

## THE IMPORTANCE OF BUDGETING

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In talking about the importance of budgeting, one must first discuss the proper procedures in developing a good budget.

It is one of the basic responsibilities of a golf course superintendent to prepare the annual golf course maintenance or operating budget. It is hard to believe that the operating budget could originate from any other individual within the club. A superintendent should approach this task with enthusiasm and confidence.

Normal procedure is for the superintendent to prepare the budget and submit it to the green committee for review and possible adjustment. After which, the greens chairman recommends adoption by the board of directors. In some cases a financial committee incorporates the course maintenance budget into the overall club budget before it is presented to the board.

Recently more and more boards are requesting that the superintendent be present during the meeting when the course budget is considered. Experience indicates that the superintendent, because of his technological and practical background, is far better qualified to give explanation to budgetary details than the greens chairman, club manager, or other persons that do not have agronomic training.

Budgets can be prepared in one of two ways, the slipshod way and the thorough way. If by taking last year's budget and by adding a little here and there, he comes up with his new forecast, a superintendent is shirking his duty and responsibility. Rather a thorough, time consuming effort will produce a much more meaningful financial forecast.

Several factors should be considered in developing a thorough budget.

First, a superintendent must know what the club objectives are, what the members expect, and what degree of grooming is demanded. The objective and expectations can usually be found in the superintendent's job description, the letter of agreement between the club and the superintendent, or in the club's planning program policies. Superintendents should review the objectives periodically to be alerted to any changes in the clubs desires. Without a definite clarification of club objectives, the superintendent cannot possibly prepare a sensible functioning budget.

Second, a superintendent must consider labor costs. Much of the success of a golf course maintenance program depends on the permanent status of the working crew. The limited operating period of the courses in our area, lends to a mixture of permanent and seasonal employees, however superintendents should give priority to the permanent employee, as he is the backbone of your staff. Increase your permanent staff whenever possible. Consider the following:

1. It greatly reduces the need for time required to train new men.
2. During the off season fulltime men can be used to renovate equipment, trim trees, groom hazards, mix and stockpile topdressing, general course clean up, and for improvement work.
3. For the most part, fulltime employees are more considerate of equipment, thereby reducing down time for repairs.
4. Year around employees generally have more desire to produce good work, they take more pride in workmanship.

Other items to consider are any new Federal and State regulations that could affect wage policies, for example, increases in the minimum wage. If your club is

unionized, superintendents must consider pay increases, increased benefit costs, or added costs resulting from changes in work regulations, as outlined in the contract.

Also, consider new maintenance practices that could affect labor costs such as the use of systemic fungicides and new, sophisticated spraying techniques, more and better use of transport vehicles in moving crews from one job location to the next, the use of multipurpose mowing equipment, the use of improved machines: for applying fertilizers, chemicals, topdressing, seeding, trap raking, leaf and debris removal, sod cutting and aerification. Don't forget that automatic irrigation greatly affects the number of man hours needed to irrigate the golf course.

A third item to consider in budget preparation is maintenance equipment. In order to achieve the maintenance objectives of his club, the superintendent must realize, the necessity of having adequate and up-to-date, labor saving equipment at his disposal. Rising steel prices, increased freight costs as well as sales taxes must be taken into account as the superintendent seeks approval for the purchase of this equipment. In some clubs consideration may well be given to a lease or a lease-buy program rather than an out right purchase of major pieces of equipment. Planning well in advance is a must in equipment purchasing. "When-to-buy" requires a careful evaluation of present equipment, the superintendent should consider performance, reliability, annual maintenance costs, present repairs needed, worth, and expected life as well as what equipment is now available to replace that piece of equipment. When considering the purchase of a newly developed piece of equipment always consider performance, reliability, possible lower fuel and labor costs, and reduced golfer interference. Complete and accurate record keeping is essential in preparing this part of your budget. Keep an Equipment Maintenance File.

The fourth area for consideration is supplies. We superintendents must realize that our industry changes everyday. What we did yesterday or last season may not be economically feasible for us to do today or this season. Turfgrass researchers on college campuses, such as our staff here at Michigan State and in industry are continually developing and testing new and better golf course chemicals. Federal, State and Local legislative bodies are continually changing our world by removing selected chemicals from the market. In some instances chemical companies have stopped producing certain golf course products. We are indeed fortunate that the new products developed are proving satisfactory. The superintendent must develop a chemical program for his golf course. He should set up a fertilizer, fungicide and herbicide program, considering the chemicals presently available, looking at factors such as: active ingredient, toxicity, LD50, compatibility, additives, safety, rate of application, method and ease of application, performance, reliability, cost per unit weight, cost per application per unit area and cost per unit area per unit time. In developing a chemical program for your course, always take into account the previous programs that have been used. Remember too, that longer lasting chemicals require fewer applications. Other supplies to consider are flags, flag poles, tee markers, ball washer, and benches, these also are going up in price and don't forget the replacement costs resulting from vandalism.

