



Baltimore Regional Water Governance Task Force

Meeting #5: Summary and Recommendation

November 15, 2023

Today's Agenda

6:00 pm to 6:15 pm	Recap
6:15 pm to 7:00 pm	Consultant presentation
7:00 pm to 7:45 pm	Taskforce discussion
7:45 pm to 8:00 pm	Break
8:00 pm to 8:30 pm	Public comments
8:30 pm to 9:00 pm	Taskforce reconvenes to vote

Notes for Attendees

- During the consultant presentation and taskforce discussion, attendees are welcome to listen in and ask their questions in the public comments period.
- If you would like to comment or ask a question, please use the “raise hand” function. If you are connected by phone, please dial *9 to raise your hand.
- During the public comments period you will be invited by the Chair to unmute yourself in Zoom and share your comment or question.
- Please limit your comment or question to 2 minutes; you will be timed
- No follow up comments or questions beyond that time, please
- If the Task Force can provide you a response they will do so after you finish speaking
- All comments will be noted and posted the website

Task Force Meeting Schedule

Taskforce Meeting #1: Existing Organization & Agreements

Wednesday, September 13 at 6:00pm

Baltimore County, Randallstown Community Center

Taskforce Meeting #2: Governance Models

Wednesday, October 4 at 6:00pm

Baltimore City, Middle Branch Fitness and Wellness Center

Taskforce Meeting #3: Governance Models & Preliminary Fiscal Analysis

Wednesday, October 18 at 6:00pm

Baltimore County, CCBC Essex

Taskforce Meeting #4: Final Fiscal Analysis

Wednesday, November 1 at 6:00pm

Baltimore City, Mount Pleasant Church and Ministries

Taskforce Meeting #5: Summary & Recommendation

Thursday, November 16 at 6:00pm

Virtual

Taskforce Meeting #6: Final Recommendation Report

Thursday, January 25 at 6:00pm

Virtual

Objectives and purpose

Task Force's Objectives (HB 843)

- Assess alternative governance structures that will ensure a safe, efficient, equitable and affordable water and wastewater systems serving the Baltimore region
- Optimize customer service, system reliability and interjurisdictional collaboration
- Recommend the governance model most suited for supporting the Baltimore region economy

HOUSE BILL 843	
MS, CS, L6	EMERGENCY BILL
	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	
Committee Report: Favorable	
House action: Adopted	
Read second time: March 6, 2023	

CHAPTER _____

1 AN ACT concerning

2 **Baltimore Regional Water Governance Task Force**

3 FOR the purpose of establishing the Baltimore Regional Water Governance Task Force to

4 study approaches to water and wastewater governance in the Baltimore region, and

5 generally relating to water supply and wastewater treatment in the Baltimore

6 region.

7 Preamble

8 WHEREAS, The General Assembly of Maryland granted general authority to

9 Baltimore City to develop a water supply system within and outside of its borders, impound

10 and withdraw water from the Gunpowder River, the Patapsco River, and the Little

11 Gunpowder River, and withdraw water from the Susquehanna River; and

12 WHEREAS, The water supply system developed by Baltimore City has supported

13 the development and expansion of adjacent regional counties; and

14 WHEREAS, Chapter 539 of 1924 established a Metropolitan District within


15 Baltimore County authorizing Baltimore County to construct, maintain, and operate

16 wastewater systems within the Metropolitan District and required Baltimore City to

17 extend the water supply lines within the Metropolitan District; and

18 WHEREAS, Chapter 729 of 1939 authorized Baltimore County to enter into

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
[Brackets] indicate matter deleted from existing law.
Underlining indicates amendments to bill.
~~Strike-out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.

