

RCSC 2023 BUDGET

October 19, 2022

Key Assumptions - Revenue

<u>REVENUE</u>	<u>2022</u>	<u>2023</u>	<u>% Change</u>
Annual Assessment	\$496	\$525	5.8%
Golf Pass - Resident w/ Cart *		\$2,000	
Golf Pass - Non-Resident w/ Cart *	\$2,500	\$2,750	10.0%
Golf Pass - Non-Resident w/o Cart	\$2,000	\$2,250	12.5%
Greens Fees ** - Public	\$46.00	\$49.00	6.5%
Bowling per Game - Resident	\$2.65	\$2.70	1.9%
Bowling per Game - Non-Resident	\$2.90	\$3.15	8.6%
Events - Show Ticket	\$18.00	\$23.00	27.8%

* - Capped at 40 passes each

** - per 18 Hole Regulation Round / Winter Fees

Inflation 2017 - 2022

			<u>Feb-17</u>	<u>Aug-22</u>	<u>% Change</u>
RCSC Assessment			\$496.00	\$496.00	0.0%
<u>Item</u>	<u>Vendor</u>	<u>Unit of Measure</u>			
Diesel Fuel	Senergy	gallon	\$2.14	\$4.58	114.0%
Fertilizer	Fertizona	gallon	\$3.25	\$6.00	84.6%
AZ Minimum Wage		hour	\$8.05	\$12.80	59.0%
Paper Towels		case	\$22.96	\$35.19	53.3%
Natural Gas	Southwest Gas	Therm	\$0.95	\$1.27	33.7%
Electricity	APS	KW Hour	\$0.12	\$0.16	33.3%
Trip Charge	Accel Electric	trip	\$65.00	\$80.00	23.1%
Weed killer	Simplot	87 oz Bottle	\$571.20	\$674.25	18.0%
Grass Seed	Crop Products	pound	\$1.38	\$1.62	17.4%
Plumber Labor	Sunland Plumbing	hour	\$80.00	\$90.00	12.5%

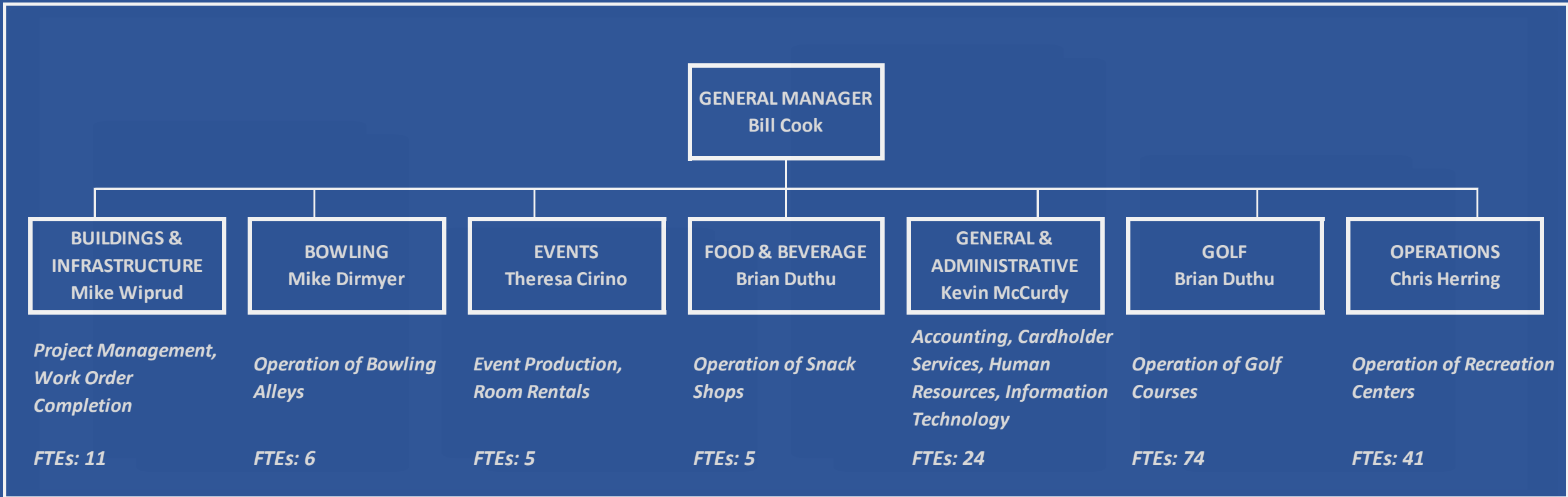
Key Assumptions - Expenses

<u>EXPENSES</u>	<u>2022 (est)</u>	<u>2023 (bud)</u>	<u>% Change</u>
Headcount (Full Time)	162	166	2.5%
Minimum Wage	\$12.80	\$13.85	8.2%
Total Wages (000's)	\$9,497	\$10,872	14.5%
Utilities (000's)	\$2,467	\$2,583	4.7%
Projects (000's)			
Repair & Maintenance	\$272	\$965	254.8%
Capital Projects	\$2,760	\$3,283	18.9%
	<u>\$3,032</u>	<u>\$4,248</u>	<u>40.1%</u>

