THE GOLF COURSE BUDGET PROCESS

Michael D. Morris, CGCS
Crystal Downs Country Club
Frankfort, MI

Just as the layout and conditioning vary from one golf course to another, so do the costs and budgets vary from one golf course to another. There is no standard cost per round, or cost per acre, for managing a golf course. Rather, golf course owners and managers determine the conditions they desire and the money they are willing to spend on any given golf course.

Careful planning and communication are essential to the financial success of the operation, whatever the decision-makers agree to spend on the golf course. The budget process is central to the financial success of the operation, as the owner and manger use the budget process to plan, project and control the golf course's financial resources. The golf course budget should ideally reflect the desired conditions and priorities for the golf course, and should be used as a tool to keep the entire operation on track.

The Purposes of the Budget

The purposes of the budget are planning, projecting, and controlling. Planning involves determining the labor needs and resources for maintaining the golf course at the owner's desired level of quality, and within the financial resources of the golf course. Projecting the budget over a period of time – months or years – allows the golf course manager and the owner to determine how much money will be needed in the short term to cover bills, and how much money should be held in reserve for future expenditures. The budget can also be a tool for controlling expenditures, based on income or previous projections, by measuring the plan and the projection in comparison to the actual financial activity.

In short, the golf course budget is a process of communicating current and future financial needs, and tracking the actual financial activity of the golf course.

The Two Budgets: Operating and Capital

The operating budget addresses the ongoing, routine maintenance of the golf course, and includes expenses for labor, fertilizers, pesticides, equipment repair, fuel, supplies, utilities, leases (unless regarded as a purchase), and the like. Revenues from golf course fees generally fund the expenses in the golf course operating budget.

The operating budget will project the current year's expenses, and may be broken down on a month by month basis. The manger and owner can use the operating budget to compare the current year's expenses with the budget to project anticipated savings or losses. This budget may also be used to compare the current year's projections to previous years' expenses.

The capital budget addresses the acquisition of assets, and includes the construction of the golf course, construction of buildings and permanent fixtures, the purchases of equipment, and the like. Revenues from the sale of property and initiation fees, as well as windfall profits generally fund the capital budget. This budget should look forward at least two or three years, if possible, in order to plan for the financing necessary to keep the property and equipment in good repair. Failure to plan for these large ticket items on an annual basis may lead to an excessive, one-time expense to replace equipment or buildings and may result in diminished conditions and quality on the golf course.

Projecting Labor Costs

Labor costs probably will be the largest line item in the operating budget, and will include salaries, wages, taxes, and benefits. In order to effectively plan and project labor costs, the owner and manager must agree upon the number of employees needed to maintain the golf course, how many employees will be full and part time, the wage and salary scale, what benefits will be offered, etc.

A simple spreadsheet will help plan and project wages and salaries. Once you know the number of employees you need, determine the number of weeks and the number of hours per week they will be working, including overtime hours. These numbers will obviously change from employee to employee as you consider your full time people and any part time and summer staff that you may have. You will then need to calculate the employers liability for FICA, Medicare, and Unemployment Insurance, based on your projected gross salaries. Finally, do not forget to calculate Worker's Compensation Insurance, and any owner sponsored benefit plans offered to your employees when you are projecting total labor costs.

Budget Presentation

The manager is responsible for preparing the budget in an agreed upon format with all of the information requested by the owner. It is important that the manager provides explanation and rationale for numbers of employees, changes in wages, and any significant changes from year to year in the budget. The manager should also provide the owner with a detailed account description for items on the operating budget, as well as reasons for the proposed purchases on the capital budget.

It is very helpful to keep detailed records of wage history in order to justify changes in the operating budget, which occur over time. It is also helpful to keep historical records of equipment purchases, equipment replacement, and equipment and building ages to justify the need for repairs and replacement in the capital budget.

Other Budget Considerations

Timeline for the budget process – The owner decides the fiscal/calendar year for the budget and when projections are due.

Financial statements and control – The owner decides how often actual expenses are compared to the budget, and what control measures are to be taken for line items under or over budget.

Inventory accounting – The owner may require the manager to keep track of fertilizer and pesticide inventories, parts inventories, etc. Using a simple spreadsheet will allow the manager to report the asset value of the inventory on hand, as well as the expenses on a timely basis.

Justification – The manager informs the owner of actual or projected budget variances.