

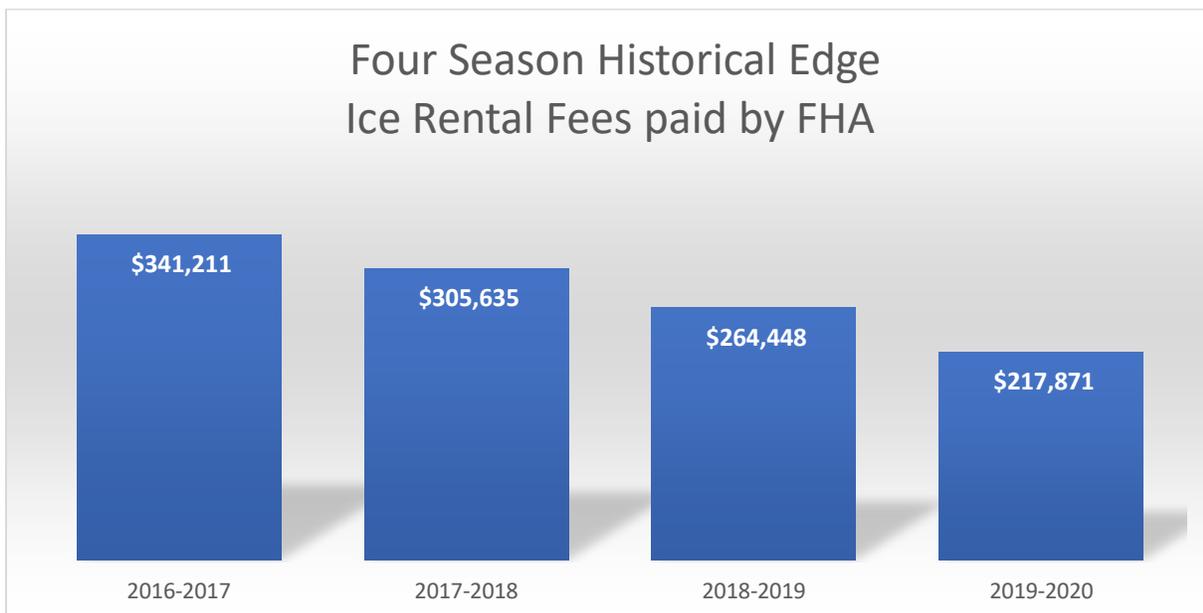
May 24, 2020

Dear Resident of the Foothills Park and Recreation District (FHPRD) and/or interested hockey party,

As FHPRD Treasurer on the Board of Directors, I've taken time to review the FHPRD revenues from Foothills Hockey Association (FHA) ice rental fees paid to the Edge Ice Arena over the last 8.25 years, and compare them to FHA's numbers and Edge's ice time allocations and usage. I've cross checked the Edge's data for accuracy and also compared spreadsheets and documents between the Edge and FHA for consistency.

The analysis I am presenting begins in August 2016, when the ice rental fee rate per hour was increased from \$230 to \$235 for the 2016-2017 season to the most recent 2019-2020 season (through March 2020). The new ice rental fee at the Edge for the upcoming 2020-2021 season will be \$280 per hour, starting June 1, 2020.

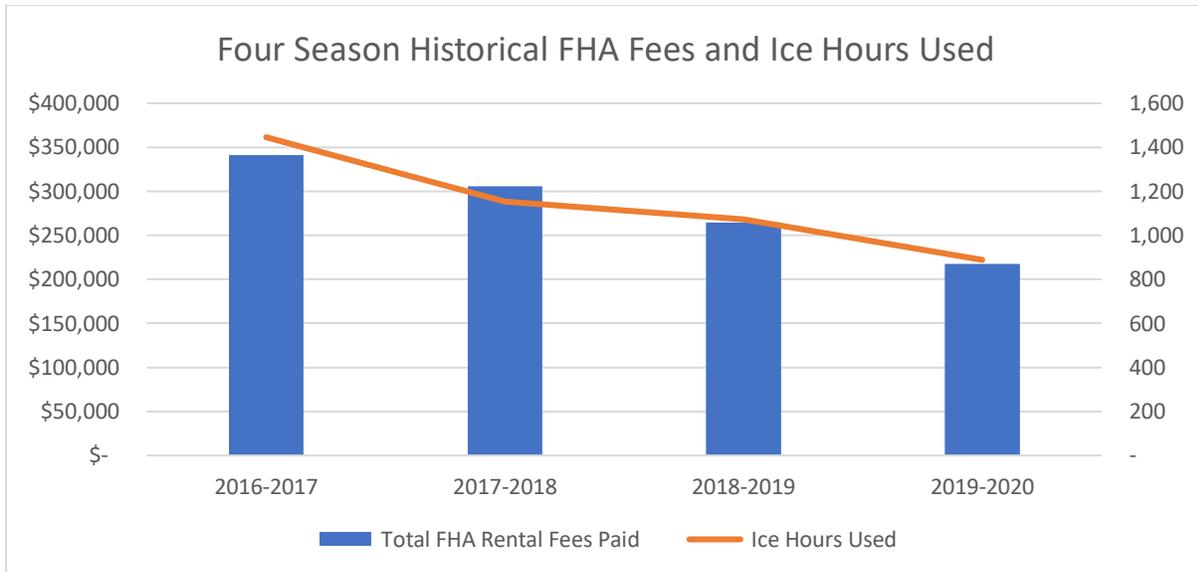
I've calculated total historical ice rental fees per season invoiced to and paid by FHA:



