

Themes (Generated using AI)

Lease Agreement

What do you notice or want to point out?

- **Financial Structure and Risk Allocation**

The lease includes nominal rent (\$1 per year) with shared operating costs, but places most long-term capital repair and infrastructure risk on the District, while the City covers most day-to-day operational expenses.

- **Governance, Ownership, and Control**

The District retains ownership of the land and building under a 30-year lease, maintains strong termination rights (with potential costs), and appoints one member to the Community Center advisory group. There is no automatic lease extension.

- **Operational Scope and Subleasing**

The lease allows subleasing to third parties, including non-educational entities such as medical providers. Board members noted this expands operational exposure beyond education and recreation and warrants awareness.

- **Long-Term Flexibility and Future Impact**

Members expressed concern that the agreement shifts long-term financial and infrastructure risk to the District and may limit future boards' flexibility for a facility that is not a core educational function.

- **Technical and Contractual Items for Attention**

Items noted include the lease structure through WEDA with assignment to the City, an apparent option for the City to purchase the structure, concerns with payout language to the lessee, clarification of the facility's name (Safari Island Community Center), and specific utility cost-sharing schedules.

- **Similar Districts or Situations**

Are there other school districts with similar arrangements or agreements?

What questions do you have for us to look into?

Financial Arrangements, Rent, and Cost Allocation

Members asked whether utility and operating cost shares reflect actual usage, how shared-space percentages were determined, and how actual costs have compared to estimates over time. Questions were also raised about the rent structure (or lack thereof), whether the City effectively prepaid rent through its initial capital contribution, and whether this approach should change going forward.

Capital Investment, Bonds, and Purchase Options

Board members sought clarification on whether the full \$3.75–\$3.8M capital contribution has been invoiced and paid, whether any City bonds remain outstanding, and whether there has been discussion about the City purchasing the building or how a lease termination scenario would work.

Risk, Liability, and Insurance

Questions focused on the District's financial exposure if the community center operates at a loss, the adequacy and escalation of insurance requirements, and whether current provisions appropriately protect the District.

Governance, Oversight, and Reporting

Members asked what operational, financial, and usage reporting the District receives, whether the advisory group still meets, and whether the District has sufficient input into vendor selection, major improvements, and overall cost control.

Operational Control and Scheduling

Questions were raised about who controls scheduling priority between school and community programs, how flexible the City and District have been in practice, and how adjustments to school hours or prior amendments to the agreement have been handled.

Subleasing and Scope of Use

Members asked whether subleasing to entities such as Ridgeview Medical Center is still desired and how such arrangements affect the District's exposure and alignment with core educational purposes.

Lease Term, Future Flexibility, and Facility Planning

Board members questioned whether another 30-year term is appropriate, whether the agreement constrains future facility planning or school expansion, and whether a modernized agreement could include stronger governance or cost-control protections.

Clarity and Interpretation of Lease Language

Several questions focused on clarifying definitions and formulas in the lease, including shared City space, operating cost calculations, meter expenses, payment methodologies, user fee provisions, and how specific sections of the agreement have been applied in practice.

Shared use agreement

What do you notice or want to point out?

Financial Terms and Revenue Flow

The agreement includes a highly detailed schedule with the District paying the City a fixed annual amount for pool operations (\$105,000 per year, escalating 1% annually for the first 20 years and flat thereafter). The City retains all revenue from community center memberships, classes, and entry fees, while the District retains revenue from swim meet admissions.

Access, Security, and Integrated Facility Use

Because the facility is fully integrated, community members regularly access the same structure as students. Board members noted the agreement does not clearly require separate or secured entrances, which may warrant further review.

Scheduling Priority and Conflict Resolution

The agreement lacks explicit language establishing school-first access to shared spaces (gyms, pool, etc.) and does not define a clear process for resolving scheduling conflicts. Members noted this could create friction between educational programming and fee-based community use.

