

MEMORANDUM

TO: Finance Committee

FROM: Tracy Willette, Director
Parks and Recreation

SUBJ: Golf Car Update and Possible Replacement Plan

DATE: September 30, 2014

Each year the municipal golf course relies on a variety of revenue sources to fund our operation. One of those important sources is golf car rentals. For FY '15, we have estimated \$130,000 in revenue from golf car rentals. We have budgeted for the purchase of replacement cars over the years. However, the purchase price has not been favorable (approximately \$4,000 per cart). As a result, our fleet has continued to age and has become more maintenance intensive.

Our current fleet consists of 37 carts, 32 of which are in full operation. Our newest model year is 2003 with a majority of the fleet dating back to the late 1990's. Staff is spending more and more time repairing cars. In addition, we are now having to handle breakdowns during rounds, which requires staff to get a replacement to those players. This slows play in general, takes staff time from other customers and ultimately sends those patrons away from our facility with a poor experience. In the competitive environment we are in today, this is not something we can afford to continue.

Staff recently met with a representative from Five Star Golf Cars. The presented a proposal which would update and double the size of the entire fleet. They proposed selling seventy five 2011 EZ GO golf cars. These cars come from a private country club, have been well maintained and are in great condition. This proposal offers several options for us.

- It significantly updates the age of our current fleet as described above.
- Most of our events require 72 golf cars to satisfy the 144 players registered. To this point, we have needed to rent cars from an outside vendor. The vendor we have traditionally done business with no longer offers this service. We were able to find another vendor this season with no guarantees for next season.
- With newer cars that are in better condition, staff feels we can increase the fee for our car rental. We would propose an increase of \$1.00 for 9-hole rentals and \$2.00 for 18-hole rentals. Currently we charge \$7.50 per

person for 9-holes and \$15.00 per person for 18-holes. Based on our yearly car rentals, we estimate this increase would generate an additional \$8,000 per year in revenue.

- We currently generate approximately \$60,000 per year with outside events (tournaments, scrambles, community events, etc). As mentioned above, we have rented cars to satisfy the need for these tournaments. That cost is \$45 per car per day of use. That expenditure was approximately \$23,000 this season.
- Having a larger fleet will now allow us to be more competitive and promote the course for other larger events. As an example, the Air National Guard approached us in July to host an event on the Kelly Nine in August. We happened to have rental cars on hand. Had we not had those cars available, we would have had to rent additional cars which would have made the event cost prohibitive to the customer.
- A newer fleet will allow us to explore other unique marketing opportunities such as additional green fee/car specials and potentially securing new events.

The proposal from Five Star Golf Cars is for the 75 - 2011 EZ Go cars at \$2,900 per cart, less a \$700 per cart trade-in for our existing units and a \$3,750 delivery fee for a net purchase price of \$195,350. The proposal also includes a financing plan if we choose at a rate of 4.65%.

As mentioned earlier, this proposal eliminates the need to rent cars for tournaments, and we are uncertain we will find a vendor for this service for another season. Without the additional cars, we will potentially lose some of our current tournaments, therefore losing revenue. Conversely, with a larger, updated fleet, we eliminate the rental cost which with those funds going toward the investment of the new fleet. In addition, a new fleet offers the opportunity market for additional tournaments as well as daily green fee specials throughout the season. The net impact of the forgone rental expenditures and increased revenues associated with the cart current rentals is \$31,000 per year. The Golf Course's current cash balance is approximately \$550,000. While this proposal would be a significant investment, the proposal is estimated to have a pay back period of just over 6 years.

Staff has been able to position the golf course very favorable in a very competitive market. The course continues to be a quality amenity for the City as we maintain our mission of providing residents of the City and the region with a high quality experience. A quality golf car fleet that is good condition is an important piece of that mission. Staff is seeking a Committee recommendation on the proposal.