Summary P&L

(\$000's)		VARIANCE			NOTES
	2022 (est)	2023 (bud)	\$	%	
Operating Income	23,695	25,184	1,489	6.3%	
Cost of Sales	(554)	(639)	(85)	15.3%	
Gross Profit	23,141	24,545	1,404	6.1%	
Wages & Benefits	11,641	13,383	(1,742)	-15.0%	
Repairs & Maintenance	2,068	2,387	(319)	-15.4%	
Utilities	2,467	2,581	(114)	-4.6%	
Projects	351	965	(614)	-174.9%	
General Operating Expenses	2,562	2,950	(388)	-15.1%	
	19,089	22,266	(3,177)	-16.6%	
Net Operating Excess	4,052	2,279	(1,773)	-43.8%	
Other Income / (Expense)	(853)	(969)	(116)	13.6%	
Net Excess Before Depreciation	3,199	1,310	(1,889)	-59.0%	

Organization Chart



Department Summary

(\$000's)	B&I	BOWLING	EVENTS	FOOD	G&A	GOLF	OPS	TOTAL
Operating Income		933	415	933		7,582	15,321	25,184
Cost of Sales		(46)	(84)	(287)		(222)		(639)
Gross Profit	0	887	331	646	0	7,360	15,321	24,545
Wages & Benefits	726	643	383	382	1,805	4,290	5,154	13,383
Repairs & Maintenance	27	34	2	42	291	594	1,397	2,387
Projects					264	18	683	965
Utilities	20	109	2	88	104	887	1,371	2,581
General Op Expenses	99	41	119	40	559	1,227	865	2,950
Total Op Expenses	871	827	506	552	3,023	7,016	9,470	22,265
Net Operating Excess	(871)	60	(175)	94	(3,023)	344	5,851	2,280
Other Income / (Expense)							(970)	(970)
Net Excess Before Depr	(871)	60	(175)	94	(3,023)	344	4,881	1,310
Depreciation		147		6	1	2,760	3,339	6,253
Net Excess After Depr	(871)	(87)	(175)	88	(3,024)	(2,416)	1,542	(4,943)
2023 Capital Project Budget:								\$3,283
Net Excess Before Depr.:								\$1,310
Amount Allocated from Carryforward:								\$1,973
								\$3,283

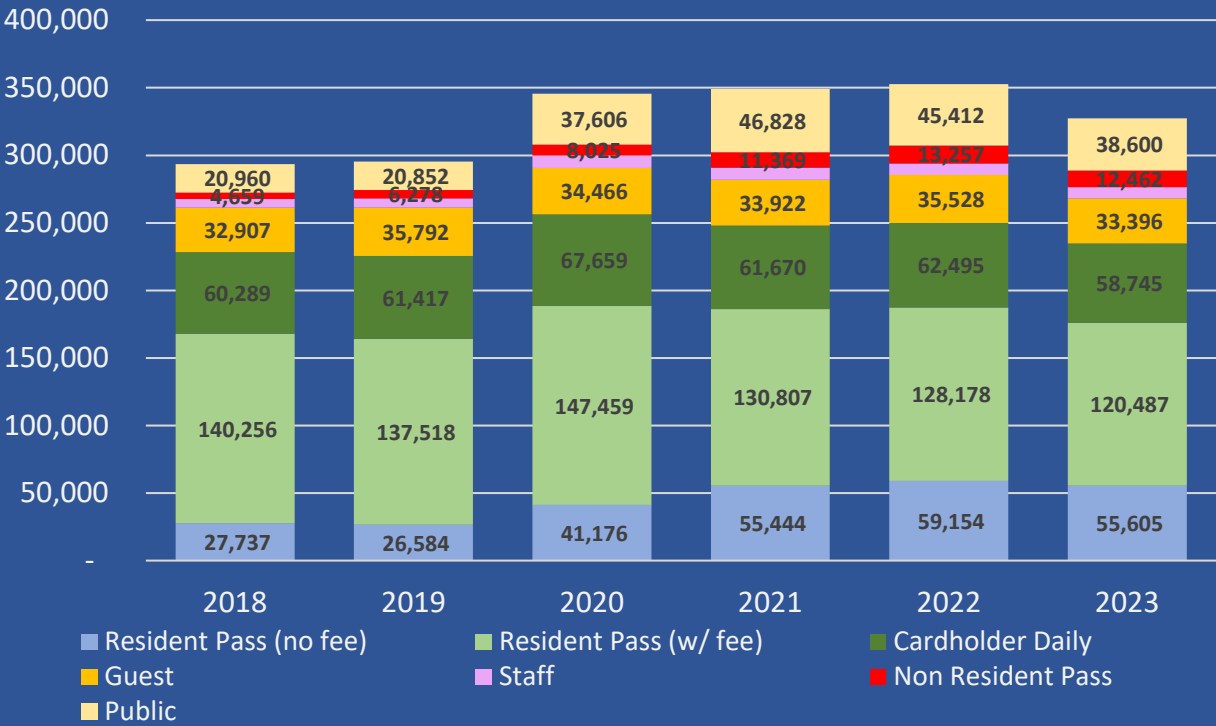
(\$000's)					
	2022 (est)	2023 (bud)	VARIANCE		NOTES
			\$	%	
Operating Income	7,198	7,582	384	5.3%	7% decrease in rounds offset by price increases for non-resident passes, public play, public cart rental.
Cost of Sales	(196)	(222)	(26)	13.3%	2023 price increases for golf balls, sundries
Gross Profit	7,002	7,360	358	5.1%	
Wages & Benefits	3,803	4,290	487	12.8%	2023 Wage increases
Repairs & Maintenance	552	594	42	7.6%	Golf course lake repairs, pump / well maintenance
Projects	30	18	(12)	-40.0%	
Utilities	841	887	46	5.5%	Electric, gas rate increases
General Operating Expenses	1,078	1,227	149	13.8%	Sand, Seed, Fertilizer, and Pesticide price increases
	6,304	7,016	712	11.3%	
Net Operating Excess	698	344	(354)	-50.7%	
Other Income / (Expense)					
Net Excess Before Depreciation	698	344	(354)	-50.7%	

