

EXPERTS' CORNER

Q What are some ways clubs can operate at maximum efficiency and cut down on their expenses?

A The single biggest expense at a club is payroll, consuming more than 50 percent of each operating income dollar spent. If a club cannot control its payroll and other related expenses, it will become extremely difficult to break-even on the bottom line. In an effort to control these expenses, clubs should consider the following:

Hours/Days of Operation

Many clubs, particularly during the “off-season,” limit the times and days that the club is open. This can be an effective way to minimize payroll in the “off-season” when revenue is much lower since employees would only be working five days a week or less, instead of the six or seven days a week they may work during peak season.

Closing Down

Numerous clubs close down for a period of time each year to permit employees to take vacation and allow various maintenance and other projects to be undertaken. For example, it is common for clubs up north to close for periods during the winter when many of their members head south to a warmer climate. City clubs up north will typically close for periods in August when many of their members head to the beaches before Labor Day. During the recent economic downturn, some clubs have extended their close down periods to obtain additional payroll savings.

Scheduling

Scheduling should be done a week in advance for all departments. Any variations from the pre-approved schedule should be approved in writing by department heads.

Hand-Scan Systems

Despite all the technology available today, many clubs still use hand written payroll sheets or time clocks with punch cards that can lead to “inflated” hours. A hand-scan system can help ensure that an employee's hours are recorded properly and not overstated due to someone else punching them in or out.

401(k) Plans

Such plans are required to file Form 5500 Annual Return/Report of Employee Benefit Plan annually with the U.S. Department of Labor. Clubs should keep in mind that if the total number of eligible participants reported on Form 5500 exceeds 120, the club would be required to have an annual audit of its 401(k) plan. Clubs should review the annual census to ascertain that the number of participants is correct and, in order to avoid the cost of an annual audit, the club should review the plan documents to ascertain if former employees with minor balances can be removed from the plan.

Food and Beverage Operations

There are many moving parts to a food and beverage operation; however, clubs should consider addressing, at a minimum, the following issues: Joining a cooperative buying program or using a procurement service, competitive quotes, receiving procedures, storing of items, issuing of items from storerooms, portion control, waste, and vendor discounts for prompt payment

Real Estate Taxes

Clubs should consider certiorari proceedings (appellate proceedings for re-examination of assessments) to reduce their assessed value for real estate tax purposes. This is an area where a club can potentially obtain large refunds of real estate taxes previously paid. Most attorneys who work in this area do so on a contingency fee basis, usually a percentage of the savings.

Insurance

Clubs typically purchase various types of insurance (general liability, umbrella liability, excess umbrella liability, D&O liability, employee dishonesty, etc.). If the club has not already done so, it should form an insurance committee composed of members that are well versed in the various aspects of insurance to ensure that the club is adequately insured, deductibles and co-pays are appropriate and the premiums are reasonable in the circumstances.

Utilities

Clubs should periodically have “energy audits” performed by an outside expert to ascertain that they are as energy efficient as possible. Particularly if the clubhouse is an old structure, there may be areas that, with the investment of some capital dollars, annual cost savings can be obtained.

The above items are not an all-inclusive list of actions that may save expense dollars, but in these economic times with revenue increases hard to come by, controlling expenses without negatively affecting the member experience is more important than ever. ■



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