a positive experience on the hill. The rental shop operates on a paper system, which can be time consuming and inefficient.

As noted in the 2017 MDP, offering rentals out of the Grand Avenue Chalet is redundant, especially given the limited business that occurs there as it is not close to the beginner terrain. The rental operations could be run solely out of the Skyline Chalet.

OPERATIONS AND MAINTENANCE

The Mountain Operations and Maintenance department is a strong team with a good understanding of the demands and infrastructure. The maintenance team has had to focus on immediate needs, which combined with budget and time constraints, has resulted in several costly deferred maintenance projects.

MANAGEMENT AND CULTURE

Spirit Mountain is led by an experienced group of departmental directors with a strong knowledge of the operation and immense passion for the mountain and its community.

The Spirit Mountain team is flexible and collaborative. Staff are frequently moved around to where they are needed at busy times, efficiently using available resources. Instructors will work as parking lot attendants or help run lifts; office staff will help in the cafeteria. This "all for one" mentality speaks loudly toward the cohesion of the team and the effective leadership of senior management.

Spirit Mountain well utilizes volunteers to assist with operations, such as ski patrol and the afterschool program.

Spirit Mountain's relationship with the community has frayed in recent years and rebuilding that relationship is imperative.

BENCHMARK ANALYSIS

To assess the historical financial performance of Spirit Mountain, a "Benchmark Analysis" was completed in which Spirit Mountain's performance under key financial metrics were compared to that of 20 ski resorts within the Midwest Region across the 2017/18 and 2018/19 winter operating seasons.[4] Comparative data for this benchmark analysis was obtained from the National Ski Areas Association (NSAA) *Economic Analysis of the U.S. Ski Industry*, published annually. Additionally, for the Spirit Mountain analysis, SE Group worked with RRC Associates to prepare a customized comparative data set from within the 20 Midwest ski areas to narrow the data to those seven which are more specifically like Spirit Mountain on a size ranking basis.[5] The industry data represents the actual performance of the resorts against which Spirit Mountain was compared, which is then is anonymized and amalgamated. It is important to note that data provided by Spirit Mountain was insufficiently disaggregated to allow for a complete examination within select areas of the benchmark analysis. Increased granularity within the departmental financial reporting structure is recommended.

In general, the benchmark analysis depicts that Spirit Mountain performs well in the summer season with revenue values aligning favorably to the comparables. For the winter operating season, Spirit Mountain is notably, and substantially, underperforming in all revenue departments, averaging only 53 to 57 percent of the revenue generation of the comparable areas. Spirit Mountain's total operating expenses trend slightly high of the comparables but not alarmingly so – indicating there may be some areas for improvement in reducing expenses, but none that would substantially alter the overall profitability of the facility.

Assessment of these financial indicators presented many of the challenges (and opportunities) that are present at Spirit Mountain. To the positive, this analysis identified measurable areas for potential revenue improvement for further evaluation.

The results of the benchmark analysis are presented in Table 7 and within the narrative discussion that follows.

[4] The 2019/20 operating season was not assessed for two reasons; 1) the comparative NSAA data for the 19/20 season will not be published until early in 2021 and, 2) the operating season was truncated due to the pandemic.
[5] Size ranked by Vertical Transport Feet (VTFH) per day, skiable terrain (acres), season length, fixed assets, and annual visitation.

Table 7. Key Economic Indicator Benchmark Analysis

	Spirit Mountain Recreation Area 2018/19	NSAA Midwest Areas VTFH 3.0M+ 2018/19	NSAA Custom Set Average 2018/19
Number of Areas in Category	1	11	5
Ski Area Characteristics			
Season Length (days)	107	124	84
Skiable Terrain (acres)	89	234	105
Skier Visits	107,618	141,644	61,729
VTF/Hr (000)	4,383	5,392	2,999
Average # of Employees			
Full-time year-round employees(avg.)	22	108	25
Full time winter employees (ave.)	260	209	205
Ski Area Economic Characteristics			
Adult Weekend Ticket Price	$65.00	$75.36	$46.40
Adult Season Pass Price	$449.00	$527.00	$390.00
Child Season Pass Price	$309.00	$356.00	$327.00
Summary Financial Data			
Gross Assets Fixed Assets	$31,199,838	$33,945,000	$19,979,000
Operating Profit (Loss) Before Tax	$260,433	$3,486,000	$1,043,000
Operating Profit Margin	5%	24%	30%
Profit (Loss) / Skier Visit	$2.42	$24.61	$16.90
Revenue Sources & Analysis [1]			
Ticket Sales (including Season Passes)	$2,323,617	$4,831,000	$1,639,000
Snowplay & other winter ops	$189,221	$238,000	$295,000
Lessons	$140,889	$493,000	$149,000
Food & Beverage (Ski Operations)	$688,564	$3,277,000	$608,000
Retail	$117,505	$1,016,000	$93,000
Rentals	$341,612	$913,000	$567,000
Other Operating Rev	$1,835,356	$1,350,000	$79,000
Total Revenue	**$5,636,764**	**$14,621,000**	**$3,430,000**
Total Rev / Skier Visit	$52.38	$103.22	$55.57
Ticket Rev / Skier Visit	$21.59	$34.11	$26.55
Ticket Yield	33.2%	45.3%	57.2%
Snowplay & other winter ops/ Skier Visit	$1.76	$1.68	$4.78
Lesson Rev/ Skier Visit	$1.31	$3.48	$2.41
Food & Beverage / Skier Visit	$6.40	$23.14	$9.85
Retail / Skier Visit	$1.09	$7.17	$1.51
Rental / Skier Visit	$3.17	$6.45	$9.19
Other Operating Rev	$17.05	$9.53	$1.28
Ticket Rev / Total Rev	41.2%	33.0%	47.8%
Snowplay & other winter ops/ Total Rev	3.4%	1.6%	8.6%
Lesson Rev / Total Rev	2.5%	3.4%	4.3%
Food & Beverage Rev / Total Rev	12.2%	22.4%	17.7%
Retail Rev / Total Rev	2.1%	6.9%	2.7%
Rental Rev / Total Rev	6.1%	6.2%	16.5%
Other Operating Rev	32.6%	9.2%	2.3%
Expenses & Analysis			
Cost of Goods Sold	$559,617	$1,550,000	$288,000
Direct labor	$1,880,721	$4,277,000	$887,000
Other Operating Expenses	$2,935,993	$5,308,000	$1,212,000
Total Operating Expenses	**$5,376,331**	**$11,135,000**	**$2,387,000**
Total Expenses / Skier Visit	$49.96	$78.61	$38.67
Cost of Goods Sold / Skier Visit	$5.20	$10.94	$4.67
Other Op Expenses /Skier Visit	$27.28	$37.47	$19.63
Direct labor / Skier Visit	$17.48	$30.20	$14.37
Cost of Goods Sold / Total Expenses	10.4%	13.9%	12.1%
Direct labor / Total Expenses	35.0%	38.4%	37.2%

Source: SMRA, NSAA Economic Analysis of US Ski Areas, RRC, SE Group

COMPARISON METRICS

The following sections discuss Spirit Mountain's performance against comparable ski areas as presented in Table 7.

Size

As measured in Vertical Transport Feet per Hour (VTFH, an acronym used in Table 5, is a metric used by NSAA to categorize ski area size as it measures the uphill lift capacity of a ski area), Spirit Mountain is approximately 81% the size of the Midwest VTFH 3.0M+ comparison ski areas and 146% of the NSAA custom set. Compared by average skiable acreage, Spirit Mountain is 38% the size of the average Midwest VTFH 3.0M+ comparison ski areas and 89% the size of the average NSAA custom set. Spirit Mountain is on the smaller side for lifts and terrain for the Midwest VTFH 3.0M+ comparison ski areas, and on the larger side for lifts but smaller for terrain than the average of the comparison set.

Skier Visits

Spirit Mountain does not presently track accurate skier visitation. As mentioned above, the ski area does not scan tickets and there is a significant group who visits Spirit without purchasing a ticket, resulting in a loss of revenue and a liability risk. Skier visitation at Spirit Mountain has historically been tracked by taking the sum of day tickets sold plus an assumed usage of total season passes sold. Spirit Mountain has been using the assumption that each season pass is utilized an average of 15 days each ski season. Throughout the North American ski industry, actual tracked/scanned season pass usage averages 7-8 days per pass. For our analysis, an adjusted visitation figure for Spirit Mountain was calculated using an assumed season pass usage of 8 days per season. This resulted in a downward adjustment of skier visitation to 107,618 during the 2018/19 ski season. We have included in our recommendations that Spirit Mountain immediately initiate active checking/scanning of every skier/rider lift ticket/pass at every lift each day of the season. This is a ubiquitous practice at other ski areas that must be employed at Spirit Mountain.

Using this adjusted level of skier visitation, Spirit Mountain is receiving approximately 76% the visits of the Midwest VTFH 3.0M+ comparison ski areas and 174% of the NSAA custom set. These figures indicate solid visitation with some room for moderate growth, both through additional ticket scanning and additional market capture.

Lift Ticket/Pass Pricing

The lead day ticket price for Spirit Mountain is $65, which is 86% of the Midwest VTFH 3.0M+ comparison ski areas and 140% of the NSAA custom set used for this analysis. This is indicative that lift ticket pricing is likely in an appropriate range – with some room for moderate increase. Adult season pass pricing is similarly 85% and 115% of the comparable ski areas, and is likely in an appropriate position. In the subsequent section of this report, lift ticket yield per user is discussed which is a more indicative metric towards revenue than the lead ticket price.

Revenue Yields

Comparable revenue (and expense – see below) yields are derived by dividing the revenue data by the total annual skier visitation value. This can be then thought of as a "per visitor" metric.

For Spirit Mountain, the Total Revenue per skier visit figure may be somewhat misleading, as 33% of the total revenue recorded is derived from the "Other Operating Revenue" category which includes very strong performance by Spirit Mountain in summer operations and weddings. Spirit Mountain's Total Revenue per visit is soft against the comparables at $52.38 per visit compared to an average of $103 at the Midwest

VTFH 3.0M+ comparison ski areas and $55 for the NSAA custom set. Aside from the Other Operating Revenue category, all revenue sources at Spirit Mountain are noticeably underperforming. While helping explain past performance, this observation presents tremendous potential for the future. There are numerous areas which can be improved to assist Spirit Mountain in becoming more financially self-sustaining. Each of these is reviewed below with our observations/recommendations:

Ticket Revenue per Skier Visit

This metric is inclusive of all lift tickets and season passes sold annually. Spirit Mountain is achieving only 63% and 81% of the comparables. This is dramatically lower than the ratios to lift ticket/pass pricing (86% and 140%). This suggests that Spirit Mountain is selling a disproportionate number of tickets below the lead ticket pricing. This revenue per skier visit does not encompass the many skiers who visit Spirit Mountain without purchasing a ticket.

Lesson Revenue per Skier Visit

Among all revenue departments at Spirit Mountain, at just $1.31 per visit, snowsports lessons is the lowest performer comparing at 38% of and 54% of the revenues achieved at the comparative sets. This data includes all ski and snowboard lesson programs and reflects both low utilization and low pricing. There are several factors that should be specifically assessed in relation to snowsports revenue improvement; pricing, the supply/availability of instructors to accommodate those interested in taking a lesson, and the quality of the program.

This discussion acknowledges that Spirit Mountain is a community facility and operates under a mandate to be accessible and affordable for the residents of Duluth, and snowsports lesson pricing/packages reflect this intention. However, current pricing levels may not be appropriate for all Duluth residents and out-of-town visitors.

Rental Revenue per Skier Visit

Closely associated with snowsports programs, equipment rental at Spirit Mountain is notably underperforming. At $3.17 per visitor, rental revenue at Spirit Mountain is just 35% and 49% of that achieved at the comparable ski areas. Interestingly, operations personnel at Spirit Mountain described a noted lack of surrounding competitive rental shops for Alpine skis and snowboards – further indicating that Spirit Mountain should be performing strongly in this area. As our review of the department found that insufficient capital has been allocated to the routine replacement of the rental equipment fleet, the quality of the equipment may limit the number of people interested in renting what the department can charge.

Retail Sales per Skier Visit

Given the proximity of Spirit Mountain to Duluth residents' homes, we would not anticipate that there would be a robust retail opportunity at the mountain. However, the retail revenue per skier visit, at $1.09 per visitor (15% and 72% of that achieved at the comparables), is quite low. Potential areas for improvement may include providing sufficient space and diversifying the offering to cater to the Nordic uses at Grand Avenue, and interspersing retail with other guest services. For example, having gloves, goggles and typically forgotten items available in the rental shop or the snowsports lesson check in area.

Food and Beverage per Skier Visit

For this analysis, food and beverage revenue attributable to summer operations and wedding functions was omitted. Food and beverage affiliated with Spirit Mountain's ski operations presently capture $6.40 per visitor - compared to $23.14 and $9.85 for the comparables or 28% and 65% of the revenues achieved at these areas. As discussed above, the food and beverage venues face challenges with secure storage, size of kitchen facilities, and differentiation.

Other Operating Revenue

The other operating revenue category at Spirit Mountain is performing remarkably well, at $17.05 per skier visit, compared to $9.53 at the NSAA Midwest Areas VTFH 3.0M+ and $1.28 of the NSAA custom set. This is a reflection of Spirit's very strong performance in summer with the Adventure Park and weddings. While this is a strong revenue category for Spirit Mountain, there may remain opportunities to improve given the strong market for summer activities, while the wedding business may have reached its popularity.

Snowplay/Snowtubing additionally does well at Spirit Mountain providing effective revenue of $1.76 per skier visit, the metric used across industry. The comparable resorts are capturing between $1.68 and $4.78 on snowplay/tubing. There may be facility enhancements that could encourage additional skiers and Duluth residents to participate in snowplay/tubing.

Expense Analysis

In contrast to the notable underperformance in revenue, Spirit Mountain appears to be more reasonably in line with expected operating expenses, with all metrics being managed within, or toward the bottom of, the expected comparable range.

Total Operating Expenses

Total expenses at Spirit Mountain are $49.96 per skier visit. This compares to $78.61 and $38.67 at the two comparative sets: Spirit Mountain spends 64% and 129% of that spent for the comparable ski areas.

Other Operating Expenses

For this metric, Spirit Mountain is running at $27.28 compared to $37.47 and $19.63 at the comparable sets of ski areas.

Direct Labor

Similarly, Spirit Mountain is presently at $17.48 per skier visit as compared to $30.20 and $14.37 for the comparable sets. Further, a review of union negotiated labor rates was conducted and did not reveal any specific areas for comment or concern.

Cost of Goods Sold

This represents both items available for retail sale and food and beverage supplies. An interesting observation for this metric is that Spirit Mountain is presently on the low end of this metric at $5.20 per skier visit as compared to $10.94 and $4.67 for the other comparative sets. This may be related to the quality, portions, and potential margins associated with the food and beverage and retail offerings.

Operating Profit/Loss

As the previous discussion suggests, underperformance on the revenue element with relatively normal operating expenses cannot result in on par profitability. For the 2018/19 operating season, Spirit Mountain captured just $2.42 of net profit per skier visit – as compared to between $24.61 and $16.90 per visit for the comparative sets. Expressed as total profitability, this is $260,433 in annual profitability for Spirit Mountain compared to $3.48 million and $1.04 million for the comparative sets.

Anecdotally, SE Group typically observes ski areas operating at roughly 100,000 annual visits, with the quality of facilities presented at Spirit Mountain, to experience net operating income of over $1 million annually.

This level of profit margin achieved by Spirit Mountain does not allow it to withstand weaker years (i.e., low snow, pandemic), pay off its capital debt expenditures, or appropriately maintain its facilities.

OPPORTUNITIES

Based on the analysis of the site, operations, and the market several pathways have emerged for Spirit to be a stronger business. The many opportunities to drive visitation and revenue and minimize costs are further discussed in this section. Most of these opportunities do involve additional investment, from addressing deferred maintenance to improving the condition of the recreation area, to a new lift that improves efficiency and skier circulation, to hiring additional ticket scanners. These opportunities are intended to allow the recreation area to achieve the range of additional visitation capture determined in the Market Assessment. The identified opportunities were taken forward into financial analysis that models future business conditions for Spirit Mountain.

CHECK TICKETS

At present, it is well known that one can ski at Spirit Mountain without purchasing a lift ticket. Thorough ticket checkers at each chairlift can quickly eliminate this notion and encourage more people to buy tickets. Based on industry experience, we expect thorough ticket checking to result in an 10% increase to annual visitation.

Further, scanning day tickets and the implementation of an RFID scanner system to count season pass usage will provide the recreation area with key information about their visitor base for marketing and business planning.

ADDRESS PRICING

Spirit Mountain should adjust its current pricing strategy for both lift tickets and other elements (lessons, rental gear) to better drive revenue while continuing to act as an accessible and affordable recreation area for Duluth residents. One key opportunity is to develop a non-profit/scholarship fund to support less-advantaged community members to participate while allowing operations at Spirit Mountain to better capture market price for the programs offered. Maintaining the affordability of the recreation area was a key priority from the community survey.

As the facility improves and quality of the offering improves based on other opportunities identified here, moderate price increases may be appropriate.

GROW SUMMER

The summer business is already very strong at Spirit, thanks to the Adventure Park, mountain biking, and campground use. However, there are several opportunities to grow revenues and enhance the summer operation. The market for summer visitation in Duluth is substantial, and there is significant opportunity to capture additional visitation at Spirit. In the community survey, respondents who visited the Adventure Park came infrequently. Complementary activities could attract new visitors and encourage more frequent visits

and longer lengths of stay. Recommended improvements to drive additional visitation and longer lengths of stay to the Adventure Park include an aerial adventure course, a fun zone (i.e., bungee trampolines, climbing wall), play area, and summer tubing. Additionally, the associated food and beverage offerings for mountain biking and the Adventure Park could be enhanced and drive additional revenue. For example, a food truck and expanded food offering at the Adventure Park would likely produce more revenue than the current small concessions stand.

In concert with these improvements, the existing features of the Adventure Park require several upgrades to improve the quality of experience and efficiency.

EMBRACE MOUNTAIN BIKING AND NORDIC SKIING

For many residents and visitors, the mountain biking and Nordic offerings of Spirit Mountain are a vital aspect of the excellent outdoor recreation community of Duluth. Continuing to invest in new trails and infrastructure, snowmaking, and all-weather trails, along with heightened regular maintenance, can grow Spirit into a major hub for mountain biking, Nordic skiing, and events. The Grand Avenue Chalet can better align with these opportunities, with rentals, retail, waxing benches, and a food and beverage offering that appeals to Nordic skiers and mountain bikers.

The new trails and infrastructure to enhance the Spirit Mountain Nordic skiing and mountain biking offering are outlined in the Duluth Traverse Mini Master Plan, the Grand Avenue Nordic Center Mini Master Plan, and the Cross City Mini Master Plan, with important remaining projects included in this financial analysis.

For Nordic skiing, the Phase II enhancements include completing 3.3 km trail network with lighting and snowmaking, and a connector trail between the Grand Avenue trails and the trails at the top of the mountain.

For mountain biking, infrastructure enhancements include two intermediate downhill trails, 3.2 miles of new cross-country trails, a skills park located near the Grand Avenue Chalet, a limestone connector doubletrack trail, and a 1.4-mile trail rehabilitation of the DWP trail between Spirit Mountain and the zoo. An additional acre of parking at the Grand Avenue Chalet will be necessary to accommodate expected growth in visitation. To ensure the trails are in good condition, a full-time Spirit Mountain trail crew to maintain the trails and additional equipment will be required. Additional costs for a full rebuild of the Candyland Trail are included as well.

IMPROVE THE EFFICIENCY OF THE LIFT NETWORK

Spirit Mountain has several chairlifts that are over forty years old. Double Jaw, Gandy and Summit chairs require a significant amount of maintenance each year and have significant deferred maintenance costs as well. Many community survey respondents mentioned the aging lift infrastructure, detracting from the Spirit experience.

The Double Jaw Chair can be removed without posing challenges to skier circulation. The Gandy and Summit chairs should be removed as well given their age and maintenance costs. As illustrated in Figure 1, there is an opportunity to replace these two chairlifts with one without reducing mountain capacity—a

detachable quad chairlift that goes from below the bottom of the existing Summit Chair to the top of the Gandy and Big Air chairs. Grading at the bottom of the mountain should then be completed, to support skiing from the bottom of the terrain park run to the bottom of this new chairlift. This would improve skier/rider circulation and allow the entire ski area to be accessed by the Spirit Express II Chair and the new Gandy Chair replacement when business is slow to moderate. The Big Air Chair would continue to operate during busy days. Surface lifts accessing beginner/novice terrain would also operate during slow periods.

A new beginner conveyer is also necessary given the large maintenance burden of the current chairlift. The area should be regraded to provide a more positive beginner experience.

Going forward, additional money will need to be budgeted for deferred maintenance tasks as it is critical to keep on a regular maintenance/replacement schedule with lift infrastructure. This avoids unmanageable deferred maintenance costs and/or costly shutdowns due to failing equipment.

ADDRESS DEFERRED MAINTENANCE

SE Group has observed throughout the North American ski industry, those with a disciplined, sequential commitment to reinvestment are successful in the long-term and are observed to gain or maintain market share. Ski areas that fail to serially maintain and invest in their facilities typically begin to lose market share (and with it, profitability) and rapidly become unable to maintain the facility or invest as a result.

Spirit Mountain has many deferred maintenance projects, where necessary improvements have been delayed due to lack of available funds and capacity. This has led to a decline in the condition of the infrastructure and costs have accrued. Key deferred maintenance projects include lift and snowmaking system upgrades, upgrades to the electrical system, and renovations to Skyline Chalet. Addressing the deferred maintenance needs and budgeting for capital maintenance projects annually is essential and will improve the condition of the recreation area. This improved condition and functionality of the recreation area is critical to the long-term sustainability of the operation and will increase the area's attractiveness in the marketplace.

Spirit Mountain also requires several new equipment/vehicles in order to maintain and operate the recreation area, including a plow truck, snowmobiles, groomer, and a four-wheeler.

IMPROVE MARGINS ON FOOD AND BEVERAGE

Eating and drinking is an integral part of the recreation area experience. For Spirit to improve its standing in the marketplace, especially for destination visits, the food and beverage offering must be improved. There are several opportunities to improve the experience and strengthen margins on the food and beverage offering. These opportunities are both programmatic (e.g., targeted and more appealing menu options, appropriate hours of operation) and physical (e.g., expanded kitchen space, secure food storage). Food and beverage operations could also be leased and consigned to an experienced food and beverage business from the local area.

RENOVATE SKYLINE CHALET

The Skyline Chalet needs a renovation to reduce maintenance and operational costs and enhance the guest experience. The building is aging, and key necessary upgrades include better sealing the building,

expanding kitchen space, rewiring the electrical system, improving the phone system and internet connection, and recarpeting. Providing a larger designated space for snowsports school would allow those programs to better operate and expand. We recommend conducting renovation projects as funds become available, rather than one large project.

CAPTURE THE MARKET

In addition to capital investment, marketing strategies must be deployed to help Spirit to capture more of the market. One key opportunity is packaging with the City of Duluth and Visit Duluth. In summer, Spirit should be known as a must-stop for the many tourists coming through Duluth. The Adventure Park offerings can be better market to local residents as well, as many survey respondents commented they were unaware of many of the activities listed. In the winter, the lodging/restaurant/night life offering in Duluth should be promoted and packaged with the recreation area to demonstrate that Spirit can offer the full experience. Further marketing planning will need to be pursued to ensure Spirit can fully realize the potential for additional visitation.

Tubing Carpet

Lone Oak

Timber Twister
Alpine Coaster

Skyline
Chalet

Spirit Express II Chair

Summit Chair

Gandy Chair

Big Air Chair

Maintenance Road

150' Stream Setback

Exact terminal and
trail locations TBD
(further planning
needed)

Grand Avenue
Chalet, Riverside
Bar & Grill

Spirit Mountain Grand
Avenue Parking Lot

spirit
mountain

Spirit Mountain

Figure 1: Lift Efficiency Concepts

Legend

- Existing Lift
- Proposed Lift
- Lift to be Removed
- Existing Building
- Proposed Ski Trail

Contour Interval: 2'

N

SCALE (ft)
0 75 150 225 300

Prepared by:

SE GROUP

FINANCIAL ANALYSIS

The operations and site analysis has confirmed that Spirit Mountain is very much at a critical inflection point. There are ample opportunities to take action, invest in the facility, and catalyze a future where Spirit Mountain is independent, financially sustaining, and growing its offering of quality recreation opportunities for the community. A more vibrant business model for Spirit Mountain will require discipline to increase revenue through competitive pricing, enhanced offerings, and increased visitation to manage the recreation area, where appropriate, "for-profit business." The recreation area is also an essential element of what makes Duluth an excellent outdoor recreation destination and community, particularly for mountain biking and Nordic skiing, and continuing to provide and invest in those elements is important as well.

As has been previously mentioned, ski areas with disciplined, sequential commitment to reinvestment are successful in the long-term and are observed to gain or maintain market share. Ski areas that fail to serially maintain and invest in their facilities typically begin to lose market share (and with it, profitability) and rapidly become unable to maintain the facility or invest as a result. In the increasingly competitive winter sports market, this point cannot be sufficiently stressed.

RECOMMENDED BUSINESS MODEL

As discussed in the *Opportunities* section, there are many projects and efforts Spirit Mountain can undertake to enhance the financial performance of the recreation area. In introducing this financial model, it is important to understand that inaction at this juncture will result in further deferred maintenance issues, and a continuation of current business performance (at best) until the City can no longer justify subsidization and Spirit Mountain ultimately fails. Our recommended model includes many deferred maintenance and strategic capital improvements projects that will allow the recreation area to not just continue to draw its existing level of visitation and spending but growth that and achieve better financial performance.

DEFERRED MAINTENANCE AND STRATEGIC CAPITAL IMPROVEMENT PROJECTS

This process involved a critical analysis of the projects warranted to either properly maintain the current facilities or catalyze the ability to measurably improve business performance. These projects were previously introduced under the *Opportunities* section above and are summarized here in terms of capital requirements. Through discussions with the City of Duluth and Spirit Mountain, it is envisioned that these projects/maintenance needs could be capitalized through the continued use of municipal bonding and grants which would potentially allow the implementation of this level of improvement across the course of two years.

Table 8. Recommended Model: Deferred Maintenance and Strategic Capital Improvement Projects

Deferred Maintenance and Capital Improvement Projects	Total
Alpine Skiing	
Lifts	$5,484,000
Alpine Terrain	$396,900
Snowmaking	$571,100
Lighting	$1,562,000
Maintenance System Upgrades	$590,600
Rolling Stock (Equipment & Vehicles)	$752,700
Guest Experience	
Guest Services System Upgrades	$439,600
Lodge Renovations	$6,817,500
Other (Road repaving, signage)	$506,300
Summer	
Campground Improvements	$629,850
Adventure Park Upgrades	$777,800
Adventure Park Capital Improvements	$1,170,000
Nordic/Mountain Biking Trail Network	
Legacy Parks & Trails Grant Projects (Nordic and MTB Trails)	$1,371,100
Additional Mountain Bike Projects	$109,500
Nordic Snowmaking/Lighting	$2,081,700
Total Capital Costs	$23,645,850

The Nordic skiing and mountain biking capital projects are included here as key components to making Duluth an outdoor recreation destination, with Spirit Mountain as the center of that, as the City envisions. These projects were planned as part of the Duluth Traverse Mini Master Plan and the Grand Avenue Nordic Center Master Plan. Funding for these projects may be separate from the ski area projects, such as community fundraising for Nordic skiing projects.

METHODOLOGY

SE Group has prepared a financial analysis of the recommended business model to be objective and relies on SE Group's decades of experience with the ski industry. This model purposely errs on the side of conservatism, in order to develop reliable financial models: in projecting revenues and visitation, using the lower assumption; in estimating expenses, assuming the higher end.

This financial model assesses the resulting financial performance associated with the deployment of $23.6 million in additional capital. The following list includes several key assumptions and factors for this model.

Visitation

A modest increase to alpine ski visitation was assumed, growing from 107,618 in the 2018/19 season to approximately 137,000 in three years, with 10,000 additional visits being attributable to accurately counting/capturing existing skier visits through the implementation of active lift ticket checking. The additional increase is expected to occur incrementally achieved through facility improvements and marketing as described in the *Opportunities* section.

Expansion of summer Adventure Park activities is projected to induce 36,500 new users in addition to the robust summer visitation that Spirit Mountain presently benefits from.

Additional visitation is projected for the mountain bike park, increasing visitation from approximately 7,000 to 12,000 over three years.

Projected revenues and visitation made in the Grand Avenue Nordic Center Business Plan were carried forward into this analysis. The Business Plan anticipated the Nordic Center achieving total revenue from ski passes, events, and programming of $161,425 by year 3, with expenses at $72,973 in that year, for an operating margin of $88,452 per year.

Revenue Projections

Revenue improvement projections for each department build upon identified opportunities in the benchmark data (presented above), carefully checked against the comparative set to ensure each projection falls in line with what other ski areas manage to achieve. These projections were made per skier visit, as done in the benchmark analysis data. Achieving these projections involves both increasing the price in certain revenue categories where appropriate and as the facility improves (i.e., lift tickets, retail, lessons) and generating additional business to these categories, such as retail, rentals, and food and beverage. The recreation area is also projected to grow revenue through increased summer business. It is projected that Spirit Mountain could achieve an additional $16.36 in revenue per skier visit.

Expense Projections

Increases in labor, operations and maintenance expenses were calculated and included for each new facility operation or amenity. Detailed labor and expense models were constructed to assess newly needed positions, payroll taxes, benefits and a year-over-year cost escalation factor. Additionally, as the complexity of the operation grows, additional department heads and supervisory rolls would need to be added. The expense projections also incorporate resulting increases in maintenance, janitorial, utilities, banking fees, insurance, and marketing.

Capital Maintenance

A capital maintenance reserve is allocated at 5% of total annual revenue to effectively set aside a specific fund to ensure adequate maintenance of all facilities can be conducted over time. This is in line with that reserved by ski areas across North America.

ANTICIPATED FINANCIAL PERFORMANCE OVER TEN YEARS

The following table summarizes the results of the financial model associated with the recommended business model for Spirit Mountain over an anticipated ten-year time period. The primary maintenance and strategic investment is assumed to occur in the first three years (see Table 8). Subsequently, revenue and

expenses are escalated statically at 3% per annum for years four through ten and including necessary annual maintenance costs.

Table 9. Anticipated Financial Performance of Recommended Model Over Ten Years

Financial Performance Summary	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Total Revenue (3% increase per year after Year 3)	$8,428,000	$11,683,000	$12,487,000	$12,862,000	$13,248,000	$13,645,000	$14,055,000	$14,476,000	$14,911,000	$15,358,000
Operating Expense (3% increase per year after Year 3)	$6,853,000	$8,424,000	$8,677,000	$8,937,000	$9,205,000	$9,482,000	$9,766,000	$10,059,000	$10,361,000	$10,672,000
Operating Margin (Revenue less Operating Expenses)	$1,574,000	$3,259,000	$3,810,000	$3,924,000	$4,042,000	$4,163,000	$4,288,000	$4,417,000	$4,550,000	$4,686,000
Operating Margin % (Operating Margin/Revenue)	19%	28%	31%	31%	31%	31%	31%	31%	31%	31%
Capital Maintenance Reserve (5% of Revenue)	$421,000	$584,000	$624,000	$643,000	$662,000	$682,000	$702,000	$723,000	$745,000	$767,000
EBITDA on New Activities/ Amenities	$1,153,000	$2,674,000	$3,186,000	$3,281,000	$3,380,000	$3,481,000	$3,586,000	$3,693,000	$3,804,000	$3,918,000

This recommended business model would allow Spirit Mountain to achieve an operating margin of $1.57 million in year one, $3.26 million in year two, $3.81 million in year three, stabilizing at an operating margin percentage of 31%. This represents a strong increase from the $260,000 operating margin achieved in the 2018/19 season. This level of operating margin would enable the recreation area to weather weaker years and appropriately invest in capital maintenance.

The bottom-line metric reported is Earnings Before Interest Taxes Depreciation and Amortization (EBITDA) which is an expression of *profit* before debt-service, taxes and asset depreciation are deducted. In order to provide a comparative year-to-year, our analysis and modeling stops at the EBITDA level. The management of profit/loss beyond the EBITDA level are "ownership decisions" pertaining to the methods used to capitalize asset purchases, asset maintenance, asset consumption/depreciation over time, taxes, and debt service. These are widely variable from year-to-year and thus were not included in this model. This level of operating profits are desirable and necessary in order for the ownership to have the ability to effectively manage the assets. Under this recommended business model, EBITDA performance would be sufficient to allow the City to rely upon Spirit Mountain to maintain its facilities without subsidization and likely service its own debt over time.

Achieving an operating margin of 20% to 30% aligns with that achieved by the other ski areas included in the benchmark analysis presented above.

Anecdotally, SE Group commonly observes ski areas that host about 100,000 annual snowsports visits typically achieve EBITDA on the order of $1.5 to $2.5 million, not including summer activities revenue. With the results modeled here, where summer activities contribute approximately 30%, winter operations results are within this range.

ECONOMIC IMPACT

The existing economic impact of the Spirit Mountain was quantified in the initial analysis to better understand the economic benefits the recreation area presents to the region. Under the existing condition, Spirit Mountain's alpine skiing, mountain bike park, campground, and summer adventure park generate an estimated $22.43 million in activity in the local economy. This includes spending at the recreation area, spending at nearby businesses, and induced spending spurred by the recreation area visitor spending.

The additional visitation and recreation area spending associated with the recommended business plan, along with the build-out of the Grand Avenue Nordic Center, would generate greater economic impact for the region. It is estimated that the implementation of the recommended business plan would result in an economic activity of $39.90 million annually. The following comparison table summarizes the estimated increases under several key metrics. Full methodology, assumptions, and results for the projected condition analysis can be found in Appendix D.

Table 10. Economic Impact Comparison Table

	Existing	Projected	Percentage Change
Visits	201,025	283,218	41%
Direct Impact	$14,475,000	$25,839,000	79%
Secondary Impact	$7,959,000	$14,062,000	77%
Tax Revenue	$4,167,000	$7,344,000	76%
Jobs Supported	301	506	68%

SPIRIT MOUNTAIN ECONOMIC IMPACT

PROJECTED 2024



ALPINE SKI

- **137,618** estimated annual visits
- **$10,224,000** secondary sales activity
- **18,871,000** direct sales activity
- **$5,400,000** in tax revenues (federal, state, and local)



ADVENTURE PARK

- **106,580** estimated annual visits
- **$2,713,000** secondary sales activity
- **$4,890,000** direct sales activity
- **$1,365,000** in tax revenues (federal, state, and local)



MTB PARK

- **12,000** estimated annual visits
- **$601,000** secondary sales activity
- **$1,095,000** direct sales activity
- **$321,500** in tax revenues (federal, state, and local)



CAMPING

- **16,600** estimated annual visits
- **$345,000** secondary sales activity
- **$629,000** direct sales activity
- **$167,000** in tax revenues (federal, state, and local)



NORDIC SKI

- **10,500** estimated annual visits
- **$179,000** secondary sales activity
- **$354,000** direct sales activity
- **$82,700** in tax revenues (federal, state, and local)

2024 PROJECTED ECONOMIC IMPACT

- **283,298** estimated annual visits from these activities
- **$25,839,000** direct sales activity
- **$14,062,000** secondary sales activity
- **$7,344,000** in tax revenues (federal, state, and local)

ADDITIONAL BUSINESS MODELS CONSIDERED

As described, the recommended business model leverages many critical investments to address necessary maintenance and catalyze additional visits and spending at the recreation area. This investment would total approximately $23.6 million. It is SE Group's professional recommendation that this path be followed. However, additional modeling was undertaken to assess two scenarios requiring lesser investment. This is important to understand what would happen if these recommended actions were not taken or were partially implemented. The two additional models are not presented at the same level of detail as the recommended business model within this report, but were assessed at that level and are briefly summarized here.

