

# RECREATION CENTERS OF SUN CITY, INC.

## MINUTES OF THE REGULAR BOARD MEETING

Thursday, April 24, 2008

**PRESENT:** Jon Braemer, **Vice President**; Warren Hoffmann, **Secretary**; Shirley Humphrey, Sue Painter, Don Schordje and Gene Westemeier, **Directors**.

**ABSENT:** Denny Nichols, **President**; Bill Johnson, **Treasurer**; Craig Brown, **Director**

**ALSO PRESENT:** Jan Ek, **General Manager**; John Snyder, **Director of Golf & Grounds**; Marion Krell, **Human Resources Director**; Chris Herring, **IT Director**; Bill Collier, **Director of Finance**; Deanna Szentmiklosi, **Executive Assistant to GM**; Linda Menna, **Executive Assistant to AGM**; Lindsay Frost, **Communications**; Helen Thiel, **Executive Coordinator** and 141 RCSC members.

Vice President Braemer convened the meeting at 9:00 a.m.

**Board Quorum:** Secretary Hoffmann verified a Board Quorum was present.

**Approval of Minutes:** The minutes of the Regular Board Meeting of March 27, 2008 were approved as amended.

**Golf Volunteer of 2007:** Certificates of Appreciation were handed out to 11 golfers whose volunteer service to their golf courses made a difference. Receiving certificates from Jon Braemer and John Snyder were Joyce Crist, North Golf Course; Carl Creekmore and Fran Michael, Quail Run Golf Course; Karen Scheuerman and Tom Laak, South Golf Course; Shirley Weekly and Gene Hales, Lakes East Golf Course; Mary Stuckenschneider and Larry Williams, Riverview Golf Course; Beverly Davis and Gene Westemeier, Willowcreek Golf Course.

### **MANAGEMENT REPORTS:**

#### **JAN EK, General Manager:**

I will be presenting my quarterly financial review to the Board of Directors and the Budget & Finance Committee in the very near future. We remain well within our budget constraints and continue to be diligent in our efforts to operate efficiently and effectively.

Since the collapse of the Sundial roof and the process we have gone through with our insurance coverage, we are looking at other options related to insurance coverage that should be considered. To that end, I have arranged for a presentation to the Insurance Committee on May 13<sup>th</sup> by Hays Companies of Arizona, a broker who would solely represent us and not the insurance carriers. Additionally, the current insurance agent will also be making a presentation in May to the Insurance Committee and the information from the presentations will allow the Committee to make recommendations to the Board of Directors about our upcoming renewal on June 30<sup>th</sup>.

You may notice a different layout in the May SunViews. This is because we are beginning to scale back for the summer months. Since we have less information to print in the SunViews during this time of year, it makes sense that we reduce the size of the paper, thereby reducing our costs for publication. Therefore, we have reduced the size by four pages in May and will reduce it another four pages for June, July & August. In September, we will increase it by four pages and in October we will be back to our full 28 pages the following May.

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Talking about the SunViews leads me to a disappointing announcement that we will be losing our Communications Coordinator, Lindsay Frost, who has been responsible for our SunViews for almost three years now. She will be moving to Charlotte, NC where her fiancé, Sam, will complete his medical residency. While we are sorry to see her go, we wish her and Sam the very best in all their future endeavors.

John Snyder, Director of Golf and Grounds, has moved his office from Riverview Golf Course to the Corporate Offices at Lakeview recently. We expect the move to allow for more efficient and easier communication within the Management Team and with the Board of Directors.

I announced at last month's meeting that we have a presentation available for groups and organizations on Sundial, Fairway and/or in general on the Recreation Centers of Sun City. In the last month, we have had the chance to make a few of the presentations. They have been well received and we have had excellent feedback from those attending. If you know of any group or organization that might be interested, they can contact me by calling Lakeview, or by e-mailing me with their request.

On a personal note, my beloved mother made her transition on April 15<sup>th</sup>. She was 92 years old and lived a full and rich life. My first visit to Sun City was in 1972 with her and my father who were visiting my Great Aunt & Uncle and I have very fond memories of that visit. I want to thank everyone for their condolences and kind words during this time and appreciate the ability to take the time off to participate in all the services.

Finally, please remember to sign up for my email list by emailing me at [jek@sunaz.com](mailto:jek@sunaz.com) and please be sure to let me know if you change your e-mail so we can keep the list current.

