

Watsonville settles bill for sewer plant

By JAMIE MARKS
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WATSONVILLE — The city has ended a two-year legal battle with a subcontractor over its sewage-treatment plant, agreeing to pay an additional \$2.7 million to settle out of court.

The subcontractor, Fru-Con Construction Corp., had submitted a cost overrun bill of nearly \$12 million in 1988 for the sewage-treatment project, which was completed last year.

The cost of upgrading the sewage-treatment plant from "primary" to "advanced-primary" treatment was about \$22.5 million before the settlement, said Assistant Public Works Director David Koch.

Faced with the enormous bill from Fru-Con, the city hired a San Francisco law firm to try to negotiate a settlement.

In marathon meetings during the past two weeks, Koch and City Manager John Radin put the finishing touches to the agreement. Fru-Con signed the settlement Monday, Koch said.

"We were real pleased with it," said Mayor Todd McFarren. "And I think John (Radin) felt good about getting it done before he leaves."

The city manager has only one or two more council meetings before he retires June 1. Radin is currently on vacation for three weeks.

The agreement calls for Fru-Con to receive \$2.7 million in the next 45 days. Koch said about \$1.05 million of that will be paid by the project engineer, James Montgomery Consulting Engineers, Inc.

The remainder, \$1.65 million, will have to be paid out of the sewer enterprise fund, which is financed by sewer fees. Because the sewer fund doesn't have that amount in it, Koch said the city will have to refinance its sewer bonds.

The city may also apply for a low-interest loan from the state to pay its cost of the settlement, but that would have to be approved by city voters, Koch said.

The agreement also calls for the city to pay Fru-Con an additional \$1.23 million within seven days. That money has been withheld by the city and is not part of the cost overruns claimed by Fru-Con, Koch said.

Asked what he thought about the agreement, Koch said, "You're never happy when you have to pay out more than the contract, but considering all the possibilities, it probably was a good settlement for the city."

Koch estimated it would have cost the city \$1 million in legal fees and taken several years if the case had gone to trial.