Is leasing for you?

You don't always have to buy those big-ticket equipment items you need to maintain your golf course. Here's why.

By STEVE AND SUZ TRUSTY

Your crews need to manicure the turf and groom bunkers quickly and efficiently and get off the course to clear the way for play. The better the course looks and plays, the more satisfied the golfers, greens committee and course owners.

Obviously, how you work with and manage people and equipment affects maintenance quality. Less obvious is the impact your allocation of resources has on maintenance quality. But in reality, that's what comes first. You only have so many dollars to spend and how you spend them determines what equipment and which people make up your maintenance team.

How leasing works

Technically, leasing is a contract granting use of property during a specified period in exchange for a specified fee. Some call leasing a long-term rental agreement. And, like rentals, leasing offers you the opportunity to select the equipment you want for the time period you want without tying up financial resources for the total price of the unit.

With leasing you pay for equipment as you use it which helps with cash flow. Down payments usually are lower. Often you can finance 100 percent of the equipment costs. Also, leasing generally allows you to keep your established lines of credit open and available for other needs.

There can be tax benefits as well. Depending on the terms and conditions of your leasing agreement, the leasing payments could be up to fully tax deductible.

Terms of the lease must be negotiated, of course, but most offer options in length from 24 to 60 months. For golf and turf equipment, a 36 month lease is common. The lease agreement gives you the option of simply turning in the unit and walking away, or of trading up to a new machine in three years without taking a financial hit for doing so.

That means you could replace that mower, bunker rake or utility cart with the new model that best fits your needs and has all the technological advantages three years of innovation and refinement have to offer.

A quick review of your service and repair records will reveal an added advantage to regular cycles of equipment replacement. The need for major repairs occurs most frequently on older machines. Though no equipment is immune to unexpected breakdowns, major problems with newer units— whether purchased or leased —should be covered by the manufacturer's warranty.

Comparable terms

Could you get a better deal from a bank? No, according to most lease holders, especially since bottom line cost isn't your only consideration. Banks often will require a down payment, sometimes a substantial one. Most lease agreements have minimal, and some have no, down payment requirements.

With a bank loan, you own the machine. Generally, the tax advantages are not as good. Friendly as your local banker may be, odds are he or she doesn't thoroughly understand your business. Payments are set to fit the bank's needs and schedules, not yours. It's the job of the leasing companies associated with equipment manufacturers to understand your business and meet your needs.

With some of these companies' lease agreements, you can include a "skip payment" option that allows you to set up a payment schedule in which no payments are required during the off-season when your cash flow is the tightest. They also may offer a "bundling" option in which you may include used equipment from the associated manufacturer, competitive equipment from other manufacturers, and allied products, all in the same package with your new equipment lease.

Who leases?

John Deere's Golf & Turf Division Business Manager Ken Edwards, says, "Anything that's going to appreciate in value, you buy; anything that's going to depreciate, you lease."

While that may be too basic for some things (You can't lease new carpeting for the clubhouse for example, and that definitely depreciates.) it does apply to equipment.

Flexibility

Lease flexibility gives you other alternatives as well. You might decide at the end of a 36 month lease that you really like a certain unit and the job it's doing for you. You can exercise the purchase option that could be included in the lease agreement.

This purchase amount is determined at the time the lease is signed, so you'll already know the cost. You can make your decision based on the condition of the machine—which you and your service technicians will know—and the current market price of a comparable unit.

Or, at the end of a lease period, you could decide that the machine you're using is still performing well and isn't much different from what is currently on the market. You also may have heard that a new model is due for introduction quite soon. You then could extend the lease on the current machine for a specific period, say another 12 to 24 months. **LM**