



entrata®

Your Multifamily Utility Playbook

How to streamline utility management
and unlock hidden savings.

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SECTION I

Introduction

Did you know that utility costs make up the third highest expense¹ for multifamily properties? The current volatility in the energy market makes it difficult for accounting teams to budget, and not knowing what to plan for can have a serious impact on whether or not you see an increase in net operating income.



There are a number of factors that impact energy costs at your properties, including severe weather events, how many units are occupied, the age and condition of the property, and what steps you have taken to make your property more energy efficient, to name a few. Fortunately, there are proven measures you can implement at your properties to give you more control over energy expenses, so fluctuations in energy costs don't have as much impact on your bottom line.

Understanding the utility landscape in the specific areas your properties are located is critical. If utilities are deregulated, are you taking the necessary steps to ensure you are getting the best prices? The best way to handle this is to partner with an organization that has a good understanding of the energy pricing in your area to help ensure you are getting locked in at the lowest price. Other factors to consider that might impact your utility bills are the age of the building, what type of appliances you

are using, your average occupancy rate, and any steps you've taken to make your properties more energy efficient. Additionally, you'll want to know what to look for in your utility bills. A large segment of utility bills have some mistakes, so it's imperative to have a process in place to regularly audit and recoup any overcharges. This is another way to help reduce costs for both you and your residents.



Utilities are a property's third highest expense

Over the course of this ebook, we'll delve into further detail about how to implement the tactics described above and how utilizing an integrated solution to manage your utilities will help you lower costs and save time for your site teams.

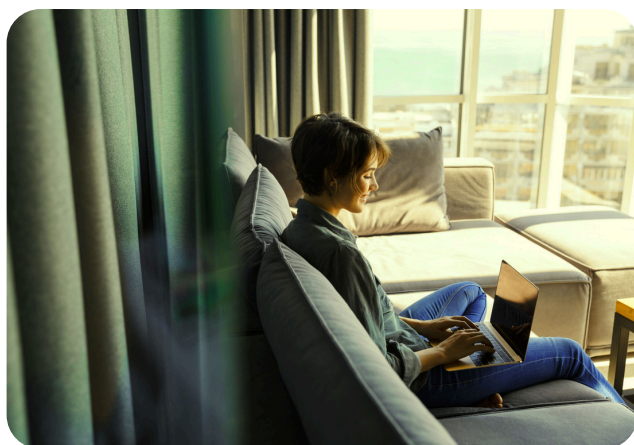
SECTION II

What type of utility billing is best for you

There are two options to consider when deciding how to bill your residents—submetering or RUBS (Ratio Utility Billing System). There are positives and negatives to both. First, we'll start off with RUBS, when properties allocate utility costs to residents based on factors like total utility costs, total square footage of the entire property, and the square footage of each unit, to name a few.²

Each property has a unique way of allocating bills and calculating costs, you just need to find a method that works best for you. Properties that implement RUBS at their properties pay the overall utility costs for the property and recapture the residents' portion of the utilities via a line item on their monthly rental statement. One more thing to consider is how you will account for unoccupied units in the overall allocation of utility costs.

If you decide to implement utility expense recapture, you need to take into account local laws and regulations that govern that practice. There could be rules in place that determine how costs are allocated and what fees can be charged to residents.



Transparency about billing is very much top of mind with the consumer, FTC, and the DOJ, so it's more important than ever to be clear with residents about how their utility bills are calculated to limit potential disputes that may arise if residents feel you aren't billing them fairly.

One of the biggest benefits to your residents in this billing method is that their rent and utilities are consolidated into a single statement. Because billing is based on an algorithm, many billing tasks can be automated, which enables you to more accurately track utilities spent over time. This makes it easier for both you and the resident to budget for the future.

With submetering, individual meters are installed at each unit, ensuring that each resident pays only for the utilities they use. That accuracy in billing is the biggest benefit. Complaints from residents about their utility costs are likely to decrease as a result. Additionally, because residents are more cognizant of their energy consumption, they are motivated to be more conservative in their overall usage, which can help reduce the overall carbon footprint of your properties. Finally, submetering also can help you more easily identify potential waste in common areas that will help you reduce overall energy costs by eliminating that waste.

The biggest downside of submetering is that the up-front costs of installing meters at every unit can be costly, and that doesn't include the overall maintenance and upkeep costs on the meter over time. Additionally, submetering has greater administrative costs associated with it because you're dealing with a third-party billing company that has to read the meter, calculate the bill for each unit and invoice them. Whether you decide on submetering or RUBS, it's important to conduct a cost benefit analysis to determine which one will work best for your properties.

