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**MEMORANDUM
PRIVILEGED & CONFIDENTIAL**

TO: DENNIS J. HERRERA
CC: TERRY STEWART
FROM: JOANNE HOEPER
Chief Trial Deputy
DATE: July 18, 2012
RE: DRAFT REPORT OF INVESTIGATION

In response to referrals from law enforcement, we undertook to investigate the City's payment of claims related to alleged damage to sewer laterals. This draft report summarizes our investigation and findings thus far. It incorporates the work of George Cothran, Dave Jensen, Blanche Blachman and Ron Flynn. There are a number of important issues that are unresolved and a significant amount of investigation that we could not complete before submitting this report. We therefore list additional investigation that could shed further light on this situation. We conclude by recommending changes that you may wish to consider in light of what has been uncovered thus far.

INITIATION OF INVESTIGATION -- REFERRAL FROM LAW ENFORCEMENT

In late December 2012, Jo Hoepfer received a call from Bruce Whitten, Special Agent in charge of the public corruption unit in the FBI San Francisco Office. Whitten told Hoepfer that the FBI had received reports of a possible scheme being perpetrated against the City involving fraudulent claims for sewers allegedly damaged by the roots of City owned trees. They discussed the general outlines of the scheme and Hoepfer said she would make inquiries.

On December 27, Hoepfer sent an email to the Trial Team, the Claims Team (including Mike Haase) and the general counsel of the relevant departments. Brian Cauley responded and said that he and Haase were well aware of the scheme and that they took steps to identify and deny fraudulent claims. (The email and Haase's adoption of it is discussed on page 18).

Also in late December, an investigator from the San Francisco District Attorney's Office mentioned to George Cothran that he had received a complaint about a scheme involving fraudulent sewer repair claims.

Hoepfer spoke to FBI Special Agent Katherine Klueber, who had been assigned by Whitten to investigate. In that conversation, Hoepfer learned that the FBI had first received a tip about a possible sewer scheme involving the City in June 2007. That complaint apparently had been closed without action and the City had not been notified. In March 2011, the FBI received a second detailed complaint from an anonymous source. The source gave a statement to a retired prosecutor, who passed it on to the FBI. Cothran and Hoepfer met with Klueber on February 23, 2012 and were given a copy of the 2011 statement (attached).

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THE INVESTIGATION TO DATE

In response to these referrals, Hoeper, Cothran and Dave Jensen began reviewing City Law records of claims paid to replace sewer laterals due to intrusion by City owned trees – Cause Codes 1020 (Tree Maintenance) and 9103 (Sewer – Property Damage). We immediately noticed that the amount the City was spending on claims for these two codes had increased dramatically over the last ten years. Cothran also researched public records relating to some of the plumbing companies associated with the referrals. This research led us to interview a claimant on Guerrero Street who independently told us a story that matched the reports from the FBI and the District Attorney's Office.

The claimant rented a storefront on Guerrero Street. He told us how Sidney Silberberg, an employee of Drainbusters, used pressure tactics to persuade him to sign a contract to replace his sewer lateral. Drainbusters prepared the claim form for him and filed it with the City. He was told that he should give the City check – for \$9,675—to Drainbusters when he received it. The claimant and other witnesses were insistent that they never had any sewer problems and that they examined the trench dug by Drainbusters and saw no roots. Because this story closely matched the scheme that had been described in the referrals from law enforcement, we concluded that further investigation was warranted.

Working with Dale Riley, we established a secure server to review City Law claims information and began grouping claims according to emerging fact patterns. We created spreadsheets to document the history of the increased sewer replacement costs and to organize the different types of claims. When we found anomalies, we began inspecting work sites and interviewing claimants to flesh out their history of sewer problems and their experiences with the claims process. As a result, we came to understand that sewer-related claims were not limited to upper laterals located on private property, but also involved work on PUC-owned lower laterals in the street. We consulted Ron Flynn and later John Roddy to understand the legal framework that should govern work on these PUC assets.

We obtained recent emails for Michael Haase, Frank Taylor and Joseph Spohn, the three City Attorney's Office employees that our initial examination of claims files suggested were most involved in processing these sewer claims. We reviewed these employees' time sheets. We also reviewed Haase's hard drive (Haase's hard drive had been replaced in March for unrelated reasons and we reviewed the old drive).

After briefing Ed Harrington and Mohammed Nuru, we interviewed members of their executive staff to better understand the policies and procedures relating to sewer repairs. At DPW, we interviewed Jerry Sanguinetti, Bureau Manager, Bureau of Street Use and Mapping, and Carla Short, the City's Urban Forester. At Matthew Rothschild's suggestion, we also interviewed Nuru's predecessor, Ed Reiskin. At PUC, we interviewed Tommy Moala, PUC Assistant General Manager, Wastewater Enterprise, and Lewis Harrison, PUC Wastewater Collections System Division Manager.

We spoke with Matthew Rothschild about his understanding of these sewer claims and the approval process. We reviewed the reports of claims settlements that this Office provides to DPW and PUC to ascertain what information is being transmitted on a monthly and yearly basis. We spoke to city attorney's offices in other California cities.

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We also interviewed an industry insider – an A-license plumbing contractor with decades of experience in San Francisco. He subcontracted for several plumbing companies who replaced upper and lower laterals that were the subject of claims to the City and he was the source of the anonymous complaint that prompted the FBI to contact this office in December 2011. We eventually were able to persuade him to meet with us. He provided us with a great deal of information, much of which we independently confirmed.

Finally, we conducted compelled interviews of Dave Devincenzi, DPW Senior Claims Inspector, and Jose Banaria, PUC Senior Construction Manger. We brought in Haase on two occasions in June for compelled interviews.

A list of the persons who have been interviewed is attached.

Throughout this process, we kept the FBI generally informed of our activities.

STATUS OF PENDING AND FUTURE SEWER CLAIMS

After they were briefed on the investigation, Harrington and Nuru issued directives to their staff that no sewer claims are to be paid without their express prior approval and they sent a memorandum to this Office to the same effect. A copy of that memorandum is attached. They also told us to hold and not to pay claims that had been approved by Haase, pending their review. There are 41 claims being held. Blanche Blachman and Dave Jensen investigated each of these pending claims by gathering supporting documents from PUC or DPW and interviewing the claimants. We prepared files for each pending claim and these files are under review by PUC and DPW.

FINDINGS

The discussion of findings is divided into four sections. First, we provide a summary of the claims history for the past ten years and discuss how sewer claims are processed in this Office (section I). We then discuss the two types of sewer claims – those involving upper sewer laterals, which are the property of the homeowners (section II), and those involving lower sewer laterals, which are the property of the PUC (section III). These two types of claims involve different departments and raise different factual and legal issues. We therefore found it useful to consider the two types of claims separately. In section IV we discuss the evidence developed thus far on the issue of whether City employees engaged in wrongdoing.

I. SAN FRANCISCO PAID MANY MILLIONS TO REPLACE UPPER SEWER LATERALS AND TO REPAIR PUC-OWNED LOWER LATERALS

A. City Law

The claims at issue in this investigation are in two City Law cause codes. Cause Code 1020 is a DPW code for claims related to "Tree Maintenance." This code also contains other claims related to City-owned trees, including for example personal injury claims for tripping over uneven sidewalks lifted by the roots of City trees and trees and branches that fall and damage property.

DPW management could not identify for us the source of the funds paid under code 1020. Our inquiries led us to conclude that 1020 settlements are paid out of the DPW General Fund reserves. We have asked the Controller's office to confirm this.

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Cause Code 9103 is a PUC Wastewater code for claims related to "Sewer – Property Damage." In addition to claims related to damaged lower sewer laterals, it includes property damage caused by sewer backups and flooding due to failed lower laterals.

Attached is a City Law printout of payments for these two cause codes. These printouts show that, in the last ten years, the City paid a total of \$19,328,040 for Cause Code 1020 ("Tree Maintenance"). The annual totals climbed steadily, reaching a peak of just over \$4 million in fiscal year 2011. During the same ten year period, the City paid a total of \$4,840,317 for Cause Code 9103 ("Sewer – Property Damage"). The two cause codes together total \$24,168,358 over the last ten years.

We cannot yet say how much money was paid as a result of sewer related claims. Although the bulk of the money paid in the 1020 cause code and much of the money paid in the 9103 cause code relates to sewers, there are other types of claims included in these cause codes. We will need to do a manual review of the City Law data to separate out the upper and lower lateral claims from the other tree and sewer claims.

B. Sewer Claims Are Investigated and Paid by Mike Haase

Generally speaking, Haase handles all PUC and DPW claims, whether they involve automobile accidents, sidewalk trip and falls, potholes, flooding or the sewer claims at issue here. In the case of sewer claims, claims are initiated when a member of the public serves a formal written claim on the City, or Haase initiates them himself in response to calls from DPW, PUC, plumbing companies or members of the public. Every claim has a green claims worksheet. In situations when Haase initiates the claim, he contacts the claimant and directs him or her to file a signed claim form. In the case of sewer claims, Haase sends Dave Devincenzi, a DPW claims investigator, to visit the site and document the situation. Devincenzi frequently meets with the homeowner and/or the involved plumbing company. Devincenzi records what he does on the green claims worksheet. When Haase determines that a claim should be paid, he documents this decision in City Law and sends the claimant a release. Typically, Haase approves a sewer claim for payment within a day or two of receiving the signed claim form. When the signed release is returned, the original claim file is sent to Rothschild for review. Rothschild bills .25 of an hour to review each claim file and approve payment. Rothschild's time typically is the only time recorded in City Law for a specific claim. (As discussed below, Haase typically billed his time to general DPW and PUC matters, not to a specific claim.) Payment is input into the FAMIS system by Michael Lucero.

Haase's office is at 875 Stevenson, in the offices of DPW's Bureau of Street Use and Mapping. Rothschild states that he visits the Stevenson offices once or twice a year. Devincenzi works full time for Haase and under Haase's direction and supervision. Devincenzi's desk is in Haase's office. Devincenzi took over from DPW employee Frank Casey, who held this position for twelve years, until he retired in April 2011. Haase and Casey apparently knew each other from when Haase was a DPW street inspector, before he joined the City Attorney's Office.

