How do you MEASURE UP?

GCI's State of the Industry report gives you an exclusive benchmark for your maintenance operation.

by Bruce Williams

The numbers are in, and the raw data speaks clearly.

When it comes to interpretation of those numbers, I have used a combination of industry knowledge and communication with many in the industry to come up with my comments. While we all wish we had crystal balls that we could count on implicitly, guessing what the future will bring is difficult at best. By evaluating most of the responses of the survey, it was fairly easy to make comments based on those stats. Some of the questions reflected on where we have been and where we are going in the golf industry.

While the statistics may speak for themselves I have been asked to add some commentary to summarize the raw data that was received in the survey. With research of this depth and magnitude one could correlate the data endlessly. Since I don't have that luxury – or editorial space – I'll focus in on some of the research's key topics.

I believe GCI readers will find that there are some interesting trends and certainly the business is changing. I like what I see and believe that this survey helps to make a case for slow and conservative recovery in the golf course maintenance side of the industry.

ARE WE MAKING ANY MONEY?

There is no doubt that we have been in a recession for the last few years. This may be the single largest factor attributing to a decrease in rounds of golf and a negative number of golf course openings. A reasonable barometer of the health of golf would be the trends of profitability. Understand that some golf facilities are not operated with the goal to make a profit when interpreting the statistics.

Overall, around a third of respondents indicated that their facilities made money last year, another third indicated that they broke even and a third indicated they lost money last year. I do believe that there is light at the end of the tunnel and brighter days lie ahead for the golf industry. More than half of golf facilities either broke even or made a profit. Of those that lost money, it is hard to tell if they were supported by assessments or possibly that they were facilities that use the golf course as a marketing tool for a real estate development. Seeing the number of golf courses for sale I would think that more than a few are upside down at this point but things are improving.

This survey may not show how we got there and what we plan for the future but some of the questions reflected on facilities becoming more economically viable in the next few years. I truly believe there is optimism out there for a number of reasons. Golf facilities have reacted to the lower income by adjusting their expense side of the budget. This has directly affected many golf course maintenance budgets. Superintendents have stepped up to the plate as a part of the solution rather than being a part of the problem. Innovative maintenance methods have been implemented at many facilities allowing superintendents to make adjustments to the "new economic norm." Couple this with aggressive marketing for players and membership and the feeling is very optimistic.

The survey indicated more than half of the respondents felt that their facilities would be more economically viable three years from now. The most common response as to the optimism was a combination of the overall improving U.S. economy and budget adjustments to the current economic climate.

It is my hope that with bud-

Budgets

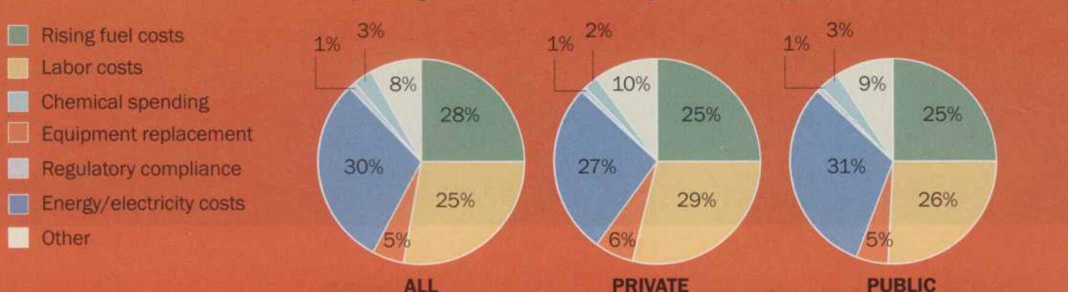
Excluding water costs, what is your non-capital operations budget, including labor and overhead?

