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DEMYSTIFYING YOUR 2014 BUDGET

Five guidelines to make the task as easy as possible.

Golf facility leaders go into their annual budgeting process with a promising tailwind. The housing economy is recovering in most markets; credit is loosening. Unemployment is improving, and consumer confidence is building. After several years of expense reductions, but bolstered by a growing economy, how should club and course operators be approaching the 2014 budget cycle? Here are five guidelines.

EVALUATE VARIANCES IN THE CURRENT-YEAR BUDGET. How do this year's actual results compare to your budget? Variances of more than 5% should be evaluated. Maybe you were overly optimistic? Maybe your execution was off. Beware of line items that were not accounted for in the budget.

The question to ask: "How will we generate different and better results next year?"

REVIEW AND REFINE YOUR SCOPE OF OPERATIONS. The scope of operations describes all that the facility does, including which days and hours the club is operational and which services are offered and on what schedule. In most clubs the scope of operations remains untouched from year to year. But it should be evaluated at the launch of each budget cycle. Refining your scope of operations is one of the easiest and most effective ways to improve performance results.

The questions to ask: "What do our customers and members really want?" And "How can we operate more efficiently and eliminate waste from lightly used or inaccessible services or service times?"

TAKE A ZERO-BASED APPROACH.

Don't rely on a simple calculation of increased expenses. Start with a clean

budget sheet and plan each line item for a precise method of operation. Zero-based budgets are built brick-by-brick, with one assumption added to the previous. Any flawed assumption weakens the foundation. Understand and document each assumption in each line of the budget. To build a budget from scratch one must be organized and thorough. It takes time to ask the questions and to find the answers. While zero-based budgeting isn't easy, it's the sign of a real profes-

sional. The result is a budget that is more thorough and reliable than one produced by any other method. The question to ask: "Are my assumptions realistic and based on facts?"

INCREASE REVENUE EXPECTATIONS. Revenue growth has been stalled for several years. Many operators and managers continue to try outdated programs that did not work in the first place. Customers and club members seek value. Price increases in importance in their eyes when value is lacking. So before you budget for improved revenue, make sure you're maximizing value.

greater value for members and customers and to support price increases. Think of the Full American Plan at a hotel. A guest pays for three meals per day whether consumed or not. A savvy hotel operator can show you that the breakage – unconsumed meals – holds at about 15%. Can you bundle programs that give your members greater value and improve operational margins at the club?

- Make popular goods and services available to your members and cus-

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tomers ahead of the demand curve. Can your members purchase anything through your retail outlets? Do you use virtual retailing options to expand access to new and popular SKUs?

The question to ask: "Am I thinking like my customers and members. Am I giving them what they want – recognition, respect and courtesy?"

ATTACK AND REDUCE OVERHEAD AND ADMINISTRATIVE COSTS.

If you have not explored ClubSolutions through the Club Managers Association of America, you should. The cost of property and casualty insurance increases every year as new risks and claims experience are exposed. Most clubs accept increased insurance premiums as the cost of doing business. Don't give up so easily. Contact CMAA and learn how to reduce this overhead factor.

In addition, property taxes for your facility should be reviewed. One silver lining of the recessionary cycle is that property value in many markets

Revenue increases originate in the following ways:

- Sell the worst – least desirable – tee (or court) times first. The best inventory sells itself. Revenue growth comes when attention is given to selling what doesn't readily sell itself. This increase in utilization is like finding / new money.
- Bundle services to provide

(DELOZIER continues on page 64)

(MORAGHAN continued from page 8)

firing is justified. How do you know your job is in jeopardy? Members (and especially those who sit on committees) stop talking to you. Meetings are held without your knowledge and attendance. Outside consultants unexpectedly show up to evaluate your efforts. Other superintendents unexpectedly show up to “look around,” or play golf with the pro or members. (The professional thing to do is to call the superintendent and let him/her know that you’ve been invited over, even if it’s possibly for his job.) And sometimes it’s just a feeling that things aren’t right.

Can you turn around a bad situation? Probably not. And given the message that the club is sending, do you really want to? Maybe it’s time to take the initiative and go, before you can be pushed out. But if you do leave, and expect to get another job, remember how you felt when in that awkward situation, and don’t put a fellow member of your industry in that same situation. **GCI**

(FLOODING continued from page 42)



Above: Two images of the new channel next to the old one at Reid Golf Course.

right – across a valley – to a putting surface on the far hillside. Players used to fly that concrete channel with their approaches. Soon they will crest the hill and see a beautiful, winding, naturalized water feature. Yes, of course, that feature is part of a system that can now handle a 100-year storm, and the water exiting that system is 10 times cleaner. But the 12th hole will also be a more beautiful golf hole, and that should count for something. It’s already counting for something.

“I haven’t golfed for about 15 years,” Neuberger says, “but I’m going to play when the course reopens next spring. I’m excited.” **GCI**

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(BRAUER continued from page 18)

and satisfying for very little extra cost. While I promised not to focus on value, the old insurance salesman adage of, “Good architecture only cost pennies a day” applies.

Golf can range from deadly dull to inspiring. While everyone prefers the latter, they often preclude even the chance for the best golf possible by treating golf course architecture as less important than it truly is. Poor architecture usually ruins your golf, so when you have a chance, don’t shortchange your course when it comes to architecture. **GCI**

(DELOZIER continued from page 36)

declined. In those markets, property taxes also should have declined. Check with your local taxing jurisdiction to see if your property value declined and if your tax needs to be adjusted.

The question to ask: “Have I explored the possibility of a decrease in property taxes with my local tax authorities?”

The start of 2014 is still more than three months away. But your planning should be well underway. That process starts with the budget. **GCI**

(KAMINSKI continued from page 52)

playing conditions to bring out the hatchet. In these cases, it’s usually not really about the grass.

Although I simplify the impact of Mother Nature to regional generalizations, I have to add a qualifier. Regional conditions can not only be variable from state to state and course to course, but also from hole to hole. We can’t forget the impact of microclimates that can result in poor growing conditions and continued decline in turf stands year after year. Correcting some of the fundamental agronomic issues – shade, air flow and drainage – is essential to growing healthy grass.

So with all of this in mind, I encourage you to assess where your problems were this year, get things healthy this fall, and fire up the chainsaws this winter. The season’s coming to an end and 2014 will be here before you know it. **GCI**