LOW ADDITIONAL INVESTMENT MODEL

Under this scenario, minimal additional capital would be allocated. This capital is the minimum necessary to maintain the current facility and ensure sufficient investment is made to deliver a safe guest experience. Areas of focus would be:

- Key improvements and modest upgrades to the snowmaking system
- Safety upgrades to the Alpine Coaster
- Campground upgrades necessary to its continued operation
- Deployment of new point of sales, telephone, and reliable internet systems
- Needed rolling stock including groomer, snowplow, and operations vehicles
- Re-paving the entrance road
- Renovation of a small portion of the Skyline Chalet and addressing maintenance issues at the Grand Avenue Chalet
- The mountain biking and Nordic trail projects that the City is committed to for enhancing the overall outdoor recreation offering of Duluth

In this scenario, approximately $7.7 million of capital would be required. Approximately $3.9 million of this total is the mountain biking and Nordic trail/lighting/snowmaking upgrades that the City is committed to and would be largely funded through grants and donations. To note, this capital expenditure is held constant across all modeled scenarios.

It is projected that total revenue per skier visit could be modestly increased by approximately $5.69 through modest escalation in lift ticket, rental and food and beverage pricing (compared to $16.36 in the recommended businesses model). The recreation area could achieve the 10,000 additional skier visits through the recommended thorough ticket checking. After that initial increase, total skier visitation would be anticipated to stagnate and begin to erode over the modeled period as facilities are not continually improved or augmented and regional competitive ski areas are improved. Modeled operating expenses do not measurably change from current conditions, however, they have been modeled to increase less rapidly than the under the recommended business model, taking into account that as revenues wane, cost control options would be sought. With this scenario, there are modest increases in EBITDA (growing from +/-$260k per season to roughly $678k), mostly attributed to the increased ticket checking that is included in all scenarios. In this modeled scenario, after Year 5, EBITDA performance begins to decline. Operating margins, under this low investment model remain below 17%.

Ultimately, this alternate model does not allow Spirit Mountain to sustain financial viability and self-sufficiency. The annual operating profit is insufficiently consistent to sustain Spirit Mountain in the event of

an unprofitable season due to poor snow, recession or other unforeseen, but likely, event and allow it to service its debt.

MEDIUM ADDITIONAL INVESTMENT MODEL (FOCUS ON SUMMER OPPORTUNITIES)

A Medium Investment Model scenario was developed to understand the financial performance associated with addressing key maintenance needs for winter operation/facilities and expanding summer amenities and opportunities. This includes the following core items included in the low investment model:

- Key improvements and modest upgrades to the snowmaking system
- Campground upgrades necessary to its continued operation
- Deployment of new point of sales, telephone, and reliable internet systems
- Needed rolling stock including groomer, snowplow, and operations vehicles
- Re-paving the entrance road
- Addressing maintenance issues at the Grand Avenue Chalet
- The mountain biking and Nordic trail projects that the City is committed to for enhancing the overall outdoor recreation offering of Duluth
- Safety upgrades to the Mountain Coaster

In addition, a larger upgrade to the Skyline Chalet would be undertaken (about half of what is included in the recommended business model) and four new revenue generating amenities would be included in the summer Adventure Park.

For this scenario, approximately $15.5 million of additional capital would be required ($7.7 million beyond the low investment model). Approximately $3.9 million of this total is the mountain biking and Nordic trail/lighting/snowmaking upgrades that the City is committed to and would be largely funded through grants and donations. To note, this capital expenditure is held constant across all modeled scenarios.

It is estimated that total revenue per skier visit could increase by approximately $10.28 through supplementary revenue generated by the addition of new summer amenities and visitors in additional to modest escalation in lift ticket, rental, lesson, retail and food and beverage pricing. This figure is in contrast to the $4.59 under the low investment model and $16.36 under the recommended business model.

As this scenario has only a moderate focus on winter facilities, annual skier visitation is anticipated to remain flatten, but not erode over time as the level of investment in winter operations should be sufficient to simply maintain the current level of skier visitation. This visitation level in this model also include the expected 10,000 visit increase associated with thorough ticket checking.

Modeled winter operating expenses do not measurably change from current conditions. Summer operating expenses have been modeled to increase commensurate to the addition of the new summer amenities.

Under this scenario, modeled EBITDA would increase to an anticipated range of $1.2 million in year one and growing to $1.9 million in year three. With the aforementioned flattening of winter visitation, and a faster paced escalation of operating expenses, EBITDA would begin to wane by year five declining to approximately $1.4 million in year ten.

This alternate model would provide reliably consistent operating income for Spirit Mountain to be financially viable and self-sufficient. This does represent a pivot towards being summer-focused and away from

enhancing, supporting, and maintaining the winter recreation amenities that the community knows and appreciates.

CONCLUSION

As previously noted, this analysis required many assumptions but erred on the conservative side of potential ranges. However, given the margins described in recommended business model, the opportunity for marked improvement in financial performance remains quite evident. Capital investments could allow Spirit Mountain to consistently achieve EBITDA in excess of $1 million per year. This financial performance would allow the recreation area to be principally self-sustaining and capable of internal self-reinvestment.

MANAGEMENT AND OPERATIONAL APPROACH

As part of this analysis, SE Group has been engaged to assess several potential management and operational approaches for the future of Spirit Mountain. These include continued management/operation directly of Spirit Mountain by the City of Duluth, the lease of the operations of the facility, the lease/concession of select departments within the current entity, and a non-profit. Each of these is described and further evaluated below.

The recommended business plan modeled above shows that an agile future for Spirit Mountain will require additional capital investment to address the accumulated deferred maintenance needs and invest in the upgrade and modernization of the facility. The alternate management approaches detailed below do assume this investment is made in the facility, independent of the management and operations approach that may be chosen.

CONTINUED MANAGEMENT/OPERATION OF SPIRIT MOUNTAIN BY THE CITY OF DULUTH

As previously stated, Spirit Mountain is at a critical inflection point. There are ample opportunities to invest in the facility and catalyze a future where Spirit Mountain is independent, financially sustaining, and growing in its offering of quality recreation opportunities for the community.

Spirit Mountain has, for the duration of its history, been operated by an authority of the City of Duluth. In recent years, the recreation area has struggled financially, and the City of Duluth has been called upon to provide significant financial assistance.

This analysis and review showed that the recreation area has been poorly run and there are opportunities to manage better, within the City's capacity. As part of this analysis, it was shared that prior leadership/management teams at Spirit Mountain were somewhat ineffective and dysfunctional. Spirit Mountain can achieve a reversal of the recent trend with a general manager who supports greater team collaboration, transparency, community relations, and enhanced operations. In SE Group's opinion, the existing team of departmental directors possess the depth of experience and knowledge to effectively operate the recreation area under such effective top-line leadership.

We do not see any reasons that Spirit Mountain cannot, or should not, continue to be operated directly for the City of Duluth. With the appropriate leadership and critical attention to fostering effective organizational health, the operations team presently in place can, and should, be successful.

LONG-TERM LEASE OF OPERATIONS

Several ski areas are operated where a private entity operates the ski area on a lease from the property owner, such as Mount Sunapee in New Hampshire that is described in the case studies. The most common model in the North American ski industry for leased/concessioned ski area operations is where a percentage of gross revenue is paid to the property owner and the remaining operating income is retained by the operator. For example, in the recommended business model, we see that top-line revenue in year 3 is approximately $12 million. A 10% concession fee ($1.2 million) would be paid to the City with the lessee operator retaining the EBITDA less the concession fee, amounting to approximately $1.9 million – or a 15% margin on gross revenue.

There are experienced ski area operations teams that would potentially be interested in this type of arrangement. The advantages of this structure come in the expertise that a seasoned ski area operator would bring, obviating portions of the financial risk for the City, and providing a consistent 10% return to the City – which is in sharp contrast to the subsidization that the City has been providing. SE Group has been in discussions with one ski industry operator who has expressed sincere interest in the sorts of arrangements detailed above. An experienced operator may see value in the opportunity to be part of, and take on the responsibility of, affecting the "turn around" over an agreed period of time.

Disadvantages would be in the loss of "control" over the operations, less input to how the operations are being conducted, and potentially lessening the feeling that Spirit Mountain is truly a community resource. Finally, as detailed in the recommended business model, were the City to concession the operations, a substantial portion of the operating income from the facility would be, by contract, shared with concessionaire – as opposed to being in a position to utilize the income earned for reinvestment in the facility and/or apply toward debt service.

PARTIAL LEASE/CONCESSION OF SELECT DEPARTMENT(S)

Following the format of the concessioned operations detailed above, this scenario would entail concessioning only select departments or possibly an individual facility. For example, all food and beverage operations could be concessioned to an experienced restaurateur/caterer. In this situation, it would likely be necessary to concession all food and beverage operations including Spirit Mountain's lucrative wedding operations. It is difficult to envision separate operators sharing kitchens, serveries, and food storage. With two chalets, an alternative to this arrangement would be that just the Grand Avenue Chalet food and beverage operation would be concessioned to a known restauranteur who might bring a renowned name, brand or signature beer to the Riverside Grill. The advantages of either of these scenarios come in the form of catalyzing the efficiency and efficacy of the food and beverage operations, differentiating the offerings and eliminating a very complex portion of the operation. Disadvantages are similar to leasing the entire operation – the City would lose partial control over the product, the quality, and the ability to ensure that the concessioned department is providing a parallel guest experience.

Under the concept of concessioning select departments, food and beverage is the most likely candidate due to the complexities and sheer demand of those operations. If it is efficiently managed, there is good margin in food and beverage operations. It is not recommended that Spirit Mountain consider concessioning rental or snowsports lessons. Each of these is tightly intertwined with the other on-snow operations (and each other) and would simply not provide gains in efficiency sufficient to offset by the loss in revenue. Retail

could be concessioned with relative ease and represents a somewhat compartmentalized operation that would lend itself to be operated by a local retailer as a satellite shop. The extent of retail operations and opportunities at Spirit Mountain are simply insufficient for this strategy to provide a measurable advantage.

NON-PROFIT

As noted in the case study review, several ski areas are operated by a non-profit organization or have a non-profit entity acting as the ski area's fundraising entity. The benefit of non-profit status in this context is the ability to fundraise for capital projects or scholarships. At Spirit Mountain there are several opportunities for non-profit involvement: a non-profit, such as a Friends of Spirit Mountain, could exist in concert with continued management by the City of Duluth or management by a long-term lease holder, or a non-profit could become the managing entity/leaseholder.

This "Friends of Spirit Mountain" concept likely should be pursued under any future management approach for fundraising purposes. A non-profit's scholarship fund subsidizing tickets, lessons, and/or rentals for those who need it would enable Spirit to charge market rate to those who could afford it. A non-profit acting as the lease holder would help retain the community feel to Spirit, although the City of Duluth may not achieve the revenues from a non-profit operation than it would from operating the recreation area itself or contracting to a for-profit leaseholder.

CONCLUSION

The elements critical to success are present at Spirit Mountain. The facility has been reasonably well capitalized, hosts intriguing on-hill terrain with some modern chairlift capabilities, possesses a wide variety of summer amenities/operations, and has a robust local and regional market/market capture. A key missing element appears to have been the effective management of the facility with an expectation and culture of efficiency and profitability. For any of the opportunities presented above to be effective, critical changes in the operation/management of Spirit Mountain must be implemented to allow the establishment of a culture of efficiency, effectivity, and profitability.

APPENDICES

APPENDIX A. MARKET ASSESSMENT

APPENDIX B. CASE STUDIES

APPENDIX C. SURVEY RESULTS DOCUMENT

APPENDIX D. ECONOMIC IMPACT REPORT

APPENDIX A. MARKET ASSESSMENT

Spirit Mountain
Multi-Season Recreation Assessment
November 2020



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Introduction

This report summarizes research conducted by RRC Associates, an independent consulting and research firm in Boulder, Colorado, with assistance from SE Group, on behalf of the Spirit Mountain Recreation Area. This market assessment presents visitor trends and estimated volumes, local and regional market demographic profiles, and a broad analysis of existing regional amenities, market trends, and attractions in the greater Duluth, MN area. This report is intended to serve as a framework for discussions to assist Spirit Mountain in making strategic decisions around the opportunities for future planning scenarios.

Research and findings rely on a combination of professional experience and secondary research. Secondary research includes reports and data gathered by American Community Survey, U.S. Census Bureau, The Outdoor Foundation, The Outdoor Industry Association, Explore Minnesota, Visit Duluth, in-house RRC Associates data, and more.

Key Findings

This section of the report presents some high-level trends and findings relevant to the future of Spirit Mountain's operations. Please see the body of the report for more detail on these and other topics.

Ski and Outdoor Recreation Industry Trends

- The 2019/20 season was an anomaly for total skier visits. The COVID-19 pandemic played a major role in the decrease in visits from 2018/19. However, total skier visits in the U.S, have remained relatively steady over the past 20 years, with some fluctuations due to economic or weather factors. Therefore, many ski resorts are diversifying revenue streams and finding new ways to bring in guests during the summer and shoulder seasons. The trend of being innovative and trying new tactics will continue as ski areas seek out new opportunities for growth. Spirit Mountain already provides a number of year-round activities, but ensuring those activities are bringing in guests will be important for the future.

- Millennials and Gen-Z have become the two largest visitor groups at ski resorts. However, their expectations and desires for a resort may not be what other generations wanted. In fact, it has been made clear that traditional marketing efforts need to be adapted to fit the needs of these generations. As Millennials age into parenthood, it is important to ensure resort messaging resonates. With Gen-Z, technology continues to play a major role in these individuals' lives. Furthermore, social issues have become championed by many younger individuals, an important characteristic to keep in the forefront. Therefore, Spirit Mountain needs to not only leverage existing younger generations from

University of Minnesota-Duluth, but also the wave of young professionals in the Twin Cities Metro Area.

- Multi-season mountain passes are exploding in popularity and ensuring your place on one of them opens new doors. Spirit Mountain's inclusion on the Indy Pass represents new opportunities to attract skiers and snowboarders that may have not been to the region before. Despite other competition being on the Indy Pass as well, the more reason for a guest to come to the region, the more likely they will come to Spirit Mountain for part of their trip. Furthermore, multi-season passes allow users to experience other ski areas, which can lead to conversion to passholders if they enjoy their experience.

- Looking at national trends in outdoor recreation, the most popular activities are those that have low barriers to entry in terms of both cost and convenience (e.g., running, hiking, fishing, camping, and biking); generally summer season activities. Winter season activities rely on significantly more investment and time commitments from participants. Luckily for Spirit Mountain, almost all of the most popular activities are offered on-site. Spirit Mountain's summer offerings are more well-rounded than most nearby ski areas and they tap into growing activities such as biking. Results indicate that Spirit should try to continue improving popular, low barrier to entry activities while also keeping an eye on their competition to see where new activity gaps exist.

- Outdoor recreation has become a major player in many states' economies. Annual spending on recreation gear and activities makes significant impacts on local communities. Trail sports are very popular and bring in the largest amount of annual spending, followed by water sports. Spirit Mountain should continue exploring how not only the mountain but also the greater Duluth region can benefit from further supporting the outdoor recreation industry at a larger level.

Demographics of St. Louis County and beyond

- St. Louis County's population has remained nearly unchanged in the past 10 years. While this does not signal major growth in the area, there is also no cause for concern of flight to more urban areas. The Duluth area continues to be a popular location to live for scenic beauty, outdoor recreation opportunities, and more. Continuing to monitor whether Duluth starts to see changes in demographics due effects of amenity migration or new industries will be important.

- St. Louis County and Duluth's demographics show a generally stable population with some positive findings. Despite overall population and median age remaining stagnant over the past decade, median income and educational

attainment have increased in that same period. Racial diversity has not changed significantly in the county, but that may not apply to visitors frequenting the area. Demographic trends highlight the potential for households to have additional disposable income and regional resident characteristics that are likely to visit outdoor recreation destinations, a positive finding for Spirit Mountain's future potential.

- The Minneapolis/St. Paul area plays a significant role in the market potential for Spirit Mountain. The Metro area is more diverse, younger, and has a higher median income (which is growing). The challenge is to ensure that Minneapolis/St. Paul residents understand what is offered in the area before making their decision to visit another competing ski area. This can be done through more targeted marketing and by packaging Duluth more completely as a whole. Trying to keep Twin Cities visitors from going past Duluth and towards other competing ski areas is important to increase visits at Spirit Mountain.

Explore Minnesota and Visit Duluth Data

- Winter season travelers in Minnesota include a large volume of families with higher education levels and household incomes. Furthermore, the Duluth region does capitalize on a variety of regional travelers throughout the winter. A portion of these travelers are likely visiting friends and family while others are deliberately visiting for leisure. In both cases, Spirit Mountain needs to tap into these existing travelers more aggressively. Converting an existing winter leisure visitor into skiing at the ski area or encouraging families to bring relatives up the ski area while visiting are important actions to take forward.

- Overall, the Duluth and Northeastern Minnesota region has a strong draw for summer travelers, both from in-state and out-of-state markets. Spirit Mountain needs to leverage this positive finding by continuing to look for ways to ensure visitors to the region are aware of what is offered and drive traffic, especially during the summer season. The Northeast Minnesota region captures 20% of total trips in the state, representing the number one destination outside of the Minneapolis/St. Paul market. Looking to promote Spirit Mountain to these already existing travelers should be done in ways that appeal to the broader Minnesota-state traveler, which includes in-state and out-of-state visitors.

- Visit Duluth's visitor data support a strong outdoor recreation tourism industry which has been said anecdotally to be on an upwards trajectory since this 2015 study. Both summer (42% of annual visits) and winter (31% of annual visits) are well-represented among travelers. Spirit Mountain has a prime opportunity to capitalize on the existing travel market, especially if they continue to tie their offerings into the complete Duluth experience. Duluth visitors are

disproportionately likely to be interested in outdoor activities and visiting parks: experiences that Spirit Mountain can offer. While the marketable trips lean more towards touring/outdoors rather than skiing/snowboarding, some visitors are likely interested in a variety of similar activities. Spirit Mountain already partners relatively closely with Visit Duluth to try to increase awareness and attract some of these visitors, but there are opportunities to also partner with other local organizations to ensure that residents are also keeping Spirit Mountain on the top-of-their-mind.

Spirit Mountain's Competitive and Complementary Analysis

- Spirit Mountain's offerings alone are not as enticing for an overnight visitor compared to places such as Giants Ridge and Lutsen Mountains. A lack of on-mountain lodging plus less emphasis on the amenities/luxury items that most overnight destinations pitch makes it difficult to directly compete as just the ski area alone. However, Spirit Mountain doesn't need to provide all those options. The City of Duluth has several high-quality lodging options, lots of additional amenities, and more to offer than a single ski area. Furthermore, Spirit can attract new participants and residents from the Twin Cities market that are looking for a more affordable, family-friendly option. Spirit serves as a great place to learn and experience the sport for these guests. Competition with Mont du Lac is more challenging as both ski areas are proximate with each other and are going after similar visitor types – families and beginner skiers/snowboarders. Spirit needs to prove the value of additional terrain and higher-priced passes to ensure locals their product is superior for the price. Also, Spirit needs to embrace and tout its great terrain for new participants and families, as some advanced/experts may need more difficult terrain regularly. Mont du Lac's investments have paid dividends and Spirit should look towards becoming more visible in the local community to continue to try and encourage residents to visit.

- Spirit Mountain has year-round activities that can draw a variety of guests from the local and non-local markets. However, it needs to separate itself away from the regional competition of Giants Ridge and Lutsen Mountain, primarily, to convince those regional guests to stop once they reach Duluth. The best path forward to do that is by promoting and packaging Spirit Mountain and the City of Duluth as one destination with similar types of amenities and more. The competing ski areas nearby are aiming more for a resort-destination feeling. While Spirit Mountain itself may not have the same type of facilities, packaging the resort with Duluth's overall offerings should create a more comprehensive destination visit. Furthermore, creating a cohesive package should entice more regional visitors who are not as familiar with outdoor recreation to participate if it is part of a larger experience in Duluth.

- Spirit Mountain along with nearby competitors has taken hold of mountain biking (downhill and cross country) as a primary summer activity. This move has been popular recently in the ski industry to offer new activities during the summer. Mountain biking is growing, and Duluth is well-positioned to continue to grow its already internationally recognized mountain bike trail systems. Spirit Mountain has become a natural launching off point for many riders while at the same time providing downhill access to those seeking that type of experience. That said, the mountain biking community only makes up one portion of summer travelers in Minnesota. Most visitors in Minnesota would be attracted to visit for more passive activities such as what is offered at the Adventure Park or a scenic lift ride to a restaurant experience. Balancing the promotion and need of activities such as mountain biking vs. wider appeal activities is important in creating a robust summer visitor base at Spirit Mountain. However, mountain biking in Duluth is a major cornerstone of attracting a new visitor base from across the country.

- Internal data from Spirit Mountain suggests a positive upward trend in visitation over the past three seasons. Summer activity data also suggest an increase in most activities. These data points should suggest that Spirit is doing well at continuing to draw visitation. Spirit Mountain's wedding and banquet business appear to be strong. Despite a decline in weddings over the past few years, the overall volumes of weddings per year are higher than in many ski areas. Continuing to provide high-quality service is important for wedding venues and monitoring whether that number continues to decline should be considered for the upcoming seasons.

The Impact of COVID-19 on the Ski Industry

At the time of this analysis, the COVID-19 pandemic was ongoing. Resorts around the country were in preparations for a different type of season for 2020/21. At writing, regulations were mostly unknown, but a variety of operating plans were emerging. We recognize that significant changes are likely to occur in the near term for the 2020/21 season, but this market assessment will inform decisions well into when the industry is back to, albeit maybe a new, normal. Therefore, for the short term, there are unique considerations that need to be made likely for the 2020/21 season that may not be reflective of all future operations. Social distancing and lower demand for travel/large groups are likely to impact skiing operations into the next season.

Furthermore, the expectation of spreading out guests has made visitor use management more of a priority for recreation areas. Visitation estimates should take into account the potential for decreased capacity and smaller demand from non-local guests. The extent of these impacts is unknown at this time, but these new expectations will play a major role in ski area operations across the country this season.

Trends in Mountain Resort Destination and Outdoor Recreation

Mountain resort destinations have changed considerably during the past 20 years due to shifting demographics, changes in resort ownership, and the rise of new expectations in the marketplace. Winter continues to be the primary season for most mountain resorts; however, summer has become a considerably more important time to attract guests and generate revenue. Furthermore, the resort landscape has changed considerably, with resort consolidation increasing, partnerships forming across the industry, and new challenges rising in many destinations.

The purpose of this section is to outline various trends across the skiing and outdoor recreation industry using both primary and secondary data that may influence Spirit Mountain's decision-making process. Throughout the section, data from the National Ski Areas Association, Outdoor Industry Association, and in-house RRC Associates data is displayed.

Skier Visits

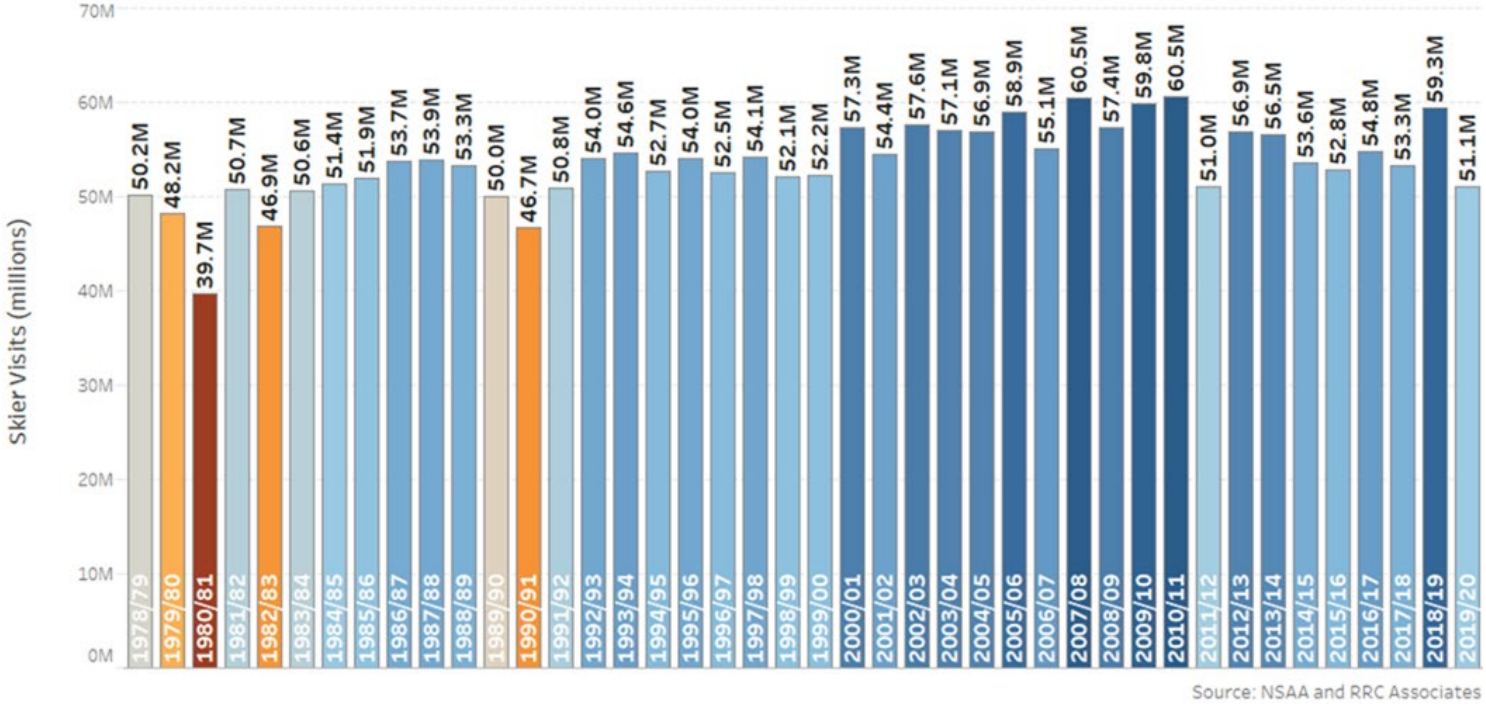
Results from the 2019/20 National Ski Area Association's annual end of season Kottke End of Season Report indicate that downhill snowsports visits (skier visits) were down by over 8 million visits nationwide from the season prior, to an estimated total of 51.1 million visits. However, the main driver of the decrease was due to resorts closing by mid-March due to COVID-19. Before then, the industry was on pace to have a very strong season once again.

Despite the shortened 2019/20 season, the last normal season (2018/19) was very strong for the industry, but largely driven by a record performance in the Rocky Mountain region; other parts of the country had good but not great seasons. That said, the **number of downhill skier visits has generally remained stable over the past 20 years**, with small fluctuations within the 54 to 57 million visit range**.** This historic stability is reflective of a resilient downhill snowsports market – though factors like snow conditions and the economy may influence ski area visitation, the numbers tend to be similar from year-to-year. Therefore, winter-focused destinations have begun to implement creative tools to not only encourage their winter users to visit for more days but also to cultivate non-ski activities that may appeal to a wider audience. **This trend underscores the importance of considering year-round recreation, expanded amenities/activities during winter, and looking for growth opportunities in the non-winter seasons for destinations and resorts that have traditionally relied on winter recreation**.

Resorts in the Midwest have unique challenges that areas such as the Rockies or Pacific Southwest do not experience. The ability to recover from warm weather events and maintain snow conditions is much more important in the Midwest as a warm season

can have a large impact. Therefore, Spirit Mountain does need to consider unexpected challenges such as low snow years and limited snowmaking as part of the added uncertainty other regions don't have to deal with frequently.

Figure 1: Estimated Snowsports Visits, 1978/79 - 2018/19



Key Findings: The 2019/20 season was an anomaly for total skier visits. The COVID-19 pandemic played a major role in the decrease in visits from 2018/19. However, total skier visits in the U.S, have remained relatively steady over the past 20 years, with some fluctuations due to economic or weather factors. Therefore, many ski resorts are diversifying revenue streams and finding new ways to bring in guests during the summer and shoulder seasons. The trend of being innovative and trying new tactics will continue as ski areas seek out new opportunities for growth. Spirit Mountain already provides a number of year-round activities, but ensuring those activities are bringing in guests will be important for the future.

Millennials and Gen Z

The National Ski Areas Association (along with other state and regional associations such as Colorado Ski Country USA and Pennsylvania Ski Areas Association) has undertaken a variety of research studies related to the Millennial generation (young adults aged 24 to 39 years old in 2020). These studies are intended to understand downhill snowsports participation patterns and preferences among this generation. When compared to all other age cohorts, the **Millennial generation accounts for one of the largest groups of snowsports participants**. However, **Millennial skiers and**

snowboarders, on average, ski fewer days per season than other age cohorts, with an average of only approximately 4.9 days on the mountain season (by comparison, the average number of days that Baby Boomers ski per season is 6.7). These low numbers for Millennials are troubling to ski-related operators; thus, NSAA is studying the pattern of Millennial participation and intention to continue with snowsports.

In addition to Millennials, Gen Z (the youngest generation, currently aged 22 and younger) now represents the largest grouping of participants by age cohort. Furthermore, this group varies in terms of preferences, expectations, and behaviors in their recreation. Ski areas not only have to consider supporting large constituents of Millennials, who themselves differ from generations such as Baby Boomers and Gen X but also areas need to implement marketing and promotion to Gen Z. This creates pressure to become innovative in marketing and promotional materials to reach two large audiences with differing preferences.

Gen Z cannot be placed in the same box as Millennials. The two generations are lumped together in many cases, but research suggests that Gen Z is even more technologically-savvy, exposed to other cultural factors at an earlier age, and is willing to stick up for causes they support. Not all Gen Z fit this image, but technology is going to serve as a key cornerstone for this group. In terms of marketing, Gen Z can spot when they are being marketed to much faster than other generations since they have grown up being constantly targeted with ads from an early age. They also expect brands that market to them to interact and have a more human personality than before. As 2020 moves forward, another major topic that has been driven largely by younger generations is social justice and activism. Minneapolis/St. Paul was at the epicenter of these topics just this summer. Topics such as racial inequality, representation, and accountability are being pushed to new levels particularly by Generation Z. While such topics are at many times controversial, they cannot be ignored as an important part of younger populations' mindsets. Spirit Mountain will need to continue to monitor and understand how such issues may impact whether a younger person decides to participate and/or support certain organizations.

Detailed research about Gen Z in the ski industry has yet to occur. There is interest in further exploring this cohort, but a solid foundation has yet to be built. That said, there has been some research into Millennials and Gen-Z that provide some insights into the younger generations. The section below highlights some of these findings.

Millennial Research

For winter-focused destinations, the importance of growing the user base of young adults is critical. In the winter, most mountain destinations tend to be populated by an older, repeat visit clientele; while this customer base is valuable, these ski areas need to think about strategies to appeal to younger demographics and offer non-ski activities.

To further understand this important segment of the industry, the National Ski Areas Association researched the Millennial generation in 2014/15.

A national survey of over 2,000 Millennials (including both snowsports participants and non-snowsports participants), in addition to qualitative one-on-one interviews in key market areas, has generated some initial conclusions about Millennials and their propensity to participate in skiing and snowboarding. In the survey, Millennial skiers and snowboarders were asked to describe what they like most about downhill snowsports. The words most frequently mentioned by respondents include “fun,” “freedom,” “friends,” and “outside.” One aspect that sets Millennials apart from their older counterparts is their social inclinations, which was noted throughout the qualitative interviews. Many Millennial skiers and riders indicated that skiing is, to them, a social activity – they prefer to spend both day visits and overnight destination trips with friends and family.



When asked what they dislike about skiing and snowboarding, Millennial snowsports participants were most likely to respond with words like “cold,” “cost,” and “lift lines.” The cost of the sport is clearly a barrier for some Millennials. Respondents were asked to talk about the reasons their friends cite for not skiing or snowboarding, and many mentioned “money,” “cost,” or the “expensive” nature of the sport. A large portion of Millennials face financial challenges; however, secondary research has revealed that there are some 16.6 million Millennials in households earning over $100,000 per year. While select Millennials can seek out luxurious experiences, the large majority are likely to gravitate towards lower-cost opportunities.

Despite these limitations, 55 percent of Millennial skiers and snowboarders strongly agreed with the statement, “I’m committed to skiing/snowboarding for life.” Interestingly, the percentage strongly agreeing with this statement declined somewhat with age (from younger Millennials to older Millennials) as well as with the presence of children. **This paints a positive picture overall of Millennial participation in the downhill snowsports market, but a definitive market for alternative options.**

Millennials are aging into careers and parenthood while people in Gen Z are still moving into adulthood and finishing college. Identifying how to attract those without children, in addition to those with young children, will be an ongoing effort for winter sports. **Spirit Mountain needs to continue to look at its own Millennial and Gen-Z populations in the Duluth area, but considerations need to be given to younger generations in**

the Twin Cities Metro as well. These two user groups are likely different than one another as Duluth may see most of their younger generations attending the University of Minnesota-Duluth while a massive wave of young professionals has continued to make Minneapolis/St. Paul grow. As time progresses, continuing to understand what truly makes younger generations participate is critical to the success of not only Spirit Mountain but the industry at large.

Key Finding: Millennials and Gen-Z have become the two largest visitor groups at ski resorts. However, their expectations and desires for a resort may not be what other generations wanted. In fact, it has been made clear that traditional marketing efforts need to be adapted to fit the needs of these generations. As Millennials age into parenthood, it is important to ensure resort messaging resonates. With Gen-Z, technology continues to play a major role in these individuals' lives. Furthermore, social issues have become championed by many younger individuals, an important characteristic to keep in the forefront. Therefore, Spirit Mountain needs to not only leverage existing younger generations from University of Minnesota-Duluth, but also the wave of young professionals in the Twin Cities Metro Area.

Emphasis on Summer Activities

To generate year-round income and boost visitation in all seasons, destinations across the nation have been working hard on **improving the variety of summer activities** over the past few years. Travel and accommodations are often more affordable for summer visitors than they are for winter visitors. Resorts have begun placing a high degree of effort into improving their summer offerings to make their destination well-rounded. Alpine slides, mountain coasters, and zip lines are a few of the new types of activities being installed at resorts across the country to serve summer guests. Summer guests may have different motivations than winter guests. Consumer research studies have been conducted by ski areas to understand what motivates participants to visit a ski area in the summer, preferred activities, and likelihood to visit in the winter. All this information allows for a more comprehensive strategy to build successful summer operations.

Many destinations and their nearby communities have followed suit, expanding their multi-season recreation opportunities to encompass a wider visitor market. Most destinations and nearby communities in the summer marketplace also offer special events that relate to recreation, food and beverage, health and wellness, music, arts and culture, and many other themes.



A study by the National Ski Areas Association looked at summer operations at over 200 U.S. ski resorts. The **top summer/fall activities offered by resorts include hiking, scenic lift rides, and mountain biking**, with over half of the participating resorts reporting that they offer these activities. The survey also asked respondents about summer/fall events. Almost all responding resorts indicated that they host weddings/ meetings/family reunions. About half also offer festivals. As many resorts continue to expand and improve their summer offerings, it will likely be more difficult for resorts without multi-season opportunities to remain relevant in the resort marketplace. However, summer activities still need to be profitable and have their own set of challenges that are not present in winter activities. For instance, it's more challenging to monetize summer activities if fee-free options are nearby. This doesn't apply to scenic lift rides or activities at the Adventure Park, but monetizing hiking or cross-country mountain biking is more difficult if public lands or trails exist nearby.

