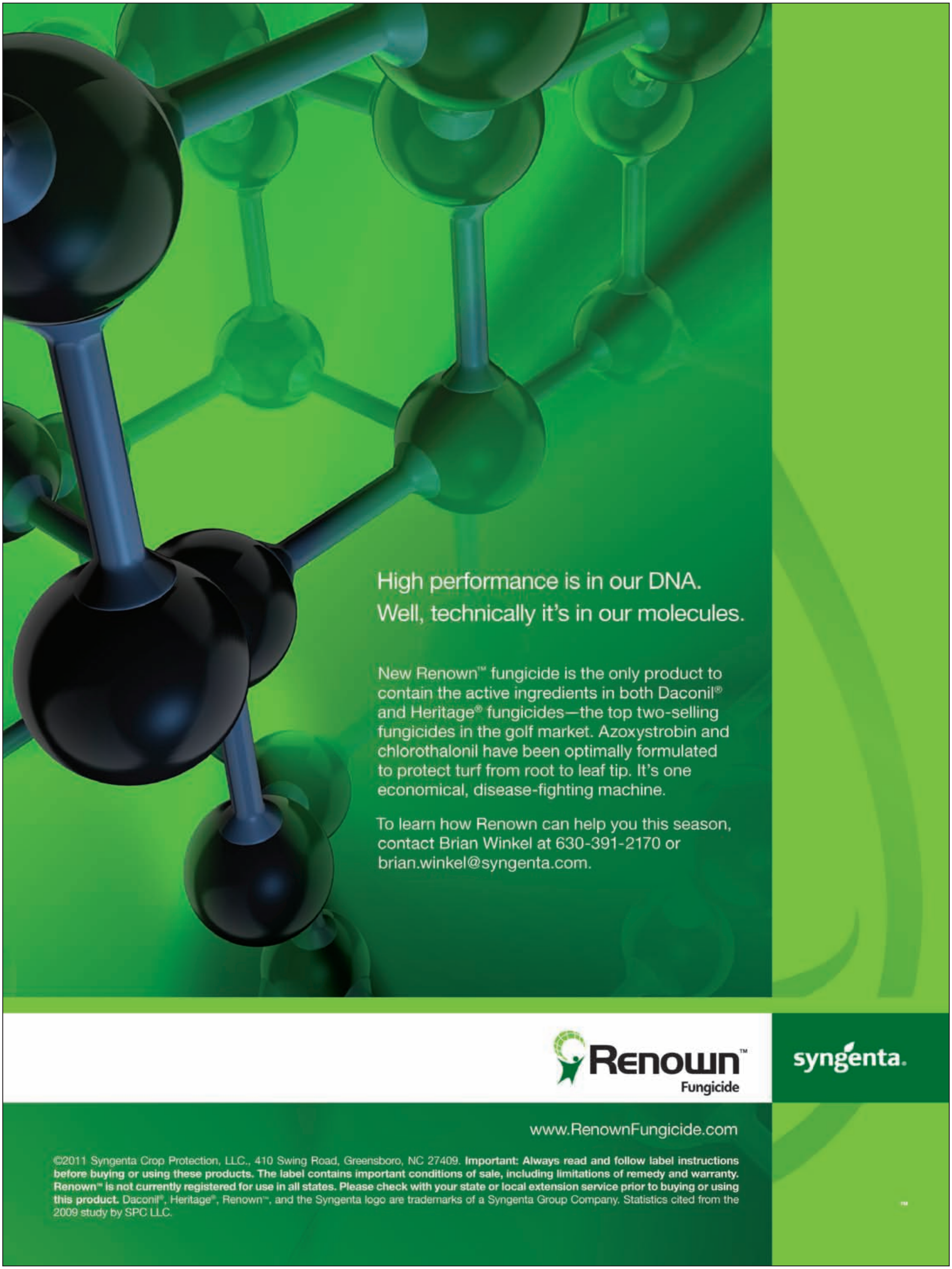
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2011 Board of Directors

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And you thought you had an airtight employment contract? Tim Anderson explains in his feature how linen companies lock our clubs and courses in for the long haul.

