

# LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY

## *A Water System Partnership Case Study*



### *Creating the Lower Rio Grande Public Water Works Authority (LRGPWWA)*

In early 2005, LRGPWWA began to take form as five mutual domestic water associations began to meet regularly. The regular meetings helped them build relationships and discuss opportunities to work together as partners. In the first year, four of the associations signed a Memorandum of Understanding (MOU) that formalized their intention to work together as the Regional South Central Mutual Domestic Group.

#### **LRGPWWA HIGHLIGHTS**

##### **Challenge Statement:**

The mutual domestic water associations that started the LRGPWWA found their operations, maintenance, and capital improvement costs were unsustainable.

##### **Partnership Features:**

The LRGPWWA Partnership is an example of an Ownership Transfer partnership. The Authority, a new entity created, has legal standing to make decisions on behalf of all partnering systems. The Authority originally began with five partners and has grown to include nine systems serving 16 communities in Southern New Mexico.

##### **Primary Benefits:**

The partnering systems have seen multiple benefits including a larger pool of resources, improved working conditions, increased cost-efficiency, and better planning abilities. Community benefits have been lower rates, reliable access to safe drink water, and increased resiliency to consumer water demands.

##### **Accomplishments:**

The LRGPWWA worked to have state legislation passed that allowed the Authority to form and take advantage of economies of scale. The LRGPWWA Partnership has resulted in water systems, state offices, and technical assistance providers working together to provide safe and affordable water to their communities.

By 2009, the five original and founding associations had merged to form the LRGPWVA. By 2016, four additional domestic water associations joined the Authority.

### Critical Drivers

- ◆ **Duplication of Efforts:** Each water 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:** Two of the associations faced National Primary Drinking Water Regulation (NPDWR) compliance issues associated with the Arsenic standard. In addition, each of the water systems had to hold mandatory board trainings and meet reporting and audit requirements.
- ◆ **Unsustainable Funding and Source:** Some systems struggled with strained water rights or had declared service areas under threat from larger entities.

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.

## *Water System Partnerships as a Solution*

Water systems across the country are facing a myriad of challenges, including technical, managerial, and financial capacity issues. Bringing systems together through partnerships (collaborative approaches in which they can pool resources, expertise, and experience) can help to reduce noncompliance issues, risks to public health and costs, and redundant workloads. Water system partnerships are informal or formal relationships that help water systems identify opportunities to leverage benefits that would be difficult to achieve independently.

In the Lower Rio Grande region, the partnering systems realized that a regional partnership that involved creating a new entity would offer them a range of opportunities to share costs and build internal technical, managerial, and financial capacity.

## *Building Blocks of Partnership*

The 2005 MOU that created the Regional South Central Mutual Domestic Group allowed the water systems to formally work together but did not give them the legal standing necessary to discuss mergers. For the Authority to be able to function as a legal structure with the ability to facilitate a merger of the five founding associations, they needed state legislation to be revised. Their cooperation with local and state lawmakers helped to make the partnership possible.



### *TYPES OF PARTNERSHIPS*

#### **Informal Cooperation:**

Coordination with other water systems, but without contractual obligations. Informal partnerships may consist of partners sharing equipment and creating mutual aid agreements for emergency response management.

#### **Contractual Assistance:**

Setup a contract with another water system or service provider where the contract and service ultimately remaining under the water system's control. This type of partnership may include a system purchasing water from another system, or contracting out operations and management to another water system.

#### **Joint Powers Agencies:**

Creation of a new entity designed to serve the water systems that form it. These partnered water systems may share system management, operators, or source water.

#### **Ownership Transfer:**

Merge or mutual transfer of an existing entity or newly create an entity. This type of relationship may be represented by one water system being acquired by another, or by being connected to another water system physically, financially, and managerially.

In **2009**, New Mexico passed [House Bill 185](#), creating the LRGPWVA and giving them the legal standing to discuss mergers with agencies. HB 185 allowed the water 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

By the summer of **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. First, the partnering systems approved the transfer. Second, the systems transferred the relevant legal documents to OSE. Third, the Authority permitted mutual use of the combined water rights.

