GOLFDOM
THE BUSINESS JOURNAL OF GOLF
FEBRUARY • 1952

# Golf Clubs Are in A Fog on Operating Costs

By HERB GRAFFIS

Joseph H. Nolin, CPA, member of the firm of Horwath and Horwath, club and hotel accountants, recently presented in the Horwath Hotel Accountant a survey of Country Club Operations in 1950. Although the survey was made of figures a year old it discovered weak points that later studies have shown are becoming more dangerous to country clubs.

Nolin points out "Membership dues are the measuring stick or the common denominator of club operations. Dues are intended to cover the costs of club privileges and facilities provided for members. The various departments such as restaurant, sports, rooms, etc., are operated in view of service to members, and not in the commercial view of a large profit. But, are the membership dues sufficient to cover club costs?"

The answer, in the cases Nolin studied: "Membership dues are not adequate to cover club costs according to our 1949 and 1950 studies. To determine their adequacy we have deducted the departmental results, overhead expenses and occupation costs from membership dues. The balance in each case is the net income or deficiency available for depreciation and surplus. Seven of the 17 clubs in the 1950 study did not have sufficient income to cover all fixed or occupation costs. Three clubs could not even carry their operating costs. The group median ratio of net income to membership dues is 7%. This means that of every $100 in dues received, only $7 remained for depreciation and surplus. Surely this financial situation is not healthy."

### CDGA Faces Stark Facts

The median, to which Nolin refers, is the middle figure of a group of numbers arranged in sequence; in other words, half of the club figures are above the median and half are below the median.

The problems of club dues and operating expenses also were subject of worried comment in the Chicago District Golf Assn. Club Management Committee 1951 annual report, which detailed the following points:

Salaries and wages in all departments increasing. Suggested that salaries for the past five years be compiled on a per member basis to awaken the members to what's happening. Grounds and greens average annual payrolls are running $20,000, with some payrolls up to $30,000.

Taxes and insurance per member increasing.

Food and liquor costs up and going higher with selling prices generally too low.

Dining room and bar sales spotty — mostly down. Dining room generally unprofitable. Less than one third of typical club membership adequately supports dining room and bar.

Dues increasing generally. Assessments the rule.

Larger operating deficits for 1951, leaving nothing for improvements, ordinary repairs or debt retirement.

### Club Figures Confusing

The committee reported that only 29 of the CDGA 91 member clubs participated in the survey. Chmn. of the Club Management committee bluntly remarked in the report "If there is a single fault that can be pointed out in the whole problem it is the smugness and complacency of some who feel that they are either so self-contained or so different or unusual in their operation they can derive neither help nor information from any source."

Some of the difficulty in constructively comparing club operating figures is due to wide variations in club accounting methods, despite the availability of the

Club Managers Assn. of America uniform system of country club accounting which was worked out by the CMAA and Horwath and Horwath years ago and which still stands up as a satisfactory, complete and illuminating system, although accounting methods like almost everything else have gone through marked revision in the past ten years.

As with so many other club problems the large annual turnover in club officials is the reason for buck-passing on needed revisions in club financial methods.

GOLFDOM, asked almost daily for figures on golf club operations, sees what the conscientious club official is up against. He may hear of interesting figures at other clubs or want to know "averages" of operating figures. It's been our experience that these figures often don't mean a practical thing. We stopped printing maintenance figures on specific courses because of the difficulty of making accurate and helpful comparisons. One course maintained for $12,000 a year may be an easy course to maintain, and be in very bad condition, while another that has an annual maintenance cost of $38,000 may be an outstanding example of economical management of a course with bad soil conditions, bad construction, design that's expensive for maintenance and adverse weather conditions.

### Need Course Cost Study

Some years ago GOLFDOM financed a study by Prof. Lawrence Dickinson and members of his course maintenance class at University of Massachusetts, in which course maintenance costs were compiled on an average percentage basis.

Those percentages, at that time, seemed to work out pretty well all around, although there were plenty of misleading points in that survey, especially in not having adequate figures on areas of fairways, greens, traps, tee and rough. Rarely has a club such figures, yet its chairmen and other officials want to compare operating costs with those of other courses which also are lacking the data.

GOLFDOM proposes to the Golf Course Superintendents' Association a revival of that pioneering operation in course maintenance cost study. This magazine will contribute cash and experience in collaborating in a study that is urgently needed. There'll be some who say it's impossible to get a helpful sound basis for checking up on course maintenance costs. They, in effect, are unmindful of the advance of course superintendents as businessmen. They don't realize that there's been a development from the "greenkeeper" stage during which the work was only with grass, into a demanding combination of grass expert and business executive.

Turf research has grown far past the understanding capacity of most club officials and members, but what all officials and members do understand is money. There must be more emphasis on the balance between agronomy and finance in course maintenance or the superintendents will miss the boat financially.

The Chicago District Golf Assn., the Detroit District Golf Assn. and other district organizations have done some compiling of figures. Detroit, especially, has tried to get some basis of comparison but has been up against lack of cooperation from member clubs. But the surface hasn't even been scratched in any of the cases.

The Nolin article shows costs of maintenance of course and grounds ranging from $965 to $4,555 per hole, with the median being $1,885. Disregarding the extremes there was little variance in the costs per hole.

The ratio of course and grounds costs to membership dues ranged from 14.6% to 88.9%. The median was 43.5%, and there was a lot of variation between clubs whose figures were examined.

The membership dues of the clubs examined ranged from $26,000 to $349,000 with the median being $98,000.

This full report, covering clubhouse and outside facilities cost analysis may be secured by writing Horwath and Horwath at 100 W. Monroe, Chicago 3; 41 E. 42 st., New York 17; Subway Terminal Bldg., Los Angeles 13, or any of the organization's other offices in leading cities.

It certainly is worthy of study by club officials, course superintendents and managers as it shows where to look for significant operating figures and warnings.

With the figures showing that in many cases action must be taken quickly in adjusting club financial operations to the prevailing realities, the next problem is going to be how much will the traffic bear? With the average age of private club members in most metropolitan districts getting alarmingly high, the study a lot of clubs are going to have to make is how to get more younger businessmen members at prices they can afford to pay.

## Eddie Williams Elected President, PGA Seniors

Eddie Williams, pro at Louisville (Ky.) CC and a former PGA Seniors' champion, was elected pres., PGA Seniors, at the group's 1952 annual meeting held during the PGA Seniors' championship. Hugh Bancroft was elected sec.-treas., Otto Hardt, 1st vp, and Matt Jans, 2d vp.

Women's auxiliary of the PGA Seniors elected as its pres., Mrs. Otto Hardt. Mrs. Mike Brady was elected sec., and Mrs. Willie Ogg, treas. Mrs. Carroll MacMaster was elected corresponding sec.