

MEMORANDUM

TO: Board of Trustees

THROUGH: Indra S. Winquest
Interim General Manager

FROM: Gerald W. Eick, CPA CGMA
Director of Finance

Darren Howard
Director of Golf/Community Services

SUBJECT: Review and discuss four (4) recommendations and select a preferred course of action regarding the authorization to acquire, which will come before the Board of Trustees on October 30, 2019, fifty eight (58) Mountain Golf Course Golf Carts for use in the 2020/2021 fiscal year

STRATEGIC PLAN: Long Range Principle #1 – Resources and Environment
Long Range Principle #2 – Finance
Long Range Principle #4 - Service
Long Range Principle #5 – Assets and Infrastructure

DATE: September 9, 2019

I. RECOMMENDATION

Staff has identified four (4) recommendations for the Board of Trustees to consider and select as the preferred course of action. Each recommendation has its own costs, logistical considerations, and budget implications. Board deliberation is important not only for this action item, but to consider its context with other projects now and into the future. Staff requests the Board to review the options, discuss the merits of each, and provide direction for an action item to be presented October 30, 2019 to authorize the acquisition of Mountain Golf Course Golf Carts for the 2020 golf season and forward.

Recommendations:

1. Acquire fifty-eight (58) EZ-Go RXV Elite Lithium Ion model cart fleet by paying a purchase price of \$282,067.60. Acquisition would occur by

authorizing Staff, on October 30, 2019, to accept the EZ-Go quote dated September 3, 2019 allowing for production of the carts for delivery in 2020.

Staff is in the process of evaluating potential scope and cost of the electrical services which would require Board of Trustees approval to award as it would be an unbudgeted project for 2019/2020. Once a decision is made on October 30, 2019 by the Board of Trustees, Staff would immediately begin the pre-design of the requisite electrical service in the lower level of the Mountain Course Maintenance Building. This pre-design would lead to a required installation upon authorization of the project at a future date by the Board of Trustees.

Choosing this recommendation will impact CIP Project 3241ME1804 for the Mountain Golf Fuel Storage Facility since the equipment could be downsized as a result of not having gasoline powered carts. The full extent of the savings on equipment is not known at this time.

2. Acquire the fifty-eight (58) EZ-Go RXV Elite Lithium Ion model cart fleet by paying through a lease for forty-eight (48) months at \$48.73 per cart, which totals \$135,664.32 for the four years. Acquisition would occur by authorizing Staff to accept the EZ-Go quote dated September 3, 2019 allowing for production of the carts for delivery in 2020.

Staff is in the process of evaluating potential scope and cost of the electrical services which would require Board of Trustees approval to award as it would be an unbudgeted project for 2019/2020. Once a decision is made on October 30, 2019 by the Board of Trustees, Staff would immediately begin the pre-design of the requisite electrical service in the lower level of the Mountain Course Maintenance Building. This pre-design would lead to a required installation upon authorization of the project at a future date by the Board of Trustees.

Choosing this recommendation will impact CIP Project 3241ME1804 for the Mountain Golf Fuel Storage Facility since the equipment could be downsized as a result of not having gasoline powered carts. The full extent of the savings on equipment is not known at this time.

Since this recommendation includes leasing, the District would also have to follow the process prescribed by the Nevada Department of Taxation. The Nevada Department of Taxation issued Guidance Letter 16-004 on September 27, 2016 relating to lease agreements that could be considered

alternative financing. Under that guidance, public notice needs to be published ahead of the Board of the Trustees authorizing the use of lease financing and the District will be filing a request for approval of the agreement as the Board of Trustees authorizes. Once approval is received from the State, Staff will notify the Board of Trustees, at their next regular meeting, and proceed with executing the remaining portion of the transaction. The Guidance Letter is also coordinated with the now issued GASB statement on lease accounting. The State guidance for applying the GASB statement is effective December 15, 2018. Under this accounting, the lease is treated as if it was a purchase.

3. Acquire the fifty-eight (58) EZ-Go RXV Gas EFI model cart fleet by paying a purchase price of \$204,627.16. Acquisition would occur by authorizing Staff to accept the EZ-Go quote dated September 3, 2019 allowing for production of the carts for delivery May 1, 2020. District Staff would allow EZ-Go to immediately pick up the 2013 fleet of carts to avoid winterization and storage expenses while awaiting the delivery of the new fleet. This decision does not impact CIP Project 3241ME1804 for the Mountain Golf Fuel Storage Facility since the equipment originally specified was necessary to support gas carts.
4. Acquire the fifty-eight (58) EZ-Go RXV Gas EFI model cart fleet by paying through a lease for forty-eight (48) months at \$43.68 per cart, which totals \$121,65.12 for the four years. Acquisition would occur by authorizing Staff to accept the EZ-Go quote dated September 3, 2019 allowing for production of the carts for delivery May 1, 2020. District Staff would allow EZ-Go to immediately pick up the 2013 fleet of carts to avoid winterization and storage expenses while awaiting the delivery of the new fleet. This decision does not impact CIP Project 3241ME1804 for the Mountain Golf Fuel Storage Facility since the equipment originally specified was necessary to support gas carts.

