

# Central Iowa Regional Water Workgroup



## Workshop #8

December 14, 2017



# Agenda

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- ◆ **Review of Progress**
  - “All-In” approach
- ◆ **Board Structure / Governance**
  - Continued from last workshop
  - Amendments proposed since last week
- ◆ **Proposed Amendments to Other Items**
  - Suggestions received since last week on other elements of the structure
- ◆ **MOU Status**



## A brief review

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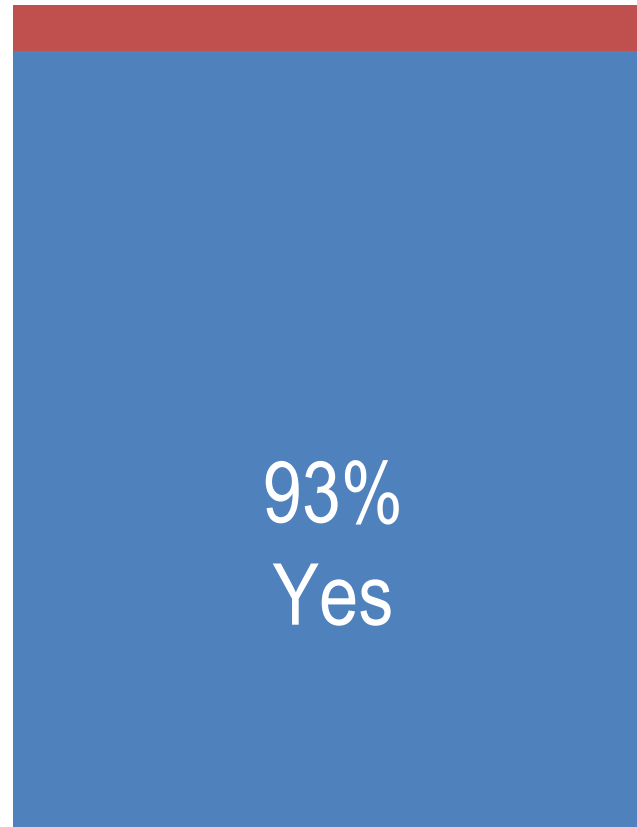
- ◆ **We have reviewed three potential models for creating a regional entity, and come to agreement**
  - **Existing and Future Capacity.... “All-in” Approach**
  - ~~Future Capacity Only~~
  - ~~Expanded DMWW Board~~
  
- ◆ **“All-In” Approach was proposed during Workshop #7**
  - General agreement on terms: 93% approval
  - Key refinements addressed today



# Survey Results

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Do you like this idea in general?





# Survey Results

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## Which element of the option do you like the least?

I like all of the elements	11
Asset Inclusion	4
Measuring and Paying for Reserve Capacity	2
Governance and Representation	1



# **“All – In” Concept**

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<b>Component</b>	<b>High Level Summary</b>
<b>Asset Inclusion</b>	All regional production assets are included Refinements requested on asset inclusion
<b>Governance and Representation</b>	3 alternatives considered Discussion to be continued tonight
<b>Measuring and Paying for Reserve Capacity</b>	Verifiable max-day demand compared to verifiable owned and purchased capacity at uniform value \$/MGD
<b>Handling of Operations</b>	Initial operating agreements with existing producers. Generally agreed – term of agreement to be defined
<b>Implementation &amp; Rates</b>	All aspects implemented immediately, except for payment to members for reserve capacity (later). Need to confirm agreement

# Board Structure and Governance



## **Some important considerations...**

- ◆ **Should balance representation across the array of regional interests**
  - Need to protect and honor minority interests
  
- ◆ **Board size**
  - Should provide for representation of smaller communities without making a board “too large”
  
- ◆ **Different basis can determine representation**
  - Population, Demand, etc.