Golf Pricing

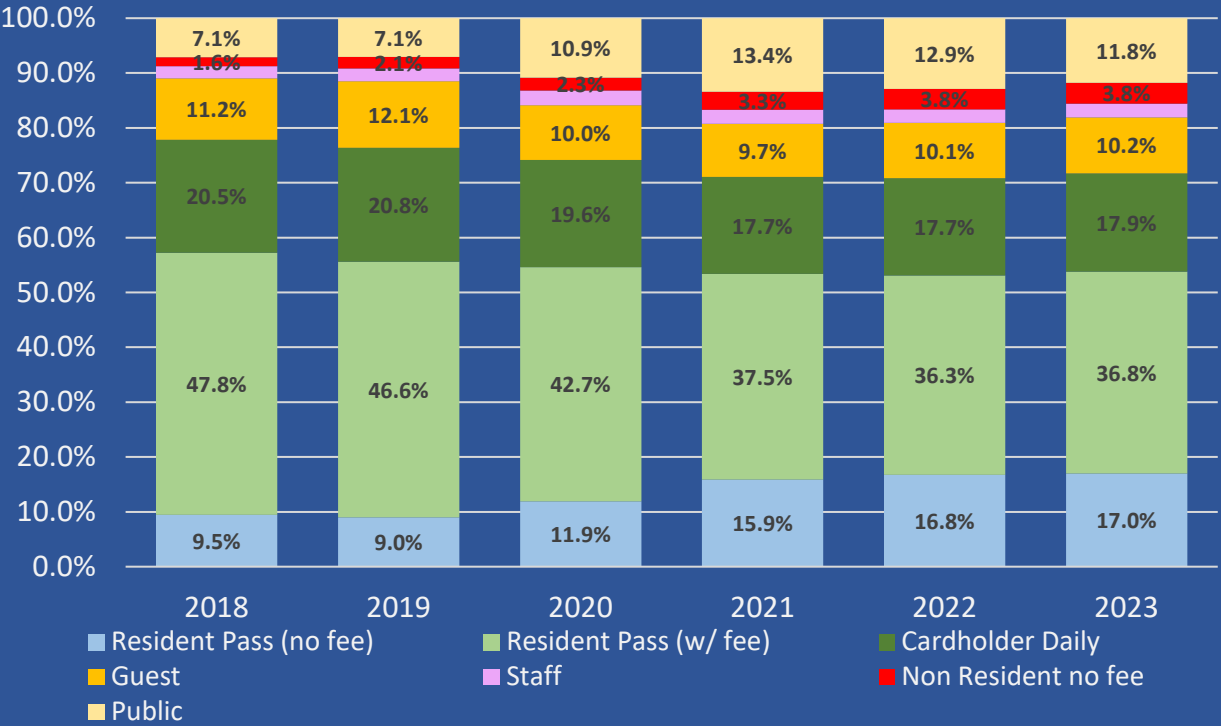
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<i>Pass Fees</i>					
Resident Pass - w/ Cart *					\$2,000
Resident Pass - w/o Cart	\$1,550	\$1,550	\$1,550	\$1,550	\$1,550
Resident Pass - w/ Surcharge	\$800	\$800	\$800	\$800	\$800
Non Resident w/ Cart *	\$2,500	\$2,500	\$2,500	\$2,750	\$2,750
Non Resident w/o Cart	\$2,000	\$2,000	\$2,000	\$2,250	\$2,250
* - to be capped at 40 Passes					
<i>18 Hole Regulation Winter Fees</i>					
Member	\$31.00	\$33.00	\$33.00	\$35.00	\$35.00
Guest	\$40.00	\$42.00	\$42.00	\$44.00	\$44.00
Public	\$40.00	\$42.00	\$42.00	\$46.00	\$49.00
<i>Cart Fees (\$ per seat / \$ per Cart)</i>					
Member				\$6/\$12	\$6/\$12
Non-Member				\$6/\$12	\$7/\$14

