THE MERGER OF SMALL WATER SYSTEMS
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 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

All served unincorporated communities within Dona Ana County.
Common challenges for small public water systems

Technical
• Inadequate or aging infrastructure
• Limited/poor source quality/quantity
• Lack or limited certified operator

Financial
• 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

Communication
• Limited community involvement
• Bilingual consumers
Reaping the Benefits of Regionalization

The LRGPWWA is
- a member-owned community water system
- a political subdivision of the State of NM
- a Special District
- an independent public body
- governed by a seven member Board of Directors elected by districts.

The initial board was appointed by the founding & merging association boards, and the first election was held on April 2, 2013.
<table>
<thead>
<tr>
<th>Issues</th>
<th>Berino MDWC &amp; MSWA</th>
<th>Desert Sands MDWCA</th>
<th>La Mesa MDWCA</th>
<th>Mesquite MDWC &amp; MSWA</th>
<th>Vado MDWCA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Connections (meters)</td>
<td>760</td>
<td>542</td>
<td>430</td>
<td>1500</td>
<td>203</td>
</tr>
<tr>
<td>Population Served</td>
<td>2280</td>
<td>1626</td>
<td>1290</td>
<td>4500</td>
<td>609</td>
</tr>
<tr>
<td>Original Incorporation Date</td>
<td>1967</td>
<td>1975</td>
<td>1989</td>
<td>1968</td>
<td>1960</td>
</tr>
<tr>
<td>Regulatory Challenges</td>
<td>Arsenic</td>
<td>Arsenic</td>
<td>None</td>
<td>Nitrate threat</td>
<td>Nitrate threat</td>
</tr>
<tr>
<td>Water Rights</td>
<td>483.9</td>
<td>340</td>
<td>73.62</td>
<td>875.42</td>
<td>0</td>
</tr>
<tr>
<td>Miles of water line</td>
<td>31.2</td>
<td>36</td>
<td>44.5</td>
<td>42.75</td>
<td>4.9</td>
</tr>
<tr>
<td>Number of Wells</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Storage Capacity</td>
<td>250K</td>
<td>344K</td>
<td>250K</td>
<td>845K</td>
<td>150K</td>
</tr>
<tr>
<td>Colonia(s) Served</td>
<td>Berino</td>
<td>Las Palmas, Vista</td>
<td>La Mesa</td>
<td>Mesquite, Del Cerro, y Vado</td>
<td>Vado</td>
</tr>
</tbody>
</table>
GENERALLY, WHAT WERE THE ACTIONS THAT NEEDED TO HAPPEN ONCE THERE WAS THE AUTHORITY TO MERGE?

State regulatory agencies such as the Office of the State Engineer and the New Mexico Environment Department each had a role.
Office of the State Engineer

Declaration of Water Right
- Filed by each Individual Mutual Domestic
- Describes *claimed* Ownership, Service Area, Amount of Water, Well Locations, Purpose of Use, Priority Date

Applications Filed - Permits Issued
- Enlarge Service Areas – Mutual Domestics were serving areas beyond service area described on original Declaration
- Change Location of Existing Wells & Add Supplemental Wells

Ownership Change - Combine & Commingle
- Change of Ownership from Individual Mutual Domestics to Lower Rio Grande Water Public Works Authority
- Combine and Commingle Water Rights – Permit by end 2012

- OSE assisted in getting Bill passed by NM Legislature to create Authority
- OSE assisted the Authority with drafting 40-year water plan
REAPING THE BENEFITS OF REGIONALIZATION
As a political subdivision of the state and a member-owned community water system the Authority is subject to the rules of the New Mexico Environment Department regarding:

OPERATIONS AND GOVERNANCE

CERTIFIED WATER OPERATORS

COMPLIANCE WITH SAFE DRINKING WATER ACT AND STATE REGULATIONS

FUNDING REVIEW AND APPROVAL FOR INFRASTRUCTURE, TREATMENT AND LEAKS
RURAL COMMUNITY ASSISTANCE CORPORATION

Exercising powers to provide for water and wastewater services

Contracting

Board governance

Fees
Rural Community Assistance Corporation Contract

Received Community Development Block Grants (GDBG) to develop Merger Plan with three components

- Regional Governance Structure and Documents
- Administrative and Managerial
- Operations & Implementation Strategy
July 2011 – Preparations For First Board Election

- Established Membership Eligibility Criteria
- Determine District Election Boundaries and Criteria for Voting Eligibility
- Establish Election Code for Board Candidacy
  - Includes Cut-Off Dates for Candidacy
- Issue Proclamations and Legal Notifications
- Canvass the Election
- 1st Election held in April, 2013
How do you merge financial information together to approve funding for a regionalization project?
Multiple entities forming a regional authority have the issue of presenting financial information that’s acceptable to the funding agencies.

The NMFA addresses that by accepting the single entities audit and/or financial statement information until the Regional Authority is formed and is audited under one entity.

In some cases when regionalizing multiple entities some have stronger financial information than others and some may lack financial information. The NMFA will move forward with funding however requires a signed agreement that outlines a plan of action that will bring the newly formed authority or regional entity into financial compliance.
Budget information within the financial statements of a regional entity is also crucial to awards made when considering Loan/Grant awards. This plays further into the importance of financial strength of the entity.