### **CHRIS HERRING, DIRECTOR OF INFORMATION TECHNOLOGY:**

We have been experiencing problems the past several weeks with our credit card authorizations. We feel we have resolved the problem that has been negatively impacting cardholders and golf pro shop staff. Another less frequent but continuing problem will require a change in how credit card authorizations are processed and we are currently working with each of our application vendors and our credit card processor to make the changes necessary.

During the past 4-6 weeks we have seen an increased number of times our interoffice networking has had service interruptions. Factors outside of our control such as high winds and spring time foliage growth can cause interference to the signal transmission. We have begun to investigate alternative connection methods to determine what the costs are for a solution that is not impacted by these external environmental factors.

Environmental issues similar to those that impact our interoffice communications along with a hardware problem caused an outage to our Internet connection recently. The antenna was replaced and realigned which restored Internet connectivity. We can count on one hand the number of times in this past year this connection has gone down but we be relooking at this connection to make sure it is still the best solution for us.

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Our rollout of the new anti-virus product is now 90% complete with servers being the last systems to be completed. The IT department has taken on the customization support for Mojoes. Billable changes to modify the menus at the Mojoes Cafes were completed this month.

We have continued to work on the server for the upgraded centers check-in application. The server was built and configured but other problem issues have delayed more work on the server. With some of these other issues behind us we will continue with the testing of the upgraded application before scheduling the live rollout to the centers.

IT is assisting with evaluating changes in how we communicate via e-mail to our cardholders. We are currently looking at a solution that will make the signing up for e-mail lists much easier for everyone all around. We hope to start using this new system in the coming months.

### **MARION KRELL, Director of Human Resources:**

Recently we held our first quarterly 401(k) enrollment meeting for 2008. Eight new participants joined the plan bringing total participation to 161 individuals. The plan value is currently \$1,385,314. Participants have allocated contributions to 62 funds with the favored funds being Van Eck WW Hard Assets at 12.04% of account value and Dreyfus S&P 500 at 10.77% of account value. In August we will conduct our annual Fiduciary Compliance Review of the Plan's funds performance.

State Compensation Fund (SCF), our Workers' Compensation carrier, was able to obtain a subrogation recovery from a third party responsible for an RCSC employee's industrial accident. Date of injury was May 2006 and involved an auto accident. Total lien-able benefits paid on this claim to date are \$3,633 and SCF has received \$3,285 from the settlement. RCSC will receive a credit in that amount to be applied to the claim. This will decrease our losses for that year and affect subsequent years.

In December 2007, the Terrorism Risk Insurance Program Reauthorization Act was signed into law. The Act requires insurers to cover policy holders' losses for industrial accidents caused from terrorist acts, earthquakes and other catastrophic industrial accidents. In January, 2008, the National Council on Compensation Insurance filed for separate premium charges separating domestic terrorism from foreign terrorism. This change now replaces the previous TRIA premium and will result in a small decrease of approximately \$1137 for 2008.

The RCSC Holidays policy was recently changed. Changes resulted in the need to revise the Overtime policy. Both policies have been revised, have been implemented and distributed.

### **JIM WELLMAN, Assistant General Manager:**

Report was read by GM Ek as Mr. Wellman was in a training class.

~ The Sundial pool & clubroom project continues to progress. Currently preparations are being made to set the mechanical (Heating & Cooling) equipment onto the lower roof platforms. The interior upper walls of the pool area are now completely insulated and covered with plywood in preparation for stucco finish. Floor tile installation is now completed in the locker room areas and the fire alarm wiring is currently being installed so the contractor can close up open walls and/or ceilings in the clubrooms

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along Boswell Blvd, the fitness room and the upper hallway area. It is exciting to see the center begin to come alive again!

~The Fairway project continues to move forward hitting another milestone just this week. The corrections to our building plans, as required by Maricopa County Planning and Development Department, are completed and as of April 21, 2008 are back into the County for the building permit. The RCSC is hopeful that the County will approve the Fairway building plans in about 4 weeks and not require additional corrections. In the meantime RCSC management and the Board of Directors continue to make preparations for the commencement of this project.

~ On Tuesday April 8, 2008 a Listening Post meeting was held at the Fairway Center, Arizona Room. Three (3) cardholders came to the meeting to discuss a variety of topics including the Fairway and Sundial construction projects. The next Listening Post meeting will be held Tuesday May 13, 2008 at 6:30 PM in the Lakeview Boardroom.

