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# The Regional Municipality of Durham Report

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To: Works Committee  
From: Commissioner of Works  
Report: #2021-W-31  
Date: September 8, 2021

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**Subject:**

Amendment to Regional Water Pollution Control System and Storm Sewer System By-Law #90-2003 and Residential Water and Sanitary Service Connection Protection Plans

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**Recommendations:**

That the Works Committee recommends to Regional Council:

- A) That the Regional Water Pollution Control System and Storm Sewer System By-Law #90-2003 be amended by extending a property owner's limit of responsibility for residential sanitary service connections from 1 metre (m) outside the foundation of the home currently to the new limit at the property boundary, to be consistent with the responsibility for water service connection maintenance effective July 1, 2022;
- B) That the Regional Municipality of Durham enter into an agreement that endorses residential water and sanitary service line warranty protection plans with Service Line Warranties of Canada Inc. for an initial two-year period, with a maximum of two, five-year term renewal options for extension, with such extensions subject to Regional Council approval based upon a review of the overall success of the program;
- C) That Regional staff report back to Regional Council prior to the end of the initial two-year period of the agreement to advise if the program is meeting the customer service needs and performance metrics as outlined in the agreement; and

- D) That the Commissioner of Works be authorized to execute the agreement with Service Line Warranties of Canada Inc. for residential water and sanitary service warranty protection plans, together with such further ancillary documents that may be required, all in a form satisfactory to the Commissioner of Works, Commissioner of Finance, and the Regional Solicitor.
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**Report:****1. Purpose**

- 1.1 The purpose of this report is to obtain approval for the Regional Municipality of Durham (Region) to:
- a. Amend the Regional Water Pollution Control System and Storm Sewer System By-Law #90-2003 to align with the ownership limits of the Regional Water Supply System By-Law #89-2003 as well as most other Ontario municipalities by revising the limit of responsibility for sanitary service connections; and
  - b. Enter into an agreement with Service Line Warranties of Canada Inc. (SLWC) that endorses residential water and sanitary service connection protection plans.

**2. Background**

- 2.1 The municipal water and sanitary sewerage systems are owned and maintained by the Region and currently service approximately 178,000 residential connections.
- 2.2 Many property owners are not aware of the ownership limits or the responsibilities of water and sanitary sewer service connection lines.
- 2.3 Because service connection failure is often unpredictable, residential property owners may not be prepared to respond quickly or with full knowledge of what is required of them to remedy the situation. Often overwhelmed, property owners will contact the Region seeking assistance for repairs to infrastructure that is not the responsibility of the Region.
- 2.4 Given this situation, opportunities to optimize resources and partnerships to deliver exceptional quality services and value to property owners in keeping with the Region's Strategic Plan were explored by Regional staff.

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- 3. Region's Water Supply System By-Law #89-2003 and Water Pollution Control System and Storm Sewer System By-Law #90-2003**
- 3.1 The Region's water service connection ownership limits are consistent with most Ontario municipalities and do not warrant further review.
- 3.2 The Region's sanitary sewer service connection ownership limits are unique compared to most Ontario municipalities. These limits were reviewed as maintenance work is currently required on private property, presenting a significant risk and associated liability to the Region.
- 3.3 The Region's Water Supply System By-law #89-2003 sets out that the maintenance and repair of the water service connections from the watermain to the property line is the responsibility of the Region, while the section from the property line into the dwelling is the responsibility of the property owner (Attachment #1). When these service connections break or leak on private property, the property owner is informed that it is not the responsibility of the Region to repair or replace the service pipe.
- 3.4 The Region's Water Pollution Control System and Storm Sewer System By-law #90-2003 sets out that the maintenance and repair of the residential sanitary service connection from the sanitary sewer up to one metre (m) from the foundation of the home is the responsibility of the Region, provided there is a 100 millimetre (mm) clean out port in the basement, as work can be completed using trenchless technology. Clean out ports may not exist in older homes. When there are blockages within 1 m from the foundation of the home, the property owner is informed that it is not the responsibility of the Region to repair or replace the service pipe.
- 3.5 Based on the service level review, Regional staff are recommending that the service limit for sanitary service connections be revised from 1 m outside the house foundation to the property limit. This will require property owners to be responsible for repairing/replacing sanitary sewer connections on their property. The Region will no longer have responsibility to repair/replace sanitary sewers located on private property.
- 3.6 An amendment to the Region's Water Pollution Control System and Storm Sewer System By-Law #90-2003 is proposed to align the ownership limits for sanitary sewer connections to be consistent with the water service connections under the Region's Water Supply System By-Law #89-2003. This will also align the Region's level of ownership with most other Ontario municipalities.