Golf Rounds

GOLF ROUNDS - ANNUAL

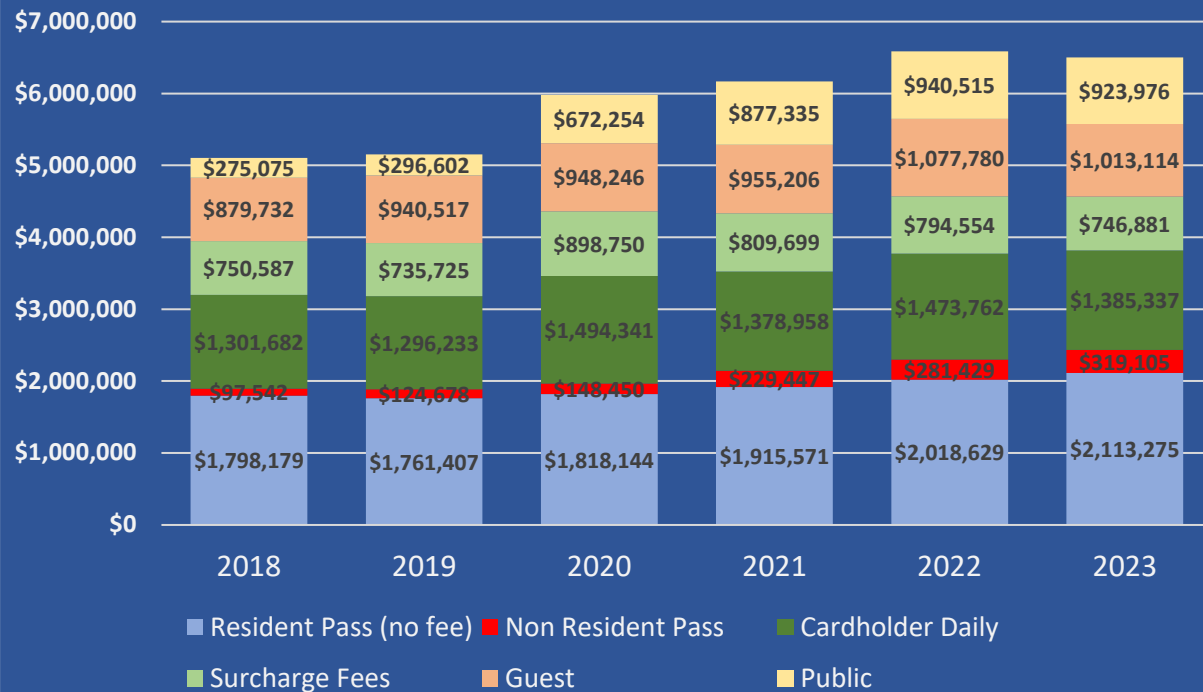


GOLF ROUNDS (% OF TOTAL)

