



STAFF REPORT

DATE: May 16, 2017

TO: Ronald L. Olson, City Manager

FROM: Brett Williams, Executive Director of Community Services

SUBJECT: Lease agreement for Stonetree Golf Course mowing equipment

BACKGROUND AND FINDINGS:

Stonetree Golf Course requires daily maintenance of the turf grass on the fairways and greens. The maintenance of turf grass is done utilizing specialized equipment. This equipment is subject to excessive usage to maintain the mowing routines associated with golf course turf grass. Fairways and greens mowers are utilized in excess of 2,400 hours per year. Due to the high amount of usage placed on these specialized pieces of equipment, they experience maintenance issues at a greater frequency than typical mowing equipment.

Stonetree Golf staff identified cost savings related to maintenance by changing the approach taken to procure mowing equipment. The change involved leasing mowing equipment as opposed to the traditional method of procurement via outright purchase. This change in approach results in staff having access to modern, up-to-date equipment that is under warranty for the duration of the lease. In addition, the lease option allows the financial burden to be distributed over four years.

THE ALTERNATIVES CONSIDERED:

Staff could utilize the outright purchase method for procuring mowing equipment. The outright purchase approach would result in a fiscal impact of \$155,940.47 for the current fiscal year at a minimum. Two additional CO-OP quotes for the outright purchase of the equipment were obtained and would result in a fiscal impact of \$163,563.12 and \$163,246.76, respectively. The City would own the equipment and would have a warranty for two years. This method would require a budget increase for the golf course in the amount of \$141,709 for fiscal year 2016-2017.

The other alternative is to utilize the lease method for mowing equipment. This method results in a reduced financial impact on an annual basis. The current year budget was adopted providing funds (\$14,231.35) to lease mowing equipment. This method enables staff to have access to warrantied equipment for the duration of the lease agreement. It also provides options at the conclusion of the lease to purchase or return the equipment.

Which alternative is recommended? Why?

Staff is recommending that the City utilize the lease method to procure mowing equipment for Stonetree Golf Course via the TASB BuyBoard. The TASB BuyBoard provides municipalities with

goods at a pricing that has been vetted amongst various product providers in the industry and is accepted as a fair value. The lease method allows the City to spread the financial burden over the duration of the agreement. This method also allows for Stonetree Golf Course staff to have access to modern, up-to-date equipment that is covered via a maintenance warranty for the duration of the lease. The lease method also allows staff the flexibility to change the various pieces of equipment at the conclusion of the agreement due to maintenance needs and technological advances within the mowing profession.

If staff utilized the outright purchase method, there would be no options to change / upgrade equipment every four years. In addition, the City has an option to buy the equipment if they don't desire to continue on the lease program. Procuring mowing equipment through an outright purchase can result in the City having a surplus of underperforming / malfunctioning equipment that has no value. The lease approach ensures equipment remains up to date and functioning for the duration of its existence in the City's inventory.

CONFORMITY TO CITY POLICY:

The City's Purchasing Policy allows departments / divisions to utilize the TASB BuyBoard to make qualifying purchases.

FINANCIAL IMPACT:

What is the amount of the expenditure in the current fiscal year? For future years?

The fiscal impact for FY16-17 is \$14,231.35.

Is this a one-time or recurring expenditure?

The City will incur monthly payments in the amount of \$2,846.27 for 48 months.

Is this expenditure budgeted?

Yes. Funds in the amount of \$14,231.35 are available in account 010-3020-424.44-10 (Golf Course Equipment Lease/Rental) for the leasing of mowing equipment for Stonetree Golf Course. The remaining balance for account 010-3020-424.44-10 (Golf Course Equipment Lease/Rental) will be \$2,873.00 if this expenditure is authorized.

If not, where will the money come from?

N/A

Is there a sufficient amount in the budgeted line-item for this expenditure?

Yes

RECOMMENDATION:

Staff recommends City Council authorizes the City Manager to execute a contract with Professional Turf Products for the lease of mowing equipment for Stonetree Golf Club in the amount of \$136,620.96, and that the City Manager is expressly authorized to execute any and all change orders within the amounts set by state and local law.

DEPARTMENTAL CLEARANCES:

City Attorney
Purchasing
Finance

ATTACHED SUPPORTING DOCUMENTS:

BuyBoard Quote
Quotes for Purchase of Equipment
Lease Agreement
Certificate of Interested Parties