

## ACTION FORM BRYAN CITY COUNCIL

|   |   |                                       |   |
|---|---|---------------------------------------|---|
| <b>DATE OF COUNCIL MEETING:</b> April 14, 2015  |   | <b>DATE SUBMITTED:</b> March 31, 2015 |   |
| <b>DEPARTMENT OF ORIGIN:</b> Golf Course  |   | <b>SUBMITTED BY:</b> Jeff Blaugrund   |   |
| <b>MEETING TYPE:</b>  | <b>CLASSIFICATION:</b>                        | <b>ORDINANCE:</b>                     | <b>STRATEGIC INITIATIVE:</b>                        |
| <input type="checkbox"/> BCD  | <input type="checkbox"/> PUBLIC HEARING       | <input type="checkbox"/> 1ST READING  | <input type="checkbox"/> PUBLIC SAFETY              |
| <input type="checkbox"/> SPECIAL  | <input type="checkbox"/> CONSENT              | <input type="checkbox"/> 2ND READING  | <input checked="" type="checkbox"/> SERVICE         |
| <input checked="" type="checkbox"/> REGULAR   | <input checked="" type="checkbox"/> STATUTORY |                                       | <input type="checkbox"/> ECONOMIC DEVELOP.          |
| <input type="checkbox"/> WORKSHOP   | <input type="checkbox"/> REGULAR              |                                       | <input type="checkbox"/> INFRASTRUCTURE             |
|   |   |                                       | <input checked="" type="checkbox"/> QUALITY OF LIFE |
| <b>AGENDA ITEM DESCRIPTION:</b> Consideration of a resolution authorizing a lease/purchase agreement between the City of Bryan, PNC Equipment Finance, LLC, and E-Z-GO, a Textron Company, for a new golf cart fleet at the Travis B. Bryan Municipal Golf Course in an amount not to exceed \$226,298.40 or \$56,574.60 per year, which includes the trade-in value of the current fleet or alternatively authorizing an up-front purchase from E-Z-GO for an amount not to exceed \$212,192.00, which includes the trade-in value of the current fleet; additionally either option will include a one-time expenditure of \$26,000 for the related expansion of the golf cart storage pavilion.   |   |                                       |   |
| <b>SUMMARY STATEMENT:</b> City staff is requesting approval to trade-in the existing seven-year-old golf cart fleet to National IPA golf cart vendor, E-Z-GO, and sign a four-year lease/purchase agreement with E-Z-GO on a new fleet of sixty-five (65) carts to replace the existing fleet, including: sixty (60) electric golf carts for the public to use to play golf; two (2) electric utility carts for golf course marshals to patrol the course and assist customers or for golf cart attendants to use to move supplies, gather and empty trash; two (2) gas utility carts for golf course maintenance staff to use to complete daily course set-up and clean-up tasks, and one (1) gas beverage cart to provide customers with on-course refreshment service. Staff is also requesting funds to expand the existing cart storage pavilion so all new electric carts will be stored and charged each night as required by the E-Z-GO warranty. |   |                                       |   |
| <b>STAFF ANALYSIS AND RECOMMENDATION:</b> After many years of having the Travis B. Bryan Municipal Golf Course managed and/or operated (via a lease) by a private company, the City of Bryan took over operations on October 1, 2008.   |   |                                       |   |
| As a reminder, in 2003, American Golf Corporation gave the City a one year notice that it was not exercising its option to renew the term of the lease, which dated back to October 3, 1983. Opting to not renew leases was not uncommon at that time and American Golf's action was typical for the industry. The City learned pursuing another lease agreement was unlikely as the market had changed, and on July 27, 2004, the City Council approved a golf course management agreement with Golf Solutions-Bryan, Inc. After four years of management by Golf Solutions-Bryan, the City took over operations of the golf course in 2008.   |   |                                       |   |
| On September 9, 2008, the City of Bryan City Council approved the purchase of golf course equipment, which included sixty (60) golf carts, two (2) utility vehicles, and one (1) refreshment vehicle (i.e., beverage cart), along with multiple other necessary equipment, including other utility vehicles, mowers, etc. The purchase price for sixty (60) golf carts was \$208,500 or \$3,475 per golf cart. A state contract, Texas Multiple Award Schedule (TXMAS; Contract #TXMAS-5-78020), was used to procure the equipment, which was initially funded with a reimbursement resolution until debt was issued. The debt for golf course equipment purchased in 2008 was paid off in August 2014. Golf carts were purchased at that time, as purchasing was considered the best option. Options to lease or purchase are based on multiple factors, including the short- and long-term costs of golf carts as offered by vendors.                   |   |                                       |   |
| Golf carts are one of the most significant ways to enhance or diminish a golf experience. If golf carts are not dependable, the reputation of the golf course is damaged. The condition of golf carts also is a major safety factor, potentially creating a liability concern. As many as ninety percent (90%) of golfers who play at the Travis B. Bryan   |   |                                       |   |

