



SUSTAINABILITY & TRANSPORTATION COMMITTEE

June 17, 2013

The Sustainability & Transportation Committee of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on June 17, 2013 at 3:30 p.m.

COMMITTEE PRESENT

Dina Higgins, Chairwoman
Christopher Glover
Dennis Kavanaugh

COMMITTEE ABSENT

None

STAFF PRESENT

Christopher Brady
Debbie Spinner

1. Items from citizens present.

(See under Item 2-a.)

2-a. Hear a presentation, discuss and make a recommendation on Utility Service Line Warranty Programs.

Committeemember Kavanaugh stated that he currently serves as a member of the National League of Cities (NLC) Board of Directors. He noted that during his tenure on the Board, a Service Line Warranty Program was developed, approved and recommended by the NLC to its member communities. He added that the purpose of today's presentation was to seek the Committee's input and feedback regarding whether it would be appropriate for the City of Mesa to participate in such a program.

Water Resources Department Director Kathryn Sorensen displayed a PowerPoint presentation **(See Attachment 1)** and reported that several companies offer insurance programs to property owners that provide some level of coverage in the event of a problem with utility service lines (i.e., water, gas, sewer). She advised that normally, these lines are the responsibility of the homeowners and are not part of a publicly-owned utility system. She said that a homeowner would pay a fee (\$5 to \$10 per month) to the company in order to receive such coverage.

Ms. Sorensen remarked that items that are generally covered by a warranty program would include, for example, the cost to locate, excavate and repair a service line leak or break and also to replace sections of a service line. She clarified, however, that lines to spas, pools, and fountains, as well as the cost to reinstate landscaping or pavement, would not be covered. She

added that the insurance plan will offer terms and conditions that outline the specific coverage for various situations.

Ms. Sorensen further commented that Service Line Warranties of America (SLWA) has partnered with the NLC and approached the City of Mesa regarding a contract. She advised that the proposal would be to allow the use of Mesa's logo on SLWA's marketing materials that would be distributed to local homeowners.

Ms. Sorensen pointed out that SLWA's website states that the company will compensate cities that it partners with to use their letterhead and logo. She noted that it was the opinion of SLWA that "the support of the city alerts residents of the legitimacy of the program, resulting in more enrollments." She added that in return, SLWA would propose to pay the City a percentage of revenue or some other consideration for the use of Mesa's logo.

Ms. Sorensen, in addition, remarked that although staff was not aware of Mesa homeowners experiencing significant service line problems, the City has been approached by other service line warranty companies that are interested in a similar partnership opportunity. She also noted that it was a policy decision regarding whether the City uses its logo for private marketing purposes.

Chairwoman Higgins recounted a "blue pipe" class action lawsuit that occurred in Mesa in the late 1980's and early 1990's when leaks occurred in service lines that extended from the curb of the street to the property of the adjacent homeowners. She stated that her home was impacted and noted that it was necessary to replace the service line to her property. She inquired if staff was aware of the case and if all of the defective lines were ultimately replaced.

Ms. Sorensen responded that she was unaware of the matter, but assured Chairwoman Higgins that staff would be happy to research the issue and report back to the Committee in that regard.

Chairwoman Higgins reiterated that the NLC endorsed the Service Line Warranty Program in an effort to assist cities in providing their residents protection against the high cost of broken or leaking utility service lines. She also stressed that most homeowners do not realize that they are responsible for the utility service lines that extend from the curb to their property.

Responding to a question from Chairwoman Higgins, City Manager Christopher Brady advised that he was uncertain how many communities on a national level have entered into service line warranty contracts. He stated that locally, Phoenix and Avondale have moved forward in that direction.

Brian Davis, a resident of Coppell, Texas and a representative of SLWA, addressed the Committee and stated that it was an honor to work with the City of Mesa. He explained that at the present time, 177 communities, including San Diego, Atlanta, Milwaukee and Phoenix, are enrolled in the NLC Service Line Warranty Program.

