



**CITY OF HAMILTON**

**COMMUNITY SERVICES DEPARTMENT  
Recreation Division**

<b>TO:</b> Chair and Members Emergency & Community Services Committee	<b>WARD(S) AFFECTED:</b> WARDS 1 and 5
<b>COMMITTEE DATE:</b> April 10, 2012	
<b>SUBJECT/REPORT NO:</b> Supply of Golf Carts for the Hamilton Civic Golf Courses (CS12014) (Wards 1 and 5)	
<b>SUBMITTED BY:</b> Joe-Anne Priel General Manager Community Services Department	<b>PREPARED BY:</b> Rom D'Angelo 905-546-2424 ext. 4617 Rob Gatto 905-540-6378
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That the City of Hamilton enter into a Purchase and Buyback Option Agreement with GC Duke Equipment for the supply of 127 golf carts, at a cost of \$443,230 and buyback option of \$228,600 (exclusive of applicable taxes), for the City of Hamilton's Civic Golf Courses (King's Forest and Chedoke); and that the term between the City of Hamilton and GC Duke Equipment begins on May 1, 2012, and terminates on November 30<sup>th</sup>, 2015 or at the end of the 2015 golf season;
- (b) That the Purchase of the Golf Carts in the amount of \$443,230 be financed through Reserve Account #108020 and repaid over four years through the Community Services operating budget and the buyback of \$228,600; and,
- (c) That the Mayor and City Clerk be authorized and directed to execute the Purchase and Buyback Option Agreement between the City of Hamilton and GC Duke Equipment, 1184 Plains Rd., Burlington, Ontario, for the supply of 127 golf Carts for the Hamilton Civic Golf Courses (King's Forest and Chedoke), in a form satisfactory to the General Manager of Community Services and the City Solicitor.

**EXECUTIVE SUMMARY**

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

In 2006, as part of a competitive bidding process, an Internal Staff Submission was the successful bid to manage and operate all three golf courses. Since then, the City of Hamilton's Civic Golf Courses have been self-sufficient. Despite a sharp downturn in the golf industry in 2008 that left many private golf clubs struggling for memberships, and many closing their doors, Hamilton's Civic Courses have been holding their own. Managing operating expenses and maintaining revenues has been the key to the courses' success during the current economic climate.

The purpose of this report is to seek Council's approval for the Purchase and Buyback Option of 127 golf carts for a term of four years. The Purchase and Buyback Option outweighs the traditional option of outright leasing of golf carts for a term of four years. The proposed option will see an overall saving of \$18,380 during the term and an opportunity to increase revenue in the cart rentals of \$20,000. Leveraging this opportunity will strengthen the bottom line and increase the golf reserve.

***Alternatives for Consideration – page 5***

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS**

**Financial:** To purchase the golf carts and buyback after the four year term includes the financial analysis of the purchase price per cart for 127 carts amortized at 2.5% internal financing rate per annum, with the buyback as the final payment of the four year term.

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**Tender Results:**

<b>Purchase</b>	<b>G. C. Duke</b>	<b>Turf Care</b>
Purchase	\$ 3,490.00	\$ 3,895.00
HST (13%)	453.70	506.35
<b>Gross Purchase</b>	<b>3,943.70</b>	<b>4,401.35</b>
Less: HST Rebate <sup>1</sup>	- 453.70	- 506.35
<b>Net Purchase</b>	<b>3,490.00</b>	<b>3,895.00</b>
X 127 Units	<b>\$ 443,230.00</b>	<b>\$ 494,665.00</b>
Financing Costs <sup>2</sup>	<b>\$ 22,991.95</b>	<b>\$ 25,660.07</b>
<b>Total Purchase Costs</b>		
Purchase Price	\$ 443,230.00	\$ 494,665.00
Add: Financing Costs	22,991.95	25,660.07
Subtotal	<b>466,221.95</b>	<b>520,325.07</b>
Less: Buy Back <sup>3</sup>	- 228,600.00	- 255,524.00
<b>Net Total Purchase</b>	<b>\$ 237,621.95</b>	<b>\$ 264,801.07</b>

**Notes**

<sup>1</sup> HST Rebate for Golf Courses is 100%, based on 90% or more of their revenue earned on taxable services

<sup>2</sup> Financing Costs are based on 2.5% per annum for four years with 48 equal monthly principal payments

<sup>3</sup> G.C. Duke buy back price is \$1,800 per unit; Turf Care buy back price is \$2,012 per unit

G.C Duke is being recommended by staff because they submitted the lowest qualified bids. The Purchase and Buyback option is staff's recommended option (\*) in comparison;

Purchase/Buyback	\$59,405 annually *
Lease	\$71,628 annually
2008-2011 Budget	\$64,000 annually

Over the four year term of the Purchase and Buyback option, the overall savings will be \$18,380 from the 2011 Operating Budget. With an addition of five carts to the golf cart fleet there is the potential for an additional \$20,000 in cart rental revenues.

