

RECREATION CENTERS OF SUN CITY, INC.

MINUTES OF THE REGULAR BOARD MEETING

Thursday, March 27, 2008

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

ABSENT: Sue Painter, **Director**

ALSO PRESENT: Jan Ek, **General Manager**; Jim Wellman, **Ass't General Manager**; John Snyder, **Director of Golf & Grounds**; Randy Johnson, **Bowling Manager**; 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**; Helen Thiel, **Executive Coordinator** and 56 RCSC members.

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 February 28, 2008 were approved as written.

MANAGEMENT REPORTS:

JAN EK, General Manager:

Having completed February, 2008 financial statements, we continue to operate within our budget despite the fact that we have fallen short of our income projections by \$38K. This Management Team responds very well to the need to change operations to accommodate for such shortfalls.

We are experiencing a trend in an increase of delayed payments for annual property assessments and have re-arranged our personnel to establish a position that will focus on collections of these past due accounts. In addition, the Management Team has made recommendations to the Board for changes in Board Policy, allowing for specific directives regarding unpaid balances and the collection process thereon. If you leave for the summer and do not forward your mail and have a annual property assessment that will be due while you are gone, I strongly suggest you contact Cardholder Services and give them a new billing address, otherwise late fees and interest may mount up before you return and these fees are not likely to be written off in the future.

As addressed at last month's meeting, the in-house reserve study process continues. This will not be something that is completed quickly because the detail and foresight involved does not allow for such. As you can see from the financial statements, we have well over \$65M in assets to consider in this process, not considering land or depreciation. We look forward to the day when we will be able to forecast what it will take to maintain these assets in the future, years from now, thereby providing the ability for the financial planning to accommodate such.

If your club or organization would like to have a presentation on Sundial, Fairway and/or generally the Recreation Centers of Sun City, please do not hesitate to contact the Corporate Office. We will be Happy to accommodate you and appreciate the opportunity to communicate with you directly.

Also please remember to sign up for my email list by emailing me at jek@sunaz.com.

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BILL COLLIER, Director of Finance:

On our February 29th 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 February 29, 2008 shows our total operating income at \$3.086 million YTD, which is \$38k below our budget for February. Total operating expenses of \$2.057mil for the YTD are \$203k below the February 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 \$166k better than budgeted YTD.

Home sales and thus Capital Preservation Fees, are below budget again in February. 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 February the accounting department started to compile worksheets, documents and confirmations for the new audit firm. We published the final draft of the financial statements for December 2007 in preparation of our annual audit also. A lot of time was spent in February getting our new Cardholder Services Supervisor oriented to her new tasks and reviewing the policies and procedures of that department. Forms are being developed or redesigned as needed based on our review of the Cardholder Services department.

We continued taking inventories at various locations of all of our assets during February. Our staff provided billable support to Mojoes and modifications to the cash registers and computer system for Mojoes food service to update his menus.

CHRIS HERRING, Director of Information Technology:

Advance deposits are in the process of being rolled out at the golf courses. We have created procedural documentation and trained head starters on the functionality of this feature. We are in the process of creating signage for the golf courses to communicate with cardholders the usage of advance deposits with this being available in April.

IT has completed server work in the month of March. The cardholder services photo system was migrated to a different server and upgraded to a different pc to improve performance. This has freed up a server resource that we are preparing for moving the centers check-in application to. This server will house the database and application upgrades reported last month. IT also completed the upgrades of several Accounting applications.

IT is migrating all RCSC systems to a new anti-virus software package. The replacement process is approximately 25% completed to date. The replacement is expected to be completed in the next few weeks with minimal impact to staff.

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JIM WELLMAN, Assistant General Manager:

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 new Assistant General Managers office was carpeted by Bakers Carpet. (Cost - \$1,521)

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. This process also includes county meetings and hearings to obtain needed variances needed to build the new Fairway Center.
- The Quail Run parking lot is scheduled for seal coating sometime in May 2008. This work is being done to protect the slurry work completed about 1-1/2 years ago. Contractor is American Asphalt.
- The RCSC Skilled trades painter has completed the painting of the security wall and the South Course maintenance buildings exterior walls, eaves, and new fascia boards.

