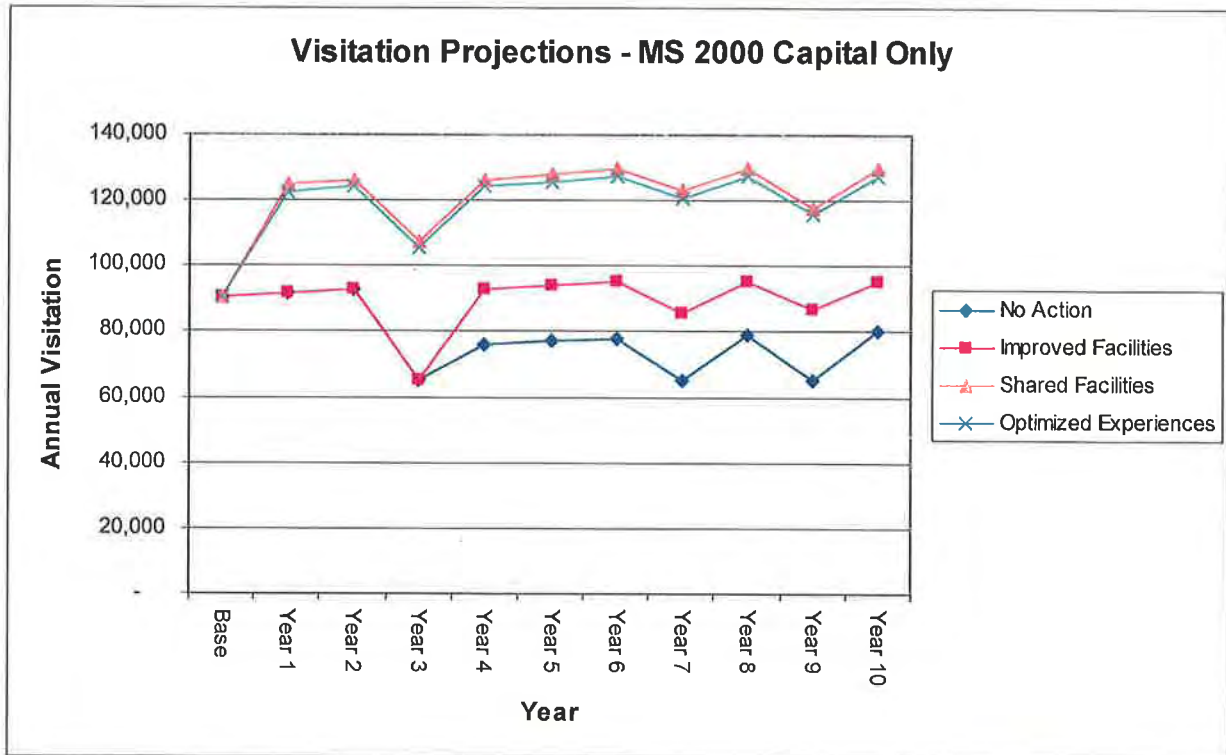
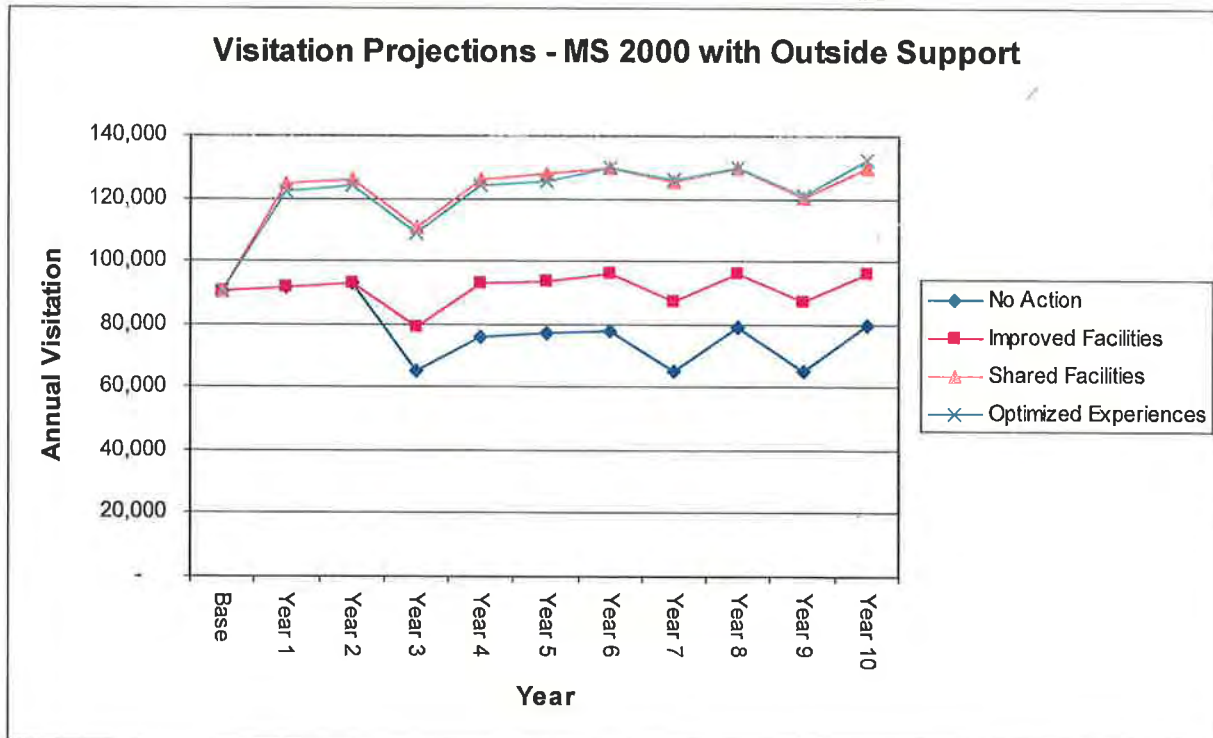