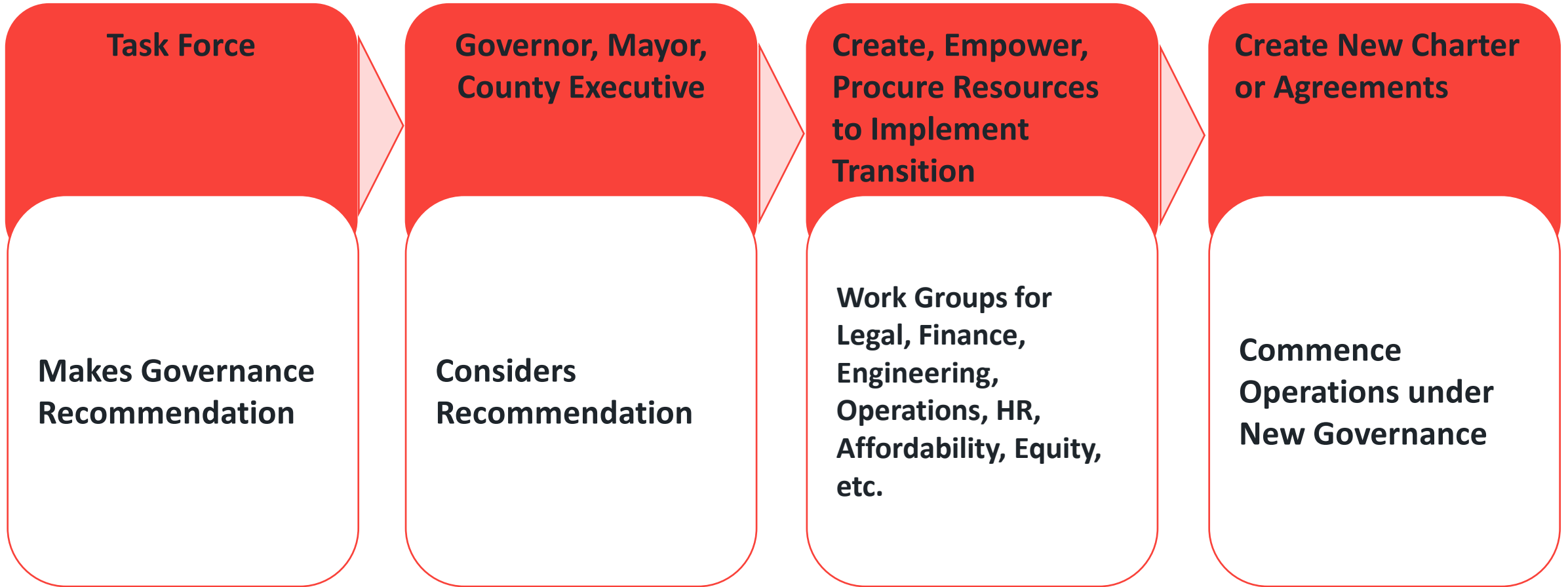


What is Governance?

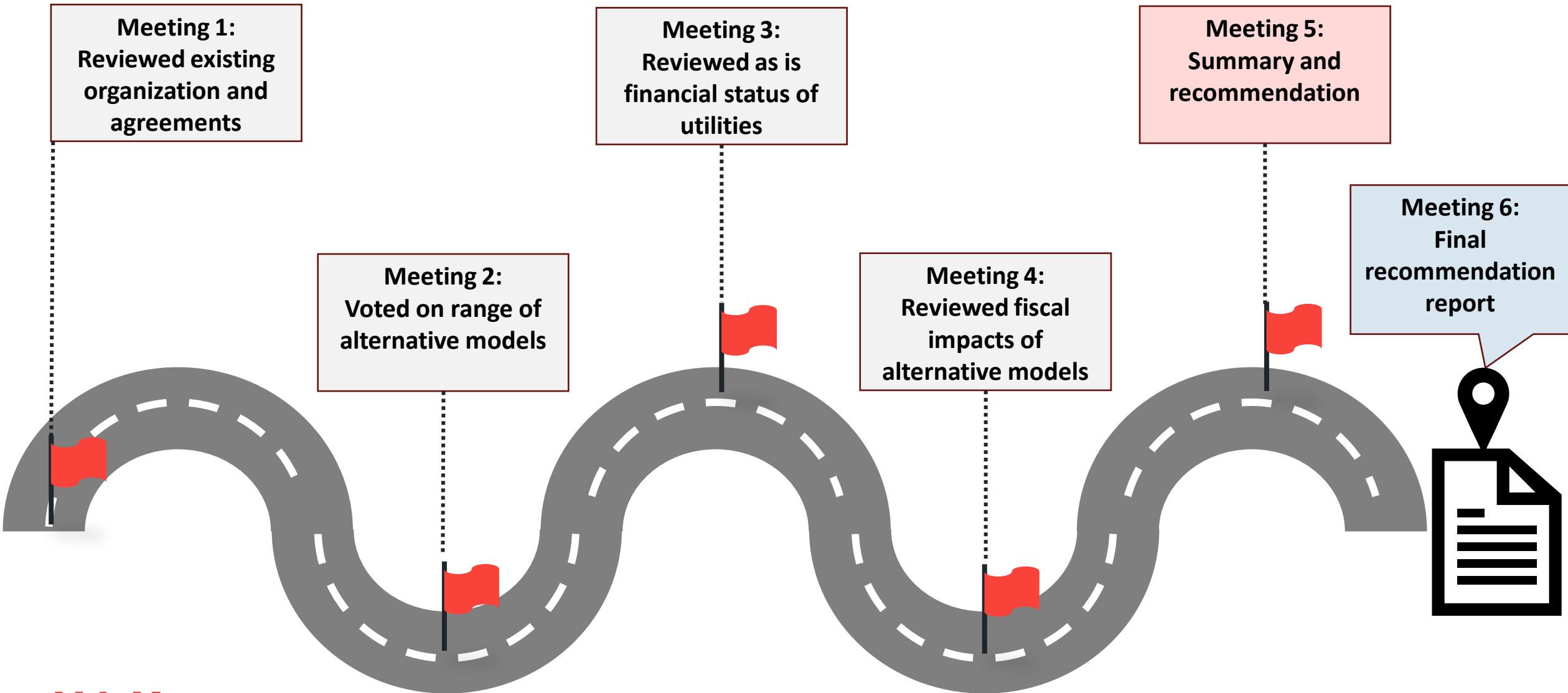
- A formal framework to
 - ✓ align the public partner organizations to regional goals;
 - ✓ make accountable key decisions about policies, procedures and funding;
 - ✓ define roles and responsibilities;
 - ✓ actively manage the utility's risks while serving the regional community



Governance Transition Process



The Road Map to Making a Governance Recommendation



Financial Summary

Financial Summary (1/2)

