

**M E M O R A N D U M**

**TO:** Board of Trustees

**THROUGH:** Steven J. Pinkerton  
General Manager

Gerald W. Eick, CPA CGMA  
Director of Finance

Bradley A. Johnson, P.E.  
Director of Asset Management

**FROM:** Sharon G. Heider  
Director of Community Services

Michael C. McCloskey, PGA  
Director of Golf

**SUBJECT:** Review, discuss, and possibly award a procurement contract, in the amount of \$448,000.00, to Club Car, LLC for eighty (80) electric golf carts to be located at the Championship Golf Course and review, discuss, and possibly authorize a four year municipal lease agreement, to finance the procurement of eighty (80) electric golf carts to be located at the Championship Golf Course, with California First National Bank in the amount of \$484,713.60

**STRATEGIC PLAN:** Long Range Principle #2 – Service  
Long Range Principle #5 – Assets and Infrastructure

**DATE:** January 27, 2017

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**I. RECOMMENDATION**

Staff recommends that the Board of Trustees makes a motion to:

1. Award a procurement contract to Club Car, LLC totaling \$448,000.00 for eighty (80) electric golf carts for the Championship Golf Course.

Review, discuss, and possibly award a procurement contract to Club Car, LLC for 80 electric golf carts at the Championship Golf Course in the amount of \$448,000.00 and review, discuss, and possibly authorize a four year municipal lease agreement with California First National Bank in the amount of \$484,713.60

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2. Authorize a four year municipal lease agreement with California First National Bank to fund the electric golf cart procurement totaling \$484,713.60 (24 payments of \$14,596.40 [\$87,578.40 annually] and a \$134,400.00 end of term balloon payment).\*
3. Authorize Staff to execute all procurement and lease documents based on a review by General Counsel and Staff.

\* Note that this item will require a 4/5 vote per State of Nevada Department of Taxation as discussed in VII Comment section below.

## **II. DISTRICT STRATEGIC PLAN**

Long Range Principle #2 – 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 District operates a fleet of 75 to 80 GPS enabled electric golf carts at the Championship Golf Course to provide on course customer, marshal, and golf professional transportation. The design for the course originally anticipated 80 carts and the cart barn was designed for 80 carts as is common in the industry for a course of our golf round magnitude. At the February 8, 2012 meeting, the Board of Trustees authorized the District to enter into a five year municipal lease for Club Car and reduce the supply to 75 carts. Prior to this 2012 lease, the District operated under a Board of Trustee authorized four year commercial lease with Club Car for 80 carts. The decision to move from a four year to five year

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lease term was based on a desire for lower payments and a belief that improvements in battery technology would ensure reliable operations over the longer term without an increase in District maintenance costs. Additionally, the decision to move from 80 carts to 75 carts was also based on a desire for lower payments and a belief that improvements in pace of play would allow for a reduction in inventory. However, the removal of five carts did not allow enough carts for all player needs such as those players purchasing as a single player, purchased spectator carts, marshalling needs, and the normal repairs that are required. In addition it was necessary to replace the batteries in a number of carts during the 5th year of the lease, which was not covered by the warranty, at a cost of \$29,849.

The five year 2012 lease of the existing cart fleet has reached its term and the cart fleet is no longer within its four year warranty period. The carts are showing significant wear and tear after five years of use and many of the carts are no longer able to provide 36 holes of service on a single charge. Staff assembled bid documents for a new fleet of electric golf carts. The number of carts requested was returned to 80 to provide enough carts for all guests, and provide better customer service. Additionally, the lease term was reduced from five years to four years to match the available industry warranty period and to ensure all carts could provide 36 holes of service over the entire term. The supplied warranty is bumper-to-bumper including batteries (with no amp hours limitation) for the entire four year term and includes a 36 hole per day battery performance guarantee for the duration of the warranty period. The only anticipated District maintenance associated with the newly leased fleet is regular inspection and cleaning of the carts, checking and maintaining battery fluid levels, checking and maintaining tire pressure, and repair of any operator caused damage.

The bid documents also required the carts to be supplied with integrated GPS technology. The supplied GPS system will replace the District's 14 year old existing third party GPS system, which had a cost of approximately \$7,500 per year, and is at the end of its service life and is no longer supported by the manufacturer. The supplied GPS system will provide the District with pace of play management tools; operational control including speed limitations, fleet lock down functionality, and geographic limits to allowable area of operation; as well as fleet maintenance tools including remote battery status, power consumption monitoring, and real time equipment failure notification.

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Finally, the bid documents required vendor installation of included battery charging equipment, acquisition and off-haul of the existing cart fleet upon delivery of the new carts, and final payment of the remaining \$71,367.50 balloon payment on the existing 2012 lease.

#### **IV. BID RESULTS**

Consistent with the requirements of Nevada Revised Statute Chapter 332, and prior Board of Trustee discussion on the desire to pursue lease arrangements for equipment rather than purchase, the District publicly advertised this procurement for bidding and procurement documents were sent out to three potential bidders. Two bids were received and opened on January 19, 2017.