Over the four seasons, there was a reduction in rental fees collected of \$123,340 per season, or a 36.1% total decrease from 2016-2017 to the current 2019-2020 season.

Regarding the "ice hours used" table the District has published in the Frequently Asked Questions, those numbers include only game and practice ice hours used, and excludes tournament ice. While I realize there's a difference between the three groups; 1. ice hour allocation, 2. ice hours used, 3. tournament ice, I believe the "ice hours used" should include tournament ice, since it is included in total revenue from the Edge and affects the District's bottom line of operational revenues.

My analysis of total ice hours used per season, including tournament ice, compared to the rental fee revenue, per Edge documents (2016-2017 to current):



The historical 38.5% reduction in ice hours used by FHA is in alignment with the same trend as the reduction in ice rental fees paid by FHA. FHA averaged 1,140 ice hours used over these four seasons.

During the negotiation period in March and April 2020, the FHPRD Board gave each hockey association an opportunity to independently submit a best-case ice utilization scenario (I'll refer to these as "Wishlists" below), given their associations' needs for ice time now or plans for the future season(s).

FHA Wishlist:

As FHPRD staff considered the LHA agreement in February and early March 2020, they believed, based on their interactions with FHA, that FHA expected to use a similar number of hours for the upcoming season as they did in 2019-2020. After the Edge agreement was reached with LHA, on April 28, 2020, FHA President Don Codner emailed me a spreadsheet for their 2020-2021 season plans (pre-COVID-19) of increasing to 13 teams in the CCYHL (up from 9), 3 teams in the CRHL (rec league, up from zero) and introduction of a Junior level team and additional high school age teams. Their Wishlist totaled 1,961 hours scheduled for each season (based on a recurring weekly schedule). 1,961 hours maximum requested at new rental fee rate of \$280/hour = \$549,080 / season (a 95% increase from the four-season average, and 152% increase from the 2019-2020 season)

FHA Revised Ice Time Projections (current):

On April 25th, 2020, FHPRD Chair Lori Bosanko and I had a Zoom call with Don Codner and FHA Hockey Director Gabe Gauthier. I asked Don what he thought FHA would need to stay viable and need for 2020-2021, based on the impact of COVID-19, and his updated projections for the upcoming season. He told me somewhere in range of 1,000-1,200, but Don verbally agreed with me at a revised number closer to 1,050 hours. 1,050 hours at the new rate of \$280/hour = \$294,000 / season (a 4% increase from the four-season average, and 35% increase from 2019-2020 season)

Littleton Hockey Association (LHA) Original agreement with FHPRD:

On March 5th, 2020, an agreement between LHA and FHPRD was executed which guaranteed 1,950 ice hours annually with a ten-year guarantee, at the new rental fee rate of \$280 per hour. According to LHA,

in the calendar year of 2019, LHA paid \$507,050 for 1,854 ice hours at South Suburban Parks and Recreation District (SSPRD) ice facilities, for an average of \$273 per hour. Original agreement of 1,950 hours at \$280/hour = \$546,000 / season (an 8% increase from year 2019 ice usage at SSPRD)