A fifth area to consider in budget preparation is current inventories. What you currently have on hand influences what you buy, that is, budget for next year. A sound inventory record keeping system is of great advantage here. The superintendent should also consider the shelf life of perishable supplies such as seed, hygroscopic fertilizers, certain chemicals, and highly oxidative and volatile compounds.

The next, a sixth area for possible consideration is the advantages of amortization of equipment purchases. Too often clubs write off expenditures in the year of purchase, this leads to problems in that large purchases many times get deferred. Through amortization, clubs are more aware that a given piece of equipment must be replaced in a given time. Accordingly, financial plans such as sinking

funds can be set up. Most public or taxable courses use this procedure. Amortization tables for golf course maintenance equipment can be obtained from the Internal Revenue Service.

Another area to consider in budget preparation is plans for renovation. Comments about renovation come from many sources, this is good. However, the superintendent is the one person who must constantly review his course for possible improvements in playability, aesthetics, player protection, water control, etc. Plans for renovation should be classed as long-range and short-range. Long-range renovation requires more than one year to complete, where short-range projects are normally completed in one season. Long-range renovation is more expensive and on occasion requires outside consultants and contractual agreements. Examples of long-range projects would be landscaping including tree planting; green, tee, and fairway renovation and relocation; stream diversion; drainage of fairways; irrigation updating; a new maintenance building, etc. Short-range plans can develop from long-range plans, for example, rebuilding a couple of new tees would be a short range project stemming from a long-range plan to rebuild several tees. Short-range plans normally must be made keeping the golfer in mind, don't interrupt play more than necessary.

Also, the superintendent should carefully evaluate the past years actual expenses when preparing his budget. Major variations between the previous budget and the actual expenditures should be thoroughly investigated to determine whether this problem might occur again. Various record keeping practices are very helpful when evaluating these past expenditures. A time study is essential when checking past labor costs, are you spending too much time in a certain area. A Manning Table is also a valuable tool in planning labor costs. Other record keeping necessities have already been mentioned, (1), a Equipment Maintenance File and (2), an inventory system.

Now let's take a look at our budget preparation procedures at Burroughs Farm. First, I should explain that Burroughs Farm is more than a golf course, it is a 500 acre recreation facility owned and operated by Burroughs Corporation for the rest, relaxation and enjoyment of their employees. Burroughs Corporation is a world wide organization employing more than 50,000 people in the engineering, manufacture, and marketing of electronic data processing equipment. Our recreation facility consists of two golf courses, a championship 18 and a short 9; a gun club, both trap and skeet; a lake and swimming area with a boat livery; a vast picnic area complete with tables and stoves, swings, slides, merry-go-round,, suffleboard courts and horseshoe pits; a sixty site improved campground with water and electricity at each site; 78 completely furnished rental cottages; 52 private cottages; 37 permanent house trailers; a ball diamond with bleachers; and tennis courts. Our Operating Budget and our Capital and Extraordinary Commitment Project Budget are prepared for the whole facility and not broken down for separate activities. So the budget areas I will be showing you are for the complete Burroughs Farm budget.

Our current Capital and Extraordinary Expenditure Project Forecast is as follows:

#### 1975 CAPITAL AND EXTRAORDINARY EXPENDITURE PROJECT FORECAST

1. Reroof Dance Hall	3,500.00
2. Truckster	2,500.00
3. Practice Ball Dispenser	1,000.00
4. Dumpsters - 6 each	1,500.00
5. Picnic Stoves - 12 each	600.00
6. Turf Tractor	4,500.00
7. Golf Course Sprayer	2,000.00
8. Tee Mower	2,500.00
9. Turf Trailer	1,100.00

10.	Riding Greensmower w/verticut units	4,000.00
11.	Fairway Mowing Unit - 7 gang	3,800.00
12.	Exhaust System for Kitchen	8,000.00
13.	Stainless Steel Sink for Kitchen	500.00
14.	Tree Planting	1,000.00
15.	Stump Removal	1,000.00
16.	Cart Paths	2,500.00
17.	Reseal Tennis Courts	600.00
18.	Golf Course Construction - Tees, Traps, etc.	2,500.00
19.	Playground Equipment	1,000.00
20.	Refrigerators - 3 each	500.00
21.	Power Seeder	1,300.00

