

COMMUNITY WORKSHOP REPORT

Regional Rio Grande Valley Water and Wastewater Infrastructure Funding

McAllen, Texas

On February 21, 2023, the leadership of both federal and Texas state agencies, NGOs, and communities in the Rio Grande Valley convened to discuss the region's water and wastewater infrastructure. More than 60 leaders gathered at the McAllen Convention Center in McAllen, Texas to work toward sustainable solutions to reach their regional economic, public health, and environmental goals.

Water Finance Exchange (WFX) and RSAH2O thanks its panelists and presented, including leadership from:

- International Boundary and Water Commission (IBWC)
- Texas Water Development Board (TWDB)
- Texas Commission on Environmental Quality (TCEQ)
- U.S. Department of Agriculture (USDA)
- Texas Department of Agriculture
- North American Development Bank
- Communities Unlimited (CU)
- Government Services Group/Anser Advisory
- Ambiotec Group
- Texas Rural Water Association (TRWA)
- Texas Water Foundation (TWF)
- Public Utility Commission of Texas
- University of Texas at Rio Grande Valley
- Vida Water

Generous support for the workshop was provided by Ambiotec Group, with continuing support from Lyda Hill Philanthropies, the Cynthia and George Mitchell Foundation, and CoBank.

The workshop convened water sector leaders, communities seeking to address sustainable water management needs, and public officials. Fourteen

communities from small, rural, and underserved areas of the Rio Grande Valley were represented at the workshop, where they learned more about new funding and investments for water and wastewater infrastructure, technical assistance, and sustainable solutions. Community leaders shared the common challenges they face in accessing funding and financing for water infrastructure. Community leaders were also afforded meaningful time to interact with regulatory, lending and technical assistance representatives to initiate path forward discussion and steps to mitigate some of the noted water challenges. This report provides a summary of the discussions, solution pathways identified by the participants, and ideas for action-oriented collaborations resulting from these conversations.

Regional Rio Grande Valley Water and Wastewater Infrastructure Funding

In 2021 and 2022, WFX and RSAH2O held conferences in El Paso and San Antonio to discuss replicable models for community water infrastructure. Since then, WFX has been working with communities across the state to implement resilient and sustainable water infrastructure projects, as well as regional solutions. The implementation of the Infrastructure Investments and Jobs Act (IIJA) and Inflation Reduction Act (IRA) have significantly increased the funding resources available for communities and water systems to pursue sustainable solutions.

These funds are critical in Texas, which continues to face short and long-term water management challenges due to increasing population, water scarcity, and the ramifications of climate change. For the Rio Grande Valley, water security and sustainable water management are focal points for its communities as more systems approach a crisis of water supply and reliability.

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However, the newly available funds have a rapid timeline that will be difficult for small, rural, and underserved communities to meet due to administrative, financial, and technical capacity gaps. As a result, these funds may not meet their intended impact if rural and underserved communities are not able to successfully access the funding opportunities.



Texas is home to many experts and innovative organizations focusing on infrastructure and quality of life. This workshop is designed to build on existing ideas and more directly connect public and private leaders in the water sector. The goal we all share is to increase the number of funded projects delivering sustainable water infrastructure across the state. WFX and RSAH2O believe that successful partnerships will attract funding and support to achieve these results at significant scale, highlighting the position of Texas as a national leader in water management.

The Texas State Legislature is also making water a priority this legislative session following the creation of the Water Caucus, a bi-partisan collaborative of Members focused on water issues. The Rio Grande Valley workshop represents a continuation of this momentum and the

work WFX and RSAH2O are doing around Texas.

The Keynote messages established the foundation for conversations throughout the day:

- Commissioner **Maria Elena Giner**, IBWC, discussed the challenges facing the water resources along the U.S.-Mexico Border, and opportunities to overcome them. She detailed the way that a changing climate is making it difficult for both countries to deliver the necessary water to the Rio Grande River. She also discussed the relative lack of scientific and technical resources to understand the Rio Grande compared with the more publicized neighbor, the Colorado River, and the steps her office is taking to increase the resources available for the Rio Grande. The Commissioner's doctoral dissertation on water infrastructure in Border colonias provides an invaluable perspective in her current role.
- TCEQ Commissioner **Bobby Janecka** gave a positive presentation regarding the role the agency can play in assisting communities to meet their environmental and public health goals. Recognizing that the agency can be perceived as the "pollution police," Janecka sees TCEQ as a partner in identifying areas of need reflected in compliance challenges and highlighting them to taxpayers, ratepayers, and policymakers. He also recognized that new threats such as cybersecurity, in addition to stricter federal pollution and contaminant requirements that TCEQ must enforce, can make it harder on small, rural utilities to meet those demands. The workshop serves as a way to connect communities with the resources that can help meet those needs.

Attendees then heard directly from state and federal agency representatives about funding opportunities and best practices for their application. In a new format for the workshop, community members were then invited to detail their specific needs and challenges they have encountered with funding opportunities. This format gave representatives from local communities a voice in the room and their resulting dialogue with funding leaders helped to define a clearer direction on how to find solutions.