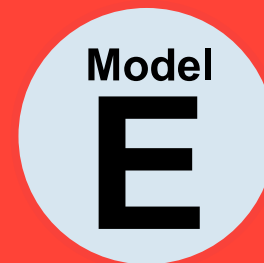
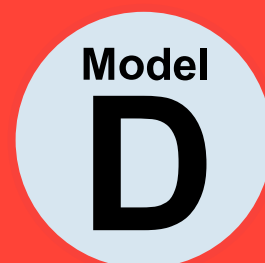
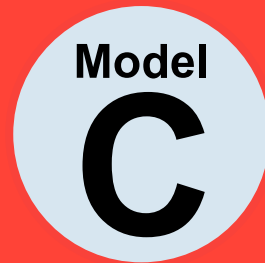
- Recent history: annual increases to City and County water and wastewater rates
- Looking ahead: continued pressure for further rate increases
 - Inflation on consumables, parts and supplies
 - Baltimore City salary increases adopted in September 2023 (based on Compensation Study)
 - Continued consent decree activities; additional new City consent decree
 - Projected new capital spending through FY 29: City \$2.4 billion; County \$1.7 billion.
 - City and County projected net debt projected to increase through FY 29, City Water \$270 M, City Wastewater \$429 M, County combined \$420 M.

Financial Summary (2/2)

- Continued pressure for further rate increases exists regardless of governance alternative.
- Industry comparators for transition costs estimates – \$5 to \$15 million
- Existing debt refinancing, if required for transition would add additional debt^{*}
 - City Water \$90-200 M
 - City Wastewater \$130-340 M
 - County combined \$150-180 M

* Based upon assumed debt refinancing conditions

Assessment against criteria in HB843



Criteria for identifying recommended governance model

HB 843 sets out the methodology for the Task Force to identify the governance model

Each member shall.....**assess how each different governance approach may improve the following:**

- management;
- operations;
- employee recruitment;
- retention and training;
- billing and collections;
- planning for capital improvements;
- emergency management; and
- rate stability for customers

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
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

FINAL REPORT | July 2021



WATER/SEWER SERVICES
COMPREHENSIVE BUSINESS
PROCESS REVIEW
Baltimore County and Baltimore City



PREPARED BY:
NewGen Strategies & Solutions

IN ASSOCIATION WITH:
COZEN O'CONNOR PEER CONSULTANTS P.C. MOMENTUM Management Consulting

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

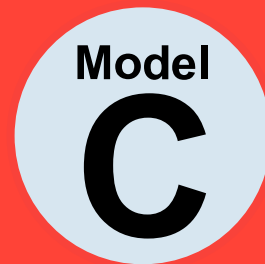
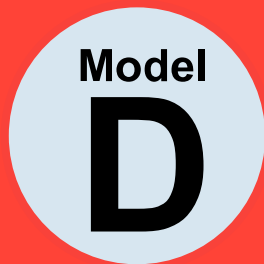
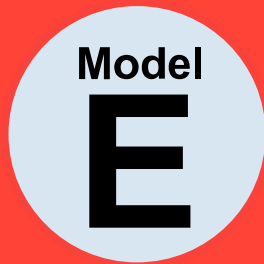
Assessment: Rate stability for customers

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:

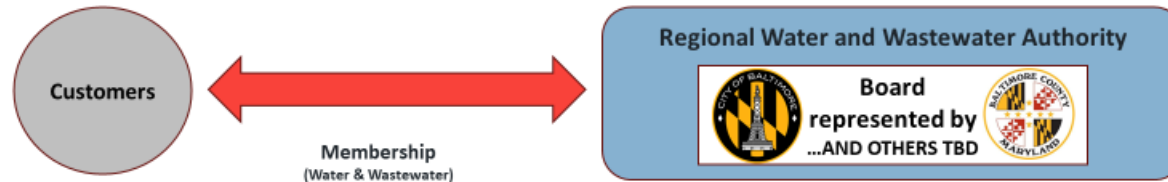
++	Potential for significant benefit
+	Some benefit relative to status quo
SQ	Same as status quo
-	Some disadvantage over status quo
--	Potential for significant disadvantage
N/A	Not applicable

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

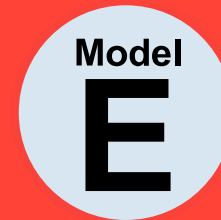


Model C Intermunicipal Service Agreement



- 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



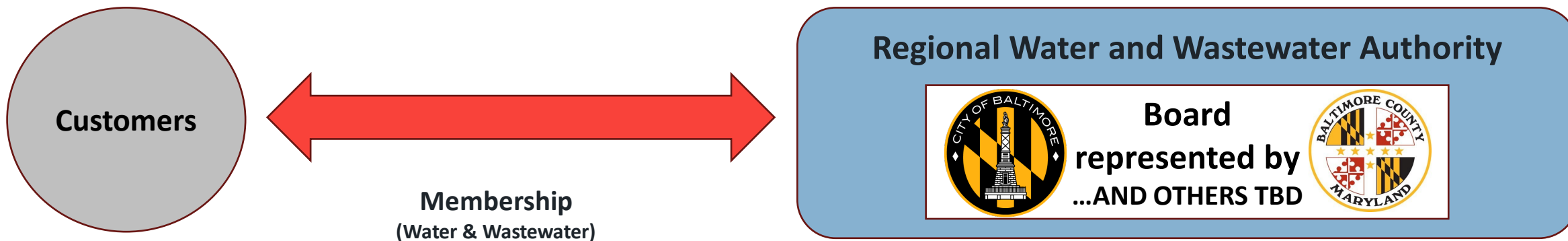
Criteria for developing governance structure's frameworks

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



Board
represented by
...AND OTHERS TBD



Retail relationship
all with customers

Uniform or district
rate structure

Customers
(combined service area)

Option 2—Wholesale

Regional Water and Wastewater Authority



Board
represented by
...AND OTHERS TBD



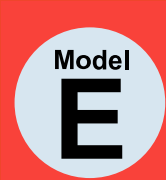
Wholesale Services
for City and County

City and County
maintain respective
retail networks and
sets local rates



City
customers

County
customers



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.

