



Update on Purchase Orders

Finance and Insurance Committee
October 13, 2014
Item 6c

Process Update

- Reviewed at September 12 Member Agency Managers Meeting
- Discussions with Member Agencies
 - Feedback provided was constructive and incorporated into proposal
- Revised proposal provided to Member Agencies in early October
- Review again at October 17 Member Agency Managers Meeting

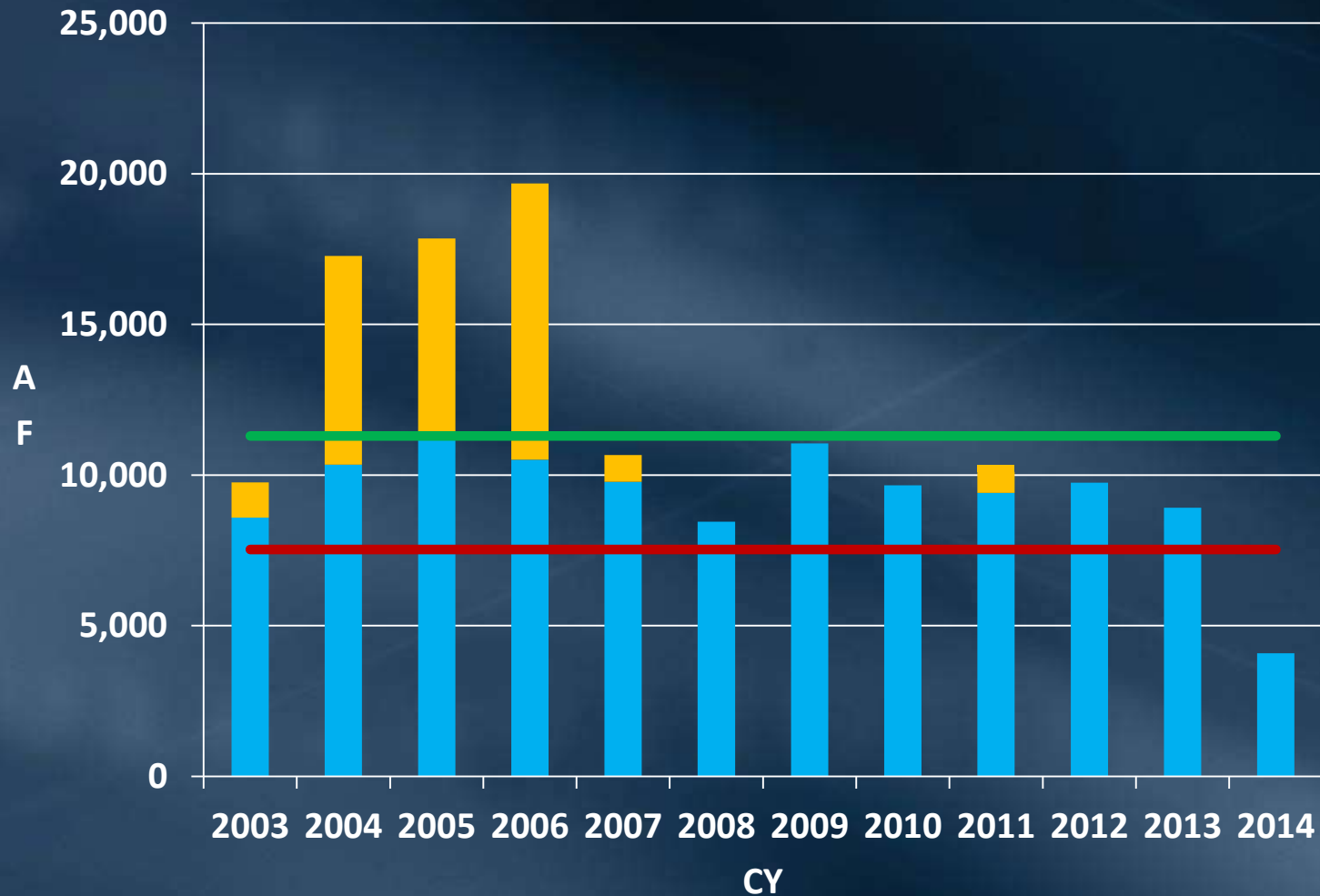
Purchase Order Proposal

- New Purchase Order for a ten-year term
- Resets commitment for member agencies executing a Purchase Order
- Proposal accommodates the varying needs of member agencies
 - Degree of dependence
 - Projected demands
- Proposal recognizes changed circumstances
 - All member agencies have a unique baseline to work against