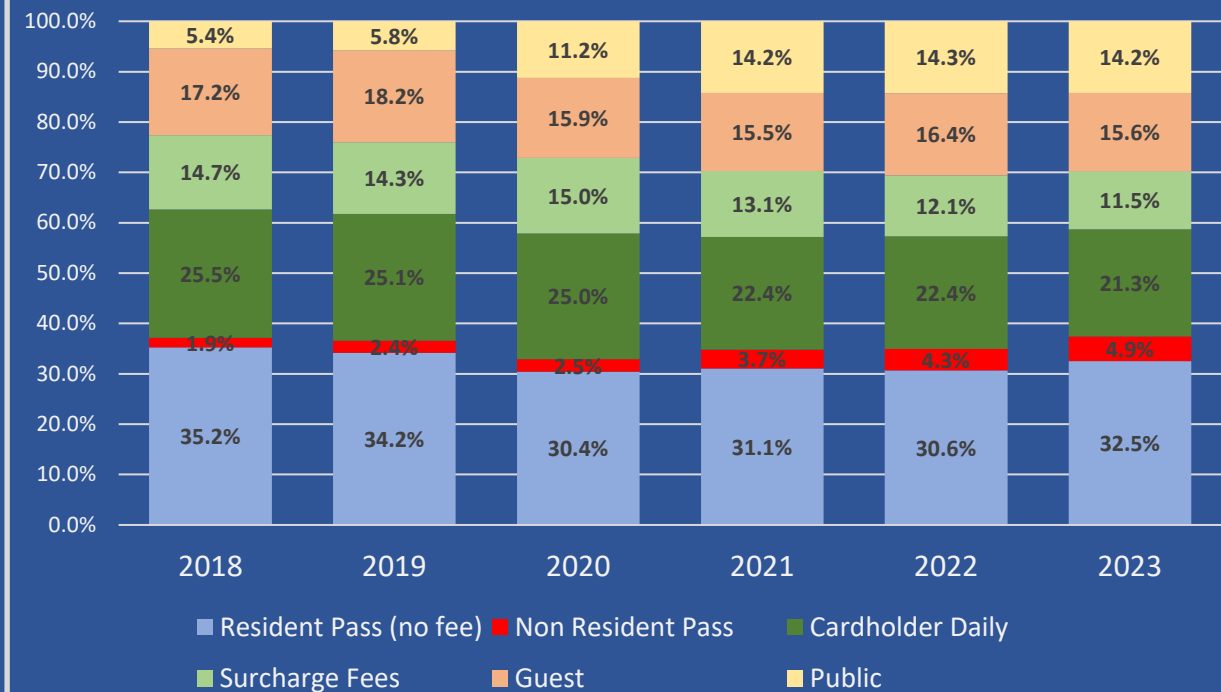


Golf Revenue

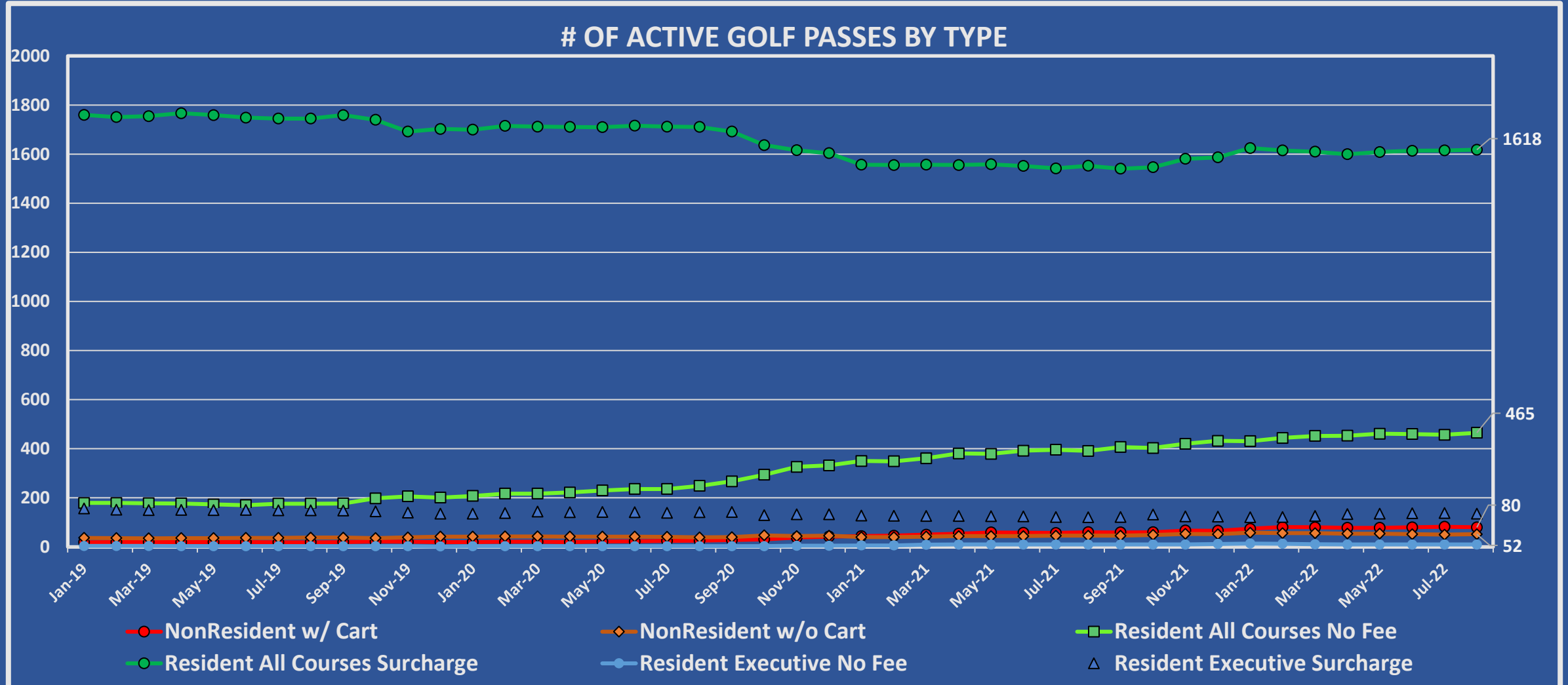
GOLF REVENUE



GOLF REVENUE (% OF TOTAL)



Golf Passes



FOOD & BEVERAGE

(\$000's)		VARIANCE			NOTES
	2022 (est)	2023 (bud)	\$	%	
Operating Income	748	933	185	25%	includes 2023 food, beverage price increases
Cost of Sales	(225)	(287)	(62)	-28%	
Gross Profit	523	646	123	24%	
Wages & Benefits	365	382	17	5%	2023 wage increases
Repairs & Maintenance	35	42	7	20%	includes budget for Café Building Repair (\$17k) and Equipment Repair (\$16k)
Utilities	84	88	4	5%	
General Operating Expenses	39	40	1	3%	
	523	552	29	6%	
Net Operating Excess	0	94	94		
Other Income / (Expense)					
Net Excess Before Depreciation	0	94	94		

Assumptions - Operations

<i>(000's)</i>	<u>2022 (est)</u>	<u>2023 (bud)</u>	<u>% Change</u>
Annual Assessment <i>Annual assessment per property increases to \$525 per year</i>	\$12,834	\$13,639	6.3%
Preventive Maintenance <i>B&I is aggressively expanding the preventive maintenance schedule to extend life of RCSC assets.</i>	\$140	\$253	80.7%
R&M Projects <i>see attached Capital, R&M Project listing</i>	\$177	\$683	285.9%
Furniture <i>Tables, chairs, umbrellas at all rec centers</i>	\$10	\$23	130.0%
Equipment <i>Includes replacement of Lakeview fitness equipment</i>	\$136	\$150	10.3%