### **JOHN SNYDER, DIRECTOR OF GOLF AND GROUNDS:**

1. The RCSC golf courses have entered into the transition period where the overseeded winter ryegrass is dying and the summer bermudagrass is beginning to grow. Golfers can see many dry or browning areas in the golf course fairways. Although this is unsightly it is not a bad process to have begun. The quicker the winter ryegrass dies and stops competing for water, light and nutrients the quicker the bermudagrass can recover and fill-in. The Riverview & Willowcreek Golf Courses have completed vertical mowing of fairways this week. Vertical mowing helps encourage the growth of the bermudagrass and helps to remove the dying and matted ryegrass. The North golf course will begin vertical mowing on Monday and move the machinery around to each of the other courses until the process is completed.

The golf courses will also be applying a fertilizer application on all turf areas. This is also to encourage the growth of the bermudagrass. The fertilizer is a plastic coated urea designed to provide a slow release of fertilizer to the turf over the next 8 to 12 weeks.

2. The Willowbrook groundwater well is currently down for repairs. The pump will be receiving a new bowl assembly, up to 16 sections of column pipe need to be replaced and other miscellaneous parts. The costs for repairs to the well are estimated at \$55,000.

3. The 103<sup>rd</sup> Ave groundwater well is down for repairs. The well provides water to the Dawn and Viewpoint Lakes. APS had a fuse go bad and caused the motor on the well to burn up. The motor fire also warped the shaft that turns the pump. The repairs should be completed with-in a couple of days. In the meantime the water level of both lakes is well below the normal level of the lakes. We will be submitting a claim to APS for the repairs to the motor and shaft.

4. The golf courses will begin aerification of the greens in May. Aerification is performed to relieve compaction, remove organic matter and remove thatch. Each of the golf courses will be closed for one day during aerification. Golfers can check the closed dates in the SunViews or on the [www.sunaz.com](http://www.sunaz.com) web site.

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5. The fairway aerification in June is performed to relieve compaction, improve infiltration of water into the soil and move salts that damage the turf below the root zone. A build-up of salts in the root zone of the turf would cause the golf courses to apply extra irrigation water to off-set the effects of the salt. This extra water is not available to our golf courses. Even with rising costs, the contractor performing the work will be holding his price from last year. The total cost of fairway aerification is \$28,900.
6. Beginning May 3 there will be several golf groups from outside Sun City using our golf courses in the summer months. In 2007 these outside golf groups generated \$25,000 in revenue. The dates and times of these golf groups are listed on the golf calendar at [www.sunaz.com](http://www.sunaz.com). The majority of the outings are on Saturday mornings and Monday afternoons.
7. Total golf rounds played for the first quarter of 2008 were 922 golf rounds below 2007 and 14,500 golf rounds below the budget. The primary reason for being below budget was the poor weather experienced in the month of January. There has been a large decrease in 9 hole golf rounds this year. The 9 hole golf rounds have decrease by 15% compared to the first quarter of 2007. The outside play program for the first quarter of 2008 has generated \$89,379 in green fees. The outside golf rounds played totaled 3% of total golf rounds. This exceeds the 2% that was budgeted.
8. As a reminder to all golfers, starting tee times will change to 6:30 a.m. on May 5, 2008.

### **BILL COLLIER, Director of Finance:**

On the March 31st Balance Sheet, the cash and investments balance this year compared to last year is lower due to the construction costs for Sundial. A separate line for Cash - Invested Funds Reserved is now shown on the Balance Sheet this year to reflect the cash reserve amount as indicated by Board Policy #13. Cash in the Preservation/Improvement fund is up \$2.0 mil from the prior year to date (YTD). Below the fixed assets section of the Balance Sheet, the Work in Progress amount for 2008 is up \$3.190 mil from last year due to the number and size of the projects currently under way.

Under the Liabilities section of the Balance Sheet, our accounts payable for the current year remains at a higher than normal level due to the posting of expenses incurred for the Sundial project and other work in progress. A new line item was also set up in the Other Liabilities section for the golf cart lease for the new golf carts at South.

The Statement of Income and Expenses for March 31, 2008 shows our total operating income at \$4.762mil YTD, which is \$4k below our budget for the first quarter of 2008. Total operating expenses of \$3.069mil for the YTD are \$338k below the YTD budget because of savings salaries & wages, repairs and maintenance, utilities and general operating expenses. We are continuing the trend from last year of having a reduction in operating expenses greater than our reduction in income generated. This has left us with a Net Operating Excess \$342k better than budgeted YTD.