Since this option includes leasing, the District would also have to follow the process prescribed by Nevada Department of Taxation. The Nevada Department of Taxation issued Guidance Letter 16-004 on September 27, 2016 relating to lease agreements that could be considered alternative financing. Under that guidance, public notice needs to be published ahead of the Board authorizing the use of lease financing and the District will be filing a request for approval of the agreement as the Board of Trustees authorizes. Once approval is received from the State, Staff will notify the Board of Trustees, at their next regular meeting, and proceed with executing remaining portion of the transaction. The Guidance Letter is also coordinated with the now issued GASB statement on lease accounting. The

State guidance for applying the GASB statement is effective December 15, 2018. Under this accounting the lease is treated as if it was a purchase.

II. DISTRICT STRATEGIC PLAN

Long Range Principle #1 – Resources and Environment – Promote and protect Lake Tahoe and other sources in the Basin.

Long Range Principle #2 – Finance – Demonstrate the balance of allocated resources with service expectations and the capability to deliver.

- Comply with Nevada Revised Statutes and Administrative Code requirement for the budget process, indebtedness reporting....

Long Range Principle #4 – Service – The District will provide superior quality service and value to its customers considering responsible use of District resources and assets.

- Provide well defined customer centric service levels consistent with community expectations.

Long Range Principle #5 – Assets and Infrastructure – The District will practice perpetual asset renewal, replacement, and improvement to provide safe and superior long term utility services and recreation activities.

- Maintain, renew, expand, and enhance District infrastructure to meet the capacity needs and desires of the community for future generations.

III. BACKGROUND

The Board of Trustees adopted the 2019-2020 Capital Improvement Project Budget on May 22, 2019. During deliberations, Staff discussed the consideration of gas, traditional electric, and lithium battery powered units. Lithium battery power was highlighted at the January 2019 PGA show and reported on by our Head Professional. Long term, the District is committed to the elimination of gas powered carts considering their effects on the local environment. The Board of Trustees also discussed the possibility of leasing assets in May. The current fleet of carts was originally leased in 2013 and purchased outright in 2017 with a planned use of two or three years depending on cost to maintain. We are now at a point where repair of major components could exceed the value of the units. For service levels

as well as cost, Staff recommends replacement of the current fleet of fifty-eight (58) carts.

Lithium battery powered carts have been rapidly accepted into the market, as well as best practice within the industry. They offer lower charging costs (half the time to charge compared to acid based batteries), lighter weight (279 pounds), longer unlimited warranty (5 years), zero battery maintenance, better impact on our local environment, and more charging cycles (2000-4000 versus 400-1000 for acid based batteries); all of these factors make them feasible for the Mountain Course. The nature of the charging process (no emissions) for lithium batteries eliminates the need for substantial alteration or rebuild of the current Mountain Course cart storage facility for ventilation purposes however it does require wiring for the individual charges.

Staff has conferred with the State of Nevada Department of Taxation over the manner in which to proceed with a transaction when a purchase was in the budget when adopted in May 2019. We can consider leasing as long as the State's guidance is followed before any payments are made.

IV. BID RESULTS

The District advertised, via two local newspapers, a Notice to Bidders. Two bids were received on September 3, 2019. The results were:

	<u>EZ-Go</u>	<u>Club Car</u>
Lithium Powered Carts Purchase	\$282,067.60	\$304,500.00
Lithium Powered Carts 48 Mo. Lease **	\$135,664.32	\$323,584.32
Lithium Powered Carts Lease / Year	\$ 33,916.08	\$ 80,896,.08
Gas Powered Carts Purchase	\$204,627.16	\$205,900.00
Gas Powered Carts 48 Mo. Lease**	\$121,605.12	\$218,794.56
Gas Powered Carts Lease / Year	\$ 30,401.28	\$ 54,698.64

** The proposals for lease from each vendor are based on different assumptions at the end of four years. The lease proposals from EZ-Go were for fair market value leases, which means they call for less principal paid during the forty-eight (48) months by allowing a residual value purchase option. The lease proposals from Club Car fully amortized over the forty-eight (48) months and carry a one dollar (\$1) purchase option.

