

# EXECUTIVE SUMMARY OF SUNSET STAFF REPORT

Lavaca-Navidad River  
Authority  
Upper Guadalupe River  
Authority  
San Jacinto River Authority  
Bandera County River  
Authority and Groundwater  
District

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Since 2015, the Sunset Commission has reviewed the operations and management of Texas' river authorities, applying good government principles and practices to increase transparency and oversight of these unique political subdivisions. River authorities pursue a variety of activities — ranging from water supply development and flood protection to generating electricity, treating water and wastewater, and operating parks and recreation facilities. Through its reviews, Sunset staff has found that no two river authorities are identical, and the river authorities currently under review are no exception.

The following material highlights Sunset staff's key recommendations for the Lavaca-Navidad River Authority, Upper Guadalupe River Authority, San Jacinto River Authority, and Bandera County River Authority and Groundwater District.

## Lavaca-Navidad River Authority

Since its creation in 1947, the Lavaca-Navidad River Authority (LNRA) has managed the floodwaters, rivers, streams, and tributaries of the Lavaca-Navidad River Basin. LNRA's functions include providing raw water to municipal water providers and industry, monitoring water quality, and maintaining parks and event venues on its lands surrounding Lake Texana in Jackson County. Due to a small but stable customer base, LNRA has built up significant reserve funds, part of which it uses to provide grants to improve local communities and support economic development throughout the county. Sunset staff found LNRA to be generally well run, particularly its water operations, but identified ways the authority could strengthen its policies and procedures to ensure it manages various administrative practices in a fair and effective manner.

## Sunset Staff Issue and Recommendations

### ISSUE 1

#### LNRA Lacks Some Standard Practices to Ensure Fairness and Accountability, Including in Its Grant Program.

LNRA's grant programs benefit its local community, but lack certain standard practices government entities use to ensure impartiality and good stewardship when awarding grants. LNRA also lacks policies to govern the management and growth of its reserve funds. Finally, the authority's governing law does not reflect good government standards typically applied during Sunset reviews and is generally outdated and difficult for the public and the authority to find and fully understand.

#### Key Recommendations

- Direct LNRA to establish policies requiring conflicted members of its grant review committee, staff, and the board to recuse themselves from the grant award process.
- Direct LNRA to establish policies and procedures to formally monitor grant awardees and consider their past performance before awarding future grants.
- Direct LNRA to develop and implement a reserve fund balance policy.

## Upper Guadalupe River Authority

Since its creation in 1939, the Upper Guadalupe River Authority (UGRA) has monitored the portions of the Guadalupe River and its tributaries within Kerr County. UGRA primarily operates a certified lab to regularly assess area water quality and encourages voluntary stewardship practices to protect the Guadalupe River watershed from threats such as flooding, sedimentation, water pollution, and invasive species. UGRA receives no state appropriations, but receives revenue through a local property tax, which generated \$1.14 million in fiscal year 2021, and from fees generated by its lab services. Through its work with stakeholders and partners in Kerr County, UGRA is highly regarded in the community, with a reputation for leveraging its small staff to create meaningful improvements in the water quality of the Guadalupe River. While UGRA performs its operations well, the Sunset review found some areas where the authority could benefit from adopting good governance practices. As such, Sunset staff recommends a number of standard contracting practices, policies for how UGRA manages its reserve fund, and several statutory changes and good government practices applied across the board during Sunset reviews.

## Sunset Staff Issue and Recommendations

### ISSUE 2

#### UGRA Would Benefit from Implementing Common Good Governance Practices To Ensure Greater Fairness, Transparency, and Accountability.

Over the years, Sunset reviews have included a number of standard elements designed to ensure open, responsive, and effective government. UGRA contracts for a wide range of services and should implement

best practices to ensure consistency and transparency in its contracting process. Additionally, UGRA has developed a sizeable reserve fund over several years but does not have policies to govern the growth or depletion of these funds. Finally, UGRA's governing law does not contain several standard good government provisions, does not comply with constitutional requirements for river authority board member terms, and is generally outdated and difficult for the public and the authority to find and fully understand.

### **Key Recommendations**

- Direct UGRA to improve its contracting processes to ensure consistency and transparency.
- Direct UGRA's board to develop and adopt a reserve fund balance policy.
- Apply standard across-the-board recommendations regarding board operations and public input.

