

Get the *seed money* you need

Is the lack of money holding you back? These enterprising landscape professionals have found ways to shake the money tree for their pet projects. Their methods may work for you

BY GEORGE WITTERSCHEIN / CONTRIBUTING EDITOR

You don't have to be a start-up to need money. Even savvy landscape professionals must find new money to grow an operation, acquire new products or supplies, smooth the flow of cash or add a service. And some Green Industry operators have learned how to hit the jackpot.

Periodic shots of green

As president of World of Green Inc., Lincoln, NE, Gary Carstens knows that firms in business for 28 years need periodic infusions of financing for new ventures. His company employs up to 35 seasonal employees, providing commercial landscape maintenance services.

Carstens' firm has a revolving line of credit. "Because we have a seasonal business, the cash flow during the winter is minimal but our expenses hit us heavy in spring. The revolving line of credit allows us to buy the chemicals and get some of the payroll covered. We repay it through the end of the year."

It took a lot of work to get his first SBA loan 15 years ago, Carstens recalls. "There was certainly a learning curve. I had to learn that just because a line of credit is there, we don't have to use it. I learned a lot of lessons the hard way."

Today, World of Green has worked the kinks out of its money channels, using financing to buy equipment, using cash flow to finance many of the capital needs and working the line of credit only as needed. "The personal relationship with a banker also helps. You need that relationship," Carstens adds.

Looking for 'angels'

Mike Rogan was in the waste collection and disposal business for 26 years until 1998. Recently, he and his partner, Herb Getz, conceived of an entrepreneurial idea. "We'd like to form a comprehensive landscaping company servicing the Chicago area, and then move into other markets, eventually providing services on a national basis," Rogan explains. "To build a broad platform of services, our company, Sprouts Landscape Inc., would acquire and consolidate existing businesses."

This is a complex undertaking, he says. "We need substantial financial backing to build a large national company and acquire companies." Sprouts has had some success so far in raising the money. Halfway through their

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Boost your budget

Grounds managers have many of the same problems as people in business for themselves, except they must appeal to the organization itself, rather than an outside lender. This can be tough, especially if the grounds already look good.

George Van Haasteren, CGM, is grounds manager for Dwight Englewood School and director of grounds for Paramus Catholic High School, both in Bergen County, N.J.

"In my experience, the biggest problem is that there's just not enough capital or capital renewal for the equipment that you need to get the day-to-day operations completed," Van Haasteren says.

The solution? "What I've tried, and sometimes succeeded with, comes under one word — justification," he notes. "That means acquiring enough business savvy to build a business case. You compare the full-time employees it takes to do a certain task with what a new piece of equipment could do. You compare different types of machines. Or you demonstrate that your old equipment is unsafe, or doesn't meet new environmental or safety codes. Maybe, that leasing with an option to buy will save money."

He continues, "And so you justify the expenditure. Grounds management is changing in that the institutions operate it as if they were a business. You need to take some business courses — that's what I did — and learn from everyone you can. I'm lucky that I had my own business, and a family member who is a CPA. That's someone I can ask for the financial advice.

"Of course, the biggest frustration is you go through all the steps and build a huge case, and then there's a change in administration. You have to work the steps all over again with someone new!"

Sound familiar?

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two-year business plan, they've been able to raise approximately \$5 million.

"Through introductions, our own networking and existing relationships, we found some private individuals — 'angel' investors," Rogan reports. "We've also approached many venture capitalists and are talking to some interested firms.

"We're on schedule," he adds, "but I am a little disappointed with the results so far in raising money. If we're not successful in raising the initial \$40 million, we will scale down our business plan or look to other more traditional methods of raising capital."

Rogan attributes his difficulties to an investing climate eager for returns typical of high-tech operations (in the 50% to 100% range), plus more caution about investing in consolidations.

A banker becomes landscaper

W. James Ormond, vice president of Barringer and Barringer in Charlotte, NC, has sat on both sides of the desk. The former officer for the nation's sixth largest bank joined the industry in 1995 to found a new landscape maintenance division for Barringer and Barringer. "It (that division) was a whole new direction for us," he says.

Company founder John Barringer also started in the banking industry. Says Ormond: "When we met, we looked at ways to grow his business and decided the most profitable and strategic path would be to expand services while growing the existing design/install business." His banking contacts helped him, and he needed them, because maintenance is more labor-intensive and equipment-intensive than installation.

"Anyone who needs capital should have a solid relationship with their banker," he adds. Rec-



W. James Ormond

ognizing that advice is easier to give than to follow, Ormond offers these tips on nurturing banker relationships:

1. Make your banker part of your professional support team, along with your attorney and accountant. "You need support people in your business who are on your side and who understand your business, so when you go to them for help, you don't have to start from scratch. They should be familiar with your business practices, seasonal trends of cash flow or whatever."

2. Invest the time and effort to maintain that relationship. "My partner used his former bank when he started the business. A lot of turnover happened there and he lost that personal relationship. He faced what many in our industry face — not being known — and the frustrations mounted rapidly.

"We ended up going with my former bank," Ormond says. "I was still tied in closely there and I also work to keep those relationships open. Even when I don't need my banker, I tell him what I'm doing.

"Recently, we knew we were going to need a temporary line of credit for a large installation job. Three months before I needed the money, I called my banker and told him: 'I may not need this money, but I want to let you know what our intentions are.' A week ago, I called and he didn't have to be brought up to speed. He asked, 'How much do you need, and when do you need it?'"

3. Know when and how to switch from start-up mode to long-term relationship.

"Equipment dealers and manufacturers set up these very attractive no-money-down, 90-day same as cash deals that make it an easy industry to get into. In our market there must be 10 pages in the Yellow Pages of one-man outfits. They do have easy access — not to bankers, but to credit.

"What they *don't* have is the knowledge of how to get to that next level. They're just looking at that monthly payment. One

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**W. James Ormond,
Barringer & Barringer**

day, they understand that they're still paying for machines that have long since broken down — or are paying \$300 a month for 5 years for a \$6,000 mower. And what do they do? They sell and get out of the business."

"You can't go to a banker at the outset and say, 'Here I am — finance me.' But alternatives might include the Small Business Administration — they have some loan products for the small startup business."

He continues: "Or, you may want to go to a dealer and get a mower on easy terms, or use credit cards. I wrote a refinanced loan for some people who started a business with credit cards. They knew they didn't want to get too far into debt at 22%. Later, they said, 'We have a certain amount of business experience and we'd like to refinance this credit card debt with a bank loan at better rates.' That was an attractive loan for me to write."

4. Visit the bank before you need the money. "Many people wait until the 11th hour to meet their banker. When you're ready to move away from dealer or credit card financing, call your bank before you need a loan. You can tell the banker about your business and mention that you see the need for some credit coming up. When the need does arise, your banker knows your situation."

5. Get counseling on financial matters. "A large part of obtaining credit is the presentation. There are agencies, the SBA being one of them, (others include local

chambers of commerce and economic development offices) with financial counselors to help you to present your case intelligently."

6. Bank locally. "The bank I chose was my former employer — but had I not worked there, I probably would have used

a small community bank. They are eager to lend to this kind of business and the advantage is a better long-term relationship."

— *The author has written about several Green Industry topics from his base in Mendham, NJ*

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