



Subcommittee on Long-term Regional Planning  
Processes and Business Modeling

# Business Model Refinement

Item 3d

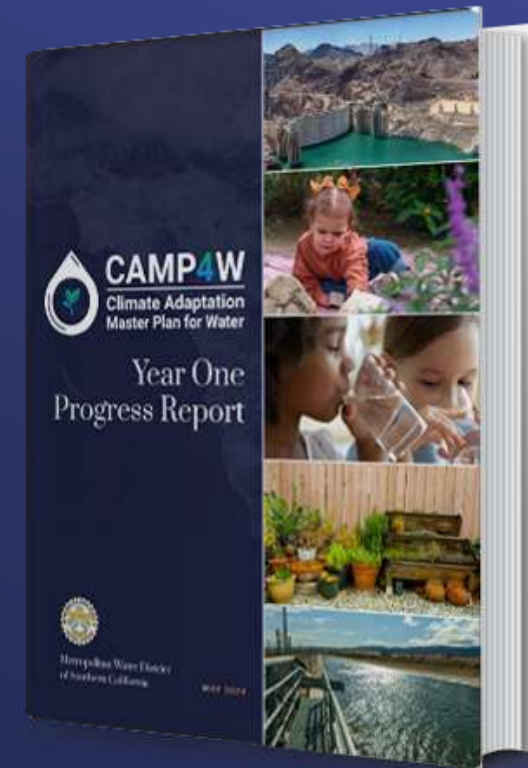
June 26, 2024

“Metropolitan will be discussing the purpose, desired outcome, and components of the Business Model with the Board and Member Agencies in 2024. This is intended to involve reviewing Metropolitan’s current Business Model, identifying the problem statement, evaluating the role Metropolitan may take moving forward, and determining how the existing Business Model should be updated and revised to address Metropolitan’s problem statement and goals.” – **CAMP4W Year One Progress Report**

# Agenda

## Business Model Refinement Workshop


- What Is Metropolitan’s Business Model
- Why now? The drivers of considering refinement
- Problem Statement and Objectives
- Overview of feedback
- Timeline and next meeting



# What is Met's Business Model?

Business model is how we  
create and deliver benefits  
in economic, social, and  
environmental context

How Metropolitan creates, delivers and captures regional  
water benefits



What we do • How we do it • How we pay for it



Metropolitan delivers reliable, high-quality water to its  
member agencies through robust infrastructure and  
programs funded primarily through rates and charges

Stronger  
Together



Metropolitan's provides regional water benefits by acting on its Member Agencies' behalf. Together, we can accomplish what Member Agencies could not do alone. We leverage purchasing power, economies of scale, and investment capability and capacity.

The mission of the Metropolitan Water District of Southern California is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

