TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER
DATE: FEBRUARY 5, 2007
DEPARTMENT: UTILITIES
SUBJECT: REPORT OF CITY MANAGER ACTION FOR THE CITY AS A SUBURBAN REPRESENTATIVE IN ITS WATER CONTRACT WITH SAN FRANCISCO

This report is for information only. No Council action is required.

DISCUSSION
On December 12, 2005, the Council delegated to the City Manager the authority to execute certain documents for the City of Palo Alto under the Settlement Agreement and Master Water Sales Contract (Contract) with San Francisco when the City acts as a Suburban Representative [CMR:434:05]. The City Manager exercised that authority when his designee signed a Memorandum of Understanding (MOU) regarding the annual audit for the calculation of the Suburban Revenue Requirement for FY 2005-06.

The Suburban Revenue Requirement is the amount the contract allows San Francisco to collect from the suburban purchasers, the group of agencies that purchase water wholesale from the San Francisco regional water system. These same agencies comprise the membership of the Bay Area Water Supply and Conservation Agency (BAWSCA).

The Contract requires that a “compliance audit” be performed on San Francisco’s calculation of the Suburban Revenue Requirement each fiscal year. Each year, the Suburban Representatives may choose to conduct a “suburban review” of the compliance audit. BAWSCA staff recommended that the Suburban Representatives initiate a suburban review of the audit for the FY 2005-06 Suburban Revenue Requirement. This MOU contains the same general provisions as the one signed by the City Manager last year for the calculation of the Suburban Revenue Requirement for FY 2004-05. [CMR:137:06].

POLICY IMPLICATIONS
Signing the attached MOU was consistent with Council authority delegated to the City Manager. If any issues raised in the calculation of the FY 2005-06 Suburban Revenue Requirement cannot be resolved without going to arbitration, the Council will be asked to approve that action.
ATTACHMENT
Memorandum of Understanding Fiscal Year 2005-06 Revenue Requirement Compliance Audit

PREPARED BY:  

______________________________  
JANE RATCHYE  
Senior Resource Planner

DEPARTMENT HEAD:  

______________________________  
VALERIE FONG  
Director of Utilities

CITY MANAGER APPROVAL:  

______________________________  
EMILY HARRISON  
Assistant City Manager