To lease or not to lease: A checklist for golf course superintendents

BY TERRY BUCHEN

WILLIAMSBURG, Va. — Making the difficult decision of whether to buy, lease, or lease/purchase for their management equipment has always challenged golf course superintendents. Leasing is becoming more and more attractive, especially when cash-flow situations warrant their use rather than an outright purchase.

The following "Lease Checklist" was developed by the Leasing Education Committee of the Federal Reserve Board, with additions that suit the golf course management business as well. It helps answer some of the important issues and questions when considering leasing that next desired piece of equipment:

• What are the costs of the lease at its beginning, during its term and at its end?

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• What are the insurance requirements? How much will it cost? Will it cost more than insuring an outright purchase?

• What is the gross capitalized cost of the lease? What is the value of the equipment? (It is always best to negotiate the price of each piece of equipment first and then decide how it will be paid for: to lease, lease/purchase or outright purchase).

• What are the total up-front costs? Is a down payment part of these costs?

• Are other costs included?

• Will the course receive any credit for a trade-in and how much? Is the trade-in value negotiable?

• Can equipment be added and subtracted to the lease at any time during the term of the lease without any excess charge(s)?

• Does your leasing company of choice allow "mixing" of equipment manufactured by many different companies to suit your individual course's needs? Can a course only lease equipment from certain lease companies?

• What is the monthly payment?

• What is the option to purchase each individual piece of equipment?

• How many points above the prime interest rate is the interest rate?

• What are the maintenance requirements? Who is responsible? Does the warranty affect the lease in any way?

• Are hour meter maximum usage readings a factor, and is there an extra fee for any excess hour meter readings?

• Will the equipment distributor provide a maintenance technician to train the course's equipment technician on how to properly maintain each piece of equipment?

• What are the "standards for excess wear" that must be mutually agreed upon for each piece of equipment?

• Who is liable if any pieces of equipment are totally damaged or stolen? Does the lease include "GAP" coverage?

• What happens if the lease is ended early and the equipment is returned?

• Are any other end-of-lease costs? Is there a disposition fee if any piece of equipment is returned?

• Can provisions of a lease be "tailored" for an individual course's requirements and needs, or is the standard lease not subject to any changes?

• Can a blank lease form be studied by course officials well in advance of finalizing any particular lease?

• Nothing is final, obviously, until the lease agreement is signed, so understanding all of the lease provisions is very important before making this big step.

• Will the monthly lease payment go on your capital equipment budget or your maintenance operations budget?

• There are many attractive leasing companies in the golf course management business. Some are affiliated or outright divisions of manufacturers, while others are independent operations who are open to leasing equipment manufactured by any equipment purveyors.

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