

RECREATION CENTERS OF SUN CITY, INC.

MINUTES OF THE REGULAR BOARD MEETING

Thursday, February 28, 2008

PRESENT: Denny Nichols, **President;** Jon Braemer, **Vice President;** Bill Johnson, **Treasurer;** Warren Hoffmann, **Secretary;** Craig Brown, Sue Painter, Don Schordje and Gene Westemeier, **Directors.**

ALSO PRESENT: Jan Ek, **General Manager;** Randy Johnson, **Bowling Manager;** Marion Krell, **Human Resources Director;** Chris Herring, **IT Director;** Bill Collier, **Director of Finance;** Lindsay Frost, **Communications Coordinator;** Linda Menna, **Manager of Administration;** Helen Thiel, **Executive Coordinator** and 54 RCSC members and two members of the press..

President Nichols 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 January 31, 2008 were approved as written.

Bowlers of the Year: Lakeview Lanes: Charles Carver, Julie Powell, Gene Hurley and Irene Holmes. **Bell Lanes:** Dan Kallenbach, Charlese Marchese, Mary Reimer and Dee Zeppa. Certificates were presented to the bowlers by Randy Johnson, Bowling Manager.

Employee of the Year: Allen Kleinhans, Audio Technician, who was chosen as the 2007 Employee of the Year, was presented with a Certificate of Appreciation, monetary gift, pin and plaque by Cheryl Johnson, Clubs and Activities Supervisor.

MANAGEMENT REPORTS:

JAN EK, General Manager: It is hard to believe that we are at the end of February; the first two months of 2008 have just vanished. The management team continues to search for ways to improve our efficiency and effectiveness and as always, we appreciate member input. While we ended January with \$40k less income than budgeted, we were able to save that and more in our operating expenses.

My focus this year will be changed a bit from 2007, while I intend to continue to analyze our operations on a month by month, quarter by quarter and year by year basis; I will begin to look more towards the future. When I speak of the future, I am talking more about the beginnings of creating a long-term plan. What will it take 10 years from now to maintain our facilities? And how will we be assured that we will have the funds to do so? We will be developing an in-house capital reserve study in 2008. For those who may not be familiar with the term "capital reserve study," what that means is that we will take every asset owned by the Recreation Centers of Sun City and we will break down each part of that asset, determining when maintenance and/or replacement is required on each part and an estimated cost for such. For example, if you consider a building, you not only have the roof and exterior, you have the HVAC units, the swimming pools, the pool equipment, the interior walls, and the flooring just to name a few of the parts. A capital reserve study takes each part of an asset, it

BOARD OF DIRECTORS REGULAR BOARD MEETING, THURSDAY, FEB. 28, 2008

determines the useful life of each part, it creates the history of when that part was last replaced or maintained, and the cost of doing so at that time. It then lays out a schedule of the next time any maintenance or replacement will be likely on each part of an asset and what the estimated cost would be at that time by including an inflation factor. This provides, in the end, an amount that should be reserved on an annual basis in order to complete the maintenance/replacement process for all of our assets. This not only provides for a long-term plan of what it will cost to maintain the assets of the corporation over a period of many years, it provides information that allows a reserve program to be financed with annual assessments, which is vital to a long-term plan and financial success.

Creating and following a capital reserve program provides sound financial planning that is good for everyone involved, as all users of the assets help to ensure there is adequate funding when maintenance and/or replacement is needed, not just the owners who happen to own property at the time the funding is actually needed. This is also an excellent program for promoting real estate sales, as potential new owners realize that measures have been taken to ensure that proper funding is available to maintain the facilities in the future. Although long-term planning may not be a topic of great concern to all of you, the fact remains that without it the fate of Sun City could be in jeopardy. If you love Sun City like I do, you want it to survive for generations to come, as it has already done in the past.

JIM WELLMAN, Assistant General Manager: (Report was given by GM Ek in Mr. Wellman's absence.)

