I. Proposed Financial Model

A. Proposed Language for the Agreement

1. The following proposed Financial Model and language for the University of Idaho is to comply with Rev Procedure 2016-44. The Revenue Procedure provides safe harbor conditions under which a management contract does not result in private business use of property financed with governmental tax – exempt bond.

2. The Fiscal Year will commence on July 1 of each year, and end on June 30.

3. Definitions.

   (1) **Net Revenue** – Net Revenue equals the gross revenue of the Dining Services received by the Contractor from all services in all payment forms minus applicable local, state and federal sales taxes for the gross sales.

   (2) **Reasonable Compensation** – Reasonable Compensation is a dollar amount that will be paid to the Contractor for the services rendered without in whole or part being based on net profit or share of net profit. It is made up of administrative and general fees, payments charges, and all monies received by the Contractor. It is not inclusive of Net Revenues or related to the cost of products, labor direct or indirect costs expended to the operate the Dining Service operations. The Contractor will operate all services on an Excess on Operations basis, the University will not subsidize dining operations. All price modifications between the University and the Contractor will be approved according to the Agreement and Statement of Work.

   (3) **Fixed Compensation** – University represents and warrants that the Fixed Compensation paid to the Contractor is 80% of Reasonable Compensation.

   (4) **Variable Compensation** – University represents and warrants that the Variable Compensation is 20% of the Reasonable Compensation. The Variable Compensation is paid to the Contractor if it is earned, which is to be determined by mutually agreed upon performance criteria as defined in the Operations Manual.

4. Compensation for the Services as Defined in the Agreement (sample % of net revenues has been applied)

   (1) Reasonable Compensation – The Reasonable Compensation for the Dining Services at Idaho University is 5% of Net Revenues. If an Excess on Operations received or retained by the Contractor in any fiscal year occurs, the Contractor shall refund the amount of any such
excess to the University within 30 days of the end of such year.

(2) Fixed Compensation – The Fixed Compensation for the first fiscal year is 5% of Net Revenues.

(3) Variable Compensation – The Variable Compensation for the first fiscal year is 1% or 20% of the Fixed Compensation. It is understood by the parties that the Variable Compensation shall be based on mutually agreed upon performance guarantees outcomes.

(4) If there is an operational Deficit a complete audit and accounting will be conducted and all forms of Reasonable Compensation to the Operator will be tallied. If the Deficit is less than the Reasonable Income then no monies will be provided to the Operator. If the Deficit is greater than the Reasonable Income then the difference between the Reasonable Income and the Deficit will be paid to the Operator.

II. Variable Compensation Calculation

A. Introduction

1. The following is the calculation of the Variable Compensation which in the example above is one (1) percent of the Net Revenues.

2. Key Performance Indicators will be established annually between the Food Service Contractor and the University. Targets will set based on prior year actuals. The goal is to achieve continuous improvement to the Vandal Dining Program.

B. The Variable Compensation Calculation

1. The Variable Compensation will be made available in four Key Performance Indicators (KPI). Each of these will carry the equal amount of weight based on the variable management fee of one percent (1%) of Net Revenues.

2. The calculation for the Variable Compensation will begin July 1, 2021 and end June 30, 2020. The KPI will be mutually agreed upon by the University and Food Service Contractor in April of each contract year for the entire term of the Agreement.

3. The Food Service Contractor will accrue in the operating statement the portion of the Variable Compensation. The Food Service Contractor will retain the accrued amount if the KPI objectives are achieved. The Food Service Contractor shall provide a check for the unattained portion of the KPI as determined by the University and Food Service Contractor. The payment for the unattained KPI will be paid to the University within thirty (30) days of the final determination of the amount owed to the University.

C. Calculation Example
1. The following is an example for the calculation of the Variable KPI (Based on $8 M Net Revenue):

   (I) Example: If $80,000 (20% of the Reasonable Compensation) is the Variable Compensation and 50% of the KPI are achieved:

   (a) $40,000 will go to the University.

   (b) $40,000 will be retained by the Food Service Contractor.

To attain the Variable Compensation, the actual KPI scores must meet or exceed the target