

Tennis Court Forum

Financial Implications

Presented April 18, 2017

Award Winning Community

- ▶ --#3 in nation--#1 Arizona - 55+ Best Communities for 2016
“Active Adult Retirement” www.55places.com
- ▶ World Class Amenities
- ▶ Constantly buzzing with activities, clubs, classes and events—making it a fun and exciting environment for active adults.
- ▶ Reasonably priced homes
- ▶ Enviable lineup of resort-style amenities, nine golf courses, 4 recreation centers, restaurants, hospital, worship centers, and daily conveniences.

Award Winning Community

- ▶ --#2 in nation #1 Arizona - Best Value Active Adult Communities of 2016 www.55places.com
 - ▶ Living in the lap of luxury may be difficult if your retirement budget falls short. Luckily, retirees can afford to live in incredible 55+ communities across the country that won't break the bank, if they do some research," the site states. "These age-restricted communities offer a variety of homes in prime locations at reasonable prices along with world-class amenities that will make every homeowner feel like they are living in an elegant resort."
 - ▶ • "Central Arizona's Sun City West is a marvelous active adult community that was built by Del Webb between 1978 and 1997. This age-restricted neighborhood continues to be popular among 55+ homebuyers because of its affordable homes, resort-style amenities, and nine golf courses. Outdoor recreation is essential in the daily lives of residents in Sun City West. Here, they have access to numerous tennis, bocce ball, pickleball, and shuffleboard courts scattered across the complex as well as a softball field, lawn bowling, volleyball and basketball courts, walking trails, and dog parks."

