REDUCING UTILITY COSTS FOR HOAS:

Closing the Back Door for HOA Dollars

Rising utility costs are putting pressure on community associations. But what if there was a way to reduce expenses without cutting usage?

Why Are Utility Costs Rising?

Factors like deregulation, trash franchising, droughts, tiered rates, and penalties continue to drive up costs. Most associations assume they have little control over these expenses. However, many unknowingly overpay simply because they don't fully understand how their utility bills are calculated.

Some communities attempt to lower costs by installing energy-efficient equipment or passing expenses to homeowners. Others simply pay without question. However, a professional utility audit can reduce annual budgets by an average of 20% — with no upfront costs or changes in usage.

As a former community manager, I know what it's like to meet with a board that isn't always good at taking the suggested recommendations for an assessment increase.

Proposing a utility audit is one of the many ways you can gain favor with your board by taking proactive measures to find ways to cut costs. My story led me to this particular niche, but before we move on to the ways a utility audit can benefit you and your associations, here's a list of ways to save dollars for you to consider:

Utilities & Energy

1. **LED Retrofitting:** Replace common area lighting with LED bulbs to reduce electricity costs.
2. **Smart Irrigation Systems:** Install weather-based irrigation controllers to avoid overwatering.
3. **Solar Power:** Explore solar panel installation for clubhouses, pool heaters, or gate systems.
4. **Leak Detection Systems:** Use smart water meters or moisture sensors to detect and prevent costly water damage.
5. **Energy Audits:** Have a third party conduct a full energy efficiency audit (separate from utility billing audits).

Vendor & Contract Management

1. **Review Service Contracts Annually:** Re-bid contracts (landscaping, janitorial, security, pool) every two-to-three years to ensure competitive pricing.
2. **Negotiate Multiyear Discounts:** Lock in lower rates with key vendors in exchange for multiyear commitments.
3. **Combine Services:** Use one vendor for multiple services (e.g., landscaping and tree trimming) for bundled savings.

Maintenance & Repairs

1. **Preventive Maintenance Plans:** Regular upkeep of equipment and infrastructure can prevent expensive emergency repairs.
2. **In-House Work:** Train or assign light maintenance tasks to on-site staff rather than hiring external contractors.
3. **Shared Equipment:** Share costly tools or machinery with nearby HOAs or a master association.

Insurance & Financial Management

1. **Annual Insurance Review:** Work with an independent broker to reassess your policies for potential savings or bundled discounts.
2. **Deductible Adjustments:** Increase deductibles to lower premium costs (weigh risk carefully).
3. **Reserve Fund Optimization:** Invest reserve funds in low-risk–higher-yield vehicles (e.g., CDs, money market accounts) within the limits of state law.

Communication & Admin

1. **Go Digital:** Switch to email newsletters and e-statements to save on postage and printing.
2. **Self-Manage Minor Tasks:** Consider managing small events, newsletters, or surveys internally rather than hiring a consultant.
3. **Software Integration:** Use HOA management platforms to streamline tasks like dues collection, violations, and communication — saving admin hours.

Landscaping & Grounds

1. **Drought-Tolerant Landscaping:** Convert turf to xeriscaping or native plants to save water and maintenance costs.
2. **Reclaimed Water:** Use recycled water for irrigation if available through your city or water district.
3. **Seasonal Adjustments:** Adjust landscape schedules seasonally to avoid unnecessary service (e.g., mowing during winter dormancy).

A professional utility audit could be the key to unlocking thousands in savings, and you could be the one to help deliver those savings.

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Community Engagement

1. **Volunteer Committees:** Use committees to handle certain projects (like decorating or organizing events) instead of hiring outside help.
2. **Bulk Purchasing with Co-owners:** Coordinate bulk discounts for services like pest control or window washing, passing savings to co-owners and lowering wear on HOA-managed elements.

Engaging your board with a few of these considerations will put you in a great position for them to understand your interest in serving them to the best of your ability, ultimately softening the recommendations you present for a budget increase through money saved, trust, or both.

How Does a Utility Audit Work?

We review water, sewer, trash, gas, electric, and telephone bills to identify overcharges. The process includes:

1. **Bill Analysis:** Reviewing past utility bills to detect errors such as incorrect rates, tax miscalculations, and meter reading mistakes.
2. **On-Site Inspection:** Verifying meter sizes, meter multipliers, what each meter services, and identifying services billed incorrectly.
3. **Cost Optimization:** Finding lower-cost rate structures and billing methods for future savings.

Unlike DIY audits, which can inadvertently alert companies to undercharges and result in retroactive bills, a professional utility audit ensures accuracy without risk to the HOA.

Real Savings for Real Communities

Nine out of ten clients are being overcharged for at least one utility service. Here are just a few examples of how much money HOAs have saved:

- **Spring Valley HOA** recovered $89,900 after being charged for extra trash bins that didn't exist.
- **Wilshire Marquis HOA** received $49,272 in refunds and cut its annual utility budget by $24,487.
- **The Met-Warner Center** received $328,407 in refunds and saved $228,890 in annual utility costs.

The Bottom Line

A professional auditor only gets paid if savings are found; it's a true win-win for everyone involved. With expenses across the board continuing to rise, now is the time for HOAs to make sure no money is being left on the table. A professional utility audit could be the key to unlocking thousands in savings, and you could be the one to help deliver those savings. ●

Erin Kelly, the director of operations for Pacific Utility Audit Inc. has been involved in the association industry for 30 years. As a prior property manager and community association manager, and now as an employee of Pacific Utility Audit, she has an insider's knowledge and direct experience of the association industry. For more information, visit www.pacificutilityaudit.com.