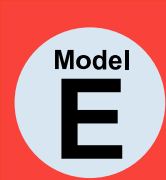
Special District or Authority - Governance:

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.



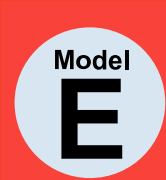
Framework: Governance

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.

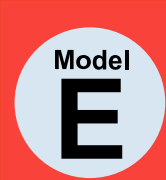
Rate Setting Board

- 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



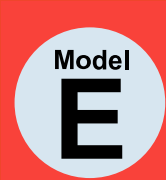
Framework: Financing

- 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

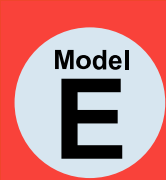
- **Issues to consider:**
- Develop asset leasing policies and strategies
 - Baltimore City Charter prohibits leasing of facilities
 - Charter amendment required for City to lease assets to an authority.
 - Potential MEDCO Role in near-term interim and initial Authority financings
- Resolution of City, 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.

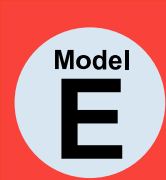
Framework: Capital Planning

- 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



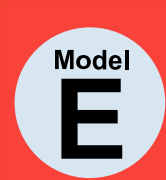
Framework: Future Capacity Expansion

- **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



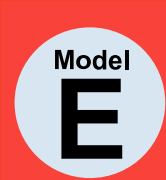
Framework: Decision making processes

- **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.



Framework: Ongoing O&M

- **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

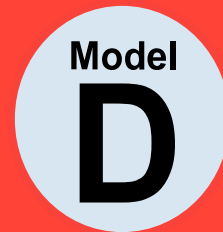


Key Decisions for Implementation

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**.

Governance Structure's Framework for Model D Wholesale Service Agreement



Wholesale Authority structure

Model D Wholesale Service Purchase Agreement



- City DPW and County DPW continue to make policy and strategic decisions for respective jurisdictions
- City DPW makes decisions about water system and the Joint Use Wastewater facilities in terms of a Wholesale agreement between the City and the Counties.
- Retail assets and relationships managed by City DPW and County DPW in the City and County respectively
- Systemic issues relating to HR and management should be handled independently by each jurisdiction coordinating with each other as needed.

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

Recommendation(1/2)

- Wholesale agreement should provide for:
 - City DPW to provide for ample notice and transparency to purchasers on changes (E.g. long-range planning, capacity management, capital improvement program, regulatory compliance, service interruptions, service level changes and uncontrollable events)
 - Wholesale rate design implemented so City DPW covers all O&M and capital costs
- City W&S Department as wholesaler would be required to:
 - Consult 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).
 - Review capital planning and system expansion processes as needed to meet its contractual commitments

Recommendations (2/2)

- City and County DPW should individually:
 - Conduct a regional salary study to determine salary parity with Water & Sewer industry to aid to attract and retain talent
 - Develop succession plans for all positions retiring within the next five years.
 - Initially pursue manager training to improve retention and mitigate high turnover
 - Conduct an affordability study along with a cost of service study to inform wholesale rate setting in the future
 - Adopt industry proven knowledge retention program commencing with critical SOP development.

- Responsible body: The City's Director Water & Sewer makes all decisions about water system and the Joint Use Wastewater facilities:
 - budget and resource allocation, personnel hiring and terminations, organization structure, performance accountability, strategic priorities, management of the reservoirs and capital priorities.
- Decisions and processes: Similar to status quo
- Issues to consider: Ensure contractual mechanisms in place to provide the City Water & Sewer Dept gives is transparent and provides ample notice on proposed changes to long-range planning, capacity management, regulatory compliance, service interruptions, service level changes and uncontrollable events.

Need to restructuring services provided by current DPW's Chief of Administration's bureau personnel



Framework: Financing

- Responsible body: City DPW responsible for raising finance to meet planned capital expenses through bonds, loans, and PAYGO. Counties raise finances needed to meet their expenses.
- Decisions and processes: *Same as status quo*.
- Issues to consider: City DPW as wholesaler required to finance all debt needed to meet delivery commitments under the wholesale agreement.

The County would no longer provide financing contributions for any capital contributions to the City (per CAM).

City needs to assess its ability to raise borrowing for increased capital needs under this model (potential range \$200 M to \$1,000 M)

Framework: Capital planning

- Responsible body: City W&SD responsible for capital planning to meet delivery commitments under the wholesale agreement and commitments to its retail customers. Counties responsible for any capital planning to manage its respective retail assets.
- Decisions and processes: City and Counties follow respective capital planning processes (as is the case now). City W&SD must plan to meet delivery commitments under the wholesale agreement.
- Issues to consider: County would no longer contribute capital costs to the City W&SD upfront. County's share would be recovered through the contractually agreed upon wholesale rates.