Mr. Davis reported that in reviewing the Mayor and Council's Strategic Plan, in his opinion, the NLC Service Line Warranty Program is "in sync" with all five initiatives. He briefly outlined the initiatives as follows:

- Economic Development – Phoenix’s enrollment in the NLC Service Line Warranty Program has already saved its homeowners more than \$300,000 in utility line repairs that they were not required to pay out of pocket. All repairs are performed by Phoenix plumbing contractors. If the City of Mesa participated in the program, Mesa plumbing contractors would perform the necessary repairs and the revenue generated from such work would remain in the community.
- Quality of Life – The only way that SLWA can allow a Mesa homeowner to enroll in the program is if the City of Mesa partners with the company. It is important that the City “control the message” and the content of the letter outlining the program details that is sent to Mesa residents. When SLWA partners with smaller communities, an estimated 50% of the households enroll in the program and in larger cities, the enrollment rate is approximately 20% to 30%.
- Community Engagement – Many communities consider the NLC Service Line Warranty Program as a “value-added service” for their residents. Every owner-occupied home in Mesa would receive a letter from SLWA that outlines the program.
- Financial Stability – The NLC Service Line Warranty Program would bring \$83,000 upfront to the City of Mesa in a partnership fee. The City would receive approximately \$100,000 to \$200,000 in revenue annually, based on its participation in the program. Such monies could be earmarked for items such as infrastructure improvements, low-income housing, utility bill assistance and water quality improvements.
- Regional Leadership – Not only would the NLC Service Line Warranty Program enable the City to assist residents in avoiding costly expenses for service line repairs, but it would also strengthen the integrity of the City’s utility system. In addition, the program would ensure that the repairs are performed to Code by a licensed Mesa plumber. No out-of-pocket expenses would be incurred by the homeowner unless the repairs exceeded \$4,000. (Note: 99.9% of SLWA’s claims do not exceed that amount.)

Committeemember Kavanaugh commented that the NLC chooses very few programs to endorse and partner with communities. He noted that the programs that have come up to NLC staff and the Board of Directors are generally areas of common interest for the member cities. He cited, by way of example, that the Prescription Card Program has saved citizens nationwide hundreds of thousands of dollars in terms of pharmacy costs.

Committeemember Kavanaugh also remarked that the NLC Service Line Warranty Program addresses the issue that property owners are responsible for the utility service lines, which most homeowners are unaware of. He stressed the importance of the City “stepping it up” in this regard. He pointed out that the NLC Board of Directors has not received any complaints from member cities that have participated in the program. He added that he would hope the City of Mesa would consider joining the other members of NLC in participating in the program.

Chairwoman Higgins expressed support for the program, but noted that the City Attorney has indicated that there were some issues that should be addressed.

Responding to a question from Chairwoman Higgins, Mr. Davis clarified that the NLC did not issue a Request for Proposals (RFP) when SLWA was chosen in its selection process. He explained that several years ago, the North Central Texas Council of Governments (NCTCOG) invited several utility line warranty providers, including SLWA, to respond to various qualifications that were developed by several NCTCOG member cities. He said that SLWA was selected by the review committee and entered into an interlocal agreement with NCTCOG.

Mr. Davis pointed out that the interlocal agreement allows any city in the country to “piggyback on a competitive bidding process.” He added that Phoenix did not use the interlocal agreement in order to access the NLC Service Line Warranty Program, but noted that Atlanta and Milwaukee did.

City Attorney Debbie Spinner responded that staff would certainly look at that option. She stated that the City Charter allows the Council to use a cooperative purchasing agreement for the procurement of materials as long as it is through the State of Arizona or any other state or political subdivision in the federal government. She also remarked that the process SLWA has gone through may qualify under this Charter provision.

Chairwoman Higgins stated that it was the consensus of the Committee to move this item forward to the full Council.

Mr. Brady asked that staff be given the opportunity to determine how the City of Mesa can piggyback on the interlocal agreement that was entered into between SLWA and NCTCOG and then bring back a proposal to the Council.

Mr. Davis stated that he would be happy to provide Mr. Brady a copy of the interlocal agreement between SLWA and NCTCOG.

Mr. Brady said that would be a good place to begin this process.

Chairwoman Higgins thanked everyone for the presentation.

2-b. Hear a presentation, discuss and make a recommendation on a telecommunications license renewal for Level 3.

City Engineer Beth Huning introduced Right-of-Way Manager Lori Greco, who was prepared to assist with the presentation.