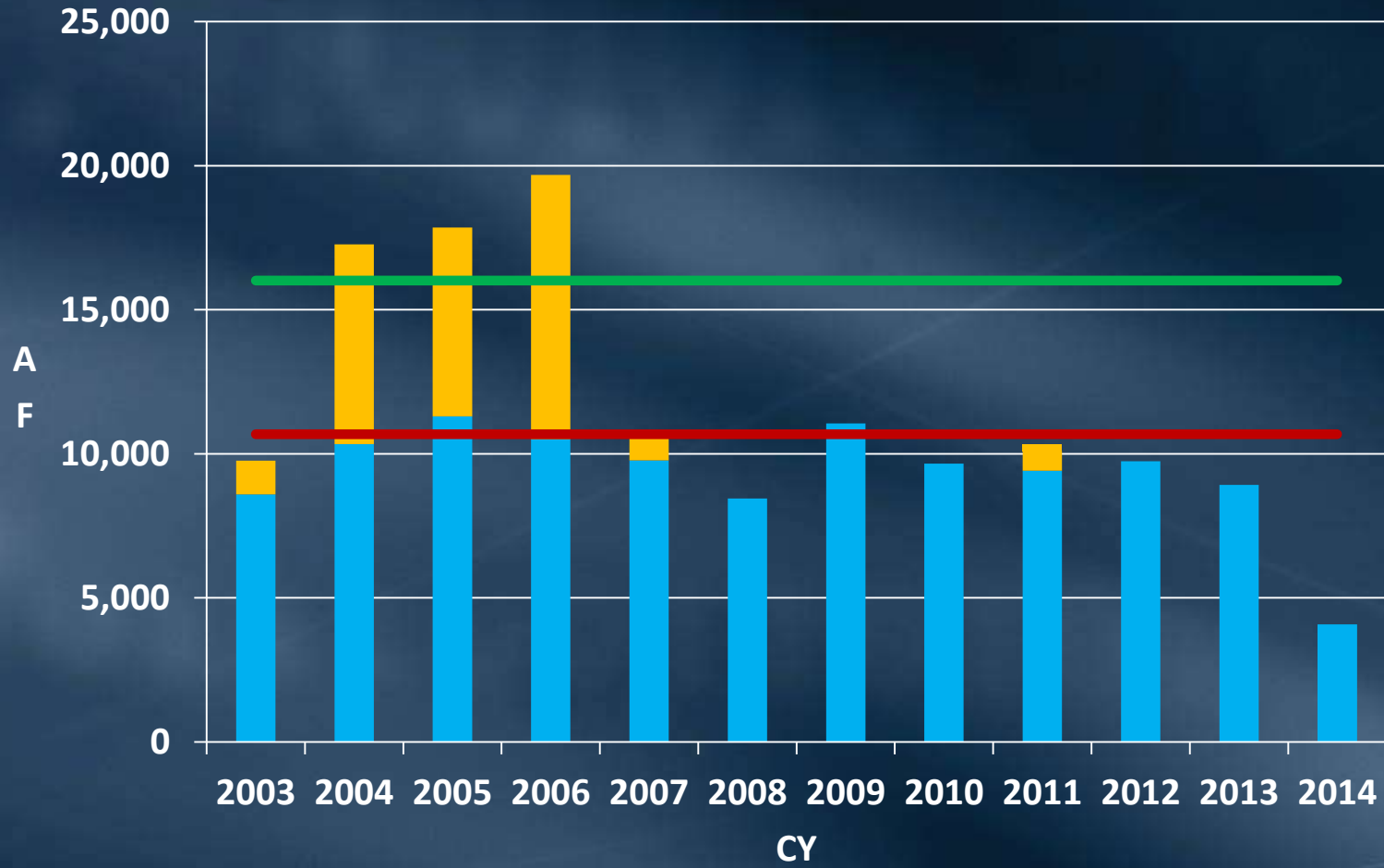
Purchase Order Proposal

- Base Period option:
 - Retain current Revised Base Firm Demand and existing commitment level
 - Member agencies should not be penalized for developing local resource projects or implementing conservation
 - Update to highest year in the most recent 12-fiscal year period of FY 2003 through FY 2014
 - Better reflects needs of growing agencies
 - Commitment is also higher

