

RCSC GOLF ADVISORY MTG

2024 GOLF BUDGET PRESENTATION

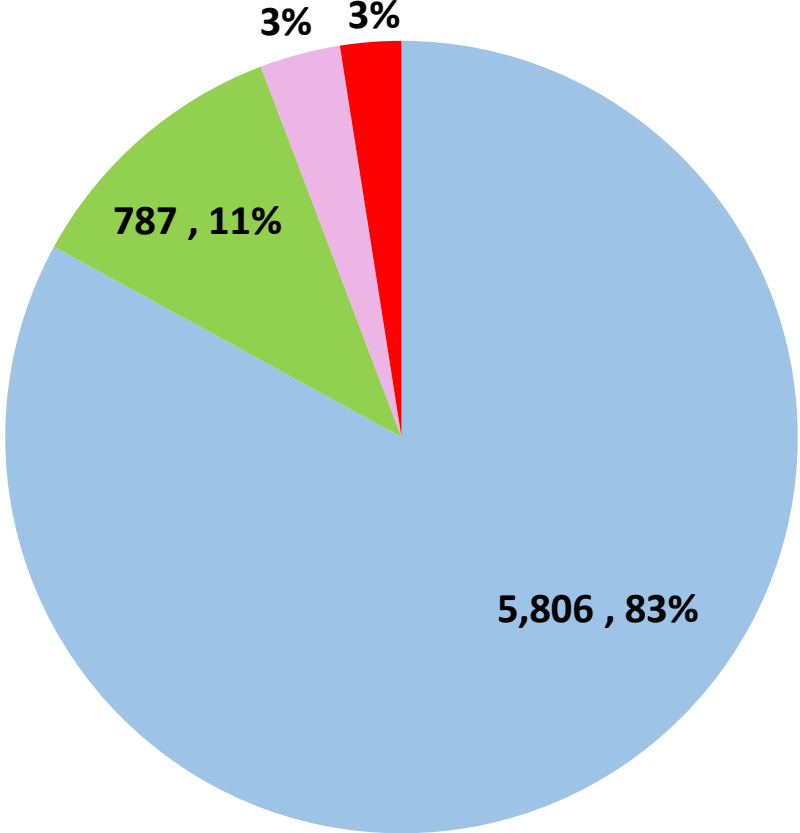
AGENDA:

- How many Golfers are there at RCSC?
- Does Golf at RCSC make money?
- Why is Management proposing fee increases?
- Review 2024 Golf Budget

HOW MANY GOLFERS ARE THERE AT RCSC?

of Members, Privilege Cardholders, Non-Member Passholders - 2022 (excludes Guest, Public)

There were 6,997 Members, Cardholders, Staff, and Passholders who played 1 or more rounds of golf at RCSC in 2022.



■ Members ■ Privilege Cardholders ■ Staff ■ Non-Member Passholders

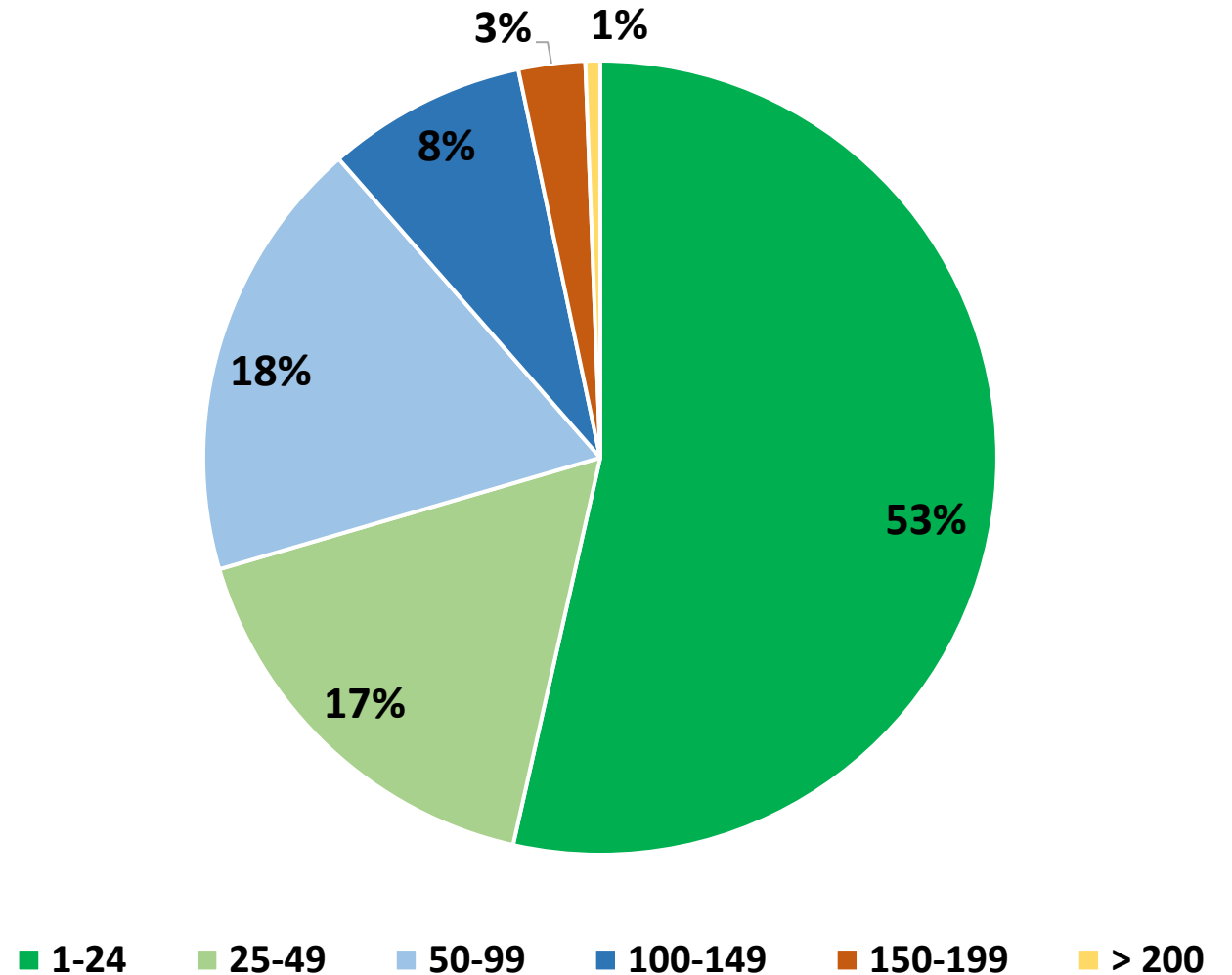
How often do they play?

70% play less than once per week.

88% play less than twice per week.

12% play more than twice per week.

Number of Annual Rounds Played per Player - 2022



Roughly 350k rounds were played in 2022.

