

Here's Your Utility Bill

Lynd World creates happier residents by handling their utility bill payment process in-house.

BY LAUREN BOSTON



When residents enter the management office with questions about their utility bills, the first thing out of their mouths is usually a question or a complaint. For Lynd World, which has a national portfolio totaling 34,000 apartment homes, the last thing it wanted to do is to have to send these residents to a utility company website or have them telephone the provider's help desk.

"Our onsite staff should be able to completely service our residents at the first point of contact," Jeffrey Weissman, Executive Vice President of Lynd World, says.

This includes utility payment. Lynd World began its utility billing in-house practice in 2004 and today Weissman says it is generating \$50,000 a month in revenue.

Back in 2004, David Lynd—the son of the company's founder—reached out to Jacob Castellanos, a friend with a background in mathematics, to create its in-house system.

Paul Valdez, now the Vice President of Strategic Services for Lynd World, was hired shortly thereafter to recreate an improved version of the system and manage the growth of the portfolio. He says the database creation was not difficult; rather, his main challenge was sorting through the legality associated with utility billing.

"The hardest part is determining what you can and can't do in some areas," says Valdez, who is an advisor for technical and out-of-the ordinary issues, while Castellanos serves as Director of the billing division. "I had to spend a week just going through websites and phone books to find council members and officials who could offer some guidance, while also relying on our local association. Now we're very comfortable with state guidelines."



Paul Valdez

Valdez oversees one full-time employee who manages the system on a daily basis. He says overhead costs are very low, and include only printing, mailing and an entry-level salary. Valdez says this system also saves time and says the peace of mind it created in residents puts all involved in an advantageous position when it comes to paying their utility bills.

"It's hands-down faster in-house because we have direct connections with our Accounts Payable department," Valdez says. "They share login information and our residents get their invoices the day after they're produced."

Weissman says Lynd World is able to wait until the last minute to calculate invoices with its system. Therefore, utility bills are only three to five weeks behind, versus up to 60 days in some cases.

Utility Management Legal Trends for 2014

Lawmakers, regulators and judges will be busy in 2014, writing and interpreting new rules governing utility management and billing systems. Because much of the law covering the pass-through of utility costs to residents is made by local, state and quasi-governmental agencies such as public utility commissions, myriad regulations are ever-changing.

Apartment communities should audit their billing providers to make sure the suppliers have effective legal teams in place to monitor the consistently evolving legal landscape.

In particular, the rising costs of energy and water are creating a fertile environment for lawmakers to prescribe new legal regimes for apartment operators. Following are three trends to watch in 2014.

1 Submetering Mandates. In California, a proposed law known as SB 750 would have required newly constructed apartment communities—and perhaps existing properties—to install submeters.

Unfortunately, the bill was greatly flawed and presented enormous risks for owners. Among the hazards were draconian penalties for noncompliance, unmanageable billing proscriptions, many ambiguous definitions and an absence of language that would ensure that other billing regimes, such as Ratio Utility Billing Systems (RUBS) would remain legal. Several utility billing companies and their customers worked to delay the bill, which did not pass the California Assembly in 2013. However, it is expected to return in 2014.

California is often the birthplace of legislation that later

Weissman is confident that his employees can address billing-related questions and complaints.

"It's a lot easier to collect a bill when it's fresh and you're in full control," Weissman says. "We also award and recognize employees based on collections, which have greatly improved since we started using the system."

Weissman says collections have increased by as much as 8 percent year over year since 2004. He attributes much of this success to Lynd's billing procedures during the move-out stage.

"Typically, that final utility bill is forwarded to a resident's new address, but that could take three months—and many residents leave and never look back," Weissman says. "When we know a resident is moving, we estimate their final utility bill based on their current usage rate so that they are caught up and paid in full when they move out. It's much easier to collect when residents are still living there—that's the bottom line."



Collections Without Complications

Greystar utilizes a third-party provider's convergent bill for rent, utility and rent-related charges for their residents.

Resident charge data is exchanged between Greystar communities and its utility billing provider using state-of-the-art electronic data exchange (EDE) technology. The online payment portal allows residents to not only conveniently pay for their charges online, but also provides a way to give back to others by allowing residents to make a voluntary donation along with their rent payment to St. Jude Children's Hospital.

Utility bills are managed and processed through Utility Smart. By analyzing the big data acquired through this process, Greystar has identified ways to decrease utility spend at properties.

"Greystar takes a very energy-conscious approach to utilities and the accurate billing of our residents," says DeeAnne

McClenahan, Senior Director of Procurement and Sustainability at Greystar. "Our energy management, billing and water conservation programs are focused on saving money and saving the planet, and the resulting outcome is that our owner net utility

costs are more than 40 percent lower than the national average.

"Energy efficiency leads to lower utility bills; lower bills for residents and lower costs for owners mean higher satisfaction for all our customers and a better world for all of us."

JMG Realty Inc., also provides convergent bills to the majority of its residents, and has recently made several specific—and very successful—changes to its collections procedures.

Within the last year, the company stopped accepting money orders, further mitigating any potential fraud in the collections process.

Furthermore, JMG recently rolled out a service that enables residents to pay their monthly rent with cash at local retail locations. The program routes cash payments made offsite into the property's bank account, and payment information into the residents' electronic ledgers.

"The program has reduced the risk of money order fraud, and ensured the seamless and timely receipt of certified funds without properties handling money orders," says JMG President Tim Brock. "It's also increased the productivity of our onsite teams, which has allowed them to focus more on serving our residents."

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spreads to other states. Do not be surprised if other conservation-minded states seek to adopt California's proposed rules.

2 RUBS Regulation. The rising costs of energy and water, as well as the balance sheets of cash-strapped state and local governments, has led to increased regulation of utility billing and the fees associated with consumption. RUBS are often the target of regulators and 2014 should be an especially active year. The regulations can differ widely from jurisdiction to jurisdiction.

3 Energy Benchmarking. Chicago recently became the ninth major city in the United States to require building owners to disclose the energy and water usage of their real estate assets. Chicago joined Boston; New York; Seattle; Washington, D.C.; San Francisco; Austin, Texas; Minneapolis;

and Philadelphia in prescribing rules for the benchmarking of utilities consumption.

In 2014 and beyond, many more localities, states and federal agencies likely will require or encourage owners to capture and file usage data with various governmental entities. Owners would be wise to choose and audit suppliers as to their capabilities in tracking and storing this information.

All owners operating a utility billing program should ensure and not assume they have proper legal review of all aspects of their billing program. To ensure a legally compliant billing program, an owner should have attorneys specialized in utility billing law reviewing every aspect of the program.

*—Michael Semko, Deputy General Counsel
NWP Services Corporation*