Spirit Mountain has jumped in front of the curve by offering a wide variety of summer activities. Although the summer of 2020 was non-operational, there are many opportunities to attract visitors to participate in activities on the mountain going forward. The Adventure Park offers families many activities that can be enjoyed by kids and adults. Scenic chair lift rides provide great views of Lake Superior and historic Duluth.

Pass Partnerships



In recent years, reciprocal ski passes created by resort partners have become a popular option for downhill snowsports participants and have shown strong growth across the popular U.S. destinations. These pass partnerships allow skiers and snowboarders to visit a variety of resorts nationally and internationally under one comprehensive pass with a one-time purchase. The products represent an opportunity for skiers and snowboarders to visit a new ski area, and for ski areas to bring first-time visitors to their resort; as well, they are a significant opportunity for resorts to broaden their reach in the competitive marketplace.

Until 2018, the three main players were the Epic Pass, the Mountain Collective, and the Rocky Mountain Super Pass Plus. In 2018/19, the Ikon Pass replaced the RMSP and emerged as a new product that encourages purchasers to travel to other ski resorts based on its large number of destination resorts. Epic Pass's announcement of the "Epic Day Pass" starting in the 2019/20 season also provided a new twist on pass products for those who are in between the season pass and day pass option.

Flexibility and affordability will continue to play a role in the pass marketplace. Pre-purchasing has become standard even for the Epic Day Pass, where guests will need to commit ahead of time to some days that can be used across the season. This limitation is similar to a standard season pass or a multi-day pack purchased before the start of the season. These new pass options generate pre-season revenue for the resort, an important aspect of cash flow management in today's day and age. It is anticipated that the multi-mountain pass partnerships will continue to evolve in the future.

One of Spirit Mountain's competitors for the Twin Cities Market, Afton Alps, was purchased by Vail Resorts and is now included on the popular Epic Pass. While Minnesota does not have many resorts that are included on the Epic Pass or Ikon Pass, it's important to keep an eye on whether this pattern changes. Both products have sold very well over the past two years and offer a variety of benefits to consumers. Therefore, when resorts join either pass or are purchased by one of the major conglomerates, ski resort choice may change for some customers both in-state and out-of-state.

The Indy Pass and Spirit Mountain

The Indy Pass is a relatively new multi-mountain pass that formed over the past couple of seasons. The pass supports over 50 resorts across the country with 2 days of skiing at a price of only $199. Most resorts that are included on the pass are independent, smaller ski areas and resorts. However, all regions are represented, and it presents a strong option for residents in many locations across the country. With the Epic Pass and Ikon Pass at a much higher price point and focused primarily on major resorts, the Indy Pass provides skiers with an alternative option to travel and ski a variety of locations during the winter.



Source: The Indy Pass

This multi-mountain product has only been around for a couple of years and provides guests who may not visit large resorts an option to travel and experience skiing at a variety of locations. In Minnesota, Spirit Mountain, Lutsen Mountains, Giants Ridge, and Powder Ridge Mountain Park and Resort are all part of this pass. Lutsen is the newest Minnesota resort to join the pass and does present synergies with Spirit Mountain. This will be further investigated in a later section of this report.

In addition to the Indy Pass, Spirit Mountain has a partnership with Chester Bowl Ski area, Detroit Mountain, Giants Ridge, Hyland Hills, Mont Ripley (MI), and Great Bear Ski Valley (SD) to offer reciprocal discounts for passholders. Not all guests may use these offers which range from free lift tickets to discounts, but many resorts now provide this option to entice season pass purchases.

Spirit Mountain should leverage the Indy Pass as a great option for visiting guests. Minneapolis/St. Paul residents can gain value out of the Indy Pass's ability to try a variety of resorts in the region. Although some of Spirit Mountain's competition exists on the pass as well, it presents an opportunity to encourage passholders to visit multiple locations in a season. Spirit's inclusion on the Indy Pass also allows for riders to experience the area for the first time and potentially become a future passholder or at least ski more days at Spirit in the future.

Key Finding: Multi-season mountain passes are exploding in popularity and ensuring your place on one of them opens new doors. Spirit Mountain's inclusion on the Indy Pass represents new opportunities to attract skiers and snowboarders that may have not been to the region before. Despite other competition being on the Indy Pass as well, the more reason for a guest to come to the region, the more likely they will come to Spirit Mountain for part of their trip. Furthermore, multi-season passes allow users to experience other ski areas, which can lead to conversion to passholders if they enjoy their experience.

Outdoor Recreation Trends

The Outdoor Industry Association (OIA) has been the leading organization in tracking, reporting, and analyzing outdoor recreation trends in the United States. OIA tracks youth and adult participation, along with other key metrics, to allow for destinations and interested parties to make decisions based on trends across the country. This section highlights the key findings from the recently released 2019 Outdoor Recreation Participation Report and the most recent Outdoor Recreation Economy Report.

Participation in outdoor activities in the United States has been trending upwards since 2008. Since 2008, the participation rate has fluctuated between 48%-49%. As of 2018, the total percentage of Americans who participated in outdoor recreation crossed the 50% of the population mark for the first time. Rising participation rates are likely due to a variety of factors including easier access to recreation, increased promotion, awareness (often via social media), and health benefits.

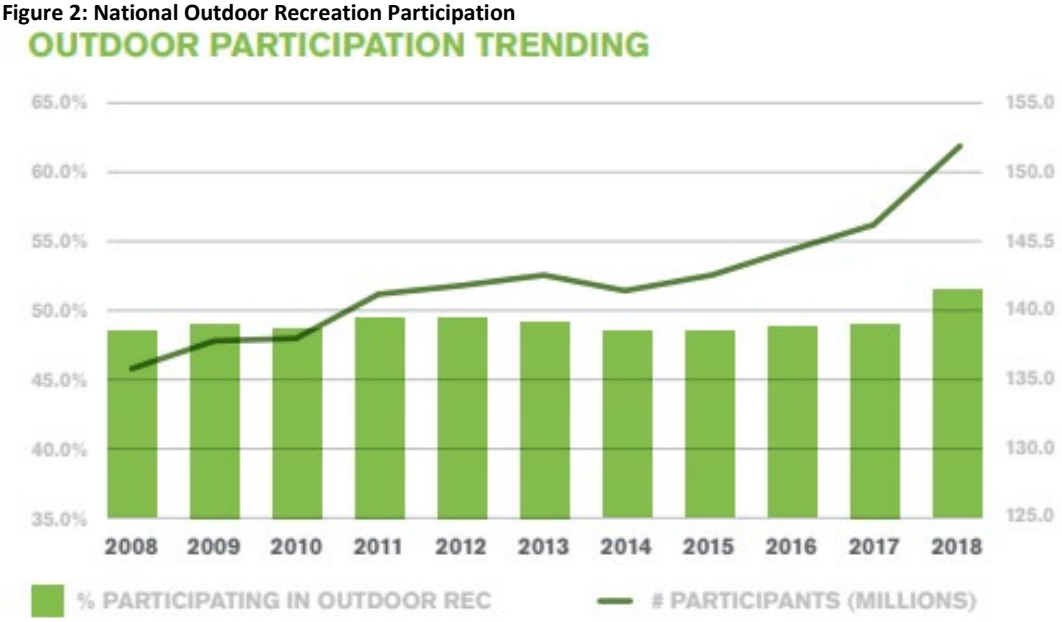


Source: The Outdoor Industry Association

Further, not only has the participation rate among those who are already participating in outdoor recreation increased but so too has the number of unique participants. As of 2018, the number of participants topped 150 million people. This figure is encouraging

as it shows continued interest among a large population to participate in outdoor recreation. For ski areas such as Spirit Mountain, this increase in the number of people participating in outdoor recreation leads to a larger pool of potential visitors, especially with Duluth growing in reputation as an outdoor recreation destination. However, there are differences between winter and summer activities to consider. Winter activity participation tends to be much lower than summer activities but often has more ability to charge fees for revenue generation. While outdoor recreation participation has grown over time, the majority of that growth can be attributed to summer/temperate weather activities, especially in climates that have extreme temperature changes.

Figure 2: National Outdoor Recreation Participation



Source: Outdoor Industry Association

As the number of participants who participate in outdoor recreation climbs, the Outdoor Industry Association has continued to look into specific profiles of travelers. Those who travel for recreation can be analyzed by the distance that they tend to travel for those activities. Most participants travel between 1-10 miles to participate in outdoor recreation (35.9%). The second highest group (17.8%) travels between 10 to 25 miles and 17% participate from right out their front door. Approximately 9.7% of people travel greater than 50 miles to participate. Spirit Mountain's proximity to Duluth is a definite positive. The largest percentage of recreation participants travel 1-10 miles, a perfect distance for most residents in the Duluth region to visit Spirit Mountain regularly.

Spirit Mountain attracts a variety of residents from the local area and also from the Twin Cities Metro area. Residents likely differ in their expectations, characteristics, and recreation habits. However, Spirit Mountain offers something for almost everyone from challenging mountain biking to family-friendly activities to scenic chair rides. Both local and regional users are likely to find something that piques their interest at Spirit despite potential differences in motivations.

Approximately 10% of outdoor recreation participants travel greater than 50 miles from their home to participate. The demographics of those who are willing to travel 50+ miles are unique and would represent some groups who would be traveling from the Twin Cities. Furthermore, these potential visitors are more likely to be older than 35 as younger generations do not travel as far for their recreation. That said, traveling to remote locations for recreation has significantly increased among urban dwellers. Escaping crowds and spending long weekends outside of metro areas has become more popular in recent years. Thus, figures may change over time as people continue to adapt.

Figure 3: Demographics by Distance Traveled for Recreation

TRAVEL DEMOGRAPHICS How Far Typically Travel for Outdoor Recreation	RIGHT OUTSIDE MY DOOR	LESS THAN A MILE	BETWEEN 1 - 10 MILES	BETWEEN 10 - 25 MILES	BETWEEN 25 - 50 MILES	GREATER THAN 50 MILES
OVERALL	17.2%	10.2%	35.9%	17.8%	9.2%	9.7%
MALE	16.7%	10.6%	35.9%	18.3%	8.4%	10.1%
FEMALE	17.4%	9.5%	35.6%	17.4%	10.6%	9.4%
6-12	23.2%	14.8%	37.2%	13.5%	5.9%	5.4%
13-17	13.9%	12.4%	39.4%	18.2%	9.8%	6.3%
18-24	8.0%	10.2%	45.3%	18.0%	12.2%	6.3%
25-34	12.5%	8.8%	39.8%	21.8%	9.6%	7.5%
35-44	14.2%	8.3%	34.6%	20.7%	11.4%	10.8%
45-54	19.8%	8.2%	28.3%	19.1%	10.2%	14.4%
55-64	22.9%	9.7%	29.7%	15.6%	8.9%	13.2%
65+	25.8%	10.5%	31.3%	12.2%	5.7%	14.4%
AFRICAN AMERICAN/ BLACK	14.6%	14.6%	37.9%	16.7%	7.9%	8.2%
ASIAN/PACIFIC ISLANDER	8.6%	11.9%	37.7%	20.5%	10.5%	10.7%
CAUCASIAN/WHITE, NON-HISPANIC	19.0%	9.4%	34.1%	17.7%	9.8%	10.1%
HISPANIC	11.0%	10.3%	43.4%	18.9%	8.5%	7.8%
OTHER	20.6%	9.4%	32.6%	16.7%	6.0%	14.7%

Source: Outdoor Industry Association

By activity, the most popular outdoor activities are those that can be done without 1) a large investment into equipment, 2) by people of many skill levels, and 3) at many locations. Running, jogging, and trail running are participated in by 19.2% of Americans or 57.8 million people. Fishing (many types) is second in participation at 16.4% (49.4 million). Biking (of various kinds) appears third at just under 16% participating, tied with hiking at 15.9%. Finally, camping (car, backcountry, RV) rounds out the top five sets of activities at 13.9%. Again, this data is positive for Spirit Mountain as all these activities are either available on-site or nearby: with the inclusion of Lake Superior, the most popular activities can easily be done in a variety of ways across the local area. Packaging both Spirit Mountain and Duluth together more cohesively would be effective as it allows for a broader reach in what the region can offer together instead of separately thinking of what is available.

Figure 4: Top 5 Outdoor Activities in 2019



Source: Outdoor Industry Association

These top activities make it clear that **simple, geographically diverse activities are most popular in the country**. All five activities can be participated in at most locations and do not require a massive investment in specialized gear. Of course, people can specialize in these activities but the barrier to entry remains low. For a destination such as Spirit Mountain, most activities are currently offered or could be modified to fit changing needs over time. Visitors who come to Duluth and/or Spirit Mountain during the summer could be made aware of winter offerings and may book a ski trip too. For that to happen, the Duluth area as a whole should be promoted to entice longer weekend stays.

As mentioned earlier, a glaring challenge reflected in these ratings is the fact that winter sports are not included in the top activities and are generally not participated in by a large percentage of the general population. In ski-focused communities, the percentage who participate may be higher, but the overall U.S. participation rate has fluctuated around the 3% range, compared to the 14%-19% of the above activities. Therefore, not all individuals who participate in outdoor recreation can be considered potential participants in skiing.

Key Findings: Looking at national trends in outdoor recreation, the most popular activities are those that have low barriers to entry in terms of both cost and convenience (e.g., running, hiking, fishing, camping, and biking); generally summer season activities. Winter season activities rely on significantly more investment and time commitments from participants. Luckily for Spirit Mountain, almost all of the most popular activities are offered on-site. Spirit Mountain's summer offerings are more well-rounded than most nearby ski areas and they tap into growing activities such as biking. Results indicate that Spirit should try to continue improving popular, low barrier to entry activities while also keeping an eye on their competition to see where new activity gaps exist.

Outdoor Recreation Economy

The Outdoor Industry Association also measures outdoor recreation's contributions to the economy. In recent years, the outdoor recreation industry has been given a lot of attention for its contribution to the U.S. and regional economies. This topic has given rise to states placing greater importance on outdoor recreation as an economic driver. In 2018, the Outdoor Industry Association estimated that the outdoor recreation economy generated $887 billion in consumer spending across the U.S. This activity also resulted in 7.6 million jobs, $65.3 billion in federal tax revenue, and $59.2 billion in state and local taxes. Spending is expected to continue increasing as outdoor recreation plays more of a role as an industry for many states, Minnesota included.

Figure 5: Annual Outdoor Recreation Spending (2018)

ANNUAL OUTDOOR RECREATION SPENDING DIRECTLY GENERATES

	RETAIL SPENDING	JOBS	SALARIES & WAGES	FEDERAL TAXES	STATE & LOCAL TAXES
CAMPING	$166,862,780,485	1,442,578	$50,684,882,121	$12,354,788,124	$11,183,227,292
FISHING*	$35,775,827,140	287,554	$10,395,326,785	$2,540,632,232	$2,360,293,823
HUNTING*	$27,378,300,082	194,973	$7,415,898,807	$1,807,179,525	$1,689,967,918
MOTORCYCLE RIDING	$64,155,171,665	480,182	$18,370,693,658	$4,549,055,289	$4,013,340,008
OFF ROADING	$51,516,682,103	386,439	$15,498,769,234	$3,789,720,978	$3,338,430,860
SNOW SPORTS	$72,720,558,056	694,918	$24,188,497,260	$5,813,068,034	$5,296,608,281
TRAIL SPORTS	$201,486,687,885	1,762,665	$60,719,155,234	$14,832,760,478	$13,505,790,914
WATER SPORTS	$139,971,810,172	1,234,876	$43,893,049,709	$10,618,742,884	$9,601,521,150
WHEEL SPORTS	$96,722,040,651	847,559	$28,543,151,818	$7,000,352,726	$6,270,032,370
WILDLIFE WATCHING	$30,220,612,447	235,825	$8,206,004,990	$2,006,001,464	$1,953,449,823
TOTAL	$886,810,470,686	7,567,569	$267,915,429,616	$65,312,301,734	$59,212,662,439

Source: Outdoor Industry Association

By activity, trail sports contribute the most to the economy in terms of consumer spending at $139 billion in 2017, with 1.8 million jobs created from that spending. Camping follows behind at $166 billion and 1.4 million jobs, and water sports third at $139 billion and 1.2 million jobs. As shown, not all forms of recreation are equal when looking into economic benefits. Activities that have a higher participation base such as camping, trail sports, and water sports generate much more retail spending, jobs, salaries/wages, and more. This may not be due to each individual spending more, but rather just a factor of a larger number of participants.

Overall, outdoor recreation has become a major player in the U.S. economy and throughout many states and local destinations. Residents are participating in greater numbers, and communities are experiencing gains for their investments into recreation. Many states in the Western U.S. have created state offices of outdoor recreation, and Minnesota is exploring the option as well. Spirit Mountain should use this information and support from the industry as a whole to promote and communicate the benefits outdoor recreation has in the region for the economy, quality of life, and health of residents.

Key Findings: Outdoor recreation has become a major player in many states' economies. Annual spending on recreation gear and activities makes significant impacts on local communities. Trail sports are very popular and bring in the largest amount of annual spending, followed by water sports. Spirit Mountain should continue exploring how not only the mountain but also the greater Duluth region can benefit from further supporting the outdoor recreation industry at a larger level.

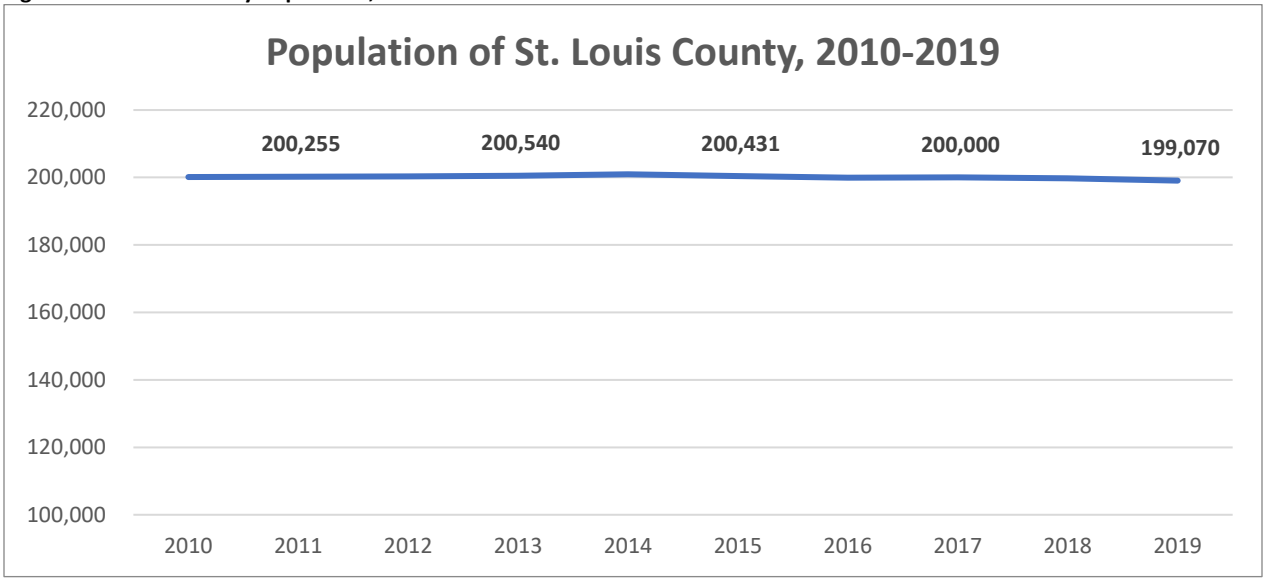
St. Louis County Resident Demographics

Spirit Mountain's primary local market for visitation and employees is the greater St. Louis County region and the Twin City Metro Area. To attract more visitors year-round, it is important to understand how demographics have tracked in the region over time. Therefore, this section highlights and displays a variety of longer-term demographic measures to better represent the local market of St. Louis County. A further section highlights the potential with the Twin Cities Metro Area Data is provided by the U.S. Census and American Community Survey, the two leaders in local demographic data.

Population

St. Louis County's population has remained virtually unchanged over time. Since 2011, the population of St. Louis County has remained surprisingly stagnant from 200,155 in 2011 to 199,070 in 2019. In statistical terms, this represents essentially a flat line. This trend is not too surprising as Duluth is not a major metro area, but there is not a major population decline either. Essentially, the county is not growing, but it's also not losing residents to urban areas such as Minneapolis/St. Paul. Parts of St. Louis County are much more remote which may have different local trends. But Duluth continues to retain residents while likely bringing in new residents that are attempting to escape to the scenic areas near Lake Superior.

Figure 6: St. Louis County Population, 2010-2019



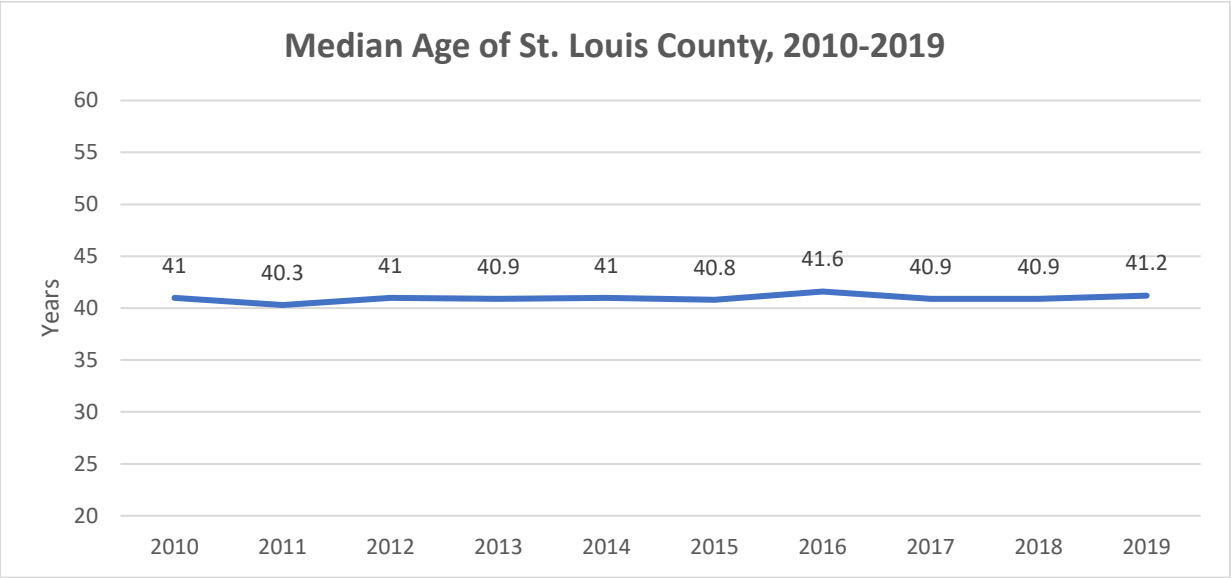
St. Louis County is rich with outdoor recreation opportunities. Over the past 10-15 years, many locations that provide residents with the ability to earn a living **and** enjoy outdoor recreation have thrived. The Duluth area can provide both options to potential residents and should continue to be leveraged as amenity migration continues to play an important role in community growth.

Key Findings: St. Louis County's population has remained nearly unchanged in the past 10 years. While this does not signal major growth in the area, there is also no cause for concern of flight to more urban areas. The Duluth area continues to be a popular location to live for scenic beauty, outdoor recreation opportunities, and more. Continuing to monitor whether Duluth starts to see changes in demographics due effects of amenity migration or new industries will be important.

Median Age

Median age within the county is an important demographic metric to track over time. Increases and decreases in median age may signal larger-scale trends such as urban migration or an influx of young professionals. Over the past 10 years, St. Louis County's median age has bounced between 40.3 years old and 41.6 years old. Since 2010, the median age has not shown any clear trend, remaining mostly flat. As of 2019, the median age of St. Louis County was 41.2 years old, higher than both 2017 and 2018, but lower than 2016. This continues to show relative stability in the local population of the county. The University of Minnesota-Duluth's nearly 11,000 students play a role in keeping the average age from rising, however. The statewide median age is 37.6 years, slightly lower than that of St. Louis County. In contrast, the median age of Minneapolis is 31.7 years old, consistent with other major metro areas.

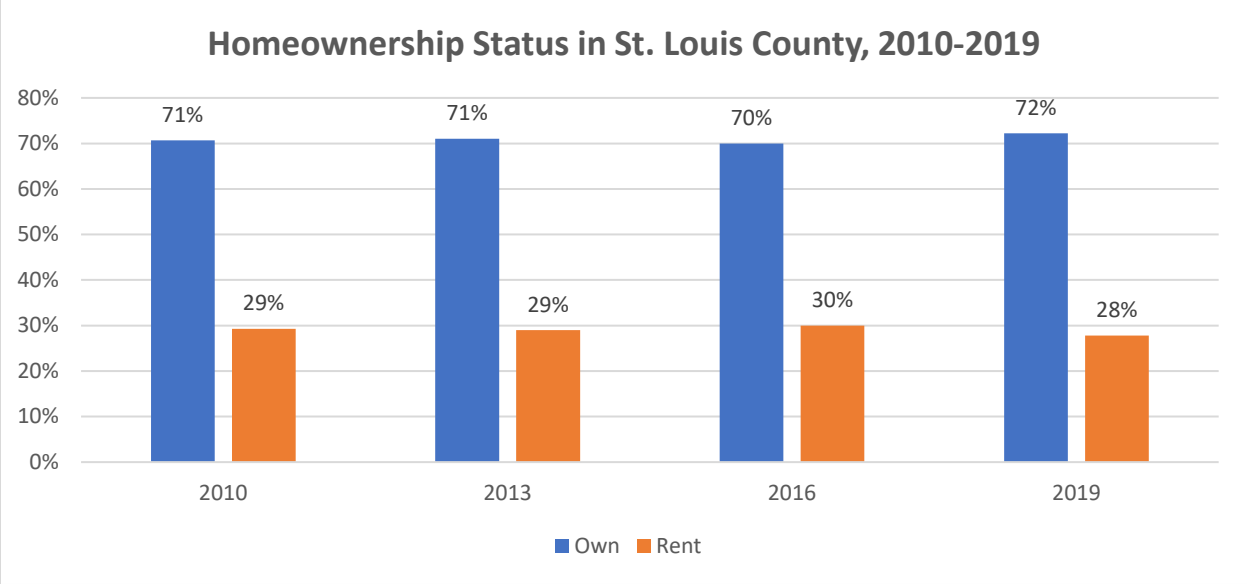
Figure 7: Median Age of St. Louis County, 2010-2019



Homeownership

St. Louis County homeownership has remained between 70% and 72% over the past decade. In most university communities, this figure remains consistent due to a large population of students. The City of Duluth by itself has an even larger percentage of renters at 40%. Therefore, the communities outside of Duluth in St. Louis County are pulling that figure higher as homeownership is greater outside of the city.

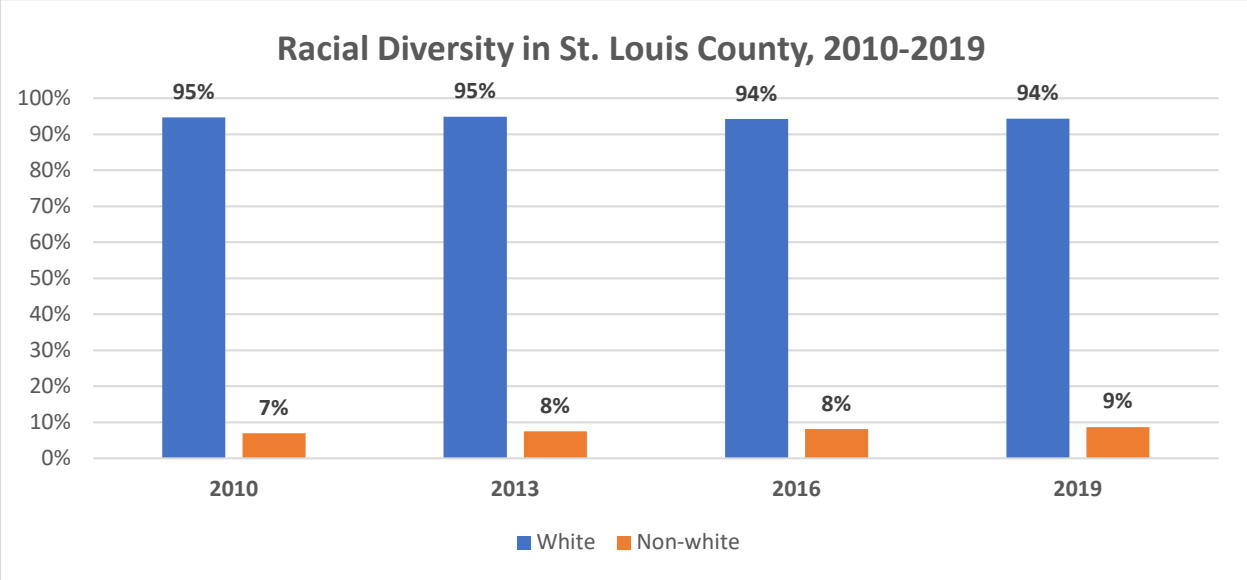
Figure 8: Homeownership Status in St. Louis County, 2010-2019



Race/Ethnicity

St. Louis County is predominantly White/Caucasian. In total, 94% of the population identifies as White with only 9% as any other race (respondents could select multiple races). Over time, the percentage of those who identify as something other than White has climbed slightly, but those who identify as White has remained nearly equal. This is due to more respondents identifying as two races. While St. Louis County may not be very racially diverse, visitors who frequent the region may be. Thus, it is important to consider a variety of demographics in the operations of Spirit Mountain as inclusivity continues to be important across the U.S. and in the outdoor industry. In recent years, the outdoor industry, and the ski industry more specifically, have placed a high degree of focus on ensuring activities are inclusive and more representative of the U.S. population, a direction that will continue.

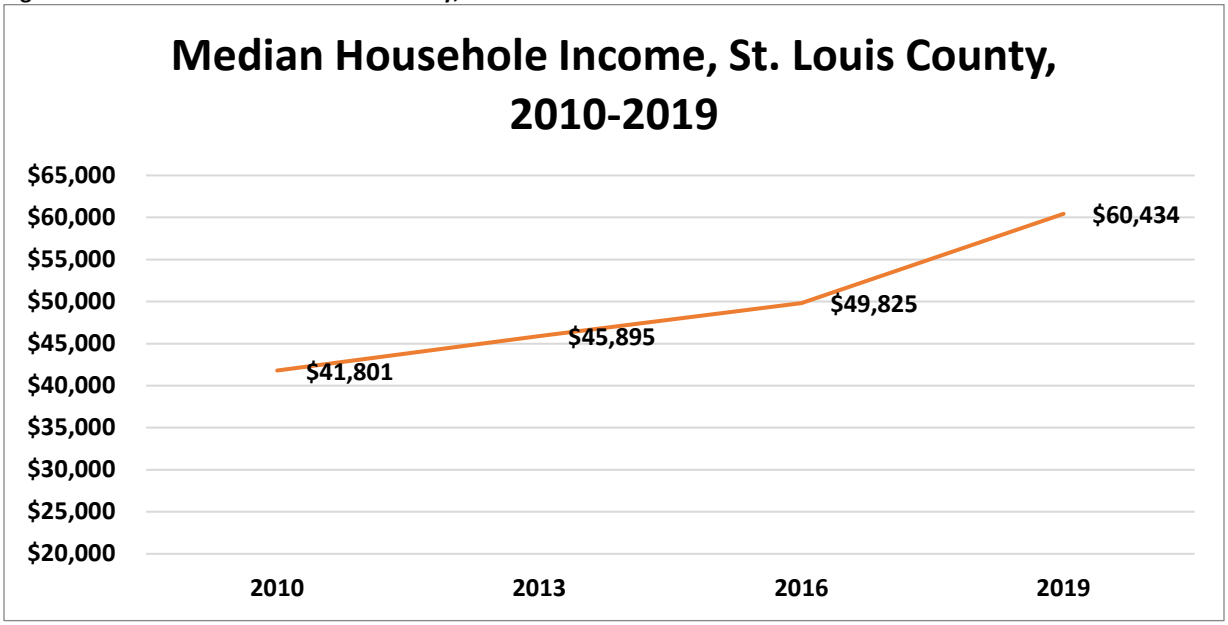
Figure 9: Racial Diversity in St. Louis County, MN, 2010-2018



Median Income

The median income in St. Louis County is growing and reached a 10-year high in 2019. Since 2010, the median income has increased from $41,801 in 2010 to $60,434 in 2019. Median income increased over the periods selected, but the largest jump was experienced from 2016 to 2019, a net increase of nearly $11,000 annually. For recreation providers, higher household incomes lead to more disposable income. Residents may be more willing to pay for items such as ski passes if they are comfortable with other basic needs. However, it should be noted that the ski industry has continually seen an increase in the median income of participants too.

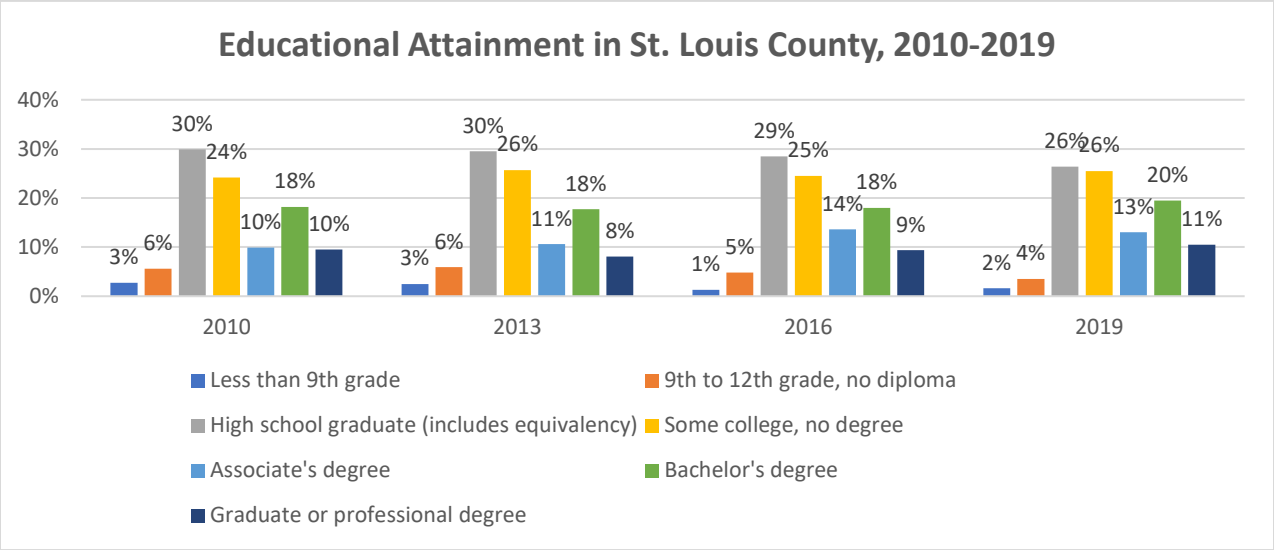
Figure 10: Median Income of St. Louis County, 2010-2019



Educational Attainment

Educational attainment in St. Louis County has increased over the past ten years. In 2010, approximately 62% of residents had above a high school education. Last year that same figure was 70%, a notable increase. This figure may higher than other smaller communities because of the presence of the University of Minnesota-Duluth; however, it's a positive trend that shows an interest in pursuing post-secondary education. The outdoor recreation industry tends to attract a well-educated demographic, which does bode well for Spirit Mountain.