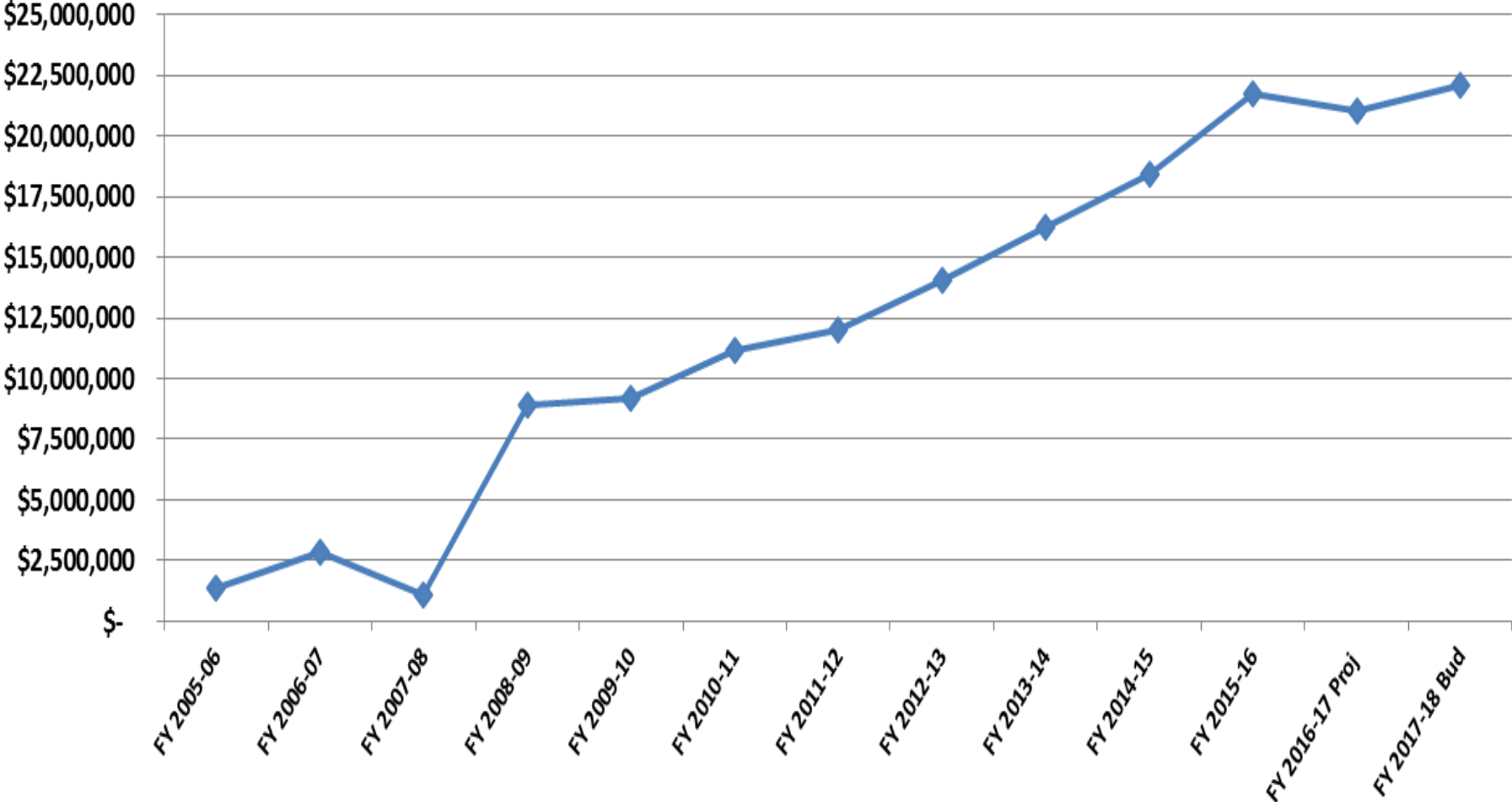
Governing Board Responsibilities

- ▶ Primary responsibility is to preserve, protect, maintain, and enhance the assets of the association.
 - ▶ Provide cash needed to function for both operations & capital expenditures
 - ▶ Inflationary environment—annual increases are expected with goal to minimize over time. Avoid need to “catch-up”
 - ▶ Multi-year planning
 - ▶ Plan for the needs of the entire community not to the vocal minority

Repair & Replacement Reserves

- 1. Funds for future repair or replacement of major common area assets.**
- 2. Offset physical deterioration of common area assets by accumulating financial assets--“Reserve Fund”**
- 3. Asset Preservation Fees, Investment Earnings and Operations.**

Reserve Fund Balance History



Fixed Assets - Audited

	Cost @ 6.30.16
Land	5,196,987
Water Rights	2,234,499
Land Improvements	37,550,460
Buildings	28,501,691
Buildings Improvements	16,561,461
Furniture & Fixtures	1,051,347
Computers	1,205,559
Equipment	14,383,210
Vehicle	1,421,601
	-
TOTAL	108,106,816

Recreation Centers of Sun City West				
Summary of Reserve Study Assets by Division				
Recreation Centers			Life	Cost @ 6.30.16
	RH Johnson		1-29	\$ 7,203,443
	Beardsley		1-29	\$ 2,721,812
	Kuentz		1-29	\$ 3,216,966
	Palm Ridge		1-24	\$ 2,866,798
	Total Recreation			\$ 16,009,019
Sports Pavilion Division			1-29	\$ 3,094,842
Golf Course Division				
	Pebblebrook		1-25	\$ 4,910,741
	Stardust		1-24	\$ 4,052,764
	Grandview		1-35	\$ 4,643,240
	Echo Mesa		1-27	\$ 4,053,777
	Trail Ridge		1-24	\$ 4,499,580
	Deer Valley		1-27	\$ 3,838,167
	Desert Trails		1-27	\$ 3,231,527
	Golf General		1-7	\$ 445,749
	Total Golf Course			\$ 29,675,545
Infrastructure-General			1-24	\$ 1,507,818
Total				\$ 50,287,224

Repair & Replacement Study

(examples of what assets are included)

Roofs	Flooring	Parking Lots/Asphalt
Courts	Utility Carts	Vehicles
Greens Mowers	Pumps	HVAC units
Bunkers	Wells	Irrigation Systems
Hoist Systems	Lighting	Fencing
Pool liners	Pool Decks	Fitness Equipment
IT - Servers	SPA Heaters	Shade Covers/Awnings
Stages-portable	Room Dividers	Digital Signage, etc.

