

Subcommittee on Long-Term Regional Planning
Processes and Business Modeling



Member Agency Update on Business Model Refinement

Ad Hoc Working Group on Business Model Refinement

Item 3d
January 29, 2025

Today's Update

- Background
- Process Overview
- Progress to Date
- Sub-Working Groups
- Next Steps
- Discussion



Background

Board Leadership provided “Guidance for Business Model Review and Refinement Ad Hoc Working Group”

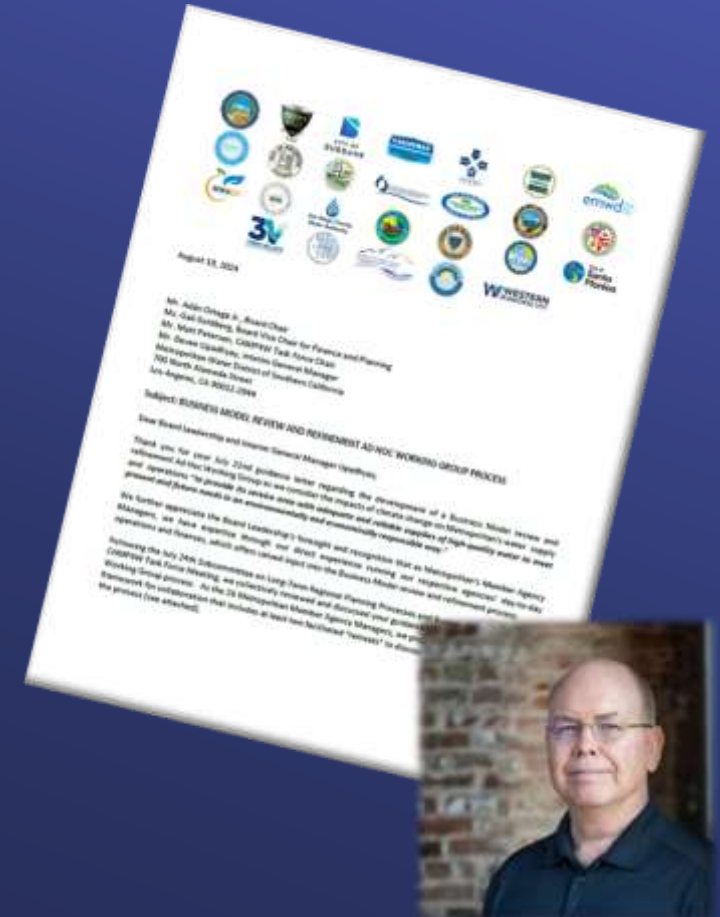
Factors for Consideration in Final Proposals

In the final two to five “straw person” proposals, the working group shall ensure the following factors and opportunities are considered and reflected:

- 1) Treated Water Cost Recovery (workshops already underway)
- 2) Metropolitan’s role in Member Agency local supply development
- 3) Potential Member Agency supply exchange program
- 4) Proportion and components of fixed and volumetric charges
- 5) Conservation program and funding source(s)