18-HOLE FACILITIES			18-PLUS HOLE FACILITIES		
PUBLIC	PRIVATE	ALL	PUBLIC	PRIVATE	ALL
$458,071	$848,961	$651,392	$1,173,164	$1,752,183	$1,387,918

	18-HOLE FACILITIES			18-PLUS HOLE FACILITIES		
LINE ITEM	PUBLIC	PRIVATE	ALL	PUBLIC	PRIVATE	ALL
Water	$12,484	$20,390	$16,499	$27,387	$50,884	$36,258
Fuel	$22,260	$33,876	$28,174	$40,161	$59,295	$47,401
Mowing/cultivating equipment	$25,335	$50,649	$37,644	$70,484	$105,303	$82,464
Handheld equipment	$1,702	$4,419	$3,066	$3,187	$6,331	$4,345
Course accessories	$3,804	$5,294	$4,561	$5,182	$8,963	$6,550
Electricity and natural gas	$17,990	$20,088	$19,046	$35,238	$46,537	$39,357
Shop tools	$1,878	$3,284	$2,568	$3,482	$7,922	$4,962
Irrigation parts, heads and maintenance	$5,948	$9,876	$7,918	$12,904	$16,941	$14,409
Fungicides	$22,163	$44,476	$33,461	$40,821	$58,461	$47,251
Herbicides – Preemergent	$5,109	$7,603	$6,369	$11,854	$22,308	$15,787
Herbicides – Postemergent	$3,613	$4,144	$3,869	$5,221	$10,577	$7,269
Insecticides	$3,694	$6,570	$5,141	$8,128	$14,883	$10,645
Granular fertilizers	$15,203	$20,244	$17,723	$31,472	$48,368	$37,587
Liquid fertilizers/biostimulants/foliars	$7,315	$13,088	$10,231	$12,903	$20,635	$15,736
Wetting agents	$3,129	$5,669	$4,399	$6,113	$7,854	$6,764
Plant Growth Regulators (PGRs)	$4,309	$5,982	$5,151	$5,122	$12,905	$8,140
Seed	$4,127	$5,138	$4,620	$10,639	$10,637	$10,638
Aquatic weed control/water quality issues	$1,635	$2,145	$1,890	$2,754	$4,385	$3,370

If you've reduced your budget in the last 3 years, what have been the cost-cutting measures?

What was your greatest 2012 budget challenge?



Editor's note: "Other" included: irrigation repairs, improving turf conditions, weather, water issues, and a combination of all of the responses.

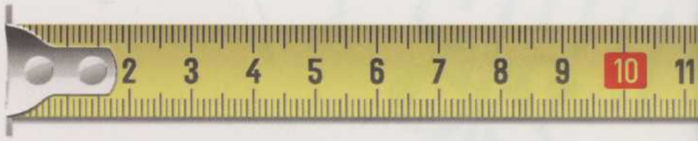
get reductions at so many golf courses, the golfers understand that budgets cuts will surely have an impact on maintenance standards at any facility. It would be prudent to align maintenance standards and golfer expectations with budget adjustments that have been made to keep the clubs in the black.

BUDGET. Several questions dealt with budgets and labor at the golf facilities. In most cases, the labor component of the golf course maintenance budget is the largest line item. It takes people to maintain a golf course.

Considering we have been in a recession, it is very positive that around a third of our golf courses saw an increase in budgets. If we combine those that had a flat budget then we saw almost two thirds of respondents had a flat or increasing budget versus budget decreases. While it may not be at all facilities, I do believe we may have hit the bottom and are on our way back up on a conservative trend.

Reductions in labor have helped to lean budgets. More than half of those surveyed have reduced full-time labor and nearly three-quarters have reduced their seasonal labor. While this survey does not indicate it, my travels have also shown me that various adjustments in the number of full-time versus part-time employees and scheduling for optimal productivity have been influential in operating in a much leaner manner.

Half of the respondents indicated that they deferred capital expenditures. This may be a reflection on the profitability of the facilities and also a reduction



METHODOLOGY

During the first quarter of 2012, Golf Course Industry created a State of the Industry survey, administered online via SurveyMonkey, to gauge the overall fiscal condition of the turf maintenance side of the industry, to benchmark superintendents' budgets and spending trends and to chart other industry-wide tendencies as they relate to the business of golf course maintenance.

GCI had 750 superintendents from around the U.S. take the survey. As an added incentive to complete the survey, GCI committed to make a substantial donation to the Wee One Foundation, a charity group started in memory of Wayne Otto, CGCS, that helps superintendents and other turf professionals in need. GCI is donating $1,000 to Wee One for every 300 completed surveys it received.

