ZE
GO

*A **Global Payments** Company*

MASTERING MULTIFAMILY UTILITIES:

A Guide to Better Cost Recovery

Five strategies to reduce costs, recoup expenses, and strengthen NOI

TABLE OF CONTENTS.

ZE
GO

STATE OF MULTIFAMILY GROWTH:
Why expense control matters

Multifamily investment can be a stable and profitable long-term venture — but only with intelligent management. Apartment owners and operators must stay attuned to competition, changing industry trends, and cost-saving opportunities. The impact of mindful management results in steady growth and accumulated profits year after year.

One of the most valuable lessons in property management is to understand that increasing revenue sources (i.e. rent) is not always the best path towards higher profit. While a typical multifamily profit margin is 8-12% according to the Institute of Real Estate Management, a $1 increase in rent only adds about $0.10 of profit to your bottom line. In contrast, a $1 reduction in expenses adds a full $1 to your profit.

In practice, cutting costs not only adds directly to profits but also lowers the expense ratio, which improves Net Operating Income (NOI) and the overall bottom line. By finding ways to cut costs and recover expenses, your multifamily portfolio can improve profit margins and ensure long-term financial success.

Multifamily management, however, doesn't just rely on formulas and fixed numbers. Effective strategy looks at the greater context of evolving industry trends and costs, and the last few years have presented new challenges for multifamily operators related to expenses. Rising or elevated costs across insurance, payroll, and utilities have put more pressure on NOI in recent years. In fact, in some metropolitan areas across the US, multifamily operating expenses have grown to 7% – well above the historical national average of 3-5%. Utilities alone have seen troubling trends, with electricity costs climbing at a rate twice as high as inflation, and natural gas prices rising 14% year over year in some states.

What does this mean?

- Multifamily is experiencing higher-than-average costs in areas like utilities, insurance, and payroll in recent years.

- Operators continue to face the challenge of keeping expenses manageable.

- Strategic cost management is necessary to build sustainable profitability for any multifamily property.

Optimizing utility management is the key to healthy margins and strong NOI

With elevated utility costs driving operational strain in today's rental landscape, we recommend revisiting your utility expense and billing strategy. Utilities consistently rank as one of the top three expenses for multifamily properties, meaning money outflow in this area is substantial. This is actually a lucky break for property managers looking to reduce costs.

> *Why?* **Utility management is a very optimizable area of multifamily operations.**

From billing inaccuracies and unrecouped charges to undetected waste, "leaks" in utility expense management can chip away your bottom line. Addressing these issues directly contributes to higher NOI and a better bottom line.

In this ebook, we'll provide actionable solutions to plug the five significant expense "leaks" in your utility management operations. By maximizing cost recovery for a top-three multifamily expense, property managers can protect NOI, increase profits, and boost the overall bottom line.

Utility expense "leaks" erode multifamily profits

Utility management accounts for 15-20% of overall operating costs and is consistently ranked as a top-three multifamily expense. This makes utility management a prime area to maximize recoupment and improve cost optimization. The challenge: utility operations are complex with multiple layers of billing, allocations, and regulatory compliance. Without a tight handle on utility management, even small inefficiencies can chip away at profits.

Utilities are commonly allocated and billed in one of two ways: individual unit submetering or through a Ratio Utility Billing System (RUBS) formula. Individual submetering tracks by-unit consumption through physical meters. With submetering, factors such as faulty meters and costly maintenance can result in inaccurate usage allocations or high operating expenses. RUBS, by contrast, equitably allocates property-wide utility usage per unit using a tailored formula. While RUBS is simpler to implement and less costly than full submetering, it relies heavily on accurate occupancy data and equitable calculations. Both methods are vulnerable to utility expense leaks and costly errors.

From submetering to RUBS allocations, five utility expense leaks frequently slip through the cracks and inflate costs for multifamily properties.

FIVE UTILITY EXPENSE LEAKS THAT STRAIN NOI:

Errors on utility invoices

Utility theft from vacant units

Inefficient or inaccurate resident billing

Submeter errors & abnormal usage

Limited insight into utility trends

Errors on utility invoices

Errors on utility invoices are surprisingly common, with up to 17% of invoices containing one according to Engie. Invoice errors can occur from misread meters, misapplied rates, and duplicate charges, to name a few. For properties using submeters, some errors can be identified by calculating the sum of unit-level consumption against the master invoice. Properties that use RUBS are less likely to identify usage-related errors because of the lack of visibility into unit-level consumption. However, regardless of methodology, resource strain or payment deadlines make it difficult to identify invoice inaccuracies in the first place – especially for teams that frequently receive invoices late and/or manage utilities manually. Errors on invoices can result in properties paying higher-than-appropriate utility charges, resulting in unfairly low NOI, higher expense ratios, and lower profits..

