

5 Ways To Better Budgeting



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January and February are the months most contractors begin seriously looking at their equipment needs for the upcoming season. Rick Cuddihe, president of [Lafayette Consulting Co.](#), explains how contractors can properly analyze their fleet needs and budget accordingly.

How can I better budget for mower purchases? Preparing a budget for new purchases starts the process of getting ready for the spring. As you budget funds for this year's purchases, it is a good idea to analyze your fleet and forecast the useful life of your equipment.

Have an aged asset list

An aged asset list includes all the company's assets, in this case your equipment fleet. It lists the date you purchased the equipment, its estimated useful life span, significant repairs done to the equipment and when you plan to replace the equipment. With this information, you can better project your needs and create a budget that provides for your upcoming seasonal needs.

Your fleet manager can begin creating the aged asset list and it should include the number of hours each piece of equipment currently has. For example, a zero-turn riding mower with 2,000 hours could be ready for replacement before a major component failure occurs or the season is over. Another important element is equally balancing equipment hours of use so all the equipment in the fleet has similar hours of usage. By balancing usage, you'll be better prepared to budget for purchases and get the most efficient use of your equipment.

Expert advice

Bruce Wilson, president of [Bruce Wilson Co.](#), and a respected industry expert, knows a thing or two about equipment. He believes most contractors budget based on perceived needs.

“Those needs are communicated to owners by field managers who need more equipment,” he says. “One thing I have learned is to check hour meter usage to see how effectively equipment is actually being used. Often meter readings indicate under usage, meaning better planning could prevent accumulating excess under-utilized equipment.”

Batch purchases

It’s a good idea to batch mower purchases because suppliers usually offer discounts on multiple units. Asking a supplier to price a 10-unit purchase will likely result in a lower quote than asking for pricing on two units. Standardizing your fleets will give you the lowest pricing and a stronger commitment from suppliers. Successful contractors use the same brand of equipment in their fleets, which means their technicians and operators are well versed on maintenance and operations. Do a review of your jobs and determine the best brand that will improve productivity and plan your purchases using the fewest models that are appropriate for your jobs.

Plan ahead for the best deal

Suppliers offer their best prices during the preseason and many combine that with zero-percent or low-interest financing. Let your supplier know you plan to use them as your primary source for equipment. Tell them you expect the best deal on both price and financing and you’ll use them for most of your equipment needs. Compare cash purchases with the financing offers available. There may be times when cash purchases are better than low-interest financing.

Budget to reduce repair costs

Consider mower repair as you prepare your budgets because repair expenses reduce profitability. If you’re seeing high repair cost on your profit and loss statement, it’s time to change your purchasing model toward more reliable equipment. Saving \$500 on each machine at purchase can cost much more if premature failures occur during the season. The equipment repair expenses of successful contractors average 2.5 percent on their P&L. Know your equipment repair expenses and work to keep them as low as possible.

Budgeting is a must

Budgeting for your equipment needs now will save money and time when the season arrives in a couple of months. You can’t manage your equipment or business without a budget.