



# City of Compton's Request to Withdraw its Purchase Order Agreement

Finance & Insurance Committee  
Item 8-3  
November 7, 2011

# Compton's Purchase Order

- Update on the status of the Purchase Order commitments was provided in April 2011
  - Component of rate structure effective January 1, 2003
  - 10-year term, January 1, 2003 through December 31, 2012
  - Voluntary
  - Offered price incentives; allowed more water to be purchased at the lower Tier 1 Supply Rate
- 24 member agencies executed Purchase Orders
  - San Fernando and San Marino did not execute
- Compton's Purchase Order shortfall through 2010 was discussed

# Compton's Well Rehabilitation Project

- By 2002, pumping capacity was reduced to 4,900 gpm due to the loss of two wells
- By 2008, 2 wells were rehabilitated; pumping capacity equaled 9,600 gpm
  - \$2.4M Proposition 13 funds for CUP
  - \$1.6M EPA funds
- Additional pumping capacity realized by well rehabilitation reduced Compton's need for imported water supplies

# Result of Compton's Purchase Shortfall

- Compton does not anticipate meeting its Purchase Order commitment
- Purchase Order provided that if purchases during the term of the agreement were less than the commitment, the Purchaser agreed to pay the Tier 1 Supply Rate for the shortfall
- Through 12/31/2010, Compton's assessment for the purchase shortfall is estimated at \$170,000

# Compton's Request

- Compton has asked to withdraw its Purchase Order
- Compton's Tier 1 limit will be lower
- Compton will potentially be subject to Tier 2 Supply Rates based on the lower limit, both retroactively and going forward
  - No water purchased at Tier 2 through December 31, 2010
- Compton will pay a \$5,000 Administrative Fee

# Options

- Option #1 – Adopt CEQA determination and
  - Authorize the General Manager to execute a withdrawal of Compton's Purchase Order effective January 1, 2003, and assess Compton an administrative fee of \$5,000
- Option #2 – Adopt CEQA determination and
  - Authorize the General Manager to terminate Compton's Purchase Order effective December 31, 2010 and assess appropriate penalties
- Option #3 – Take no action

# Recommendation

- Option #1 – Adopt CEQA determination and
  - Authorize the General Manager to execute a withdrawal of Compton's Purchase Order effective January 1, 2003, and assess Compton an administrative fee of \$5,000

# Discussion