

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL  
FROM: JEN SANTOS, ACTING DIRECTOR  
RECREATION AND PARKS  
SUBJECT: GOLF CART LEASE AGREEMENT APPROVAL FOR BENNETT  
VALLEY GOLF COURSE THROUGH SOURCEWELL  
COOPERATIVE AGREEMENT 122220-CCR

AGENDA ACTION: RESOLUTION

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RECOMMENDATION

It is recommended by the Recreation and Parks and Finance Departments that the Council, by resolution: 1) approve and authorize the City Manager to negotiate and execute a Lease Agreement utilizing a Sourcewell Cooperative Agreement 122220-CCR with VGM Financial Services, Minnetonka, Minnesota, for the operational lease of 72 Club Cars through VGM Financial Services, for the period of five years, and subject to approval by the City Attorney, with a total not-to-exceed amount of \$531,360, which is divided into 60 monthly payments of \$8,856; and 2) authorize the Chief Financial Officer to increase revenue and expenditure appropriations in the Bennett Valley Golf Course Enterprise under the new Lease Agreement.

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EXECUTIVE SUMMARY

Approval of this item will authorize the City Manager to negotiate execute a 5-year lease agreement with VGM Financial Services, for the lease of seventy-two (72) Club Car golf carts, in the amount of \$531,360, subject to approval as to form by the City Attorney and will authorize the Chief Financial Officer to increase revenue and expenditure appropriations in the Bennett Valley Golf Course Enterprise Fund to execute the lease.

BACKGROUND

As part of the city's original request for proposals to operate, manage and maintain the Bennett Valley Golf Course, it was anticipated that the city would need to replace the existing carts with a new lease.

- Bennett Valley Golf Course rents golf carts to customers – Annual sales from rentals exceed \$400,000.

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- The profit margin on golf cart rentals after lease payments, maintenance and electrical charging is over 50%.
- Currently, BVGC leases 56 golf carts from Yamaha and 10 from E-Z-GO. The condition of the carts has deteriorated as they are over 6 years old, leading to breakdowns. Golf carts are normally replaced after 5 years.
- Parts for repairs are becoming more difficult to acquire, leading to carts out of service and lost revenue.
- The maintenance and care for the carts is provided by the golf course mechanic and staff and has been excellent.
- Replacement of the entire fleet is necessary to provide consistent quality service to golfers and maintain a sustainable golf operation at the BVGC.

PRIOR CITY COUNCIL REVIEW

Not Applicable

ANALYSIS

Purchasing submitted an RFP through Compare CoOps, an independent technology platform that assists agencies in finding and comparing cooperative purchase agreements for goods and services. The City reviewed two options, one for E-Z-GO Golf Carts, and the other from Club Car LLC. The Club Car carts are more affordable and better quality than the E-Z-GO carts. The E-Z-GO golf cart proposal was 13% higher than Club Car. In total, E-Z-Go carts provided an estimate of \$599,881.80 which equates to 60-monthly payments of \$9,998.03. The Club Car proposal, as leased through VGM Financial Services, for the estimated amount of \$531,360, equates to 60 monthly payments of \$8,856.00. In addition, Club Car shows a higher quality of product that results in lower maintenance, down time and other related cost.

Approximately 65,000 rounds of golf are played each year at Bennet Valley Golf Course, with 62% of golfers renting golf carts.

The annual lease expense for the existing fleet of 56 Yamaha and 10 EZ-GO carts totals \$54,216 per year, or 13.6%, of the annual \$400,000+ cart-rental revenue.

The new fleet of 72 carts will cost approximately \$106,000 per year, which will be offset by a drop in annual maintenance from \$24,000 to an initial \$3,000, due to the new maintenance warranty. Higher quality, increased availability, and less down time are expected to result in an improved experience and higher demand for rounds and increasing revenue.

An operating lease is preferred over purchasing the golf carts as the carts have a limited lifespan with a high rate of deterioration in materials and systems following year five of operation. The new carts are under warranty which addresses any major component repairs, including the batteries, resulting in immediate savings in maintenance.

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Santa Rosa City Code Section 3-08.160 allows for cooperative purchases when advantageous to the City. Recreation & Parks Department and Purchasing staff consider it advantageous to the City to use this cooperative purchase, based on pricing the City obtains under the Sourcewell solicitations and the specialized nature of the equipment for lease.

The Lease Agreement that the City is required to execute for the golf carts includes unfavorable provisions and the Lease Agreement lacks many of the standard terms, conditions, and protections the City typically insists upon in the City's standard contracts to best protect the City's interests. For instance, the City is required to indemnify VGM Financial Services, the Lease Agreement is governed by federal rather than California law and the City is unable to terminate the Lease Agreement, except under very limited circumstances (e.g. non-appropriation). VGM Financial Services also provides the golf carts in "as is" condition and charges the City late penalties for delayed payments. City staff are familiar with these unfavorable terms in the Lease Agreement and nevertheless believe that the benefits associated with the Lease Agreement outweigh the legal risks.

The Chief Financial Officer will be delegated the authority to increase the expenditure and revenue appropriations in the Golf Enterprise to pay for the ongoing operating lease and receive golf cart revenues, resulting in a net zero effect on the enterprise.

#### FISCAL IMPACT

Approval of this action has no direct fiscal impact on the General Fund. Start-up operating deficits in the Golf Enterprise Fund have been anticipated and funded via the General Fund as part of Council's previous approval of the Touchstone Professional Services Agreement on June 7, 2022. Golf Cart operations are a critical profit center of the Golf Course and mitigate potential future General Fund impacts.

#### ENVIRONMENTAL IMPACT

This action is exempt from the provisions of the California Environmental Quality Act (CEQA) under CEQA Section 15061(b)(3) and 15378 in that there is no possibility that the implementation of this action may have significant effects on the environment, and no further environmental review is required.

#### BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not Applicable

#### NOTIFICATION

Not Applicable

ATTACHMENTS

- Resolution
- Exhibit A - Lease Agreement

PRESENTER

Jen Santos, Acting Director, Recreation and Parks