

# SUNSET ADVISORY COMMISSION

---

## River Authority Uniformity Study

2024-25  
89TH LEGISLATURE



# SUNSET ADVISORY COMMISSION



**Representative  
Keith Bell**  
*Chair*

**Senator  
Tan Parker**  
*Vice Chair*

**Representative Terry Canales**

**Senator César Blanco**

**Representative Lacey Hull**

**Senator Mayes Middleton**

**Representative Stan Kitzman**

**Senator Angela Paxton**

**Representative Matt Shaheen**

**Senator Kevin Sparks**

**Jeff Austin III, Public Member**

**Roger Elswick, Public Member**

**Eric Beverly**  
*Executive Director*

---

Cover photo: The Texas State Capitol was completed in 1888. With the Goddess of Liberty atop the dome, the Texas State Capitol Building is 19 feet taller than the U.S. Capitol Building in Washington, D.C. The photo shows the south facade of the Capitol. Photo Credit: Janet Wood

# **RIVER AUTHORITY UNIFORMITY STUDY**

2024-25  
89<sup>TH</sup> LEGISLATURE

---

## UNDERSTANDING THE DIFFERENT VERSIONS OF THE RIVER AUTHORITY UNIFORMITY STUDY

Similar to the approach taken for an agency undergoing a typical Sunset review, the Sunset Advisory Commission will publish three versions of the River Authority Uniformity Study. These three versions of the study will reflect the three stages of the Sunset process, explained in more detail at [sunset.texas.gov/how-sunset-works](https://www.sunset.texas.gov/how-sunset-works). The current version of the River Authority Uniformity Study is noted below and can be found on the Sunset website at [sunset.texas.gov](https://www.sunset.texas.gov).

### **CURRENT VERSION: River Authority Uniformity Study**

The first version of the study contains Sunset staff's options and recommendations to the Sunset Commission concerning river authorities' administrative operations and structure.

### **River Authority Uniformity Study with Commission Decisions**

The second version of the study, the River Authority Uniformity Study with Commission Decisions, contains the original staff options and recommendations as well as the commission's decisions on which options and recommendations to propose to the Legislature.

### **River Authority Uniformity Study with Final Results**

The third and final version of the study, the River Authority Uniformity Study with Final Results, contains the original staff options and recommendations, the Sunset Commission's decisions, and the Legislature's final actions on the proposed options and recommendations.

---

TABLE OF CONTENTS

| Page

Summary

.....

1

River Authority Uniformity Study

.....

3

Appendix

Appendix A — Sunset Review Standards Applied to River Authorities .....

13



# SUMMARY

The Sunset Advisory Commission provides the Legislature a powerful oversight tool to evaluate government functions, recommend improvements, and apply uniform standard best practices where appropriate. Statute subjects most state agencies to Sunset review, but on occasion, the Sunset Commission and the Legislature may direct Sunset staff to study and report on certain programs or entities. In 2023, the Sunset Commission directed staff to study all river authorities' operations and structure and provide recommendations for uniformity across all river authorities. Since the Legislature subjected river authorities to Sunset review in 2015, the reviews have recommended many uniform standard best practices, often deployed at the state level, to river authorities. For their part, the commission has adopted 75 management directives, and the Legislature has enacted 73 statutory changes based on these standards, a summary of which is provided in Appendix A.

The Sunset Commission and Legislature have applied nearly 150 standard best practices through Sunset reviews of river authorities.

Each river authority has needs unique to its basin in addition to widely varying resources, programming, and operational capacities. Given these unique circumstances and because several river authorities already execute many good government policies and best practices, Sunset and the Legislature have not sought to apply every state-level standard to each river authority, and this study continued this approach. With the intent of creating more uniformity of operations across river authorities and better positioning the authorities to fulfill their mission, the study found one constitutional issue and three opportunities for improvement. Specifically, the study presents two options for aligning all river authority board member terms with state constitutional requirements. The study also recommends requiring river authorities above a certain size to adhere to certain provisions in the Texas Internal Auditing Act to improve risk management and governance; adopt policies governing reserve funds to help maintain reserves that are sufficient and fiscally responsible; and use the Vendor Performance Tracking System before awarding certain contracts to better inform award decisions and reduce contracting risk.