**Illustration 5.3-1:  
Visitation Projections – Capital Only**



**Illustration 5.3-2:  
Visitation Projections – with Outside Support**



As discussed earlier, visitation under the No Action alternative is projected to stagnate compared to the other alternatives that include improvements. Through improvements to the snowmaking system, and additional trail construction in the Chair 4 pod, the Improved Facilities concept provides for less of a decrease in visitation due to low snow years. The primary difference between the two financial scenarios is that under the With Outside Support scenario, the concessionaire is able to address problems with the existing lifts and buildings. As a result, these improvements show an improvement of 1,000 skier visits at the end of Year 10, compared to the Mt. Spokane 2000 Capital Only scenario, where only additional Chair 4 trails and snowmaking improvements are included. Under the Improved Facilities concept and the Mt. Spokane 2000 Capital Only scenario, the 10-year average annual visitation is projected to increase from 67,747 to 89,481, while under the With Outside Support scenario, the average is projected to increase to 91,452. Comparison of these projected visitation numbers to the projected market demand (refer to Table 4.2-10) shows that with no consideration of improvements to the ski area, the Year 10 demand for skiing would total 102,779 skier days per year. Based on this analysis, Mt. Spokane Ski and Snowboard Park would consistently provide for visitation below 100,000 annual visits based on the facilities, while the public demand in the local market would support over 100,000 visits. The net result would be a loss of market share as skiers would choose other ski areas to meet the demand that could not be met by Mt. Spokane Ski and Snowboard Park.