## **San Jacinto River Authority**

For the past 85 years, the San Jacinto River Authority (SJRA) has planned surface water resource development in the San Jacinto River basin, growing to become one of the largest river authorities in the state and managing an annual budget of over \$100 million. SJRA is the primary wholesale water provider for Montgomery County and is positioned to help serve an increasing population in the upcoming decades. In the previous Sunset review that took place during the 2020-2021 biennium, Sunset staff found public trust in SJRA had suffered due to drawn-out legal disputes over contracting issues and water policy decisions related to lake levels. While those issues were outside the scope of the review, Sunset staff recommended requiring SJRA develop a public engagement policy and improve its public communications strategy.

Following that review, the authority's Sunset bill did not pass. Instead, the Legislature placed SJRA under Sunset review again for the 2022-23 biennium. Sunset staff found SJRA has made concerted efforts to meaningfully engage with the public, including improving its website. However, SJRA's protracted and contentious legal disputes with retail water providers continue to strain the authority's relationship with the general public and customers, leaving room for some additional improvement.

For additional information on the previous Sunset review of SJRA, please see the *Staff Report with Final Results*, published in June 2021 and available on the Sunset Commission's website. The 2021 report contains detailed information on the original Sunset staff recommendations, Sunset Commission decisions, and legislative action on the agency taken during the 87th Legislature.

## **Sunset Staff Issue and Recommendations**

### **ISSUE 3**

#### **SJRA Would Benefit From Improved Communication and Common Good Governance Practices.**

While SJRA has improved its communications and public engagement efforts since its previous Sunset review during the 2020-2021 biennium, protracted legal disputes continue to complicate the authority's relationship with the public. Consequently, a statutory requirement for a public engagement policy would

ensure the authority's new practices continue at SJRA regardless of leadership and personnel changes. In addition, the authority's governing law does not reflect good government standards typically applied during Sunset reviews and is generally outdated and difficult for the public and the authority to find and fully understand.

### **Key Recommendations**

- Statutorily require SJRA to adopt a public engagement policy that guides and encourages public involvement on key decisions.
- Apply standard across-the-board recommendations regarding board operations and public input.

## **Bandera County River Authority and Groundwater District**

Historically, Texas has managed its primary water supply sources — surface water and groundwater — independently from one another, with each water source governed by a separate set of laws and regulated by separate government agencies. Surface water is the property of the state and is appropriated through water rights. By contrast, groundwater is governed by the rule of capture, meaning landowners own the water beneath their property and generally have the ability to use or sell that water as they see fit, unless that property is regulated by a local groundwater conservation district (GCD). For most of the state, the Texas Commission on Environmental Quality (TCEQ), river authorities, and various water districts manage surface water resources, while GCDs implement rules protecting groundwater availability and quality. The Bandera County River Authority and Groundwater District (BCRAGD) is an exception to this rule.

In 1989, the Legislature created BCRAGD (originally named Springhills Water Management District) to protect and preserve both groundwater and surface water resources in Bandera County. When establishing BCRAGD, the Legislature created a hybrid entity, by establishing a GCD and giving it the authority and functions of the Bandera County River Authority (BCRA), a preexisting river authority operating in Bandera County. However, the Legislature did not legally merge the two entities or abolish the river authority. As a result, BCRAGD took over the river authority's functions while the BCRA became a defunct entity without a governing body, funding, staff, or programs. Since BCRA is a defunct authority, Sunset staff cannot review it. Likewise, Sunset lacks clear authority to review BCRAGD.

### **Sunset Staff Issue and Recommendations**

#### **ISSUE 4**

#### **The Bandera County River Authority and Groundwater District Is Not Subject to Sunset Review.**

The two entities created by the Legislature to manage water resources in Bandera County — BCRAGD and BCRA — were never legally combined and continue to exist as separate legal entities. Since BCRA is an inactive authority, Sunset staff cannot review it. Likewise, because the Sunset provision was only placed in BCRA's enabling act, Sunset staff lack clear authority to review BCRAGD.

**Key Recommendation**

- Remove the Bandera County River Authority from Sunset review.

**Fiscal Implication Summary**

The recommendations in this report would not result in a significant fiscal impact to the state or the river authorities under review. Most recommendations relate to basic administrative responsibilities the river authorities could implement with their existing resources. Since BCRA GD is not subject to Sunset review, it will not be required to pay the Sunset Commission for the cost of the review, resulting in a savings of approximately \$52,000 to BCRA GD.