# RIVER AUTHORITY UNIFORMITY STUDY

## Background

In 2015, the Legislature placed 18 river authorities under Sunset review, scheduling two to five authorities for review each biennium over the following four biennia, but with no possibility of abolishment through the staff review process.<sup>1</sup> Through these reviews, the Legislature required Sunset to examine the river authorities' governance, management, operating structure, and compliance with legislative requirements.<sup>2</sup> In 2023, the Sunset Commission directed staff to study all Texas river authorities' administrative operations and structure and make recommendations to the 89th Legislature regarding options to create uniformity across all river authorities that ensures each authority effectively represents its geographic river basin while also maintaining efficient administrative operations.<sup>3</sup> The commission also directed staff to base the study on past Sunset river authority reviews with the expectation that Sunset need not request new documents from river authorities.<sup>4</sup>

Over its nearly five decades of evaluating state agencies, the Sunset Commission has developed standard, good government policies and best practices, as described in the accompanying textbox, built on Sunset's observations, research, and other published best practices. In total, as part of the Sunset review of Texas river authorities between 2015 and 2023, the commission adopted 75 management directives, and the Legislature enacted 73 statutory changes based on these standards with the intent of creating more uniformity of operations across river authorities and better positioning the authorities to fulfill their mission. These changes include ensuring key procurement and contract management staff receives formal training, directing more robust and open strategic planning, and codifying river authorities' governing laws. For this study, Sunset staff identified several other areas that would benefit from a uniform approach among river authorities, as discussed in the following pages.

### Sunset Review Standards

- **Sunset across-the-board recommendations:** Eight good government standards developed by the Sunset Commission.
- **Evaluation standards:** Internal collections of best practices for analyzing regulatory, grant, and contract functions as well as entities' use and oversight of foundations or other nonprofit organizations.

## Findings for Enhanced Uniformity

### Most river authority board member terms do not align with state constitutional requirements.

By statute or session law, 12 of the 18 Texas river authorities placed under Sunset review have board member terms of six years, as shown in the table on the following page. Six-year terms are in conflict with state constitutional requirements that limit board member terms to four years or less.<sup>5</sup> In 1982 — after the Legislature originally established board member terms in most river authorities' governing laws — Texas voters amended the state constitution to set terms for members of the governing boards of constitutionally created conservation districts, such as river authorities, to not exceed four years.<sup>6</sup> The discrepancy between river authority board terms and constitutional requirements risks creating an opportunity for a constitutional challenge to

### River Authority Board Terms

River Authority	Board Member Terms
Angelina and Neches River Authority	6
Bandera County River Authority*	4
Brazos River Authority	6
Central Colorado River Authority**	6
Guadalupe-Blanco River Authority	4****
Lower Colorado River Authority	6
Lavaca-Navidad River Authority	6
Lower Neches Vally Authority	6
Nueces River Authority	6
Palo Duro River Authority of Texas***	2
Red River Authority of Texas	6
Sabine River Authority	6
San Antonio River Authority	4****
San Jacinto River Authority	4****
Sulphur River Basin Authority	6
Trinity River Authority of Texas	6
Upper Colorado River Authority	6
Upper Guadalupe River Authority	4****

\* The Legislature removed Bandera County River Authority from Sunset Review in 2023.<sup>7</sup>

\*\* The Legislature abolished Central Colorado River Authority in 2017.<sup>8</sup>

\*\*\* The Legislature removed Palo Duro River Authority from Sunset Review in 2017.<sup>9</sup>

\*\*\*\* The Legislature changed board terms from six years to four during the authority's Sunset review.

their authority and decisions, including those concerning the creation and management of critical water infrastructure.

