

Memorandum



CITY OF DALLAS

DATE April 4, 2014

TO Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair),
Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

SUBJECT Water and Sewer Line Warranty Programs

The Monday, April 7th Budget, Finance and Audit Committee agenda will include a briefing on Water and Sewer Line Warranty Programs.

Please let me know if you need additional information.

A handwritten signature in blue ink that reads "Jeanne Chipperfield".

Jeanne Chipperfield
Chief Financial Officer

Attachment

c: Honorable Mayor and Members of City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, Interim First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest E. Turner, Assistant City Manager
Joey Zapata, Assistant City Manager
Charles M. Cato, Interim Assistant City Manager
Theresa O'Donnell, Interim Assistant City Manager
Shawn Williams, Interim Public Information Officer
Elsa Cantu, Assistant to the City Manager

Water and Sewer Line Warranty Programs

Budget, Finance, and Audit Committee

April 7, 2014



Purpose

- Discuss a potential general fund revenue opportunity
 - Water and Sewer Line Warranty Programs
- Seek guidance from the Budget, Finance, and Audit Committee (BFA)

Policy Recommendation

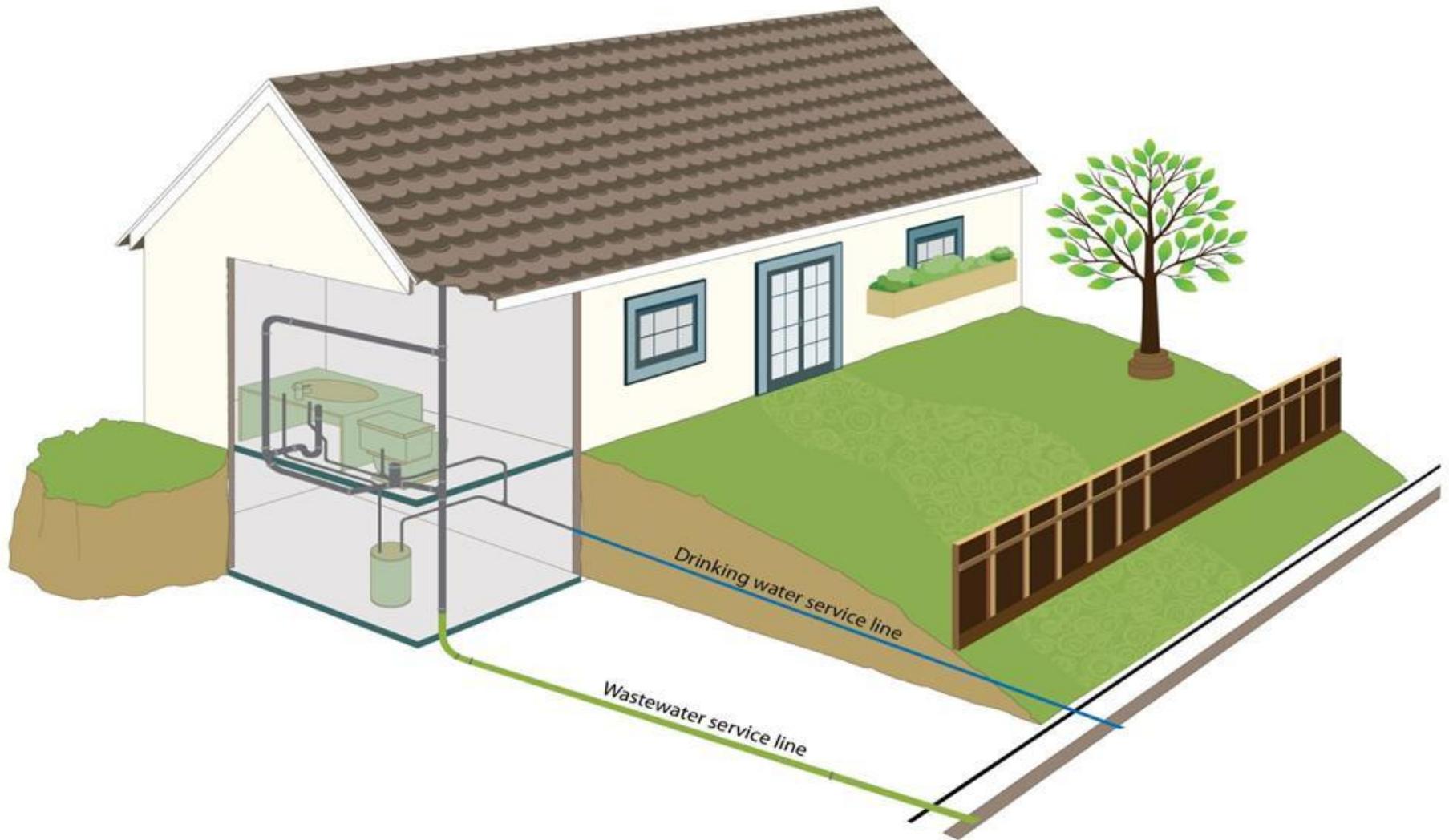
- Is City of Dallas interested in additional opportunities that generate revenue for City?
 - Some private entities may find value in using City name/logo in their marketing efforts
 - Some private entities may find value in advertising through City (such as naming a facility)
- Question to BFA:
 - Does committee recommend staff pursue these opportunities to potentially generate revenue?

