

Buying basics and leasing lessons

By Jim Langston

At the heart of keeping your field playable for the team and attractive for the fans is maintenance equipment and of course the dollars that help provide it. Because your needs, use, and budget vary for every field, there is no single guide to choosing and financing equipment, but here are some basic concerns to examine before acquiring your next piece of equipment.

Before you shop, there are a couple of fundamentals about your facility you need to know. What funds are available (annual, seasonal, monthly)? How much acreage under your care? And, frequency of task performed, i.e., reel mowing 2 hours per day or aerating 4 times a year, etc.

Understanding your organization's needs, desires, and funds will help you and any equipment dealer ensure that an appropriate match is created. You'll end up with the equipment you need at prices you can afford.

Understanding the characteristics of buying and leasing is important. When you buy, the equipment is yours entirely of course. With leasing, there are two options: a finance lease (leasing to own) or a true lease (you keep the equipment for the life of the lease, then return it). Some key characteristics to remember include:

Buying

- * full price up front or financing loan
- * owner is responsible for all regular maintenance and repair
- * recommended for fields with short seasons or light use
- * recommended for equipment that retains high resale value (low depreciation)
- * owner is responsible for insuring the equipment

Leasing

True lease or operating lease:

- * lowest monthly payment with greatest flexibility at end of lease term



Long-lived equipment is often purchased rather than leased because it retains high resale value.

- * low upfront costs (typically just one or two advance payments)
- * might have beneficial tax implications; ask your tax advisor
- * leasing company retains ownership for tax purposes
- * increased warranty coverage (new warranty each time equipment is replaced)
- * well-suited for heavy daily use applications
- * customer is responsible for maintenance, insurance, taxes

Finance lease:

- * designed to provide ownership at lease maturity
- * avoid large down payment
- * customer is responsible for maintenance, insurance, taxes
 - * recommended for medium-use scenarios

When considering any purchase or lease, the secret is to find a balance between price and value. Price is how many dollars it costs,

whether those costs are upfront or each month. Value is what you receive for the price you pay. Factors that contribute to value include insurance, tax, and maintenance costs per month or per year; depreciation and trade-in or resale price; durability; warranty coverage; and service and parts support. Since many of these factors may be difficult to quantify, determining value can be challenging. Research, peer opinions, and a good dealer should all contribute to a measure of equipment value.

Dealers should work to ensure you're getting the most appropriate equipment and financing plan for your unique situation. Dealer Jonathan Moorman of Georgia Turf & Tractor notes that three-quarters of his dealership's business is from leasing rather than purchases. "Customers want the advantages of both reliable service and customized financing," says Moorman. "At our dealership, we can tailor payment plans to the budgets of each individual customer.

"Sports turf customers often have very distinct seasons and may only have certain months where revenue is coming in," says Moorman. "We can structure payments to match the revenue season. If your field is active from April to October, you can arrange to make payments only from April to October.

"Particularly for schools and recreation departments, some customers may be constrained by their fiscal year," notes Moorman. "If these customers encounter a situation where they need a piece of equipment and can't wait a few more months, we work with them to set up a deferred payment until the start of their financial year. That way, they get the equipment they need, and everybody wins."

Moorman notes that annual payments can be advantageous for some lease customers. Since the initial payment is paid in advance, less interest is generated over the life of the loan, resulting in decreased overall costs.

"You can also save money on purchases by buying a lease-returned piece of equipment," reminds Moorman, an option that might otherwise be overlooked.

There's also a third option when reviewing your equipment options: renting or contracting special services. If you're planning some heavy renovations, renting construction equipment is the best option, as it is expensive to buy and only required for a very short term (usually less than a year). For specialty equipment that is used perhaps only a few

times a year, you could either rent the equipment for a day or so, or bring in a contractor to perform the work.

Waldo Terrell, grounds foreman for the University of Georgia, uses a mix of leasing and purchasing for the equipment he needs to manage 17 acres of sports fields and approximately 100 acres of landscape and hardscape. His full time staff of eight is supplemented by a handful of students studying turf management.

"We don't have a full-time mechanic, so keeping our mowers on 3 or 4 year leases allows us to not only stay on top of technology but also avoid most major maintenance issues," says Terrell.