During its reviews, Sunset found no substantive difference in the efficiency, effectiveness, transparency, or accountability of river authorities whose boards had four-year terms compared to those whose boards had six-year terms. Some river authorities have expressed a desire to keep six-year terms to help with continuity over the course of long-term capital projects such as reservoirs, dams, and power generation. However, other river authorities indicated shorter terms could be more appealing to candidates for board membership and would therefore help attract more applicants. Any adjustments to the constitutionally established term lengths would require an act of the Legislature with approval from Texas voters.

### Applying the Texas Internal Auditing Act to larger river authorities would improve their risk management and governance processes.

River authorities can be large, complex entities and often manage critical infrastructure where process failures could significantly harm the public. Internal auditing helps organizations identify and manage these kinds of risks; however, the statute establishing standards for state agency internal auditing does not currently apply to river authorities. As a result, river authorities lack guidance and are inconsistent in their approach to internal auditing, which potentially diminishes the quality of information available to the authorities' key decision makers as they work to address organizational risks.

- Texas Internal Auditing Act (TIAA) requirements.** TIAA sets requirements for state agencies related to their internal audit functions. Internal auditing brings organizations a “systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”<sup>10</sup> TIAA provides guidelines for internal auditing so that agency boards and administrators receive accurate and consistent information to evaluate program operations and identify potential risks before they result in more serious problems.<sup>11</sup> TIAA's main features are described on the following page.

Minimum audits required. Agency internal auditing must include an annual audit plan based on a risk assessment and periodic audits of an agency's major systems and controls, which are actions for managing risk and achieving established objectives.<sup>12</sup> These major systems and controls include accounting, administrative, and electronic data processing systems and controls.<sup>13</sup> Agencies must also "consider methods for ensuring compliance with contract processes and controls and for monitoring agency contracts."<sup>14</sup>

Internal auditor appointment and resourcing. Agency governing boards must appoint a credentialed internal auditor and employ whatever additional staff is necessary to support the internal auditor in implementing an effective program.<sup>15</sup> The board must periodically review the resources dedicated to the internal audit function to determine if the auditor can cover the risk areas highlighted in the annual risk assessment in a timely manner.<sup>16</sup> This helps ensure auditor independence from staff — a key internal auditing best practice — by having the board rather than staff hire the auditor.<sup>17</sup>

Internal audit duties. An agency's internal auditor reports directly to the board, develops the annual audit plan, conducts audits, prepares reports, and conducts quality assurance reviews of their own work in addition to undergoing external peer reviews.<sup>18</sup> The internal auditor must have access to the agency's administrator and "be free of all operational and management responsibilities that would impair the auditor's ability to review independently all aspects of the state agency's operation."<sup>19</sup> This separation increases the auditor's independence from staff and accountability to the governing body of the entity. Requiring internal audit quality assurance checks, both internally and from a third party, help auditors improve their work and foster confidence in internal audit work product.

Requiring quality assurance checks helps auditors improve their work and foster confidence in internal auditing.

Board approval. An agency's board must approve the annual audit plan, and the board and administrator must review audit reports.<sup>20</sup> This oversight allows decision makers to make adjustments where they deem necessary, and decision makers' review of audit reports helps make those reports meaningful by making board and staff-level decision makers aware of findings and recommendations.

Internal audit standards. Agency internal audit programs must conform to professional and ethics standards promulgated by the Institute of Internal Auditors and "generally accepted government auditing standards."<sup>21</sup> The Institute of Internal Auditors is a professional organization that provides "standards, certification, education, research, and technical guidance," giving auditors up-to-date guidance on best practices and ensuring consistency across different entities' internal audit functions.<sup>22</sup>

Reporting requirements. Agency internal auditors must prepare an annual report and submit it to the governor, Legislative Budget Board (LBB), State Auditor's Office (SAO), and the agency's own governing board and administrator.<sup>23</sup> Agencies must also file copies of each report and any board or administrator responses to each report with the governor's office, LBB, and