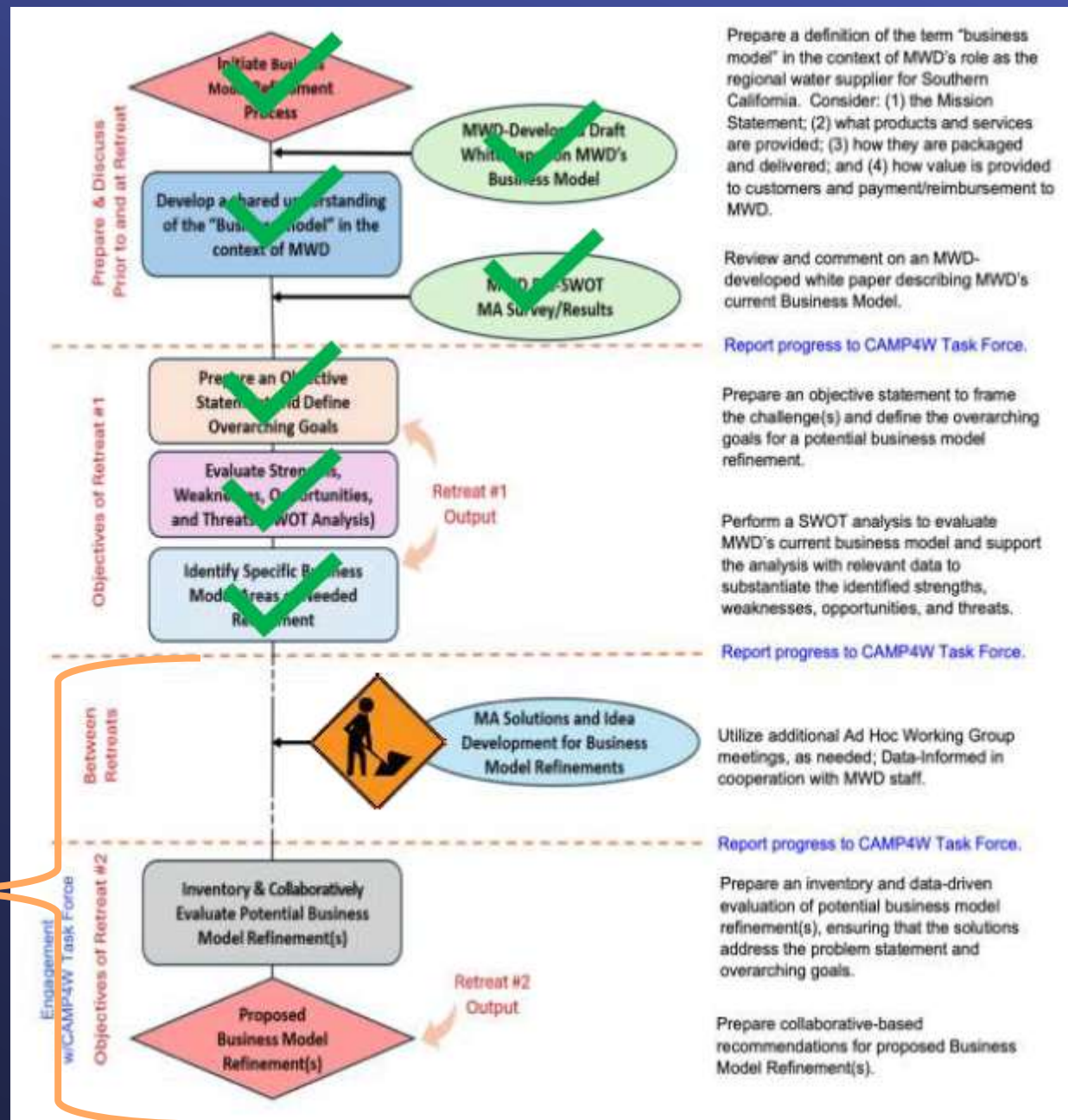
Background

- 26 Member Agencies formed Ad Hoc Working Group that includes Metropolitan staff
- Formed a Liaison Group of few Member Agency GMs and Metropolitan staff
- Process facilitated by Ken Kirby, PhD, PE, Evotoco LLC



Process Overview

We Are Here



Previous Progress

October 10th and 11th Retreat

- Approach to collaboration
- Discussion of current Metropolitan business model
- Analysis of strengths, weaknesses, opportunities and threats (SWOT)