Figure 11: Educational Attainment of St. Louis County, 2010-2019



Key Findings: St. Louis County and Duluth's demographics show a generally stable population with some positive findings. Despite overall population and median age remaining stagnant over the past decade, median income and educational attainment have increased in that same period. Racial diversity has not changed significantly in the county, but that may not apply to visitors frequenting the area. Demographic trends highlight the potential for households to have additional disposable income and regional resident characteristics that are likely to visit outdoor recreation destinations, a positive finding for Spirit Mountain's future potential.

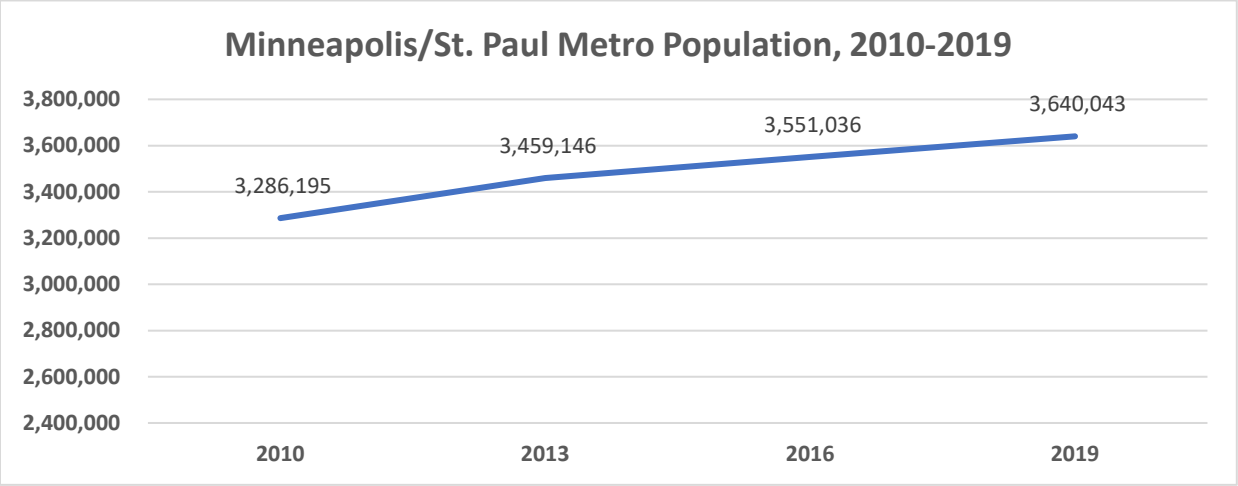
Minneapolis/St. Paul Metro Area – Select Demographics

Aside from St. Louis County locals, the Minneapolis/St. Paul Metro is a strong source of regional visits to the Northern Minnesota area. Their demographics are much more varied as the Metro region continues to grow at a rapid pace. Thus, select demographics of this important market are presented below.

Population

The Minneapolis/St. Paul Metro has grown at a rapid pace since 2010. Compared to St. Louis County's relative stagnation, the Metro Area grew from a population of 3,286,195 in 2010 to 3,640,043 in 2019, a nearly 11% growth over ten years. While the Twin Cities has always been a large urban area, the growth over the past ten years has placed it further on the map as a major hub for industry, recreation, and new growth. The Minneapolis/St. Paul area has one of the highest percentages of green space and trails for a metro area in the United States. Plus, urban areas across the United States have placed more emphasis on outdoor recreation, encouraging residents to visit destinations such as Spirit Mountain and Duluth.

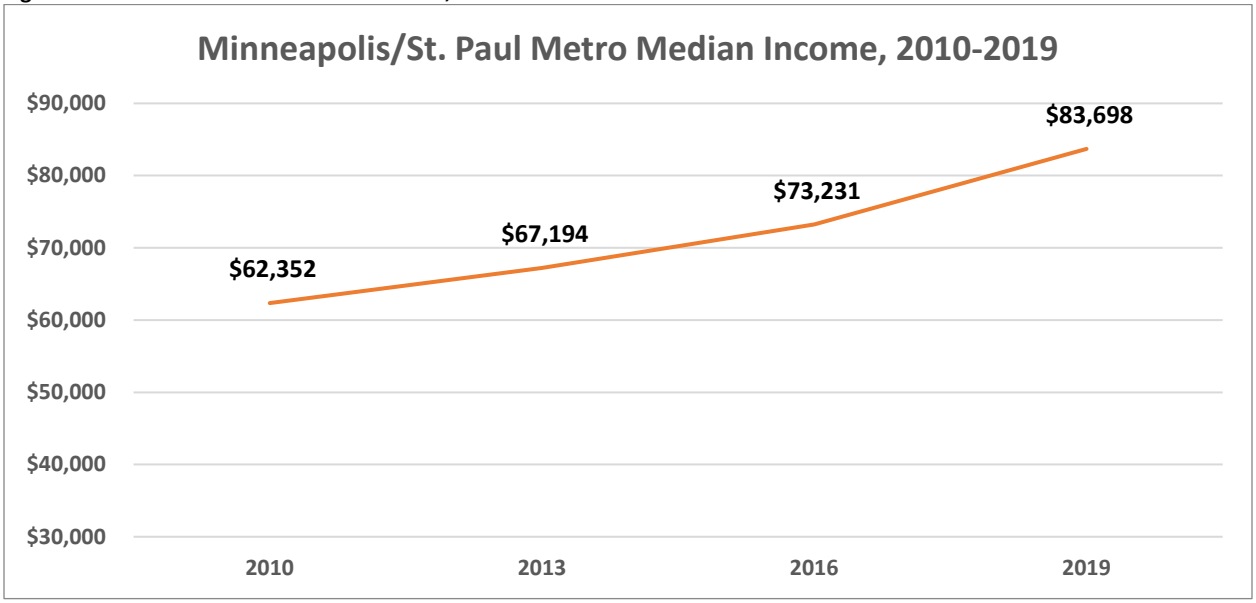
Figure 12: Twin Cities Metro Population, 2010-2019



Median Income

The median income in Minneapolis/St. Paul also has experienced strong growth. Rising by over $20,000 per year since 2010, current median income estimates top $83,500 as of 2019. Similar to St. Louis County's large increase, rising median income likely signals an increase in disposable income among residents. Plus, more and more residents of dense urban areas have made it a point to travel to more remote areas for their vacations. Thus, attracting new and long-time residents of the Minneapolis/St. Paul Metro should continue to be advantageous for Spirt Mountain.

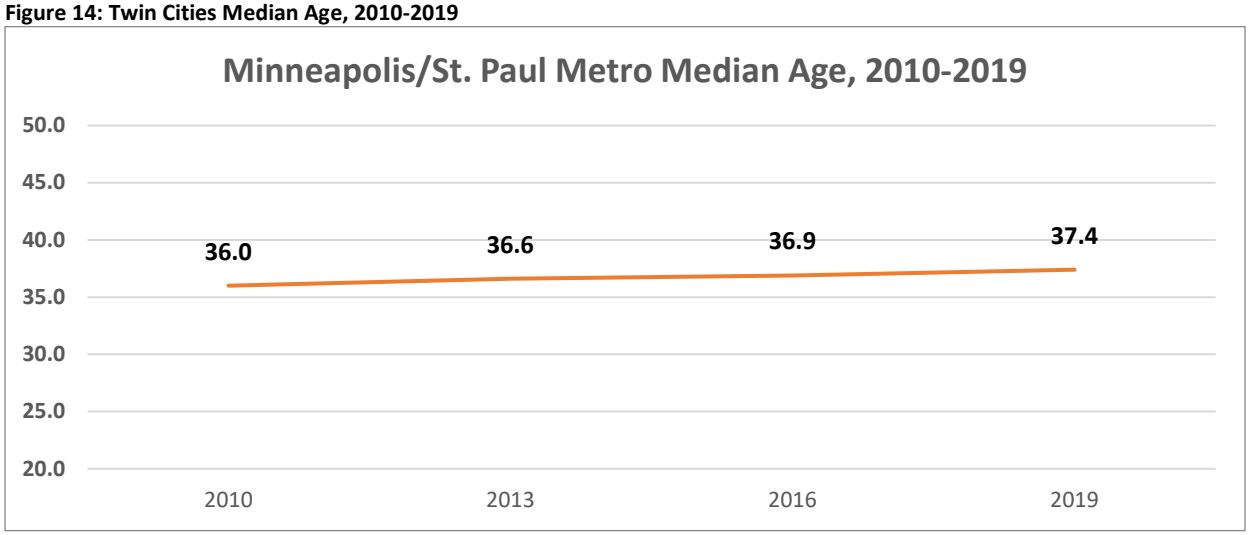
Figure 13: Twin Cities Metro Median Income, 2010-2019



Median Age

The median age of Minneapolis/St. Paul Metro residents has slightly increased over the past decade. Today the median age of residents is approximately 37.4 years which is up 1.4 years since 2010. Although the climb isn't major, a constant progression has been observed over time. Compared to St. Louis County, a more consistent trend is observed in the Metro area. Currently, the Minneapolis/St. Paul Metro median age is about four years younger than St. Louis County. Urban areas trend younger than communities with higher likelihoods of amenity migration.

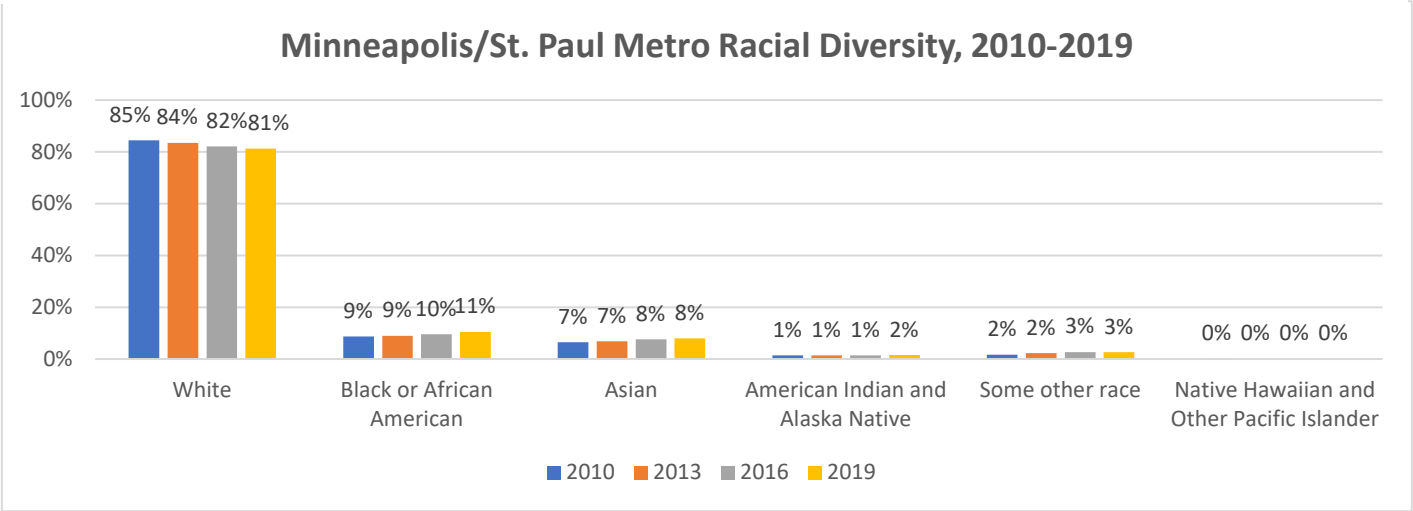
Figure 14: Twin Cities Median Age, 2010-2019



Racial Diversity

In Minneapolis/St. Paul, the proportion of residents who identify as white has declined slightly since 2010. With the percentage of residents identifying as white decreasing from 85% to 81%, the resident population has become more diverse, with a larger share of residents identifying as Black or African American, Asian, or some other race. Racial diversity has become an even more important issue in the Metro area given the challenging events from the summer of 2020.

Figure 15: Twin Cities Metro Racial Diversity, 2010-2019



Key Findings: The Minneapolis/St. Paul area plays a significant role in the market potential for Spirit Mountain. The Metro area is more diverse, younger, and has a higher median income (which is growing). The challenge is to ensure that Minneapolis/St. Paul residents understand what is offered in the area before making their decision to visit another competing ski area. This can be done through more targeted marketing and by packaging Duluth more completely as a whole. Trying to keep Twin Cities visitors from going past Duluth and towards other competing ski areas is important to increase visits at Spirit Mountain.

Minnesota Tourism

Spirit Mountain first and foremost serves the residents of Duluth, St. Louis County, and the surrounding regions in Minnesota. As highlighted by the demographics of St. Louis County, the local area has a strong segment of residents that may be interested in participating or visiting Spirit Mountain. However, tourism also plays a role in all ski areas in driving new revenue and additional visits. This section highlights the tourism industry as a whole for Minnesota.

COVID-19 will have a definitive impact on the tourism figures from 2020. While it's understood that some of these figures may not apply directly to the 2020/21 season, these trends are anticipated to return to form after the pandemic. Therefore, we acknowledge the current challenges regarding tourism and travel but for long-term planning, we are utilizing the most recent data that does not include COVID-19 statistics.

The Economic Impact of Tourism in Minnesota

Tourism plays an important role in Minnesota's economy. Not only does the state attract an array of domestic visitors, but Canadian and other international visitors are prevalent in statewide data too. Each year Minnesota's state office for tourism, Explore Minnesota, conducts and publishes the economic impact from tourism. The 2020 report contains data from 2019, 2018, and 2017 in a variety of categories.



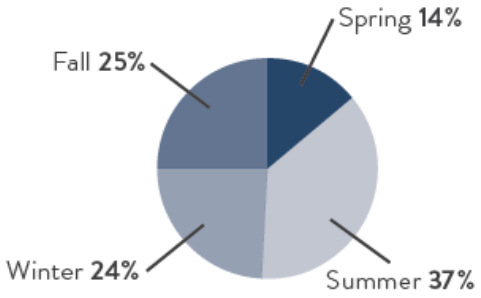
The economic impact of tourism at a statewide level is large. As of 2018, tourism draws $16,000,000,000 in gross sales which equates to nearly $44 million per day. Tourism spending contributes to 273,000 jobs or 11% of the total private sector's employment. These jobs are also supported by over $6.1 million in wages. While these figures are large and can be difficult to put into context, it's clear that tourism brings in a large volume of revenue for the state. Statewide revenues on sales tax collections from tourism exceed $1.04 billion.

Current economic impact figures are strong for the state. Tourism has evolved to play more of a prominent role in the state. In 2006 the economic impact of tourism was $10.5 billion. Year-over-year impacts have climbed to current figures at $16.0 billion. Since 2005, room revenue also has increased year-over-year, partially driven by Minneapolis hosting Super Bowl LII in 2018.

Sales tax revenue from tourism now represents 18% of all total sales tax revenue, which is a major benefit for a state the size of Minnesota. As expected, the Minneapolis/St. Paul area sees the most sales tax due to tourism at $726 million. St. Louis County lies within the Northeast Region. As a whole, the Northeast Region sees $63 million in state sales tax with St. Louis County capturing $39 million. As a county, St. Louis captures the 3rd most outside of the Minneapolis/St. Paul area.



Finally, tourism's economic impact differs somewhat by season. For the state, approximately 37% of spending occurs during the summer season, 25% in the fall, 24% in the winter, and 14% in the spring. For Spirit Mountain, it is a positive finding that winter and summer are the top two spending seasons as both are necessary for sustaining Spirit Mountain's operations. The challenge is drawing enough visitors to the Northeast Region during peak seasons and providing enticing opportunities at Spirit Mountain for when arrive.

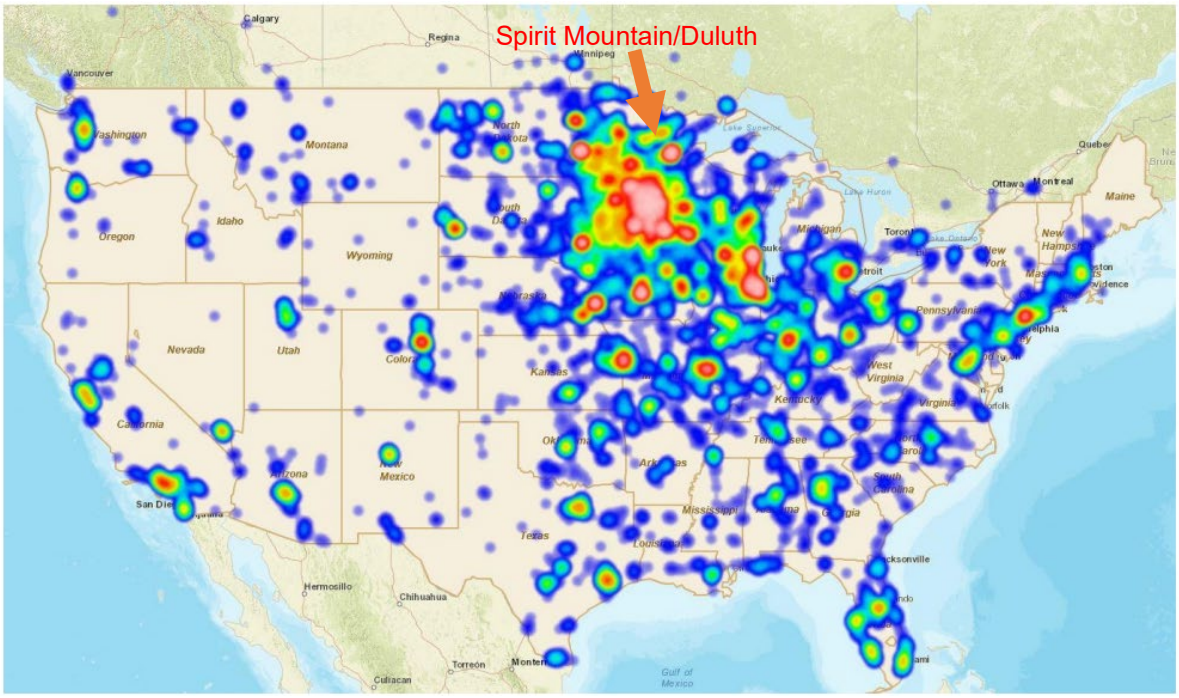


Minnesota Visitor Profiles

Explore Minnesota profiled the various types of current visitors and potential visitors for the spring/summer and winter seasons in 2019. Using multiple waves of surveys, in-state and out-of-state travelers were asked a variety of demographic, characteristic, and perception questions related to Minnesota. Each segment provides insight for Spirit Mountain as to who the state is promoting towards and how best to align to take advance of their cross-promotional efforts.

Minnesota's winter season travelers are slightly more likely to be from in-state (51%) compared to other U.S. destinations (46%) or Canada (3%). Residents do make up a significant portion of regional travel, but the economic impact is greater from out-of-state travelers due to the contribution of new money to the economy. The map below highlights data from Explore Minnesota and UberMedia based on travelers' cell phone devices.

Winter Traveler Map



Source: Explore Minnesota and Strategic Marketing & Research Insights

As shown, other nearby Midwestern states such as Wisconsin, Illinois, Iowa, and the Dakotas are well represented. Smaller pockets of travelers are seen in areas in the Western U.S. Winter can be a difficult month in Minnesota with cold temperatures possibly limiting the likelihood of some travelers. That said, the data indicate a wide range of possible locations to attract visitors from.

Winter travelers in Minnesota represent all age groups, but those 50+ make up 45% of all visitation. Almost 70% of travelers are married or in a domestic partnership and over 60% have at least a 4-year college degree with an additional 26% having some college or a technical school. Household income among winter travelers is comprised of the majority earning under $100k per year (70%). For Spirit Mountain, higher household incomes are strong predictors to visit ski resorts. The industry does attract those who earn at least $100k as a household, and this trend has increased over time. However, many new participants in the sport get their start at ski areas just like Spirit Mountain. Thus, encouraging families from the region to participate can be a strong point for Spirit

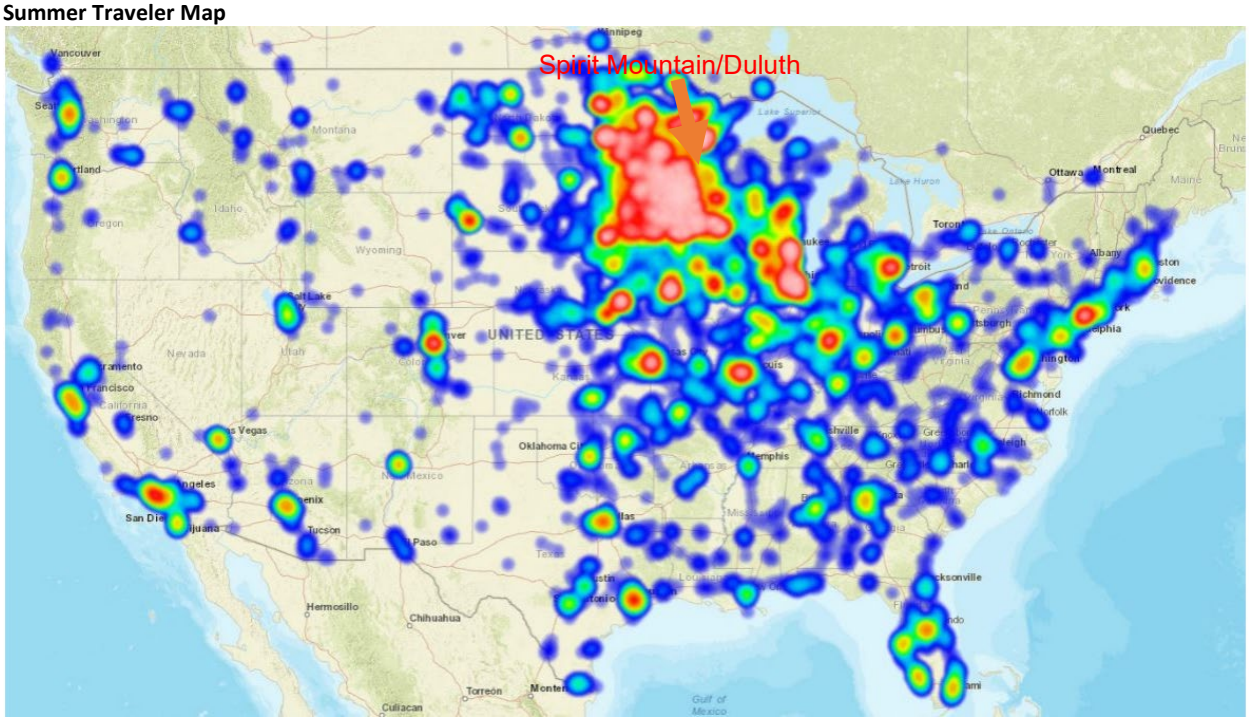
Mountain as it's more affordable than large-scale resorts. Spirit Mountain's prices are competitive to local competition, but it is important to keep this in mind in the future.

Key Findings: Winter season travelers in Minnesota include a large volume of families with higher education levels and household incomes. Furthermore, the Duluth region does capitalize on a variety of regional travelers throughout the winter. A portion of these travelers are likely visiting friends and family while others are deliberately visiting for leisure. In both cases, Spirit Mountain needs to tap into these existing travelers more aggressively. Converting an existing winter leisure visitor into skiing at the ski area or encouraging families to bring relatives up the ski area while visiting are important actions to take forward.

Summer season travelers share some similarities with winter season travelers. However, 54% of travelers are not from Minnesota, indicating a larger presence of out-of-state visitation. Most potential travelers are under 50 years old with the highest percentage in the 35-49-year-old age range. This again suggests a more family-oriented group of travelers. Those who are under 35 make up approximately 28% of summer travelers. Approximately 48% of out-of-state travelers and 34% of Minnesota travelers have children in their homes. This suggests that both families and couples without children are markets to explore at Spirit Mountain during the summer.

The map below shows the distribution of travelers' geographic origins to Minnesota, including local travelers. Compared to the winter season, a more intense volume of visitors is seen in and around the local/regional market which includes Western Minnesota and Eastern North Dakota. Overall the patterns are similar to winter travelers.

Summer Traveler Map



Source: Explore Minnesota and Strategic Marketing & Research Insights

Summer travelers were asked about the activities they participate in while traveling in the state. As displayed below, shopping/dining are the top activities, but that likely best applies to travelers who visit Minneapolis/St. Paul. Outdoor recreation activities are popular, but the most popular activities are more passive in their physical requirements. Nature walks (36%), swimming (24%), hiking/backpacking (20%), and fishing (18%) are popular amongst travelers. Mountain biking/fat biking (3%) is participated in by only a small segment of visitors.

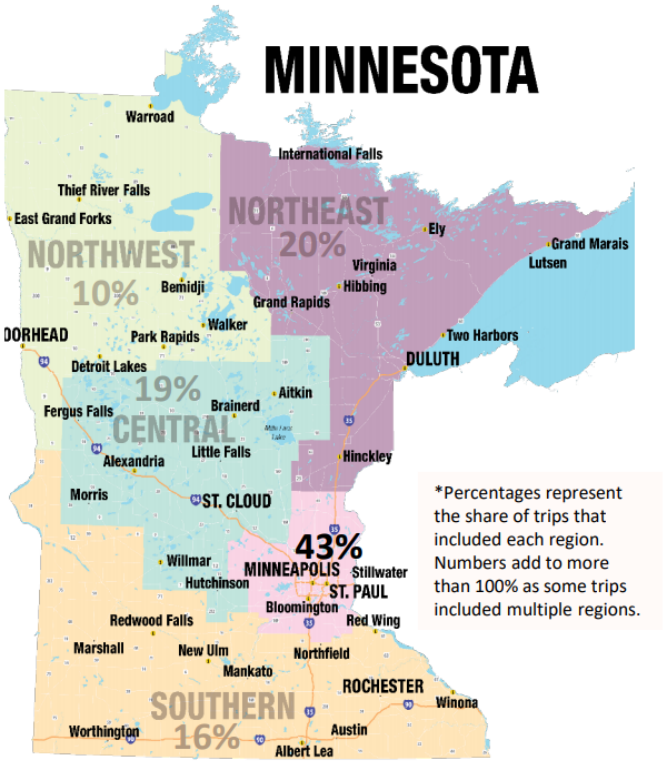
Figure 16: Activities Travelers' Participate In

Shopping	52%	Casinos	11%
Dining at unique locally owned restaurants (non-chain)	50%	Wildlife/bird watching	11%
Friends or relatives	40%	Professional sporting events	11%
Sightseeing	38%	Paddling – canoeing, kayaking, paddleboard, etc.	11%
Nature walks	36%	Zoos	10%
Scenic drives	34%	Amusement parks/carnivals	10%
Mall of America	31%	Camping	10%
State/national parks	27%	Motor boating/water skiing/jet skiing	9%
Swimming	24%	Water parks	8%
Fairs/festivals/events	22%	Parades and cultural events	7%
Driving on designated scenic byways	20%	Amateur sporting events/tournaments	6%
Hiking/backpacking	20%	Golfing	6%
Fishing	18%	Paved trail/road biking	6%
Nightlife, concerts and entertainment	17%	Theater performances	5%
Historical attractions	16%	Mountain biking/fat biking	3%
Arts and cultural activities	14%	Off-roading/ATV driving	2%
Museums and galleries	13%	Motorcycling	2%
Wineries/breweries/distilleries	12%	Hunting	2%
Health and wellness activities	12%		

Source: Explore Minnesota

Although mountain biking has become a cornerstone of Spirit Mountain, it needs to be recognized that the market for these travelers is much smaller. That's not to say mountain biking doesn't have benefits and appeal, but the adventure park activities at Spirit Mountain are more likely to appeal to a wide audience as they are more family-friendly and have a smaller barrier to entry. Mountain biking is further covered in a separate topic later.

Key Findings: Overall, the Duluth and Northeastern Minnesota region has a strong draw for summer travelers, both from in-state and out-of-state markets. Spirit Mountain needs to leverage this positive finding by continuing to look for ways to ensure visitors to the region are aware of what is offered and drive traffic, especially during the summer season. The Northeast Minnesota region captures 20% of total trips in the state, representing the number one destination outside of the Minneapolis/St. Paul market. Looking to promote Spirit Mountain to these already existing travelers should be done in ways that appeal to the broader Minnesota-state traveler, which includes in-state and out-of-state visitors.



Note: Both winter and summer season have the same percentages per region.

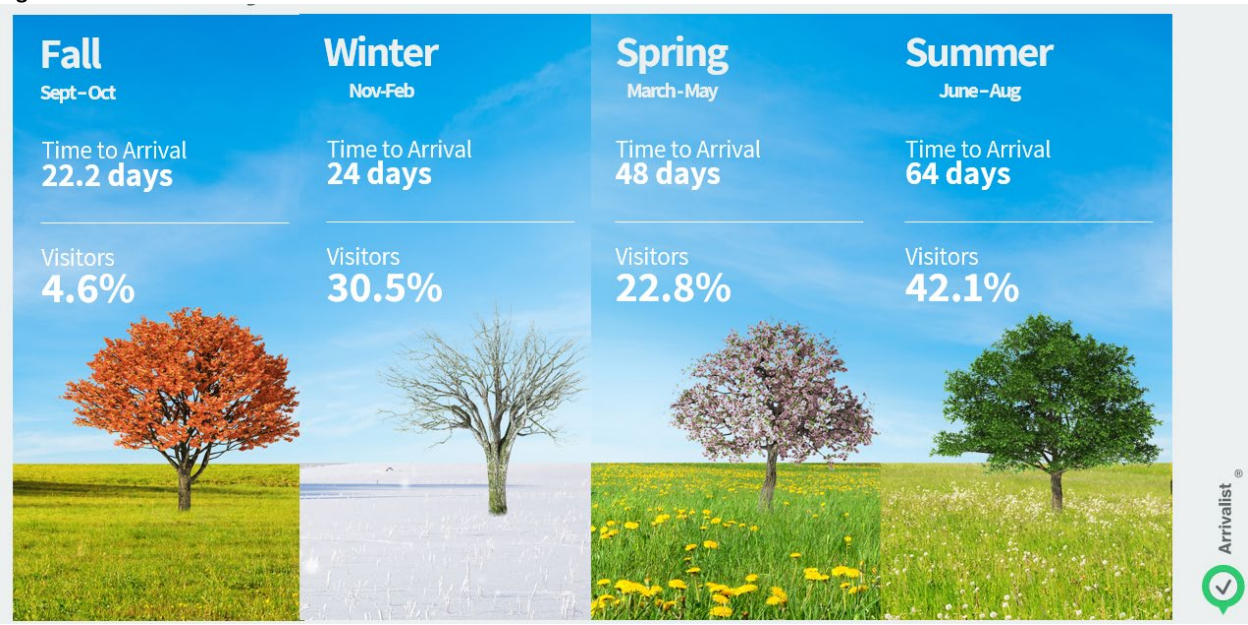
Visit Duluth Tourism Data and Resources

Visit Duluth has collected a variety of information related to travelers. Most recently, Visit Duluth has published data from 2019 that includes the geographic origin and primary markets. As of 2019, 97% of Duluth's visitors were from the United States with 2.5% from Canada and 0.5% from other countries. Non-urban areas lacking a major airport are unlikely to attract a large volume of international visitors.

Visit Duluth approximates that about 2/3 of all visitation comes from the Twin Cities region. Minneapolis/St. Paul accounts for the largest share of arrivals from paid media (62%) and owned media (44.7%). Rochester/Mason City/Austin, MN (4.7%), Fargo/Valley City (4.2%), and La Crosse/Eau Claire (3.1%) round out the top four markets with most others trailing in the 0-1% range.

Seasonally, most visitors come to Duluth in the summer (42.1%), and winter (30.5%), a strong finding for Spirit Mountain. Northern U.S. communities can have difficulties drawing in visitors during the winter season due to cold temperatures, but Duluth does not have that issue. Spirit Mountain should be able to capitalize on both seasons as there are a variety of activities to participate in for all visitors.

Figure 17: Duluth Visitor Seasonal Visits and Time to Arrive

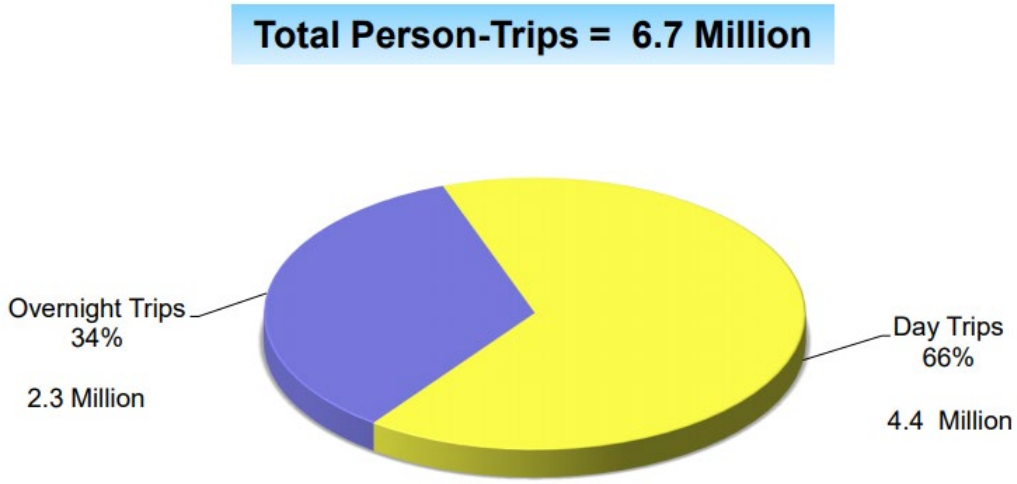


Source: Arrivalist and Visit Duluth

In 2015, Visit Duluth worked with Longwoods International to conduct a visitor survey of annual travelers. Data from respondents is used to help estimate total trips and breakdowns of the market. While numbers are a few years old, Visit Duluth has confirmed the trend has likely remained the same with possible increases in overall visitation.

As of 2015, approximately 6.7 million person-trips were estimated for Duluth with 34% overnight trips and 66% day trips. Of those 6.7 million person-trips, the majority of overnight trips are marketable (56%) or visits to friends/relatives (39%). For day-trippers, 69% are marketable with an additional 24% as visits to friends/relatives. The distinction between a marketable trip vs. visits to friends and relatives does impact marketing campaigns. For Spirit Mountain, both groups are important because those visiting friends/family are typically looking for something fun to do, which Spirit Mountain can easily serve. Thus, these two groups are treated as a combined market rather than individuals.

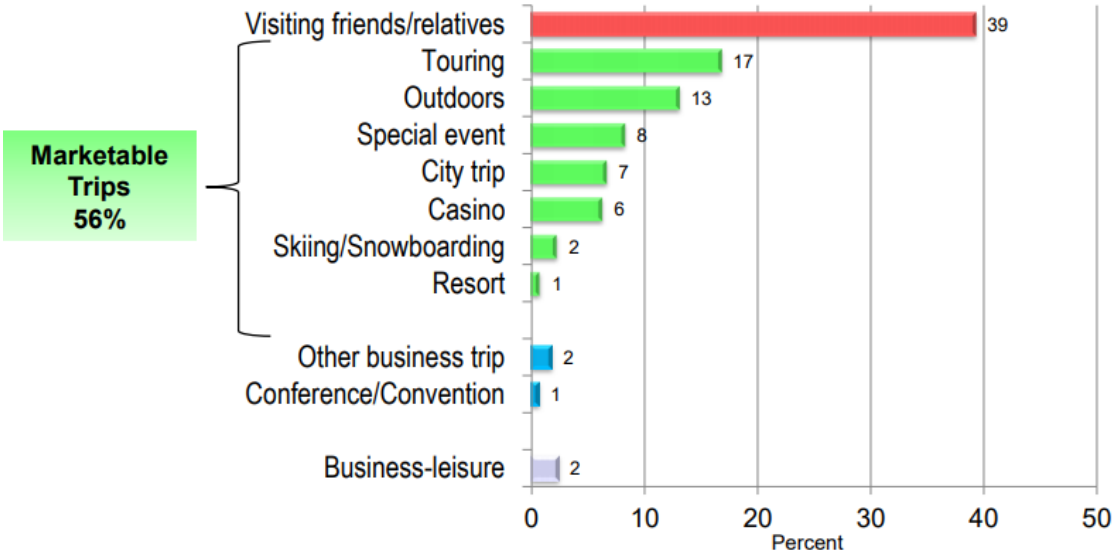
Figure 18: Visit Duluth Total Person-Trips, 2015



Source: Visit Duluth and Longwoods International

Of all adult-overnight trips, approximately 30% are interested in touring/outdoor activities with an additional 2% interested in skiing/snowboarding and 1% looking for a resort experience. Spirit Mountain can appeal to all of these possible trip purposes. In total, the number of overnight person-trips in the Duluth area for these purposes in a given year is about 297,000, a relatively large amount of total trips.