Termination Provisions and District Obligations

The District may terminate the agreement without cause (effective June 30 with February 1 notice), but doing so triggers payment obligations that merit careful consideration.

Utilities, Meters, and Cost Accuracy

Board members questioned whether utility provisions reflect current conditions, noting that meters and usage may have changed due to construction and should be reviewed by District property managers.

Operational Roles and Responsibilities

The City operates and staffs the pool, including lifeguards, chemicals, and daily operations. Shared spaces identified in the agreement include gyms and the lap pool.

Governance and Parties to the Agreement

The inclusion of the Waconia Economic Development Authority (EDA) prompted questions about its role relative to the City of Waconia.

Technical and Clarifying Items

Members flagged the need for clarification of timing provisions (Section 18.2), likely related to differing fiscal years, and noted the non-discrimination provision limiting District resident fees to no more than 116.8% of City resident fees.

What questions do you have for us to look into?

Clarity of Definitions and Agreement Structure

Members questioned whether key terms and referenced agreements (including the community education agreement and EDA-related provisions) are clearly defined and still relevant, noting uncertainty about whether some entities or sections remain applicable.

Implementation vs. Contract Language

Several questions focused on whether the agreement is being followed as written, including scheduling of gyms and pool use, snow removal responsibilities, shared equipment use, fee practices, advisory group participation, annual reviews, and whether stated procedures align with day-to-day operations.

Financial Terms, Payments, and Cost Sharing

Board members asked for confirmation of the current annual pool payment amount after years of escalation, whether payments have been made consistently, how operating costs are calculated, and how the District's payments compare to the City's share. Questions also addressed rent calculations, proportional cost formulas, historical disputes, and inconsistencies between contract language and current financial information.

Revenue, Costs, and Long-Term Financial Balance

Members requested data on historical revenues generated by the Community Center compared to costs borne by each party, particularly related to pool operations, to better understand overall financial equity.

Facilities Condition and Capital Assets

Questions were raised about the current condition, remaining useful life, and maintenance responsibilities for major shared assets (e.g., HVAC and other building systems), and whether the City has requested or driven leasehold improvements over the term of the agreement.

Student Safety, Security, and Emergency Authority

Board members emphasized the need for clearer provisions in any updated agreement addressing student safety, including secured entrances, controlled access zones, background checks, surveillance and supervision standards, emergency lockdown authority, incident reporting, and after-hours access procedures.

Governance, Oversight, and Accountability

Members asked whether required advisory groups still exist, whether the District appoints representatives, who the designated employees are, and whether formal annual reviews are occurring as required by the agreement.

Lease Term and Future Flexibility

Questions centered on whether renewing the agreement for another 30-year term is appropriate, whether the City desires that length, and whether the current schedule and terms

continue to meet District needs—especially after facility changes such as the middle school and high school swap.

Insurance and Risk Management

Board members questioned whether insurance limits have been updated over time, how escalation provisions have been applied, and whether current coverage levels adequately reflect today's risk environment.

Raw Data

Lease Agreement

What do you notice or want to point out?

- Nominal rent of \$1 per year, shared costs per schedules
- District financed the original building and invoiced back the WEDA for costs
- Lease is actually with WEDA and sublet to the City
- Utility costs are shared per a very specific schedule
- District retains strong termination rights
- City bears most of the day-to-day operational costs
- It appears there's an option for the City to purchase the structure
- District carries most capital repair risk
- Subleasing to third parties (including medical providers). The lease allows subleasing to entities like Ridgeview Medical Center.
- This expands operational risk beyond education and recreation and deserves awareness.
- This agreement shifts long-term financial and infrastructure risk to the school district while limiting future boards' flexibility, despite the community center not being a core educational function.
- The District owns the entire building and land. 30-year lease with no automatic extension. Base rent is \$1/year, but city pays part of operating costs. District could terminate lease, but with costs. District appoints one member to the City's Community Center advisory group.
- 14. Name - It is now Safari Island Community Center
- 24.a.1 Assignment - I am guessing that this was triggered and the City now is assigned the lease.
- 28.b.1 - The payout to lessee should not exist in the new contract.