Lakeview / Lakeview Lanes- (Glen Kok – Property Supervisor)

- The painting and re-carpeting of some RCSC administration offices is nearing completion. Contractors are Baker Carpet, Accel Electric and the RCSC Skilled Trades Department.
- The installation of a new dividing wall and eating counter is now completed at MoJoe's Café. (Lakeview Lanes facility.) The new changes improve customer seating and storage at the restaurant. The work was completed by the RCSC Skilled Trades department and Baker flooring.

Oakmont / Fairway / North /Quail Run / South (Richard Hoffman – Property Supervisor)

- Planning continues to progress on the Fairway project. At this time our architect is preparing responses to plan review comments from the Maricopa County Building and Planning Department in order to obtain a building permit. In addition, we are in the process of locating existing underground utility lines on the Fairway property.

Sundial / Lakes / Talisman / Riverview (Bob Biarnesen – Property Supervisor)

- The repairing of the Sundial pool and club room building continues to progress as final touches are being completed on the stucco parapet wall and standing seam metal roof. Last Thursday February 21st representatives from RCSC, The Weitz Company, CCBG Architectural and Aquatic Builders walked the pool area to review upcoming pool & decking repairs including Maricopa County code upgrades. These repairs will commence once insulation, drywall and interior painting of the roof structure is completed.

BOARD OF DIRECTORS REGULAR BOARD MEETING, THURSDAY, FEB. 28, 2008

Skilled Trades Department - (Mel Mead – Project Manager)

- The RCSC Skilled Trades Department completed 84 work orders during January/February 2008.

Other Information

- At the time of this report the Get Fit Sun City will be in its last days of the program. As previously reported this free fitness program enrolled over 1,700 participants and as of March 8, 2007 will have awarded more than 60 prizes and conducted 20 free seminars. Not bad for a sponsored event with no contributions by Sun City cardholders! The Steering committee for this exciting program has placed comment cards at each monitor station in hopes that RCSC cardholders will provide program feedback for future “Get Fit” programs. They would appreciate your response, by placing your completed card in the “Tell Us What You Think” box by March 31, 2008.
- The February 12, 2008 Listening Post meeting was held at the Bell Center courtyard area by the crafts clubs. Several cardholders came to the meeting primarily to discuss swimming pool temperatures. The next Listening Post meeting will be held Tuesday, March 11, 2008 in the East Hall at Sundial center.

CHRIS HERRING, Director of Information Technology:

The member card swipe check-ins has been running at all of the centers for the full month of February. Since we went live we have brought guest tracking into the database; the swipe process is reducing the amount of manual tracking for our monitors. Overall the functioning of the application is good. We continue to work with the application vendor to identify the cause of the few performance problems we are experiencing. It is possible that a database and application upgrade may resolve these problems. Our annual application maintenance covers the costs of upgrading these components. The timing of an upgrade such as this is critical since there is some time involved and all users of the system will be impacted.

We have begun to work with members on the Advance Deposit functionality within the golf application. The Advance Deposit feature allows members to place an amount of money on deposit to prepay golfing activities. This is similar to golf punch cards that have been used in the past by members but provide for more flexibility to meet the needs of members. After the pilot test with members is complete we will train all golf pro shop staff on the functions associated with Advanced Deposits and open the functionality up to all members.

Now that we have systems tracking golf play and centers usage by members we are starting to develop reports to identify how our activities are used by our members. More of this information will be provided as it is refined.

