



Does Buying in Bulk Save Money?

By Geoffrey Mazel

WHAT GOES UP CAN MAKE BOARDS FEEL DOWN: with rising costs in taxes, insurance, payroll, and fuel, boards are feeling a tremendous strain on their budgets. They have a fiduciary obligation to keep the budget balanced, so why not try saving money through bulk purchasing? There are four areas where that is feasible: electricity, appliances, insurance, and cable television.

Electricity: Master of Your Domain

For electricity, look at the method by which your cooperative is billed. Most co-ops are either master-metered or directly metered to an electricity provider. If a cooperative is directly metered, that means (hat the shareholder pays for his/her electricity directly to the provider. The board has little or no involvement in this process, other than providing access when requested.

In the master-meter situation, the board is very involved in the delivery and payment of the electrical services. Here, the co-op corporation is actually purchasing the electricity used by its shareholders, is billed through a master-meter, and pays the bill. Therefore, it is imperative for the co-op to get the best possible prices for its shareholders. Electric rates for (his meter are discounted from a direct meter.

Some co-op boards with master-meters are attempting to implement submetering. This means that the co-op is still charged on its master-meter for electricity, but the cost is then billed back to the shareholders based on their usage. Advances in technology in the past decade have made submetering a viable option for many. In addition, since the energy savings are significant. New York State has several programs to provide grants and loans to encourage submetering.

According to Public Service Commission regulations, a master-metered residential cooperative may submeter upon the condition that a majority of the participating shareholders voted in favor. In addition, a board must check its proprietary lease and

bylaws to see if they need to be amended to allow it. If so, many of these documents require a two-thirds affirmative vote, so it then becomes a difficult task to accomplish.

Appliances: The Group Speaks

There are several situations where co-ops have grouped their purchasing power in order to obtain significant discounts on appliances. For example, one co-op is in the midst of a large exterior facade project. The board was extremely concerned that many of the shareholders' through-the-wall air conditioners - rusted, old, and very heavy - could damage the new facade. The board then contacted many local air conditioner dealers and was able to negotiate a tremendous discount for the shareholders on new air conditioners. In addition, the board offered to have the new units installed for cost by the maintenance staff. This was certainly a "win-win" since the shareholders obtained new air conditioners at deep discounts while the building preserved its new exterior. And everyone saved money on electricity since the new units were energy efficient.

Insurance: Bulk Up

Another example of a co-op using bulk purchasing power concerns homeowners' insurance. In the past few years, many boards have discovered the tremendous benefits of homeowners' insurance, now requiring that shareholders maintain such protection at all times. In order to help facilitate this situation, some co-ops have actually negotiated with local insurance brokers in an attempt to get

a discount on the premiums. In addition, the level of service will be better for these shareholders since they are now part of a group and are not a single account.

Cable TV: The Power of More

Finally, cable television. Most shareholders in co-ops enjoy substantial savings on their cable bills thanks to a bulk billing ("shared savings") agreement between the corporation and the local cable provider. These may last up to three years and usually provide for a deep discount off the cable bill (sometimes up to 33 percent) as long as a certain number of shareholders sign up. Under them, the co-op may be responsible for paying the cable company directly and then charging the shareholders for usage. In addition, if the number of users goes below the stipulated amount, then the shareholders can lose the discount and will have to pay the current published rate.

There are many other ways to use collective creativity and imagination to save your property money. Using the bulk purchasing power is one method. In light of the tremendous pressures on today's budgets, spending your money wisely has become even more important. Bulk purchasing should not be considered merely as an option but a valid necessity.