

# FY24 Operating Budget

presentation to the

## Duluth City Council

### March 27, 2023



**spirit  
mountain**

**Duluth, Minnesota**

# Spirit Mountain Recreation Area

## **Our mission for the past 50\* years:**

- Develop a wide range of recreational facilities available to both local residents and tourists
- Aid the economy of northeastern Minnesota by encouraging private enterprise efforts in conjunction with recreational facilities
- Preserve the environment in the area

***\*From May 18, 1973, enabling legislation***

# Where Have We Been?

- **March 2020:** Pandemic closes Spirit
- **September 2020:** City allocates \$300,000 to re-open
- **April 2021:** Spirit has \$344,000 operating profit, thanks to robust winter season despite COVID
- **April 2022:** Spirit generates \$1+ million operating profit, despite pandemic-related hiring challenges

# In FY23 finances, Spirit ...

- Added \$125,000 to create a \$250,000 “savings account” for emergencies
- Fulfilled \$1.1M of obligation on \$1.2M loan outstanding since 2014 under loan forgiveness plan
  - Completed \$900,000+ in qualifying capital investments one year early
  - Made second \$100,000 payment on outstanding loan
  - (\$100,000 final payment to be made in CY 2023)

# In FY23 capital, Spirit ...

- **Acquired new groomer\***
- **Completed improvements to water intake/  
discharge system\***
- **Implemented a new point-of-sale system and  
associated IT upgrades\***
- **Continued upgrading rental fleet\***
- Updated food and beverage fixtures and  
equipment
- Built a new storage facility at the Campground

***\*Consistent with Task Force and/or SE Group recommendations***

# In FY23 operations, Spirit...

- Provided low-cost access to more than 5,500 people (mostly kids) by reducing fees by \$550,000+ annually
  - World's Greatest Field Trip, Snow Club & Home Educator Fridays
  - Offer Spirit ❤️ Duluth Days two days each February
  - Share the Shred
  - Partnerships with others
    - Winter Out in the West
    - DXC
    - Nordic Spirit Youth Ski League
    - Courage Kenny and Mono-Ski Madness
- Partnered with outdoor recreation groups
- Implemented new point-of-sale system

# Where Are We Going?

- Enhance financial **sustainability**
  - Maintain “savings account”
  - Invest in critical infrastructure
  - Focus on increasing revenue from operations
- Continue to **refine** operations
  - Implement SMTF/SE Group recommendations
  - Modify organization, as needed, to implement recommendations
- Implement **vision** for Grand Avenue Chalet
  - *Because the Grand Avenue Chalet at Spirit Mountain is a vibrant hub for outdoor recreation and information, diverse participants of all ages and abilities are aware of, have equitable access to and engage in multiple recreational activities and enjoy opportunities to build skills, gather and socialize in an easily-accessed, community-centered facility served by a variety of amenities.*

# FY24 Budget Goals

- Ensure all operating expenses will be covered by *attainable* operating revenues
- Use tourism tax appropriation + FY23 operating profit to continue investments in city-owned infrastructure
- Continue to implement operational recommendations from Spirit Mountain Task Force and the SE Group



# FY24 Revenue Assumptions

- Conservative revenue estimates\* based on FY22 actuals and FY23 YTD performance
- Modest price increases for passes and tickets
  - Discounts for on-line purchases
- Uncertain impact of economic fluctuations

*\*Spirit works to exceed these conservative revenue estimates across the board*

# FY24 Expense Assumptions

- Estimated based on experience, past performance & aging of infrastructure
- Increased line items for payroll based on contractual increases
- Increased line item for workers' comp insurance based on current conditions
- Included operational recommendations from the Spirit Mountain Task Force/SE Group

*\*Spirit works to control expenses throughout*

# The Numbers: An Overview

|                         | <b>FY24<br/>Budget</b> | <b>FY23<br/>Budget</b> | <b>FY22<br/>Actual</b> | <b>FY22<br/>Budget</b> | <b>FY21<br/>Actual</b> |
|-------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Revenues                | \$6,308,606            | \$ 6,079,136           | <b>\$6,122,734</b>     | \$ 5,233,586           | <b>\$3,455,291</b>     |
| Cost of Goods           | \$ -604,186            | \$ -445,188            | <b>\$ -547,111</b>     | \$ -363,081            | <b>\$ -181,946</b>     |
| Gross Margin            | \$5,704,420            | \$ 5,633,948           | <b>\$5,575,623</b>     | \$ 4,870,505           | <b>\$3,273,344</b>     |
| Wages/Benefits          | \$3,953,204            | \$-3,727,883           | <b>\$2,881,243</b>     | \$-3,170,332           | <b>\$-1,757,609</b>    |
| Operating Exp.          | \$1,731,340            | \$-1,838,217           | <b>\$1,657,530</b>     | \$-1,634,695           | <b>\$-1,171,261</b>    |
| <b>Operating Profit</b> | <b>\$ 19,876</b>       | <b>\$ 67,848</b>       | <b>\$1,036,849</b>     | <b>\$ 65,476</b>       | <b>\$ 344,473</b>      |

# FY 24 Capital Projects List

May include...

- **Better signage at Grand, throughout campus\***
- **Replacement of (some) hill lights with energy efficient LEDs\***
- **Ongoing upgrade of rental fleet (alpine, Nordic, mountain-biking)\***
- **Ongoing IT upgrades\***
- New snowmaking line
- Snowmaking guns
- Ongoing upgrades to food/beverage fixtures & equipment

***\*Consistent with Task Force and/or SE Group recommendations***

# Thank You for...

- Supporting Spirit Mountain's mission as a community resource and contributor to the local economy
- Helping to revise the narrative surrounding Spirit Mountain
- The collegiality and support of staff and leaders throughout city government