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CONDO & HOA MANAGEMENT

Cover story: Implement your Maintenance Manuals through a maintenance program *See page D*

The professional manager is one key to your community's success — you are the other *See page B*

UTILITY AUDITING

Responsibility = The ability to respond

BY ERIN KELLY

Mention the word "responsibility" to most people and you'll likely get a grimace in response. Most individuals think of responsibilities as additional burdens and time expended in an already busy life schedule. But did you know that there is a responsibility that can actually save you time and money? It's a utility audit, and its goal is to save you money on your utility bills. If you choose not to respond to the ever-increasing cost of utilities, or hope that they will go away, or believe they can't possibly increase in cost any more, or maybe they will just stop increasing in cost, then read on....

Utility trends from 1989-2002

During the drought, 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, recycling of trash became mandatory due to statewide legislation. Trash removal providers became franchised, leaving the consumer with no choice of vendors, enforced recycling of trash, and the highest trash pick-up rates in history, which continue 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 the fact that all water providers are paying higher electricity costs for pumping their water, so they are or will shortly pass on these increased operating costs to their customers. *Do you see a trend?*

Time to respond

While every association depends on electricity, refuse, telephone, gas, and water to make its common areas functional, most associations believe that there is little they can do to lower the cost of these services. Some associations manage to lower utility consumption by improving conservation practices. Others control costs by limiting the range of common area services they use. Most pass the costs on to their homeowners, yet *most* associations simply pay their utility bills without challenge!

> Utility auditors make sure their customers are paying only what they're supposed to pay, in the manner they should be paying it, at the promised price, and at the best price.

Few boards of directors or property managers understand the details that make up an association's utility expenses. Utility bills are confusing and cryptic. And they're getting more complex, which means they are more prone to error, whether computer- or human-induced. 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!

A utility audit can help end this waste. It's not a classic audit where accountants scour your books looking for errors, then charge you outlandish fees. The utility auditor has one goal: to save you money! With a utility audit, it is the utility company's charges that are put under a microscope. Utility auditors make sure their customers are paying only what they're supposed to pay, in the manner they should be paying it, at the promised price, and at the best price. Utility auditors examine monthly utility bills, searching for overcharges, improper rates, incorrect billing, lapsed services, and overlooked tax benefits. When the auditors find utility billing errors, they help clients get refunds, credit adjustments, or reduce their utility expenses.

Sounds simple. But if you think this job could easily be handled in-house by a board member, property manager, maintenance personnel, or homeowner, think again! Individuals who haven't studied the technical side of utility billing could be getting in over their heads. It is possible that an 'amateur' could alert the utility companies to a utility undercharge. Without the proper knowledge, a do-it-yourself audit could cost the association even more money in utility expenses in the future, not to mention the retroactive bill that the association will receive due to this utility billing undercharge!

Professional utility auditors bring technical knowledge and experience to the job

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RESPONSIBILITY

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that will more than likely produce greater savings than any in-house individual could, not to mention the fact that they can discover utility billing undercharges *without* alerting the utility companies. They can then let their clients know about these utility undercharges discreetly. Also, because utility auditors usually operate on a commission-only basis, you pay nothing unless the utility audit results in refunds, credit adjustments, and/or reduced utility bills.

Where do these utility savings come from? Here are a few things a utility auditor knows that you may not know:

- Utility companies are not required to give any customer the lowest possible rate. It is up to the customer to ask for it. However, to do this, the customer must know that lower rates exist, what those rates are, and which one is the most cost-effective for each utility account.
- Your association may be paying for utility services it doesn't use. These could be duplicate accounts of services it does use or simply unnecessary services or meters or streetlights that are not even located on the property.
- The utility company may not be obeying all state regulations. As a result, it may apply rates or collect taxes that are contrary to state rules and regulations.
- There may be cheaper ways to obtain the necessary utility services. The auditor can recommend other sources that could provide the same service at a lower rate.

The auditor's success depends on a thorough knowledge of rates, codes, utility regulations, and billing procedures. To this technical foundation, very experienced auditors add statistical techniques to locate abnormalities in the client's data, on-site inspections of all clients' meters, and legal expertise in negotiating with the utility company or city to get a refund for the client.

