



Legislation Text

File #: 19-0351, **Version:** 1

TO:

Honorable Mayor and Members of the City Council

THROUGH:

Bruce Moe, City Manager

FROM:

George Gabriel, Senior Management Analyst

SUBJECT:

Consider Endorsing the National League of Cities Service Line Warranty Program and Marketing Agreement to Offer Emergency Repair/Replacement Plans to Address Private Sewer and Water Infrastructure (City Manager Moe).

- a) **DISCUSS AND PROVIDE DIRECTION**
- b) **ADOPT RESOLUTION NO. 19-0098**

RECOMMENDATION:

Staff recommends that the City Council: a) receive a presentation on the National League of Cities (NLC) Service Line Warranty Program that offers emergency repair/replacement plans for private sewer and water infrastructure; and b) discuss and provide direction on endorsing the NLC Service Line Warranty Program. Should the City Council direct staff to endorse the program, the City Council may adopt Resolution No. 19-0098 authorizing the City Manager to enter into an initial three-year marketing agreement with Utility Service Partners, Inc. with additional one-year renewal options.

FISCAL IMPLICATIONS:

There are no fiscal implications associated with endorsing the NLC Service Line Warranty Program. However, should the City Council opt to enter into a royalty agreement, staff estimates it may generate \$10,000 - \$20,000 in revenue over a three-year period.

BACKGROUND:

At the February 5, 2019, City Council meeting, Mayor Pro Tem Montgomery, supported by Mayor Hersman, requested that a service line warranty program be agendaized for discussion at a future City Council meeting for residents who wish to purchase water, sewer and plumbing insurance. It should be noted that this request was submitted prior to the City's new three-step agenda process requiring a majority of Council to approve future agenda items.

Formed in 2003, Service Line Warranties of America Inc., a subsidiary of Utility Service Partners (USP), Inc., offers an insurance policy to residential property owners that covers the cost to repair or replace their utility service lines (the "Program"). The Program was endorsed by the NLC in 2010 and through this partnership; the Program has been implemented in more than 500 cities located in 42 states.

The Service Line Warranty Program began serving California Cities in 2012. Cities have the ability to sign a partnership agreement with USP, to offer a low-cost warranty program to residents. California cities that are current partners in the Program include: Culver City, Laguna Beach, Claremont, West Covina and San Diego.

For the purposes of this program, a service line is the water pipe or sanitary sewer lateral pipe that connects from a building to the main that serves an area. Service line pipes are buried and are typically located outside a building. Residential property owners may be unaware that repair or replacement of their utility service lines are their responsibility. The Service Line Warranty Program offers residential property owners the option to insure water and sewer lines that the City is not responsible for (between the public connection and the exterior of the home). Additionally, the Program offers insurance on in-home plumbing lines.

The Water Line Warranty provides coverages of up to \$8,500 for each water line repair, and residents pay a \$6.75 monthly fee. Additionally, a discount of \$5.00 is available on the total annual cost if a resident pays for a full year in advance.

The Sewer Line Warranty provides coverage of up to \$8,500 for each sewer line repair. Residents pay a \$9.75 monthly fee. Additionally, a discount of \$5.00 is available on the total annual cost if a resident pays for a full year in advance.

The In-Home Plumbing Warranty provides coverage of up to \$3,000 for each in-home repair. Residents pay a \$9.99 monthly fee. Additionally, a discount of \$4.89 is available on the total annual cost if a resident pays for a full year in advance.

Residents may cancel the warranty or warranties at any time.

DISCUSSION:

As mentioned earlier in the report, several cities in California have endorsed the NLC Service Line Warranty Program. Cities have indicated that the Program offered important educational outreach that notified residents that they were responsible for their utility service lines and offered them the opportunity to participate in the voluntary program.

Should City Council direct staff to endorse the NLC Service Line Warranty Program, staff and USP have prepared two different marketing agreements for City Council consideration and approval.

Both marketing agreements with USP are for an initial term of three years, with additional one-year renewal options. The agreement provides USP to:

- Utilize the City's name and logo on letterhead and marketing materials to be sent to residential property owners;
- Authorize marketing of the Program (up to three (3) times per year, maximum of six (6) mailings per year); and
- Receive the City's review and approval prior to sending any letter.

Attached for reference is a sample letter USP would send each resident, which outlines the City's endorsement, followed by a reminder letter two weeks later. USP only solicits through direct mail and does not tele-market. The City would be considered a co-branded partner and would provide the

name of a City official who will sign the solicitation letter.

Upon City Council direction, the City may elect to enter into a royalty agreement to cover the cost of staff time dedicated to review program materials. The royalty agreement allows revenue sharing between the City and USP. In the royalty agreement, the City may elect to receive a \$.75 cent stipend per customer enrolled in a water/sewer line policy over the three-year agreement. Staff estimates it may generate \$10,000 - \$20,000 in revenue if the City elects to receive a stipend.

If the City Council does not elect to receive the stipend, USP offers a non-royalty agreement that offers zero revenue sharing but reduces USP's water/sewer line insurance costs by \$.75 cent per month (equivalent to the stipend). USP indicates that about 65% of their California partners chose the non-royalty program so they can pass along the savings and give residents the lowest monthly price when they enroll.

CONCLUSION:

Staff recommends that the City Council discuss and provide direction to staff on whether the City should endorse the National League of Cities Service Line Warranty Program and whether the City should enter into a royalty or non-royalty marketing agreement. Should the City Council direct staff to endorse the program, the City Council may adopt Resolution No. 19-0098 authorizing the City Manager to enter into a an initial three-year royalty or non-royalty marketing agreement with Utility Service Partners, Inc. with additional one-year renewal options.

LEGAL REVIEW:

The City Attorney has reviewed this staff report and determined that no legal analysis is required.

ATTACHMENTS:

1. Resolution No. 19-0098
2. Agreement - Utility Service Partners Private Label Inc. (Royalty)
3. Agreement - Utility Service Partners Private Label Inc. (Non - Royalty)
4. Sample Marketing Material
5. NLC Warranty Line Information Pamphlet
6. National League of Cities Endorsement Letter
7. Utility Service Partners PowerPoint Presentation