BOARD OF DIRECTORS REGULAR BOARD MEETING, THURSDAY, FEB. 28, 2008

JOHN SNYDER, DIRECTOR OF GOLF AND GROUNDS:

1. The RCSC golf courses completed application of a pre-emergent herbicide in January. The pre-emergent herbicide is used for control of spring crabgrass. Spring crabgrass will begin germinating when soil temperatures are in the mid 50 degree range. The golf courses are currently recording soil temperatures as high as 52 degrees. Due to the loss of a patent we were able to purchase this year's pre-emergent at a reduced cost from past years. We also took advantage of an early order discount that allowed us to save approximately \$15,000 to what was budgeted.
2. The North golf course groundwater well is currently being repaired. Two tears were found in the casing. One tear is at 630 feet and the other is at 900 feet. The tears are allowing gravel to fall to the bottom of the well. The tear at 630 feet has been patched. The contractor was unable to locate the lower tear to perform the repair. Due to this the bottom 10 feet of the well has been filled with concrete to stop the gravel around the outside of the well from entering the casing. The contractor is currently re-installing the pump in the well. The golf course is currently purchasing water from an Arizona American fire hydrant to keep the irrigation lake at an acceptable level for watering the golf course.
3. The winter months to date have had excellent weather for the growth of winter weeds. The golf courses staff has worked hard to keep the weeds at a minimum. They should be commended for keeping the weed population low on the courses and in the landscape areas.
4. The pro shops are currently on a trial period for use of a credit book system. The credit book system will replace punch cards that are used for the surcharge annual membership. Golfers will be able to put money into an account that will be withdrawn for the surcharge payment. The punch cards are expensive to print and difficult to control making the credit book program a much easier system for members and staff. Once the trial period is completed and the system is found to be functioning properly it will be opened to all golfers.
5. Total golf rounds for January 2008 were approximately 5,000 rounds below budget. This is due to the poor weather in January. This puts the golf department close to \$40k behind in revenue to begin the year 2008.
6. The outside play program for January 2008 totaled 947 golf rounds. Total played rounds in January 2008 were 35,899. The outside play generated \$22,000 in income. The Riverview and South golf course outside rounds totaled 774. Total rounds spread over the other six golf courses totaled 173.
7. Due to poor weather at the Nike demo day, Nike will hold a second demo and shoe day at the Lakes West golf course on March 10, 2008 from 10 a.m. to 2 p.m. They will offer special deals on golf shoes and golfers will be given the opportunity to try their golf clubs. Be sure and come by and check out the deals.

BOARD OF DIRECTORS REGULAR BOARD MEETING, THURSDAY, FEB. 28, 2008

RANDY JOHNSON, Bowling Manager:

- Net Income for January 2008 was \$8,000 before depreciation which was an 11% positive variance when compared to budget and a 1% positive variance when compared to 2007 actual.
- Although open play lineage was down 1% from last year, open play income was up 1% due to the open play price increase which was effective January 1st.
- Operating Expenses were \$4,000 under budget and \$5,000 less than the same period in 2007.
- The Bowling Department is in the process of restructuring the Bowling Instructional Classes. We are looking at different ways to present the information to new bowlers and adding additional classes which will include intermediate and advanced lessons. We plan to offer evening classes depending on lane availability and interest. We also plan to reduce the cost to the students by supplying information in handouts instead of purchasing expensive guidebooks that were previously given to all students. We have also recruited some new coaches all of whom have vast amounts of experience in bowling and bowling instruction. The class which is currently underway has 31 students.
- The Bowling Department is in the process of restructuring several tournaments which are hosted and operated by the bowling centers; commonly known as “House Tournaments”. In previous years, the rules, payouts and formats were unclear. In order to be consistent, all future tournaments will have all of the information and rules on the entry forms

MARION KRELL, Director of Human Resources:

National Compensation Survey

RCSC recently participated in an annual compensation survey conducted by the Bureau of Labor Statistics. Information is used by the U.S. Department of Labor for statistical purposes. Data with source unidentified is available to participating employers and provides city, state and national statistics.

Data Match

An annual report was filed recently in compliance with a law enacted by Congress in 1989, Section 6202 of the Omnibus Budget Reconciliation Act. The act requires employers to provide the Centers for Medicare & Medicaid Services with health coverage information for employees who are either entitled to Medicare or married to a Medicare beneficiary. The law requires the Internal Revenue Service, the Social Security Administration and Centers for Medicare Services to share information. The process for sharing is called Data Match. The purpose is to identify situations where another payer may be primary to Medicare.