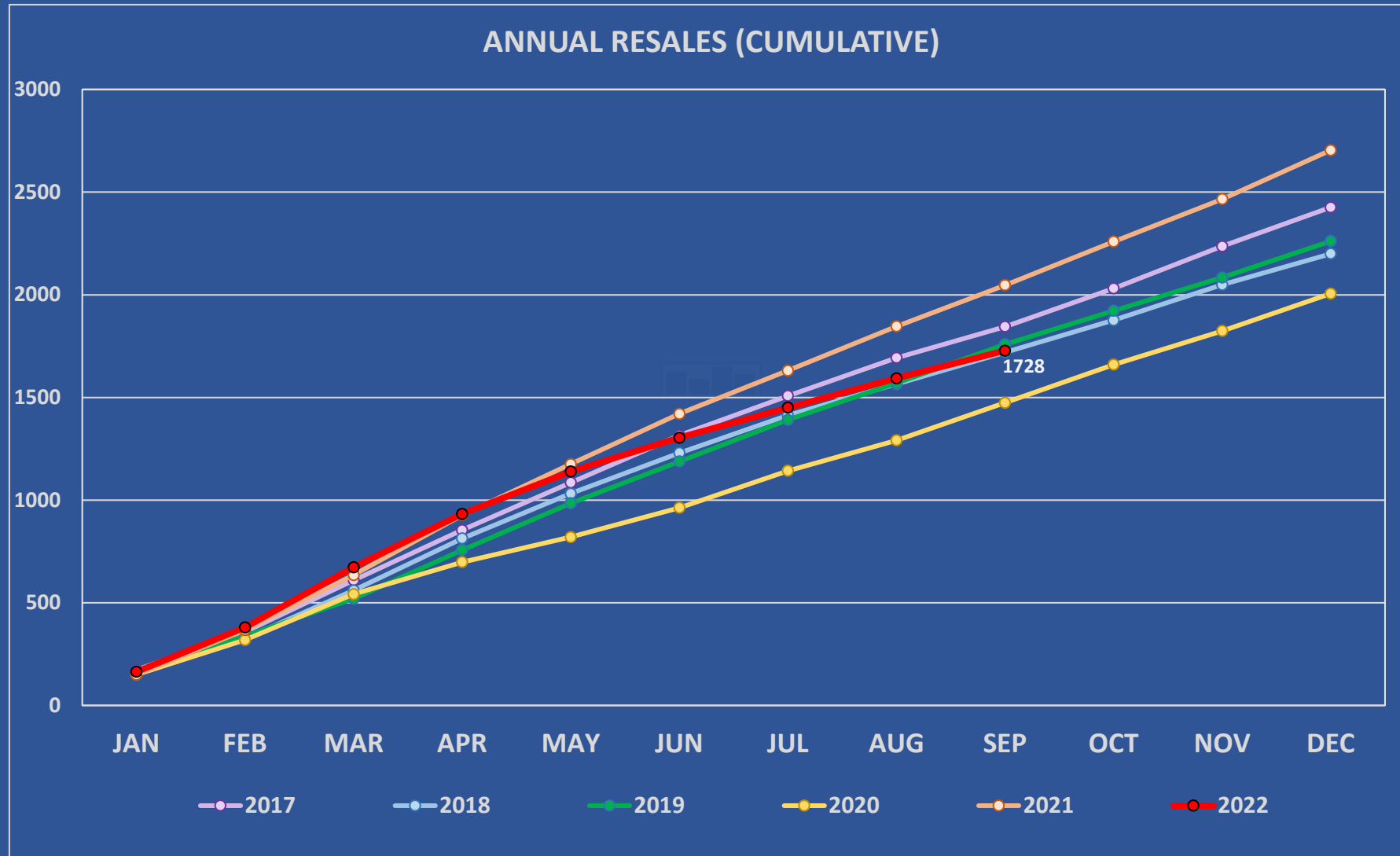
Operations

(\$000's)		VARIANCE			NOTES
	2022 (est)	2023 (bud)	\$	%	
Operating Income	14,610	15,321	711	4.9%	Annual Assessment increase to \$525
Cost of Sales					
Gross Profit	14,610	15,321	711	4.9%	
Wages & Benefits	4,425	5,154	729	16.5%	Two addition positions, 2023 wage increases
Repairs & Maintenance	1,313	1,397	84	6.4%	2023 Preventive Maintenance increase to \$253k
Projects	177	683	506	285.9%	Substantial increase in R&M budget in 2023
Utilities	1,296	1,371	75	5.8%	6% Utilities rate increase in 2023 budget
General Operating Expenses	816	864	48	5.9%	Furniture, Equipment expenses increased by \$27k
	8,027	9,469	1,442	18.0%	credit card fees up \$22k due to increased use of Portal
Net Operating Excess	6,583	5,852	(731)	-11.1%	
Other Income / (Expense)	(853)	(970)	(117)	13.7%	Insurance premium increased by 20% for 2023
Net Excess Before Depreciation	5,730	4,882	(848)	-14.8%	