Nuru and Sanguinetti both believed that Devincenzi was City Attorney's Office employee. Sanguinetti explained that when Frank Casey retired, Devincenzi applied for the position and "was hired by Haase." No one from DPW supervised Devincenzi or approved his time sheets. As a result of our investigation, DPW is revamping its procedures and will now

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supervise Devincenzi. (On July 17, DPW emailed a draft MOU with this Office governing Devincenzi's work. We have not yet had the opportunity to review the draft or make a recommendation.)

II. UPPER LATERALS

Individual homeowners own the upper sewer laterals, which run from the house under the sidewalk to the property line (e.g. the face of the curb). Pub. Contract Code §§ 102(e), 103. (The sewer lateral continues into the street and connects to the main sewer line. This portion of the lateral is public property and is referred to as the lower lateral.) Property owners are responsible for the maintenance and repair of the upper laterals. *Id.*, §§ 103, 103.1

It appears that it is the practice in San Francisco to pay homeowners the full cost of a new upper sewer lateral whenever roots infiltrate the sewer and the roots could possibly be attributed to a City-owned street tree. We have essentially adopted a strict liability standard: If an upper lateral has any roots in it (no matter how few or how small) and if there is a City-owned tree nearby, we pay the full cost of replacing the sewer.

A. "Attorney Haase's Tree Root Program"

How and why did San Francisco's practice of automatically paying to replace upper laterals come about? Our investigation revealed that this practice has existed for at least twenty-five years and is known among some DPW and PUC staff as "Attorney Haase's tree root program." Haase told us in his interview that he was given this directive in the 1980s by then-DPW Director James Lee.

In the most recent form of this "program," calls to the City's 311 system or any complaints to DPW or PUC staff that involved roots in upper sewer laterals, if there are City-owned trees on that street, are automatically and immediately sent to Haase and handled through the claims process. Homeowners also call Haase directly, as do plumbing companies. As Haase explained in his interview: "I ask them what the problem is and they'll say 'I had a sewer problem' and if they tell me it's a city tree, then we start talking about our procedure and how we tell them that they have to have a contractor fix it and we'll reimburse them."

Haase sends Devincenzi to the site to meet with the plumbing company. Devincenzi confirms the presence of roots in the upper lateral, often by viewing images from the plumbing company camera. Measurements are taken and a price for the job is settled on with the plumbing company. Haase approves the claim and Rothschild reviews the file and approves payment.

The process used to initiate and process sewer-related claims differs in several important respects from the normal process. First, Haase often initiates claims himself. Non-sewer claims typically are initiated when the claimant serves a formal claim on the City. Second, claims are sometimes prepared by a third party – the plumbing company – rather than the claimant. The claimant merely signs the completed document. Third, claims are opened on the City Law and Haase processes them and approves them for payment on the same day or the next day. In other words, the filing of the formal claim is the end, not the start, of the process. When claims are filed, in practice Haase has already approved them.

Haase approves virtually every sewer claim. From April 1, 2007 through March 31, 2012, Haase paid 92% of the claims in Cause Code 1020. It may be that Haase discourages

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some claimants and these claims are never filed and Haase should be asked about this. However, at this point it appears that Haase operates under a presumption that the City should pay these claims.

B. Tree Root Settlements Were Reported to DPW

On a monthly basis, the Claims Division provides a summary "DPW SETTLEMENT OF CLAIMS REPORT" to the Director of DPW listing the claims that have been settled. (An example is attached.) The left hand column of the report lists ten categories of claims (sidewalk falls, roadway falls, vehicles damaged by roadway, tires damaged by curbs, city vehicle accidents, damages caused by operations, city contracts, miscellaneous damages, flooding damages, and tree problems). There are columns for each department, including PUC and BUF (Bureau of Urban Forestry). The total number of claims and the total amount paid is listed for each category. Claims for upper laterals allegedly damaged by City trees are reported in the column for "Tree Problems/BUF." This number – Cause Code 1020 – typically dwarfs the numbers in the other columns.

Haase and Rothschild told us that they discussed the increase in the number of Cause Code 1020 (tree maintenance) claims. According to Haase, he also spoke to DPW Directors Lee, Reiskin and Nuru about these increases. Rothschild talked about the increase with Hoeper as well as the Trial Team Leaders. The latter discussions did not identify replacement of upper sewer laterals as a major reason for the increases.

C. San Francisco Should Not Be Paying to Replace Upper Laterals Infiltrated By the Roots of City-owned Trees

We have not done a comprehensive review, but our research thus far has found no other California city that pays homeowners the full value of a replacement sewer lateral when the lateral has roots in it and there is a nearby city-owned tree. The approach adopted by San Francisco is both factually and legally suspect, for at least three separate reasons.

First, it appears to be well-settled that tree roots generally do not cause sewer damage. Rather, they exploit existing cracks in sewers. A sewer can crack as a result of settling, age or for other reasons. Tree roots are evidence of broken sewers, not the cause of the breaks.

As was explained to us by DPW personnel and an industry insider, tree roots invade sewers when there are cracks in the lines that allow moisture and organic waste to leak into the soil. The tree roots follow the source of these nutrients and exploit and expand the cracks. If sewer lines are intact, there are no moisture or nutrients in the soil to draw roots to the sewer lines.

Mohammed Nuru volunteered this view in his initial meeting with you on May 7. Jerry Sanguinetti, Chief of DPW's Bureau of Street-Use and Mapping, agrees. Carla Short, the City's Urban Forester, states that this is the consensus opinion of her peers and professional organizations. The consultant hired by DPW to conduct a study of the City's tree maintenance program also confirms the tree roots do not generally damage sewers. As discussed below, other California cities take the same position. We are in the process of identifying and retaining an expert on the issue of causation, in the likelihood that we will need to litigate this issue.

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To be sure, there are situations where City trees can damage or destroy sewer lines, including large roots that uplift and crack lines or heavy trees that crush lines. In these circumstances, the City may well be liable. However, these situations are rare in the files we reviewed, most of which involved roots infiltrating through pre-existing cracks.

Second, when roots infiltrate sewers, the consensus is that the appropriate remedy is periodic rotary cutting (e.g. "roto-rooting") rather than digging up and replacing the entire line. While roots will eventually grow back, they can often be controlled by periodic cutting. This can be confirmed by observation. On certain streets with City-owned trees, one can see that virtually every upper sewer lateral has been dug up and replaced (with City money). Yet one block away, on a street with homes of a similar age and type and with large privately owned trees, very few laterals have been replaced. Compare, for example, California Street (City trees) with Clement Street (private trees) or compare Persia Street (City trees) with Russia Street and Brazil Street (private trees). On streets with privately owned trees, homeowners make the rational economic choice to address root intrusion by periodic rotary trimming, which costs a couple of hundred dollars, rather than replacing the lateral, which costs many thousands of dollars.

Third, by paying the full price of an upgraded lateral, San Francisco is providing a windfall to homeowners. It is a well-settled legal principle that someone whose property is damaged is only entitled to be made whole, not to be placed in a better position. The damaged laterals typically are the original terracotta sewers that may be approaching 100 years old and are at the end of their useful life. We are paying to replace these aging sewers with brand new cast iron sewers that comply with modern building codes. This has the effect of using City money to pay for capital improvements to private property, essentially a windfall. (By analogy, this would be akin to paying the owner of a 2002 vehicle that was totaled as the result of City negligence for the replacement cost of a 2012 vehicle.)

Other cities do not do this. For example, almost all of the street trees in Oakland are City-owned. Nevertheless, the Oakland City Attorney's Office estimates that it pays only \$20,000 per year because City tree roots damage sewers. In those few instances where roots have uplifted or cracked sewer lines and the City arguably is liable, Oakland pays only one-third of the replacement cost to account for the fact that the sewer is old and depreciated.

The website of the Los Angeles Department of Public Works is instructive:

In Los Angeles, as in most other cities and municipalities, property owners are responsible for proper maintenance, repair, and replacement of private laterals. The City does not provide financial assistance to property owners for lateral repair or replacement. This is true even if the source of root infestation is partly or entirely trees planted on public right of way.

Trees and/or their roots at times conflict with other structures and private sewer laterals could be impacted. The responsibility for the construction, maintenance, and repair of house connection sewer laterals lies with the property owner. This rule is not altered by the fact (if it is a fact) that roots of trees growing in the street caused clogging of the sewer line. The privilege is granted to the property owner to connect his or her property

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with the main publicly owned street sewer, and the duty to keep clean the privately owned sewer rests upon the owner, not upon the City. Sewer laterals are not of general benefit since they serve and can be used legally to serve only a single lot. The fact that the house connection sewer is in a public street does not mean that it is of public benefit and that the maintenance and repair should be performed by City forces at the expense of the taxpayers.

Tree roots do not enter sewer lines unless there is a break that leaks moisture and provides an opening encouraging root penetration. Root invasion can generally be remedied by periodic rotary root removal. Extensive damage may require lateral repair or replacement.

http://www.lasewers.org/private_sewers_septic/roots/rootsfaqx.htm#a10.

Carla Short informs us that neither Santa Monica nor Sacramento pay claims for root intrusion by city-owned trees. The DPW consultant states that no other cities pay these claims.

D. Plumbing Companies Are Engaged in Fraud and Unfair Practices

Our investigation revealed that a number of plumbing companies in San Francisco exploited the "tree root program." At a minimum, they engaged in unfair and misleading business practices and in some instances either initiated or participated in the filing of fraudulent claims.

DPW's website lists the streets with City-owned trees. It appears that plumbing companies use the website as a roadmap and that they solicit homeowners on these streets. We have documented many instances in which plumbing company employees knock on doors and tell homeowners that they have roots from City trees in their sewers and that the City will pay to replace the sewers. The plumbing companies sometimes imply that they work with or for the City. Homeowners who are not having sewer problems and who question why they need a new sewer are told that the City automatically pays for a new sewer whenever roots are discovered. Homeowners are told that the companies will handle all of the paperwork. (In fact, many of the claim forms in the files are filed out by someone other than the claimant. The claimant simply signs the document.) Homeowners are told to expect a check from the City and that they can either pay the plumbing company when they receive the City check or they can simply turn over the check to the company.