Employers are required to complete this annual questionnaire that requests information on identified workers. This process helps Medicare identify claims on an ongoing basis for which Medicare should

BOARD OF DIRECTORS REGULAR BOARD MEETING, THURSDAY, FEB. 28, 2008

not be the primary payer. The Data Match Project has saved the Medicare Trust Funds more than 3.5 billion dollars to date.

Accident Free Work Locations

Maintaining an accident free work location is no easy task. One minor injury can change that status even though it may be as small as a paper-cut. At our February safety meeting, eleven of our supervisors were recognized for maintaining an accident free work location throughout 2007. The following supervisors were provided recognition pins in the form of a hard hat containing the inscription "Safety Team" to present to their team members.

Fairway Center – Richard Hoffman
Marinette Center – Jerry Baciocco
Corporate Offices – Jan Ek & Jim Wellman
Accounting – Bill Collier
Purchasing – Bill Collier
Communications – Chris Herring
Quail Run Maintenance – Barrett La May
Willowbrook/Willowcreek Maintenance – John Casacchia
Quail Run Pro Shop – Bobbi Trout
North Pro Shop – Jean Gilbert
South Pro Shop – Keith Smith

BILL COLLIER, Director of Finance:

On the January 31st Balance Sheet our 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 higher than 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 January 31, 2008 shows our total operating income at \$1.5mil for January, which is \$40k below our budget for January. Total operating expenses of \$1mil for the year are \$151k below the January budget because of savings salaries & wages, 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 \$111k better than budgeted for January.

BOARD OF DIRECTORS REGULAR BOARD MEETING, THURSDAY, FEB. 28, 2008

Home sales and thus Capital Preservation Fees, are below budget again in January. 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 January the accounting department completed the banking and liquor license administrative tasks for the new Directors on the Board. We also completed the bid process for audit firms and selected a new firm at a savings of over 10k from the previous firm. A lot of time was spent in January finalizing the financial statements for December 2007 in preparation of our annual audit also. Setting up new spreadsheets, schedules, files and other required items is a big part of our December and January activity.

The 2008 Arizona business personal property tax return was completed as well as the budget and billing for the Viewpoint Lake Management Board. We continued taking inventories at multiple locations of all of our assets during January also. This task will continue over the next few months. Support and modifications to some of our new software programs continued during January and will be ongoing this year.

DIRECTORS REPORTS:

Insurance: Director Brown reported that the committee met on February 14th and the current insurance policy is being reviewed the auto policy and checking for redundant coverage and inadequacy of coverage. New members are being sought and Director Brown asked that persons with a strong insurance background consider serving on the committee.

Entertainment: The first meeting of the spring concert season will be on Tuesday, March 11 at 11:00 a.m., Director Painter advised.

COC: Director Painter reported that volunteers are needed to serve as club coordinators. She stated that anyone who is interested should contact her or Director Westemeier.

Bid: Director Schordje advised that the \$6,950 bid reported at the last meeting to repair the vandalism to the pump at South Golf Course has risen \$23,314 because of numerous code requirements and updates. A bid of \$64,530 for a dehumidification system for the Mountain View spa was approved; \$19,000 of this amount will come out of the R& M budget.

Golf: Vice President Braemer stated that the next meeting will be at 8:30 a.m. on Thursday, March 20th. The committee is still looking for a volunteer secretary. During March free golf lessons will be given every Saturday by the golf pros. The pro shops have the information regarding the times.

Citrus Drive: Vice President Braemer reported that the RCSC has agreed again this year to support the annual citrus drive by the Westside Food Bank by having the bins placed in the parking lots of several recreation centers. Since the amount of citrus gathered far exceeds the local need, truckloads are shipped to different states. In exchange the Food Bank receives potatoes from Idaho, apples from Washington, etc. He explained that this is a good program that reaches far across the country and thanked everyone who participates in it.

