

City of Gainesville Review of Ironwood GC Cart Program



Prepared for:

**City of Gainesville Parks,
Recreation and Cultural Affairs**

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Introduction and Executive Summary

PURPOSE

National Golf Foundation Consulting, Inc. (“NGF Consulting” or “NGF”) was retained by the City of Gainesville’s (“City”) to assist in evaluating the cart fleet operation at the City’s Ironwood Golf Course (“Ironwood GC”). This report is based on NGF’s previous reviews of this property in 2009 and in 2012, with additional input on cart operations collected in 2014 and 2015. This review includes a strategic look at the Ironwood GC cart operation to assist in the City’s consideration of switching from its current program of owning a mixed fleet of electric-powered golf carts acquired at annual intervals, to a new program of purchasing a single full fleet of electric-powered carts. As the operation of a good quality fleet of power carts is integral to the success of a public golf course, this review is designed to help the City make the best choice to help the long-term economic sustainability of Ironwood GC.

This NGF review was managed by Richard Singer, MBA, NGF’s Director of Consulting Services. This report is presented to provide an “at-a-glance” summarization of the NGF review, detailing the main findings and NGF recommendations for the City of Gainesville in the continued operation of its golf course. We note that a full, comprehensive review of operations was not completed for the City in this review, and the findings and recommendations contained in this summary are the result of a more limited view of the operation.

EXECUTIVE SUMMARY

NGF finds that although the current cart operation structure in place at Ironwood GC is adequate and consistent with successful public golf courses, a change to the new single-purchase cart fleet would be advantageous to Ironwood if it can be completed at or near the costs as proposed by the City in April 2015. The NGF makes this recommendation based on the City’s ability to provide a much improved cart service program to its Ironwood customers at a total annual cost that is slightly higher than the existing program. The proposed new system would provide Ironwood with a complete fleet of brand new carts that would add to the overall character of the facility and improve the “curb appeal” to customers. The NGF review does show some direct economic savings by sticking with the current program. However, this savings is relatively small (around \$2,800 per year) and would be mitigated by an improved cart fleet.

REVIEW OF IRONWOOD GC CART PROGRAM

The City of Gainesville is operating a municipal golf facility that is offering a mix of amenities to suit a wide variety of golfer segments. The Ironwood GC offering includes a full complement of power carts for use by golfers. Traditionally, golf was a walking activity but the use of power riding carts has grown in popularity, and in 2015 the NGF can state that the vast majority of golf rounds that are played nationwide include the use of a power cart. Power carts have become so important to the golf facility industry that not having the use of carts can cause a severe reduction in both direct and indirect revenue:

- **Direct Revenue** – At Ironwood carts require a separate fee for use, which is common in the golf industry. Total direct revenue from cart fees at Ironwood GC was between \$240,000 and \$250,000 in total revenue in 2012-2014, or roughly 25% to 27% of all revenue collected at the facility.

- **Indirect Revenue** – Because the carts are so integral to the play of golf, many golfers will not play golf if a cart is not available. Thus, a facility that cannot provide a cart for customer use is likely to lose the green fees, range and concessions revenue (indirect revenue) in addition to the loss of cart fees (direct revenue).

Golfer Preferences

Surveys conducted by the NGF show the following key importance factors for golfers in relation to power carts at golf courses:

- Carts are clean and presentable at all times
- Carts are properly powered (gas or electric) and will hold power for the full round
- Carts can adequately complete a full round of golf with a smooth ride
- Carts include appropriate amenities, such as roof/cover, windshield, cup holders and light storage areas (basket).
- **Golfers prefer electric carts over gasoline powered carts.** This is due to electric carts being quieter, not smelling and being perceived as less polluting.

Ironwood Cart Program - 2015

The program in place for carts at Ironwood GC at the time of NGF’s review included the City’s ownership of 75 electric-powered EZ-GO carts that were acquired in phases, with 60 carts acquired from 2011 through 2014 and the remaining 15 carts owned from previous purchases and scheduled for replacement in 2015. The City is staggering the purchase with approximately 10 to 20 carts each year, so as to have a complete fleet turnover every four or five years. The recent Ironwood cart purchases:

Ironwood GC Recent Cart Purchases		
Purchase Date	No. of Carts	Total Cost of Carts
2011	20	\$68,940
November 2012	10	\$32,360
April 2013	10	\$33,660
December 2013	10	\$36,230
March 2014	10	\$34,058
Source: Ironwood GC		

Ironwood Cart Usage – 2010-2014

The NGF recommendation for the appropriate number of carts for an 18-hole golf course is 72 carts, which allows the course to have adequate carts to cover the busiest days or largest tournaments. Ironwood GC now owns a total of 75 carts, which can cover maximum capacity, although maximum capacity is rarely needed and on most days not all of the carts will be used. The current system requires proper rotation to ensure a mix of older and newer carts being used. This type of rotation system is in place at Ironwood GC, and our review of records shows a consistent pattern of cart use, with activity comparable to industry standards.

