Pay Me Now or Pay Me Later

While assisting a member-owned, not for profit club in evaluating its options for the future recently, on the surface, the club appeared to be getting along nicely.

An 18-hole golf course, in a "major-league" market with a membership complement short of full, but healthy enough to be paying its bills.

Like many clubs, most capital projects had been put off and in this case debt has been kept to a minimum. The club sports many (not all) of the characteristics below that are representative of a successful club:

- Top notch facilities
- High value in membership
- High member satisfaction
- Stability of membership
- Quality maintenance
- Quality food & beverage
- Constant improvement
- Re-Investment in upgrades
- Good planning
- Board focus on members
- Manageable (if any) debt
- Acceptance to change
- Leaders lead; managers manage
- Sound financial management
- Exceptional personal service
- Sound financial plan

However, infrastructure maintenance is where a 'ticking time bomb' has been created. In this case, they've not updated the clubhouse in many years, struggle to attract women and families without a fitness center and have dated HVAC and irrigation systems that represent a looming and significant cost to the membership. It's unlikely that many members have joined clubs because they have modern HVAC systems or the latest computerized irrigation. They simply expect those items to be in place. And unless they've invested a considerable amount in entrance fees, might potentially resign if a large assessment were looming as a result of the club not having established reserves for the replacement of these types of items.

On the surface, there are many clubs that appear stable, only to have looming crises as a result of ignoring infrastructure. Even as some clubs have experienced membership and revenue declines, they've balanced budgets by "kicking the can down the road" for the next board or next generation of members to deal with.

We've observed such practices as replacing HVAC controls and band aids to the system, addressing irrigation leaks in a reactive manner and even moving sand from fairway bunkers to green-side bunkers to avoid purchasing bunker sand.

Depending on the club's financial situation, membership and market dynamics there are multiple options. Some clubs opt to "bite the bullet" and assess the membership for the necessary costs. When possible, the club also begins reserve funds to avoid this problem in the future. Others incur debt to solve the problems, which also typically involves an assessment, probably on a monthly basis – effectively a dues increase.

Others yet opt to continue "kicking the can down the road" in order to avoid assessments or dues increases, which is typically an unsustainable strategy and often leads to the failure of the club.

Another option exists for some clubs. Those with desirable facilities, a strong revenue stream and in good markets can perpetuate their clubs by transferring ownership of the club, either through sale or otherwise to a professional management firm that agrees to invest resources into capital improvements.

While this option can sometimes be tough to swallow, it relieves the members of the responsibilities of running the club and provides the freedom of enjoying it. Typically, there are no assessments or risk and the club is run more like a business. Not for every club, this option can perpetuate the life of some clubs where they might otherwise fail. Infrastructure isn't sexy, and often gets ignored, but it's not cheap either and when an irrigation system or HVAC system quits, the club is left with no options that could become catastrophic. Establishing reserves ("pay me now") is far more preferable than not ("pay me later"). BR

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