One often-misunderstood concept with utility auditing is that only a local utility audit company can perform this service. Often, clients feel that unless a utility audit company is local, the auditors will not be familiar with their utility company's billing procedures and/or location. In fact, a utility audit company that works in several states has a much better perspective of various utility rate and billing applications and a much better database of clients. This helps the client tremendously because that expanded knowledge, experience, and perspective are the keys in any negotiations or litigation with the utility company. When the utility company or city is shown that the way they are applying or interpreting a rate, billing procedure, or tax is inconsistent with hundreds of other utility companies throughout several states, they are often forced to admit that they overcharged the client. This can only happen if the utility auditors have this multi-state data, experience, and knowledge – not just local expertise. Additionally, on-site inspections should be performed by all utility auditors, whether local or not, so once again, location of the utility auditor is not a primary concern.

A utility audit benefits an association in two ways. The immediate benefit, of course, is the refund check or credit adjustment. Money unnecessarily paid to the utility company is back where it belongs — in the association's reserve funds. But while refunds and credit adjustments are nice, the real benefit lies in future utility savings. The association is now paying less for its utilities and is in control of its utility expenses. With greater control of these expenses, the association can plan better for future budget requirements.

A utility audit is no-risk and requires minimal effort. Good business sense says if the service is available, you'd be silly not to use it!

The Bayside Commons Homeowners Association saw a reduction of $11,132.08 in its annual wastewater/sewer utility costs thanks to a utility auditor's knowledge of current and working rates and available billing methods. There were no errors or overcharges discovered during this association's audit. However, the auditor did uncover a savings of 60 percent

of the association's wastewater/sewer costs due to the auditor's determination of the percentage of the association's total water consumption that was returned to the city's sewer system for processing.

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 its developer for incorrect water and electric utility charges. In addition to these refunds, the association's annual utility budget has been reduced by approximately $1,800 in water costs and $12,000 in electric costs. These savings will continue indefinitely. They are the result of either the correction of ongoing billing errors or the placement of utility accounts on less expensive utility rate schedules.

The Foothill Business Association received credit adjustments totaling $13,952.88 from the Irvine Ranch Water District after their utility audit. Their auditor found that 20 of the association's water accounts were not allotted enough acreage, which resulted in penalty usage fees for the association. The auditor worked with the utility to increase the acreage allocation for each account, resulting in the $13,952.88 credit. In addition to the credit received, the association will save approximately $16,500 per year in water utility costs. The utility audit also revealed an annual savings of $14,000 on electric utility expenses from Southern California Edison. The auditor simply placed the association's electric accounts on less expensive electric rates, which were available through the utility and did not require changing to another electricity provider. A utility audit brought this association a $13,952.88 credit as well as an annual savings of $30,500.

Combined, these three associations have found $42,724.82 in the form of refunds or credits – all thanks to utility audits. In addition, these three associations will see a combined savings of $55,432.08 in their annual utility costs— a savings that continues indefinitely into the future. What kind of savings can your association achieve?

■ Erin Kelly is Director of Operations for Pacific Utility Audit, which operates in California, Nevada, Oregon, and Washington.

OOPS!

Our Landscape Directory in the March issue had incorrect information on D.L. Olsen & Associates, Inc. The company has been in business for 26 years, they have worked with 40+ condos/HOA clients in the last year, 25+ management company clients, and they are not members of CACM. We apologize for the error.

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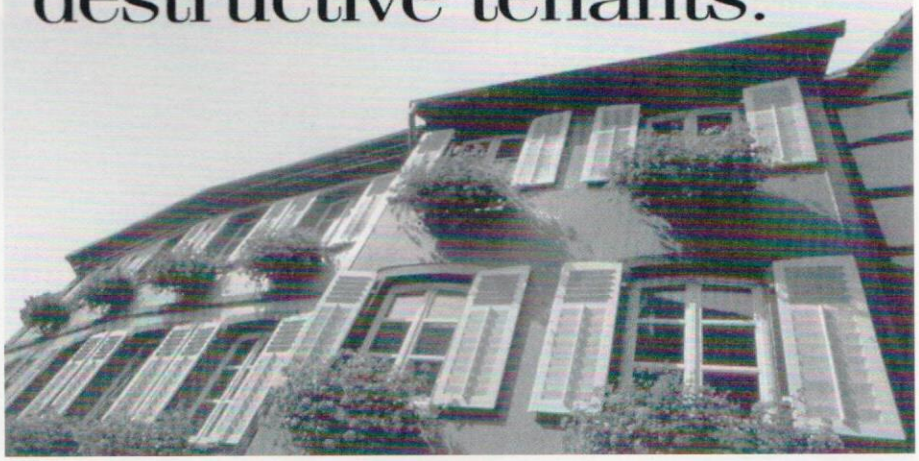

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