

MEMORANDUM

TO: Board of Trustees

THROUGH: Steven J. Pinkerton
General Manager

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

SUBJECT: Review, discuss, and possibly authorize the acquisition of Championship Golf Course Electric Carts for 2016-2017 fiscal year

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

DATE: March 15, 2017

I. RECOMMENDATION

Staff is providing five alternatives for the Board of Trustees to consider and select as the preferred course of action. Each alternative has its own service level consequences, costs, logistical considerations and budget implications.

1. Acquire the current 75 electric Club Car model cart fleet by paying the current lease balloon payment of \$70,867.50, plus a transfer fee of \$500.00, for a total of \$71,367.50. Any maintenance of that fleet would become an operating cost for which there is no budget established for either 2016-2017 nor future periods. This would not provide reliable GPS service as the old system may not be able to be maintained. The useful life of these carts and dependability in service is unknown. The value of the carts "as is" seems to be equal to the balloon payment.

If Alternative 1 above is selected then Resolution 1857 would be completed to:

"Now, therefore, it is hereby RESOLVED, that the Incline Village General Improvement District shall augment its 2016-2017 budget by appropriating \$71,400 of Beginning Fund Balance from the Community Services Special Revenue for use in the Community

Services Capital Projects Fund thereby increasing its appropriations from \$5,732,050 to \$5,803,450. Such increased appropriation is for the purchase of Championship Golf Course Golf Carts as a Capital Improvement Project. The Operating Transfers from the Community Services Special Revenue Fund to the Community Services Capital Projects Fund are thereby increased by \$71,400. A detailed schedule (Form 4413LGF) is attached to this Resolution and by reference is made a part thereof.”

2. Acquire the current 75 electric Club Car model cart fleet buy paying the current lease balloon payment of \$70,867.50, plus a transfer fee of \$500.00, for a total of \$71,367.50. Also provide for the replacement of batteries for \$108,750. Since the investment in batteries signals an intent to use those 75 carts for a period of years, also provide an estimated \$1,000 per cart for maintenance parts for tires, brakes, suspension, windshields and upholstery over the next four year service cycle. However, there is no budget or service capacity within the District’s fleet operation to provide a large volume of fleet maintenance. Whatever contract or outside service would be incurred is an additional unknown cost. The District could also explore adding GPS units similar to those offered on the new carts, which were stated at \$1,500 each or \$112,500 for 75 units. Again, a provision for installation cost is not known. The District could also explore purchasing 5 additional carts to get to the desired count of 80 carts; they might require approximately \$30,000. This alternative would cost a minimum of \$397,600 over the four years and have an initial investment of \$322,600.

If Alternative 2 above is selected then Resolution 1857 would be completed to:

“Now, therefore, it is hereby RESOLVED, that the Incline Village General Improvement District shall augment its 2016-2017 budget by appropriating \$322,600 of Beginning Fund Balance from the Community Services Special Revenue for use in the Community Services Capital Projects Fund thereby increasing its appropriations from \$5,732,050 to \$6,054,650. Such increased appropriation is for the purchase of Championship Golf Course Golf Carts as a Capital Improvement Project. The Operating Transfers from the Community Services Special Revenue Fund to the Community Services Capital Projects Fund are thereby increased by \$322,600. A detailed schedule (Form 4413LGF) is attached to this Resolution and by reference is made a part thereof.”

3. Acquire the new 80 Electric Cart Club Car fleet through the execution of a Medium-Term Installment Purchase Agreement which constitutes a tax qualified debt obligation in order to get preferable terms. The Total obligation of the proposed agreement is \$480,584, which includes a balloon payment of \$80,000, presumable to be made by the next fleet vendor, leaving the four year cost to the District at \$404,584. To execute this alternative, the District would need to make arrangement for the payment of the balloon due March 31, would require 10 day public notice ahead of the April 12, 2017 Board of Trustees meeting, and two future Board agenda items to meet the State of Nevada Department of Taxation Guidance Letter 16-004 requirements, and in gaining approval of that Agreement, require a greater than two-thirds vote of the Board of Trustees. This would also delay the delivery of the carts following their manufacture by Club Car, LLC.

