



**Baltimore Regional Water
Governance Taskforce
CONSULTANT PRESENTATION
Meeting #2: Governance Models**

October 4, 2023

Governance Model Options

A Memorandum of Understanding (MOU)

Written agreement between utilities that documents specific terms of agreement for a defined mutually beneficial objective.

B Cooperative

Non-profit, member-owned partnerships created to achieve a single goal. All customers of the cooperative are members, and each member has voting power.

C Intermunicipal Service Agreement

Maintain current legal structure of two separate utilities while updating existing agreements and incorporating organizational structure and operational changes.

D Wholesale Service Purchase Agreement

Contract for a utility to provide another with water or sewer services. Typically, services provided are for wholesale type services (utility to utility sales of services) as opposed to retail type services (directly to end customers).

E Special District or Water/Wastewater Authority

Special districts can be formed within service area boundary to meet specific purpose. Special districts have the authority to charge rates and fees and issue revenue bonds in return for the responsibility and obligations to render services.

Model E: Special District / Authority

- Special districts formed within service area boundary to meet specific purpose.
- Special districts have the authority to charge rates and fees and issue revenue bonds in return for the responsibility and obligations to render services.

[Slide updated 10/6 to remove Philadelphia Water Department.]



SWOT Summary

MODELS ▼	S <i>STRENGTHS</i>	W <i>WEAKNESSES</i>	O <i>OPPORTUNITIES</i>	T <i>THREATS</i>
A MOU	<ul style="list-style-type: none"> • Clarify responsibilities • Improve coordination • Provide flexibility 	<ul style="list-style-type: none"> • Limited scope • May not be legally binding 	<ul style="list-style-type: none"> • Starting point for further negotiation Coordinated planning 	<ul style="list-style-type: none"> • Leaves many issues unaddressed • Differing policy priorities
B Cooperative	<ul style="list-style-type: none"> • Representative leadership • High community engagement 	<ul style="list-style-type: none"> • Limited by local laws • Smaller customer base 	<ul style="list-style-type: none"> • Incentives are aligned • Easier coordination • Higher cost-recovery 	<ul style="list-style-type: none"> • Possible limited local expertise • Less potential for cross-subsidizing
C Inter-municipal agreement	<ul style="list-style-type: none"> • Technology sharing • Avenues for collaboration • Economies of scale 	<ul style="list-style-type: none"> • Large bureaucracy • Schedules may not overlap perfectly 	<ul style="list-style-type: none"> • Simple implementation • Efficient investments • Continued collaboration 	<ul style="list-style-type: none"> • Jurisdictions depend on each other to succeed
D Wholesale agreement	<ul style="list-style-type: none"> • Economies of scale • Use existing operational processes 	<ul style="list-style-type: none"> • Limited flexibility • May need redundant infrastructure 	<ul style="list-style-type: none"> • Simplified way of unifying systems • De-risks emergencies 	<ul style="list-style-type: none"> • Responsibility for water transferred to outside entity • Contract language may limit some flexibility
E Special district/authority	<ul style="list-style-type: none"> • Greater oversight • Simplified ownership and operations • Ability to overhaul systems 	<ul style="list-style-type: none"> • Requires collaboration • Coordination between competing communities 	<ul style="list-style-type: none"> • Offers flexibility • Capacity building and peer learning • Reduced bureaucracy 	<ul style="list-style-type: none"> • Long-term planning subject to policy changes • Shared costs may not benefit everyone



Assessment of Option 3 against criteria in HB843 as it relates to Baltimore utilities

MODEL E: SPECIAL DISTRICT/AUTHORITY

Criteria	Assessment
Governance	Significantly impacts how decisions are made
Financing	Cost savings; economies of scale; pooled financial risk
Capital planning	Cost savings through coordinated efforts
Future system expansion	Efficiency gains through planned, coordinated expansion
Decision making processes	Can be clearly laid out in founding documents
Ongoing O&M*	Efficiency gains through coordination and clearly defined roles across the service delivery chain



*Ongoing O&M means ongoing operations and maintenance of safe, efficient, equitable, and affordable water and wastewater systems serving the Baltimore region

SWOT Analysis

Model E: Special District/ Authority

- Special districts formed within service area boundary to meet specific purpose.
- Special districts have the authority to charge rates and fees and issue revenue bonds in return for the responsibility and obligations to render services.



