

STARTING FROM SCRATCH



**A look at golf course management through
ZERO-BASED BUDGETING.**

BY MICHAEL D. VOGT, CGCS, CGIA

The need to control golf course maintenance expenses in this economy is becoming more important than ever. Building a budget component-by-component, dollar-by-dollar is the goal. The best way to study costs is to develop the zero-based budget, and thereby justify each cost center. This approach is far better than the traditional approach of doing inflation-adjusted budgets with percentage increases year after year. The result is a justifiable course budget based on real costs for the actual year.

The first step for addressing the golf course budget is a written standard for quality goals and the establishment of golf course maintenance standards. These standards should be concise at describing the "hows," "whys" and "whos," so that the zero-based budget can be built.

Standards are written guidelines for golf course maintenance minimums and goals. The golf course superintendent should carefully draft these standards with major input from the green/grounds committee.

THE ZERO-BASED BUDGET

Starting with all line items being zero, the budget exercise begins. Labor, based on predicted activities, should constitute the beginning of the process. The standards and cycle times should yield an hourly total for routine maintenance. Labor dollar amounts should be relatively simple to assign to job tasks. For instance, mowing greens would not require a high wage earner to accomplish, while applying fertilizers and chemicals to green surfaces should require a more experienced, higher-wage earner.

The wild card in any golf maintenance labor budget is weather and its related impact on dollars needed to provide standards that are acceptable to membership. During the

golf season, weather and its impact on golf course maintenance should be monitored to keep labor expenditures to a minimum. The superintendent must communicate with regular frequency to the predetermined authority on additions/deletions to the allotted funds in each budget category. Hot, humid weather can increase fungicide application rates and frequencies, or drought can increase power and water use. The superintendent with training must make decisions on course requirements; he also must be a good communicator when it comes to justifying budget variances.

When building a golf maintenance budget from zero the superintendent must take into account the individual line item areas such as fertilizers and chemicals. These commodities are needed to safeguard turf from disease, insect damage, weeds and to control growth and enhance playability. They usually amount to between 8 and 15 percent of a total budget.

Price increases have steadily made an impact on the cost to deliver fine turf. An application program with specific dates, rates and cost per square foot easily can be forecasted with the use of spreadsheet programs. Basically, programs to spray herbicides, fungicides, fertilizers and other chemicals can be forecasted. Pricing these products is generally performed through competitive bidding.

Equipment maintenance and repair also are large additional expenditures included in the golf maintenance budget (usually 3 to 7 percent). An examination of repair records should take place to arrive at anticipated repair costs or whether equipment replacement is necessary.

Building-up each line item based on experience and quality goals is necessary for establishing a zero-based budget. This way, each cost item is understood and justified.

ADVANTAGES OF ZERO-BASED BUDGETING:

1. Provides efficient allocation of course maintenance resources based on needs and standards.
2. Challenges superintendent to find cost-effective ways to improve standards and operations.
3. Eliminates inflated budgets.
4. Increases maintenance staff motivation

by thorough involvement in goals and in monitoring actual time expenditures, thus providing greater initiative and responsibility for all personnel involved.

5. Improves communications and coordination with management, committees and the board.
6. Identifies and introduces new ways to do things.

HISTORICAL INCREMENTAL BUDGETING

Incremental course budgeting uses a budget or actual expenditures from the previous annual period. Incremental amounts are added to the old budget to arrive at the new maintenance budget.

This approach is not recommended, as it fails to take into account changing economic or operational circumstances. Moreover, it encourages "spending up to the present budget" to ensure reasonable allocations are available for the next budgetary period. It leads to a "spend it or lose it" mentality.

ZERO-BASED VS. INCREMENTAL BUDGETING

Across the country, many superintendents have had or will have their budgets frozen or reduced due to the economy. Many clubs also compare course operations, size and budgets with other nearby clubs.

