

To: Select Board, Town of Camden
cc: Patricia Finnigan, Town Manager
From: T.C. Bland, Citizen Town of Camden
July 26, 2016

As a citizen with great interest in the success and sustainability of the Snow Bowl, I'm writing to share business and organizational management concepts to help you move forward in the process of setting the FY17 Budget for the enterprise fund with the support of the townspeople. It appears there are two interrelated business topics that need to be addressed: 1) size of the budget and 2) organizational management and oversight. As the Select Board, ultimate leadership and oversight lies with you, but as elected officials, you look to your constituents for guidance. As a Certified Public Accountant (CPA) and a Certified Global Management Accountant (CGMA), I believe I can help you with both.

I, like you, am very proud to live in the community that we do. It's a special place – big enough to provide glimpses of the world to our children to inspire them to choose paths that will take them places in life; yet small enough to be a safe place to call home for all that choose to live here – both those that grew up here and those that choose to move here. We live in a busy world with lots of demands for our time and efforts. People in Camden work very hard to be able to afford to live here; yet, Camden is a place where we can also slow down a bit and enjoy time with our family, our friends and nature's beauty. It's all about finding the right balance.

We have the ability to be involved in Town government and make a difference. We don't live in a place with a local government that runs rampant and is disconnected from the needs and wishes of the community it serves, or the voters it answers to.

The Size of the Budget

As I stated in the July 12 Select Board meeting, based on my analysis of the proposed budget, that even with the ticket price increase, we could likely risk another deficit in the area of \$75,000. I recommended in our Budget Team meetings that Management should budget for operating revenue of around \$800,000 before donations and grants. In my analysis of historical results, this level of revenue seems "normal" and makes a good basis for the budget. Thus, my target including the \$50,000 of identified donations and grants would be around \$850,000 of revenue for the FY17 budget and would not require a price increase.

Coincidentally, and in support of my point, the Redevelopment and Sustainability Plan for the Ragged Mountain Recreation Area called for 11,000 annual day tickets and 1,050 season passes which equates to 35,000 skier visits and suggested that this was the upper limit of the market area potential. It called for revenue in the \$800,000 range when all phases of the plan were complete, and it projected operating surpluses. The plan was about maintaining the balance between capital improvements and operating costs with the market potential for revenue to support it. It was about balancing the demands on the infrastructure with the service offerings

expected by today's local ski mountain consumer. It answered the questions of what capacity will the mountain, the new lifts, and the new lodge provide; and what sustainable revenue base is there to support it.

There are certainly arguments and scenarios that illustrate that a budget of \$920,000 is feasible in some years. The FY17 Budget Team has crunched the numbers and stated so, but noted that more active management is required and that there is greater risk. I believe that the proposed FY17 budget of \$920,000 is too risky. We've been lead to believe that a budget of this size is required because of the redevelopment and therefore our best, or only, choice. I contend that we need to examine the operations of the Snow Bowl, and separate costs driven by the redevelopment from the costs resulting from decisions of Management. I believe that as we do so, we'll find that the size of the operations called for in the redevelopment plan provides for sustainability and even profitability, and that in contrast, the proposed FY17 Budget does not.

We need to pause and question why expenses went from less than \$700,000 to \$920,000. This nearly \$250,000 increase (roughly 35%) over four years has to be analyzed. As it turns out, the redevelopment plan did not project expenses to increase this much. We were told during the redevelopment project that decisions to make capital improvement changes (effectively change orders) would result in lower operating costs and they were therefore worth the extra capital investment above and beyond the redevelopment plan. This budget doesn't reflect that school of thought.

The budget is a tool to help provide guidance for operations and should provide a balance between risk and reward. Let's look at the risks and rewards of the budgets at these different levels.

With a revenue budget of \$850,000, it's possible that we have underestimated the supply of customers and that we will actually realize greater revenue and run at a surplus. At this level, ticket price increases are not necessary thus keeping the Snow Bowl more affordable and a better value for the consumer. At this level, we don't need a bigger marketing budget and more marketing activity to help insure that we make the projections. At this level, we don't need to draw bigger numbers of people to the Snow Bowl and create more parking problems, bigger crowds in the lodge, longer lift lines and busier slopes; thus keeping the experience more enjoyable for the consumer and safer for everyone.