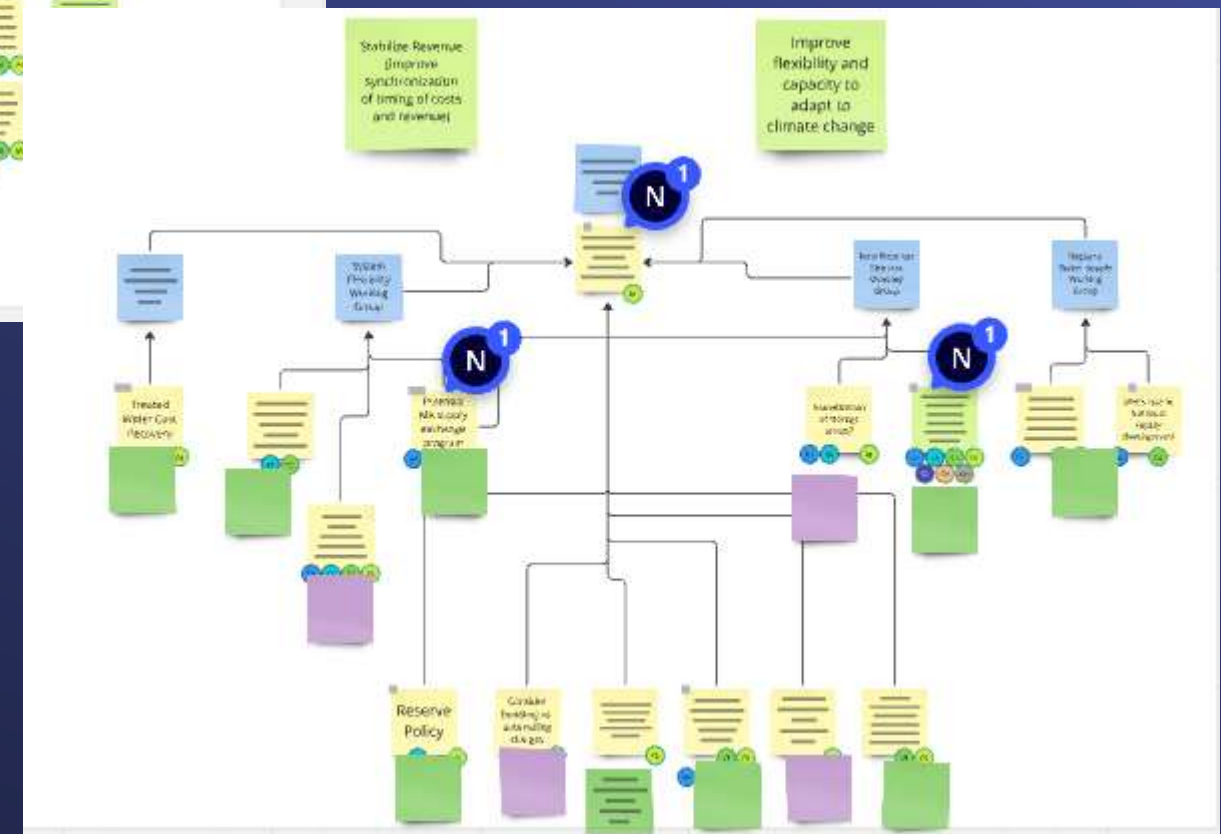
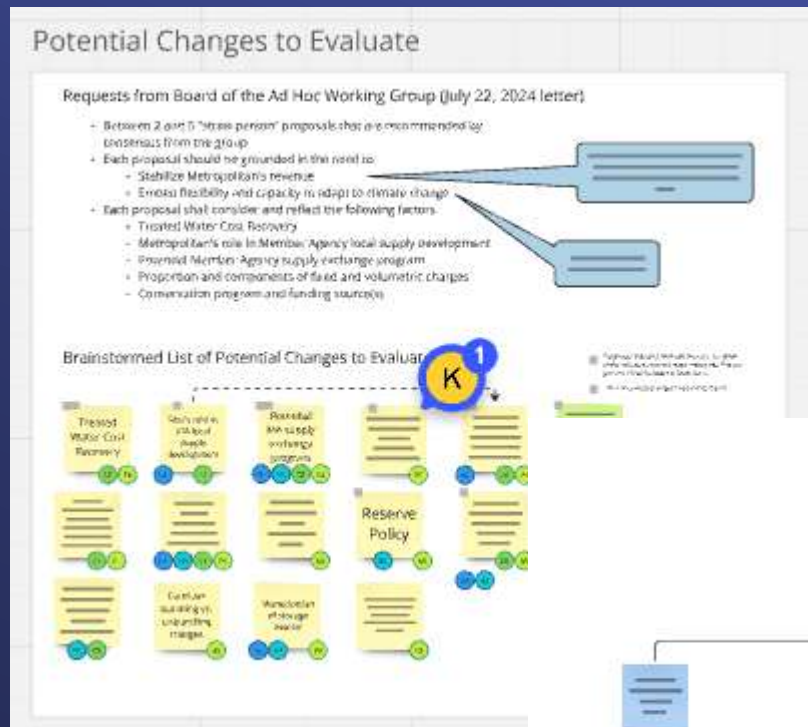
Previous Progress