The Shared Facilities and Optimization concepts show a direct increase in skier visitation as a result of the installation of at least one chairlift in the PASEA. The first lift would provide capacity for approximately 1,000 additional skiers at any given time. This lift, which is located on more north-facing terrain than the existing lifts, along with snowmaking to allow skiers to reach the bottom of appropriate access chairs, would allow Mt. Spokane Ski and Snowboard Park to operate earlier in the opening season and later in the spring. Including the additional capacity and increased length of season, these alternatives would allow for annual visitation to increase to over 124,000 in the first year, with the majority of these additional visits coming from the increased length of the ski season (i.e., current ski area guests skiing earlier in the winter and later in the spring). As shown in Illustrations 5.3-1 and -2, the financial scenarios do not differ dramatically in terms of visitation. This reflects the effect of additional lifts and trails on visitation as compared to improvements to existing lodges.<sup>9</sup> Under the Shared Facilities concept and the Mt. Spokane 2000 Capital Only scenario, the 10-year average annual visitation is projected to increase from 67,747 to 124,220, while under the With Outside Support scenario, the average is projected to increase to 125,117. Considering the projected visitation numbers to the projected market demand (refer to Table 4.2-10), with no consideration of improvements to the ski area, the Year 10 demand for skiing would total 102,779 skier days per year. Based on this analysis, Mt. Spokane Ski and Snowboard Park would consistently provide for visitation approaching 120,000 – 130,000 annual visits based on the increased capacity, and primarily due to the increased season length. Considering that the additional capacity and season length provide for over 30,000 visits, the projected 10-year average annual visitation of 124,000 – 125,000 is consistent with the projected market capacity, because the population induced rate

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<sup>9</sup> The detailed analysis in Appendix 2 better demonstrates this concept. For example, construction of a new lift in the PASEA will provide an opportunity for more people to ski at one time (CCC), as well as for the current local market to ski at Mt. Spokane ski and Snowboard Park for a longer season. In this regard, lifts and trails provide a direct correlation to visitation. On the other hand, installation of a new rental facility is not projected to dramatically increase visitation, because a rental facility neither increases capacity or the length of the ski season.

of increase would be approximately 94,000 – 95,000 (subtracting the additional visits due to capacity and season length from the projected annual visitation), which is below the projected demand for 102,779 visits with no improvements.

In Year 10 under the Optimized Experiences concept and With Outside Support scenario, the second “backside” lift would be installed in the PASEA. While this lift would have a similar capacity to the first PASEA lift, it is expected that generation of new skier visits would be approximately 30% of the first lift. This is primarily due to the fact that the second lift would have no effect on the length of the ski season. Rather, it would provide additional capacity on terrain that is largely suited for experts (refer to Concept 4 in Appendix 1). Under the Optimized Experiences concept and the Mt. Spokane 2000 Capital Only scenario, the 10-year average annual visitation is projected to increase from 67,747 to 122,067, while under the With Outside Support scenario, the average is projected to increase to 124,468.

Comparison of the projected visitation numbers to the projected market demand (refer to Table 4.2-10) indicates that without any consideration of improvements to the ski area, the Year 10 demand for skiing would total 102,779 skier days per year. Based on this analysis, Mt. Spokane Ski and Snowboard Park would consistently provide for visitation approaching 120,000 – 130,000 annual visits based on the increased capacity, and primarily due to the increased season length. Similar to the Shared Facilities analysis, the visitation projections are consistent with the projected market demand.

#### **5.4 Lead Ticket Price**

Illustration 5.4-1 and 5.4-2 depict the lead ticket price projections for the Mt. Spokane 2000 Capital Only and With Outside Support scenarios under all concepts.

As shown in the Illustration 5.4-1 and 5.4-2, for Mt. Spokane 2000 Capital Only scenario, the lead ticket price is assumed to be \$35 (based on 2005/06 operating season) at the base, increasing to the range of approximately \$40 to \$44 in ten years, while for the With Outside Support scenario, the base is assumed to begin at \$35 and increase to a range of approximately \$40 to \$47. This is generally a result of additional facilities being installed under the latter scenario.

Regarding the concern over increased lift ticket prices, McQuarry (2007) responds to a question in the following manner:

