



CITY OF HAMILTON
PUBLIC WORKS DEPARTMENT
Corporate Assets & Strategic Planning

TO:	Chair and Members Public Works Committee
COMMITTEE DATE:	March 21, 2016
SUBJECT/REPORT NO:	Golf Courses – Supply of Golf Carts for the Hamilton Civic Golf Courses (PW16021) (Wards 1 and 5)
WARD(S) AFFECTED:	Wards 1 and 5
PREPARED BY:	Rob Gatto Manager, Sports and Entertainment Facilities 905-546-2424, Extension 5448
SUBMITTED BY:	Gerry Davis, CPA, CMA General Manager Public Works Department
SIGNATURE:	

RECOMMENDATION

- (a) That the Purchase of the Golf Carts in the amount of \$685,673 be financed from the Unallocated Capital Reserve account # 108020, and repaid over four years from the Public Works operating budget (55310-791280 Chedoke & 55310-792490 King’s Forest) in the amount of \$89,150 annually.
- (b) That the Mayor and City Clerk be authorized and directed to execute the Purchase and Buyback Option Agreement between the City of Hamilton and Club Car LLC, 1741 Bishop St., Cambridge, ON, for the supply of 127 golf carts for the Hamilton Civic Golf Courses (Chedoke and King’s Forest), in a form satisfactory to the General Manager of Public Works and the City Solicitor.

EXECUTIVE SUMMARY

The City of Hamilton currently manages and operates three publicly owned municipal golf courses (King’s Forest, Chedoke’s Beddoe, and Martin Courses).

The purpose of this report is to seek Council’s approval to use the Unallocated Capital Reserve account # 108020 to fund the purchase and buy-back of the golf carts recently tendered. The Purchase and Buyback Option for 127 golf carts for a term agreement of four years. The purchase and buyback option outweighs the option of leasing the golf carts for a term of four years with budget savings of \$20,197 per year and \$80,788 over the contract term.

Alternatives for Consideration – See Page 4

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Table 1 provides a comparison of the three (3) bids for the purchase and buyback option for 127 golf carts. The financing costs represent the cost of financing the purchase of the golf carts over 4 years at the City’s cost of borrowing of 1.60% per annum.

Table 1

Purchase with End of Contract Buyback	Club Car	GC Duke	Turf Care
Number Golf Carts	127	127	127
Purchase Unit Price	\$5,399.00	\$5,348.00	\$6,025.00
Extended Price ¹	\$685,673.00	\$679,196.00	\$765,175.00
Add: Financing Costs ²	\$22,632.42	\$22,418.63	\$25,256.59
Subtotal - Total Cost	\$708,305.42	\$701,614.63	\$790,431.59
Buyback Unit Price	\$2,700.00	\$2,000.00	\$2,750.00
Less: Extended Buyback Price	\$342,900.00	\$254,000.00	\$349,250.00
Net Purchase Price with Buyback Option	\$365,405.42	\$447,614.63	\$441,181.59
Net Present Value	\$363,868.10	\$440,822.00	\$437,410.75
Notes:			
¹ HST Rebate for Golf Courses is 100%, based on 90% or more of revenues earned on taxable services, therefore HST is excluded from the analysis.			
² Financing costs are based on monthly payments at 1.60% per annum for four (4) years			

Club Car LLC is the recommended vendor as they submitted the lowest qualified bid, with a net purchase price with buyback option of \$365,405, compared to \$447,615 for GC Duke and \$441,182 for Turf Care. Club Car LLC also has the lowest Net Present Value of cash flows (\$363,868) compared to the other two competing bids (GC Duke \$440,822 and Turf Care \$437,411).

The purchase with buyback option is the recommended option over leasing, as the total lease costs are greater than the cost of purchasing with buyback option, both on a total cost and Net Present Value basis. The comparisons of leasing costs are provided in Table 2 in the Alternatives for Consideration section of this Report PW16021. The comparison of annual operating costs to fund the purchase / buyback option, the lease option and the 2016 – 2019 budget amounts are provided below. The purchase buyback option requires a budget of \$89,150 annually to repay the loan from the Unallocated Capital Reserve, which is fully supported and funded through the Golf Course Operating Budget. There is no impact to the tax levy.

