

**Funding Agreement and Lease Amending Agreement Sample Calculations**

NORMAL YEARS					
OPERATING REVENUES (example) "R"	OPERATING EXPENDITURES (example) "E"	CAPITAL REPLACEMENT RESERVE (set at \$100K) "C"	SURPLUS FUNDS (calculated) "SF" = R - E - C	OPERATING EXPENDITURE CONTRIBUTION <i>Paid by the City under funding agreement</i> (calculated) \$185K - SF	EXCESS SURPLUS FUNDS <i>Paid by the Kinsmen Club to capital reserve</i> (calculated) \$285K - SF
\$950,000	\$850,000	\$100,000	\$0	\$185,000	0
\$1,000,000	\$850,000	\$100,000	\$50,000	\$135,000	0
\$1,100,000	\$850,000	\$100,000	\$150,000	\$35,000	0
\$1,135,000	\$850,000	\$100,000	\$185,000	\$0	0
\$1,150,000	\$850,000	\$100,000	\$200,000	\$0	0
\$1,235,000	\$850,000	\$100,000	\$285,000	\$0	0
\$1,236,000	\$850,000	\$100,000	\$286,000	\$0	\$1,000
\$1,300,000	\$850,000	\$100,000	\$350,000	\$0	\$65,000
\$1,350,000	\$850,000	\$100,000	\$400,000	\$0	\$115,000

FUNDING AGREEMENT: The City's operating expenditure contribution to the Kinsmen Club would be reduced by the surplus funds for the year. The City's maximum contribution would be \$185,000. Administration confirms budget for this maximum.

LEASE AMENDING AGREEMENT: The Kinsmen Club's annual contribution to the capital reserve account would be increased by the excess surplus funds for the year. For example, the last row indicates a total contribution for that year of \$215,000 (\$100,000 Capital Replacement Reserve + \$115,000 Excess Surplus Funds).

## Attachment 4

MAJOR REPAIR YEARS (APPLIES IF OPERATING EXPENDITURES EXCEED OPERATING REVENUES BECAUSE OF THE MAJOR REPAIR)						
OPERATING REVENUES (example) "R"	OPERATING EXPENDITURES (example) "E"	OPERATING EXPENDITURES DEFICIENCY "D" = R - E		OPERATING EXPENDITURE CONTRIBUTION <i>Paid by the City under funding agreement</i> \$185K	CAPITAL REPLACEMENT RESERVE (set at \$100K) "C"	NET CHANGE IN VALUE OF CAPITAL RESERVE FUND = D + C Negative amounts are withdrawals. Positive amounts are deposits.
\$400,000	\$850,000	-\$450,000		\$185,000	\$100,000	-\$350,000
\$350,000	\$850,000	-\$500,000		\$185,000	\$100,000	-\$400,000
\$500,000	\$850,000	-\$350,000		\$185,000	\$100,000	-\$250,000
\$375,000	\$850,000	-\$475,000		\$185,000	\$100,000	-\$375,000
\$400,000	\$400,000	\$0		\$185,000	\$100,000	\$100,000
\$350,000	\$400,000	-\$50,000		\$185,000	\$100,000	\$50,000
\$375,000	\$400,000	-\$25,000		\$185,000	\$100,000	\$75,000

A major repair is substantive work that prevents the Kinsmen Club from being able to reasonably operate the Facility, thereby causing operating expenses to exceed operating revenues for the affected period. An example would be the renewal of the ice plant.

Per the proposed funding agreement, the City would likely make the full operating expenditure contribution in a major repair year.

Per the lease amending agreement, the capital reserve account would be accessed to cover Facility expenses where the shortfall exceeds \$100,000 (as that year's capital reserve account contribution would cover the first \$100,000 in deficit).

## **Attachment 4**

The remaining \$85,000 of the Operating Expense Contribution in a major repair year is retained by the Kinsmen Club, to cover their organization's arena management and oversight costs. If the deficit were less than the minimum annual capital reserve contribution of \$100,000, the Kinsmen Club would only contribute the difference to the capital reserve account for that year.