By contrast with a revenue budget of \$920,000, it's more likely that we have overestimated the supply of customers, thus we will have a greater potential for a larger deficit. It's very unlikely that we will realize more than \$920,000 and have the opportunity for a surplus. At best we might break even. At this level, ticket price increases are necessary thus making the Snow Bowl less affordable. This makes it riskier due to price elasticity – the theory that a dollar increase in item price doesn't equate to a dollar increase in revenue – some people will choose not to ski. To offset this potential, we'll need a bigger marketing budget and more active marketing to try to attract more customers. At this level, those choosing to come will face more parking challenges, have to walk further from their vehicles, face bigger crowds in the lodge, longer lift

lines and busier slopes; thus making it a less enjoyable experience and decreasing their likelihood of being a future customer that supports sustainability.

Organizational Management and Oversight

Organizations function best when they are clear in their purpose, and make management decisions to support that purpose. At its core, the Snow Bowl is an extension of Parks & Recreation. The Snow Bowl is an economic driver for our community, but that's not its main purpose. For-profit ski resorts are run to make a profit and provide financial rewards to the investors, so growth is an important part of that model. Parks & Recreation departments provide affordable leisure services for community residents. The Snow Bowl, like many municipal enterprise funds, ought to be run with the goal of supporting the economy of its municipality while providing the mission it was created to serve. Demanding growth from the Snow Bowl by creating larger budgets is not prudent, and may not be best aligned with serving its purpose.

To the Honorable members of the Select Board, you need to decide what budget to approve, but you have other responsibilities too – staff management and fiduciary duties. There are members of this community and members of your own distinguished body that would say that you allowed mismanagement of the redevelopment project and should have been chastised for it. That may be overly critical, but you have to agree that the project took longer than expected, strayed from the original redevelopment plan somewhat as a result of management actions and decisions, and resulted in tremendous cost overruns inconsistent with the plan.

In past discussions when the topic of management has come up, as it did in the May 10 Select Board meeting, you have been cautious not to discuss “personnel issues” in public forums. Be aware that there is a difference between personnel topics and personnel issues. The establishment of criteria for Management performance goals can be a public discussion. Also, the actions and choices of Management in the light of how they impact the performance of an organization can be discussed in open forums. The ratings of how an employee performed against established goals is a personnel matter that cannot be discussed in open forums.

There are also community members that would say you allowed mismanagement of FY16 with an inflated expense budget. That too may be overly critical, but at the very least, by approving Management's FY16 budget, you (perhaps unknowingly) supported a budget that included expenditures that far exceeded the levels included in the redevelopment and sustainability plan. In fact, it appears that Management created the FY16 expense budget inconsistent with the redevelopment report, while citing the redevelopment as the reason for it. We cannot blame the redevelopment for the results. Also, when we analyze the financial records, they support that the weather was not the only reason for the FY16 operating loss.

What reasonable basis do you have for approval of an FY17 budget that requires revenue beyond historical results and beyond levels projected in the redevelopment plan? For FY17 I think the choice is clear - you have a choice to stop this cycle and hold management to an FY17

budget that is consistent with what was provided for in the redevelopment report. From my perspective, you cannot in good faith choose to approve Management's FY17 budget after knowing that these levels of revenue and expenditures are again far in excess of the levels included in the redevelopment and sustainability plan.

I do appreciate that you, our Honorable Select Board members, give of yourselves to serve and lead our community. I also appreciate the dedicated efforts of the employees of the Town. I recognize that you all work very hard and do your best to serve the citizens of Camden. However hard we work, people make mistakes. We need to learn from our mistakes. We cannot continue down this road that is inconsistent with the sustainability plan. So where does this leave you?

Let's look at this metaphorically. You got lost on the mountain. You had a map for your adventure and somewhere along the way you lost it. You were reluctant to ask for help. You continued to spend more time on the mountain than you anticipated. Thinking you were close to the right path you continued on in the direction you were heading, convinced that if you kept going in that direction that you would find the way. Despite your best efforts to improve your situation, you were unable to find the right way. You admitted you needed help and called for it. A qualified volunteer responded to the call, came to help, and brought you a copy of the map you had lost. The volunteer offered to lead you back onto the right trail to continue the journey. So here you are, still on the mountain but now with the choice. Do you follow the volunteer back to the established trail or do you continue in the direction you thought was right and risk it all?