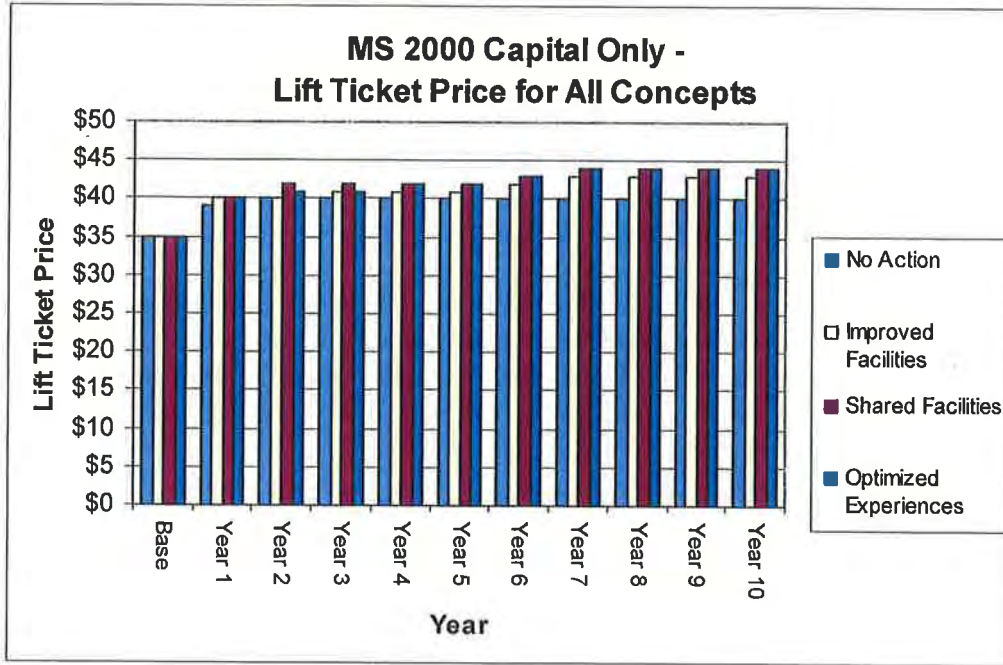
“The question, Would you be in favor of expanding skiing if it meant that your lift ticket would need to go up by \$3 - 5 a day?” was presented to the public this year.

John Eminger from 49 Degrees North and I were discussing this exact point last week at the Inland Northwest Ski Area Association conference. 49 and Mt. Spokane's lead ticket price was the same for many years. This season, after the new lift was installed, 49's lead ticket went to \$40. John said he hasn't heard a single complaint about the pricing and is seeing record skier visits this year. He plans on increasing to at least \$42 for the 2007-2008 season. 49's improvements were limited to trails and a lift only. They did no improvements to the small lodge or parking.

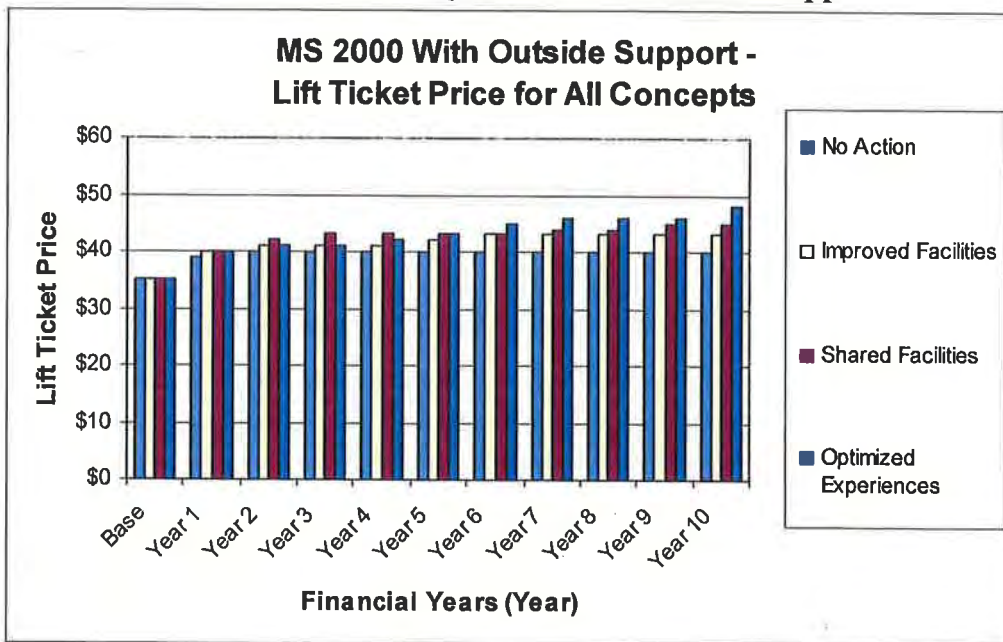
In theory: if we had expanded into the PASEA this season, we could have matched 49's lead ticket price of \$40, and we would remain the value leader because of our close

proximity and affordable lesson and ski/snowboard rental packages. Within the local market of expanding ski areas, if allowed to make the proposed improvements, we will always remain the best value.”