Staffing: N/A

Legal: N/A

HISTORICAL BACKGROUND

The current purchase with buyback option for the golf carts has expired at the end of the 2015 golf season. A tender was issued seeking bids to supply 127 new golf carts for a purchase or a yearly lease. Three bids were received from Club Car, GC Duke, and Turf Care., who quoted pricing for both purchase and lease options. Club Car was the lowest bidder for both options.

Golf cart rental revenues for both King's Forest and Chedoke courses have generated an average of \$462,500 per year over the previous 5 years, and these revenues are integral to golf course operations and the overall golf course business plan.

The Hamilton Civic Golf Courses (Chedoke and King's Forest) are mandated to be self-supporting for all direct operating expenses, and capital development. Although facing some of the challenges with respect to the state of the golf environment, staff remains committed to golf becoming financially sustainable and enhancing the golf experience at Hamilton's Civic Golf Courses.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The recommendations are consistent with the City of Hamilton's Procurement Policy Section 3, 3(2) (a), that notes City Council must approve budgetary funding for procurement of a value greater than \$250,000.

RELEVANT CONSULTATION

Corporate Services Department – Financial Planning & Policy Division
– Financial Services Division - Procurement Section

ANALYSIS AND RATIONALE FOR RECOMMENDATION

The industry standard within the public and private owner operators of golf courses is purchasing with a buyback option for golf carts, with a four year life cycle. The buyback option provides significantly better financial value. Golf courses receive the maximum buyback due to the fact that golf carts are expected to be in good condition at the end of the four year cycle.

If staff were to operate with the 127 golf carts in the fifth year and beyond, the city will be taking on a greater financial risk as repair costs will escalate. Staff anticipates transmission replacements, body, and frame repairs, plus front and back bumper replacements, in the fifth year of usage.

Only 35% of our City of Hamilton Golf Courses has cart paths. The additional wear and tear on golf carts due to the lack of cart paths, combined with the hilly terrain throughout the golf courses, makes the four year Purchase and Buyback option the best alternative. This option would provide the best return on the overall financial performance for the golf courses.

ALTERNATIVES FOR CONSIDERATION

The alternative explored in the tendering process is to pursue the straight-out 4 year Lease Option, which when compared to the Purchase and Buyback Option would result in an increase in expenditures of \$20,197 annually and \$80,788 over the contract term.

Table 2 provides a comparison of the three (3) bids for the 4 year Lease Option for 127 golf carts. Club Car LLC has the lowest lease price compared to the other two tenders from GC Duke and Turf Care.

The Leasing Option however is significantly more costly than the Purchase and Buyback option, both on a total cost and net present value basis.

Table 2

Option 1 - Lease - 4 Years	Club Car	GC Duke	Turf Care
Number Golf Carts	127	127	127
Annual Lease Price per Unit	\$861.00	\$1,029.96	\$905.12
Lease - 4 Years	4	4	4
Total Lease Price ¹	\$437,388.00	\$523,219.68	\$459,800.96
Net Present Value	\$427,164.05	\$510,989.41	\$449,053.10
Notes:			
¹ HST Rebate for Golf Courses is 100%, based on 90% or more of revenues earned on taxable services, therefore HST is excluded from the analysis.			

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN

Strategic Priority #1

A Prosperous & Healthy Community

WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.

Strategic Objective

1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

Strategic Priority #2

Valued & Sustainable Services

WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.

Strategic Objective

2.3 Enhance customer service satisfaction.

Strategic Priority #3

Leadership & Governance

WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.

Strategic Objective

3.4 Enhance opportunities for administrative and operational efficiencies.

APPENDICES AND SCHEDULES ATTACHED

None