Ms. Huning reported that a right-of-way is more than a street or a sidewalk and is actually a major utility corridor. She explained that many private utilities locate in the City’s right-of-way and in order to do so, they operate under agreements called licenses. She advised that one of Ms. Greco’s responsibilities is to review all of those agreements to ensure that they are current and if any changes need to be made.

Ms. Huning stated that with respect to Level 3 Communications, LLC, the company was first granted a telecommunications license in 2000 for a ten-year term and in 2010, the City granted an extension. She said that staff recommends a telecommunications license renewal for Level 3 for a five-year term, with one five-year extension.

Ms. Huning pointed out that Level 3 is an intrastate provider and only comes through Mesa along the Union Pacific Railroad. She said that there are only a few locations in which it crosses the City's right-of-way. She said that the company pays a right-of-way fee, transaction privilege tax and an annual billing fee.

(See Committee action under item 2-c.)

2-c. Hear a presentation, discuss and make a recommendation on a telecommunications license amendment for TCG Phoenix.

Ms. Huning remarked that TCG Phoenix is part of a larger group of companies that are owned under the parent company of AT&T. She noted that TCG Phoenix is in the process of converting all of the companies that it owns into one name, which is Teleport Communications of America, LLC. She said that the company is simply asking for a name change, with all of the other provisions of the existing license remaining unchanged.

Ms. Huning advised that the City granted TCG Phoenix a telecommunications license in January 2010 for a five-year term, with a five-year extension. She indicated that TCG Phoenix is a local provider for businesses and commercial entities and does not provide any residential service. She added that the company currently has approximately 88 miles of conduit in the City's right-of-way.

In response to a series of questions from Chairwoman Higgins, Ms. Huning clarified that City staff works with the companies regarding the renewal of a telecommunications license. She explained that staff reviews competitive rates and noted that currently, the right-of-way fee is \$1.89 per foot with a Consumer Price Index (CPI) escalator clause applied each year. She further commented that the companies pay all inspection fees, obtain permits and a bond, and also maintain insurance certificates to ensure that the City is covered in the event that anything happens when their crews are working in the right-of-way.

It was moved by Committeemember Glover, seconded by Committeemember Kavanaugh, to recommend to the full Council that a telecommunications license renewal for Level 3 Communications, LLC (Agenda Item 2-b), and a telecommunications license amendment for TCG Phoenix (Agenda Item 2-c), be approved.

Carried unanimously.

Chairwoman Higgins thanked staff for the presentation.

3. Adjournment.

Without objection, the Sustainability and Transportation Committee meeting adjourned at 3:52 p.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Sustainability & Transportation Committee meeting of the City of Mesa, Arizona, held on the 17th day of June, 2013. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

bdw/pag
(attachment – 1)

Service Line Warranty Programs

City of Mesa

Sustainability and Transportation

Subcommittee

How Utility Line Warranties Work

- Several companies offer insurance programs to property owners that provide some level of coverage for utility service lines that are the responsibility of the homeowner
- Homeowner pays a fee to the company and receives some level of coverage in the event of a problem with a service line
 - Fee is generally around \$5-\$10 per month

How Utility Line Warranties Work

- Things usually covered
 - Location, excavation, and repair of a leak/break
 - Replacement of sections of service line
- Things usually not covered
 - Other lines (fire lines, spas, pools, fountains)
 - Cost to reinstate landscaping, pavement, etc
- The insurance plan will offer terms and conditions that outline the specifics of coverage for various situations

National League of Cities

- Service Line Warranties of America partnered with NLC and approached Mesa about a contract.
- Proposal is to allow the use of Mesa's logo on SLWA marketing materials to homeowners.

National League of Cities

- The SLWA's website states it will compensate cities it partners with to use their letterhead and logo:

*SLWA does offer the city itself compensation for allowing the use of the city seal on the letter. Why? Because the support of the city alerts residents of the legitimacy of the program resulting in more enrollments... **

- SLWA proposes to pay the City a percentage of revenue for use of the City's credibility.

* <http://www.slwofa.com/slw-faqs.html>

For Consideration

- We are not aware of customers experiencing service line failures at any significant rate.
- Mesa has also been approached by other service line warranty companies that are interested in the same partnership opportunity.
- The use of the City's logo for private marketing purposes should be cautiously considered.