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## RETHINK CAPITAL PLANNING

Not the sexiest of subjects, but easily the most important to be involved in.

**E**merging from a recessionary cycle that required most clubs to defer capital replacements and acquisition, club leaders are scrambling to prepare for much-needed capital investments.

"Many clubs fell behind the planning curve and are now playing catchup to put their plan in place," says Paul Mueller, who runs Milwaukee-based Club Capital Planners. "Everyone knows that capital planning is important. But it becomes a tiresome exercise for many because they're too busy or don't understand the steps in an effective planning process."

Here are five steps that will result in an effective capital plan:

**INVENTORY EVERY ASSET.** Prepare a preliminary list of everything with a useful life of more than one year and costs more than \$1,000. This time- and base-price reference point is a starting point in answering, "What should be considered a capital asset?" This first-step requires a thorough listing of furnishings, fixtures and equipment (FF&E) in each department. From water fountains to greensmowers, list everything.

**EVALUATE CURRENT CONDITION.** Does the asset show greater-than-normal wear and tear? Has it been in use for too long? Will it operate properly with routine maintenance? Your evaluation serves as the baseline for the capital plan. Consider the buildings, parking lots, pathways, and facility signage.

**CROSS-REFERENCE USEFUL LIFE.** The club accountant or an accounting expert can provide a standard useful life table showing an objective reference point for how long most golf

course and club equipment should be depreciated. In its simplest form, a depreciation term indicates how long the equipment or asset should last and continue to be effective. Most courses stretch the useful life to its limit. Bear in mind that aged and outdated FF&E brings with it uncertain performance and risk for the operator and users.

process, requiring patience, discipline and understanding of value.

While there is no rule-of-thumb answer to prioritizing replacements, planning criteria include:

**SAFETY AND SECURITY.** Aging FF&E that threatens the health and safety of members and staff must be replaced.



"Your evaluation of the current condition of each asset serves as the baseline for the capital plan. Consider the buildings, parking lots, pathways, signage and all aspects of the facility."

**ESTIMATE REPLACEMENT COSTS.** What will it cost to replace the asset? Consult vendors, suppliers and peers to understand the market on goods or services required to replace the asset in question. According to Mueller, most clubs can obtain updated costs from vendor websites or from distributors, supplier or manufacturers' representatives.

**PLAN FOR THE FUTURE.** Following a time when so many capital purchases were delayed because of the recession, most clubs are surprised and sometimes overwhelmed by the amount and cost of replacements. Replacements must be prioritized as few clubs can afford to replace everything in one year. In fact, most clubs plan for replacement every year. The amount in any given year varies. For example, replacing an entire irrigation system will cost millions while the resurfacing of the tennis courts will be a fraction of the cost. Scheduling replacement and expense is one of the most critical steps in the capital planning

Ensuring that the facility is secure and maintains low risk levels is also vitally important. Jeff Magoon, CMAA's risk management executive, says most insurers will provide guidance concerning asset replacement risks.

**MISSION CRITICAL.** What is the club's mission? If best-in-class conditions are a non-negotiable requirement to uphold the mission, course needs must be prioritized. The same holds for any asset that supports and sustains the mission and member expectations.

**REVENUE ELASTICITY.** In clubs where there is constant pressure to keep revenues flowing, assets that generate revenue are the next priority. Kitchen equipment and capabilities that sustain food and beverage revenue are important. Golf cars that yield high-margin revenues need attention and replacement. It is important for each manager to fully understand what assets produce the greatest revenue potential. **GCI**