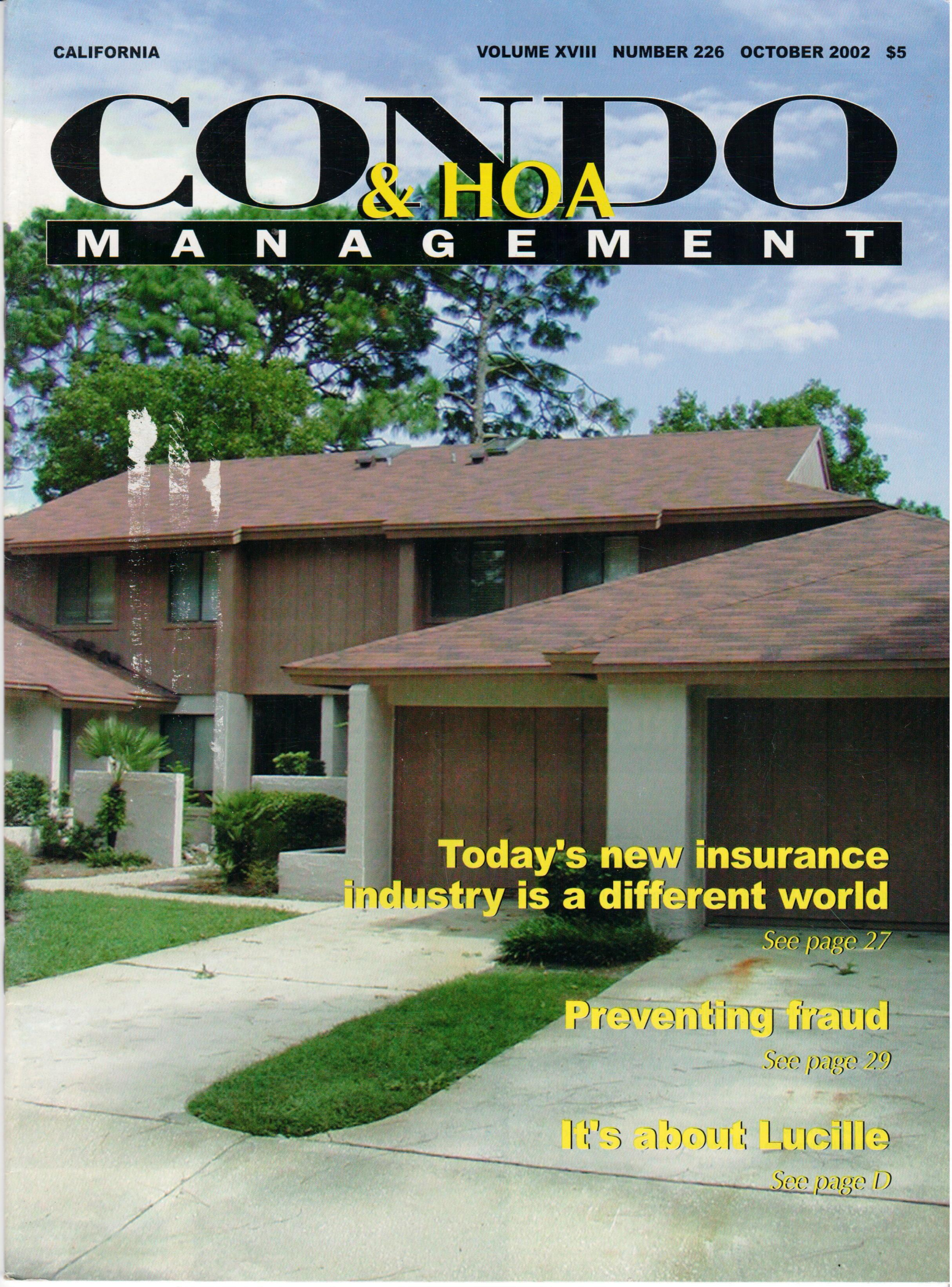
CALIFORNIA VOLUME XVIII NUMBER 226 OCTOBER 2002 $5

CONDO & HOA MANAGEMENT



Today's new insurance industry is a different world

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Preventing fraud

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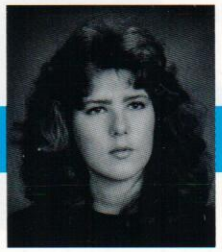
It's about Lucille

See page D

Understand the need and costs of a utility audit



BY ERIN KELLY

A utility audit may put money into an association's reserves, with no cost to the association whatsoever. With extra reserve money, any association is better prepared to deal with disasters.

What is utility auditing?

In plain terms, utility auditing is an analysis, on-site inspection and review of the association's common area water, sewer, gas, electric, telephone and trash utility bills to identify errors and overcharges such as: sewer fees billed to irrigation water, wrong utility rates applied to bills, decimal point errors, tax errors, misread and/or miscalibrated meters, incorrect service charges...

What does a utility audit cost?

Utility auditing is a result-oriented business which operates on a contingency basis. There are so many utility errors occurring, that 90% of the time clients have been overcharged or are paying for the highest utility rates available to them. The utility auditor receives 50% of refund checks and credit adjustments issued to the association, as well as 50% of the actual 'after the fact', utility cost savings to the association if the association is now saving money each month as a direct result of the correction of a recurring utility bill error or less-expensive utility rates. (does not have anything to do with electric or gas deregulation.) If the utility audit reveals that the association is being billed correctly, or undercharged for it's utilities, the utility audit is free, and the assocciation receives a written report detailing these results and there is no charge whatsoever. A utility auditor can discover utility undercharges without alerting the utility companies - something no well-intentioned homeowner, board member or property manager can do!