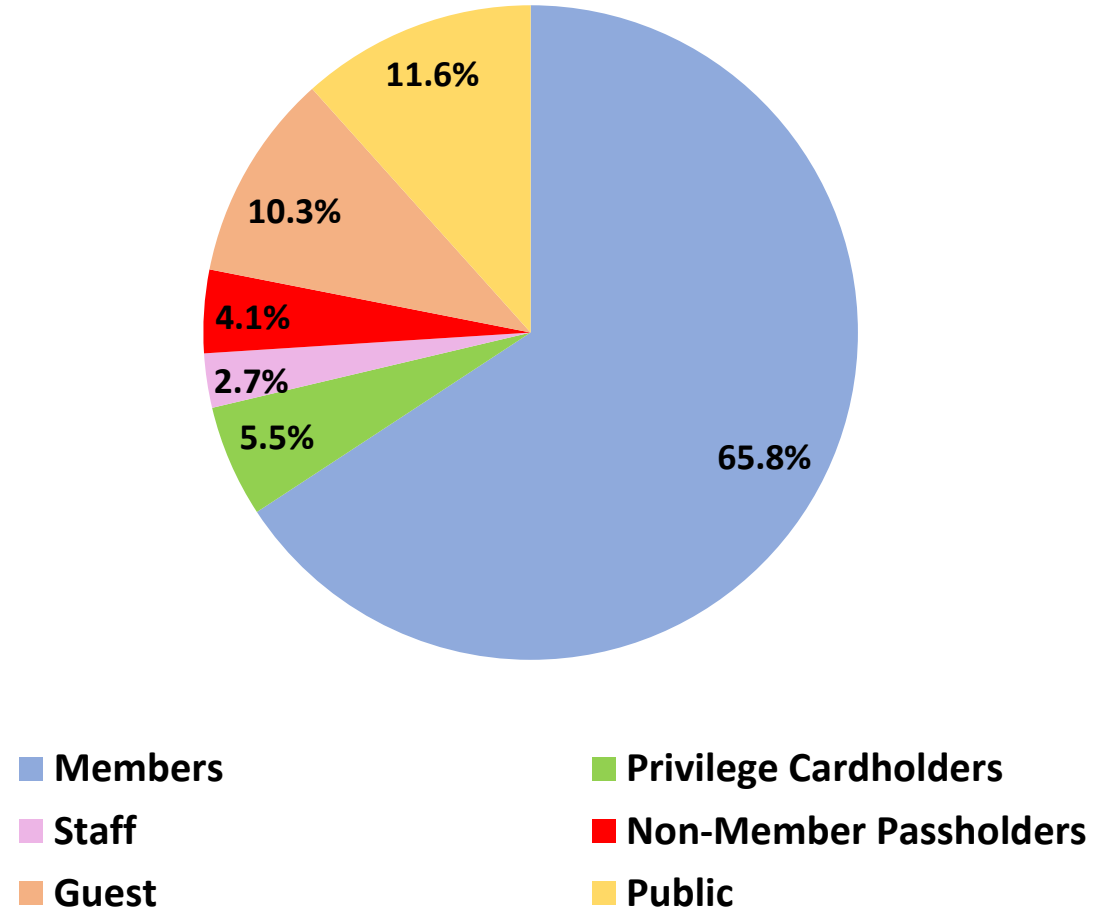
71% were played by Members and Privilege Cardholders.

4% were played by Non-Member Passholders.

12% were played by Public.

10% were played by Guests.

Rounds by Player Type - 2022



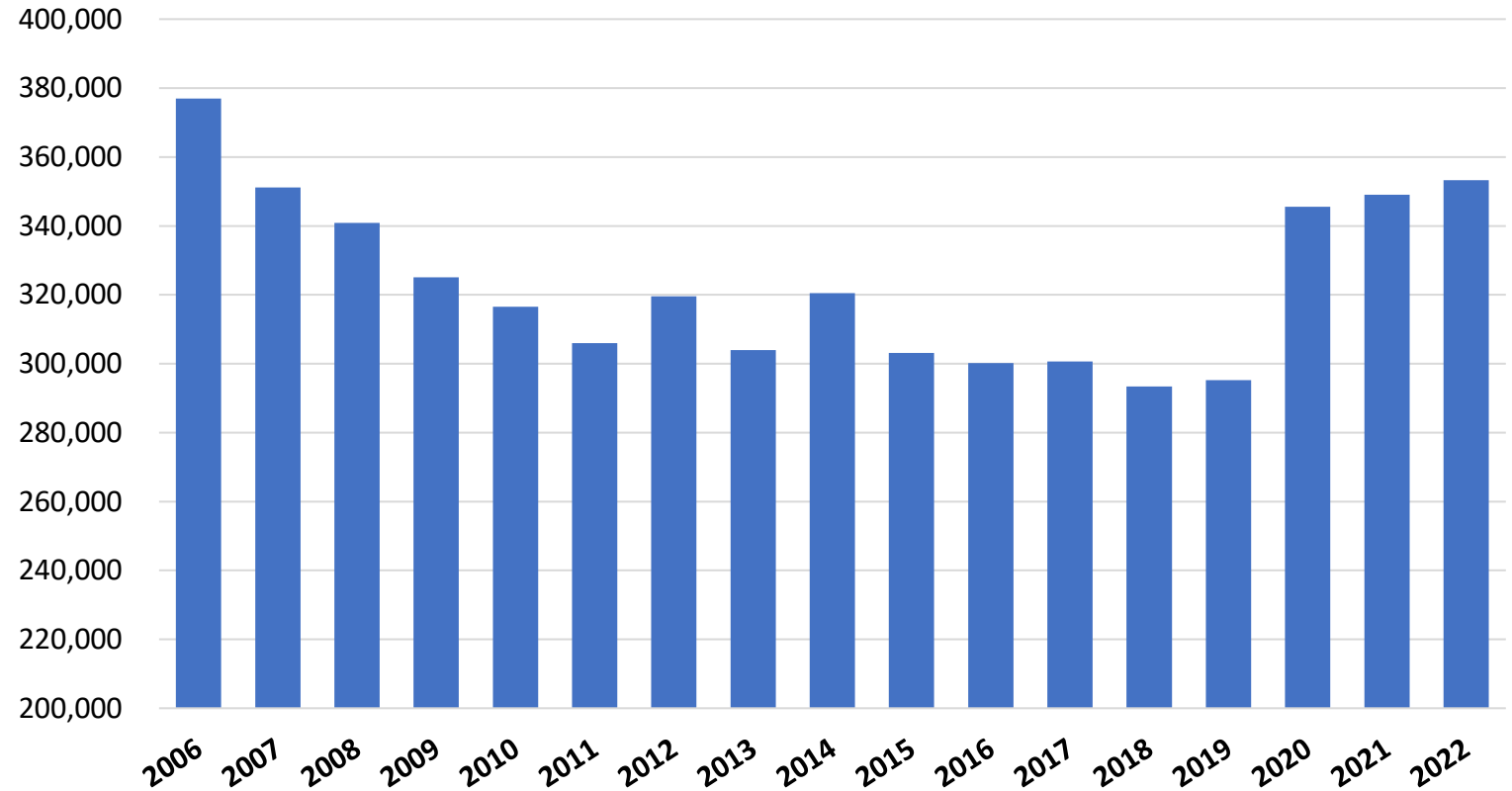
So – How many golfers are there at RCSC?

- There are 6,593 or 17% of all Cardholders who play at least one round of golf per year.
- 70 % of all golfers play less than once per week on average.
- 2,174 or 5% of all Cardholders are annual passholders.

DOES GOLF AT RCSC MAKE MONEY?