**Staffing:** There are no staffing implications associated with Report CS12014.

**Legal:** There are no legal implications associated with Report CS12014.

**HISTORICAL BACKGROUND** (Chronology of events)

At the Community Services Committee meeting of May 24, 2005, Council approved the motion that the recommendations for the Golf Courses/Winter Sports Park Request for Proposal (RFP) be approved.

J.F. Group was the City's outside consultant for this process. A Request for Qualification (RFQ) was called on July 29, 2005, and submissions were received on August 26, 2005. Of the six submissions, three proponents met the evaluation criteria and were approved to receive the RFP. On December 23, 2005, the RFP was released and it closed on March 15, 2006. One of the three proponents receiving the RFP did not submit a proposal by the deadline date. One of the two remaining proponents was disqualified due to their failure to meet all of the specifications outlined in the RFP document.

The Golf Course/Winter Sports Park Evaluation Committee approved the business case submitted by the Internal Bid Committee and recommended to Council that the proposal be adopted as outlined in Report CS05008(a).

In addition to increased capital investments, the proposal contained, over the 10-year period, average increases in operating expenditures (exclusive of capital financing and contribution to reserves) of approximately 3% annually.

To accommodate the Golf Operations forecasted expenditures, the proposal contained fee increases in both membership fees and green fees. Total revenues were forecasted to increase by approximately 5% annually over the 10-year proposal. The forecasted increase in revenues reflects a combination of an increase in user fees as well as changes in green fees and memberships.

**POLICY IMPLICATIONS**

The recommendations are consistent with the City of Hamilton's Purchasing 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 Services Division  
Purchasing Section

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Prior to sending out the Golf Cart RFP Tender, Community Services Department, Recreation Division, Golf Operations consulted with the City of Hamilton Purchasing and Finance Departments. Both departments analyzed every angle to give the City of Hamilton Golf Courses the best value and return on the 127 golf carts.

**ANALYSIS / RATIONALE FOR RECOMMENDATION**

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

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

Only 15% of our City of Hamilton Golf Courses have cart paths. The additional wear and tear on golf carts due to the lack of cart paths, combined with the hilly terrain throughout the courses, makes the four year Purchase and Buyback option the best suited alternative. This option would provide the best return on the overall performance of the golf courses.

**ALTERNATIVES FOR CONSIDERATION**

The only alternative available is to pursue the tradition straight-out leasing arrangement, which, as per the Lease Option versus the Purchase and Buyback Option, would see an increase in our expenditures of \$12,313 annually.

Option #1

**Financial:** To lease the golf carts includes the financial analysis of the lease cost per year over the four years of the term for a total of 127 golf carts.

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<b>Option 1 – Lease</b>	<b>G. C. Duke</b>	<b>Turf Care</b>
Lease x 4 years <sup>1</sup> per unit	\$ 2,256.00	\$ 3,600.00
HST (13%)	293.28	468.00
<b>Gross Lease</b>	<b>2,549.28</b>	<b>4,068.00</b>
Less: HST Rebate <sup>2</sup>	- 293.28	- 468.00
<b>Net Purchase</b>	<b>2,256.00</b>	<b>3,600.00</b>
x 127 Units	<b>\$ 286,512.00</b>	<b>\$ 457,200.00</b>

**Notes**

<sup>1</sup> G.C. Duke lease price is \$564/year per unit; Turf Care lease price is \$900/year per unit

<sup>2</sup> HST Rebate for Golf Courses is 100%, based on 90% or more of their revenue earned on taxable services

**Staffing:** There are no staffing implications associated with Option 1 to Report CS12014.

**Legal:** There are no legal implications associated with Option 1 to Report CS12014.

<b>CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)</b>
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Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability,  
3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development,  
6. Environmental Stewardship, 7. Healthy Community

***Financial Sustainability***

- ◆ Financially Sustainable City by 2020
- ◆ Effective and sustainable Growth Management
- ◆ Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost effective manner

***Growing Our Economy***

- ◆ Competitive business environment
- ◆ An improved customer service
- ◆ A visitor and convention destination

<b>APPENDICES / SCHEDULES</b>
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None