Lastly, in addition to periodic email reminders to take the survey, GCI provided access to the State of the Industry questionnaire via a concentrated social media campaign that involved not only the GCI website and weekly enewsletter, but also Facebook and Twitter.

For the purpose of this report, when analyzing the data GCI editors broke down the findings between all facilities, public facilities and private facilities. When appropriate – for example, when reporting on budgeting trends – the data was broken down further between 18-hole facilities and 18-plus-hole facilities to provide a more accurate and comprehensive financial picture.

Labor

For the majority of superintendents, the line item associated with labor (salaries, insurance, administrative, Workers' Comp) on budget can account anywhere from half to three-quarters of an operational budget.

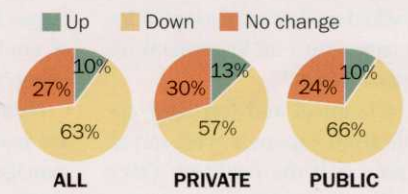
In light of the recent financial hardships that have plagued the economy and the golf industry, more than half of superintendents at both public and private reported having to cut their workforces. As a result, private facilities employ on average 10 full-time and 12 seasonal maintenance workers, while public courses have an average of six full-time and a dozen seasonal workers.

How many people work for you?

What percent of your operational budget is labor costs and non-turf overhead (insurance, administrative, workers compensation, etc)?

	ALL	PRIVATE	PUBLIC
Less than 30 percent	5%	5%	6%
31% to 35%	3%	3%	4%
36% to 40%	6%	6%	7%
41% to 45%	7%	4%	9%
46% to 50%	12%	8%	15%
51% to 55%	16%	15%	17%
56% to 60%	21%	23%	20%
61% to 65%	19%	25%	13%
66% to 70%	8%	9%	7%
71% to 75%	2%	2%	1%
More than 75%	1%	0	1%

How has this headcount changed in the last five years?



in member initiation fees that are often used to fund capital projects.

More than half stated their facilities were spending less on equipment. It is always a challenge for superintendents to make their equipment last longer than a reasonable expectation established in a replacement schedule. Deferred equipment purchases can affect operations with increases in parts, repairs and hours spent on maintenance. In the upcoming years, I do believe we will see purchases made on critical needs and also backed up by a business plan for a true return on investment for major items.

Chemical and fertilizer application expenses were cut at about half the facilities. Once again, superintendents are very creative people, and have made appropriate adjustments at their facilities. Some of this may have been looking into alternative products and methods for plant health and also pest control.

Nearly a third indicated that their golf facilities had rolled back golf course conditioning standards. This may be the trend as some are doing less overseeding and irrigating and cutting out any unnecessary programs for maintenance. It is imperative these reductions be communicated effectively and agreed upon by management, ownership and golfers. If not, it could result in a feeling that the golf course superintendent is doing a poor job due to changing playing conditions and the potential inability to meet golfer expectations.

OPERATING EXPENSES. Responses were pretty standard for the division of operating expenses overall. Water is a large variable depending on the part of the country and the source of water. Similarly, there were regional variances depending on grass types and climate for items like seed, chemicals and fertilizers.

When asked what the greatest challenges were for superintendents in the year ahead there were three primary responses: rising fuel costs, labor costs and equipment replacement.

It is difficult to manage fuel costs as so much is dependent on things outside of the superintendent's control. It is also not a major budget item for most. However, there are many new options out there for the electric-powered equipment and alternative fuel sources. Looking to the future, it may be cost-effective to pay for a higher-priced piece of equipment that has greater energy savings in the long run.

Deferred equipment purchases are making it more difficult to manage a golf course. Increased repair costs and additional downtime for equipment has a cost that should be considered. There are a number of viable options for funding equipment replacement which might include leasing, buying used equipment or financing.

As stated earlier, labor is the key to budget management. Doing more with less is the way to stay in business. However, you can only reduce manpower so much before it starts to have a long-term negative impact on the golf course and golfing experience. We should all have caution that you can cut the fat out of the budget – but eventually you may start cutting into the bone.

