

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 3b
April 22, 2025

Today's Update

- Background
- Working Group Process
- Overview of Recommendations
- Sub-Working Group Recommendations
- Next Steps
- Discussion



Background: CAMP4W to Business Model

- CAMP4W discussions revealed questions about key areas of MWD's business model in response to changing hydrology and climate conditions
- Discussions about scoring projects turned into more fundamental questions about MWD's role in supply development
- Climate adaptation project development decisions needed to be based on fundamental Business Model commitments

Background: CAMP4W to Business Model

Recurring questions that affected progress of CAMP4Water:

- Future water supply development?
- Fixed revenue?
- Local resource integration?
- Demand projections?
- Financial reserves?
- Conservation programs?
- Equitable service to MAs?

Background: Guidance

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

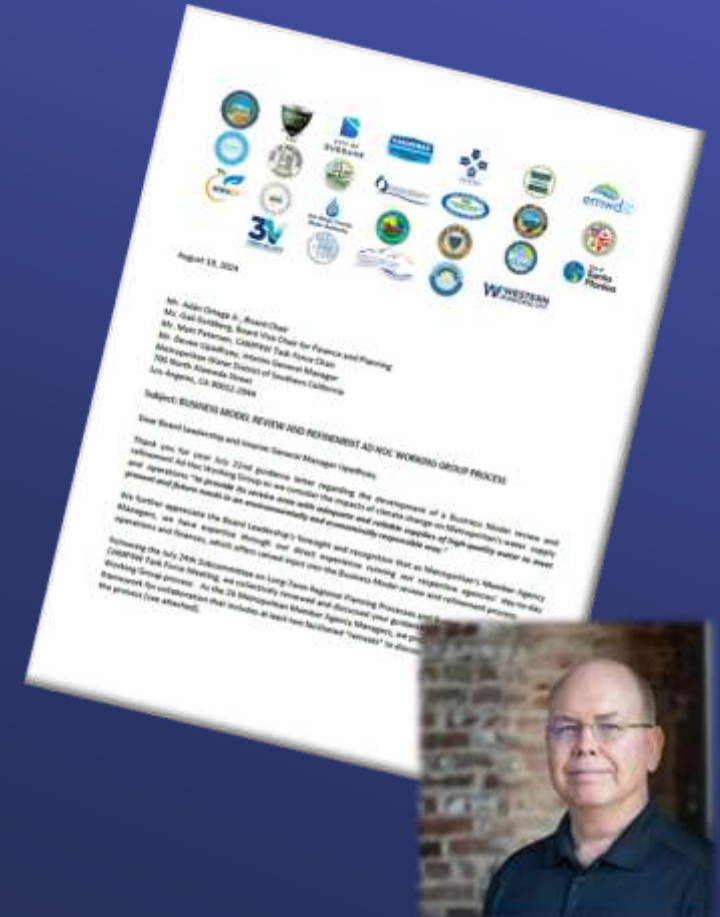
Factors for Consideration in Final Proposals

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

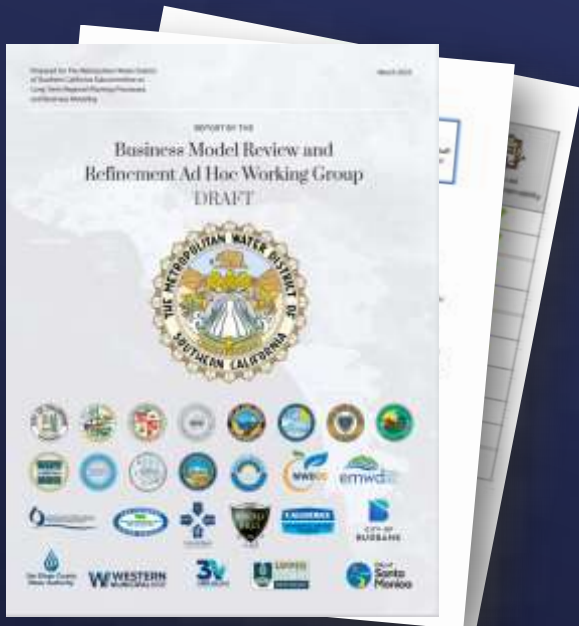
- 1) Treated Water Cost Recovery (workshops already underway)
- 2) Metropolitan’s role in Member Agency local supply development
- 3) Potential Member Agency supply exchange program
- 4) Proportion and components of fixed and volumetric charges
- 5) Conservation program and funding source(s)

