

Stay close to the operation

Monthly analysis of income and expenses enables this manager to project budget after nine months of fiscal year.

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The manager's method of handling the club budget varies from club to club. In my case I stay close enough to the operation so that I can present facts and figures to the proper committee for approval.

Figure 1 includes a projected form that is used when the fiscal year is 75% complete. I study the nine months of actual figures to project the additional three months. After completing my projection for the current year, it is a simple matter to make suggestions for next year's budget.

This form gives profit or loss figures for the various departments of the club. Six departments are shown under both income and expenses. Each departmental income figure indicates the net result, which in four of six (parentheses) represents a loss. Estimated expense figures represent actual expenses of operating departments from which no particular income is derived.

In the general income column incomes are classified by area so that we can determine actual fees received by various departments.

In this projected form for proposal of budget there are four columns. The most important is the second column, showing the actual financial statement, by departments, for a nine-month period.

It is obvious that there are highs and lows in departments and it is important that a projection for the 12-month period, in most cases, should represent a simple one-third of the nine-month actual

figures added to the nine-month figures, to arrive at the 12-month projection. There are exceptions. A perfect example is the swimming pool, which is a three-month operation. Therefore, in the twelve-month projection it cannot be considered under this same formula.

Upon the manager's determination of the twelve-month projected figure and suggestions in column four for the budget requests, it is important that he then sit down with the various committee chairmen. They must discuss the individual breakdown of the departments by income and expense to arrive at a projected budget for the year ahead.

After consultation with department chairmen, and agreement on projected budget requests, I present these in typewritten form to the Finance Committee.

Each department is itemized in detail, with an overall figure for consideration and approval. This analysis form is presented at the board meeting one month prior to the conclusion of the fiscal year. We make a policy of setting the deadline that all proposals and requests be presented to the Finance Committee by the 11th month. This committee then has an opportunity to study all requests, along with the overall budget, and sets up a meeting sometime during the 12th month, approximately two weeks before the board meeting. Interested committees are given a chance to justify their budget requests.

The Finance Committee then agrees on a proposed budget and presents it at the

board meeting for final approval. Therefore, upon starting of the first month of the new fiscal year your proposed budget has been studied, discussed, and finally approved. This formula is relatively simple, but has proved highly satisfactory.

The General Manager of any club, large or small, could follow this proposal and be extremely helpful to the committees concerned and the Board of Governors. Regardless of whether the manager has the responsibility of working with the budget, I am confident he can be a great asset to his club by presenting his ideas and suggestions to be incorporated into the budget.

Meetings of various committees with the manager to agree upon a proposed budget are very helpful to the Finance Committee and board in making their final decision on the budget. It represents the thinking of all groups, and our club's Finance Committee is confident that in most cases, the figures as presented have been given serious study and are factual.

You will note that there are 22 items

listed in the operational budget request. Let's discuss these particular items briefly.

You will note that regular dues in the 1965-66 approved budget, as shown in Items 1 and 2, along with capital improvement dues and tax savings, represent all dues income for that budget year. For two months of the fiscal year there was a capital improvement allocation of tax savings as authorized. As of January 1, 1966, the tax dollar of club dues has been deleted and is not included as Item 2 in the budget. Therefore, regular dues for the '66-'67 budget are included as one figure in Item 1. (Our fiscal year ends October 31.)

Items 3, 4, 5 and 6 are self-explanatory as shown.

Item 7 indicates various types of miscellaneous income such as club rental for weddings, etc.

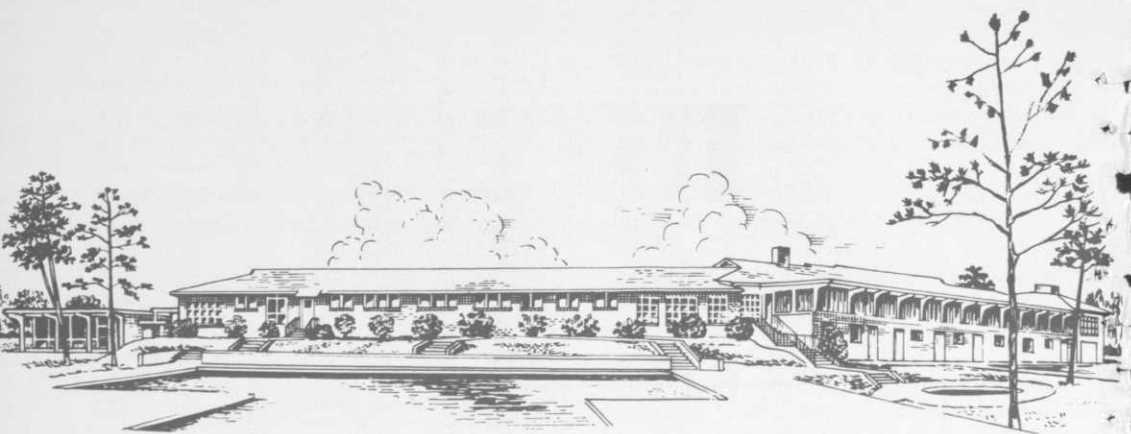
Under departmental income, Item 8 is the kitchen operation, for which we project a \$10,000 loss.

