

Overhead Costs of Equipment Gum Up Budget Accuracy

By PROF. L. S. DICKINSON

TOO FREQUENTLY green-chairmen and their greenkeepers figure the operating cost of a piece of equipment and either forget or neglect the overhead cost. They may be partially excused for neglecting the overhead costs because the maintenance appropriations are made for one year, with no "carry-over of a balance" privilege. In fact one can hardly blame them for neglecting to consider the overhead costs under such conditions.

Without the privilege of carrying over a balance, the greenkeeper and his chairman figure on saving on operating costs only, because the operating cost *alone* comes out of *this year's* budget.

When it becomes necessary to purchase a new machine, it is either paid for from *one year's* budget or by a special allotment from the finance committee. If the finance committee pays for it they note the effect upon the whole budget for the *one year* the expenditure was made in, and forget it. As the cost does not come from the golf course maintenance funds, the green-chairman feels he has "stuck them for another piece of equipment" which may lower the cost of maintenance, and thus give the players better golf at apparently lower cost, that is, lower operating cost only. When the payment is made from the budget, why the answer is, "We'll have to cut out this or that because we bought a tractor. Next year we won't have to buy one and we can rebuild the tee or trap or whatever may be asked for at that particular moment."

Fool Themselves on Figures.

The common practice of not permitting the grounds maintenance division to carry over a balance and then requiring the purchase of equipment from the budget is not good business, is bad for the morale of the greenkeeper and the chairman; it causes them to fool themselves and the finance committee as to the various costs of operations.

There are three cost headings that should be considered in golf course maintenance:

I. Operating costs. These are easy to realize and compute. Labor, fuel, oil, grease, etc. For tractors those four are sufficient.

II. Overhead costs. Depreciation, interest on investment, repairs, insurance and taxes. The latter two may properly be eliminated from the greenkeeper's worries if some general fund pays them, but if a slice is taken by the bookkeeper from the greenkeeper's budget, they should be included.

III. Method of procedure. Obviously the method of procedure affects the total cost of any operation. The greenkeeper has direct control over this cost as he tells how the work shall be done. To illustrate: He routes the fairway mowers from fairway to fairway, or says that the sod will be cut in squares or rolls. One could write a whole chapter on the method of procedure costs. They are not tangible but greatly affect the total cost.

Table from Which Overhead Costs Can Be Computed.

Based upon an initial cost of \$1,000.

Expected life of equipment in years.	Annual depreciation, add to oper. cost.	Interest at 6% to be added.
2	\$500.00	\$45.00
3	333.00	40.00
4	250.00	37.50
5	200.00	36.00
6	167.00	35.00
7	142.00	34.50
8	125.00	34.00
9	111.00	33.33
10	100.00	33.00
11	90.00	32.70
12	85.00	32.50
13	77.00	32.33
14	72.00	32.10
15	66.00	32.00
16	62.00	31.80
17	59.00	31.70
18	56.00	31.60
19	53.00	31.50
20	50.00	31.50

The tangible costs then, are operating and overhead, and to help to figure correctly the overhead costs the accompanying table has been prepared. It is compiled upon the basis of an initial expenditure of \$1,000. To figure the overhead cost on equipment costing less than \$1,000, simply take the fraction of the thousand. For example equipment costs \$400.00 or 40 per cent of \$1,000.

Repair costs can either be accurately kept or figured as a per cent of the investment. Insurance and taxes can be estimated at about 2 per cent of the investment.

Showing Actual Cost.

To illustrate how the overhead cost can be quite accurately figured, let us take for example a piece of golf course equipment costing \$550, expected to last five years.

Overhead Cost on "X" Machine.

Purchase price\$550.00.

Expected life5 years.

Depreciation ...55% of \$200=\$110.00

Interest55% of 36= 19.80

Repairs 5% of 550= 27.50

Insurance, taxes. 2% of 550= 11.00

\$168.30

Consequently \$168.30 should be added each year to the operating cost of the machine to give the correct total cost for the season. The \$110 should be added each year to the credit balance to be applied to the price of the replacement.

Now, \$168.30 is a considerable amount of money. If it represents the annual overhead cost on a machine used three hours daily from April 15 to October 15, or 554 hours. The overhead cost becomes approximately 32c per hour, or 50% of an operating cost of 64c per hour, which is a fair operating cost. The total cost per hour then becomes 96c instead of 64c as the greenkeeper and the chairman thought.

Again comes up the question of why worry about the overhead cost if there is no balance carried over. The answer is this: If you charge no overhead, you should charge the entire price of the machine to the first hour that it works, inasmuch as the cost comes from the immediate budget. But to be more amiable, let's charge the machine cost to the first year (554 hours) and then no depreciation for the remainder of the life of the machine, 4 years. What does the cost then become? Operating and repairs anyway, and if good business methods were used,

interest, taxes and insurance would be added. The result would be the same as if overhead was figured as above.

The maintenance budget pays the bill either way, and it is up to the club to decide whether the bill shall be taken as one dose and the course be sick for a year, or whether the bill is paid in homeopathic doses with no ill feelings.

If the finance committee pays for the equipment the same idea applies, for if it apportions an extra \$550 to the golf course, other claimants for its funds must take the loss in one dose.

I firmly believe that if overhead costs were figured, and properly charged; and if golf course maintenance budgets could be permitted to carry over a balance for purchasing equipment, golf course management would pay better dividends.

Greens Force Has Its Own Tournament

JOHAN MACGREGOR, well known maintenance expert in charge at Chicago Golf club, inaugurated this year a little tournament that other course superintendents can profitably adopt. John had a tournament for his greens force one Monday near the close of the season. The men who were golfers competed for a prize given by MacGregor and others of the staff caddied and otherwise shared in the party.

It's one of Mac's sage and sterling principles that every fellow on the greens staff should get as much as possible of the players' viewpoints. His tournament idea helps a lot.

WHIT GOIT AT CHICAGO FOR TORO

Chicago, Ill.—Whitney Goit, formerly Toro representative at Kansas City, Mo., opens at Chicago, Nov. 1, handling Toro sales and service and other well known lines of course accessories and supplies. Goit's showroom, stock, and service branch will be at 4611 North Clark st., where he will have the complete Toro line on display.

Goit will handle seed, fertilizer and other supplies, considerable of which will be in Chicago stock. He also will have extensive stock of repair parts, and with factory machinery and men will be equipped to service the Toro line in the territory handy to Chicago.