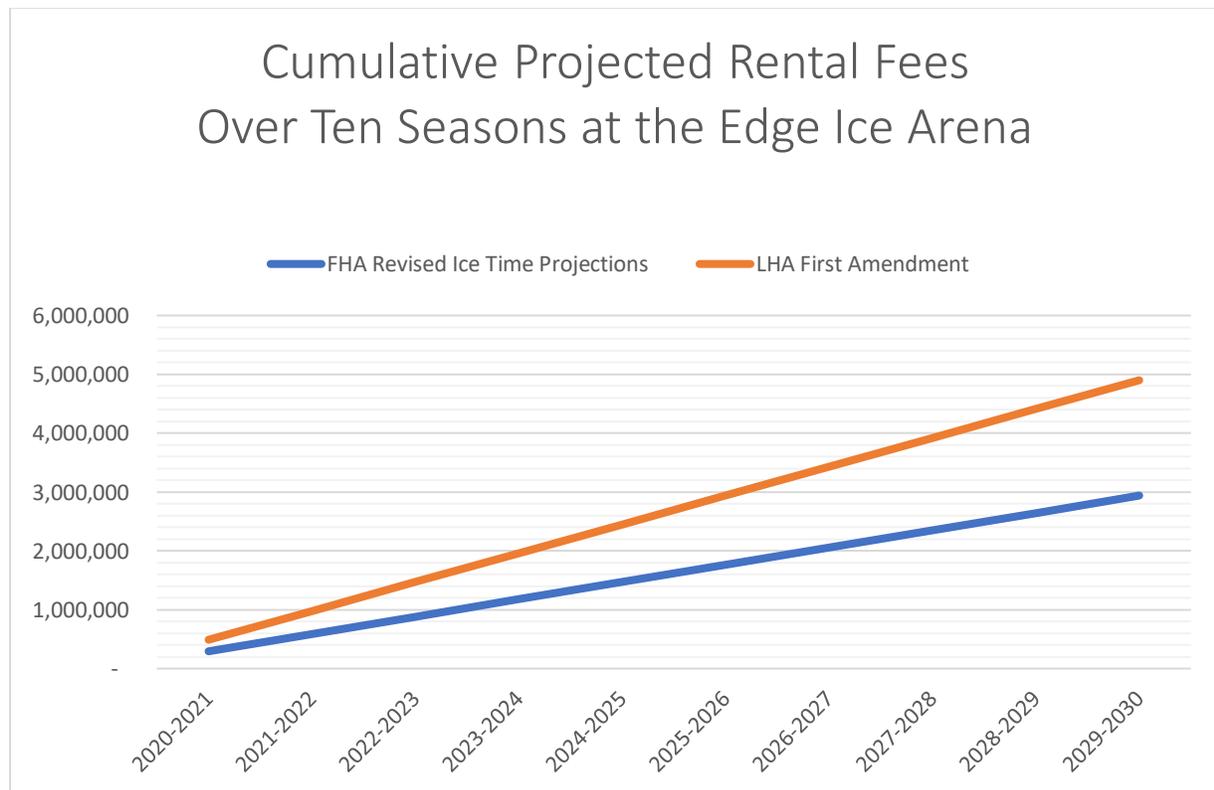
LHA Wishlist:

On April 16th, FHPRD Chair Bosanko and I participated in a Zoom call with LHA leadership, including Hockey Director Brian TenEyck. Brian stated that even with 1,950 minimum hours at the Edge, LHA was still short 7 hours a week in their projected schedule for the upcoming season. 7 hours/week over a 24 week season = 168 additional hours, added to the 1,950 minimum hours in the Original Agreement = 2,118 maximum hours that FHA could utilize at the Edge, per LHA's verbal request. Their Wishlist of 2,118 hours maximum at \$280/hour = \$593,040 (a 17% increase from year 2019 ice usage at SSPRD)

LHA First Amendment (current)

On April 23rd, after weeks of discussions, LHA agreed to reduce their contracted guaranteed hours from 1,950 to 1,750 for the purpose of providing ice time to FHA. In this "First Amendment," FHPRD and LHA agreed that LHA would have the first right of refusal for the first 200 additional ice hours (if they become available to ice hockey associations). 1,750 hours guaranteed at \$280/hour = \$490,000 (a 3% decrease from year 2019 ice usage at SSPRD)

The current scenarios of "FHA's Revised Ice Time Projections" and the "LHA's First Amendment" demonstrate a difference of \$196,000 in ice rental fees each season. Extending that net difference over 10 seasons equals a gain of \$1.96 million to the District with LHA's First Amendment, based on ice time rental fee revenue alone.



Since the First Amendment has been executed with LHA for 1,750 hours for each future season, the simple option of allocating the remaining ice hours at the Edge to fulfill FHA's complete needs is not possible. This is due to the fact there are other outside user groups and District programming. Unfortunately, ice hours at the most desirable times in the day is a limited resource.

In a March 2020 email, FHPRD asked FHA President Don Codner several questions, including "How many ice hours does FHA need to remain a viable organization?", and "What percentage of the minimum ice hours would need to be at the Edge to create a perception the Edge was still 'home' to FHA?" His answers were a minimum of 1,000 hours for the Flyers (and up to 1,000 additional hours for Junior hockey and high school level team(s)), and FHA needed 40% of their total ice time to be at the Edge.

To arrive at a target goal of ice hours needed for FHA to still feel "at home" at the Edge, I calculated a 40% average of three categories: 1. The minimum ice hours to remain viable (1,000), 2. FHA Revised Ice Time Projections (1,050) and 3. Ice Hours Used by FHA in the current 2019-2020 hockey season, per Edge documents (888.5). The 40% average of these 3 categories is 392 hours of ice time.

