

# Save money and improve revenue with utilities

Utility costs have been rapidly increasing, but (believe it or not) utilities also present the biggest potential for savings and added revenue. Here are some ways to drive down your utility costs, bring in additional revenue, and ultimately improve NOI.

## SAVE MONEY

### Replace inefficient fixtures

Your buildings don't have to be LEED certified to benefit from energy efficient features. **Making the most basic upgrades brings substantial savings.** For instance, swapping regular light bulbs with LED ones will save the average household about **\$225 a year** in energy costs. Replacing one inefficient toilet can save about **\$130 per year**. Here's how that would add up at a 100 unit community, with one toilet per unit:

$$\begin{array}{r}
 \$13,000 + \$22,500 = \$35,500 \\
 \text{100 units x \$130 water savings} \quad \text{100 units x \$225 energy savings} \quad \text{Total utility savings per year}
 \end{array}$$

## SAVE MONEY

### Bill renters for their utility consumption

If you are responsible for paying the utility bill, your costs are about **26% higher** than if renters are responsible for paying. This is just one reason you should not include utilities in the price of rent or charge a flat fee every month. Instead, you want to bill based on consumption to lower your overall expense.

$$\begin{array}{r}
 \$4,000 - 26\% = \$2,960 \\
 \text{Utility expenses before} \quad \text{For implementing} \quad \text{Utility expenses after recouping} \\
 \text{consumption-based billing} \quad \text{consumption-based billing} \quad \text{costs from residents}
 \end{array}$$

Resident [utility billing providers](#) will take charge of all of the necessary steps to bill based on consumption:

- Calculate charges for each unit
- Bill renters for what they owe
- Collect payments on your behalf
- Integrate payment and utility data into your software
- Keep you in compliance with utility billing regulations



## SAVE MONEY

### Routinely perform utility bill audits

Utility billing errors are common. And the mistakes are usually not in your favor. **That's why you should routinely audit bills for errors before you pay them.** You can do this in house, or rely on a [utility expense management](#) provider, who will also dispute incorrect charges on your behalf. Here are the common types of audits that will uncover billing errors.

- 1. Energy Use audits:** The amount of energy that is recorded can sometimes be in error, particularly if there is abnormally high or low usage. Or, energy usage that's erratic can also indicate trouble with your meters.
- 2. Cost audits:** It's common for utility prices to change, particularly during certain times of the year. But sometimes you are billed the wrong rate. Additionally, higher than average costs on a monthly or year-over-year basis can indicate a malfunction at one of your properties.
- 3. Date audits:** Date-related errors lead to incorrect amounts, not to mention inaccurate energy analytics. Always make sure your start and end dates don't overlap by more than a day.



“Almost immediately, Zego found some errors on our utility bills that they rectified with the utility company for us. Then they noticed that one of our water bills had doubled in one month and alerted us that our property probably had a leak.”

*Jennifer Howard, CFO, Boutique Apartments*

## SAVE MONEY

### Put an end to utility theft

When a resident doesn't move utilities into their name at the start of their lease, you end up paying for their charges. Monitoring for these instances and billing the charges back to residents makes a significant impact on your overall spend. Let's look at two Zego clients that implemented [vacant cost recovery](#):

**Boutique Apartments:**  
2,000 units  
**\$36k**

*Recouped \$36,000 from Zego's vacant cost recovery service*

**City Gate:**  
9,000 units  
**\$100k**

*1,000 incidents of utility theft identified, resulting in \$100,000 worth of savings*

“Between late payment fees and not having the bandwidth to regularly check to see if our new residents had transferred utilities into their name, it was costing us money.”

*Jennifer Howard, CFO, Boutique Apartments*

## GROW NOI

### Send residents a consolidated billing statement

An advantage of billing renters based on their utility consumption is that it gives you the opportunity to consolidate all of their monthly charges into a single statement. This not only includes utilities, but their rent, and any other ancillary fees. Why is this advantageous?

- 1.** Renters pay all of their monthly fees in one transaction
- 2.** You receive more on-time and complete payments since utility charges are tied to rent
- 3.** Fewer instances of utilities collections
- 4.** Digital payment utilization grows by 30%, as shown by recent studies

## GROW NOI

### Assess resident statement service fees

One of the perks of a resident [utility billing program](#) is that in some cases, you are able to bill the vendor cost back to the resident as a service fee. **This added revenue stream can offset your vendor costs.** A standard service fee is \$2.95. Here's how it adds up for a 2,000 unit portfolio:

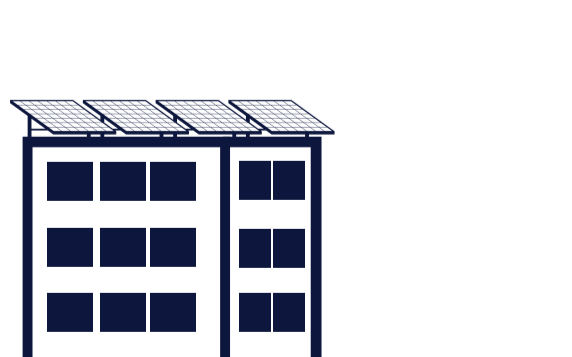
$$\begin{array}{r}
 \$5,900 \times 12 = \$70,800 \\
 \text{\$2.95 statement fee for} \quad \text{Months} \quad \text{Annual statement fees} \\
 \text{2,000 units}
 \end{array}$$

## GROW NOI

### Collect penalty fees for utility theft

When renters fail to move the utilities into their name in a reasonable time frame, you are entitled to charge a penalty fee. **A standard utility theft fee is typically \$25-\$50.** This sufficiently reimburses your company for administrative and operational costs associated with issue resolution.

Some companies see so much revenue associated with vacant cost recovery that it offsets the costs associated with their utility management program. Let's say you set a \$25 fee and that 10% of your renters (in a 2,000 unit portfolio) don't move utilities into their name by the given date. Here's how it adds up:



$$\begin{array}{r}
 \$25 \times 200 = \$5,000 \\
 \text{Utility fee} \quad \text{Units} \quad \text{Per year in added revenue}
 \end{array}$$

## A comprehensive utility management solution

Zego's [utility management software](#) helps multifamily property owners, operators, and managers lower utility costs and increase NOI. From invoice auditing to accounts payable and expense recovery, our end-to-end utility management solution gives you better control over expenses and boosts productivity. See how with a customized demo.