Utility theft

Utility theft occurs when a new resident fails to transfer utilities into their name. This is not uncommon practice; in fact, it's estimated that 20-40% of residents fail to transfer utilities in their name ahead of move-in. The property management company may end up

unknowingly paying that unit's utility costs, harming the property's financial health over time. In order to protect against unrecovered utility charges, it's crucial to ensure usage allocations are tracked and charged accurately and equitably.

Inefficient or inaccurate resident billing

Inefficient or inaccurate resident billing results in more than just frustration and disputes. From a financial standpoint, errors on resident bills can indicate misallocation of utilities or incorrect occupancy data. These mistakes can become costly. Errors may result in further administrative strain (e.g. staff spending more time resolving disputes), delayed cash flow, and missed billing deadlines that can result in penalties. That said, accurate and timely resident billing is essential to ensure expenses are recovered and cash flow remains consistent.

Submeter errors and usage anomalies

Submeter errors and usage anomalies can inflate charges or result in unbilled usage. Abnormal readings from faulty submeters can slip through the cracks when utilities are managed manually. RUBS

properties do not track individual consumption, meaning abnormal usage or waste is even more likely to go unnoticed. Lack of visibility into consumption and ineffective utility management can accumulate waste over time, significantly impacting NOI.

Lack of insight into utility trends

Lack of insight into utility trends prevents property managers from benchmarking performance data and identifying opportunities for cost recovery. Utility usage over time provides valuable information that enables owners and operators to make wise, data-backed decisions.

That said, poor or nonexistent visibility into long-term trends results in missed cost recovery opportunities, uninformed decisions, and inability to optimize expenses.

PLUGGING THE LEAKS:
5 utility management strategies to maximize cost recovery

Now that we've identified the most common utility expense leaks and understand how they erode profits and NOI, the next step is taking action. By implementing effective strategies, leveraging technology, and optimizing both resident billing and invoice management, property managers can recover lost revenue, reduce utility waste, and improve operations. The following strategies provide a roadmap for plugging leaks in utility expenses, ensuring that every dollar spent on utilities works toward protecting your NOI.

1

Proactively address invoice errors with a reliable expense management platform

Utility invoice errors can arise from mistakes such as misread meters or duplicate charges. These errors happen on behalf of the utility supplier and, when gone unnoticed by property management, drain revenue. Properties with individual submeters might be able to match the sum of individual usage against the master invoice, but manual review is tedious, error-prone, and time-consuming. For those properties using RUBS, errors on the master invoice propagate to all resident bills, making them even harder to catch.

Luckily, property managers can proactively address utility invoice errors using reliable, automated expense management solutions. These platforms offer features such as invoice auditing, pre-prepared billing based on historical usage, and seamless integration with accounting software to maintain comprehensive financial records.

Automate invoice capture and reduce human error

Manual management of utility invoices invites errors and increases the risk of lost or misfiled documents. By leveraging automation to process invoices directly from utility providers, property teams capture every line-item detail accurately and consistently. This streamlined process not only reduces staff workload, but also establishes a reliable record of expenses that prevents overpayments and strengthens tracking of recoverable costs.

Use proactive pre-bill reviews to address anomalies early

Errors on master utility invoices can be easy to overlook until they affect resident billing. Prebill reviews offer a safeguard by automatically flagging anomalies such as duplicate charges, sudden consumption spikes, or zero usage readings. This process narrows staff focus to only the invoices requiring attention, preventing errors from reaching residents while maintaining accurate billing and saving staff time. The result is both improved efficiency for property teams and stronger protection for operating margins.

Strengthen financial control with automated auditing

Small mistakes on utility invoices, like missing charges, incorrect rates, or overlapping service periods, can gradually increase operating costs. Automated auditing tools help catch these errors early by reviewing invoices against expected usage and past records. When unusual charges, duplicate bills, or zero readings appear, the system flags them for review, so staff only focus on items that really need attention.

Comparing unit-level data to the overall bill ensures accuracy for both submetered and RUBS setups, and syncing with accounting keeps financial records organized. This process helps properties resolve issues faster, reduce unnecessary costs, and keep utility expenses predictable.