What questions do you have for us to look into?

- Do utility cost shares reflect actual use?
- Has there been any discussion on the City purchasing the building? What would this look like? Same on termination of lease - any discussion historically and what would that look like?
- Has the \$3.75M been fully invoiced and paid? Does the city still have any outstanding bonds on the facility?
- What reporting does the district receive about community center operations, financials, and usage?
- 3. Term - Do we want another 30-year term?
- 5. Rent - Is this how we calculate rent for the City? What happened when we changed the rest of the building to the High School and the Relating Building Costs?
- It is interesting that we effectively have not charged rent? I think... we really have just charged the city the operating cost of the their portion of the building. If I am reading this right.
- I think this is because they helped pay for the building (to the tune of \$3.8 million see 28.b.1)
- I believe that going forward this should change. As they basically paid their rent up front. This may be a difficult point as I don't know if the City has built that type of expense into the Safari Island budget.
- 22. Insurance - We should check the needed insurance rates. They had built in t increases that might not really be appropriate.
- 24.a.3 - Is it still desired to allow subletting to Ridgeview?
- What is the district's liability if the community center operates at a loss?
- Does the district have adequate input into vendor selection and scope for major improvements?
- Who controls scheduling priority between school programs and community programs?
- Does this agreement constrain future facility planning or school expansion?
- Are there better governance or cost-control protections we would want in a modern agreement?
- How was percentage of operating costs for shared space determined? What cost for shared space and related building operating costs?
- How have actual operating costs vs. estimates trended over time?
- Does advisory group still meet?
- How flexible have the city and district been regarding scheduling?
- Shared City Space – “as constitute a portion of the City Premises”
- Section 3.1 – License to District for Use of Shared City Space: What is considered City Space? What are the City Premises?
- Section 4.2 Adjustments to School Hours Paragraph d – The parties shall amend the agreement from time to time. What amendments have ever been made?
- Section 6 – Operating Costs
Section 6.1 Paragraph a - The meter expenses don't align with the Lease Agreement chart (in my untrained eyes)? [see chart in section 6.1]

Section 6.3 Paragraph b – What is the science for the Payment by District?

- Section 10 – User Fees Daily use fees (Monthly and Annual as well I assume?) “the City will not discriminate between residents of the City and constituents of the District” “with respect to all other fees, rates and other charges as may be charged by the City from time to time, the amount of such fees, rates and other charges as shall be payable by constituents of the District who are not also residents of the City shall at all times equal an amount not greater than one hundred sixteen and-eight-tenths percent (116.8%) of those counterpart fees, rates and other charges as shall then be payable by constituents of the City.” What are “all other fees”?

Shared use agreement

What do you notice or want to point out?

- The schedule is extremely detailed
- District pays the City a fixed annual amount for pool operations/management: \$105,000/year escalating 1% annually for the first 20 years, then flat thereafter
- City keeps all revenue from Community Center Memberships, classes, entry fees, etc
- District keeps any revenue from swim meet admissions
- District can terminate without cause (June 30 effective date, Feb 1 notice), triggering payment obligations
- Because this is a fully integrated building:
 - Community members have regular access to the same structure as students.
 - The lease does not clearly require separate secured entrances
- No clear scheduling priority language
- The agreement does not explicitly guarantee:
 - School-first access to gym, pool, or shared spaces
 - Defined conflict-resolution process if programs overlap
- This could create friction between educational programming and fee-based community use.
- I think all of the electric, gas, cold water, etc meters sections need to be reevaluated by district property managers as I believe we have new meters and usage due to construction.
- Not quite understanding the timing in Section 18.2. Can it be reviewed and explained? I think it is trying to deal with the different fiscal year models of the District and City.
- Includes Waconia Economic Development Authority (EDA). What is EDA vs. City of Waconia?
- Shared Spaces include Gyms and lap pool.
- City operates and staffs the pool (lifeguards, chemicals, daily operations).
- District pays the City: \$105,000/year for first 20 years. Increases 1% annually for 20 years.
- Non-discrimination rule: District residents cannot be charged more than 116.8% of City resident fees.

