

INTRODUCTION

The following case studies present different operational management structures for small ski areas across the United States and have been chosen because of similarities to Teton Pass. The case studies below explain the operational history, associated challenges and opportunities, and the operational and financial realities for the cooperative (Mad River Glen), not-for-profit (Sleeping Giant and Turner Mountain), and for profit (Silverton Mountain and Maverick Mountain) operational models.

COOPERATIVE

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.

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 and APR 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.

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.

Mad River Glen is cooperatively owned and operated ski area that benefits from continued financial contributions of their non-profit fundraising entity. Unlike Montana cooperatives, this associated non-profit allows for additional fundraising efforts required for capital projects. The Mad River Glen operation is viable as a result of both its annual operating revenue and the fund-raising efforts of the non-profit: while most years are profitable, revenue alone does not cover the constant need for the additional maintenance capital required to maintain and replace equipment. This viability is also buoyed by the commitment and enthusiasm of the membership, that continues to contribute significantly through continued use of the operation and support in all fundraising efforts.

NOT-FOR-PROFIT

Two small non-profit ski areas are analyzed below. Sleeping Giant was chosen because it reopened as a non-profit model and its summer operations attract pass-through tourists. Turner Mountain is a small Montana ski area that remains open despite very low visitation numbers. In both cases, the ski areas rely on strong financial support from the local community.

Sleeping Giant

Sleeping Giant is a small Wyoming ski hill operated by a non-profit, the Yellowstone Recreations Foundation. The ski area is located about 50 miles west (approx. 1-hour drive) of Cody, WY, a city of almost 10,000 people. Sleeping Giant is the closest ski area to Cody however, Red Lodge is a much larger ski area 70 miles north of Cody and many people drive further for additional terrain.

Yellowstone Recreations Foundation re-opened the ski area in 2009. Previously, the ski area operated from 1936 to 2004, until it closed due to slow business. Almost immediately, local community members began organizing to reopen Sleeping Giant and the Yellowstone Recreations Foundation was founded in 2007. A private party purchased the ski area and donated it to the foundation, allowing the foundation to focus fundraising efforts on infrastructure improvements and operating expenses. While it took longer than expected, the foundation did manage to raise between three and four million dollars by 2009.

These funds went towards a new chairlift, terrain expansion from 47 acres to 180 acres, and snowmaking equipment.

Since opening, the ski area has struggled financially. In its first season (2009/10), the ski area received only 42" of snow and about 7,000 visitors, leading to losses of \$350,000. The foundation exhausted its credit and appealed to donors for additional funds to continue operating. The following year, the ski area lost \$400,000 but remained open through fundraising efforts. Sleeping Giant continues to lose money most years, although less than at first. While visits have remained relatively flat at 7,000 annual skier visits, Sleeping Giant has reduced its operating expenses: by being open three days a week, cutting staffing, and reducing events. For the 2018/2019 season, Sleeping Giant is operating without a general manager, after deciding the qualified candidates were not worth the expense. In recent years, annual losses are close to \$200,000 each season. Today, the Yellowstone Recreation's Foundation's primary role is to recoup these losses through its fundraising efforts and existing capital.

In order to reduce the annual losses and financial obligation of the Yellowstone Recreation's Foundation, the ski area added a zipline in 2016. Sleeping Giant had planned for the zipline since reopening, but the fundraising and national forest permitting significantly slowed the process. Summertime operations offer tremendous potential to Sleeping Giant, with the zipline intended to subsidize winter operations and reduce the community's financial burden to sustain the ski area. In the winter, the ski area is primarily local-serving as tourism in the area is minimal. However, the area does see significant summer tourism and Sleeping Giant is located three miles east of a summer-only Yellowstone National Park entrance. The zipline, the longest in Wyoming, draws many tourists passing through or looking for a ziplining experience near Yellowstone. Even in its first season of operation, the zipline brought in more revenue than winter operations and reduced annual losses - the former general manager credits the zipline with keeping Sleeping Giant afloat.