3.7 In order to allow a transition period for the proposed service level change, it is recommended that Water Pollution Control System and Storm Sewer System By-Law #90-2003 be amended such that the new service level change have an effective date of July 1, 2022.

3.8 Regional staff will develop and implement a communication strategy to notify rate payers of the recommended change to the service limit for sanitary service connections.

#### **4. Current Maintenance Operations Standard Operating Procedures**

4.1 When a property owner has an issue with their water or sanitary service, they typically contact the Region. The Region will first determine the location of the failure/leak and if the issue is determined to be outside the Region's limit of responsibility, the Region will advise the property owner (or the tenant occupant) that all work is the responsibility of the property owner. As private repair requirements are typically unexpected, time consuming and costly, the impacts are often overwhelming on a property owner.

4.2 If it is determined that it is the Region's responsibility to repair the sanitary service, the Region requests that the property owner sign a waiver to confirm that they are aware that the Region will only restore to grade and will not resod, repave the driveway, or reinstall landscaping features such as interlock, retaining walls, etc. due to the extended limits of Regional responsibility onto private property under the current service levels noted in 3.4 above.

4.3 Service connection breaks outside of the Region's responsibility are usually not covered by the home insurance policy, although many companies are starting to offer this as an endorsement to homeowner policies.

#### **5. Sanitary Sewer Service Connection Repair Statistics**

5.1 The number of sanitary sewer service calls and the estimated Regional cost for repairs were monitored from May 1 to July 28, 2021 and are as follows:

- a. 418 sanitary sewer service calls were received and investigated with an estimated cost of \$104,500.
- b. 52 sanitary sewer service repairs were completed with an estimated cost of \$238,000.

- c. 61 per cent of the sanitary sewer service repairs were located on private property with an estimated cost of \$99,900.

## **6. Service Level Review**

- 6.1 As part of a service level review, Regional staff researched best management practices based on industry peers within Ontario. This research showed that there are warranty service providers that offer protection plans and programs to residential property owners, including water service connections, sanitary service connections, and internal home plumbing and drainage repair and replacement services.
- 6.2 The services provided by these warranty service providers are completed by private contractors and not municipal forces.
- 6.3 SLWC is an affiliate of Utility Service Partners Private Label Inc (USPPL), an independent provider of service connection warranties in the United States of America. SLWC have been endorsed as a vendor of choice by the Local Authority Service (LAS). LAS was established in 1992 by the Association of Municipalities of Ontario (AMO). LAS works with Ontario municipalities to provide vendors of choice that leverage economies of scale and cooperative procurement efforts.
- 6.4 There are several municipalities in Ontario which have endorsed the services of SLWC to their residential customers including the Region of Peel, City of Hamilton and City of Ottawa. To date there are 62 municipalities which endorse SLWC's warranty services in Ontario. Based on a review of other municipalities' experience with SLWC, the warranty offered appears to be successful and receiving positive feedback from customers.
- 6.5 To participate in this program, municipal endorsement of the program model is required. The Region's endorsement of the warranty program model allows SLWC to effectively market the program to residential property owners.
- 6.6 SLWC would offer the warranty plans to property owners for repairs and replacements to buried water and sanitary services outside of the Region's limit of responsibility for a fixed monthly cost and that SLWC be able to use the Region's logo for marketing purposes.
- 6.7 The Region would have the right to review and approve all marketing material before distribution, with SLWC expected to cover all costs of producing the marketing materials and administering the program.

6.8 The warranty protection plans offered by SLWC are entirely optional and there is no obligation for property owners to purchase the warranty plans. The warranty contract will be between the property owner and SLWC only and the option to enter into an agreement with SLWC is completely at the discretion of the property owner.

6.9 In addition, most municipalities' service levels include the same limit of responsibility for sanitary service connections as the water service connections which is at the property line.

## **7. Warranty Coverage, Cost Structure and Billing for Region Property Owners**

7.1 In general, the warranty coverage offered by SLWC provides property owners with repair services for their buried infrastructure over and above the typical damage claims which may or may not be covered by their home insurance, and where there is no coverage for restoration services.

7.2 The service warranty plan is a monthly flat-rate fee in a subscription-based pricing structure with no deductibles or any additional fees to customers. The property owner may still be responsible for additional Regional charges such as isolating a water service to complete a repair.

7.3 SLWC will not be entitled to include subscription billing for the warranty plans with utility billing. They will develop, maintain and administer all billing requirements independently. The Region will not be involved in any billing arrangements or disputes.

