

THE NUMBERS RACKET



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TODAY'S GOLF COURSE superintendents are being called upon to do more and more with less and less! Would you agree? At least this is the consistent impression I receive after attempting to contribute to effective turfgrass management programs and trying to solve some golf course operational problems. And it is very much to the superintendent's credit that, in the majority of cases, he has been able to beat the squeeze play! It is also to the good fortune of the golfer and the game.

"The golf course never looked better," is a comment often heard over the past two years. The people who make such remarks sincerely believe what they say, based upon what they have seen. Meanwhile, the superintendent manages only a weak smile and a mumbled, "Thanks," in reply. He is waiting anxiously for the other shoe to drop. He knows there is a great deal that the golfers do not see, that the squeeze play being put on him is making his behind-the-scenes operation shaky.

Some examples? Labor turnover is very high, in some cases 100 per cent a year; and, the size of the crew is decreasing. This means operating with fewer men who have fewer skills. Yet the work volume and the demand for quality may actually have increased. At least a part of the reason for this trend is an unreasonably low wage scale. It is increasingly difficult to find good men to work the odd hours, often under less than comfortable condi-

tions, for what often approaches minimum wage. Mistakes and damage to the course and equipment are on the rise because even experienced men make mistakes in trying to outdo themselves.

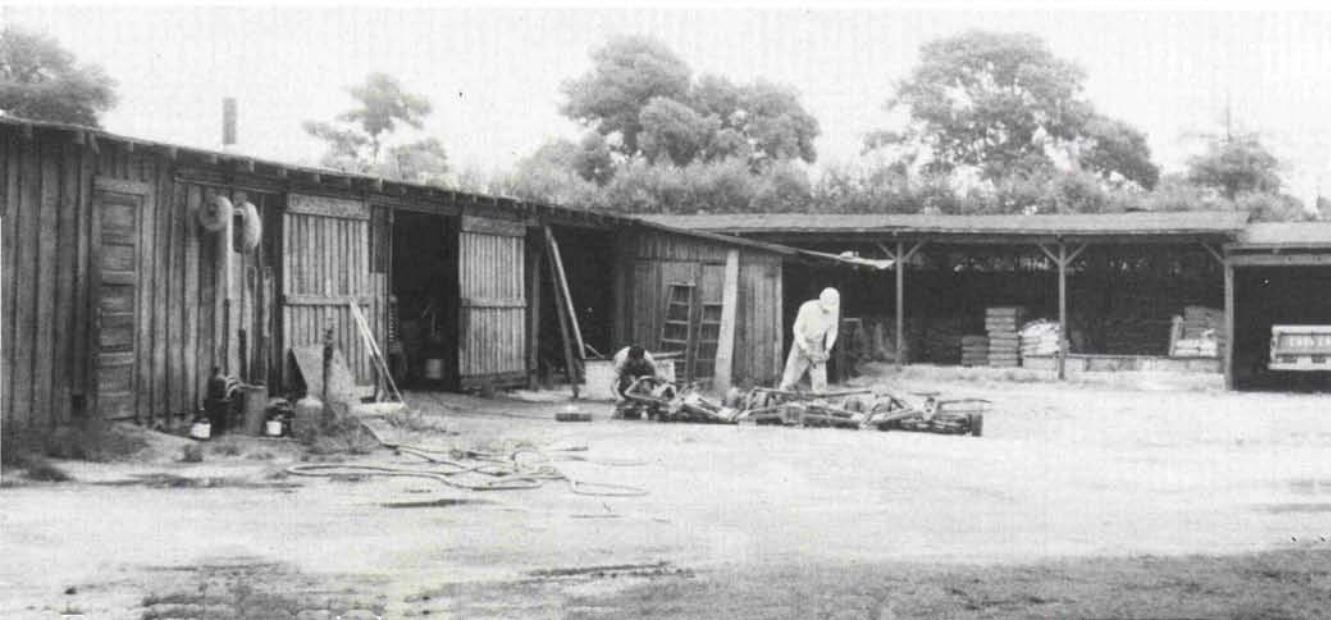
Equipment inventories are beginning to look more and more like a collection from Fred Sanford's junkyard. "You can get another year out of those 1959 fairway units, can't you?" "See if you can rebuild that 1967 triplex." "It's too bad that the old aerifier keeps breaking down, but maybe you can borrow one next year."

