



April 25, 2017

Pocahontas County Commission
900 10th Ave
Marlinton, WV 24954

Re: Consultant's Feasibility Report

Commissioners:

Introduction/Summary

This feasibility report is presented in accordance with Chapter 7, Article 25 of the Code of West Virginia, 1931, as amended, enabling formation of an entity known as a Resort Area District (the "Act"). This proposed entity is presumed to be named the "Snowshoe Resort Community District".

Revenue Sources for Resort Service Fee ("RSF")

Section 5(a)(5) of the Act requires submission of "a feasibility or consultant study concerning the formation of the proposed district and the funds to be generated by the implementation of a Resort Service Fee and indicating that the proposed Resort Service Fee will provide sufficient revenue for proposed services and projects" as part of the petition for formation of a Resort Area District. Section 5(a)(6) of the Act requires the petition for formation of a Resort Area District to include "the proposed rate or rates, not to exceed five percent of the purchase price, of the Resort Service Fee and the proposed classes of goods and services to which each rate shall apply." Section 5(a)(7) of the Act also requires the petition for formation of a Resort Area District to include "the proposed effective date of the Resort Service Fee." Our firm has been engaged as the consultant/certified public accounting firm to conduct said study and this report is the result of our engagement.

The manner of "financial feasibility" is specifically interpreted by our firm to include a calculation of the revenues of an imposed Resort Service Fee and an analysis and positive opinions that the fees would provide sufficient revenues for the services as proposed in the submittal petition to the Pocahontas County Commission. The amount of the Resort Service Fee is limited by Section 12(e) of the Act and is to be based on a percentage of

gross commerce generally within the district area for the percentage not to exceed five percent (5%). The petitioners have indicated a preliminary plan to impose a two percent (2%) Resort Service Fee on all classes of (not to remain exempt) commerce within the district, other than on rental property and lodging, which is within the range permitted by the Act. Section 5(a)(8) of the Act further required that the West Virginia State Tax Commissioner provide a certification of the amount of consumer sales and service taxes collected from businesses located in the proposed district during the most recent twelve (12) calendar month period for which such data is available. We have received the certification from the West Virginia State Tax Commissioner and incorporate herein by reference, that document which is included as part of the petition.

We have, in addition to relying on the certification of overall commerce by the State Tax Commissioner, conducted an analysis of many of the commercial entities that would be subject to the proposed fee. We received cooperation and assistance in having this information provided by Snowshoe Resort and other businesses and have identified specific functional types of fee bases that may be considered for classification once the district is formed and its board elected. A listing of these types of commerce is included below, but is not all inclusive and would ultimately be determined by the governing board of the proposed district.

1. Recreational sales (including ski lift rentals, etc.)
2. Commercial food and beverage.
3. Commercial retail sales and shops
4. Commercial rental shops and outlets
5. Other types of commerce and activities

Based on our review, spending by guests visiting the resort area in the types of commerce listed above would result in a resort service fee amount as identified and calculated related to the amount of sales tax collections certified by the State Tax Commissioner. Some sales tax revenue amounts as identified in the total from the Tax Commissioner are from business located outside the SRCD area and/or not currently intended to be included as SRCD fee revenues. We have reviewed much of the underlying gross revenue that would make up these bases for the fees and are comfortable that utilizing the certification by the State Tax Commissioner of gross sales tax collection is a reasonable beginning point for this feasibility report. We note that some revenue will be exempt by statute and that the ultimate amount of resort service fee collected is subject

to change. We also reference the Petitioner's map that is being presented as part of the petition as the area that is included in the commerce activities that we have reviewed.

[See Attachment A]

Local/Regional Economy

The proposed district is the primary center of business activity in Pocahontas County. Upon belief it is the largest commercial area in the county and perhaps in the surrounding region in West Virginia. The Snowshoe Resort is considered a major tourism destination, not only in West Virginia, but in the Mid-Atlantic and expanded region. The expectations of individuals associated with economic development and business that we have encountered seem encouraged that the level of business and economic activity will remain stable or hopefully increase in the future.

Proposed Services/Proposed Capital Projects

We have reviewed the Petitioners' intentions for proposed services to be provided by the resort service fees generated and will list some of the items that have been identified.

1. Emergency Services and Public Safety
 - a. Law Enforcement and Other Security
 - b. Fire Protection
2. Common Areas/Maintenance
 - a. Roads
 - b. Landscaping
 - c. Utilities
 - d. Other
3. Resort Area Transportation
 - a. Shuttle Services
 - b. Busses/Shelters
4. SRCD Administration and General
5. Reserves

Therefore, the intent (as we understand) of the Petitioners for the formation of the proposed Snowshoe Resort Community District is primarily to provide tourists, guests and users of the facilities the services needed to use said facilities. The intent of the resort

service fee, which is based on the gross sales to the public, appears to be for providing public services to the District.