Before Covid, Golf Rounds at RCSC were in a steady decline. Alternative sources of revenue were actively being implemented, including sale of Non-Member passes, aggressive pursuit of Public players, and additional revenue from tournaments and small group bookings.

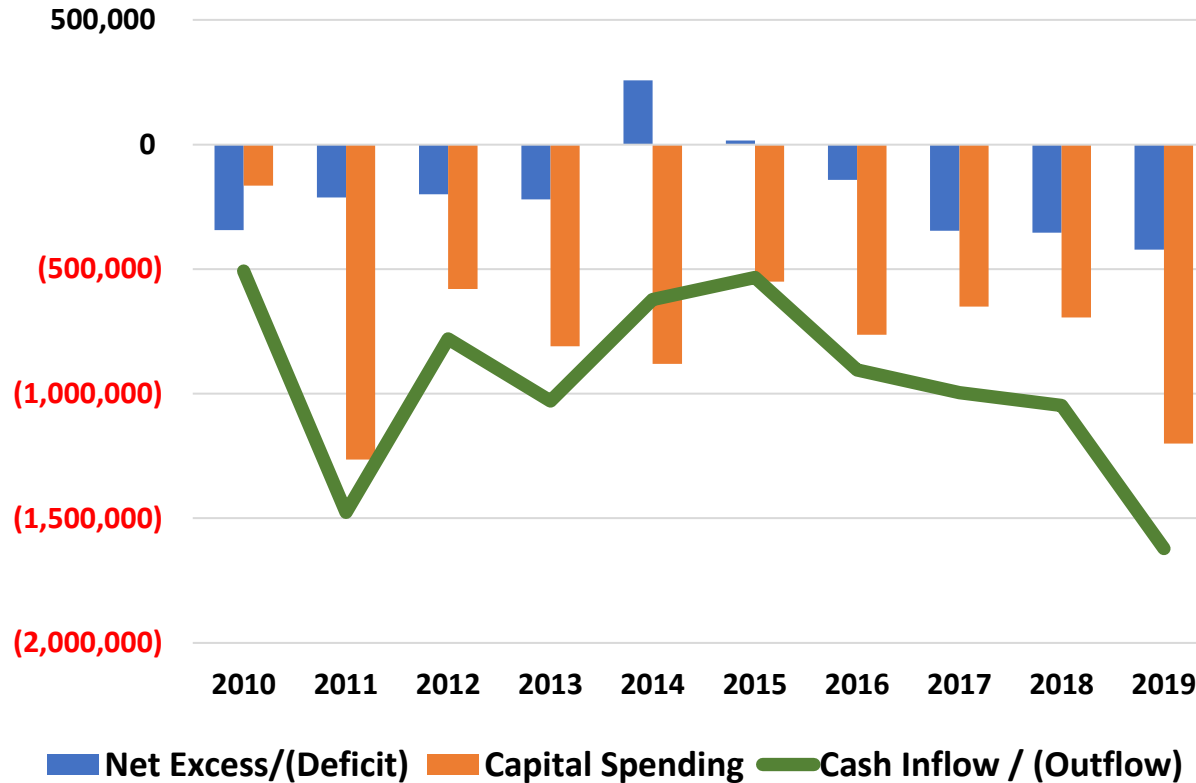
RCSC Total Annual Golf Rounds



The cumulative Operating Deficit between 2010 and 2019 totaled \$2 million. Golf generated Net Excesses in 2014 and 2015 due to golf courses being closed those years for major renovations.

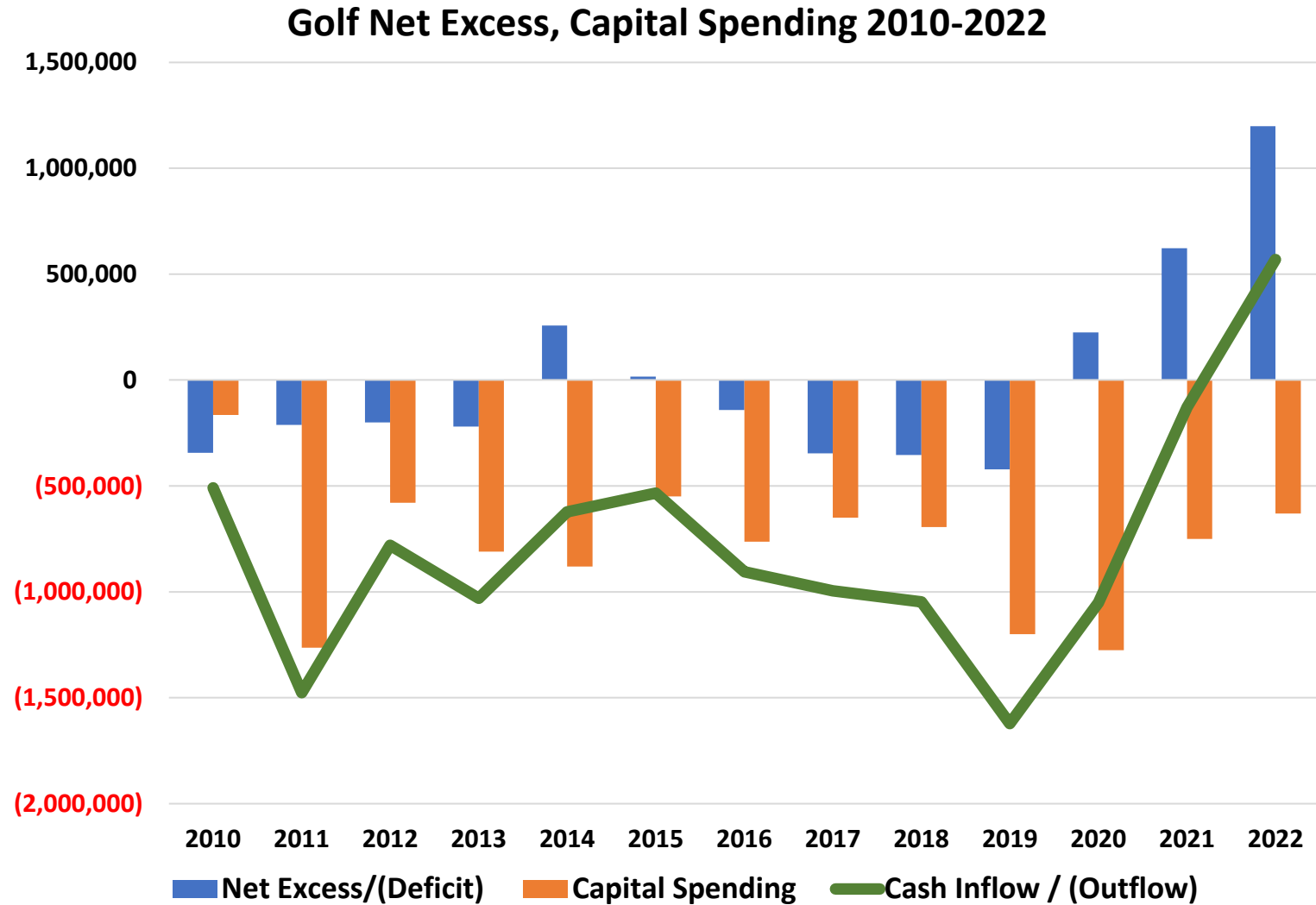
From 2010 to 2019, Operating Deficits plus Capital Spending on Golf totaled \$9.5 million.