7.4 The scope of SLWC service coverage for water and sanitary sewer service connections will be from the property line to the point where the service connection enters the house foundation, both of which includes any service under a concrete floor. The scope includes locating, excavating and repairing or replacing as required the water and/or sanitary service connections including any damage as a result of thawing of frozen services. An amendment of the service level for sanitary service connections to include the same limits as water services connections would be reflective in the scope of the SLWC coverage.

7.5 The warranty would cover any emergency repair required due to reduction in performance caused by normal wear and tear. It would also include a one-year warranty for workmanship and quality of all repair and restoration work performed.

- 7.6 The service warranty currently costs \$6.00 per month with a coverage limit of \$5,000 per occurrence for water services and \$8.00 per month with a coverage limit of \$8,000 per occurrence for sanitary services with basic site restoration.
- 7.7 An enhanced site restoration plan would cost \$10.00 per month with a coverage limit of \$8,000. Basic site restoration services provided by SLWC to the affected area will be limited to filling trenches, mounding (to allow for settling), raking and seeding (weather permitting) and excludes sod. If slab cutting within the foundation walls is necessary to repair a broken sewer line, the resulting trench will be filled with gravel and covered with concrete.
- 7.8 Since the Region only restores the site to grade and does not resod, repave the driveway, or reinstall landscaping features such as interlock, retaining walls, etc. SLWC has a plan that includes enhanced site restoration that provides for additional restoration of the site that is not provided by the Region.
- 7.9 While not included in the Region endorsed offerings, SLWC also offers an in-house plumbing warranty which covers the water and sanitary service pipes inside the house after the point of entry. Coverage also includes broken or leaking water and sanitary lines that may be embedded under the slab or basement floor.
- 7.10 The internal plumbing warranty costs \$9.00 per month with a coverage limit of \$3,000 per occurrence.

## **8. Financial Implications**

- 8.1 All administrative costs associated with the warranty plans from marketing to complete claims handling are the full responsibility of SLWC. The Region will bear no financial costs or liability related to program delivery.
- 8.2 There will be a negligible cost to the Region to administer the agreement with SLWC and to maintain the Region's due diligence throughout the term of the agreement.
- 8.3 As per the City of Hamilton and the Region of Peel agreements with SLWC, there is a five per cent royalty available from SLWC to the Region for the use of the Region's logo and program endorsement.
- 8.4 Similar to the model adopted by the Region of Peel, staff recommends that the Region of Durham opt out of receiving the five per cent royalty and provide those monies back to the property owners as savings on the cost of the warranty. Opting out of the royalty would provide more competitive pricing for property owners both

in the short term and going forward. As of 2020, at the Region of Peel, a royalty of \$55,061 has been reinvested by SLWC into the program to allow for lower warranty rates for their property owners.

- 8.5 The service warranty costs outlined in the section above do not reflect the Region opting out of receiving royalties.
- 8.6 Any financial impacts related to the proposed service level for sanitary service connections will be reviewed and reflected in the 2022 Sanitary Sewerage Business Plans and Budget .

## **9. Agreement**

- 9.1 An agreement in a form acceptable to the Works Department, Legal Services and the Finance Department will be negotiated with SLWC to ensure Regional requirements are met.
- 9.2 Staff recommend an initial term of the agreement of two years with the Region having the option to extend for two additional five-year periods, subject to Regional Council approval. A report will follow to highlight how the program is being received by property owners prior to any future extension of the term.
- 9.3 The amount of the commission-based royalty payable to the Region by SLWC in the agreement in exchange for the use of the Region's logo and its endorsement of SLWC's warranty program is five percent of the revenue earned by SLWC from all actively enrolled customers in any of its warranty plans within the geographical boundaries of the Region.
- 9.4 Under the proposed agreement, Regional staff recommend that SLWC not be required to pay these revenues directly to the Region during the initial two year term and must instead pass these revenues back to property owners as a five percent savings on the cost of their monthly warranty plan premiums. This provision has the effect of immediately reducing the property owner's costs.
- 9.5 The Region may request a re-evaluation and adjustment to this revenue structure after the initial two-year term of the Agreement, should Regional Council choose to exercise its right to extend the agreement.
- 9.6 The agreement contains a non-exclusivity provision which allows the Region the opportunity to endorse other parties for the same or similar services as those provided by SLWC or to provide the same or similar services internally, should it so choose. This provides the Region with options with respect to other warranty



providers, as necessary, to ensure continuous service improvements to the Region's property owners.

