

Conflicting info clouds South Tahoe ice rink bond sales

By Kathryn Reed

Private operators of the South Lake Tahoe Ice Rink may be frozen out of being able to make a profit any time soon.



With the need to have all agreements finalized in January so the bonds could be converted from non-taxable to taxable by March 1, questions unresolved, and the season of little government work accomplished approaching, the deal is teetering on thin ice.

Conflicting letters delivered to El Dorado County Board of Supervisors is part of the problem. That board at its meeting last week directed the chief administrative officer and auditor to craft a letter to the city for clarification.

While the South Lake Tahoe Recreation Facilities Joint Powers Authority this month agreed to change the designation of the bonds, the three member agencies must do so as well. Those agencies are South Lake Tahoe, El Dorado County and Tahoe Paradise Resort Improvement District.

The city and county on the same day – Dec. 13 – at their respective meetings heard a presentation by the private financial advisor hired by the JPA (Mark Northcross with Northcross-Hill-Ach) and JPA staff member John Upton.

The city wants to convert the bonds to taxable because IRS rules prevent a private entity from benefiting from non-taxable bonds while the bonds are outstanding. The ice rink was paid from Measure S funds, now called Measure R. That South Shore recreation measure will sunset in 2030.

In a letter dated Dec. 6 from Upton to the county it says, "If the refinancing results in greater debt service, the city will be obligated to pay the JPA that difference. Bond counsel will create the necessary agreement and manner for assured collection. ... The cash contribution is currently at \$415,000."

In a letter dated Dec. 8 from City Manager Tony O'Rourke to the county it says, "The ice arena operator and TSE [Tahoe Sports Entertainment], will need to bear any cost obligation associated with the refinancing of the Measure S outstanding debt from tax-exempt to taxable."

The conflicting information about what entity is responsible for the more than \$400,000 is what has the county concerned. The board wants this cleared up before it is slated to vote on the refinancing in late January.

After the county meeting, Supervisor Norma Santiago told *Lake Tahoe News*, "The only motion was that the auditor work with the CAO to write a letter to the city manager asking for clarity on a statement included in this letter." Then she quoted the conflicting message from O'Rourke.

Santiago added, "As you are well aware, during the course of our discussion at the JPA meeting, the city said that they would be bearing the costs. Obviously, things are changing and this refinancing of the bond to a taxable bond is a 'moving' target. Everyone, however, agrees that refinancing the tax-exempt bonds would provide additional savings to the taxpayers that then could be further invested in projects supported by both Measure S and R."

At the City Council meeting, O'Rourke said, "We have made it crystal clear the JPA won't pick up the cost or the city."

Van Oleson and Chris Cefalu, who operate the rink under the business name Tahoe Sports Entertainment, were out of town and unavailable for comment. Despite the uncertainty, TSE is going forward with trying to obtain a beer and wine license.

In other action from the Dec. 13 City Council meeting:

- The council agreed to take \$21,613.70 from the General Fund Undesignated Reserves to pay bills for outside legal counsel for the 2010-11 fiscal year. The bulk of that – \$14,096 – went to an attorney to deal with labor negotiations.
- Agreements with the remaining city labor groups have been reached so all employees are paying their share of PERS retirement funds.
- The city will put out a request for proposal to hire a firm to monitor vacation home rentals, with the idea it would generate income.
- The council allocated up to \$10,000 to be spent on a feasibility study regarding the South Shore Vision Plan.