

RCSC Management Report – January 30, 2020

Financial:

Financial Report

The Recreation Centers of Sun City, Inc. (RCSC) has ended December 2019 within its operating and capital budget year to date. All Divisions have met or exceeded their net operating budget projections year to date with total operating income \$201k (1%) favorable to budget and operating expenses \$691k (4%) favorable to budget. Income favorability is driven by higher than budgeted income in the Building and Infrastructure, Bowling and Member Services Divisions partially offset by lower Golf and Food Services income. Operating expense favorability is primarily driven by lower payroll and utility expense across multiple Divisions slightly offset by higher Repair and Maintenance costs. Year to date operating excess without projects favorability is \$858k (22%) favorable to budget.

Cardholder Services

Payments on past due assessments in December were 11.6% of past due balances. Overall accounts receivable decreased in December by 1.9% and is up 5.0% from the beginning of the year. Overall accounts receivable past due balances have decreased 2.1% since the beginning of the year. November assessments went 30 days past due at a 4.9% rate and October assessments went 60 days past due at a 2.1% rate.

Payments from our third-party collections firm totaled \$7,015 in December. Year to date payments through our third-party collections firm total \$100,181. Payments made in December through the online RCSC Web Portal totaled \$113,478 from 264 property owners. Year to date web portal payments total \$1,539,719 from 3,389 property owners.

In December property transfer balances increased by 9.7%. Outstanding balances related to property transfers represent 54% of all receivables and 53% of past due balances. At the end of December trustee sale notices on Sun City AZ properties ended at 33 and properties owned by lending institutions decreased to 3.

Projects:

WiFi Upgrades

As approved by the Board in 2019, the upgrades to WiFi services at RCSC locations is beginning. In 2019, the planned upgrades in the Sundial auditorium were completed ahead of the Arts and Craft Festival to accommodate the higher traffic at this event. Currently the upgrades to the services from Cox to provide more bandwidth have been ordered. Also, the additional WiFi access points have been ordered from our partner Lokket. Once the service upgrades have been completed and the additional access points have been received, the cabling and installation will be scheduled.

Bell Center

- Mini Golf Carpet

The bid packet has been completed and approved by the Bid Commission. The carpet has been ordered and pending arrival. The work to remove and replace the carpet is scheduled to begin on Monday 2/10/2020 with the course closed until the anticipated completion on Thursday 2/20/2020. Contractor: Baker Brothers, Exquisite Painting, RCSC Skilled Trades (Cost \$34,429)

- Library Book Drop

The lighting enhancements on the north access road have now been completed. This project is fully complete.

Contractor: Regional Paving, Accel Electric, Kingsley Equipment (Cost \$67,403)

- Bell Electrical Outage

Delivery of the custom electrical panel from the manufacturer was delayed. This was received and installed on 12/23/2019 restoring electrical services to the craft club rooms. Clubs were notified

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they could return to their rooms on 12/24/2019 with cardholders being referred to the club for opening hours due to the holiday. Final repairs to the electrical room including drywall repair, paint and floor power washing were completed by Bly Sky Construction on 1/20/2020 with all repairs now complete.

Grand Center

- Work continues to progress. There were three days lost to weather over the New Year's holiday time period.
- Grading for the interior slab currently being worked on. Greenhouse footing has been placed. Light pole bases on place and electrical conduit run to each pole, 80% of site wall footings dug, door frames completed by masons with building masonry completion expected on 1/24/2020,
- Working with CenturyLink to move service pedestals and place conduit within the existing easement for the routing of service lines.
- Review of requests for information (RFI) that are plan clarifications or information requests based upon existing conditions and submittals from subcontractors is ongoing.
- The civil, mechanical and structural plans are scheduled to be received by 1/31/2020 for the second building. Upon receipt those will be reviewed for completeness with any changes being identified. Plans for permitting will be finalized upon this review and any necessary changes. The additional building footprint was included in the Plan of Development (POD) submitted to and approved by Maricopa County so no changes to this POD are required. With the inclusion of all site work, grading and drainage being included in the first phase of the project the permit review for the second building will include only the building and the rear parking area. As a result, this permit review is expected to take less time than the first phase of the project.

Lakeview Center

• Fitness Room Repairs

The fitness room at Lakeview experienced flooding after the storm on Thanksgiving. Repairs were coordinated with the assigned insurance adjuster. Work included the remediation of the water from the room, environmental testing, drywall replacement, painting, baseboard replacement, carpet cleaning, and cleaning/testing each piece of fitness equipment. While this was an extended outage period for the fitness room, all work has been completed, including the addition of a few more storage cubbies. The fitness room reopened for cardholder use on 1/8/2020.