SECTION III

Preparing for new building standards

Many states and cities have adopted or are adopting new energy codes based on the International Energy Conservation Code and ASHRAE Standard 90.1. These standards set stricter requirements for building envelope insulation, window performance, HVAC systems, lighting, and water heating.³

Some states and municipalities are implementing building performance standards, which set energy consumption or greenhouse gas emissions targets. These standards often require building owners to make upgrades or implement energy-saving measures to meet the targets.⁴

The point is to eliminate as much reliance on fossil fuels as possible by using electric alternatives like heat pumps and induction cooktops with the end goal of reducing carbon emissions and improving indoor air quality for residents⁵. These new building standards impact your overall bottom line from initial construction costs to retrofitting existing buildings, but they also impact your day-to-day work, requiring you to adopt new technologies and practices to building operations and maintenance procedures.

As you begin to implement new building standards, make sure you take the time to engage residents and educate them on ways they can reduce their energy consumption. Some activities include detailing how their utility bills are calculated, encouraging them to use natural light when possible, using fans instead of AC when the weather permits, and making sure they know about recycling programs offered.

Since we are at the beginning of this shift toward building standard requirements, there's still time to take proactive measures to incorporate efficiency into the design of your communities. This will help minimize costs down the road to prevent yourself from having to retrofit your buildings when these standards inevitably take effect in your area. Additionally, government agencies offer incentives that can be taken advantage of when building or converting buildings to be more energy efficient.

When you are making updates to your buildings to fit with the new building standards, you should also make changes to your processes and procedures. Take the time to regularly audit

States with BPS laws in place for multifamily:

- *Washington: In place for buildings greater than 20,000 square feet*

States with BPS laws/requirements in development that will likely include multifamily businesses:

- *California*

Cities with BPS laws enacted:

- *Boston, MA: Includes multifamily buildings over 20,000 square feet.*
- *Cambridge, MA: Covers multifamily buildings with 15 or more units.*
- *Chula Vista, CA: Applies to multifamily buildings over 50,000 square feet.*
- *Denver, CO: Includes multifamily buildings over 25,000 square feet.*
- *Montgomery County, MD: Covers multifamily buildings over 50,000 square feet.*
- *New York City, NY: Applies to multifamily buildings over 25,000 square feet.*
- *St. Louis, MO: Includes multifamily buildings over 50,000 square feet.*
- *Seattle, WA: Covers multifamily buildings over 20,000 square feet.*
- *Washington, D.C.: Applies to multifamily buildings over 50,000 square feet.*⁶



³ U.S. Department of Housing and Urban Development

⁴ Affordable Housing Needs More Support to Comply with Building Performance Standards

⁵ Better Buildings Solution Center – US Department of Energy

⁶ Map: Building Performance Standards

When you understand the new building standards, proactively plan for compliance, and embrace innovative solutions, multifamily businesses can not only meet these challenges but also turn them into opportunities for cost savings, improved performance, and enhanced resident satisfaction.

The State of Building Performance Standards (BPS) in the U.S.
Members of the National BPS Coalition as of July 2024



SECTION IV

Consolidate data to improve decisions

When developing your utility management program, it's essential to partner with the right software vendors to efficiently store and analyze utility data. The right tools will help you optimize usage, make data-driven decisions, and benchmark consumption year-over-year and month-over-month to assess the effectiveness of your efforts. Additionally, they will ensure compliance with local standards.

In addition to optimizing your usage, it's important to have accurate and up-to-date data for billing purposes. This will ensure you get bills out promptly, so you can recoup as quickly as possible. Energy costs are going to continue to increase with increased energy demand across the board, which as has been mentioned, makes it difficult to consistently forecast costs into the future because of that volatility.

When you have the right tools in place to consolidate not only the management of billing and other aspects of your program but also ensure all of your utilities-related data is in one place, it is easier for you to make data-driven decisions related to your utility budgeting. Having that

data in place will also help as you try and implement conservation efforts because you can more easily identify where waste is occurring and work to reduce that waste.

How Entrata can help

With **Entrata Resident Utility** multifamily properties can simplify utility payments and consolidate all utilities plus rent into one bill. It gives you the ability to improve cash flow because residents are given the option to pay early via prompts in Resident Portal. Additionally, Entrata provides you with a team of dedicated utility experts to support you proactively and answer any questions residents or site teams might have.

With **Entrata Utility Expense Management**, you can hand over your utility management program to our utility experts to process your invoices into your AP system which takes a huge burden off the plate of your site teams.

These experts will identify potential areas for cost savings that you can act to keep costs in control. Utilities make up one of the highest expenses for properties and approximately ¼ contain an error. That's where our team of experts comes into play. They will audit your utility bills to catch errors before you lose money and have to go through the hassle of recovering it, helping you maintain a strong net operating income.

Learn more about how Entrata can help your business save time and money—**[Get Your Utilities Audit today](#)**, to see where you could be saving.