Sleeping Giant is a locals', learn-to-ski mountain. The foundation offers scholarships for youth and free passes to fifth graders in the Cody School District. Despite financial struggles, the foundation is committed to keeping prices low to welcome locals looking for an affordable, family-friendly experience. Fortunately, the foundation's funding has been strong, drawing from both the local community and the sizeable, wealthy second homeowner community around Cody. Other than fundraising, the foundation's role in ski area is relatively minimal, with a paid staff managing operations.

While Sleeping Giant does continue to operate, that has been very difficult financially and only possible due to the tremendous fundraising efforts of the foundation, and in recent years, the summer zipline.

Sleeping Giant illustrates many of the challenges related to operating small community ski areas, the potential for significant losses and the related need for continual financial support, and the opportunity for summer revenue to significantly contribute to the bottom line given favorable market conditions. Sleeping Giant's visitation has remained low, resulting in revenues well below operating expenses. Thus, the ski area has had to rely on the non-profit to pay off its expenses, with the hope that summer operations will eventually support winter.

Turner Mountain

Turner Mountain Ski Area is owned and managed by a non-profit, the Kootenai Winter Sports Ski Education Foundation. The ski area, near Libby, MT, receives few annual skier visits (under 5,000) but

has survived thanks to strong financial support and volunteers from the local community. Libby residents volunteer their time and money each year to ensure the ski area remains open. Volunteers have constructed a chairlift, base lodge, and other facilities and also assist with day-to-day operations of the resort. As a result, the ski area only has two paid employees (lift operations and maintenance) and volunteers perform all other necessary duties. The ski area is only open three days a week (Friday-Sunday) to keep operating expenses low.

Turner Mountain has a bare-bones operation and an incredible amount of community support that allows it to remain open. Despite skier visits on par or below that of Teton Pass, the extremely low operating expenses, community donations and volunteer labor continues to sustain the operations.

FOR PROFIT

Two for profit ski areas are analyzed below. Maverick Mountain is a small, community ski hill that draws the local community in strong numbers with its affordability and vibe. Silverton Mountain provides an incredibly unique experience that draws people from all over the country to its one chairlift. In both cases, the ski area owners have put in a tremendous amount of labor to open and keep the ski areas running.

Maverick Mountain

Maverick Mountain is a small, privately-owned ski area in Western Montana. The ski area is about 40 miles outside of Dillon, the nearest sizeable town with 4,264 residents.

Individuals have privately owned Maverick Mountain for many years and the ownership recently changed hands. Randy Schilling had owned the ski area for almost 30 years and in the fall of 2015 was looking to sell and retire. Erik Borge, then of Bozeman, discovered the ski area was for sale for \$600,000 and leapt at the opportunity to own a ski area. He quit his job, sold his house and truck, and assembled a few college friends to help purchase the ski area. He and his wife, Kristi, moved to the ski area, setting up an RV in the ski area parking lot as their new home.

The first winter was incredibly difficult and revenues and expenses did not allow the couple to pay themselves a salary. Erik did not take a day off all winter, rising at 3 AM to groom and then working past midnight. Even after the first season, the ski area has required a heavy amount of labor. Erik is the general manager, operations team, maintenance, and everything else that needs to happen around the ski area. Kristi teaches five children at a one-room schoolhouse down the road and runs the ski school and lodge on the weekend. In an article in Outside Bozeman, Erik reported that some nights he didn't sleep at all between grooming and other tasks. The Borges have a small staff but do a tremendous amount of work themselves.

The Borges are committed to maintaining the character of the ski area – a family-friendly, affordable hill with one double chairlift servicing 450 acres. For the 2018/19 season, an adult lift ticket is \$39 and the ski area's affordability draws local residents along with families from Idaho or the Bozeman area looking for a low-cost skiing experience. Since the Borges have taken over, visits have climbed significantly and steadily, from 7,000 the year before they arrived (2014/15) to over 15,000 during the 2017/18 season. This increase has occurred without infrastructure improvements. Beyond the attractive vibe, school programs have been key to drawing additional visitors to the resort. Students come to learn to

ski from Dillon and places as far away as Butte or Idaho. In effect, Maverick has very much remained the community ski hill under the Borges. The community has appreciated their efforts and volunteer to help out at the ski area or even bring by dinner for the couple.