Items 9 and 10 are self-explanatory; both cabana and bar make a profit.

Items 11 and 12, locker room and
Continued on next page

FIGURE 1
VESTAVIA COUNTRY CLUB
1966-1967 OPERATIONAL BUDGET REQUEST

	1965-66 Approved Budget	1965-66 9 Month Actual	1965-66 12 Month Projected	1966-67 Budget Request
GENERAL INCOME:				
1. Regular Dues	250,000	185,500	245,000	280,000
2. Cap. Imp. Dues & Tax Savings	25,000	18,750	25,000	—
3. Green Fees	10,000	7,750	10,500	10,000
4. Golf Cart Income	10,000	7,250	9,500	10,000
5. Tennis Fees	100	50	75	100
6. Swim Fees	1,000	825	1,025	1,100
7. Misc. Income	1,000	725	840	800
TOTAL GEN. INCOME	297,100	220,850	291,940	302,000
DEPARTMENTAL INCOME:				
8. Dining Room	(10,000)	(7,100)	(9,800)	(10,000)
9. Cabana	2,000	1,460	1,800	2,000
10. Bar	25,000	18,700	24,500	25,000
11. Locker Rooms	(7,000)	(5,100)	(6,800)	(7,000)
12. Stables	(7,000)	(5,200)	(7,100)	(6,000)
13. Swimming	(7,000)	(4,750)	(6,300)	(6,000)
TOTAL DEPT. INCOME	(4,000)	(1,990)	(3,700)	(2,000)
TOTAL INCOME	293,100	218,860	288,240	300,000
DEPARTMENTAL EXPENSES:				
14. Club House	50,000	39,200	54,200	55,000
15. Club Grounds & Teen Room	10,000	7,100	9,100	9,500
16. Golf Course Maintenance	60,000	43,000	58,000	58,000
17. Golf Course Operation	15,000	8,400	11,200	12,000
18. Tennis	6,000	4,600	6,300	6,500
19. General & Adm.	100,000	73,200	97,500	98,000
TOTAL DEPT. EXPENSE	241,000	175,500	236,300	239,000
Net Operating Income	52,100	43,360	51,940	61,000
20. Prov. for Repairs, Replacements & Improvements	15,000	3,750	17,000	20,000
21. Prov. for Capital Improvements	25,000	18,750	25,000	20,000
22. NET INCOME	12,100	20,860	9,940	21,000



Vestavia's handsome new clubhouse overlooks swimming pool on the side of Shades Mountain near Birmingham. Club income includes figures for golf, swimming, tennis and stables.

CLOSE TO OPERATION

Continued from preceding page

stables, project a cost of operation, less income from locker rental in Item 11, and rental fees, etc., from the stable operation in Item 12.

Item 13, you will note, represents actual cost. Swim fees appear under general income in Item 6, for the reason that fees in these departments should be budgeted and shown on financial statements so that management always can be informed on income items.

Under departmental expense, Item 14 is self-explanatory.

Item 15 includes the preparation and work with the club grounds plus the teen-age room, which is located in that area, and comes under the grounds chairman for supervision.

Item 16 is self-explanatory. I might indicate that Item 16 is "golf course maintenance operation" and is confined to the golf course itself.

Item 17, golf operation, includes caddy master, transportation for caddies, caddy training programs, etc.

Item 18 is actual expense of operation of the club. Tennis income is shown under general income, Item 5.

Item 19 is self-explanatory.

Total departmental expenses are the additions of Item 14 through 19. Net operating income is the difference be-

tween total income and total departmental expenses.

Item 20 covers depreciation. It has been the policy of our club to set up certain funds into a "provision for repairs, replacements and improvements." Anytime that we replace, repair, or improve our facilities such as the air conditioning equipment, rugs, furniture, etc., it is charged to this account and deducted from the net operating income.

Column one of Item 21 indicates that the same amount of money under Item 2 set aside from dues prior to January 1, was deducted for use in the capital improvement account.

This year we propose certain capital improvements that you will note in Item 1, Column 4. As mentioned before, there is no allocation for capital improvement dues but it is combined into the overall income of dues since there is no tax involved.

Item 22 indicates the club's net income or operational profit.

All figures in this article and the accompanying charts are hypothetical, but I believe the formula is realistic. I believe that all club managers should assist in budget planning. In order to do so, it is essential that they familiarize themselves with all phases of club operation. The uphappy alternative is to be on the defensive to all questions. •