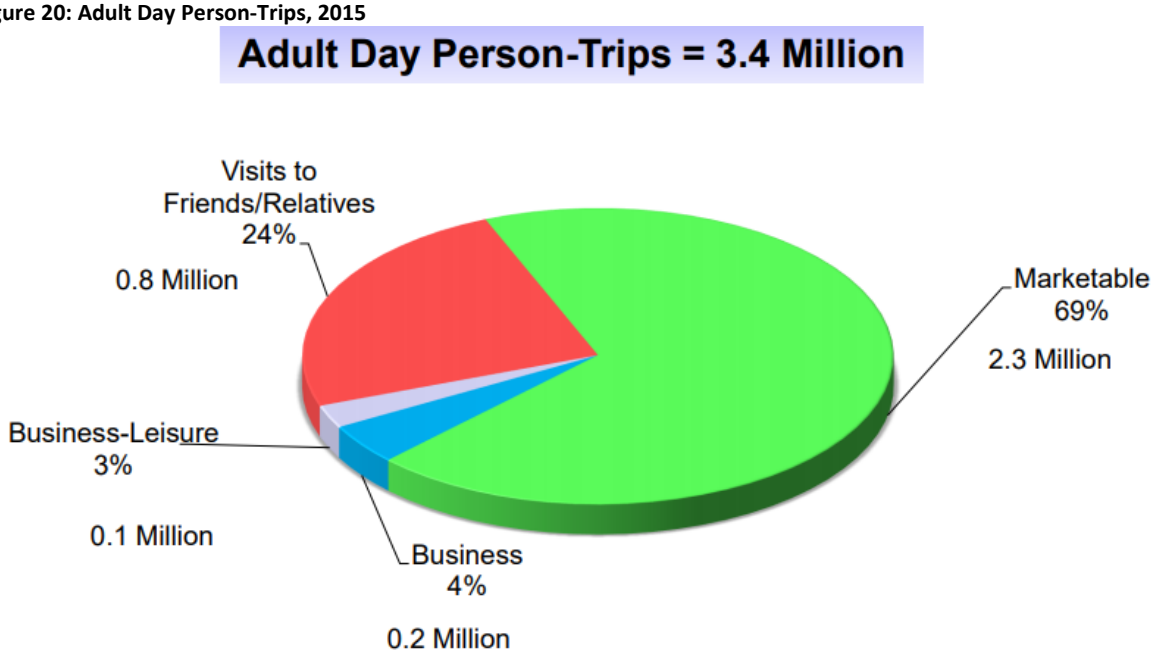
Figure 19: Overnight Trip Purposes, 2015



Source: Visit Duluth and Longwoods International

Day trips have a larger share of visitation to the Duluth area with approximately 2.3 million marketable adult day person-trips and 800,000 trips to visit friends/relatives. Of these marketable trips, approximately 30% are there for general touring or outdoors. Among day trips, 4% are visiting for skiing/snowboarding. Therefore, approximately 782,000 day person-trips are visiting Duluth throughout the year for these primary purposes in addition to those visiting friends/relatives.

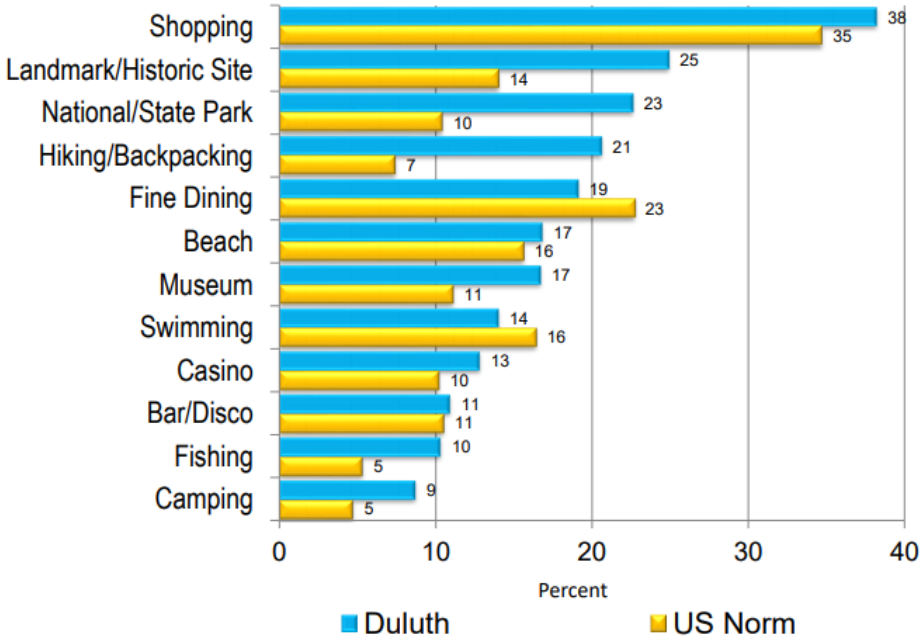
Figure 20: Adult Day Person-Trips, 2015



Source: Visit Duluth and Longwoods International

Duluth visitors are disproportionately more interested in landmarks/historic sites, parks, hiking/backpacking than the U.S. norm. This may not be unexpected because it's what Duluth and Spirit Mountain's brand is driven on, but it's important to note that the visitors already coming to the area are likely to participate in the activities Spirit Mountain offers. This further solidifies the need to partner closely with Visit Duluth and other community groups to ensure Spirit is the top-of-mind destination when thinking about outdoor recreation in the area. Spirit Mountain is already a vital part of the overall community of Duluth residents, but visitors may not be as aware of how much is offered at Spirit Mountain.

Figure 21: Visitor Activities Compared to US Norms



Source: Visit Duluth and Longwoods International

Key Findings: Visit Duluth's visitor data support a strong outdoor recreation tourism industry which has been said anecdotally to be on an upwards trajectory since this 2015 study. Both summer (42% of annual visits) and winter (31% of annual visits) are well-represented among travelers. Spirit Mountain has a prime opportunity to capitalize on the existing travel market, especially if they continue to tie their offerings into the complete Duluth experience. Duluth visitors are disproportionately likely to be interested in outdoor activities and visiting parks: experiences that Spirit Mountain can offer. While the marketable trips lean more towards touring/outdoors rather than skiing/snowboarding, some visitors are likely interested in a variety of similar activities. Spirit Mountain already partners relatively closely with Visit Duluth to try to increase awareness and attract some of these visitors, but there are opportunities to also partner with other local organizations to ensure that residents are also keeping Spirit Mountain on the top-of-their-mind.

Regional Competition and Complementary Analysis

The following section highlights some of the existing winter season competition and complementary activities in the region that may impact Spirit Mountain. In 2017, Spirit Mountain went through a major Master Plan Update which also included comparisons to other competitors during winter. This information is referenced as much as it still is relevant to today's landscape. However, some numbers have and will change such as lift ticket prices, number of lifts, etc. The following section also looks at how Spirit Mountain can complement other activities/recreation opportunities in the area.

Primary Competition

The previous Master Plan's analysis provided a comprehensive look at all of the resorts that likely compete with Spirit Mountain in some capacity. As displayed in this section, there are a variety of ski areas that compete to some degree with Spirit Mountain. The local market has a variety of ski areas that are relatively close to Duluth while the regional market is more comprehensive of all of Minnesota and into Wisconsin. These competitors are listed below:

Local market:

1) Chester Bowl, MN
2) Mont du Lac recreation, WI
3) Giants Ridge, MN
4) Mount Ashwabay, WI
5) Lutsen Mountains, MN
6) Wild Mountain, MN

Spirit Mountain's competition nearby is most importantly Giants Ridge, Mont du Lac, and Lutsen Mountains. These locations cater to mostly the same demographic of users, albeit some differences with a stronger focus on overnight visitors from the Twin Cities for locations such as Giants Ridge and Lutsen Mountains vs. families/learners at Chester Bowl. Mount Ashwabay also caters to mostly day users, but the likelihood of a resident in the Duluth area choosing to travel to Mount Ashwabay instead of Spirit Mountain or other options is unlikely. Wild Mountain does serve as a source of competition; however, they likely only compete on drawing residents from the Twin Cities. Competition for Twin Cities' residents is much larger and includes a wider net, as described in the regional market selection below.

The most applicable competition to Spirit Mountain for locals is Mont du Lac Resort. Although smaller in scale, Mont du Lac and Spirit Mountain are essentially trying to capture a similar visitor on most days; the day-user resident and Duluth regional visitor and the family/learn-to beginner skier. Mont du Lac doesn't have as much terrain and has fewer lifts than Spirit Mountain, but it does feature a terrain park and tubing as well. Mont du Lac has aggressively invested in new equipment, better facilities, and amenities which does pose some challenges for Spirit Mountain. Plus, Mont du Lac

offers special season pass pricing at times for as low as $99 if purchased before October 15th; a much more forgiving window to purchase prior to prices increasing. With Spirit Mountain coming in at $399, there may be a value proposition for some users, especially if they are not picky about the terrain.

Regional Market

1) White Cap Mountains, WI
2) Indianhead Mountain, MN
3) Big Powderhorn, MI
4) Blackjack Mountain, MI
5) Mount Ski Gull, MN
6) Trollhaugen Ski Area, WI
7) Powder Ridge, MN
8) Hyland, MN
9) Buena Vista, MN
10) Afton Alps, MN
11) Buck Hill, MN
12) Loch Lomond, Ontario
13) Welch Village, MN
14) Coffee Mill, MN
15) Detroit Mountain, MN
16) Andes Tower Hills, MN
17) Mount Kato, MN

The regional market plays a larger role in competing for the Twin Cities market against Spirit Mountain. While locals may be apt to try some of these locations, it is not as likely they would choose one of these ski areas as their primary location for the winter. Furthermore, while the listed ski areas are technically competition, the degree to which Spirit Mountain is in direct competition with each ski area differs. For instance, a location such as Buena Vista, MN attracts a very different visitor than Spirit Mountain. Visitors who are going to Buena Vista are not likely to be choosing between it or Spirit Mountain for a weekend trip. However, a location such as Lutsen Mountains or Giants Ridge is strong local and regional competition, marketing themselves as overnight destinations for regional visitors from across the Upper Midwest while capturing some local traffic from the Duluth area. In this case, Spirit Mountain needs to present itself to potential users in areas such as Bemidji, MN, Rochester, MN, and the Twin Cities as able to serve overnight guest needs in the same way their competition does.

Also, a comparison of the vertical drop was presented in the 2017 MDP and indicated that Spirit Mountain has one of the largest drops across the competition, aside from Lutsen Mountains. Vertical drop is important for some skiers/snowboarders in their destination choice, but for others, it may get overlooked if other issues rise to the top. More beginner/intermediate participants may place a higher priority on value or other amenities outside of skiing/snowboarding. This group of visitors are a prime market for Spirit to try to capture. Thus, Spirit Mountain needs to consider that many of their potential visitors may have additional considerations such as more non-ski amenities that factor into their choice to visit.

Separating from Local Competition

The direct competition in this section is defined as Giants Ridge, Mont du Lac, and Lutsen Mountains. These three locations serve as the most direct competition to both overnight and day-use guests plus residents in the St. Louis County area to some extent. Chester Bowl is also right within Duluth, but it provides a different type of experience than Spirit Mountain.. Even then, Spirit Mountain has a lot to offer that Chester Bowl cannot. That said, Chester Bowl and Spirit Mountain are more complementary than they are competitive. Spirit Mountain passholders can utilize Chester Bowl as it's another great spot for beginners to learn and participate in a variety of camps.

On a day-to-day basis, Spirit Mountain competes most frequently with Mont du Lac resort. Spirit Mountain's proximity to Duluth is a major advantage over its direct competition where only Mont du Lac can truly compete. At only 15 miles from the heart of Duluth, it represents another nearby option that locals could use for night skiing and short day-trips. Locals may choose to purchase a season pass at Mont du Lac instead of Spirit Mountain with it being so close to town. Spirit Mountain has more terrain to offer and a larger ski area experience, but there needs to be a value proposition to consumers if Spirit starts to see Mont du Lac picking up steam. Showcasing Spirit Mountain's beginner terrain options, food and restaurant options, and additional skiable acreage.

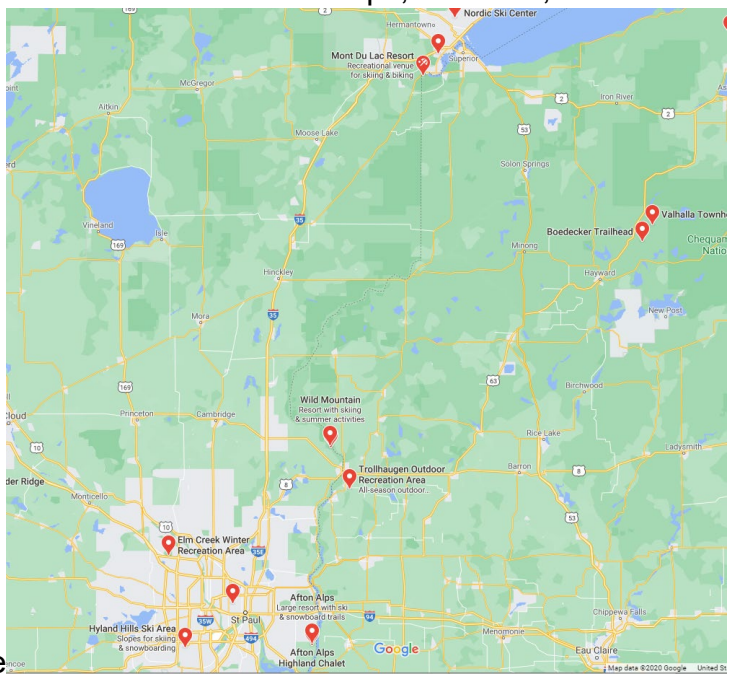
One challenge Spirit Mountain does face is that the terrain does not lend itself to more experienced skiers as well as some other locations. This has some benefits and drawbacks. Experienced skiers and riders may choose to go to a ski area that is more challenging and/or has terrain that better fits their ability level. Seasoned participants do choose ski areas by which type of terrain best fits their desired experience. Spirit does have some more challenging trails, but they are fewer in number compared to some other competitors.

A larger volume of beginner terrain makes a strong selling point for families and new participants to try Spirit Mountain. Many resorts, especially in the Midwest, pride themselves on teaching new participants and introducing people to snowsports. Some ski areas have difficulties finding enough terrain that is not advanced/expert for those who may not be as experienced. Spirit Mountain has a good volume of beginner and intermediate terrain, perfect for locals who may not ski or snowboard frequently. When attracting the regional market, promoting to beginners is critical. Minneapolis/St. Paul has an influx of new residents, young families, and a continually diverse resident base that may be interested in trying an affordable, family-friendly location. Spirit Mountain can capture these visitors before they continue driving north to nearby locations.

Key Findings: Spirit Mountain's offerings alone are not as enticing for an overnight visitor compared to places such as Giants Ridge and Lutsen Mountains. A lack of on-mountain lodging plus less emphasis on the amenities/luxury items that most overnight destinations pitch makes it difficult to directly compete as just the ski area alone. However, Spirit Mountain doesn't need to provide all those options. The City of Duluth has several high-quality lodging options, lots of additional amenities, and more to offer than a single ski area. Furthermore, Spirit can attract new participants and residents from the Twin Cities market that are looking for a more affordable, family-friendly option. Spirit serves as a great place to learn and experience the sport for these guests.

Competition with Mont du Lac is more challenging as both ski areas are proximate with each other and are going after similar visitor types – families and beginner skiers/snowboarders. Spirit needs to prove the value of additional terrain and higher-priced passes to ensure locals their product is superior for the price. Also, Spirit needs to embrace and tout its great terrain for new participants and families, as some advanced/experts may need more difficult terrain regularly. Mont du Lac's investments have paid dividends and Spirit should look towards becoming more visible in the local community to continue to try and encourage residents to visit.

Creating the Complete Package for a Potential Visitor

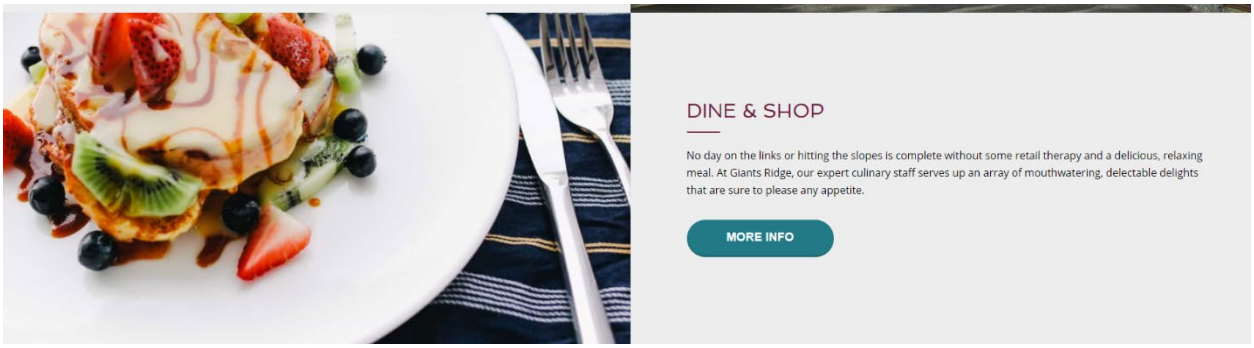
Ski areas closer to the Twin Cities such as Afton Alps, Buck Hill, and Wild Mountain are much more likely to serve 

as the typical day-use area for many Twin Cities residents. However, the Metro area has a large and diverse population which Spirit Mountain only needs to capture a percentage of to be successful. Therefore, this section highlights the opportunities that Spirit

Mountain has to further drive this important regional market to visit the ski area more than currently. Duluth and the Northeastern Minnesota region capture a large volume of travelers from this area; the next step is encouraging them to visit Spirit Mountain while there.

The relationship between The City of Duluth and Spirit Mountain is not only important in how it operates but also in what it offers to potential visitors. From the heart of Minneapolis, Duluth is approximately 2.5 hours in normal conditions. In the winter, this may be extended due to weather. Of course, the suburbs of Minneapolis stretch far and wide which varies drive time. The City of Duluth may be more of the draw for Twin Cities visitors than Spirit Mountain itself. Therefore, if Spirit Mountain can more closely partner with the City of Duluth and community organizations, there's a higher likelihood that visitors seeking out information about the area will come across what's offered at the ski area. This market will continue to grow and remain critical to Duluth's overall tourism base.

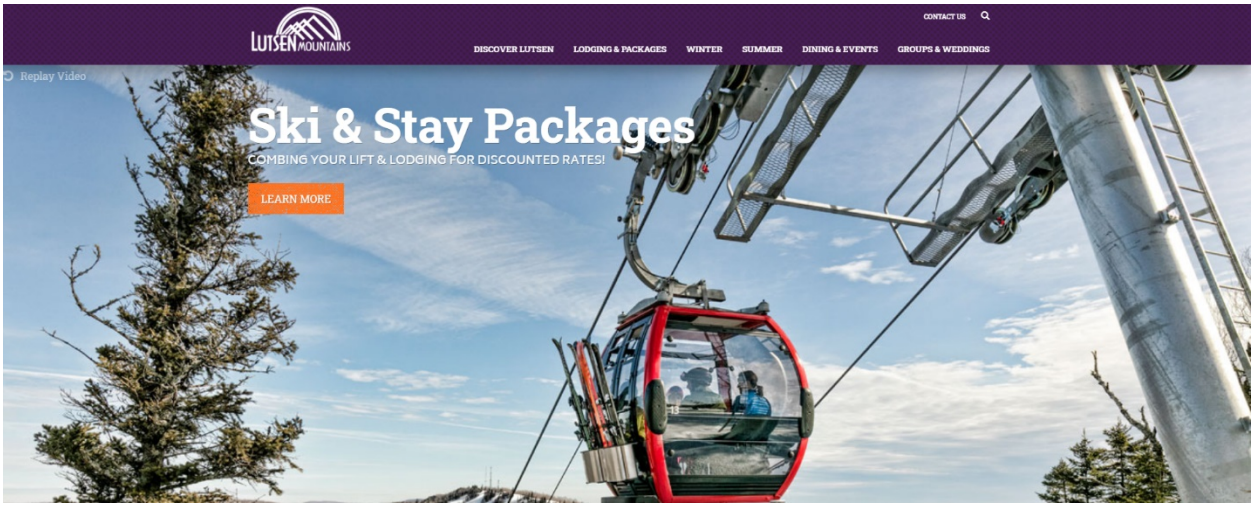
When looking at attracting overnight guests, Spirit Mountain relies mostly on lodging in the City of Duluth with some limited areas near the mountain. Lutsen and Giants Ridge don't have the luxury of having the city of Duluth with easy access, but they do offer a variety of high-quality facilities on-site. However, these competing areas stress more of the "resort" experience that includes night stays, night-time activities, spas, and more. As highlighted, Spirit Mountain may not want to try and serve these types of activities. To a potential guest, the offerings that Duluth has in combination with Spirit is what can create a more complete package for potential overnight guests.



Source: Giants Ridge

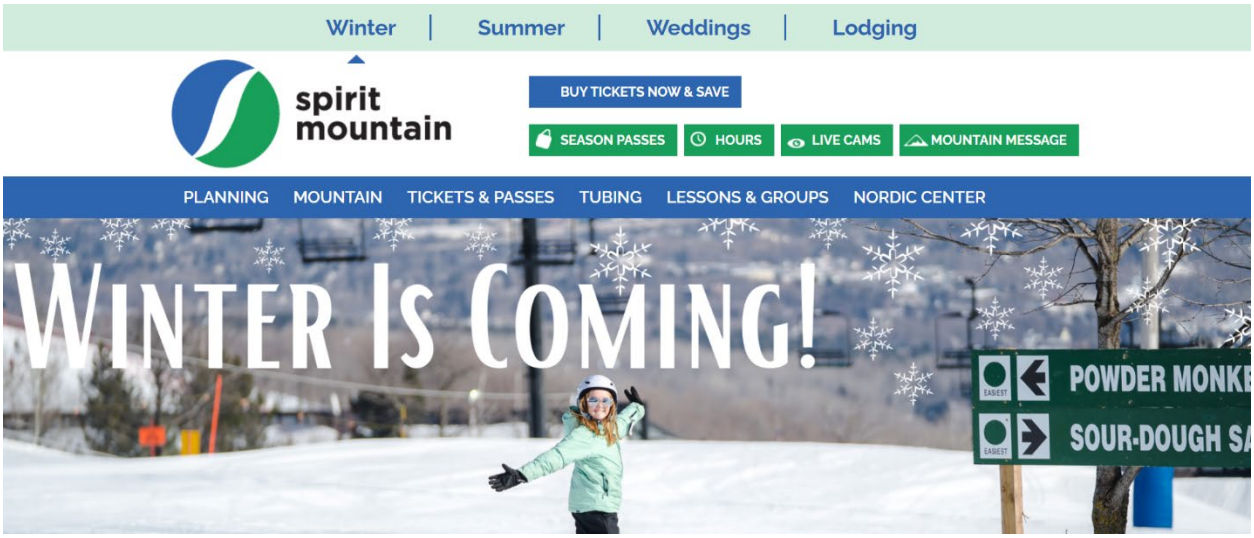
The images above and below display some typical promotion from both competing overnight resorts. The overall vibe and atmosphere of both resorts promotional material are to try and encourage a ski and stay vacation. For some, the activities after skiing/snowboarding may be just as important for their vacation as what's on the slopes. Skiing and snowboarding are still the focal points of these resorts, but they are in concert with the additional offerings that would attract a family looking for a "getaway" weekend. Overall, the promotional material is not likely to be as enticing for locals in the Duluth area and aimed almost directly at the Twin Cities and beyond. Bridging this gap

between overnight promotion and local visitation could place Spirit in a strong spot in between the two approaches.



Source: Lutsen Mountains

Spirit Mountain's communicated offerings are more aligned with other day use-focused areas. For instance, the additional recreation activities, not lodging or luxury amenities, are more prominent. The focus is more on the outdoor recreation activity than on what is offered if an overnight guest wants to visit. This type of marketing is perfect for the local or day-use visitor as they will not need to spend a night in a lodging. However, potential overnight guests may not be 100% clear that Spirit Mountain and the Duluth area offers much of what the other resorts do as well. This is where continued efforts between Spirit and local organizations is important to create the package an overnight guest seeks out.



Source: Spirit Mountain

It's likely not necessary for Spirit Mountain by itself to try and promote the full resort experience that places like Giants Ridge and Lutsen Mountains try to provide and communicate to potential guests. Although Spirit Mountain does not have direct on-site lodging, minus nearby Mountain Villas, it has the benefit of the City of Duluth's full resources of lodging and accommodations. Thus, Spirit needs to think of itself plus Duluth as the competing resort, not just Spirit by itself.

In the winter, there are a variety of activities that pair well for families. Because Spirit Mountain does not have that as a priority or the same types of resources, packaging Duluth as the "resort" is a perfect opportunity to attract these visitors. Residents of the Twin Cities area reach Duluth before they arrive at other ski areas further north. Some may be looking for a more remote experience, but others are simply wanting to escape the urban area of Minneapolis/St. Paul. Spirit Mountain may not be perceived as having the variety of terrain that the other two ski areas do, but a variety of resorts aim to be the first trip people take to learn and experience skiing and snowboarding. Many new residents in the Minneapolis/Twin Cities area may want to experience snowsports but only if it's affordable and not intimidating to try. Spirit Mountain's terrain is set up well for that opportunity. Winter in Duluth does restrict some activities that are popular in summer, but there are a plethora of options including:

1) Bentleyville Tour of Lights
2) Duluth Children's Museum
3) Great Lakes Aquarium
4) Lake Superior Railroad Museum
5) Glensheen Mansion



Source: Glensheen Mansion

This is only a partial list of indoor, non-weather dependent activities that can be participated in by those who choose Duluth and Spirit Mountain for their activities. While this may mean that regional visitors choose to ski a day less at Spirit Mountain, it's more effective than having visitors pass over the area only to visit competing resorts.

During the summer season, Spirit Mountain has a variety of activities including mountain biking, adventure park, events, and camping around the local area. Besides, the entire St. Louis County/Duluth/Northeastern Minnesota area is known, and becoming more known each year, for the variety of mountain biking, hiking, canoeing/kayaking, and general nature-based activities. Duluth's reputation has evolved into one of the country's top outdoor recreation destinations, and one of the most well-known in the Midwest. As this reputation continues to build, more potential visitors are going to be willing to visit and try out the nearby activities.

Minneapolis/St. Paul residents may visit Duluth for either a long weekend or just for the day during the winter season. However, winter weather conditions may lead some visitors to at least stay one night. During the summer season, there's a higher probability that regional travelers may be just staying the day, as suggested by Visit Duluth's data. Therefore, the promotion and marketing between the two seasons can change as there may be different packages or offers that resonate with each visitor segment.



Source: Spirit Mountain

With Duluth continuing to grow in popularity, Spirit Mountain has the resources to tap into several markets that likely already exist in the area. The challenge is always to ensure and convince visitors to come to a "ski area" during the summer season, especially with the vast opportunities for outdoor recreation on U.S. Forest Service land and other public land options nearby. Recreation participants that have fee-free options may need some convincing to pay to access lift-service, but there are other operations

such as enhanced food and beverage infrastructure that could appeal to this group. Essentially, the value for recreating needs to be clear to the user. Mountain biking at Spirit Mountain has become a keystone of summer activities along with the Adventure Park. These activities need to be leveraged but also keeping in mind that certain activities only apply to a certain market, as highlighted earlier.

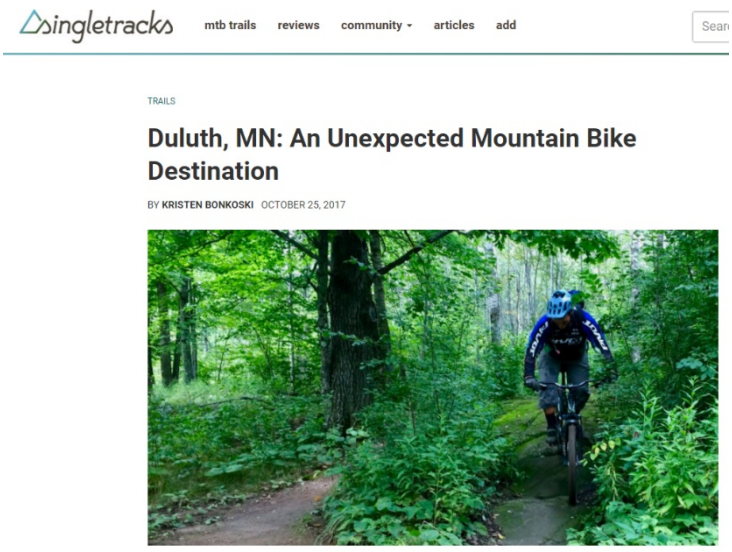
Key Findings: Spirit Mountain has year-round activities that can draw a variety of guests from the local and non-local markets. However, it needs to separate itself away from the regional competition of Giants Ridge and Lutsen Mountain, primarily, to convince those regional guests to stop once they reach Duluth. The best path forward to do that is by promoting and packaging Spirit Mountain and the City of Duluth as one destination with similar types of amenities and more. The competing ski areas nearby are aiming more for a resort-destination feeling. While Spirit Mountain itself may not have the same type of facilities, packaging the resort with Duluth's overall offerings should create a more comprehensive destination visit. Furthermore, creating a cohesive package should entice more regional visitors who are not as familiar with outdoor recreation to participate if it is part of a larger experience in Duluth.

Mountain Biking: Considerations to Explore and Opportunities for Growth

Ski resorts across the country have adopted mountain biking as one of their primary summer activities. Downhill trails can be developed on existing ski runs with lifts serving as a great opportunity for thrill-seekers to visit during the summer season. Mountain bike season passes allow for local and regional riders to participate in an experience that is difficult to replicate in Minnesota. Downhill mountain biking can be quite intense, however. It requires a higher degree of skill and acceptance of risk. Spirit Mountain is aiming to be the introduction to downhill biking, which could be very appealing to those who are unsure about participating in that type of biking. Within the biking community, there are a variety of different styles; many of which appeal to a different type of user entirely. The entire sport of mountain biking is growing; thus, it's important to understand these different user groups. Luckily, Spirit Mountain and the existing trail system can serve almost all forms of mountain biking.

Spirit Mountain's mountain biking options are broad. There are a variety of trail options rated from easiest to most difficult, cross-country to straight downhill, and more. A single day pass is quite affordable at $35 for an adult ($20 for youth). Purchasing options for season passes start at $219 if bought early up to $349 from April 1st and on. For beginners, lessons allow for new participants to learn the ropes of biking and downhill biking depending on their preferences. In addition to downhill options, Spirit Mountain has become a main trailhead for the larger system of mountain biking trails in the region. Overall, the offerings for mountain biking at Spirit Mountain are enticing and a variety of options are provided.

Duluth has gained recognition for being an International Mountain Biking Association (IMBA) Gold Medal Ride Center. This classification places Duluth in the top echelon for all mountain biking destinations in the world. The only other destinations in the United States with a Gold Medal rating is Roaring Fork/Aspen Snowmass, CO, Boise, ID, Oakridge, OR, and Park City, UT. Duluth is the only destination east of the Rockies with Gold-level certification. Just recently, the City of Duluth along with the greater mountain biking community in the area has invested a lot of resources in trying to build the scene in the region through both local and regional trail construction.



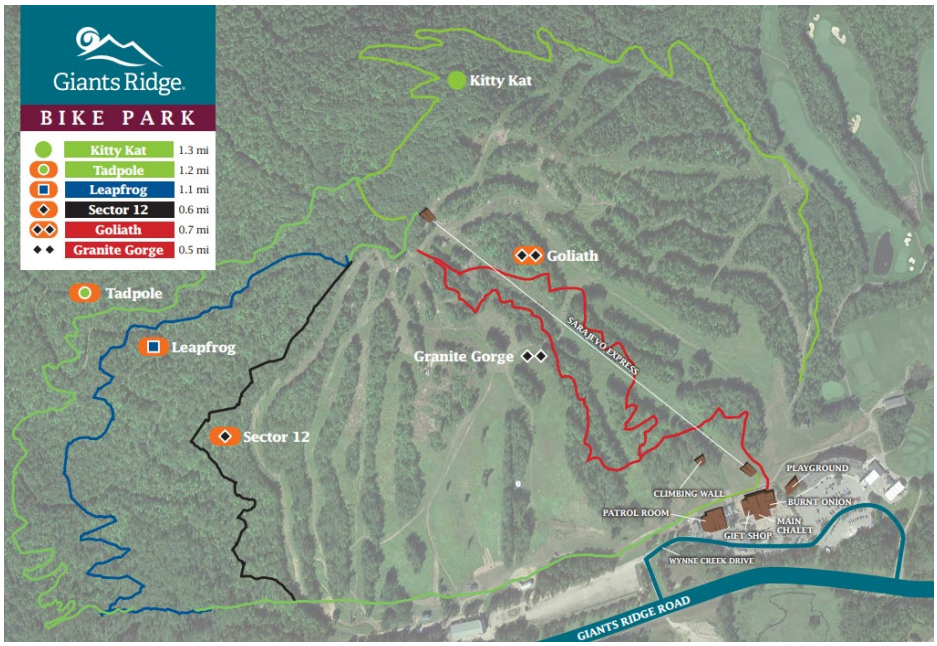
Source: Singletracks.com

Not only does Spirit Mountain serve as its own unique experience by offering downhill mountain biking, but also many of the regional trails that exist around Duluth either pass through or sometimes start at Spirit Mountain. Outside of Spirit Mountain, the Duluth Traverse and other long-distance cross-country mountain bike trails have grown in popularity and are likely to continue to attract more visitors. This is important to consider as from a cost-benefit perspective there needs to be a balance between whether downhill, lift-served mountain biking is most wanted among locals and travelers vs. cross-country or other forms of mountain biking. Getting an individual to pay for any type of recreation is much more challenging when other options are available at no charge nearby. This isn't to say that downhill mountain biking isn't desired, but a balance needs to be achieved as not all mountain bikers participate in all forms of biking.

Spirit Mountain, to some degree already, serves as the main trailhead for many users at a variety of ability levels. Anecdotally, insights from city staff and others indicate several groups that use Spirit Mountain as their starting point for their ride; whether that ride is lift-served downhill, cross-country, or just on multi-use trails around town. The challenge Spirit has is to incorporate amenities and/or services that could drive additional revenue in providing a more complete experience for these users. For instance, a more robust

food and beverage service could be attractive for trail users even if they aren't participating in downhill mountain biking. This also reinforces the importance of fully packaging Duluth and Spirit Mountain together to regional travelers. Without prior knowledge, many could see Spirit Mountain just as a lift-served option with no other outlets.

