TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER DEPARTMENT: UTILITIES
DATE: SEPTEMBER 11, 2006 CMR:340:06
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 his designee signed a letter on July 24, 2006 advising the San Francisco Public Utilities Commission (SFPUC) that the suburban representatives intend to review the calculations made to determine the costs allocated to the suburban customers for FY 2004-05. This was the third time that the City Manager has acted under this authority.

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 reviewed the FY 2004-05 compliance audit and recommended that the suburban representatives initiate a suburban review of the audit for the FY 2003-04 suburban revenue requirement. BAWSCA staff identified seven issues but expects that they can be dealt with without resorting to arbitration.

POLICY IMPLICATIONS
Signing the attached letter is consistent with Council authority delegated to the City Manager. If the issues raised cannot be resolved without going to arbitration, the Council will be asked to approve that action.
ATTACHMENT

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