Renovation programs are often thrown out the window. A top-dressing program is judged too expensive. The labor budget won't permit a full crew for giving everything a thorough aeration. The money is not there for overseeding.

The materials budget gets the treatment too. I have actually been asked, "We have not fertilized fairways in two years. Do you think they need it this year?" And, "That brown patch, it doesn't seem to be doing all that much damage, does it?" Or, "The last time we had the pH tested several years ago it was 5.5. That's not too bad, is it?" Or, "How much can a little cutworm eat anyway?"

All of this is by way of preface to some arithmetic exercises which, to my way of thinking, indicate there is no justification for giving the golf course superintendent the short end of the stick. The one central assumption one must make is that the golf course is basic to the existence of

The Shop — the hub of maintenance.



the club — it was the reason for the founding of the club; it continues as the club's most important activity; that, without the golf course, the club itself would cease to be.

None of the figures to follow are real in the sense that they represent actual figures from a club's balance sheet, but they are of the proper order of magnitude for the majority of clubs now confronted with a maintenance squeeze. If your club's numbers differ significantly, there may be a very good reason, but it may also indicate the source of a problem needing attention. For instance, the golf cart is an important element in this thesis. If your club is one of those dwindling few where the golf cart is being resisted, this article has less to do with reality in your case.

The figures we need to know more about are: Golf Course Maintenance Costs; Golf Course Expenditures for Capital Improvements; and The Revenue Properly Attributable To Golf Course Operations.

MAINTENANCE COSTS

From the annual national survey of clubs conducted by the accounting firm of Harris, Kerr, Forster & Company of New York, comes the figure of \$9,000 per hole as a nice round number within reason as an ideal operating budget for most clubs in most areas of the country. Certainly there will be deviations from place to place — slightly higher in metropolitan areas and perhaps significantly lower where cold weather limits the golfing season.

Nine thousand dollars per hole represents expenditures for labor (including payroll taxes and employee benefits), course supplies, contracts for other than capital projects (for example: tree maintenance, bulk lime application, etc.), and routine repairs to equipment, buildings, and the irrigation and drainage systems. It does not include improvements of a capital nature (enlargement of tees, rebuilding greens, extensive drainage, tree planting, development of improved water resources, etc.). Nor does it include property taxes, expenses incurred by the golf shop, or golf cart connected costs.



Old equipment and still going.

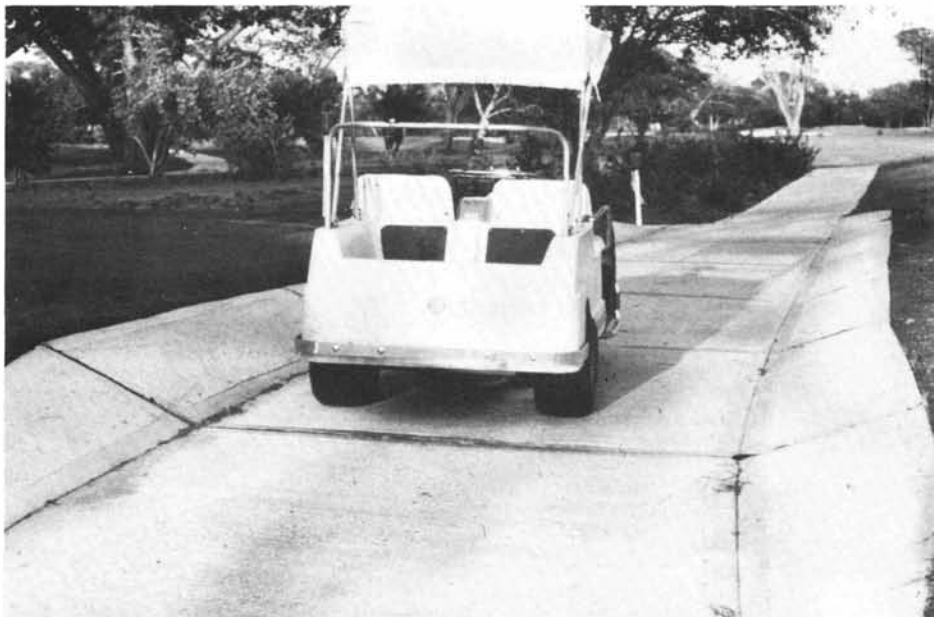
Multiplying \$9,000 per hole by 19 holes (to include the practice facilities) gives \$171,000 with which to maintain a golf course for one year in its present condition, allowing for routine renovation programs.