#### DEPARTMENTAL EXPENSE FORECAST

- I. Salaries and Wages
  - 8101 - Executive & Supervisory Salaries
  - 8134 - Overtime Premium - Indirect
  - 8160 - Other Salaries & Wages - Indirect
- II. Purchased Supplies
  - 8404 - Resaleable Items
  - 8405 - Gasoline & Oil
  - 8406 - Departmental Supplies
  - 8409 - Printing Materials
  - 8414 - Postage
  - 8439 - Fuel Oil
  - 8440 - Natural Gas
  - 8441 - Electricity
  - 8443 - Telephone - Local
  - 8445 - Telegraph & Long Distance Telephone
  - 8462 - Repair & Maintenance - Material - Buildings
  - 8463 - Repair & Maintenance - Material - Machines & Equipment
  - 8465 - Repair & Maintenance - Material - Furniture & Fixtures
  - 8466 - Repair & Maintenance - Material - Land Improvements
- III. Purchased Services
  - 8559 - Personal Services
  - 8572 - Entertainment
  - 8573 - Travel Expense - Indirect
- IV. Other Expenses
  - 8635 - Association Memberships & DUES
  - 8686 - Other Technical & Education Expenses
- V. Service By Others
  - 8791 - Data Processing Expense
- VI. Fixed Charges
  - 8802 - Insurance - Automobile
  - 8804 - Insurance - Fire
  - 8824 - Social Security Taxes
  - 8825 - License Taxes
  - 8826 - State & Local Taxes
  - 8827 - Taxes - Sales & Use
  - 8828 - Unemployment Taxes
  - 8831 - Real Property Tax - Michigan
  - 8832 - Personal Property Tax - Michigan

- 8861 - Depreciation - Improvement to Land
- 8862 - Depreciation - Buildings
- 8863 - Depreciation - Machines & Equipment
- 8865 - Depreciation - Furniture & Fixtures

A couple of quick comments about selling your budget. The superintendent should present a brief explanation for each of the budgeted items. A careful and accurate explanation is needed whenever large increases or decreases arise. Explain how you arrived at your figures. It is also helpful when proposing a budget to individually list the past four or five years actual expenditures in each of the budgeted areas.

A budget is much more meaningful when it is checked periodically. Once our budget at Burroughs Farm is approved, it is spread over each month of the budgeted period. In other words, how much of each budgeted item will be spent month by month. At the end of each month our accounting people at Burroughs Headquarters furnish us with a computerized budget report. This report is used to evaluate our operation over the past month, by noting any variances between the actual expenditures and the budgeted amount. On the same report is a year-to-date analysis. This is a very helpful tool, it lets you know where you are at. In some clubs where large variations are not too likely, quarterly budget reports should be ample.

Now, let us review the importance of budgeting.

1. First of all, the budget necessitates the establishment of a program and regulates and emphasizes performance within that program. You cannot prepare a budget without first establishing a complete program, after which changes in your program will reflect as variances in your budget.
2. It encourages participation and promotes understanding by club officers and other club employees such as the club manager and the professional. By witnessing your budgetary problems they can come to a better understanding of the superintendents position and the problems he faces.
3. It requires that all expenditures be specifically labeled, whereby they immediately gain identity. In other words, expenses must be listed under a particular budgeted item.
4. The budget identifies immediate needs for the coming year. Budget variances point out areas of concern, such as too much labor being used in one area, possibly suggesting the purchase of a new piece of maintenance equipment.
5. Large budget variances reflect unusual and unexpected problems, many times these have occurred when the golf course was under a stress condition. Severe drought is an example.
6. It provides for continuity of operations, especially helpful when superintendents and/or club officers change.
7. It provides the superintendent with a vehicle to evaluate his maintenance program.
8. A good budget builds the superintendents credit with his members. That is, an excellently conditioned course achieved within the limits of an approved budget, is a feather in the superintendents hat.
9. Budgets regulate inventories. It restricts the purchase and storing of unneeded supplies.

These are some of the things a good budget does for a club and its superintendent, I'm sure there are many more. But I feel you will agree that a budget does much more than answer the questions, "Where does the money go?" and "Is our money being spent wisely?"