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.
IN ADDITION TO NMFA PLANNING GRANT MONEY, THERE IS ADDITIONAL FUNDING SOURCES:

WATER TRUST BOARD MONEY,
DRINKING WATER REVOLVING LOAN FUND MONEY,
AND COLONIAS INFRASTRUCTURE FUND MONEY

CPB- REVIEWS THE DESIGN AND CONSTRUCTION FOR FUNDED PROJECTS FROM DRINKING WATER REVOLVING LOAN MONEY AND COLONIAS INFRASTRUCTURE FUND MONEY
Was merging all the systems worth it?

- Yes, more people served: approximately 5,000 water connections nearly 500 sewer connections
- Yes, larger water & sewer budget to upgrade existing systems
- Yes, more capital outlay and specialized funding
- Yes, more storage capacity
- Yes, more ability to extend services to un-served areas
- Yes, better networking for large transmission lines
- Yes, better ability to explore alternative water sources
Challenges

- Loss of local power & decision making
- The amount of time it takes to obtain funding, permission, agency approval.....
- Uncertainty in process
- Lack of trust in process and maybe each other.....

Opportunities

- Larger pool of resources: human, equipment, water rights and reserves
- Ability to provide employees with benefits, adequate pay
- Larger service area and customer base provided for increased representation in the county and state

UNDERLYING ALL THE LOGISTICS WERE THE PROS AND CONS OF MERGER
### Some of the Positive Outcomes

| One annual audit covering all systems instead of multiple audits |
| One accountant on staff instead of multiple bookkeepers |
| One Consumer Confidence Report instead of multiple |
| **Increased purchasing power and volume discounts** |
| **Ability to use existing statewide purchasing agreements** |
## Lower Rio Grande Public Water Works Authority Project Funds

<table>
<thead>
<tr>
<th>$$$</th>
<th>Sources</th>
<th>Type</th>
<th>Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>$790,914.00</td>
<td>NMFA-PPRF</td>
<td>Water &amp; Wastewater</td>
<td>Refinance USDA-RD loans to facilitate initial merger</td>
</tr>
<tr>
<td>$612,850.00</td>
<td>NM-Colonias Initiative, NM-SAP</td>
<td>Building</td>
<td>New office building</td>
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<tr>
<td>$86,400.00</td>
<td>NM-Colonias Initiative</td>
<td>Water</td>
<td>Water system interconnect for emergency backup water supply</td>
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<tr>
<td>$10,604,032.08</td>
<td>USDA-RD, NM-WTB, NM-SAPs, NM-Colonias Initiative, NMFA-PG</td>
<td>Water</td>
<td>Berino/Mesquite-Del Cerro Water System Improvements</td>
</tr>
<tr>
<td>$739,400.00</td>
<td>NM-CITF</td>
<td>Water</td>
<td>Brazito Water System Improvements Project</td>
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<tr>
<td>$127,500.00</td>
<td>NM-SAP</td>
<td>Equipment</td>
<td>SCADA &amp; IT Equipment</td>
</tr>
<tr>
<td>$130,000.00</td>
<td>NM-SAP</td>
<td>Equipment</td>
<td>SCADA</td>
</tr>
<tr>
<td>$175,000.00</td>
<td>NM-SAP</td>
<td>Software</td>
<td>SAP Billing Software</td>
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<tr>
<td>$2,040,346.00</td>
<td>USDA-RD</td>
<td>Water</td>
<td>La Mesa Well &amp; Tank Project</td>
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<tr>
<td>$87,500.00</td>
<td>NMFA-PG, CDBG-PG</td>
<td>Water</td>
<td>Preliminary Engineering Report</td>
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<tr>
<td>$8,846,086.42</td>
<td>USDA-RD, NM-CITF, NM-SAPs</td>
<td>Wastewater</td>
<td>Mesquite-Brazito Sewer Project</td>
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<tr>
<td>$8,932,338.00</td>
<td>USDA-RD, NM-CITF</td>
<td>Wastewater</td>
<td>Mesquite Wastewater System Project</td>
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<tr>
<td>$3,091,381.00</td>
<td>USDA-RD</td>
<td>Water &amp; Wastewater</td>
<td>Organ Water &amp; Wastewater Improvements Project</td>
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<tr>
<td>$595,000.00</td>
<td>NM-DWSRLF</td>
<td>Water</td>
<td>Radio Read Meter Project</td>
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<tr>
<td>$750,000.00</td>
<td>NM-WTB</td>
<td>Water</td>
<td>Surface Water/Brackish Water/Berino Well &amp; Treatment Project</td>
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<tr>
<td>$150,000.00</td>
<td>USDA-RD-CF</td>
<td>Equipment</td>
<td>Vehicle Replacement</td>
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<tr>
<td>$1,211,515.64</td>
<td>NMFA-PG, NM-DWSRLF</td>
<td>Water</td>
<td>Water System Purchase &amp; Improvements Project</td>
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<tr>
<td>$1,034,580.00</td>
<td>NM-CITF</td>
<td>Water</td>
<td>Waterline Extension Project</td>
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<tr>
<td>$40,004,843.14</td>
<td>Total LRGPPWA Project Funds</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Regionalization $$ Benefits – Project Funding**

- **$40,034,580** – 16 Projects + Consolidation Loan
Current Status

- Ten Water Systems
- Serving 16 Communities (Incl. 14 Colonias)
- Four Service Areas Covering 100 Square Miles
- Two Wastewater Collection Systems
- One Wastewater Treatment Facility
- Approximately 5,000 Water Connections
- Approximately 500 Wastewater Connections
- Approximately 15,000 Population Served
- Full & Part-time Staff of 30
- Providing O&M Assistance to Neighboring System
Any questions?