Background: Working Group

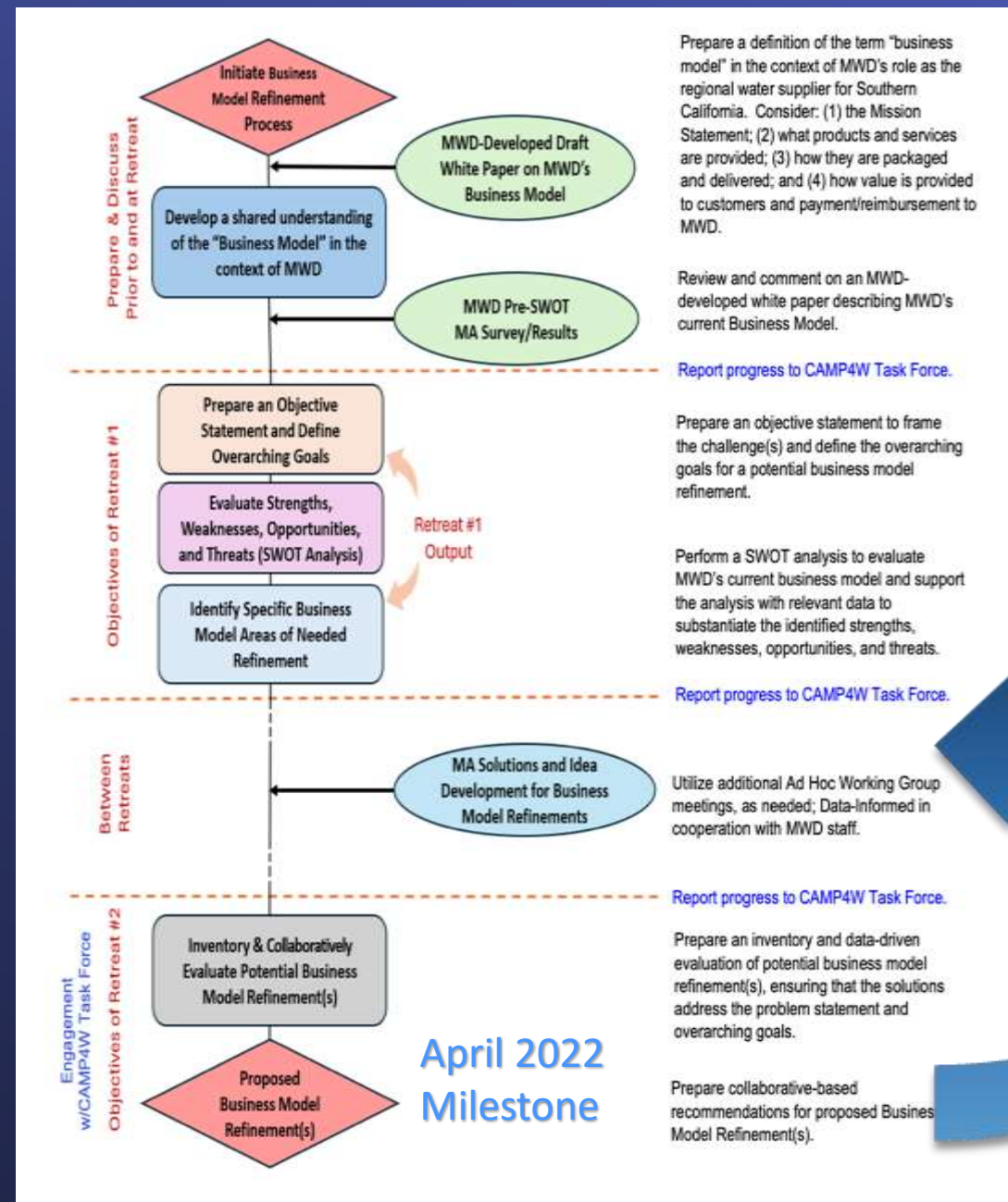
- 26 Member Agencies formed Ad Hoc Working Group that includes Metropolitan staff
- Formed a Liaison Group of few Member Agency GMs and Metropolitan staff
- Process facilitated by Ken Kirby, PhD, PE, Evotoco LLC