November 15th Workshop

- Review of SWOT results
- Exercise using “The Business Model Canvas”
- Brainstorm on potential business model refinements



Asynchronous (Online) Collaboration



Progress to Date

December 13th Workshop

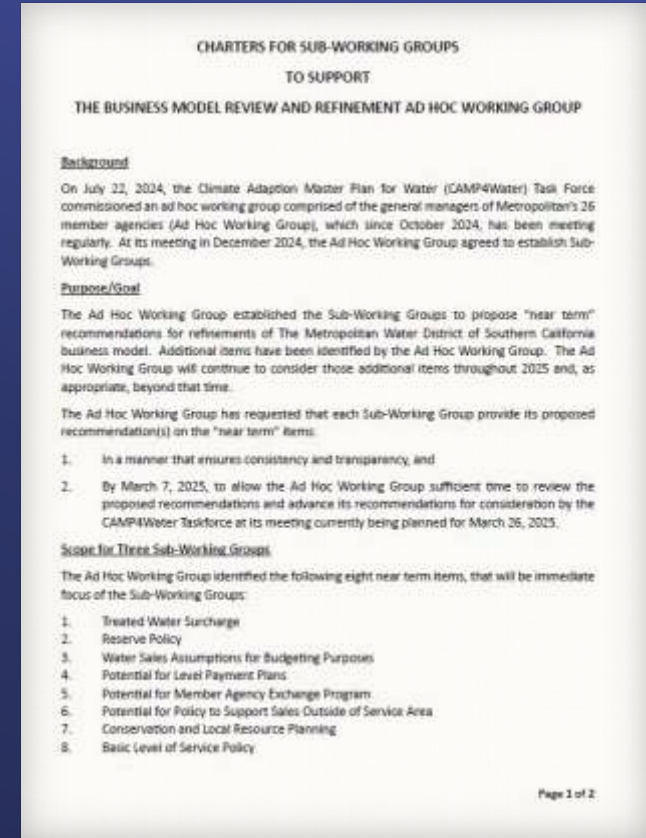
- Identified three primary areas of focus for sub-working groups:
 1. Finance
 2. Water Resources
 3. Engineering
- Includes both near-term areas of focus and more long-term areas
- Commitment to follow through on long-term items after March 2025



Progress to Date

January 24th Workshop

- Conceptual agreement to charter on sub-working groups
- Received updates from each sub-working group
- Discussed progress of work plans



Financial Policies Sub-Working Group

- Expand scope of Treated Water Surcharge Working Group to include:
 - Treated Water Surcharge
 - Reserve Policy
 - Water Sales Assumptions for Budgeting Purposes
 - Potential for Level Payment Plans
- 8 meetings since May 2024 (one with expanded scope)



Water Resources Sub-Working Group

- Expand scope of Member Agency Managers Water Supply/Revenue Management workgroup to include:
 - Potential for Member Agency Exchange Program
 - Potential for Policy to Support Sales Outside of Service Area
 - Conservation and Local Resource Planning (coordinated with Financial Policies Sub-Working Group)
- One introductory meeting January 23rd



Engineering Sub-Working Group

- New sub-working group to address:
 - Basic Level of Service Policy
- Updated System Flexibility Study is essential to support this discussion
- Important to Ad Hoc Working Group to consider this issue in business model refinement



Challenges and Accomplishments

- **Time Pressure:** March deadline is fast approaching
- **Urgent Needs Elsewhere:** Emergency operational priorities due to Eaton and Palisades Fires
- **Time Commitment:** This effort requires significant time commitments from all Member Agencies and Metropolitan Staff.
- **Maintaining Focus:** Many near-term issues are intertwined with long-term issues.
- **Honest Dialogue:** Discussions have been both substantive and high quality.
- **Significant Advancement:** Meaningful progress has been made toward recommendations in March.



Next Steps

- Additional Ad Hoc Sub-Working Group meetings throughout February and March
- Additional Ad Hoc Working Group meetings on February 21st and March 12th
- Ad Hoc Working Group to present recommendations to LTRPP Subcommittee on March 26th
- Follow up on commitment to evaluate and analyze long-term items

