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# Private Club Advisor™

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*A Letter to the Directors, Officers, Owners and Managers of Private Clubs*

December 2017

Dear Club Executive,

**UPDATING YOUR SOCIAL MEDIA POLICIES...** As employees and members become increasingly addicted to social media, it presents concerns for private clubs. What if an employee snapchat a member at a party? What if a member takes a picture of the club president with another member's spouse and posts it on social media with an out of context comment? What if a celebrity member is photographed at the pool with his/her children and it is posted online? It isn't a stretch for a club executive to see where problems can arise.

How recently have you updated your club social media policies for members and employees? If you can't recall the most recent update, you may want to consider reviewing and revamping your policies. Every club has a disciplinary section in its bylaws detailing items for which members can be disciplined. Under the guidelines for inappropriate member conduct, Michelle Tanzer, a private club attorney with Gray Robinson, suggests clubs specify what is unacceptable social media content.

"Your club could say that any photo of a member shall not be posted unless express permission is received from the individual involved," Tanzer said. She went on to explain, "Anything that could harm the reputation or the goodwill of the club should not be permitted. It is unacceptable behavior to post anything confidential including membership activity, financials or anything disparaging, insulting or viewed as harassment."

Tanzer urges clubs to put time and thought into evolving written social media policies so that things that are clearly unacceptable can be quickly and appropriately addressed with the club's governing documents supporting such action.

As to employees, Tanzer recommends clubs have a specific social media policy in the employee handbook that thoroughly outlines what the expectations are for employee behavior on social media and online—after seeking advice from a qualified labor and employment attorney. The policy must be carefully crafted so the employer is not infringing upon one's rights of free speech or other protected rights, but addresses those things that have a clear relationship between the club and the employee.

"When you don't have a specific prohibition that is clearly articulated, it is more difficult to argue that someone should be disciplined for such behavior," Tanzer said. She advises clubs to regularly review policies and adjust guidelines as society evolves.

**FREE LESSONS A WINNING STRATEGY...** In the May issue of the *PCA*, the article "Free Lessons" discussed the benefits of clubs teaching members the games they offer (golf and tennis) as an amenity, not charging members a hefty price for lessons so they can learn and improve. While this model breaks the mold of tradition in the golf industry and may be challenging for some club executives to grasp, one club has found tremendous success by implementing a complimentary lesson program.

The Union League of Philadelphia, a city club by its definition, acquired a country club and its golf course in 2014 to increase its membership offerings. To differentiate the golf experience, the club implemented a complimentary lesson program for all golf members in addition to their spouses and children. "A little more

than 300 individuals have taken golf lessons this year in 20, 30 or 60 minute intervals for a total of more than 1,500 lesson hours taught through July 31,” according to a recent article in the National Club Association’s *Club Director* publication.

The Union League director of golf believes that complimentary lessons allow a friction-free approach to learning the game. The club reports that total golf club receipts have increased from \$2.5 million to more than \$6.5 million in only three years. The club has statistics to show that complimentary golf lessons have resulted in increased golfing guests, additional golf shop sales and increased food and beverage sales.

**LOYALTY QUESTIONS...** The first few visits to the club after a new member has joined are critical to whether that person will be a long-time active member, according to Gregg Patterson, who uses his 34 years of experience as a club GM to lecture and write on club issues. Patterson, who retired in 2016 from the Beach Club of Santa Monica, CA, said the new member will have these questions about the club:

Did they know me—not only by name, but my interests that may have led me to the club?

Did they equal my expectations? Do you know what new members expect from the club in exchange for their loyalty?

Did they make my life easier? From reserving a table for dinner to scheduling a tee time, is it hassle-free?

Did they make my life better? Does the member feel his life has improved because he has your clubhouse, golf course or other recreational venues to enjoy?

Did they do it differently? Differently in this case not only means being better than the competition, but in a way that is memorable.

Are you confident these questions can be answered in the affirmative at your club?

**CONSIDERING A GOLF COURSE REMODEL?** If your club is toying with the idea of remodeling the golf course, questions such as: Do we need to remodel? Can we afford it? What are our priorities? may be fueling discussion. According to Jeffrey Brauer, past president of the American Society of Golf Course Architects, a long-range strategic plan should anticipate the need for continual replacement and renovation of the club’s facilities to stay current in the market place.