Integrate invoices with financial systems for accuracy

When utility data lives in separate systems, staff often have to manually enter information into accounting platforms, which can lead to mistakes and wasted time.

Automatically sending invoice data into financial systems keeps everything accurate and up to date, creating a single source of truth for both operations and reporting. This makes it easier to track all recoverable charges, reconcile accounts, and generate reliable reports. By unifying utility and financial data, property teams gain clarity and confidence that costs are being captured correctly, helping protect profitability.

ZE
GO

2

Combat vacant unit utility charges with cost recovery services

When units sit vacant, utilities like water, electricity, and gas are not shut off. They are transferred into the property's name for purposes of maintenance, upkeep, etc. When the unit turns over and a new resident moves in and fails to transfer utilities into their name, **your property is paying for that consumption.**

Without a process to track, allocate, and recover these costs, communities end up absorbing extra charges. Across a portfolio, even small leaks add up to significant revenue loss.

To prevent these hidden costs from hurting profits, property managers can implement cost recovery strategies that automatically track and allocate utility usage for vacant units. By identifying which charges should be assigned to the property versus residents, and ensuring they're accurately recouped, operators can stop revenue from slipping through the cracks.

The following strategies outline practical approaches to capturing these costs efficiently and consistently:

Automatically identify charges during vacant periods

By matching utility invoices against occupancy data, a cost recovery system identifies exactly which charges occurred during a vacancy and assigns them appropriately to the resident or accounts for them internally. This proactive approach ensures that properties capture all recoverable costs, maximizes allowable recoupment, and protects NOI without requiring staff to manually review each invoice. Over time, this automated vigilance prevents small leaks from accumulating into significant revenue losses.

Prioritize high-risk recovery scenarios

Not all vacant unit charges present the same financial risk. Exception-based recovery allows property teams to focus on the cases that could have the biggest impact on profitability. For example, first-time unit charges, extended service periods, duplicate bills, or bills with deposits or credits are flagged for review. By highlighting these higher-risk scenarios, staff can prioritize manual checks where they matter most. This targeted approach ensures maximum recoupment of recoverable charges while avoiding wasted time on low-priority items, improving efficiency and helping to maintain a consistent, predictable contribution to the bottom line.

Streamline allocation with automated workflows

Once vacant charges are identified, automated allocation workflows simplify the process of applying these costs accurately to the proper accounts. These workflows can integrate directly with resident billing or accounting systems, reducing administrative effort and minimizing the risk of errors. By automating allocation, properties not only recover the costs they are entitled to, but also maintain operational efficiency without slowing day-to-day processes. Accurate and timely recovery protects profit margins and ensures that no allowable charges slip through the cracks.

Gain actionable insights with centralized vacancy reporting

Collecting data from multiple properties into a single, portfolio-wide dashboard provides managers with a clear view of vacant unit utility charges. Trends like consistently high consumption during unit turns, repeat issues at certain properties, or unexpected spikes in usage become more visible. These insights allow operators to identify operational inefficiencies, such as leaving HVAC systems running longer than necessary during maintenance, and take corrective action. By turning raw data into actionable insights, property managers can optimize resources, identify cost saving opportunities, and maximize recoupment.

3

Save on utility billing with automated resident billing tools

Utility billing is one of the most complex aspects of multifamily property management. Gathering utility data, calculating allocations, and reconciling charges across multiple systems is time-consuming and prone to errors. Delays, miscalculations, or inconsistencies in billing not only create administrative headaches but also increase the risk of revenue leakage and resident disputes.

Property managers can streamline utility billing and protect profitability by leveraging automated resident billing tools. These platforms consolidate utility data, apply accurate allocation formulas equitably across all units, and integrate seamlessly with accounting and property management systems. Automation reduces errors, ensures timely posting of charges, and provides transparent billing for residents, enhancing trust and satisfaction. By replacing manual processes with automated workflows, operators can save staff time, recover more costs, and maintain stronger control over NOI, expense ratios, and the overall bottom line.

Standardize resident charges with automated allocation calculators

Manually calculating utility charges across multiple units can lead to mistakes, inconsistencies, and missed recoverable costs. Automated allocation calculators solve this by applying consistent formulas to all units, ensuring every resident is billed fairly and accurately. For example, in a submetered property, the system can automatically sum individual unit consumption and compare it to the total master meter, preventing over- or under-billing. In RUBS properties, it equitably distributes shared utility costs based on predefined allocation criteria, like unit square footage or occupancy. By standardizing calculations, properties ensure every recoverable cost is captured.