Home sales and thus Capital Preservation Fees, are below budget again in March. Home sales in Sun City are at a much lower rate than in past years, and have decreased again this month from the budget and the prior year.

During the month of March the accounting department and cardholder services department had employee turnover so we spent time interviewing, hiring, training and cross training new and existing

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staff as job assignments were shifted around. Our new Cardholder Services Supervisor jumped right into her new tasks and started training her new staff as quickly as possible.

Worksheets, documents and confirmations for the new audit firm were sent to the auditors in preparation for the onsite audit April 21st. We continued completing annual reports for various government agencies and getting information ready for others that are due in the next few months, including our tax returns. Our property valuations were received from the state and are being reviewed at this time.

### **RANDY JOHNSON, Bowling Manager:**

Year-to-date bowling has \$65K net income before depreciation which is a \$21K positive variance when compared to budget and a <\$7K> negative variance when compared to the same period in 2007.

Member open lineage is down 11% and Member league lineage is down 3% when compared to the same period in 2007 but Guest open lineage is up 21% and Guest league lineage is up 18% when compared to 2007.

We have begun to hold monthly tournaments at Bell Lanes. The first tournament was held in March 2008 and there were 72 entries, on April 20, 2008 there was another tournament and there were 68 entries. All of the comments from the participants were positive, several bowlers signed up for the May 25, 2008 tournament before the April tournament was completed.

Mechanics at both centers will be attending a lane conditioning seminar held by Kegel Corporation on April, 24, 2008. The seminar includes training on lane conditioning, lane maintenance and lane machine maintenance.

Recently we made some major improvements to the Bowling portion of the RCSC web site. We have added upcoming tournaments, tournament results, league standings, upcoming leagues and an honor roll which includes all of the 300 games bowled at both centers. Everyone can visit the site by going to [www.sunaz.com](http://www.sunaz.com) and click on the amenities tab.

### **DIRECTORS REPORTS:**

*Long Range Planning:* Director Westemeier reported that a very informative meeting was held on Thursday, April 10<sup>th</sup> and many topics were discussed. Date for the next meeting has not been set yet.

*Visitor's Center:* Director Humphrey stated that the Visitor's Center is working hard on activities for Sun City's 50<sup>th</sup> anniversary.

She reported that the Arizona Senate and the House of Representatives overwhelmingly passed legislation aimed at helping consumers curb identity theft. SB 1185, proposes to make credit freezes more practical and affordable for Arizona's consumers.

*Legal Affairs:* The committee met to review number of Board Policies which are being presented for amendment, Secretary Hoffmann reported.

*Fire Flow:* Secretary Hoffmann urged RCSC members to attend the fire flow hearing at the Arizona Corporation Commission to voice their opposition to the discretionary spending proposed by Arizona American Water Company. He stated that Sun City's water flow meets the requirements and there is

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no need for additional fire hydrants. He pointed out that Sun City residents would be paying the majority of the cost for fire hydrants in Youngtown.

*Bids:* Director Schordje reported that no new bids were approved during the month.

*Bowling:* Cardholders were invited to attend the Bowling Committee meeting on Thursday, May 1<sup>st</sup> at 9:00 in the Board room at Lakeview Center.

*Golf:* Vice President Braemer invited members to the golf meeting on Thursday, May 21 at 8:30 a.m. He stated that the committee is still looking for a volunteer secretary.

### **MOTIONS:**

**#1 – BOARD POLICY #1 - Conflict of Interest:** The motion was tabled. Comments were heard from Jeannette Dickson.

**#2- BOARD POLICY #2 - Board of Directors, Management & Committees:** The Directors approved an amended motion, which replaces previous Board Policy #2 titled Duties & Responsibilities of Directors, Management & Committees. Director Painter made the motion, which was seconded by Secretary Hoffmann. Comments and suggestions were made by Ken Fold, Norm Dickson and Karen Scheurman

**#3 – BOARD POLICY #3 – Corporate Records:** The motion was tabled on a motion by Director Painter, seconded by Director Westemeier. Members commenting on the motion were Jerry Swintek, Orville Miller and Norm Dickson.