Framework: Future system capacity expansion

- Responsible body: City DPW responsible for expansion needed to meet commitments under wholesale agreement and its retail network. Counties responsible for expansion of their respective retail networks.
- Decisions and processes: City and County follow respective processes (Same as status quo)
- Issues to consider: Success would be dependent upon mechanisms/processes put in place to ensure that the joint planning function is carried out effectively during Wholesale Rate Making and under customer annual reporting requirements in wholesale agreement.

Framework: Decision Making Processes

- Responsible body: Similar to status quo (now Dept. level)
- Decisions and processes: Same as status quo
- Issues to consider: With City becoming wholesale provider of Water, the matter of who does the County's retail water billing would need to be resolved. City would not typically maintain County's retail accounts and water billing.

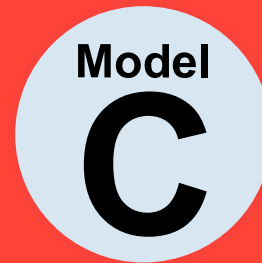
Framework: Ongoing Operations and Maintenance

- Responsible body: County retains all retail Water & Sewer Systems O&M, rate setting, and may assume all retail billing and collections in its service area. City retains City retail Water & Sewer Systems O&M, rate setting, billing and collections in its service area.
- Decisions and processes: County may need to develop systems and processes for retail billing and collections in its service area or contract for billing and collection services by City.
- Issues to consider: May tend to limit interjurisdictional O&M cooperation.

Key Issues and Decisions for Implementation

- Interjurisdictional cooperation for capital priorities, long term planning, capacity expansion, etc., solely dependent upon effectiveness of mechanisms/processes put in place in Wholesale Agreement to ensure that the joint planning occurs.
- City's ability to raise additional Debt financing for capital projects on shared use facilities due to the absence of the County's upfront contributions.
- County would need to either establish County systems and processes for retail billings and collections, or contract for those services separately.

Governance Structure's Framework for Model C Intermunicipal Agreement



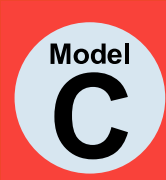
Model C Intermunicipal Service Agreement



- City DPW and County DPW continue to make policy and strategic decisions for respective jurisdictions
- Modified intermunicipal agreements govern the relationship and coordination between the two utilities (discussed in next slide)
- Systemic issues relating to HR and management would need to be handled independently by each jurisdiction coordinating with each other as needed.

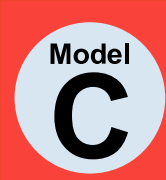
Recommended Changes to City Structure

- Modify W&S Bureau to become City Department
 - Elevate Leadership Positions
 - Reallocate Administrative support service
- Mandate Processes & Procedures and Requirements for:
 - Audited enterprise fund financials
 - Mandatory consultations with other jurisdictions on Capital Planning and timing
 - Preparing, publishing, an approving Five and 10-Year Capital Improvement Plan (CIP)
 - Approval of Annual CIP Spending Plan (fully reconciled with Approved Annual Budget and Rates)
- Establish Rate Setting Board to review the utility's rate recommendation and performance and solicit community input to determine rate changes for water and sewer services
 - Use defined open, transparent, collaborative review process



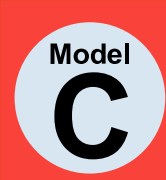
Recommended Changes to City W&S Structure

- City and County DPW should individually:
 - Periodically conduct salary studies with water & sewer comparators and implement to achieve parity within industry peers to attract and retain talent.
 - Develop exit interview information collection approach to assess drivers for departures
 - Develop succession plans for all key positions retiring within the next five years (that includes skill enhancement training)
 - Develop workforce development community-based initiatives
 - Track and report on open positions, new hires, departures, net headcount
 - Identify and implement best industry practices for retention of Institutional knowledge.
 - Develop/publish Utility Billing Relief Program
 - Annually publish a 5-year forecast of rates
 - Annually track cost of service expenses (reconcilable to last Cost of Service Study) to inform rate setting in the future



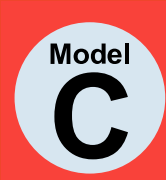
Recommended Changes to IMAs (1/2)

- Modify Intermunicipal Agreements to Require:
 - Establish processes for the utilities to effectively and periodically collaborate on long range strategic and capital planning as well as system expansion objectives—
 - Institute process that obligates parties to systematic and periodic consultation between the two W&S agencies to ensure coordinated decision making
 - Require periodic management audits and publish the results
 - Develop requirements and mechanism to publish and track performance against strategic KPIs to foster transparency and accountability (E.g. #/% Invoices Past Due, Percent of Total Revenue Water Deliveries Calculated Using Meters, Reg. Complaints, Service Quality Complaints, First Call Resolution, Appointments Missed, etc.)
 - Establish and fund a joint office for managing customer service, billings and collections
 - All of these activities to be reported to Rate Setting Board as component of their rate making considerations



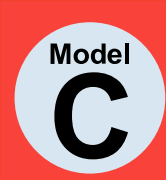
Recommended Changes to IMAs (2/2)

- City and County DPW should jointly:
 - Review and update the CAM
 - Prepare a Contract Administration Memorandum to document its procedures for use (or for basis of assumptions used)
 - Document the standard annual procedures and milestone deadlines for developing the annual cost sharing allocation.



