

INFORMATION REPORT

TO:	Mayor and Members General Issues Committee
DATE:	January 17, 2018
SUBJECT/REPORT NO:	Service Line Warranties of Canada Program Update (FCS18006) (City Wide)
WARD(S) AFFECTED:	City Wide
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

Council Direction:

Not applicable.

Information:

In April 2014, Council endorsed the awarding of a contract with Service Line Warranties of Canada (SLWC) to offer Hamilton residents an optional water and sewer line warranty program that provides emergency repair coverage for residential water service lines, sewer laterals and interior plumbing and drainage (for details refer to Report FCS12044(a)). The contract is for a term of two years with an option to renew for an additional maximum of two, five-year term renewals at the City's sole discretion. The City exercised the initial five-year renewal term in April 2016.

Since the initial marketing campaign in September 2014, approximately 12,100 residents have chosen to enrol for a SLWC warranty plan and over 3,100 claims have been addressed by SLWC's network of local, licensed contractors at a cost of over \$1 M with no claim denials. This significant amount of repair costs represents investment in local private infrastructure and dollars retained in the Hamilton economy. The contract with SLWC assures the City that all repairs are performed to Ontario Building Code standards and that all appropriate permitting is obtained.

The SLWC warranty program offered in Hamilton includes three distinct coverages:

- **Sewer Line Warranty** – Covers the cost of repairing broken, leaking or clogged outside sewer lines

OUR Vision: To be the best place to raise a child and age successfully.

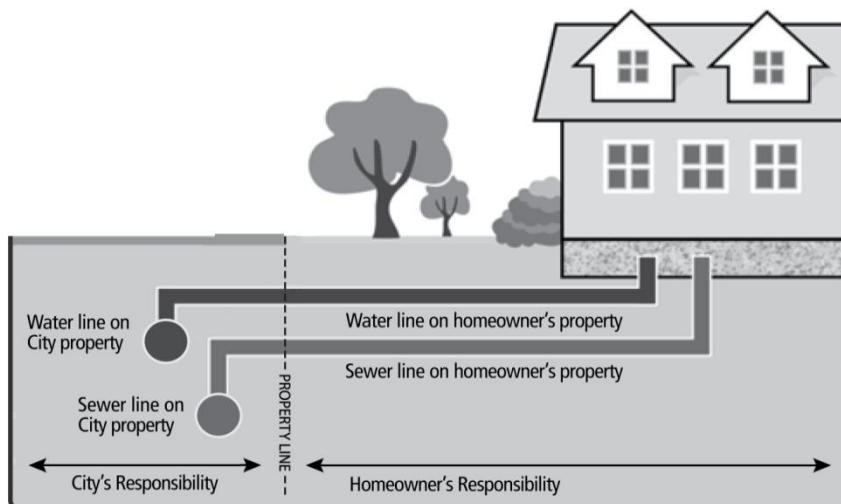
OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

- **Water Line Warranty** – Covers the cost of repairing broken or leaking outside water lines. It should be noted that the Water Line Coverage also includes thawing frozen water lines.
- **In-Home Plumbing and Drainage Warranty** – Covers the cost of broken, leaking or frozen water or sewer lines inside the house, including drain lines connected to the main sewer stack. This does not cover faucets or fixtures, venting issues or gas lines.

A key objective for the City has been to notify Hamilton homeowners about public versus private ownership of water and sewer lines as delineated per Figure 1 of Report FCS18006. The City seeks to be proactive in helping homeowners prepare and / or protect themselves against potential large expenses. The partnership formed with SLWC has met the intent to notify and to also let residents know what options they have to protect themselves from potential liabilities resulting from service line failures. There have been eight marketing campaigns over the initial three years of the partnership reaching out to Hamilton's nearly 139,000 residential water accounts. This educational outreach is achieved, at no cost to the City, as SLWC pays 100% for all marketing; noteworthy as for the City to send out a similar mailing would cost over \$175 K per each occurrence.

FIGURE 1



In early 2014, the City went through a competitive Request for Proposal (RFP) process so that any company interested in this type of partnership could compete. Ultimately, SLWC offered the lowest price, best coverage, extremely low claim-denial rates and had extensive experience with these partnerships. SLWC is part of HomeServe USA Corp (HomeServe) who currently serves over three million customers under similar arrangements with 500+ other communities around North America.