• Indoor Spa Dehumidifier Replacement

The dehumidifier in the indoor spa at Lakeview Center is aged and scheduled for replacement in 2020 due to increasing performance problems and costs to repair. The bid packet has been approved by the Bid Commission and the unit ordered. There is a 10-12 week lead time for delivery of the unit. The installation is expected in March 2020 with this timeframe dependent upon the manufacturing and shipping times meeting the expectations. Notice will be provided to Cardholders regarding the required downtime of the indoor spa to complete this equipment replacement.

Contractor: WD Manor (Cost \$90,495)

Mountain View Center

- No additional progress for the period ending 12/31/2019.
- The following reports and surveys have been completed for the planning tasks for the renovation of Mountain View Center: title report to show property encumbrances and easements, topographical survey data, and soils testing/report.
- No tasks for included amenities or site/building design have been completed.

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Sundial Center

- East Parking Lot Lighting Improvements

This project has been completed. This project adds lighting to the solar canopies on the east side of the center to provide better nighttime illumination adjacent to the building. Similar fixtures have been added to other centers and provided the desired lighting improvements.

Contractor: Accel Electric (Cost \$7,667)

- Storefront Door Repair

This project has been completed. This project includes work on the storefront doors to the auditorium and club areas that have been operationally problematic and difficult to secure.

Contractor: Quality Lock & Key (Cost \$23,991)

- Large Pool UV System Replacement

The replacement of the UV system for the large pool is required and budgeted for 2020. This work is scheduled for completion on 1/22/2020 and 1/23/2020. The first stage of the work is to install bypass piping that will allow the installation of the new UV system, as well as future maintenance, without closure of the pool. The pool will be closed during this first phase of the work.

Contractor: Exceptional Water Systems, Osiris Pools and Spas (Cost \$23,928)

- Mall Lighting Improvements

The 28 metal halide light fixtures in the mall area at Sundial will be replaced with LED fixtures. The current metal halide lights are cumbersome and costly to replace as they go out. The replacement with LED fixtures will provide similar light levels without the ongoing maintenance requirements as well as providing energy cost savings. The replacement of the fixtures is scheduled for 1/23/2020 and 1/24/2020.

Contractor: Accel Electric (Cost \$11,708)

Solar:

New Issues

- Lakeview Lanes - # 11

Ground Fault error message on panel. Inverter reset twice with this error condition cleared as of 1/6/2020. Issue Resolved.

- Quail Run Maintenance - # 9

Inverter has a Missing Grid error code. B&I reset the inverter on 1/15/2020 which cleared the error condition. Issue Resolved.

Issues Resolved

- Fairway - # 14

Inverter had an E018 error code 11/27/19. B&I reset this inverter on 12/3/2019 which cleared this error condition.

Open Issues

- Oakmont Rec Center - # 01/02/03/04/05/06

The inverters at Oakmont Center are not reporting production data. This has been an outstanding issue since July 2018. The production meter shows overall production data for the site but the individual inverters are not reporting production to the AlsoEnergy aggregation reporting site.

No resolution to this data integration reporting issue this month. Focus has been on the preventative maintenance tasks below.

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- Lakeview Rear - # 01/02/03/04

Similar to the Oakmont site the inverters at the Lakeview Rear site stopped communicating with the AlsoEnergy data logger and thus the AlsoEnergy aggregation reporting site. The Lakeview Rear inverters are Fronius models similar to Oakmont Center with these two sites being the only Fronius inverters in the RCSC Solar environment.

No resolution to this data integration reporting issue this month. Focus has been on the preventative maintenance tasks below.

- Lakeview Lanes - # 01/02/03/04/05/06/07/08/09

Production results significantly lower than expected for this group of inverters. Four of the replacement SMA inverters were installed at this location and the production output was similar to the PowerOne/ABB models removed. DC voltages from the solar panels were field tested and did not indicate significant under supply of voltages. Additional investigation needed on these inverters to identify a cause of the under production and if preventative maintenance tasks positively affect performance.

No resolution to this production issue this month. Focus has been on the preventative maintenance tasks below. The preventative maintenance steps may identify solutions when these inverters are addressed.

Production Data

The lack of data from the Fronius inverters above negatively affect the overall tracked production data. The production meter is reporting the overall production from each connected inverter. This data from the production meter will be distributed across each connected inverter to more accurately report production totals. This step has not yet been completed.

