

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

September 18, 2024

Chair Karen McAdam called the meeting to order at 1:00pm in the Lakeview Board Room.

Present: Chair McAdam, Co-Chair Tom Foster and Committee Members Dave Wieland, Kim Wanek, Linda McIntyre (remotely), Les Bethany, Suchindran Chatterjee, Gene Westemeier, Don Henrich

RCSC Board: President Kat Fimmel, Treasurer Anita Borski, Directors Preston Kise, Chris Nettesheim, Steve Collins

RCSC Staff: General Manager Matthew D'Luzansky, Support/Finance Sr. Leader Kevin McCurdy, Controller Angie Nelson

Guests: Cardholders Tom Marone, Darla Akins, Steve Oaks

Review/Amend Prior Meeting Summary: The June 19, 2024 Meeting Summary was accepted as presented.

Action Items:

1. Review of Proposed 2025 Budget

Management's recommendation was to propose a budget that brings the annual member assessment fee in line with compound inflation over the past seven years. Assumptions used in constructing the proposed budget included inflation of 4 percent, 1,600 resales of Sun City homes, and golf and bowling revenues and expenses based on input from the Golf Advisory Committee and the Bowling Committee. In addition, a specific percentage of assessment revenue was assumed to be allocated to the capital reserve fund. Previously the capital reserve fund only received any operating revenue excess. This made multi-year capital planning more volatile as operating excess is less predictable.

Kevin McCurdy noted that the RCSC has seen a decrease in staff attrition between 2023 and 2024 with a 31% decrease in staff attrition and the percent decrease in golf staff has improved significantly. Benefits increases are due to employees selecting more expensive Employee and Family plans and the simple reality that the cost of health insurance has increased. As a consequence of attracting younger employees this trend is likely to continue but, on the other hand, we anticipate workers comp incidents would decrease.

Non-Golf budget

Additional Sun Bowl and Sun Dial performances are included. This yields approximately an additional 2 percent in operating excess for this budget.

The cost for the RCSC overall insurance package increased but the magnitude of the 2024 increase was unexpected.

Bowling – Operating excess up \$95,000 due to proposed non-resident increases.

Facilities

A 4% overall increase in facilities spending is assumed in the proposed budget. This division is attempting to be more predictable in its costing of projects and minimizing overhead that does not add value.

Finance

Added FTEs for Safety and Compliance (budgeted and unbudgeted in 2024). Increase in litigation and RCSC's incident experience are driving liability insurance premium increases. Software licenses are included in Repairs and Maintenance. Adding fiber to all facilities which will address bandwidth concerns. Decreasing legal fees for 2025 based on 2024 experience. Will subscribe to most software packages going forward as this is the manner software is provisioned today.

Golf

Operating excess \$554,000 budgeted for 2025. This is intended to cover half of the golf division's capital spending. The proposed golf budget assumes a fifteen percent increase in our golf income driven primarily by increases in passes and daily golf greens fees. Food/Beverage roughly breaks even. Golf pricing is still being finalized within the Golf Advisory Committee and updates will be made once those decisions are made but should not materially impact the budget. Worthy of note is that RCSC has raised non-resident greens fees pretty much to market levels. As such, RCSC is limited in how much more revenue can be raised from non-residents. Compared to other neighboring courses, our proposed resident fees are still lower than neighboring communities.

Discussion

The Committee explored the following topics. If the portion of the annual assessment that was proposed to be moved to the capital reserve fund was retained in the operating budget, would that materially reduce the proposed annual assessment? Mr. McCurdy acknowledged that it would likely reduce the magnitude of the proposed annual assessment, but the result would be to add to the volatility of the capital reserve fund.

The Committee discussed whether there was any qualitative information regarding how the RCSC golf courses compare to other courses in neighboring communities. While there didn't seem to be any such qualitative ranking, it was generally agreed that the "playability" of the Sun City West courses is superior to that of the RCSC courses, but Sun City West pays considerably more to get that result.

In response to questions from the Committee regarding Club requests Mr. McCurdy responded that if a club has a dedicated space then that club's requests are generally charged against the RCSC Club budget. If a club does not have a dedicated space then those requests generally get charged against the budget portion that benefits all members. The priority of club requests are usually that if the request is a safety or health hazard, then the request will get addressed and the decision of where to charge the expense follows whether it is dedicated or non-dedicated club space.

The Committee inquired as to what their responsibility was with regards to the Capital Projects list. Mr. McCurdy responded that today these projects are coming out of the

reserve study. As RCSC equipment reaches the end of its useful life replacing that asset becomes a project for the capital projects list.

Remaining discussion focused on the Committee's responsibilities for its Oct 8th meeting. The intention of the Chair and Co-Chair was that the Committee be prepared to vote on the proposed budget in order to fully prepare for the Townhall Presentations scheduled for Oct. 21 and 23.

Adjournment: The meeting was adjourned at approximately 2:25pm.

Next Meeting: Next scheduled meeting is October 8, 2024, at 3:30pm – Lakeview Center Board Room

Respectfully submitted,

RCSC Board Director Chris Nettesheim, Acting Secretary