
REPORT TITLE: Residential Water and Sewer Line Warranty Protection Program Update 2022

FROM: Kealy Dedman, Commissioner of Public Works

RECOMMENDATION

- 1. That an extension of the Agreement for residential water or wastewater warranty protection with Service Line Warranties of Canada, Inc. for five years be approved; and**
- 2. That the Commissioner of Public Works be authorized to approve any further contract extensions with Service Line Warranties of Canada subject to satisfactory performance, price, approved budget, and on legal terms satisfactory to the Regional Solicitor; and**
- 3. That the royalty received by the Region of Peel be used to offset operational and staff support costs associated with this program with the remaining funds be used to continue to provide for lower warranty rates for Peel residents.**

REPORT HIGHLIGHTS

- In March 2016, Council authorized the Commissioner of Public Works to enter into an agreement for residential water or wastewater warranty protection plans with Service Line Warranties of Canada, Inc.
- In June 2018, via Resolution 2018-608, Council authorized the Commissioner of Public Works to extend the agreement for an additional five-year period and instructed staff to report to Council on the program on an annual basis.
- To date there are 18,773 warranty enrollments and there have been 4,544 claims made with \$1,607,238 in cost avoidance for residents with zero claims having been denied.
- According to surveys conducted by Service Line Warranties of Canada, Inc., there is a 95 percent customer satisfaction rating with the service.
- Service Line Warranties of Canada, Inc. has continued to meet the outcomes and customer service metrics in the agreement ensuring the overall success of the program to date.
- To ensure a competitive environment, an Expression of Interest was completed in April to May 2022. No additional respondents for a similar type of program were received.

DISCUSSION

1. Background

The Region of Peel owns and operates the water treatment, water distribution, wastewater collection and treatment system. This system includes over 4,619 km of water pipelines and over 3,687 km of wastewater pipelines. As shown on Figure 1, the Region's ownership for

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operation and asset management ends at the property line of private property. Individual property owners own the service lines and plumbing from the property line to their residence and/or business. This ownership includes responsibility to address leaks, root intrusion and/or breakage. Region Operations assists in all service calls and establishes whether the Region and/or the owner is responsible for addressing operational matters. Most property owners are unaware of their responsibility and are often burdened with costly repair bills when service line problems are found. Region Water and Wastewater Operations invest significant time in addressing private service matters. Staff have developed communications materials available for the public to understand their responsibility.

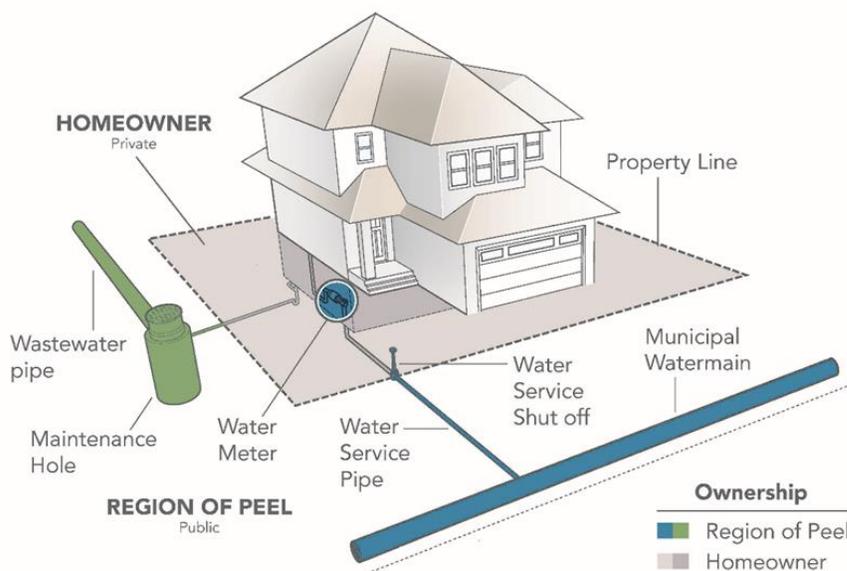
In order to support private ownership obligations, staff investigated alternative options for residents. Staff also consulted with adjacent municipalities who had similar limits of service line ownership. A private insurance and/or warranty program was recommended as the best alternative to provide support for addressing service line repairs.

Service Line Warranties of Canada Incorporated (SLWC) provides scheduled and emergency repairs to private, property side water service lines and sanitary sewer lines, thawing of frozen water service lines, and rodding of sanitary sewer lines to clear root infiltration. In addition, the program provides basic restoration back to original grade.

Repairs to water services lines and sanitary sewer lines are often expensive and the cost depends on the degree of failure. Age, the type of material, and depth of installation can increase service line repair costs for the homeowner. SLWC is not an insurance program but a program that ensures that service to repair pipes is provided in a timely manner and that the individuals doing the work are professionals.

Figure 1 below outlines the homeowner responsibility for service line and the limits of Regional responsibility.

Figure 1: Service Line Ownership



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2. Program Enrollment

In March 2016, Council authorized the Agreement with SLWC. The Agreement provides for in-kind support and endorsement of the warranty program. The Region does not incur cost other than the in-kind support. The program has been in place for approximately five years and four months and there are currently 18,773 warranty enrollments:

- 9,761 water service line warranties
- 6,052 sanitary sewer line warranties
- 2,960 in-home plumbing warranties

There have been 4,544 claims made by Peel residents totaling \$1,607,238 in cost avoidance with zero claims being denied. Once a claim has been completed, SLWC provides the homeowner with a customer survey. SLWC has maintained a customer satisfaction rating of 95 percent in the Region of Peel.