Golf Net Excess, Capital Spending 2010-2019



Increased golf rounds due to Covid turned this trend around - Operating Excess between 2020 and 2022 totaled \$2 million.

In 2022, Operating Excess was sufficiently large to more than cover Golf Capital Spending, and Golf generated \$570k in positive cash flow.

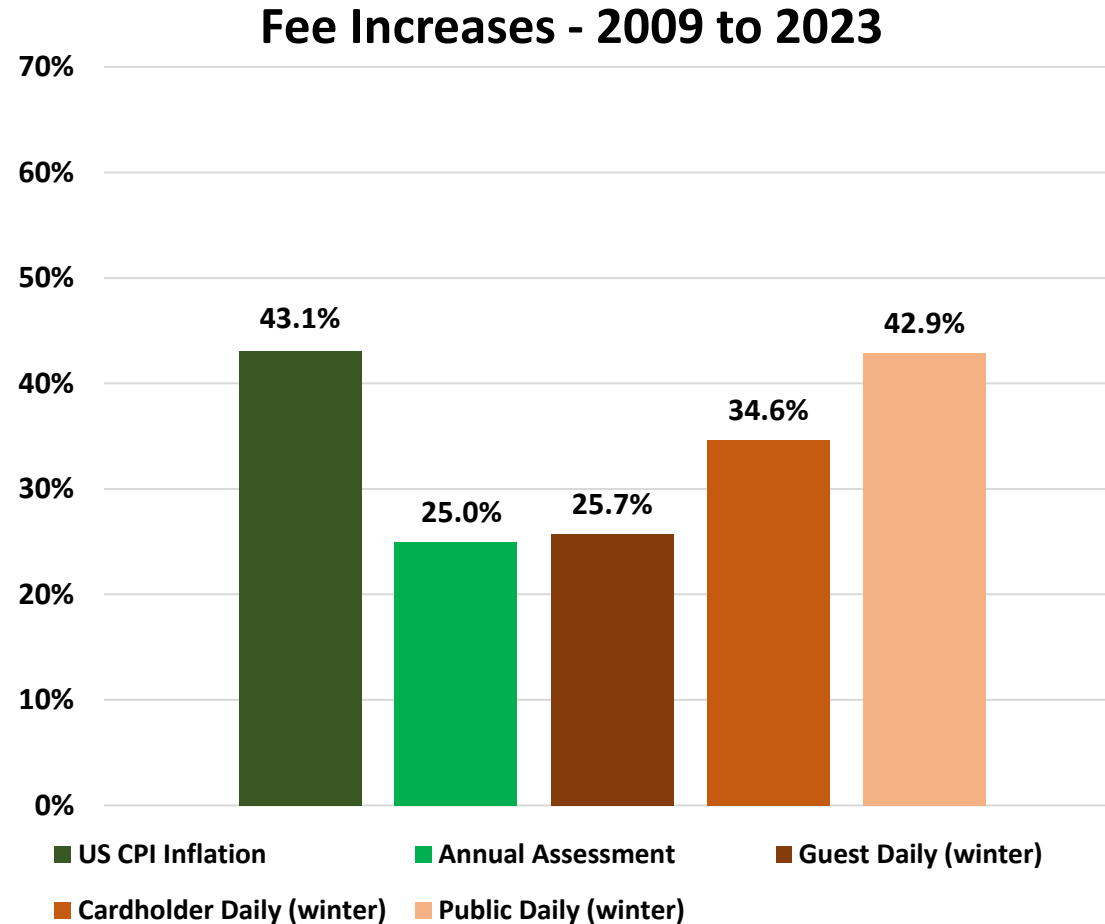


So – Does Golf make money?

- Between 2010 and 2019, the answer is no. The total Net Deficit was just under \$2 million, and if Capital Spending is included, the total cash outflow was \$9.5 million.
- Covid has changed the dynamic.
- From 2020 to 2022, Golf generated Net Excess of \$2 million. In 2022, Golf generated sufficient Net Excess to cover Capital Spending on Golf equipment.

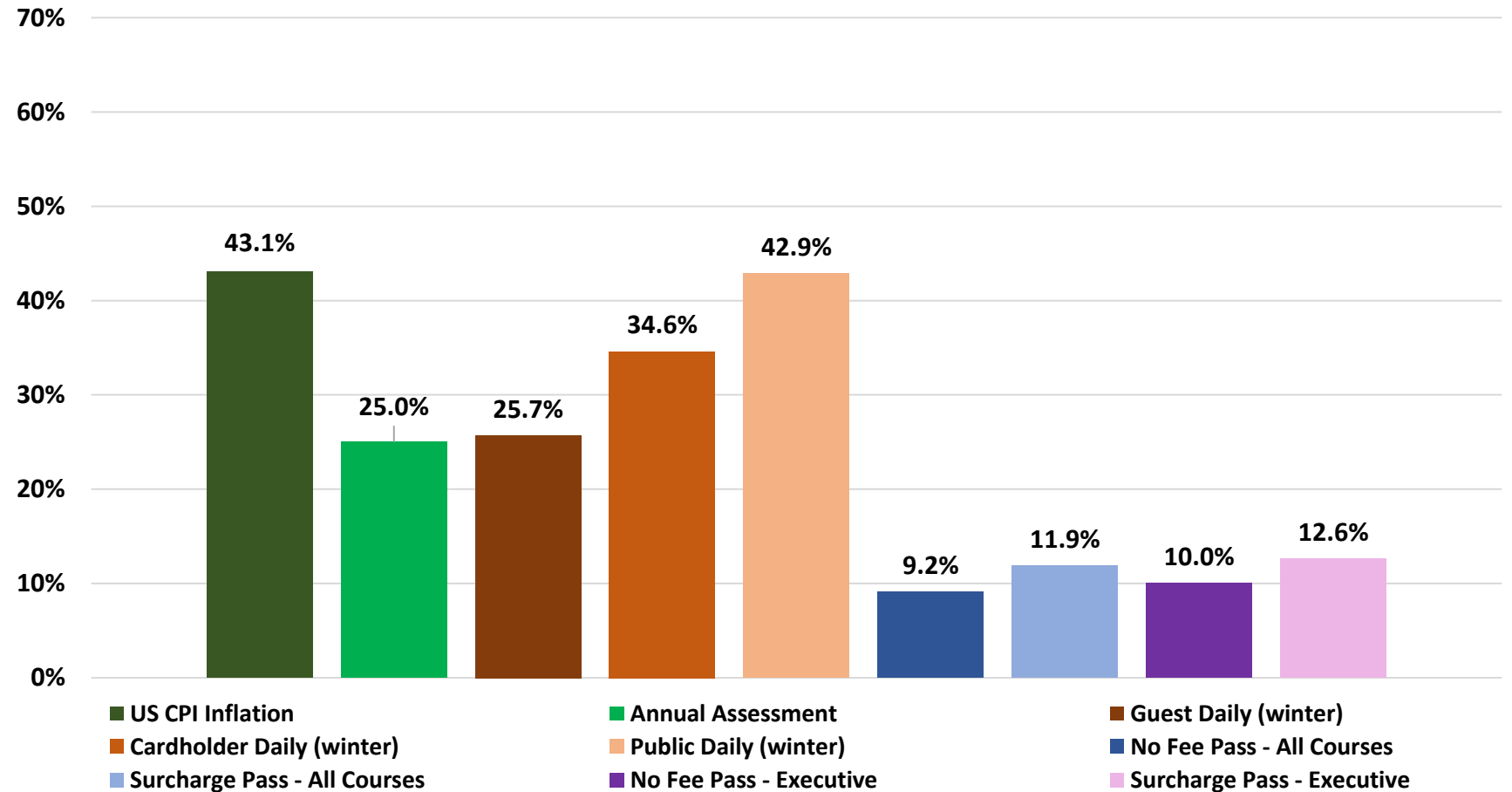
Why is Management proposing Fee increases?

