

3.) In-Depth Case Study

Creating the Lower Rio Grande Water Works Authority (LRGWWA)

In early 2005, LRGPWWA began to take form as five mutual domestic water associations began to meet regularly. These meetings help them build relationships and to discuss opportunities to work together as partners. In the first year, four of the five associations signed a Memorandum of Understanding (MOU) that formalized their intention to work together as the Regional South Central Mutual Domestics Group. By 2009, the five founding associations had merged to form the LRGPWWA. Four additional domestic water associations joined the Authority by 2016.

Critical Drivers Behind Forming the Partnership

Critical Drivers Behind Forming the Partnership Graphic 1: Three rectangles appear on the screen displaying the following information

Duplication of Efforts: Each system was conducting the same tasks, making similar purchases, and providing the same service to their consumers. This meant that all of the efforts associated with operations, maintenance, and capital investments were duplicated by each system.

Regulatory Requirements

Unsustainable Funding and Source

A small box is displayed on the screen displaying the following information: **Scroll down to view CRITICAL DRIVERS BEHIND FORMING THE PARTNERSHIP: REGULATORY REQUIREMENTS**

Critical Drivers Behind Forming the Partnership Graphic 2: Three rectangles appear on the screen displaying the following information

Duplication of Efforts

Regulatory Requirements: Two of the associations faced National Primary Drinking Water Regulation (NPDWR) compliance issues associated with the Arsenic standard. In addition, all of the systems had to hold mandatory board trainings and meet reporting and audit requirements.

Unsustainable Funding and Source

A small box is displayed on the screen displaying the following information: **Scroll down to view CRITICAL DRIVERS BEHIND FORMING THE PARTNERSHIP: UNSUSTAINABLE FUNDING AND SOURCE**

Critical Drivers Behind Forming the Partnership Graphic 3: Three rectangles appear on the screen displaying the following information

Duplication of Efforts

Regulatory Requirements

Unsustainable Funding and Source: Some systems struggled with water rights or had declared service areas under threat from larger entities

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Water System Partnership as a Solution

The associations realized that, to benefit from economies of scale, they needed to increase their number of connections and streamline duplicated efforts. A formal merger of the five associations was the most cost-effective solution to solve the associations' individual challenges. Within the Rio Grande region, the participating systems realized that a regional partnership that involved creating a new entity, a form

of OWNERSHIP TRANSFER, would offer them a range of opportunities to share costs and build internal technical, managerial, and financial capacity.

Timeline of Events

2009

New Mexico passed House Bill 185, giving the LRGPWWA legal standing to discuss mergers with agencies. HB 185 allowed the systems to formally create the Authority in spring 2010 by meeting the following legal organizational requirements:

- Duns Number acquired
- Federal Tax ID number acquired
- State CRS number acquired
- Permanent address established
- Bank accounts opened
- Initial Board of Directors appointed

Summer 2010

The Authority had applied to the New Mexico Office of the State Engineer (OSE) for the Authority to transfer ownership and to combine and commingle the five founding associations' water rights. The application process included several important steps.

1. The participating systems approved the transfer.
2. The systems transferred the relevant legal documents to OSE.
3. the Authority permitted mutual use of the combined water rights.

Fall 2010

The Authority contracted with the Rural Community Assistance Corporation (RCAC) to create a draft merger plan which was reviewed and approved by the Board of Directors. The merger plan included three key components: a regional governance structure and associated documents, an administrative and managerial approach, and an operations and implementation strategy. In addition, the LRGPWWA proposed and adopted uniform rates and fees across the partners.

Winter 2010

The LRGPWWA was fully operational, with the following components:

- A Public Water System ID Number, issued by NMED
- Staff hired with HR policies and procedures in place
- A fiduciary policy and procedure in place
- Accurate, uniform rates and fees
- A plan for existing and future debt
- Documented combined assets

2011

The founding mutual domestic water associations were dissolved and the Authority began preparing for its first board elections

2012

The Authority had grown by adding 3 additional systems to the partnership.

Spring 2013

The first board elections were held, resulting in a single board for all participating systems.

Key Players

The LRGPWWA successfully developed the Authority in part due to engagement with key players and outside partners.

State Partners: The Authority partnered with the New Mexico OSE to establish the Authority's service area. With New Mexico OSE's help, it filed a service area plat with Doña Ana County and established LRGPWWA's Service Area. The New Mexico State Legislature was also a key partner to the Authority when it passed legislation that enabled the systems to merge.

Private Associations & Groups: Through a Community Development Block Grant from USDA, the Authority created a contract with RCAC to develop the merger plan.

Funding the Partnership

The funds to initially facilitate and merge the associations came from a refinanced USDA Rural Development (RD) loan provided by the New Mexico Finance Authority Public Project Revolving Fund. Over the year, additional funding was secured for partnership projects from state loan and grants programs including the New Mexico Colonias Initiative, Special Appropriation Program, Water Trust Board, NM – CITF, NM – Drinking Water State Revolving Loan Fund (DWSRLF), and New Mexico Finance Authority.

In addition, the Authority has also used federal funding programs, such as USDA research and development and CBDG, to fund partnership projects. Since inception, the LRGPWWA has secured \$40M to fund 16 projects. The partnership allowed the systems to focus on their mission of providing safe affordable water services and allowed them to invest time in identifying and accessing funding to support their efforts

Realized Benefits

Water systems can realize significant benefits by combining through partnerships. The nine water systems that participate in the LRGPWWA currently serve 16 communities in three service areas that cover 100 square miles. The Authority includes two wastewater collection systems, one wastewater treatment facility, approximately 5,000 drinking water connections, and 500 wastewater connections. It serves a population of 15,000. The partnership has helped provide:

Realized Benefits Graphic 1: Five rectangles placed in circle formation appear on the screen displaying the following information

- A larger service area and customer base resulting in increased representation at the county commission and state legislature, opportunities to access volume discounts, and more customers to share costs.
- The bandwidth to receive revenue from O&M assistance to neighboring systems.
- One annual audit process, instead of nine.
- The ability to provide employees with benefits, adequate pay, and oversight.
- A larger pool of resources-staff, equipment, water rights, reserve- including 28 full time specialized staff.