# Some ideas

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## ◆ **Local Example #1: WRA**

- One member per entity
- Additional weighting per 25,000 of population for any vote if desired
  - Seat or weighted vote

## ◆ **Local Example #2: DART**

- One member per entity
- 3 types of decisions have weighted votes per population
  - Changing rules and regulations
  - Changing service area
  - Approving the Budget



## **Some other ideas: Alt #3 Fixed Board**

- ◆ **Size:**
  - Fixed number of members (possibly up to 11)
  
- ◆ **Representation and Voting:**
  - Some communities have a specific number of seats based on criteria
  - Some members would be pooled together in to one seat
  - Instead of weighting, use supermajority requirement for key decisions
  
- ◆ **Possible Basis for Seat Allocation:**
  - Population
  - Maximum Daily Demand
  - Average Day Demand
  - Purchased and Contributed Capacity
  - Some variation of all of the above



# Overall Considerations

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*Regardless of which structure is preferred:*

- ◆ **Selection of Board Representatives**
  - Water Boards select representatives
  - In Cities without Water Boards the Mayors select representatives
  - Issue: Who is the legal entity that will be signing the 28F?
- ◆ **Total Service Customers Receive Board Seats?**
- ◆ **Do Board Members Need to be Elected Officials?**
  - Water Board members are considered elected officials



# Fixed Board Considerations

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- ◆ **For the Pooled Seats**
  - How to appoint those seats?
  - E.g. Could be 12 members sharing 3 to 4 seats
  
- ◆ **Suggested Approaches:**
  - Mayoral/Board appointment authority rotated among pooled members
  - Pooled Mayors/Boards form nominating committee and select representatives together
  - What else?



# **DART Model Considerations**

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## ◆ **Committees**

- Capital Planning Committee
- Finance and Audit Committee
- Executive Committee
- Operations Committee

## ◆ **Requirements for Weighted Voting**

DART has three:

- Approving the budget
- Changing service area
- Changing rules and regulation

Proposals we have received include up to five:

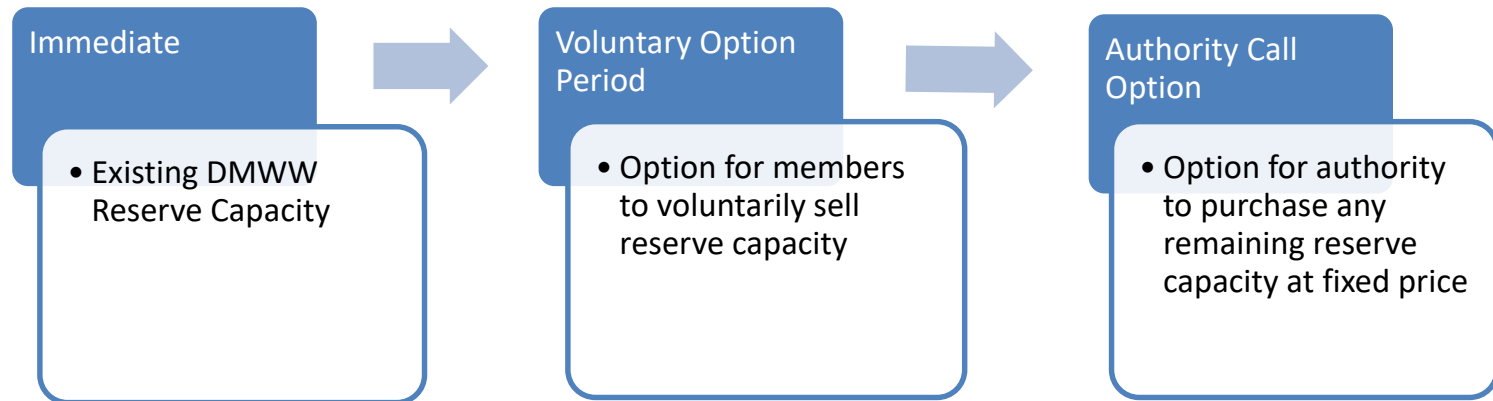
- Approving the budget
- Accepting new members to the Authority
- Establishing or altering rates or rate structures
- Adopting or modifying capital / long-range plans
- Hiring the Director of the Authority