CAPITAL EXPENDITURES. It would be difficult to have any conclusion regarding responses to the amount of capital expenditures. The numbers ran the gambit from no expenditures to significant golf course renovations. More important was the percentage of areas under consideration for spending capital dollars.

Less than a quarter indicated they would have course renovation as their primary focus while more than half indicated equip-

Economic health

It's no secret that the recent economic downturn has been difficult for the golf industry.

The good news, according to GCI research, is that about a third of superintendents report their golf course facilities made money in 2011.

The bad news, with the exception of private facilities (35 percent), less than a third broke even, and a third of private courses and more than 40 percent of public facilities lost money.

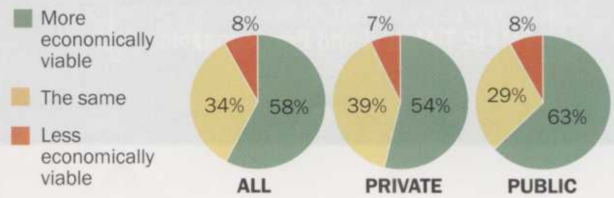
So what's the long-term prognosis for fiscal health? More than half of superintendents predicted their facilities will be more economically viable in the next three years, with 54 percent of private clubs' turf managers and 63 percent at public facilities holding on to a positive outlook. A little more than a third (39 percent) of those at private courses expected little to no change in three years, and less than a third at public courses agreed. Overall, less than 10 percent were pessimistic about their facilities' economic viability.

We asked those supers with optimistic outlooks why they felt this was. Here are some of their responses:

- I am trying to be optimistic. We have seen slow improvement for the past three years and our hope is that this trend will continue.
- I feel we will continue to attract new members and that is our life blood.
- We are receiving more interest in memberships.
- We budgeted to break even.
- I believe the industry will turn around, with price reductions clubs should attract new golfers, or old golfers who maybe stopped playing. Overall, I see courses making sacrifices to get more golfers through the doors, which should lead to an upswing in rounds per year.
- Better economy and our company is growing, which allows us to get better prices from vendors.
- Since I have been at this facility we have improved financially every year and I am confident we will continue to do so.
- Our net membership numbers have held constant or slightly increased in the last three years. Many members that were lost were not that active and have been replaced with younger members that are utilizing the club's facilities and services. Also, our business model projects cash flow to increase substantially in 2014 due to initiation fees becoming due in full and discounted monthly dues to end.
- Lean times make you take a closer look at your operation which in turn requires you to make changes to streamline your operation thus producing the same product but at a lower cost.
- Positioning our financial picture for maximum performance with the least amount of expense.

In 2011, did your facility make money or lose money?

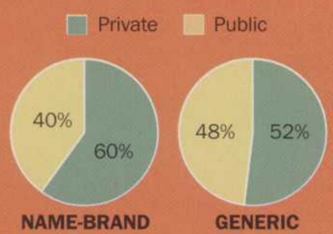
Do you believe your facility will be more or less economically viable three years from now?



GENERIC VS. NAME-BRAND PRODUCTS

Superintendents are nearly split about their preference between using name-brand formulation and generic products. While a preference for name-brand products won out with turf managers at private and public facilities, the margin between the two was not too great and never exceeded a 10 percent difference.

For the survey, we defined a "generic" product as an off-patent product sold as a less-expensive alternative to an original formula.



Capital projects

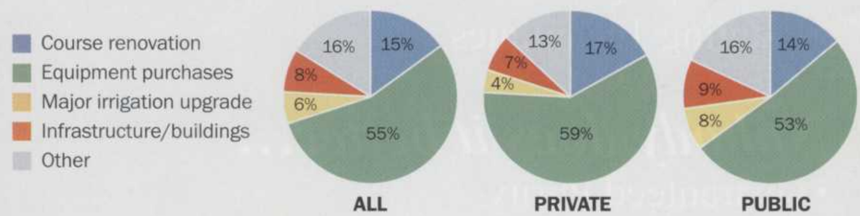
At this time and heading into 2012, golf course facilities seem more willing to focus capital spending on replacing and or updating/upgrading turf equipment over other expenditures, such as course renovation, irrigation upgrades and infrastructure additions. Around 16 percent of all facilities indicated they would place a primary capital spending focus in the coming year on golf cart fleet upgrades, lake restoration and dredging, facility landscaping projects and the addition of driving ranges.