Preempt billing errors with pre-billing review services

Master utility bills can hide anomalies such as duplicate allocations, zero-usage readings, or unusual consumption spikes. Pre-billing review services assist property teams in catching these issues before final resident billing. By focusing attention only on exceptions, staff can work more efficiently, reduce disputes, and maintain resident trust while safeguarding the property's revenue.

Enhance transparency and timeliness with e-Billing and resident portals

Paper statements or ineffective billing systems can cause confusion, missed payments, and resident disputes. Resident portals and e-Billing software solve this by providing residents with clear, detailed, and easily accessible utility statements online. This transparency reduces confusion, minimizes disputes, and encourages prompt payment while freeing staff from routine billing inquiries.

As an additional benefit, convergent billing consolidates all resident charges like rent, utilities, and other fees into a single, unified statement. Residents see a complete picture of what they owe, reducing the risk of missed payments. For property teams, convergent billing simplifies reconciliation, accelerates collections, and strengthens control over cash flow, ultimately supporting stronger NOI and profitability.

ZE
GO

Recover move-out charges automatically with automated move-out calculators

Automated move-out calculators handle transition periods by calculating prorated charges based on move-out dates and actual consumption.

For instance, if a resident moves out in the middle of the month, the system can automatically determine the portion of the month they are responsible for and post the charge to their account. Similarly, if utilities were left running during unit cleaning or maintenance, the calculator can assign those costs appropriately. This ensures properties recover all eligible charges during turnovers and reduces the administrative effort required to track and post final resident bills.

Ensure regulatory compliance to reduce risk and maintain consistent billing

Automated resident billing tools can help property teams stay aligned with local and state regulations governing utility billing. By applying the correct administrative fees and respecting regulations, properties can avoid fines, penalties, or resident disputes. Consistent, compliant billing also builds trust with residents, showing that charges are applied fairly and transparently. Over time, ensuring compliance supports operational efficiency, reduces administrative headaches, and protects profitability by keeping recoverable costs fully within policy guidelines.

4

Prevent costly waste from submeter anomalies and abnormal usage

Submeters can occasionally misread, malfunction, or record unusual spikes in consumption. These anomalies create two main risks: inaccurate resident billing and avoidable utility charges. Even subtle problems such as a slow leak or a faulty reading can impact NOI if they go unnoticed, making proactive monitoring essential for protecting revenue and maintaining trust.

By leveraging automated tools and data-driven oversight, property teams can detect, investigate, and resolve anomalies before they escalate. With reliable monitoring, operators ensure that billing is accurate, recoverable costs are captured, and inefficiencies don't drain profits.

Ensure accuracy through automated submeter data capture

Manual entry mistakes can quickly snowball into costly inaccuracies. By automatically collecting submeter readings, operators create a reliable source of truth for consumption data. This ensures resident bills reflect true usage, supporting precise cost allocation and protecting recoverable revenue. Reliable data also builds trust with residents, who gain confidence knowing charges are based on accurate, automated readings rather than human error.

Catch problems early with anomaly detection and cross-checks

Unusual consumption patterns such as a sudden spike, repeated zero usage, or high consumption in a vacant unit can indicate leaks, malfunctioning equipment, or billing issues. Automated anomaly detection and occupancy cross-checks give operators visibility into these problems before they escalate. By addressing irregularities early, managers can prevent revenue leakage, resolve operational issues faster, and ensure healthy cost recovery.

Protect long-term reliability with submeter health monitoring

Reliable submeter data is essential for accurate billing, expense recovery, and overall operational efficiency. Over time, meters can drift, malfunction, or stop reporting, creating hidden costs and potential disputes. Submeter health monitoring provides portfolio-wide visibility into meter performance, flagging non-reporting meters, repeated zero readings, and abnormal usage patterns before they affect billing. By proactively identifying and addressing these issues, property teams maintain accurate resident charges, safeguard recoverable revenue, and reduce administrative burdens, all while demonstrating a commitment to transparent, data-driven operations that protect NOI.

ZE
GO

5

Drive cost-effective decisions with portfolio-wide utility insights

Even with utility billing systems in place, many operators lack a comprehensive view of utility performance across their portfolio. Without visibility into long-term consumption trends, recovery rates, and anomalies, property teams may struggle to identify inefficiencies or make informed decisions. This limited transparency can obscure operating trends and reduce the effectiveness of NOI-building strategies.