In one dramatic example, in September 2010 Sidney Silberberg and Ray Khano of Drainbusters Plumbing repeatedly solicited a woman who lived at 1445 Innes. They told her that she had roots in her sewer from a City tree and that the City would pay to replace the sewer. According to the woman, many of her neighbors already had their upper sewer laterals replaced at City expense. The woman told Drainbusters that she was not having sewer problems and demanded several times that Drainbusters scope the line in her presence and show her the roots. Drainbusters could never do this and the woman sent them on their way.

One Sunday morning, the woman went to church and left her bed-ridden mother (the property owner) in the care of her brother. She believes Khano was waiting for her to leave, because he immediately knocked on the door and told the brother that his sister had authorized

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replacement of the sewer. Khano told the brother that he needed his mother's signature to proceed with the work. The brother took Khano to his mother, who signed the documents Khano presented to her. Khano took the signed documents away with him and did not leave a copy. When the woman returned home and learned what had happened, she called the police. The police telephoned Khano and demanded he return the paperwork. Had the woman not called the police, Drainbusters likely would have been paid by the City to repair an upper lateral that did not need replacement.

We have heard similar stories from other homeowners. It is clear that a number of plumbing companies, including Drainbusters, are using these sorts of unfair and fraudulent business tactics to generate claims. Indeed, Drainbusters appears to exist solely to exploit the City's "tree root program." During a two year period, Drainbusters obtained 93 plumbing permits in San Francisco. All but two of these permits resulted in claims to the City and each of these 91 claims was paid.

III. LOWER LATERALS

The PUC owns and is responsible for maintaining and repairing the lower sewer laterals, from the face of the curb to the main sewer line in the street. Pub. Contract Code §§ 102(e), 103.1. (The Public Contract Code expressly states that DPW is responsible for the lower laterals. However, this responsibility was transferred to the PUC in a 1996 Charter amendment. Charter § 8B.121(a).

A. Haase and PUC Staff Have For Many Years Used the Claims Process to Expedite Repair of Lower Laterals

In the normal course, if homeowners report sewer problems, PUC dispatches a crew to investigate and try to correct the situation. Often, the problem can be ameliorated, at least temporarily, by snaking the line. If necessary, PUC staff put a camera in the sewer line to identify the cause of the problem. If PUC staff determine that a repair is necessary, it is given a priority code that determines where the repair is in the queue and when it will be repaired. Emergencies (e.g. sewage backing up onto the sidewalk) typically are repaired within days. Lower priority repairs are placed on a list and can take 18 months or more to be completed. Often, repairs are delayed in order to coordinate them with other planned work. The repairs are done by DPW crews (on work order to the PUC) or by contractors hired by the PUC.

Our investigation revealed that lower level PUC staff and Haase regularly work around the normal process. They remove a lower lateral from the PUC repair list and use a claim to pay a contractor to perform the repair. This happens in one of three ways: PUC staff will ask Haase to handle a repair through the claims process; property owners (or more typically plumbing companies) will contact Haase; or Haase will initiate a claim himself, as he did with Jeff Yee (discussed below).

If the repair is to be handled through the claims process, PUC staff and/or Devincenzi visit the site and meet with the plumbing company to document the need for the work and to agree on a price.

This practice is not limited to tree root issues. The claims process is also used to repair lower laterals that are damaged for any of number of other reasons. Apparently, when City tree

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roots are implicated, the resulting claim is charged to DPW (Cause Code 1020). When the lower lateral problem is unrelated to tree roots, the claim is charged to PUC (Cause Code 9103).

Our review of the files reveals that many of these claims lack any indicia of emergency. Rather, it appears that PUC staff and Haase increasingly are turning to the claims process as a routine method of repairing lower laterals.

According to Haase, the City does not have the funds or work crews to promptly repair its sewers. In his view, the use of the claims process is a rational and appropriate way of expediting repairs that the PUC would otherwise take months or years to do.

B. Lower Lateral Repairs Are Approved In Advance by PUC Staff and Settlements Are Reported to the PUC General Manager

It appears that the decision to use the claims process to repair lower laterals was made jointly by Haase and by Jose Banaria (or on occasion someone working under Banaria). Banaria's supervisor Lewis Harrison, knew that the claims process occasionally was used to repair lower laterals. He told us that he thought this happened once or twice a year and that, in each instance, Banaria discussed the situation with him in advance. Harrison was shocked to learn that in 2011 there were several dozen claims related to lower laterals. Harrison's supervisor Tommy Moala, PUC Assistant General Manager in charge of Wastewater, told us he had no idea that the claims process was used to pay for lower lateral repairs.

All PUC settlements are reported to the PUC and approved by the General Manager. For the past approximately two years, settlements are reported monthly. Settlements involving lower laterals typically are listed on the first page of the report under the heading "Unlitigated Claims between \$5,000 and \$25,000." Each claim is identified by claimant, claim number, incident date, PUC division, location, amount and alleged cause. There is also a brief description. There is a column for "General Manager Approval" and Harrington initials each claim. The claim descriptions vary, but they describe the work as involving City-owned laterals in the street. The descriptions often state that PUC managers approved the repair. It is clear, from the claimant's names, that individual homeowners and plumbing companies purports to release claims involving PUC property.

Although Ed Harrington initialed and approved each payment, he states that he was unaware that the claims process was being used to facilitate repairs of PUC property and he states he was unaware the magnitude of the total payments. Harrington also takes that position that some of the claims descriptions on the reports are deliberately misleading.

C. Lower Lateral Work Should Not Be Handled Through the Claims Process

Because PUC has responsibility for the repair of the lower laterals, these repairs are public works. San Francisco Administrative Code Chapter 6 governs public works or improvement contracting policies and procedures. Admin. Code § 6.0.

If a lower lateral repair project is estimated to cost under \$400,000, the City may perform the work itself or enter into a contract with a private contractor. Admin. Code § 6.20(A). A contract with a private contractor need not necessarily go to the lowest bidder, but instead the PUC may get three quotes and follow other procedures. Admin. Code § 6.20(B).

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If the estimated cost of the pipe repair exceeds \$400,000, it cannot be done by City forces, but instead it must be done under a contract "awarded to the responsible bidder submitting the lowest responsive bid" (Admin Code § 6.20(A)), or be awarded under another authorized public contracting method. (Non-low bid contracts are authorized under certain conditions: Emergency Contracts (Admin Code § 6.60); Job Order Contracts (Admin Code § 6.62); and As-Needed Contracts (Admin Code § 6.64).)

Projects done by City contract, as opposed to by the City's own forces, provide a number of different protections to the City, including insurance, indemnity, and in some instances, performance and payment bonds. (Admin Code § 6.22(A-C). In addition, contracts entered into pursuant to Chapter 6 require the payment of prevailing wages. (Admin Code § 6.22(E).) Finally, in some circumstances, the contracts will have Local Business Enterprise goals, and Local Hiring goals. (Admin Code §14B, Admin Code § 6.22.) When work is done through the government claims procedures, these protections are absent and these public policies are not met.

Finally, San Francisco has a "Micro-LBE Set-Aside Program," that requires that a certain percentage of public works contracts estimated to exceed \$10,000 but cost less than \$400,000 be set aside for qualified contractors. (Admin Code 14B § 7(K).) Because most sewer repairs fall into that range, the use of the government claims procedure to do this work not only is unauthorized, but reduces the amount of "micro" public works projects available, in contravention of public policy.

Unlike Chapter 21, which excludes in some circumstances legal and litigation-related contracts, Chapter 6 (which governs public works) has no such exclusion. Repairs to lower laterals cannot be authorized through the claims process.

Harrington, Moala and Harrison all told us that claims should not be used to repair lower laterals.

IV. DID CITY EMPLOYEES ENGAGE IN WRONGDOING?

Haase, and the lower level DPW and PUC employees we have spoken to who work with Haase, all tell a consistent story that can best be characterized as a "conspiracy of expediency" -- in other words, they created their own "work arounds" outside of established City procedures in order to accomplish what they believed to be commendable goals. We do not have evidence at this point that contradicts this narrative but we have not done enough investigation to say with confidence that City employees have not been involved in systemic corruption.

The preliminary work we have done so far has not revealed the sort of obvious patterns that could be expected if there was a scheme to steer public funds to particular plumbing contractors in return for kickbacks or other benefits. We have not found, for example, that homeowners were referred to particular plumbing companies, which one would expect to see if these companies were paying kickbacks or otherwise benefitting individual employees.

However, we are very concerned that Drainbusters and Sidney Silberberg may have been tipped off about this investigation and warned off of submitting claims, possibly by someone within the City Attorney's Office or DPW. On July 17, as this memorandum was being finalized, Silberberg contacted Dave Jensen and asked whether he was being investigated. Moreover, after February 2012, claims by Drainbusters inexplicably ceased. Drainbusters is one of the most

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problematic companies; almost all of the permitted plumbing work it performed in San Francisco was paid for by the City through the claims process. Before February, it submitted two or three claims each month. These claims stop abruptly in mid-February and it appears that Drainbusters is now out of the business of replacing upper laterals allegedly damaged by City tree roots.

A. MIKE HAASE

Haase has been employed by the City for 30 years. He was hired by DPW as a street inspector in September 1982. In 1984, he was promoted to Senior Street Inspector. In 1986, he became a Claims Adjuster and began handling DPW's claims. In 1995, DPW's claims administration was shifted to the City Attorney's Office and Haase joined the Office. In 1999, Louise Renne promoted Haase to Senior Principal Investigator and in September 2001 Renne promoted him to the position of Assistant Chief, Bureau of Claims, the position he now holds.

Although an employee of this Office, Haase's office has always been physically located in DPW's space, most recently in the offices of the Bureau of Street Use and Mapping on Stevenson Street.

We have not reviewed Haase's personnel file or spoken to any of his co-workers or former supervisors, but Haase is regarded as a conscientious, hard working and competent employee. He has a reputation for initiative and is considered a "go-to person" when there are emergencies involving PUC or DPW.

