

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

**November 4, 2022**

At the Budget & Finance Committee meeting called to order by Chair Karen McAdam at 9:00am on November 4, 2022 at the Lakeview Board Room, the following took place:

**PRESENT:** Chair Karen McAdam, Co-Chair Darla Akins and Committee Members Les Bethany, Dave Wieland, Suchindran Chatterjee, Kim Wanek, Don Henrich, John Fast, Gene Westemeier, Norm Dickson, Denny Nichols

**RCSC BOARD:** President Dale Lehrer, Directors Sue Wilson, Kat Fimmel, Steve Collins

**RCSC STAFF:** General Manager Bill Cook, Controller Angie Nelson, Accountant Mark Wilder

**GUESTS:** Cardholders Jean Totten, Patricia Cramer, Mike Wendel, Cheri Marchio, Linda McIntyre, Linda Evenson, Joe Brouch

**Approval of Prior Meeting Summary:** The Meeting Summary for October 19, 2022 was approved as presented.

A motion was made by Director Fast that the Budget and Finance Committee schedule a separate meeting to discuss what processes or policies the committee would recommend for the Board to consider for establishing, replenishing, and spending reserves and carryovers. Director Chatterjee seconded the motion.

Discussion centered around:

- This committee was asked by RCSC Board President Lehrer in the October 19, 2022, meeting to draft a policy for transfer of carry forward monies to the Capital Reserve.
- The next scheduled Finance, Budget, and Audit Committee meeting is May 19, 2023.
- Chair McAdam shared there is no cash reserves policy in place today. There are several kinds of policies, and this committee is the natural place to begin to define a policy.
- General Manager Cook shared Sun City West does have a policy in place that is tied to community asset value.
- Any policy should follow GAP principles.
- Consultant engagement to complete a study as was done by Sun City West. General Manager Cook again shared he was able to attend the Sun City West presentation and took learnings from this meeting and created a preliminary reserve analysis model at RCSC Cost of consultant approximately \$80K.
- A Sun City Resident approached Chair McAdam about volunteering his time to educate this committee. He has a background in assisting HOA's with this very topic.

- The committee agreed on a presentation from a fellow Sun City Member as an initial first step.
- Meeting date and time to be addressed by Chair McAdam and will take place after January 1, 2023.

Chair McAdam called for a vote on the motion for a separate meeting. Five voted in favor, with 2 opposing. Motion passes.

Chair McAdam turned the meeting over to RCSC Controller Angie Nelson for the presentation of the RCSC Q3 2022 Variance Analysis.

#### Q3 2022 Budget Variance Overview:

Through October of 2022, RCSC is favorable to budget. Year-to-date Excess before Depreciation for the RCSC totals \$2,933,000 and is \$1,584,000 favorable to Budget. All departments, except for Food and General & Administrative were favorable to budget in Q3 of 2022. Chair McAdam inquired if these numbers are expected to remain favorable through the remainder of the year. RCSC Controller Nelson said she does expect this to be the case. Some of the larger expenses have been held to ensure funding remains for completion and will be spent on an as needed basis according to General Manager Cook.

**Building & Infrastructure:** B&I's year-to-date Net Deficit was \$528,795 unfavorable to budget. However, it is a positive variance of \$16,069 to budget. Contributing factors to the positive variance – *Excess* -lower than budgeted medical coverage expenses for two team members; timing of consulting fees for projects that have not launched – but will be by year end; FT employee utilizing Short Term Disability and now working a few hours a day; *Deficits* – inventory of pool supplies which will be allocated to various centers upon installation; increased fuel prices; and an unbudgeted trailer repair.

**Bowling:** Bowling's year-to-date Net Excess was \$90,082 and favorable to budget by \$75,353. Bowling Gross Income was \$619,272 and favorable to budget by \$67,622. Contributing factors to the positive variance – *Excess* – Additional open lanes and increase in open play due to slow return of league bowling; Higher sales in open bowling and tournaments increased liquor sales along with rental shoes; New Director of Bowling declined RCSC benefits; Tournament Bowling; Supply chain has created backorder for parts and lane oil; lower sanitization product costs than anticipated; *Deficits* – Open play increased required additional staff hours; increased electric and gas expenses; snow bird Canada league decided not to return; and beer cooler replacement.

