

AN ORDINANCE 2016-09-29-0749

AUTHORIZING A CONTRACT WITH UTILITY SERVICE PARTNERS PRIVATE LABEL, INC. (USP) TO PROVIDE A UTILITY SERVICE LINE WARRANTY PROGRAM, WHERE USP WILL DIRECTLY CONTRACT WITH RESIDENTS FOR WARRANTY AND REPAIR OF WATER, SEWER, AND INDOOR PLUMBING.

* * * * *

WHEREAS, when residents experience unexpected and potentially costly water and sewer line repairs, there can be confusion over where San Antonio Water System ("SAWS") responsibility ends and residents responsibility begins; SAWS maintains the water line from the main to the resident's water meter or to the property line for the sewer line; and

WHEREAS, on March 18, 2015 the Transportation Technology and Utilities Committee was briefed on the potential for the City to participate in the Utility Service Line Warranty Program; and

WHEREAS, on October 30, 2015, the City issued a Request for Proposal to competitively solicit proposals to provide a Water and Sewer Line Service Warranty Program with a submission deadline of December 11, 2015. Three proposals were received and two were disqualified for not meeting the 22% M/WBE subcontracting requirement; and

WHEREAS, Utility Service Partners Private Label, Inc. ("USP") submitted a qualifying proposal; and

WHEREAS, the initial term of this contract is for a period of three years with two additional one-year renewals at the City's option; the one-year renewal options will require future City Council action if there are program changes; and

WHEREAS, the Utility Service Line Warranty Program ("USP Program") offers residents warranties that covers the cost of repairs in their area of responsibility; and

WHEREAS, for a monthly premium, the Program provides coverage for water, sewer, and/or indoor plumbing that is on the resident's side of the meter and provides education and awareness on the issue through the company's marketing materials:

Coverage	Premium	
	Monthly	Annually
Sewer	\$6.50	\$73.00
Water	\$4.50	\$49.00
In-home plumbing	\$6.99	\$78.88
Total	\$17.99	\$200.88

WHEREAS, under the contract, the City would endorse the USP Program and allow the City's logo and name to be used in marketing materials, and as compensation, the City would receive a monthly royalty per policy and a brand licensing fee, with a guaranteed minimum amount over five-years of approximately two and one half million dollars (\$2,485,402.00). Actual payments could exceed the minimum, based on the level of warranty sales; and

WHEREAS, the contract also provides for low-income assistance, providing 500 free water and sewer warranties in the initial year, rising by 125 additional free warranties each year, to 1,000 in the fifth year. Finance Staff is working with the City's Department of Human Services to develop criteria and guidelines for issuing the free warranties; and

WHEREAS, the USP Program has been endorsed by the National League of Cities and is currently implemented in over 280 cities throughout Texas, the U.S. and Canada. USP has an A+ accreditation with the Better Business Bureau and has a customer satisfaction rating exceeding 95%. In addition, USP approves 97% of all claims filed and most claims are completed within 24 hours; and

WHEREAS, there is no cost for the City to participate in the Program, the City would receive a \$0.75 royalty per month per policy and a brand licensing fee, with a guaranteed minimum amount over five-years of approximately two and one half million dollars (\$2,485,402.00). Actual payments to the City could exceed the minimum based on the level of warranty sales; **NOW THEREFORE**,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. The contract with Utility Service Partners Private Label Inc. ("USP") to provide a Utility Service Line Warranty Program, where USP will directly contract with residents for warranty and repair of water, sewer, and indoor plumbing, is approved.

SECTION 2. The City Manager or her designee is authorized to execute the contract, a copy of which, in substantially final form is set out in **Exhibit A**.

SECTION 3. Funds generated by this Ordinance will be in Fund 11001000, Internal Order 207000000756 and General Ledger 4302300.

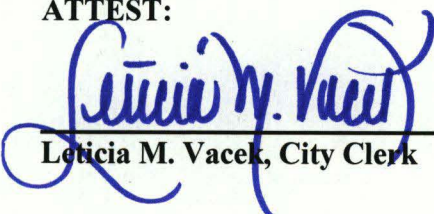
SECTION 4. The financial allocations in this Ordinance are subject to approval by the Director of Finance, City of San Antonio. The Director of Finance may, subject to concurrence by the City Manager or the City Manager's designee, correct allocations to specific SAP Fund Numbers, SAP Project Definitions, SAP WBS Elements, SAP Internal Orders, SAP Fund Centers, SAP Cost Centers, SAP Functional Areas, SAP Funds Reservation Document Numbers, and SAP GL Accounts as necessary to carry out the purpose of this Ordinance.

SECTION 5. This Ordinance shall be effective immediately upon passage by eight or more affirmative votes; otherwise, it shall be effective on the tenth day after passage.

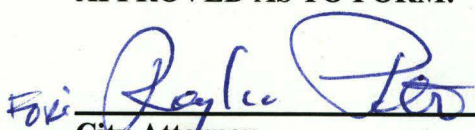
PASSED AND APPROVED this 29th day of September, 2016.