**#4 – BOARD POLICY #4– Board Meetings & Member Exchanges:** An amended motion was unanimously approved. It replaces previous Board Policy #4 titled Presidential Authority & Responsibility. The motion was presented by Director Humphrey and seconded by Secretary Hoffmann. Norm Dickson addressed the proposed changes.

**#5 – BOARD POLICY #6 – Corporate Privacy Policy:** An amended motion was unanimously approved by the Directors. It was presented by Director Schordje and seconded by Secretary Hoffmann. It replaces previous Board Policy No. 6 titled New Membership List. Comments on the motion were made by Norm Dickson.

**#6 – BOARD POLICY #8 – Privilege Cardholders:** The Directors unanimously approved an amended motion, which replaces previous Board Policy #8 titled Renters Privileges. Director Westemeier made the motion, which was seconded by Secretary Hoffmann.

**#7 – BOARD POLICY #9 – Cardholder Guests & Host Punch Cards:** An amended motion, presented by Director Painter and seconded by Director Westemeier, was unanimously approved. It replaces previous Board Policy #9 titled Cardholder Guest Policy. Orville Miller, Isaac Hershey and Norm Dickson commented on the proposed amendment.

**#8 – BOARD POLICY #21 – Membership Documentation Requirements:** The Directors approved an amendment and the amended motion. Secretary Hoffmann made the motion, which was seconded by Director Humphrey. This motion replaces previous Board Policy #21 titled Facilities Agreement Membership requirements. Norm Dickson reviewed several parts of the policy and presented suggested amendments.

**#9 – BOARD POLICY #22 – Refunds:** Unanimous approval was given to the motion, which was made by Director Schordje and seconded by Director Westemeier. It replaces previous Board Policy #22 also titled Refunds. Ken Fold asked a question before the Directors voted on the amendment.



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**#10 – BOARD POLICY #24 – Preservation & Improvement Fee/Fund:** The amended motion was unanimously approved. It was made by Secretary Hoffmann and seconded by Director Painter. This replaces previous Board Policy #24 titled Capital Preservation/Improvement Fee. Suggestions regarding proposed amendments were given by Norm Dickson before the vote was taken, some of which were incorporated into the amendment.

**#11 – Board Policy #28 – Annual Property Assessments, Fees & Collections:** Unanimous approval was given to the motion, which was presented by Director Humphrey and seconded by Director Painter. This motion replaces previous Board Policy #28 titled Annual Membership Assessments.

**#12 – Fees:** The Board unanimously approved changes to the following fees on a motion by Director Westemeier, seconded by Secretary Hoffmann. Effective immediately the following fees will apply: Refund processing fee - \$25.00, Late fee - \$10.00, Lien filing fee - \$60.00 and Lien release fee - \$60.00.

**#13 – Increasing Health Care annual maximum:** Director Schordje moved that the RCSC amend the 125 Plan, as of January 1, 2008, to increase the Health Care Annual Maximum from \$1,500 to \$2,500 per year. Seconded by Director Painter the motion was unanimously approved.

### MEMBER COMMENTS:

*Norm Dickson, 2429:* Suggested that the Board take 3-4 Board Policies at a meeting instead of the 10 voted on at the present meeting.

*Jeannette Dickson, 2430:* Praised the Board members for the many hours they put in reviewing the Policies, Bylaws and Articles of Incorporation. She stated she believes this is the only Board in a long time that has become so familiar with the governing policies. She suggested the Board use committee in the future to cut down their time and work. She also suggested publishing the amendments in SunViews; putting a section on the corporate website entitled, “Proposed Motions” and making copies of the Bylaws available at the monitor stations.

*Diane Wurth, 49117:* Pointed out that there will be 156 foreclosures in the community in the next four months. When a home goes into foreclosure no yard maintenance is done and she stated this puts the neighbors at risk. She asked if an emergency fund could be set up to clean up the yards of the homes being foreclosed.

*Linden Segan, 16781:* Thanked the Board for the time and effort they put in.

*Tom Beckwith, 54886:* Had comments regarding the language in Motion #3 – Corporate Records – stating that the term, “in good faith” leaves the meaning open to interpretation.

Meeting adjourned at 12:25 p.m.

The next meeting is scheduled for Thursday, May 29, 2008 in the Sundial Auditorium at 9:00 a.m.

Submitted by:

*Warren Hoffmann*

Warren Hoffmann, Secretary  
RCSC Board of Directors.