

# Submetering for Dummies—That Leaking Toilet is Killing Your Cash Flow

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**D**id you catch the article in The Seattle Times this past spring (Rain-soaked Seattle Has Nation's Highest Water Bills Seattle Times, April 30, 2015) proclaiming that Seattle has the highest utility water rates of the 30 largest US cities? The article points out that a typical family of four using 50 gallons of water per person per day generates utility charges of \$171.48 per month! This includes water, sewer and stormwater charges. That's higher than every other major US city.

Think back to the last time you received the utility bill for your property. What thoughts ran through your head? Thoughts of anger, frustration, or bewilderment watching all of those dollars go down the drain (literally)? Many property owners tell us they've got utility costs covered within the monthly rent fee. But this strategy is risky and exposes your property's cash flow to the following real world situations:

- **Resident's leaky toilet** — a running toilet can waste more than 7000 gallons of water a month. Have you budgeted for running toilets?
- **Rising rates** — local utilities are raising their rates each year. Are you chasing those increases each year?
- **Incentivizing water conservation** — When the utility is covered within the rent, your residents have the perception that "water is free." They have zero incentive to cut back on their usage and you are paying for it.

There is a better way. The City of Seattle

and Washington State allow you to recover 100% of your actual utility costs from your residents. And this isn't as difficult as you may think. We offer these 5 simple steps.

**1. Start Billing Residents For Utilities Separately** · Instead of simply including the cost for utilities inside of the rent, show the resident how much those utilities are actually costing them. You can start this process without any metering equipment by using a Ratio Utility Billing System (RUBS—*required in Seattle at properties of 3+ units where the owner pro-rates bills from a shared meter.*) This system can be as simple as splitting the bill equally between all residents, or using a more complex formula based on square footage, number of occupants, etc.

RUBS is an acceptable and legal method of recovering utility costs from residents. But it also has shortcomings as there are few incentives for residents to conserve water, or to report known leaks.

**2. Start Submetering** · Sub metering is the process of measuring your tenant's utilities individually and then allocating the bill according to those measurements. In contrast to RUBS, residents are billed for what they actually use. When submeters are installed, residents are incentivized to conserve. There are many studies reporting that when tenants pay directly for their utilities, total utility charges drop from 18% to 30% within a few months. Residents are also incentivized to fix or report their leaky toilet because it is no longer your money that they are flushing, it is theirs. Submetering also eliminates bad blood between residents—they are no longer paying for their neighbors waste.

Submetering can be as simple as installing meters that can be manually read. You can do the math yourself each month to allocate the utility costs to each resident and issue them a bill. With a submetering system in place you have now shifted the risks of rising utility rates and wasted usage onto your residents. But why create more work for yourself each month? Keep reading to discover some easy steps to submeter in a way that will save you time!

**3. Read Meters Remotely** · You may have heard of remote reading systems in the past, but thought that they were too expensive. That may have been true five years ago, but as technology has advanced and gotten cheaper, so has submetering equipment. In today's world you can afford to stop walking around with a clip board every month.

Automated meter reading systems are not just for large properties anymore. It can be very cost effective with systems that are specifically designed for smaller properties. Wireless remote readings systems, such as NoWire are specifically designed for properties with 32 units or less. Average return on investment for new submetering equipment is less than one year.

**4. Start Using A Third Party Billing Company** · A third party utility billing company specializes in remotely monitoring submetering systems and preparing and sending utility bills to your residents. Most also offer payment collection services too. And the best part of using a third party billing company is that their fees are typically covered by your residents—it's no charge to the property owner or manager. Make sure you select a third party billing company that understands all



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of the local laws codes and ordinances and is licensed to do business locally. If your property is in Seattle's city limits, ask your billing provider if they follow all of the SMC 7.25 code requirements.

**5. Relax And Watch Operating Income Increase** · As a property owner you have the liberty to select whichever level of submetering that will work best for you. If it is your dream to recoup all of the utility costs and not have to worry about billing, then install a remote reading system and hire a third party billing company. If you do not mind conducting billing services on your own, then install some meters and get started! The fact of the matter is that there is an option for everyone. There is no excuse for paying for your resident's utilities anymore.

*Elliot Hoeks is the Technical Sales Representative for Submeter Solutions, Inc. Submeter Solutions has been a Vendor Member of RHAWA since 2007. A Seattle based company, since 1999 Submeter Solutions has been providing solutions for gas, water, and electric submetering systems across the nation, ranging from the most advanced to the simplest properties. We pride ourselves in our technical expertise, and ability to determine the best solution for every scenario; there is no property to small. Submeter Solutions also provides Third Party Billing services for multi-tenant properties. Please visit us online at [www.submetersolutions.com](http://www.submetersolutions.com) or call us at 888-64-METER. ♦*