- 9.7 SLWC is required to indemnify the Region from any liability claims that may arise as a result of its agreement, including the Region's corporate endorsement of the warranty plan programs offered by SLWC and SLWC's use of the Region's logo.
- 9.8 SLWC is also required to provide the Region reports that enable staff to continuously monitor the services provided by SLWC to the Region's property owners to ensure that the program is meeting the customer service levels and performance metric expectations of the Region.

## **10. Next Steps**

- 10.1 Moving forward, Regional staff propose to work with SLWC to identify training and administrative requirements, develop the necessary performance reporting to evaluate the ongoing effectiveness of the agreement and complete the marketing and communications campaign.
- 10.2 Regional staff will review all communications and marketing strategies put forward by SLWC before they are published. Marketing strategies include a letter that would be mailed to property owners, as well as updating the Region's website to outline its endorsement of the SLWC warranty program and the program's benefits to property owners. There will also be a link to the SLWC home webpage where property owners can obtain further information relating to the coverage options and the company.
- 10.3 In all communications, the difference between the municipal and private side services including the property owner's roles and responsibilities associated with private side services will be highlighted.
- 10.4 The Region will not be providing a mailing list for customer distribution. SLWC is expected to determine customer address listings on its own.
- 10.5 Marketing activities by SLWC involving tele-marketing or door-to-door solicitations will be strictly prohibited under the agreement.
- 10.6 Training of Regional staff will be required in order to ensure that questions pertaining to the warranty program can be properly answered.
- 10.7 Regional staff will review and ensure that the terms of the agreement with SLWC are being met. A summary report on the impact to operations and the impact to

property owners will be submitted to the Region by SLWC at the end of the first year and prior to the end of the agreement.

- 10.8 Using the report, Regional staff will assess the success of the program based on the review of established performance reports, customer feedback, adherence by SLWC to its agreement with the Region and the review of any associated internal costs to the Region.
- 10.9 Based on the assessment of the performance of the program prior to the end of the initial two year term of the agreement, Region staff will provide Council with an update on the program to assess performance and outcomes, and an analysis of any other warranty service coverage programs that may have successfully entered the local market. At that point, the Region will have the option to continue with the SLWC program, or partner with other firms, or choose to no longer endorse this type of warranty service coverage program.

## **11. Relationship to Strategic Plan**

- 11.1 This report aligns with the following strategic goals and priorities in the Durham Region Strategic Plan:

Goal 5.1 and 5.2 – Service Excellence

- Optimize resources and partnerships to deliver exceptional quality services and value; and
- Collaborate for a seamless service experience.

## **12. Conclusion**

- 12.1 It is recommended that the Regional Water Pollution Control System and Storm Sewer System By-Law #90-2003 be amended to revise the Region's responsibility for sanitary service connections to the limit of the property line which is consistent with the Regional Water Supply System By-Law #89-2003 as well as with most other Ontario Municipalities.
- 12.2 It is recommended that the Regional Municipality of Durham enter into an agreement with Service Line Warranties of Canada Inc. to provide property owners with the opportunity, at their discretion, to benefit from a Regional Municipality of Durham endorsed water and sanitary service infrastructure warranty program to help mitigate risks and unexpected costs of home ownership.

- 12.3 The program provides affordable protection against significant, unexpected costs of repairing or replacing leaking water and sanitary services and provides timely and high-quality warranty service in adherence to Provincial and Regional standards and codes while minimizing damage to surrounding streets and infrastructure.
- 12.4 The program will also create awareness and inform property owners of their responsibilities when it comes to their water and sanitary service infrastructure.
- 12.5 There would be a negligible cost implication to the Regional Municipality of Durham to participate in the program. Service Line Warranties of Canada Inc. will manage all aspects of the program including marketing, outreach and claims handling. Based on the experience from other municipalities, the Regional Municipality of Durham's internal cost for administration is negligible as customers complaints are potentially reduced.
- 12.6 This report has been reviewed by the Finance Department and the Legal Services Division of the Corporate Services Department.
- 12.7 For additional information, contact: Mike Hubble, Manager, Environmental Services Design, at 905-668-7711, extension 3460.

### **13. Attachments**

Attachment #1: Residential Property Owners Responsibility Sketch

Respectfully submitted,

**Original signed by:**

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Susan Siopis, P.Eng.  
Commissioner of Works

Recommended for Presentation to Committee

**Original signed by:**

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Elaine Baxter-Trahair  
Chief Administrative Officer

Figure 1: Residential Property Owners Responsibility Sketch

