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October 9, 2006

To the Honorable Common Council
Of the City of Milwaukee
Room 205 – City Hall

Re: *South Star, Inc. v. City of Milwaukee*
Case No. 05CV002680

Dear Council Members:

We return the enclosed document, which has been filed with the City Clerk, and ask that it be introduced and referred to the Committee on Judicial and Legislation with the following recommendation:

The plaintiff, South Star, Inc., alleges that the City of Milwaukee breached its contract with plaintiff in failing to pay certain additional charges for work performed under the contract by South Star, Inc. The City entered into the agreement with South Star, Inc. to construct a section of water main because the then-existing main was damaged during demolition of the Park East freeway spur. South Star, Inc. began its work in early April 2003 and completed it in late June 2003.

Sometime after completion, however, the City received complaints from WE Energies that water was entering its nearby steam tunnel. This led to the discovery that the water main joints that had been installed connecting the new section of water main to existing portions of the water main were leaking. Those joints had been installed by South Star, Inc. The leaks were determined to be the result of improperly sized rubber gaskets at those joints.

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South Star, Inc. had to contract with another concern in order to excavate the joints and repair them. South Star, Inc. claimed that it incurred slightly in excess of \$52,000 to obtain that work.

In defense of this claim, the City contended that the leaks were the product of poor workmanship by South Star, Inc. in that it should have noted the improper fitting of the gaskets. South Star, Inc. countered, however, that the Milwaukee Water Works had supplied the gaskets to it, that the City was obligated to provide these necessary materials, and that the City inspectors had failed to note any problems with the leaks during the construction process. South Star, Inc. claims, further, that it incurred unwarranted expenses because no testing on the joints was performed by the City prior to the filling of the construction trench and pavement of the road over the main.

Prior to the trial of this matter, the parties entered into settlement negotiations under the auspices of a mediator. Those negotiations resulted in a proposed settlement agreement of the claim in the amount of \$24,000.

Because settlement of this matter is deemed expeditious to the City of Milwaukee, we recommend payment of the proposed settlement amount and have enclosed an appropriate resolution for your convenience.

Very truly yours,

GRANT F. LANGLEY
City Attorney

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Encs.

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