# What is Met's Current Business Model?

## WHAT WE DO

Deliver water, consistent with Mission

## HOW WE DO IT

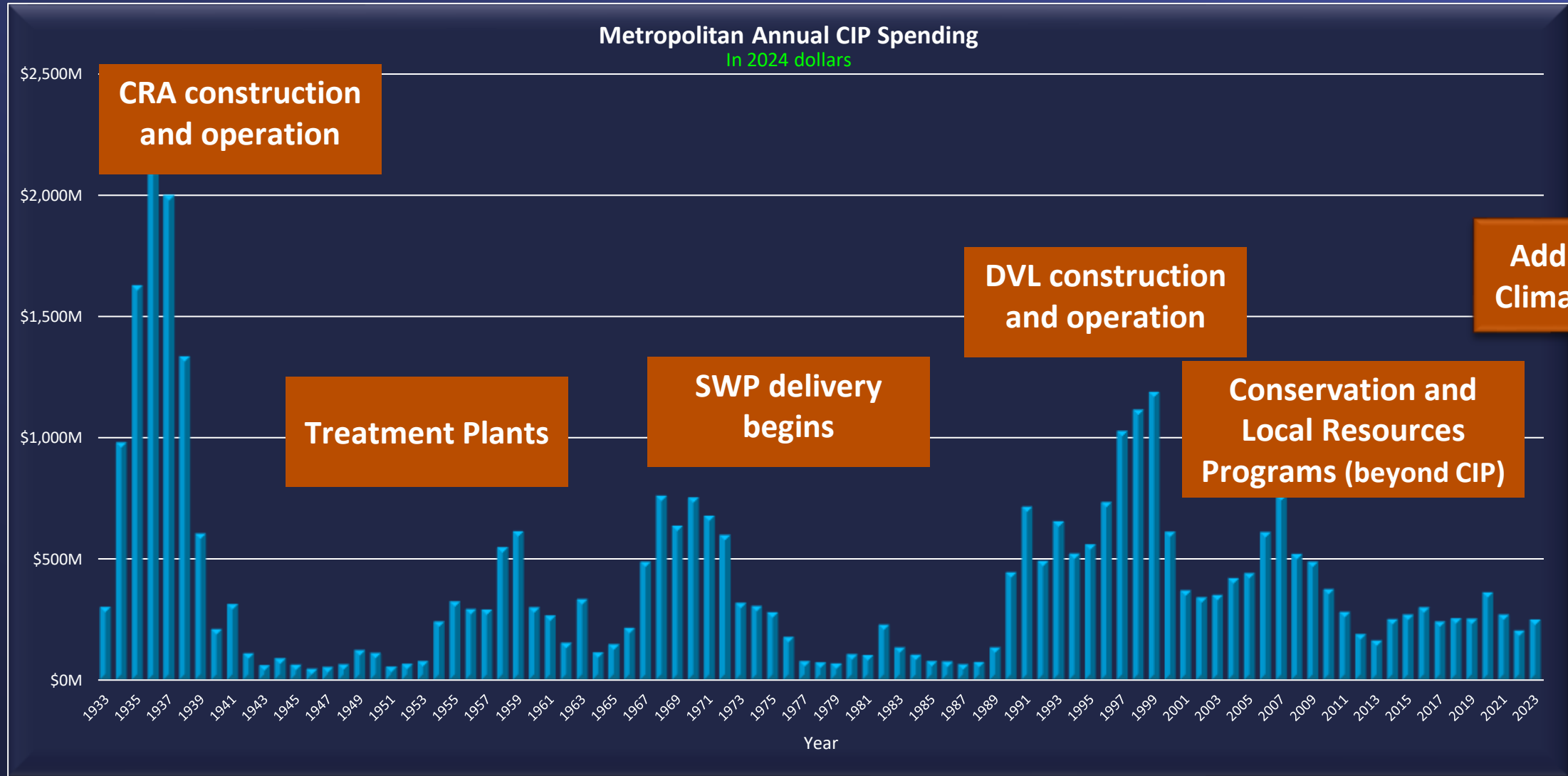
- Develop and operate water infrastructure
- Develop and operate power infrastructure
- Monitor water quality and treat water to protect public health
- Supply and asset management, conservation and support services
- Regional planning and supply development
- Public engagement and education
- State and federal policy support

## HOW WE PAY FOR IT

- Water Sales
  - Volumetric rates
  - Fixed charges
- Property taxes
- Bond financing
- Grants and funds
- Other revenues (e.g. land leases, hydropower)

## LEGAL & REGULATORY FRAMEWORK

# Evolution of the business model reflects regional needs





# Business Model Refinement

“Why now?”

## Drivers and Considerations for Refinements

Supply and Demand Uncertainty

Declining Water Sales

Volatility of Revenue

Treatment Cost Recovery

Need for Climate Adaptation Investment

Aging Infrastructure

Changing Customer Expectations

Changing Regulations and Social Landscape

# Draft Problem Statement

Does this statement  
represent the  
opportunity of Business  
Model refinement?

The State is faced with a need for investment to adapt to a changing climate.

Our Long-Range Financial Plan has identified constraints on our investment capacity.

The current revenue model is heavily reliant on water sales, and the latest budget process underscored how volatility in supply, demand and hydrology can threaten our financial sustainability.