New Opportunity

- City has been approached by National League of Cities and warranty providers about a Public-Private Partnership for a water and sewer line homeowner warranty program
- In exchange for using City's name/logo in warranty provider's awareness campaign to Dallas homeowners, City would receive royalty payment for every warranty sold by private company to Dallas homeowners

New Opportunity

- Lateral water and sewer lines run across homeowner property and connect home with City's water and sewer system
 - Lines are not responsibility of City
 - Lines are responsibility of homeowner and may not be covered by homeowner's insurance
- Currently, private companies provide warranties or property insurance to property owners to cover cost of repairs if ever needed
 - Cost of repairs could be \$4,000 or more
 - Cost for both water and sewer coverage is about \$150 per year
- Some warranty providers have expressed interest in partnering with City
 - Allowing warranty provider to use name/logo of City in their awareness campaign and marketing materials could result in royalty payment (revenue) to City
 - Estimated revenue to City could range from \$220K to \$300K per year



Lateral water and sewer lines are not the responsibility of City. These lines are the responsibility of homeowner and may not be covered by homeowner's insurance.

New Opportunity

PROS

- City generates revenue stream
- No liability for City
- All advertising, billing, repairs, customer service, etc. are responsibility of selected warranty provider
- Offer homeowner warranty option to cover cost of water and sewer lateral lines
- Voluntary and optional for homeowners
- Program available to every homeowner in city
- Month to month contract for homeowner
- 24/7/365 customer service
- All repairs performed to local code
- Repairs will be made by local plumbing vendors

CONS

- Negative public perception for allowing use of City name/logo by selected private enterprise
- Risk of damaging City's reputation and possible negative media coverage if there are problems with selected warranty provider
- Participating homeowners may think that City is involved with service delivery if City name/logo used in awareness and marketing materials
 - Could increase 311 call volume
 - 311 and/or DWU would have to respond to questions about warranty program, invoices, policy cancellation, work requests, complaints, etc.

NLC and NCTCOG Endorsements

- Both the National League of Cities and the North Central Texas Council of Governments vetted and endorsed a water and sewer line homeowner warranty provider
 - Utility Service Partners

Several Participating Cities

Many cities have approved water and sewer homeowner warranty programs, including:

Plano, TX

Lewisville, TX

Santa Fe, NM

Phoenix, AZ

Las Vegas, NV

Abilene, TX

San Diego, CA

Mesa, AZ

Midland, TX

Atlanta, GA

Dayton, OH

Odessa, TX

Kansas City, MO

North Las Vegas, NV

Fort Lauderdale, FL

Madison, WI

Englewood, CO

Harrisburg, PA

Lawton, OK

Stillwater, OK

Little Elm, TX

Duncanville, TX

DeSoto, TX

Lancaster, TX

Moore, OK

Waxahachie, TX

Hurst, TX

Daly City, CA

North Little Rock, AR

North Chicago, IL

Next Steps

- Obtain policy guidance from BFA regarding this type of revenue opportunity
- If directed by committee, pursue water and sewer line homeowner warranty program and bring recommendation to full council for consideration/approval
- If directed by committee, pursue other similar opportunities and bring each recommendation to full council for consideration/approval
- Include new revenue in FY 2014-15 general fund budget