The Authority also needed to develop a plan to merge their water systems. The Authority contracted with the Rural Community Assistance Corporation (RCAC) in the fall of **2010** 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 LRGPWVA proposed and adopted uniform rates and fees across the partners. By December 2010, the LRGPWVA was fully operational, with the following components:

- ◆ A Public Water System ID Number, issued by New Mexico Environment Department (NMED)
- ◆ Staff were hired with human resources 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

In **2011**, the founding mutual domestic water associations were dissolved and the Authority began preparing for its first board elections.

By **2012**, the Authority had grown by adding three additional systems to the partnership.

In the spring of **2013**, the first board elections were held, resulting in a single board for all partnering systems.



### **A KEY STEP: CREATING THE AUTHORITY'S GOVERNANCE DOCUMENT**

The founding associations of the LRGPWVA created a contract with the Rural Community Assistance Corporation (RCAC) to develop a governance document for the new Authority. The document includes information on the structure of the Authority, the makeup of its Board of Directors, and its responsibilities. Each section of the document addresses hurdles that the water systems must overcome to create a partnership. RCAC collaborated with the founding associations to make sure that each system's needs were met during the development process. Working together on this document helped build trust amongst the water systems and fostered a collaborative consensus-building environment within the newly created Authority.

To learn more, access the document [here](#).

## Best Practices and Successful Strategies

### 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 (CDBG) from U.S. Department of Housing and Urban Development (HUD), the Authority created a contract with RCAC to develop the merger plan.



### Funding

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 grant programs including the New Mexico Colonias Initiative, Special Appropriation Program, Water Trust Board, New Mexico Colonias Infrastructure Trust Fund (CITF), New Mexico 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 RD and HUD CBDG, to fund partnership projects. Since inception, the LRGPWWA has secured \$40M to fund 16 projects. The partnership allowed the water 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 through partnering. The nine water systems that participate in the LRGPWWA currently serve 16 communities in three service areas covering 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:

- ◆ 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.
- ◆ One annual audit process, instead of nine.
- ◆ A larger pool of resources - staff, equipment, water rights, reserves – including 28 full-time specialized staff.
- ◆ The ability to provide employees with benefits, adequate pay, and oversight.
- ◆ The bandwidth to receive revenue from O&M assistance to neighboring systems.



The Authority has seen improved community relations, stable and efficient costs, and the ability to effectively plan for upgrades and improvements.



## *Learning from the LRGPWWA Partnership*

The LRGPWWA found that key actions and conversations early in the partnership process created the conditions necessary for success.

### **Communication, Consensus, and Trust**

Engaging a comprehensive, dedicated, and experienced team with a shared vision and strong leadership is critical to building any successful partnership. Once work is underway, it is important that short and long-term goals are established by consensus and that everyone on the team agrees with decisions. The Authority also found that third-party impartial facilitation enabled them to take action and to move the partnership forward.

### **Taking Action**

The LRGPWWA Partnership is an example of coordinated efforts that helped multiple water systems address present and potential challenges. Key elements of the partnership development and implementation process included:

- ◆ Declaration of water rights and service areas
- ◆ Formal ownership change
- ◆ Restructured role of the Board
- ◆ Partnerships with the New Mexico OSE and RCAC
- ◆ Identifying and ensuring qualification for funding

Successful partnerships require time, planning, and resources. These efforts are rewarded by significant technical, managerial, and financial benefits to water systems.

### **INTERESTED IN LEARNING MORE ABOUT WATER SYSTEM PARTNERSHIPS?**

Water system partnerships can help systems overcome challenges including aging infrastructure, increasing costs, declining rate bases, and limited technical and managerial capabilities. Partnerships provide opportunities to collaborate on compliance solutions, and operations and maintenance activities, which increase capacity and enable systems to provide safe and affordable water to their communities.

To learn more about water system partnerships like the LRGPWWA, visit the EPA's Water System Partnerships website:  
<https://www.epa.gov/dwcapacity/water-system-partnerships>.

### **RESOURCES**

To learn more about the LRGPWWA Partnership and water system partnerships, follow these links to online resources:

- [Lower Rio Grande Website](#)
- [EPA Water System Partnerships Website](#)
- [LRGPWWA Governance Document](#)
- [2009 NM House Bill 185](#)