

Rural Community Assistance Corporation Financial Planning Pilot Projects Summary Report

Over the last 15 months, RCAC has been working with three communities on the development of pilot studies related to their financial operating practices. The three communities RCAC has been working with are the Arenas Valley Water Development Association, located in the southwest area of the state and which is relatively similar in size to a large number of water systems in the state. The second community is also a mutual domestic, the Ilfeld Mutual Domestic Water Consumers Association. Ilfeld is relative small community located in the northern part of the state, and the third community is the Village of Bosque Farms. Bosque Farms is an incorporated community located in the central part of the state and with the largest population base out of the three pilot projects. During the time worked with these systems, RCAC learned that the needs, expectations, challenges and opportunities for all three communities are as diverse as the geographic location of each of the communities.

Arenas Valley Water Development Association

The pilot project work with this utility was initiated during the early spring of 2006. From the beginning of the project the board assigned RCAC a contact person to provide any information or resources necessary to make this process a successful one. Ms. Ardy Wilkins, office manager was tasked by the board to work closely with RCAC. By the beginning of the summer 2006, RCAC had developed a very close working relationship with Ms. Wilkins. Unfortunately, Ms. Wilkins fell ill towards the end of the summer and eventually passed on. The following months, the need for information to continue with the development of the project increased as the Association ability to provide it decreased. Ms. Wilkins had been with the Association since 1987 and knew all the ins and outs of the managerial aspects of the system. No one else in the system was able to answer and/or provide the information being requested, but this situation affected more than the development of the pilot project, it nearly creating a crisis when the institutional knowledge was lost and things came to a near complete stop.

In an effort to move on with business the board hired, under contract, a local certified public accountant. Unfortunately, shortly after the CPA

was hired, he was diagnosed with a terminal illness and the contract was terminated shortly after it was initiated. Once again, things were significantly slowed down. In the midst of these unfortunate events, the board had to initiate the negotiation for the renewal of the water contract to the Town of Silver City. By the time the contract term ended, the Association had met its connection capacity of 450. During the financial plan development RCAC learned that the Arenas Valley Water Development Associations as one of the better financially managed and operated mutual domestics in the southern part of the state, has historically relied on the non-operating revenues to maintain its sound financial position, and the main source of non-operating revenues has primarily been that generated from new connections/memberships. Due to the inability to add new connections, the Association financial practice has been put to test. This situation might or might not be resolved depending on the terms of the new contract. This situation created a financial management challenge. In an effort to help out with the situation, RCAC focused on developing a financial plan which is intended to provide the board with strategies which will allow the Association to meet all of its operating expenses through adequate operating revenue generation.

Working with this Association was a great learning opportunity for RCAC. The most valuable lessons learned are: how important it is to cross train personnel and how critical it is to plan for the future.

Ifeld Mutual Domestic Water Consumers Association

Ifeld as a small water system has a large advantage over many other water association its size, they have hired a bookkeeper to help them with the financial operations of the system. The process of this pilot project was a very successful one thanks to the board's willingness to assist and provide the information as requested. The board authorized the bookkeeper to provide RCAC with any information needed to complete the process. By consequence most work was completed with the assistance of the bookkeeper. Ms. Ana Berry, the Ifeld MDWCA bookkeeper supported RCAC as much as the board throughout the process. Ms. Berry has proven to be an invaluable asset to the operations of this Association. From attending the monthly board meetings, to coordinating water usage data with the system certified operator and meter reader; sending the

monthly bill and collecting payments; tracking overdue and disconnect notices and working one on one with members who are falling behind on their bills through the use of a board authorized payment plan and disconnecting when needed. The bookkeeper has been able to help the board reach a financial management position that they did not have before. Since hiring of Ms. Berry, the board has been able to achieve near 100% collection rate.

Normally small water system, such as Ilfeld MDWCA, decides against hiring bookkeepers because they consider the cost to be unnecessary and excessive. The Ilfeld MDWCA is an example where it can be proven that the cost of hiring a bookkeeper is worth incurring. The members are satisfied because they can now receive customer service which they did not have before. Additionally, Association members can work with someone on a payment plan and/or any other related issues, and the board can concentrate on making informed decisions for the betterment of their system. The Association is efficiently working towards becoming financially stronger, viable and sustainable.

During the financial plan development, RCAC learned that in the year 2006, Ilfeld MDWCA became one of the best financially operated mutual domestics in the area. The volunteer board members who reluctantly joined the board after pleads from the New Mexico Environment Department (NMED), now feel that they have accomplished what they were set out to accomplish. They have developed a strong working group which includes the people they have hired, the bookkeeper, the certified operator and the meter reader. As a team they are able to respond to the community in an effective manner and in return the membership provides support and understanding.

Village of Bosque Farms Water System

The pilot project with the Village of Bosque Farms was not as active as the other two pilot projects. Nonetheless it was productive. The main challenge with this project was due to communications. On several occasions, meetings were attempted to be scheduled, but the meetings did not materialized. These situations might have influenced the outcome of the project. However, sufficient information was collected to complete the process.

During the pilot project process, RCAC learned that the Village recovers better than 80% of its fixed expenses from the monthly service fees. RCAC also learned that considering the population base of the water utility, the “for domestic use” approach works well. Compared to other water systems with similar population base in the state, the Village has a water consumption which is about approximately 40% of what other systems have reported. Other lesson learned was that the Village only “sells” 20% of the water it produces; the other 80% is part of the monthly minimum fee of 7,000 gallons. However, the current rate structure the Village has had for the last 10+ years is nearing the end, meaning that if the Village wants to continue recovering their fixed cost at the current rate, the water rate structures will have to be increased significantly. Another option is for the Village to reduce the amount of gallons they allow under the monthly service fee creating the opportunity to “sell” more water potentially at a higher rate.

From this project, RCAC learned that a good water conservation program can work if all the right elements are in place as the water systems are designed and constructed. RCAC also confirmed that there are good and strong rate structures, but even those cannot sustain forever. Eventually every rate structure has to be revised/reviewed and in most cases upgraded.

In conclusion RCAC completed the projects with all three communities as tasked and had the opportunity to learn from the different financial managerial practices and their decision making processes. RCAC was also fortunate to have the ability to provide technical assistance to these communities to improve on their financial capacity.