FRONT COVER
I knew I took a picture of this pachyderm last time I was in Brookfield for some reason. I couldn't resist with the title of our feature article this month.
Photo credit: Luke Cella

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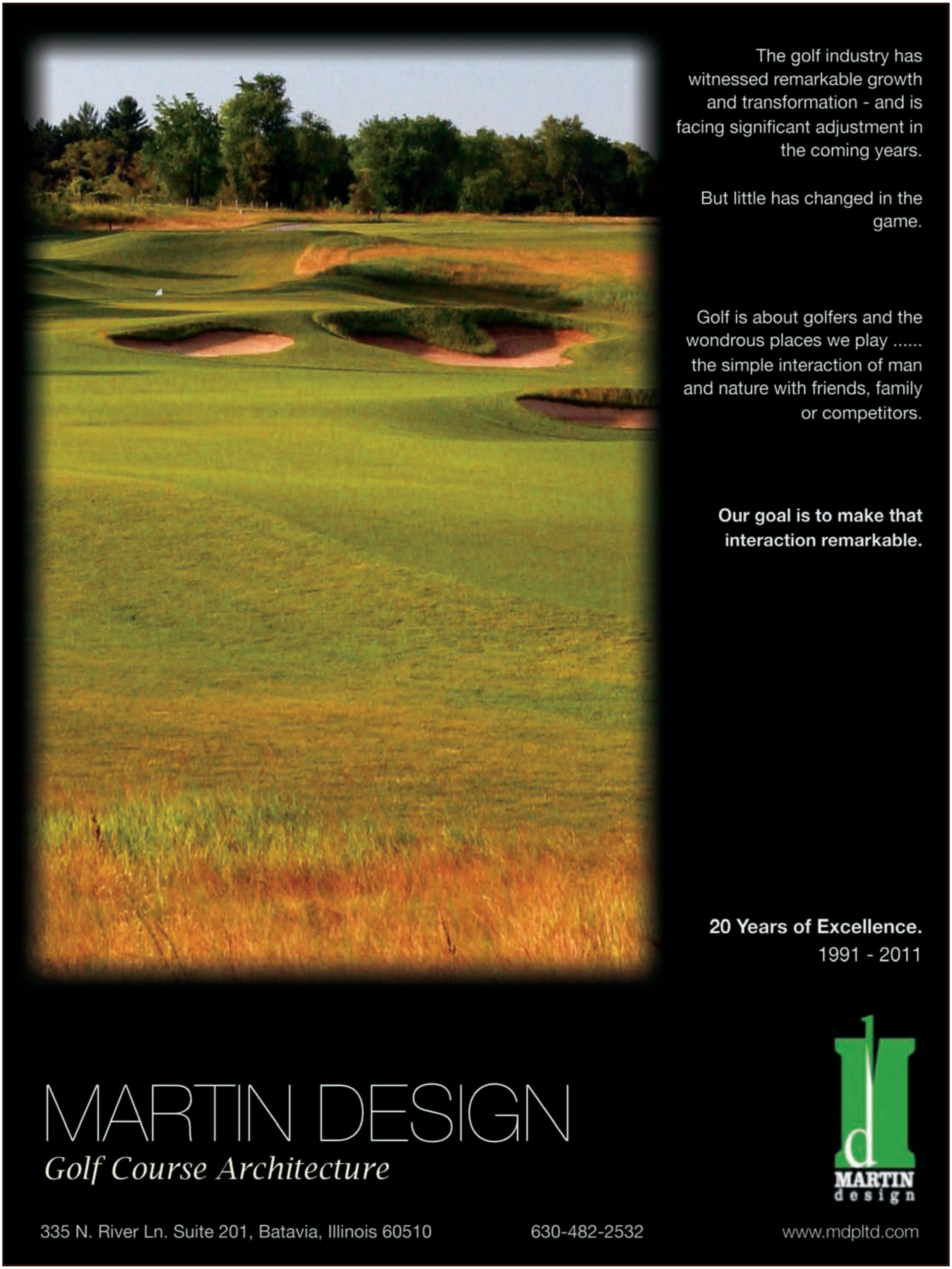
The Midwest Association of Golf Course Superintendents (MAGCS), founded December 24, 1926, is a professional organization whose goals include preservation and dissemination of scientific and practical knowledge pertaining to golf turf maintenance. We endeavor to increase efficiency and economic performance while improving and enhancing the individual and collective prestige of the members.

