

CITY COUNCIL COMMITTEE

SPECIAL MEETING

INFRASTRUCTURE & FRANCHISE

Dan Helix, Chair

Edi Birsan, Committee Member

5:30 p.m.

Thursday, September 29, 2016

**Wing A, Garden Conference Room
1950 Parkside Drive, Concord**

AGENDA

ROLL CALL

PUBLIC COMMENT PERIOD

- 1. CONSIDERATION** – Voluntary Home Repair Service Plans For Privately Owned and Maintained Sewer Laterals with a Request for Direction from the Committee. Report by Justin Ezell, Director of Public Works.
- 2. ADJOURNMENT**

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Staff Report

Date: September 29, 2016

To: Infrastructure and Franchise Council Committee

From: Valerie J. Barone, City Manager

Prepared by: Justin Ezell, Director of Public Works
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925 671-3231

Subject: **Voluntary Home Repair Service Plans for Privately Owned and Maintained Sewer Laterals with a Request for Direction from the Committee**

Report in Brief

This report provides information regarding an optional privately-purchased, sewer lateral service plan offered by Home Emergency Insurance Solutions, a partner of the Contra Costa Water District (CCWD).

Background

For the last five years CCWD has been partnering with Home Emergency Insurance Solutions (HEIS) to provide homeowners with financial protection from repair costs associated with exterior water service line failures through water lateral service plans. The service plans operate just like insurance, wherein a consumer is protected from unforeseen costs when damage or failure occurs. However these service plans are classified under the California Department of Insurance as “Home Protection” rather than “Insurance;” which is why the protection is being referenced as a “service plan” rather than “insurance” in this report.

More than 12,600 CCWD water customers currently participate in this voluntary program by purchasing a service plan. Of the 12,600 participants, 7,193 of them are Concord households and 1,041 are located Clayton. CCWD and HEIS have proposed establishing a similar service plan opportunity for Concord residents for sewer lateral failures. Homeowners that voluntarily participate in a sewer lateral protection program would benefit from insured coverage for repairs to failed sewer laterals. Sewer laterals are the pipes carrying wastewater that extend from a

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home to the main line in the street. This report focuses on establishing a service plan program for Concord households only. A separate discussion to establish a sewer lateral service plan in the City of Clayton will need to occur between HEIS, CCWD and Clayton.

Discussion

Sewer laterals are referred to in two sections: the “upper” and the “lower” (see Sewer Lateral Illustration on Page 5). The “upper” portion of the sewer lateral extends from the property line to the house. The “lower” portion of a sewer lateral extends from the main line in the street to the property line. In all cases the home owner is responsible for the upper lateral. If the lower lateral has been properly installed with a clean-out at the property line, under a valid encroachment permit, the City assumes maintenance responsibility of the *lower* lateral. The minority of lower sewer laterals fall into this category. If a properly installed cleanout does not exist, maintenance responsibility of the lower lateral falls on the home owner. The majority of home owners are responsible for the maintenance and repair of both the upper and lower portions of their sewer laterals.

In 2011 the Contra Costa Water District (CCWD) began partnering with a company called Home Emergency Insurance Solutions (HEIS) to provide repair service plans for the repair of water service lateral lines. Like sewer laterals, the water service lateral is broken into two sections: the lower portion that extends from the water main to the water meter, which is always maintained and repaired by CCWD; and the upper portion that extends from the water meter to the house, which is always maintained and repaired by the home owner. HEIS offers service plans for the emergency repair of the upper water lateral; the benefit of the program is that it protects home owners from expensive water service line repairs for that upper portion of the water service line they are responsible for, and that is typically not covered by homeowners insurance.

HEIS is a Better Business Bureau accredited company with an A rating. The company uses local, licensed and insured contractors and provides a one-year guarantee on their work. The cost to a homeowner for voluntary participation in the exterior water service line coverage is \$5.25 per month and is included on their CCWD utility bill. The coverage excludes repairs to any exterior water service line that branches off the lateral line, and accidents and damage (or negligence) caused by the home owner and or others. The benefit amount is \$12,000 annually. Coverage includes leak repair, pipe replacement, and basic property restoration, and can involve multiple service calls.

