



# City of Killeen

## Legislation Text

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**File #:** RS-17-112, **Version:** 1

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Consider a memorandum/resolution awarding Bid No. 17-17 to E-Z-GO/TCF Equipment Finance for the lease of rental golf carts at Stonetree Golf Club.

**DATE:**           **October 17, 2017**

**TO:**               **Ronald L. Olson, City Manager**

**FROM:**           **Brett Williams, Executive Director of Community Services**

**SUBJECT:**       **Lease agreement for Stonetree Golf Club Golf Carts**

**BACKGROUND AND FINDINGS:**

Stonetree Golf Club requires daily rental of golf carts to its customers. Annually, over 43,000 rounds of golf are played at the golf course. Stonetree also serves as the host venue for 45 tournaments annually. Stonetree Golf Club generates in excess of \$1,000,000 annually in revenue. Golf cart rentals account for \$170,000 in net revenue. Due to the volume of usage on the rental fleet by customers, the golf carts are subject to maintenance issues beyond the four-year mark in the life of the cart. Staff recommends the replacement of the golf cart fleet every four years to ensure that working golf carts are consistently available for Stonetree Golf Club customers.

Lease agreements provide the most cost effective method for Stonetree Golf Club to maintain a fully operational fleet; the lease method provides the course with a fleet that is covered via warranty. Leasing allows for the fiscal impact to be evenly distributed over the life of the possession of the golf carts. This method of procurement also coincides with the approved operating budget for the golf course. Community Services has already transitioned to the lease approach for all mowing equipment, fitness equipment, and golf carts. The lease method ensures that the high volume of usage placed on equipment within the department does not compromise the City's ability to provide quality service.

Staff has identified E-Z-GO / TCF Equipment Finance through the competitive bid process as an entity that can provide the golf course with 65 golf carts at the most competitive leasing price. The aforementioned entity can provide the golf carts at a monthly rate of \$3,769.35 for a period of 48 months. The total cost of the lease is valued at \$180,928.

**THE ALTERNATIVES CONSIDERED:**

Staff could utilize the outright purchase method for procuring golf carts. The outright purchase of the 65 cart fleet as advertised would result in a fiscal impact of \$275,178 for the current fiscal year. The City would own the equipment and would have a limited warranty for four years. Staff would be required to submit a budget amendment in the amount of \$229,946 to compensate for the budget shortfall in the existing FY17-18 Budget.

Staff could purchase the existing fleet for the buy-out price of \$90,000. Staff would be required to submit a budget amendment in the amount \$45,000 to compensate for the shortfall in the existing FY 17-18 Budget. Staff would also be required to make significant investments in the fleet related to batteries, tires, and various under carriage devices.

**Which alternative is recommended? Why?**

Staff is recommending that the City utilize the lease method to procure 65 golf carts for daily rental at Stonetree Golf Club. The City of Killeen Purchasing Department received two bids from Bid Invitation #17-17 that closed September 13, 2017, at 3:15 PM. The proposed lease is a municipal lease with a guaranteed buy back from the chosen vendor at the conclusion of the four-year term. The lease method does not adversely impact Stonetree Golf Club's FY17-18 budget. The \$41,462.85 is budgeted in the division's operating budget. The lease method results in savings of \$94,250 over the four-year period of the agreement when compared to the outright purchase price. This lease agreement allows Stonetree Golf Club to offer customers safe and reliable transportation while playing at the course.

If staff utilized the outright purchase method, the fiscal impact would require a budget amendment to increase Stonetree Golf Club's operating budget by \$229,946.

**CONFORMITY TO CITY POLICY:**

The City's Purchasing Policy allows departments / divisions to utilize the pricing received via Bid Invitation #17-17 that closed on September 13, 2017, at 3:15 PM.

**FINANCIAL IMPACT:**

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

The fiscal impact for FY17-18 is \$41,462.85. The fiscal impact for FY 18-19, FY19-20, and FY20-21 is \$45,232.20 each year respectively. The final payment will come in FY 21-22 at \$3,769.35.

**Is this a one-time or recurring expenditure?**

The City will incur monthly payments in the amount of \$3,769.35 for 48 months.

**Is this expenditure budgeted?**

Yes. Funds in the amount of \$41,464.50 are available in account 010-3020-424.44-10 (Golf Course Equipment Lease/Rental) for the leasing of 65 golf carts for Stonetree Golf Club.

**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 E-Z-GO financed through TCF Equipment Finance for the lease of golf carts for Stonetree Golf Club in the amount of \$180,928.80 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:**

Bid Tab  
Lease Agreement  
Certificate of Interested Parties