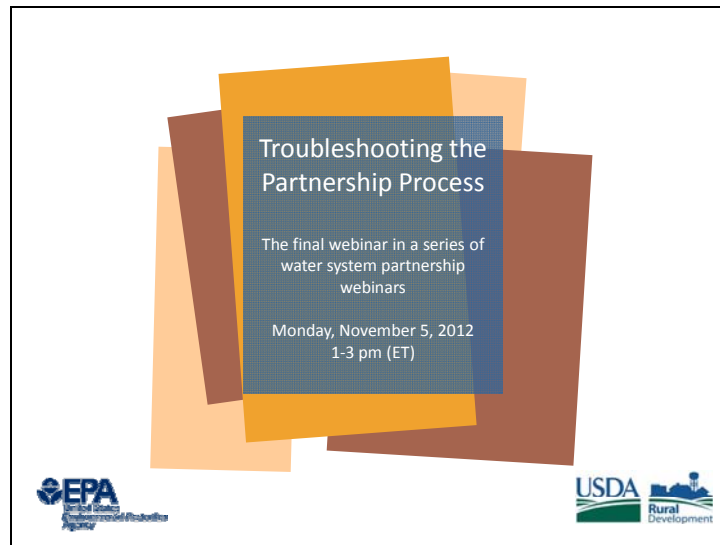


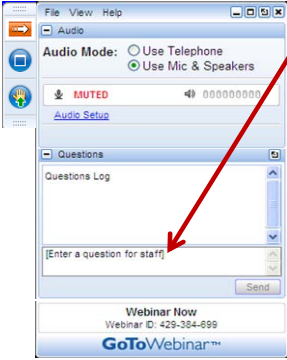
Slide 1



Allison – Hi everyone my name is Allison Watanabe and I'm with the Environmental Protection Agency's Office of Ground Water and Drinking Water. And I will be your host for today. I want to welcome you to today's webinar on Water System Partnerships. Today's webinar is called Troubleshooting the Partnership Process. And this is the final installment in our webinar series on water system partnerships.

I also want to mention that a copy of this presentation will be sent to all of the webinar registrants. We will also post this presentation to EPA's website.

How to use the webinar



- Call GoToWebinar Technical Support:
 - 1-800-263-6317
- You can submit questions/comments any time during the presentation
- Just use the question and answer pane that is located on your screen
- We will address as many questions as possible

2

Allison - But before we get started, we're going to go over a few housekeeping items.

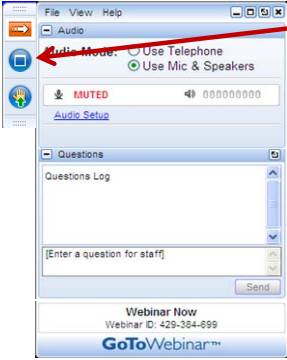
First, if you are having any technical issues, please call the GoToWebinar Technical Support number at: 1-800-263-6317

Second, we have a Q&A period reserved for the end of the webinar but you can submit questions at any time during the presentation.

Just use the question and answer pane that is located on your screen.

We will try to address as many questions as possible at the end of the webinar.

Maximize Your Screen



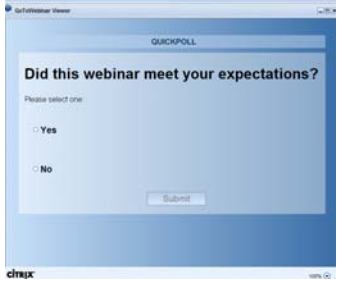
- For a full screen view hit F5 or full screen icon on your console
- To return to the regular view, hit F5 again or regular screen icon
 - You need to be in “regular” view to submit text questions
- Hitting Control + H will also give you a larger view

3

Allison - If you want to maximize your screen you can either click on the blue circular button with a square on your console or you can hit F5 on your keyboard.

Polls

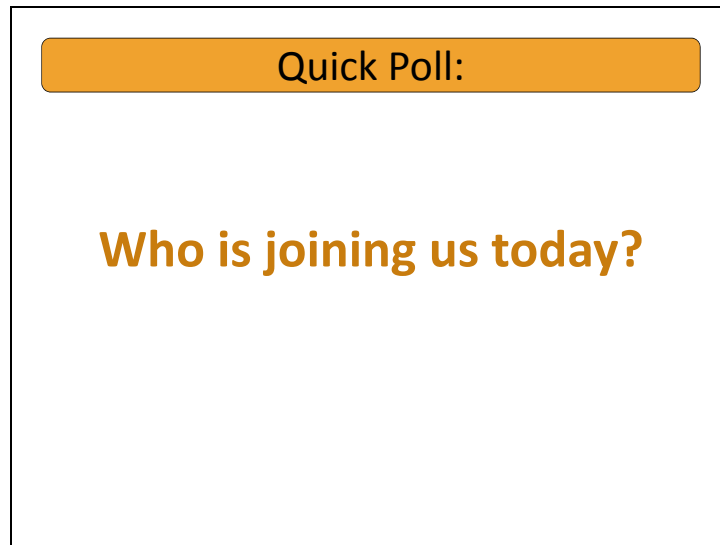
- Polls will be launched during the presentation
- Please be sure to respond to the polls
- You will not be able to view the presenter's screen until the poll is closed by a webinar organizer



The screenshot shows a browser window titled 'QuickPoll' with the question 'Did this webinar meet your expectations?'. Below the question, it says 'Please select one:' followed by two radio button options: 'Yes' and 'No'. A 'Submit' button is located at the bottom of the poll form. The browser's address bar shows 'chux' and the page number '4' is visible in the bottom right corner.

Allison - Finally, polls will be given during this presentation. Please be sure to respond to the polls by clicking on one of the radio buttons. Once you have answered the poll, you will not be able to view the presenter's screen until after the poll is closed by the presenter. Until then, you will just see a blue background.

Slide 5



Quick Poll:

Who is joining us today?

Allison - Now let's try our first poll.

We'd like to know who is joining us today.

If you answered other, can you please use your question and answer pane that we just highlighted to tell us what your organization is?