It appears that Haase's "tree root program" -- using the claims process to replace upper laterals infiltrated by City tree roots and to expedite repairs of lower laterals -- was motivated by expediency, and in the case of the upper laterals, by a directive from then-DPW Director Lee in the 1980s. Haase believes that the City's policies regarding City-owned trees are misguided. Large trees pose significant risks. The City does not devote sufficient resources to maintaining its trees or addressing the harm to sewers and sidewalks caused by trees. The PUC does not have sufficient funding or resources to repair sewers in a timely manner. In Haase's view, the claims process provides a mechanism to address these problems. He uses the claims process to get sewers fixed in a timely manner.

The fact that Haase came from DPW and has close ties to that department and to PUC, and the fact that he worked in DPW's offices, means that he identifies closely with the clients. It appears that Haase's shared identity and loyalty to his colleagues at DPW and PUC may make it challenging for him to maintain the independence required of his position.

1. Even Assuming That the Claims Are Proper and Should Have Been Paid, There Are Deficiencies in How Haase Handled Them

a. Deficiencies in handling of upper lateral claims

Even assuming that the City should in fact be paying to replace upper laterals, we identified six deficiencies in the handling of these claims:

First, issues of causation and liability were not always adequately investigated, even assuming that the City was responsible when the roots of City-owned trees infiltrated a sewer line.

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For example, there are a number of instances in which photographs of the site reveal that, in addition to a City tree along the street, there are several large trees nearby on private property. There is no indication in the files that there was any effort to determine which tree (City-owned or private) was the source of the roots allegedly found in the sewer line. In other instances, the City-owned trees had been removed before the claims were made. This raises the question of whether the roots, if they existed, were actually from the City tree that had been removed, or whether they were from another source. If they were from the City tree, the roots were dead and would not create future problems. Nevertheless, these claims were paid. In summary, it appears that a simple equation seemed to be at work: roots in sewer + nearby City-owned tree (or former tree) = claim paid.

Second, payments were made based on releases from individuals who had no standing to release claims against the City and which therefore were invalid.

There are many examples of releases that were executed by the plumbing companies who performed the repair work, not the property owners who owned the laterals. In a particularly egregious example, which we asked Haase about, he accepted a release from Mr. Rooter Plumbing, the company that replaced an upper lateral at 505 Van Ness. The property owner is the State of California. It is obvious that Mr. Rooter Plumbing has no ability to release claims on behalf of the State. In a number of other claims, Haase relied on releases from tenants or others who were not the property owners and had no legal right either to enter into contracts for sewer repair or to release claims.

It is apparent from the claims files that Haase proposed and prepared the releases that were signed by the plumbing companies and others without standing. This is consistent with a mindset that views releases as a vehicle to effectuate payment not as critical legal documents protecting the City from further claims.

Because these releases are not legally valid, the City potentially is exposed to significant liability. Moreover, when City money was paid directly to the plumbing companies and they signed the releases, it could be argued that the City hired these companies and therefore is responsible for their work, as well as any harm to third parties caused by defective work.

Third, although it appears that Haase directed DPW employees to investigate and confirm claims, there is significant evidence that claims were paid to replace sewers that did not need replacement.

We identified situations in which homeowners were not experiencing any problems with their sewers when they were solicited by plumbing companies, a fact acknowledged in Cauley's email and adopted by Haase. The fact that there were no sewer problems is evidence that the sewers did not actually need to be replaced.

Fourth, we identified situations in which it appears that the City paid to replace upper laterals for recently constructed buildings. We have been told (and still need to confirm) that new sewers, built to modern codes, should last at least 50 years and should be impervious to root intrusion under normal circumstances. The fact that we paid for the replacement of these new sewers may be evidence of fraud by the plumbing companies and/or the homeowners as well as a failure by Haase to investigate the claims.

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Fifth, there is evidence that the "going rate" for replacing a sewer is inflated and perhaps the result of an agreement among the plumbing companies.

In his interview, Haase stated that his "going rate" for a new upper lateral is \$7,000. This amount is consistent with the Cauley email and what we were told by the industry insider. Yet we often paid almost \$10,000, or almost 50% more. We do not yet have an explanation for this.

It is suspicious that many of the claims are for almost exactly the same amount – just less than \$10,000 (e.g. \$9,850). It seems unlikely that the cost would be so consistent across the City, since factors such as the depth of the sewer, the number of feet of sewer that need to be replaced, and the number of concrete sidewalk flags involved can dramatically affect the cost of replacing an upper lateral. It is particularly suspicious that claims from Drainbusters consistently are close to \$10,000.

Sixth, it appears that neither Haase nor Devincenzi confirmed that the repair work had in fact been done. As discussed above, Haase approved the claims upon receiving a claim that attached an estimate of the cost of the work to be done. Payment was made upon receipt of the executed release. This apparent failure to confirm that the work was done before paying the claim is especially problematic in those situations where the plumbing company, not the homeowner, signed the release. It is also inconsistent with Haase's stated reason for expediting repairs of upper laterals -- to correct problems that would cause future backups and flooding.

b. Deficiencies in handling of lower lateral claims

The handling of the lower lateral claims also demonstrates a number of specific failures:

First, Haase relied on releases from individuals who had no standing – homeowners and plumbers who could not release claims relating to City property.

Second, in his settlement reports to the Rothschild and to PUC Haase often adopted the fiction that the homeowner had "asked to hire his own contractor" to repair the lower lateral. (It seems clear that the homeowner had done no such thing. S/he typically had been approached by City personnel or a plumbing company and persuaded, sometimes over objection, to enter into a contract with the plumbing company.) Haase should be asked why this misleading language was used. There is an inference that it was used to downplay the fact that repairs that should have been done through the public works process were being handled through claims.

Third, it appears that some claims were paid without any investigation into whether third parties may have been responsible for the broken sewer. For example, there is documentation in a claim file that the sewer had not been hooked up correctly when it was replaced. If the replacement work was done by a PUC contractor, the defective work should have been remedied through the construction defect provisions of the public works contract. There is no indication that this was explored and instead the cost of repair was paid out as a claim.

In another instance, a homeowner on Caselli complained about sewer problems and PUC determined that the sewer trap had to be moved. The homeowner did not want to get involved but was persuaded that it would be faster if she hired a contractor to do the work in the street in front of her home. A PG&E utility pole interfered with the planned work. Haase instructed Devincenzi to tell the homeowner that she had to pay PG&E the approximately \$5,000 cost of shoring up the pole and that she should include this amount in her claim. In the normal course,

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the sewer work would have been done by a DPW work crew or a PUC contractor and, pursuant to the Franchise Agreement, PG&E would have had to shore up the pole at its own cost. Because Haase proceeded in this fashion, the City wound up paying instead of PG&E. (In his interview, Haase incorrectly said that the City would have to pay PG&E to shore up the pole if the City did the sewer work.)

Fourth, we are concerned that the cost of lower lateral work also may have been inflated. PUC staff typically met with the contractors and reached an agreed-upon price for the lower lateral work. Lewis Harrison reviewed the pending claims and told us that he believes the costs are generally consistent with industry standards. The PUC's Job Order Contract ("JOC") program, which would have performed some of this work in the normal course, sets out specific prices for the tasks involved in lower lateral repair. These are the rates the PUC would have paid if the repairs had not been diverted into the claims process. We should compare the JOC rates with what the PUC actually paid through claims.

Using claims to repair lower laterals has serious practical implications for PUC operations. Because the work is performed outside of normal PUC processes, PUC has no record that a sewer has been replaced and cannot include this information in the data base that tracks the condition of each of its sewers. More importantly, PUC does not inspect the repairs and does not know whether they were done correctly or whether they meet PUC standards. While these operational issues are primarily the responsibility of the PUC staff who worked with Haase, he should have recognized them and raised concerns.

2. Haase Failed to Recognize That Plumbing Companies Were Engaged in Fraudulent and Unfair Practices and Failed to Take Meaningful Steps to Protect the City

Haase admits that he knew that plumbing companies were engaged in fraudulent and unfair practices. Nevertheless, he did not report what he knew (or at least did not adequately communicate its seriousness), he did not take effective steps to stop the practices, and he misrepresented the situation when he was asked about it in December 2011.

a. "Unethical but not illegal"

In his interview, Haase unabashedly stated that he knew that plumbing companies were soliciting homeowners who did not have sewer problems and pressuring them to submit claims. In his view, the companies' conduct was "unethical but not illegal." (Cf. Cauley's 12/27/11 email endorsed by Haase: "the schemes happen but it isn't necessarily illegal"). Haase explained that if there were any tree roots at all in a sewer, even if they were not causing problems, the sewer eventually would have to be replaced. In his view, it was better to do it now rather than later, when the cost of the work likely would increase.

b. Haase failed to act on credible and detailed complaints

Haase ignored detailed and credible complaints from claimants.

As an example, Haase failed to take action when he was told about the fraudulent claim on Guerrero Street involving Drainbusters and Sidney Silberberg. Odilon Vasconcelos operates a hair salon in a building on Guerrero that was constructed in approximately 2001. In late 2010, he was approached by Silberberg who told him he was working with the City and could help him

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resolve his sewer problems if there were tree roots in his lateral. Vasconcelos told Silberberg he was not the property owner and said he was not having sewer problems. According to Vasconcelos, Silberberg persisted in menacing and harassing him until Vasconcelos signed a claim form just so he could get rid of Silberberg.

One day Vasconcelos saw that the sidewalk had been dug up and covered with plywood. He, his business manager Michael Zack, and the owner of the nail salon next door all looked into the excavated hole and did not see any tree roots. The sidewalk was soon repaved and Vasconcelos thought the issue was resolved. However, Silberberg returned and harassed him to sign the City's release and returned again to try to collect the City check. Vasconcelos and Zack began to think they had unwittingly participated in some sort of scam in which their sewer lateral had been replaced even though nothing was wrong with it.

Zack called Haase to report this scam around March 2011. Zack told Haase about their interactions with Silberberg and told him they had never had any sewer problems. According to Zack, Haase told him that he was aware of Silberberg and that "he was a creep." Haase told Zack that Silberberg's business practices were "unethical but not illegal" and advised Zack that Vasconcelos "might as well sign the money over" to Silberberg. In a subsequent conversation with Haase, Zack told Haase that "this was a scam" and asked Haase for contact information for others who may have fallen victim to the same scam.