# Amendments to Other Items

# Asset Inclusion

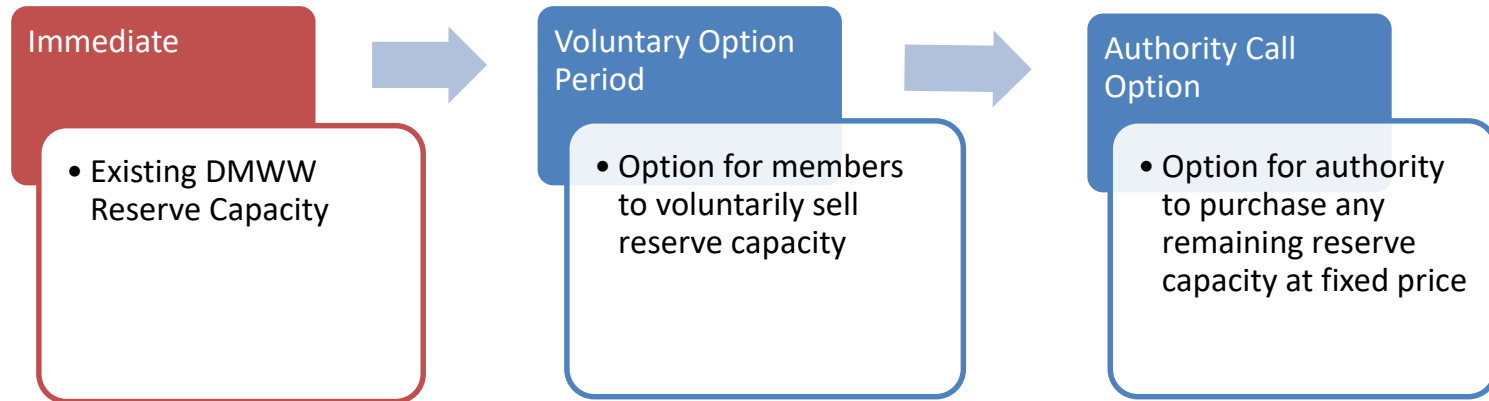
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- ◆ **Alternate way to include non-DMWW assets?**
  - DMWW assets included immediately
  - Reserve from purchased capacity included immediately
  - Event triggers for water production assets owned currently by West Des Moines, Altoona, Polk City and others





# Asset Inclusion: Step 1

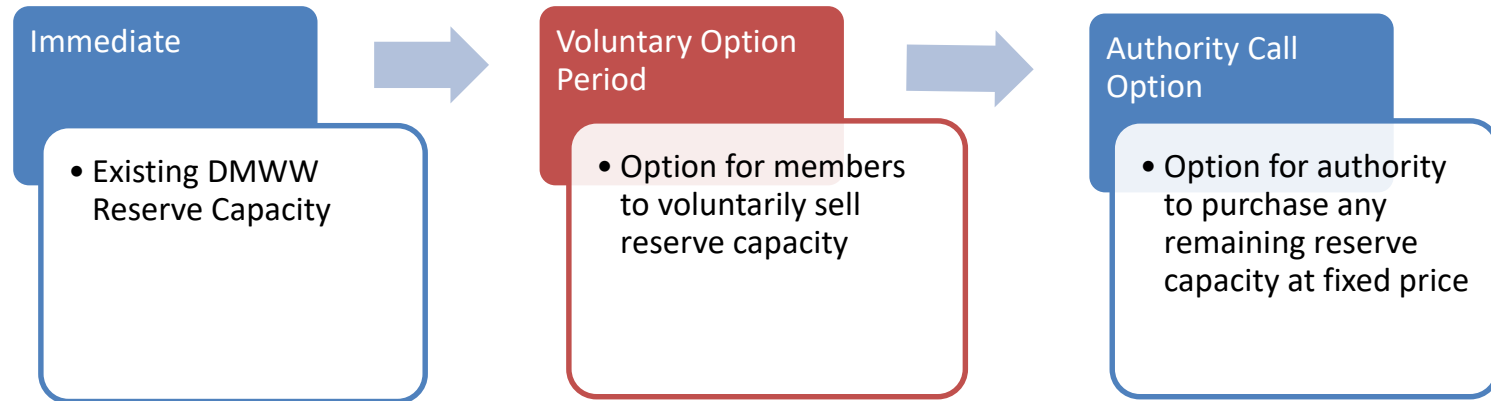


- ◆ **Reserve capacity from DMWW & Purchased Cap. is purchased by region**
  - Members purchase proportionate share on behalf of authority and finance individually
  - The authority will not have financial capability to initially purchase anything
  - Alternatively, Authority could purchase capacity in 3-5 years (estimated)





