

ARTICLE



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Selecting an Effective Utility Billing Provider for Multifamily Properties

If you own or manage multifamily residential units--apartments, condominiums, student housing, affordable housing, manufactured homes, or military housing--you are probably involved in utility billing in some fashion. Utility expenses for these types of properties can be substantial so most owners look for effective ways to manage these costs.

THE UTILITY MASTER-METER PREDICAMENT

It's very common for multi-residential and multi-tenant commercial properties to be "master-metered." Master-metered properties receive a single utility bill that includes utility consumption for several tenants. The problem with master-metered properties is that there's no way to bill residents for their actual, individual usage.

This situation has led owners to use a variety of methods to divide the utility bill so that they have a means to recoup the tenants' share of the overall utility expense. In fact, transitioning a multifamily complex from owner-paid utilities to resident-paid utilities can be one of the fastest ways to boost net operating income (NOI).

Resident utility billing is managed in two ways: internally by owners and property managers or externally by a third party utility billing service provider.

While there can be advantages to managing utility billing "in-house," billing companies have invested extensively in software tools and technologies to streamline billing so that it is an efficient, well-supported process. Utility billing is definitely a task that can be easily outsourced, saving property owners and managers significant time and effort.

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UTILITY BILLING SERVICE OPTIONS

The basic set of services offered by utility billing providers includes:

- Resident bill calculation, printing, and delivery
- Utility payment processing
- Electronic bill presentment and payment
- Property management/accounting software integration
- Late payment administration and collections.

Billing companies also offer other services such as convergent billing, vacant cost recovery, and utility expense management.

Because multifamily owners have a wide range of requirements and billing companies offer a diverse set of services, it's often the case that a specific billing provider will be better suited to manage your portfolio. It's important, therefore, to clearly outline your requirements so that they can serve as a guide during your evaluation process.

COMMON CHALLENGES IN UTILITY BILLING

Understanding the most common problems that plague the utility billing industry will help you select a provider you'll be satisfied with. A list of issues that cause the most frustration and unnecessary work for property owners and managers includes:

- Inaccurate and late resident bills
- Customer service that is unresponsive to residents and management
- Manual data entry.

The quickest way to irritate tenants and spur high volumes of calls to the leasing office is to send bills to the wrong residents, calculate those bills incorrectly, or deliver them late. Inaccurate bills undermine resident confidence in the billing process and lead to vocal complaints--sometimes to the public utility commission. And late bills create hardships for residents because they result in a shorter timeframe to pay. Utility billing works best when it's managed in a consistent, reliable, professional manner.

Poor customer service such as unanswered and unreturned phone calls and e-mails or untrained call center staff providing incorrect information will most certainly generate tenant criticism. Fast, friendly, responsive service is the key to a successful resident utility billing program.

Utility billing generates a substantial amount of data that must be integrated into property management and/or accounting systems. If the only option available to staff members is to manually enter this data, the process can be very time consuming, labor intensive, and prone to error. This is a key area to address when selecting a billing provider.

Asking a prospective vendor the following questions will help you conduct a thorough evaluation and choose a utility billing company that best meets your needs.

BILLING SERVICES

1. What types of billing does the company administer: submetered, RUBS, flat fee, etc.?
2. What billing services are offered: convergent billing, electronic billing, vacant cost recovery, payment processing, etc.? *[Which services do you require?]*
3. What type of electronic payment options are available, e.g. electronic check, credit card, ACH, autopay, etc.?
4. What are the costs associated with online payments? *[It's common for online transaction processing companies to charge a service fee of 3-4% for credit and debit card transactions.]*
5. What is the process the vendor follows for ensuring accurate utility bills? *[Vendors should incorporate a data analysis and audit process to ensure that billing data is accurate.]*
6. How and when are utility bills estimated? *[Some states have strict rules about when and if bills can be estimated.]*
7. If bills are sent to residents that are inaccurate or late, what recourse is available to the property owner/manager?
8. Describe any performance guarantees offered. *[Many billing companies offer refunds or pay financial penalties if they are the cause of an inaccurate or late billing.]*
9. If the company has a performance guarantee program in place, what is their track record for the last 1-2 years?



CUSTOMER SERVICE

1. How does the company provide customer service to residents and management? *[If the company provides a customer support line, ask for the phone number, call in and see what kind of response you get.]*
2. What is the typical response time for a resident or staff member to receive an answer to an inquiry? *[Expect response times in the 1-2 hour range.]*
3. How are customer service representatives trained?
4. Does the company track performance metrics related to its customer service department?
5. What is the company's track record for the last few years?
6. What is the problem escalation process for more difficult issues? *[Depending on the type of problem, you want to confirm that staff members at the executive management level are available if needed.]*

ACCOUNT & BILLING DATA INTEGRATION

1. How is move-in/move-out data exchanged? *[The data exchange process should be highly automated and require very little manual data entry.]*
2. How is convergent billing data transferred? *[Rent, cable, Internet, trash and other fees can be added to utility bills to encourage timely payment.]*
3. What is the process for synchronizing billing and payment data with your property management or accounting system?

LEGAL AND REGULATORY

1. Does the company understand the regulatory and legal issues regarding your state, county, and city? *[Essentially you need to confirm that it is legal to bill for utilities using the method of your choice in your area.]*
2. How does the company assist with legal compliance?
3. Will the company review your lease agreement?
4. What type of billing contract is used?
5. If the billing company fails to perform satisfactorily, what options are available for terminating the contract?
6. Is or has your company been involved in any lawsuits related to its utility billing/submetering services?



REPORTING CAPABILITIES

1. What reporting information is provided to management? *[Review sample management reports to ensure that the information you require is included and is easy to understand.]*
2. Can reporting be accessed online? *[It can save staff members a lot of time if the vendor offers a management portal or other web-based interface for viewing and printing management reports.]*
3. Can reporting be customized for your portfolio? What are the fees associated with customizations?

SUBMETERING SERVICES

1. What submetering installation and repair services are offered? *[If your property is submetered, working with a billing company that offers submetering installation and repair services can be advantageous because these systems require routine maintenance.]*
2. How are repairs scheduled and managed?
3. What analysis is performed on usage data to detect leaks, meter problems, or potential maintenance issues?

OTHER

1. How are master-meter bills handled?
2. How are final utility (move-out) bills for residents created?

SUMMARY

Developing a clear set of your own requirements and posing these questions to prospective utility billing service providers will aid in your evaluation process and ensure that the company you select can meet your expectations. Utility billing should be a very seamless process requiring minimal time and effort on the part of your staff. It should also maximize the amount of money you can legally collect with a utility cost recovery program. The best utility billing companies are responsive, flexible, and committed to providing outstanding service to all stakeholders.

ABOUT AMERICAN CONSERVATION & BILLING SOLUTIONS, INC.

AmCoBi offers the most affordable, highest quality utility billing services available in the multifamily industry. We also design, install, and maintain gas, electric, and water submetering systems. AmCoBi helps multifamily owners and managers improve profitability, reduce utility expenses, and save money.