Overall, private facilities supporting more than 18 holes indicate they will be spending the most – an average of nearly $445,000, while public, 18-hole facilities would be spending the least – an average of around $70,400.

Planned 2012 capital projects/purchasing budget

ALL	18-HOLE FACILITIES			18-PLUS HOLE FACILITIES		
	ALL	PRIVATE	PUBLIC	ALL	PRIVATE	PUBLIC
$160,724	$97,600	$121,060	$70,438	$191,148	$444,875	$121,377

What is the primary focus of your capital spending in 2012?



ment purchases. This all falls hand-in-hand with my prior comments that you can only put a hold on equipment purchases for so long before the fleet starts to fail. Several years of not purchasing equipment can take twice that amount of time to play catch up unless things move along at an accelerated pace. Looks like good news for those that are selling equipment. **GCI**

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OVERSEEDING

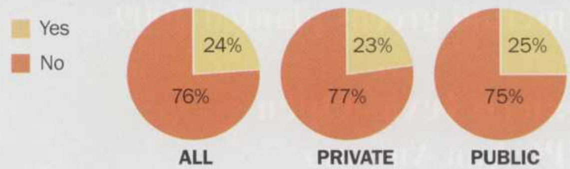
Most superintendents do not factor in overseeding into their overall seed budgets. In fact, around two-thirds keep overseeding costs as a separate budget items.

So what's the cost for overseeding? Turf managers at public facilities with greater than 18 holes budget the most at around $22,000. In contrast, private 18-hole facilities spend just under $6,000.

If you overseed, how much do you budget?

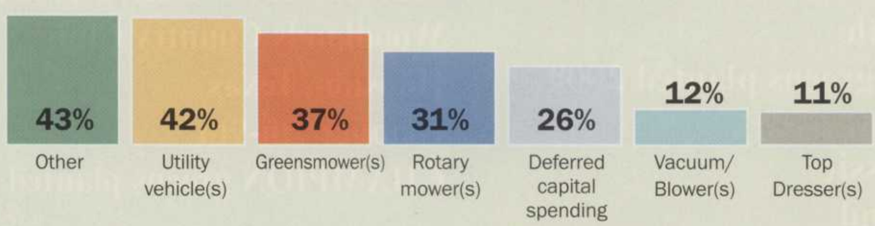
	PRIVATE	PUBLIC
All facilities	$9,491	$15,870
18-hole facilities	$5,702	$8,487
18-plus-hole facilities	$19,057	$21,803

Does your seed budget include overseeding costs?



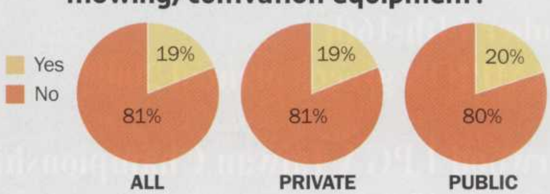
EQUIPMENT

Planned equipment purchases in 2012?

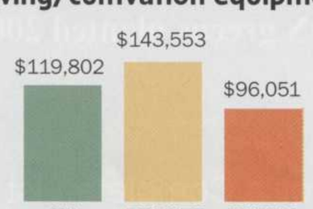


Editor's note: "Other" included equipment such as tractors, skid steers, loaders, lifts, etc.

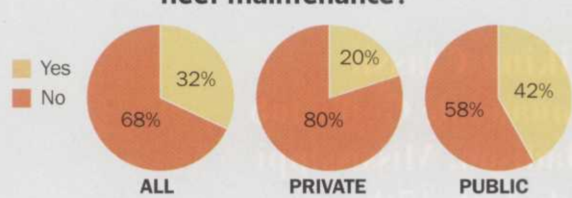
Do you lease the majority of your mowing/cultivation equipment?



If so, what's the annual cost to lease mowing/cultivation equipment?



Are you responsible for golf car fleet maintenance?



If so, what is the annual cost for golf car fleet maintenance?