

Give Your Bottom Line A Boost: Double-Check Your Operating Expenses

By Tami Siewruk

When it comes to budgets, many of us find ourselves thinking almost obsessively about the top line. We pour endless thought and energy into marketing, leasing, and retaining; all in the service of that ever-important “total revenues” line. Unfortunately, a single-minded focus on the top line may cause us to miss chances to better the bottom line. Have you taken a hard look at your operating expenses lately? If not, there’s no time better than now. You may be surprised at some of the ways you can trim costs, and fatten profits!

Below are several areas in which your managers should be trained to routinely look for smart cost-cutting considerations.

MONITOR YOUR UTILITIES SPENDING

If you’re not routinely charting your monthly utility expenses, you are missing an excellent chance to pinpoint leaks in your budget. Keep a log for every utility bill you pay: gas, electric, water, and sewer. Excluding seasonal changes (higher heating costs in winter and a/c in summer, and increased water usage for summer landscaping), your monthly payments should be fairly consistent. If you see an inexplicable spike in any utility, it probably bears further investigation.

And while we’re on the subject of utility bills, contact your local utility companies and ask for an analysis of rates to make sure your property is on the rate schedule that is most economical for its usage. If you don’t have any luck with the utilities themselves, you might want to consider hiring a private utility auditor. An auditor will analyze the rate schedules and actual usage of your community’s gas, electric, water, and sewage to ensure that you are paying the proper rate and being billed correctly. In many cases, they charge a percentage of any refunds they may obtain for you, plus a percentage of your future savings.

You should also assess your community’s habits with an eye toward eliminating unnecessary energy and water use. Most of these habits can be taken care of with the use of automatic timers. For example:

- Make certain that lights and HVAC units are turned off in your vacant apartments.
- Make certain new residents are transferring the appropriate utilities to their names by their occupancy date.
- Look for exterior and common area lights that are burning needlessly in the daytime hours.
- Ensure that lights are turned off in common areas (laundry rooms, clubhouse, fitness room) whenever those areas are not open for resident use.
- Turn off your pool lights, heater, and filters when the pool is closed for the night.
- Make certain your exterior lights are turning on and off at the appropriate times, as sunrise and sunset times change throughout the year. To create an automatic timer adjustment chart for your service technicians visit http://aa.usno.navy.mil/data/docs/RS_OneYear.html.
- Routinely check all toilets and faucets to make sure they are functioning properly. **Tip:** Add a “check for leaks” box to your service request form.
- Work with landscape contractors on watering times and irrigation devices to ensure that your water use is minimized. As landscaping matures irrigation devices need to be altered.

Finally, look into the feasibility of water- and energy- saving devices like motion sensors for common area lights; low-flow faucets, showerheads, and toilets; and water-saving washers and dishwashers. While these may require an initial expenditure, they can quickly pay for themselves in utility savings.

REVIEW YOUR CONTRACTS

Periods of economic sluggishness are excellent times to audit and re-bid service contracts; especially those that were signed during more prosperous times, when competition was less intense and prices may have been higher.

Take a look at any service contracts (janitorial, landscaping, HVAC, parking lot services, trash removal, and so forth) to make sure they are in line with the current market. And while you’re at it, reevaluate the contract specifications to make sure you aren’t being “over serviced.” You might find that a lighter (and less expensive) degree of service would suit your needs just fine. You might even find that you could perform the service more economically in-house.

If you decide to re-bid a contract, take advantage of the opportunity to talk with potential vendors, and ask *them* about possible ways to cut costs. Given their familiarity with the service you are bidding out, they may be able to suggest economies that you haven't considered.

One word of caution about service contracts: do not assume that you will *necessarily* save money by picking a low bidder. Hiring a vendor who is dishonest, inept, or not properly insured can actually cost you far more than you otherwise stand to save. Always factor quality and reputation into your calculations to make sure you are choosing wisely.

LOOK AT MAINTENANCE COSTS

Like utilities, maintenance is one of those areas in which dozens of small, unnecessary expenses can add up to a budgetary overrun. To spot them, you'll need to get up close and personal with the way maintenance funds are spent. Consider some of the following:

- Do you maintain an adequate inventory of maintenance items that are needed routinely? Having a staff member run out and buy one or two items at a time is the most expensive way to purchase, because it not only expends valuable staff time, but it also causes you to pay a higher price than you would have if you bought in bulk.

- Have you checked to make sure you are getting the best deal possible on your maintenance purchasing? As noted above, purchasing in bulk is one way to reduce your per-item cost, but you should also comparison shop several vendors to make sure you're optimizing your spending. In addition to your local providers, check some of the many national companies that sell through catalogs and websites (don't forget to factor in shipping charges). You might also look into buyers' clubs, which charge a per-unit membership fee in exchange for discounts from national providers of office, janitorial, and maintenance supplies, as well as carpet and appliances.

- Do you have, and religiously follow, a comprehensive preventive maintenance program? Roofs, foundations, sidewalks and parking lots, HVAC systems, and appliances all need periodic servicing. Such routine maintenance saves money by extending the useful life of many assets. Equally important, it allows you to spot small, easy-to-fix problems before they become enormous, budget-busting problems.

- Do your maintenance technicians get the job done correctly, on the first call? If you are receiving a high number of call-backs on the same repairs, something is going wrong somewhere. Perhaps your technicians need further training; or maybe you simply need to reemphasize your expectations (not to mention your residents' expectations) for timely, quality service. Having a technician make several attempts to repair the same problem both wastes money *and* leads to resident dissatisfaction.