SLWC provides the Region with various performance reports and regularly meets with Region staff to ensure that the program continues to meet customer service and performance expectations of the Region. This reporting includes reviewing the customer satisfaction scores, numbers of approved and denied claims, and legitimacy of claim denials. Staff remains confident that the customer service satisfaction scores will continue at 90 percent or higher.

3. Warranty Program Communications

SLWC plans program enrollment campaigns each spring, summer and fall which aligns with the nature of the business and the warranty services provided. This plan ensures that residents are aware that warranty services remain available. To maintain the privacy of Peel's customers, the Region has not provided SLWC with any of the Region's customers mailing information; this information is purchased by SLWC through a private third-party vendor.

The table below summarizes the results of the enrollment campaigns to date including the number of inquiries and information requests received by Region staff.

Table 1: SLWC Enrollment Campaigns and Customer Enquiries

Enrollment Campaign	No. of Letters Mailed	No. of Enquiries	Requests for More Information
July 2017 (water)	281,000	1,379	1,130
March 2018 (sewer)	281,000	323	103
February 2019 (water)	274,632	167	150
November 2019 (water)	270,390	96	22
November 2020 (water)	98,975	160	23
May 2021 (Water)	99,286	225	45
December 2021	99,336	58	4

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The campaign letters are only mailed out to residents who have not already purchased a warranty product.

The foundation of the agreement with SLWC is the Region's endorsement of the program. This endorsement is demonstrated through marketing materials which the Region reviews and approves prior to distribution. SLWC is responsible for all costs of the marketing material production, postage and program administration.

The Service Line Warranty program serves to educate and provide an increased awareness for residents on their home-owner responsibilities, resulting in an added benefit to the Region by reducing service challenges and emergency repairs.

Regional staff and Service Line continue to improve the program based on Council and customer feedback. Improvements were made after the 2018 and 2019 campaigns and in 2021 meetings were held with the SLWC staff and the Region's Communications and Operations staff and a new communication strategy was developed which will help to promote and increase program awareness and the partnership between the Region and SLWC.

The objectives of the new communication strategy are:

1. Reduce resident confusion and complaints/calls about SLWC particularly as it relates to understanding the difference between SLWC as a warranty program and home insurance.
2. Raise awareness that the protection plans can be beneficial to protect against unexpected external service line and in-home plumbing repairs.
3. Highlight the partnership between the Region and SLWC more transparently and that the Region is not the only municipality that is a partner with them.
4. Improve Councillor communication in raising awareness of the program benefits for their constituents by meeting with the councillors' administrative and executive assistants once a year, or as requested, to review the program and answer commonly asked questions.

RISK CONSIDERATIONS

SLWC recently received an offer of purchase from a Canadian-based infrastructure company. The potential purchaser is one of the largest owners and operators of infrastructure and renewable energy assets globally and is an active participant in the utility and residential services sectors. The sale is expected to be completed in late 2022 or early 2023. The Region has not had any discussions with the potential purchaser to date, but it is anticipated that they will bring new capabilities, expertise, and investment to the SLWC business. The General Manager of SLWC has confirmed with staff that this sale will have no material impact on the services that will be provided by SLWC.

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FINANCIAL IMPLICATIONS

As part of the agreement, SLWC provides the Region a five per cent royalty for every warranty sold. This money is intended to cover program administration costs by the Region. As part of the initial Agreement, staff negotiated higher warranty coverage for Peel residents in lieu of accepting the royalty. As of April 2022, the royalty of \$261,177 has been reinvested into the program to continue to provide for lower warranty rates for Peel residents.

With increasing operating costs, SLWC is anticipating increasing the cost of the program in 2022. With this increase, the royalty from the program will also increase. Region staff currently provides in-kind support of an estimated value of \$7,000 per year for staff costs associated with the program. It is recommended that a portion of the royalty funds be used by the Region to offset any operational and staff support costs associated with this program and the remaining funds be used to continue to provide for lower warranty rates for Peel residents.

Non-Exclusivity Provision of Service Line Agreement

The agreement with SLWC contains a non-exclusivity provision which allows the Region the opportunity to contract with other parties for the same or similar services as those provided by SLWC. To date, no companies with the capacity to undertake a similar type of warranty program Region-wide have approached the Region.

Region staff conducted an industry scan in 2022 and found that there were companies which offered internal drainage and plumbing programs which were similar in scope to SLWC, however most came at a higher cost. Staff are aware that some home insurance companies offer coverage of external private water and sewer lateral services, however, research indicated that this type of coverage typically includes a deductible. Home insurance programs remain an option for residents and is available to many residents as an alternative to SLWC.

In consideration of these findings, staff completed an Expression of Interest for Residential Water and Sewer Line Warranty Protection Program (Document Number: 2022-311EI) on April 29, 2022, which closed on May 13, 2022. SLWC was the only company to make a submission; staff therefore concluded that there were no other companies which offered Peel residents a similar scope of services with a similar cost to that of SLWC.

CONCLUSION

The program is in its final year of the agreement and is meeting the desired outcomes. The agreement with SLWC provides the Region's residents with the opportunity to benefit from the economies of scale of a Region-endorsed water and wastewater warranty protection plan. The warranty protection plan will help mitigate risks and unexpected costs of home ownership. Staff recommend the extension of the agreement with SLWC warranty programs for another five years to assist residents in mitigating risks and unexpected costs of home ownership.

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The program increases customer awareness and responsibility for private side servicing and decreases service calls to the Region. Communication about the program will continue to be improved to ensure that residents better understand the warranty programs and the benefits of enrollment.

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A handwritten signature in black ink, appearing to read "Kealy Dedman". The signature is fluid and cursive, with the first name "Kealy" being more prominent than the last name "Dedman".

Kealy Dedman, Commissioner of Public Works