If Alternative 3 above is selected Resolution 1857 would not have to be executed. There is about \$15,000 additional cost for 2016-2017 as an operational expense that could be dealt with during the augmentation for operations that will be presented as a future Board Action item prior to June 30, 2017.

4. Acquire the new 80 Electric Cart Club Car fleet as an outright purchase at a cost of \$448,000.

If Alternative 4 above is selected then Resolution 1857 would be completed to:

“Now, therefore, it is hereby RESOLVED, that the Incline Village General Improvement District shall augment its 2016-2017 budget by appropriating \$448,000 of Beginning Fund Balance from the Community Services Special Revenue for use in the Community Services Capital Projects Fund thereby increasing its appropriations from \$5,732,050 to \$6,180,050. Such increased appropriation is for the purchase of Championship Golf Course Golf Carts as a Capital Improvement Project. The Operating Transfers from the Community Services Special Revenue Fund to the Community Services Capital Projects Fund are thereby increased by \$448,000. A detailed schedule (Form 4413LGF) is attached to this Resolution and by reference is made a part thereof.”

5. Since the District has not appropriated any budget to make the balloon payment of the existing lease, the agreement could be allowed to lapse and go into default. The consequences would include the lessor utilizing their right to take the cart fleet in lieu of payment. The further consequences of that to pricing for a replacement fleet cannot be determined. This is not an acceptable service level or circumstance based on District principles and it would provide a level of service inconsistent with industry practices for operating a golf course.

As ancillary actions, the Board of Trustees makes a motion to:

- A. Adopt Resolution Number 1857 augmenting the 2016-17 Incline Village General Improvement District Budget, including the Community Services Special Revenue Fund and the Community Services Capital Project Fund, by utilizing additional resources from the increase in Beginning Fund Balance of the Community Services Special Revenue Fund, as audited as of June 30, 2016 versus the budget adopted in May 2017, for the express purpose of providing resources for the purchase of golf carts (consistent with the Alternative selected).
- B. Authorize Staff to execute all pertinent/related documents based on a review by General Counsel and Staff completing Form 4413LGF consistent with the alternative selected, including directing the District Clerk to file notice of the augmentation (if necessary) with the State of Nevada Department of Taxation Guidance.

II. DISTRICT STRATEGIC PLAN

Long Range Principle #2 – Finance – With allocated resources, equate service expectations and the capability to deliver.

- Comply with Nevada Revised Statutes and Administrative Code requirement for the budget process and document content.

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.

- The District will 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.

- The District will 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 unanimously authorized the acquisition of the eighty electric golf carts, including GPS units from Club Car, LLC at the regular meeting held February 8, 2017. As an ancillary part of the action, the Board directed Staff to work with California First National Bank for the express purpose of providing resources for this purchase through a lease arrangement. Staff worked with California First National Bank and returned on March 8, 2017 with a revised set of terms due to further consideration of the inclusion of GPS units. The Board of Trustees at the March 8, 2017 meeting, did not have the greater than two-thirds votes to authorize the lease arrangement as required under State of Nevada Guidance Letter 16-004. The current lease is expiring and requires some action to allow the Championship Golf Course to have a fleet of golf carts for its operations. Five alternatives have been provided, including an outright purchase of carts. However, three of the alternatives are not consistent with how the 2016-2017 budget was prepared, and thus would require a budget augmentation.

Staff has conferred with the State of Nevada Department of Taxation over the manner in which to proceed with a transaction which would be a purchase of the eighty electric golf carts, including GPS units, when the budget adopted in May 2017 for the fiscal 2016-2017 year contemplated another lease. The District has additional resources which qualify for an augmentation. Therefore, Resolution Number 1857 has been prepared to identify the nature of the additional resources, the increases to transfers between the Community Services Special Revenue Fund and the Community Services Capital Projects Fund that will facilitate providing the resources for the purchase of the golf carts as a capital project. Further wording has been included to note this augmentation is limited to the golf cart purchase.

