

# Capital Campaigning

Presenting the right information can encourage golfers to vote “yes” on capital improvements.

BY ANDREW ACKER

Despite the recent dip in new course construction, the game of golf has enjoyed significant growth during the past decade. In particular, the number of public golf courses has ballooned by nearly 50 percent since the early 1990s. Many of these new public courses have excellent turf quality and architectural merit, and private clubs located in close proximity are being compelled to upgrade their facilities to remain competitive in the marketplace. When the leadership of a private club finds it necessary to campaign for a major capital improvement, seeking valuable input from the membership, developing a realistic budget, and offering a feasible financing plan are just as important as commissioning a detailed architectural drawing.

One of the best ways of checking the membership’s pulse in the early stages of a capital improvement campaign is to circulate a well-crafted survey. To gather valuable input from the membership, survey questions should be written in a manner that allows each member to rate his or her satisfaction with individual components of the course, such as the playing quality of the bunkers; the condition of the greens, tees, and fairways; and the enjoyment of the course’s layout. Given the right circumstances, it also can be appropriate to include questions pertaining to the course’s unseen infrastructure, such as the maintenance facility and irrigation system. Additionally, a good survey should identify



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specific capital improvements that are most important to the membership and their general willingness to pay for these items.

For several reasons, an objective third party is typically the best administrator of a membership survey. First, surveys conducted by a third party can provide greater credibility and objectivity for gathering important information. Second, a third party can share information and offer guidance in dealing with unexpected political issues that

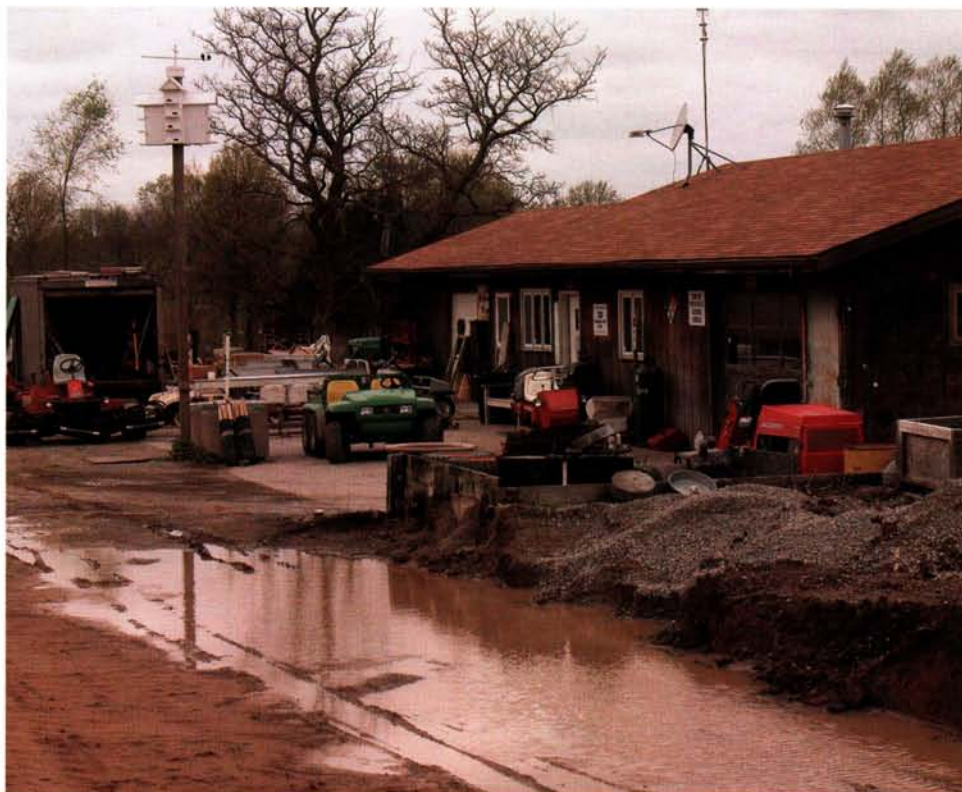
tend to arise on a frequent basis. And, finally, a qualified third party will have a proprietary database that can be used to compare the survey results to those of similar clubs. Such benchmarking can help shed light on the course’s competitive position in local and regional markets.

The task of developing a realistic budget for capital improvements oftentimes is assigned to a golf course planning committee. Ideally, this committee should be composed of past and present members of the Green Committee and Board of Directors who, in total, represent every segment of the club’s membership. For technical expertise, the committee also should include the club’s professional staff and specialists appropriate to the task at hand, such as a golf course architect, a regional agronomist, an irrigation system designer, and/or a civil engineer.

Once convened, a golf course planning committee’s initial task is to study the condition of the course and its infrastructure to

determine the full scope of work needed in a master plan of improvements. From here, a master plan can be developed by a golf course architect, and the committee can solicit cost estimates and begin the process of piecing together a realistic budget that is in line with the funding capacity of the club.

After a realistic budget has been assembled, the next crucial step in cultivating membership approval for a large capital project is to determine feasible



To ensure that course improvements can be properly maintained in the long run, it is important to include needed maintenance facility upgrades in the capital project budget.

financing options. The most common methods of funding capital improvements are 1) a monthly capital dues increase, 2) a refundable assessment, and 3) a non-refundable assessment. Each funding method offers a club and its members a different set of advantages and disadvantages.