Municipal Golf Course prefer to ride in a cart. While a definitive national study on the national average number of golfers who walk versus ride a cart could not be found, information suggests the Travis B. Bryan Municipal Golf Course is within the norm for those who ride versus walk the course. With such a large portion of golfers choosing to use a cart, the quality, reliability, and safety of carts are critical to success. (Note: Walking may be discouraged at some golf courses with the price of a cart included in the greens fee, or some courses only allow walking during certain times.)

As previously stated, debt service on the current cart fleet was paid off in August 2014. However, the existing fleet has been out of warranty for four years and suffers regular breakdowns requiring costly major repairs that would otherwise be covered under warranty. During this non-warranty period, out-of-pocket maintenance costs have continued to escalate: \$24,240 in FY12, \$38,042 in FY13, and \$63,723 in FY14. The projected cost of repairs for FY15 is expected to be similar to FY14, if not more; through January 2015, repair costs are \$17,110 and the peak utilization months are still ahead. Of concern is the nature of the breakdowns and needed repairs, which are becoming more serious and expensive – to the point where the cost/benefit of repairing a cart is a significant consideration. Examples of current common repairs include battery sets, switches and other electrical components, tires, wheel hubs, brakes, steering racks and chargers. Examples of additional or more atypical repairs include motor controllers, battery racks, chassis, suspension, seats, and shade canopies. To pay for these non-routine repairs, funds have to be taken from elsewhere in the golf course budget, which limits other golf course projects. This golf cart repair work also takes the golf course mechanic away from his primary responsibility of maintaining the golf course mowers and grounds equipment.

In the future, these unexpected maintenance costs can be avoided by following a schedule to trade-in and replace golf carts every four years, as is customary in the golf industry. Attachment 2 of this Council Action Form shows estimated costs for the next golf cart cycle, years 5-8, projected at a future trade-in value of \$108,800, which makes the Lease-Purchase (L-P) approach advantageous when viewed over 8 years. While the Fair Market Value (FMV) lease may cost less in years 1-4, a trade-in value for years 5-8 would not exist, making its cost higher over 8 years. Even though golf carts come with a warranty, the warranty period varies depending on the particular part and the warranty period may be reached before the end of the lease or end of service for the golf cart. For example, batteries are covered for the “earlier of 4 years or 23,500 amp hours.” Depending on golf cart use and based on golf cart history, 23,500 amp hours could be reached within three years at the Travis B. Bryan Municipal Golf Course.

The recommended new E-Z-GO fleet, inclusive of all sixty-five (65) carts (sixty (60) electric golf carts, two (2) electric utility carts, and three (3) gas service vehicles), will cost \$286,592. This price reflects a fifty-five percent (55%) discount off the MSRP offered by E-Z-GO through the National IPA contract, and is detailed in Attachment 1A to this Council Action Form. If approved, the City will receive trade-in value of \$74,400 for a net cost of \$212,192. If financed with E-Z-GO for four years it will cost \$226,298.40 or \$56,574.60 per year, based on an estimated APR of 3.25% offered to municipalities through E-Z-GO’s preferred bank PNC. The actual APR could be better, but is locked in on the date when the lease-purchase documents are signed. Past experience with Request for Proposals (RFP) for equipment suggests a State contract is typically as competitive as a RFP process. Positive recent experience working with E-Z-GO and using their products, along with this attractive price, has earned E-Z-GO this recommendation as the preferred vendor.

