

# Tahoe City Public Utility District

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## TAHOE XC LODGE REPLACEMENT AND EXPANSION PROJECT

### BUSINESS AND OPERATION MODEL

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**March 15, 2019**  
**Board of Director's Meeting**



# Presentation Outline



1. Welcome and Introductions
2. Project Status
3. Purpose
4. Current Tahoe XC Concession Model
5. Current Tahoe XC Financial Model
6. 10 – Year TCPUD Financial Summary of Current Tahoe XC Concession Model
7. TCCSEA Business/Operations Model Request
8. Benefits and Risks of Proposed Business and Operations Model
9. Terms and Considerations to be Negotiated
10. Discussion and Questions

# Project Status



- **March 16, 2018**, the TCPUD Board of Directors approved a motion to “(1) Approve stated Project Objectives;  
(2) Designate Site D – Full Project as the ‘Proposed Project’; and  
(3) Approve five (5) Project Alternatives, 1) Site A – Full Project, 2) Site A – Modified Project, 3) Site D – Reduced Project, 4) Site D – Alternative Driveway, and 5) No Project.”
- **June 22, 2018**, the TCPUD released the Notice of Preparation for the EIR with a 30-day comment period and concluded with two public scoping meetings on July 17, 2018
- **August 2018**, commenced development of the EIR
- **May 2019 (Estimated)** – Release of Draft EIR / Begin 45-Day Public Review



# Purpose

To discuss a request by the TCCSEA for a business and operations model related to the proposed construction and subsequent operations of the Tahoe XC Lodge Replacement and Expansion Project.

- No Decision Today – Discussion and Direction Only
- This is a Comparative Discussion between ownership options
- Model is independent of site selection
- Model options will be included in the EIR and any differences, if they affect potential impacts, will be analyzed
- CEQA Process
- Subject to Future Negotiations
- Negotiated agreement will adhere to the agreed-upon Project Objectives of TCPUD and TCCSEA



# Current Tahoe XC Concession Model

- The TCPUD owns the existing facility and adjacent 43-acres of parkland
- The TCPUD maintains operating agreements with California State Parks and California Tahoe Conservancy for use of trails on adjacent state property - The use is primarily for winter grooming of Nordic trails
- The TCCSEA has operated under a Concession Agreement with TCPUD since 1999 for the facility and parkland which includes use of state lands
- Current Concession Agreement expires this September 2019 – Currently being renegotiated.
- The TCCSEA Concession Agreement provides for free skiing for school programs, student athletes, and environmental programs

# Current Tahoe XC Concession Model

## *(continued)*



- The TCCSEA pays concession fees to the TCPUD and to both State agencies through TCPUD
- The Concession Agreement provides the TCCSEA the Right of First Refusal for summer operations
- The TCCSEA sub-leased summer operations to another local entity between 2016 – 2018
- The TCCSEA is responsible for on-going maintenance of facility and parkland, but TCCSEA and TCPUD share the cost of major repairs
- The existing facility is available for community use upon mutual agreement between TCCSEA and TCPUD

# Current Tahoe XC Financial Model



- Concession Fees paid to TCPUD, are calculated as:

Base Rent: \$1.00/annually

% of Gross Revenue: 5% over \$250,000 Annually

“Net revenue received by the District shall, where practical, be used to support major repairs to the building and capital improvements at the facility. Examples of this would be parking lot expansion, roof replacement, a new lodge, and additional signage” (2012 Concession Agreement)

# 10 – Year TCPUD Financial Summary of Current Tahoe XC Concession Model



## TCPUD Revenue:

TXC Concession Fees	\$82,390
Other Rental Fees	\$23,448
<b>10-year Total TCPUD Revenue</b>	<b>\$105,838</b>

## TCPUD Expenses:

Personnel (TCPUD Maintenance Staff)	\$40,083
Services, Supplies, & Materials	\$74,006
Utilities	\$37,061
Insurance	\$ 874
Park and P&R Admin (Allocation)	\$59,645
Governance Support Services (Allocation)	\$20,210
<b>10-year Total TCPUD Expenses</b>	<b>\$231,879</b>