What questions do you have for us to look into?

- Section 19 - What is the community education agreement? I am not sure the Definitions at the beginning clarify...
- Has this schedule worked and is it still followed? For example, the current gym schedule appears different than what was agreed upon in the contract and the lap pool doesn't seem to be used frequently by the district during the school day
- What is the current annual pool payment amount (after 20+ years of 1% escalation), and has it been paid consistently?
- What are the actual historical revenues generated by the Community Center vs. the costs borne by each party (especially pool operations)?
- Have there been any formal amendments to the scheduling exhibits, cost shares, or other terms since 2000?
- Obviously HVAC was just upgraded this year, but what is the current condition and remaining useful life of major shared assets?
- Student Safety & Security: The updated agreement should clearly address:
 - Separate secured entrances and circulation paths during school hours
 - Controlled access zones between school and community spaces
 - Background checks for all community center staff and contractors
 - Surveillance, supervision, and monitoring standards
 - Lockdown authority — who controls building security in emergencies
 - Incident reporting and response protocols
 - After-hours access procedures
- Waconia Economic Development Authority “EDA”, does this exist anymore?
- Do we think this should be renewed for 30 years? Does the city want that length?
- Section 4.1 Are these times still alignment with practice?
- Section 6.2 - Is this how snow removal is managed in practice? Is the city doing it's own parking lot and sidewalks and the district doing its own?
- Section 8.4 - Do we share equipment with the City? How has this process worked? Do we feel this has been done fairly? And the sharing from the city as well?
- Section 10 - Does this actually happen in practice? Are all residents of the district treated the same as residents of Waconia?
- Section 13 - Does this advisory group exist? Does the district appoint a member?
- Section 20.1 - Is an annual review happening in practice?
- Section 20.2 - Who are the designated employees?
- Section 21 - Did this trigger? Does this matter now that EDA doesn't exist?
- What is current amount district pays city for operating costs? (\$128K?) How does this compare to city's share of operating costs? Overall, who ends up owing more?
- Does current schedule meet district needs?
- Were there any updates/amendments made when the middle school and high school Swapped?
- Section 5 – Rent. Base rent is \$1. Additional rent is the Lessee's Proportionate Share.
 - Paragraph b – How is the Annual Estimated Payment calculated? Have there been disputes?

- Paragraph d
 - 100% of the Operating Costs of the Premises
 - 34% of the Operating Costs of the Shared Space
 - 17% of the related Building Operating Costs
- How does this align with Pam's information? Operating Costs, City/WEDA pays:
 - 34% of Shared-Space Electricity
 - 17% of Related Building Operating Costs
 - Specific percentage of water and gas by meter
- Section 8 – Leasehold Improvements, Paragraph e – Was that a rainy day fund or did it reflect demands by the City at the time of construction? Has the City over the term of the contract ever requested improvements?
- Section 22 – Insurance Paragraph b – Have policy limits been updated over time? Although the agreement says “at least” 4 million which indicates a base. Paragraph f does address Escalation of Required Insurance Amounts

Other

- Assessment of Current Safari Island Revenue & Expenses. You can find the city's budget here
<https://www.waconiamn.gov/216/Annual-Budgets-Capital-Improvement-Plans>
- Search for Safari in the document and you can find the relevant information. It appears to me that the City of Waconia is subsidizing Safari Island to the tune of \$176,000 per year for 2025 & 2026 "4131 - Interfund Transfer In" in the Safari Island Revenues
- Shared Use Schedule for Gym & Pool. Does this schedule still work for High School vs. Middle School Usage?
- They rent X-country ski equipment?