Nearby competition at Giants Ridge and Lutsen Mountains have also embraced mountain biking as one of the pillars of the summer season. Giants Ridge Bike Park has a limited number of trails but is in the middle of constructing what they define as the "largest lift-served mountain bike park in the Midwest." Lutsen does not offer lift-served mountain biking but instead promotes many of the surrounding USFS public lands and some trails offered at the resort itself. This approach is common in areas that do not wish to invest in new infrastructure and downhill options specifically. Furthermore, Lutsen does host a large bike race, the Lutsen 99er, which offers a variety of race options for riders, both adults and children.



Source: Giants Ridge

The options provided across the Duluth area and beyond are vast. From cross-country riding to downhill offerings at Spirit Mountain and Giants Ridge's bike parks, interested users have a plethora of options to choose from to participate. However, it is still important to remember that while participation in the sport is growing, the mountain biking community is still a relatively small portion of the general traveler. Furthermore, there are multiple segments of riders within the mountain biking community. Cross-country mountain bikers are not necessarily drawn to downhill mountain biking and vice versa. However, Duluth and Spirit Mountain have developed many options that allow for all types of riders. The difficulty is attracting mountain bikers to your destination in large enough volumes to make it a substantial part of the economy.



Source: SportRX

As highlighted, mountain biking at Spirit Mountain and in Duluth now has major recognition with the IMBA Gold Medal Rider Center classification for the city. As the sport grows, more riders will be interested in trying out these high-profile destinations, like how a place such as Moab, UT attracts people each year for mountain biking and general sightseeing. Duluth is the only Midwest destination with a Gold Medal Ride Center and is likely to draw a variety of riders from across the country to at least experience their trails. It may not have as much major market pull as an area such as Park City, Utah, but it has nearby other metro areas and serves as the closest destination for many Midwesterners. Thus, there is a definite opportunity to continue building mountain biking as a key pillar of Duluth's summer offerings.

As already noted, it is a difficult sport to fully monetize if there are many fee-free options on nearby public lands for cross-country and uphill. The experience from lift-served mountain biking is different, but it will be important for Spirit Mountain to understand how they could best draw additional revenue from users who may not want lift-served access. It is important to not classify all riders into one group as they likely have slightly different preferences and characteristics. It is about creating a compelling experience outside of simply offering trail usage while recognizing that mountain biking is just one piece of the overall summer operation puzzle. An additional challenge is the continued upkeep and maintenance of trails. While it does draw a decent portion of revenue, upkeep and maintenance do add up over time.

Key Findings: Spirit Mountain along with nearby competitors has taken hold of mountain biking (downhill and cross country) as a primary summer activity. This move has been popular recently in the ski industry to offer new activities during the summer. Mountain biking is growing, and Duluth is well-positioned to continue to grow its already internationally recognized mountain bike trail systems. Spirit Mountain has become a natural launching off point for many riders while at the same time providing downhill access to those seeking that type of experience. That said, the mountain biking community only makes up one portion of summer travelers in Minnesota. Most visitors in Minnesota would be attracted to visit for more passive activities such as what is offered at the Adventure Park or a scenic lift ride to a restaurant experience. Balancing the promotion and need of activities such as mountain biking vs. wider appeal activities is important in creating a robust summer visitor base at Spirit Mountain. However, mountain biking in Duluth is a major cornerstone of attracting a new visitor base from across the country.

Spirit Mountain Visitation and Wedding/Banquets

Spirit Mountain collects a variety of internal data related to visitation in both summer and winter. This information helps tell the story of where opportunities, and potential challenges, exist for the ski area. As of now, a limited amount of internal data is used to assess potential trends over the past few seasons.

Figure 22: Historic Skier Visits

	Season 2019/20	Season 2018/19	Season 2017/18
Skier Visits	167,898	159,646	125,280

According to Spirit Mountain's internal data, visits have increased over the past three seasons. In 2017/18, visits were approximately 125,000, rising to 159,650 the following season, and increasing once again to 167,900 last year. With visits increasing, it appears that Spirit Mountain should be seeing success during the winter season.

Aside from the standard winter and summer activities offered at Spirit Mountain, Spirit Mountain has an event business appears to be strong. From mountain biking events to a large volume of weddings and banquets, events bring in a different type of clientele who may return at a later date to participate in other activities. According to Spirit Mountain, the number of weddings and banquets are provided below:

2019: 42 weddings, 31 banquets
2018: 56 weddings, 19 banquets
2017: 66 weddings, 37 banquets

These totals are quite strong for a ski area. Before 2019, Spirit Mountain was hosting at least one wedding per week during the summer months, which is great for a non-dedicated facility. The total number of weddings has decreased from 2017's high of 66 down to 42, but the infrastructure and marketing are available to grow to previous levels. Food and beverage services have become more important, especially for destinations that focus on events. Spirit Mountain is reviewed well on popular websites such as "The Knot," a highly trafficked website by wedding planners. The number of banquets has fluctuated somewhat, but total volumes appear to be strong as well. Future planning should evaluate how well

Mont du Lac, Giants Ridge, and Lutsen Mountains offer wedding and banquet options as well, along with a variety of venues not at-ski areas within the Duluth/Greater Northeast Minnesota region. It has become common for ski areas to offer weddings and events to generate new revenue. Despite the competition, Spirit Mountain has remained successful in attracting events and weddings. However, monitoring whether the volume of weddings and/or banquets decline is important for the next few years.

Key Findings: Internal data from Spirit Mountain suggests a positive upward trend in visitation over the past three seasons. Summer activity data also suggest an increase in most activities. These data points should suggest that Spirit is doing well at continuing to draw visitation. Spirit Mountain's wedding and banquet business appear to be strong. Despite a decline in weddings over the past few years, the overall volumes of weddings per year are higher than in many ski areas. Continuing to provide high-quality service is important for wedding venues and monitoring whether that number continues to decline should be considered for the upcoming seasons.

Conclusions

Spirit Mountain has a variety of summer and winter recreational activities to offer a variety of audiences from locals to Twin Cities Metro residents to out-of-state travelers. The region is gaining a strong reputation for being a premier outdoor recreation destination, and Spirit Mountain needs to capitalize on that moving forward. Spirit Mountain offers activities applicable to families, new participants, and some for those more experienced skiers and snowboarders, while nearby competition is more likely to capture advanced/expert skiers and riders on a long-term basis. In winter, the advanced/expert market is not what Spirit Mountain should be aiming for and rather focus efforts on families, new participants, and those with intermediate ability levels. During the summer season, a balance between promoting current mountain biking infrastructure along with drawing in day-visitors interested in riding the chairlift or participating in other activities at the adventure park is needed. Additionally, an expanded food and beverage service may be valuable to

Demographically, the region has remained stable in almost all popular statistics, but the Minneapolis/St. Paul region has continued to change. A more diverse, growing metro area needs to be taken into consideration when planning to attract this market. The Duluth area already attracts a large volume of regional travelers, some of which are passholders at Spirit Mountain. Understanding how these markets change and the options to get those without season passes to stop in Duluth before traveling past it to other competing resorts is important.

Regional and local competition is relatively strong in the area. Places such as Giants Ridge and Lutsen are strong at attracting overnight guests plus day skiers from Duluth. Mont du Lac now competes for locals, especially those learning and families. Other smaller areas closer to the Twin Cities may draw day visitors away from Spirit as well. However, Spirit Mountain has the unique position of being situated near the attractive tourism destination of the City of Duluth and having several popular activities already supported year-round. While it may not have all of the on-site amenities that destination resorts have, Spirit Mountain doesn't need to rely on only what's at the resort to attract visitors. Packaging the City of Duluth and all its offerings with what Spirit has to offer presents an enticing experience for potential visitors in many markets. Continuing to blend Spirit Mountain to the heart of what Duluth offers is likely to open some doors for new visitors. This packaging will be beneficial for not just one season as Duluth tourism is strong across primarily winter and summer. Furthermore, Duluth sees relatively strong visitation even during the fall season. A more concentrated effort to partner with local organizations to be visible in the community will also place Spirit at the top of residents' minds too.

The Indy Pass continues to grow and has added Lutsen Mountains (with Giants Ridge and Spirit Mountain already existing) this season. Initial thoughts may see more added competition as a negative. In reality, the Northeastern Minnesota area has become an even stronger winter travel destination for Indy Pass owners who want to try out new resorts. Encouraging visitors from nearby states to spend a week or more in the region using their Indy Pass is a strong option. With three ski areas on the pass nearby, it's a much easier sell for a family who wants a week of skiing in the Upper Midwest. Also, users who may not have previously visited Spirit now have a reason to try it and may convert to long-time users.

Finally, mountain biking has become a major player in Northeastern Minnesota recreation. Duluth's classification as an IMBA Gold Medal Ride Center puts it on a pedestal that very few other destinations can join. As the only Gold Medal Center east of the Rockies, Duluth, with Spirit Mountain as part of the offering, has already taken some of the steps to build a cohesive mountain biking offering. It should be recognized that while participation in the sport is growing, mountain bike participants are still only a small portion of summer travelers. Therefore while promoting the sport is important, it needs to be balanced with activities that the general traveler can enjoy too. Essentially,

diversifying the offerings under a larger theme is great to appeal to a wide audience, including hardcore mountain bikers.

Overall, Spirit Mountain has what it takes to be successful in both summer and winter. Of course, there are areas of opportunity, but compared to many smaller ski areas, Spirit has already built up significant infrastructure to support activities. Now the goal is to focus on how these activities can drive more visits and revenue through a better-packaged experience. Ensuring the value proposition exists to deter locals from skiing at Mont du Lac and to be regular summer users of Spirit, and to entice regional travelers to stop in Duluth instead of other overnight ski destinations and visit during the summer season, is vital for the future of Spirit Mountain.

APPENDIX B.
CASE STUDIES

SE GROUP

MEMORANDUM

131 Church Street Suite 300 Burlington, VT 05401

Office: 802.862.0098 | www.segroup.com

TO: Spirit Mountain Task Force

FROM: SE Group

CC: Ann Gumac, Jim Filby-Williams

DATE: November 9, 2020

RE: Organizational Case Studies

One example of each organizational model is provided below. While no two ski areas are alike, care has been taken to select examples that are relevant and informative for Spirit Mountain. General statistics of each area are provided for comparison, as well as available information related to ownership, governance, and finances, and external financial support.

Comparison of General Statistics

	Mt. Ashland (non-profit)	Gunstock (public)	Mount Sunapee (private operator with lease)	Mad River Glen (cooperative)	Spirit Mountain (public)
Location	Ashland, OR	Gilford, NH	Newbury, NH	Waitsfield, VT	Duluth, MN
Local County (Population)	Jackson County (203,206)	Belknap County (61,303)	Merrimack County (151,391)	Washington County (58,409)	St. Louis County (199,070)
Lifts	5	6	9	5	7
Vertical feet	1,150	1,340	1,510	2,037	700’
Skiable Acres	240	227	233	115	175
Annual Skier Visits	70,943	166,247	~200,000	85,000	150,941
Summer Offering	Limited	Adventure Park, Trails	Adventure Park, Trails	Limited	Adventure Park, Trails

1. Mt. Ashland – Non-Profit

General Statistics

Location: Ashland, Oregon (pop. 21,263)
Market: Medford MSA (pop. 285,919). The area also experiences summer tourism traffic from northern California
Skiable acreage: 240 acres
Vertical drop: 1,150’
Lifts: 5
Annual Skier Visitation: 70,943
Summer Activities: limited (cross country mountain biking, hiking, weddings, and banquets). The operating group is currently exploring the potential for expanding summer operations.
Annual Summer Visitation: N/A
On-site Accommodations: None
Operating Schedule: 5 days a week, night skiing

Ownership Details

Mt. Ashland is operated by a non-profit, the Mt. Ashland Association. The Association assumed management in 1993. Previously, the ski area had been privately operated, with an intermediary year under City of Ashland ownership. Becoming a non-profit allowed the ski area to build a financial safety net to withstand low visitation winters/drought, keep prices low, withstand rising costs, and build a strong relationship to the community. The ski area is located entirely on National Forest land and operated under a Special Use Permit (SUP) held by the Association.

Governance

The Mt. Ashland Association has a 13-member board with three-year terms and a three-term limit. The Association is very intentional about selecting members of its board and has a matrix to ensure skills/experience/expertise in key areas (finance, law, management, PR, marketing, skiing, fundraising, and HR) and access/connections (to grassroots networks, the business community, non-profits and foundations, politics, and the health industry). The board stays relatively high level and is not involved in day-to-day operations of the ski area. The board has several subcommittees: Governance, Facilities/Planning, Outreach & Education, Finance, Development, Summer ad hoc, and an Executive Committee. The meetings are public, but minutes are not posted online. There is an annual meeting with members of the public where the general manager and the board share updates.

Local government has a very limited role with the ski area at present. The City of Ashland did operate the ski area for a single year (1992) but quickly passed off operations to the Association. After several years of legal disputes to release the lease, the City and Association reached an agreement in 2011. In this agreement, the City released its hold of the SUP and conveyed its interests in the property to the Association. In return, the City reserved the right to appoint one person to serve as a member of the board; required that the Association provide the City architectural, engineering, construction, and logging plans in advance to conduct a technical review, if desired, especially as related to water quality; required that the Association maintain a "Restoration Amount" to cover area restoration if the ski area closed; required that the Association not pursue certain projects unless sufficient financial commitments were achieved; required that if the ski area dissolves all assets will return to the City; and required City approval if the ski area is transferred to another party.

Mt. Ashland's workforce is almost entirely a professional operation. The ski patrol is largely volunteer, and some additional volunteers assist with school programs. There is no union presence at Mt. Ashland.

Finances

The ski area has a sustainable annual operating budget but does rely on external financial support (donations) to support the operation in low visitation years and to provide capital funding.

Mt. Ashland - Breakdown of Annual Revenue and Expense

Percent of Annual Revenue		*Percent of Annual Expenses*	
Lift tickets and passes	47%	Cost of goods	9%
Snowplay & other winter operations	2%	Direct labor	44%
Lessons	10%	Maintenance/Repairs	7%
Food and beverage	18%	Other direct	8%
Retail stores	5%	Payroll Taxes/Workers' Comp	6%
Rental shops	7%	Electric Power/Fuel	4%
Accommodations/lodging		Gen. and admin.	1%
Miscellaneous	1%	Marketing/adv.	0.44%
Other (inc. donations)	10%	Insurance	5%
Property Operation	1%	Land use fees	1%
		Property/other taxes	
		Miscellaneous	1%
		Depreciation (CAP X)	12%
		Amortization	
		Operating Leases	1%
		Interest	1%
	100%		100%

External Financial Support

The Association currently receives about $200,000 a year in donations to its Local Mountain Fund (equivalent of an annual fund). These funds are raised from individuals, local businesses, and foundations. The Association has a director of marketing and development, for whom a primary focus is fundraising. The donations go into supporting on-going maintenance capital projects, school programs, and maintaining the “rainy day fund” (currently standing at $2 million, largely built since 2014). The association fundraises separately for major capital projects. The capital campaign for a new lodge raised $2 million in 3 years. The ski area is currently carrying a small debt from a $750,000 Small Business Administration loan that was secured in anticipation of fund raising that was subsequently delayed. This is a low interest loan, and the Association is paying it back slowly. The Association does pursue grants, although they tend to be relatively small and where the Association has a high likelihood of receiving them. These grants have helped fund planning efforts, school programs, and a shuttle from Ashland.

2. Gunstock Mountain Resort – Publicly Owned and Operated

General Statistics

Location: Gilford, NH (pop. 7,194)
Market: Belknap County (pop. 61,303) and Boston and Manchester, NH, metropolitan areas. Belknap County sees a high degree of tourism, particularly in the summer due to Lake Winnipesaukee.
Skiable acreage: 227 acres
Vertical drop: 1,340'
Lifts: 6
Annual Skier Visitation: 166,247. Tubing and Nordic Skiing bring an additional 30,000 to 40,000 visitors.
Summer Activities: scenic lift rides, hiking, biking, camping, and an adventure park (zip lines, mountain coaster, aerial treetops adventure, climbing wall, bungee jumper, etc.)
Annual Summer Visitation: 100,000
On-site Accommodations: No winter, summer camping
Operating Schedule: 7 days a week, night skiing

Ownership Details

Gunstock Mountain Resort is owned by Belknap County with a county-appointed, five-person Gunstock Area Commission overseeing operations and hiring staff. The Commission is responsible for "managing the ski area as a financially independent, self-sustaining organization." The Commission reviews operations, approves major expenditures, develops plans, and hires and oversees the general manager.

The Gunstock Area Commission has recently created a committee to study future options for the ownership and business model of Gunstock. The study was set to explore whether privatization of some degree is financially viable and legally possibly, and if so, to develop potential business models for privatization. The results of this study have not been publicized.

Governance

Commissioners are limited to 5-year terms and at least one must be an experienced skier and one must be experience in finance, banking, or accounting. Meetings are monthly and open to the public, with minutes posted online.

Currently, Belknap County has oversight over the ski area, but its taxpayers do not financially contribute to the ski area. Belknap County Commissioners appoint the members of the Gunstock Area Commission and approve the RAN (see below) and other bonding measures pursued by the ski area.

Volunteers are not utilized at the ski area other than ski patrol. The workforce is not unionized. The ski area has a strong workforce retention program.

Finances

Until 1990, the ski area operated as a self-sustaining entity. However, following $10 million in capital expenditures in the 1980s and consecutive poor snow years, the ski area began to require taxpayer funding for its debt service. In 2001, the County agreed to take on the ski area's remaining debts. An MOA was established, requiring that Gunstock pay the County $150,000 annually. This statute has recently been changed to a payment of 1.75% of revenues (works out to between $200,000 - $250,000) requested annually by the county. The original debt is now paid off, but the ski area continues to pay the County annually in continued (political) acknowledgment of the "ROI" related to forgiving the debt and to reduce the taxes the county must collect from

residents. County elected officials have debated increasing the percentage, as Gunstock profits have increased. In the 2017 budget, Gunstock projected revenues of $13 million, for a profit margin of $1.3 million.

The ski area is achieving sufficient revenues to build a strong “rainy day fund” and cover operational maintenance costs. For capital projects, the ski area relies on reserves and bonding measures depending on the extent of the project (the area budgets +/-$500,000 in self-funded capital projects per year beyond capital maintenance projects) and is responsible for all debt payments. All such projects requiring bonding must be approved by the County.

The ski area has been very intentional about revenue generation, particularly through expanding its summer operations.

External Financial Support

Annually, the ski area receives a Revenue Anticipation Note (RAN), a short-term business loan or line of credit from the county. This is used to cover operating expenses and winter operation start-up costs during the cyclic slow business period from September to December. This note is drafted by Gunstock, showing the need for borrowing and the amount of credit to be obtained, and must be approved by the Commission. Gunstock will withdraw from this fund from September and until revenue from winter operations come in (usually in January). This request averages $850,000 a year and is paid back in full, with interest, by April 1. Gunstock has requested an annual RAN beginning in 1991 and every year thereafter – and has paid it back in full and on time each year.

Many ancillary elements of the ski area (race teams, adaptive programs) are operated as separate non-profits. These non-profits can fundraise for expenses, rather than placing those expenses on the ski area. These non-profits also help to create affordable access for locals. These organizations include Gunstock Ski Club, Gunstock Freestyle Association, Gunstock Nordic Association, Lakes Region Disabled Sports, and Gunstock Mountain Historic Preservation Society.

For the local population, monthly Belknap County days are held where reduced prices are available for the local community.

3. Mount Sunapee – Publicly Owned, Private Operator with Long-term Lease

General Statistics

Location: Newbury, NH (pop. 2,225)
Market: Merrimack County (pop. 151,391) and Boston and Manchester, NH, metropolitan areas. The Lake Sunapee region see considerable summer tourism traffic.
Skiable acreage: 233 acres
Vertical drop: 1,510'
Lifts: 9
Annual Skier Visitation: approx. 200,000
Summer Activities: adventure park offering (zipline, aerial challenge course, mini golf, disc golf, and climbing wall) and hiking and mountain biking opportunities.
Annual Summer Visitation: N/A
On-site Accommodations: None
Operating Schedule: 7 days a week

Ownership Details

The ski area is on lands owned by the state of New Hampshire and leased to a private entity, Vail Resorts, on a 20-year lease. In 1998, the state issued an RFP for a private operator to lease Mount Sunapee to efficiently operate the ski area and invest in capital improvements. The original lease was issued to Okemo Mountain Inc. The initial cost of the lease was a $1 million surety bond, with the stipulation that the leaseholder invest $5 million in capital improvements in the first five years. Under the terms of the lease, the land, existing infrastructure (real property), and improvements remain the property of the state following the conclusion of the lease. This ownership structure makes securing financing difficult for the operator, who would typically use the ski area as collateral; in this case an arrangement was made with the state. The operator is required to pay the state a base fee of $150,000 (adjusted for inflation since 1998) and 3% of gross annual revenues, equating today to roughly 5% of revenue overall. This percent of revenue is higher than that required by the U.S. Forest Service for ski areas operating under an SUP (typically 3%), making this one of the most expensive leases in the country. The lease requires the operator submit an Annual Operating Plan (AOP) each year and a Master Development Plan (MDP) and Environmental Management Plan (EMP) every five years.

The lease of Mount Sunapee has provided many benefits to the state: it created a mechanism for much-needed investment in the area as well as a funding mechanism for other state recreational assets (including Cannon Mountain, which is also on state land), removed the drain on the state park's budget from on-going support to the ski area, which consistently operated at a loss, and removed the risks associated with operating the mountain. In the first five years of the lease, the operators invested $14 million in Mount Sunapee, addressing deferred maintenance and bringing the area up to current market standards. The lease payments to the state also funded $5 million of improvements at Cannon Mountain. Combined, these improvements ultimately enhanced the experience and operational efficiencies at both Cannon and Sunapee, making them more competitive and drawing visitors to the state.

To this day there is vocal opposition to the private operations of Mount Sunapee on state (public) lands.

Governance

There is no board responsible for oversight and management of the ski area.

The state reviews an annual operating plan and a Master Development Plan and Environmental Management plan every five years. The state also tours the ski area each year with the operator to identify maintenance needs. Mount Sunapee is required to present the MDP to both the State of New Hampshire and to the local communities – specifically the Town of Newbury and Town of Goshen where the ski area is located. The New Hampshire Department of Natural and Cultural Resources also holds a public hearing prior to approving the Master Development Plan and Environmental Management Plan.

Volunteers are not utilized at the ski area aside from ski patrol. The workforce is not unionized.

Finances

The operator is responsible for all operating costs and capital projects. The operator also has an annual lease payment to the state which averaged $585,000 from 2009 to 2014. The operator does not receive a subsidy from the state. The operator does not pursue grants or outside fundraising.

4. Mad River Glen – Cooperative

General Statistics

Location: Waitsfield, VT (pop. 2,225)
Market: Chittenden County (163,774), Washington County (pop. 58,409) and Boston and New York metropolitan areas
Skiable acreage: 115 acres
Vertical drop: 2,037'
Lifts: 5
Annual Skier Visitation: 85,000
Summer Activities: None
Annual Summer Visitation: N/A
On-site Accommodations: None
Operating Schedule: 7 days a week

Ownership

Mad River Glen in Vermont is the only ski area in the country owned and operated by a cooperative. The ski area offers a unique skiing experience with only a single and double chairlifts, steep slopes, and little grooming. The Mad River Glen Cooperative took over the ski area in 1995, when owner Betsy Pratt decided to sell to the only group she trusted with its future, its skiers. She generously agreed to sell the ski area for $2.5 million to the newly formed cooperative. For the cooperative, the purchase required 1,667 shares sold at $1,500 a share. The cooperative reached out to everyone living in the local area and the ski area's mailing list and managed to sell 1,000 shares in six months. While some sales did come from season passholders and second homeowners, the leaders of the cooperative described "people just coming out of the woodwork" to purchase shares and preserve the Mad River Glen ski experience. By 2000, the cooperative had sold 2,000 shares and managed to pay off the mortgage early while contributing to capital upgrades as the need arose.

Governance

A paid staff handles most of the operations of the ski area, with oversight from the shareholders. The shareholders have an annual meeting with about 150 shareholders attending. They discuss the future of the ski area, the past season, and elect a nine-member Board of Trustees. The Board of Trustees meets more regularly, 7-10 times per year. Committees, chaired by trustees, meet regularly as well, on Finance, Fundraising, Facilities, and Elections and Board Development. The board also hires and oversees a general manager of the ski area. The general manager reports to the board at each meeting and manages seven year-round staff, 200 seasonal employees, and 100 volunteers.

Finances/External Financial Support

The number of shareholders has remained relatively constant since 2000: at present, 1,800+ individuals own 2,200+ shares. A shareholder pays $2,000 initially (either in a single payment or a series of installments) and $200 annually in an advanced purchase requirement (APR). The APR provides the ski area with early season cash flow and shareholders typically spend that sum and more on passes, tickets, rentals, lessons, and food as the season goes on. The shareholders also receive a 15% discount on season passes and lift tickets.

The financial purpose of the shareholders was to purchase the ski area in the first place. Since then, the purchase of additional shares has made a small contribution to capital upgrades and annual operating costs.

Currently, the primary importance of the shareholders is their enthusiasm and commitment to skiing at Mad River Glen and engaging with fundraising efforts.

The funding for capital upgrades largely comes from the cooperative's non-profit. Since 1995, the cooperative has spent $4.5 million for upgrades to the ski area, primarily from tax-deductible donations to the Stark Mountain Foundation, the cooperative's partner 501(c)(3). The foundation and cooperative are partnering now on a fundraising campaign aiming to raise $6.5 million by 2021. Through the generosity of shareholders and other friends of the ski area, $3.6 million has already been raised. One goal of the campaign is to build an endowment that would provide the ski area with an annual income independent of the weather conditions.

The year-to-year financials of the ski area are dependent on annual snowfall. The ski area typically turns a profit in moderate to good snow years but struggles in poor snow years, especially as it does not have a large snowmaking system. The ski area does have very little overhead and negligible debt, keeping operating expenses low. It draws approximately 85,000 skiers per year and attracts extreme loyalty with its unique identity and experience and lower prices than surrounding resorts. In the first 19 years of cooperative ownership, the ski area finished in the black 15 times.

APPENDIX C. SURVEY RESULTS DOCUMENT

OUTSIDE INSIGHT
DULUTH'S SPIRIT MOUNTAIN – THE FUTURE



A research project to determine customer interests
in the future of the Duluth, Minnesota recreation area
November 2020
Zenith Research Group, Inc.

ZENITH RESEARCH GROUP, INC.

spirit mountain

ABOUT THIS REPORT

The attached report summarizes our research based on the responses to a survey from 4,895 respondents who had previously supplied their email addresses to the Spirit Mountain Recreation Area in Duluth, Minnesota. Results from an additional 113 responses gathered through the efforts of Visit Duluth are presented in a separate document.

All responses were received between November 7, 2020 and November 15, 2020.
(See Methodology)

Zenith Research Group, Inc., shall have no liability for any representation (expressed or implied) contained in, nor for any omissions from the report. The findings within the report do not reflect the views of the report editor or the research company.

The information provided in this report is intended solely to assist representatives of the City of Duluth, the Spirit Mountain Authority, the Spirit Mountain Task Force, and SE Group in evaluating the sentiments of the respondents to a series of questions developed by those entities.

As such, the information contained within should not be relied upon for any purpose, nor distributed to nor relied upon, by any third parties who are not negotiating directly with the City of Duluth, the Spirit Mountain Authority, the Spirit Mountain Task Force, and SE Group.

This survey research project initially began in October 2020 with discussions between representatives from the City of Duluth, Spirit Mountain and SE Group concerning professional research services.

Zenith Research Group, Inc., submitted a proposed research budget which was approved prior to the submission of a signed contract for professional services.

The development of the survey instrument used in this research benefitted from input from members of the Spirit Mountain Task Force, a group of elected officials and citizens chosen to draft a set of recommendations intended to help Spirit Mountain Recreation Area achieve financial stability, and a sustainable plan to pay for the repair and replacement of deteriorated infrastructure.

In announcing the creation of this Task Force, Mayor Emily Larson indicated the City was especially interested in business experts and residents who have a strong connection to Spirit who could draw upon their experience and expertise and contribute constructively to group decision-making process. Zenith Research Group thanks the thirteen members of the task force and City Council members Janet Kennedy and Arik Forsman for their efforts and assistance in this research endeavor.

The analysis within this report was completed using the statistical tools and applications of SPSS Analytical Software, Version 22. The Margin of Error (MoE) for the vast majority of responses within this report will vary from approximately +/-1.23 percent to +/-1.48 percent, each at the 95 percent confidence level. Some responses with fewer overall respondent numbers will have higher error margins. Within the report, the number of respondents will be represented by N =. All statistics within the report will be rounded for presentation. Mean Scores (MS) or Average Scores (AS) within the report refer to the central tendency or the sum of all rankings divided by the number of cases.

The several hundred comments offered by participants are presented in a separate document.

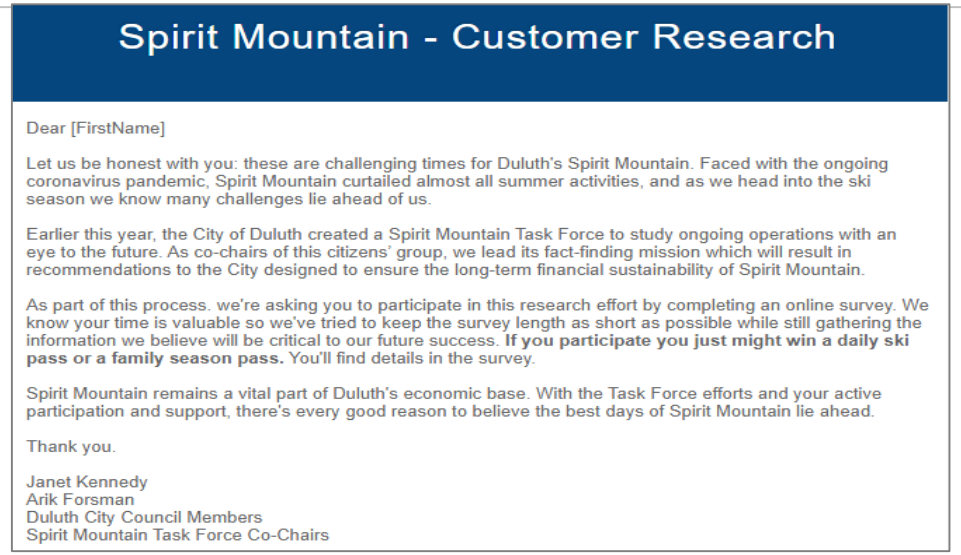
This research project and final report analysis was coordinated by and prepared by Dushan Skorich, President of Zenith Research Group, Inc., which bears full responsibility for the content of the report.

METHODOLOGY

The Spirit Mountain Recreation Authority supplied Zenith Research Group, Inc., with a database containing active email addresses as the survey instrument was undergoing final review. After the elimination of duplicates and email errors, the corrected spreadsheet contained a total of 21,233 email addresses.

This finalized email database was migrated to the SurveyMonkey® online platform chosen by Zenith Research to facilitate the distribution of the survey instrument. SurveyMonkey® is a cloud-based software company founded in 1999, providing a suite of back-end programs that include data analysis, sample selection, bias elimination and data representation tools. The survey platform provides data services to such companies as Facebook, NBC News, Samsung and Kraft Foods. Overall, 8,300 companies worldwide use the platform which has approximately 4 million daily users and receives upwards of 100 million survey responses each month.

The initial email to potential respondents was sent at 9:00am on Saturday, November 7 (see below); a reminder email to those individuals who had either not responded, or had only partially completed the survey, was sent on November 11. All collection of responses was concluded at 10:00pm on Sunday, November 15.



Spirit Mountain - Customer Research

Dear [FirstName]

Let us be honest with you: these are challenging times for Duluth's Spirit Mountain. Faced with the ongoing coronavirus pandemic, Spirit Mountain curtailed almost all summer activities, and as we head into the ski season we know many challenges lie ahead of us.

Earlier this year, the City of Duluth created a Spirit Mountain Task Force to study ongoing operations with an eye to the future. As co-chairs of this citizens' group, we lead its fact-finding mission which will result in recommendations to the City designed to ensure the long-term financial sustainability of Spirit Mountain.

As part of this process. we're asking you to participate in this research effort by completing an online survey. We know your time is valuable so we've tried to keep the survey length as short as possible while still gathering the information we believe will be critical to our future success. **If you participate you just might win a daily ski pass or a family season pass.** You'll find details in the survey.

Spirit Mountain remains a vital part of Duluth's economic base. With the Task Force efforts and your active participation and support, there's every good reason to believe the best days of Spirit Mountain lie ahead.

Thank you.

Janet Kennedy
Arik Forsman
Duluth City Council Members
Spirit Mountain Task Force Co-Chairs

First day responses totaled 1,216. The highest daily response rate occurred on November 11, the day of the reminder, when 1,439 responses were recorded.

Listed below are the metrics for the survey response:

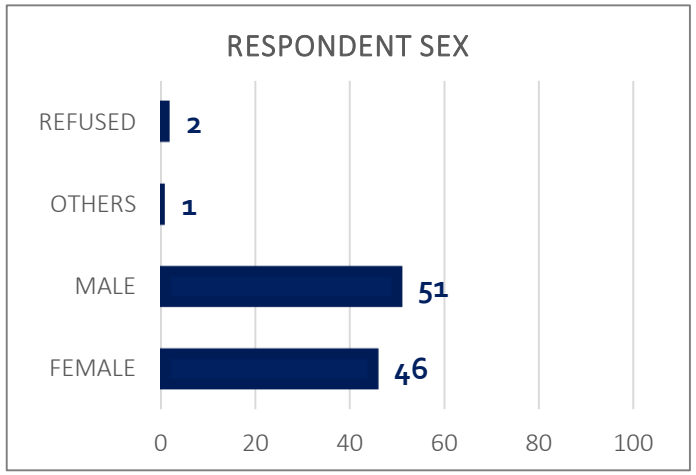
Total Invitations	21,233
Opened Email	12,255
Unopened Email	8,795
Bounced Email	271
OptOut Response	412
Total Survey Response	4,895
Completed Surveys	3,361
Partial Surveys	1,534
Open Percentage	59.6 percent
Response Percentage	23.8 percent
Completion Percentage	68.7 percent
Average Time	12:02

Although word clouds will be presented within the report to display commonly used words offered by respondents in their comments to some of the questions, as noted previously meaningful verbatim comments will be presented in a separate document. Some of the verbatim comments may be grouped to eliminate redundancy and facilitate presentation. Included in the verbatim report will be any comments sent directly to the research company.

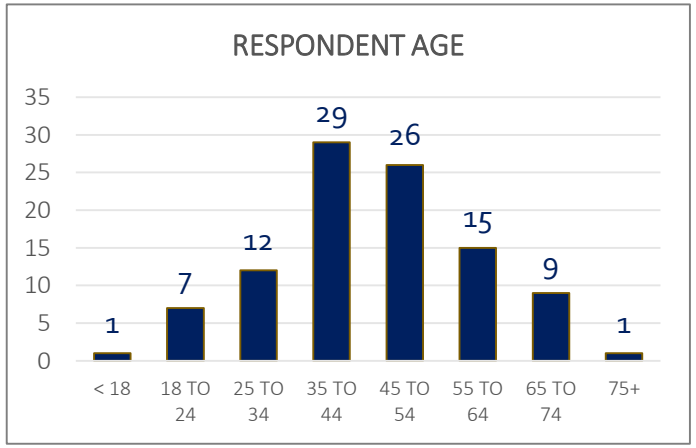
Finally, it is noted that the research did not limit participation based on respondent age, an employment relationship with Spirit Mountain or the City of Duluth, or any employee of an organization or agency directly engaged in a professional service relationship with Spirit Mountain or the City of Duluth.