Haase did not report Zack's call and continued to pay claims submitted by Silberberg and Drainbusters. (When we interviewed Zack, Zack relayed his concern that Haase may have a financial interest in perpetuating the "scam" because Haase seem more interested in facilitating rather than stopping Silberberg.)

There is a further reason to be concerned about the Guerrero Street claim. The building and the sewer lateral are only about ten years old. We are told that a new sewer built to comply with modern building codes has a fifty year life and essentially is impervious to root intrusion. We have not asked Haase why he approved this claim to replace a new sewer or whether he even considers the age of the sewer when reviewing sewer-related claims.

Years earlier, in 2007, a claimant complained to Haase about essentially the same "scam." Haase acknowledged that he received this information. He did nothing. (The claimant also contacted the FBI, which took no action at that time.)

There are several instances in which, after homeowners notified him of potential fraud, Haase closed the claims they had submitted and opened new claims for the same address in the name of the plumbing company. He then paid the plumbing companies. In one instance, the homeowner was involved in a dispute with the plumbing company about the quality of the work the company had done and refused to sign the City's release or pay the company. Haase did not speak to the claimant or ascertain why she would not sign the release. He simply paid the plumbing company the full amount it had sought from the homeowner.

Haase also ignored a specific report of fraudulent conduct from Mohammed Nuru. On December 21, 2011, Haase received a forwarded email with the Re line: "FYI-SCAM" sent by Nuru's assistant. The email attached a "Report regarding the scam" from Rosemary Woo, the owner of property at 645 Bosworth/Brompton. (Woo's report had been faxed to Nuru from the District Attorney's Office.) Woo described how Sidney Silberberg from Drainbusters opened her

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sewer trap. When she asked him what he was doing, he said that roots from City trees were growing into her sewer. He said he would show her the roots but his camera ran out of battery. Silberberg told Woo that "clearing the roots will not cost me a penny. The city of SF will pay him. I may be getting a form in about 4 weeks and I don't have to call DPW." Woo concluded by saying "This really happened and I hope it won't happen ever again."

We have not yet asked Haase about this email, but we see no evidence that he did anything in response. It appears that we were the first employee of the City Attorney's Office to ask Woo about her report to the District Attorney's Office.

In addition to failing to act on these specific complaints, Haase failed to recognize or grasp the significance of patterns that independently should have alerted to him to the possibility of fraud and at a minimum caused him to investigate further. These patterns were immediately apparent to us and include, for example, the fact that claims fell into clusters on specific streets. On those streets (e.g. Alemany Blvd.) virtually every house had submitted a claim for upper lateral replacement, despite involving different geography and types and of street trees (or in some cases, no near-by trees). As another example, many of claims are for essentially the same amount, just under \$10,000, despite involving different housing stock, geography, trees, etc.

c. Haase's Ineffectual "Declaration of Property Owner"

In 2011, Haase drafted and began using a "Declaration of Property Owner" in claims involving Drainbusters Plumbing and All City Plumbing. The declaration asked the claimant to state under penalty of perjury that "I have been experiencing sewer backups at my property. I am requesting that the City and County of San Francisco investigate the cause of my sewer problems. I have not been approached by anyone asking me or tell to claim [sic] I have had past sewer problems." Haase discussed this declaration with Rothschild.

In practice, the declaration had no effect and the plumbing companies did not change their behavior. Our interviews with homeowners revealed that the companies continued to solicit homeowners. They simply added the declaration to the stack of documents they prepared for the homeowners and instructed the homeowners to sign the declaration along with the claim form. Moreover, we see no evidence in the files that these claims received any additional scrutiny compared to other upper lateral claims. Haase continued to approve virtually every claim as a matter of course.

The fact that Haase required the declaration for certain claims but did not alter how he handled those claims could give rise to an inference that his goal was not to halt the fraudulent practices but rather to "paper" the claims files and thereby reassure anyone who might review them. This issue requires further investigation.

d. Haase adopted a misleading response to Hoepfer's December 2011 email

On December 27, 2011, in response to the call from the FBI, Hoepfer sent an email to Haase among others asking whether anyone had heard about this scheme. The response was misleading and untrue. Haase adopted the email and did not correct it.

The email asked:

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Have you heard of a scheme involving plumbing contracts and homeowners... in which the contractor and homeowner collude to shift the cost of work performed on the property from the homeowner to the City. For example, the homeowner contracts to have her lateral/side sewer replaced and the homeowner and contractor collude to make a false claim to the City that the side sewer was damaged by City tree roots and therefore the City should pay the cost of repair. (Or that the City is liable for the cost of a remodeling project because City infrastructure is supposedly an obstacle in completing the project.)

On December 28, Cauley, who was covering for Haase while he was on vacation, responded:

Yes, the schemes happen but it isn't necessarily illegal. Contractors know which trees are City owned and they drive around and video sewer traps without the knowledge of the property owner. If they find roots they will knock on the property's door and inform the resident they have a root problem that needs immediate repairs. They tell the property owner to call our office and coach them on what to say. These repairs are usually around 7K a pop. In some cases, the contractor will claim the City sent them to check for the roots (fraud). I know of one case in which the property owner claimed that a contractor harassed and even intimidated him into getting the repairs done (his words). Our office sends somebody to watch the contractor video the lateral and most of the time roots are present but they are not causing any problems. I believe a couple a contractors have crews who are devoted to drumming up this kind of business.

Mike Haase (vacation) and his DPW inspector, Dave Devincenzi, routinely deal with contractors on this issue. I fill in when folks are on vacation. I've found that it's nearly impossible to prove collusion despite it being glaringly obvious. We just deny the claim. We are aware of which contractors are shameless and we treat them accordingly.

On December 29, Haase responded to Cauley "Well done Brian." Haase did nothing more in response to this email.

This email is misleading and portions are untrue. Virtually no claims have been denied, even from the "shameless" contractors. Indeed, after receiving this email, Haase approved five additional claims from Drainbusters. Moreover, as discussed above, many upper lateral claims are for just under \$10,000, which is 50% more than the going rate discussed by Cauley.

3. We have found no evidence that Haase engaged in systematic corruption but additional investigation is needed

Our investigation thus far has not found evidence of broad patterns that would indicate that Haase benefited from his "tree root program." Our review of public records has not turned up evidence that Haase has a life style or assets beyond what would be expected. Haase denies ever receiving a personal benefit. It may well be that Haase was in fact motivated solely by expediency.

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However, significant concerns remain.

First, many millions of dollars were paid to plumbing companies based on Haase's sole discretion. There were no meaningful checks or balances and Haase was in a position to affect the livelihoods of many San Francisco plumbers. The opportunity certainly existed to solicit kick-backs. To be clear, Haase vehemently denies that he received kickbacks.

Second, Haase's lack of forthrightness in response to Hoeper's email asking him about a possible sewer claim scheme, and his failure to take action on the email, as well as his apparent failure to respond to Nuru's inquiry, raise the inference that he could be trying to avoid scrutiny of his handling of sewer claims.

Third, we have identified two specific instances in which it appears that Haase did in fact use his position to benefit himself or his family. These two situations are discussed in detail below. We do not know at this point whether these are isolated situations or evidence of systemic wrongdoing.

Fourth, several of Haase's practices are so obviously questionable on their face that they raise the inference that they were motivated by something other than mistake or expediency. For example, as we discussed, Haase' memoranda recommending payment of lower lateral claims often falsely state that the homeowners "asked" to hire their own contractors and imply that the homeowner initiated the claims. The use of this language means that the reader of the memorandum would be in the dark as to how the claim actually came to be filed. Likewise, Haase accepted, and indeed solicited, releases from homeowners purporting to release claims on public property, and as well as releases from plumbing companies. Someone as experienced as Haase had to have known that these release are invalid.

Finally, some members of the public and the plumbing community told us that they are deeply suspicious of Haase. They believe, based on their interactions with Haase, that there can be no other explanation for his willingness to pay claims despite being informed that they are fraudulent. Haase also was mentioned by name in the FBI referral.

4. In two instances it appears that Haase used his position to benefit himself and/or his family

a. Haase initiated a claim on behalf of Jeff Yee, who provided him with below-market baseball tickets

In February 2012, Haase bought two tickets to twelve Giants baseball games from Jeff Yee. Yee owns Bass Electric Company and the company purchases season tickets each year. Haase paid \$1,700 in cash – the face value of the tickets. As Haase acknowledged in his interview, face value is in fact a significant discount. Season tickets that are purchased in the resale market command a significant premium. Haase says he offered to pay more than face value but was refused.

To thank Yee for selling him the tickets, Haase took him, his assistant and Mel Annuzzi (the owner of Annuzzi Concrete, see page 22 below) to lunch at Boulevard Restaurant on April 19.

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That same day, Haase initiated a claim on Yee's behalf. The DPW Claims Division Complaint form he completed states that Yee was experiencing on-going sewer problems at his property at 73 Diamond, which he attributed to problems in the PUC lower lateral in the street in front of his property. Yee had just had work done on his upper lateral (involving roots from a privately owned tree) and apparently learned of the problem in the lower lateral after it was televised by American Plumbing Company. Yee told us that he had not reported his sewer problem to the City and claimed not know about the City's 311 system. There is nothing in the file that indicates that this was an emergency situation.

Neither Haase nor Yee could recall whether the topic of Yee's sewer problems was discussed in the Boulevard lunch. Haase also could not recall whether he started the complaint form before or after the lunch. However, the fact that Haase started the complaint form the same day is strong evidence that the issue was in fact discussed at lunch.

On April 24, five days after the lunch, Haase's notes state that he had viewed the DVD and confirmed breaks in the lower lateral. He mailed Yee a letter that same day in which he stated "[p]ursuant to our telephone conversation, I was informed by PUC Sewer Operations that you have a broken sewer lateral in the roadway. On an agreed upon price, the City will pay you to have a private contractor replace the damaged side sewer fronting this property." (The language in the letter appears in other claims files and appears to be form language.) A claim form was included.

