

RCSC Management Report – April 30, 2020

Financial:

Financial Report

The Recreation Centers of Sun City, Inc. (RCSC) has ended March 2020 within its operating and capital budget year to date. All Divisions, with the exception of Bowling, have met or exceeded their net operating budget projections year to date with total operating income \$194k (3%) favorable to budget and operating expenses \$361k (8%) favorable to budget. Income favorability is driven by higher than budgeted income in the Building & Infrastructure and Golf Divisions. Operating expense favorability is primarily driven by lower payroll, utility and general operating expenses across multiple Divisions. Year to date operating excess without projects favorability is \$629k (24%) favorable to budget. Although Year to date financials are exceeding budget, RCSC is starting to see the effect of the COVID-19 related shutdown. March overall Gross Income was \$88k (4%) below budget leading to a net deficit of \$80k for the month.

Due to the coronavirus, RCSC cancelled the April 30, 2020 Board meeting. Therefore, the treasurer's report is being included in this section of the Management Report. The balance of unrestricted funds as of March 31, 2020 was \$16,579,245 which includes a \$2.5M cash reserve. Restricted funds include the Preservation and Improvement Fund ("PIF") and the Capital Reserve Fund. As of March 31, 2020, PIF had a balance of \$17,043,070 plus \$807,789 collected in March that was transferred into the PIF account the first part of April 2020. The Capital Reserve Fund had a balance of \$5,308,155 as of month end. The corporation operated within its budget year to date 2020.

Investment Report 1st Quarter 2020:

RCSC's Investment Policy (Bylaws Article XIII) is stringent in its requirements with the priority of investment objectives which are placed in this order: 1) safety, 2) liquidity, and 3) yield.

At the end of the first quarter 2020, \$4,903,259.33 (cost basis) of the \$2.5M unrestricted cash reserve and other unrestricted funds have been invested in various FDIC insured certificates of deposit, treasury bills and corporate bonds. In 2020, these investments along with the unrestricted money market account have produced interest income of \$19,579.04 with management fees of \$2,582.64 for a net income on unrestricted fund investments of \$16,996.40.

As of March 31, 2020, \$4,985,152.50 (cost basis) of the \$5M restricted capital reserve plus interest earned has been invested in various FDIC insured certificates of deposit and corporate bonds. Year-to-date, these investments have produced interest income of \$37,887.72 with management fees of \$2,667.44 for a net income on restricted capital reserve investments of \$35,220.28.

At the end of the first quarter 2020, \$6,951,130.71 (cost basis) of the approximate \$12.5M in the restricted Preservation and Improvement Fund has been invested in various FDIC insured certificates of deposit, treasury bills and corporate bonds. Year-to-date these investments have produced interest income of \$59,230.33 with management fees of \$3,798.69 for a net income on restricted fund investments of \$55,431.64.

Cardholder Services

Payments on past due assessments in March were 8.7% of past due balances. Overall accounts receivable increased in March by 11.0% and is up 9.0% from the beginning of the year. Overall accounts receivable past due balances have increased 4.0% since the beginning of the year. February assessments went 30 days past due at a 5.7% rate and January assessments went 60 days past due at a 3.1% rate.

Payments from our third-party collections firm totaled \$6,291 in March. Year to date payments through our third-party collections firm total \$22,395. Payments made in March through the online RCSC Web Portal totaled \$197,638 from 430 property owners. Year to date web portal payments total \$475,133 from 1,037 property owners.

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In March property transfer balances increased by 0.1%. Outstanding balances related to property transfers represent 49% of all receivables and 53% of past due balances. At the end of March trustee sale notices on Sun City AZ properties ended at 24 and properties owned by lending institutions increased to 3.

Projects:

Wi-Fi Upgrades

Recent alternative issues have continued to take precedence. A schedule of cabling needed for additional wireless access points will then be worked through upon completion of these alternative issues.

Bell Center

- Parking Lot Drive Path Painting

This work has been completed. The drive path lanes and curbs adjacent to the center were painted. This project included the designation of the area in front of the library as a no parking area.

Contractor: Ace Asphalt (Cost \$3,103)

- Table Tennis Room Light Diffuser Replacements

Diffusers have been received and continue to be pending installation due to the priority of other work. Replacement diffusers for the light fixtures in the table tennis room have been ordered and will be installed when received. The current diffusers have been replaced over time and do not project a consistent lighting color in the room. Replacement diffusers will provide even light levels and color.

