

# Dividing a Water Bill 7,000 Ways:

Utility Submetering Saves Millions  
of Dollars, Thousands of Hours

## Customer:

Kimco Realty Corp.

Type: Real Estate Investment Trust (REIT)

Headquarters: Jericho, NY

Kimco Realty Corporation owns and manages 400 retail properties across the United States. Their portfolio consists mostly of open-air grocery-anchored shopping centers, which include some 7,000 tenants.

Prior to 2013, Kimco did not have a standard, equitable way to bill tenants for their water use. Properties were supplied water several different ways—through a single meter or several meters through the municipality, making it impossible to divide costs equitably. In addition, different regions within the company used different methods for allocating costs. One region used a square footage method of dividing costs\* while another included water as part of common area costs.

## Square-footage billing inconsistent with tenant use

## Challenge:

Square-footage water billing leads to tenant disputes, unpaid bills



No matter how water use was billed, tenants were frustrated. Jeff Harlan, Manager of Property Support Services within Kimco's corporate operations team, explained: "A small shop does not necessarily use less water than a larger big box retailer. In fact, large stores that were allocated the largest proportion based on square footage often use the least amount of water." For example, a 2,500 square foot coffee shop that shared a water connection with a 15,000 square foot big box retailer led to big box retailer absorbing 85% of the monthly water costs.

In some cases, these bills were in the tens of thousands of dollars, and how they were divided really mattered. "Industry standard lease agreements allowed square-footage billing, but it wasn't equitable from the tenants' perspective," Harlan said. "We had to come up with a better way."

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\* Square footage (GLA) based billing allocates the cost of water used by each tenant based on their store size relative to the square footage of all tenants occupying the building.

# Disputed Bills Drain Company Time and Money

When tenants feel expenses are unfair, they often dispute these charges, and in some cases refuse to pay. Before submetering, Kimco recovered roughly 50-60% of their water billing. Over the years the uncollected receivables increased to millions of dollars. Without a way to address it, this debt would eventually become unrecoverable.

The old way of allocating expenses was also costing Kimco staff time. The property management team spent an estimated five to ten percent of their time each month allocating and posting water bills to tenant ledgers.

With 400 shopping centers and thousands of tenants, Kimco's Property Finance and Accounting team was responding to some 3,000 disputes a year. For a team of 30 financial analysts, that required at least 20% of their collective time. That's the equivalent of six full-time employees.

Something had to change, and Harlan was asked to make that change happen. "My task was to make the billing process consistent, equitable, and easily explainable to our tenants. And the only solution that is fair and equitable is for each tenant to be billed based on the actual water consumed."

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## Solution:

Tehama submetering systems track tenant water use

## Tehama Wireless Transmitters Provide Tenant-Specific Utility Data

Harlan analyzed the data, and realized that the only viable solution was to bill tenants in a way that reflected their actual water use. The best option, he realized, was submetering.

The task was a heavy lift, because initially almost none of the tenant spaces had individual water submeters. "We were starting at zero," Harlan explained.

In 2014 Kimco made the decision to install water, electric, and gas submeters across their entire portfolio for all tenants serviced by shared utility services. Tehama Wireless provided over 5,500 high-quality RF transmitters for the project. Over the course of the project, they also provided data collectors and signal repeaters. "Their price was competitive," Harlan said, "and it was the best product out there from a value perspective."

Tehama's RF transmitters could provide Kimco with the remote, tenant-specific water use data needed for accurate billing. "Tehama's technology allows us to have real time data. It's at our fingertips," Harlan added.

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# Outstanding customer service speeds installation for 300 properties

Kimco now uses Tehama transmitters in some 300 properties across the US. The size of the installation is unprecedented. "As far as I know we're the only retail landlord that submetered their entire portfolio" Harlan notes. "We were able to do it efficiently because Tehama's equipment is top quality, and it was cost-effective enough for us to roll out nationwide."

Despite the project's scale, Tehama's responsive customer service made the installation process go smoothly. According to Harlan, Tehama's ability to innovate and respond to Kimco's specific needs stands out.

Submeters rely on radio signals to transmit individual transmitter data to a central data collector on the property. However, some shopping centers are more than a mile wide, so repeaters are used to boost the signal. Standard line-powered repeaters often don't work for commercial properties.

When a line is down—for example, during a power outage—the line-powered repeaters go down too. Sometimes a repeater gets unplugged accidentally. When that happens, data can't be collected until someone goes out to the property to plug it back in.

When Harlan presented the problem to Tehama, Tehama manufactured a solar-power repeater—the first solar-powered repeater in the industry. "Tehama's responsiveness made a world of difference for us," Harlan said. "The percentage of meters that we can't read at any given time is now close to zero."

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## Results:

- Utility disputes dropped to near-zero
- Millions of dollars of uncollected debt resolved
- Able to detect water leaks in real time, including underground leaks
- Thousands of hours of staff time saved annually

## Disputes drop to near zero

The initial payoff for Kimco came when they billed tenants for the first time based on usage. The water billing recovery rate increased from 40-50% to over 90%. Because Kimco had the data to bill tenants for their individual water use, everyone felt satisfied that the process was both clear and equitable.

"Tenants like the transparency," Harlan says. "Now they know exactly how much water they're using, and they know that the bill is fair and equitable. Our disputes have dropped to just a handful each year."

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## Millions in debt settled

A second win was a dramatic reduction in uncollected receivables. Kimco was able to use newly available consumption data to resolve old arrears.

Harlan explained, "We had tenants that had large outstanding water bills based on square footage billing methods, and now we were able to show them their actual water use. Once they saw how much water they used on average we could come to an agreement and settle."

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## Thousands of hours of staff time recovered

The property management and finance and accounting teams came out ahead too. As disputes became rarer, Tehama's transmitters allowed Kimco to reclaim employee time.

Before submetering, the property management team spent hours each week processing bills and posting water charges to tenants' accounts. According to Harlan, "Five to ten percent of their monthly time was allocated to utility billing. We were able to recover that."

Fewer tenant disputes meant that the finance team also recovered staff time—thousands of hours per year nationwide. This made a huge difference to Kimco's bottom line.

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## Leak Detection

An additional benefit of Tehama's submetering system is that it can detect unusual activity such as water running outside of usual business hours, which means a leak. When leaks happen in tenant spaces, tenants are grateful to have a potential water bill problem sorted out quickly.

The new system also allowed Kimco to compare the submetered usage on the property with the amount the municipality billed them. This allowed them to also detect underground leaks before they became expensive or caused more serious damage.

Harlan encourages other commercial property owners to consider submetering systems. He said, "I would highly recommend Tehama to anyone who wants to install submetering systems at the scale we did it. Tehama is always willing to listen, to make changes, to go above and beyond. They've always been a great company to work with."

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