Mt. View / Sunbowl & Ballfield (Ron Hackmaster – (Property Supervisor)

- New dehumidification equipment is being installed at the spa facility. The new equipment will extract moisture from the room and provide a more comfortable and energy efficient environment. Contractor is KBK Mechanical.
- A new electric service panel is scheduled to be installed at the Mt View facility. The new panel eliminates safety and code concerns and provides power to the new dehumidification equipment. Contractor is Accel Electric.

Sundial / Lakes / Talisman / Riverview - (Ron Sechrist – Interim Property Supervisor)

- The repairing of the Sundial pool and club room building continues to progress. Now that the roof and parapet walls have been reconstructed the contractor has turned his attention to the buildings mechanical systems and interior areas. Mechanical equipment support platforms have been constructed on the lower roof on the East and West sides of the building. These platforms will support the new dehumidification equipment which is due to be set in place in 2-3 weeks. The non-structural pool cracks have been repaired and the inside walls around the pools are receiving insulation and water resistant backer board (Denshield) in preparation for stucco finish and paint. The installation of floor tile in the pool restrooms is now underway.
- The Lakes parking lot is scheduled for seal coating sometime in May 2008. This work is being done to protect the slurry work completed about a year ago. Contractor is American Asphalt.

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Other Information

- On Tuesday March 11, 2008 a Listening Post meeting was held at the Sundial Center, East Hall. Eleven (11) cardholders came to discuss a variety of topics including the Fairway and Sundial construction projects. The next Listening Post meeting will be held Tuesday April 8, 2008 at 2:00 PM in the Fairway Center Arizona Room.

RANDY JOHNSON, Bowling Manager:

Bowling revenues were \$154k YTD for 2008 which is 5k more than the same period in 2007. The net income for the Bowling Department was \$52k (before depreciation) which is a 2k positive variance when compared to budget and a 6k positive variance when compared to the same period in 2007

Tables and chairs were recently placed on the concourse at Lakeview Bowling Center. This will provide an area for league and open play bowlers to enjoy snacks or meals during their bowling session.

League contracts were issued to all current bowling leagues at both centers. The contracts reflect the recent price increase.

New bowling pins were received at both centers last week. We were able to obtain a \$2k discount by ordering the pins by March 31st. The new pins will not be installed before the end of the season; the pins will be installed in the early summer.

JOHN SNYDER, DIRECTOR OF GOLF AND GROUNDS:

1. The RCSC golf courses will begin to enter into transition over the next 6 weeks. Transition is the period when the summer Bermudagrass begins to turn green and the winter ryegrass begins to die. Bermudagrass will begin to turn green when soil temperatures reach 55 degrees and become actively growing at soil temperatures of 65 degrees. Unfortunately these temperatures are also ideal for the winter ryegrass. There are two major reasons that make transition of the winter ryegrass to summer Bermudagrass difficult. The first is the growth time of the Bermudagrass. Bermudagrass needs to be very healthy going into overseeding in the fall. To be completely healthy the Bermudagrass needs 100 days of growth with-out competition from the winter ryegrass. On a normal year the winter ryegrass will not be completely gone from the fairways until the end of June with overseeding beginning the end of September giving us maybe 80 to 90 days of good growing time with the summer Bermudagrass. This means the Bermudagrass is in a weakened condition when we overseed.

The second major reason that makes transition difficult is shading. The winter ryegrass is actively growing during the time that the summer Bermudagrass is trying to turn green. Because the winter ryegrass grows faster than the Bermudagrass it creates shade. Bermudagrass grows very poorly in shade conditions and will die if shaded for too long. This is the reason for lowering mowing heights. Lowering the mowing height decreases the leaf area and canopy to allow light into the Bermudagrass. The other process the golf courses will be performing is a light vertical mowing of greens and fairways. The light vertical mowing causes stress to the winter ryegrass and helps encourage the growth of new Bermudagrass plants. The golf courses will also be applying fertilizers to encourage the growth of the summer Bermudagrass.

