

It's Not Too Late to Develop a Budget

By Andrew Botieri

Over the years, when developing my own company budgets and while working with my current property management clients on developing and fine tuning their budget process, time is always our biggest obstacle. What I mean is that we often do not have enough upfront budget prep time because of our daily workload and this means we end up "rushing" through or pencil whipping the budget process which increases the possibility of error which can result in not achieving our budget objectives.

Your budget is like the "play book" of a professional sports team, where lack of preparation shows on the playing field and the final "score." So...let's do a budget check-up to make sure you'll have a head start and effective budget to help you reach and exceed your occupancy and revenue goals:

1. Have your team pull their property budget files and notes from last year's budget folders. Review this information to get a "feel" of what and how you and your team were thinking when preparing last year's budget. Will you think differently this year?
2. Pull a 2007 financial statement with all expense/revenue lines broken down separately and take the peak at your current financial situation. What shape are you in starting the New Year? What trends could affect you?
3. Calculate your staffing and property needs, your revenue/occupancy targets and your projected expense items. Any capital expenses?
4. I recommend you create excel budget worksheets to make for easy calculating and creating specific categories. Make notes to justify each budgeted line decision. In addition, base this year's numbers from the ground up and not from last year's numbers.
5. Compare last year's budget to this year's new proposed budget looking for big variances or "red flags" and discuss with your team.
6. A few line items to scrutinize are:
 - Your advertising expenses
 - Resident retention investment
 - Team bonuses

If higher occupancy and lower turnover are your goals, then your dollars should reflect a real commitment to resident retention. The more residents we retain, the less money we spend on advertising.

7. Lastly, after your budgets have been approved, place the final budgets into a three-ring binder so your team will have a working budget to operate with throughout the year which builds accountability into your budget forecasting. This means reviewing their budget performance. Have a place for monthly notes to keep year round.

The key to building a successful budget is to get an early start so your time and great thinking/planning can go into this process. ***[However, if you haven't prepared one yet – it's not too late - get busy and happy budgeting!]***

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