Working Group Process



We Are Here



Working Group Process

October 10th and 11th Retreat



- Approach to Collaboration
- Decisions based on reaching facilitated broad agreement: *"Either all agree, or, if some do not wholly agree, they can live with what has been proposed"*.
- Discussion of current Met business model
- Analysis of strengths, weaknesses, opportunities and threats (SWOT)

Working Group Process

November 15th Workshop

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



Working Group Process

December 13th Workshop

- Identified primary areas of focus for sub-working groups:
 1. Finance
 2. Water Resources
 3. Engineering

Working Group Process

January 24th Workshop

- Conceptual agreement to charter on Sub-Working Groups
- Received updates from each Sub-Working Group
- Discussed progress of work plans

Working Group Process

February 21st Workshop

- Offered the opportunity to raise topics for discussion by the Working Group
- Reviewed items Working Group will proceed to recommend as short-term refinements and document refinements that will be addressed in longer term

Working Group Process

February 21st Workshop

- Established how to best present the recommendations and ongoing status:
 1. Structural or Policy Refinement with broadly agreed-upon recommendation
 2. Other items that require further development, some for FY 2026/27 and FY 2027/28 biennial budget, others for FY 2028/29 and FY 2029/30 biennial budget

Working Group Process

March 12th Workshop

- Reviewed progress from Sub-Working Groups
- Offered the opportunity to raise topics to discuss with the Working Group
- Reviewed items Working Group will proceed to recommend as short-term refinements and document refinements that will be addressed in longer term
- Determined Task Force presentation approach

Ad Hoc Working Group Process

April 10th Workshop

- Discussed progress to date and alignment on proposed recommendations captured in draft synthesis report for consideration by the Task Force at its April 22 meeting.
- Discussed proposed presentation for April 22 Task Force meeting.

A Milestone in the Process

More Work Is Needed

- Much progress has been made
- Some important differences of opinion remain on multiple topics
- The Ad Hoc Group has committed to continue to work together to try to reach broad agreement where those differences remain
- The Ad Hoc Group intended to consider and evaluate recommendations on each of these topics holistically – that has not been done at this milestone

Business Model Refinements

Interrelationships Between Business Model Refinement Proposals

Refinement	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. Revenue Model Refinement	✓														
2. Cost Model Refinement	✓	✓													
3. Revenue Policy	✓	✓	✓												
4. Cost Policy	✓	✓	✓	✓											
5. Revenue Model Refinement					✓										
6. Cost Model Refinement					✓	✓									
7. Revenue Policy					✓	✓	✓								
8. Cost Policy					✓	✓	✓	✓							
9. Revenue Model Refinement									✓						
10. Cost Model Refinement									✓	✓					
11. Revenue Policy									✓	✓	✓				
12. Cost Policy									✓	✓	✓	✓			
13. Revenue Model Refinement													✓		
14. Cost Model Refinement													✓	✓	
15. Revenue Policy													✓	✓	✓

Categorization of Recommendations

- Working Group followed a structured process that including analyzing SWOT within Metropolitan's business model
- Working Group used Miro online visual workspace to prioritize 15 potential refinements
- Working Group prioritized potential refinements based on time criticality and interdependencies

Business Model Refinements

Categorization of Recommendations

Process led by the three Sub-Working Groups:

- Financial Policy
- Water Resources
- Engineering

Key Near-Term Business Model Refinements (Prior to FY 2026- 27 Budget)

The Ad Hoc identified 10 topics it wanted to explore for this milestone:

- Treated Water Cost Recovery
- Reserve Policy
- Water Sales Assumption for Budgeting Purposes
- Voluntary Level Payment Plan
- Member Agency Exchange Programs

Key Near-Term Business Model Refinements (Prior to FY 2026- 27 Budget)

The Ad Hoc identified 10 topics it wanted to explore for this milestone (Cont'd):

- Policy to Support Sales Outside of Service Area
- Conservation and Local Resource Planning
- Basic Level of Service
- Wet-Year Water Acquisition Policy
- Proportions of Fixed and Volumetric Charges

Sub-Working Groups' Highlights

Request to the Subcommittee

The Subcommittee support the Metropolitan staff, consistent with the Synthesis Report:

- Bringing informational and action items, as appropriate, to the Metropolitan committees of jurisdiction as soon as practical (targeted action by August 2025) to incorporate into the FY 2026/27 and FY 2027/28 biennial budget, and
- For the remaining items, working with Member Agencies to finalize recommendations in advance of the FY 2028/29 and FY 2029/30 biennial budget.