Over the last 15 years, overall US inflation has totaled 43%. During this period our Annual Assessment went up 25%. Daily Fees have been raised 26% for Guest Fees, 35% for Cardholder Daily fees, and 43% for Public play.



Over this same 15 year period, Member Pass fees have been raised at a significantly lower rate. The Member No Fee Pass price increased 9%. The All Course Surcharge Pass went up 12%. The Executive Surcharge Pass went up 13%.

Fee Increases - 2009 to 2023

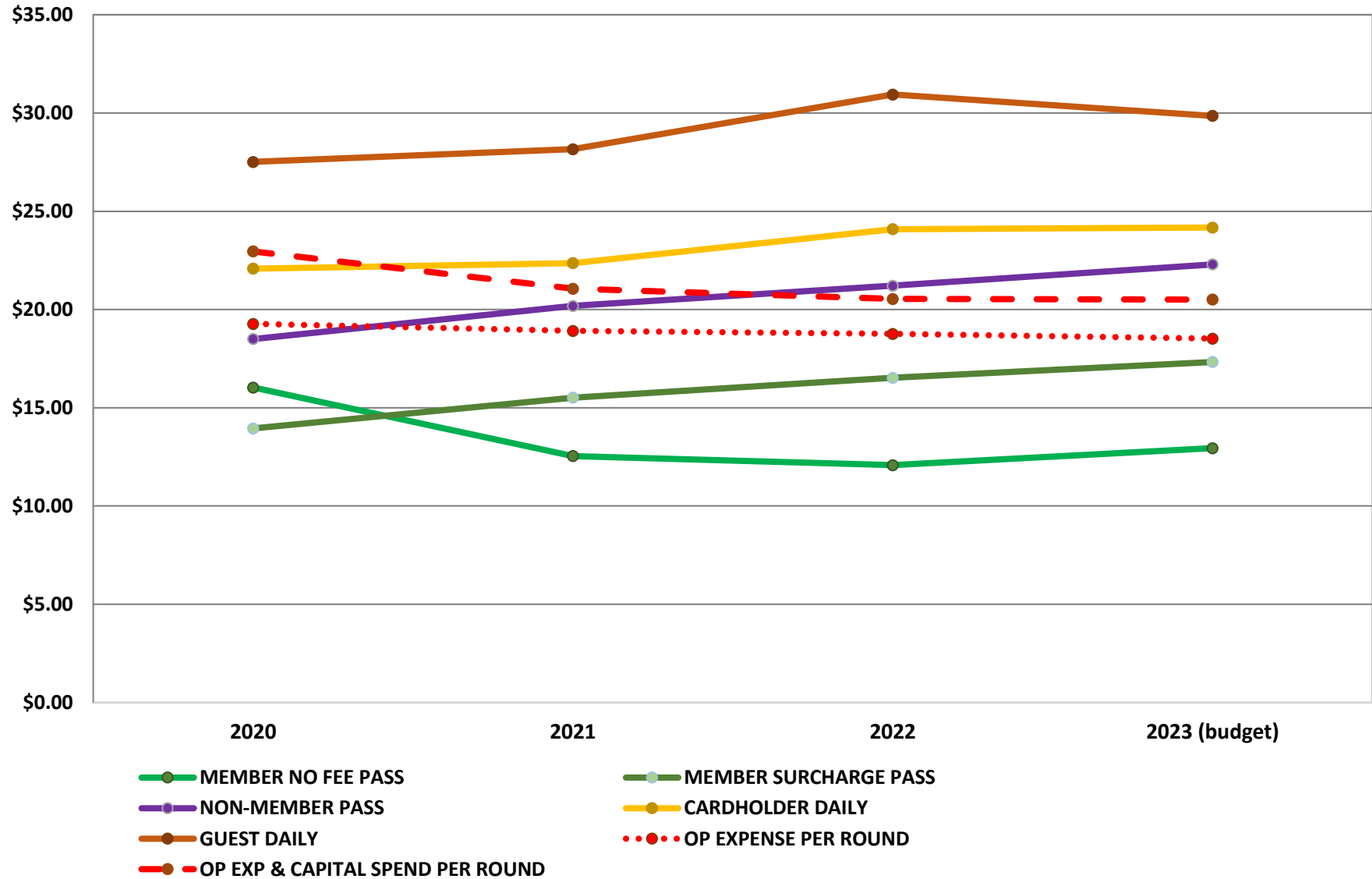


On average, the revenue per round from Member pass play does not cover our average Operating Expense per round.

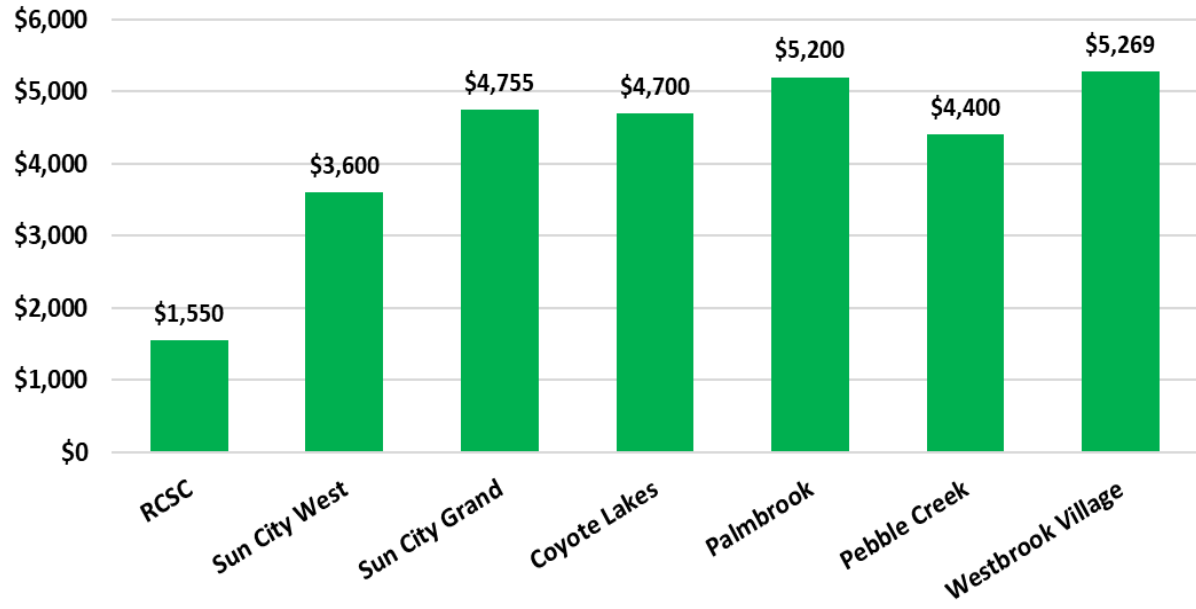
Non-Member Pass revenue per round just covers Operating Expense per round.