Cart costs are detailed below and are listed in Attachment 1A as provided by E-Z-GO:

| <b>QTY</b>         | <b>Model</b>    | <b>Year</b> | <b>Price/Each</b> | <b>Extended Price</b> |
|--------------------|-----------------|-------------|-------------------|-----------------------|
| 60                 | TXT 48V PDS     | 2015        | \$4,062           | \$243,720             |
| 2                  | Terrain 250 Gas | 2015        | \$6,505           | \$13,010              |
| 2                  | Terrain 250 E   | 2015        | \$6,505           | \$13,010              |
| 1                  | FS2 Beverage    | 2015        | \$16,852          | \$16,852              |
| <b>Grand Total</b> |                 |             |                   | <b>\$286,592</b>      |

Staff recommends a new fleet of sixty (60) electric golf carts, two (2) electric utility carts, and three (3) gas service vehicles (one is a new beverage cart). An explanation of the advantages of electric versus gas carts is included in Attachment 4, but a key consideration is the additional \$159,532 it will cost over this first four-year period for gas

golf carts. In visiting with an E-Z-GO representative, E-Z-GO recommends gas instead of electric carts in the following situations: 1) a golf course is on hilly terrain; 2) a golf course is spread out over an unusually large area such as a course located in a subdivision where there are long distances between holes; 3) a golf course has limited electrical service capacity; and, 4) a golf course is in a cold climate that operates only six months or less each year (note: gas carts can be winterized to better handle storage in extreme temperatures). E-Z-GO reports 90 percent of its gas cart fleets went to northern short-season courses. The above reasons for using gas carts do not apply to the Travis B. Bryan Municipal Golf Course, making electric carts the recommended choice.

The current golf course cart storage facility (or cart barn) covers and has space to charge fifty (50 golf carts), which is not sufficient for the existing golf cart fleet. Consequently and at the same time of purchasing new golf carts, electric or gas carts, the current cart barn needs to be expanded. The cost of this addition is estimated to be a maximum of \$26,000, depending on how much of the work can be done in-house and how much requires work by City-approved outside contractors. The cart barn expansion project is pictured and itemized in Attachment 3; the expansion includes a concrete floor, extension of the roof awnings, and additional electrical circuits. For the recommended electric carts, the cart barn expansion will allow all vehicles to be charged each night as will be required by the new E-Z-GO warranty. Presently, the facility only has room to charge a maximum of 50 carts, so the entire present fleet cannot be charged each night. This proposed expansion would create two additional rows of covered cart storage space with a 15-foot wide by 80-foot long addition. Regardless of the type of cart (electric or gas) or the funding method (purchase, lease, or lease/purchase), the E-Z-GO warranty requires golf carts to be covered.

The following information summarizes the annual and four year costs of the recommended carts, inclusive of the sixty (60) golf carts and five (5) utility type carts plus the trade-in allowance for the City’s current golf cart fleet:

| <b>Method</b>                   | <b>Per year</b>    | <b>4-year total</b> | <b>Equity after 4 years</b> |
|---------------------------------|--------------------|---------------------|-----------------------------|
| <b>Fair Market Value lease:</b> | <b>\$42,610.00</b> | <b>\$170,438.00</b> | <b>Zero</b>                 |
| <b>Lease-Purchase:</b>          | <b>\$56,574.60</b> | <b>\$226,298.40</b> | <b>\$108,800</b>            |
| <b>Purchase outright:</b>       | <b>NA</b>          | <b>\$212,192.00</b> | <b>\$108,800</b>            |

The E-Z-GO warranty is the same for all lease or purchase options. If the lease of new golf carts is approved, repair and maintenance costs will diminish possibly to an amount closer to \$10,000 per year. However, the savings may not necessarily result in a true budget savings, as other golf course budget line items have been shifted to address the funds needed for golf carts repairs. For example, the budget line item for chemicals has been used to supplement repair costs. With new golf carts, operations can return to a more normal state. As such, the golf course budget will need funding for the new golf carts. As a reminder, the City’s debt for golf course equipment was paid off in August 2014 (FY2014), and that cost was approximately \$160,000 per year.

Within the local market area, the cost of greens fees at public courses are:

| <b>Course</b>                           | <b>M-F 18 holes</b>            | <b>Sat-Sun 18 holes</b>                           |
|---|--------------------------------|---|
| <b>Travis B. Bryan Municipal GC</b>     | <b>\$10.00</b>                 | <b>\$19.00 (am), \$10.00 (pm)</b>                 |
| <b>TAMU</b>                             | <b>\$24.00 (M-Th)</b>          | <b>\$49.00 (F-Sat-Sun includes required cart)</b> |
| <b>Briarcrest(1) (no walking rates)</b> | <b>\$39.00 (cart included)</b> | <b>\$49.00 (cart included)</b>                    |

