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Controlling the Flow

By Jeffrey Lee

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Controlling the Flow



BY JEFFREY LEE

Owners tap utility managers to monitor and reduce water and fuel costs.

In a difficult economic climate, monitoring and controlling utility costs is an important way to boost or maintain net operating income (NOI). To help deal with the situation, U.L. Coleman Properties solicited a utility management company's services and soon thereafter saw net income increase for several reasons, says Shannon Hollier, Portfolio Property Manager for the Shreveport, La.-based commercial and multifamily manager.

First and most apparent was that U.L. Coleman Properties started charging residents for water; it previously had been paid by the owner. "Being reimbursed for utilities has enabled our properties to cope with the rising water expense and has had a positive impact to each of our properties' bottom lines," Hollier says.

Although residents were losing an amenity, Hollier says it wasn't a difficult adjustment. U.L. Coleman Properties did a six-month assessment to determine the most efficient and effective way to bill residents. In the end, because of a portfolio of older properties that made submetering cost-prohibitive, the company instituted a RUBS (Ratio Utility Billing System) formula to allocate the water bills.

U.L. Coleman Properties' management staff explained to residents how rates would be determined. First, the individual properties would be responsible for the common areas and secondly, the arrangement would enable residents to lower the bill by conserving water. "You can anticipate there will be a handful of residents who will be upset initially," Hollier notes. "After about 12 months of new leases and lease renewals, the properties have 100 percent resident participation and the



reimbursement for water becomes a normal component of renting an apartment."

A utility management company also can monitor fuel or water usage and find ways to adjust for savings. All of Hollier's communities installed low-flow showerheads, water-efficient toilets and faucet aerators to reduce usage.

Finally, a utility management company can identify billing mistakes and quickly remedy them. Hollier says utility bills often can have misreads or other problems. "[Third-party] utility billing companies will pick up on that first and handle it faster than we can," Hollier says. "You don't want to be three months down the road trying to figure out the problem. In the long run, that reduces the time we have to spend researching the billing problems and the monthly

expense becomes more consistent."

It is recommended that communities conduct periodic audits of community-paid water, gas, electric and telephone expenses. Estimates show that nearly one in five communities overpay for their utilities and don't know it.

Red Flags

At the Arbors of Perrysburg in Perrysburg, Ohio, Vikki Motil, Property Manager, gets a bill every month from the county water department, as well as a statement from Guardian Water and Power, her utility management company. Late in 2008, she realized something was off. The two charges should have been the same—give or take for a couple of vacancies—but they were hundreds of dollars apart.

Motil called on Guardian to investi-

Service Spotlight

Utility Management

gate, and the company discovered that two large master meters had been assigned to the community, when only one compound municipal meter had actually been installed in 2005. The municipality issued a \$4,746.79 refund as a result. “If we weren’t going through Guardian Water and Power, we probably never would have caught it,” says Motil, whose 114-unit community is managed by Redwood Management.

The community was able to red-flag the variance because Guardian independently replicates the utility’s billing rate and charges residents based on that rate, rather than by simply dividing the utility bill. This process thus serves as a check and balance against the utility bill, both on dollar charges and volumetric consumption. Harry Apostolos, President, Guardian Water and Power, says his company conducts a water audit when abnormal variances arise. “Our goal is to increase NOI by driving usage variances to zero,” Apostolos says.

Cost Recovery

Utility management also can lower other costs associated with paying utility bills, according to Conservice, a utility management and billing company. A management program frees a community manager or corporate accounting personnel from handling, managing and paying utility invoices. Utility experts handle the task instead, allowing the community manager to focus on the tasks they do best, such as leasing units. Utility invoice late fees can be drastically reduced through efficient processing and payment of utility invoices.

Vacant cost recovery, another benefit of a utility management program, can eliminate energy theft, and utility management can identify residents who have failed to transfer service in their names. The increased monitoring can save owners on average about \$7,000 per property per year that they are currently losing to energy theft, Conservice says.

Income & Expenses Survey Deadline Extended to April

NAA has extended the file date for members participating in the 21st annual Income & Expenses Survey. Please send in your forms by April 30. This survey provides valuable market budget information. Results are released in August.

For information, contact NAA’s Chanal Thomas at 703/518-6141 Ext. 127 or e-mail chanal@naahq.org.

Splitting Shared Services

At many garden-style communities, each apartment has its own equipment for heating, ventilation and air-conditioning, making it easy for each resident to pay for his or her share through the gas and electric utilities. Recently, however, Scott Bolin, Director of Meters and Networks for Velocity, the utility management services division of RealPage, has seen a large increase in boiler and central plant systems in which the building owners provide heat and air-conditioning for each apartment and must bill the cost to residents.

Owners have several options for measuring resident usage of such an amenity. A Btu meter can calculate the amount of heating energy used in each apartment, but is very expensive, Boldin says. Alternatively, owners can use a run-time module that measures how long a thermostat, blower motor or small condensing unit is turned on, allowing the owner to bill the resident based on usage time.

Battery Exchange

Submetering—measuring the exact amount of electricity, gas or water used by a community’s residents and then using automated meter reading technology to equitably bill residents—is commonplace in the apartment industry. Radio-frequency submetering systems include the individual submeters and the transmitters that gather and transmit meter readings back to the utility biller. Transmitter batteries

have a five- to 10-year lifespan, according to *ista* North America.

In radio-frequency submetering systems installed in 2004 or earlier, transmitter batteries may be on their last legs. Once the battery fails, the meter readings can no longer be accessed remotely, meaning utility bills may have to be estimated or, in counties where estimating is legally prohibited, no bill will be sent at all. *ista* North America is offering a battery replacement program that includes volume discounts for clients who replace transmitter batteries portfolio-wide, saying doing so will avoid the costs of repeat maintenance visits and lost billing revenue.

Dealing with Data

Access to data is important in many facets of apartment operations, and utility management is no exception. Owners amass a large amount of utility data, including overall cost, rate structures and consumption, and can leverage that data to make more informed utility management decisions, according to NWP Services, a financial transaction processing firm that offers utility management services.

Data warehouses allow users to drill down into utility data and look for opportunities to improve community performance. Abnormal trends in consumption can indicate leaks, defective equipment or even theft. Additionally, by looking at trends in expense, users can transfer balances for which they should not be responsible. ■■

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For Information

For a list of National Suppliers Council members who provide submetering and utility management services, see pages 69-70 or visit the NAA Buyers Guide at www.naahq.org.