Ironwood GC is hosting approximately 35,000 total rounds of golf annually. This equates to an average of roughly 90 +/- rounds of golf per day. The busiest days at Ironwood will produce upwards of 190 to 200 rounds of golf. As such, it is not expected that there will be much turnover (having to use a cart for a second round) of carts at Ironwood, except on the busiest

days of the year. Ironwood is reporting no issues related cart turnover, and there is enough charge for carts to complete multiple rounds when needed. We note that recharging electric carts will typically require three to four hours of charge time.

Another issue to be addressed in the consideration of a change to the cart program at Ironwood is the length and terrain of the golf course. Ironwood GC is a flat golf course with little or no topography of any kind. The course is “standard” length, and thus carts are not expected to travel more than a total of five miles for any given round of golf. The industry norm for an electric cart on flat terrain is for at least 15 miles between charges, and so it is not expected that carts at Ironwood would run out of charge at all during use. Again, staff reports no incidents of carts running out on the course in the last few years of operation.

Ironwood Cart Storage

The current program for storing carts is the approximately 9,000 square-foot (sf) storage barn located just to the northwest of the clubhouse, approximately 100 yards from the cart staging area. This barn includes appropriate charging facilities and access to electric power. The cart barn is in a separate section of the property that includes maintenance administration and maintenance equipment storage.

ECONOMIC ANALYSIS OF 2015 IRONWOOD CART OPTIONS

Utilizing the inputs provided by the City in its current Ironwood cart operation, compared with the option of changing to a single-purchase fleet, the NGF has prepared a comparative analysis of expected annual costs under both scenarios. The results prepared by NGF are based on several key assumptions, including:

- Equipment purchase price is based on data supplied by the City of Gainesville, which shows new electric carts costing \$3,800 per cart with \$1,500 residual after 4 years.
- If continued on an ‘as-is’ basis, the residual value per cart (after 5 years) will be \$750 per cart.
- The cost for electric cart maintenance, electricity and staff is from actual 2014 data provided by the City of Gainesville, Ironwood GC and Gainesville Regional Utilities (GRU – use at cart barn), and assume a continuation of historical patterns for maintenance and battery replacement.
- The cost to purchase a new fleet is net the trade value, with internal City financing at 2.5% per year for four (4) years.

The side-by-side comparisons of the three options – continue the “status quo,” purchase an entire new fleet of gas-powered carts, or purchase an entire new fleet of electric-powered carts - is shown in the table on the following page:

Ironwood Golf Course Comparative Analysis of Cart Options		
	Current Program	Purchase New Electric Fleet
No. of Carts	75	66
Annual Equipment Cost		
Cost per cart	\$3,800	\$3,800
No Carts	10	66
Equipment Price	\$38,000	\$250,800
Less: Trade in (per cart)	\$750	\$1,500
Total Trade Credit	(\$7,500)	(\$99,000)
Net Cost*	\$30,500	\$151,800
Net Annual Equipment Cost	\$30,500	\$40,351
*Finance Terms for fleet purchase – 2.5% interest for four (4) years.		
Expenses:		
Maint. Costs	\$7,000	***
Electricity**	\$10,000	\$10,000
Staff	\$9,400	\$9,400
Net Annual Cost of Carts	\$56,900	\$59,751
Total Cart Cost per Month	\$4,741.67	\$4,979.26
Cost per Cart / Yr.	\$758.67	\$905.32
Electricity cost based on actual Cart Barn electric cost as per GRU. *Maintenance included in cart fleet purchase.		

SUMMARY AND NGF RECOMMENDATION

The NGF review shows that the total cost to replace the Ironwood cart fleet would be slightly more expensive than retaining the current program, although the difference is relatively small at less than \$147 per cart per year and a total of around \$2,850 per year. However, switching to a program of a new cart fleet every four years instead of staggering the purchase as current would **allow Ironwood to always have a consistent fleet of newer carts**, without the concern of some customers getting a new cart and others getting an old cart as is the case today. The additional cost of the new electric cart fleet is mitigated by the continued presence of the newer carts that will be valued by the Ironwood customers.

The NGF recommends the switch to the new fleet, if the fleet can be acquired for the cost and trade-in terms close to those estimated by NGF, and based on figures provided by the City of Gainesville. The NGF also recommends that the City include in its request for quotes from cart providers that the proposal at least include within the \$3,800 per-cart price:

- A cart warranty that matches the battery warranty.
- The new carts should include add-on features such as storage baskets, cup-holders, windshield, rain covers and divot mix storage.