Leveraging centralized data and advanced analytics empowers property managers to make smarter, more proactive decisions. By combining detailed usage information with actionable reporting, operators can identify inefficiencies, address systemic issues, and optimize cost recovery all while protecting profitability and streamlining operations.

Strengthen oversight with centralized dashboards

Bringing utility data from across the portfolio into a single, consolidated dashboard gives operators a complete view of consumption, costs, and recovery performance. Instead of relying on fragmented reports from multiple properties or utility vendors, managers can see trends, recurring issues, and underperforming assets at a glance. This centralized visibility allows property teams to identify inefficiencies quickly, anticipate cost recovery challenges, and take proactive measures to protect NOI.

Drive efficiency with deeper insights and anomaly detection

Visibility into utility usage empowers teams to spot inefficiencies that may otherwise go unnoticed. Automated exception reporting highlights unusual usage, like sudden jumps in consumption, repeated zero readings, or when recovery amounts don't match what's expected. Early detection helps property managers address equipment issues, potential leaks, or misallocated costs before they snowball into larger revenue losses. With actionable insights in hand, staff can prioritize interventions where they matter most, streamline operations, and reduce unnecessary utility waste.

Improve performance with benchmarking and shared reporting

Comparing utility performance across properties enables managers to establish clear benchmarks for improvement. Automated reporting can deliver easily digestible insights to both management and onsite teams, ensuring everyone has visibility into consumption patterns, recovery rates, and areas of concern. By highlighting top performers and underperforming properties, benchmarking encourages operational discipline, accountability, and data-driven decision-making. Over time, this consistent visibility allows property teams to refine cost recovery strategies, optimize workflows, and enhance portfolio-wide NOI while maintaining transparency and control over utility expenses.

Seal the Leaks and Safeguard Your NOI

By addressing these five common utility leaks property managers can transform utilities into valuable opportunities for cost recovery. The right combination of automation technology, centralized insights, and mindful management not only protects against wasted spend but also ensures you're recovering every dollar owed. With NOI experiencing increasing pressure in today's rental landscape, mastering utility management is essential.

Turn utility insights into NOI gains with Zego Utility

Explore how Zego's suite of utility solutions addresses utility expense challenges such as vacant unit utility theft, inaccurate billing, and ineffective invoice management. Eliminate waste, capture lost revenue, and make smarter decisions with Zego Utility:

Utility Expense Management: Gain complete visibility and control over utility costs. We'll automatically process invoices and consolidate portfolio-wide data for you, empowering you to reduce errors, avoid late fees, and uncover savings opportunities hidden in complex utility bills. The result is simplified utility management, faster workflows, and stronger expense control.

Resident Utility Billing: We make it easy for you to recover more utility costs while keeping residents informed. Our automated billing and collections deliver accurate, transparent statements that reduce disputes and build trust. Residents enjoy flexible payment options, and with our Vacant Unit Cost Recovery services, we ensure utilities from unoccupied units are correctly reassigned – closing any gaps in revenue.

Utility Intelligence: Turn raw consumption data into actionable insights. With dashboards, benchmarking, and automated exception reporting, we give you a clear picture of usage across units, properties, and your entire portfolio. This helps you spot anomalies quickly, track trends over time, and make proactive decisions to control costs and protect NOI.

Together, our utility solutions form a comprehensive utility management platform that strengthens NOI while also improving the resident experience with greater convenience, transparency, and accountability.

ZE GO

SEE ZEGO UTILITY IN ACTION.

Every portfolio has hidden leaks and we help you uncover them. Book a demo today to see how Zego Utility simplifies expense management, optimizes recovery, and maximizes profitability across your communities.

ZE GO

ZE GO *A **Global Payments** Company*

Zego is a property management automation company that simplifies cumbersome yet critical workflows for managers and associations. Our modern platform accelerates NOI growth and mitigates risk, helping clients to scale resources, build trust, and make data-backed decisions. From payments and utility management to resident engagement, Zego's automated workflows seamlessly integrate with leading property management systems giving users real-time and accurate information at their fingertips.

Since its inception in 2003, Zego (a Global Payments company) has evolved from a leading payments provider to a comprehensive property management automation platform. With more than 350 employees, Zego serves 7,000 residential real estate companies and over 15 million units nationwide. Learn more about what makes Zego one of the best workflow automation platforms for property management at gozego.com.

gozego.com | 1.866.729.5327 | @go_zego

Written by:
Jayme De La Cruz
Content Marketing Strategist
Zego (A Global Payments Company)

Designed by:

Vik Pitones Design