

THE BOARDROOM

19 YEARS OF EDUCATING THE PRIVATE CLUB INDUSTRY

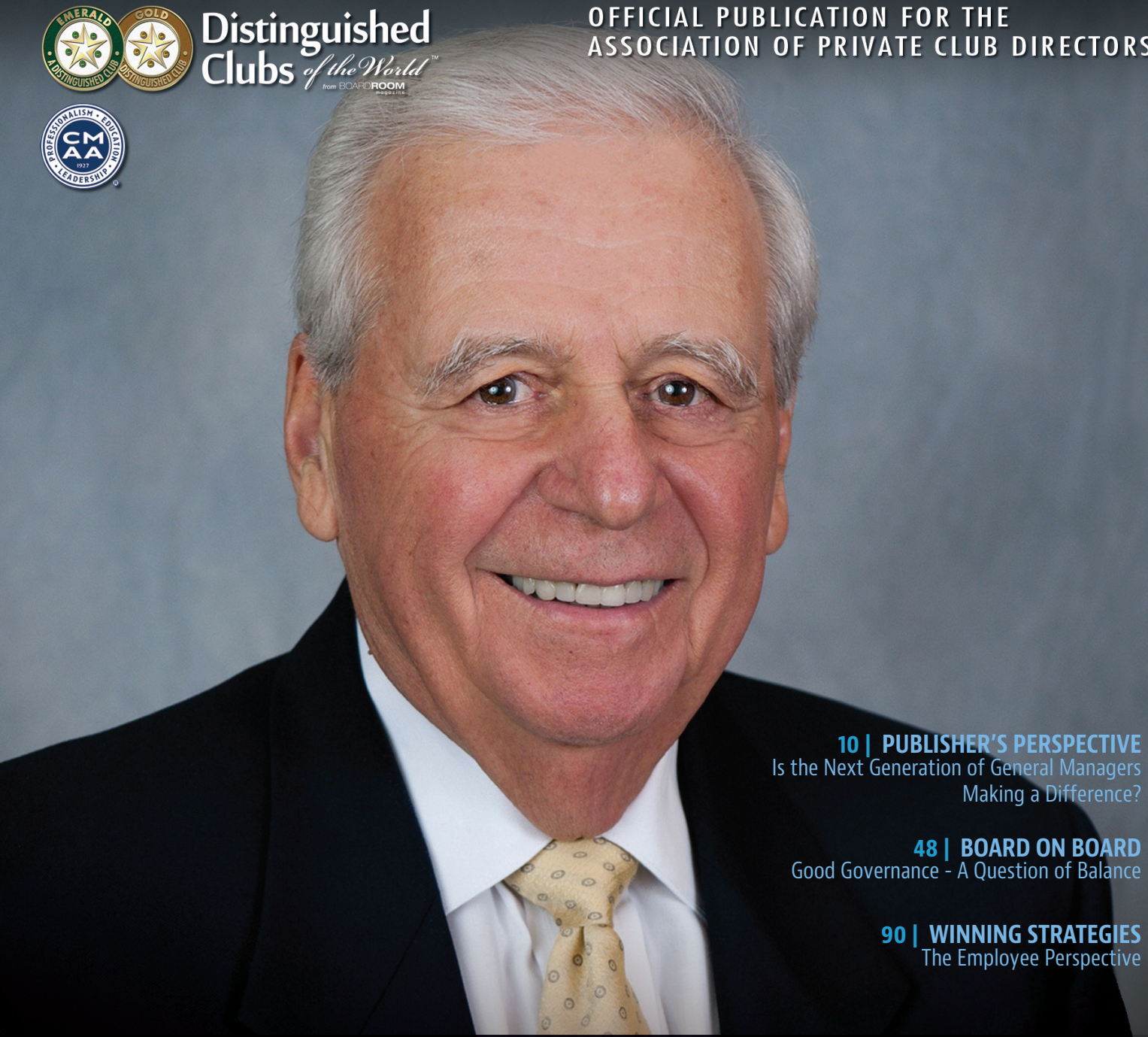
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**Distinguished
Clubs** *of the World*
from BOARDROOM magazine



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Jerry Glassman, Boca West Country Club

Budget Season Brings Opportunity For Methodical Savings, Efficiencies



LARRY HIRSH

Fall is the time of year when many clubs are finalizing next year's budget. Two of the most significant items on those budgets are typically golf course maintenance and real estate taxes.

In most cases, the budgeting of these two items leaves much to be desired, which usually means leaving money on the table.