On May 11, Yee filed a claim for \$12,000 and attached an invoice from American Plumbing Company for that amount. On May 14, Haase transmitted his report to Rothschild recommending payment. (Payment of the Yee claim is on hold pending review by Harrington as discussed above.)

At the same time he was initiating and recommending payment of Yee's claim, Haase was attempting to procure additional baseball tickets from Yee. He asked Yee for four tickets together for the May 5 game. Yee set about to find tickets for Haase and talked to employees of his company. In a return email dated April 23 with the Re line "73 Diamond Sewer," Yee told Haase that he could not get four tickets together and offered Haase two separate pairs of tickets. Haase asked Yee to keep looking because his friends "have to be together. Nothing is easy Jeff." On April 27, Yee told Haase that he was able to get four tickets together. As a result of Yee's efforts, Haase bought four tickets from an employee of Bass Electric. He paid the face value of the tickets in cash.

During the period when Haase initiated the Yee claim and agreed to pay Yee to hire a contractor, it appears that the PUC was working on the lower lateral just across the street, at 74 Diamond. We have requested records from PUC to confirm whether in fact it was PUC who was performing this work. At this point, we do not know why Haase decided to use the claims process to repair the lateral at 73 Diamond instead of talking to PUC about having the City work crew that was apparently on site do the work.

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This evidence indicates improper conduct. As a threshold matter, the letter to Yee falsely states that Haase initiated the claim after PUC informed him of the broken sewer. This does not appear to be true, since Yee never reported his sewer problems to the City. The letter could be evidence of an intent to mislead a third party (such as Rothschild) who might review the claim file. It seems likely that Yee and Haase discussed Yee's sewer problems at the Boulevard lunch and that Haase initiated the claim in response to that discussion.

Yee provided Haase with a substantial financial benefit in February 2012 when he sold Haase 24 baseball tickets at their face rather than street value. The fact that Haase paid for an expensive "thank you" lunch at Boulevard is testament to the degree of financial benefit Yee provided. Therefore, Haase had a preexisting financial relationship with Yee. When Yee's sewer problem came to his attention, Haase used his discretion to help Yee. Instead, he should have recused himself from taking any action on Yee's claim. By failing to do so, Haase created the strong appearance of conflict of interest. This is particularly true here, where Haase injected himself into the normal process (which would have been to notify PUC of the problem and have PUC address it in the normal course) and where there was no indication of an emergency.

While the claim was pending and before Haase approved the payment to Yee, Haase initiated a second transaction whereby he gained a significant financial benefit. He asked Yee to locate four additional tickets and then pressed Yee to expend additional efforts to find a block of tickets together. He corresponded with Yee about the tickets in an email chain that explicitly referenced the pending claim. As a result of Yee's efforts, Haase was able to buy four more tickets from an employee of Bass Electric at face value.

Finally, we do not yet know whether the \$12,000 cost of the repairs is inflated and we also do not know whether Yee actually intends to pay the full amount to American Plumbing Company. If Yee has arranged to pay American Plumbing less than the invoiced amount, it could mean that the claim is inflated to disguise a cash transfer to Yee. This issue requires further investigation. Haase should have recused himself to avoid even the appearance that such suspicions could be valid.

Haase denies treating Yee differently due to the beneficial financial transactions he was engaged in with Yee. Yee denies there was any link between him providing baseball tickets to Haase and Haase providing a new sewer lateral to Yee. However, Haase participated in (and indeed initiated) a government decision benefitting a party from whom he was simultaneously receiving a financial benefit. He should have recused himself, alerted his supervisor and had Rothschild handle the claim.

b. Haase's son worked for Annuzzi Concrete; Haase steered business to Annuzzi and approved claims by Annuzzi

Haase's son Nicholas Haase worked for Annuzzi Concrete for an unknown period starting in 2004. (In June 2011, he started as a DPW street inspector.) Haase's email contains a letter of recommendation for Nicholas Haase from Mel Annuzzi, the owner of Annuzzi Concrete, dated March 27, 2012. (Mel Annuzzi attended the April 19 lunch at Boulevard with Jeff Yee discussed above.)

**Memorandum
Privileged & Confidential**

TO: DENNIS J. HERRERA
CC: TERRY STEWART
DATE: July 18, 2012
PAGE: 22
RE: DRAFT REPORT OF INVESTIGATION

A month before Mel Annuzzi wrote this letter of recommendation, Haase used his discretion to hire Annuzzi to address a problem on City property. He initiated a claim and paid Annuzzi for this work. The report Haase wrote to support this payment (12-01693) states:

This REALEST [Department of Real Estate] matter involves a City lot located on Guy Place that has been flooding private property behind it. Director of Real Estate John Updike requested we get a contractor to remove the asphalt, concrete & debris from the lot so the lot has some drainage. Updike is arranging to get another contractor to install a pump. This all relates to Claim 12-01342. The private property owners got tired of the City not resolving the flooding problems. I sent releases in the amount of \$6,826.71 to resolve this matter.

Annuzzi Concrete signed the release. It is not clear what claims Annuzzi purported to release, since the clean-up work was done on City-owned property.

It is our understanding that the clean-up should have been done by a DPW crew under a Department of Real Estate work order or by a City contractor rather than handled through the claims process. Moreover, Haase chose to call his son's employer rather than a contractor who did not employ his son. The claim file does not explain how the cost for the work was set. Finally, we should ask Haase why he elected to use the claims process to hire Annuzzi to remove debris when the Department of Real Estate apparently was using the normal City process to "get another contractor to install a pump" in the vacant lot.

In two other claims (08-0323 and 09-01570), Haase paid a total of \$2,750 to Annuzzi for concrete work to repair a private sidewalk. Again, Annuzzi signed the releases even though it did not have standing to release the claims. These claims also raise other issues that warrant investigation.

Haase also approved two other payments to Annuzzi totaling an additional \$1,950 while his son worked for Annuzzi and approved three claims by Annuzzi before Annuzzi hired his son.

We have not investigated the Annuzzi claims beyond reviewing the claims files and related documents. We have not talked to Haase. We do not know whether Haase informed Rothschild of his connection to Annuzzi or whether he asked Rothschild to sign off on the propriety of the claims.

We note that the vast majority of the upper lateral claims involved replacing concrete sidewalk flags. It may be appropriate to investigate whether the various plumbing companies that did the sewer repairs subcontracted with Annuzzi and therefore Annuzzi directly benefitted from Haase's "tree root program."

5. Additional areas of concern

We have identified two other areas of concern separate from Haase's handling of sewer claims.

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a. Haase failed to grasp the significance of the PG&E cross-bore issue and to alert the Office

During our interview with Lewis Harrison, he mentioned that "Attorney Haase" was advising him about possible claims against PG&E arising out of cross-bores. A cross-bore is created when PG&E does lateral boring to install new gas supply lines. In some instances, PG&E fails to identify and avoid PUC sewer lines and the gas lines cut across PUC sewers. This creates serious safety issues. PUC has incurred significant costs in identifying and correcting cross-bores. Harrison told us that Haase volunteered to compile cross-bore-related claims against PG&E and to negotiate a resolution of these claims with his counterpart in the PG&E claims office. According to Harrison, Haase told him that the PUC could not assert claims over a certain number of years old and that the PUC could only recover repair costs, not overhead costs such as those associated with inspecting the sewer system or planning repairs. This advice appears to be incorrect.

Haase is a senior member of this Office. He should have understood the significance of the cross-bore issue and known to alert the PUC attorneys and other attorneys in the Office working on PG&E matters. Moreover, he should not have purported to give legal advice. Haase should be asked about this.

b. There are issues with Haase's reporting of his time

Haase routinely bills in excess of ten hours per day. He typically bills four hours a day to DPW Administration General Advice (two hours to Investigation and two hours to Claims Analysis) and four hours a day to DPW Street Repair General Advice (also two hours to Investigation and two hours to Claims Analysis). The remaining two plus hours typically are billed to one or two specific matters. No description of the work is provided.

Our review of Haase's email identified at least two days in May 2012 that appear to warrant additional investigation into his billing practices. On May 1, Haase billed 11.75 hours but told a friend in an email that he would be leaving work at 2:45 p.m. to go work out. Even assuming that Haase followed his normal practice of starting work very early in the morning, he could not have worked 11.75 hours before 2:45 p.m. On May 3, Haase billed 11 hours but stated in an email message to his daughter that he would be attending the San Francisco Giants game that day. The Giants played the Marlins that day and the game started at 12:45.

Haase has the reputation of working long hours. Therefore, these possible billing irregularities could well be innocent or isolated and not warrant further inquiry. However, Haase works in a satellite office and no one directly supervises his work or signs off on his billing.

B. FAILURE OF OVERSIGHT

Haase was able to implement his "tree root program" because he was essentially unsupervised. No one at the City Attorney's Office understood his approach to sewer claims. There was no meaningful review of his work product or his handling of specific claims. This lack of oversight may have prompted Harrington's comment in a meeting with Stewart and Hooper that "I need risk managers, not paper pushers."

City procedures required that Rothschild review each settlement and sign off on each payment. City Law shows that he spent .25 hour reviewing each claim file. However, this is an

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administrative fiction. Rothschild's actual review was much more cursory and was focused on formalities (e.g. whether there was a signed release in the file) rather than on the substance of the factual and legal issues involved.

Rothschild trusted Haase and gave him broad authority over sewer claims. Rothschild did not interpose his independent judgment or review. This is understandable in some respects. When Rothschild became Chief of the Claims Division, Haase already had been handling sewer claims for years. Haase works in a satellite office which presents challenges to day-to-day supervision. The knowledge necessary to understand the sewer claims is somewhat specialized and technical. Haase values and protects his independence and encourages Rothschild to delegate responsibility to him. Moreover, as the Assistant Chief of the Division, Haase steps in for Rothschild when he was on vacation or on leave.

Likewise, neither DPW nor PUC management understood how Haase was handling sewer claims. To be sure, they received substantive reports from this Office and signed off on each settlement. They knew the high, and increasing, cost of sewer claim settlements. They had the information available to them that should have alerted them to the problems we have now identified. They too abdicated responsibility for independent oversight and review.