“Clubs decide to remodel when it becomes apparent to the governing body that deficiencies exist in the structure of the course in one of the following areas: economic problems, maintenance problems, design problems or aesthetic problems,” Brauer said. Listed in decreasing order of importance, he defines each:

- Economic problems become evident when it is difficult to raise dues and challenging to attract new members. Upgrading the golf course with a remodel or renovation can enhance public perceived value.
- Maintenance problems often include issues such as deteriorating greens, drainage problems, cart path extensions or the need for a new irrigation system.
- Design problems often come to light when a group of serious golfers want to change or enhance their golf experience to be more/less difficult or to update the design of the course.
- Aesthetic problems are often created through an inadequate or originally inadequate landscaping budget, improper planting of trees or in-house improvements that were not carried out well.

If you are considering a golf course remodel for any one or more of the reasons above, Brauer says it's time to call a golf course architect. His/her experience will likely show that proper design solutions can solve problems in more than one area. "While golf course architects and contractors are expensive, it often takes mistakes made by trying to save money for clubs to realize that professional help is necessary," he explained.

**TIME TO REASSESS THE MEMBERSHIP LIMIT?** In clubs with golf courses, the number of full members accepted often has been predicated on how many golfers the club could accommodate at its busiest time. This may no longer be a valid standard, according to Bill McMahon, Jr., of the McMahon Group, a club research and planning firm.

"Clubs have become more multifaceted," McMahon said. They are not as one-dimensional, with a total emphasis on golf. If yours is a club with a waiting list or a lot of people expressing interest, could you and should you accept more members than your current limit?

**HOW OFTEN SHOULD YOU UPDATE YOUR BYLAWS?** A rule of thumb for a nonprofit private club, according to attorney Fred Somers, is every five years; "earlier if there has been a change in structure or local, state and federal law". Bylaws are not immutable. They do and will require amendment."

Somers said one recent trend is toward relegating most operational details to a rules or policy manual. "Many traditional matters found in bylaws are more appropriate as rules or policies," he noted. Examples: duties of committees, member dues and charges (excepting those few organizations where members vote on dues increases) and changes in the fiscal year (which Somers said is more a function of the governing board).

Making this move would likely reduce the number of times for calling a meeting of members, circulating the proposed bylaw amendments and circulating and tabulating amendment ballots. "In contrast, operational rules and policy being the province of the governing board or delegated to professional management may be changed without voting being required," Somers explained. Moving operational matters into a rules or policy manual would streamline the bylaws to fewer pages, making the document more user friendly. "We occasionally have witnessed boards acting contrary to the bylaws because the bylaws are so lengthy no reasonable person could expect the board to be conversant with all of the provisions," Somers said.

In working with numerous clubs wanting to streamline their bylaws, Somers said he typically consults with a "working group" comprised of the GM or COO, one or two board or executive committee members and local counsel. Somers shares more details about the procedure of updating bylaws in a blog, "When To Update Your Bylaws; A Process," on his website, <http://somerslawfirm.org>.

**IRS CONTINUING 990-T COMPLIANCE CHECKS...** Despite rumors to the contrary, the Internal Revenue Service has advised that it will continue to use compliance checks to determine whether tax-exempt clubs are what the IRS classifies as Form 990-T non filers. These are 501(c)(7) organizations that reported investment income on Form 990/990 EZ but did not file Form 990-T.

Jim Reilly of the accounting firm Condon O'Meara McGinty & Donnelly explained a compliance check is an IRS "contact with a taxpayer involving a review of filed information and tax returns of the tax-exempt social club." He said there had been a feeling in the tax and accounting community the IRS might stop the practice.

"A compliance check typically does not include an audit examination, inspection or discussion of books and records," Reilly said. "However, if a delinquent return such as a Form 990-T is secured during a compliance check, a decision will be made by the IRS whether or not to examine the returns. Furthermore if the invest-

ment income disclosed on the secured Form 990-T of the tax-exempt club exceeds the minimum threshold, a federal tax, as well as any interest and penalties, would be due,” Reilly added.

**MEDDLING vs. INVOLVEMENT...** While club management and boards of directors may work hard to keep committee members from being involved in day-to-day club operations, club leaders should be careful they don't discourage the members in the process.

As Richard LaRocca, GM/COO of the Country Club of Orlando, FL, told fellow managers at a panel discussion during the World Conference on Club Management earlier this year, “We maintain the idea of staying out of operations, but we still want to insure that the volunteers enjoy the pride in doing something for the club.” Committee members should never get the idea their services are not appreciated, so strategic projects and big picture initiatives provide purpose and results.

Committees are a club's greatest conduit to the membership at large but it is a two-way street. Committees act as a sounding board for ideas and provide helpful feedback but they also can be used as a communication source for what the club is focusing on and achieving.

*(An aside: Congratulations to Richard LaRocca who has been named The 2017 Club Executive of the Year by Club Management magazine!)*

Wishing you a wonderful holiday season!



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