Terrell also feels that such short-term arrangements enhance his relationship with his dealer. "We stay in their sights," says Terrell, "so I always feel like I'm getting good

A buyer's profile:

- * a single investment
- * long-term need
- * frequent or less severe use schedule

A leaser's profile:

- * recurring annual budget
- * desire for most up-to-date technology
- * heavy use schedule for equipment (multiple hours daily, year-round; tough conditions)
- * mix of equipment needs, use schedules, and acquisition plans

customer service, and they're taking the time to give me the best they have to offer."

For this university's nine football, soccer, baseball, and softball fields, long-lived equipment is purchased. "We purchase utility vehicles, tractors and aerators since the finance loan payments are only slightly higher than lease payments," notes Terrell.

So before jumping on the leasing bandwagon or trying to match a peer's "discount purchase deal," evaluate your program, fields, and needs to determine the most appropriate finance tools for your facility. With the right financing plan, your fields will reflect the highest standards of care without having paid the highest prices.

Jim Langston is National Sales Manager, John Deere Golf & Turf. ■

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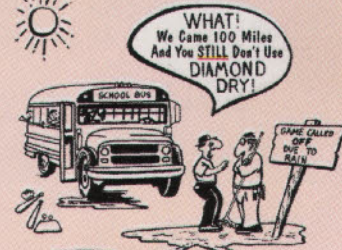
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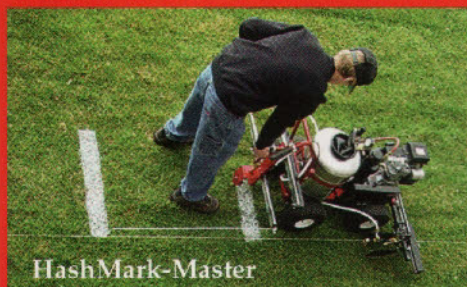


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TOOLS & EQUIPMENT

**Pop Quiz:
the Aerator**

It's always a balancing act when trying to decide on a financing option. Try testing your knowledge with the following example. Your field generally uses an aerator four times a year. What considerations should you take into account when deciding whether to buy, lease, rent or contract out aeration services?

To answer, examine the advantages and disadvantages of each choice:

Buying

Advantages:

- * own the equipment
- * have it on hand in case of additional service dates
- * flexible use schedule in case of delays
- * low maintenance with infrequent use
- * depreciation counts as tax write-off

Disadvantages:

- * higher up-front costs
- * regular maintenance and storage needs
- * depreciation
- * as aerator ages, increased maintenance
- * may be difficult to justify acquiring updated technology if recent purchase was made

Leasing

Advantages:

- * equipment is always on hand in case of additional service dates
- * flexible use schedule in case of delays
- * warranty timeframe starts over each time equipment is replaced
- * spread use costs over the use period
- * flexible payment options (i.e.: seasonal, monthly, annual, etc.)
- * tax benefit may be available (consult your tax advisor)
- * payments may be expensed without impact to your balance sheet
- * predictable for budget forecast purposes

Disadvantages:

- * monthly costs

- * regular maintenance and storage needs
- * costs may not be justified for low-use or long-lived equipment

Renting

Advantages:

- * one-time fee
- * choose the model that best fits the needs of the moment (i.e. as needs change, a different model can be rented)
- * best suited for short-term equipment needs

Disadvantages:

- * must expend time and money on training operator in use or hire additional personnel
- * if weather or use needs disrupt schedule, costs increase with additional rental times
- * desired model may be unavailable when needed
- * pickup/drop-off or delivery may require additional costs or resources

Contracting Services

Advantages:

- * one-time fee
- * no maintenance costs or efforts
- * no need to spend time or money on training operators

Disadvantages:

- * contractor may not be nearby, increasing costs
- * contractor may be unavailable when required (scheduling conflicts)
- * if additional, unexpected contracting dates are required, costs may outweigh costs of leasing or ownership

Did you pass? The test above has no "correct" answer. The answer will vary depending on your facility's unique needs, which are apt to change over the course of the years. While no one can predict the future, examining the past 10 years of your facility's history may help you recognize any economic or other patterns and select a financing model with the best fit. ■