Keep in mind that you will not be able to view the presenter's screen until after the poll is closed by the presenter.

Until then, you will just see a blue background.

Disclaimer

This guidance does not confer legal rights or impose legal obligations upon any member of the public. While EPA has made every effort to ensure the accuracy of the discussion in this presentation, the obligations of the regulated community are determined by statutes, regulations, or other legally binding requirements. In the event of a conflict between the discussion in this presentation and any statute or regulation, this presentation would not be controlling.

6

Allison - Here is a disclaimer just basically saying that this presentation does not supersede any regulations or legally binding agreements.

Agenda Topics:

- What are water system partnerships?
- What kind of challenges do systems face when forming partnerships and how do you troubleshoot through them?
 - The Lower Rio Grande Public Water Works Authority
 - The El Valle Water Alliance
- Question and Answer Session

Allison – And here is the agenda for today's webinar.

First we're going to give a very brief background and explain what water system partnerships are.

Then we're going to move on to introducing our two partnership case studies today – the Lower Rio Grande Public Water Works Authority and the El Valle Water Alliance. And then the panelists that were involved in these two case studies will talk about the challenges that the systems faced when forming partnerships and how they worked through them.

Slide 8

What are Water System Partnerships?



Allison - So, What are water system partnerships?

What are water system partnerships?

- It's a **tool** for building technical, managerial and financial capacity.



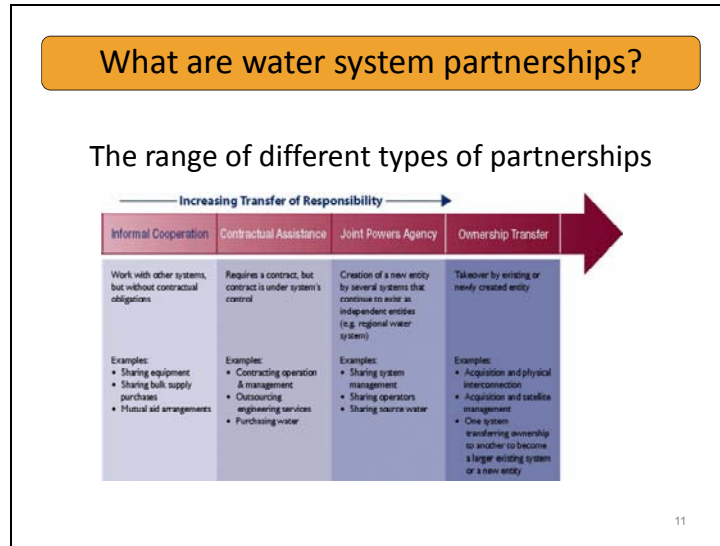
Allison - First, water system partnerships are a tool for building technical, managerial and financial capacity.

What are Water System Partnerships?

Do you know a system that faces these challenges?

- **Technical**
 - Inadequate or aging infrastructure
 - Limited/poor source quality/quantity
 - Lack or limited certified operators
- **Financial**
 - Diseconomies of scale (few households = high costs)
 - History of water rates that are too low/too high
 - Limited knowledge of financing options
- **Managerial**
 - Volunteer decision makers
 - Limited part time management attention
 - Lack of expertise in long-term water system planning or operations

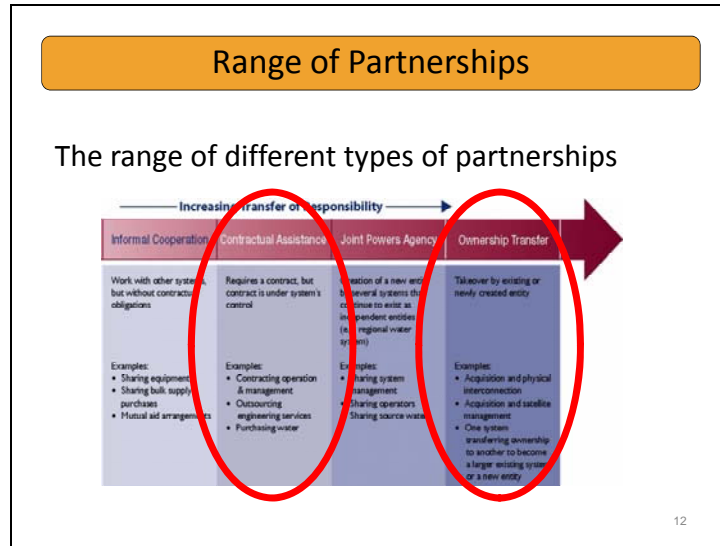
Allison - But what do we mean by technical, financial and managerial capacity?
Well let's ask this question - do you know a water system that faces these challenges, or that lacks capacity in one of these areas?
For example, under technical capacity, do you know a system that has aging infrastructure or lacks a certified operator?
Under financial capacity, do you know a water system that has a history of low water rates?
Under managerial capacity, do you know a water system that has only part-time management attention or lacks expertise in planning or operations?



Allison - Again, one tool for building capacity and addressing these challenges is system partnership solutions. It's simply two or more systems working together to overcome challenges and build capacity to create a win-win situation for all systems.

This graphic illustrates that there are a range of water system partnership solutions, and a range of different ways systems can work together. You can see that the range of responsibility increases from left to right.

If you have taken part in all four webinars, then you have seen examples that fit into this range of water system partnerships.




Allison – Our two case studies today, the Lower Rio Grande Public Water Works Authority and the El Valle Water Alliance, are examples of the different levels of partnering. There were 5 founding systems that came together to form an entirely new entity – the Lower Rio Grande Public Water Works Authority. And the systems that make up the El Valle Water Alliance are actually currently partnering in a range of ways. There are some systems that have merged, while others share bookkeeping and certified operator services.

Today's Panel


System Representatives:

- Martin Lopez, Lower Rio Grande Public Water Works Authority
- Karen Nichols, Lower Rio Grande Public Water Works Authority

- Ramon Lucero, El Valle Water Alliance



LOWER RIO GRANDE
Public Water Works Authority



EL VALLE
Water Alliance

13

Allison – And here is our panel for today.