CAPITAL EXPENDITURES OF A CONTINUING NATURE

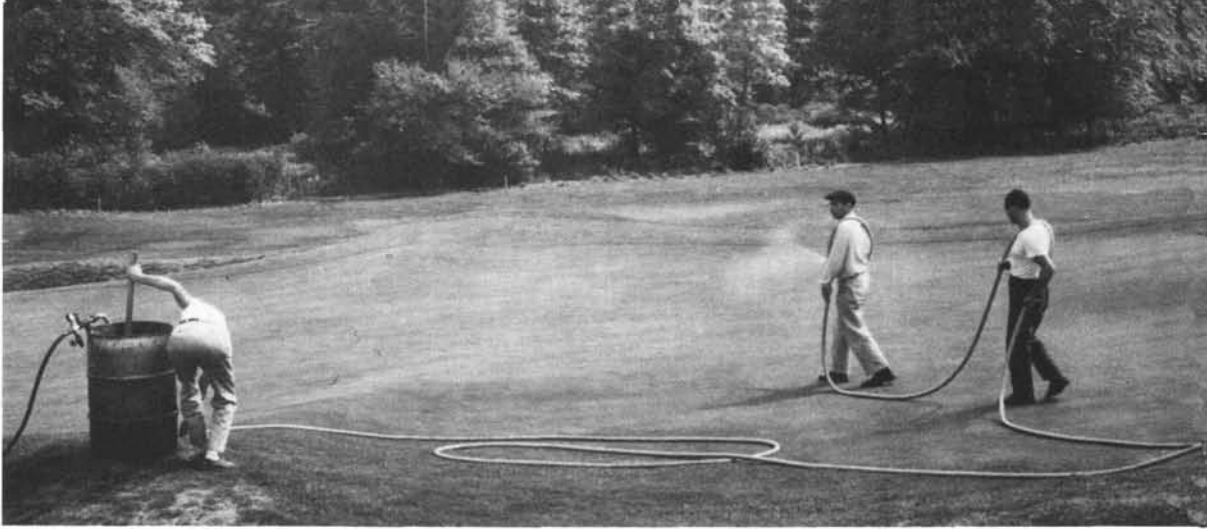
A sum equal to 15 per cent of the maintenance budget is an appropriate amount to be spent annually on the equipment inventory and in handling minor building and construction projects such as tee enlargement, the refacing of bunkers, and the erection of a topdressing storage area). Add this \$25,650 to the \$171,000 for a total course budget of \$196,650. But let us round this off to \$200,000 as a figure that might hold for a year or two into the future. Other numbers in this article have also been rounded off since it is not our aim to be excessively precise.

REVENUES — DUES, GREEN FEES AND CART RENTALS

Information from various sources suggests a golfing membership of 300 as probably representative of what is or easily could be the case at a majority



Concrete cart path.



More old equipment still being used.

of private clubs. And, to enable revenue estimates to be generated for play on private, semi-private and public courses alike, \$15 a round (including both the green fees and cart rentals) is suggested as a reasonable number to work with in spite of the fact that actual charges for non-members at a private club frequently are much greater. (Let us divide this \$15 per round as \$10 for a green fee and \$5 per person for a cart rental. At any particular course the distribution may differ, but the total of \$15 is probably reasonable for those taking a cart and paying on a per round basis.)