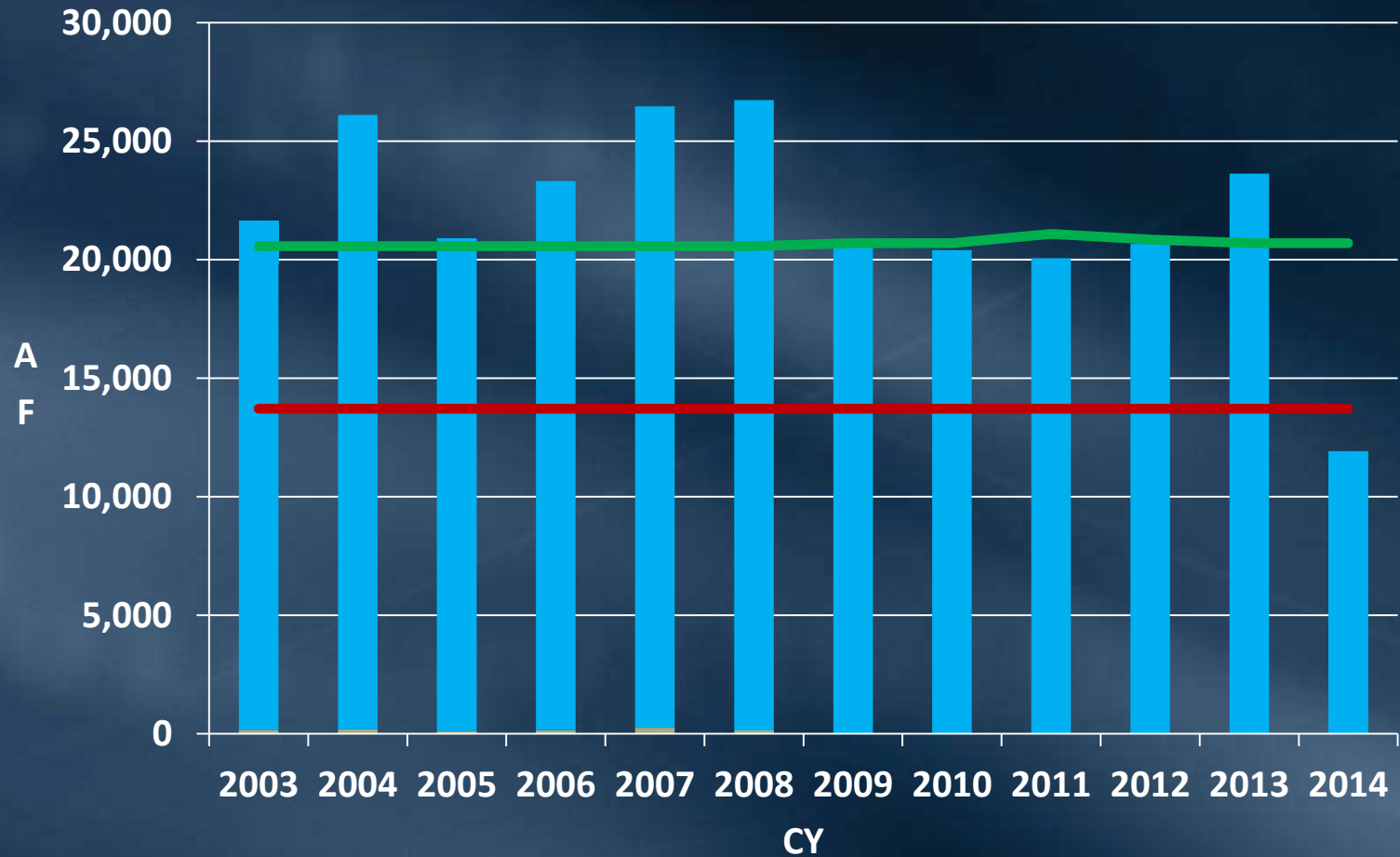
Current Purchase Order, Agency 1



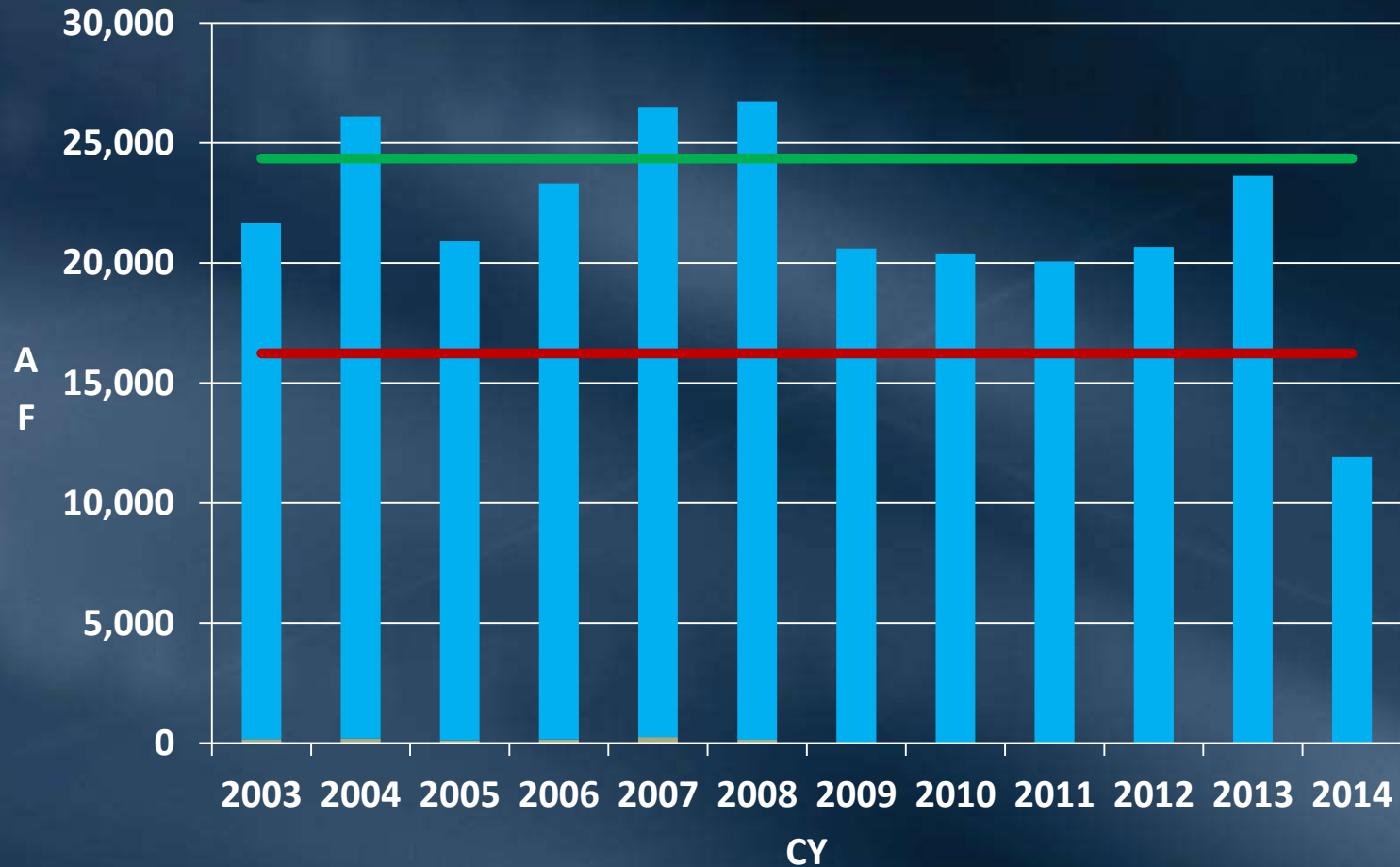
Reset to 12-Year Peak, FY 2003-2014, Agency 1



Current Purchase Order, Agency 2



Reset to 12-Year Peak, FY 2003-2014, Agency 2



Additional Provisions

- Tier 1 maximum is cumulative
 - Consistent with calculation of the commitment
 - Member agencies may choose to pay any Tier 2 obligation at the end of the 10-year term or pay annually with a true-up
- Unmet commitment paid at end of 10-year term
- Commitment adjusted to exclude Water Supply Allocation Plan years
- Base Period can reset based on a 5-year rolling average of purchases

No Purchase Order

- Tier 1 maximum is 60 percent of 2014 Revised Base Firm Demand
 - Based on FY 1990 through 2002
 - Includes adjustment for elimination of the Interim Agricultural Water Program and Replenishment Program
 - Same as current calculation
- Maximum is applied annually; no cumulative calculation or true-up

Process to Move Forward

- Discuss revised proposal at Member Agency Managers meeting on October 17
- Board Action letter in November 2014
 - Purchase Order agreement terms
 - Administrative Code changes, as necessary
- Purchase Orders executed and received by December 30, 2014

Discussion

