



# the PRICE is Right

**L**ike consumers in the market for American cars or Rust Belt real estate, golf facilities pursuing an irrigation overhaul are seeing some of the best pricing ever. Facilities delaying their plans for better economic times might want to think twice about that. There are deals to be had, industry members say, some that may save your facility \$500,000, as was the case at Vail (Colo.) Golf Club.

Vail GC, a public course operated by Vail Recreation District, had been in talks to renovate its 40-year-old irrigation system for three years.

"As a rec district, it takes us a little longer to be able to win votes and get people educated on what's wrong with the system," says Steve Sarro, golf course superintendent.

Sarro had to win over both the recreation district's board of directors and the town council because the cost of the new system is being split by the rec district, which operates the



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## PRICING FOR AN IRRIGATION RENOVATION IS AT ITS PRIME.

course on property taxes, and the town of Vail, which owns the land.

It turns out the delays were a good thing. The new irrigation system was designed about a year ago and went out to bid in December. By the end of January, the club was down to three contractors, and eventually chose Landscapes Unlimited, which began work in April.

"I really wanted to get it done last year, and every day I wake up thinking how glad I am we didn't," Sarro says.

Timing couldn't have been better, considering copper was at a recent low in December and construction work has slowed in the North American golf market, making contractors' bids competitive.

Sarro estimates the course saved about \$500,000. The total cost for the system was \$2.6 million. If they'd started work in mid-2008, like he'd hoped for, the system could have been more than \$3 million.

Other golf facilities also have saved significantly, thanks to the rules of supply and demand, which have driven down commodities costs, reduced contractors' prices and eliminated energy surcharges and other extras.

### COMMODITY MARKETS

Allied products make up 30 to 40 percent of the total cost of an irrigation renovation budget, so commodity prices greatly affect the overall cost of an irrigation overhaul, says Erik Christensen, president of irrigation consulting firm EC Design Group in West Des Moines, Iowa.

The prices for commodities used in irrigation construction – mainly copper wire and plastic pipe and fittings – are eking up from their early 2009 levels,

though they're still much lower than their post-Hurricane Katrina surges.

"Right now commodities are a lot like the price of gas," Christensen says. "It's not as low as it was a couple months ago, but it's not as high as it was last summer and we don't know how quickly it will return."

Copper reached a recent high in July 2008 (breaking the \$4 mark), but nose-

dived in December to a low of \$1.27, a price not seen since 2004.

"With 200 miles of wire on an average, 18-hole golf project, the copper market's volatility has a significant impact on the cost of a system," Christensen says.

At press time, copper prices were at \$2.33 per pound, showing signs of a slow but steady increase.

ONE-YEAR COPPER SPOT



U.S. PRODUCER PRICE INDEX/PLASTICS MATERIAL AND RESIN MANUFACTURING





Because piping equates to about 25 miles on an average 18-hole project, according to Christensen, plastics prices also play a major role in the overall cost of an irrigation system.

The plastic price index that accounts for both PVC and HDPE pipe and fittings costs has dipped significantly since last summer, when petroleum prices fueled increases among many plastics.

Plastics prices are edging back up, too, though they're nowhere near recent highs like August 2008.

"Pipe and wire have both started to climb since they hit bottom in January of 2009, but it is still an advantageous time to purchase these goods," says Jim Boyer, senior operations manager for Leibold Irrigation, a contractor based in East Dubuque, Ill.

Energy costs can do double duty on irrigation projects – affecting plastics prices and potentially creating the need for surcharges. These surcharges can come in the form of \$1,000 tacked onto a delivery or contractors trying to renegotiate for an extra \$20,000 to cover unex-

pected fuel increases. Such surcharges have all but disappeared in this down market.

Whole goods pricing is down, too, mainly due to supply and demand. Distributors report about a 26 percent decrease on bills of goods when compared to projects quoted in early 2008.

"Materials prices are similar to what they were exactly two years ago," says Gary Kaye, vice president of Kaye Contracting Co., Anthem, Ariz.

#### HUNGRY CONTRACTORS

Plagued by the downturn in the golf market and the economy, builders are hungry for work. Consider it a "new definition of busy," Christensen says, comparing contractors to airlines.

"The flights are full, but they're flying half as much as before," he says. "Contractors used to be able to take on four or five projects, but now they might only take on two, but they've had layoffs, so they're full."

Construction prices are where they were

three years ago or about 15 percent less than early 2008 figures, Kaye says.

"You're never going to get a better price on construction," Kaye says. "People are doing projects for no profit at all – I know we are. It's just to keep your employees working, your business going and the machinery paid for."

Roy Wilson, president of Landscapes Unlimited's Irrigation Group, based in Lincoln, Neb., says projects are going for 7 to 12 percent less than a year or two ago. Leibold's Boyer estimates some projects may be as much as 15 to 20 percent cheaper.

"Demand is just not there as it was in the last couple of years and that brings prices down for the materials," Wilson says. "And with less projects for contractors the competition is greater and the bids for their work are less."

"Fear and hesitation with the markets and with the economy are causing owners and clubs to take a wait-and-see approach, although they're missing out on some great savings right now," he says.

