

To:	Warden Halliday and Members of Grey County Council
Committee Date:	June 14, 2018
Subject / Report No:	FR-CW-15-18
Title:	Tourism Vehicle
Prepared by:	Mary Lou Spicer
Reviewed by:	Kim Wingrove, Kevin Wepler, Bryan Plumstead
Lower Tier(s) Affected:	none
Status:	Recommendation adopted by Committee of the Whole as presented as per Resolution CW151-18; Endorsed by County Council on June 28, 2018.

Recommendation

1. That Report FR-CW-15-18 regarding the Tourism Vehicle be received ; and
2. That the lease buy out option from Honda Financial Services be exercised for cost of \$22,768.33 plus HST and buy out costs and the purchase be funded from the Tourism Reserve; and
3. That an annual contribution to the reserve begins in 2019 to assist with funding a future replacement vehicle.

Executive Summary

The Tourism Department has leased a vehicle since 2003 that is used to promote Grey County at events and festivals in the County as well as to transport staff and promotional material to tradeshows, conferences and business meetings. Each lease has been for a 24 month term and historically, the mileage has been approximately 30,000 kilometres per year. The lease with Honda Financial Services expired in April and staff extended the lease for three months in order to review options including leasing another vehicle or buying out the existing lease.

Background and Discussion

The current vehicle lease expired in April 2018 and staff extended the lease for three months in order to investigate options other than entering into another lease. Staff recommends buying out the existing leased vehicle and that Tourism retain the vehicle for 24 months and evaluate options for the 2020 budget based upon the experience of retaining this vehicle for 48 months.

The following chart shows the difference in cost between two 24 month leases and buying out the existing lease and retaining the vehicle for an additional two years.

Continuing to Lease versus Buy Out Existing Lease

The comparison of costs over 48 months is outlined in the following table.

Lease 2016-2018	Net Cost	Lease 2016-2018	Net Cost	Difference
24 month lease with 30,000 km/yr and 3 month lease extension	\$18,371.91	24 month lease with 30,000 km/yr and 3 month lease extension	\$18,371.91	
Option 1		Option 2		
Enter into 24 month lease with 30,000 km/yr	\$16,385.27*	Buy Out existing lease and retain vehicle for 24 months	\$23,765.37	
Net expense over 51 months (because current lease extended 3 months)	\$34,757.18	Net expense over 51 months (because current lease extended 3 months)	\$42,137.28	\$7,380.10

*For purpose of comparison, assumes same vehicle (Honda Pilot LX) leased for additional 24 months

The calculation shows that the cost over 51 months (because the current lease was extended for three months) is \$7,380.10 higher if the vehicle is purchased off lease versus entering into another 24 month lease. However Grey County can expect to sell the vehicle two years from now and proceeds from disposal should exceed this amount. As comparison, the Canadian Black Book shows a four year old Honda Pilot has an average asking price of \$25,750.

For previous leases, the Tourism Department has obtained sponsorships that have offset the cost of the vehicle and provided businesses with advertising on the vehicle "wrap". Sponsorship of \$14,250 over the past 24 months has been received from Grey Roots (\$2,730), Owen Sound Honda, Blue Mountain Resort and Scenic Caves (\$3,840 each). Sponsors have changed over the years as businesses change their advertising priorities but staff has been successful in attracting new sponsors. Tourism staff will approach existing sponsors to determine if they wish to continue their sponsorship on this vehicle; if sponsors choose to opt out, there will be costs to rewrap the vehicle and depending on the work required this could cost \$2,000 to \$4,000 depending on the extent of changes.

Legal and Legislated Requirements

Not applicable

Financial and Resource Implications

The 2018 Tourism budget contains \$8,000 for vehicle lease payments and maintenance/fuel costs and this account would be higher if not offset by \$7,320 in sponsorship funds from four sponsors. Staff recommends that the lease buy out option be exercised and that the cost of \$22,768.33 plus HST and buy out costs (\$386 plus labour and parts required to safety the vehicle). It is recommended that the purchase be funded from the Tourism Reserve that is projected to have a balance of \$122,000 at year-end and that an annual contribution utilizing sponsorship funds to the reserve begin in 2019 to assist with funding a future replacement vehicle. Regardless of which option is selected, Grey County incurs the same expenses for insurance, fuel, licensing, routine maintenance etc.

If the 2016 Honda Pilot is purchased off lease and retained for another 24 months, Grey County would need to sell for at least \$7,380 to have the same cost as two 24 month leases. The Canadian Black Book currently shows a 2014 Honda Pilot with an average asking price of \$25,750 so the risk of not receiving at least \$7,380 is considered low.

There is some risk that the County will not be able to obtain/retain the same sponsorship level; however this risk is considered minimal as the Tourism Department has obtained three to four sponsors for each vehicle leased since 2003.

Relevant Consultation

Internal (list) Kim Wingrove, Kevin Wepler, Bryan Plumstead

External (list)

Appendices and Attachments

None