A monthly capital dues increase is simply a means of generating extra income to cover the cost of financing a loan for capital improvements over a period of years. The advantage of this financing method is that most members prefer a low, monthly payment in lieu of a large, single payment. If a member chooses to resign from the club after the completion of a capital project, then he or she is excused from future payments. The disadvantage of this financing method is that taking out a loan will put the club in debt, thus threatening its financial future should a significant number of members resign unexpectedly.

For example, XYZ Country Club borrows \$1,000,000 to pay for a capital

improvement. The loan interest rate is fixed at 6% over a term of ten years, which equates to an annual principal and interest cost of 13.32%. To support

the loan, the club will be required to make a monthly payment of \$11,102. If the club has 400 members, then each would be required to pay an additional \$27.76 per month.

A refundable assessment entails an up-front payment from each member with a refundable feature that becomes effective if a member leaves the club before the end of a specified depreciation period. The advantages of this funding method are that the up-front assessment supports the financial future of the club and the refundable feature tends to encourage membership approval for a project. The disadvantage of this funding method, of course, is that each member is required to make a large, single payment.

For example, at XYZ Country Club each member is assessed \$5,000 to fund a proposed capital improvement. Assuming a depreciation schedule of 10% per year for ten years, a member resigning from the club after five years would receive a refund of \$2,500 or an amount equal to 50% of the original assessment.

A non-refundable assessment entails an up-front payment from each member covering the total cost of a capital



A good way to gather valuable input in the early stages of a capital campaign is to circulate a well-crafted survey that asks members to rate their satisfaction with individual course components, such as the bunkers.

improvement. The advantage of this payment method is that it covers the complete cost of the project and thereby doesn't threaten the financial future of the club. The disadvantages of this payment method are that it obliges the current membership to cover the entire cost of a capital project and that each member is required to make a large, single payment.

In some instances, private clubs are established with a bylaw that sets aside a portion of the monthly dues in a capital reserve fund. The obvious advantage of this accounting method is that the club is capable of using existing assets to cover the periodic costs of large capital improvements. The disadvantage here would be that it increases the monthly dues that in turn might make it more difficult for the club to sign up new members during stressful economic times.

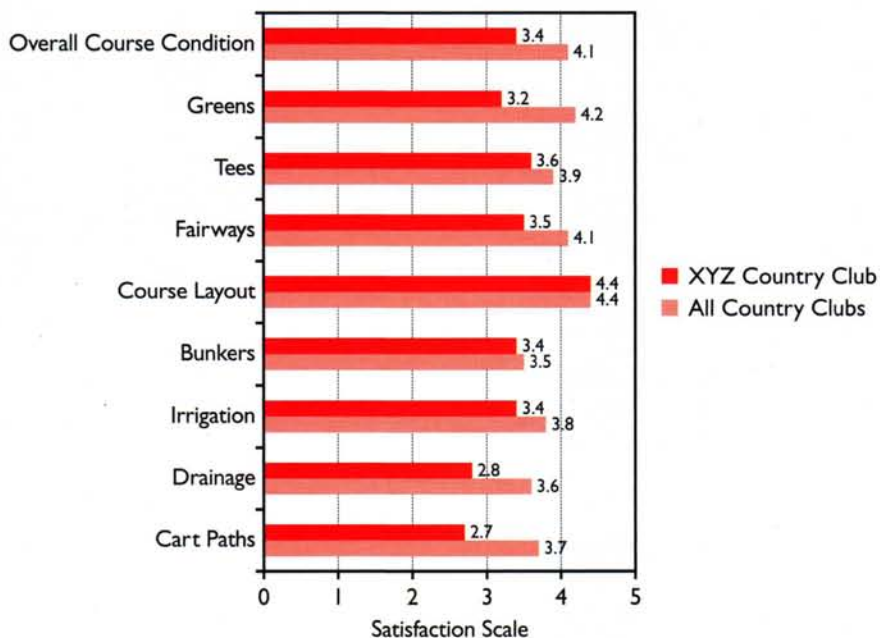
One important detail in the process of developing a feasible financial option is evaluating which segments of the membership should pay for a large capital improvement. If the scope of the project is limited to golf course improvements, then logically those members who play most often are typically required to pay for the bulk of the improvements. If a social club member is granted limited access to the golf course, then he or she might be required to contribute a small amount. Additionally, senior members may be required to contribute, but at a reduced rate when compared to regular members.

Developing an architectural master plan for a golf course is only one step toward the completion of a major capital improvement project. The other equally important steps are gathering input from the membership via a survey, developing a realistic budget, and putting forth an acceptable financing plan. In an era when public golf courses are being developed that rival and, in some cases, surpass the playing quality of private clubs, it is easy to recognize the importance of keeping up with the

Joneses. After all, current industry surveys show that access to a high-quality, well-maintained golf course is the primary reason for joining a private club.

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**Table 1**  
**Satisfaction Survey for XYZ Country Club**  
 Survey results for XYZ Country Club indicating the need for significant capital improvements to restore membership satisfaction  
 Satisfaction scale: 1 – very dissatisfied, 3 – neutral, and 5 – very satisfied



**Table 2**  
**Course Improvement Support for XYZ Country Club**  
 Survey results for XYZ Country Club showing membership support for several capital improvements