FURTHER INVESTIGATION

Given the scope and serious nature of issues we have uncovered thus far, further investigation should be considered. Throughout this report, we have identified specific issues that need follow-up. Cothran, Jensen and Blachman are prepared to present a detailed investigation plan if requested. Below we discuss general areas of inquiry:

- As noted at several points in this memorandum, we have not asked Haase about every issue of concern. Haase should be given the opportunity to address these points.
- The ownership of the most active plumbing companies should be examined and we should explore possible connections between them and City employees, including Haase, Devincenzi and (former employee) Casey.
- Although we have spoken with Rothschild, we have not interviewed any other City Attorney's Office employees. At a minimum, we should interview Brian Cauley, Frank Taylor and Joe Spohn. We should determine what they knew about the sewer claims at issue here and we should do due diligence assure ourselves that they have not approved the payment of claims in which they have a financial interest.
- We should examine Haase's documents and emails on the DPW servers.
- We should consider reviewing the records of Haase's City-issued mobile phone.
- We have done very little investigation of DPW and PUC employees. We have not looked at all at Frank Casey, the DPW inspector who worked closely with Haase for many years and was personally involved in approving hundreds of claims. (We have been told that Casey's daughter dated the owner of one of the involved plumbing companies.)
- We should examine Devincenzi 's DPW documents and emails as well as Casey's, if they still exist.

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CC: TERRY STEWART
DATE: July 18, 2012
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- Some of the improper practices (e.g. failing to obtain releases from parties with standing) may not be limited to the sewer claims we are investigating. A broader review of Haase's handling of claims may be appropriate.
- We should examine whether the plumbing company charges are inflated. The PUC's JOC program sets the allowed cost of sewer replacement and repair work and we should compare these costs with what the plumbing company charged in the claims.
- We should further investigate Drainbusters and identify and interview employees or former employees.
- We should interview Sidney Silberberg, who told us on July 217 that he is willing to talk to us.
- We should investigate the possible connections between Haase and Mel Annuzzi, the owner of Annuzzi Concrete.

RECOMMENDATIONS

At your request, we make the following recommendations:

I. POLICY CHANGES

The department heads have determined, as a policy matter, that they want sewer claims handled differently.

Harrington directed his staff that they are not to use the claims process to repair lower laterals. There should be relatively little difficulty in implementing this policy directive. We may be asked to advise the PUC regarding the options available under Chapter 6 to perform emergency repairs. In addition, John Roddy already is working with PUC to draft legislation that coincidentally would address issues related to lower lateral repairs.

Nuru stated that he will not approve settlements to replace upper laterals infiltrated by the roots of City trees. This policy reversal poses significant challenges. We should expect that homeowners (either on their own initiative or at the instigation of plumbing companies) will challenge the new policy. They will argue, persuasively, that all of their neighbors were paid to upgrade their sewers and will question why they are being treated differently. We may face lawsuits, including small claims court cases. We should prepare for this likelihood now. (For example, we are in the process of identifying and retaining an expert on the causation issue.) We should also expect challenges from the affected plumbing companies. City-funded upper lateral replacements are a significant source of revenue for a number of companies.

Those affected by the policy changes are likely to involve their Supervisor and/or the Mayor's Office and we should expect press interest. We should work with DPW to prepare a coordinated explanation for why and how the policy change is being implemented. The issue is likely to surface publically within the next month. For example, at least one homeowner on Van Ness has contacted Supervisor Farrell about her sewer problem. DPW has asked our advice on how to handle these types of inquiries.

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II. CITY ATTORNEY'S OFFICE

1. Haase should move to Fox Plaza and be directly supervised

The issues identified in our investigation are attributable in large measure to the fact that Haase worked without meaningful oversight or supervision. Haase's office should be moved from Stevenson Street to the seventh floor at Fox Plaza. Physical proximity will make it easier for Rothschild to supervise him and will reinforce to Haase that he is part of a legal office and answerable to his supervisor. Moving Haase to Fox Plaza also will address concerns about Haase's work hours. You could consider requiring Haase to sign in and sign out, at least in the short-term.

2. Haase should no longer supervise or direct DPW personnel

Now that Nuru and Sanguinetti understand that Devincenzi is a DPW employee, not a City Attorney's Office employee, they will exert more control over his activities. You should consider whether it is appropriate for a DPW employee to continue to function as a claims investigator. This arrangement appears to be unique among the departments. Typically, this office notifies departments of claims and those departments conduct their own internal investigations (or in the case of Muni, work with our investigators). Allowing Devincenzi to serve two roles – DPW employee and City Attorney's Office investigator – blurs the differences in the two roles and contributes to the problems we identified. DPW has just provided us with a draft MOU governing Devincenzi's work that may address some of these issues.

3. Haase should be retrained

We should ensure that Haase truly understands and internalizes the departments' new policy directives. There is evidence that Haase and the DPW and PUC employees with whom he works are still clinging to the prior practices. For example, earlier this month Devincenzi, Haase and Rothschild recommended to Terry Stewart that the City pay a claim to replace an upper lateral at 76 Noe that had been "destroyed" by a City-owned tree. Devincenzi, who works under Haase's direct supervision, stated in an email that he "informed Mr. Smith who is the son in-law of the property owner that I will try to get it repaired." On July 10 a PUC employee told another homeowner that he should use the claims process to expedite a repair on the lower lateral in front of his house. The recommendation to pay to replace an upper lateral and the invitation to file a claim to repair a lower lateral violate Nuru's and Harrington's directive dated June 20 and will complicate efforts to explain the new policies to the public.

There is some evidence that Haase is discussing this investigation with DPW and PUC managers and may be attempting to persuade them that Nuru's and Harrington's directive to halt these practices is misguided. This could explain why the DPW and PUC employees who work with Haase are confused and acting as if nothing has changed. It is understandable that Haase is upset and concerned about this investigation, but as a senior manager he should realize that, if he is indeed talking to the departments, there is a real risk of confusing the clients and undercutting efforts to reform the City's policies. Moreover, the City's failure to speak with one voice could encourage litigation by homeowners whose claims are denied.

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Haase also should be retrained on proper claims handling procedures. For example, he should receive instruction on what constitutes a proper release and what parties have standing to sign releases.

4. Attorneys should carefully review all claims settlements

Attorneys who approve settlements recommended by Haase should be instructed to carefully review the file, to request the original supporting documents and evidence and to test the accuracy of factual statements. They need to understand that they must exercise independent legal judgment and not simply adopt Haase's recommendations. This includes Trial Team attorneys who sign off on the settlement of large personal injury claims, as well as Rothschild.

5. A top-to-bottom review of the procedures of the Claims Division should be conducted

There is little reason to believe that the shortcomings we identify above are limited to the sewer claims. Indeed, many of the issues (e.g. lack of meaningful supervision of Haase, a failure to understand the legal necessity of valid releases, etc.) are likely present across the board. It is incumbent on the Office to clean its own house and ensure that these shortcomings are addressed. In any case, we have indications that the sewer claims have prompted DPW and/or PUC (Ed Harrington) to ask the Controller's Office to conduct an audit of the Claims Division.

6. Consideration should be given to reprimanding, demoting or otherwise disciplining Haase

Haase is the Assistant Chief of the Claims Division and as such enjoys both a great deal of power and has a great deal of responsibility. His handling of the Yee and Annuzzi Concrete claims, even if these are isolated and unique situations, raise serious concerns about, at a minimum, his judgment. Haase also had an obligation to alert the Office to the fraudulent practices that pervaded the upper lateral claims and to halt those practices. His failure to do so raises significant questions. Separate from these issues, the sewer claim files are fraught with practices that fall far below the quality of work that should be expected of a senior employee. These issues may mandate discipline even if, as seems likely at this point in the investigation, Haase had understandable reasons for paying upper lateral claims and using the claims process to expedite lower lateral repairs. In determining whether discipline is appropriate, you should consider that this Office failed to provide Haase with any significant supervision or guidance and therefore bears significant responsibility.

III. LAWSUITS AGAINST PLUMBING COMPANIES

We should consider suing those who engaged in fraud and unfair business practices, in particular Sidney Silberberg and Drainbusters. A suit would protect the public from future predatory conduct. It would also serve as a vehicle to explain to the public why the City changed its policy regarding upper sewer laterals and City trees. Unfortunately, it seems unlikely that a lawsuit would be successful. The defendants would argue persuasively that their conduct was not only known to and endorsed by the City Attorney's Office, but that they often were directed by this Office to do what they did. While this argument is not a legal defense, it likely would have traction with a judge or jury. It also seems unlikely that the defendants have significant assets, although this would have to be confirmed.

From K. Klueser
2/23/12

March 2011

Most sewer lines running from a residence or business to the City of San Francisco main sewer line in the center of the street are the financial responsibility of the property owner. The City of San Francisco has accepted financial responsibility for certain sewer lines where the city has planted trees between the sidewalk and the curb and gutter and blockage to the sewer line is caused by those plantings. A few plumbing contractors have historically contacted homeowners unsolicited alleging their sewer has been damaged by tree roots and they will replace or repair it and submit the bill to the city for reimbursement at no cost to the homeowner. The plumbing contractor makes this allegation knowing that there is no damage to the sewer line.

I know this because I have been in the business of street excavation for many years in San Francisco. I also own a piece of rental property where I recently replaced the entire sewer line from the property to the city sewer connection. I received one of these calls in January regarding our sewer. The private plumbing contractor claimed to see damage caused by tree roots using TV equipment. I knew his statements to me were not correct because (1) I had recently replaced the entire line and (2) I was not experiencing any problems with the sewer line. I told him that there were no problems and ceased the conversation.

Over the years I have heard rumors within the construction industry in San Francisco that inappropriate claims were being submitted and paid by the City and County of San Francisco City Attorneys Office, specifically Mike Haase of the claims department.

The streets I am aware of where unnecessary repairs have been made (but not limited to) are Alemany Blvd., Monterey Blvd., and California St.

The Contractors I have heard rumors to this effect are (but not limited to) Discount Plumbing, Economy Plumbing and Bell Plumbing. These three companies are coordinating work together.