Model E: Special District / Authority (1/8)

MANAGEMENT

Strengths

- Greater oversight by municipal government
- Limited change in fundamental processes

Weaknesses

- Collaboration with competing jurisdictions covered by same system

Opportunities

- Greater flexibility to make needed changes

Threats

- Subject to political changes

Model E: Special District / Authority (2/8)

OPERATIONS

Strengths

- The same organization owns, operates, and maintains the assets

Weaknesses

- Generally easier to manage when the govt agency that oversees operations represents a single jurisdiction, otherwise it may require input from external jurisdictions that impact those who do not live there

Opportunities

- Allows most capable parties to handle what they are best at

Threats

- Must adapt to changing populations and needs

Model E: Special District / Authority (3/8)

EMPLOYEE RECRUITMENT

Strengths

- Ability to overhaul HR systems and processes to address current challenges such as succession planning

Weaknesses

- Uncertainty around any overhaul of HR systems may impact employee morale

Opportunities

- Can emphasize local recruiting of those in the district

Threats

- May exacerbate high turnover given uncertainty among staff

Model E: Special District / Authority (4/8)

RETENTION AND TRAINING

Strengths

- Ability to revisit terms of employment to address high turnover

Weaknesses

- Any overhaul/transition in terms of employment may receive push back from existing staff

Opportunities

- Potential for capacity building, peer learning, and training across jurisdictions

Threats

- Any glitches in rolling out new HR systems could compromise employee trust and confidence

Model E: Special District / Authority (5/8)

BILLING AND COLLECTIONS

Strengths

- Single entity provides billing and collection services, streamlining the processes.
- Eliminates potential for billing disputes between jurisdictions.

Weaknesses

- Transition from current processes may be complicated and time consuming.

Opportunities

- Potential to improve customer service.

Threats

Model E: Special District / Authority (6/8)

PLANNING FOR CAPITAL IMPROVEMENTS

Strengths

- Unified planning
- Robust fundraising resources available

Weaknesses

- Limited to own jurisdiction
- Potentially less regional integration

Opportunities

- Flexibility to make changes as needed

Threats

- Political changes

Model E: Special District / Authority (7/8)

EMERGENCY MANAGEMENT

Strengths

- Can be more easily coordinated with other parts of the government

Weaknesses

- Requires collaboration between different jurisdictions
- May be necessary to predict emergencies to ensure collaboration is possible

Opportunities

- Allow for better synergy between different jurisdictions as they will need to get on the same page

Threats

- A threat to one part of the system may pose an additional burden on some users that they may not have otherwise faced

Model E: Special District / Authority (8/8)

RATE STABILITY FOR CUSTOMERS

Strengths

- Realize economies of scale
- Financial risk is pooled among a larger customer base.

Weaknesses

- May require predecessor jurisdictions to refinance debt.
- May require a Facilities Use Agreement if predecessor jurisdictions retain assets.

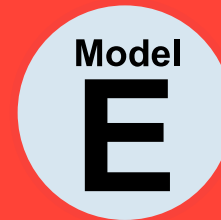
Opportunities

- Potential to standardize fiscal and rate setting policy throughout an entire service area.

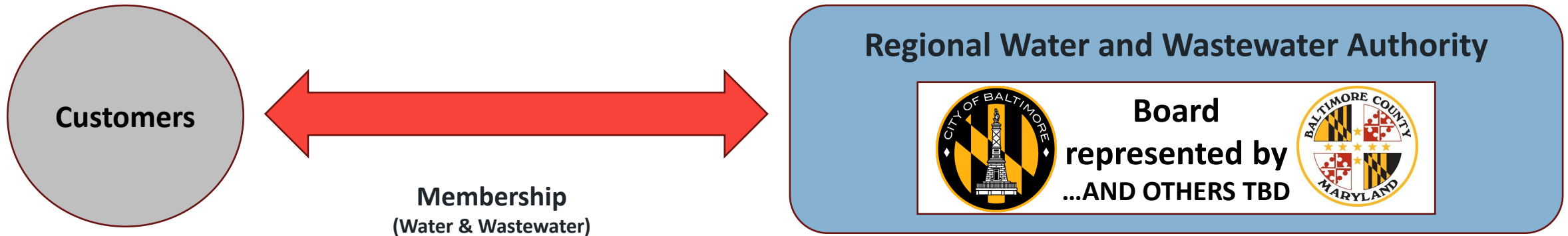
Threats

- Transition to a single rate structure may be revenue-neutral for the utility as a whole, but it will not be revenue-neutral for all individual customers.

Fiscal Analysis: Model E Special District/Authority



Model E Special District/Water and Wastewater Authority



Who is responsible for:	
Utility policy and decision making	Board of Regional Authority (Board)
Rate setting	Board, based on a predetermined methodology and approval process
Capital planning	Regional Auth. staff, the Board-approval- following defined planning and approval process
Financing	Regional Authority, through Paygo & revenue bonds
Retirement and pensions	Regional Authority, for all its employees



*Includes operational and business process policies on recruitment, training, salaries, IT, affordability, customer service etc.

Authority Option Snapshot

- The Authority's Board at a minimum makes all decisions about water treatment, conveyance and distribution system and the wastewater joint use facilities:
 - budget and resource allocation, personnel hiring and terminations, organization structure, performance accountability, strategic priorities, O&M and capital priorities, equity, billings and customer service.
- Board consists of appointed elected officials for accountability
- Consider requiring audited financial reports, periodic cost of service studies, management audits, and regularly published Key Performance Indicator metrics.
- Options:
 - Uniform rate structure or district rate structure
 - Wholesale service provider or turnkey water & sewer service provider
- For Wholesale Service Provider:
 - City retains City retail water & sewer systems O&M, rate setting, billing and collections.
 - Counties retains all retail water & sewer systems O&M, rate setting and assumes all retail billing and collections.