District Staff could resume executing the procurement of the eighty electric golf carts from Club Car, LLC, depending on the alternative selected. Staff would also have to re-engage California First National Bank about a new lease and provide an interim payment on the old lease.

IV. BID RESULTS

There is no bid requirement for this portion of the transaction. The Board of Trustees has authorized the procurement action with Club Car, LLC for \$448,000 at its February 8, 2017 meeting, based on a separate bid process.

V. FINANCIAL IMPACT AND BUDGET

The 2016-2017 operating budget includes lease payments totaling \$18,700 for May and June of 2017 that will not need to be paid if a capital purchase is made. The capital improvement budget for 2016-2017 will be increased by an amount to cover the alternative selected. The transfers between the Community Services Special Revenue Fund and the Community Services Capital Projects Fund will be increased for the same amount of the capital purchase.

If a purchase is made, the 2017-2018 operating budget as previewed March 8, would be changed by removing the \$87,600 in lease expenses but also moving \$81,920 of Facility Fee from operations to capital expenditure. That change has been included in the capital summary being reviewed March 23. The facility fee element will be included in capital going forward, to attain asset replacement when the next fleet comes up for consideration. The District will need to monitor for any residual value the golf carts may have, and plan for that when a data sheet for replacement is developed. Whatever replacement cycle is maintained will have to be added to the final version of the five-year summary included in the 2017 Indebtedness Report.

If the alternative selected includes using the old cart fleet, staff would have to solicit information to estimate the cost to support larger scale maintenance should it be necessary to make modifications to a volume of carts all at once. The overall fleet maintenance schedule would have to be reevaluated to support the increased work that might come from trying to extend the useful life of the existing carts. The results of this analysis would be reflected in the 2017-2018 budget.

VI. BUSINESS IMPACT

This item is not a "rule" within the meaning of Nevada Revised Statutes, Chapter 237, and does not require a Business Impact Statement.

VII. COMMENTS

The District's current operations have seen considerable increase in activity for the golf course food and beverage, and overall ski resort operations. These increases have resulted in the Director of Finance reporting the expectation that an augmentation will take place in April or May after the ski season is completed. That augmentation would be focused on the operations side of the District based on additional revenues being generated during the 2016-2017 year. That action should be considered separate from the affects and the action contemplated by Resolution Number 1857.



Resolution No. 1857

A RESOLUTION TO AUGMENT THE 2016-2017 BUDGET OF INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

WHEREAS, total resources of the Community Services Special Revenue Fund for the Incline Village General Improvement District were budgeted to be \$26,724,978 on July 1, 2016;

WHEREAS, the total available resources are now determined to be \$27,440,988.;

WHEREAS, said additional unanticipated resources are as follows:

Fund Balance as of June 30, 2016 as audited is \$7,854,828, while the amount reported on Form 4404LGF for the Beginning Fund Balance for the budget year 2016-2017 was \$7,138,818, this represents an increase of \$716,010.; and

WHEREAS, there is a need to apply a portion of these excess resources in the Community Services Special Revenue Fund to a capital expenditure in the Community Services Capital Project Fund.

NOW, THEREFORE, IT IS HEREBY RESOLVED, *[insert from selected alternative]*.

IT IS FURTHER RESOLVED, that the District Clerk shall forward the necessary documents to the Department of Taxation, State of Nevada.

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I hereby certify that the foregoing is a full, true and correct copy of a resolution duly passed and adopted at a regularly held meeting of the Board of Trustees of the Incline Village General Improvement District on the 23rd day of March, 2017, by the following vote of the Incline Village General Improvement District Board of Trustees (consisting of five (5) members):

- AYES, and in favor thereof, Trustees:
- NOES:
- ABSENT:

Kendra Wong
Chairwoman

ATTEST: By: _____
Susan A. Herron
District Clerk