## Asset Inclusion: Step 2

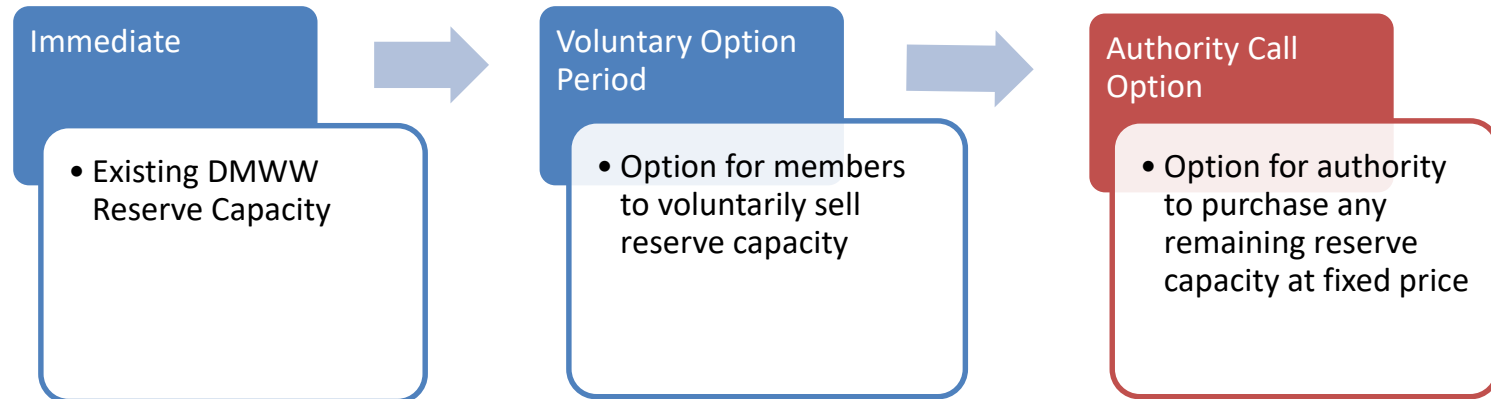


**When regional reserve capacity is depleted (estimated 3-5 years)**

- ◆ **Members have option to sell reserve capacity, and Authority has the option to buy**
  - Set \$/MGD rate (equivalent to initial purchases of reserve)
  - These transactions would be voluntary