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What We Heard from Communities

The Community Working Session was led by RSAH2O's Carlos Rubinstein, and the format allowed communities to get specific about their challenges and frustrations when pursuing water and wastewater infrastructure funding. Although each community has unique challenges, many of the themes proposed by attendees had similarities.

A representative from the City of Harlingen said the city's 20-year plan calls for more than \$100 million in needed funding. However, even with aggressive water rate increases, loans, and other traditional financing mechanisms, Harlingen may not even reach 25 percent of that need. At the El Jardin Water Supply, there is a present need to replace undersized service lines in Colonias, but the relatively low income level of those residents makes it difficult to find the money to do so through rate increases. The Military Highway Water Supply Corporation, a regional service provider, has issues with storage tanks and needs to replace wells and service lines. They also face issues with arsenic in groundwater. The scale and immediacy of this need outpaces the ability for the water supply corporation to find the funds through rate increases.

Looking at funding applications, representative from the Corpus Christi areas said that one part of the service area would qualify for more favorable grant and financing opportunities due to its disadvantaged status, but the relative wealth of the full-service area taken together puts it out of reach of those favorable options. The Agua Special Utility District wanted to know what exactly qualified as a "green" project. Representatives from the City of Brownsville/El Jardin Water District were similarly confused about what qualifies as regionalization, and whether that really helps a funding application move up in the ranks. Raymondville representatives noted that census tract data does not accurately reflect the specific entity's socioeconomic status as higher end earners nearby may shift demographics and socioeconomic data to make the entire area miss out on well deserved disadvantaged community classification.

The challenges for each community are unique, but there are opportunities to address the similarities that cut across utility district lines.

Opportunity 1 – Clarity and Communication in Technical Assistance

Sarah Schlessinger, CEO of the Texas Water Foundation, led a panel of state and federal agency representatives as they discussed the various funding programs and requirements. Many of the programs shared similar

funding eligibilities and requirements. Rural development funding from the USDA focuses on communities with less than 10,000 population, the Community Development Block Grant (CDBG), administered by the Texas Department of Agriculture has similar population caps, and many financial assistance programs offered by the Texas Water Development Board are for small communities.

However, there are important differences that can create confusion for communities seeking funding and financing. For example, preliminary screening applications can generate additional points toward their total score if they represent a "disadvantaged community," but this criterion has different definitions across programs. The Economically Distressed Areas Program (EDAP), administered by the TWDB, funds areas where the median household income is less than 75 percent of the median state household income, while Texas' CDBG program looks for areas with an income threshold of 80 percent of the area's median family income.

Communities were also unsure about the role that regionalization played in their funding applications. State and federal agency representatives all agreed that they support communities pursuing regionalization when appropriate to address their needs, but more clarity is needed on whether those project proposals generate more points in a funding application.

The same is true for greenhouse gas reductions, green infrastructure, natural infrastructure, or nature-based solutions. Despite the concepts being a priority for new federal funding, state programs have varying evaluation mechanisms when scoring funding applications. Further, communities are unsure whether their projects qualify as green solutions and need more opportunities to walk through specific eligibility criteria.

"Communities don't understand how you get points, or how to write applications to be competitive," said Rogelio Rodriguez, Director of the Texas Water Infrastructure Fund at WFX. "Many communities probably have those points, but they don't know how to articulate them."

This confusion and variability among programs highlight the value of technical assistance providers such as WFX, TRWA, and CU. Technical assistance providers can translate this complexity into competitive funding applications and communicate with granting agencies on their criteria and requirements.

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Opportunity 2 – Addressing the Workforce Challenges

Community challenges in finding and maintaining an adequate water workforce is a common theme from WFX's workshops in Texas, as well as in the Rio Grande Valley. The first is utility operators that obtain experience and additional certifications often move to a bigger utility where they may have higher wages. "You get someone trained and then they leave because they want to advance their careers," said Larry Bell of the TRWA. In some cases, the smaller utility invested in the training and education, but do not see a return on that investment.

Regionalization presents a potential solution to this challenge. Systems that consolidate their administration or utility operators by collaborating across systems require a smaller and more efficiently deployed workforce. Additionally, increasing the customer base and complexity of a system can generate some of the professional development benefits of larger systems. This could reduce the likelihood that a utility operator would leave for a bigger market, instead maintaining the institutional knowledge and relationships with customers that are important for a sustainable system.

Opportunity 3 – Meeting Economic Development with Sustainable Solutions

The Rio Grande Valley is the fastest growing population center in Texas and continues to grow rapidly. In the luncheon presentation, Carlos Marin of Ambiotec Group discussed the macroeconomic trends that are bringing industry and people to the southernmost tip of Texas. Marin said that the COVID-19 pandemic exposed supply chain issues that encouraged firms to bring their facilities back to US from Asia, and this trend is exacerbating due to tensions between the US and China. Meanwhile, the favorable demographics for growth, with a significant population between the ages of 18 and 25, will encourage firms to locate in the Rio Grande Valley.