The Path Forward

Leonard Lookner asked whether I thought the taxpayers would support a potential shortfall as a result of the FY17 operations. That's a good question. As a member of the Select Board he's doing his job and looking to his constituents for opinions and advice, just as you did in the past. The Select Board supported going forward with the redevelopment only after asking the voters whether we supported the redevelopment and sustainability plan. In November 2008, Camden voters supported the concept of issuing a \$2 million bond to support the redevelopment by a margin of nearly 2:1. In September 2013, the Redevelopment and Sustainability Plan for the Ragged Mountain Recreation Area was refreshed. On November 5, 2013, the Camden voters voted 1,124 to 239 in favor of multi-faceted Article 2 to approve the Capital Improvement Plan, to accept approximately \$4.5 million in donations, and issue a \$2 million bond to fund the Town's appropriation of its share of the planned share of the project. Townspeople have not been happy with the cost overruns, but they have reluctantly accepted them, as they were presented no other choice.

The issue that Leonard is asking is really about investment. Should you as government officials support a budget that creates a higher potential for an operating deficit, that as a result of which, you will then need to ask the taxpayers to provide more investment thru taxes to pay for it?

In municipal government, officials have a fiduciary duty to the citizens. Officials, and their agents, are required to follow the Prudent Person Rule when investing public funds. This means your discretion is restricted to making investments that a prudent person would make in seeking reasonable income and preservation of capital in his or her own portfolio.

When debating the FY16 Budget on July 13, 2015, many of you questioned the need for the increase in marketing, for the investment in the POS system, and for other increases including labor costs that were driving the larger budget. Lynda Clancy covered this in the Pen Bay Pilot on July 20, 2015 and provides us a record of the events that transpired. She quoted Don White saying: "I realize this is a gamble. The whole thing is a gamble." In the end, you voted unanimously for approval of the budget. Lynda also quoted John French's reaction to the vote saying: "We are all going to gamble together." Gambling is not prudent investment.

So with regard to future support from taxpayers I suggest you ask yourselves, "Have we followed the voice of the voter, followed the redevelopment plan, demonstrated that we have controlled costs and been fiscally prudent with our spending while providing adequate resources to operate the Snow Bowl safely and effectively?" As a taxpayer, I'm happy to be paying my taxes that provide for a wonderful Parks and Recreation department that also functions as an enterprise fund that operates the Camden Snow Bowl, and I expect that it will be run safely, efficiently, and effectively. But I urge you to reset the budget back to levels projected by the redevelopment plan and supported by actual historical results to provide a higher probability that the Snow Bowl continues to operate successfully and continues to be a special part of the fabric of our community for generations to come. As a community we need to preserve the Snow Bowl and I will continue to fight hard and give my all to that end, but I think I speak for many citizens of the Town when I say we're not interested in continuing to supplement the Snow Bowl operations when Management has not been demonstrated to us that they are being a good steward of our financial support and investment.

What do you want the August 2 Select Board meeting to be about? Do you want it to be a workshop where you attempt to examine details of spending over the past few years? Do you want to attempt to do the job that many of the volunteers on the FY17 Budget Team attempted to do? Ask yourselves as few questions: "What is our role? Who do we want to do the detail work – Ourselves, the Budget Team, or Management?" I strongly recommend that you request a budget from Management that reflects \$850,000 of revenue, and that it include a projected surplus of \$20,000 to \$50,000, thereby cutting more than \$100,000 from the expenses. It is Management's responsibility to make the tough decisions and Management's responsibility to run the Snow Bowl and provide the level of service and the hours of operation that we have historically enjoyed. You have a different role.

Organizations function best when each level of the organization has clarity in its purpose and role. Organizations are most successful when each employee is given clear expectations and is held accountable for their own performance in support of the organizational goals. As the Select Board you need to hold Town employees responsible for doing the jobs that they have

been hired to do. You do not have to do their jobs for them. As the Select Board your next workshop related to the Snow Bowl could be about setting expectations for Management and creating an employee performance plan that is consistent with the expectations of the citizens that you serve. You could develop criteria that result in much less strain on Town resources to manage the Snow Bowl. You could establish an oversight plan for yourselves that will give you tools and guidance going forward. With that complete, you could provide clear direction to Management and the Snow Bowl while you lead the Town and hold everyone accountable for doing their jobs.

In response to all this I'm sure we'll hear that this is people's jobs that we are talking about. I completely agree. We're talking about making some tough choices now, so that we don't risk losing the sustainability of the Snow Bowl and all of the economic activity that it generates for our community.

One more thing as we look to the future: Bob Gordon and the Ragged Mountain Recreation Area Foundation will have a much easier job of raising the funds to complete the new lodge, which will help us realize the entire vision set forth in the Redevelopment and Sustainability Plan, if the people they are asking to donate aren't heavily burdened in their minds, with the potential of being burdened in their wallets, by ongoing operational deficits.

Thank you for your time, your consideration of these concepts, and again for your leadership.