## Asset Inclusion: Step 3

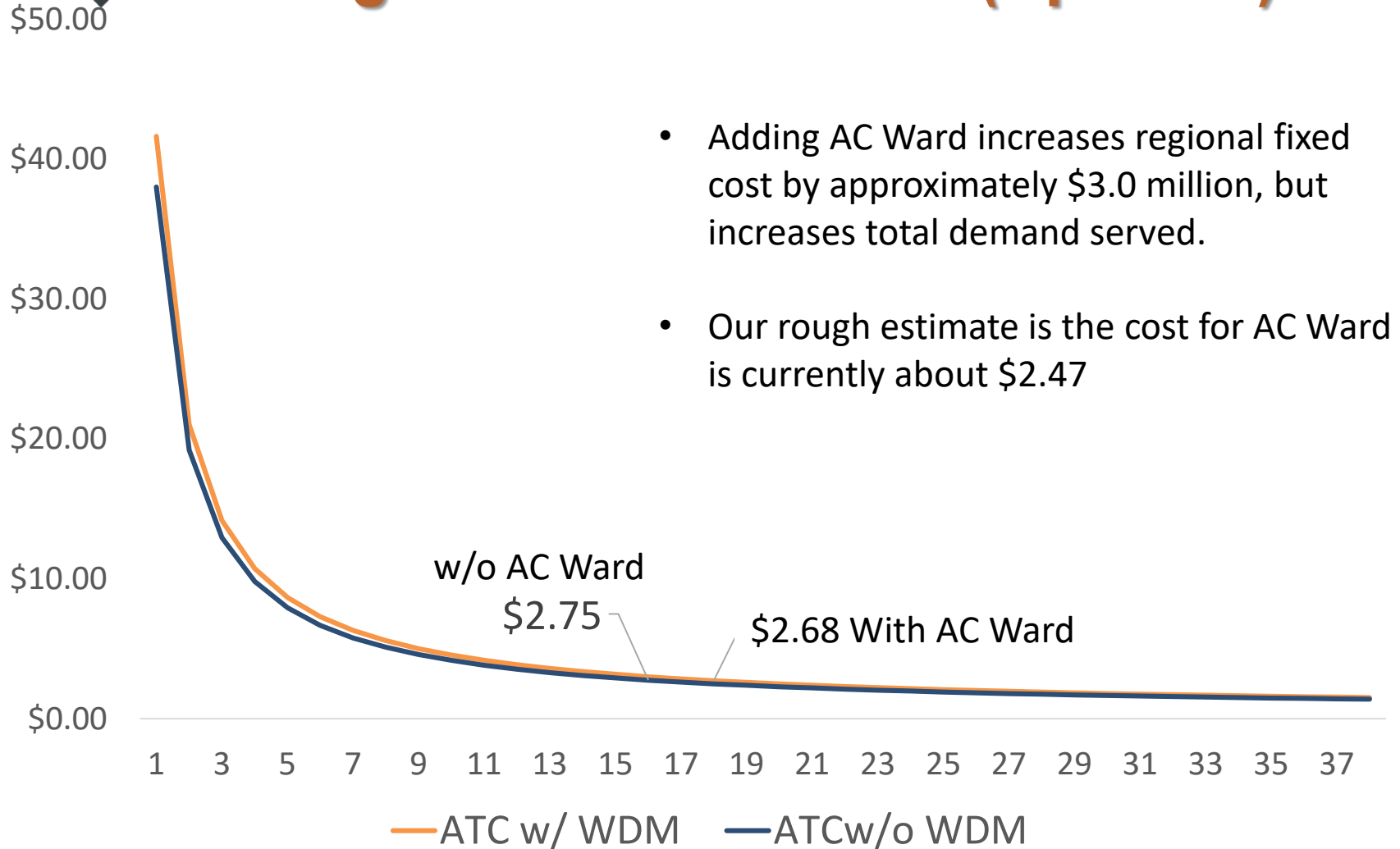


**When additional regional capacity is approved for construction**

- ◆ **Region makes decision to either:**
  - Build new facilities – increase regional capacity
  - Exercise a call option to purchase remaining reserve capacity from members (if any available)
    - Members must sell capacity if region chooses this option
  - Price needs to be equivalent to that paid to other members
- ◆ **4<sup>th</sup> Phase: A date certain for contributing the assets?**



# Average Cost w/ AC Ward (Updated)





## Calculation of Reserve

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Total Purchased Capacity  
+ Actual Owned Capacity

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Total Capacity

(Less) Max-Day Demand

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Reserve Capacity

**“Actual capacity” defined as:**

*Maximum amount that can be produced with existing assets and operational constraints without improvements.*



# Weighted Average Max-Day

*We had proposed the idea of using a weighted-average to measure individual max-day. Here is an example of how it might work:*

Year	Weight	Demand (e.g.)	Weighted Demand
2017	5/15	4 MGD	1.33
2016	4/15	3.5 MGD	0.93
2015	3/15	3 MGD	0.60
2014	2/15	5 MGD	0.67
2013	1/15	2.7 MGD	0.18
Total	15/15		3.71

Instead of selecting the 5MGD value from 2014, the weighted average is 3.7MGD.



# **Operating Contracts**

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- ◆ **Initial contracts for existing production facilities with existing producers**
- ◆ **We discussed that initial terms should be published in the Agreement**
- ◆ **Length of initial contracts**
  - Decades?
  - 7 years?
  - 5 years?



# **Authority's Management and Staff**

- ◆ **Board has the authority to hire a Director**
- ◆ **Board has the authority to authorize additional support staff**
  - Engineering?
  - Finance?
  - Legal?

# MOU – Next Steps





# MOU Status

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- ◆ **We are in the process of preparing an MOU**
- ◆ **The MOU will**
  - Outline the overall vision and structure for regional formation
  - Include specific elements of the structure discussed in our workshops
  - Model the key terms for the 28F Agreement
- ◆ **The intent for the MOU**
  - Provide an approachable, less-formal document for open, candid comments
  - For circulation to boards and councils, others
  - Expect to iterate on comments and revisions
  - Identify the key sticking points and come back together to resolve them