Representing the system case studies, we have Martin Lopez and Karen Nichols from the Lower Rio Grande Public Water Works Authority and Ramon Lucero from the El Valle Water Alliance.

Today's Panel

Government Agency Representatives:


- Martha Torrez,
USDA – New Mexico State Office 
- Rick Martinez,
New Mexico Finance Authority 
- Ray Melendrez & Ernest Valenzuela,
New Mexico Environment Department – Drinking Water Bureau 
- Cheryl Thacker,
New Mexico Office of State Engineer 

Allison – Our government agency representatives are Martha Torrez from USDA's New Mexico State Office; Rick Martinez from New Mexico Finance Authority; Ray Melendrez from New Mexico Environment Department; and Cheryl Thacker from the New Mexico Office of the State Engineer.

Today's Panel

Technical Assistance Providers:

- Olga Morales, Rural Community Assistance Corporation
- Blanca Surgeon, Rural Community Assistance Corporation



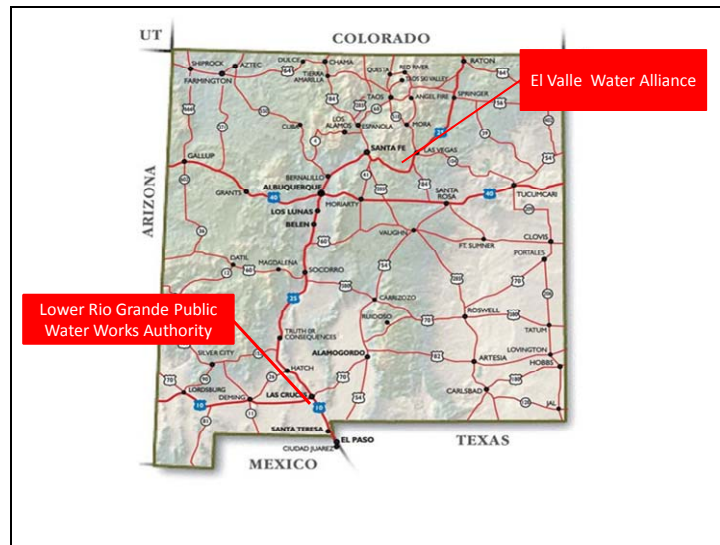
RCAC
www.rcac.org

Allison – Finally the technical assistance providers that facilitated these partnerships are Olga Morales and Blanca Surgeon from RCAC - Rural Community Assistance Corporation.



Allison – Now I'm going to turn the reigns over to Olga and Blanca who will introduce the two case studies.

Slide 17



Blanca – This map shows where these water systems are located, and even though they aren't located near each other they faced many of the same challenges when they formed.

Olga – We are going to hear first from the Lower Rio Grande Public Water Works Authority (The Authority), which is located in Southern New Mexico. Martin will share the story of how the Authority came about.

Blanca – Our second case study comes from El Valle Water Alliance located in northern New Mexico. Ramon Lucero President of the Alliance will share the history, challenges and benefits of the Alliance.

Lower Rio Grande Public Water Works Authority

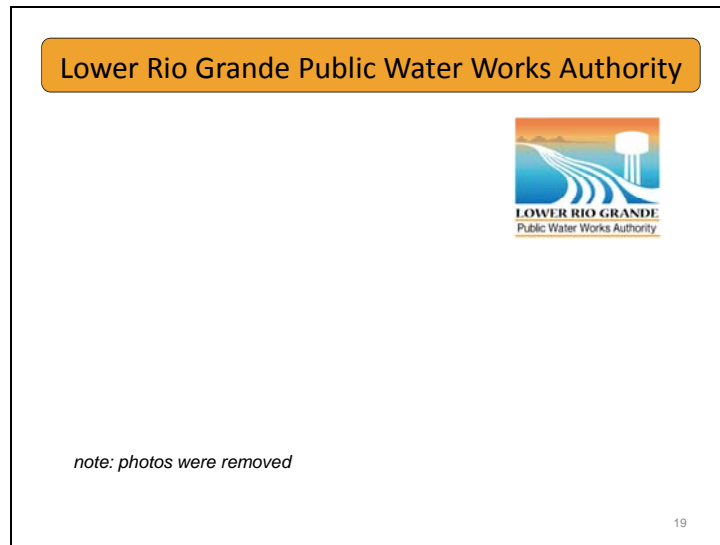
The founding member associations of the Lower Rio Grande Public Water Works Authority are:

- Berino MDWC & MSWA
- Desert Sands MDWCA
- Vado MDWCA
- Mesquite MDWC & MSWA
- La Mesa MDWCA



Martin - Hi, I am Martin Lopez, General Manager of the Lower Rio Grande Public Water Works Authority. Back in 2005, a few of the mutual domestic water associations in this area had already established informal ties and would call on each other for assistance. At that time, I was the General Manager of Mesquite Mutual Domestic. We began to meet regularly to discuss common issues, and all of the water associations in the area were invited to these meetings. The first four associations – Berino, Desert Sands, Mesquite & Vado entered into an MOU to form the Regional South Central Mutual Domestic Association to begin to formalize the relationship. They were later joined by La Mesa. Following the recommendation of our legislators, the group began to prioritize projects before seeking funding and began to contemplate regional projects to interconnect the water systems for emergency back-up water supply and fire protection.

By late 2006, these five associations jointly incorporated the Lower Rio Grande Mutual Domestic Water Association as an “umbrella” entity in order to receive funding and build regional projects. During the next couple of years, this umbrella association was very successful in obtaining funding and building two interconnection pipeline projects. The first project connected four of the systems along the I-10 frontage road and then crossed the Rio Grande to interconnect La Mesa.



Martin – The photo on the left is from the groundbreaking ceremony for our first interconnection project, and the one on the right is from the signing of the articles of incorporation for the Lower Rio Grande Mutual Domestic Water Association.

During the next couple of years, each of the five mutual domestic associations had its own five-member board of directors and the umbrella association had a six-member board. Volunteer board members actually outnumbered paid staff. Each of the associations was paying for accounting and audits, attorneys, insurance, etc. It was becoming obvious that there had to be a more efficient and effective way to operate.