Operations – Restricted Income

(\$000's)		VARIANCE			NOTES
	2022 (est)	2023 (bud)	<u>\$</u>	<u>%</u>	
PIF Fees	8,144	7,000	(1,144)	-14.0%	2023 Assumes 1,750 PIFs at \$4k each
PIF Investment Income	102	501	399	391.2%	Average balance of \$25m at 2.0% return
Capital Reserve Income	75	200	125	166.7%	Average balance of \$10m at 2.0% return
Investment Fees	(32)	(56)	(24)	75.0%	
	8,289	7,645	(644)	-7.8%	

Resales



Assumptions - Bowling

	<u>2022 (est)</u>	<u>2023 (budget)</u>	<u>% Change</u>
<i>Lineage:</i>			
League	175,405	199,962	14.0%
Open	86,200	73,728	(14.5%)
Tournament	10,550	10,833	2.7%
	<hr/> 272,155	<hr/> 284,523	<hr/> 4.5%
<i>Pricing:</i>			
Member	\$2.65	\$2.70	1.9%
Non-Member	\$2.90	\$3.15	8.6%

BOWLING

(\$000's)

	2022 (est)	2023 (bud)	VARIANCE		NOTES
			<u>\$</u>	<u>%</u>	
Operating Income	869	933	64	7%	<i>includes 14% increase in League Lineage, and a price increase for League and Open Bowling.</i>
Cost of Sales	39	45	6	15%	
Gross Profit	830	888	58	7%	
Wages & Benefits	537	643	106	20%	<i>Wage Increase, Additional position: League Coordinator</i>
Repairs & Maintenance	26	34	8	31%	<i>Brunswick Software License (\$4k) moved from IT to Bowling</i>
Utilities	104	109	5	5%	<i>5% Utilities increase</i>
General Operating Expenses	42	42	0	0%	
	709	828	119	17%	
Net Operating Excess	121	60	(61)	(50%)	
Other Income / (Expense)	0	0	0		
Net Excess Before Depreciation	121	60	(61)	(50%)	

BOWLING

2023 Bowling Budget - Total Lineage



2023 Bowling Budget - Revenue



Assumptions - Events

	<u>2022 (est)</u>	<u>2023 (budget)</u>	<u>Change</u>	<u>Notes</u>
Ticket Price	\$18.00	\$23.00	28%	2023 Ticket Price Increase of \$5 per Ticket
Total Shows	24	12	(50%)	Matinee shows will not be scheduled in 2023
Tickets Sold per Show	618	1,100	78%	2022 tickets per show lower due to matinee performances
Revenue	\$266,866	\$303,600	14%	

Events & Entertainment

(\$000's)		VARIANCE			NOTES
	2022 (est)	2023 (bud)	\$	%	
Operating Income	270	415	145	54%	<i>includes \$110k in Room Rental (moved from Operations), and a \$5 per ticket price increase</i>
Cost of Sales	(93)	(85)	8	9%	
Gross Profit	177	330	153	86%	
Wages & Benefits	355	383	28	8%	<i>Wage increase for 2023</i>
Repairs & Maintenance	2	2	0	0%	
Utilities	2	2	0	0%	
General Operating Expenses	91	119	28	31%	<i>Budget includes \$30k for AV Equipment</i>
	450	506	56	12%	
Net Operating Deficit	(273)	(176)	97	-36%	
Other Income / (Expense)					
Net Deficit Before Depreciation	(273)	(176)	97	-36%	

(\$000's)		VARIANCE			NOTES
	2022 (est)	2023 (bud)	\$	%	
Operating Income			0		
Cost of Sales			0		
Gross Profit	0	0	0		
Wages & Benefits	1,535	1,804	269	17.5%	2023 Wage increases, additional IT headcount added in 2022
Repairs & Maintenance	130	291	161	123.8%	Consolidation of all Software fees into Repairs & Maint.
Utilities	123	104	(19)	-15.4%	IT Upgrade project will reduce 2023 Internet fees
Projects	144	264	120	83.3%	includes Year 2 expenses for the IT Upgrade Project
General Operating Expenses	419	560	141	33.7%	Increased Legal Fees, Timing of 2021 Audit Fees
	2,351	3,023	672	28.6%	
Net Operating Excess	(2,351)	(3,023)	672	-28.6%	
Other Income / (Expense)					
Net Excess Before Depreciation	<u>(2,351)</u>	<u>(3,023)</u>	<u>672</u>	<u>-28.6%</u>	

(\$000's)		VARIANCE			NOTES
	2022 (est)	2023 (bud)	\$\$	%	
Operating Income			0		
Cost of Sales			0		
Gross Profit	0	0	0		
Wages & Benefits	621	726	105	17%	Wage increases, additional position: Project Coordinator
Repairs & Maintenance	9	27	18	200%	Work Order tracking software (\$15k) moved to B&I from IT
Utilities	18	20	2	11%	6% Utilities increase, phone, tablet for new Project Coordinator
General Operating Expenses	76	98	22	29%	includes \$45k for Design consulting for future Projects
	724	871	147	20%	
Net Operating Excess	(724)	(871)	147	-20%	
Other Income / (Expense)					
Net Excess Before Depreciation	(724)	(871)	147	-20%	