Contractor: RCSC Skilled Trades (Cost \$1,550)

- Repair and Replacement of Concrete

This work has been completed. This work includes removal and replacement of sections, grinding down elevated joints, and replacement of the sidewalk ramp near the club area parking lot entry.

Contractor: Estrella Concrete Contracting (Cost \$2,875)

- Replacement of Pool Deck

The replacement of the pool deck with a rubber surface material similar to that installed at Marinette Center in 2019 was slated for completion later in the year. This project has been rescheduled for earlier completion. This will include the surface preparation and installation of the material on all deck surfaces and the caps of the walls on the interior of the walking pool. Due to challenges scheduling the work, this work is now scheduled to begin on 5/6/2020 and anticipated to take two weeks to complete.

Contractor: Rubaroc USA (Cost \$276,527)

- Repair of Fitness Center Wall

The wall between the indoor spa and fitness free weight area had water damage with repairs necessary. This work includes the demo of the wall materials, removal of damaged mirrors, environmental remediation, and replacement of both the wall and mirrors. This work includes the replacement of the cracked mirror on the adjacent wall in the fitness area. This work is in progress.

Contractor: BluSky Restoration, Jocorran Glass (Cost \$14,745)

- Bell Billiards Electrical Changes

This work has been completed. This work includes the move of lighting over a relocated pool table to accommodate making more room between tables and the addition of two ceiling fans in the billiards area.

Contractor: Accel Electric (Cost \$2,225)

- Install Ceiling Fans in Bell Fitness Area

This work has been completed. This work includes the installation of four ceiling fans in the Bell Fitness area.

Contractor: Accel Electric (Cost \$5,140)

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- Install Eye Wash/Shower Stations
This work has been completed. This includes the installation of eye wash/shower stations in both the pool areas at Bell Center where pool chemicals are used.
Contractor: RCSC Skilled Trades, Sunland Plumbing (Cost \$3,648)
- Install Sewer Cleanouts in Craft Club Area
This work has been completed. Additional sewer cleanouts have been added in the craft club area to aid in maintenance of the sewer lines in this area.
Contractor: Sunland Plumbing (Cost \$5,900)
- Library Roof Repair
This work has been completed. This work included the repair of the roof under an HVAC curbing. Previous repairs had not correctly identified or resolved the problem. Water tests after the completion of the repairs verified the successful completion of the repair.
Contractor: Tremco (Cost \$2,800)

Fairway Center

- Paint Exterior of Quail Run Pro Shop
This work has been completed. The exterior of the Quail Run Pro was scheduled for painting.
Contractor: Exquisite Painting (Cost \$4,780)

Grand Center

- The roof has been completed on the addition section of the building.
- Drywall is being completed in the addition section with paint to be scheduled immediately upon completion.
- Installation of the ceiling grid in the addition is scheduled to begin 5/11/2020.
- Millwork is being installed in the existing building and is approximately 50% complete.
- All Site concrete work including sidewalks, ramps, curbing, valley gutters and bike rack installation have been completed.
- Grading of the parking lot areas is almost completed. Asphalt installation has been delayed until 5/18/2020 but projects to not impact the completion date of the project.
- The greenhouse permit has been approved. Delivery and erection of the greenhouse is scheduled to begin on 5/11/2020.
- The scheduled substantial completion date continues to be the first week in June.
- Initial permit/plan review comments for the second building were received from Maricopa County on 3/30/2020. Some plan changes were required with responses to those comments resubmitted on 4/20/2020. Awaiting final permit issuance before soliciting bids for this building.

Lakeview Center

- Indoor Spa Dehumidifier Replacement
This work has been completed. Work began on 3/16/2020 to install the new dehumidifier. The old unit has been removed and the new unit set in place. Currently pending duct work modifications and turn up of the system. 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. .
Contractor: WD Manor (Cost \$90,495)
- Indoor Spa Pump Room
This work has been completed. Water heater supplying outdoor shower and shower inside the spa room has been replaced. Repairs in the room expected to be completed by 4/3/2020 with spa pump motor starter replacements scheduled after this. Repairs to the indoor spa pump room will be completed during the closure of the spa for the replacement of the indoor dehumidifier. Work will include wall framing, installation of wall board and FRP panels to repair the wall and reduce moisture exposure in the future and the replacement of a hollow metal door into a service area. Additionally, the replacement of three spa motor starters will be completed during this maintenance window. One

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of these antiquated starters failed in 2019 and was replaced with the remaining three scheduled for replacement in 2020.