V. FINANCIAL IMPACT AND BUDGET

There are a number of budget and financial considerations that drive the choices made from the alternatives presented. Some baseline factors are:

1. The CIP Budget for Project 3241LV1899 Mountain Course 58 Cart Fleet is \$288,000. It contemplated purchase of gas carts in 2020 with a replacement six years later with a project to retrofit the electrical service for a cost of \$120,000.
2. The CIP Budget for Project 3241ME1804 Mountain Golf Fuel Storage Facility is \$200,000.
3. The Five Year Capital Improvement Plan Summary adopted July 24, 2019 includes Project 3299BD1403 Mountain Course Clubhouse and Maintenance Renovation and ADA Upgrades in 2022-2024 for \$695,000, which specifically notes making the facility capable of housing electric carts.

The District has the opportunity to act, within Fiscal Year 2019-2020, to move to lithium carts through a forty-eight (48) month fair market value lease and retro fit the electrical system in the existing building. The possibility exists for a total cost approximate to the budgeted CIP project by using leasing and to incur the costs for the electrical upgrade now. This choice substantially reduces future projects cost and scope. However, the electrical upgrade requires a pre-design, design and acquisition that is not stated as part of the CIP Project 3241LV1899.

Staff wants Board of Trustees direction for the acceptability to explore a pre-design for the electrical upgrade of the Mountain Course Maintenance Building lower level which houses the golf carts. The estimated cost for the pre-design service by an electrical engineer should not exceed \$10,000. Time may be of the essence to logistically complete the electric work ahead of the 2020 golf season. However, there is no point in making certain choices about carts or timing without knowing the proper solution to the electrical service. The design and installation contract would be future actions made by the General Manager and the Board of Trustees only after resolving the scope and overall costs for this choice.

Staff intends to return to the Board at the October 30 meeting to request action on the purchase of carts for the Mountain Golf Course based on direction given September 25. That timing will allow for placing an order as purchase or a lease as well as completing the electrical upgrade if necessary.

The CIP Project budget is \$288,000 for an outright purchase. Should the lease of lithium battery carts be chosen at just below \$136,000, there would be up to \$152,000 remaining for pre-design electrical and electrical installation, and some contingency. If the Lithium carts were purchased outright, the project would come in approximately \$5,000 under budget. This does not include the value gained at time of resale which is difficult to estimate at this time.

If gas carts were leased at just under \$122,000, there would be up to \$166,000 remaining in the project. If gas carts were purchased outright, there would be just below \$83,000 remaining in the project. This does not include the value gained at time of resale which is difficult to estimate at this time.



Project Summary

Project Number:	3241LV1899	
Title:	Mountain Course 58 Cart Fleet	
Asset Class:	F - Rolling Stock	
Division:	44 - Mountain Golf Carts	
Budget Year:	2020	
Scenario Name:	Main	Active: Yes
Budget Status:	Data Entry	
Locations:		
Project Something:	LV - Light Duty Vehicles	

Project Description				
<p>The Mountain Golf Course utilizes a fleet of 58 gas carts, which facilitate use over the hilly terrain of the Course. Historically gas carts have been the only one with power enough for several of the steep climbs and the repeat use that can occur with higher volumes of play during peak summer months. The District will look to replace the existing fleet with gas carts for the 2020 season. There has always been the expectation that some day technology would develop an electric cart capable of the terrain and degree of use. With advancements in lithium battery technology, the District will look at that technology for the 2025 replacement.</p>				
Project Internal Staff				
<p>Delivery and setup of the fleet is supported by the District Fleet Maintenance and golf course professional staff.</p> <p>Ongoing maintenance is done by Fleet. Day to day cleaning and preparation is done by the golf staff.</p>				
Project Justification				
<p>The current fleet of 58 carts was obtained by a lease buyout in October 2017 following six years of service under a lease. The current care and condition of that fleet indicates it can be used without significant expense for maintenance for the 2019 season. A replacement with gas carts will be planned to be in place for the 2020 season. This will require a process beginning in the fall of 2019 with delivery no later than April 2020.</p> <p>The next replacement of the cart fleet will be 4 to 6 years after 2020. It is expected this replacement will be lithium battery powered carts. If that choice is made, the Mountain Course Cart Building will have to be retro fitted for electrical service to support this type of cart.</p>				
Forecast				
Budget Year	Total Expense	Total Revenue	Difference	
2020				
58 Gas Cart Fleet	288,000	0	288,000	
Year Total	288,000	0	288,000	
2026				
58 Lithium Battery Carts	371,200	0	371,200	
Electrical Service Retro Fit	120,000	0	120,000	
Year Total	491,200	0	491,200	
	779,200	0	779,200	
Year Identified	Start Date	Project Partner	Manager	Est. Completion Date
2019	Dec 2, 2019			Mar 31, 2020