TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

DATE: MARCH 13, 2006

DEPARTMENT: UTILITIES

SUBJECT: CITY MANAGER ACTION FOR THE CITY AS A SUBURBAN REPRESENTATIVE IN ITS WATER CONTRACT WITH SAN FRANCISCO

This report is for the Council’s information only. No 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 he signed a Memorandum of Understanding (MOU) regarding the annual audit for the calculation of the Suburban Revenue Requirement for FY 2004-05. 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.

The Contract requires that a “compliance audit” be performed on San Francisco’s calculation of the Suburban Revenue Requirement for each fiscal year. The Contract also sets out procedures under which the audit must be performed. Beginning with the compliance audit for FY 1995-96, the Suburban Representatives and San Francisco agreed to modify certain audit procedures in the contract. Prior to conducting the FY 2004-05 compliance audit, the Suburban Representatives and San Francisco again wished to modify certain audit procedures in the Contract as described in the attached MOU.

POLICY IMPLICATIONS

Signing the attached MOU was consistent with Council authority delegated to the City Manager.
ATTACHMENT
Memorandum of Understanding Fiscal year 2004-05 Revenue Requirement Compliance Audit

PREPARED BY: Jane Ratchye, Senior Resource Planner

DEPARTMENT HEAD:
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CARL YEATS
Director of Administrative Services

CITY MANAGER APPROVAL:
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EMILY HARRISON
Assistant City Manager