TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER DEPARTMENT: UTILITIES
DATE: FEBRUARY 22, 2005 CMR:102:05
SUBJECT: FINANCE COMMITTEE RECOMMENDATION FOR APPROVAL OF THE CITY OF PALO ALTO PARTICIPATION IN THE CENTRAL VALLEY PROJECT CORPORATION

COMMITTEE REVIEW AND RECOMMENDATIONS

On October 28, 2003, the Finance Committee voted three to one, with Councilmember Freeman opposed, to accept staff and Utilities Advisory Commission’s unanimous recommendation that the Council approve the City becoming a participant in the Central Valley Project Corporation (CVP Corp).

Councilmember Freeman expressed concerns that: the City would put its money into the CVP Corp. and the City’s interests were “third-tier”; the focus of the organization was not clear; the benefit to the City was unclear; and the rationale of being prepared in case the Federal government chose to divest the CVP was based on fear and was unlikely to occur. Councilmember Freeman also expressed her opinion that Palo Alto was a relatively small entity compared to other members and also her concern about joining an organization that allows all CVP customers including water customers to join, which would have an impact on the wetlands and politically powerful farm districts.

Councilmember Kishimoto clarified that annual membership cost was about $5,000 per year, that project-by-project participation decisions would go to the Council and that Palo Alto could drop out of CVP Corp. membership at any time.

Mayor Beecham pointed out that the CVP Corp. was a tool for Palo Alto that offered a streamlined and improved method of addressing financing and that Palo Alto would maintain
control over choosing to participate in each individual product or project offered by the CVP Corp.

The motion recommending Council approval of joining passed with suggestions incorporated within it for the CVP Corp. to amend its bylaws in the following ways: 1) the annual report in Article 7 would be completed within 6 months of the end of the fiscal year; 2) add to item 4 that there would be an independent audit each year that would be part of the annual report; 3) in Article 8, Section 5, add that the fiscal year match that of most local government agencies (July 1, to June 30); and 4) under the Membership Agreement, add a policy that CVP Corp. investments conform to California codes for municipal treasury investments.

ATTACHMENTS

A: Resolution
B: CMR:468:03 Approval Of The City of Palo Alto Participation In The Central Valley Project Corporation. (CVP Corp)
C: Excerpt of minutes of Utilities Advisory Commission meeting
D: Membership Agreement
E: Excerpt of minutes from Finance Committee October 28, 2003 meeting

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