Capital Projects

See Exhibit A in 2023 Budget Presentation Sheets

Carryforward

RCSC CARRYFORWARD

08/31/22 Wells Fargo Checking Balance	\$13,961,121
Outstanding 2022 Capital Projects	(\$2,645,000)
Outstanding 2021 Capital Projects	(\$445,439)
Less Outstanding Checks, Deposits	(\$77,260)
Subtotal	\$10,793,422
Transfer to Capital Reserve:	(\$4,500,000)
2023 Net Excess Budget:	\$1,309,696
2023 Capital Project Total:	(\$3,283,155)
Total Carryforward as of 12/31/23:	\$4,319,963

Carryforward

“On average, COAs should be setting aside 15% to 40% of their total assessments towards Reserves.” ¹

“The HOA reserves rule of thumb is based on the idea that a HOA has a minimum of 60% of the depreciated value of all the common areas at any given time.” ²

- *RCSC Total Annual Assessment: \$13.6 million*
15% = \$2.0 million, 40% = \$5.5 million
- *RCSC Fully Depreciated Asset Value: \$77 million*
60% of fully depreciated Fixed Assets: \$46.1 million

As of August 31, 2022, RCSC Reserves (Operating Reserve plus Capital Reserve) totaled \$8.1 million. If PIF funds are included in this total, the Reserve balance is \$40.1 million.

1. “How Much Reserves Should a COA Have?”, Association Reserves
2. “How Much Should an HOA Have in Reserves”, Reserve Study Group

Backup Slides



Capital Projects

ALL PROJECTS BY CATEGORY						
Sum of TOTAL	RANKING					
Row Labels	1	2	3	4	5	Grand Total
B&I	\$55,000		\$76,500	\$11,000	\$38,400	\$180,900
Café				\$13,925	\$12,000	\$25,925
Clubs		\$145,000	\$210,000	\$5,000	\$18,000	\$378,000
Concrete / Paving			\$4,000		\$275,000	\$279,000
Electrical			\$35,384			\$35,384
Flooring		\$35,000	\$3,000	\$14,000	\$10,000	\$62,000
HVAC		\$15,000	\$22,718	\$621,962	\$77,000	\$736,680
Lighting			\$96,000	\$45,000	\$3,000	\$144,000
Painting	\$51,000	\$57,500	\$205,000		\$3,000	\$316,500
Pools, Spas			\$85,000	\$43,750	\$55,000	\$183,750
Roofing				\$292,930		\$292,930
Sewer					\$114,500	\$114,500
Sprinklers					\$83,030	\$83,030
Vehicles		\$10,000				\$10,000
Sports, Games		\$21,000	\$50,000	\$82,538	\$95,000	\$248,538
Golf			\$160,000	\$450,000	\$18,000	\$628,000
Bowling				\$40,000		\$40,000
Security					\$150,000	\$150,000
Information Tech				\$315,000		\$315,000
Board		\$24,000				\$24,000
Grand Total	\$106,000	\$307,500	\$947,602	\$1,935,105	\$951,930	\$4,248,137

Carryforward

RCSC Carryforward

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022 (est)</u>	<u>Total</u>
Net Excess Before Depr (actual)	2,342,990	2,744,049	2,208,054	1,671,252	2,263,346	2,935,426	3,297,666	2,470,686	3,388,534	2,992,867	26,314,870
Capital Projects (budget)	(1,561,000)	(1,548,000)	(1,184,000)	(1,140,325)	(825,300)	(1,784,839)	(2,786,328)	(2,738,496)	(1,895,249)	(2,759,910)	(18,223,447)
Contribution	<u>781,990</u>	<u>1,196,049</u>	<u>1,024,054</u>	<u>530,927</u>	<u>1,438,046</u>	<u>1,150,587</u>	<u>511,338</u>	<u>(267,810)</u>	<u>1,493,285</u>	<u>232,957</u>	<u>8,091,423</u>

Golf Passes



GOLF PASS STATISTICS

<i>NON RESIDENT:</i>	<u>Q2 '17</u>	<u>Q2 '18</u>	<u>Q2 '19</u>	<u>Q2 '20</u>	<u>Q2 '21</u>	<u>Q2 '22</u>
Average # of Passes Outstanding:	37	43	56	64	94	134
Average # of Rounds per Month Per Pass:	8.8	9.6	10.1	10.0	10.0	9.7
Average Revenue per Round:	\$20.35	\$18.16	\$18.13	\$17.68	\$18.70	\$19.64
Average Revenue per Round (at 2023 Pass Prices):						\$21.93
<i>RESIDENT:</i>	<u>Q2 '17</u>	<u>Q2 '18</u>	<u>Q2 '19</u>	<u>Q2 '20</u>	<u>Q2 '21</u>	<u>Q2 '22</u>
Average # of Passes Outstanding:	2,187	2,125	2,091	2,065	2,044	2,195
Average Rounds per Month Per Pass:	7.8	7.8	7.7	8.6	8.8	8.3
Average Revenue per Round:	\$13.76	\$13.95	\$14.02	\$13.59	\$13.48	\$13.84