

RCSC Management Report – July 2020

Financial:

Financial Report

Since there is no monthly Board meeting in the month of July, the Treasurer's Report will be included in this management report.

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

At the end of the second quarter 2020, \$4,961,507.74 (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 \$63,564.75 with management fees of \$5,042.33 for a net income on unrestricted fund investments of \$58,522.42.

As of June 30th, 2020, \$5,272,585.65 (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 \$66,331.56 with management fees of \$5,308.66 for a net income on restricted capital reserve investments of \$61,022.90.

At the end of the second quarter 2020, \$6,615,562.11 (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 \$113,616.57 with management fees of \$7,287.32 for a net income on restricted fund investments of \$106,329.25.

The balance of unrestricted funds as of June 30, 2020 was \$15,902,373 which includes a \$2.5M cash reserve. Restricted funds include the Preservation and Improvement Fund ("PIF") and the Capital Reserve Fund. As of June 30, 2020, PIF had a balance of \$17,819,254 plus \$511,605 collected in June that was transferred into the PIF account the first part of July 2020. The Capital Reserve Fund had a balance of \$5,333,958 as of month end.

The Recreation Centers of Sun City, Inc. (RCSC) has ended June 2020 within its operating and capital budget year to date. All Divisions, with the exception of Bowling and Food Service, have met or exceeded their net operating budget projections year to date with total operating income \$46k (~1%) favorable to budget and operating expenses \$806k (9%) favorable to budget. Bowling and Food Service declines are driven by the COVID-19 closure and restrictions with Bowling remaining closed until Phase II of the reopen plan. 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 \$823k (31%) favorable to budget. RCSC is continuing to see the effect of the COVID-19 related shutdown with June monthly operating income shortfalls in Bowling and Food Service totaling \$58k. However, Golf operating income excess of \$88k in June offset the shortfall.

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Cardholder Services

Payments on past due assessments in June were 17.6% of past due balances. Overall accounts receivable decreased in June by 7.7% and is up 9.7% from the beginning of the year. Overall accounts receivable past due balances have decreased in June by 6.7%. May assessments went 30 days past due at a 5.5% rate and April assessments went 60 days past due at a 2.4% rate.

Payments from our third-party collections firm totaled \$9,393 in June. Year to date payments through our third-party collections firm total \$48,341. Payments made in June through the online RCSC Web Portal totaled \$162,708 from 352 property owners. Year to date web portal payments total \$1,102,732 from 2,411 property owners.

In June property transfer balances decreased by 7.4%. Outstanding balances related to property transfers represent 49% of all receivables and 51% of past due balances. At the end of June trustee sale notices on Sun City AZ properties ended at 22 and properties owned by lending institutions increased to 4.

Projects:

WiFi Upgrades

The IT Department is completing the work to complete the WiFi upgrade projects. The final upgrades at Lakeview Center are projected to be completed by the first week in August and will round out the upgrades. As presented to the Board of Directors in 2019, the overall budget for the completion of all work is \$28,000. All work is projected to be completed within this budgeted amount. The providers of product and services for this project are: Cox Communications, DataLink Technology Services, Lokket, and RCSC IT staff

Bell Center

- Social Hall Restroom and Kitchen Renovations

This project includes the full renovation of the social hall restrooms including the inclusion of accessible facilities. The kitchen renovation will replace flooring, lighting and cabinetry in the kitchen and the trash receptacle areas. The architectural plans have been sent out for bids from contractors with responses due back by 7/24/2020. Upon receipt the bids will be evaluated, and a recommended contractor will be submitted to the Bid Commission for approval.

Contractor: TBD (Budget: Restrooms \$120,000 / Kitchen \$80,000)

Grand Center

- The final Certificate of Occupancy has been received.
- We are continuing to address pending items from moving in the clubs into their new rooms. These are expected to be substantially completed by the end of July.
- Final review of the greenhouse environment control system continues to be pending with work being completed in other areas. This is anticipated to be completed by the end of July. Upon that review the on-site training of this system for RCSC staff and the club will be scheduled.
- The video surveillance system has been installed, tested, and a training session held on the operation of the system.
- The target for full opening of Grand Center for use by clubs is Monday 8/3/20.
- Grand Center hours will be M-TH 8:00AM-8:30PM and F-SU 8:00AM-4:30PM.

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Grand Center – Building II

- The final building permit has been approved and received.
- Bid specifications are in the hands of general contractors with a response date of 7/23/20 for bids. Upon receipt the bids will be reviewed, and a recommended general contractor will be presented to the Bid Commission.
- We are optimistic the review of bids and approval of the recommended general contractor will be completed by the first week of August.