DEMOGRAPHICS

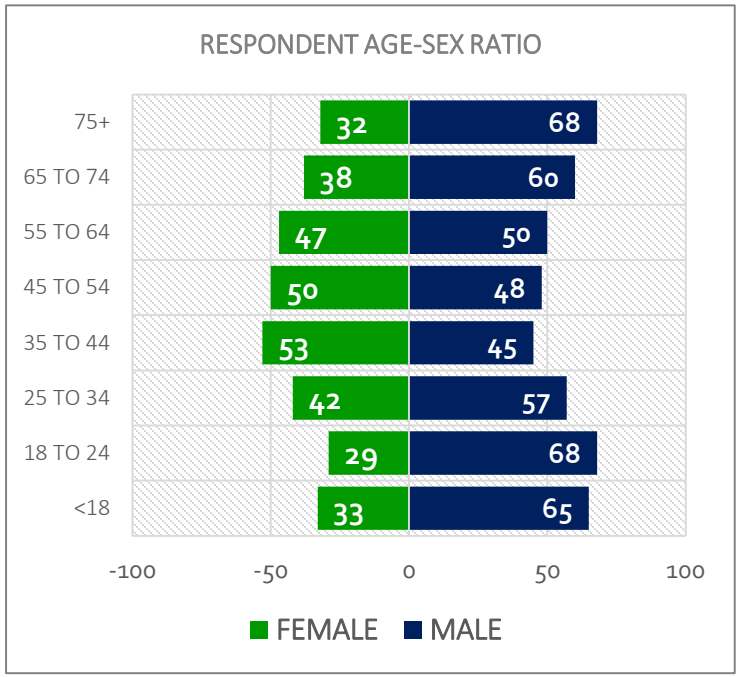
Q: To which gender identity do you most identify?
N = 3667
Just over half of all respndents identified as “Male”.
Among the options presented:
Female
Male
Transgender Female
Transgender Male
Gender Variant/Non Conforming
Not Listed
Prefer not to answer



Q: Which of the following age groups best describes your current age?
N = 4895
55 percent of all respondents were between the ages of 35 and 54.



Additional Age – Sex Data
N = 3667
Male respondents represented larger percentages in all age groups with the exception of those between the ages of 35 and 54 where females were either at 50 percent or in the majority as noted among those between 35 and 44.

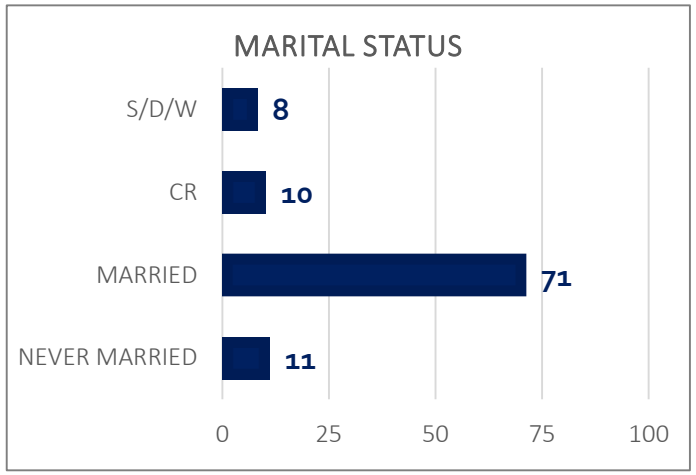


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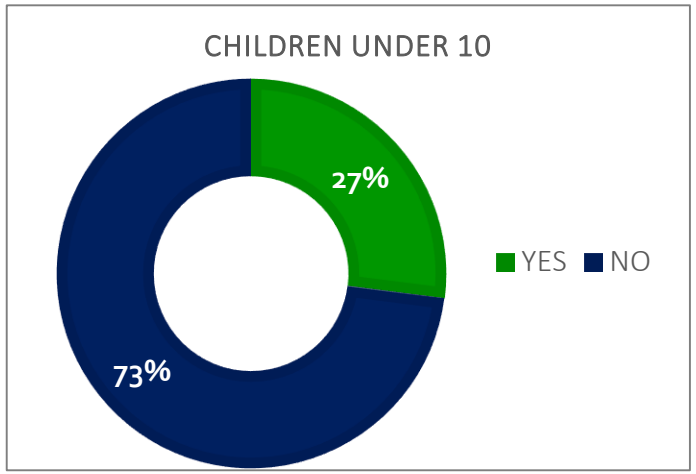
spirit mountain

DEMOGRAPHICS

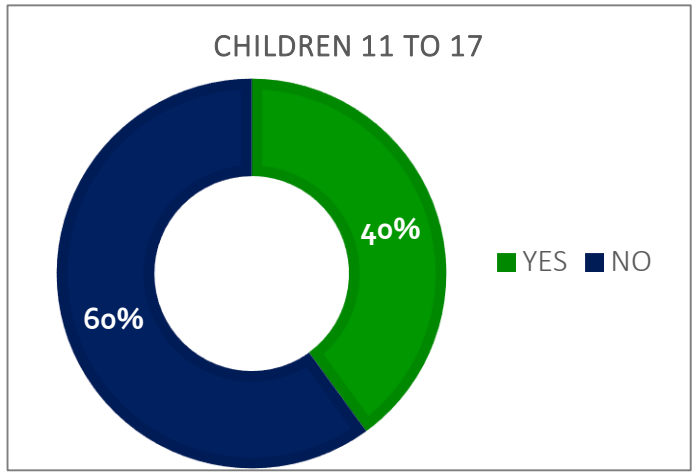
Q: Which of the following best describes your marital status
N = 3644
71 percent of the respondents identified themselves as married individuals.
"CR" refers to those in a Committed Relationship.
"S/D/W" refers to Separated, Divorced and Widowed.



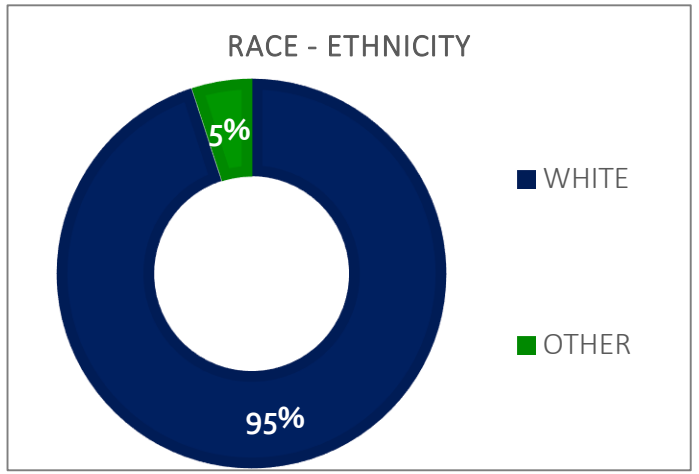
Q: Do you have any children under the age of 10 in your immediate household?
N = 3677
Almost thee of every four respondents lived in a household where children under 10 were not present.



Q: Do you have any children between the ages of 11 and 17 in your immediate household?
N = 3677
60 percent of the respondents lived in households where children between the ages of 11 and 17 were not present.



Q: Which of the following best describes you?
N = 3670
95 percent of the respondents identified as White or Caucasian.
Among the available options:
Asian/Pacific Islander
Black/African American
Hispanic/Latino
Native American/Alaskan Native
White/Caucasian
Multiracial/Biracial
Race/Ethnicity not listed

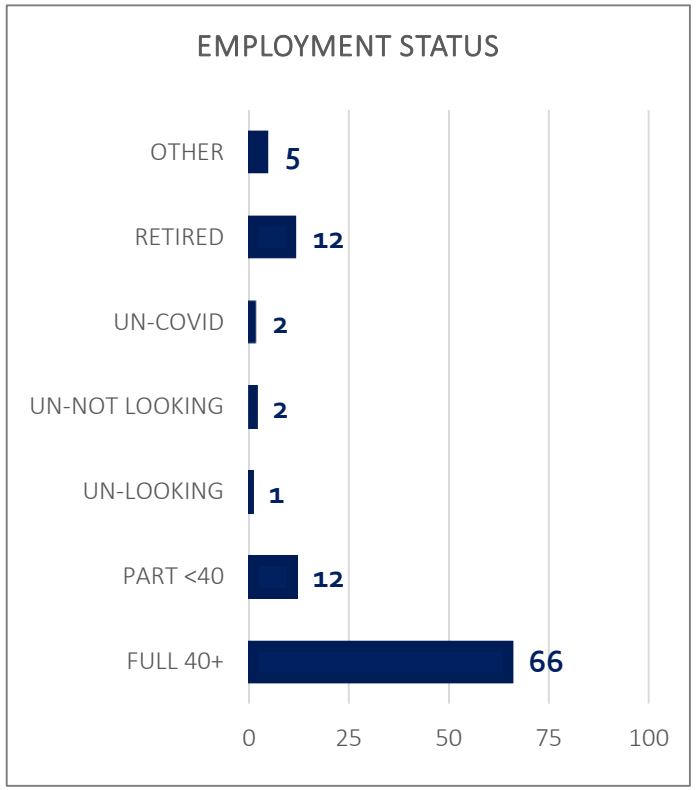


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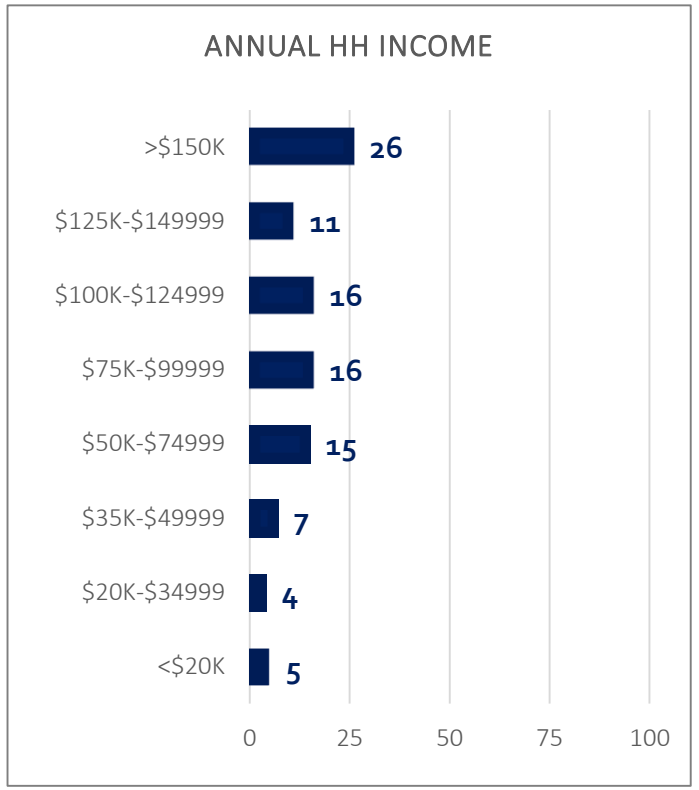
spirit mountain

DEMOGRAPHICS

Q: Which of the following best describes your current employment?
N = 3651
Two thirds of all respondents indicated they were working Full Time with at least 40 hours each week.
Among those Unemployed, 2 percent indicated they were out of work because of the Covid-19 pandemic.



Q: Which of the following best describes your combined annual household income before taxes?
N = 3646
The largest single number of respondents reported annual household income of more than $150,000.
Overall, 53 percent of the respondents reported annual household income of more than $100,000.

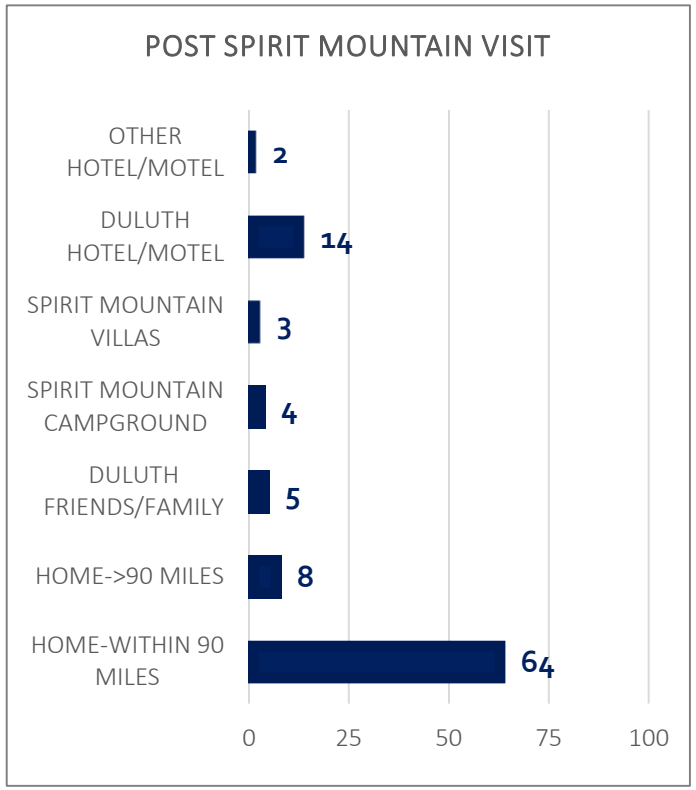


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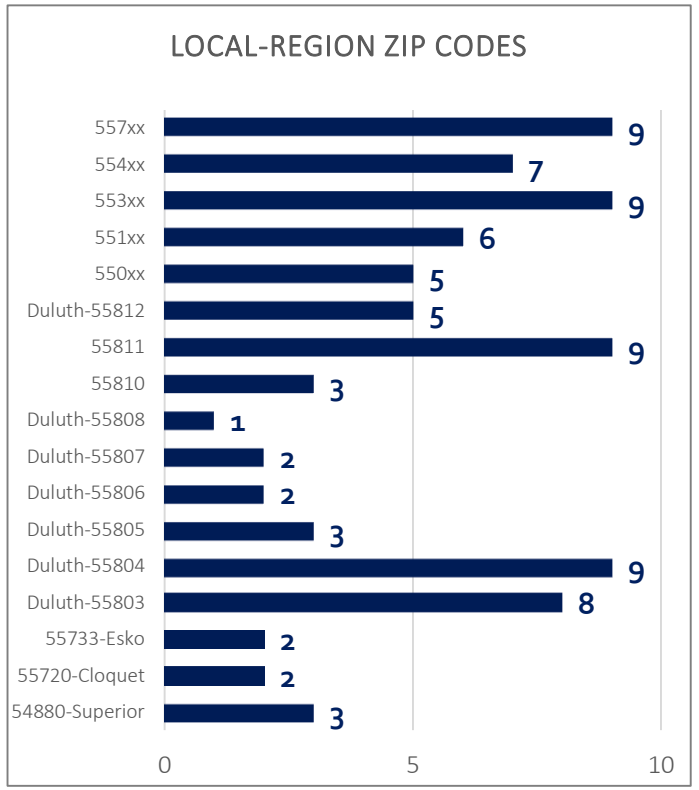
spirit mountain

DEMOGRAPHICS

Q: When you visit Spirit Mountain. Which of the following best represents where you stay following that visit?
N = 3646
Almost two-thirds of respondents indicated they return to their home located within 90 miles after their typical Spirit Mountain visit.



Q: Please provide your 5-digit Zip Code.
N – 4895
A total of 674 Zip Codes were listed, with all but a few U.S. codes.
Zip Codes 55810 and 55811 include residences in Duluth, Proctor and Hermantown.
Most Zip Codes represented by 550xx to 554xx apply to residences within the Twin Cities metropolitan region.
Duluth area Zip Codes represented in this table account for approximately 49 percent of all respondents. Zip Codes with 90 miles of Duluth represented 58 percent of the total and included:
East to Bayfield and Ashland.
South to Spooner and Hinckley.
West to Aitkin and Grand Rapids.
North to Virginia and Lutsen.
Twin Cities area Zip Codes accounted for 26 percent of all respondents and included communities within 40 miles of Minneapolis, including:
East to Stillwater and Hastings.
South to Lakeville.
West to Delano.
North to Forest Lake and Elk River.



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spirit mountain

KEY FINDINGS

Q3: Are you or a member of your family affiliated with any of the following Duluth organizations or interest groups?

More respondents indicated a relationship with COGGS than any of the other organizations.

The organization order is presented based on percentage of affiliation.

See the Verbatim Response section of this report for a listing of Other organizations.

ORGANIZATION	N =	YES %
COGGS Cyclists of Gitchee Gummee Shores	4560	11
Superior Hiking Trail Association	4489	8
Chester Bowl	4478	6
Duluth Cross Country Ski Club	4547	5
HS/College Nordic Ski Team	4474	4
Team Duluth	4479	3
HS/College Alpine Ski Team	4466	3
Duluth DEVO/Duluth Composite Team	4469	3
Courage Kenny	4452	2
Duluth Drift-Toppers	4424	0

Q4: Have you or has a member of your household purchased any of the following season passes at Spirit Mountain in the past five years?

55 percent of the respondents indicated the purchase of a downhill ski pass within the past five years.

SEASON PASS PURCHASE PAST 5 YEARS	N =	YES %
Downhill Ski Pass	4765	55
Mountain Bike Pass	4133	11
Nordic Ski Pass	4126	9

Q5: Do you or does a member of your household intend to buy any of the following Spirit Mountain season passes in the near future?

In addition to the "Yes" response, the following percentages of respondents indicated they were "Uncertain" about a season pass:

Downhill Ski Pass	27
Mountain Bike Pass	20
Nordic Ski Pass	18

SEASON PASS PURCHASE NEAR FUTURE	N =	YES %
Downhill Ski Pass	4727	40
Mountain Bike Pass	4341	11
Nordic Ski Pass	4297	8

KEY FINDINGS

Because of the number of response options, this question was divided into three segments.
Each of the segments will be ranked by Mean Score to further illustrate customer participation. In this case, utilizing a scale of 1 to 5, the higher the Mean the greater the customer participation.

Among this grouping, only two of the activities had a Mean above the 2.00 level.

Q6: How many times each year do you or a member of your household participate in any of the following activities at Spirit Mountain?
(Results in Rounded Percent)

ACTIVITY	N =	MEAN	NEVER	1 TO 2	3 TO 5	6 TO 10	11 OR MORE
Downhill Skiing / Snowboarding	4688	3.21	15	25	17	12	31
Downhill Skiing / Snowboarding Terrain Park	4501	2.25	49	18	10	6	17
Nordic Skiing	4411	1.50	77	11	4	3	6
Tubing	4401	1.47	63	30	6	1	1
Fat-Tire Biking	4383	1.30	83	9	4	1	2
Downhill Skiing / Snowboard Racing	4368	1.29	88	4	2	2	4
Taking a Ski / Snowboard Lesson	4386	1.24	81	15	3	0	0
Winter Children's Programming	4390	1.18	88	7	2	1	1
Nordic Ski Racing	4326	1.09	95	3	1	0	1

KEY FINDINGS

None of the activities listed in this second group achieved a Mean of 2.00 or more.

In understanding Mean Scores, it is generally understood that any variance of .20 is considered statistically significant.

Q: How many times each year do you or a member of your household participate in any of the following activities at Spirit Mountain?
(Results in Rounded Percent)

ACTIVITY	N =	MEAN	NEVER	1 TO 2	3 TO 5	6 TO 10	11 OR MORE
Hiking	4473	1.85	55	23	11	4	7
Cross-Country Mountain Biking (Without Lift Service)	4466	1.48	77	11	5	2	5
"Timber Twister" Alpine Coaster	4454	1.48	59	34	5	1	0
Lift-Served Downhill Mountain Biking	4484	1.43	78	10	5	2	4
Mini Golf	4407	1.17	86	11	2	0	0
Disc Golf	4403	1.15	90	7	2	1	1
Cross-Country Mountain Bike Racing (Without Lift Service)	4423	1.11	93	5	1	0	1
Mountain Biking Lessons / Programs	4419	1.09	94	4	1	0	1
Downhill Mountain Bike Racing	4424	1.09	94	4	1	0	0
Summer Day Camps / Programs	4414	1.09	94	5	1	0	0

KEY FINDINGS

According to the respondents, dining frequency was greater at the Grand Avenue Chalet than the Main Chalet.

A review of the top five respondent rankings indicates the popularity of downhill skiing and snowboarding, hiking and the two dining options.

A listing of any Other activities appears in the Verbatim Response section of this report.

Q: How many times each year do you or a member of your household participate in any of the following activities at Spirit Mountain?
(Results in Rounded Percent)

ACTIVITY	N =	MEAN	NEVER	1 TO 2	3 TO 5	6 TO 10	11 OR MORE
Dining (Grand Avenue Chalet)	4420	1.85	54	24	11	5	6
Dining (Main Chalet)	4410	1.73	58	24	10	4	4
Public Events (Frosted Fatty, Snocross etc.)	4400	1.30	75	21	3	0	0
"Timber Flyer" Zipline	4419	1.28	75	22	2	0	0
Private Events (Weddings, Reunions, etc,)	4409	1.25	78	20	2	0	0
Camping	4375	1.24	83	12	3	1	1
Scenic Chairlift Rides	4397	1.19	84	13	2	0	0
Jumping Pillow	4392	1.13	89	9	1	0	0

Q: How many times each year do you or a member of your household participate in any of the following activities at Spirit Mountain?
TOP FIVE RESPONSES

ACTIVITY	N =	MEAN
Downhill Skiing / Snowboarding	4688	3.21
Downhill Skiing / Snowboarding Terrain Park	4501	2.25
Hiking	4473	1.85
Dining (Grand Avenue Chalet)	4420	1.85
Dining (Main Chalet)	4410	1.73

KEY FINDINGS

Because of the number of response options, this question was divided into three segments.

Within this series, the highest level of concerns were expressed for the Downhill Ski/Snowboard Racing, Nordic Ski Racing, and Parking and Access.

Percentages are rounded and may not always equal 100 percent.

Q: For each of the following Spirit Mountain elements, please rate the level each meets your expectations (Results in Rounded Percent)				
ELEMENT	N =	DOES NOT MEET MY EXPECTATIONS	MEETS MY EXPECTATIONS	EXCEEDS MY EXPECTATIONS
Downhill Skiing / Snowboarding	3773	5	71	24
Downhill Skiing / Snowboarding Terrain Park	2273	4	72	24
Downhill Ski / Snowboard Racing	645	12	71	17
Nordic Skiing	908	7	69	24
Nordic Ski Racing	303	12	66	22
Fat-Tire Biking	664	9	70	21
Tubing	1423	7	79	15
Taking a Ski / Snowboard Lesson	897	6	70	23
Winter Children's Programming	536	9	67	25
Parking and Access	3709	11	78	10

KEY FINDINGS

In this grouping, the respondents were the least pleased with the Dining in the Main Chalet.

Those mountain bike enthusiasts were most likely to indicate their pleasure with the services offered for them.

Q: For each of the following Spirit Mountain elements, please rate the level each meets your expectations
(Results in Rounded Percent)

ELEMENT	N =	DOES NOT MEET MY EXPECTATIONS	MEETS MY EXPECTATIONS	EXCEEDS MY EXPECTATIONS
Lift-Served Downhill Mountain Biking	939	6	65	28
Cross-Country Mountain Biking (Without Lift Service)	979	4	70	26
Cross-Country Mountain Bike Racing (Without Lift Service)	382	9	71	20
Downhill Mountain Bike Racing	322	11	65	24
Mountain Biking Lessons / Programs	332	11	66	23
Chairlifts	3178	7	77	16
Dining (Main Chalet)	2466	17	76	6
Dining (Grand Avenue Chalet)	2439	11	77	12
Main Chalet Guest Services (Rental, Ticketing, Lockers, etc)	2859	10	81	9
Grand Avenue Guest Services (Rental, Ticketing, Lockers, etc.)	2602	6	80	13

KEY FINDINGS

In this final of the three segments, respondents were more disappointed in the Mini Golf experience and most pleased with the "Timber Twister" Alpine Coaster.

Q: For each of the following Spirit Mountain elements, please rate the level each meets your expectations
(Results in Rounded Percent)

ELEMENT	N =	DOES NOT MEET MY EXPECTATIONS	MEETS MY EXPECTATIONS	EXCEEDS MY EXPECTATIONS
Summer Day Camps / Programs	294	10	71	19
Hiking	1749	2	72	26
Disc Golf	444	9	77	13
Mini Golf	607	31	64	5
"Timber Twister" Alpine Coaster	1662	4	66	30
"Timber Flyer" Zipline	1004	17	69	13
Jumping Pillow	504	9	81	10
Scenic Chairlift Rides	734	3	75	21
Public Events (Frosted Fatty, Snocross Races)	945	6	79	15
Private Events (Weddings, Reunions, etc.)	955	6	80	13
Camping	732	7	69	24

KEY FINDINGS

This question and response options were presented in three separate groupings to accommodate the online presentation.
Overall, there were 23 different elements offered for rating, using a 7-point Likert scale where 1 = Very Important (Very) and 7 = Not At All Important (NAA).
The responses are presented on the next two pages in order of Mean or Average, with those closest to a rating of "1" being the most important overall.
According to the respondents, "More Affordable Tickets/Season Passes" is the item most likely to improve the overall customer experience.

Q: For each of the following, rate how important you believe each item is to Spirit Mountain in efforts to improve the overall customer experience

(Results in Rounded Percent)

ELEMENT	N =	MS	VERY	2	3	Neutral	5	6	NAA
More Affordable Tickets/Season Passes	3735	2.22	47	16	15	17	2	1	2
Variety of Activities Offered in Winter	3884	2.50	40	17	13	23	3	2	3
Expand/Improve Downhill Skiing/Snowboarding	3747	2.66	31	20	18	24	2	1	4
More Affordable Programs	3706	2.82	31	14	13	34	2	1	4
Variety of Activities Offered in Summer	3864	2.86	30	15	14	31	3	1	5
Better Snowmaking	3726	2.87	25	17	19	33	2	1	3
Upgrades to the Chairlifts	3879	2.99	22	17	19	33	4	2	4
Enhanced Food/Beverage Options	3708	3.01	20	19	22	30	3	2	4
Expand/Improve Intermediate Terrain	3729	3.09	20	19	17	34	2	1	6
Upgrade to the Main Chalet	3863	3.13	20	16	19	34	4	2	5
Additional Parking / Improved Access	3731	3.22	18	14	21	34	3	3	6

KEY FINDINGS

The five lowest rated items in terms of importance in improving the overall Spirit Mountain customer experience were all biking related.

As noted, the final item was the only one among the 23 items on the listing that exceeded the 4.0 Mean.

Respondent suggestions on Other opportunities to enhance enjoyment appear in the Verbatim Response section of this report.

Q: For each of the following, rate how important you believe each item is to Spirit Mountain in efforts to improve the overall customer experience

(Results in Rounded Percent)

ELEMENT	N =	MS	VERY	2	3	Neutral	5	6	NAA
More Family-Oriented Activities	3855	3.32	17	14	16	42	3	2	6
More Challenging Skiing Opportunities	3864	3.37	16	16	15	39	4	3	7
Expand/Improve Beginner Ski/Snowboard Terrain	3726	3.41	16	13	17	39	4	2	8
New Youth Programming	3687	3.55	11	12	17	47	3	2	8
More Community-Oriented Programming / Events	3827	3.60	13	11	16	44	3	2	11
Expand/Improve the Adventure Park	3718	3.81	10	10	14	47	4	2	13
Expand/Improve Nordic Skiing	3716	3.94	10	8	10	52	2	2	15
More/Better Beginning Biking	3838	3.94	10	9	12	47	3	2	17
Expand/Improve the Lift-Served Downhill Bike Trail Network	3724	3.95	12	7	6	52	3	2	16
Expand/Improve Cross-Country Downhill Bike Trail Network	3719	3.98	11	7	10	51	2	2	16
More/Better Intermediate Biking	3826	3.99	10	9	10	50	3	1	17
More Challenging Biking Opportunities	3840	4.25	8	5	8	53	3	3	20

KEY FINDINGS

This series was presented over two pages on the online survey.
Although the variations are slight, the responses are ranked for presentation with the Mean indicating the order of those who indicated the changes have resulted in more visits.
The additions of the Grand Avenue Chalet and the high-speed chairlift have had the greatest impact on repeat visits.
Results indicating fewer visits are likely indicative of the substantial number of "No Impact" responses.

Q: How have changes in the last 10 years to the following impacted the frequency of your visits to Spirit Mountain?
(Results in Rounded Percent)

ELEMENT	N =	MEAN	MORE VISITS	NO IMPACT	FEWER VISITS
Construction of Grand Avenue Chalet	3637	1.53	48	51	1
New Spirit Express High-Speed Quadruple Chairlift	3676	1.56	45	54	1
Improved Hiking / Walking Trails	3620	1.70	30	69	0
"Timber Twister" Alpine Coaster	3617	1.71	29	70	1
Expanded and Improved Terrain Parks	3646	1.78	23	76	1
Expansion/Improvement of Cross-Country Mountain Biking Trails	3637	1.80	21	77	1
Expansion/Improvement of Downhill Mountain Biking Trails	3645	1.80	21	78	1
Construction of Phase 1 of Snow-Making Supported Grand Avenue Nordic Center Cross-Country Ski Trails	3625	1.82	19	80	1

KEY FINDINGS

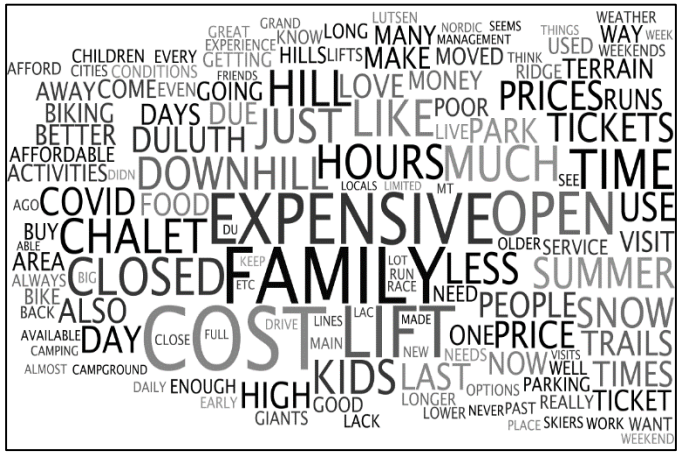
Each of the final four elements had "No Impact" response totals above 90 percent.

Respondents were given an opportunity to list any other changes that were important to them; those comments are in the Verbatim Response section of this report.

Respondents were also asked to briefly explain any reason why they have found themselves visiting Spirit Mountain less often. Cost and expense were cited by many respondents. All comments are in the Verbatim Response section of this report.

Q: How have changes in the last 10 years to the following impacted the frequency of your visits to Spirit Mountain?
(Results in Rounded Percent)

ELEMENT	N =	MEAN	MORE VISITS	NO IMPACT	FEWER VISITS
Lift-Served Downhill Mountain Biking	3639	1.83	19	80	1
New Lone Oak Rope Park High-Speed Terrain Park Rope Two	3653	1.84	16	83	1
New Lift-Served Tubing Hill	3652	1.85	16	83	1
"Timber Flyer" Zipline	3613	1.88	14	85	1
Summer Youth Camps / Programs	3624	1.93	8	92	1
Disc Golf Course	3607	1.94	7	92	1
Mini-Golf Course	3610	1.94	7	91	2
Jumping Pillow	3608	1.94	6	92	1



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KEY FINDINGS

More than half of all respondents indicated they had visited 5 of the 17 listed recreational areas.

Previous surveys conducted by Zenith Research Group among Duluth visitors have consistently indicated the Duluth Lakewalk is the city's most often visited location.

Respondents were given the opportunity to list any additional areas within 200 miles and those responses appear in the Verbatim Response section of this report.

Q: Which of the following recreational areas have you visited within the past two years? (Results in Rounded Percent)		
RECREATION AREA	N =	YES %
The Duluth L:akewalk	3625	86
Park Point	3588	82
Superior Hiking Trail	3601	73
Jay Cooke State Park	3584	68
Lutsen Mountain	3616	59
Hartley Park	3530	49
Ely Peak	3517	41
Giant's Ridge	3548	40
Mount du Lac	3511	38
Duluth Traverse Mountain Bike Trail	3507	36

Q: Which of the following recreational areas have you visited within the past two years? (Results in Rounded Percent)		
RECREATION AREA	N =	YES %
Chester Bowl	3490	33
Lake Superior Zoo	3503	26
Vertical Endeavors Rock Climbing Gym	3488	23
Chambers Grove Park	3479	21
Snowflake Nordic Center	3542	14
North Shore Adventure Park	3465	11
Mt. Itasca	3445	4

KEY FINDINGS

Almost one third of the respondents indicated at least some intention of purchasing a season pass or membership to Jay Cooke State Park at some point in the future.

**A coding error prevented any response to Lester Park.

Respondents were given an opportunity to list any other recreational area within 200 miles; those responses are in the Verbatim Response section of this report.

Q: Is it your intention to purchase a season pass / membership to any of the following in the future?

(Results in Rounded Percent)

RECREATION AREA	N =	YES %	NO%	UNC%
Jay Cooke State Park	3605	32	59	9
Superior Hiking Trail	3600	22	67	11
Hartley Park	3588	10	82	8
Mont du Lac	3596	10	76	15
Lutsen Mountain	3613	7	78	14
Lake Superior Zoo	3583	7	86	8
Chester Bowl	3598	6	86	8
Giant's Ridge	3600	5	83	12
Snowflake Nordic Center	3591	5	87	7
Vertical Endeavors Rock Climbing Gym	3590	4	88	8
North Shore Adventure Park	3593	1	93	6
Mt. Itasca	3591	0	96	4
**Lester Park	**	**	**	**

KEY FINDINGS

76 percent of all respondents rated the performance of Spirit Mountain on serving the interests of the city's residents in positive terms (1 – 3) on the 7-point Likert scale.

Those respondents who chose either a 6 or 7 level were asked to briefly explain their reasoning for choosing such a low performance level. With the elimination of "Spirit Mountain" and "Duluth" many of the comments referenced price. All responses appear in the Verbatim Response section of this report.

Respondents were given one final opportunity to make any additional comments about Spirit Mountain that would be included in this report. Almost 1,500 took the opportunity to comment. All comments are contained within the Verbatim Response section of this report.

Q: Overall, how well do you believe Spirit Mountain serves the interests of the residents of the City of Duluth? (Results in Rounded Percent)								
N =	MS	VERY WELL	2	3	Neutral	5	6	NOT AT ALL
3667	2.48	34	25	17	12	7	3	2





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VERBATIM RESPONSE

Copies of the comments made by respondents during this survey have been provided to representatives of City of Duluth, the Acting Executive Director of the Spirit Mountain Recreation Authority, the co-chairs of the Spirit Mountain Task Force and the lead representative of SE Group.

In preparing the respondent verbatim comments, Zenith Research Group did not alter any of the comments to correct spelling or punctuation; they are presented as written. The only exclusion from the verbatim remarks has been the elimination of common words such as “none” or “NA” or other commonly used words that would indicate a non response.

ADDITIONAL ANALYSIS

Requests for additional analysis should be made in writing to Zenith Research Group which retains all raw survey data to protect the privacy of the respondents.

Any additional analysis requested will be presented in either a .doc or .pdf file format unless otherwise requested.

RESEARCH PARTNER

Located on the shore of Lake Superior in Duluth, Minnesota, Zenith Research Group was founded in 1983 by Duke Skorich. Patty McNulty joined the ownership team in 1997. With their combined talents and previous business backgrounds, Zenith Research Group has moved into the top echelon of market research companies in the Upper Midwest, providing market research information, data analysis, and action plans for businesses and government units nationwide.