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CCWD has proposed that the City extend the HEIS service plan as an option to property owners that receive their sewer service from the City of Concord. Sewer lateral repairs can be costly; the typical cost of sewer lateral replacement is in the \$8,000-\$12,000 range. Replacement or repair costs will depend upon the sewer lateral's length, location, depth and complexity of restoration. Sewer lateral coverage through HEIS would include repair or replacement of leaking or blocked laterals due to normal wear and tear. Coverage under this voluntary program would include both the upper and lower sewer lateral and basic restoration of asphalt and concrete both in the public right-of-way and on private property (excluding decorative paving and pathways). The coverage excludes sewer lateral damage cause by accident or negligence, septic tanks, and leaching fields. The premium cost to a homeowner for voluntary participation in the exterior sewer lateral insurance program is currently \$10.99 per month and would be included on the homeowners' CCWD utility bill. There are no callout fees or deductibles for claims and no waiting period once enrolled. The contractors conducting the repairs on behalf of HEIS would be required to obtain applicable permits associated with their work, and to have a business license for working in the City of Concord.

The program for sewer laterals would be administered entirely by CCWD and HEIS; City of Concord staff would review and approve advertising and informational materials sent to homeowners by HEIS. HEIS provides a 24/7 repair hotline for homeowners, 365 days a year. CCWD will receive 10% of every dollar (\$24k-\$42k in years 1-3 respectively) to cover its cost of administering the program including billing and customer service. In addition, 5% of every dollar collected through the program can be used for one of two purposes: (1) a payment to the City of Concord Sewer Enterprise for use to support the overall sewer program; or (2) to supplement a care fund administered by HEIS to assist disadvantaged homeowners who are faced with a sewer lateral service emergency. Such a program would be developed in association with the City and would incorporate features such as: homeowner's income is below an established income limit; homeowner does not have a service plan from HEIS; homeowner does not have the necessary funds to cover emergency home repairs and has no other funding sources available for the repairs; and a delay in repairs would cause a serious health and safety hazard.

Potential benefits of participating in the sewer lateral insurance program include:

- The program is entirely voluntary; giving homeowners an option to be free from the worry and inconvenience of sewer lateral failure
- Because the program is voluntary, homeowners are not forced to participate and could opt in or out at any time, giving them a choice of whether or not to choose coverage

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- Billing occurs directly on the CCWD utility bill; eliminating an additional bill for enrollees
- There are no waiting periods for claims; once enrolled sewer lateral coverage begins
- The program is already established and administered by HEIS and CCWD; the City's only commitment is to review and approve advertising and informational materials sent to home owners by HEIS
- HEIS has a large customer pool established through CCWD; creating greater accountability
- The coverage amount is \$12,000 annually and participants receive the added benefit of \$1,250 reimbursement for reasonable hotel accommodation (room only) if HEIS is unable to carry out a covered repair within 24 hours of notification and the participant is left completely without use of their exterior sewer line until such repair can be made and up to \$500 reimbursement for the temporary housing of pets in such circumstances

The downside to this program is that decorative paving not restored to its original condition when repairs are made, and the City has no control over future monthly premiums.

Alternatives

Many other providers of similar services plans do exist and are available to property owners. The difference is that the HEIS program, if chosen, would establish a partnership between the City of Concord, CCWD and HEIS, but would not eliminate the ability of private property owners to independently choose other means of protection.

Additionally, the Infrastructure and Franchise Committee could direct staff to conduct a request-for-proposal (RFP) process instead of making a decision to participate in the HEIS/CCWD program. To do so staff would need to develop specifications, solicit proposals, and conduct interviews of potential providers. Staff would write a report with the pros and cons of each provider to bring back to this Committee for consideration. This process will take approximately three to four months to complete.

Financial Impact

All program costs are borne by HEIS. CCWD conducts billing for the program and provides customer service calls related to charges on its utility bills. If the City chooses to receive royalties, the annual revenue to the City's Sewer Enterprise is estimated by HEIS as \$12,000 in Year 1 increasing to \$21,000 by Year 3. HEIS estimates this revenue through past experience of participation in similar programs at levels of 2-4% each year.

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Public Contact

The City Council Committee Agenda was posted.

Recommendation for Action

Staff recommends that the Infrastructure and Franchise Committee Review and discuss participation in the insurance program for sewer laterals administered by CCWD and HEIS and provide direction to staff.

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SEWER LATERAL ILLUSTRATION

