Almost Sold!!!

By Pat Norton, *Golf Course Superintendent, Nettle Creek Country Club*

Almost sold. This golf course...long known to be up for sale...was recently almost sold. After months of secret negotiations, and numerous meetings with lawyers and bankers, the elderly couple and the young golf professional thought that they had reached an agreement. The agreement was tight enough that all employees of the club, myself included, were told that a sale was pending. The agreement was also tight enough that the young golf professional informed his club president and board that he was leaving to buy Nettle Creek. Now that he has backed out, imagine going before that board of directors to ask for reinstatement!

Obviously, being informed that someone else was buying the club came as a big surprise...but not really. It is common knowledge that our owners have had enough of the golf business, had the place listed, and were considering all serious offers to purchase. The problem is that, these days, nobody really wants to buy 'stand alone' golf courses. In the current golf climate, finding a buyer who was willing to buy and financially able to close is a tough task. Once closed, a new owner would be constantly faced with uneven cash flow, heavy debt service, the possibility of further short-term borrowing, and the wonderful prospect of cash dry winters in the upper Midwestern U.S....for about the next twenty years.

Bill and Rosemary have owned this beautiful golf course since 1999. During their first five seasons of ownership(through the 2003 season), the club performed financially to the point that it generated positive cash flow and necessitated little outside borrowing. We had an experienced superintendent and experienced, mature golf professionals who may have ruffled a few feathers, but knew the public golf business and how to bring in golfers, members, and events.

Starting in 2004, however, we suffered a series of poorly performing golf seasons that have led us into our current situation. A combination of younger, inexperienced golf professionals, a stagnant golf economy, and a change in our revenue formula whereby we eliminated annual memberships created the perfect storm. Consequently, our rounds have fallen off from 30,000 down to about 23,000 for the current year. This loss of volume of 7,000 rounds @ $35.00/round multiplies out to $245,000 in lost revenue, a 19% drop.

Golf net income on our financial statement, like yours, is derived from a simple formula: Revenues - COG - expense = net income. Our golf net income back during those more fruitful years was usually around $600,000...with a goal of increasing it to $650,000. The past few years have seen golf net income fall to $450,000, so that negative difference of $150,000 accounts for many of our cash flow problems. Our golf net income has to cover expenses generated from administration(less depreciation), golf, and maintenance.

We figure that on the F&B (food and beverage) side of things...positive net income from our bar should more than offset negative net income from our restaurant, resulting in a positive situation between the two areas. This year, however, saw us hire an inexperienced food & beverage manager ...resulting in big restaurant losses and a bar/beverage department that did not perform to budget, either.

That equates to too much financial pressure for this elderly couple. That equates to not receiving any return on their investment. That equates to having to borrow more from the bank to pay bills...and then carrying a balance on the line of credit that gets reduced, but never paid off. That equates, in the end, to really needing to divest themselves of this golf course and enjoy the remaining years of their lives. That equates to some qualified, well financed person or group out there needing to buy this golf course!

Fortunately, our owners have no mortgage on this place...and own it free and clear. Just imagine the pressure and the problems for those courses that are carrying a heavy debt load and are experiencing these same problems. Not a pretty picture, is it?

Fortunately also, costs here have been well controlled during these lean years. We have adopted, like so many courses, an operating pattern of holding down the maintenance budget while still trying mightily to provide a quality golf course. Our operating budget for this golf course has been $365,000-$375,000 for about five years now!

At our budget level, we can still provide good...but not excellent playing conditions. We can keep the golf course very playable, well kept and beautiful. But we tolerate flaws here that would never be accepted at a private club. Our golfers continue to praise the golf course...which is sincere on their part...but also a bit naïve. When I hear such remarks...I appreciate them...but also fully realize that there is no comparison between this course and almost any private club. I did have the pleasure recently of playing Pine Hills in the Wee One Foundation Outing. Awe and reality are a few words that come to mind when I think back to that day...

We survive here by limiting ourselves to maintenance...without many or any long-term course improvements. There is no such thing anymore as a tree planting program, or a long-term plan, or an equipment reinforcement or replacement plan. Everything is short-term...and any planning done this fall will decidedly be for one year only.

We survive by not having a course assistant, or a qualified mechanic, or an irrigation technician. We survive by utilizing low wage Hispanic labor, and pay no benefits. We survive by stretching a dollar in various interesting and enterprising ways. We survive by closing down in December. We survive as do so many privately owned public courses...

The prospect of a new owner gave some of us an appreciation for the current owners of this club. Under new ownership, most of our managers would have been eliminated. I could have kept my position...but only after agreeing to a $20,000 reduction in salary...with the difference having to be generated by my 'on the side' landscape business. The prospective closing and transfer of ownership was slated for the end of December 2007...giving me about 90 days to consider my options. I told myself...at age 50...that finding a new position that would pay $80,000 did not seem too likely...so the reality of accepting such a cut in salary was right there for me. I tell myself still that it was simply a chance to expand the landscape business while still having a base salary at the golf course!

In the end, we survive by having an owner who has pockets deep enough to sustain the annual losses. A different owner with more shallow pockets would probably have had to declare bankruptcy long ago!

Reluctantly, our owners have switched gears also and are now gearing up for another year of operation in 2008...with the support of their management team. We of the team have mixed feelings about what has happened. We want to remain loyal...but have much wariness when considering the future. People are considering their options...myself included. The future here is anything but certain.

In all probability, we will all probably stay here until the end. Loyalty...mixed with financial reward ...mixed with home, property, and family...has determined that. When they finally do sell this golf course...we will all separate and move on...having experienced a workplace chapter in our lives that will not be forgotten. Hopefully, this workplace experience will be replaced by something as good...or better.

The 'almost sold' experience was a bit sobering for everybody involved. We are all totally sure that when the real thing does strike...and this place does sell...and the weeks until closing start to shrink away...that sobering feeling will return in a much stronger way.