



City of Rialto

Legislation Text

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For City Council Meeting and Rialto Utility Authority [April 24, 2018]

TO: Honorable Mayor and City Council

APPROVAL: Robb R. Steel, Interim City Administrator

FROM: Thomas J. Crowley, P.E., Utilities Manager

Request City Council/Rialto Utility Authority Board to Approve an Agreement with Utility Service Partners, Inc. for the National League of Cities Service Line Warranty Programs for the Royalty Programs.

(ACTION)POWERPOINT

BACKGROUND:

On March 27, 2012, the City Council and Rialto Utility Authority (RUA) took several actions related to approval of a Concession Agreement (CA) with Rialto Water Services, LP (RWS), assigning operation and maintenance of the City's water and sewer utilities to RWS. Section 3.8 of the CA requires RWS to offer utility customers the opportunity to purchase one or more water and sewer line protection programs. The original provider selected was American Water Resources, Inc. d/b/a American Water Resources Insurance Services.

Although the parties to the CA agreed to replace the original Contractor, American Water Operations & Maintenance, Inc., with Veolia Water West Operating Services, Inc. (Veolia), Veolia does not provide a service line insurance program as required by the CA. As such, the City, Authority and Concessionaire implemented a Contract Administration Memorandum (CAM) that allowed the City and Authority to enter into an agreement for the provision of a service line insurance program.

The original agreement with AWR granted the company a license to use the City/Authority's name, logos, trademarks, etc. necessary to market the programs to the City's utility customers. The agreement also provided for a repair program to help less fortunate homeowners with in-home plumbing, water or sewer line repairs. AWR paid an annual administrative fee of \$15,000 as compensation to the City. The monthly service charge for the different warranty products are: external sewer line is \$9.99 with a coverage up to \$5,000 for sewer line replacement and \$5,000 for pavement repairs; external water line is \$5.99 with a coverage up to \$5,000 for water line repairs; and in home plumbing lines is \$4.99 with a coverage up to \$2,000.

ANALYSIS/DISCUSSION:

Due to the less than successful program, staff was made aware of another provider for this service and on November 21, 2017, the Utilities Commission considered a presentation by Service Line Warranties of America Inc., a subsidiary of Utility Service Partners (USP), Inc. Formed in 1996, USP offers residential property owners an insurance policy that covers the cost to repair or replace utility service lines, primarily to single-family houses and some multi-family dwellings (the "Program"). The

National League of Cities (NLC) endorsed the Program in 2010 and through this partnership, more than 400 Cities located in 31 states have implemented this Program. The Disclosure Form is included as **Attachment 1**, which is required of vendors that will be contracting with the City. USP has no relationships with any officers or employees of the City.

The Service Line Warranty Program began serving California Cities in 2012. California cities that are current partners include:

- Cathedral City
- Claremont
- Culver City
- Daly City
- Laguna Beach
- Lemon Grove
- Perris
- San Bruno
- San Carlos
- San Diego
- Yountville

The NLC has been an advocate and resource for cities and towns across the U.S. for more than 90 years. The City of Rialto is a member of the League.

NLC offers a full “turnkey” program for the City of Rialto as USP handles all the marketing, billing, claims, postage and customer service aspects of the program. There is no cost for the City to participate and, if the City/RUA elects to participate in the “Royalty Program,” USP shares a portion of the revenue generated back.

This NLC Service Line Program helps educate residents on the responsibilities concerning their external water and sewer lateral service lines. Most residents do not realize they are responsible for their water and sewer lateral lines.

If a resident decides to enroll, they will receive coverage on their choice of the three products offered: in-home plumbing, external water service line and/or external sewer/septic line warranty. In the case of the sewer line, the insurance covers their lateral line from the point of entry to their home all the way to the connection to the main. This coverage includes street cutting and repair, as well as any line repair, cleanout or replacement up to \$8,500 dollars per incident. For the water line, the insurance covers their line from the point of entry to the home to the water meter and the program covers repairs for any broken or leaking lines up to \$8,500 dollars. In-home plumbing covers water and sewer lines inside the home, as well as clogged toilets and offers up to \$3,000. When the resident enrolls and has an issue with their line, they simply call the 24/7/365 customer service center and UPS dispatches a licensed, local area plumber to make the repair. There is no deductible or service fee, and no annual \$ limits on claims.

If the City decides on the Royalty Program, the water line coverage is available for \$6.75 per month; the sewer line is \$9.75 per month and In-home plumbing is \$9.99. As a consideration for the City selecting the Royalty Program, NLC will pay a license fee of \$0.75 per product to the City annually. The agreement for the NLC program with the Royalty Option is included as **Attachments 2**.

The table below shows the rates:

Product	Rate	Payment to the City/RUA
External Sewer/Septic Line	\$9.75 Montly or \$112.00 Annually	\$0.75 per product sold
External Water Line	\$6.75 Montly or \$76.00 Annually	\$0.75 per product sold
In-Home Plumbing	\$9.99 Montly or \$114.99 Annually	\$0.75 per product sold

ENVIRONMENTAL IMPACT:

The requested action is not a "Project" as defined by the California Environmental Quality Act (CEQA). Pursuant to Section 15378(a), a "Project" means the whole of an action, which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. According to Section 15378(b), a Project does not include: (5) Organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

GENERAL PLAN CONSISTENCY:

Approval of the proposed action complies with the following City of Rialto Guiding Principles:

Our City government will lead by example, and will operate in an open, transparent, and responsive manner that meets the needs of the citizens and is a good place to do business.

LEGAL REVIEW:

The City Attorney has reviewed and approved the staff report and agreement.

FINANCIAL IMPACT:

Operating Budget Impact

If the City elects to participate in the Royalty Program, USP will provide a \$0.75 monthly royalty on the water, sewer or in-home plumbing. USP will pay this to the City per product sold/per month/per enrollee after the end of each year for water, sewer and/or in-home plumbing. USP reports on average 10% of potential customers purchase policies in their service areas nationwide. With this in mind, staff estimates an annual payment could be as much as \$36,000.

	20,000	Approximate number of customers eligible to the program
X	10%	Estimated percentage of eligible customers who will enroll in water and sewer programs
	2,000	Estimated total number of eligible customers who will enroll in water and sewer programs
X	\$1.50	Monthly Royalty Program revenue, assuming enrollment in water and sewer. Monthly review is \$0.75 per product.
	\$3,000	Estimated Monthly Royalty Payment to the City/RUA
	\$36,000	Estimated Annual Royalty Payment to the City/RUA

In each year of the term, USP will pay Rialto Utility Authority an administrative fee in the amount collected as a Royalty Payment, as compensation for support services provided to USP provided in connection with the Service Line Protection Programs. This payment will be received by the RUA and processed through the waterfall according to the Concession Agreement.

There will be a positive impact to the Operating Budget with funds being set aside to fund a utilities internship program or part-time employee for the Utility Authority.

Capital Improvement Budget Impact

There is no impact to the Capital Improvement Budget.

RECOMMENDATION:

Staff recommends that the City Council/Rialto Utility Authority Board to Approve the Agreement with Utility Service Partners, Inc. for the National League of Cities Service Line Warranty Programs for the Royalty programs.