Authority Option Rate Considerations

Develop a Regional Rate Structure that:

- **Under a uniform rate** – is based on consolidated regional Cost of Service & rate design that results in all customers in a given rate class paying the same amount across applicable service area.
- **Under a district rate structure** – is based on Cost of Service & rate design for each district that results in all customers in a given district and rate class paying the same amount.
- Establishes the Authority's basis and procedures for setting Wholesale Rates and for dispute resolution.

Transition: Approach

- Assemble Transition Working Group – Consisting of City/County/Member – Mayor/Executive; Utility Directors; Appointed future Board Elected Officials - identify support work groups.
- For District/Authority option; Identify all internal and boundary issues and conditions.
- Maximize use of internal City and County member resources:
 - Legal
 - Financial
 - HR – Salary-Benefits - Pensions
 - Benchmarking Best Practices-O&M Performance
- Procure advisory support as needed.
- Create Charter for new authority – obtain City/County approvals.

System Transition: Costs and Timeline

- Other transitions to new authority, the timeline has taken from 12 to 24 months.
- If all City/Counties human resources are utilized, additional outside costs could be minimal.
- Transition Costs assumptions are forward looking and will be based on resource availability for yet undetermined set of issues, by parties not yet determined that will determine the extent of need for third-party support.
- Examples of third-party services such as facilitation, management consulting, legal, investment banking, or employee relations and benefits support.
- We have used a conceptual cost range from \$250,000 for Model C option and \$1,000,000 for Models D and E options respectively, not including retirement benefit transition costs.
- Retirement Benefit transition cost magnitude - Pending

Asset Leases

- If assets management and O&M obligations change based upon a lease agreement, then lease costs are a major future consideration.
- Asset Leases are primarily real estate, vehicles and software
 - CAM allocates \$500,000 a year in leased assets between the City, County, and Wholesale Partners
- Regional Authority affect on Asset Leases
 - Vehicle and software leases to be transferred to the Authority.
 - Existing real estate lease agreements dictate if transferring to another entity is allowed.

Capital Costs

- District/Authority formation would require reconciliation of currently projected capital improvement programs, consent decree cost obligations and other planned capital commitments.
- Capital costs would be decided by the new Authority.
- Capital projects to be selected and authorized by the Authority Board.

Billing and Collections

- Billing and collections would be consolidated and staffed by the new Authority aligned with jurisdiction limits of Authority.
- Requires establishing one set of billing and collection policies aligned with jurisdiction of Authority
 - For e.g., If election for wholesale Authority & District Rates - City and County continue to set retail rates.
- Transition costs may include completing migrating City and County data to one billing system.
- Potential cost savings by consolidating all customer service, billing & collection to one agency.

Rate Restructuring

- Uniform Rate – Will require reconciliation of different rate structures between the City and the County.
- District Rates
- New Authority should include affordability and equity programs when developing rate structure.
- Affordability programs should be available to both City and County customers.

Debt Obligations – City Water Utility

- **Need to Refinance Existing Debt?**
 - \$1.5 billion of Water System debt is secured by a pledge of assets and revenues.
 - Legal analysis is required to determine whether Model E would require refinancing.
- **Cost of Refinancing: \$90 to \$200 million present value**
 - The high estimate assumes that outstanding debt is refunded at current market rates through issuance of taxable and tax-exempt refunding bonds.
 - The low estimate assumes that the outstanding 2021 WIFIA Loan and Series 2020-B taxable refunding bonds, which together account for 80% of the high estimate refunding cost, are instead refinanced through negotiations with the EPA and more highly structured and optimized plans of finance.

Debt Obligations – City Wastewater Utility

- **Need to Refinance Existing Debt?**
 - \$1.7 billion of Wastewater System debt is secured by a pledge of assets and revenues.
 - Legal analysis is required to determine whether Model E would require refinancing.
- **Cost of Refinancing: \$130 to \$340 million present value**
 - The high estimate assumes that outstanding debt is refunded at current market rates through issuance of taxable and tax-exempt refunding bonds.
 - The low estimate assumes that the outstanding 2021 WIFIA Loan, MWQFA revolving fund loans, and Series 2020-A taxable refunding bonds are refinanced through negotiations with the EPA and MWQFA and through more highly structured and optimized plans of finance.

Debt Obligations – County Metro District

- **Need to Refinance Existing Debt?**
 - \$2.2 billion of Water and Wastewater debt issued through the County's Metropolitan District is secured by the general obligation pledge and taxing authority of the County.
 - Legal analysis is required to determine whether Model E would require refinancing.
- **Cost of Refinancing: \$105 M to \$185 M present value**
 - The high estimate assumes that outstanding debt is refunded at current market rates through issuance of taxable and tax-exempt refunding bonds.
 - The low estimate assumes that the outstanding MWQFA revolving fund loans are refinanced through negotiations with the MWQFA.