**Events:** Year-to-date Net Deficit was \$149,004 unfavorable to budget. However, it is a positive variance of \$18,628 to budget. Contributing factors to the positive variance – *Excess* – Ticket sales exceeded overall budget; volunteer utilization for Discover Sun City vs. paid part time labor; excess supplies and prizes from 2021, used in 2022 eliminating need for purchase; favorable wages along with payroll taxes and benefits due to turnover; *Deficits* – increased credit card use for ticket purchases; Players club hired outside contractor for their performance; and replace radios for events along with other unrepairable equipment.

**Food:** Year-to-date Net Excess was \$66 favorable to budget, and unfavorable to budget by \$31,044. Contributing factors to the unfavorable variance – *Excess* – Increased in rounds played generated more snack shop traffic impacting food and liquor sales; *Deficits* – Doubled staff due to increase in golf

traffic along with extended hours in May; Replacements and Repairs at both George's Cafes; Increased food and liquor costs proportionate to sales; Increased product costs and usage due to increased sales' Cooler and freezer replacement; and higher safety supply spending.

**General & Administrative:** G&A's year-to-date net deficit was (\$1,862,724) and unfavorable to budget by \$65,822. Contributing factors to the deficit – Unbudgeted IT Upgrade project; 2 additional salaried positions which were budgeted to full time hourly; Favorable payroll taxes and benefits due to attrition and turnover; Repairs and maintenance included equipment replacements along with reallocation of licenses and negotiating lower service fees for new equipment; Increased utility costs for equipment and plans for new It personnel; General Operating expenses – reduction of printed materials for new and prospective residents; Reallocation of items previously discussed; Unnecessary projects for computer consulting and programming; Audit fee timing; Lower than expected legal fees; quarterly fees paid by the 401K forfeiture account; volume of lien and deed recordings; unbudgeted credit for credit card usage charges; additional equipment for title inquiries; and below budget costs for manager outing.

**Golf:** Golf's Year-to-date Net Excess for Q3 was \$951,919 favorable to budget, and favorable to budget by \$1,244,835. *Golf Income* was favorable by almost \$1,073, 643. This was primarily due to increase in resident and non-resident passes; return of tournament rounds and increase in guest rounds; conservative budget expecting return to pre-COVID levels; increase in public rounds fees; increase in merchandise sales; increase in small group bookings. *Operating expenses* saw variances in wages and payroll taxes due to staff attrition and replacement with lower salaried team member; increase in part time staff due to increased rounds; overtime for overseeding budgeted later in year; benefits budget assumed no turnover. Favorable due to turnover and benefits not starting for new employees until 3<sup>rd</sup> month of employment. *Repairs and Maintenance* increased expenses due to aging irrigation system; equipment parts higher than anticipated. *Projects* – repaired additional bridges at 2 golf courses. *Utilities* – rate increase for water and sewer; rainfall reduced number of days of pumping from wells. *General Operating Expenses* – increased fuel cost; consultant hired for ADWR issues; seed and fertilizer price increase.

**Operations:** Net Excess was \$4,481,221 and favorable to budget by \$325,881. Gross Income was \$121,794 favorable to budget due to transition from per person assessments to per property assessments along with resales and transfers being higher than budgeted. Total operating expenses were \$277,050 favorable to budget due to wages, taxes & benefits \$68,070 favorable; Projects \$99,282 favorable; and general operating expenses favorable \$277,050 favorable to budget.

#### **Other Discussions:**

- Golf - Discussions related to public play costs and Sun City pricing competitiveness to neighboring courses. General Manager Cook shared RCSC is changing its philosophy by reducing outside play without driving outside golfers away from RCSC courses. Golf advisory committee agrees public play is a need for RCSC. Ongoing conversation about if Golf is profitable – per General Manager Cook we are a not-for-profit organization so this must be a consideration. This year, golf is covering all of their operational needs.
- Need Controller Nelsons help on discussion around 100 clubs on page 17 – Depreciable greater than \$5K – clubs being separated so easier to identify information in 2023 budget.

- Property assessments – there are 4,685 properties to convert to per household. This number decreases annually.
- Posse assistance with parking for events – per General Manager Cook this is an issue that will resolve itself.
- Capital Projects – added a variance column to track closed projects. TEG programming budget will be eliminated due to a new service being utilized.

**Adjournment:** The meeting adjourned at approximately 10:05 a.m.

**Next Meeting:** Next scheduled meeting is the Variance Analysis scheduled for May 19, 2023, at 9:00 a.m. – Lakeview Center Board Room

Respectfully submitted,

Kim Wanek, Acting Secretary