Framework: Governance

- Responsible body: Similar to status quo except Water and Sewer Bureau now a department
- Decisions and processes: Modified to promote or require collaboration by City DPW for decisions affecting County customers.
 - Joint management or engagement in Long-term planning, drought response, capacity expansion, CIP prioritization, etc.
 - Joint management or engagement in Customer Service and Support
- Potential for modifications: Consider requiring periodic management audits. Publish and track performance against strategic selected KPIs to measure improvement

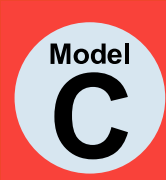


Framework: Financing

- Responsible body: Same as status quo
- Decisions and processes: Similar to status quo – clarified CAM execution
- Potential for modifications: N/A

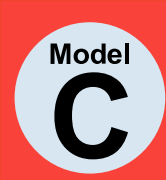
Framework: Capital Planning

- Responsible body: Same as status quo
- Decisions and processes: Modified to promote or require collaboration between City and County counterparts
- Potential for modifications: Develop procedures in Interlocal Agreements to require joint management or engagement in Long-term planning, drought response, capacity expansion, CIP prioritization, capital Planning, etc.



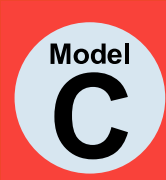
Framework: Future system capacity expansion

- Responsible body: Same as status quo
- Decisions and processes: Modified to boost collaboration and coordination between City and County counterparts
- Potential for modifications: Develop procedures in Interlocal Agreements to require joint management or engagement in Long-term planning, drought response, capacity expansion, CIP prioritization, capital Planning, etc.



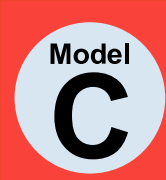
Framework: Decision making processes

- Responsible body: Same as status quo
- Decisions and processes: Modified to enhance collaboration and coordination between the City and the County counterparts
- Potential for modifications: Develop revised processes to:
 - Ensure to that the City DPW's policies, procedures or decisions have been made in consultation with County utility representatives.
 - Ensure collaboration occurs on essential matters such as strategic and long-range planning, capacity management, emergency response, regulatory compliance, service interruptions, service changes, safety issues.
 - Periodic management audits, regularly publishing Key Performance Indicator metrics



Framework: Ongoing Operations and Maintenance

- Responsible body: Same as status quo
- Decisions and processes: Modified to improve interjurisdiction coordination and establish performance requirements for billings and collection
- Potential for modifications:
 - Conduct a joint review of CAM model, revise and document usage procedures.
 - Adopt revenue assurance billing & collection quality control processes and procedures.
 - Better coordinate water and sewer billing and customer service issues.
 - A joint office may be considered.
 - Establish performance requirements for effectively communicating City's water bill adjustments to the County to prevent issues with the County's subsequent use of water consumption data in the County's sewer billing.



Key Issues and Decisions for Implementation

- Effectiveness/enforceability of Interlocal Agreement changes to instill cooperation and accountability
- Address systemic issues that are outside the purview of the agreements such as employee recruitment, retention, training(succession planning), knowledge capture and documentation of standard operating procedures
- Effective implementation of coordination mechanisms set out in the modified agreements

Recommendation

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.