The Petitioners have not stated any plans for significant capital projects in their petition. Section 12(g)(3) of the Act requires a set-aside of twenty-five percent (25%) of the resort service fees collected as a required reserve. If the bylaws permit, this reserve could be used for capital expenditures. However, no significant capital expenditures particularly that might require issuance of debt are contemplated in the petition or in any of our review or discussion with stakeholders in this matter. Obviously there are provisions in the statute for the board to undertake projects, however none have been identified at this time. It is likely that some smaller capital purchases will be necessary for the services intended to be provided such as vehicles and equipment, and such. However, these costs would need to come from either surplus revenues or capital reserves upon board action.

Demand for Services

Based on our knowledge of the area and on discussions with Petitioners we recognize that the Snowshoe Resort Community District need for services is seasonally inclined. As one might expect a tourist area for skiing and winter activities would be utilized during the winter months and as such that would produce peak needs for services and the SRCD board will need to plan for these peaks and the implementation of the fee and providing said services. The resort service fee is likely going to be utilized in conjunction with an already established source of funds, that being the Mountain Top Assessment, which is an assessment based on property deeds and voluntarily assessments for providing similar type services as defined in this petition. It is expected that the current source of funds of the Mountain Top Assessment in addition to the proposed resort service fees will be the basis of total revenue for providing the public related services as shown in the petition. The expectation, based on our review of all revenues available, does permit the Snowshoe Resort Community District to cover its projected expenses and produces enough surplus to fund the required capital reserve and additional capital reserve. We recommend that once the District has been formed and establishes its budget to consider setting aside more than the minimum required reserve to the extent that cash flow and service expenditures will permit.

Other Issues and Recommendations

It is expected that having the ability to provide public services including transportation, common area maintenance, security, law enforcement protection and fire protection will not only allow the commerce in the Snowshoe Resort Community District to continue its current levels but to provide for growth in economic activity because of additional services to potential customers/users. The reporting of gross revenues that will be required in the formation of this District may also have a supplemental benefit in that property tax in rental properties is usually higher than a simple real estate property tax. Rental properties revenue is not initially to be subject to the resort service fee in order to not burden homeowners; but there would be an increased database of information for the County to base property tax assessments on if such rental properties revenue were to become subject to the service fee. It is our recommendation that upon the formation of this district that the newly elected board establish guidelines for proper reporting and payment on commerce in the district to achieve fair compliance of all entities and to produce the maximum amount of resort district fee revenue which is needed for services to be provided.

Financial Feasibility Analysis

The following is an analysis of the financial impact of the proposed resort service fee coupled with the currently collected Mountain Top Assessment and a summary of uses of said funds for consideration.

[See Attachment B]

Conclusion

We have conducted our analysis of feasibility for the Snowshoe Resort Community District based on several factors. Those factors included an onsite analysis of certain financial information received from existing business entities in the district and information gathered from potential members of the Snowshoe Resort Community District, based on the compared results of our reviews and investigation of existing business with the certification of the State Tax Commissioner.

We have reviewed the proposed petition to the Pocahontas County Commission detailing services to be provided and the estimated initial annual expenses related to providing those services. We have reviewed the article of the West Virginia Code that enables the formation of the Resort Area District and have talked to potential stake

holders of the district about financial and economic aspects of this petition. Based on our review and analysis we have determined that it is our opinion that it is financially feasible to create the Resort Area District based on the implementation of a Resort Service Fee to provide the proposed and identified services within the proposed Resort Area District. We further opine that the proposed initial Resort Service Fee of two percent (2%) of gross commerce other than property rentals and lodging, is within the confines of the Act and will generate sufficient revenues to pay the estimated costs to provide the proposed services and projects. In providing this opinion, we also note that our feasibility analysis has been based, in part, on a certification by the State Tax Commissioner of revenues which are subject to change in the future. However, we also recognize that operating cost of capital projects can also vary based on time and need. However, setting the initial Resort Service Fee less than the maximum percentage allowed by the Act permits flexibility in increasing that percentage in the future if the need would arise, or reducing the level of services should the revenues not be recognized as expected. We also note that even based on the initial fee percentage and the preliminary budget for the Snowshoe Resort Community District, a surplus beyond the required reserve is expected and would buffer any decreases in available funds if they were to occur and/or buffer any cost increases if they were to occur.

