

EXECUTIVE SUMMARY OF SUNSET STAFF REPORT

Sabine River Authority of
Texas

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Since its creation in 1949, the Sabine River Authority of Texas (SRA) has managed the floodwaters, rivers, streams, and tributaries of the Sabine River basin. SRA's functions include maintenance of three reservoirs and a canal system to supply raw water to municipal, industrial, and agricultural customers; operation of a hydroelectric power plant; and promotion of economic development throughout the Sabine River basin. Overall, Sunset staff found SRA to be a generally well-run organization in a solid financial position to meet the water needs of its basin. Sunset staff also found SRA could benefit from the application of standard Sunset statutory guidance and certain best practices relating to grants, contracts, and strategic decision making.

SRA operates an economic development program, and SRA's board of directors has aligned the program with SRA's core mission to manage the waters of the Sabine River basin, including water supply and wastewater infrastructure.¹ The program helps address an area of major concern for the state as thousands of public water systems in lightly populated areas across Texas lack the customer base, resources, and expertise to maintain and expand their aging infrastructure. SRA's grant program may play a significant role in addressing this issue in the basin, but the authority currently lacks adequate documentation to better ensure an effective, transparent, and fair program.

The authority contracts for various goods and services for maintenance and operational functions and generally performs well in procurement and contracting. However, given the importance these contracting decisions have to SRA's current and future water operations and economic development efforts, the authority's contracting process would benefit from aligning with best practices to ensure continued effectiveness and efficiency.

Over time, circumstances outside SRA's control have required the authority to make several critical, basin-wide decisions. For example, SRA has had to secure additional funding streams for water resources, take over costly failing wastewater systems that threatened water quality, and maintain an aging hydroelectric power plant with expensive and substantial federal requirements to avoid losing significant revenue. While these commitments appear to have been worthwhile for SRA, the authority has no formal, documented process for making important decisions in a considered and strategic way. The authority

SRA is a generally well-run organization positioned to meet the water needs of its basin.

has potential to continue expanding the public good it provides the basin, but operations on the scale of SRA's also expose the authority to risks such as financial loss and legal disputes. Formalizing and documenting SRA's decision-making process would better ensure accountability from the authority's board and management while mitigating future risks should those decisions be challenged. Finally, this report includes several findings and recommendations relating to good government practices applied across the board during Sunset reviews.

The following material highlights Sunset staff's key recommendations for the Sabine River Authority of Texas.

Sunset Staff Issues and Recommendations

ISSUE 1

SRA's Grant Program Requires Additional Best Practices to Better Ensure Effectiveness, Transparency, and Fairness.

SRA's Community Assistance and Economic Development Program offers a range of grants to eligible entities across the Sabine River basin. Since 2002, SRA has provided over 400 awards totaling almost \$7 million. The program generally works well but lacks some standard best practices for grantmaking with public funds such as consistent data management, clear grant agreements, and measurable performance goals. Establishing best practices in these areas would help guide the program and better ensure its success.

Key Recommendations

- Direct SRA to implement consistent practices for tracking and managing award and financial data for the authority's grant program.
- Direct SRA to establish and publish policies that clearly explain the authority's grant administration process and procedures.
- Direct SRA to establish formal agreements with written terms and conditions for individual grant awards and policies for grantee underperformance.

ISSUE 2

SRA's Contracting Process Would Benefit from Additional Documentation and Alignment with Best Practices.

SRA contracts for various goods and services, which totaled \$19.9 million in fiscal year 2023. While SRA generally performs well in procurement and contracting, the authority does not follow some standard contracting procedures, including documenting justifications for decisions to outsource certain services, documenting and evaluating vendor performance, and other contracting best practices. Implementing these best practices would better position the authority to continue its success and mitigate potential risks.

Key Recommendations

- Direct SRA to institute a formal needs assessment or cost-benefit analysis to justify outsourcing current and future services.
- Direct SRA to formally document and evaluate vendor performance.
- Direct SRA to improve its contracting processes to ensure sufficient transparency and fairness.

ISSUE 3

More Formal, Strategic Decision Making Would Better Position SRA for Continued Success.

As a well-resourced river authority, SRA is uniquely positioned to address the unmet water needs of the Sabine River basin. However, SRA will need to be strategic about how it leverages public funds to maximize the benefit to Texans in the basin. Sunset staff identified opportunities to improve the authority's decision-making efforts through a deliberative, documented process that assesses and mitigates risk and evaluates costs and benefits. These tools would help ensure SRA is best positioned for the future and able to continue meeting the needs of the basin.

Key Recommendations

- Direct SRA to develop a formal, strategic decision-making process to identify and address potential risk and better inform its decisions.
- Direct SRA to work with SRA-LA to develop a memorandum of understanding to facilitate better coordination between the authorities.

ISSUE 4

SRA's Governing Law and Complaint Process Do Not Reflect Some Standard Elements of Sunset Reviews.

Sunset's across-the-board recommendations are standard elements that reflect Sunset Act criteria designed to ensure open, responsive, and effective government. In addition, Sunset has worked with the Texas Legislative Council to ensure river authorities' governing laws are codified rather than split up between multiple session laws. SRA's law does not reflect good government standards typically applied during Sunset reviews and is outdated and difficult for the public and the authority to find and fully understand. Finally, SRA's informal complaint system for its permitting programs does not incorporate some standard best practices to ensure an efficient and transparent process.

Key Recommendations

- Apply the standard across-the-board recommendations regarding the governor's appointment of the presiding officer, grounds for removal of a board member, board member training, separation of staff and board duties, public testimony, and a system for receiving and acting on complaints.

- Direct the Texas Legislative Council to update SRA's governing law.
- Direct SRA to develop and publicize a clear complaint policy for its permitting programs.

Fiscal Implication Summary

These recommendations would have no fiscal impact on the state but may have a financial impact on SRA. The recommendations in Issues 1, 2, and 4 relate to basic administrative responsibilities and could be implemented with existing resources. The recommendations in Issue 3 may have a fiscal impact on SRA depending on whether the authority decides to hire additional subject matter or industry experts to inform strategic decisions. However, that potential cost cannot be estimated at this time.

¹ Texas Commission on Environmental Quality, *Self-Evaluation Report*, September 2021, accessed online April 16, 2024, https://www.sunset.texas.gov/public/uploads/files/reports/TCEQ%20SER_9-01-21.pdf.