Contractor: BluSky Restoration, Sunland Plumbing, Accel Electric, Exquisite Painting (Cost \$15,505)

- Lakeview Lanes West Parking Lot Lighting Enhancements

This work has been completed. Lighting levels in the Lakeview Lanes west parking lot and the adjacent lot area at Lakeview Center have been improved. LED fixtures will be mounted on the two light poles in the west lot. Three additional light poles will be added to the far west end of the lot to extend lighting through to the southeast end of the Lakeview parking lot.

Contractor: Accel Electric (Cost \$20,080)

- Repair and Replacement of Concrete

This work has been completed. Repair of concrete areas around the Center, Hillside Park and Lakeview Lanes are being scheduled. This includes removal and replacement of sections, grinding down elevated joints, and installation of ramps. Additionally, the removal of deteriorated asphalt near Lakeview Lanes and replacement with tinted concrete will be completed.

Contractor: Estrella Concrete Contracting (Cost \$21,250)

- Duffeeland Shade Canopies

This work has been completed. Additional shade canopies have been added at Duffeeland Dog Park. The shaded pavilion areas had significant afternoon sun glare that made these areas difficult to use. The added canopies provide additional shade in the afternoons as the sun sets.

Contractor: Phoenix Tent and Awning (Cost \$6,910)

- Duffeeland Parking Lot Repairs

This work includes the painting of the wheel stops in the parking lot caution yellow and levelling out the gravel parking lot. The painting of the blocks is complete and pending review of bids for the parking lot leveling.

Contractor: Exquisite Painting, TBD (Budget \$4,000)

Mountainview Center

- No change for this project and waiting input from the ad hoc committee before proceeding with site design work.
- The following reports and surveys have been completed for the planning tasks for the renovation of Mountainview Center: title report to show property encumbrances and easements, topographical survey data, and soils testing/report.

Marinette Center

- Eye Wash/Shower Station Installation

This work has been completed. This includes the installation of eye wash/shower stations in both the pool and spa rooms where pool chemicals are used.

Contractor: RCSC Skilled Trades, Sunland Plumbing (Cost \$3,593)

Sundial Center

- Repair and Replacement of Concrete

This work has been completed. This includes removal and replacement of sections and grinding down elevated joints.

Contractor: Estrella Concrete Contracting (Cost \$3,670)

- Parking Lot Crack Seal and Striping

This work has been completed. This project includes the repair of asphalt areas, crack filling, application of two coats of sealer, and restriping of the parking lot and handicap lines. Scheduling this work to be completed during the current closure period to lessen the impact to Cardholders and simplify the project coordination.

Contractor: Ace Asphalt (Cost \$37,950)

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- Flooring Installation in Office

The carpet in the office at Sundial was scheduled for replacement with LVT. The existing carpeting was installed over an old VCT floor tile. This work requires environmental remediation in the removal of this old VCT. Upon completion of this demo and remediation the new LVT will be installed. Work is in progress.

Contractor: JRM Environmental, Damage Control, Resource AZ (Cost \$6,388)

- Palo Verde Artists Wall Painting

This work is complete. This included the painting of a wall to match other walls in the club room.

Contractor: Exquisite Painting (Cost \$250)

- Refinishing of All Wood Doors in Clubs Area

This work is complete. This included the refinishing of all doors in the club hallway above the pool.

Contractor: Exquisite Painting (Cost \$6,250)

Solar:

New Issues:

- Oakmont Center - # 5

On 4/2/2020 this inverter made an audible noise and the status light went red. This inverter was shut down for safety reasons. A warranty replacement authorized by the manufacturer, Fronius. The incorrect model was shipped resulting in additional delay to receive the correct model. The correct replacement was received and scheduled for installation on 4/30/2020.

- Bell Center - # 5

On 4/21/2020 the GFCI fuse on this inverter failed. The fuse was replaced, and the inverter is operational.