In affiliation with our tele-center partner, we employ dozens of trained professionals, providing sound, intelligent market research and support services to our clients. Our success during the span of almost four decades has established our position as one of the industry's most qualified and respected firms; our staff is experienced, educated and extremely professional.

In addition to our tele-center capabilities and expertise, our firm has extensive experience in market and marketing research, brand audit/awareness, online research, qualitative or focus group research, data analysis and media relations, including the critical element of crisis management.

In finding a capable, experienced and results-oriented market research firm to meet client expectations, they also need a company they can trust. Our savvy management team and experienced representatives join forces to develop and then implement comprehensive market research and customer-centered programs that not only generate results, but also add a face and personality to their brand.

Zenith Research Group is uniquely qualified to assist clients in conducting their survey and market research programs. Through our experience performing surveys and gathering market research within our respective information-based industries, we have gained the ability to conduct in-depth interviews, manage highly detailed survey and market research projects, and coordinate marketing efforts with our varied professional and governmental client base throughout the country.

In electing to proactively contact customers, members of the public or business community, governmental and civic leaders, clients take what can be an uncomfortable and tenuous leap of faith. First, respondents need to be convinced that their participation in a survey has mutual value and benefit. Then, during the actual interview process, they rely on the guidance of expert agents to ensure their experience in the process is efficient, positive, and professional. Finally, they need to be reassured their responses will be handled with the utmost accuracy, objectivity, importance, and – where applicable – privacy.

Zenith Research Group understands this and treats the responsibility with the care it deserves. Our representatives have excellent interviewing skills and the ability to listen to and understand a person's situation, providing customer-friendly, objective, quality based interviews.

Simply, there is not another research company in this region as uniquely qualified to act as not only a vendor, but as a dedicated partner committed to ongoing service, brand improvement and exceeding your goal expectations.

CONTACT ZENITH

For questions about the data presented within this summary report,
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Open Answer Questions

Several questions in the survey had the option of submitting an open-ended response. Key themes or repeated responses are provided for each such question.

Q3: Are you or a member of your family affiliated with any of the following Duluth organizations of interest groups?

Common responses that fell into the "Other" category include:

- National Ski Patrol
- Spirit Mountain Ski Patrol
- AMSOIL Snocross
- CEC Mountain Bike Club
- Cloquet Ski Club
- Duluth Yacht Club
- High School Mountain Biking Team
- Homeschool Ski
- Lake Superior Freestyle
- Mont du Lac Racing
- UMD Affiliated
- Mountain Villas
- Pump Track
- Ski Swap

Q8: How many times each year do you or a member of your household participate in any of the following activities at Spirit Mountain?

Many of the write in responses stated interest in activities that they didn't know Spirit had. ("I had no idea some of these things were available. Would definitely consider doing them!)

Other common responses that fell into the "Other Activities" category include:

- Beer League
- Snocross
- College nights
- Hiking
- Home School Fridays

Q14: For each of the following, rate how important you believe each item is to Spirit Mountain in efforts to improve the overall customer experience.

Write-in responses for the "Other Opportunities that Enhance Enjoyment/Experience" primarily fit into the following categories: food service, lift tickets/season passes, hours of operation, marketing and promotion/events, terrain, and facilities. Common responses by category are below.

Food Service:

- Want more vegan, gluten-free, vegetation dining options
- Prefer eating with reusable dining ware (as opposed to plastic/Styrofoam)
- Want outdoor dining options

Lift Ticket/Season Pass:

- Want ½ day tickets
- Better senior rates with shorter hours
- Adventure park season passes
- Cheaper or at par tickets for Canadians
- Discounted price for locals
- Want to feel like buying a season pass is worth it. Current amenities and facilities don't feel that way.

Hours of Operation

- Be open more
- Trails close too early to enjoy after work
- Mountain opens later than other places
- Expand Nordic trails hours
- Don't close on Mondays

Marketing and Promotion/Events

- Better marking/ communication of upcoming events/camps/promo days
- Expand Adult racing opportunities
- More beginner friendly programs

Facilities

- Gandy Chairlift feels slow and unsafe
- Main Chalet needs upgrade
- Better placed chairlifts
- General cleanliness and service could be improved

Terrain

- More intermediate flow/jump trails (biking)
- Balance terrain park features with number of skiers/riders who use it
- Gladed tree skiing
- Lift access to terrain park

Q16: How have changes in the last 10 years to the following impacted the frequency of your visits to Spirit Mountain?

Responses in the "Other changes important to you" category focused on the cost of MTB lift service, the limited hours of operation, lack of available information about the activities Spirit offers, and the quality of the lifts. Throughout the write-in responses many people commented that they were unaware of many of the activities Spirit Mountain offered until taking this survey.

Q17: If you've found yourself visiting or using Spirit Mountain less often for any reason, can you briefly explain why that is?

- Difficult to redeem Season Pass Holder Perks
- Poor customer service
- Cost of season pass/day pass/family pass/rentals
- Mountain seems unorganized
- Never sure of when different skier services would be open
- Slow lifts
- Open earlier on weekdays
- Upper Chalet is in disrepair
- Lower season pass cost for 65+
- Want better management
- Decreased hours of operation
- Camping can be hard to reserve
- No transportation for college students who live on campus
- COVID
- Distance from home
- Want more terrain variety
- Poor quality of food and beverage
- Better marketing – get the word out!
- Don't close on Mondays
- Poor grooming
- Parking issues
- Services and quality of skiing don't justify the price

Q18: Which of the following recreational areas have you visited within the past two years?

Common responses that fell into the "Other area within 200 miles" category include:

- Afton Alps
- Buck Hill
- Apostle Islands
- Banning State Park
- Lutsen
- Big Powderhorn Ski Area
- Blackjack Mountain
- BWCA
- CAMBA Bike Trails
- Cuyuna Lakes MTN Bike Trails
- Detroit Mountain
- Gooseberry Falls
- Granite Peak
- Indianhead Ski Area

- Lester Park Ski Trails
- Mt Ashwaby
- Mt Bohemia
- North Shore State Parks
- Pine Valley
- Powder Ridge
- Tioga Mountain Bike Trails
- Trollhaugen
- Welch Village
- Wild Mountain

Q19: Is it your intention to purchase a season pass/membership to any of the following in the future?

Common responses that fell into the "Other area within 200 miles" category include:

- Afton Alps (Vail Epic Pass)
- COGGS membership
- Hyland Hills
- INDY Pass
- Indianhead
- MN Ski industry pass
- MN State Parks Pass
- MN XC Ski pass
- Trollhaugen
- Welch Village
- Wild Mountain

Q21: Your response indicates you have some concerns about how well the recreation area is serving the interests of the citizens of Duluth. Can you briefly explain why?

- Quality of chairlifts
- Chalet is old and feels unused/underused
- Spirit doesn't seem to want to host races
- Poor management
- Cost
- Reliability of available services is a problem
- Cost vs. benefit to taxpayers
- No advertisement about what Spirit offers
- Spirit targets tourists and forgets about the locals
- Cost of day ticket
- Needs new management if Duluth continues to bail it out
- Should be a private business
- Limited hours and bad opening dates
- Should break even
- No discounts to taxpayers that are funding it
- Want a local pass
- Pass holders are not notified of closures or changes

Q22: Here's your opportunity to make any additional comments about Spirit Mountain

- No bikers on ski trails
- Couples don't qualify as a "family"
- We love the recreation area but the cost makes it difficult
- Spirit should not be as expensive as Lutsen
- Spirit does not reach its potential
- Open earlier and longer
- Add benefits to people with a local zipcode
- Advertise more about all the amenities and activities Spirit has
- More challenging terrain should be added
- Mont du Lac seems to be successful
- Needs stronger management and marketing
- More social media
- Continue to upgrade campsites
- Have an early start lift
- Consider privatizing
- Food quality needs to improve
- Great loss for the area if it was no longer in operation
- I believe Spirit Mt. is an important asset that needs to remain in operation
- More communication visa social media

- More communication and flexibility about COVID, refunds, lift lines, etc.
- Can’t imagine Duluth without Spirit
- I love the cozy vibe
- Family friendly
- Falling behind other nearby resorts
- Untapped potential

APPENDIX D.
ECONOMIC IMPACT REPORT

ECONOMIC IMPACT OF SPIRIT MOUNTAIN

Economic impacts of the existing and future visitation to Spirit Mountain Recreation Area were projected in association with the Strategic Business Plan. This study estimates the economic impact resulting from the spending at Spirit Mountain and spending in conjunction with their trip to Spirit Mountain during the 2018/19 winter season and summer of 2019. In this study, the economic impact is the jobs created, tax revenues, spending associated with Spirit Mountain, and additional economic activity generated as Spirit Mountain spending infuses money into the economy.

Outdoor recreation is a perfect example of how financial reporting of costs and fee revenues can fail to capture the true benefits of a resource. Outdoor recreation development and maintenance can be costly, and depending on the activity, user fees may not be sufficient to cover such costs. While downhill skiing lift tickets do cover much of the costs, Spirit does not charge for use of cross-country mountain biking trails. As a result, the operational and capital costs may exceed revenues, by varying amounts. However, outdoor recreation is absolutely critical attractors for tourists and residents and can be a powerful tool for economic development. The local economy sees immense benefits from bringing these new visitors, residents, and businesses into the community.

Beyond buying a lift ticket or adventure park pass at Spirit Mountain, visitors typically buy goods, gas, food, and lodging. It is this visitor spending, both at Spirit and nearby businesses, that is tracked in an economic impact analysis. The estimated economic impact indicates the greater value of investment in the recreation area.

This analysis was conducted using a computer-based spending throughput model (IMPLAN3). IMPLAN3 economic modeling requires the estimation of annual visitation and visitor spending in order to simulate the effect of these activities on the economy in terms of sales, employment, labor income, and tax revenues. While IMPLAN3 modeling utilizes the most current observed industry interdependencies calibrated to the local and regional economy of St. Louis County and the State of Minnesota, the results of any economic model are only as accurate as the data used. Therefore, certain estimations and assumptions related to the existing conditions and projected conditions were made. As a result, the projected values presented in this analysis should not be considered precise, but rather accurate estimates of the potential economic impacts.

EXISTING CONDITIONS

This section includes the assumptions made and economic impact results for summer and winter visitation to Spirit Mountain in 2018/19. The activities included in this existing conditions analysis are alpine skiing, summer adventure park visits, lift-served mountain biking, and camping, due to the availability of visit counts and visitor demographics. Other activities at Spirit Mountain, such as tubing, Nordic skiing, cross-country mountain biking, fat biking, and weddings/banquets also draw many visitors and generate significant economic impact in the community but could not be quantified in this analysis.

WINTER ACTIVITY ASSUMPTIONS

During the 2018/19 season (the last full season of skiing), Spirit had 107,618 skier visits. The ski area shared that 55% of its season pass holders are locals and 45% are non-locals.[1] Of single day lift ticket passes, the ski area shared that those are 40% locals and 60% non-locals.[2] Of skier visits, 40% are made by single day lift ticket holders and 60% are made by season passholders.[3]

Therefore, overall, the ski area sees 49% of its visits from locals and 51% from non-locals. A 2015 Longwoods Tourism Research Study for Visit Duluth estimates that 66% of non-local visitors to the area are making a day trip and 34% are staying overnight. Therefore, non-local days users are 34% of all skier visits, and overnight are 17% of all skier visits.

Spirit Mountain does see visitation in the winter from those not participating in Alpine Skiing with tubing, Nordic skiing, and fat biking. Sufficient information on number of visitors and spending was not available to analyze the economic impact of those activities.

Table 1: 2018/2019 Spirit Mountain Alpine Skier Visitation Assumptions

	Local Day User	Non-Local Day User	Overnight	Total
Percentage	49%	34%	17%	100%
Skier Visits	52,756	36,209	18,653	107,618

Skier Visitor Spending Profiles

Spending profiles are estimated daily spending per individual in the region during their trip. We estimated spending profiles for local day users (users from within 30 miles of Duluth), non-local day users, and overnight visitors. The spending profiles do vary based on the type of visitor, for example, overnight visitors typically spend more in all categories than day users and have spending on lodging. These profiles represent an average of all days of a trip.

Skier visitor spending profiles were determined using data from two key sources: Spirit Mountain revenue data and the *Minnesota Ski Areas (MSA) Association Economic Impact* Study conducted by RRC Associates in 2012. Combined, these two sources allowed us to determine in-resort and out of resort spending profiles for local day users, non-local day users, and overnight visitors to Spirit Mountain.

In Resort Spending

In-resort spending refers to all spending that takes place at Spirit Mountain including lift tickets, rentals, lessons, food & beverage, and retail purchases.

In-resort spending was determined through Spirit Mountain revenue data as provided to SE Group. For the 2018/19 season, the average skier spent $54.31 per visit to Spirit Mountain across all revenue categories (e.g., ticket, rentals, retail, food and beverage). The differences in in-resort spending by visitor type (local day, non-local day, overnight) were based on the differences in spending trends reported in the 2012 MSAA Economic Impact Study. Day skiers spent less, an average of $46.43, as they may have a season pass,

[1] The ski area reported on its 2018 tourism tax application that 49% of seasons passholders were from Duluth and 51% were from elsewhere. Sales of 2019/20 season passes were 59% Duluth residents and 41% from elsewhere. Therefore, 55% was used as an average figure.
[2] In the 2018 tourism tax application, Spirit Mountain reported that for every fifth lift ticket sale, the skier's hometown was recorded. In that, 40% of day lift tickets were sold to Duluth residents.
[3] In the 2018/19 season, 8,091 seasons passes were sold and 42,890 day lift tickets were sold. Assuming eight visits per seasons pass on average (NSAA national average for small ski areas). At 64,728 seasons pass visits and 42,890 day visits, for a total of 107,618 visits, seasons pass holders make up 60% of visits and day lift tickets represent 40% of visits.

brought their lunch, and brought their equipment. Overnight visitors spent an average of $92.86 at the recreation area.

Out of Resort Spending

Out of resort spending refers to spending associated with the trip to Spirit that takes place beyond the recreation area. This can include nearby lodging, buying snacks at the grocery store before skiing, dining at Duluth restaurants, or fueling.

Out of resort spending for non-local day and overnight visitors used inflation-adjusted data from the *2012 MSAA RRC Economic Impact Study*. To determine out of resort spending for local day users, we assumed an average spend of $10, reflecting small additional costs associated with their trip.

In total, it was assumed that local day users spend $56.43 per person per day in association with their trip to Spirit, non-local day users spend $113.03, and overnight visitors spend $339.86.

The following tables show average spending assumed for each NAICS category.

Table 2: Alpine Skier Local Day Visitors

IMPLAN NAICS CODE	Spending Category	In-Resort Spending	Out of Resort Spending	Total
511	Food & Beverage	$13.16	$3.55	$16.71
408	Gas	-	$5.78	$5.78
410	General Merchandise (Clothing, Sporting Goods, Souvenirs)	$2.38	$0.33	$2.71
504	Equipment Rentals	$5.44	$0.22	$5.66
504	Snow School	$1.88	-	$1.88
504	Lift Ticket	$22.76	-	$22.76
504	Other	$0.82	$0.11	$0.93
	TOTAL	**$46.43**	**$10.00**	**$56.43**

Table 3: Alpine Skier Non-Local Day Visitors

IMPLAN NAICS CODE	Spending Category	In-Resort Spending	Out of Resort Spending	Total
511	Food & Beverage	$13.16	$23.65	$36.81
408	Gas	-	$38.52	$38.52
410	General Merchandise (Clothing, Sporting Goods, Souvenirs)	$2.38	$2.23	$4.61
504	Equipment Rentals	$5.44	$1.46	$6.92
504	Snow School	$1.88	-	$1.88
504	Lift Ticket	$22.76	-	$22.76
504	Other	$0.82	$0.74	$1.56
	TOTAL	**$46.43**	**$66.60**	**$113.03**

Table 4: Alpine Skier Overnight Visitors

IMPLAN NAICS CODE	Spending Category	In-Resort Spending	Out of Resort Spending	Total
508	Accommodations	-	$123.01	$123.01
511	Food & Beverage	$22.60	$46.69	$69.29
408	Gas	$7.98	$68.39	$76.37
410	General Merchandise (Clothing, Sporting Goods, Souvenirs)	-	$7.22	$7.22
504	Equipment Rentals	$7.08	$1.16	$8.24
504	Snow School	$2.30	-	$2.30
504	Lift Ticket	$51.81	-	$51.81
504	Other	$1.10	$0.53	$1.63
	TOTAL	**$92.86**	**$247.00**	**$339.86**

SUMMER ACTIVITY VISITATION ASSUMPTIONS

During the summer of 2019, Spirit Mountain saw 70,080 visits at the Adventure Park, and 6,757 at the Mountain Bike Park. Spirit saw additional visitation from hikers, cross-country mountain bikers, weddings, and events, but those visits are not considered in this economic impact analysis due to the lack of available data. However, these activities do generate additional economic impact associated with Spirit Mountain and are a key part of making Spirit Mountain an outdoor recreation hotbed.

Adventure Park

Based on conversations with Spirit Mountain staff, the anecdotal estimate is that 30% of Adventure Park visitors are local day users, with 70% of visits from non-locals. The breakdown between non-local day user and overnight visitor was based on the Visit Duluth data of 66% of trips as day trips and 34% as overnight. Based on the available spending profiles, overnight visitors were further broken down by those staying in paid lodging and those visiting friends and family, as they have different spending rates. According to Visit Duluth, 41% of the marketable overnight trips are visiting friends and family, and it is assumed the remaining 59% are in paid lodging. Therefore, Adventure Park visitors are 30% local day users, 46% non-local day users, 14% overnight users in paid lodging, and 10% overnight visitors staying with friends and family.

Table 5: Adventure Park Visitors

		Local Day User	Non-Local Day User	Overnight (paid lodging)	Overnight (visiting friends and family)	Total
Adventure Park	Percentage	30%	46%	14%	10%	100%
	Visits	21,024	32,237	9,811	7,080	70,080

Mountain Bike Park

The breakdown for local and non-local user documented in ski pass sales was used for the mountain bike park, as no activity specific visitor origin information has been collected. Therefore, we assumed that of the 227 season passes that result in 2,268 visits, 55% of those were purchased by local day users. Of the 4,489 day passes sold, it was assumed that 40% of those were purchased by local day users as Spirit Mountain reported for skiing visitation. The non-local users were then divided into overnight and day users based on the information provided by Visit Duluth, that 66% of Duluth visitors are making a day trip, while 34% are staying overnight. This results in 45% of mountain bike park users as local day users, 36% as non-local day users, and 19% as overnight users.

Table 6: Mountain Bike Park Visitors

		Local Day User	Non-Local Day User	Overnight	Total
Mountain Bike Park	Percentage	45%	36%	19%	100%
	Visits	3,043	2,453	1,264	6,757

Campground

Spirit Mountain documented a total of 3,776 campsite reservations in the 2019 season. Through a guest study, Spirit Mountain identified that about 5% of campers were local and there were typically 4.4 guests per campsite reservation, or about 16,600 campers in 2019.

Table 7: Campground Visitors

		Local Overnight	Non-Local Overnight	Total
Campground	Percentage	5%	95%	100%
	Visits	830	15,770	16,600

SUMMER VISITOR SPENDING PROFILES

Spending profiles are estimated daily spending per individual in the region during their trip. We estimated spending profiles for local day users (users from within 30 miles of Duluth not staying overnight), non-local day users, and overnight visitors. The spending profiles do vary based on the type of visitor, for example, overnight visitors typically spend more in all categories than day users and spend on lodging. These profiles represent an average of all days of a trip. For the Adventure Park, overnight visitors were also broken down into those staying in paid lodging and those visiting friends and family. Spending profiles were recorded as such in the data source, while for mountain biking, those groups were combined in creating an overnight user spending figure. All campground visitors were in paid lodging, although the lodging fee was adjusted based on the rate charged at Spirit Mountain.

Summer visitor spending profiles were determined using data from two key sources: *Explore Minnesota Traveler Profile Study (Spring-Summer 2019 Seasonal Brief)* and *The Economic Impact of Off-Road Cycling in Duluth: An Expenditures Approach (2017).* Combined, these two sources allowed us to determine spending profiles for local day users, non-local day users, and overnight visitors to Spirit Mountain.

Adventure Park

Adventure Park spending profiles for day and overnight visitors were created using the spending profiles of the *2019 Explore Minnesota Traveler Profile Study* plus a $30 average spend on Adventure Park day tickets. This $30 figure is based on the current pricing for Adventure Park activities.

As no spending information was provided for local day users in the Explore Minnesota study, it was assumed that local day users spend $5 on top of the ticket to the Adventure Park, as a conservative estimate.

In total, it was assumed that local day users spend $35.00 per person per day in conjunction with their trip to Spirit Mountain, non-local day users spend $66.96, overnight visitors in paid lodging spend, $92.07, and overnight visitors staying with friends and family spend $54.91.

Mountain Bike Park

Mountain Bike Park spending profiles for day and overnight visitors were created from the spending profiles provided in the *2017 Economic Impact of Off Road Cycling in Duluth* study plus a $29 average spend for bike park lift tickets. This figure is based on the current price for mountain bike park day tickets, season passes, and the percent of users using each type of ticket. Spending categories found in the report were generalized to align with the categories required for IMPLAN modeling.

Overall, it was assumed that local day users spend $44.00 per person per day in conjunction with their trip to the Spirit Mountain Bike Park, non-local day users spend $76.98, and overnight visitors spend $186.60.

Campground

Camper spending profiles for local and non-local overnight campers were created using the spending profiles of the *2019 Explore Minnesota Traveler Profile Study* plus a $7.50 per person spend on campsite reservation fees. This $7.50 figure is based on current pricing for campsites at the Spirit Mountain Campground.

As no spending information was provided for local users in the Explore Minnesota study, it was assumed that local users spend $5 on top of the $7.50 campsite reservation fee, as a conservative estimate.

Overall, it was assumed that local campground visitors spend $12.50 and non-local visitors spend $43.76.

Table 8: Adventure Park Visitor Spending Profile

NAICS Code	Spending Category	Local Day User	Non-Local Day Users	Overnight (paid lodging)	Overnight (visit with friends)
507/508	Lodging and Camping	-	-	$25.81	$1.14
511	Food and Bev	$0.43	$16.96	$14.52	$10.40
504	Arts and Culture	-	$0.43	$1.57	$1.14
410	Rec Fees, rentals, equipment	$33.98	$30.43	$31.78	$30.69
504	Sporting Events	-	$3.04	$1.46	$0.69
504	Other Events, entertainment	$0.28	$2.17	$2.82	$2.40
410	Shopping – tourist	$0.15	$2.17	$3.66	$2.63
411	Shopping – general	$0.13	$7.83	$5.43	$2.97
418	Transportation within MN	$0.03	$3.91	$4.28	$2.74
504	Other	-	-	$0.73	$0.11
	TOTAL	**$35.00**	**$66.96**	**$92.07**	**$54.91**

Table 9: Mountain Bike Park Visitor Spending Profile

NAICS Code	Spending Category	Local Day User	Non-Local Day User	Overnight
507	Lodging and Camping	-	-	$42.30
511	Food and Bev	$3.79	$19.47	$46.80
504	Rec Fees, rentals, equipment	$34.99	$30.75	$35.16
504	Other Events, entertainment	$2.49	$12.76	$12.96
410	Shopping – tourist	$1.34	$6.90	$24.34
411	Shopping – general	$1.13	$5.77	$20.38
418	Transportation within MN	$0.26	$1.32	$4.67
	TOTAL	**$44.00**	**$76.98**	**$186.60**

Table 10: Campground Visitor Spending Profile

NAICS Code	Spending Category	Local Day User	Non-Local Day Users
508	Lodging and Camping	$7.50	$7.50
511	Food and Bev	$2.32	$14.52
504	Arts and Culture	$0.06	$1.57
410	Rec Fees, rentals, equipment	$0.06	$1.78
504	Sporting Events	$0.42	$1.46
504	Other Events, entertainment	$0.30	$2.82
410	Shopping – tourist	$0.24	$3.66
411	Shopping – general	$1.07	$5.43
418	Transportation within MN	$0.54	$4.28
504	Other	-	$0.73
	TOTAL	**$12.50**	**$43.76**

EXISTING CONDITIONS RESULTS

Visitation to the ski area generates $14.48 million in direct output and $7.96 million in secondary output in the State of Minnesota per year, for a total economic impact of $22.43 million. Approximately $4.2 million in federal, state, and local tax revenue is generated each year by this economic activity. This activity also supports 301 full-time-equivalent jobs each year. This figure includes the recreation area's full time and part time employees and many employees in surrounding businesses. Spirit itself may have more than 300 employees, but two half time employees are a full-time-equivalent or two winter full-time employees are a full-time-equivalent.

Table 11: Existing Conditions Economic Results

	Alpine Skiers	MTB Park	Camping	Adventure Park	Total
Visits	107,618	6,757	16,600	70,050	**201,025**
Direct Impact	$10,700,000	$501,000	$594,000	$2,680,000	**$14,475,000**
Secondary Impact	$5,850,000	$277,000	$332000	$1,500,000	**$7,959,000**
Tax Revenue	$3,100,000	$148,000	$161,000	$758,000	**$4,167,000**
FTE Jobs Supported	220	11	13	57	**301**

SPIRIT MOUNTAIN ECONOMIC IMPACT



ALPINE SKI

107,618 estimated annual visits

$10,700,000 direct sales activity

$5,850,000 secondary sales activity

$3,100,000 in tax revenues (federal, state, and local)



ADVENTURE PARK

70,050 estimated annual visits

$2,680,000 direct sales activity

$1,500,000 secondary sales activity

$758,000 in tax revenues (federal, state, and local)



MTB PARK

6,757 estimated annual visits

$501,000 direct sales activity

$277,000 secondary sales activity

$148,000 in tax revenues (federal, state, and local)



CAMPING

16,600 estimated annual visits

$594,000 direct sales activity

$332,000 secondary sales activity

$161,000 in tax revenues (federal, state, and local)

2018/19 TOTAL ECONOMIC IMPACT

201,025 estimated annual visits from these activities

$14,475,000 direct sales activity

$7,959,000 secondary sales activity

$4,167,000 in tax revenues (federal, state, and local)

SE GROUP

spirit mountain

FUTURE CONDITIONS

The strategic business plan identified several opportunities for Spirit Mountain to increase visitation and generate additional spending at the recreation area (i.e., more people participating in lessons, buying lunch). The potential economic impact associated with the selected financial model has been calculated as part of this analysis. This economic impact is estimated for year 2024, as the financial model is based on three years of capital improvements, with incremental increases to spending and visitation each year, reach the new levels in the third year. All spending profiles were adjusted for inflation to 2024.

The identified opportunities in the business plan are intended to drive additional visitation and spending to the alpine skiing, Nordic skiing, adventure park, and mountain biking operations. Given the existing popularity of the campground, no additional increases in visitation were forecast.

Economic impact of visitation to the Grand Avenue Nordic Center was also forecast, with the data provided in the Grand Avenue Nordic Center Business Plan.

ASSUMPTIONS

The additional visitation figures used here are those used in the financial model. Alpine skier visits were assumed to increase from 107,618 in 2018/19 to 137,618, an increase of 30,000 visits. Mountain bike park visits were assumed to increase from 6,757 to 12,000 with new trails and increased renown of the area's mountain bike offering. A slight increase in bike park lift ticket price and spending at food and beverage venues were also assumed. Adventure park visits were assumed to increase by 36,500, with additional spending at food and beverage venues.

Nordic Skiing

Based on the Grand Avenue Nordic Center Business Plan, it was assumed that the Nordic Center would achieve 10,500 visits, assuming 10 visits per season passholder. A $12 trail pass was used in this analysis, as presented in the Grand Avenue Nordic Center Business Plan. Other spending information was derived from Visit Duluth data on winter visitor spending profiles to Duluth. The business plan also forecast that the Nordic Center would drive additional revenue through events and programs. This additional revenue ($36,450) was added to the economic impact from the Nordic Center. However, as this event revenue only includes what is spent at the Nordic Center (and not at area hotels, restaurants, and other businesses), likely underrepresenting the economic impact associated with the Nordic Center. Potential event and programmatic revenues were not available for other recreation area offerings.

Visit Breakdown

The breakdown of local day user, non-local day user, and overnight visitors from the existing conditions was carried forward to the projected conditions. It was assumed that Nordic ski visitor breakdown would be the same as alpine skier and mountain bike park.

The following tables show estimated visitation numbers for each activity, broken down by type of visitor.

Table 12: Adventure Park Visitors

Adventure Park	Local Day User	Non-Local Day User	Overnight (paid lodging)	Overnight (visiting friends and family)	Total
Percentage	30%	46%	14%	10%	100%
Adventure Park Visits	31,974	49,027	14,921	10,658	106,580

Table 13: Mountain Bike Park Visitors

MTB Park	Local Day User	Non-Local Day User	Overnight	Total
Percentage	45%	36%	19%	100%
MTB Park Visits	5,400	4,320	2,280	12,000

Table 14: Campground Visitors

Campers	Local Overnight	Non-Local Overnight	Total
Percentage	5%	95%	100%
Campground Visits	830	15,770	16,600

Table 15: Alpine Skier Visitors

Alpine Ski	Local Day User	Non-Local Day User	Overnight	Total
Percentage	49%	34%	17%	100%
Skier Visits	52,756	36,209	18,653	107,618

Table 16: Nordic Skier Visitors

Nordic Ski	Local User	Non-Local User	Total
Percentage	49%	34%	17%
Skier Visits	7,400	3,100	10,500

Spending Profiles

Table 17: 2024 Projected Adventure Park Visitor Spending Profile

NAICS Code	Spending Category	Local Day User	Non-Local Day Users	Overnight (paid lodging)	Overnight (visit with friends)
507/508	Lodging and Camping	-	-	$27.70	$1.23
511	Food and Bev	$2.96	$20.70	$18.09	$13.66
504	Arts and Culture	-	$0.47	$1.68	$1.23
410	Rec Fees, rentals, equipment	$41.46	$37.66	$39.10	$37.93
504	Sporting Events	-	$3.27	$1.57	$0.74
504	Other Events, entertainment	$0.30	$2.33	$3.03	$2.58
410	Shopping – tourist	$0.16	$2.33	$3.92	$2.82
411	Shopping – general	$0.14	$8.40	$5.83	$3.19
418	Transportation within MN	$0.03	$4.20	$4.60	$2.94
504	Other	-	-	$0.78	$0.12
	TOTAL	**$45.06**	**$79.36**	**$106.31**	**$66.43**

Table 18: 2024 Projected Mountain Bike Park Visitor Spending Profile

NAICS Code	Spending Category	Local Day User	Non-Local Day User	Overnight
507	Lodging and Camping	-	-	$45.39
511	Food and Bev	$5.67	$22.50	$51.83
504	Rec Fees, rentals, equipment	$47.43	$42.88	$47.51
504	Other Events, entertainment	$2.67	$13.70	$13.91
410	Shopping – tourist	$1.44	$7.40	$26.12
411	Shopping – general	$1.21	$6.20	$21.87
418	Transportation within MN	$0.28	$1.42	$5.01
	TOTAL	**$58.70**	**$94.09**	**$211.65**

Table 19: 2024 Projected Campground Visitor Spending Profile

NAICS Code	Spending Category	Local Day User	Non-Local Day Users
508	Lodging and Camping	$7.50	$7.50
511	Food and Bev	$2.49	$15.59
504	Arts and Culture	$0.06	$1.68
410	Rec Fees, rentals, equipment	$0.06	$1.91
504	Sporting Events	$0.45	$1.57
504	Other Events, entertainment	$0.32	$3.03
410	Shopping – tourist	$0.26	$3.92
411	Shopping – general	$1.15	$5.83
418	Transportation within MN	$0.57	$4.60
504	Other	-	$0.78
	TOTAL	**$13.42**	**$46.97**

Table 20: 2024 Projected Alpine Skier Visitor Spending Profile

IMPLAN NAICS CODE	Spending Category	Local Day	Non-Local Day	Overnight
511	Food and Beverage	$25.27	$46.58	$88.87
418	Gas	$6.36	$41.06	$76.42
411	General Merchandise	$4.23	$6.23	$21.03
508	Accommodations	-	-	$137.45
410	Equipment Rentals	$9.08	$10.40	$12.80
410	Snow School	$3.05	$3.05	$3.73
410	Lift Ticket	$36.97	$36.97	$84.14
504	Other	$1.45	$2.12	$2.38
	TOTAL	**$86.41**	**$146.41**	**$426.82**

Table 21: 2024 Projected Nordic Skiing Visitor Spending Profile

NAICS Code	Spending Category	Local User	Non-Local User
508	Lodging and Camping	$0.12	$30.79
511	Food and Bev	$3.09	$19.17
410	Rec Fees, rentals, equipment	$14.42	$15.10
504	Other Events, entertainment	$0.08	$0.69
411	Shopping – general	$0.20	$2.58
418	Transportation within MN	$3.23	$12.14
504	Other	$0.11	$0.17
	TOTAL	**$21.24**	**$80.64**

PROJECTED RESULTS

The projected annual economic impact of 2024 visitation to Spirit Mountain, reflecting increases in visitation and spending, is detailed in table 22. Visitation to the recreation area supports generates $25.84 million in direct output and $14.06 million in secondary output in the State of Minnesota per year. Approximately $6.78 million in federal taxes, state, and local taxes is generated each year by this economic activity. This activity also supports 506 full-time-equivalent jobs each year.

Table 22: Projected Economic Impact Results

	Alpine Skiing	Nordic Skiing	MTB Park	Camping	Adventure Park	Total
Visits	137,618	10,500	12,000	16,600	106,580	283,218
Direct Impact	$18,871,000	$354,000	$1,095,000	$629,000	$4,890,000	$25,839,000
Secondary Impact	$10,224,000	$179,000	$601,000	$345,000	$2,713,000	$14,062,000
Tax Revenue	$5,400,000	$82,700	$321,500	$167,000	$1,365,000	$7,344,000
Jobs Supported	368	6	22	13	97	506

Table 23: Economic Impact Comparison Table

	Existing	Projected	Percentage Change
Visits	201,025	283,218	41%
Direct Impact	$14,475,000	$25,839,000	79%
Secondary Impact	$7,959,000	$14,062,000	77%
Tax Revenue	$4,167,000	$7,344,000	76%
Jobs Supported	301	506	68%

SPIRIT MOUNTAIN ECONOMIC IMPACT

PROJECTED 2024



ALPINE SKI

- **137,618** estimated annual visits
- **$10,224,000** secondary sales activity
- **18,871,000** direct sales activity
- **$5,400,000** in tax revenues (federal, state, and local)



ADVENTURE PARK

- **106,580** estimated annual visits
- **$2,713,000** secondary sales activity
- **$4,890,000** direct sales activity
- **$1,365,000** in tax revenues (federal, state, and local)



MTB PARK

- **12,000** estimated annual visits
- **$601,000** secondary sales activity
- **$1,095,000** direct sales activity
- **$321,500** in tax revenues (federal, state, and local)



CAMPING

- **16,600** estimated annual visits
- **$345,000** secondary sales activity
- **$629,000** direct sales activity
- **$167,000** in tax revenues (federal, state, and local)



NORDIC SKI

- **10,500** estimated annual visits
- **$179,000** secondary sales activity
- **$354,000** direct sales activity
- **$82,700** in tax revenues (federal, state, and local)

2024 PROJECTED ECONOMIC IMPACT

- **283,298** estimated annual visits from these activities
- **$25,839,000** direct sales activity
- **$14,062,000** secondary sales activity
- **$7,344,000** in tax revenues (federal, state, and local)