



(LRGC)

## **CAPITAL EXPENDITURE POLICY & PROCEDURES**

**CONSTITUTION: Section 16**

**BY-LAW: 43**

### **1. Introduction**

This document sets out the Board's policy and procedures for the preparation and completion of a LRGC Capital Expenditure Application (CEA). These policies and procedures came into effect on 15 February 2017.

### **2. Policy**

2.1 Following are the types of capital expenditure which are covered in this policy:

- (a) Major Capital Works (see LRGC Constitution S16). These include items such as buildings (e.g. pro-shop, maintenance depot), course redesign and improvements, wetlands, all weather enclosures and the clubhouse
- (b) Recurring Items. These include machinery and equipment (e.g. course equipment, golf carts, kitchen equipment, gaming machines, office equipment, computer systems, air-conditioning systems, furniture, sound/public address and telephone system. The General Manager will prepare and present to the Board annually, a rolling 5-year plan to replace Recurring Capital Expenditure items.
- (c) Emergency Replacement items include equipment which breaks down without notice, cannot be repaired, and is needed urgently to continue essential operations of the Club (e.g. freezers, refrigerators, cookers, bar equipment, air conditioner)

### **3. Procedure**

3.1 A Capital Expenditure Application (CEA) for Major and Recurring items over \$5,000 should be completed and distributed to all Board Directors at least 7 days before the next Board meeting where it will be considered.

3.2 A Capital Expenditure Application (CEA) for Emergency Replacement items over \$5,000 should be completed and distributed to all Board Directors as soon as possible after the event and subsequently ratified at the next Board meeting.

3.3 The General Manger has authority to spend up to \$5,000 for Capital Expenditure items without the requirement for a CEA, and will inform the details and cost to the Treasurer and/or President as soon as possible after the event.

#### **4. Proposal**

The Proposal should include a detailed explanation of what is being proposed (include where relevant dimensions, weight and timing).

#### **5. Justification**

The Justification should include why the club needs this item (s) and consequences if the Club does not proceed with this request.

#### **6. Quotations**

There should be at least 3 quotations for the total cost attached to the CEA including details about each supplier, a comparative analysis between suppliers and a recommendation of supplier to use. The total cost should include all costs such as preliminaries, to build, to certify, to deliver and to install the item(s).

#### **7. Benefits/ Payback/ Return on investment**

- Benefits should include cost savings, improved productivity or income generated.
- Payback should include the number of years to recoup the original investment
- Return on Investment should show the annual percentage of income generated by the investment divided by the cost of the asset over the life of the asset

#### **8. Trade In**

Old and used equipment often have a resale value known as Trade In (e.g. sell used course equipment to another Golf Club or sell back used golf carts to the supplier when purchasing new golf carts). Note: The Written Down Value of the used asset per the Fixed Asset Register less Trade In will result in either a profit or loss on sale of Fixed Asset.

## **9. Financing Methods**

The amount to be financed should be the total cost less any trade in or discount

- Purchase outright
- Lease /Hire Purchase using the Club's HP bank facility
- Rent where there is no LRGC ownership

## **10. Timetable**

The Timetable should be realistic and include time to prepare and submit the order, to deliver, to install, to test and to commission ready for operation

## **11. Proposers**

Every CEA must be numbered (e.g. CEA No. 2017-1 for first CEA in 2017), dated and proposed by the General Manager and the Treasurer and submitted to the Board of Directors for consideration at least 7 days before a Directors Board meeting.

The CEA needs agreement by a majority of the Directors to proceed.

## **12. Capital Expenditure Application (CEA) example (see next page)**



## CAPITAL EXPENDITURE APPLICATION (CEA) No.

### 1. Proposal

To replace the existing fleet of 30 Golf Carts which are 4 years old and upgrade existing On Pin GPS system which often does not work

### 2. Justification

- Golf carts generate approx. \$80,000 pa net income to the Club
- Golf carts enable injured and senior players to continue playing golf
- Golf carts are requested for most Corporate Golf Days
- Many visitors request and/ or need a golf cart
- The Visage GPS system cost \$2.51 per day per cart or \$27,485pa versus On Pin cost \$1.00 per day per cart or \$10,950pa but Visage has better and more reliable GPS system, better graphics, bigger screen, cart position locators, geo fencing and messaging capability for marketing.

### 3. Quotations

Club Car cost \$210,000 ex GST (30 x \$7,000), aluminium chassis, 410 kgs, largest selling golf cart worldwide and in Australia and previously used by LRGC  
Yamaha cost \$210,000 ex GST (30 x \$7,000), steel chassis, 442 kgs  
EzyGo cost \$226,500ex GST (30 x \$7,550), steel chassis, 424 kgs  
Recommendation: Club Car because lowest cost, best trade in , aluminium chassis , used previously See attached Renewal Options for more details.

### 4. Benefits/Payback/ Return on Investment

(a) Payback estimated at 2.9 years based on annual net income \$80,000 and total costs \$229,938 (\$210,000 for carts +\$109,938 for Visage system - \$90,000 for trade in)

(b) Return on Investment estimated at 10%per annum based on net income over 4 years of \$320,000 (4 x \$80,000) and total cost \$229,938 (as above)

### 5. Trade In

Club Car & Ezygo offered \$90,000 ex GST (i.e. 30 x \$3,000 per used Cart) and Yamaha offered \$85,909 ex GST (i.e. 30 x \$2,863 per used cart)

### 6. Financing Methods

See attached finance options for Club Car versus St George  
Recommend Club Car financing

**7. Timetable**

One month to deliver 30 new carts and remove 30 old carts from the Club

**8. Proposed By**

General Manager .....

Date.....

Treasurer.....

Date.....