Often the biggest department at any club, golf course maintenance is a great unknown to many course owners and club leaders, who often leave this significant element to their trusted superintendents and/or greens chairs. Despite the fact that they are subject to adverse weather and unforeseen circumstances, maintenance budgets can be quantified and explained. That's why we recommend that each course establish written maintenance specifications.

At many member-owned clubs, economy is demanded while championship quality conditions are expected year-round. Obviously, that's not realistic, but detailed maintenance specifications serve to educate club leaders (and the membership at large), thus enabling them to make choices (alongside the golf course superintendent) that positively impact both conditions and costs.

This cooperative approach delivers value in several areas. First, establishing maintenance standards that are mutually agreed upon, by all, provides a common ground should questions arise – or if membership determines they want something different.

If the cost is considered too great, membership in conjunction with the superintendent can determine where to cut, how much can be saved, and what differences in course conditions players will observe as a result. It's also a great tool to ensure accountability of all parties.

What's critical is the effective matching of course conditions to expectations and budget constraints. In a competitive market environment, club leaders must understand what it will take to be as good as (or better than) the club next door.

Written maintenance standards help achieve both of these vital-but-delicate tasks.

Here's an example: Let's say the club president is a guest at a nearby club and finds the hand-mowed approaches and hand-raked bunkers to his liking.

If a maintenance plan exists, this can be inserted into the plan and the incremental cost identified. Conversely, if the president notices the host club is in excellent condition and the fellow president mentions that their budget is considerably lower, by examining the written maintenance standards, they can identify what elements contribute to this situation.

Simply going through the standards with your superintendent isn't going to magically produce efficiencies. Superintendents are protective of their budgets, just as any department head is.

One way to objectively determine where your club stands, in terms of maintenance spending, is an independent analysis of course conditions and maintenance budgets. This need not be done annually – whereas internal review of maintenance standards can be.

But such a study can be eye-opening and lead to a better bang for the buck.

If your club doesn't have a detailed maintenance plan, develop one. The board will be happy and the superintendent will know what's expected. Everybody wins and the vagaries and unknowns are removed from the process.

Another significant cost that rears its ugly head each year around budget time: real estate taxes. First, clubs need to understand they can't fight their taxes – only their assessment. If the school board raises the millage rate, there's nothing you can do about that.

However, in today's environment, many clubs are over-assessed. Why? Because many assessment jurisdictions (towns, counties, states) rely on a cost analysis to establish assessment values, and because the value of many clubs has declined.

Since few golf properties are worth what they cost to build, and golf courses typically sell as

going concerns (including personal property, which isn't taxed in many states), there is often the opportunity to save considerable sums by contesting the ad-valorem ("as to the value") tax assessment.

Contesting a club's tax assessment need not be scary or even confrontational. There are many ways to approach it, depending on the issues. Some key questions for golf property tax assessments include:

- Is golf the highest and best use of the property? Are there other legally permissible uses? Would an alternative use yield a higher value to the property?
- Can the club's personal property (equipment, goodwill, etc.) be extracted in such a way to estimate the real estate-value, which is all that should be taxed?
- Does the property have an income history that shows a trend over the past several years?

Once these questions are answered, clubs and their tax/valuation strategist can begin to develop a plan to evaluate and possibly appeal the assessment, and estimate potential savings to the club.

We are working on one case right now where a club currently pays more than \$1 million in annual real estate taxes. Many annual tax liabilities are well into six figures. Numbers like that can seriously affect a club's bottom line, obviously.

Some tips for annual budgeting are found in the following article <http://www.golfcourseindustry.com/gci-110614-numbers-game.aspx>

There are many elements to consider with tax assessments and several valuation methods, some of which are explained in the following linked article:

<http://www.golfprop.com/sites/default/files/documents/RE%20Issues%20-%20Golf%20Course%20Tax%20Assessments.pdf>

We don't yet know the results of this case, but we've helped some clubs reduce their obligations by more than 50 percent.

While annual examinations of a club's tax burden may not be necessary, it never hurts. Annual examination of maintenance costs is a must. Any club would be very well served if they built these items in their annual budget processes. **BR**

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If your club was given a Wage & Hour Audit tomorrow by the Department of Labor, are you confident that you are ...

- ☐ Operating in compliance with all aspects of the Equal Pay Act?
- ☐ Familiar with employee exemptions related to Wage & Hour Laws?
- ☐ Aware of what may prompt a Wage & Hour Audit?

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