

Calculation of the City and Association's Share of the Revenue-Based Annual Payment

Upon receipt of the Revenue-Based Annual Payment from the Tenant, the Association shall verify the amount based on Tenant's supporting documentation as required by Section 5.6 of the Lease. The Association will then calculate any portion of the Revenue-Based Annual Payment to be retained by the Association based on the following formula:

The Association will be entitled to retain up to a maximum of 15% of the total Revenue Based Annual Payment in order to maintain, but not to exceed, a minimum fund balance equal to two years of operating expenses. Actual fund balance for the basis of this calculation will equal the total unrestricted cash balance as reported in the Association's previous fiscal year's annual Audit Report. Two years of operating expenses will be calculated as the sum of the Association's previous fiscal year's actual expenses as reported in the Association's Budget Reconciliation Report, plus the Association's current fiscal year's budgeted expenditures as reported in its current fiscal year's Adopted Budget.

To the extent the Association has a fund balance which exceeds two years of operating expenses (as described above), the Association will receive none of the Revenue-Based Annual Payment. If 15% of the Revenue-Based Annual Payment is insufficient to maintain the minimum fund balance, the Association shall be entitled to a portion of the Revenue-Based Annual Payment sufficient to fund 75% of the minimum fund balance as calculated above.

With the transmittal to the City of its portion of the Revenue-Based Annual Payment, the Association will provide the following: Tenant's documentation required by Section 5.6 of the Lease supporting the Revenue-Based Annual Payment amount; the Association's Audit Report for the most recently completed fiscal year; the Association's annual Budget Reconciliation Report for the most recently completed fiscal year; the Association's Adopted Budget for its current fiscal year; a summary of the minimum fund balance required; the amount of the Revenue-Based Annual Payment to be retained by the Association, if any; and the total amount of Revenue-Based Annual Payment to be delivered to the City.