The MAGCS member is also an environmental steward. We strive to uphold and enhance our surroundings by promoting flora and fauna in every facet in a manner that is beneficial to the general public now and in the future.

All editorial and advertisement inquiries should be directed to Luke Cella, Publisher, *On Course*. 11855 Archer Avenue, Lemont, IL, 60439. (630) 243-7900 or visit www.magcs.org for rates and requirements. Statements of fact and opinion are the responsibility of the authors alone and do not imply an opinion on the part of the officers or members.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DIRECTOR’S COLUMN

Nick Baker, *Chicagoland Turf*

Commercial Advisory Update

As I write this the 2011 GCSAA National Convention is 2 weeks away and I can’t wait to see old friends, meet new friends and continue those relationships that mean the most to me. The MAGCS Hospitality Reception has always been the perfect place for this, and after the cold weather this winter, the GIS can’t come soon enough. Luke Cella and Sharon Riesenbeck have set the bar high with their hard work and fresh ideas at past Receptions and this year should be no different. I foresee:

- The Lucky Leprechaun having one of their best Wednesdays ever.
- The scholarship raffle having made a few people happy (one in particular with a new iPad).
- And more weird and scary photos from the years past looped throughout the evening that will have given everyone a “what was I thinking!?!” moment. Thank you to all those that make the Hospitality Reception possible.

To date MAGCS has raised $17,000 for the Hospitality Reception and we expect that number to increase significantly. The reason for this is the dedication of the Class E members and the Midwest Core Sponsorship program. This program has really helped streamline the sponsorship/advertising process for MAGCS and make it easier for Class E members to support all of the Midwest’s programs. We now have five companies contributing at the Albatross Level, and a total of 14 companies in the program. It makes supporting the Midwest much easier for the companies that took advantage of it.

We are still working on the particulars on it, but it promises to be a relaxing event to help with the stresses of the summer months.

The Commercial Advisory Committee is working on a new event for this July. It is a 9-hole golf event designed to be casual, fun and low key. We are still working on the particulars on it but it promises to be a relaxing event to help with the stresses of the summer months. Look for this on the MAGCS event calendar this spring. **-OC**

FEATURE I

Tim Anderson, CGCS MG, *Naperville Country Club*

Shoot the Elephants First

It's no secret that the golf industry has had a rough couple of years. The pressure to achieve more with less is greater than ever, with most clubs suffering through budget reductions at some point over the last two years. Naperville Country Club (NCC) is no different. In the fall of 2008, I had the opportunity to expand my responsibilities at the club. The decision was made to eliminate the position of building maintenance supervisor and include facility management under my scope of responsibility. This included: housekeeping, building improvements, capital projects, utilities, HVAC, refrigeration, electrical, and plumbing. In the fall of 2009, my responsibilities were expanded again as I was asked to serve as interim club manager. This included oversight of the food and beverage (F&B) department, banquets, member events, member communication, and member recruitment/retention. In both cases the directions from the Board of Directors were very clear: tighten up operations and reduce expenses without impacting service levels – a familiar sound bite. As interim club manager I was invited to attend monthly meetings of the finance committee. Prior to this I had attended only one finance meeting per year. During the annual budget process I would present and field questions about the operating budget for the grounds department. At my first meeting after assuming my new responsibilities it didn't take long for the conversation to turn toward expense reduction. One of the committee members (I'll call him "Mr. W"), who has an extensive background in finance and is a past club president offered some very simple advice: "Son, just shoot the elephants first." I have always had a lot of respect for Mr. W, so I wasn't surprised at his ability to distill the challenge into such a basic statement. I took his advice to heart and used it as the foundation for the efficiencies I have implemented at NCC over the past two years.