The idea of merging came out of a joint work session of all the boards. There was a lot of discussion around “what do we want to be when we grow up.” After looking at what could be done under existing statutes and at what Albuquerque and Bernalillo County had done in creating a water authority by statute, we came to the conclusion that we needed to develop our own statute and define that for ourselves.

Lower Rio Grande Public Water Works Authority					
<i>Issues</i>	<i>Berino MDWC & MSWA</i>	<i>Desert Sands MDWCA</i>	<i>La Mesa MDWCA</i>	<i>Mesquite MDWC & MSWA</i>	<i>Vado MDWCA</i>
<i>Number of Connections (meters)</i>	760	542	430	1500	203
<i>Population Served</i>	2280	1626	1290	4500	609
<i>Original Incorporation Date</i>	1967	1975	1989	1968	1960
<i>Regulatory Challenges</i>	Arsenic	Arsenic	None	Nitrate	Nitrate
<i>Water Rights</i>	483.9	340	73.62	875.42	0
<i>Miles of water line</i>	31.2	36	44.5	42.75	4.9
<i>Number of Wells</i>	2	2	2	4	0
<i>Storage Capacity</i>	250K	344K	250K	845K	150K
<i>Colonia(s) Served</i>	Berino	Las Palmeras, Montana Vista	La Mesa	Mesquite, Del Cerro y Vado	Vado

Karen - Good afternoon, I am Karen Nichols, Projects Manager for the Lower Rio Grande Public Water Works Authority. I was the Secretary/Treasurer of Desert Sands Mutual Domestic from 1978 through 2009 and served as Business Manager until the merger in November 2010. It's not uncommon to find board members serving this long in small communities, and it's often difficult to find people willing to serve. This slide gives you some basic information about the five associations that merged to form our Authority. We are located in rural Dona Ana County south of Las Cruces and serve eight colonias.

Desert Sands was one of the systems facing the cost of compliance with the new arsenic standard. We participated in the EPA Arsenic Removal Demonstration Project and Sandia National Labs conducted a series of pilot tests at one of our wells. We learned through the project that our community could not afford it, but that did not relieve us of the responsibility of installing arsenic removal plants. As a result, our rates were the highest of the five systems that merged. La Mesa's rates were also quite high because they have a newer system. Berino was under an administrative order for arsenic compliance, Vado had its well shut down due to nitrate contamination back in the 1980s, and Mesquite was concerned about the threat of nitrate contamination posed by the large number of dairies in the area. Mesquite's rates were very low because providing service to the dairies boosted their income and because they hadn't made system upgrades and improvements.

When we decided to merge, we understood that we were "putting all our eggs in one basket" and that there was no turning back. We also understood that we all brought different strengths and weaknesses into the mix. Some of us were already pumping nearly all of our water rights, others had excess water rights they were in danger of losing. Some of our systems were old and in need of upgrades, others were newer or

had more improvements over the years. Some of us had large cash reserves, others not so much. What we finally came to understand was that none of us were really giving up anything. We also realized that what some people may think of as “local control” is actually just a huge responsibility.

What this chart does not show is staff. Small systems have a hard time offering the pay, benefits and support staff it takes to retain certified operators and qualified staff. One of the best benefits of this merger, in my opinion, is the staff merger. Now there is no one person who is always on call 24-7, 365. Our operations staff are split into production and field crews, and they can actually take a vacation or sick leave as needed. Management and office staff are also more specialized. I used to be involved in customer service, billing, collections, bookkeeping, project management, purchasing, and occasionally even directing traffic around a line break. It's nice to be able to focus!

Lower Rio Grande Public Water Works Authority

What drove the partnership?

- Duplication of efforts
 - 5 of everything
- Regulatory requirements
 - New arsenic rule
 - Mandatory board training
 - New funding/reporting/audit requirements
- Inability to declare service area
 - Threat by larger entities



The logo for the Lower Rio Grande Public Water Works Authority features a stylized landscape with a blue sky, a white water tower, and a blue river flowing through a green field. Below the graphic, the text reads "LOWER RIO GRANDE" in bold, with "Public Water Works Authority" underneath in a smaller font.


Martin – We realized that not only were we all paying the same attorneys, accountants, auditors, etc., we were also all producing the same reports: CCRs, pumping reports, state and federal tax reporting, Emergency Response Plans, 40 Year Water Plans, and on and on. All of us were feeling the strain that increased regulation and oversight places on small entities that often lack the capacity to achieve compliance.

The lack of a defined service area was also a challenge. This has allowed large entities to encroach into areas served by mutual domestic water systems and incorporate new subdivisions and businesses. This has stifled growth that would assist smaller systems to have better economies of scale.

Lower Rio Grande Public Water Works Authority

Current Status:

- Fully integrated the five founding entities
- Declared service area
- In the process of incorporating additional two Mutual Domestic water systems
- Increased operational capacity
- Created ability to sustain planned growth, including commercial and industrial

The logo for the Lower Rio Grande Public Water Works Authority features a stylized landscape with a blue river or canal winding through a green field towards a white water tower. The text "LOWER RIO GRANDE" is written in blue above the tower, and "Public Water Works Authority" is written in smaller blue text below it.

Martin – The merger of the five founding associations is complete. A governance document was developed and adopted. All assets and liabilities, members, customers and staff of these associations have been assumed by the Lower Rio Grande Public Water Works Authority. We have filed our service area with the county and New Mexico Office of the State Engineer. We have developed and filed a 40 Year Water Plan and Return Flow Plan and applied to combine and comingle our water rights. Our second rate study was completed and implemented this year, and our second audit is currently under way.

This spring, we were approached by the boards of directors of two other systems to discuss regionalization options with them. This summer, they decided to present a proposed merger to their respective members, and the members of both associations approved the merger.

In addition to the benefits we have gained from increased economies of scale, we have also gained a larger presence with legislators, funders and regulatory agencies and an increased ability to plan, fund and execute projects to improve and expand our systems. That in turn has allowed us to improve the quality of life in our communities by providing more reliable service, enhanced fire-fighting capacity, and support for economic development.