Rate and property tax increases and the use of financial reserves are available tools, but refinement and additional tools may be needed to provide reliability, resilience and predictability.

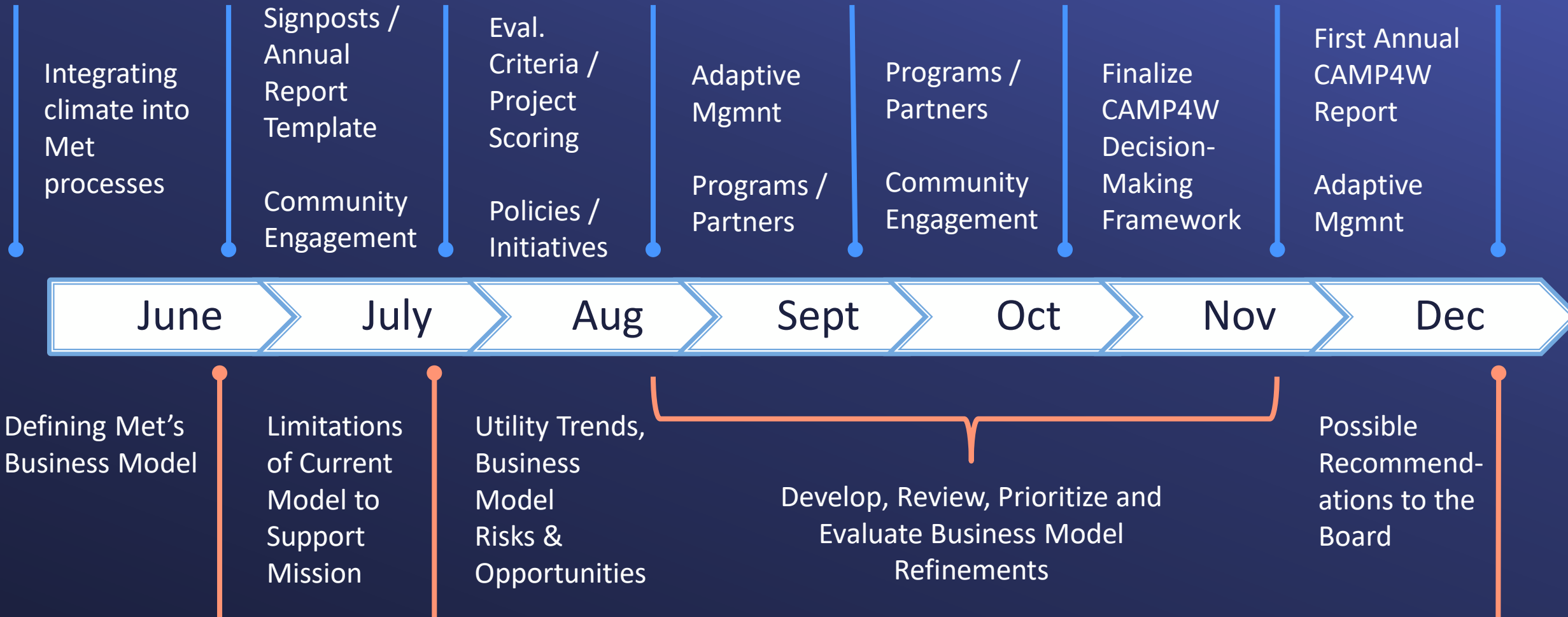


# Possible Business Model Refinement Objectives

## Ensure and Enhance:

- Investment Capacity
- Rate Stability and Predictability
- Conservation Value
- Fairness
- Affordability
- Modernized Resource and Asset Management
- Continued Alignment with CAMP4W
- Financial Sustainability

# 2024 Schedule of CAMP4W and Business Model Discussions



Business  
Model  
Considerations  
Member Agency  
Comments

# Comments/Correspondence

Better understanding of current business model

Treatment surcharge

Allocate time and resources for process

Gaps/ Deficiencies in current business model

Board governance

Budgeted sales as fixed revenue

Involve Finance and Legal

Process going forward

Better understand desired outcome

# Discussion and Comments

