

Clubs Should Take Hardheaded Look at Needless Services

By **CARL JEHL**

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(Second of Two Articles)

We keep a very close watch on expenditures for sand, seed, gasoline, paper towels and postage stamps, to name a few. We see that heat is reduced when not needed and lights turned off where not necessary. We get competitive quotes when purchasing supplies.

Everyone is keenly conscious of ever rising costs, not only in club operation, but in our private lives. If we are to get full use of the club dollars, we must be alert to all controls inherent in the purchasing and issuing of supplies. Still, we do not spend even half as much for these operating expenses as we do for payroll.

Controls Needed Here

The cost of goods sold is not of primary importance to us except that it plays some part in club dollar expense. All the requirements of purchasing and issuing that apply to departmental supplies, apply at least as strongly to salable goods, particularly since these goods are so critically susceptible to conversion to unauthorized use. Poor control or security in this area can lead to the loss of many vitally needed club dollars that go out "the back door".

We find that 6 cents of every club dollar goes for rent, taxes and insurance. Although this is an area where we are able to exert the least influence for control, it is desirable that we briefly consider these items to understand what influence they exert on overall club operation.

This is a good time to clarify a point concerning all of our figures in general. The percentages that we are examining are the average figures for a group of 50 clubs. Chances are you wouldn't find one particular club among the 50 whose actual percentages exactly duplicate those of the average. The reason for this is obvious. The exact cash need of each area of your club operation is dictated by the type of physical plant you operate, whether it is

newly constructed or has been in existence for many years, whether it is large and sprawling in its area or is compact and built for minimum usage. Your distribution also depends on the facilities provided, whether for just food, beverage and golf, or expanded to include many other activities such as swimming, bowling, squash, tennis, riding, rooms, etc.

Depends on Policies

Your distribution depends upon the policies set by the board of governors and members as to whether you shall operate an economical low budget club directed toward low expenditures and simple service, or whether your policy is to provide everything for the member, i.e., elaborate service and top quality appointments.

Your cash requirements also are determined by your club capitalization, i.e., "RENT". If you own your land and buildings free and clear most certainly you will have more available cash for distribution than if you must pay interest and principal on a million dollar mortgage. If you own a great number of acres in an area where real estate is expensive and taxes are high, the demands on your club dollars will be greater than if you own only small acreage, or are out of the area of high real estate taxes.

Personal Research

To give greater emphasis to where the club dollar goes, I did a bit of research on club dollars expended, exclusive of restaurant and bar operation, over the past 30 years at Baltusrol. I found that for the past 10 years operating expenditures have averaged \$357,000 a year. For the previous 10-year period (1942 to 1951) average expenditures came to \$171,000 a year or just about half as much. From

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The Country Club \$

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1932 to 1941, the average operating expenditures amounted to \$118,000 a year. For the 1960 to 1961 fiscal period, operating expenditures, exclusive of food and beverage operations, total \$427,000 — about 300 per cent greater than in 1933 when the total cost was \$107,000.

In an analysis of unapportioned expenses, I found that in the three major divisions of clubhouse, golf and administration, expenses are all up an average of 300 per cent. Surprisingly, the only expense of operation that has not increased proportionately are real estate taxes. They are up "only" 150 per cent. Simply stated, it costs \$4.00 today to do the same job that could have been done for \$1.00 thirty years ago.

Lag in Dues

Have membership dues kept abreast of the times? Indications are that they have not in comparison to what they were three decades ago. During the early '30s, dues were adequate to pay the full cost of operation, and departmental operations need

only have been operated on a little more than a break-even basis. Today, as was reported in the M.G.A. report, dues only comprise 62 per cent of total income. The other 38 per cent now is being provided by departmental income from restaurant, bar, tobacco, room rentals and playing fees.

It is questionable, if this supporting net income can be increased to meet increasing costs of operations. Whether it can be maintained, especially in view of the recent publicity given the Internal Revenue Service's ruling on unrelated income from non-member functions, is debatable. This ruling will have the effect of restraining the accommodation of non-member tournaments and social activities at our clubs, reducing our operating departments' gross income.

No Other Choice

Therefore, if the inflationary trend continues, and all indications are that it will, it will become mandatory that additional revenue be provided from membership dues, fees and assessments. Here we will eventually meet resistance from our membership. Whether we wish to recognize it

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or not, it will be there to be dealt with. What alternative is there to be considered? As I see this situation, we must develop ways and means to more effectively control expense, and to give attention to areas that oftentimes are overlooked completely.

One such item is unemployment insurance. In most cases the highest experience rate is being paid due to the nature of club operations and the fluctuations of seasonal employment. However, this should not halt efforts to contest payments of unqualified applicants. If surveillance is maintained it is very likely a reduction in the rate can be obtained. Similarly, the experience rating for workmen's compensation insurance, if improved appreciably, also will result in savings in premium rates. Frankly, there are occasions when I feel that club officials and department heads place too much emphasis on the necessity for larger budgets and bigger spending. A more realistic thing might be hardheaded study of unnecessary phases of club service and the deletion thereof to effect economies that would benefit every member and not just a few . . ."

I would like to read some excerpts from some articles about country clubs that I read while preparing my text for this talk. The trend of each one was not very optimistic. On December 28th (1961), you may have seen in the Wall Street Journal these headlines: "Ailing Country Clubs — Many Hit By Rising Costs, Mismanagement, Overzealous Promotion."

In the USA Journal last year, there appeared two articles from which I quote: "Country Clubs came a little closer to making ends meet in 1960 than in 1959 as a result of rather substantial increases in dues income."

These quotes are from only two publications, but they give you a pretty clear idea of what I am trying to say.

Should Copy Oakmont

Notwithstanding customary criticism of the speed of Oakmont's greens, Lou Scalzo maintained the record of highest standard of maintenance set by his predecessor, the late "Dutch" Loeffler. Paul Erath, pro-supt. at Laurel Valley GC, Ligonier, Pa., whose experience in the Pittsburgh area goes way back, says that H. C. Fownes, designer and builder of Oakmont, did one of the finest building jobs in golf history. Erath says that the drainage of greens, fairways and tees at Oakmont is better than that of many first class courses being built today.

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