**Illustration 5.4-1:  
Lead Ticket Price Projections– Capital Only**



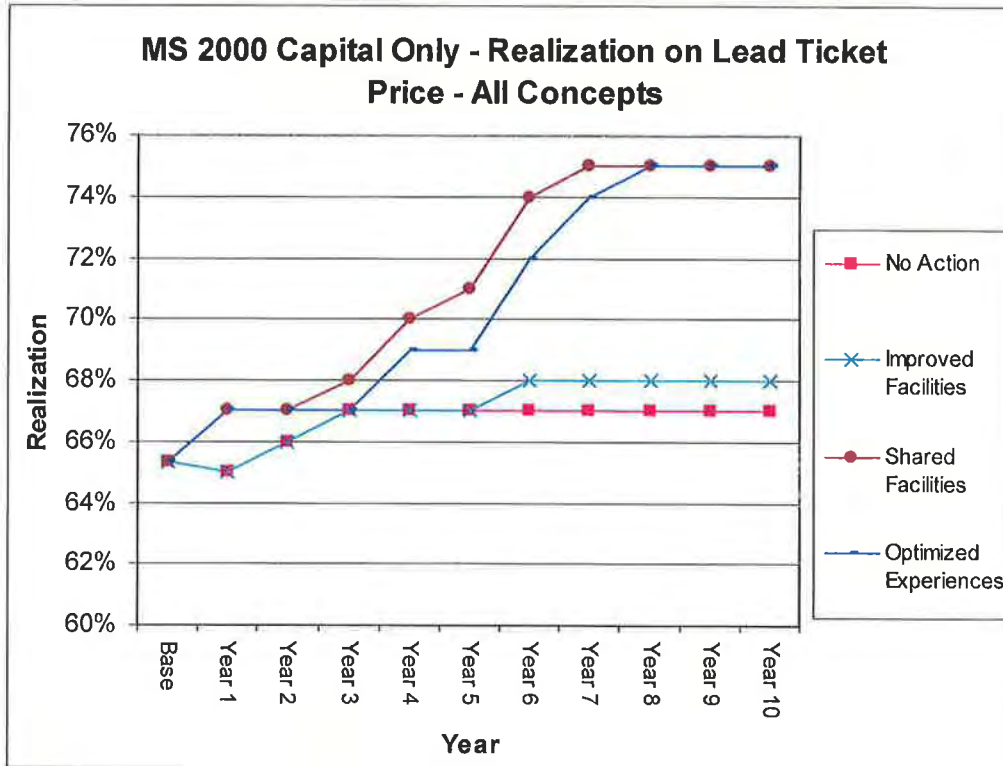
**Illustration 5.4-2:  
Lead Ticket Price Projections– With Outside Support**