Daily Fees from Cardholders, Guest, and Public more than cover the expense per round to maintain our golf courses.

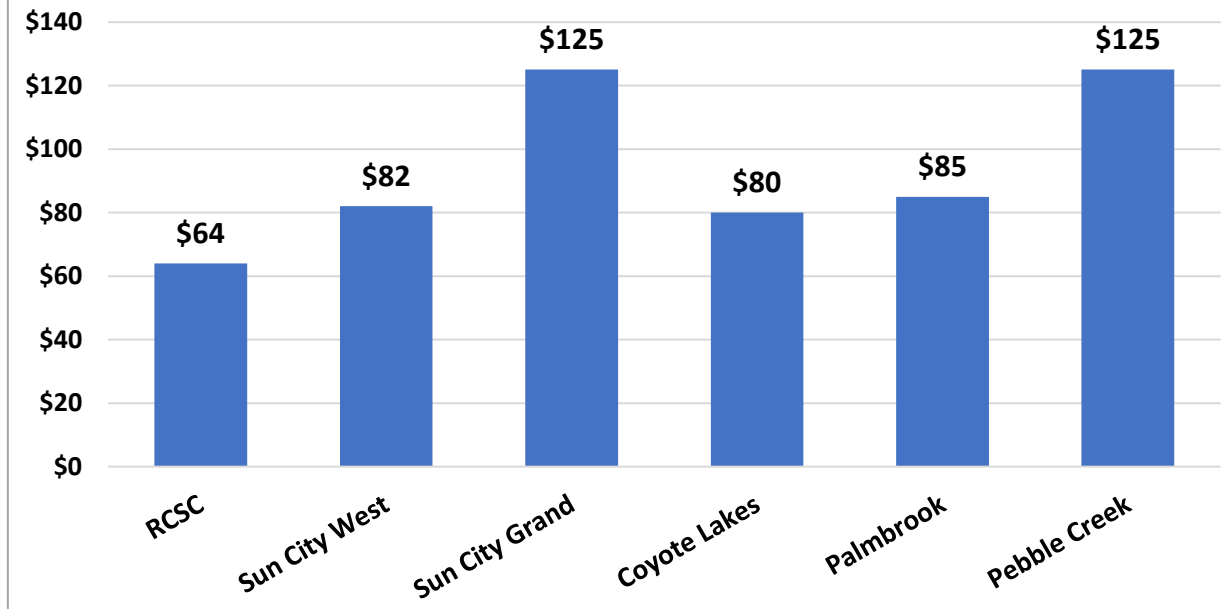
Average Fee per Round 2020 - 2024



Annual All Inclusive Golf Pass Fees - West Valley



Daily Public Golf Fees (winter, w/cart)



EXPENSE INFLATION

Overall inflation between 2017 and 2023 was 23%.

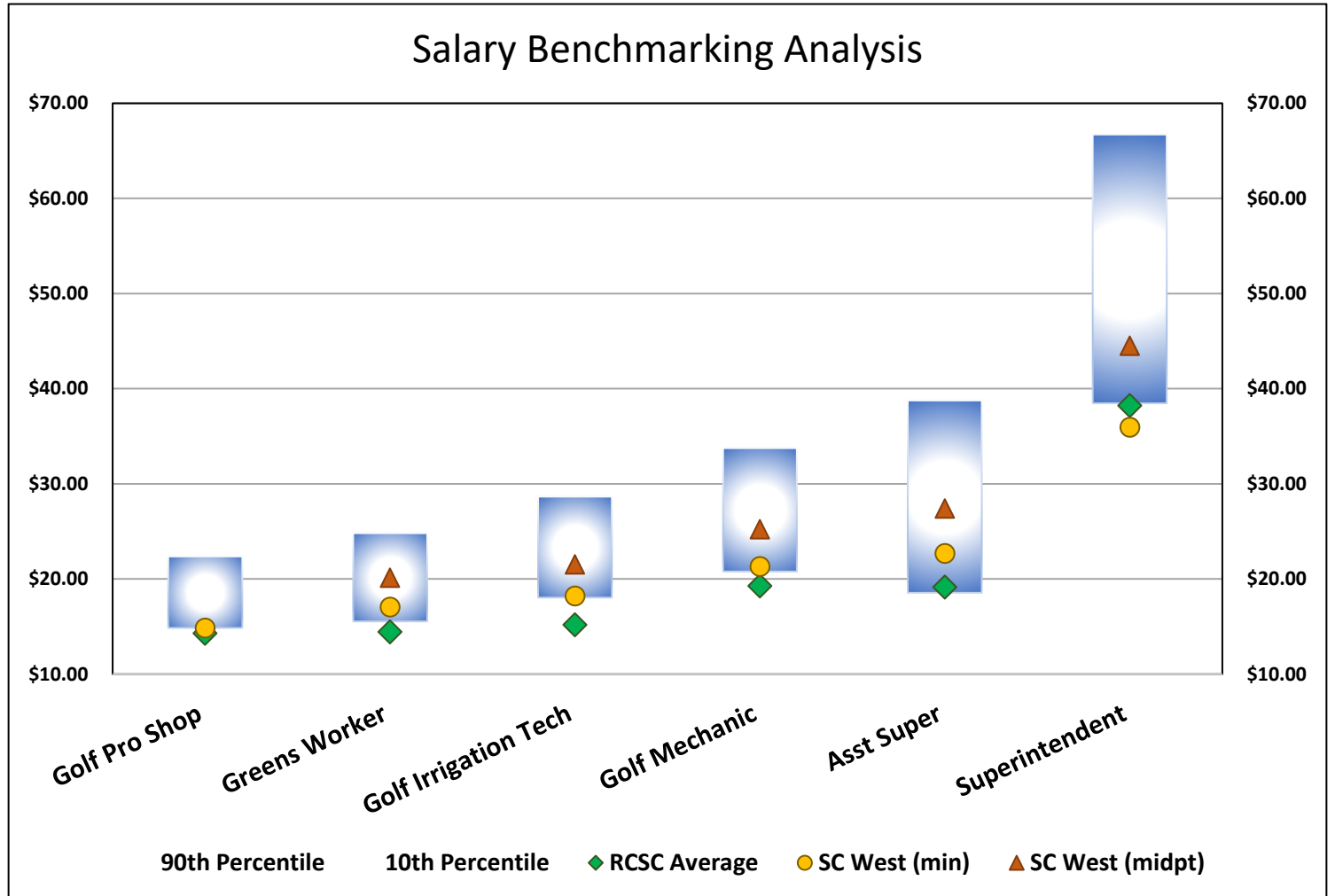
During this period, our Assessment went up 6%.

Our Member Golf Pass fees did not go up at all.

