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Response to the Drought—Don't Fear It!

*** By Erin Kelly

WITH THE EVER-ESCALATING COSTS OF UTILITY SERVICES TO ASSOCIATIONS, ESPECIALLY WITH DROUGHT CONDITIONS LOOMING LARGE NOW, IT IS MORE IMPORTANT THAN EVER FOR MANAGERS AND BOARD MEMBERS TO KNOW THAT THEY HAVE DONE ALL THAT THEY CAN FOR THEIR COMMUNITIES AND RESIDENTS TO LOWER THESE COSTS. IF YOU CHOOSE NOT TO RESPOND TO THE EVER-INCREASING COSTS OF UTILITIES AND HOPE THAT THEY WILL GO AWAY, CAN'T POSSIBLY INCREASE IN COST ANY MORE, OR MAYBE THEY WILL JUST STOP INCREASING IN COST, THEN READ ON. . .

RECAP OF UTILITY TRENDS FROM 1989 – 2014

During the first drought in the early 1990's, water became a commodity for the first time in history, and the cost of water soared. These water prices remained high long after the drought was over. Then, trash recycling became mandatory (due to statewide legislation) and trash removal providers became franchised, leaving the consumer with no choice of vendors, enforced trash recycling and the highest trash pick-up rates in history—continuing to increase in cost annually. Sewer and storm drain fees were the next utility to skyrocket in cost due to increased development and the need for more sewage pumping and processing stations. Finally, due to the deregulation of both gas and electricity, we are now paying the highest gas and electricity prices in history. Now, we are facing increased water costs once again due to another drought. DO YOU SEE A TREND?

TIME TO RESPOND!

While every association depends on electricity, refuse, telephones, gas and water to make its common areas functional, most managers or board members believe that there is little they can do to lower the cost of these services. Some manage to lower utility consumption by improving conservation practices; others control costs by limiting the range of common-area services they use; most pass these costs on to their homeowners.

The utility companies and state agencies would have you believe that the only way to reduce your utility bills is through reduced usage, changing how you use the utility, or by installing more efficient equipment. For example: don't water your landscaping between 1– 3 p.m., set your air-conditioning thermostats to 70 degrees instead of 65 degrees, install energy-efficient gas boilers, air-conditioning units, LED lights or solar panels, use drought-friendly plants instead of lawn in your common-areas, etc. This is all well and good, but there is also another way to drastically reduce your utility bills—by reducing the rates that you pay or eliminating utility overcharges of which you may not be even aware! So, what IS the difference between utility conservation/energy auditing and a utility audit?

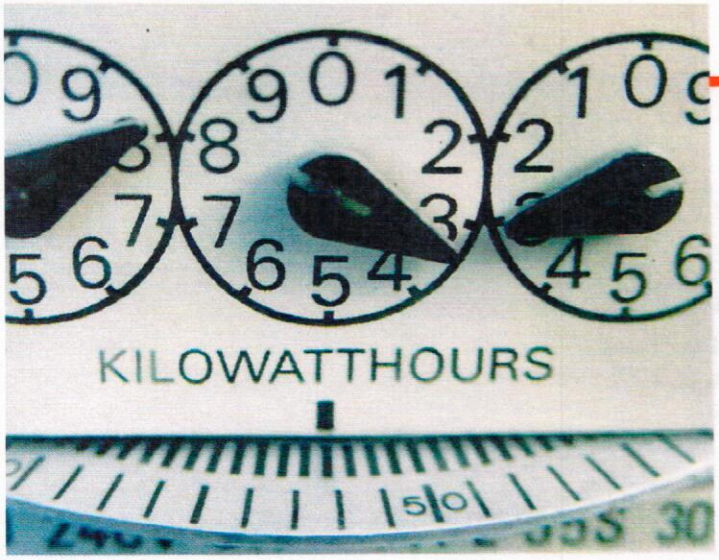
There are basically ONLY TWO WAYS TO CONSERVE WATER: Water Conservation Use Techniques and Devices (i.e. no afternoon watering, more efficient sprinklers, weather-sensitive irrigation controllers, water-sensor probes, reduce watering times per station, etc.) and Water Conservation Landscaping Techniques. (i.e. plant drought tolerant landscaping, replace landscaping with hardscape, etc.) Both of these methods will reduce the amount of the water/hundred cubic feet your association uses each month. Neither of these methods will reduce the per unit cost of the water/hundred cubic feet your association uses each month.

There are basically ONLY TWO WAYS TO CONSERVE ELECTRICITY: Electric Conservation Use Techniques (i.e. motion-sensor lighting, photocells, reducing spa/pool hours, etc.) and Installation of Energy-Efficient Equipment. (i.e. LED lights, more efficient pool pumps, etc.) Both of these methods will reduce the amount of the electricity/kilowatt hours your association uses each month. Neither of these methods will reduce the per unit cost of the electricity/kilowatt hours your association uses each month.

There are basically ONLY TWO WAYS TO CONSERVE GAS: Gas Conservation Use Techniques (i.e. reducing the spa/pool temperatures, timers on the clothes dryers, etc.) and Installation of Gas Efficient Equipment. (I.e. solar panels for spa/pool heating, computer-programmed water heater thermostats for central hot water heaters, etc.) Both of these methods will reduce the amount of gas/therms your association uses each month. Neither of these methods will reduce the per unit cost of the gas/therms your association uses each month.

What can your association do to reduce the per unit cost of its common-area utilities? Consider utility auditing. Let's look at an example.

ABC association has been conserving water for years. They have installed every new water conservation gidget and gadget for the common areas and have reduced their annual water consumption by a solid 10,000 hundred cubic feet (HCF) of water- which is an annual savings of $45,000, since the per HCF cost of water is $2.00 and the per HCF of sewer is $2.50! (ABC



association uses 75,000 HCF of water each year after water conservation) DEF Water Company now decides it is time to raise its water/sewer rates again since it has been a whole year since their last rate increase. This year they raise the water rates to $2.10 per HCF and the sewer rates to $2.75 per HCF. This is a $.35 per HCF increase over last year's rates, so ABC association is now paying $26,250 more this year than it did last year! (75,000 HCF x $.35 per HCF rate increase) The net effect is that the association, after reducing its annual water consumption by 10,000 HCF, combined with the per HCF rate increase of $.35, is now only saving $18,750 per year. And, if the utility increases its water/sewer rates again next year, the association will be paying the same amount for its annual water/sewer costs as it did two years ago, prior to any water conservation!

Now, if the association had reduced its per unit cost of water/sewer by $.50 per HCF, then the annual savings would be $37,500 in addition to any water conservation savings. And, this $.50 per HCF annual savings would carry forward each year as new, higher water/sewer rates were implemented so that the association's annual water/sewer costs would continue to decrease, no matter how many HCF of water was consumed!

Utility bills are confusing and cryptic. With smart meters and real-time pricing, they are getting more complex, which means they are more prone to error, whether computer- system errors or human-induced errors. If any association is paying more than it should for the utilities it uses, that money is coming straight out of its operating and reserve monies, which ultimately come straight out of the homeowners' equity and pocketbooks.

Now, more than ever, in these times of drastically increasing utility costs it is imperative that you know you are only paying your fair share of utility costs!

Erin Kelly, Director of Operations for Pacific Utility Audit, Inc., has been involved in the community association industry for 25 years. She can be reached at puainc@yahoo.com.

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