Task Force Next Steps

By December 13, 2023: Draft report released

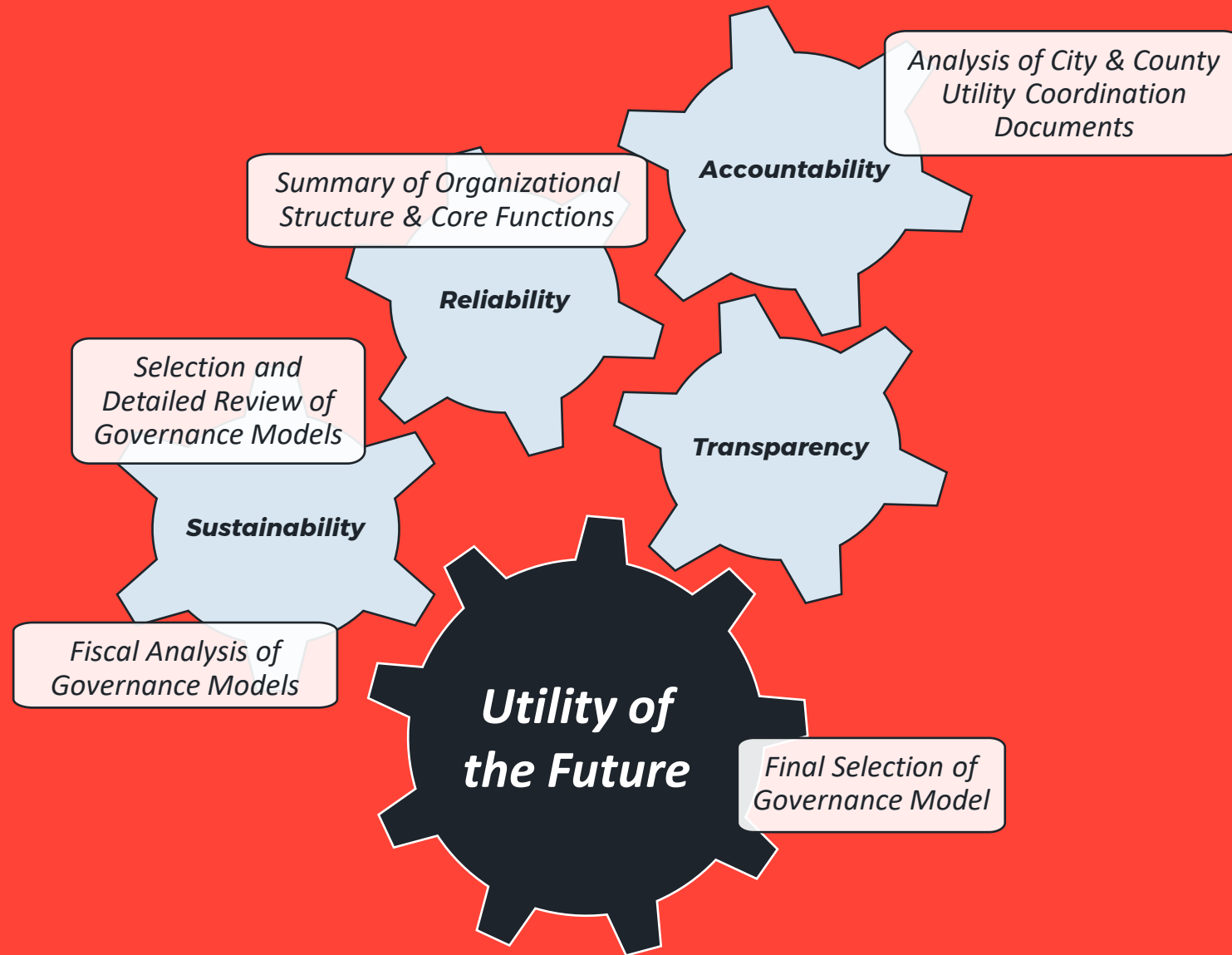
January 25, 2024:
Meeting #6 occurs
(final approval of alternative governance model and adoption of final report)

February 2024 onwards:
Transition planning begins

Public comment on Draft Report

By January 30, 2024:
Recommendation goes to Mayor of Baltimore City, the County Executive of Baltimore County, the Governor, and the General Assembly

Taskforce Discussion



Task Force Meeting #6

Taskforce Meeting #6:

Final Recommendation Report

Thursday, January 25 at 6:00pm

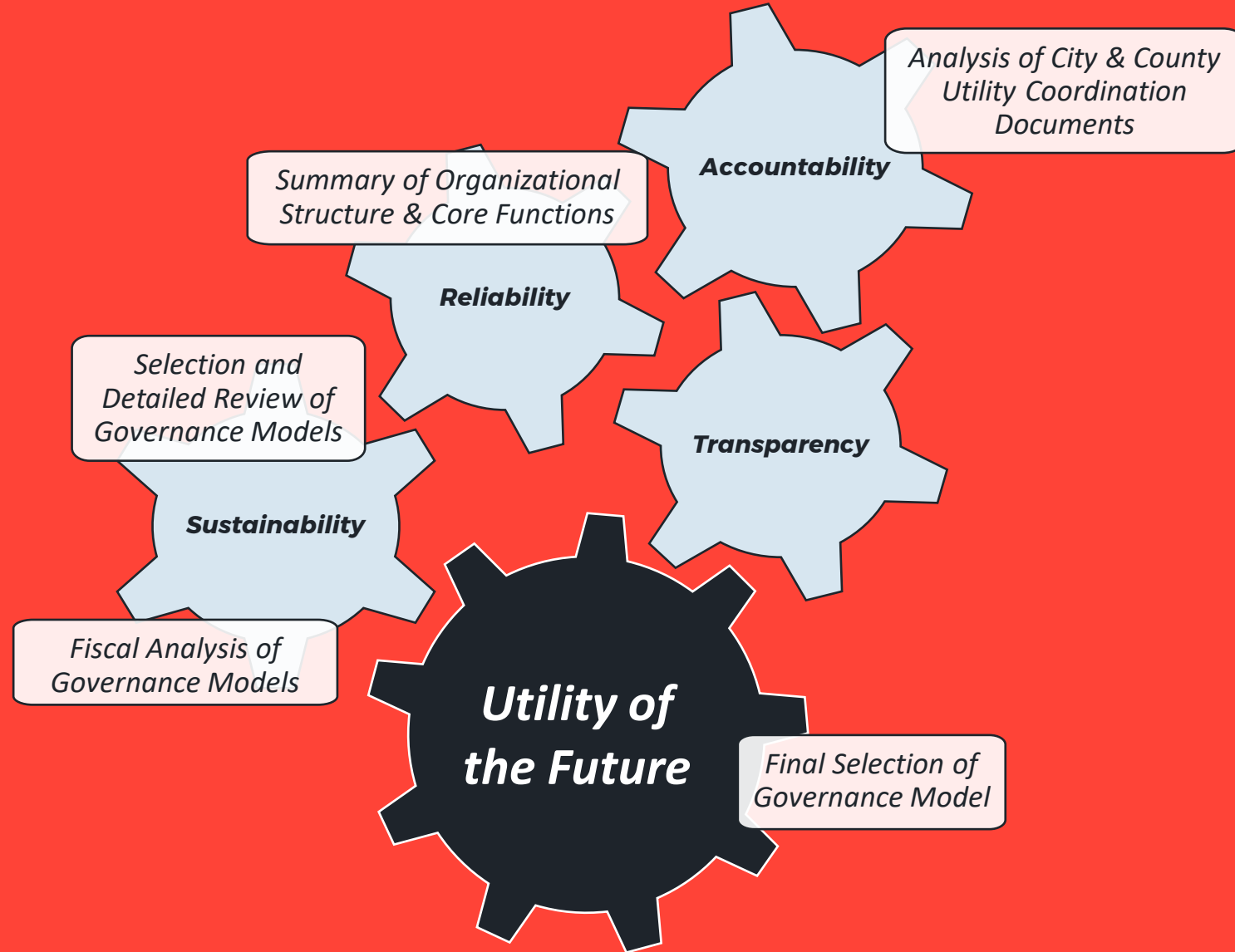
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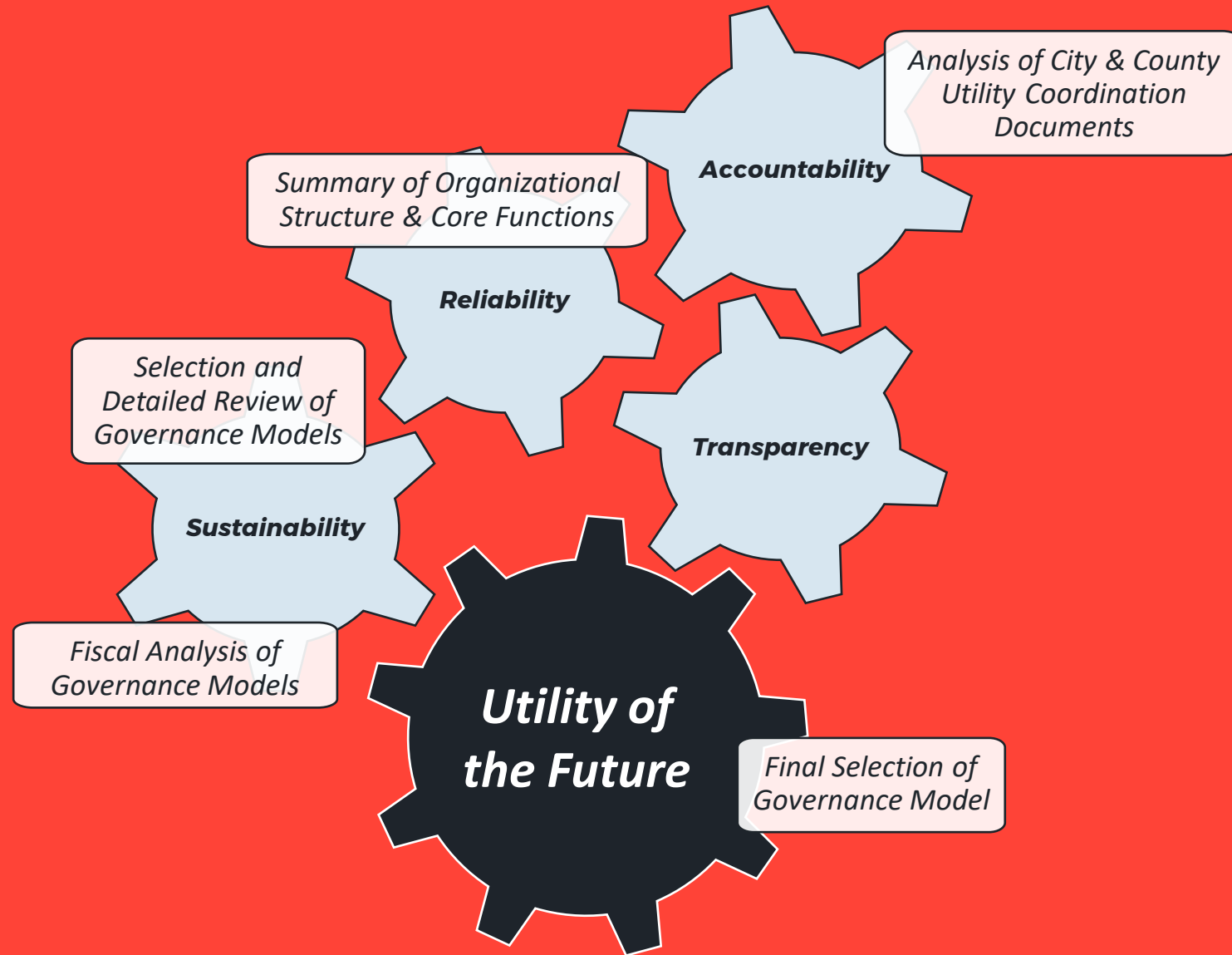
Break until 8:00 P.M.

Reminder: If you would like to comment or ask a question, please use the “raise hand” function. If you are connected by phone, please dial *9 to raise your hand.

Public Comment



Taskforce Vote



Taskforce Reconvenes