**10-year TCPUD Net Operating Deficit (General Fund) \$126,041**

*Average Annual TCPUD Expense: \$23,188 (range \$8,745 - \$43,595)*

*Average Annual TCPUD Revenue: \$10,584 (range \$2,734 - \$19,904)*





# TCCSEA Business/Operations Model Request

“To obtain a 99 – year land lease for the ownership, operation, and maintenance of a new Cross Country Lodge, reconstructed from the historic Schilling House, located on TCPUD property in the Highlands Community”

# Benefits and Risks of Proposed Business and Operations Model



## TCPUD Benefits

- Decreases TCPUD Operating Deficit
- Reduces requests for subsidy

## TCPUD Risks

- Unplanned ownership transfer
- Reduces TCPUD revenue
- Reduces TCPUD oversight/control

## TCCSEA Benefits

- Increases operational flexibility / viability
- Simplifies/enhances construction fund-raising and operations fund-raising

## TCCSEA Risks

- TCCSEA financial stability
- Increased operational and maintenance costs
- Requires increased revenue

# Terms and Considerations to be Negotiated



## Caveats:

- TCCSEA is a Non-Profit Entity providing public recreation opportunities
- TCCSEA is still researching some of the details, which may result in changes to the proposal
- TCCSEA is very open to discussion and negotiation on all items/this is a preliminary proposal

## Proposal:

- Land Lease with TCCSEA owning the new lodge building and associated improvements
  - “Triple Net” – TCCSEA to pay taxes, utilities, maintenance and repair costs
  - TCCSEA control of operations/scheduling/fees/events/etc.
- Purpose of the Lease (Required/Allowed Uses): Provide public recreational opportunities and events and.....
  - Private events
  - Educational events/opportunities
  - Limitations/Exclusions (?)

# Terms and Considerations to be Negotiated (continued)



## The Details:

- New Lodge Building and Site Improvements Ownership – TCCSEA
  - Future Ownership Transition
  - TCPUD First Right of Refusal
  - Price Determination Procedure
  - Future Capital Improvements and Investments by TCCSEA
- Lease Area
  - Building Site OR All 43-acre TCPUD Highlands Property
  - Exclude Existing Highlands Community Center Site/Parking (?)
- Term/Renewals – 99 Years Requested
- Rate - \$1/Year – No %
- Property Taxes/Possessory Interest Implications

# Terms and Considerations to be Negotiated *(continued)*



- Property Access/Use
  - Remains as it is today
  - Full public access to all property, except:
    - TCCSEA access control for groomed ski trails
    - TCCSEA access control for building and site improvements
- Retained Uses by TCPUD
  - Full Access to All (Building/Property)
  - Access to Property for Utility Purposes
  - Right to Modify/Improve Property with Concurrence of TCCSEA
  - TCPUD Community Recreation Opportunities/Events (?)
  - Other Community Use (?)
  - Others (?)

# Terms and Considerations to be Negotiated *(continued)*



- TCPUD Oversight
  - Proposed Improvements by TCCSEA (Property/Building)
  - Public Access Policies
  - Complaint Responses Procedure
  - Others (?)
- Assignment/Transfer by TCCSEA
  - Approval Required by TCPUD
  - Meet Purposes of Lease
  - Limited by Non-Profit Status
- Sub-Lease/Concession by TCCSEA
  - Meeting Purpose and Terms of Lease
  - Approval by TCPUD (?) / State Requires
  - Reviewed by TCPUD (?) / State Requires

# Terms and Considerations to be Negotiated *(continued)*



- Maintenance/Repair/Renewal Standards (Building, Property, Trails, Environmental)
- State Operating Agreements for Surrounding Properties (State Parks and CTC)
- Termination Clauses
- Reporting Requirements
- Liability/Indemnifications
- Insurances
- Environmental Protection Standards
- Bankruptcy Provisions/Procedures
- Construction Financing



# Discussion and Questions