What to do with these numbers? At our hypothetical private club with 300 members, to generate sufficient income in support of the golf course budget of \$200,000 and cart fleet expenses of \$50,000 (see later), the average member must spend \$833 per year on the golf course. At \$15 a round, this means each member (including his family and guests) would need to account for 55.6

\$200,000 of profit. That excess income will build a lot of cart paths, even rebuild some greens and pay for a new maintenance building complex, etc., over the years. Perhaps also a portion of it would be properly applied toward paying the club's property tax assessment annually.

Someone is surely saying, "I look at my club's financial report and it doesn't look that way at all." Am I naive? I guess I am for I certainly have found no club which prepares its annual report to reflect this type of golf course income. Nor have I been able to find a club charging \$556 in dues for golf (the allotted 55.6 rounds x \$10 a round green fees) and providing in return a superbly conditioned course, the kind which can be reasonably demanded of a superintendent who is given a \$200,000 budget, with extra funds for major capital expenditures.

Perhaps many courses do not charge enough for golf? If they worked the equation:

$$\frac{\text{Golf Course Profit} + \text{Golf Course Budget} + \text{Cart Fleet Expenses}}{\text{Rounds of Golf per Year}} = \text{Average Charge per Round (including Dues,* Green Fees and Cart Rentals)}$$

*Percentage of dues allocated to the golf course, that is.

rounds a year. Even over the course of a six-month season, most clubs (public and private) can certainly expect to generate the 16,680 rounds of golf these figures would demand as a break-even point in support of golf course maintenance and the cart fleet.

How about working this problem in reverse? Take the figure of 30,000 rounds per year that is by no means unusual on golf courses today. Determine to arrange the charges so that the average is \$15 of revenue per round. What would such a course bring in? \$450,000!! Subtracting \$50,000 for cart maintenance and \$200,000 for the golf course budget, such a golf course would realize

they would likely come up with much less than \$15. Chances are very good therefore that the golf course is not getting its proper share of golf course generated income. Dues may not be apportioned so as to ensure adequate support of course maintenance. Golf cart profit may not automatically go to the golf course. Or, to look at the situation another way, in the cases wherein the maintenance budget does not approach what has been suggested as ideal, members may not be fully supporting the golf course, the very reason for its existence. When that other shoe does drop, as it already has for a number of clubs this year, who then will be at fault?

THE GOLF CART

We've worked the golf cart into the foregoing discussion as if it were commonplace for it to be considered as a revenue producer for the golf course. This is generally not the case at present. Although the annual industry surveys in *Golf Business Magazine* document a trend away from retention of golf cart income by an individual, and, although we have found that two or three per cent of the clubs we visit do allocate a small percentage of cart revenue toward cart path construction, we have yet to discover a club which acknowledges that the golf cart has very little to do with any facet of the club operation other than the golf course and that, therefore, the profit from the cart fleet should be utilized first in meeting the needs of the golf course operation.

The initial application of funds from this source might best be spent for having carefully planned and well-built cart paths and maintenance roads installed. Profit from a single season may well be enough to have professionally constructed 8' to 10' wide roadways installed. It is important to recognize that, once this system has been installed, the golfing season (thus the revenue for all departments) will be increased, perhaps as much as 10 to 15 per cent, without overly risking damage to the course. In fact, course

conditions will almost assuredly begin to improve due to the decrease in traffic over the turf.

Just how much money may be involved? Even in the cool Northeast, it has been possible for clubs to realize a yearly profit of \$1,000 or more per cart. Let's illustrate this with a return to our hypothetical 30,000 rounds-per-year golf course. Over a 30-week season (1,000 rounds per week) assume as little as 70 per cent of the play to be from golf carts, all doubles. Thus each cart in our 50-cart fleet must go out seven times a week. Three hundred fifty cart rounds a week for 30 weeks amounts to 10,500 cart rounds a season. If our club charges \$10 for each double round, the total revenue would be \$105,000 for the year or \$2,100 per cart. Earlier a figure of \$1,000 a cart was suggested as sufficient to cover annual expenses. The breakdown in Table 1, purposely estimated on the high side, works out to \$1,030 a cart. Thus, the bottom line reads \$1,070 profit per cart (\$53,000 for the fleet)!