Debt Obligations Summary

- Estimated Present Value of Refinancing Cost in \$ millions

\$, millions	No Refinancing Needed	Refinancing - Low Case	Refinancing – High Case
City Water Utility	\$0	\$90	\$200
City Wastewater Utility	\$0	\$130	\$340
County Metro	\$0	\$150	\$185
Total	\$0	\$370	\$725

Pension Obligations

- A new Pension Plan could be created covering all employees of the Special District/Authority or all employees of the Special District/Authority could be brought under an already existing pension Plan either of the City or of the County.
 - Any merger or transfer of assets between two pension plans would require careful evaluation of the total pension obligation/member and net position/member so that there is no adverse impact on any member's benefits.
 - There may be additional employer contributions required from City/County to make the new plan's benefits equal for all members.

Special District/Water and Wastewater Authority Fiscal Snapshot

Note: Most impacts will depend on future policy decisions and negotiated outcomes

Impact on asset lease	If authority uses lease to gain control of wholesale and/or retail W&S assets, then lease is key outcome
Impact on capital costs	Combined existing capital program commitments and new costs will be determined by the new Authority
Impact on billing and collections	Billing and collection function consolidated and staffed by the new Authority based on the Authority’s jurisdiction
Rate restructuring considerations	Reconcile differences in rate structure between the City and the County based on the Authority’s jurisdiction
Debt obligations	Combined Debt commitments consistent with Charter obligations; new debt to be determined by the Authority
Transition of pensions	Depends on future policy decisions and negotiated outcomes

Approach to assessment

8 Criteria in HB843

Areas for improvement (NewGen)

Rating rubric

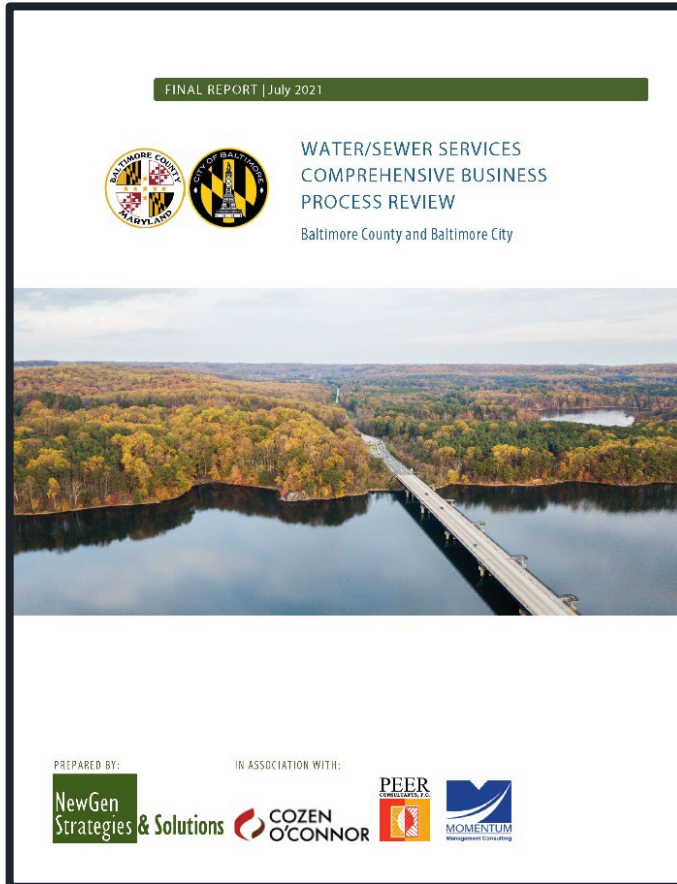
Comparison of Models C, D, and E

HOUSE BILL 843
EMERGENCY BILL

MS, CS, L6 3lr2442
CF SB 880

By: Delegates Smith, Ebersole, Addison, Allen, Amprey, Attar, Bhandari, Boyce, Cardin, Conaway, Edelson, Embry, Forbes, Guyton, Jackson, R. Lewis, Mangione, McCaskill, Metzgar, Pasteur, Ruth, Stein, White, and Young
Introduced and read first time- February 9, 2023
Assigned to: Environment and Transportation

1. Management
2. Operations
3. Employee recruitment
4. Retention and training
5. Billing and collections
6. Planning for capital improvements
7. Emergency management
8. Rate stability for customers



++	Potential for significant benefit
+	Some benefit relative to status quo
SQ	Same as status quo
-	Some disadvantage over status quo
--	Potential for significant disadvantage
N/A	Not applicable

	Model C	Model D	Model E
SQ	SQ	++	
+	Model C	Model D	Model E
+	SQ	SQ	++
+	Model C	Model D	Model E
+	+	SQ	SQ
	+	Model C	Model D
	+	SQ	++
	+	+	SQ
	+	+	++
	+	+	++