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2. The North golf course well motor failed recently. The cost of rebuilding motors is now just as much as purchasing a new one. For this reason we purchased and installed a new motor on the North well. The Willowbrook well is down for repairs and is currently being removed. Preliminary inspection shows a possible failure of the pump.
3. The golf course superintendents, assistant superintendents and foremen attended an annual pesticide recertification class on Wednesday, March 26. The class is required by the Arizona State Structural Pest Control to gain 6 points of credit each year to retain a pesticide applicator license. The class will re-certify our staff for one year and was held in Talisman Hall.
4. The four Sun City golf teaching pros held free golf lessons during the month of March. They have had over 300 golfers attend the classes. The classes help Sun City golfers improve their golf game. The four pros are required to hold the free classes in exchange for using our facilities to give golf lessons.
5. Total golf rounds for February 2008 were 41,646 which were 3,649 rounds below budget. The decrease in rounds was primarily due to 9 hole rounds being down 13% for the month of February. The large decrease in 9 hole golf rounds continues to be the trend in Sun City as February 2007, 9 hole rounds were down 8% from 2006. Fortunately, the outside play program generated more revenue than estimated giving the golf department a positive \$8,776 to budgeted income for February 2008.
6. The outside play program for February 2008 generated \$30,336 in green fees revenue. This brings the total income from outside play to \$52,405 for 2008.

There were 1,175 rounds played on 18 hole regulation courses, 49 eighteen hole rounds on the executive courses, 36 nine hole rounds on regulation courses and 79 nine hole rounds played on executive courses. 86% of the rounds were played at Riverview and South.

7. Callaway will hold a demo day on April 7, 2008 at the Riverview golf course from 10:00 a.m. to 2:00 p.m. This is the third demo day that we have had this year, the first two were with Nike. The demo days have been a good way to generate a small amount of revenue for the golf department with very little expense to the operation.
8. As a reminder to all golfers, tee times will change to 7:00 a.m. starting April 7, 2008 and to 6:30 a.m. on May 5, 2008.

MARION KRELL, Director of Human Resources:

Recruiting

Recruiting has been a top priority this year as it is most years. We have hired thirty-two employees since the first of the year. Forty employees have left the Corporation. Currently we have a staff of 332 employees consisting of 148 full-time and 184 part-time.

Service Awards

Annually RCSC awards employees for 5 year increments of service. This year we are recognizing employees monthly on their anniversary date. In the first quarter of 2008, we have recognized the following eight employees::

5 Years: Rosemary Muraszko, Fairway Center; Nelson De Jong, Lakeview Center; Sandra Daly, Sundial Center; Mike Krakie, Bell Center; Will Lindebak, Bell Center.

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10 Years: Ellis Rogers, Lakes E/W Maintenance.

15 Years: Octaviano Villialva, Riverview Maintenance.

20 Years: Bill Collier, Finance & Accounting.

Legal Arizona Workers Act

Last week the House Government Committee made changes to the employer sanctions Bill HB 2745. It sets up the voluntary employer enhanced compliance program, whereby, employers who run their employees through the federal social security number verification service, in addition to the E-verify, the business cannot be found in violation of the Legal Arizona Workers Act. If charged, the employer would send proof that the employee was ran through the two programs and that would be the end of the investigation. The RCSC HR department is currently utilizing both programs.

The sanctions also clarifies that if an employer has an unauthorized alien, the business license that would be revoked is the one where the unauthorized person works and not all of the work locations.

DIRECTORS REPORTS:

Bid: Director Schordje advised that a bid for \$35,524.63 from the Capital Budget was approved.

Legal: A special meeting of the committee has been called for Tuesday, April 1st at 9:00 to review Board Policies, Director Hoffmann advised.

SC Posse: Director Hoffmann, who is the liaison to the Posse, invited members to attend the Posse meetings on the first Tuesday of each month. He stated that volunteers are being sought to serve on the Posse.

SC Fire Department: The department is concluding its Citizens Volunteer Training Course, which Director Hoffmann is taking. A meeting will be held on April 15th at 9:30 a.m. in the Fire Department's administration building on the corner of Union Hills and 99th Avenue.

Long Range Planning: A meeting is scheduled at 9:00 a.m. on Thursday, April 10th, Treasurer Johnson reported.

