

**City of Culver City, California
Agenda Item Report**

Meeting Date: 03/09/2015		Item Number: <u>A-1</u>	
CITY COUNCIL AGENDA ITEM: (1) Consideration of an Optional Provision in the Proposed Agreement to Authorize the City to Receive a \$9 per Policy Administrative Fee; and (2) Approval of a Three Year Agreement with Service Line Warranties of America to Offer Service Line Insurance Policies to Residential Property Owners for Water and Sanitary Sewer Service Lines.			
Contact Person/Dept.: Joe Susca/Public Works-Administration		Phone Number: 310-253-5636	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☒ No ☐	
Public Hearing: ☐		Action Item: ☒ Attachments: ☐	
Commission Action Required: Yes ☐ No ☒ Date: _____			
Public Notification: (E-Mail) Agenda and Meetings – City Council (03/03/15)			
Department Approval: Charles D. Herbertson (03/02/15)		City Attorney Approval: Carol Schwab (by L. Vidra 03/02/15)	
Chief Financial Officer Approval: Jeff Muir (by M. Noller) (03/03/15)		City Manager Approval: John M. Nachbar (03/03/15)	
<u>RECOMMENDATION:</u> Staff recommends the City Council (1) consider an optional provision in the Proposed Agreement to authorize the City to receive a \$9 per policy Administrative Fee; and (2) approve a three year agreement with Service Line Warranties of America to offer Service Line Insurance Policies to residential property owners for Water and Sanitary Sewer Service Lines. <u>BACKGROUND:</u> 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. Many residential property owners are unaware that repair or replacement of their utility service lines are their responsibility. As a sewer lateral ages, the mortar used to bind its joints loosens, becomes brittle, and may flake away inviting dirt and tree roots to enter the pipe and create blockages. Water pipes are continuously under pressure and may leak or fail over time due to their age. Formed in 1996, Service Line Warranties of America Inc. (SLWA), a subsidiary of Utility Service Partners, Inc., offers an insurance policy to residential property owners that covers the cost to repair or replace their utility service lines, primarily to single family houses and some multi-family dwellings (the “Program”).¹ SLWA was			

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endorsed by the National League of Cities in 2010 and through this partnership, the Program has been implemented in 200 cities located in 31 states. SLWA maintains an A+ rating from the Better Business Bureau and, in 2013, received their Torch Award for Ethics in Pennsylvania, which is where SLWA is headquartered.

In September 2014, the City Council received a presentation from SLWA highlighting the details of the Program.

In California, the cities of San Diego, Daly City, Palmdale, Lemon Grove, and Cathedral City have SLWA Programs in place. Staff contacted the cities of Palmdale, San Diego, and Daly City, all of which provided favorable references and reported that their participating residents were pleased with the Program. The cities also report that SLWA's marketing campaign was an 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 from a reputable company.

DISCUSSION:

During the workshops which were part of the City's development of its Urban Forest Plan, some residents voiced concerns about tree root intrusion into their sewer lateral, resulting in costly repairs or replacement. City Council approval of the Agreement will provide residential property owners the option to participate in the Program to repair or replace their utility service lines, which work costs \$2,000 to \$4,000 per incident. Once enrolled, a customer calls the SLWA toll free number, and a plumber or contractor is typically dispatched to the property within 2 hours. Local contractors and plumbers are selected by SLWA and dispatched on a rotational basis. If the next plumber in line is unavailable to respond within the 2-hour window, then the next plumber in line is dispatched.

SLWA Agreement -- Terms and Conditions:

- A three year Agreement with automatic one-year renewals thereafter. After the third year anniversary however, either party may terminate the Agreement with 90-days' written notice.
- Only Culver City-based contractors and plumbers are hired by SLWA to perform the repairs. All work is performed to code and with appropriate permitting.
- SLWA continually monitors each plumber's performance to ensure minimum service levels are maintained.
- Those who voluntarily sign up for the Program receive up to \$4,000 per covered incident with no deductible and, if necessary, an additional \$500 is provided to cover sidewalk or street repairs.
- Customers may terminate their policy at any time and receive a pro rata refund of their prepaid premium.

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- The City agrees to provide SLWA limited use of the City's seal and logo when marketing the Program to residential property owners. Such marketing materials are subject to the City's prior review and approval.
- During the term of the Agreement, the City agrees not to enter into similar agreements with SLWA competitors. However, SLWA competitors are not precluded from offering similar services to City residents.
- SLWA agrees to maintain insurance policies whose coverage adheres to the City's requirements and to indemnify and hold harmless the City from any claims for damages, losses, or personal injuries resulting from the Program.
- The Program's annual costs are \$81 for water coverage and \$117 for sewer coverage. In years two and three, SLWA may increase each annual premium by up to \$9.00 in each year.

Optional Term:

- Revenue Sharing: The City Council may elect to receive a stipend of \$9.00 per policy to cover the cost of staff time dedicated to implement and oversee administration of the Program. If the City Council does not elect to receive the stipend, SLWA agrees to reduce their policy holders' premium by an amount equivalent to the stipend.

Next Steps:

If approved, SLWA will conduct bi-annual marketing campaigns to promote the Program. All marketing materials will be subject to the City's review and approval prior to their release. To avoid confusion about the Program, SLWA has agreed to cover the cost to distribute an inaugural mailing from the City that answers Frequently Asked Questions about the Program.

FISCAL ANALYSIS:

SLWA anticipates 9% of residential property owners will participate in the Program.² If the City Council elects to receive the \$9.00 per policy stipend, staff estimates it will generate approximately \$16,200 annually in revenue in the General Fund.³

MOTIONS:

That the City Council:

1A. Determine to ACCEPT the optional provision which authorizes the City to receive a \$9 per policy administrative fee to offset its costs in administering the Program;

OR

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1B. Determine to DECLINE the optional provision which authorizes the City to receive a \$9 per policy administrative fee to offset its costs in administering the Program;

AND

2. Approve a three year agreement with Service Line Warranties of America Inc. to offer utility service line insurance policies to residential property owners in Culver City; and,
3. Authorize the City Attorney to review/prepare the necessary documents; and,
4. Authorize the City Manager to execute such documents on behalf of the City.

NOTES:

¹The SLWA policy for external water and external sewer line products cover the consumer owned portion of the primary water and sewer line from the public utility's portion up to the point of entry into the residential home, including small multi-family dwellings. In the event that the property has separately owned attached or semi-attached residential homes that are considered multi-family dwellings, the SLWA service line warranty external water and external sewer line products will be available to those property owners of multi-family dwellings where there are separate primary water and separate primary service lines for each dwelling. In no instance will shared lines or branch lines be eligible.

²4% of residential property owners in Palmdale and 8% in Daly City participate in the Program, though SLWA reports that up to 20% have participated in other cities they serve. 10% of Palmdale residents are served by septic tanks and do not qualify to participate in the sewer portion of the Program. On average, SLWA reports that 9% of the property owners participate in the Program nationwide.

³Culver City has 10,003 residential properties X 9% participation = 900 properties X \$18 per customer (\$9 water and \$9 sewer) = \$16,200.