



1

## Background – Anvil Close-out Settlement

- City Noticed Substantial Completion April 2023
- City proceeded to engage in final closeout terms concurrent to Anvil completion of punch-list
  - Negotiation centered around several outstanding PCOs and claim
  - City's position that some elements lacked adequate backup, and dollar value of the claim lacked merit.
- City offered settlement, and Anvil agreed to terms
  - Final settlement offer was never signed by Anvil

MORRO BAY  
**OUR WATER**  
RELIABLE. CLEAN. FOR LIFE.

2

## Re-Set: Previous Settlement Process

MORRO BAY  
**OUR WATER**  
RELIABLE. CLEAN. FOR LIFE.

3

## Anvil's Final Amendment Request



MORRO BAY  
**OUR WATER**  
RELIABLE. CLEAN. FOR LIFE.

4

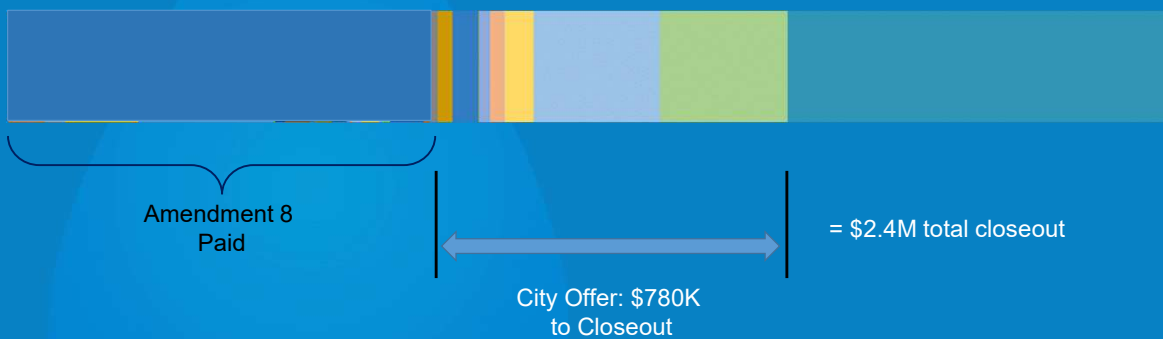
## Amendment 8 Approved 24-May-2023



MORRO BAY  
**OUR WATER**  
RELIABLE. CLEAN. FOR LIFE.

5

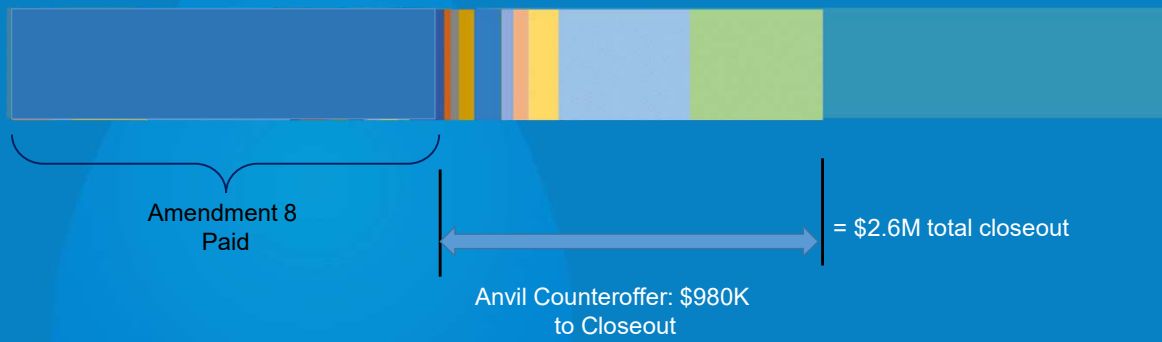
## City Settlement Counteroffer Against Remainder of Total Claims



MORRO BAY  
**OUR WATER**  
RELIABLE. CLEAN. FOR LIFE.

6

## Anvil Closeout Counteroffer



MORRO BAY  
**OUR WATER**  
RELIABLE. CLEAN. FOR LIFE.

7

## Closeout Options Considered June 2023

MORRO BAY  
**OUR WATER**  
RELIABLE. CLEAN. FOR LIFE.

