

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
February 26, 2025

Today's Update

- Background
- Process Overview
- Ad Hoc Meeting Progress to Date
- Sub-Working Group Scopes & Progress
- Next Steps
- Discussion



Background

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

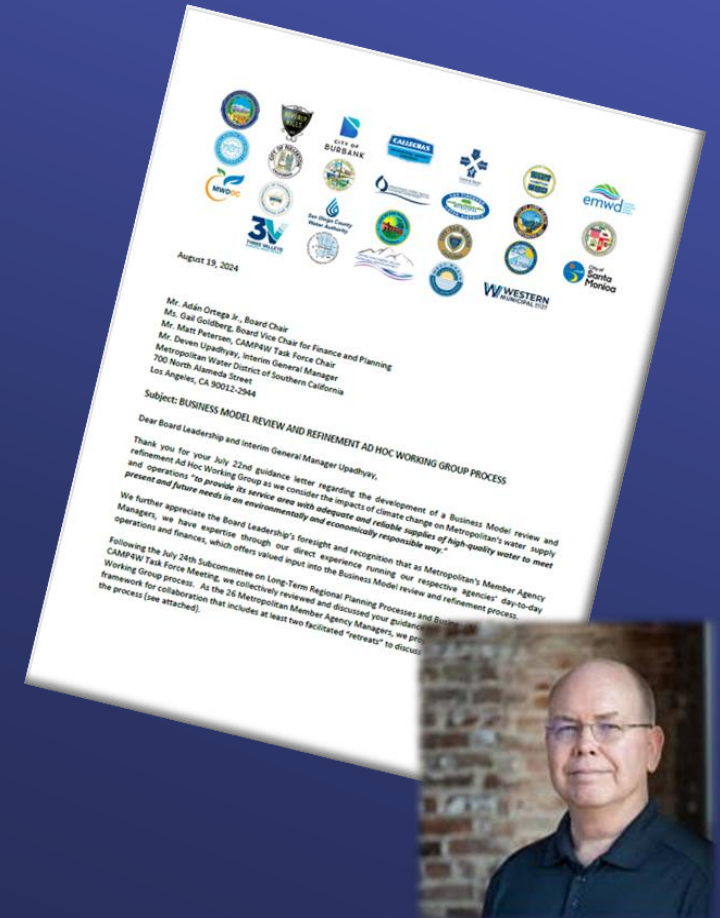
Factors for Consideration in Final Proposals

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)