El Valle Water Alliance

The founding members of El Valle Water Alliance were:

- South San Ysidro
- Ilfeld
- San Juan
- El Ancon
- El Coruco
- San Miguel del Bado
- Villanueva
- La Sacatosa
- North San Isidro
- San Jose
- Gonzales Ranch
- El Cerrito



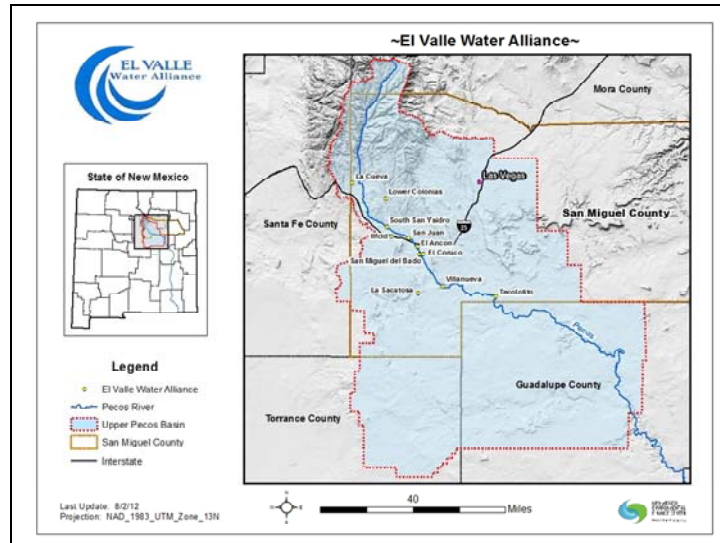
The logo for El Valle Water Alliance features a stylized blue wave or 'C' shape on the left, with the text 'EL VALLE Water Alliance' in blue to its right.

Blanca – When I first went to discuss regionalization in the area which is now El Valle, I thought that we would need extensive mediation. Actually, I was surprised how receptive the communities were to working together, but the catch was that they wanted to maintain their autonomy. Ramon can explain the process and what is working now.

Ramon – Since our founding in 2006, North San Isidro, San Jose, Gonzales Ranch and El Cerrito have decided to manage their systems on their own. However, we have added one additional water association by the name of Lower Colonias and are providing bookkeeping, billing and certified water operator services to La Cueva and Tecolotito, and are currently negotiating with two additional communities - Gabaldon and El Creston to provide the same services.

North San Isidro, San Jose, Gonzales Ranch and El Cerrito made decisions to remain on their own based on the following reasons: three of the four associations have paid staff ensuring compliance with local, state and federal requirements; they have knowledgeable certified operators; and they wanted to maintain their autonomy. These associations do participate in other activities planned by El Valle Water Alliance. For example they participate in the development of 40 Year Water Plans.

Slide 24



Ramon - El Valle Water Alliance is located in North Central New Mexico along the Pecos River. Our combined service area covers an area over 60 miles.

Slide 25

Association	Connections	Population	Storage Capacity	Original Incorporation	Water Rights	Wells	Line/ft	Regulatory Challenges
Villanueva	96	201	50,500	1949	24.2	2	10,053	Iron/ Aluminum
El Coruco	52	89	10,000	1965	9.7	1	9,459	
El Ancon	44	79	45,500	1965	23	1	3,860	
San Juan	53	125	10,000	1955	38.7	1	7,906	
S. San Ysidro	24	31	20,000	1961	19.4	1	4,510	
Ilfeld	100	193	25,000	1962	19.4	2	15,750	
La Sacatosa	14	16	10,000	1968	3	1	7,799	
San Miguel	33	74	45,000	1959	7.7	1	7,350	Flouride
Lower Colonias	15	12	5,000	1957	4.8	1	2,762	
Total	431	820	221,000		149.9	11	69,449	

Ramon – As you can see, one of the differences between El Valle and the Lower Rio Grande Water Authority is that our total membership is very small. This results in low revenues. Our average water bill is \$30 per month for 5,000 gallons. Fewer customers resulting in low revenues makes infrastructure development a challenge.

El Valle Water Alliance

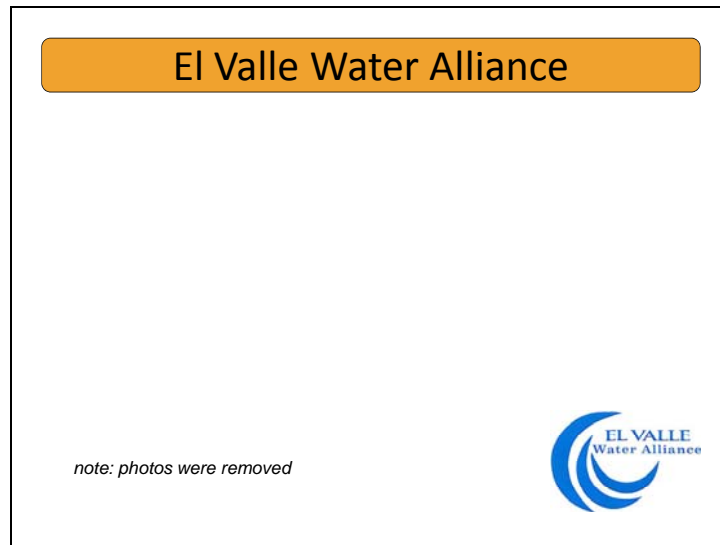
What drove the partnership?

- Protection and preservation of water rights
- Regional water conservation
- Long term compliance
- Managerial capacity through:
 - Combining administration fees
 - Contracting services
 - Source management



The logo for El Valle Water Alliance features a stylized blue wave or 'C' shape on the left, with the text 'EL VALLE Water Alliance' in blue to its right.

Ramon – From the beginning, we were aware that the individual systems were operating from day to day. The partnership/ regionalization of the different water associations was driven by the need for long-term planning. We found ourselves with a need to protect our water rights, develop capacity and ultimately to protect the water in the watershed.



Ramon – The Alliance is governed by a nine member board made up of representatives from each system. Each member has an equal vote regardless of the number of customers the system has.