M A Y O R
Ivy R. Taylor

ATTEST:


Leticia M. Vacek, City Clerk

APPROVED AS TO FORM:


City Attorney

Agenda Item:	33 (in consent vote: 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 25, 26, 27, 28, 29, 30, 31, 33, 34, 35, 36, 37, 38, 39, 40, 42A, 42B, 43A, 43B, 43C, 43D)						
Date:	09/29/2016						
Time:	09:18:41 AM						
Vote Type:	Motion to Approve						
Description:	An Ordinance authorizing a contract with Utility Service Partners Private Label, Inc. to provide a Utility Service Line Warranty Program, where USP will directly contract with residents for warranty and repair of water, sewer, and indoor plumbing. [Ben Gorzell, Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer, Finance]						
Result:	Passed						
Voter	Group	Not Present	Yea	Nay	Abstain	Motion	Second
Ivy R. Taylor	Mayor		x				
Roberto C. Treviño	District 1		x				
Alan Warrick	District 2		x				x
Rebecca Viagran	District 3		x				
Rey Saldaña	District 4		x				
Shirley Gonzales	District 5	x					
Ray Lopez	District 6	x					
Cris Medina	District 7		x				
Ron Nirenberg	District 8		x				
Joe Krier	District 9	x					
Michael Gallagher	District 10		x			x	

Exhibit A
National League of Cities Service Line Warranty Program
City of San Antonio, TX
Term Sheet
June 8, 2016

I. Term of agreement

- a. Initial term
 - i. Three years guaranteed
- b. Renewal terms

ii. The City shall have the option to renew under the same terms and conditions for up to two (2) additional one (1) year renewal options

II. License Fee – \$0.75 per month per paid warranty contract

- a. City logo on letterhead, advertising, billing, and marketing materials
- b. Signature by the Chief Financial Officer or his designee

III. Products offered

- a. External sewer line warranty
- b. External water line warranty
- c. In-home plumbing warranty

IV. Scope of Coverage

- a. External sewer line warranty

i. Scope is from the property owner's property line until line daylights inside home, of which includes the service line under the concrete floor.

- b. External water line warranty

i. Scope is from the meter and/or curb box until it daylights inside home, of which includes the service line under the concrete floor.

- c. In-home plumbing warranty

i. Scope covers residential in-home water supply lines and in-home sewer lines and all drain lines connected to the main sewer stack that are broken or leaking inside the home after the point of entry. Coverage includes broken or leaking water, sewer, or drain lines that may be embedded under the slab or basement floor. Coverage also includes repair of clogged toilets.

V. Marketing Campaigns – three campaigns per year (generally Fall, Winter and Spring)

- a. 2016 Fall - Sewer
- b. 2017 Spring - Water
- c. 2017 Fall - Sewer
- d. 2018 Winter – In-home plumbing
- e. 2018 Spring - Water
- f. 2018 Fall - Sewer
- g. 2019 Winter – In-home plumbing
- h. 2019 Spring - Water
- f. 2019 Fall - Sewer
- g. 2020 Winter – In-home plumbing
- h. 2020 Spring - Water
- f. 2020 Fall - Sewer
- g. 2021 Winter – In-home plumbing
- h. 2021 Spring - Water

VI. Campaign Pricing – Pricing is guaranteed for the first two years and SLWA will not increase prices, except for increases due to a change in the rate of applicable sales or similar

taxes. At the end of the two year period, there is an opportunity to review and then pricing will be agreed upon between the SLWA and the City for the remainder of the term.

- a. Sewer
 - i. Year 1 - \$6.50 per month; \$73.00 annually
 - ii. Year 2 - \$6.50 per month; \$73.00 annually
- b. Water
 - i. Year 1 - \$4.50 per month; \$49.00 annually
 - ii. Year 2 - \$4.50 per month; \$49.00 annually
- c. In-home plumbing
 - i. Year 1 - \$6.99 per month; \$78.88 annually
 - ii. Year 2 - \$6.99 per month; \$78.88 annually

VII. Brand Fee - \$650,000.00 spread across five years, subject to City's written approval of the proposed marketing materials for each campaign of that year, and the other conditions set forth in Section 4B of the Agreement.

- a. Year 1 - \$300,000.00
- b. Year 2 - \$150,000.00
- c. Year 3 - \$100,000.00
- d. Year 4 - \$50,000.00
- e. Year 5 - \$50,000.00

VIII. Guaranteed Payments - Each year there will be a guaranteed minimum payment amount (each, a "Guaranteed Payment") provided to the City, subject to the City's approval of the campaigns and campaign materials for that year. The guaranteed portion is a combination of the Brand Fee and the License Fee. The Brand Fee is fixed, and the License Fee amount is variable. If the Brand Fee plus the License Fee is greater than the guaranteed amount, City will receive the higher amount. If the Brand Fee plus the License Fee is less than the guaranteed amount, City will receive the guaranteed amount. SWLA will make the License Fee payments on a quarterly basis consistent with the terms outlined in Section 4 of this agreement. These payments will be subject to a true-up following the final quarter of each year of the Agreement, if needed to effectuate the guaranteed minimum payment for that year of the Agreement. If and to the extent that the Brand Fee does not become due and payable or is required to be refunded, such amount shall be deducted from the Guaranteed Payments due for the relevant year below. In addition, SWLA will provide the City with a Quarterly Payment/Financial Information as established by Section 18.

- a. Year 1 - \$369,544.00
- b. Year 2 - \$448,044.00
- c. Year 3 - \$535,693.00
- d. Year 4 - \$553,930.00
- e. Year 5 - \$578,191.00

IX. Residential Assistance Program - SLWA will provide free one-year water and sewer warranties for underprivileged residents as defined below. City will determine criteria and approve applications for assistance under this program. City will provide SLWA with a list of approved service addresses for each year the program is in effect.

- a. 500 families at the beginning of year 1 for both water and sewer.
- b. Additional 125 families for both water and sewer warranties at the beginning of years

2-5.

- i. Year 1 - 500 families

- ii. Year 2 - 625 families
- iii. Year 3 - 750 families
- iv. Year 4 - 875 families
- v. Year 5 - 1,000 families