How does a utility audit work?

The association provides the utility auditor with copies of their most recent 12 months common area utility bills. (in situations where an association has hundreds of utility meters, other arrangements can be made)

> In most instances, associations are overpaying simply because they are not aware of how their utility bills are calculated.

Based on the utility suditor's knowledge of utility rates, codes, tariffs and billing procedures specific to each utility company, these utility bill copies are analyzed for errors and overcharges, and an on-site inspection of the property is performed by a qualified field team.

Assuming that your association is entitled to a refund check or credit adjustment issued by the utility company, which happens 50% of the time, the utility auditor presents the evidence and obtains this money from the utility company for the association.

Assuming that your association can pay less per unit of utility simply by being placed on an alternative utility rate, which happens 90% of the time, the utility auditor works with the utility company to change these utility rates, then calculates the actual monthly utility cost to the association and invoices for 50% of this actual utility savings for the prior month. (ie. 10¢ per kilowatt-hour on new rate versus 15¢ per kilowatt-hour on old rates) This is possible because most utility companies have numerous utility rates available to their customers, but do not inform their customers of these available utility rates and, if they do, then they do not inform their customers of which utility rate would be the least expensive for the customer. Therefore, in most cases, the customer is placed on the most expensive utility rates.

Why your association should have a utility audit

Utilities are almost always the largest single expense category on an association's annual budget. Utility costs are also the largest uncontrollable expense. If gas, electric, water, sewer, telephone or trash rates increase, the association is stuck footing the bill. Even if rates remain constant, seasonal weather extremes, new contractors, broken water lines, or new homeowners can cause wide fluctuations in the association's utility bill.

These utility bills appear every month all year long, and associations are expected to pay them or else lose the service. Most people, no matter how sophisticated they are, rarely ever question the validity of their utility bills. Why? They simply don't have the information necessary to analyze these bills intelligently. So they continue to pay them month after month without question.

These utility and telephone bills already represent a sizable percentage of total

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THE PRO TIP

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downspout cleaning. By performing a regular roofing maintenance you could easily get an additional 5 to 10 years of life from your roofs - consider the cost savings!

If you can't get your board to spend the money to implement any of these suggestions, keep the phone number of your emergency maintenance contractor at hand as you will definitely have emergency leak repair and drain cleaning calls if El Nino visits us.

■ J. David Rauch is President of ProTec Building Services in San Diego, California. Please submit your comments, thoughts, questions or maintenance problems to drauch@protecbsi.com. I will respond promptly!

EUCALYPTUS TREE

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vascular system (xylem) and subsequent translocation into the leaves. The research and my own personal experience have shown good long-term control of up to 12 months. This product works best prior to or at the early stages of an infestation before the tree has been severely damaged. Many trees that I have been called upon to inspect for possible treatment this year are beyond help. This product does not have an adverse effect on the parasitic wasp.

New Lerp Psyllid discovered

As of July of 2001, a new lerp psyllid has been discovered in San Diego County. The **"spotted lerp psyllid"** is now the second of 127 known varieties of lerp psyllid worldwide to have been found here. This pysllid attacks 2 varieties of eucalyptus, the spotted eucalyptus *(Eucalyptus maculata)* and the lemon scented gum *(Eucalyptus citiadora)*. This pest causes the same sticky mess and leaf defoliation as the RLP and damages these trees rapidly. Based on our experience with the RLP, I recommend early treatment to protect these trees from the spotted lerp psyllid.

Only time will tell if the remaining red gums will be saved by the wasp for generations to come.

■ Tom Launder is a certified arborist and owner of Arborists Consulting Services in Oceanside, CA.

BIA

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of allegations of defects by your lawyers and their experts and the fact that no money was awarded for them. Imagine the effect that could have on the value of your home.

The BIA

The Building Industry Association of Southern California (BIA/SC) is a 78-year old non-profit trade association that serves the 1,750 companies that comprise its membership.

As the regional voice of the building industry, BIA/SC works closely with its chapters, councils and members to make sure housing supply keeps pace with the rapidly growing job and population, so Southern California's continued economic prosperity and quality of life is assured.

More than three-quarters of California's population growth is termed ""internally generated""– in other words, it is the result of Californians having children. BIA wants these children to be able to purchase a home in Southern California when they grow up. According to a 1996 study of condominium properties involved in construction defect lawsuits by Con Am Economic Research.

UTILITY AUDIT

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operating costs and year after year they continue to spiral ever upward.

In most instances, associations are overpaying simply because they are not aware of how their utility bills are calculated. In fact, a utility audit will probably uncover surprising errors and opportunities for savings.

All associations can benefit from this service and they have the right to have qualified persons helping them, Remember. water, sewer, gas, electric, telephone and trash utility bills are going to continue indefinitely. It is the job of the utility auditor to make sure that you are charged for only your fair share of them.

■ Erin Kelly is with Pacific Utility Audit in Markleeville, CA.

Upcoming Editorial Schedule

November - **Management**
December - **Finance & Software**
January - **Insurance**
February - **Roofing**
March - **Landscape & Pest Control**
April - **Pool Care, Fitness & Recreation**
May - **Communication**

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