El Valle Water Alliance was organized under memoranda of agreement signed by each association and submitted to the New Mexico Public Regulation Commission under unified Articles of Incorporation, while still providing autonomy to each Association. Today, Lower Colonias and El Coruco are dissolved as autonomous associations and are now one association by the name of El Valle Water Alliance. We are currently working with the communities of Villanueva, La Sacatosa and San Miguel del Bado to do the same. El Valle Water Alliance is a non-profit organization established under the Sanitary Projects Act.

El Valle Water Alliance operates under unified by-laws, rules and regulations and a unified rate structure. Revenue from each association is collected into one account from which we pay each association's expenses along with the expenses of the Alliance - Business Manager, Office Administrator, Certified Operator and loans for infrastructure development.

El Valle Water Alliance

Current Status:

- Operates as a Management and Ownership Entity
- 2 systems are fully merged; others in the process of merging; others under contract
- In the process of completing a 40 Year Plan
- Continue seeking funding to address aging infrastructure challenges



Ramon – While we provide bookkeeping, billing and certified operator services to 11 water associations, nine are organized under El Valle Water Alliance and two are under contracts. Two water associations are currently merged, while three others are in the process of merging. Internally, our goal of securing our water rights has been one of our largest challenges.

Slide 29



**Troubleshooting the Partnership
Process**

Allison – Now we'll hear about a series of challenges that these systems faced in forming partnerships.

So, now I'm going to turn it over to Blanca and Olga from RCAC.

**How do you build credibility to
gain support of your
members/ customers?**

Blanca – Building credibility is one of the most critical steps to a successful partnership. In both cases, the founding entities were membership-based. Having the membership buy into the process helped things move forward and was key to the outcome. In cases where the membership does not agree, or does not support the process, they have the ability to derail it.

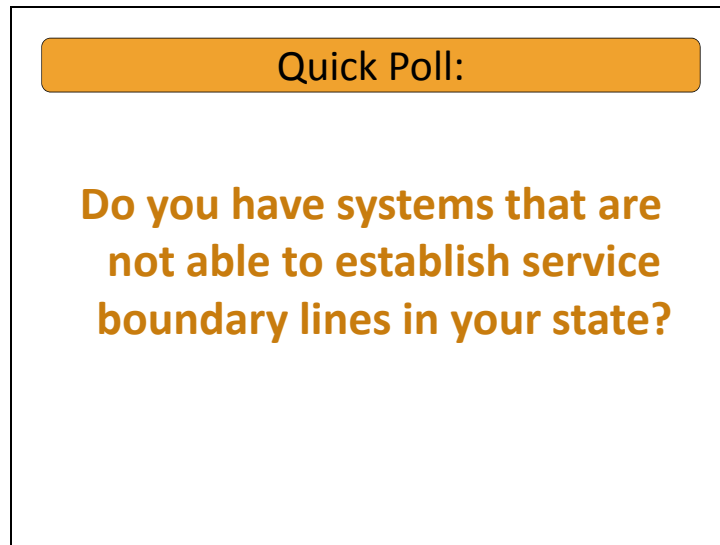
Third Party Partner – Building Support

RCAC was contracted to assist the Lower Rio Grande Public Water Works Authority with:

- Regional governance structure and documents
 - Developed with public input
 - Held public meetings throughout the process
- Make process transparent
 - Post everything on a website
 - Make it easy for the community to participate



Olga – In the case of the Authority, RCAC functioned as the third party who lent credibility to the process. As a technical assistance provider to the different water systems, RCAC had intimate knowledge of the challenges they faced and was able to work with the decision makers and the members to ensure that the process was transparent and that their concerns were adequately address. RCAC formed community committees who assisted with the development of documents such as the governance structure. People from the communities felt that having an outside group facilitate the process added credibility overall. Part of the work that RCAC did to ensure credibility included facilitated public meetings. And there were times when three to four meetings per week were held. In some cases, the meetings overlapped!

A slide with a black border. At the top, there is an orange rounded rectangle containing the text "Quick Poll:". Below this, the main text of the slide is centered and reads: "Do you have systems that are not able to establish service boundary lines in your state?"

Quick Poll:

Do you have systems that are not able to establish service boundary lines in your state?

Allison – Next we're going to talk about establishing service area boundaries, so we want to ask the audience, are there systems in your state that are not able to establish service area boundaries? In this case, we are talking about community water systems that are unable to establish service boundary lines.

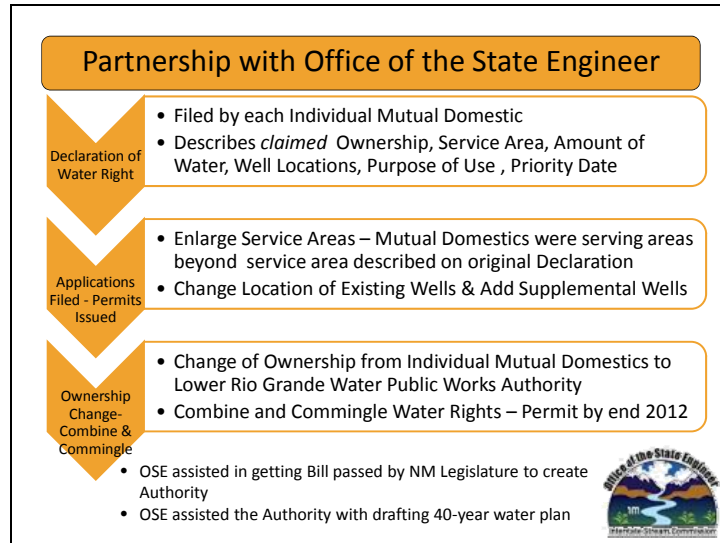
Keep in mind that you will not be able to view the presenter's screen until after the poll is closed by the presenter.
Until then, you will just see a blue background.

Now I'll turn it back to Blanca from RCAC to introduce the issue.



Blanca – Mutual domestic water associations are nonprofit organizations with limited powers. They were first created as temporary organizations in the late 1940s but they have stayed in place and they currently range in population from as small as 20 people to as large as 10,000 people.