Although a fleet not used to its maximum potential would tend to show a lower profit-expense ratio, a number of factors can be manipulated to keep the profit realization high. For instance, one authority noted the appearance of higher cart rental fees. Another made the observation that, "cars are a luxury, and should be priced accord-

TABLE #1
Per Cart Yearly Expenses¹

\$ 510	Ownership Costs	Five-year loan on \$2,000 cart [includes down payment (25%), principal and interest (12%) averaged over five years].
15	Personal Property Taxes	
15	Physical Damage Insurance	Assume liability coverage under clubhouse or course policy.
75	Batteries	Replacement of three batteries per year.
25	Parts	Estimated average over five years.
60	Electricity	An actual figure. Theoretically should be about half as much (approximately 210 charges at 13.6¢ each).
100	Administration Expenses	Includes apportioned salary for handling rental transactions, billing and recordkeeping (about \$50 per cart) as well as a management fee for the club employee charged with overseeing the entire cart operation.
230	Cartman & Assistant	A) Cartman at \$5/hour x 40 hours/week x 30 weeks (\$6,000 per season) plus benefits at 40% of salary rate (\$2,400 F.I.C.A., unemployment insurance and tax, vacation and sick pay, health insurance, pension plan). Total of \$8,400 per season, about \$170 per cart, unless also the fleet administrator. B) Assistant(s) at \$3/hour x 30 hours/week x 30 weeks (\$2,700 per season) plus benefits at 10% of salary rate (\$270 F.I.C.A., unemployment insurance and tax only). Total of \$2,970 per season, about \$60 per cart, unless also involved with rental transactions.
<u>\$1030</u>	TOTAL	

¹Average for 50-cart fleet operating 30 weeks a season.



Modern equipment; part of the total operational cost.

ingly." A further possibility would be to make fuller utilization of the cartman by assigning him the fleet administration duties. He may also have time to help out with the maintenance of golf course equipment, particularly during the off-season.

Is anyone going to be the loser should the cart fleet and its revenue be handled in this way? At one time it might have cut seriously into the revenue of the golf shop, but, as noted earlier, once clubs became aware of the amounts of money involved, they began to shift toward depositing cart fleet profits into a general fund. In effect, then, we are suggesting that the profits go instead back onto the golf course. The course will benefit from the increased budgetary support and the decrease in turf traffic once paths are installed. Every department will gain when there are fewer days when the course must be closed because of adverse weather and its effect upon cart traffic over rain-saturated ground. As the effects of a more ideal budget and decreased turf traffic become felt on the course, its prestige and the demand to play it will also continue to grow.

We have tried to show that at most clubs, public and private, the money is both needed and available for the golf course. One can also look to the Industry Survey published in 1974 by *Golfdom Magazine* for some interesting data. Using their figures, it can be shown that golf courses earned in green fees and cart rentals about twice the amount spent for maintenance. Even with the property tax assessment included in the maintenance budget, golf course revenue exceeded expenditures by a factor of 1.6. Compare this with the clubhouse figures where 2.4 times more was spent than was recorded as income. Compare the figures for capital improvements. The clubhouse outdistanced the course by better than three-to-one in this category. Compare management salary levels. Less than 1/10 as many golf course superintendents as clubhouse managers were paid at least \$20,000 a year!

It would appear that golf course profits are keeping membership costs within bounds. However, should the course be permitted to decline,

it is more than likely the amount of play will drop. Revenue in all departments will be down. Dues will have to rise. Membership will fall off. As any number of clubs can attest, it is a longer and more costly process to bring a golf course back after a period of neglect and more difficult still to restore a tarnished reputation.

A very successful daily fee course owner once told me that it is a mistake to undercharge a golfer for a day of enjoyment. Golfers are willing to spend the necessary amount, but you must give them their money's worth by ensuring that due emphasis is continually placed on the golf course operation. The philosophy that "these golfers don't deserve anything better" leads only to trouble and a dead end.

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