### 5.5 Realization on Lead Ticket Price

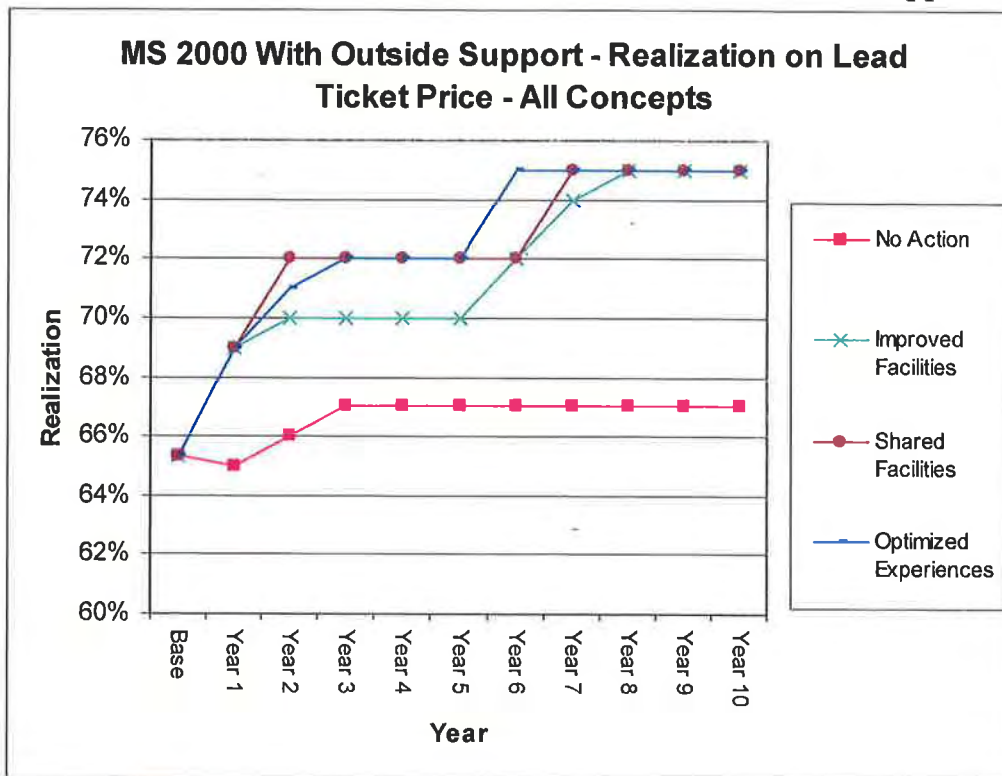
Illustration 5.5-1 and 5.5-2 details the realization on lead ticket price projections for the Mt. Spokane 2000 Capital Only and With Outside Support scenarios under all concepts. Under the With Outside Support scenario, it is projected that the concession's realization would increase more appreciatively in a shorter time period compared to the Capital Only financial option over ten years.

**Illustration 5.5-1:  
Realization on Lead Ticket Price Projections– Capital Only**





**Illustration 5.5-2:  
Realization on Lead Ticket Price Projections– With Outside Support**



In general, the amount of revenue generated per skier visit is directly related to the opportunity for the skier to spend money at the ski area, aside from the purchase of a lift ticket. These opportunities include pleasant and uncrowded food service areas that are dispersed across the mountain, rental and ski school facilities that are easily accessible and easy to navigate, and retail opportunities. As opposed to the behavior of visitation, which responds to capacity of lifts and trails and the length of the season, realization responds directly to an improved guest services experience. The details in Appendix 2 show that with improved lodges, restaurants, rental facilities and other retail space, the realization increases. As demonstrated in Illustrations 5.5-1 and -2, realization increases to 75% under all three concepts and all three financial scenarios. The largest single contributor to this is a new Guest Services building that houses rental, ticketing and other retail. In addition, other lodge improvements and the addition of a guest services facility on Chair 3 provide additional opportunities to increase revenue per skier visit.

## 5.6 Ten-Year Capital Expenditure

Table 5.6-1 presents the 10-year Capital Expenditure projections detailed in the Proformas in Appendix 2.

With no outside support, Mt. Spokane 2000 would not be able to build out the capital plans in ten years (as detailed in Section 5.2). Instead, the focus for Mt. Spokane 2000 would be on improvements that address the key financial drivers. These include additional lift and trail improvements, as well as snowmaking. Opportunities to develop additional components of the Capital Improvement Plan would come after Year 10 as revenues and cashflow allow for

improvements. Conversely, in the With Outside Support scenario, the analysis shows that Mt. Spokane 2000 would be positioned to construct the entire Capital Improvement Plan within the ten-year projection period by including analysis of volunteers and outside capital funding. This expedited construction schedule would result in capital shortfalls, as described in Section 5.7.