Let me take a moment to say that I firmly believe that golf course superintendents and assistant superintendents are the individuals best suited to reducing expenses. It's a part of our daily routine to measure efficiency in minutes so that we can work ahead of that first group of golfers or squeeze in one more task before the weekend arrives. We are efficiency experts by nature. We get antsy when we see time wasted. We are self-motivated people who take action when an opportunity for improvement exists. Furthermore, I believe that we have already worked hard to mine efficiencies out of our own departments. That's why this article focuses at the facility level.

Flushing out the Elephants

This is easier than you might think. Have the club controller run an accounts payable (A/P) report for each of the last three years. Have it sorted in descending order by dollar amount paid per vendor for each fiscal year. This can be done for a specific department or for the entire facility. Reviewing the information from the last three years allows you to see year-to-year movement among the major vendors. At the facility level, top NCC vendors included: the employee health care provider, real estate taxes, food supplier, liquor supplier, utility provider, property/casualty/workers comp insurance provider, turf products (plant protectants and fertilizer), linen/uniform provider, paper goods supplier, pro shop (which is owned by the golf

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professional), and lease companies (grounds equipment and cart leases). The next step was to consolidate expenses across all departments into a series of broad categories. I used insurance and taxes, utilities, cost of goods sold (COGS), fertilizer and plant protectants, laundry and uniforms, postage and stationary, supplies, fuel, and payroll. Cross referencing these two reports gave a very clear picture of how the club was spending its money, which vendors it was spending the money with, and where there were opportunities to reduce costs. The report revealed where the elephants were hiding.

Payroll

Within the grounds department we understand that labor costs typically run between 60 and 65 percent. At the facility level, our labor costs ran closer to 55%. Because labor is still the single largest expense, it offers the greatest opportunity for gains in efficiency and reduction in costs. I should note that labor costs can vary greatly from facility to facility based on amenities and desired level of service. NCC does not offer pool or tennis and therefore doesn't incur the labor associated with them.

As mentioned earlier, the position of building maintenance supervisor was eliminated, and those responsibilities were assumed by the golf course superintendent. At first I was apprehensive about taking on a new role, but it actually turned out to be easier than I expected. I believe that in today's economic climate employees have to be willing to constantly prove their value to their employer – "what have you done for me lately." Taking responsibility for building maintenance can be an opportunity for superintendents to enhance their value and perhaps realize a bump in pay during a down economy. Since most of us are already responsible for the repair and upkeep of the maintenance shop, the learning curve associated with maintenance of the club house is not too bad. I would recommend approaching it in the same manner that you would if you were starting a job at a new course: learn the facility, learn the crew, learn the equipment. For me a good understanding of the building came from researching its construction and history. This required digging through old files, going through the basement and attic spaces, and poking around above the ceiling tiles. Facility management also offers great potential for cross utilization of staff. As an example, this winter we used grounds crew employees to replace the drop ceiling in two of the dining rooms. It provided productive work that allowed me to keep workers on the payroll through the winter months. It addressed a capital improvement project , which in prior years the club would have contracted out. The project was completed at a savings of approximately $3.5K. In the process the employees involved in the project gained a new skill.

Members of the grounds staff install new drop ceilings in the dining rooms this winter. It saved on the cost of the project and allowed Tim to keep staff members throughout the winter months.

Additional savings can be realized by doing repairs in house, something superintendents already know how to do. Maintenance on mechanical systems at the club house is very similar to maintenance on the equipment fleet. Ninety percent of the job is implementing a good preventive maintenance program. For key mechanical systems (HVAC, sprinkler, plumbing, refrigeration, electrical…) we sourced maintenance manuals for the equipment off the internet and set up inspection and service intervals. The housemen now use checklists and a log book to document maintenance on the equipment. Preventive maintenance extends the life of aging equipment, reduces repair costs, saves on energy, and has helped us gain a better overall understanding of how the clubhouse mechanical systems operate.