However, adequate water infrastructure is a condition of this economic opportunity. "A sustainable, compliant, reliable, efficient water and wastewater services is essential to economic development," Marin said.

Regional solutions are one way to meet this expected growth in economic development. Coalitions of utilities can centralize administration to reduce costs. Coordinating or connecting with adjacent utilities can diversify water sources and customer bases, making the system more resilient and attractive for investment. The anticipated economic development in the region also offers opportunity for diversified funding, as private capital can amplify public investment in water infrastructure. In many cases, private sector funding can be more agile than public funds or grants, and therefore can contribute to solutions quickly.

Those sustainable solutions require responsible planning, including responsive water rates. No water customer wants to pay more than they are today, but with strong communication between a utility and its customers, reasonable changes to water rates are an essential part of a utility's sustainability. Panelists Tammy Benter of the PUC and Robert Sheets from Government Services Group/ANSER both stressed the importance of consistent and responsible rate changes to meet needs.



Rogelio Rodriguez moderates a panel on "Implementing Sustainable Solutions for Texas Communities".

The second issue is the loss of institutional knowledge when someone leaves or retires, and the challenges that come from a new employee with less experience. Tammy Benter of the Public Utility Commission of Texas said her office fields many calls from local utilities that lose an operator due to retirement or other opportunities, and they are unable to fill the role, instead relying on expensive and temporary third-party management or asking favors of other knowledgeable people in the area to help out. "It's important to educate and communicate the need for a water utility workforce," Benter said.

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Toward Regional Solutions

Many of the opportunities detailed above discuss the role of regional solutions to address water infrastructure needs. The IJJA and IRA present an opportunity to advance regional solutions where intermediaries can serve as expert resources, advocates, and partners to communities that are seeking collaborative approaches for community infrastructure. For example, WFX is working with leaders from Presidio County in West Texas to implement a resilient county-wide water and wastewater infrastructure strategy for communities sharing watershed resources.

The workshop highlighted how community infrastructure solutions must be holistic, integrating affordable community financing with stewardship of water resources, particularly as water supplies become stressed. One priority strategy is regional solutions, which offer opportunities to address water infrastructure and watershed goals simultaneously, while advancing regional economic prosperity. Regional solutions offer the opportunities to create scale, utilizing watershed perspectives to address environmental needs. While regional collaboration may not be appropriate for every community and project, they do offer important solutions for Texas, which has more than 7,000 water systems, many of which are small and rural.

Proposed Action Steps

Leaders in the Rio Grande Valley shared a sense of urgency for action-oriented collaboration among key organizations. This urgency was due to both water quality and quantity challenges, and to fully capture the economic development that the Rio Grande Valley is poised to experience. These workshops continue to highlight the critical importance of remaining connected across organizations, building on one another and preventing the duplication of efforts. Participating communities and water supply corporations discussed the need to act as one region for the Rio Grande Valley. WFX welcomes that commitment and stands ready to assist.

As one opportunity for collaboration, WFX and RSAH2O continue to serve small, rural, and underserved communities across Texas and work with other technical assistance partners to implement suitable solutions. As a first priority, both organizations will follow up directly with individual communities which shared questions and concerns to determine solution pathways that may work for them.

The discussions in McAllen yielded several ideas for achieving change at scale, including:

- Community Collaboration and Technical Assistance – Maintain communication both between local communities as well as with technical assistance providers and funding agencies. Agency representatives encouraged communities to approach them with questions and concerns they have with funding applications, and one community representative suggested hosting a monthly meeting among water utilities in the region to share best practices and potentially explore regionalization
- Training and Education Development – Identify workforce gaps and barriers to entry, build partnerships with universities and schools to build the pipeline, and prescribe structural opportunities for scaled training. Explore regional cooperation and the effects it may have on workforce recruitment and retention.
- Advancing Governance Solutions for Regional Challenges – Identify regional actors and partners to begin building regional governance models to meet the expected growth in need through economic development. Build replicable models of financing and governance solutions based on the local context, and advance policy solutions to incentivize collaboration.

The State of Texas, RCAP, USDA, EPA, and others have funds that can be deployed for pre-development. WFX and technical assistance providers including Communities Unlimited, Texas Rural Water, Texas Water Foundation, Dig Deep, Quantified Ventures, Government Services Group, Anser Advisory, and the Environmental Policy Innovation Center have professional expertise that can assist communities in need. WFX plans to host future workshops in Texas to continue momentum toward building and implementing regional solutions.

WFX and RSAH2O believe that water infrastructure is about more than pipes and pumps. Instead, it serves as a catalyst for sustainable economic growth, public health, and environmental outcomes. The participants in McAllen demonstrated an impressive level of candor and interest in breaking funding logjams and in building safe and affordable water systems as a cornerstone for human and regional economic health.

No community should be left behind.