**Table 5.6-1:  
10 – Year Capital Expenditure Projections**

	Concept		
	Improved Facilities	Shared Facilities	Optimized Experiences
<b>Mt. Spokane 2000 Capital Only (CO)</b>			
Cum. Cap. Exp. (yr 10)	\$2,359,000	\$6,122,000	\$13,529,000
<b>Mt. Spokane 2000 with Outside Support (WOS)</b>			
Cum. Cap. Exp. (yr 10)	\$5,684,720	\$7,031,720	\$20,543,720

### 5.7 Maximum Annual Surplus/Shortfall

Table 5.7-1 presents the Maximum Annual Surplus/Shortfall projections as detailed in the Appendix 2. As shown under the Mt. Spokane 2000 Capital Only scenario, with no outside support, Mt. Spokane 2000’s maximum annual shortfall would be more significant compared to the With Outside Support scenario. The largest capital shortfall results in the Optimize Experiences concept, which includes substantial improvements to the access road into the PASEA. In the worst case, Mt. Spokane 2000 would have a shortfall of over \$9 Million with operating cashflow of \$317,145. In comparison, under the With Outside Support scenario, both the Improved Facilities and Shared Facilities concepts result in a capital shortfall that is not significantly more than the cashflow generated by the operation. In years such as this, Mt. Spokane 2000 would be able to access the “outside support”, including loans, lines of credit or donations to offset the shortfall.

**Table 5.7-1:  
Maximum Annual Surplus/Shortfall Projections**

	Concept		
	Improved Facilities	Shared Facilities	Optimized Experiences
<b>Mt. Spokane 2000 Capital Only (CO)</b>			
Maximum Annual Capital Shortfall	-\$504,304	-\$2,025,173	-\$9,760,386
Maximum Annual Remaining Operating Cash	\$80,804	\$352,745	\$317,145
<b>Mt. Spokane 2000 with Outside Support (WOS)</b>			
Maximum Annual Capital Shortfall	-\$469,680	-\$599,511	-\$2,584,954
Maximum Annual Remaining Operating Cash	\$234,107	\$344,902	\$273,190

### 5.8 Concession Rent Paid to Washington State Parks

Table 5.8-1 presents the projections of Concession Rent Paid to Washington State Parks as detailed in Appendix 2.

Concession Rent is based on a percent graduated scale of revenue to Washington State Parks (refer to Table 3.5-1). In addition, Mt. Spokane 2000 pays State Leasehold Tax of 12.84% of any concession rent. For the 2005-06 operating season, the concession paid approximately \$93,000 in concession rent of revenues of \$2.2 Million.

**Table 5.8-1:  
Projections of Concession Rent Paid to Washington State Parks**

	Concept		
	Improved Facilities	Shared Facilities	Optimized Experiences
<b>Mt. Spokane 2000 Capital Only (CO)</b>			
Cum. Concession Rent (yr 10)	\$1,109,326	\$1,619,758	\$1,572,748
<b>Mt. Spokane 2000 with Outside Support (WOS)</b>			
Cum. Concession Rent (yr 10)	\$1,204,371	\$1,672,799	\$1,702,845

## 5.9 Ten-Year Cash Position

Table 5.9-1 presents the 10 – Year Cash Position projections as detailed in Appendix 2. Two of the six concept/financing scenarios (Improved and Shared Facilities, With Outside Support) will result in a positive 10-year Net Revenue. Of these two concepts, the Shared Facilities Concept will subsequently meet the improvement needs detailed in Section 2.4.

**Table 5.9-1:  
Ten – Year Cash Position Projections**

	Concept		
	Improved Facilities	Shared Facilities	Optimized Experiences
<b>Mt. Spokane 2000 Capital Only (CO)</b>			
10-yr. cum. Operating Cash	\$109,096	\$977,535	\$793,277
10-yr. cum. Capital Shortfall	-\$1,926,968	-\$3,873,013	-\$11,680,214
10-yr. net Revenue	-\$1,817,872	-\$2,895,478	-\$10,886,937
<b>Mt. Spokane 2000 with Outside Support (WOS)</b>			
10-yr. cum. Operating Cash	\$852,229	\$2,149,576	\$795,855
10-yr. cum. Capital Shortfall	-\$497,898	-\$631,293	-\$3,964,651
10-yr. net Revenue	\$354,331	\$1,518,284	-\$3,168,795

## 6.0 Summary

As stated in Section 2.5, Mt. Spokane 2000’s proposal to improve and/or expand at Mt. Spokane Ski and Snowboard Park resulted in the development of this market and economic analysis.

