Cajundome, Lafayette deal could cost city

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LAFAVETTE — A financial deal set up to protect the Cajundome from debt may result in the city subsidizing the arena’s general fund even though the dome is turning a profit, two city attorneys say.

City Attorney Mike Hebert and Assistant City Attorney Vance Andrus are raising questions about a deal that backs up a $1.4 million bond issue with two letters of credit.

But despite their questions, what action the city could take to alter the deal remains unclear. Andrus said the city has no statutory, constitutional or contractual power to intervene. If the city wanted to stop the deal, it would have to sue.

According to Cajundome records, the deal in question works like this: Proceeds from the bond issue will be used to construct an ice rink for the city’s minor league hockey team, the IceGators. The letters of credit have been issued by the team owners, Logan Nichols of Jennings and Ernie Parker of Lafayette, and the arena’s concession contractor, Acadiana Promotions Inc.

If ice rink events do not raise enough money to pay expenses and the payment on the debt, the letters of credit will cover it. However, the deal also requires the Cajundome to put rink-related profits into a sinking fund until the bonds are paid off. Hebert and Andrus are worried that removing the profits from the dome’s general fund will leave the city covering a shortfall that does not really exist.

If the ice rink turns a profit, but the remainder of the arena’s operations does not, the council will have to pick up the tab, Hebert said.

Under an intergovernmental agreement between the city and the University of Southwestern Louisiana, the city is responsible for the dome’s shortfalls, up to $500,000 per year.

The city has paid that much in the past, but over the past three years the shortfall has declined. Last year the city paid about $90,000. Cajundome Director Greg Davis said that, if the arena had not had to close for two months for rink construction, there would have been no deficit this year.

The Cajundome belongs to USL; it is governed by a commission appointed by the city and the university.

The ice rink changes the equation, and Hebert said he is concerned that the city’s calculation of a shortfall and the dome’s might not mesh.

Davis said the financial deal requires the dome to keep only two bond payments — about $375,000 — in the sinking fund. If the ice rink turns more profit than that, the excess can be funneled to the general fund, he said.

Davis has prepared three projections of rink-related profits. His top-end projections predict a $550,000 net profit the first year.

But those predictions might not pan out and Andrus said he wants to know if the city might be responsible for subsidizing the operation of the rink. If the gross profits don’t cover the operations and the debt payments, the city might be exposed, Andrus said.

City Auditor George Lewis said he does not see the problem. “The way I understand it, the effect on the subsidy for the first 10 years would be no effect,” Lewis said. “After that, it could definitely reduce or wipe out the need for a subsidy.”

Davis said he expects the general fund to perform at least as well as it has this year for several years to come. The hockey team will help increase exposure, and that will attract better shows, he said.

Also, with money coming in from hockey games, the arena staff can be more selective about booking events, he said.

“The caliber of events will generate more money,” Davis predicted.