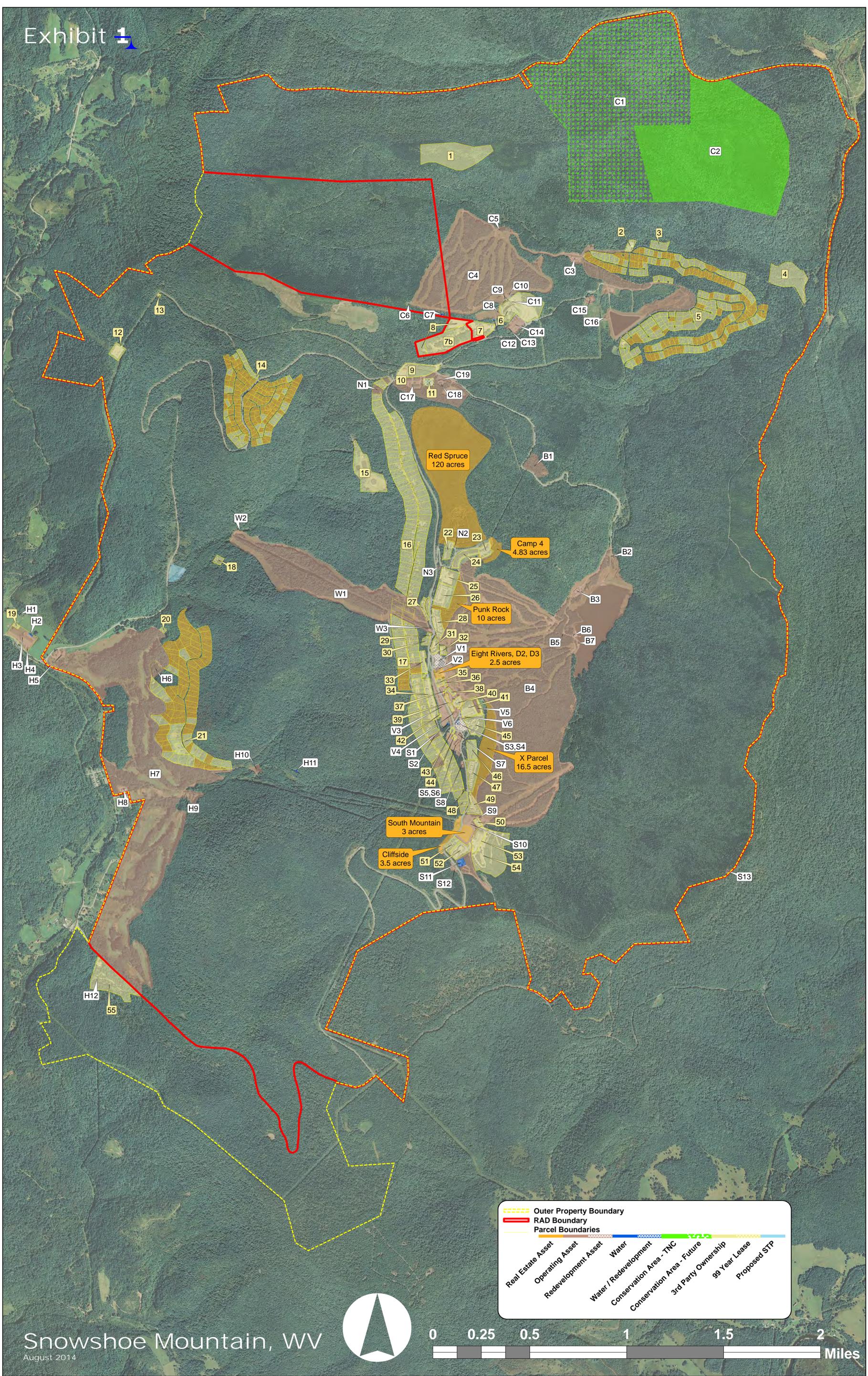
Sincerely,

Michael D. Griffith, CPA, AFI

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MDG/s

Attachments



SNOWSHOE RESORT COMMUNITY DISTRICT

Financial Information and Analysis

Proposed Fiscal Year Ending June 30, 2018

Revenues/Inflow

Mountain Top Assessment *	\$ 2,764,024
Petitioner's 2% Proposed Resort Service Fee	<u>760,000</u>
Total Projected Revenues For Service Needs Identified	<u><u>3,524,024</u></u>

* The Mountain Top Assessment (MTA) is shown as a revenue of the proposed SRAD for illustrative purposes only, since the SRAD uses are of the same nature to those currently provided solely by the MTA.

Expenses/Uses

Fire Protection and Public Safety	1,195,014
Common Areas Operations and Maintenance	889,806
Resort Area Transportation	516,365
General and Administration, Employee Benefits and Taxes	<u>438,650</u>
Total Expenses	3,039,835
Net Inflows/Uses before Required Reserve	<u><u>484,189</u></u>
SRAD Required Reserve # 25%	190,000
Petitioner's Proposed Capital Reserve Study	75,000
MTA Credit to On-Time Payers	190,000
Petitioner's Proposed Additional Reserve Funding	455,000
Net Inflows/Uses after Reserves	<u><u>29,189</u></u>

WV Code 7-25-12(g)(3) sets forth a required 25% reserve of resort service fees.