Olga - New Mexico, like other states, has many different types of community water systems. In the state, there are over 700 public water systems. Only a handful have population bases greater than 10,000. Over 90% of the water systems in the state are small, rural and in some cases they face many challenges. The systems we have include special districts, cooperatives, mobile home parks, local government utility systems and the traditional mix of systems that you can find anywhere else in the country. However, one characteristic of the mutual domestics that makes them unique is their inability to declare a service area, which as Martin mentioned earlier, makes them vulnerable to larger entities that can encroach upon their point of use. The legislative language of the Authority corrected this situation and included that a service area be established. To tell us about the process, we have Cheryl Thacker from the Office of the State Engineer.



Cheryl – There are six elements to a water right as determined by New Mexico State Statute. These include Ownership, Priority Date, Place of Use (Service Area), Purpose of Use, Point of Diversion (Well), and Amount of Water.

Each of the mutual domestic associations associated with the Lower Rio Grande Public Water Works Authority, prior to joining the Authority, filed a Declaration of Ownership of Water Right, upon which the six elements of the water right were described and claimed.

When a Declaration is filed with the New Mexico State Engineer, the water right remains only a claim until the State Engineer’s jurisdiction is invoked, which occurs when an Application for Permit to Change an Existing Water Right is filed. Upon action on the application (approved, partially approved, denied) a permit is issued (except, of course, if the application is denied). The permit contains conditions which specify the State Engineer’s position on the six elements of the water right. This includes quantifying the water right based on historic beneficial use and verifying the Place of Use (service area), Purpose of Use, Points of Diversion, Priority Date, and Ownership.

Many permits were issued to the various mutual domestics in the last several years. These include permits to transfer valid water rights from other entities to allow the mutual domestics to serve more customers, permits to drill supplemental wells, and permits to change location of wells. Each of the applications associated with the permits required extensive groundwater modeling, aerial photography analysis, water right research, and other actions.

When the Lower Rio Grande Public Water Works Authority was established, each of the mutual domestic associations were first required to file a Change of Ownership to put the water company into the name of the Authority.

Finally, an Application for Permit to Combine and Commingle Existing Water Rights was filed with the State Engineer. Review of this application required the most extensive groundwater modeling, aerial photography analysis and water right research. The application has been reviewed and a permit should be issued by the end of 2012.

The State Engineer Office assisted the interested parties in getting the bill passed by the New Mexico Legislature to create the Lower Rio Grande Public Water Works Authority.

The State Engineer Office also assisted the Authority in creating a 40 Year Water Plan.

Slide 36



Allison – Thank you Cheryl. Now we'll open it up for a few questions for Cheryl. Now I'll turn it back to Olga from RCAC to introduce the next challenge.

**How does the regulatory
agency merge system
information?**

Olga – While we all hear that partnerships create long term sustainability and that there are many advantages to working together, one of the greatest challenges of bringing utilities together is on the regulatory side of things. To tell us about the challenges that come up when the Authority merged their water system assets is Ray Melendrez with the New Mexico Environment Department - Drinking Water Bureau

New Water System Information

- Protect historical sampling data and compliance information
- Tie in historical source information to new source
- Conduct sanitary survey to create new water system
- Creating a new sampling plan for the new system



Ray – Protecting the historical sampling data and compliance information, as well as tying in historical source information to new sources was dealt with internally by the New Mexico Environment Department - Drinking Water Bureau Compliance and Data Steward staff. Basically, it had to make sense in the SDWIS database. That was the biggest challenge for our Data Steward. Since five separate ground water systems had to be merged into one, wells, storage tanks, and treatment facilities, had to be renumbered/named, and it had to make sense to the Lower Rio Grande Public Water Works Authority, Drinking Water Bureau Compliance staff, the Drinking Water Bureau Data Steward, and Drinking Water Bureau Sampling staff for it to work from the regulatory standpoint.

An initial sanitary survey was conducted where Drinking Water Bureau staff met with Lower Rio Grande Public Water Works Authority staff to figure out issues. This included compliance with arsenic standards that they would be inheriting, creating new sample siting plans, renumbering/renaming facilities, and determining the new merged population so that new compliance sampling schedules could be created if necessary. The whole process took several follow-up meetings to make sure that all the information relating to the new system was correct. It goes without saying that even though it is often taken for granted, communication was key and having a good professional working relationship with the Lower Rio Grande Public Water Works Authority helped tremendously.

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Allison – Thank you Ray. And now we'll open it up for a few questions for Ray. And now I will turn it over to Blanca to introduce our next challenge.

**How do you merge financial
information together to
approve funding for a
regionalization project?**

Blanca – When an area decides on a merger or consolidation, they create a new entity that has to develop its own history. One of the reasons communities come together is to solve infrastructure problems. And they need funding to do that. But the new entity does not have a history of financial records. If five entities come together, they all have separate financial information. The only thing they have from their “marriage” in their new name is a proposed budget.

Here to explain how the funders have dealt with this issue are Martha Torrez from USDA Rural Development and Rick Martinez from the New Mexico Finance Authority.

Rick and Martha would you please explain how USDA has deals with new entities, like the Lower Rio Grande Public Water Works Authority or the El Valle Water Alliance, that seek funding from you.

New Mexico Finance Authority

- Multiple entities forming a regional authority have the issue of presenting financial information that's acceptable to the funding agencies.
- The NMFA works around that by accepting individual entity audits and/or financial statement information until the Regional Authority is formed and is audited under one entity.
- When regionalizing multiple entities, some have stronger financial information than others and some may lack financial information.
- Moving forward with funding requires a signed agreement that outlines a plan of action that will bring the newly formed authority or regional entity into financial compliance.



Rick - In both cases and in others too, the funding agency accepts the records of the previous entities and looks at each individual community's financial history. The agency then compares the history to the proposed budget and rate schedule and determines affordability - can they afford the loan/grant funding together, is it the best thing for them?

New Mexico Finance Authority

- Budget information within the financial statements of a regional entity is also crucial to awards made when considering loans and grants.
- When a regional incorporation is being considered, an in-depth review of the individual entities considering regionalizing is crucial and there should be some efforts made to correct any deficiencies before merging. This helps the effort move forward with funding support without major obstacles.