Within the local market area, the cost of cart fees at public courses are:

| <b>Course</b>                      | <b>M-F 18 holes</b>       | <b>Sat-Sun 18 holes</b>                     |
|------------------------------------|---------------------------|---|
| Travis Bryan Municipal GC          | \$10.00                   | \$10.00                                     |
|                                    | (\$20.00 with greens fee) | (\$29 in am and \$20 in pm with greens fee) |
| TAMU                               | \$15.00 (M-Th)            | \$49.00 (F-Sat-Sun includes required cart)  |
|                                    |                           | (\$39.00 with greens fee)                   |
| Briarcrest(1) (combined rate only) | \$39.00                   | \$49.00                                     |

(Note: (1) Briarcrest is the Phillips Event Center at Briarcrest.)

Based on this information, City staff recommends increasing cart fees. An accompanying Council Action Form is a

resolution allowing City staff flexibility to increase cart fees. By increasing golf cart fees, part of the expense for new golf carts can be off-set by a fee increase. Based on a simple, conservative estimate, if 20,000 rounds are attributable to cart fees, a \$2 per person increase on cart fees could result in an additional \$40,000. Golf Course management will continually evaluate rates and fees to determine if the market allows adjusting cart fees (and other fees) to a greater amount.

In summary, staff recommends a lease/purchase agreement between the City of Bryan and E-Z-GO, a Textron Company, for a new golf cart fleet at the Travis B. Bryan Municipal Golf Course and the related expansion of the golf cart storage pavilion in an amount not to exceed \$226,298.40 or \$56,574.60 per year, which includes the trade-in value of the current fleet, plus a one-time cost of \$26,000 for the storage pavilion expansion.

**OPTIONS (In Suggested Order of Staff Preference):** (Depending on the option selected, the City Council may have to delay action to a future City Council Meeting.)

1. Lease-Purchase (L-P) the new cart fleet for \$56,574.60 per year, which is a total of \$226,298.40 (when including the trade-in value of the current fleet) over four years, and expand the cart storage pavilion at an amount not to exceed \$26,000. After four years, the new golf carts are projected to have an estimated trade-in value of \$108,800 to use for the next cycle (years 5-8), which will then cost \$189,650 (projected estimate), for an eight-year projected estimated total of \$415,948 (including an allowance for trade-ins).

2. Purchase carts for \$212,192 to save the \$14,106.40 in finance charges and expand the cart storage pavilion at an amount not to exceed \$26,000. Based on projections and estimates by using the same trade-in value of \$108,800 for the next cycle (years 5-8), the next fleet can be purchased for \$177,792, for an eight-year total of \$389,984.

3. Do not replace the current fleet. The existing cart fleet is beyond its normal life expectancy, and as described above, the cost to repair the current golf cart fleet likely will exceed the cost for a new fleet in FY15. Not replacing these carts will further erode the equity in the current fleet, and result in the fleet shrinking as inoperable and/or unsafe carts are removed from use. Experience shows that 90 percent of the golfers at the Travis B. Bryan Municipal Golf Course prefer to ride, so having few or no carts available likely will keep golfers from playing the course.

4. Pursue some other option, including gas golf carts, as directed by the City Council.

**ATTACHMENTS:** (attachments 1- 4 are in a single pdf)

1. Resolution Lease Purchase Agreement
2. Attachment 1A: E-Z-GO proposal and warranty information
3. Attachment 1B: PNC Lease-Purchase documents
4. Attachment 2: E-Z-GO cost analysis
5. Attachment 3: Cart storage pavilion expansion plan
6. Attachment 4: Electric vs gas cart recommendation

Proposed lease purchase agreement with PNC Equipment Finance will be available for viewing in the City Secretary's Office before the Council meeting.

**FUNDING SOURCE:** While the Travis B. Bryan Golf Course generates revenue, expenses are more than revenue. As such, the golf course is part of the General Fund; i.e., General Fund funds are used to offset the shortfall between revenues and expenses. Approving staff's recommendation results in an increase of \$56,574.60 per year to the Travis B. Bryan Municipal Golf Course budget.

