

## GUIDANCE FOR BUSINESS MODEL REVIEW AND REFINEMENT AD HOC WORKING GROUP

TO: GENERAL MANAGERS, Metropolitan Member Agencies

FR: ADAN ORTEGA, Board Chair  
GAIL GOLDBERG, Board Vice Chair for Finance and Planning  
MATT PETERSEN, CAMP4W Task Force Chair

DA: July 22, 2024

### **Background and Composition**

As part of the Climate Adaptation Master Plan for Water (CAMP4W) Task Force, a business model review and refinement process has begun. The Task Force is working to create a Master Plan for consideration by the MWD Board that considers the impacts of climate change upon water supply and the operations of MWD. As stated in the CAMP4W charter, this necessitates a review and refinement of the MWD Business Model. Therefore, the Task Force is commissioning an ad hoc working group comprised of the general managers of Metropolitan's 26 Member Agencies that will be managed and supported by MWD staff as well as include the MWD Board Chair, Board Vice Chair, Task Force Chair, Task Force Vice Chair and MWD General Manager as ex officio members to participate as needed and available.

### **Outcomes, Purpose, and Process**

Given the expertise of Metropolitan's Member Agency Managers and their direct experience running the day-to-day operations and finances of their respective agencies, their input into the Business Model review process is essential. While the Task Force is asking for proposals related to specific issues now, there will be opportunities for discussing additional topics later in the process.

Specifically, the Task Force requests a series of "straw person" proposals—at least two and no more than five—for Task Force consideration. Each of these proposals should be grounded in the need to (1) stabilize Metropolitan revenues and (2) embed flexibility and capacity to adapt to climate change and to address the factors noted below of opportunity for Business Model refinement. The final proposals shall be reached by consensus of the working group. If consensus for at least two proposals cannot be reached, the ex officio members will determine which proposals will be presented to the Task Force.

A short progress report will be provided on the work of the ad hoc working group at each monthly Task Force meeting. By November 13, 2024, the final two to five proposals shall be finalized and transmitted to the Task Force for discussion.

To inform the first Business Model Review ad hoc working group meeting in August 2024, MWD staff will produce Business Model Working Memo #1 for review and discussion. The memo will include a description of Metropolitan's current business model along with a draft problem statement. Staff will continue to track progress and memorialize discussions as needed.

### **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)