Section 4.0 describes the local market, which provides the majority of skier visits at Mt. Spokane Ski and Snowboard Park. Mt. Spokane competes with ski areas that range from local, day-use Mountains such as Lookout Pass and 49 Degrees North, as well as destination and regional destination resorts like Schweitzer, Silver Mountain and Red Mountain. The unique position of



Mt. Spokane Ski and Snowboard Park (i.e., operated as a local, day-use operation by a non-profit entity) results in significant financial uncertainties regardless of market competition. (e.g., Four Year Operating History described in Table 5.1-1).

Considering that the ski industry is generally moving toward a more comfortable, quality recreation experience, it is important to note that improvements are ongoing at ski areas throughout the northwest, including the competitors of Mt. Spokane Ski and Snowboard Park. The size of the skier market responds most strongly to improvements that provide new terrain or lifts as opposed to new infrastructure or improved lodge facilities. The latter improvements lead to greater realization. On this basis, the primary day-use competitors have implemented projects to provide new terrain and/or lifts (i.e., 49 Degrees North and Lookout Pass). Mt. Spokane Ski and Snowboard Park will have to follow suit in order to maintain its current market share. The concepts discussed in Section 5.0 represent options for addressing the public demand for improvements.

The economic and financial analysis presented in Section 5.0 clearly displays the financial instability of the current concession operation. In fact, the current operation operates on a negative cashflow almost 50% of its season (see Table 5.1-1). This financial model provides very little operating capital with which to service the current debt, whether under a commercial loan or other non-commercial arrangement. At any given time, the current debt service requirements could overwhelm the concession because no “cash buffer” exists.

As shown in the proforma analysis of the different concepts (see Appendix 2), any improvements to the ski facility would require significant capital – additional loans, donations or operating revenue. From a financial standpoint, any concept promoting capital expenditures that do not significantly provide additional visitation (whether through additional capacity, increased length of the season, or both) will be very difficult to implement. Nonetheless, improvements to the existing facilities are needed. In order to generate the needed “boost” in operating revenues, this analysis indicates that a new lift and new trails will generate the best market response (i.e., increased capacity resulting in increased visitation). From a planning perspective, the need to address low snow years and the possible effects of climate change would be best addressed by providing the new lift and trails on terrain that is capable of retaining snow better than the current terrain. The PASEA includes such terrain. But under any of the concept alternatives, a significant amount of outside support, historically provided by volunteers, donations, and low-interest or no-interest loans, will be needed to fully capitalize each development program.

Under both financial options, the primary difference between the Shared Facilities concept (Concept 3: one pod of skiing and a temporary structure in the PASEA) and the Optimization concept (Concept 4: two pods of skiing and a lodge in the PASEA) would not be realized until later in the phasing program – perhaps after more than ten years. This results from the focus on increasing capacity through installation of one lift in the PASEA to maximize the financial and recreational benefit of the improvements under both concepts. The primary differentiator between this concept and the Optimization concept is that once the PASEA is developed under the Shared Concept, Mt. Spokane 2000 would be poised to improve the existing facilities in Phase 3 (i.e. more than 10 years). Upon completion of these improvements, no future expansion (and the corresponding “boost” in market share) would be possible. Under the Optimization concept, the flexibility associated with the second lift and trails allows for continued

improvement to the ski area beyond the ten-year timeframe. Coupled with the potential operation of the Nordic concession, plowing operations and the lodge, the Optimization concept provides the best flexibility in terms of a menu of capital improvements and operational programs. However, Mt. Spokane 2000 is not poised to implement such a development plan without significant financial assistance.

There are only two scenarios/concepts (With Outside Support - Improved and Shared Facilities), as shown in Table 5.9-1 (and Appendix 2), that will result in a positive 10-year Net Revenue and therefore provide the best economic improvement to the concession operation in a ten-year period. Of these two concepts, only the Shared Facilities concept will meet the desires of the Concessionaire detailed in Section 2.4. The Improved Concept will not meet the need of increasing the length of the ski season by expanding the 2000 Mt. Spokane operation into the north-facing terrain, though its increased use of snowmaking will be an improvement from the existing conditions. This improvement need is considered particularly important for successful and continued operation of Mt. Spokane 2000.

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