The SLWC warranty program is growing across Ontario, particularly with the Association of Municipalities of Ontario (AMO) Local Authority Services' endorsement, as 36 Ontario municipalities have now joined Hamilton in becoming SLWC partners (refer to Appendix "A" to Report FCS18006). In recognition that the City became SLWC's first Canadian partner and is a leader in offering residents an optional warranty program, the City receives from SLWC 0.5% of commission revenues generated in other SLWC Ontario partner locales. As many of the new Ontario SLWC partners are fairly recent partners, the associated commission revenues has been modest to date at less than \$5 K but is expected to develop significantly as communities with a large number of households (for example, Peel Region) have recently become a SLWC partner and the continued growth in Ontario partnerships. SLWC continues to support Hamilton's successful warranty program partnership via periodic press releases (refer to Appendix "B" to Report FCS18006) and posts promoting the City on SLWC's website (for example: <https://slwcblog.com/2016/05/05/throwback-thursday-hamilton-on/>).

SLWC provides the City compensation of 5% of City of Hamilton enrolment revenue for allowing the use of the City logo on the warranty offering letters that homeowners receive. The support of the City via the co-branded marketing letters alerts residents of the legitimacy of the program resulting in more enrolments, which in turn, allows SLWC to offer the warranties at lower prices to residents because of the increased participation. The revenue the City receives is directed to the Rate Supported Budget thereby, in a small part, helping to keep Hamilton's water and wastewater / storm rates among the lowest in Ontario. The commission revenues received to date have amounted to over \$100 K.

Beyond the establishment of a new revenue source for the Rate Budget, cost savings can result from operational efficiencies related to initial diagnostic investigation costs of public service line issues. For example, when a property owner with SLWC sewer coverage experiences a problem with their sewer lateral, the property owner would call SLWC's emergency response number. If, during the initial investigation, the problem is found on the public portion of the line, SLWC's contractor will provide, at no cost to the City, the diagnostic scope video thereby saving the City the cost to pay for the diagnostic work which otherwise it would pay for in the absence of private warranty coverage for service lines. Additional savings may result from lower utilization of the Sewer Lateral Management Program (SLMP) as when the private portion of the sewer lateral is affected by roots from a City-owned tree, the property owner may be eligible for a one-time reimbursement from the City for a portion of the costs, up to a maximum allowance (currently \$1,500) as per the City's Sewer and Drain By-law 06-026, as amended. In circumstances where property owners that have SLWC's sewer line warranty coverage experience sewer lateral damage from a City-owned tree, the City would not provide reimbursement under the SLMP to SLWC. As of December 2017, there have been over 1,400 sewer line claims resolved by SLWC. Timely sewer line repairs minimize wastewater pollution thereby helping the environment.

The City's Water Leak Adjustment Policy provides residential water / wastewater customers' limited financial relief under certain conditions and circumstances to address customers' abnormally high water and wastewater bills associated with plumbing failures on a one-time only basis per account holder. To the extent that customers subscribe to an interior plumbing and drainage Plan and experience plumbing issues that contribute to high water usage, there may be a more timely response to identify and address water leak issue(s). Staff has seen some instances where the customer's leak adjustment request has been accompanied by a SLWC contractor receipt for plumbing repairs. There has been a reduction of the financial cost of this adjustment policy from \$73 K in 2014 to an average annual cost of \$52 K over the 2015 to 2017 timeframe. As of December 2017, there have been over 1,500 in-home plumbing claims resolved by SLWC. Timely water line repairs conserves water reducing homeowners' water bills.

SLWC conducts customer satisfaction surveys wherein Hamilton homeowners who have needed service from SLWC report a 97% satisfaction rate and have expressed their satisfaction with the City to have formed the SLWC partnership via these surveys:

"It's such a good feeling to know that the City is looking out for our interests and cares about the residents, viewing them as people with needs and problems and wanting to find ways to help... we're not just numbers on a tax roll."

"I believe this is a really good idea to have this warranty offered. Once you have your warranty in place, it's just one call to Service Line Warranties and they do the rest and put the contracting company in touch with you. It makes it a lot easier than trying to find help and who to call that you can trust to do a good job. I think all residents would do well to sign up for this very helpful program. Thanks again."

"I think it shows that the City realizes that it has limitations as to what it can do itself for its residents. But, the fact that City Council has endorsed this program shows that they care about their citizens getting help when it is needed and getting people who know what they are doing and not "fly by night" companies. That's really important, too. The company who helped me was fantastic, very polite and professional folks, as well. Thanks."

Appendices and Schedules Attached

Appendix "A" – SLWC Ontario Partner Listing

Appendix "B" – November 2017 SLWC Press Release

JS/dt