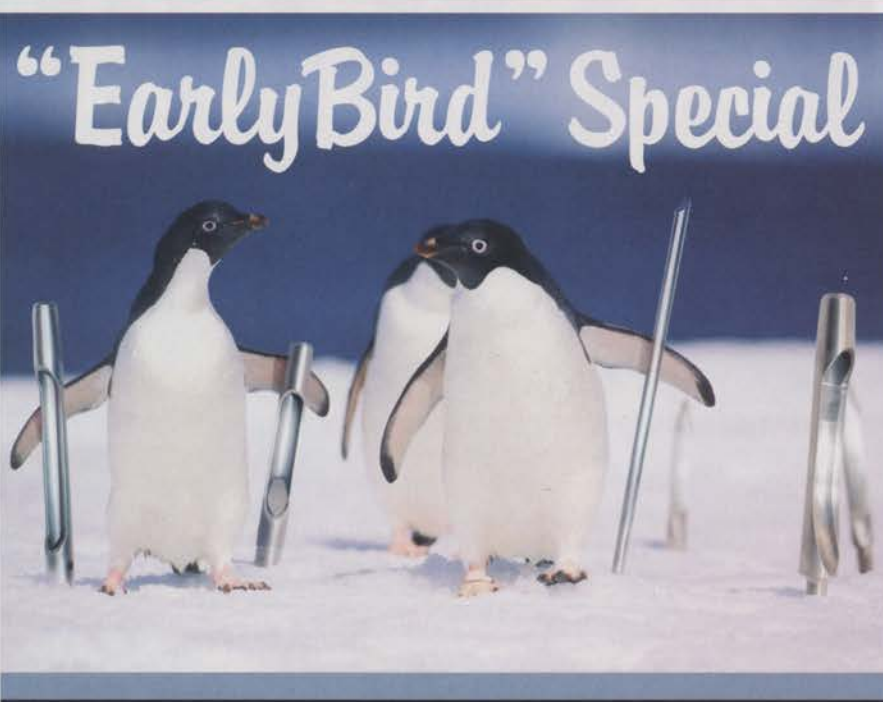
Important issues for any club are golfers and their expectations for fine course maintenance. To satisfy those expectations, maintenance costs sometimes can get out of control. Is it time to scale back on items such as bunker maintenance (a variable expense), as it fast becomes equal to greens maintenance costs? Is out-of-play area maintenance critical to the overall golf experience? Is a vast array of annual flowers superior to perennial plantings? The key is to document and communicate quality expectations with the need to achieve a healthy financial situation during these difficult economic times. Everything done on the course costs money, and thus, priorities need to be set.

There are few reliable methods for comparing maintenance budgets from course to course. The variables associated with comparing different course operations are:

- Managed sizes of turf on greens, tees and fairways;
- Geographic location of the course;
- The number of sand bunkers and bunker design;
- Number of annual rounds of golf played;
- Water and soil quality; and
- The quality standards (goals) set for course conditioning.

Some comparisons that may be useful in certain circumstances are:

- Total maintenance cost per acre;
- Total maintenance costs per hole;
- Labor hours per week;
- Labor hours per golf hole; and



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- Maintenance dollars per golf round.

In 2007 the Metropolitan Golf Association Foundation studied the maintenance expenses of more than 66 private clubs in the New York/New Jersey area. Of the clubs surveyed in three distinct regions, an 11 percent differential was observed in average maintenance budgets during the previous year. In Rubin Brown's 2007 Country Club Stats report of major clubs in St. Louis, the variation in golf course maintenance costs was more than 12 percent throughout the year of the study.

As we've continued to follow golf course maintenance expenses, the trend in maintenance costs has generally increased well in excess of the increases in the Consumer Price Index.

There could be further pressures on course maintenance expenses due to volatility in oil prices. The up and down fluctuation in oil prices will not only affect what is normally only a 3 to 5 percent inflationary impact in the typical budget, but it can also vary the cost of most fertilizers and chemicals that are derived from petrochemicals and the associated delivery costs.

CONTROLLING COSTS

Over the years, a superintendent's need for increasing budgets was necessary to keep pace with the members' ever increasing demands for a better and better golf course. How does this affect budgeting?

Consider equipment purchases, like a walking greens mower. A 22-inch mower in 1988 was \$2,500. Today it costs more than \$6,500. The inflation rate within the last 20 years was 82.44 percent, according to the Bureau of Labor Statistics, and this would put today's inflation-adjusted cost for that greens mower at only \$4,561. Yet today's mower at \$6,500 has inflated in cost by an additional 32.5 percent. Keep in mind, today's mower will not produce a significant decrease in mowing height or an increase in quality of cut.

CONCLUSION

The actual assembly of course maintenance costs can be improved with savings being generated simply by building up a zero-based annual budget. Every cost is justified, and this assures for better management of labor, equipment and material purchases.

If clubs do not take the initiative to require the zero-based budget, they'll be forced to make unrealistic, across the

board budget cuts in sharply declining economies. The zero-based budget makes sense for any economy, but even more so today when cost controls and budget cuts are the order-of-the-day. Isn't it time your club begins to protect its most important asset with a justifiable budgeting process? **GCI**

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