The majority of savings in payroll came as a result of restructuring the front of house (FOH) and back of house (BOH) management teams. A three-year analysis showed a year-over-year reduction in member dining and banquet sales. Consequently, the FOH management team was reduced from six to three positions and the BOH kitchen staff was reduced from 13 down to nine. This overhaul resulted in consolidation of several job responsibilities. As part of this process we had to do a lot of work focused around team building and the concept of "deconstructing departmental silos" (an entirely different topic for a future article). We had to learn to work together and move past the mindset of **"that's not my job."** We moved away from our previous practice of staffing for the single largest event that occurred during the course of the year and moved toward staffing for our normal flow of business and supplementing that staff with outside temporary labor for larger events. There is no doubt that we scaled back significantly, but it was done with a close eye on maintaining the level of service desired by the members. The other result of rightsizing is that it requires everyone's undivided effort to keep up with our normal flow of business during the peak summer months. We now have a renewed focus on productivity during the winter months in order to finish special projects that may require time not available in season.

Cost of Goods Sold (COGS)

At NCC the golf professional owns the merchandise in the pro shop, so cost of goods sold (COGS) applies only to F&B purchases. COGS can be a tricky subject and it took some time for me to understand the club's financials well enough to make sense out of how we recorded and tracked COGS. Most of the time COGS is treated as a "bad number" and the goal is to constantly drive it downward. I don't see COGS as a "bad number." Instead I look at it as a number that I want to monitor closely. I want to know that it's in line with what was projected

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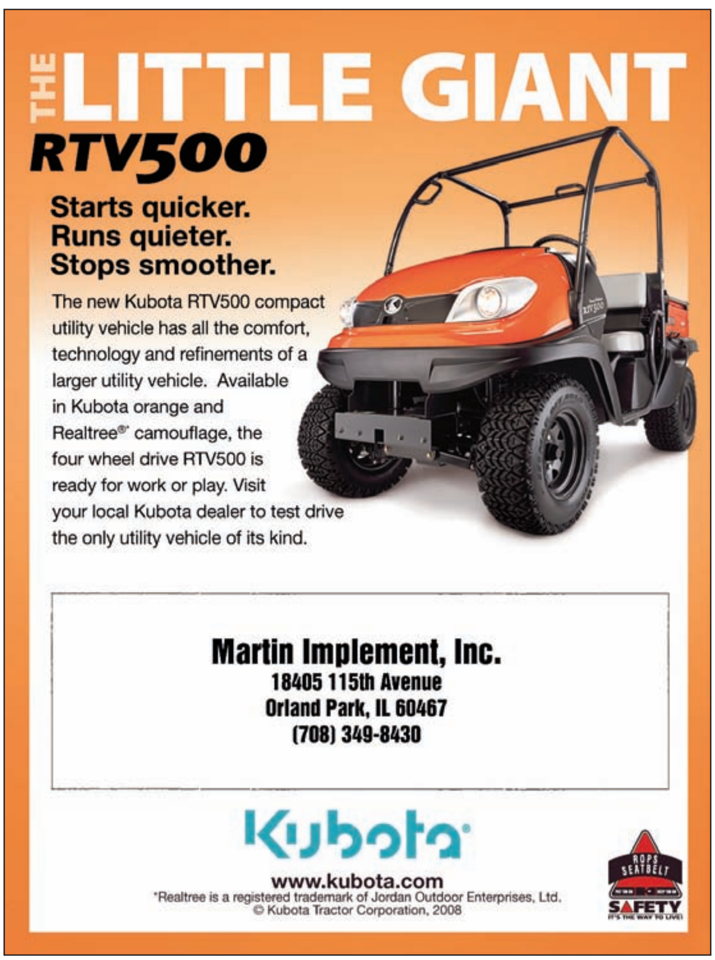
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during the budget process. A facility operating at 35% COGS is not necessarily better off than a facility operating at 45% COGS. It is also interesting that COGS can be easily skewed by improper recording of items such as: free food and beverage, employee meals, bar snacks, or spoilage. With over $450K/year in F&B COGS you have to be able to rely on the executive chef to make wise purchases. Bid purchase is one method to ensure cost control. In our case we combined bid purchase with a purchase program offered by a local major food supplier. This allowed NCC to lock into predetermined margins on specific food products based on incentive levels. This type of program is typically utilized by corporate or national accounts.