The Edge staff identified another 150 hours that could be designated for FHA use during the hockey season, and combined with the 200 hours that LHA gave back, this totaled 350 hours. FHPRD offered those 350 hours to FHA leadership on Saturday, April 25th to be used towards league games and practices. This represents about 53% of the ice hours used by FHA for the same activities this past season. Our deadline for FHA to accept our proposal is 12:00 pm Noon on Tuesday, May 26th, 2020.

FINANCIAL SUMMARY AND OPINION

I believe the historical 37.3% average decrease in both ice hours used and related ice rental fee revenue paid by FHA is a major concern for the District. Due to the Edge Ice Arena and the Golf Courses being the revenue and profit leaders of the District to offset the burden of parks and pools, I believe it's best to maximize those areas of greatest revenue and profit. From a business standpoint and revenue decision alone, I believe the decision was wise and correct to make the switch to LHA, with the potential to earn at least \$1.96 million more over the next decade compared to FHA's current ice time projections.

The Board has been asked why FHA wasn't given the opportunity to bring a counter proposal to FHPRD. It's a legitimate argument and valid point. However, when the aforementioned "Wishlists" submitted independently by each hockey association are analyzed, LHA's maximum proposal beats FHA's maximum proposal by \$43,960/season, or \$440k over 10 seasons. In comparing the two hockey associations' plans for future ice hour usage, I believe there is less risk or liability to the District in selecting LHA as a tenant which has a reasonable 8-17% increase, compared to FHA's dramatic 35-152% increase (all the while FHA's recent trend is in decline). Much of the FHA's Wishlist hinges on the ice hour needs of a Junior level hockey team, which currently does not exist.

I conclude the risk vs. reward in moving forward with the LHA First Amendment is a prudent financial decision, based on the data available of FHA's historical decline of ice usage at the Edge, proposals for the 2020-2021 season and beyond, recent constriction of FHA membership, comparable numbers of players between FHA and LHA that are residents living "in" the Foothills Park and Recreation District boundaries, LHA's advantage in longevity, number of teams and players in competitive and recreational leagues, more opportunities for District residents to play hockey at different skill and age levels with LHA, meanwhile weighing the possible negative impacts of COVID-19 on youth hockey participation.

COMMUNITY IMPACT SUMMARY AND OPINION

I sincerely regret and I'm personally sorry for the way FHA wasn't made aware of LHA's offer until it was too late in the game. This was our critical mistake and oversight, and I accept responsibility for not inquiring more into the complexities of youth hockey associations during our February meeting. I do feel as though FHPRD and Edge staff disrespected FHA in not giving them a fair shot to counter LHA's offer, since FHA was the original tenant of the Edge since its grand opening in 2003 and the Edge is their only "home ice." Again, I apologize for underestimating the passion and spirit of the Foothills family.

However, all of this is 20/20 hindsight and acutely ironic, as we all wish we could go back and change the past, and handle the situation differently. Nevertheless, we must now move forward and repair the relationships that were damaged in order to have a peaceful and amicable working relationship with FHA in the future. I fully acknowledge this situation uproots a youth hockey association and changes the normal routine and schedules for hockey families. However, I believe compromise, forgiveness and understanding are valuable life lessons to experience and witness when mistakes are made, recognized and rectifying solutions are explored and proposed.

Even though my goal of 392 ice hours was not reached by Edge staff, it is my opinion the 350 hours that FHPRD has offered to FHA is a fair proposal, considering we could've not listened to the Flyers families' requests at the March Board meeting. That close-minded attitude would've allowed the Original LHA agreement to proceed and take effect at the end of this month (May 2020), and the Flyers would have zero ice hours and no presence at the Edge in the foreseeable future. Instead, and immediately following the Board meeting, the FHPRD Board directed the Executive Director Ron Hopp and Edge Staff to work together, explore possibilities and find a solution to the problem the District created.

During this process of investigating and researching, I am thankful LHA listened to our request and agreed to adjust and willingly reduce their utilization at the Edge by 200 ice hours. I have also learned there are ice rinks in the area which do have availability to fulfill the remaining ice hour needs of FHA. I am hopeful that FHPRD and the Foothills Flyers can still come to an agreement, which allows them to cohabitate with the Littleton Hawks at the Edge, and survive as an organization for many years to come. I truly believe this compromise would be the best-case resolution for the greater good of youth hockey in the south Denver metro, and more importantly, get the kids back to playing hockey as soon as possible.

Respectfully submitted,

Tim W. James

Treasurer, Board of Directors, Ward 3

Foothills Park and Recreation District

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