Insurance: Insurance presentations will be made on May 13th and May 20th by the current insurance agent and a broker, Director Brown advised, as RCSC is getting competitive bids on its insurance coverage.

Visitor's Center: Newly appointed Director Humphrey stated she will attend the next Visitor's Center meeting.

Golf: Vice President Braemer invited members to the golf meeting on Thursday, April 17 at 8:30 a.m. He stated that the committee is still seeking a volunteer secretary.

President's Report:

President Nichols reported that the Sundial lawsuit is still moving forward but not as quickly as the Directors would like.

Information regarding Arizona-American's proposal for fire flow is available on the table by the door, President Nichols advised. He encouraged the cardholders to become familiar with the proposal, read it and make up their own minds regarding the impact it would have on Sun City. If they conclude that

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Sun City residents would be paying more of Youngtown's share than Youngtown, he suggested they voice their opinions by writing to the Arizona Corporation Commission.

MEMBER COMMENTS:

Ken Fold, 68315: Asked questions regarding the new collection procedure of delinquent property assessment payments. Also asked about the success of the solar panel system at Mountain View to heat the swimming pool. Ass't GM Wellman advised that a problem had arisen with the equipment and there has not been as much of a saving as hoped. He added that the problem has been corrected.

Dianne Graham, 13502: Expressed concern about the proposed removal of the racquetball ball courts to make room for expansion of the metal and wood shop at Bell Center. She stated these courts are the most pristine she has played on and urged the Directors to stop by to look at them. She pointed out that racquetball is fast becoming the sport of baby boomers and their removal could cause some potential buyers to look elsewhere.

Tom Beckwith, 54886: Wondered about the square footage in the new multi-purpose building at Bell and how it compared with the old one that was torn down. President Nichols pointed out that the old building was not a multi-purpose building. The new building includes storage space, restrooms and two new meeting rooms.

MOTIONS:

#1 – Donation to Sun City Sheriff's Posse: Moved by Vice President Braemer, seconded by Director Hoffmann, the Board unanimously approved a \$700 donation for 2008 to the Sun City City's Posse as a gesture of goodwill for their continued assistance to the RCSC.

#2 – Non-renewal of ASU contract: Treasurer Johnson moved that the Board of Directors not renew the Arizona State University's Long Range Learning program contract at the cost requested for the next two years. ASU set a cost of \$75,000 for the two-year program, which is cost prohibitive to the RCSC at this time. Seconded by Director Brown the motion was unanimously approved.

#3 – Bowling League Play: Director Schordje moved, Treasurer Johnson seconded the motion, that the RCSC allow the following in the RCSC bowling centers at Lakeview and Bell:

1. Non-residents and non-cardholders, between the ages of 19 and 54, to participate in league bowling at the RCSC bowling centers provided that the league has approved such and that at least one league team member is 55 years old or older; and
2. Any person on a league/team who is under the age of 55 to practice at RCSC bowling centers during open play without being signed in by a RCSC Cardholder. The open bowl privilege for underage, non-residents and non-cardholders does not extend to their guest.

All non-residents and non-cardholders shall pay the guest rates for bowling and this will be in effect from April 1, 2008 through March 31, 2009.

The motion was unanimously approved.

#4 – Pink Ribbon donations: The Board gave unanimous approval to the placement of donation containers at all of the RCSC Pro Shops to collect funds for the Pink Ribbon Tournament, the proceeds of which will go to the Susan G. Komen Breast Cancer Foundation. The motion was made by Vice President Braemer and seconded by Director Westemeier.

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#5 – Championship Tournament: Vice President Braemer moved that the Sun City Men’s Golf Association be granted an exception for the SCMGA Championship Tournament, allowing them a shot gun start with less than 72 registered players. Seconded by Director Westemeier the motion received unanimous approval.

Meeting adjourned at 10:00 a.m.

The next meeting is scheduled for Thursday, April 24, 2008 in the Sundial Auditorium at 9:00 a.m..

Submitted by:

Warren Hoffmann

Warren Hoffmann, Secretary
RCSC Board of Directors.