INTERVIEWS CONDUCTED AS OF JULY 18, 2012:

City Employees

Mike Haase, City Attorney's Office
Dave DeVicenzi, Senior Claims Inspector, DPW Claims Division
Ed Reiskin, MTA – Director of Transportation
Jose Banaria, PUC – Senior Construction Inspector
Tommy Moala, PUC – Assistant General Manager, Wastewater Enterprise
Lewis Harrison, PUC – Collections System Division Manager
Carla Short, DPW – Urban Forester
Jerry Sanguinetti, DPW – Manager, Bureau of Street Use and Mapping
Officer Robin Odum, SFPD Bayview Station
Officer Susan Lavin, SFPD Bayview Station
Sergeant Eddie Hagan, SFPD SID

Claimants

Heidi Lee, 10-00613 and 10-03203
Odilon Vasconcellos, 11-01559
Teresa Alcantara, 11-00240 and 11-01499
Linda Lam, 09-03252 and 10-00361
Anne Alton, 08-01761, 08-02323 and 09-01570
Danilo Prado, 12-02171
Waldo Johnson, 12-01630 and 12-01678
Anna Danich, 09-03227
Jeff Yee, 12-02637
Donald Sisk, 11-02274
Patricia Orlando, 12-02439
Jim Naylor, 12-02723, 12-02724, 12-02725 and 12-02726
Ligaya Talao, 12-02578
Eddie Bautista, 12-02579 and 12-02584
Juarte Raulinaitis, 12-02712
Kieran Buckley, 12-02504
Ben Molina, 12-02694
Richard Duncan, 12-02576
Kristen Haller, 12-02365
Lena Taylor, 12-02765
Louise Morris, 12-02692
Jay Watan, 12-02382
Tony Delorio, 12-02467
Jerold Abrams, 12-02629
Mary Salome, 12-02854
Lane Jenkins, 12-02790
Sandy Oxley, 12-02799
Huong Kim Nguy, 12-02710
Martha Meng, 12-02536
Attilio Cosgrove, 12-02518
Sapna Boze, 12-02865
Brian Liles, 12-02892
Steven Yip, 12-02601
Jonina Simpson, 12-02218 and 12-02614
Jeffrey Schaadt, 12-02618
Maks Rozetti, 12-02760
Alfredo Layug, 09-03251

document1

Others

Confidential Plumbing Industry Insider

Letesa "Elsie" Bruce, 1455 Innes

Michael Zack, 11-01559

Maria Moreno, 10-03085 and 11-00248

William Reichmann, 12-01965

Rosemary Woo, 645 Bosworth

Karis McFarlane, PhD in Forest Soil Science

Richard Carter, 11-02165

Calvin Schneider, 3198 18th Street

document1



San Francisco
Water Power Sewer
 Services of the San Francisco Public Utilities Commission


1155 Market Street, 11th Floor
 San Francisco, CA 94103
 T 415.554.3155
 F 415.554.3161
 TTY 415.554.3488

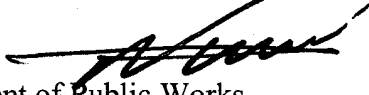
June 20, 2012

To: Tommy Moala
 Assistant General Manager, Wastewater

✓ Joanne Hooper
 Chief Trial Deputy

Matthew Rothschild
 Deputy City Attorney

From: Edward Harrington 
 General Manager, San Francisco Public Utilities Commission

Mohammed Nuru 
 Director, Department of Public Works

Re: Attorney Client Communication Wastewater Claims Process

Until further notice, payment of any claim alleging damage to sewers from tree root intrusion must be authorized in advance by Mohammed Nuru and Ed Harrington. This includes both upper and lower sewer laterals. No one is authorized to "pre-approve" these claims or otherwise represent to anyone that they will be paid.

EH/am

Edwin M. Lee
 Mayor

Anson Moran
 President

Art Torres
 Vice President

Ann Moller Caen
 Commissioner

Francesca Vietor
 Commissioner

Vince Courtney
 Commissioner

Ed Harrington
 General Manager



Calendar Year	Alleged Cause	Count	Amount
2002	1020: Tree Maintenance	56	\$141,974.24
2003	1020: Tree Maintenance	64	\$260,035.00
2004	1020: Tree Maintenance	200	\$1,108,991.94
2005	1020: Tree Maintenance	174	\$1,020,669.17
2006	1020: Tree Maintenance	242	\$1,662,764.54
2007	1020: Tree Maintenance	313	\$2,457,096.70
2008	1020: Tree Maintenance	305	\$2,401,462.86
2009	1020: Tree Maintenance	395	\$3,375,244.78
2010	1020: Tree Maintenance	466	\$4,062,704.48
2011	1020: Tree Maintenance	359	\$2,837,096.93
			\$19,328,040.64

Calendar Year	Alleged Cause	Count	Amount
2002	9103: Sewer - Property Damage	146	\$959,929.33
2003	9103: Sewer - Property Damage	120	\$928,086.40
2004	9103: Sewer - Property Damage	58	\$323,698.42
2005	9103: Sewer - Property Damage	66	\$467,107.53
2006	9103: Sewer - Property Damage	59	\$424,366.39
2007	9103: Sewer - Property Damage	19	\$427,486.54
2008	9103: Sewer - Property Damage	34	\$249,503.23
2009	9103: Sewer - Property Damage	32	\$167,098.57
2010	9103: Sewer - Property Damage	56	\$492,808.41
2011	9103: Sewer - Property Damage	50	\$400,233.13
			\$4,840,317.95

Calendar Year	Alleged Cause	Count	Amount
2002	1020: Tree Maintenance	56	\$141,974.24
2002	9103: Sewer - Property Damage	146	\$959,929.33
2003	1020: Tree Maintenance	64	\$260,035.00
2003	9103: Sewer - Property Damage	120	\$928,086.40
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2010	9103: Sewer - Property Damage	56	\$492,808.41
2011	1020: Tree Maintenance	359	\$2,837,096.93
2011	9103: Sewer - Property Damage	50	\$400,233.13
		3214	\$24,168,358.59

DPW SETTLEMENT OF CLAIMS REPORT
Fiscal July 2011 - June 2012




	BSM	BSES	BSSR	BBR	DBI	OFFMA	BOE	BOA	MUNI	BERM	BCM	MISC OR OTHER DEPT	PUC	BUF	TOTALS
SIDEWALK	7	0	0	0	0	0	0	0	0	0	0	0	0	22	29
FALLS	47,484	0	0	0	0	0	0	0	0	0	0	0	0	502,400	549,884
ROADWAY	0	0	12	0	0	0	0	0	0	0	0	0	0	1	13
FALLS	0	0	121,641	0	0	0	0	0	0	0	0	0	0	9,000	130,641
VEH. DAMAGED	0	0	47	0	0	0	0	0	0	0	0	0	12	0	59
BY ROADWAY	0	0	252,082	0	0	0	0	0	0	0	0	0	5,277	0	257,359
TIRES DAMAGED	0	0	32	0	0	0	0	0	0	0	0	0	0	0	32
BY CURBS	0	0	4,734	0	0	0	0	0	0	0	0	0	0	0	4,734
CITY VEHICLE	0	25	12	4	1	0	4	1	0	0	4	1	6	5	63
ACCIDENTS	0	119,681	25,897	7,015	1,067	0	16,860	836	0	0	14,007	750	9,689	15,239	211,041
DAMAGES CAUSED	0	2	9	1	0	0	0	0	0	0	1	1	15	5	34
BY OPERATIONS	0	6,411	79,034	7,013	0	0	0	0	0	0	5,000	900	86,690	3,565	188,613
CITY	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CONTRACTS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MISC.	1	1	0	0	0	0	0	0	0	0	0	9	17	0	28
DAMAGES	200	400	0	0	0	0	0	0	0	0	0	30,504	119,649	0	150,753
FLOODING	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DAMAGES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TREE	0	0	0	0	0	0	0	0	0	0	0	0	0	326	326
PROBLEMS	0	0	0	0	0	0	0	0	0	0	0	0	0	2,297,181	2,297,181
	8	28	112	5	1	0	4	1	0	0	5	11	50	359	584
TOTALS	47,684	126,492	483,388	14,028	1,067	0	16,860	836	0	0	19,007	32,154	221,305	2,827,385	3,790,206

DPW/CITY ATTORNEY CLAIMS DIVISION

Monthly Claims Report to SFPUC for April 2012

PRIVILEGED CONFIDENTIAL ATTORNEY / CLIENT COMMUNICATION

Section 1: Unlitigated Claims between \$5,000 and \$25,000

<u>Claimant(s)</u>	<u>Claim# (PUC Claim#)</u>	<u>Incident Date</u>	<u>Employee</u>	<u>Division</u>	<u>Location</u>	<u>Amount</u>	<u>Alleged Cause</u>	<u>Brief Description</u>	<u>General Manager Approval</u>
1 Hagg, Jeff	11-00882	25-Mar-10		WRO	Goppino's- 400 Jefferson St., SF	\$22,500.00	Sidewalk Maintenance	A main break at 400 Jefferson created an uneven sidewalk. SFWD barricaded the area and scheduled repairs. However, the barricades were removed by vandals and claimant Hagg, a tourist from Oregon, fell and sustained head and leg injuries. Repairs were made to the sidewalk the next day. Meds to date \$13K with possible future surgery. Wage loss \$4K. Demand \$110K.	
2 LaFrance, Steven	12-02164	16-Mar-12		CWP	Back and side yard, 150 Yerba Buena Ave, SF	\$15,000.00	Sewer - Property Damage	Broken sewer overflowed down steep hill and flooded claimant's expensive garden and patio. The landscaping was completed right before the flood. The area had to be decontaminated and the plants replaced. PUC Operations OK'd refurbishing. Demand \$16,225.	
3 Callow, Steven D.	12-02023	01-Feb-12		CWP	2838 Union St., SF	\$8,000.00	Sewer - Property Damage	PUC Sewer Operations OK'd replacement of broken side sewer lateral and sidewalk trap after continuous sewer back ups.	

Send to PUC - Ed Harrington, Todd Rydstrom, and Nancy Hom.
 cc: Michael Carlin, Donna Hood and Noreen Ambrose
 Return to City Attorney's Office with GM approval to Matthew Rothschild and Noreen Ambrose