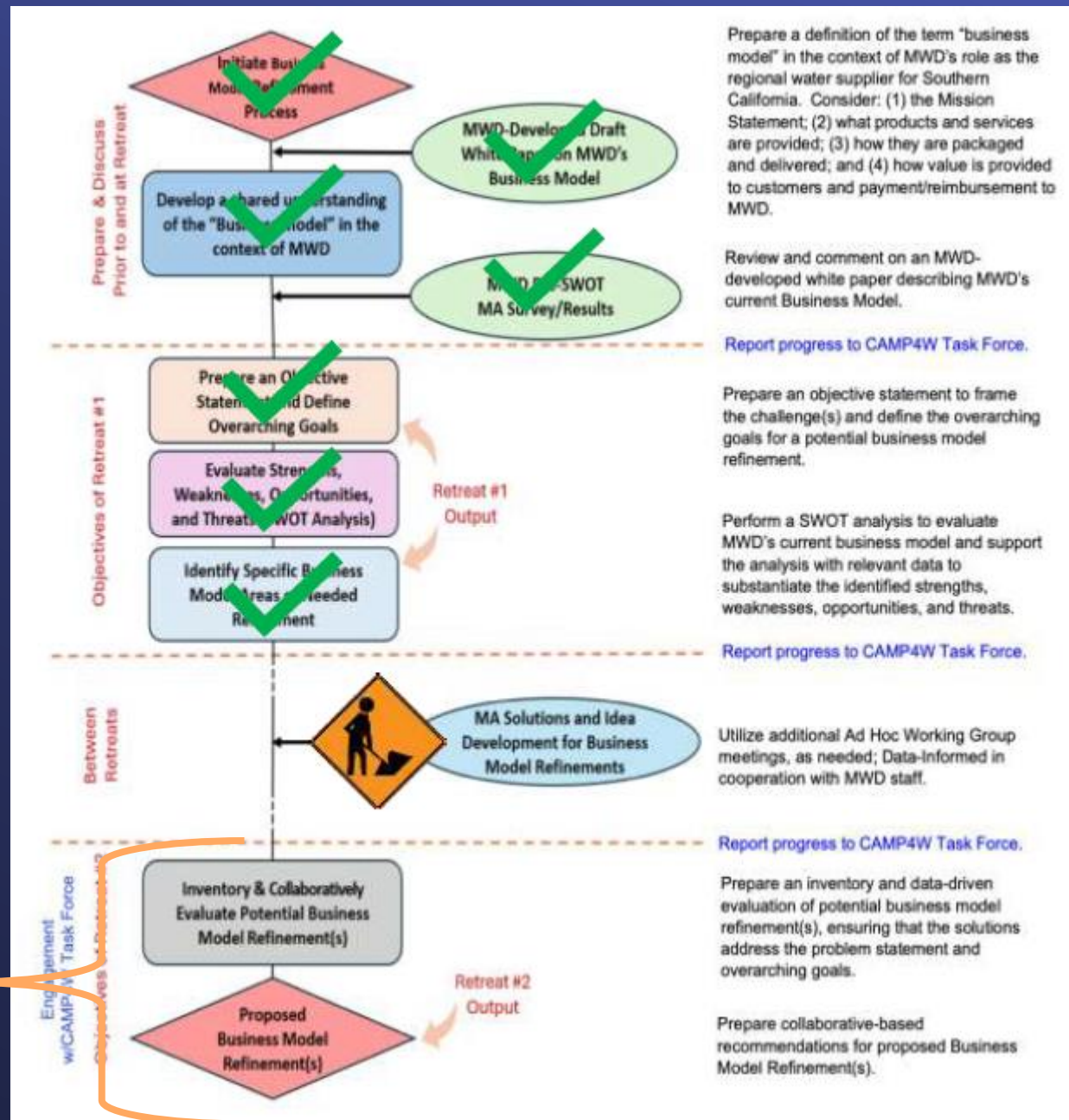
Background

- 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 Met business model
- Analysis of strengths, weaknesses, opportunities and threats (SWOT)

November 15th Workshop

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

Progress to Date

December 13th Workshop

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

January 24th Workshop

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

Progress to Date

February 21st Workshop

- Offered the opportunity for Member Agencies or Metropolitan staff to raise topics they would like to discuss with the Ad Hoc Group
- Reviewed items Ad Hoc Group agrees would (or would not) be included in the set taken to the Task Force in March
- Established how to best present the recommendations and ongoing status:
 - 1 Structural or Policy Refinement with broadly agreed-upon recommendation
 - 2 Item with parameters for policy refinement with conceptual agreement
 - 3 Item to be continued with a commitment to follow through due to comprehensive analysis

Financial Policies Sub-Working Group

- Scope of Financial Policies Sub-Working Group:
 - Treated Water Surcharge
 - Reserve Policy
 - Water Sales Assumptions for Budgeting Purposes
 - Fixed vs. Variable Revenue

Meetings to Date: 10

Water Resources Sub-Working Group

- Scope of Water Supply/Revenue Management Sub-Working Group:
 - 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
 - Potential development of programs for wet-year water

Meetings to Date: 2

Engineering Sub-Working Group

- Scope of Engineering Sub-Working Group:
 - Review of Level of Service Policy
 - Adopted Policy Statements from the 2022 Board Resolution to provide equivalent levels of reliability
 - Evaluated Member Agency requested specific options to improve system flexibility
 - Roadmap for ongoing Studies and Updates (e.g., System Flexibility)

Meetings to Date: 1

Accomplishments to Highlight

- **Understanding of Timing:** Realistic understanding of the complexity of issues and allowing for appropriate discussion.
- **Time Commitment:** This effort has garnered significant time commitment from all Member Agencies and Metropolitan Staff.
- **Recognizing Iterative Process:** There are near-term issues are intertwined with long-term issues.
- **Honest Dialogue:** Discussions have been both substantive and high quality.
- **Significant and Meaningful Advancement:** Meaningful progress has been made toward developing broad agreement of recommendations for March.

Next Steps

- Additional Sub-Working Groups meetings throughout March
- Additional Ad Hoc Working Group meeting on March 12th
- Ad Hoc Working Group to present recommendations to LTRPP Subcommittee on March 26th
 - Preparing synthesis document inclusive of process, recommendations, and ongoing status