Reserve Study—“Planning Tool”

- ▶ Comprehensive listing of Association’s assets that need to be replaced over time based on useful life of individual assets.
- ▶ Replacement cost and year estimated based on industry standards adjusted as needed based on experience.
- ▶ Add and delete assets as needed—i.e. hoist system-theatre (added), greens mowers (taken out of service), etc.
- ▶ Capital Budget 5 year plan for R&R ties to reserve study asset listing.

Reserve % Funding Proposed Budget

	Actual FY15-16	Projected FY16-17	Budget FY17-18	Estimated FY18-19	Estimated FY19-20	Estimated FY20-21	Estimated FY21-22
New Capital	\$ 1,381,384	\$ 4,627,332	\$ 1,780,667	\$ 1,707,950	\$ 1,591,472	\$ 1,700,000	\$ 1,800,000
Repair & Replacement	\$ 3,094,134	\$ 2,991,911	\$ 3,966,892	\$ 4,236,779	\$ 3,897,272	\$ 3,254,604	\$ 3,792,751
Total Capital Expenditures	\$ 4,475,518	\$ 7,619,243	\$ 5,747,559	\$ 5,944,729	\$ 5,488,745	\$ 4,954,604	\$ 5,592,751
Total Reserves	\$21,710,299	\$21,000,804	\$22,102,525	\$22,889,296	\$23,921,437	\$25,565,137	\$25,739,690
Repair & Replacement	\$17,082,893	\$19,145,137	\$20,394,575	\$21,297,824	\$22,221,437	\$23,465,137	\$23,839,690
Fully Funded Balance R&R	\$27,222,481	\$27,285,961	\$27,889,354	\$29,552,915	\$30,382,531	\$31,711,340	\$31,974,461
R&R % Funded	62.8%	70.2%	73.1%	72.1%	73.1%	74.0%	74.6%

Facility Enhancement - New Funding

RH Johnson—Facility Enhancement Phase IV

RH Johnson—Parking Lot LED Lighting Section II

RH Johnson—Governing Board Conference Room Expansion

Association—Community Entrance Signage

Association—Changing Demographics

Desert Trails—Clubhouse Remodel

Repair & Replacement

RH Johnson—Tennis Facility (8 Courts, 4 lighted)

Grandview—Bunker Sand Replacement

RH Johnson—Sports Pavilion Roof

Kuentz—Felt Underlayment Tile Roofs Replace

Palm Ridge—HVAC Unit Replacements

Association—HVAC/Boiler/Water Heater Replacement

RH Johnson—Library Flooring/Shelving/Paint

Association—Safety & Structural Integrity

Association—Energy Conservation

Repair & Replacement—RH Johnson (YEAR 1)

Tennis Facility (8 Courts-4 Lighted)

\$961,477

- ▶ Asphalt 18-19 years old, Pro Bounce 16 years old
- ▶ Courts included in reserve inventory-Pro Bounce Replace-multiple times over 30 years \$2.2M.
 - ▶ Original Asphalt courts not in study but should have been.
- ▶ Reserve Consultant—communities are moving to Post-tension concrete-life exceeds 40 years—only need to paint & stripe.
- ▶ Reserve Consultant—appropriate to upgrade to current industry standards/technology when replacement is needed.
- ▶ Reserve Consultant—Post Tension courts not a future asset included in reserve study as life > 40 years.

Repair & Replacement—RH Johnson (YEAR 2)

▶ Tennis Facility (7 Courts-3 Lighted) \$802,285

New Funding-RH Johnson (YEAR 2)

▶ Central Plaza/Landscape \$382,400

▶ RH Johnson Master Plan Facilities Enhancement.