USDA Loans and Grants

General Process:

- Eligible participant submits:
 - Application for Federal Assistance (SF-424)
 - Preliminary Engineering Report
 - Environmental Information
 - Financial Statements
 - Organizational Documents

- Predevelopment and Planning Grants:
 - Assist in paying costs associated with developing the application
 - In order to be eligible, the community's Median Household Income (MHI) must be less than \$31,526
 - The grant can be for up to \$30,000

- Repayment Terms (loans only)
 - Useful life of the facility, or
 - Up to 40 years



Committed to the future of rural communities.

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Martha – USDA has addressed loan applications from each community individually but before loan closing, these communities merged. USDA asks to be informed and involved when a merger is in the works so that the loan at closing is given to the new entity. USDA requires communities to show all merger documents and that the new entity is legal. So, if five entities are merging, the agency ends up analyzing the records of six entities – the five communities and the new merged entity.

USDA Loans and Grants

About Colonias:

- To qualify, a Colonia must be located in a county where over 50% of the county is within 150 miles of the Mexican border
 - Dona Ana
 - Luna
 - Grant
 - Hidalgo
 - Catron
 - Eddy
 - Otero
 - Sierra
- USDA Rural Development can offer 100% grant
 - Colonia must take a loan if it can afford it



USDA Loans and Grants

Transfer and Assumption:

- Borrowers may transfer a project to another owner.
- Rural Development may approve a transfer if the transferee and the project meet certain criteria.
- Rural Development must ensure that the transferee meets applicable eligibility criteria and has the financial capacity and management experience to own and manage the project successfully.
- Rural Development must verify that the project and the use of the property continue to meet the program's purpose.
- Get USDA involved early in the process!

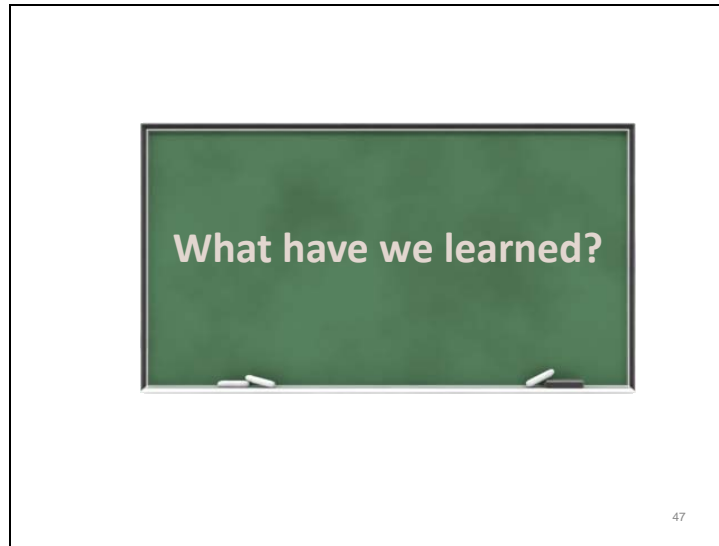


Slide 46



Allison – Thank you Rick and Martha. Now we will open it up for a few questions for Rick and Martha.

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Allison - Now let's talk about what we learned.

I'm going to turn it over first to Karen and Martin to talk about the perspective of the Lower Rio Grande Public Water Works Authority. Then we'll hear from Ramon from El Valle Water Alliance.

Lower Rio Grande Public Water Works Authority


- It takes a Team!
- Developing leadership up front is KEY!
- Short and long term goals must be established by consensus
- It all starts with a shared vision
- Everyone has to be on board
- The process MUST be facilitated by someone impartial to the outcome



Karen – For us, it was important that this was a grassroots effort, not a directive from above. Also, we partnered with those who were willing and moved on without those who weren't. We had a back-up plan to merge into our umbrella association in case we did not get our statute enacted by the Legislature right away. We were amazed when it passed by unanimous votes in two House Committees, two Senate Committees and on the floors of both bodies. We were also amazed at the number and unexpected variety of stakeholders we had to work with and compromise with in order to make it happen. And finally, in the transition, we learned that change is difficult, even when it's wonderful.

El Valle Water Alliance

- It takes a community
 - Local communities
 - Technical Assistance Providers
 - Funding Agencies
 - Regulatory Agencies
 - County Government
- Identify common needs
- Develop vision and mission
- Overly communicate
- Paid staff

The logo for El Valle Water Alliance features three stylized, overlapping blue waves of varying sizes, with the text "EL VALLE Water Alliance" in blue to the right.

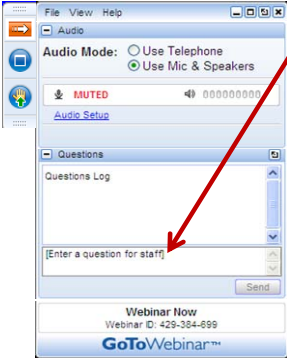
Ramon – We often hear the cliché, “It takes a community to raise a child.” Similarly, it takes a large amount of stakeholders to form a regional water association partnership - a commitment from each member, a commitment from each water association, outside assistance from technical assistance providers like the Rural Communities Assistance Corporation, regulatory agencies such as the New Mexico Environment Department, and funding agencies such as the New Mexico Finance Authority and USDA – Rural Development.

When you’re first developing the regional water association, it is important to identify a common need - a need so compelling that it provides you the framework to work past any of the challenges you encounter when formalizing the partnerships.

Communication is essential, not only internally but externally with the outside stakeholders, technical assistance providers, funding agencies and regulatory agencies.

Paid staff is absolutely crucial, the boards need someone implementing decisions that the boards make and someone responding and providing great customer service. The merger and/or consolidation has to be seamless to the customer.

Question and Answer



- You can submit questions/comments any time during the presentation
- Just use the question and answer pane that is located on your screen
- We will address as many questions as possible

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Allison – Thank you Ramon and Martin and Karen.

Now we will use our remaining time for Q&A. Remember that you can submit questions at any time during the presentation.

Just use the question and answer pane that is located on your screen.