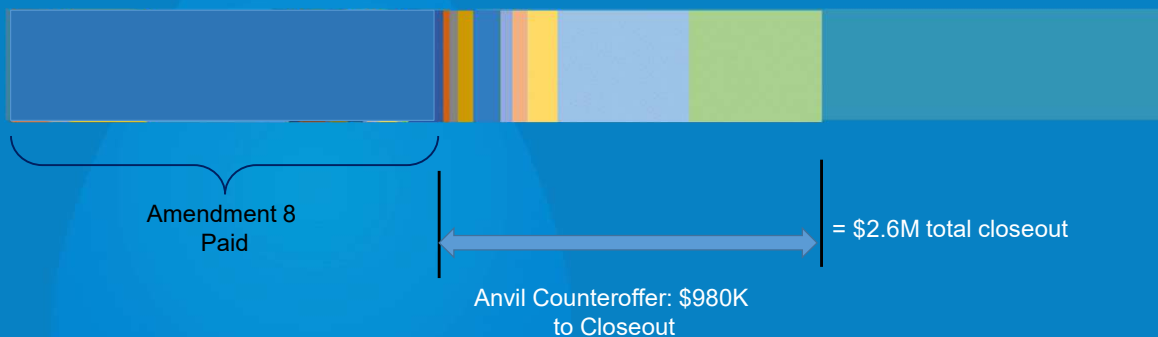
8

## Option 1 – Reject Anvil’s Offer

- High risk of Anvil choosing litigation for remaining \$2.6M
- City’s total cost of litigation and settlement will exceed current \$200K difference between City offer and Anvil best and final offer

9

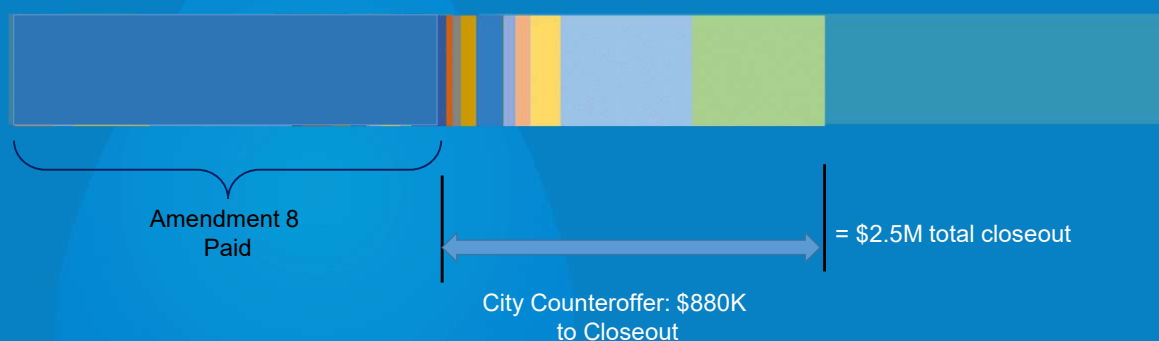
## Option 2 – Accept Anvil’s Offer



- Majority amount of Anvil counteroffer focused on acceleration claim which does have merit

10

## Option 3 – Split Difference



- Follows previous negotiation strategy for change orders

MORRO BAY  
**OUR WATER**  
RELIABLE. CLEAN. FOR LIFE.

11

## Negotiation Outcome

- City offered Option 3 - \$880K final close-out.
  - City to retain \$200K (separate from \$880K) and apply if necessary for additional work on outfall pipeline
- Anvil accepted terms, but did not sign the contract close out document
  - Anvil interpreted language in the close-out document to present future risk/cost

MORRO BAY  
**OUR WATER**  
RELIABLE. CLEAN. FOR LIFE.

12

## Current Status

- Anvil has reconsidered the close-out document language, and is ready to sign the close-out offer
  - City to pay \$880K, and retain \$200K (separate from \$880K)

13

## Other Considerations

- Outfall pipeline hydraulics still not resolved
- Water Works contends hydraulic constraints are construction related
  - Other analyses suggest construction is not the root cause
- Additional time required to resolve outfall hydraulics and basis of design
- Settlement can proceed absent final resolution to outfall hydraulics
  - City retains \$200K until resolution confirmed

14

## Recommendation

**Finalize Settlement with 2023 Option 3 - \$880K**

**Retain \$200K until outfall hydraulic resolution is confirmed**

MORRO BAY  
**OUR WATER**  
RELIABLE. CLEAN. FOR LIFE.

15

## Questions and Discussion

[wrfinfo@morrobayca.gov](mailto:wrfinfo@morrobayca.gov)

877-MORROBAYH2O (877-667-7622)

[morrobaywrf.com](http://morrobaywrf.com)

MORRO BAY  
**OUR WATER**  
RELIABLE. CLEAN. FOR LIFE.

16