Assessment: Management

MANAGEMENT

Areas for improvement	Model C	Model D	Model E
Loss of institutional knowledge due to high turnover and high vacancy rates	+	+	++
Lack of institutional knowledge capture	+	SQ	++
City not accountable to County for service delivery, operational efficiency, or system reliability	SQ	-	++
No mechanism for systematic interjurisdictional coordination on strategic planning	+	-	++
Customer service performance or customer satisfaction not measured	+	+	++

What the ratings mean:

++	Potential for significant benefit
+	Some benefit relative to status quo
SQ	Same as status quo
-	Some disadvantage over status quo
--	Potential for significant disadvantage
N/A	Not applicable

Assessment: Operations

OPERATIONS			
Areas for improvement	Model C	Model D	Model E
High turnover rate (loss of institutional knowledge)	+	+	++
Standard operating procedures are not documented	+	+	++
County does not have access to City's work order system	SQ	SQ	++
City maintenance staff do not have access to County's GIS data	SQ	SQ	++
Lack of systematic coordination on water loss management	SQ	SQ	++

What the ratings mean:

++	Potential for significant benefit
+	Some benefit relative to status quo
SQ	Same as status quo
-	Some disadvantage over status quo
--	Potential for significant disadvantage
N/A	Not applicable

Assessment: Employee recruitment

EMPLOYEE RECRUITMENT			
Areas for improvement	Model C	Model D	Model E
Higher than industry average vacancy rates esp. for key positions	+	+	++
High turnover rate (loss of institutional knowledge)	+	+	++

What the ratings mean:

- ++** Potential for significant benefit
- +** Some benefit relative to status quo
- SQ** Same as status quo
- Some disadvantage over status quo
- Potential for significant disadvantage
- N/A** Not applicable



Assessment: Retention and Training

RETENTION AND TRAINING

Areas for improvement	Model C	Model D	Model E
Loss of institutional knowledge due to high turnover and high vacancy rates	SQ	SQ	+
Salaries are not market competitive*	SQ	SQ	+

What the ratings mean:

++	Potential for significant benefit
+	Some benefit relative to status quo
SQ	Same as status quo
-	Some disadvantage over status quo
--	Potential for significant disadvantage
N/A	Not applicable

Assessment: Billing and Collections

BILLING AND COLLECTIONS

Areas for improvement	Model C	Model D	Model E
QA/QC process to ensure billing accuracy	+	+	++
Increase in customer delinquency since 2017	SQ	+	+
Long standing disputes over customer billing and annual water reconciliation	SQ	SQ	++
City's water billing adjustments and customer account changes inadequately communicated to County (impacting sewer billing)	+	-	++

What the ratings mean:

++	Potential for significant benefit
+	Some benefit relative to status quo
SQ	Same as status quo
-	Some disadvantage over status quo
--	Potential for significant disadvantage
N/A	Not applicable

Assessment: Planning for capital improvements

PLANNING FOR CAPITAL IMPROVEMENTS

Areas for improvement	Model C	Model D	Model E
No mechanisms/systems in place to ensure that the joint planning function is carried out effectively and efficiently (water and wastewater)	+	--	++
Water Analyzer office is understaffed	+	+	++
No metrics are used to evaluate program performance	+	+	++

What the ratings mean:

++	Potential for significant benefit
+	Some benefit relative to status quo
SQ	Same as status quo
-	Some disadvantage over status quo
--	Potential for significant disadvantage
N/A	Not applicable

Assessment: Emergency management

EMERGENCY MANAGEMENT

Areas for improvement	Model C	Model D	Model E
No drought response and unclear drought response roles	SQ	SQ	+

What the ratings mean:

++	Potential for significant benefit
+	Some benefit relative to status quo
SQ	Same as status quo
-	Some disadvantage over status quo
--	Potential for significant disadvantage
N/A	Not applicable

Assessment: Rate stability for customers

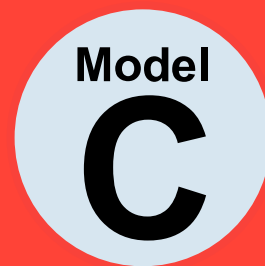
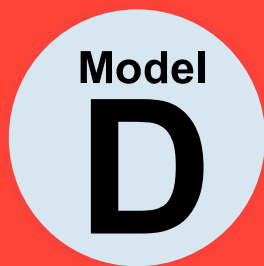
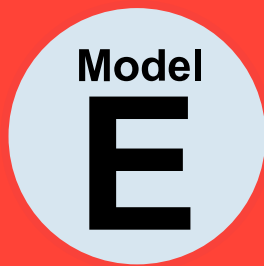
RATE STABILITY FOR CUSTOMERS

Areas for improvement	Model C	Model D	Model E
Rate affordability	SQ	SQ	+
Rate predictability	+	+	+
Rate structure (for retail customers)	SQ	+	-
Rate structure (for wholesale customers)	SQ	+	+

What the ratings mean:

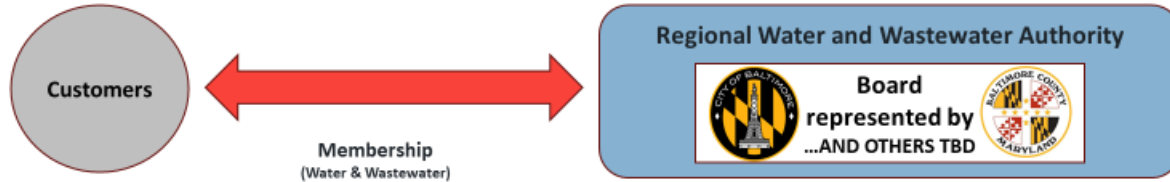
++	Potential for significant benefit
+	Some benefit relative to status quo
SQ	Same as status quo
-	Some disadvantage over status quo
--	Potential for significant disadvantage
N/A	Not applicable

Governance structure's framework for alternative governance models



Approach to governance structure's framework

Model E Special District/Water and Wastewater Authority



Model D Wholesale Service Purchase Agreement

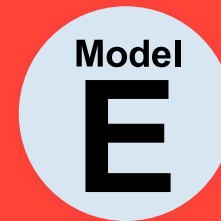


Model C Intermunicipal Service Agreement



- Specific recommendations on structure, key relationships, and contractual terms as applicable
- A framework for each of— governance, finance, capital planning, future system capacity expansion, decision making processes, and ongoing O&M (HB843 requirement)
- Key issues in implementation

Governance Structure's Framework for Model E Special District/Authority



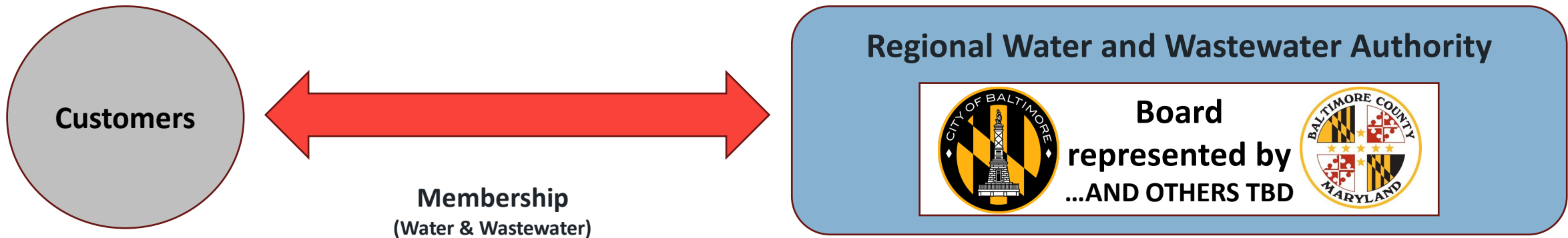
Criteria for developing governance structure's frameworks

Assess alternative **governance** structures for the Baltimore region's water and wastewater utility, including **frameworks for**:

- governance;
- financing;
- capital planning;
- future system capacity expansion;
- decision-making processes; and
- ongoing operations and maintenance of safe, efficient, equitable, and affordable water and wastewater systems serving the Baltimore region

Special District or Authority Structure

Model E Special District/Water and Wastewater Authority



- A Board comprising representatives of the City, Baltimore County, Howard County, and Governor's appointee shall make all policy decisions
- Executive leadership appointed by the Board leads capital planning, system expansion, and O&M processes and decision-making
- Independent, semi-autonomous Rate Setting Board makes community focused determination about rate changes

Structure Options: Turnkey vs. Wholesale

Option 1—Turnkey

Regional Water and Wastewater Authority



Retail relationship all with customers

Uniform or district rate structure



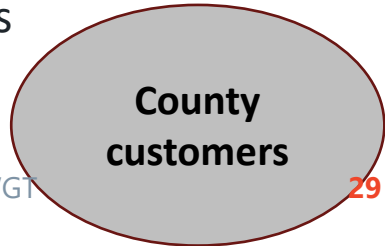
Option 2—Wholesale

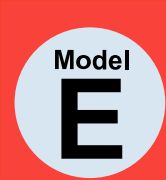
Regional Water and Wastewater Authority



Wholesale Services for City and County

City and County maintain respective retail networks and sets local rates

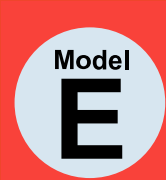




Framework: Governance

Special District or Authority - Governance:

- Two non-partisan groups:
 - Board of Directors - a board of seven (7) members, to be appointed for staggered two-year terms
 - Rate Setting Board shall consist of five (5) members and the Rate Setting Board members shall serve for staggered three-year terms.



Framework: Governance

Special District or Authority - Governance:

Board of Directors

- the Board of Directors responsibility is to establish the policies and procedures of the Special District or Authority necessary to effectively manage the regional Water and Sewer system for the community it serves.
- The five (5) members of the Board of Directors will consist of accomplished citizens of the City of Baltimore, Baltimore County, and Howard County and shall include retired or current leaders of corporations and major non-profit organizations and persons with demonstrated leadership and utility management experience.

