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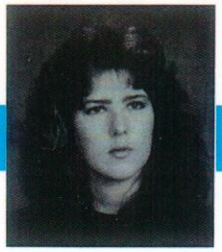
Utility auditing and association management

NIGUEL SUMMIT COMMUNITY ASSOCIATION

BY ERIN KELLY



The Niguel Summit Community Association is the master association for ten sub-associations and two apartment complexes, featuring a combined total of 994 units. The property is located in Laguna Niguel and covers approximately 40 square miles. As the master association, Niguel Summit is responsible for maintaining the common-area street medians, slopes, and landscaping within this 40-square-mile area.

Dan Keiker, from Seabreeze Management Company, originally contacted us in 1992 to find out how a utility audit could benefit their client, Niguel Summit, and help to reduce their ever-growing utility budget. Mike Clark, also from Seabreeze Management, contacted us again more recently to conduct a follow-up utility audit for the property. Both managers were informed that our utility audit costs nothing unless utility billing errors, overcharges, or less expensive utility rates are found. Then the association shares the savings from these utility refunds, credit adjustments, or new utility rates with the utility audit company for a 36-month period of time. If the utility audit company finds no errors or reductions, the utility audit is free. Nine out of ten times, we do find errors, over charges, or less expensive utility rates, but there are no guarantees.

Pacific Utility Audit first conducted the original audit of Niguel Summit's common-area telephone, water, and electric utility bills in March 1992. This audit included an on-site verification of each one of Niguel Summit's dozens of utility meters, as well as all of the utility facilities located within the property. The second utility audit was performed in June 1999, since new utility accounts had been added as the property had been expanded since 1992. Below are the cumulative results of both utility audits.

Water

Of the 44 water utility bills Niguel Summit receives every month, five of these water meters were not the financial responsibility of the association. These five water meters provide water to grass meridians along Pacific Island Drive. However, Pacific Island Drive is, in fact, the responsibility of the City of Laguna Niguel, since this street is owned and maintained by the city. Therefore, we contacted the City of Laguna Niguel regarding this situation. They immediately verified our field team's findings, accepted future financial responsibility for these five water meter accounts, and issued a full reimbursement of $4,074.05 to the Niguel Summit Association. The association is now saving approximately $150 each month ($1,800 per year) in water utility expenses due to the fact that it is no longer billed for these five water accounts.

Electric

Niguel Summit receives 41 electric utility bills every month. However, one of these electric meters was not the financial responsibility of the association. This electric meter provides electricity to the old leasing office and recreation area for one of the apartment complexes within the property. In fact, the apartment complexes were the responsibility of the developer, not the association, since the two apartment complexes were owned and maintained by the developer. Apparently, the developer had turned over this electric account to the master association inadvertently, due to the fact that the service address for this electric meter appeared to be association property.

We contacted the developer regarding this situation, and they also verified our field team's findings. The developer accepted future financial responsibility for this electric account and issued a full reimbursement of $24,697.44 to the Niguel Summit Association. The association is now saving approximately $900 each month ($10,800 per year) in electric utility expenses due to the fact that it is no longer being billed for this electric account! In addition, we placed one of the association's electric accounts on a less expensive rate schedule, which now saves the association approximately $1,200 per year in electric utility expenses.

The grand total

Over the last nine years, the Niguel Summit Community Association has received a total of $28,771.94 in refund checks from the City of Laguna Niguel and the developer. In addition to these refunds, Niguel Summit's annual utility budget has been reduced by approximately $1,800 in water costs and $12,000 in electric costs – a grand total of $13,800 in annual utility cost savings that will continue indefinitely. These actual utility cost reductions are the result of either the correction of ongoing billing errors or the placement of utility accounts on less expensive utility rate schedules.

Thanks to the foresight, effort, and ingenuity of two property managers from Seabreeze Management Company and Niguel Summit's board of directors, a utility audit put money into their reserves at no cost whatsoever. In addition, they will continue to realize these utility cost reductions indefinitely. They can use the utility auditing company on a no-cost, retainer-type of service, whereby Niguel Summit's utility bills are continually audited and any utility questions are answered for free.

■ Erin Kelly is Director of Operations for Pacific Utility Audit, which operates in California, Nevada, Oregon and Washington. They can be reached at 1-800-576-1010.