

S. Tahoe council questions need for 20-year ice rink deal

By Kathryn Reed

If questionable decorum at a City Council meeting should come with consequences, then the operators of the South Lake Tahoe Ice Arena could probably find a penalty box for them.

While Van Oleson and Chris Cefalu were before the council on May 1 asking to formalize their contract with the city, Councilwoman Angela Swanson and City Manager Tony O'Rourke verbally checked one another. Councilman Tom Davis took his swipes, alluding to how he knew best how to run a business and was in support of the city manager's proposal.

The entire discussion was a rare demonstration of hostility between the electeds and city manager.



Tongues were as sharp as ice skates during the May 1 South Lake Tahoe City Council meeting. Photo/LTN

Swanson was not alone in questioning O'Rourke's insistence on

doubling the length of the contract from 10 years to 20.

All O'Rourke said to *Lake Tahoe News* as to why the need for the change was, "We have been discussing this for six months."

It appeared no one had been discussing it with the council.

Oleson and Cefalu, owners of Tahoe Sports Entertainment, walked out of the meeting Tuesday afternoon without a contract.

Councilman Hal Cole said, "We want to see what you are going to do (before extending the contract)."

Swanson echoed that sentiment, "Why should the city enter a 20-year agreement unless there is an assurance of a plan?"

But the TSE duo wasn't prepared to show its hand without a contract.

Mayor Claire Fortier said, "This is a community asset. We need to strike a balance between the community and profits."

Cefalu responded, "I agree it is a community asset. But the local community will not sustain it."

The city knows this. In some years the city lost \$100,000 a year on the rink. That is why South Tahoe went looking for a private operator. TSE is bringing in tournaments to help sustain the business.

TSE last summer was awarded a 10-year contract to run the city ice rink. A month later, in August, that contract was revised because it was discovered a for-profit organization could not make money on an entity being paid for with non-taxable bonds.

A side letter – essentially a new contract – was put in place as the city worked through changing the bonds to taxable. The bonds were resold as taxable and in turn financed at a lower rate earlier this year.

However, that new contract expired Feb. 1. That is why TSE was before the council this week.

But it's not the same contract as to what the council had agreed to 10 months ago.

TSE wants a 20-year contract. What was never articulated well was why the company needed to double the time frame.

After the meeting, Cefalu told *Lake Tahoe News* that to do the capital improvements – like another sheet of ice – and to finance it, a 20-year agreement is needed to get financing and recoup expenses. That second sheet of ice was talked about last year, too.

Other changes in the contract that were proposed include changing the fee structure. The monthly fee would go from \$3,000 to \$2,000. However, the percentage of gross revenue in excess of \$600,000 TSE would pay the city would max out at 10 percent, while the original contract had a 5 percent maximum.

Another proposed change is that TSE would be entitled to reimbursement at a depreciated rate for improvements made to and items bought for the facility if the city terminates the contract. However, all of those potential improvements would have to be cleared by the council before the capital investment were made.

Councilman Bruce Grego had a problem with the prospect of the city having to come up with a lump sum if that were to occur.

Staff was told to come up with another plan and bring it to the council June 5.

City Attorney Patrick Enright told *Lake Tahoe News* the agreement that expired three months ago will stay in effect until the council votes on an ice rink contract.

In other council action:

- On a 4-1 vote, with Davis in the minority, garbage rates as of May 1 are 4.97 percent higher.
- Tahoe Bear Box was awarded a bid to put in containers on city property to be paid for from a state recycling grant. It was a 4-1 vote with Grego voting no.