Board of Directors

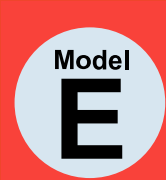
- The Board of Directors will meet annually at the start of each fiscal year to elect a Chairperson, and Vice Chairperson and an alternate that together will comprise the executive committee.
- Responsibility:
 - The Board of Directors set policies and procedures for the operation of any water and sewer systems plants and systems
 - Will receive and collect all money due on account of such operation or otherwise relating to such water and sewer systems plants, plants or business
 - Will employ such managers, superintendents, assistant managers, assistant superintendents, engineers, attorneys, auditors, clerks, foremen, and other employees necessary for the proper operation of any utility and the business and to fix the compensation of all such employees.

Rate Setting Board

- Function: The Rate Setting Board shall review the utility's rate recommendation and performance to determine rate changes for water and sewer services in accordance with an open, transparent, and consultative process, based on an established methodology.
- The five (5) members of the Rate Setting Board will comprise accomplished citizens of the City of Baltimore, Baltimore County, and Howard County and shall include leaders of corporations and major non-profit organizations and persons with demonstrated leadership and utility management experience.

Rate Setting Board

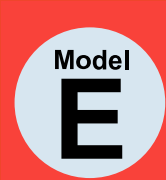
- Appointment: Initially, one Rate Setting Board members appointed by the Mayor of the City, one by the Baltimore County Executive, one by Howard County, one by mutual agreement between the Mayor of the City of Baltimore and the Baltimore County Executive and one by the Governor.
- Vacancy: Vacancies filled by the office (of the City, County, or Governor) that appointed the Board member whose seat is being vacated.
- Expand meaning of safe, reliable, and reasonable service to include equity impacts
- To consider distributive justice in utility program design and pricing



Framework: Financing

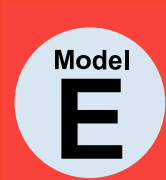
- Board will have the authority to collect revenue, incur loans, bonds, and fund projects via PAYGO. Sources of financing would include revenue bonds, State Revolving Fund loans, WIFIA loans administered by EPA, MEDCO bonds and any other federally administered loans and grants.
- **Board of Authority** would be required to:
 - Adopt an Audited Financial Report
 - Cause a Cost-of-Service Study to be performed to support rate increases
 - Annually approve Budget to include:
 - A published Five-Year Rate Forecast fully reconciled with approved 5-Year CIP plan
 - A Long Term forecast of Service Demands of Special District or Authority's Service Area
 - Each Governmental Jurisdiction is obligated to prepare a long and short term forecast of Service Demands that are to be relied upon by the Special District or Authority
 - Approval or reconciliation with the of Annual CIP Spending Plan





Framework: Financing

- **Authority staff** would plan and implement debt issuance as needed:
 - Procure and manage professional services from a Municipal Advisor, Bond Counsel, Disclosure Counsel, and Debt Underwriter(s)
 - Prepare disclosure documents
 - Prepare and negotiate borrowing documents
 - Monitor capital markets for refinancing opportunities
 - Work with Maryland Department of the Environment to maximize use of low-interest rate debt
 - Pursue advantageous WIFIA loans
 - Pursue grant funds



Framework: Financing

- **Issues to consider:**
- Develop asset leasing policies and strategies
 - Baltimore City Charter prohibits leasing of facilities
 - Charter amendment required for City to lease assets to an authority.
 - Potential MEDCO Role in near-term interim and initial Authority financings
- Resolution of City, County and Authority Pensions
- Final debt defeasance determination (need for refinancing)
 - Defining acceptable contractual relationships City and Authority, and County and Authority so that existing City and County debt does not need to be refinanced.
- Optimizing debt forgiveness options

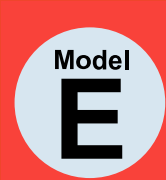


Framework: Capital Planning

- **Board of Authority** would be required to:
- Establish Processes & Procedures for:
 - Consult with local jurisdictions on planning & development, capital planning and timing
 - Prepare and Publish for Board Approved a Five and 10-Year Capital Improvement Plan, the CIP (fully reconciled with five-year rate forecast)
 - Require Board Approval of Annual CIP Spending Plan (fully reconciled with Approved Annual Budget and Rates)
 - Require Board approval of any Capital Project contract.

