

City of Brisbane

Agenda Report

TO: Honorable Mayor and City Council, City of Brisbane
President and Board of Directors, GVMID

FROM: Director of Public Works/City Engineer via City Manager

SUBJECT: Water Supply Contracts with the City & County of San Francisco

DATE: June 15, 2009

City Council Goals: To promote intergovernmental opportunities that enhances services and/or reduces cost of operations and services to city residents. (#10)

Purpose: To extend the existing water supply contracts with the City & County of San Francisco for a twenty-five year period.

Recommendation: Approve the following:

- 1) City of Brisbane Resolution No. 2009-27 "Adopting Findings for Purposes of the California Environmental Quality Act in Connection with Approval of a Water Supply Agreement with the City and County of San Francisco."
- 2) GVMID Resolution No. 2009-02 "Adopting Findings for Purposes of the California Environmental Quality Act in Connection with Approval of a Water Supply Agreement with the City and County of San Francisco."
- 3) City of Brisbane Resolution No. 2009-28 "Approving Water Supply Agreement with the City and County of San Francisco."
- 4) GVMID Resolution No. 2009-03 "Approving Water Supply Agreement with the City and County of San Francisco."
- 5) City of Brisbane Resolution No. 2009-29 "Approving Individual Water Sales Contract with the City and County of San Francisco."
- 6) GVMID Resolution No. 2009-04 "Approving Individual Water Sales Contract with the City and County of San Francisco."

Background:

The City of Brisbane and Guadalupe Valley Municipal Improvement District receive 100% of their water supply from the City & County of San Francisco (CCSF) via the water enterprise of the San Francisco Public Utilities Commission (SFPUC). (Attachment A provides a detailed historical background relative to the current contract terms between the city/district and CCSF.)

The city/district existing contracts expire June 30, 2009. On October 11, 2006, the Council/Board authorized the Bay Area Water Supply and Conservation Agency (BAWSCA) to negotiate on behalf of

the city systems for a Water Supply Agreement (WSA) with the City and County of San Francisco (City Council Resolution No. 2006-48, GVMID Board Resolution No. 2006-02). The governing board of each BAWSCA agency likewise authorized BAWSCA to negotiate on their behalf.

On February 23, 2009, BAWSCA CEO Art Jensen provided an update on the status of the negotiations to the Water & Sewer Subcommittee, City Manager, Administrative Services Director, and Director of Public Works/City Engineer. At that time, there were a few outstanding issues, which have now been resolved and incorporated into the final WSA.

On April 28, 2009, the SFPUC voted to approve the WSA; to authorize the General Manager of the SFPUC to execute the WSA with the Wholesale Customers; and to negotiate and approve the Individual Water Sales Contracts with the Wholesale Customers substantially in the form attached to the WSA.

A city staff summary of the highlights of the WSA is provided as Attachment B. A more detailed summary report prepared by Hanson Bridgett for BAWSCA is provided as Attachment C. There are three items which may be most important for the Council/Board to note:

- 1) Water Supply Guarantee. The City/District's existing supply guarantees remain intact; however, previously approved developments (i.e., NER, HCP at Sierra Point) will require nearly all current excess water availability. Future development will have to conduct unusually rigorous searches for additional water. BAWSCA is in the process of developing a Water Conservation Implementation Plan to provide reliable water supplies through 2018 while accounting for expected growth. As part of next year's workplan, BAWSCA also intends to develop a long-term water reliability plan, and may also be involved in facilitating the transfer of conserved water between agencies. At this point in time it is unclear if these efforts will be adequate to provide a reliable water supply for the Baylands development.
- 2) Water Shortage Allocation Plan. The 2009 WSA does not include a formal change to the 2001 Interim Water Shortage Allocation Plan; however, it does allow BAWSCA and its member agencies to develop a new allocation plan/agreement among themselves. This effort is also a workplan for BAWSCA in the next year.
- 3) The reduced rate water delivery quantities and prices are preserved.

The City and County of San Francisco is the "lead agency" under the California Environmental Quality Act (CEQA) with respect both to the Water System Improvement Program (WSIP) and the water supply elements incorporated into the new Water Supply Agreement. In that capacity, San Francisco has prepared and certified a seven-volume Program Environmental Impact Report (Final PEIR), and adopted detailed findings related to the environmental effects of the "Phased WSIP" approved by the SFPUC in October 2008, mitigation measures, and overriding considerations. The PEIR can be reviewed and downloaded at: http://www.sfgov.org/site/planning_index.asp?id=80530 . SFPUC's Resolution No. 08-0200 (CEQA findings), their Statement of Overriding Considerations, and the Mitigation, Monitoring and Reporting Program can be found at: http://sfwater.org/detail.cfm/MC_ID/18/MSC_ID/113/MTO_ID/340/C_ID/4189 .

The City/Board, along with the other wholesale customers that are cities or districts may be considered "responsible agencies" under CEQA with respect to approval of the long term Water Supply Agreement. Pursuant to CEQA Guidelines Section 15381, a responsible agency has discretionary approval power

over a project for which a lead agency has prepared an EIR. The Council/Board finds, via the attached resolution that the Final PEIR is adequate and that approval of the Water Supply Agreement is within the scope of the WSIP and Final PEIR.

Discussion:

While not perfect, the proposed Agreement is significantly better than the 1984 Agreement, and provides known parameters for the delivery of Hetch Hetchy water to the Brisbane systems through June 30, 2034. If the Council/Board chose to not approve the Agreement and Water Sales Contract, the City/District would be required to begin the process of attempting to unilaterally negotiate new agreements and contracts with CCSF.

Fiscal Impact:

Signing these contracts does not in and of itself increase the cost of water. Changes in the cost of wholesale water are calculated annually pursuant to the methodology in the Agreement. It is expected that all users of Hetch Hetchy water will see significant rate increases as the multi-billion dollar WSIP projects are constructed. This new agreement does change the manner in which the portion of the rates to repay CCSF for funds paid to construct capital projects is calculated. In the 1984 Agreement, capital costs were paid under the "utility method" wherein the wholesale customers paid depreciation and a rate of return on projects once they were completed. As this method resulted in occasional severe spikes to rates, the 2009 Agreement collects future capital costs based on the "cash method" wherein the wholesale customers pay their proportionate share of SFPUC's annual debt service.

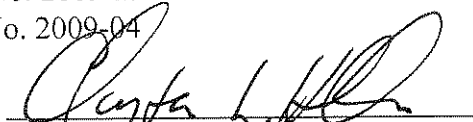
Measure of Success: Signed contracts with CCSF and the continued delivery of adequate supplies of potable water.

Attachments:

- A. Historical Background
- B. City staff summary highlights of WSA
- C. Hanson Bridgett Summary Report (April 2009) on New WSA
- D. Water Supply Agreement – July 2009 (identical for each agency-only 1 provided herein)
- E. Brisbane Water Sales Contract
- F. GVMID Water Sales Contract
- G. Brisbane Resolution No. 2009-27
- H. GVMID Resolution No. 2009-02
- I. Brisbane Resolution No. 2009-28
- J. GVMID Resolution No. 2009-03
- K. Brisbane Resolution No. 2009-29
- L. GVMID Resolution No. 2009-04



Director of Public Works/City Engineer



City Manager

A copy of supporting materials provided to the City Manager and Council Persons in connection with this agenda item is available for public inspection and copying at 50 Park Place, City of Brisbane Department of Public Works, Brisbane, CA, 94005, Telephone: (415) 508-2130.