As previously reported, we have identified that a data element that is used to compare expected output to actual output did not accurately adjust for weather conditions and cloud cover. Comparing actual production to blue sky expectations results in incorrectly showing under production. The AlsoEnergy reporting site does not have a different comparison element that adjusts for weather so we have developed a methodology for making an adjustment for weather that will more accurately report production levels. For each month a sample of four inverters will be compared daily to determine the monthly percentage of production that is incorrectly being reported. In analyzing these days affected by weather a consistent pattern across all sampled inverters was seen. The percentage from these sample inverters will be averaged to determine the percentage reduction in expected production that will be applied to all inverters. This analysis has been completed for 2018 and 2019 and pending for years 2014-2017.

After adjusting for weather, the number of inverters with a positive variance from expected for 2019 increased from 22 (or 12%) to 118 (or 67%) and for 2018 this increased from 60 (or 34%) to 124 (or 70%). Overall production estimated for the period 2013-2019 increased from a negative 0.04% to a positive 2.31% after making these adjustments for weather. As these percentages show, the presentation of the production for the RCSC solar systems had been incorrectly reported in prior periods. The aggregate reporting information provided will be represented in both the unadjusted and adjusted to show how the production data changes.

Preventative Maintenance

RCSC has selected Kortman Electric to complete the preventative maintenance on the RCSC solar systems. This work began on 1/10/2020 starting at the Willow location and is moving through each

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of the other locations. The work is being completed in two steps. The first step is the review and cleaning of each inverter with the second being the review of the combiner boxes that aggregate the panel DC connections to each inverter. The first step is anticipated to be completed by 2/7/2020. The second step will start immediately after this and is projected to take approximately 4-6 weeks to complete. A reporting of findings and repairs will be put together upon the completion of both steps at each location.

Golf & Grounds:

Pro Shops

Rounds in review (2019), we began the year cold and wet resulting in a rounds reduction of 7,653 rounds compared to prior year after the first quarter. Increased play over the spring and summer resulting in erasing this deficit and moving us into positive territory. After October we were 5,952 rounds ahead of prior year. November and December proved to be microcosms of the total year. Both months we were trending ahead of rounds in the beginning and suffered poor weather at the end. For the year, the golf division finished 1,890 rounds ahead of prior year. Though rounds recovered throughout the year, we were not able to recover the revenue lost to budget in the first quarter.

On February 13, Lakes East/Lakes West will be hosting the 12th annual Teal Ribbon Tournament. The event is open to ladies and men and no handicap is required. It is a 9-hole event with a 9:30 shotgun start and lunch follows play at Sundial. Proceeds benefit the University of Arizona Cancer Center for Ovarian Cancer research. The entry fee is \$30.00 per person, entry forms may be picked up and turned in to any pro shop.

Snack Shops

Snack Shop revenue was impacted by reduced golf rounds. Snack Shop revenue will miss budgeted targets for 2019 but will surpass Gross Income and Net Operating goals.

Golf Courses

The preliminary aerification/overseed schedule was presented to the Golf Advisory Committee this month. Fairway verticutting will begin at Willowcreek on April 27 and will finish at Quail Run on May 21. Fairway aerification will begin May 28 at Willowcreek and finish on June 22 at Quail Run. As we did last year courses will be closed for 3 days for Greens Aerification. The extra day provides a buffer for equipment issues as well as more time for crews to provide the best possible surface following aerification. This process will begin June 22 at Willowcreek and finish on August 7 at Quail Run. We will have one day that two courses will be closed (Willowcreek and Quail Run June 22). We asked committee members to review this schedule with their respective course committees, to identify any potential scheduling conflicts that may have been missed.

We are in the beginning stages of planning for sand and liner replacement for the bunkers on Lakes West. This process will be similar the process followed at South last year. Bunker sand will be removed, bunker edges will be restored to the original design, new Better Billy Bunker liner will be installed, and new bunker sand will be installed. We are planning to begin the project in July and expect the project to last 4 – 6 weeks. Though there will be some disruption to play, the project will not result in a course closure.

Lawn Bowl and Grounds

The pace of the greens range from a low of 12.2 seconds on Mountain View to a high of 14.9 seconds on both Bell (North). Greens were watered only on an as-needed basis, with Mountain View requiring 1 to cycles per week. Greens are currently mowed once per week and double rolled on non-mow days. Ditches are cleaned and raked on rolling days.

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The grounds crew is currently busy spraying and mechanically removing weeds brought resulting from November and December rains.

General:

For those who may not be aware, the monthly management report is available on our website www.suncityaz.org under the RCSC tab. Also, if you have not done so already, please sign up on the RCSC email list where you can designate topics of interest and stay in the loop with RCSC News Alert Emails!