Framework: Capital Planning

- Issues to consider: - Transition work group must reconcile current projected City and County capital improvement programs, consent decree cost obligations and other planned capital commitments to establish initial baseline Special District or Authority CIP program.
- Reconcile any differences between City and County contracting/procurement procedures, design standards, standard details, performance standards, materials, and equipment
- May also need to assess “What else”?
- Optimizing use of grants, loans and other financing



Framework: Future Capacity Expansion

- **Board of Authority** would be required to:
 - Establish Processes & Procedures for:
 - Consultations with local Jurisdictions on Capital Planning and timing
 - Prepare and Publish a Board Approved Five and 10-Year Capital Improvement Plan (CIP)
 - Require Board Approval of Annual CIP Spending Plan (fully reconciled with Approved Annual Budget and Rates)
 - Require Board approval of any Capital Project contract.
- Issues to consider: Jurisdictional Boundaries & Service Area Expansion options

Framework: Decision making processes

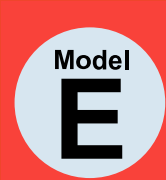
- **Board of Authority** would be required to:
- Establish Processes & Procedures for:
- All policy decisions are ultimately approved by the Board.
- The Board will retain an Executive Director and the Executive Leadership team will be responsible to execute the policies and make day-to-day operational decisions.
- Issues to consider: Matters that will Require a Super majority vote.

- **Board of Authority** would be required to:
 - Establish Processes & Procedures for: the General Manager and Executive Leadership team to provide leadership and direction for all O&M functions consistent with Board-approved policies and processes.
- Issues to consider:
 - Produce a publicly accessible Performance Dashboard that contains O&M key performance indicators that are tracked and updated no less than quarterly.
 - E.g. Example KPIs: drought conditions, turnover rates, regulatory compliance, customer response time, water loss, etc.
 - Reconcile differences in City and County position descriptions, salary schedules, and benefit programs.
 - Enacting a program to protect against service disconnections and funds bill pay assistance program

Key Decisions for Implementation

Will Authority be:

- Turnkey vs. wholesale service provider?
- Decide on uniform vs. district rate structure
 - Under a **uniform rate** – is based on consolidated regional Cost of Service & rate design that results in the same rate schedule applied to **all customers** in a given rate class across all of the service area.
 - Under a **district rate** structure – is based on Cost of Service & rate design for each district that results in the same rate schedule applied to all **customers in a district**.



Framework: Governance

Wholesale Authority - Governance:

- Elevate Waste & Sewer Bureau to City Department
- One non-partisan group:
 - Rate Setting Board shall consist of Five (5) members and the Rate Setting Board members shall serve for staggered three-year terms.
- See slides 33 & 34 for Rate Setting Board Details

Model E and C

- The objective of the Task Force is to make a recommendation for the governance model best suited for water and wastewater systems in the Baltimore region and for the necessary legislation and funding to establish the recommended model as dictated in House Bill 843.
- On the merits, the governance model that holds the greatest prospect to provide the optimal customer service, system reliability, and interjurisdictional collaboration is governance Model E, Special District or Authority.

Model E and C

- Delivering the benefits of Model E, a Special District or Authority also presents significant risks related to a series of threshold economic and community concerns, that cannot be answered based upon a hypothetical conceptual governance model.
- If any of these threshold issues cannot be resolved equitably and economically, they each hold the potential to derail implementing Model E.

Model E - Threshold Issues

- Final debt defeasance determination-will debt refinancing be required
 - Defining acceptable contractual relationships City and Authority, and County and Authority so that existing City and County debt does not need to be refinanced.
 - Developing a financial transition plan that “Does no damage” to the Parties involved while facilitating standing-up the new authority
 - Potential MEDCO Role in near-term interim and initial Authority financings
- Resolution of transition from City, County to Authority Pensions
- Develop asset lease or facilities use policies and strategies
 - Baltimore City Charter prohibits leasing of facilities.
 - Charter amendment required for City to lease assets to an authority (Community vote).
 - Is a Rate Setting Board feasible to implement in the City, or for the Authority?

Model E and C

- While Model E holds the prospect of being the best suited for water and wastewater systems in the Baltimore region; it will not be found suitable if the economics or community impacts prove not to be acceptable.
- The current Task Force governance evaluation efforts have resulted in observations that the City DPW operating under the Intermunicipal Agreements have made changes since the 2021 Water/Sewer Services Comprehensive Business Process Review address some of the areas identified for improvement.
- Further, the Task Force governance evaluation efforts have identified changes to the Intermunicipal Agreements that also may provide improvement to customer service, system reliability, and interjurisdictional collaboration with lower transitional risks and costs

Model E and C

- We recommend that the Task Force select as its preference Model E, but that the City and County commit sufficient resources to define the transactions and actions involved enough to resolve the threshold issues such that there is a reasonable basis to fully commit to implementing an authority
- We further recommend that Model C, the modified Intermunicipal Agreement remain a consideration as a viable governance model until such time as the Model E has been determined feasible.

Future transition steps

- Assemble Transition Working Group – Consisting of City/County/Member – Mayor/Executive; Utility Directors; Appointed future Board Elected Officials - identify support work groups.
 - Maximize use City and County member resources: Legal , Financial, HR – Salary-Benefits – Pensions, Benchmarking Best Practices-O&M Performance
 - Procure advisory support as needed.
- For Model E (District/Authority) option:
 - Resolve threshold Issues
 - Identify all internal and boundary issues and conditions.
 - Create Charter for new authority – obtain City/County approvals.
- For Model C (Intermunicipal agreement), identify the contracts that would need to be executed/amended and negotiate the terms of such contracts.