While no financial information for the ski area is public, the Borges have the makings of a successful business model. The ski area has low operating expenses (one chairlift, open four days a week, few staff) and growing revenues (increasing number of annual skier visits). Erik is interested in developing summer activities to bring in year-round revenue to the ski area, when time and money allow.

Maverick Mountain is a classic example of the commitment, energy and sheer grit needed to be a private operator of a small, community-oriented ski area. Maverick has been extremely fortunate to find an owner willing to put in an incredible of labor, with little in return, to keep the ski area open. The willingness of the Borges to sacrifice for the ski area is both extraordinary and highly atypical.

Silverton Mountain

Silverton Mountain is an incredibly unique privately-owned and operated ski area in rural southwestern Colorado. The ski area is an “experts’ mountain” with a single chairlift, hike-to terrain, and helicopter drops. Silverton has no grooming, narrow chutes, cliffs, steep glades, and even its most mellow run would be considered an expert run at any other resort. Silverton Mountain provides skiers a lift-assisted, avalanche controlled backcountry-esque experience, unlike anything else in North America.

Silverton’s founder and co-owner, Aaron Brill, traveled to New Zealand and left captivated by the simple, small huts and single lifts on fantastic public ski fields. Sensing a market for such opportunities in North America, he began analyzing maps and backcountry skiing guides for an ideal area to start his no-frills, extreme terrain ski area. In 1999, he settled on mountains a few miles north of the town of Silverton with over 400” of natural snowfall each year.

Opening the ski area took three years and an incredible amount of labor and expense. Brill and his wife, Jen, spent years buying up mining claims, seeking a permit to operate skiing on adjacent Bureau of Land Management (BLM) land, fighting lawsuits, and even digging the holes for the lift towers by hand. For nearly a decade, the Brills did not pay themselves a salary and lived in a van and then a run-down mining shack. The couple did receive grants and loans to help up with start-up costs, in part because San Juan County, where the ski area is located, is one of the poorest counties in Colorado and the ski area would help build a year-round economy. However, the BLM review ultimately cost hundreds of thousands of dollars and due to the expense of the process and subsequent requirements (guided skiing, cap on daily number of skiers), the Brills were forced to move away from their vision of \$25 lift tickets. When they opened in 2002, guiding skiing was \$99 a day. The price has steadily increased and for the 2018/19 season, a day of guided skiing costs \$179, and a lift ticket for unguided skiing, later in the season when the avalanche danger is lower, costs \$79.

Where possible, the Brills kept capital and operating costs low. They purchased a used double chairlift from Mammoth, bought a yurt that the small ski area in town (Kendall Mountain) was getting rid of for the base lodge, and set up limited operations four days a week (Thursday – Sunday). They employ a small staff and the Brills themselves do an immense amount of work. In a 2007 Denver Post story profiling the Brills, Jen stated that “most places have 10 people doing what I’m doing. Aaron’s doing the

job of 20 people.” In a 2016 Denver Post interview, both Jen and Aaron expressed strong uncertainty and reluctance as to whether they’d do it all over again.

Through all the hard work, Silverton Mountain appears to be fairly successful (note that financial data for the area is not available to the public). The uniqueness of the ski area draws visitors from across the country. While locals may ski Silverton on occasion, the town of Silverton has a population of 650, and so the Brills must draw their skiers from further afield. Silverton Mountain has been featured in the New York Times, Los Angeles Times, Chicago Tribune, Forbes, and countless outdoor and skiing magazines. Forbes called Silverton Mountain a “fabled pilgrimage for ski purists from across the planet.” Ski passes are sold online, and due to the cap on daily skiers (80 guided/475 unguided) many weekend days sell out far in advance. Silverton Mountain has also brought in additional cash flow through heli-skiing. The BLM required that Silverton Mountain have a helicopter for avalanche control and the ski area also uses it for skier helicopter drops in the area and a heli-skiing guide service in Alaska once ski season ends in the lower 48, allowing them to make money through the year.

The extent and complexion of Silverton's terrain has allowed for the crafting of an incredibly unique experience that drives visitation by expert skiers and riders from all over the country, a necessity to support this small rural ski area in remote Southwestern Colorado. While financial data is not available, the balance between low operating costs, high price-points and national visitation appears to sustain the operation.