# City of Benson
# City Council Communication

**Regular Meeting** **September 23, 2013**

To: Mayor and Council Agenda Item # 2

From: Jim Cox, Interim City Manager

Subject:

Authorization of expenditures to replace golf car fleet lease/purchase under approved budget CIP Project GC 14-01

Discussion:

Please see attached memorandum regarding the desperate need for the lease purchase of a golf car fleet of 72 cars for San Pedro. The golf car fleet is an income producing asset, because the City charges golfers for their use. The fees charged plus the decrease in maintenance cost of the cars far exceed the lease purchase cost.

Staff Recommendation:

Approval of expenditures to replace golf car fleet lease/purchase under approved budget CIP Project GC 14-01

# CITY OF BENSON
# INTEROFFICE MEMORANDUM

**DATE:** **September 16, 2013**

**TO:** **Mayor and City Council**

**FROM:** **Jim Cox, Interim City Manager and Jay Tomerlin, Director of Golf Operations**

**SUBJECT:** **Purchase of New Golf Car Fleet as per Approved Budget**

San Pedro Golf Course has negotiated several bids for new golf cars and is ready to lease the 72 new EZGO golf car fleet that was approved in the 2013-2014 Budget. This is an absolute must for the golf course. Last season, with the 34% increase in rounds played, the facility was not able to operate at full capacity on busy days or hold tournaments with more than 120 participants. The problem will grow appreciably this year due to fewer working cars available and continued growth in the number of rounds played. If we attempted to operate the golf course with the current fleet for one more year we expect that the number of cars available to operate on a daily basis would diminish to about 50 cars. That means we would have to block out a significant number of prime tee times and send those golfers and their money elsewhere. Also, it would mean that charity tournaments would be limited to about 100 participants rather than a full field of 144 participants.

During fiscal 2012-2013 golf car repairs and maintenance (r&m) costs exceeded $30,000. If the current fleet was to be retained, the r&m cost would be about $40,000 in fiscal 2013/2014 and the facility will lose permanently the use of several more cars. The expected r&m cost with the new cars under full warranty is $3,000 in FY 2013-2014. Golf course equipment repair costs will also decrease because the mechanic will be available to concentrate his time on the golf equipment maintenance program rather than patching up old golf cars.

Green fees will be increased by $2.00 to cover the cost of new cars. Surveys have shown the golfers welcome paying the extra fee in order to operate a newer car that is not in constant danger of breaking down in mid-round (which is common at San Pedro). One golf course in our area charges a premium of $5.00 to ride in a new vs. 7 year old car (ours are 12). The new cars are almost always chosen first for the higher fee.
The table below quantifies the immediate financial effects of the new golf cars:

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|---|---|---|
| Revenue Enhancements: | $2.00 green fee increase (25,000 rounds) | $ 50,000 |
| | Added prime time rounds (2,500 x $30) | 75,000 |
| Cost Savings: | Decrease in repair and maintenance costs | 37,000 |
| Lease Purchase Payment: | $4,774/month x 12 months | (57,288) |
| | | --- |
| | Net financial benefit of new golf cars | $104,712 |
| | | ========= |

In summary, the new cars will enhance current revenues and decrease current costs by very much more than the cost of the lease purchase payment. In addition, it will further enhance the critically important image of San Pedro as an outstanding Arizona value golf facility. This will allow the golf course business plan to be fully executed and continue to experience the remarkable growth of the past 18 months. That will result in a golf facility that is a solid economic development asset that contributes to rather than takes away from the City's overall financial stability.

The lease purchase of EZGO golf cars includes 72 cars, a state of the art beverage, snack and merchandise car and a rugged range golf ball picker. The terms are $4,744 per month for 60 months, with a $1.00 buyout. The cost is well below the Approved Budget amount of $60,000 ($5,000/month) for FY 2013-2014. Lease payments will commence in November, 2013, so the total FY 2013-2014 actual cost will be $37,952, well below the budgeted amount of $60,000.

The City also received bids from the other two car manufacturers, Club Car and Yamaha. Their final bid prices were close to the EZGO bid, but the EZGO is considered the overall best value. Textron Financial (EZGO's parent company) has the golf car listed on State Bid, so a formal RFP was not required.

The City got an outstanding price on the golf cars by negotiating hard with all three of the car manufacturers. The cash purchase prices for the EZGO cars are:

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|---|---|
| Retail Price | $9,547 |
| State Bid Price | $7,160 |
| City of Benson Negotiated Price | $3,501* |

*the bulk purchase includes a merchandise & beverage car and heavy duty practice ball picker at no extra cost.

The golf cars have been placed on order pending Council final approval. Delivery is planned for October, just as the busy winter season begins after overseeding.