

**RECREATION CENTERS OF SUN CITY, INC.  
BUDGET & FINANCE COMMITTEE MEETING SUMMARY**

**October 19, 2022**

At the Budget & Finance Committee meeting called to order by Co-Chair Darla Akins at 9:00am on October 19, 2022 at the Lakeview Board Room, the following took place:

**PRESENT:** Chair Karen McAdam-via zoom, Co-Chair Darla Akins and Committee Members Les Bethany, Dave Wieland, Suchindran Chatterjee, Kim Wanek, Don Henrich, Greg Eisert, John Fast, Gene Westemeier

**RCSC BOARD:** President Dale Lehrer, Vice President Mike Ege, Secretary Allan Lenefsky, Directors Sue Wilson, John Nowakowski, Steve Collins

**RCSC STAFF:** General Manager Bill Cook, Director of Finance, Kevin McCurdy and Controller Angie Nelson

**GUESTS:** Cardholders Jean Totten, Patricia Cramer, Mike Wendel

Upon calling the meeting to order, Chair McAdam asked present committee members to introduce themselves along with how long they have served on committee. An overview of purpose and scope was provided which is found in Article X of the Bylaws.

**Approval of Prior Meeting Summary:** The Meeting Summary for May 20, 2022 was approved as presented.

Chair McAdam turned the meeting over to Director of Finance Kevin McCurdy for presentation of the RCSC 2023 Budget. The following was presented and discussed:

**Revenue:** Discussion of inflation impact on operations with a recommendation to increase annual property assessment from \$496 to \$525, effective 1/1/23, which represents a 5.8% increase. If assessments had kept pace with AZ minimum wage inflation since the last assessment increase in 2017, we could expect an \$853 annual assessment in 2023. Less than 6K community members are grandfathered for the \$248 per property annual assessment. The annual assessment has not been increased for 6 years, and other neighboring communities have been increasing annually. Additional revenue assumptions include recommendations on resident and non-resident golf and bowling increases. An increase in events – show tickets is also recommended.

**Expenses:**

- Additional headcount planned for four key positions (reviewed in individual department overviews).
- Wages – 8.2% increase in minimum wage effective January 2023. Currently, there are 84 minimum wage employees. Plan to increase wages by 8.0% on 1/1/23 for employees making less than \$16/hour; and an increase of 5.0% on 1/1/23 for those making greater than \$16/hour. Plan also includes a 3.0% merit increase for employees making more than \$16.00 per hour, based on individual employee review dates. This strategy represents a 14.5% increase in

wages. General Manager Cook shared initial budget called for 7 new created positions – largest increase in his tenure with RCSC. This number pared back to 4 new positions for this budget season.

- Utilities – projected increase of 4.7%.
- Projects – increases focused on preventive maintenance program and capital projects expenditures.

### **Department Summaries:**

**Golf:** Resident pass with cart proposed and email sent to community members with response needed by 11/18. At this point, three residents have shown an interest. Increase in non-resident pass fees was implemented in 2022. The 2023 budget includes price increases for public greens fees, and cart fees for non-residents. The Golf budget includes price increases for sand, seed, fertilizer, and pesticide. The Golf budget projects a decrease in rounds from 350k in 2022 to 325k in 2023, offset by the above-mentioned price increases. Anticipating that 2022 could be the first year that golf covers its expenses including Capital Project spending on Golf. Community comparisons indicate Sun City costs remains approximately 10-15% less than other West Valley courses.

**Food & Beverage:** Snack shops will be increasing price of food items to compensate for cost increases. Repair and maintenance costs anticipated for Café building and equipment. A long-term lease is in place with George’s Café and a rent increase was recognized this year.