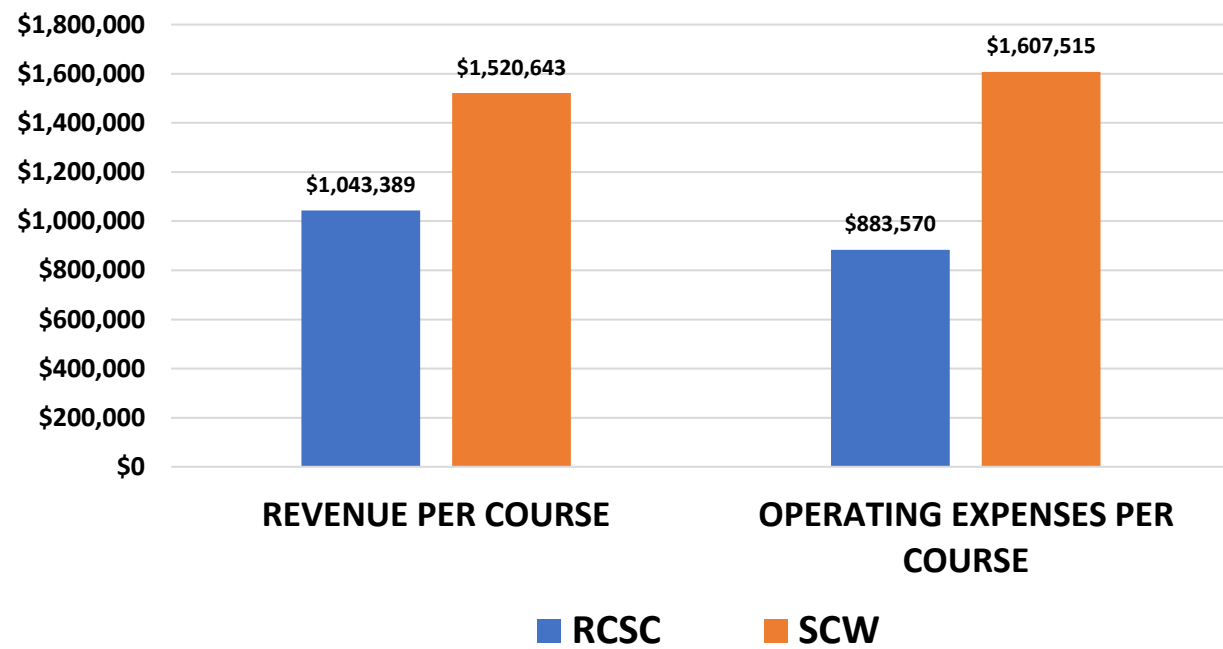
While overall inflation was 23%, prices for golf-specific items increased by as much as 120%.

			<u>Feb-17</u>	<u>Aug-23</u>	<u>% Incr</u>
RCSC Assessment			\$496	\$525	5.8%
Member No Fee Golf Pass			\$1,550	\$1,550	0.0%
<u>Item</u>	<u>Vendor</u>	<u>Unit of Measure</u>			
Diesel Fuel	Senergy	gallon	\$2.14	\$4.69	119.2%
Grass Seed	Nutrien	pound	\$1.38	\$2.56	85.5%
Fertilizer	Fertizona	gallon	\$3.25	\$6.00	84.6%
AZ Minimum Wage		hour	\$8.05	\$13.85	72.0%
Electricity	APS	KW Hour	\$0.12	\$0.20	66.7%
Weed killer	Simplot	87 oz Bottle	\$571	\$803	40.6%

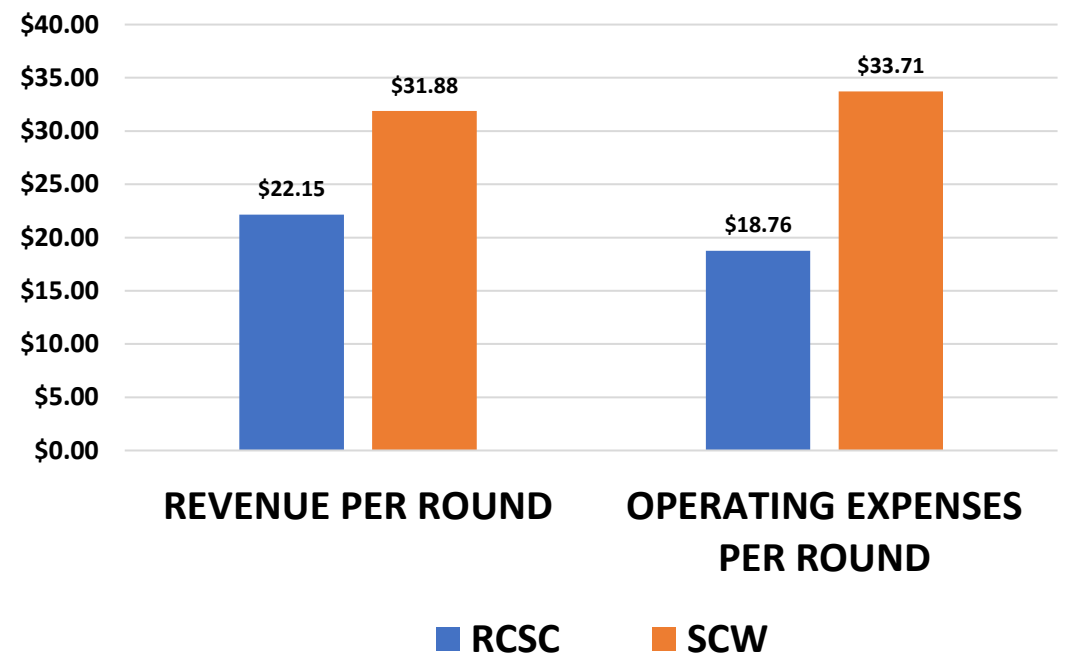
RCSC average Golf Wages (green diamond) per position, compared to the wage rates in effect in the Phoenix region (10th to 90th percentile), and also compared to the minimum and midpoint wage rates posted on Sun City West’s website.



