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Title: RESOLUTION APPROVING THE BUDGET FOR THE FISCAL YEAR MAY 1, 2020 TO APRIL 30, 2021 IN THE AMOUNT OF \$4,075,301 FOR THE SPIRIT MOUNTAIN RECREATION AREA AUTHORITY.

Sponsors:

Indexes:

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Attachments: 1. Exhibit A

Date	Ver.	Action By	Action	Result
5/26/2020	1	City Council	adopted	

RESOLUTION APPROVING THE BUDGET FOR THE FISCAL YEAR MAY 1, 2020 TO APRIL 30, 2021 IN THE AMOUNT OF \$4,075,301 FOR THE SPIRIT MOUNTAIN RECREATION AREA AUTHORITY.

CITY PROPOSAL:

RESOLVED, that the budget for fiscal year May 1, 2020 to April 30, 2021, in the amount of \$4,075,301 as set out in Exhibit A for the Spirit Mountain Recreation Area Authority is hereby approved.

STATEMENT OF PURPOSE: This resolution approves the expense budget for the Spirit Mountain Recreation Authority for the budget year May 1, 2020 to April 30, 2021 in the amount of \$4,075,301.

Spirit Mountain closed in March as a result of the COVID-19 pandemic, laid off nearly all of its staff, and has not reopened since. The proposed 2020-2021 budget presumes that Spirit Mountain staff will remain on layoff until preparation for winter operations begin in September and will remain closed to the public until the winter season begins in November.

The budget projects \$92,895 in net operating income at April 30, 2021 year-end based on 85% of typical winter revenue. As projected, the budget will require the City of Duluth to provide cash-flow support of approximately \$350,000 in the early fall period when Spirit incurs expenses to prepare for winter operations before winter revenues ramp up. Spirit Mountain Recreation Authority considered reopening July 1 for a reduced summer season but rejected that option because it would have required an additional \$200,000 of City financial support.

In the event that Spirit were to close altogether, Spirit Mountain Recreation Authority would have up to \$2.6 million in obligations in the ensuing year such as outstanding debt, season pass refunds, payroll, and accounts payable that it would be unable to pay. Most of these obligations would ultimately be passed on to the City of

Duluth. In addition, the City would retain its current responsibility to finance \$500,000 per year in debt service on the Grand Avenue Chalet from tourism taxes.

Spirit Mountain has been hit harder than other ski resorts in the United States because it is both government owned and government operated and therefore ineligible for the Paycheck Protection Program that is keeping most resorts afloat this summer.