As stated in an accompanying Council Action Form, staff recommends the City Council approve an increase to golf cart rental fees to help cover costs of new golf carts. At this time, staff recommends a golf cart rate of \$12.01 per player per round (+ tax = \$13.00); the current rate is \$10.00 per player. Over a 12-month period, this increase could generate as much as \$60,000 more than actual FY14 cart rental revenues, based on 35,000 annual rounds and all

things being equal. This figure (35,000) is the number of rounds played in FY14 and also equals the recent five year average. The \$60,000 is based on 90 percent of golfers using golf carts; because of other factors, actual increased revenue could be less than the projection. Even at a golf cart rate of \$12.01 per player, the Travis B. Bryan Municipal Golf Course fees remain the lowest in the local market.

**APPROVALS:** Hugh R. Walker, 03/31/2015

**APPROVED FOR SUBMITTAL: CITY MANAGER** Kean Register, 04-06-2015

**APPROVED FOR SUBMITTAL: CITY ATTORNEY**

Revised 05/2013

**RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BRYAN, TEXAS APPROVING THE LEASE-PURCHASE OF 60 GOLF CARTS AND 5 UTILITY CARTS FROM E-Z-GO DIVISION OF TEXTRON, INC. AND PNC EQUIPMENT FINANCE, LLC; AND AUTHORIZING THE EXECUTION OF THE LEASE-PURCHASE AGREEMENT WITH PNC EQUIPMENT FINANCE, LLC; AUTHORIZING THE MAYOR AND/OR MAYOR PRO TEM TO EXECUTE DOCUMENTS NECESSARY TO AFFECT SUCH LEASE-PURCHASE; ACKNOWLEDGING COMPLIANCE WITH THE OPEN MEETINGS ACT; AND PROVIDING AN EFFECTIVE DATE**

WHEREAS, the City of Bryan, Texas (“City”) is a home-rule municipal corporation and is authorized by the laws of the State of Texas and the City of Bryan Charter to purchase, acquire and lease certain equipment and other property for the benefit of the City and its inhabitants, and to enter into contracts with respect thereto; and

WHEREAS, the City Council is authorized to acquire, dispose of, and encumber real and personal property, including, without limitation, rights and interests in the property, leases, and easements necessary to the functions or operations of the City; and

WHEREAS, the City Council hereby finds and determines that the execution of a Lease-Purchase Agreement (“Lease”) in an amount not to exceed \$226,298.40 for the purpose of acquiring golf carts for use at the Travis B. Bryan Municipal Golf Course (“Equipment”) to be described in the Lease is appropriate and necessary to the functions and operations of the City; and

WHEREAS, PNC Equipment Finance, LLC (“Lessor”) shall act as Lessor under said Leases; and

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF BRYAN, TEXAS:

1.

The Mayor, Jason P. Bienski, or the Mayor Pro Tem Art Hughes (each an “Authorized Representative”) acting on behalf of the City, is hereby authorized to enter into, execute, and deliver the Lease in substantially the form set forth in the document presently before the City Council, which document is available for public inspection at the office of the City Secretary. Each Authorized Representative is hereby further authorized to enter into, execute, and deliver such other documents appurtenant, necessary, and incidental to the Lease.

2.

The principal amount of the lease is \$212,192.00 financed at a rate of 3.25% and payable in monthly installments of \$4,714.55 for forty-eight (48) months, for a total not to exceed amount of \$226,298.40.

3.

As set forth in the Lease, this agreement shall not constitute a debt of the City as that term is used in the Texas Constitution, and the Lease is subject to annual appropriation and renewal by the City Council.

4.

The City has complied with the requirements of Texas State law and the City's Charter with regards to procurement. Texas Local Government Code Section 271.005 allows the City to enter into a lease-purchase agreement provided that the public bidding requirements of Texas Local Government Code Chapter 252 are met. Texas Local Government Code section 271.102 allows the City to meet the requirements of Chapter 252 by acquiring personal property or services through a cooperative purchasing program. The City has an interlocal agreement with the National IPA purchasing cooperative, and the Equipment is being offered for sale pursuant to National IPA contract # 130795.

5.

It is hereby found and determined that the meeting at which this resolution was passed was open to the public, as required by Section 551.001, et seq., of the Texas Government Code, and that advance public notice of the time, place and purpose of said meeting was given, pursuant to all applicable law.

6.

This resolution shall become effective immediately upon its passage and approval.

APPROVED AND ADOPTED at a \_\_\_\_\_ meeting on this \_\_\_\_ day of April, 2015.

**ATTEST:**

**CITY OF BRYAN**

\_\_\_\_\_  
Mary Lynne Stratta, City Secretary

\_\_\_\_\_  
Jason P. Bienski, Mayor

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Janis K. Hampton, City Attorney