

1 [Settlement or Policy Limits Demand of Unlitigated Claim - Precision Engineering, Inc. - City to
2 Demand or Receive \$11,000,000]

3 **Resolution approving settlement of the unlitigated claim of the City and County of San**
4 **Francisco against Precision Engineering, Inc., and its carriers for \$11,000,000; or**
5 **alternatively authorizing the City Attorney to make a binding policy limits demand.**

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7 WHEREAS, The City has a potential cause of action and claim against Precision
8 Engineering, Inc. ("Precision") for damages arising from a City water main break that
9 discharged water in the area of the 2600 and 2700 blocks of 15th Avenue and the 300 and
10 400 blocks of Wawona Street on February 27, 2013 ("Wawona Incident"); and

11 WHEREAS, The City Attorney has proposed settlement of the claim, calling for the
12 payment of \$11,000,000 from Precision to the City, representing payment of Precision's
13 insurance policy limits; and

14 WHEREAS, Should Precision reject that proposed settlement, the City Attorney seeks
15 authority to make a policy limits demand against Precision, which would result in a binding
16 settlement agreement if accepted by Precision; now, therefore, be it

17 RESOLVED, That pursuant to Section 10.24(b) of the Administrative Code, the City
18 Attorney is hereby authorized to settle this unlitigated claim against Precision with Precision's
19 payment of \$11,000,000 to the City; or alternatively, if Precision rejects the settlement
20 demand, the City Attorney is authorized to make a policy limits demand of \$11,000,000
21 against Precision. If either the currently proposed settlement or the alternative policy limits
22 demand is accepted, settlement of the unlitigated claim will include the following terms:

- 23 • Precision shall pay the City all reasonable attorney's fees and costs incurred
24 defending and/or prosecuting matters arising from the Wawona Incident through the
25 date of settlement;

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- The City shall defend, indemnify, and hold Precision harmless from all remaining third-party claims arising from the Wawona Incident;
- Precision shall cooperate fully with the City in all remaining claims and litigation arising from the Wawona Incident;
- The City reserves all rights to pursue claims against Precision for latent defects and remaining warranties in Precision’s construction project work.

APPROVED AS TO FORM AND
RECOMMENDED:

RECOMMENDED:

DENNIS J. HERRERA
City Attorney

SAN FRANCISCO PUBLIC UTILITIES
COMMISSION

JOHN G. WHITE
Deputy City Attorney

HARLAN L. KELLY, JR.
General Manager, San Francisco Public
Utilities Commission

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