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**TO: Olivia Scanlon, Office of Supervisor Yee
Jason Elliot, Office of Mayor Ed Lee**

FROM: Harlan L. Kelly, Jr., General Manager

DATE: May 13, 2013

**SUBJECT: Authorization for Settlement of Claims and Litigation for SFPUC
Water Pipeline Break at 15th Avenue and Wawona Street**

Thank you for sponsoring this ordinance, which would create an expedited process for settlement of claims arising from the February 27, 2013 water main break near 15th Avenue and Wawona Street. There were approximately 25 residential properties damaged, including several properties that were "red-tagged" or "yellow tagged" by the Department of Building Inspection. For various reasons, many of these property owners' insurance companies have not responded by providing financial assistance for immediate restoration of the properties. Damage to some of these properties is such that the owner must pay out funds for consultants and/or construction contractors in order to obtain permits for repairs, and cannot obtain those funds through property loans because of the condition of the property.

Through this Ordinance, the Board would authorize the San Francisco Public Utilities Commission and the City Attorney to approve claim settlement payments to the affected property owners above the usual \$25,000 limit, without requiring that each individual claim settlement then be approved by a separate Board ordinance. This ordinance would approve an appropriation of \$4 million in Water Enterprise reserve funds to be used for the purposes of claim settlement payments. The Board would exercise oversight of the settlement process through periodic reports to the Board Rules Committee.

The City Attorney's Office will prepare a confidential memorandum to the Board members, to be distributed prior to committee and full Board hearing on the proposed ordinance that will provide further analysis of the City's liability, the response to date, and the anticipated claims adjustment prospects for the affected properties.

You can contact Radhika Fox, SFPUC Director of Policy and Legislative Affairs, or Matthew Rothschild, head of the City Attorney's Office claims division, for further information.

cc: Ben Rosenfield, Controller

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