Lakeview Center

Duffeeland Parking Lot Repairs

This work is complete. Based upon the cost of the bids to complete this work, the RCSC Grounds department will provide and install the necessary quarter minus necessary to smooth out the bumps in the parking lot. This work includes the painting of the wheel stops in the parking lot caution yellow and leveling 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, RCSC Grounds (Budget \$4,000)

Lakes East/West Maintenance Yard

- Review of the design with steel building suppliers has not yet been scheduled. These are expected to be completed in July.
- Based upon the price fluctuations in steel and potential delays in steel supplies, the use of a steel building will be compared to a more traditional block construction that has more available building components.

Mountain View Center

- No planning or design work completed since the last report.

Solar:

New Issues:

- Lakeview Lanes - # 11
Inverter has a ground fault error 7/1/2020. B&I reset 7/2/2020. Issue resolved.

Issues Resolved:

- Willowbrook/Willowcreek - #1
On 6/8/20 this inverter had an internal electrical issue that caused damage to the inverter. This inverter has been approved for a warranty replacement. The replacement inverter was received and installed on 6/18/20.

Open Issues:

- Fairway Center - # 10
On 5/29/20 inverter #10 was damaged. It is unclear whether this was unintentional vehicle damage or intentional vandalism, although the latter is thought to be the case. A report has been filed with MCSO and an insurance claim is being processed. The inverter site has been secured and made safe while the replacement of the inverter is being completed. Since the ABB inverter model installed at this location is no longer available and other manufacturer inverters cannot be installed at the site without communications problems, an ABB model inverter installed at Lakeview Lanes will be moved to Fairway and a replacement SMA model will be installed at Lakeview Lanes. This strategy has been used in the past but there were concerns of availability of a compatible SMA model for installation at Lakeview Lanes. The replacement SMA model has been sourced so this strategy will be used.

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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.

The replacement data logger has been received and installed. This is the newest model and is supported by both Also Energy and Fronius. Escalated support at both Also Energy and Fronius have not identified a resolution to the communication problems between the inverters and the data logger.

- 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. Some electrical plant equipment issues were identified through the review by Kortman on 06/18/2020. The recommended actions were received in early July. This recommendation and its associated costs are being reviewed.

Production Data:

After including June production data, the lifetime to date production vs expected went down again slightly and is over expected by 5.44%. The percentage of inverters producing above expected reduced by 3 inverters to 79%. Two of these inverters had small reductions of less than 0.06% that moved the overall inverter production from just over even to expected production to just under expected production.

Golf & Grounds:

Pro Shops

Golf rounds in June increased by 5,537 over prior and represent the most rounds played in June since at least 2006. For the year, golf rounds played total 201,448, the highest cumulative total through June, since 2008. For the year Riverview has played the most regulation course rounds (31,202), followed by Lakes West (30,728), South (29,399), Willowcreek (28,593) and North (25,670). For the executive courses Lakes East has recorded the most rounds played (21,143), followed by Willowbrook (18,694) and Quail (16,019).

On September 4, we will be hosting a fundraising event to support Patriot Golf Day and the Folds of Honor Foundation at Riverview. Due to ongoing Covid-19 restrictions, the format will be a straight sheet start beginning at 7:00 a.m. Results will be announced via email, and there will formal lunch following play. Entry forms are available in all pro shops. Entry fees may be paid by credit card or off the cardholders account.

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Snack Shops

Snack shop closing time is now 1:00 p.m. After the snack shops close snacks and beverages are available through the pro shop.

Golf Courses

Beginning June 24, greens aerification began on Willowcreek and will continue through August 7 at Quail Run. Greens aerification represents our last major agronomic practice for the summer. Though necessary, we realize the impact these practices have on golfers and we appreciate the patience of the golfing community.

Our transition from winter rye back to our summer bermuda base occurred later than normal this year, though it is the second year in a row for a delayed transition. Last year South was the most heavily affected. This year North has been. Riverview has many areas around the green complexes that transitioned poorly. The other courses have localized spots of transition. These areas will recover throughout the summer, and the process will accelerate once humidity increases.

Lawn Bowling/Grounds

Weak areas on Bell greens have been plugged, and all greens have had granular and liquid fertilizers applied as well as wetting agents. All greens have been verticut, and aerification began July 20. These will be the last major agronomic events of the summer, allowing the greens to recover prior to dormancy. Green speeds are slow, with speed running from a low of 9.8 seconds at Mountain View to a high of 11.2 seconds on Lakeview East.

The lack of a monsoon event has allowed the grounds crew to focus on normal daily tasks and not on storm cleanup. Focus continues on keeping landscaped areas weed free and light tree trimming. The softball field suffered from the delayed transition and is being watered heavily to promote growth.

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!