



October 4, 2000

Easy Money Budgeting in Homeowner Associations

by Richard Thompson



With ever increasing costs, many associations find it difficult to accumulate the funds they need to provide essential services and a reasonable level of property maintenance. Simply keeping up with inflation currently calls for a 3% annual increase in revenue. But fighting inflation can be easy if the board makes cost-cutting a priority. Start by identifying the high ticket items.

- 1. Utilities.** Associations with high utility costs should commission a utility audit. Utility auditing companies verify the accuracy of utility bills, notes discrepancies and assists in refund claims.
- 2. Insurance.** Associations can save on insurance premiums almost dollar for dollar by raising deductibles.
- 3. Landscaping.** Save on water and maintenance costs by replacing turf with drought-tolerant native species.
- 4. Pools & Spas.** Adjust heater temperature and pump cycle times for savings. A two degree drop in temperature can significantly decrease the heating bill. Use a pool solar blanket to conserve water temperature and reduce heating costs. Consider solar heating panels if feasible and repair them annually for proper operation.
- 5. Lighting.** Use high-efficiency outdoor lighting like compact fluorescent, metal halide, halogen and mercury vapor. Installations usually pay for themselves in one to two years in labor and energy savings while providing better security.
- 6. Preventive Maintenance.** A preventive maintenance program is your biggest money saver since it catches problems when they are small enough to resolve cheaply. Pay to have a knowledgeable consultant inspector perform this service.
- 7. Owner Related Repairs.** Associations can save money in owner generated expenses like power, water and sewer, which are included in the monthly assessments. It's often cheaper to have the association to fix faucets and leaky toilets than to wait for owners to take action.
- 8. Review Contracts Annually.** Fixed costs like insurance, management, landscape and pool contracts should be reviewed annually. Physically communicate with these vendors to inquire of ways to trim costs. It may not always be possible but ask the question.
- 9. Review Variable Costs.** Variable costs like gutter cleaning, plumbing and electrical repairs change depending on circumstances. Is there an identifiable trend that can be handled better? For example, by trimming trees away from the roof, can gutter cleaning be reduced? Look for "causes and effects" that are driving up costs.

The Board is responsible for large budgets and the care of often millions of dollars of owners' assets. When spending other's money, it's easy to get complacent. As Senator Everett Dirksen said, "A billion here, a billion there...pretty soon you're talkin' real money!" As with any business, the Board should carefully watch the "bottom line", the margin of profit or loss. Easy money is there waiting to be found.

For more on this subject, see www.regenesis.net

Copyright © 2000 Realty Times. All Rights Reserved.

With an award winning staff of writers providing up to the minute real estate news and advice, thousands of REALTORS® in North America reporting daily market conditions, and a nationally broadcast television news program, Realty Times is the one-stop shop for real estate information. That's why over 10,000 real estate professionals have turned to us for their publicity needs.