RCSC vs SC West - 2022



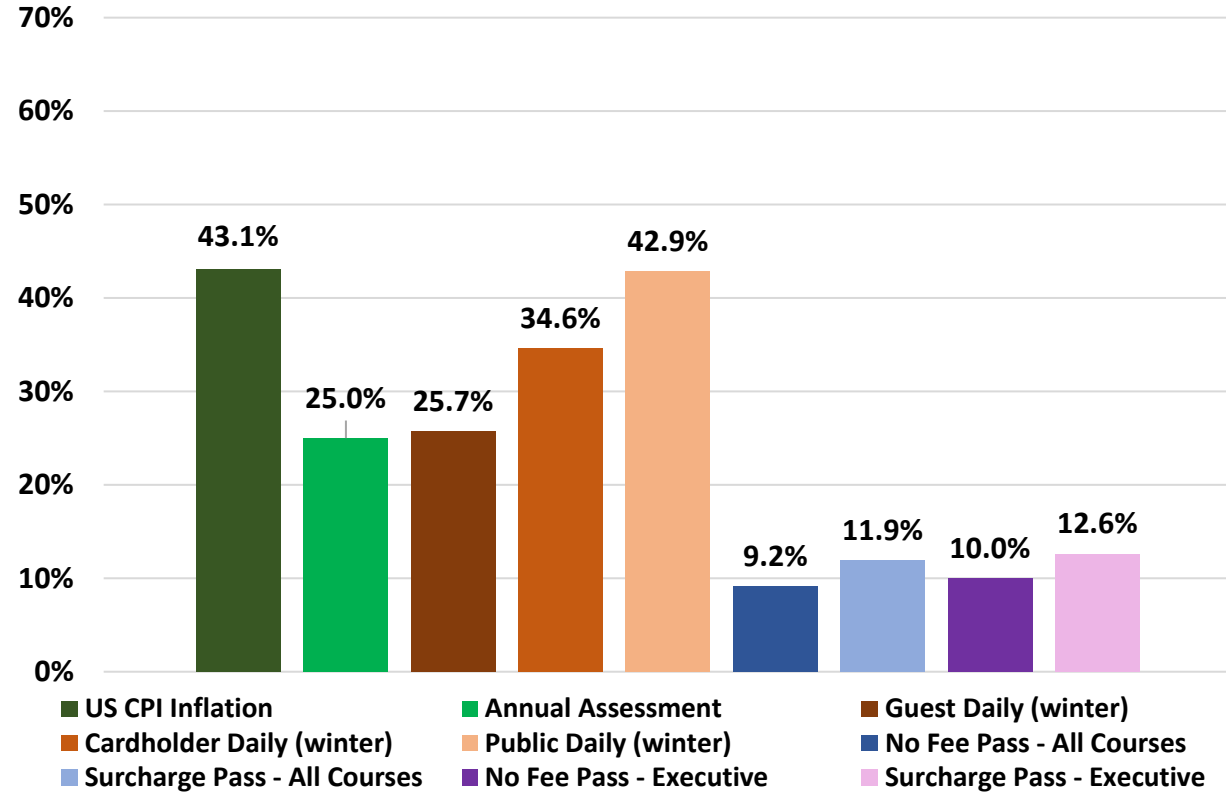
RCSC vs SC West - 2022



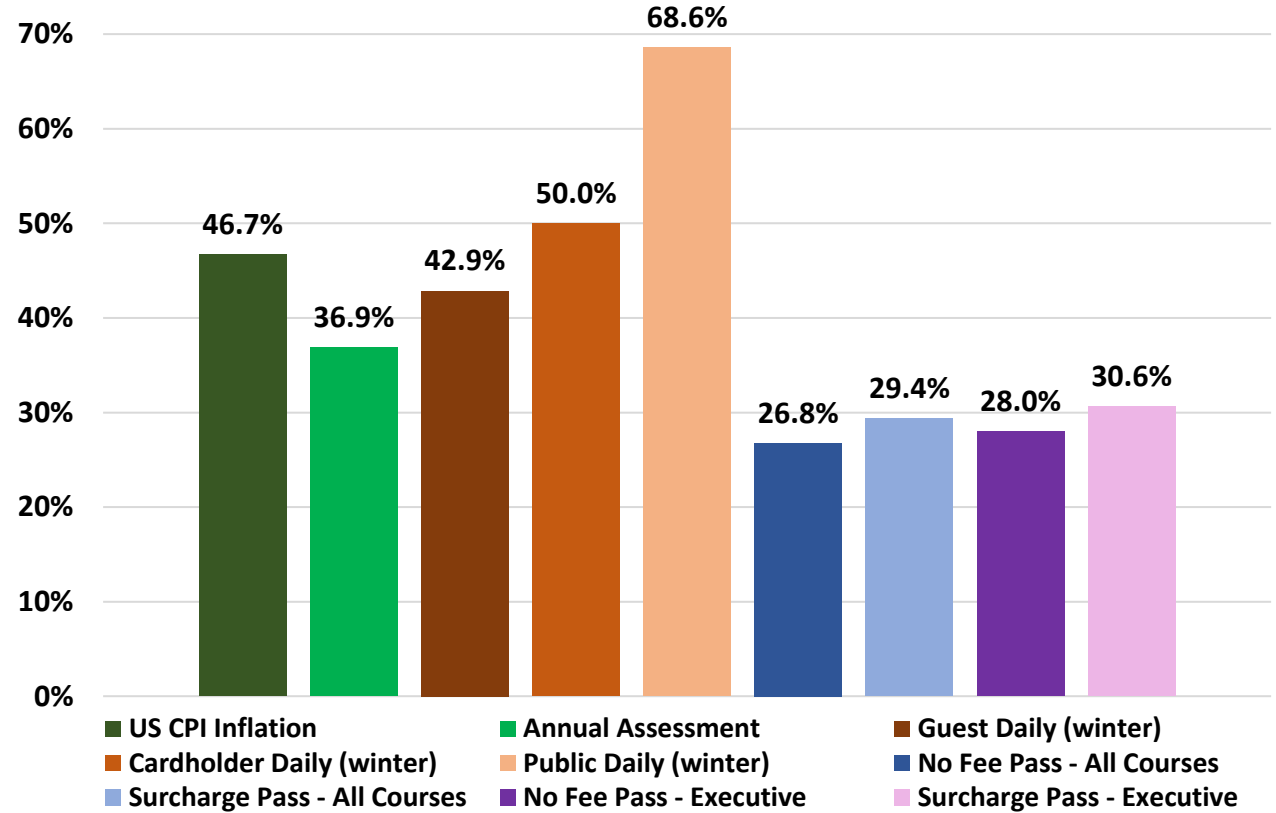
PROPOSED FEES FOR 2024

	<u>2023</u>	<u>2024</u>	<u>% incr</u>
No Fee Pass - All Courses	\$1,550	\$1,800	16%
Surcharge Pass - All Courses	\$800	\$925	16%
No Fee Pass - Executive	\$1,375	\$1,600	16%
Surcharge Pass - Executive	\$625	\$725	16%
Cardholder Daily (winter)	\$35	\$39	11%
Guest Daily (winter)	\$44	\$50	14%
Public Daily (winter)	\$50	\$59	18%

Fee Increases - 2009 to 2023



Fee Increases - 2009 to Proposed 2024 Fees



So, why is Management proposing Fee increases?

- Our Pass fees have increased at less than a quarter of the overall inflation rate since 2009.
- Average revenue per round from pass play does not cover the average operating expense for those rounds.
- Golf expenses have been increasing at a rate that is significantly higher than the overall US inflation rate.
- Wages for RCSC Golf staff are below the low range for the Phoenix region, and lag our closest competition for labor, especially for specialist positions such as Irrigation Techs and Mechanics.

Proposed 2024 Golf Budget

2024 RCSC GOLF BUDGET

	(\$000's)		VARIANCE		NOTES
	2023 (bud)	2024 (bud)	\$	%	
Operating Income	7,582	8,132	550	7.3%	<i>Non-resident play is discontinued; increases in fees to offset reduction in revenue</i>
Cost of Sales	<u>(222)</u>	<u>(248)</u>	<u>(26)</u>	<u>11.7%</u>	<i>2024 price increases for golf balls, sundries</i>
Gross Profit	7,360	7,883	523	7.1%	
Wages & Benefits	4,290	4,684	394	9.2%	<i>Wage increases</i>
Repairs & Maintenance	594	703	109	18.4%	<i>Golf course lake repairs, pump / well maintenance</i>
Projects	18	40	(22)	122.2%	
Utilities	887	897	(10)	1.1%	
General Operating Expenses	<u>1,227</u>	<u>1,329</u>	<u>101</u>	<u>8.2%</u>	<i>Sand, Seed, Fertilizer, and Pesticide price increases</i>
	7,016	7,653	636	9.1%	
Net Operating Excess	344	231	(112)	-32.7%	