BOARD OF DIRECTORS REGULAR BOARD MEETING, THURSDAY, FEB. 28, 2008

Long Range Planning: Treasurer Johnson advised that the committee met on February 26th and will look at certain projects for the betterment of the corporation. The March meeting has been cancelled and the next meeting is scheduled for Thursday, April 10th at 9:00 a.m. in the Board Room.

Finance/Budget: The quarterly meeting will be held on Thursday, April 17th at 1:00 pm., reported Treasurer Johnson.

Legal Affairs & Auditing: Attorneys and auditors are needed for the committee, Director Hoffmann reported. He advised the committee meets on an as-needed basis.

SC Fire Department: The department went out on 1,072 incidents in January, most of which were medical cases, Director Hoffmann advised.

Clubs: The Club Coordinators will meet on Wednesday, March 12, 2008 at 8:30 a.m., Director Painter reported

President's Report: Shirley Humphrey has been appointed as the new Director, President Nichols reported. Five candidates submitted their resumes for consideration. Mrs. Humphrey is out of town now and will be installed at the March 17th Exchange meeting.

President Nichols encouraged members to attend at Fun Fair on Saturday, March 15th at the Fairway Center.

Depositions on the Sundial roof collapse lawsuit have been taken from the architects, contractor and Jim Wellman. Repairs are moving along and completion date is projected for August.

MEMBER COMMENTS:

Ken Fold, 68315: Asked what the cut-off date was for the citrus drive. March 15th, responded Vice President Braemer. Asked questions regarding the proposed increase in the fire flow and if the Board or Jan is following how much the increase in cost will be? President Nichols responded that he had testified before the Corporation Commission and will propose that improvement necessary for Sun City be paid by Sun City residents and improvements to Youngtown should be paid by Youngtown. He added that he is always concerned about public safety but disagrees with the cost division of this project.

Mr. Fold asked about the status of the CAP water study and its cost. Director Schordje advised that the total cost of the engineering survey was \$83,000. One-third was aid by Arizona-American Water and two-thirds by Sun City, Sun City West and Briarwood Country Club. The original route proposed in 1999 is not feasible because the route has been completely built up. If an alternate route is decided upon, new contracts will have to be drafted. However, there is no resolution at this time, Director Schordje added.

BOARD OF DIRECTORS REGULAR BOARD MEETING, THURSDAY, FEB. 28, 2008

Tom Beckwith, 54886: Stated he was happy that the pool temperatures will not be lowered. He was advised that the pool temperatures had not been lowered and there was no plan to lower them. He suggested that covers could be placed over the pools to keep the temperature constant. Said he read that the architectural designed for Fairway cost \$800,000. Asked how much was budgeted for drawings of the Bell multi-purpose room and name of architect. He was advised that CCBG was the architect but the cost of the drawings was not available at this time but would be given to him at a later date.

Paul Herrmann, 25390: Asked if the card swiping at the golf courses will do away with the golf card? GM Ek advised it would eventually. Wondered if there was a way for him to contact the 1,700 enlistees of the Get Fit Program to invite them to compete in the Walk/Run on March 8th? Advised that the Visitor's Center is sponsoring a Blood Drive again this year on March 4th.

Dorothy Keller, 87277: Asked members to attend that meeting of the Senior Olympics on March 4th to encourage the City of Phoenix to continue its financial support to the Senior Olympics. The Starr Swimmers will be getting together with other swimming groups in the West Valley to get sponsors.

Meeting adjourned at 10:10 a.m.

The next meeting is scheduled for Thursday, Mar. 27, 2008 in the Sundial Auditorium at 9:00 a.m..

Submitted by:

Warren Hoffmann, Secretary
RCSC Board of Directors.