- Do you frequently repair items that have been damaged by resident negligence without charging the resident? Being reasonably forgiving about resident mistakes is a sensible way to build positive relationships and longer occupancies. However, the cost for damages and breakages that are caused willfully or by obvious carelessness should be passed on to the responsible resident, in keeping with your lease terms.

- Do you educate your residents on how to use and care for their appliances? Misuse of appliances (like overloading washers and dryers, pouring grease down a disposal, etc.) can result in breakdowns and, ultimately, lead to early replacements. Be sure residents are given an easy-to-read checklist of how to operate (or not to operate, as the case may be) each applicable appliance. IN addition, be sure residents are aware of appliance "red flags" that they should call in, such as strange noises or vibrations. Often, residents just "live with" weird appliance behavior as long as the appliance continues to function, though doing so only gives a small problem time to grow.

- If your company is not currently using a software or web based resident service program, you may want to consider the following:

- <http://www.realpage.com/vonesite/>
- <http://www.manageproperty.com/software.htm>
- <http://www.mainboss.com/english/products/productmainboss.shtml>
- <http://www.yardi.com/maintenance.asp>
- <http://www.yarayara.com/lv/>
- <http://maintenance.virtualave.net/maffor.htm>

•
http://www.timberline.com/software/servicemanagement/applications/service_agreements.htm

EVALUATE YOUR OFFICE HABITS

Careless spending is by no means exclusive to the maintenance department! Those of us in the office can also waste money with sloppy habits. Do you find yourself running out to pick up office supplies in small quantities, rather than ordering in bulk? Do you automatically pick up the phone for a long-distance call when an email would be just as effective? Do you sometimes have to overnight materials or reports simply because you've waited till the last minute? These are all areas in which a little forethought can save dollars. Here are some others:

Be as "paperless" as possible. If your office is lucky enough to be thoroughly wired, be sure to take advantage of it!

- Use email instead of circulating interoffice memos. You can also use email to communicate with residents and future residents in many cases. (Be cautious on this front, however, because nothing takes the place of a handwritten thank-you note or card; and written notes, electronic or handwritten, are not always an appropriate substitute for a phone call.)
- Give your residents the choice of receiving your community newsletter either in traditional paper format or via email.
- Get used to reviewing reports online rather than in print.
- Have your leasing staff use the computer as often as possible to maintain records, schedule, track trends, communicate, etc.
- Recycle paper that has been printed on only one side (as long as the information on it isn't sensitive in nature), and reuse it whenever possible for your own notes, "scratch paper," etc.

Access your phone use. Many offices throw away money and time when it comes to the telephone.

- Evaluate your telephone bills to make sure you are actually being charged what you're supposed to. Incorrect billing by phone companies is not at all uncommon, but most customers simply don't take the time to check.
- Spend some time comparison shopping long-distance options. You may have noticed that carriers are locked in intense competition. Use that to your advantage.
- When you need to make a long-distance call, spend a moment beforehand thinking about everything you need to cover in that call. If there are several things, make a list to ensure that you don't overlook an item. This will reduce your need to make repeat calls to the same person.
- When you call someone, leave a complete message, so the person you are calling can call back with an answer, even if you are out of the office. Likewise, train yourself and your staff to take complete messages, finding out exactly what the caller wants, so you can respond completely when you call back. This limits the all too common problem of phone tag, saving both time and money.
- One of my favorite companies right now is Vonage DigitalVoice. This service uses an existing high-speed Internet connection, and enables anyone to make and receive phone calls, worldwide, with a touch-tone telephone. The service runs \$69.99 per month with unlimited long distance calls in the USA and Canada. Vonage offers an innovative, feature-rich and cost effective alternative to traditional telephone services.

Be aware of timing. Be aware of deadlines, sales cycles, and seasonal price fluctuations when it comes to spending.

- Always, always, *always* pay bills on time. There is no greater waste of money than late fees.
- See if you can buy ad space after the official closing deadline. Often, small newspapers and radio stations will sell you leftover space and time at a discount. You'll need to be prepared, though, so have your printed ad or commercial ready to be delivered.
- Order seasonal items ahead of the rush to get early-bird discounts. For example, many companies that produce custom holiday cards and corporate gifts offer a special price (sometimes up to 50% off) for shoppers who order early.
- Be aware of sales and specials, and time purchases accordingly. Sign up for email notification of sales from your vendors, then pay attention to them!

Do it yourself. Broaden your skill base and that of your team staff, so that more things can get done in-house, on the spot.

- Cross-train your staff. Make sure everyone in your office can do everyone else's job. Not only does this keep the office running smoothly on a daily basis and prevent unequal distribution of workload, but it can also prevent overtime and even eliminate the need for hiring additional staff.

- Consider staggering the time your team comes to work. Do you know when your "high activity" and "slack" hours are? Pay attention to the typical demands of the day, and organize your manpower accordingly.

- Evaluate outsourced tasks. Are there any that you could perform more economically in-house?

- Have your office staff learn some rudimentary maintenance (at least enough to enable them to ask residents the right questions).

- Learn the ins and outs of a graphics or desktop publishing program, and use it to design "lower-level" advertising and communications (flyers, resident event invitations, etc.) instead of sending them out.

- If your website has sections that need to be updated frequently, work with your site developer to learn how to maintain those sections yourself. It's much easier than you might think!

*Reprint permission granted by Sales & Marketing Magic and Multifamilypro Magazine
www.multifamily pro.com*