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## THE PRICE IS RIGHT

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That's not the case for the Kensington Metropark Golf Course in Milford, Mich., which is wrapping up an irrigation renovation this month. The facility benefitted from a dry construction market this spring.

Paul Dushane, golf course superintendent for the parks authority-owned golf course, is grateful the facility didn't go through with its irrigation renovation last year. It was put out to bid last August and bids came back much higher than expected.

"Copper was high and it was also a time when contractors had jobs, so they weren't hungry for work," Dushane says.

Based on advice from vendors and consultants, Kensington's decision makers opted to hold back on the project until spring.

The difference in the price tag was "shocking," Dushane says.

"It was around \$1.2 million down to about \$850,000 just for the installation of sprinklers and pipe," he says, noting that the pump house renovation was completed last year. "We saved almost \$400,000."

Kensington's system was designed in-house by former superintendent Mike Brahm-Henkel, who's now an engineer with the parks system. Waterford, Mich.-based Marc Dutton Irrigation is the contractor.

"We couldn't be happier about the deal we got," Dushane says.

The private, 27-hole New Richmond (Wis.) Country Club recently overhauled its 23-year-old irrigation system to a new, double-row design.

Though golf course superintendent Tom Johnson says the club didn't meet the window of opportunity for excellent pipe/fitting prices, he believes the facility benefitted from the slow construction market.

Though Johnson says it's difficult to determine a dollar figure for how much the club saved by squeezing into the prime time for building, he says one indicator is the quality of contractor that won the project.

"Contractors – not only irrigation but also golf course builders – looked at their businesses and said we can go after these smaller projects," he says. "They had to do some adjusting."

"I consider Leibold one of the best, and at the onset we didn't think we were going to get them," Johnson says, adding the club's total project cost about \$800,000 (not including a

pump station). "But we did – it was a fair bid, but it was the low bid. It was just right for this golf club."

"As it turns out, I think we did a pretty good job of timing everything."

### TIGHT PURSE STRINGS

Despite excellent prices on irrigation construction, observers report there's a hesitation to move forward with projects – even at financially healthy golf facilities.

In Phoenix, Kaye estimates, 70 percent of golf facilities are hurting and 30 percent are doing well.

"Even for the third that aren't hurting, the perception that things are bad is making them keep a tight grip on purse strings," he says.

At private clubs, many members have had their personal stock portfolios battered.

"That has a psychological effect on how they want to spend money, even the club's money," Kaye says.

Municipal golf facilities are taking a hit because their tax revenue is collapsing.

"When you're losing teachers and police, you're not going to redo a part of your golf course – that's politically untenable," he says.

Wilson is seeing the same trend. "There are some pretty high-profile clubs that can easily do any scope of work on their course and already have the plans and funds in place to do the project but have backed away because it's just not the prudent thing to do right now as perceived by the membership during these times of economic uncertainty."

"No doubt that's understandable and commendable," he says. "But on the other hand it can be argued it's not being prudent business-wise and not the best use of the membership's money when bypassing great opportunities and value when the times offer it and then paying significantly more for the same service and product later on."

A rocky economy didn't stop Wichita Falls (Texas) Country Club from moving forward with its renovation plans last year, says Nathan Neumann, golf course superintendent.

It's a good thing because he believes his club benefitted from excellent pricing during its irrigation overhaul, which was part of a greater renovation completed in December by Wadsworth Golf Construction Co.

Though the club hadn't previously priced out the project to compare what it would have cost several years earlier to what it actually paid – \$3.5 million for the whole project with \$1.3

million going toward the irrigation upgrade – he believes the timing was right.

Neumann worked with architect Steve Wolfard and Christensen, who served as the irrigation consultant on the project, to keep a close eye on industry trends and current pricing.

"It was a team effort on our part to educate the members and effectively communicate that it was a good time to do a renovation," he says.

The result is a happy membership that has felt the sting of the recession, but not as badly as other clubs.

"The renovation has helped," Neumann says. "We've picked up a few new members, which is positive because it's balanced out a few that we've lost due to the economy."

### WHEN WILL PRICES GO BACK UP?

Kaye says irrigation contractors have been strapped for a solid year, and he expects the situation to remain this way for at least six more months.

Kevin Plageman, principal in West Coast irrigation consulting company Zellers-Plageman, expects it to take longer. "The prices are so low right now and it's the time to get great construction prices, but purse strings are tight."

Though he's not sure how long commodities prices will remain low, he expects aggressive bidding among contractors to remain.

"I'd say it'll be this way for a couple of years," he says.

"That's just my opinion, but I think it'll be this way until real estate turns around. Especially in California, which is overbuilt [with golf courses], many of them are closing down, or converting from 36 to 18 holes."

Both Leibold's Boyer and LU's Wilson expect the construction market to improve moving into 2010 with the disclaimer that consumer confidence will play a major role in how it bounces back.

"We're seeing a little more activity coming on line this fall and more into next year as we receive requests for proposals for those times," Wilson says. "But confidence in the economy and a little more flexibility in bank lending will have an impact on that."

Christensen expects the prime pricing window to close in the next four to six months.

"Commodities and whole good are going to go up, availability is going to go down," he says. "People who are trying to make good business decisions need to focus on the fact that this really is the time to buy." GCI