- Mountainview Center

Panel strings were identified as not producing proper output during the PM work performed earlier this year. These strings were reviewed and repaired. All panel strings are providing normal output at this time.

- Lakeview Center

Panel strings were identified as not producing proper output during the PM work performed earlier this year. These strings were reviewed and repaired. All panel strings are providing normal output at this time.

Issues Resolved:

None to report.

Open Issues:

- Lakeview Production Meter

Production meter is not responding 2/14/2020. B&I reset did not resolve issue. This issue has not been resolved. Production information is available from the individual inverters at this time although not from the production meter. The RCSC IT staff have reviewed the connectivity to this device and verified it is not a connectivity problem. Awaiting additional review from AlsoEnergy to determine the cause of the connectivity issues.

- Sundial - # 14

Inverter is only producing half what it should be. Kortman notified 2/12/2020. There was a configuration setting on the AlsoEnergy site that incorrectly crosslinked inverters 14 and 16. This caused delays in identifying the inverter with the problem. Upon investigating, the AC disconnect on this inverter identified as cycling on and off. A warranty replacement was requested from the manufacturer, ABB. This replacement has been shipped and scheduled for delivery on 5/4/2020. This replacement will be scheduled for installation upon receipt.

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- 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.

A replacement mod bus connectivity component has been received for inverter #1. This component is being installed and connectivity tested on 5/1/2020. Upon verification that this is the necessary component for the replacement data comm module to communicate through the data logger, additional data comm modules will be ordered for the remaining inverters at Oakmont Center and the inverters at Lakeview Rear.

- 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.

Pending confirmation of restored functionality at Oakmont Center.

- 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.

Production Data:

The adjustment for weather has been completed for 2014 with the overall production data for 2015-2019 now reflecting this adjustment. This completes the adjustments production attributed to weather. With the adjustments made for 2014-2019 the production over the life of the systems is 5.87% over expected. There is an approximately 50% increase in the number of inverters positively producing versus expected after making the adjustments for this 6-year period. In total 81% of inverters are showing positive production to expected and 10% of inverters showing 5% or more underproduction.

Golf & Grounds:

Pro Shops

Total rounds for March were 38,861, the total was 4,069 fewer than prior year and the lowest recorded total for March in the last 15 years. Poor weather from March 10 through March 13 resulted in 2,423 rounds lost to prior year.

As golf has remained open for play, we have continued steps taken to reduce touch points throughout the courses. These included, inverting the cups so holed shots remain close to the surface, removed ball washers, removed bunker rakes, removed sand caddies on par 3 holes. We have also implemented straight sheets to reduce traffic in the pro shops, waived the 3 cart rule to allow for social distancing, provided gloves for golf shop workers, keeping doors open where possible and have received valuable help from RCSC center staff to provide regular cleaning around the pro shops. We will continue to monitor best practices as provided by CDC, the USGA and other golf course operators and adjust operations as appropriate.

In addition to previous steps taken we have discontinued cash transactions. Golfers may now pay for their transactions either by credit card or by online portal accounts tied to their RCSC cardholder number. Online portal accounts can be funded by credit card in any desired dollar amount.

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Snack Shops

Snack shop closing times have been moved to the 1:00 p.m. summer closing time. Snack shops remain open for extremely limited service. After 1:00 p.m. limited items are available in the golf pro shops.

Golf Courses

With 100-degree days right around the corner, the pace of transition from winter rye to summer Bermuda can be expected to increase. To promote Bermuda growth fairway heights are lowered to open the grass canopy, which permits the Bermuda grass to receive more sunlight. During this time of transition, it will not be uncommon to see brown patches on the course as the rye dies and the Bermuda begins to grow. Slow release fertilizer has been applied to all courses, to provide the Bermuda nutrients for summer growth. Some courses have aerified using solid tines, mostly to address spots that are transitioning quicker than other, in the case of North all greens have been solid tined.

Lawn Bowl/Grounds

Grounds day to day activities remain unchanged, as they keep the grounds ready for reopening. Lawn Bowl greens have received their first verticutting of the season. Speeds and moisture readings are not available for this report. We are using the closure to water the greens at a higher rate than we would be if open. The additional water will allow them to grow more vigorously and recover more quickly from the multiple summer verticuttings we have planned.

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!