### **Operations:**

- Aggressively expanding Preventive Maintenance (“PM”) schedule and R&M projects. A new work order software program will be implemented in 2023. Desire is to be more aggressive in the PM area to extend life of assets and better manage headcount. New software automatically generates work orders. Preparing for large expenses in future and desire is to: preserve warranty and limit member disruption. Highlighted \$4.2M in R&M and Capital Project expenditures for 2023 and will be utilizing some \$2.0 million of carryforward dollars to do so. Other plans include furniture replacement at all rec centers and replacement of fitness equipment at Lakeview.
- Two new headcounts planned: Security Manager (assist with claims and incident reports and move towards campus-wide security initiative) and Area Manager for Custodians (step in to manage call-offs).
- Increased PIF estimates (home resales) from 1,500 budgeted in 2022 to 1,750 for 2023 budget. Actual resale through September 2022 are 1,728 resales. General Manager Cook expressed concern about increasing further – hedging against being in middle of a PIF project and actual resales lower than budget could require a project stoppage.

### **Bowling:**

- Increased income estimated due to projected increased league play along with price increase for league and open bowling. Price increases in Bowling more heavily weighted to non-residents (\$0.05 per game price increase for residents, \$0.25 per game increase for non-residents).

- Additional headcount – League Coordinator. This position also seen as a succession plan in anticipation of upcoming retirement in bowling. This individual would move into this position, with no additional headcount anticipated at that time.

### **Events:**

- In September of 2022, Events began utilizing a 3<sup>rd</sup> party selling platform called Sellout to enable online show ticket sales at RCSC. Mitigates credit card and service fees for RCSC.
- RCSC has seen an increase in demand for tickets. Budgeted to 85% occupancy for all shows.
- 2023 Budget includes a ticket price increase of \$5/ticket.
- Budget assumes the elimination of matinee shows in 2023.
- Budget includes a \$30k equipment expense to replace obsolete AV equipment at Sundial.

### **General & Administrative:**

- Two additional IT positions approved as part of the IT Upgrade Project in mid-2022 will drive higher G&A wage total in 2023.
- Projects increase in budget includes 2-year expenses for the IT Upgrade project.
- Increased legal fees budgeted due to pending lawsuit from Dawn Lake residents.
- G&A budget includes \$50k for security project.
- Increased audit fees due to timing of 2021 audit fees.

### **Building & Infrastructure:**

- 2023 Budget includes an additional Project Coordinator to assist in managing the growing number of R&M and Capital projects.
- Budget includes the software licensing cost for a Work Order tracking system.
- Budget includes \$45k for design consulting for future projects.

### **Additional Discussion Items:**

- Capital Projects –
  - Information comes from Clubs requests, Property Inspection Committee reports, and work order submissions.
  - Management provided an overview of the project ranking system.
  - Initial requests pared down from \$7M to just under \$4.3m for 2023 budget – an estimated 40% increase from the 2022 budget year.
  - Reserve Study – Sun City has not completed a formal Reserve analysis. GM Cook (while Director of Finance) had the benefit of attending Sun City West presentation and took learnings from this meeting and created a preliminary reserve analysis model at RCSC. A Reserve Study Consultant cost is estimated at \$80K. HVAC is largest category by dollars in the reserve analysis.
  - Discussed management response to club requests. Part of the management process to analyze club requests is to review previous club requests and funding provided. Each request receives a response.

- Carry Forward –
  - Finance Director McCurdy addressed the Carry Forward balance and explained that Carryforward is a part of the Cash in Bank total on the Balance Sheet – Carryforward is not maintained in a separate bank account. Carryforward Monies are spent only with Board approval.
  - Utilizing \$2.0 million of Carryforward funds for capital projects in 2023.
  - Recommends transferring \$4.5M of \$10.7M Carryforward dollars to Capital Reserve.
  - Gene Westemeier shared historical information from the Sundial roof collapse. If dollars are used, replenish prior to any additional distribution.
  - Board President Lehrer requested this committee develop a policy for transfer of carry forward monies to the Capital Reserve.
  - Committee agreed to revisit this during upcoming meeting.

After further discussion, Gene Westemeier made a motion that the committee recommend to the Board of Directors approval of the 2023 Operating and Capital Budget as presented, with the exception of the recommendation to transfer \$4.5 Million from carryforward to the Capital Reserve. John Fast seconded the motion. The committee voted in favor.

**Adjournment:** The meeting adjourned at approximately 11:30 am.

**Next Meeting:** November 4, 2022 at 9:00am – Lakeview Center Board Room

Respectfully submitted,

Kim Wanek, Acting Secretary