



City of San Antonio

Agenda Memorandum

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Agenda Item Number: 33.

Agenda Date: 9/29/2016

In Control: City Council A Session

DEPARTMENT: Finance Department

DEPARTMENT HEAD: Troy Elliott, Deputy Chief Financial Officer, Finance

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT: Utility Service Line Warranty Program Provider

SUMMARY:

This ordinance authorizes a contract with Utility Service Partners Private Label, Inc. (USP) to implement a Utility Service Line Warranty Program, where USP will market to and contract directly with residents, selling warranties to cover repairs to their water and sewer plumbing. As compensation, the City will receive royalty payments on the sales and a brand licensing fee with a guaranteed minimum amount over five-years of \$2.5M.

BACKGROUND INFORMATION:

City of San Antonio residents may experience unexpected and potentially costly water and sewer line repairs. The San Antonio Water System (SAWS) is responsible for maintaining the water line from the main to the resident's water meter or to the property line for the sewer line. There can be confusion over where SAWS' responsibility ends and the resident's responsibility begins. The Utility Service Line Warranty Program offers residents warranties that covers the cost of repairs in their area of responsibility.

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. The Program is voluntary and has no deductibles, annual limits or life-time limits; however, there is a per incident cap of \$3,000 for indoor plumbing and \$4,000 for water or sewer line repairs.

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

- * The contract contains a price reopener in the third-year to allow the vendor to review their historic claims experience prior to setting the premium for years 3, 4 and 5. The contract specifies the new prices, if any, must be agreed upon by the vendor and the City. The initial contract term is three-years with two one-year renewals.

Under the contract, the City would endorse USP and allow the City's logo and name to be used in marketing materials. As compensation, the City would receive a \$0.75 monthly royalty per policy and a brand licensing fee, with a guaranteed minimum amount over five-years of \$2.5M. Actual payments could exceed the minimum, based on the level of warranty sales. The endorsement does not prevent other vendors from marketing similar products in the City; however, the contract limits the City to one endorsed vendor which would be USP. The contract also provides for low-income assistance, providing 500 free 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.

The USP Program has been endorsed by the National League of Cities and is currently implemented in over 280 cities throughout 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.

On March 18, 2015, the TTU Committee was briefed on the potential for the City to participate in the Program. On October 30, 2015, the City issued an RFP to competitively solicit proposals to provide a Utility Service Line 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

The evaluation committee consisted of representatives from the Finance Department, Department of Human Services, Transportation and Capital Improvements Department and San Antonio Water System. The responsive proposal was evaluated based upon the firm's experience, background and qualifications; proposed plan and cost / compensation schedule. The Local Preference Program was applied in the evaluation of this response; however the recommended firm is not a local business. The Veteran-Owned Small Business Preference Program was applied in the evaluation of this response; however, the recommended firm is not a veteran-owned small business.

On March 18, 2016, an interview was conducted with USP. After committee review and discussion, USP was recommended for contract award utilizing consensus scoring. In addition to the published evaluation criteria, the committee recommended USP based on its successful track record with the National League of Cities. Further, Staff sees this program as an opportunity to repair aging infrastructure with licensed plumbers, which will ensure the repairs are performed to code.

The results of the RFP were presented to the Audit Committee on May 31, 2016; which recommended proceeding with contract negotiations and presenting to the full council for consideration. Contract negotiations were complete in early September.

The initial term of this contract is for a period of three years. Two additional one-year renewals at the City's option will require future City Council action unless there are no program changes.

FISCAL IMPACT:

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 \$2.5M. Actual payments to the City could exceed the minimum based on the level of warranty sales.

ISSUE:

Approving the contract involves endorsing one provider and allowing them to use the City's name and logo in their marketing materials. Although the contract fully indemnifies the City, it carries some reputational risk if the vendor did not perform up to expectations. Staff believes the vendor's positive track record in other cities mitigates this risk.

ALTERNATIVES:

The City could choose not to endorse a provider and invite this and other providers to market their warranties in the City. Without the endorsement, the City would lose the financial compensation and low-income assistance.

The City could take no action pro or con regarding utility warranties.

RECOMMENDATION:

Staff recommends approval of the contract with Utility Service Partners Private Label, Inc. to implement a Utility Service Line Warranty Program.

This contract is procured by means of a Request for Proposal and a Contracts Disclosure Form is required.