

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 adopt Resolution No. 1854 authorizing a Medium-Term Installment Purchase Agreement in the amount of \$448,000.00, to California First National Bank to finance the procurement of eighty (80) electric golf carts, including GPS units, to be located at the Championship Golf Course, with a total amount due of \$480,584.00

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

DATE: February 24, 2017

I. RECOMMENDATION

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

1. Adopt Resolution 1854 authorizing a Medium-Term Installment Purchase Agreement with a principal amount of \$448,000.00, with an annual interest rate not to exceed 3.279% and repaid over four years, with the final balloon due no later than May 1, 2021.
2. Authorize Staff to execute all documents based on a review by General Counsel and Staff, and after compliance with the State of Nevada Department of Taxation Guidance Letter 16-004 relative to leasing and installment purchase agreements.

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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 Board of Trustees authorized the acquisition of the 80 golf carts, including GPS units from Club Car, LLC at the regular meeting held February 8, 2017. As a part of the action, the Board directed Staff to work with California First National Bank and authorized a principal amount of \$448,000.00 with a total obligation of \$484,713.60. During the process of developing the final documentation for the municipal lease agreement, two factors developed which have resulted in the requested Resolution No. 1854. The quote for terms and pricing from California First National Bank was based on funding a purchase of golf carts. When we provided the full content of the bid package, the Bank noted that the GPS units made up about 30% of the purchase. These units may not have the same useful life as the carts and the Bank requested altering the interim payment amount and the balloon. The change actually results in a lower total cost, from the \$484,713.60 authorized February 8, 2017 to \$480,584.00. These terms allows the District greater flexibility in considering transferring the GPS units to the next fleet without renegotiating the agreement with the Bank. Staff has discussed the transferability of the Visage GPS units and has been advised by Club Car that they are compatible with other manufacturers and that it is Club Car's experience to transfer units from one fleet to another.

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Staff has formulated the requested action to follow terms and the process established by the State of Nevada Department of Taxation guidance Letter 16-004. This process included public notice which was published February 23, 2017. The Staff has referred to the funding process as a municipal lease agreement, this Guidance states they are installment purchase agreements, because the balloon payment has the effect to become a purchase option.

IV. BID RESULTS

There is no bid requirement for this portion of the transaction. However, it should be noted California First National Bank has retained the interest rate and 4 year terms from their original proposal. They have also acknowledged the use of a final balloon date of May 1, 2021 to allow the replacement of the next fleet to occur following the 2020 season as well as a timeline to deal with the logistics of changing out the fleet ahead of the 2021 season.

V. FINANCIAL IMPACT AND BUDGET

The revised agreement with California First National Bank provides for six payments of \$16,691.40 annually (May thru October) for four years (\$100,146 per year) with a final balloon payment of \$80,000. This total obligation is \$480,584.00. The prior action authorized a total of \$484,713.60. 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 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

During the business item discussed on February 8, 2017, the GPS units were discussed from a service perspective. The process since that action has allowed further study and consideration of the options to be considered when the next fleet is acquired. While it is not assured, the functionality of the units may provide the opportunity to retain them for the next fleet. That service and functional determination will be made during that process. However, the current action allows the District greater flexibility in outlining the equipment request and terms when that does occur.

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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.

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 the agreement as the Board authorizes. Once approval is received from the State, Staff will notify the Board of Trustees, presumed to be at the March 23, 2017 regular meeting, and proceed with executing remaining portion of the transaction. The Guidance Letter is also coordinated with a pending GASB statement on lease accounting that could become effective later in 2018. The District will monitor the eventual outcome and application of that accounting standard.



Resolution No. 1854

A RESOLUTION AUTHORIZING A MEDIUM-TERM INSTALLMENT PURCHASE AGREEMENT

WHEREAS, the Incline Village General Improvement District serving the communities of Incline Village and Crystal Bay Nevada, at a regular meeting held on March 8, 2017 at 6 P.M. PST determined that the public interest requires a Medium-Term Installment Purchase Agreement; and the following findings of fact determined: the Incline Village General Improvement District operates the Championship Golf Course, which utilizes an eighty (80) cart fleet of golf carts and has determined that the best use of public funds is to acquire this replacement fleet of golf carts, for a period of four (4) years, through the use of a qualified tax-exempt obligation, which by its terms is deemed an installment purchase agreement.

WHEREAS, proper notice was given of the intention to act upon the Resolution Authorizing a Medium-Term Installment Purchase Agreement pursuant to Nevada Revised Statutes 350.087 and Nevada Administrative Code 350.100 through 350.160.

NOW, THEREFORE, IT IS HEREBY RESOLVED THAT THE BOARD OF TRUSTES OF THE INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT proposes to enter an Installment Purchase Agreement with a principal amount not to exceed \$448,000.00, at an annual interest rate not to exceed 3.29% to be repaid over four years. The purpose for which the funds are to be used is the acquisition of eighty (80) Club Car golf carts for use at the Championship Golf Course (including Visage Global Positioning units). The obligation will be repaid from operating revenues of the Championship Golf Course, through a qualified tax-exempt obligation with the California First National Bank, which includes a non-appropriation clause. The dollar amount available to repay the obligation is from lease payments made in six (6) monthly installments of \$16,691 made each of four years, with a balloon payment of \$80,000.00 due May 1, 2021. The total scheduled payments is \$480,586.04. It is anticipated the balloon payment will be made by transferring ownership of the eighty (80) golf carts to the next fleet provider and thus will not necessarily be paid from operating revenues. This form of acquiring the use of this eighty (80) golf cart fleet is considered the least net cost to the operations of the Championship Golf Course.



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It is further RESOLVED that the District Clerk forward the necessary documents to the Executive Director, Department of Taxation, Carson City, Nevada.

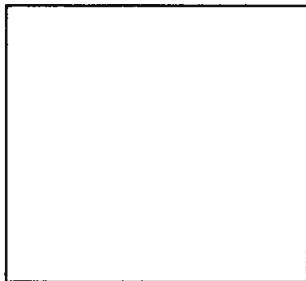
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I hereby certify that the foregoing is a full, true and correct copy of a resolution duly passed and adopted at a regularly held meeting of the Board of Trustees of the Incline Village General Improvement District on the 8th day of March, 2017, by 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:
(Two-thirds vote required)

Kendra Wong
Chairwoman

ATTEST: By: _____
Susan A. Herron
District Clerk



DISTRICT SEAL

**NOTICE OF INTENTION TO AUTHORIZE
A MEDIUM-TERM INSTALLMENT PURCHASE AGREEMENT**

Notice is hereby given that the INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT, State of Nevada, will hold a public hearing at a regular meeting to be held on MARCH 8, 2017 at the hour of six o'clock (6 P.M. PST) in the CHATEAU, 955 FAIRWAY BLVD, INCLINE VILLAGE, NV to act upon a Resolution Authorizing a Medium-Term Installment Purchase Agreement in the amount of \$448,000.00 to enable the INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT to acquire eighty (80) Golf Carts, including Global Positioning System (GPS) units, for the Championship Golf Course. The proposed obligation is to be repaid by revenues of the Championship Golf Course, which is a part of the INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT Community Services Special Revenue Fund. The installment purchase agreement will be in the form of a qualified tax-exempt obligation with the California First National Bank for a term of four years. The agreement includes a non-appropriation clause. All persons are invited to attend and to be heard regarding the proposed action. Prior to the hearing, written comments may be filed with the INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT District Clerk and will be considered. Publication date: February 23, 2017.