Other methods of controlling COGS included: reclamation of food products (a fancy term for making use of the leftovers), controlling shrinkage (a polite way of saying theft), good menu engineering (a chef term used to describe the ability to make a number of different menu offerings from a limited inventory of perishable food items), and proper use of pre and post event profit/loss statements (P/Ls). Event P/Ls are the key to evaluating whether an event has been executed at the desired COGS level and has generated the expected profit margin. Most of the time we hear COGS expressed as a percent of the total F&B revenue (as opposed to a raw dollar amount). It's important to understand that a small shift in COGS can represent a significant dollar amount. At $450K/year in COGS, a 1% movement in COGS can impact the bottom line by $4,500.

The other major change in F&B had to do with changing spending habits. I found the F&B department to be unique in that there are several different employees with purchasing authority. My analogy is that it is like being married, more than one person is writing checks out of the check book. Instilling a fiscal responsibility and accountability mindset is an ongoing process. The most significant change was teaching the managers that expenses need to float with revenue. If revenue goes up, then expenses will slide up; but if revenue is down, the expenses should slide down. In the past, the F&B department operated under the assumption that it had the green light to spend the approved F&B budget regardless of whether or not the corresponding revenue had been realized. Our new mind set is: the F&B department can spend whatever it wants; it just has to produce the revenue to cover the expense first. At times, operations within the F&B department can be as suspenseful as watching a high wire act at the circus.

Insurance and Taxes

Year after year premiums paid to the club's employee health care provider ranks second on the club's vendor A/P list. Utilizing an annual competitive bid process to evaluate pricing is critical. It can be time consuming but can pay off big time. As an example, we budgeted for a 15% increase in health care costs for 2011, given the new health care reform act and price hikes experienced by operations of similar size. Through the bid process we were able to renew (with an equivalent policy) at a 1% increase, a savings of 14% or $25K/year.

Also in the top 10 on the A/P list is the provider for the club's property/casualty/workers comp coverage. For the last two years, soft insurance markets have allowed for savings on insurance coverage. Accurate equipment lists can also influence insurance premiums. In the past, when asked to review the grounds department equipment list, I would give it a quick glance, and as long as any new equipment purchases had been added to the list, I would sign off on it and return it to the accounting department. When forced to review the list in detail, I found several old pieces of equipment that had been junked or traded, as well as a number of items that had values below the policy deductable. We also discovered that the club's cart fleet was mistakenly entered on the equipment schedule twice. Some cart leases are written so that they include insurance coverage; if that's the case, then the club does not have to list them on its insurance equipment schedule (check with your cart supplier). An accurate value on the equipment fleet has an impact on the policy premiums. By cleaning up the equipment schedule we were able to reduce our policy premium by several thousand dollars, a savings that will be realized on an annual basis.

Instead of outsourcing all of the maintenance in the clubhouse, staff is used to clean exhaust baffles in the kitchen.

Evaluating subtle differences between health care policies and property/casualty/worker comp (P/C/WC) policies requires the expertise of a qualified insurance broker; we go out to bid every year for insurance quotes. To keep the broker honest, and to make sure we are seeing pricing from a variety of sources (not just the providers that our current broker likes to work with). We implemented a policy where on alternating years we get competitive quotes from two brokers. In 2009, we reviewed quotes for P/C/WC from two different insurance brokers. In 2010, we repeated the process and reviewed quotes from two different insurance brokers for employee health care coverage. In both cases the incumbent broker was allowed to select two providers that he/she would like to seek bids from. The club issued a broker of record letter so that the incumbent would get first crack at soliciting bids from their preferred providers. Something I found interesting was that insurance companies won't issue multiple quotes to different brokers for the same facility. The idea being that any quote issued by an insurance company for a specific facility should be the same regardless of which broker it is issued through. If Broker A gets his request for proposal (RFP) into an insurance company before Broker B, then Broker B is locked out and is unable to get a quote from that company. This can get a little messy because Broker A can shotgun the market place with RFPs from all the top tier insurance companies leaving Broker B with no companies to solicit for quotes. Broker A might not even intend to develop and present quotes from each of the

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