The bid documents requested pricing for direct purchase as well as a vendor supplied four year commercial lease term. In anticipation of the bid for the golf carts, the District solicited interest from four commercial leasers and banks to provide a third party, four year, tax-exempt municipal lease direct to the District. This processed identified California First National Bank (CalFirst) to provide lease terms as an alternative to those offered by the golf cart vendor.

The bid results and lease amounts are as follows:

<b>Vendor</b>	<b>Total Bid Amount Purchase</b>	<b>Total Bid Amount Lease</b>	<b>CalFirst Lease Amount</b>
Club Car	\$448,000.00	\$534,265.60 <sup>a</sup>	\$484,713.60 <sup>b</sup>
E-Z-Go	\$459,920.00	\$516,276.00 <sup>c</sup>	\$497,610.48 <sup>d</sup>

<sup>a</sup> 24 payments of \$17,094.40 and a \$124,000.00 end of term balloon payment.

<sup>b</sup> 24 payments of \$14,596.40 and a \$134,400.00 end of term balloon payment.

<sup>c</sup> 24 payments of \$16,600.80 and a \$119,056.80 end of term balloon payment.

<sup>d</sup> 24 payments of \$14,984.77 and a \$137,976.00 end of term balloon payment.

This includes the fleet change from 75 to 80 golf carts at a cost of \$5,473.65. The GPS technology is included within this contract thus eliminating the \$7,500 paid

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to a separate GPS contact. The total bid amount results in an additional \$18,500 per year.

The low responsive bidder is Club Car. District Staff reviewed the bid and checked references for the vendor and recommends award of the procurement contract to Club Car utilizing CalFirst's municipal lease terms. This will be the third cart fleet the District has operated with Club Car and Staff is very familiar with the proposed equipment. This would be the third District municipal lease with CalFirst as they provide leases for the current Championship and Mountain Course cart fleets.

**V. FINANCIAL IMPACT AND BUDGET**

The new bid pricing results in an additional cost of \$77.88 per cart per year as illustrated in the table below.

	<b><u>5 Year Lease Current Fleet</u></b>	<b><u>4 Year Lease Proposed Fleet</u></b>
Total Lease Payment	\$358,743.60	\$484,713.60
GPS Purchase *	\$112,727.27	\$0.00
GPS Service	\$37,500.00	\$0.00
Battery Warranty Service **	\$29,849.00	\$0.00
	\$538,819.87	\$484,713.60
<b># of Golf Carts</b>	<b>75</b>	<b>80</b>
Cost per cart for Total Lease	\$7,184.26	\$6,058.92
Cost per cart per year	\$1,436.85	\$1,514.73
Cost increase		+\$77.88 per year/cart
* GPS Purchase is based on this 5 year portion of the 11 year purchase		
** Additional cost for batteries & service not covered by 5th year of warranty		

The proposed lease with CalFirst provides for six payments of \$14,596.40 annually (May thru October) for four years (\$87,578.40 per year) with a final balloon payment of \$134,400. As with past lease fleets, the District anticipates that the final balloon payment will be made by a future vendor during the next leasing period. The lease terms represent a period that is less than 75% of the

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useful life of the asset and the four years of lease payments made by the District are less than 90% of the fair market value of the carts. As such, this makes it an operating lease, which is then budgeted and recognized as an operating expense.

## **VI. ALTERNATIVES**

1. Reject all bids and purchase the existing four year old Club Car electric cart fleet at a cost of \$71,367.50. Doing so would necessitate a fleet wide battery replacement at an estimated cost of \$108,750 (\$90,000 in parts and \$18,750 in labor) and an additional \$6,000 in labor to allow Staff to undertake a thorough inspection of each cart to develop a budget and work plan for any additional maintenance items necessary to ensure reliable operations for the 2017 Championship Golf Course season. Retaining the existing fleet, with further investment, does not assure the return on that investment as a trade-in value against the eventual replacement of the fleet. This alternative creates operational uncertainty as it relates to long term fleet reliability, performance, and maintenance costs in both parts and labor. This alternative also does not solve the issues associated with the District's existing cart GPS system. Finally, given the general wear and tear on the existing cart fleet, this alternative would have a negative impact on service levels at the Championship Golf Course.
2. Do not accept bid for 80 carts and direct Staff to renegotiate for a fleet of 75 with a potential reduction of costs up to approximately \$30,000, and return for approval.
3. Approve the purchase of 80 golf carts and do not enter into a lease agreement. Direct Staff to prepare a budget augmentation in the amount of \$448,000.00 to purchase the fleet of carts, and return to the Board for approval at a later date.

## **VII. 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.

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## **VIII. COMMENTS**

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, the District will be filing a request for approval of whichever form of procurement the Board authorizes. Once approval is received from the State, Staff will notify the Board of Trustees and proceed with executing the Board and State approved lease transaction. The Guidance Letter is also coordinated with a pending GASB statement on lease accounting. The District will monitor the eventual outcome and application of that accounting for leases which could occur during the term of the proposed lease.