### River Authority Employee Counts

River Authority	Employee Count	Review Year
Angelina and Neches River Authority	21	2023-24
Bandera County River Authority and Groundwater District	12	2022-23
Brazos River Authority*	246	2020-21
Central Colorado River Authority	1	2016-17
Guadalupe-Blanco River Authority*	172	2018-19
Lower Colorado River Authority*	1,856	2018-19
Lavaca-Navidad River Authority	85	2022-23
Lower Neches Valley Authority*	125	2023-24
Nueces River Authority	9	2018-19
Palo Duro River Authority of Texas	4	2016-17
Red River Authority of Texas	28	2018-19
Sabine River Authority of Texas*	122	2024-25
San Antonio River Authority*	300	2022-23
San Jacinto River Authority*	159	2022-23
Sulphur River Basin Authority	1	2016-17
Trinity River Authority of Texas*	487	2024-25
Upper Colorado River Authority	3	2016-17
Upper Guadalupe River Authority	7	2022-23

\* River Authorities that would be subject to applicable TIAA requirements based on employee count.

SAO.<sup>24</sup> These reporting requirements increase agencies' accountability to the legislature and governor, giving elected officials and key support staff better information on the risks agencies face and how they plan to address them.

Because some state agencies are small and lack the resources to justify significant investments in internal auditing, TIAA's full requirements only apply to agencies with annual operating budgets exceeding \$10 million, more than 100 employees, or that receive and process more than \$10 million in a fiscal year.<sup>25</sup> Agencies that do not fulfill these criteria but still receive an appropriation perform an annual risk assessment instead.<sup>26</sup> River authorities vary in the specifics of how they handle their finances and determine their operating budgets. As such, the number of employees is the simplest and fairest threshold to apply to these entities that fall outside the typical appropriations process. Based on employee count, eight of the river authorities Sunset reviewed were of a size the Legislature considers large enough at the time they last underwent Sunset review to justify significant internal auditing programs.

- **Existing internal auditing at river authorities.** Currently, the only internal audit requirement river authorities must follow is a TCEQ rule that requires river authority administrative policies provide either an independent management audit every five years or establish an internal audit office.<sup>27</sup> Statute also requires river authorities to have certified public accountants conduct annual financial audits, but these audits are separate from the audits TCEQ's internal auditing rule and TIAA contemplate.<sup>28</sup>

Without TIAA's more specific guidance on what internal auditing ought to entail, river authorities sometimes deviate from best practice in ways that diminish the capabilities of their audit functions. For instance, in the Trinity River Authority of Texas Sunset report, Sunset staff highlights a reporting structure that does not sufficiently protect auditor independence from other staff and a need for greater board involvement in addressing internal audit resourcing challenges. Compliance with TIAA would solve both of these issues. Additionally, some river authorities raised concerns

that a lack of clear standards for internal auditing hurts river authorities on the whole, particularly when compared to the guidance available to state agencies.

- **Benefits of applying TIAA to river authorities.** Like state agency decision makers, river authority boards would benefit from TIAA's use of internal auditing to provide better information for evaluating and managing their organizations' risk. Mid-to-large-sized river authorities need a robust internal auditing practice to manage the risks involved in the successful delivery of crucial services to communities across Texas, including operating water plants, wastewater plants, hydropower plants, and dams. For instance, managing water and wastewater facilities can be process heavy and require significant expertise. In addition, some larger authorities rely on high-dollar contracts to fulfill core objectives, and foreign adversaries see water and wastewater critical infrastructure sites as key targets for cyberattacks. Internal auditors acting in line with TIAA requirements are well suited to identify the threats inherent in river authorities' work and help decision makers mitigate them.

A strong internal audit function can identify potential risks to critical infrastructure.

Applying TIAA to river authorities would give them consistent guidance on how to set up a successful internal audit function and would not significantly impact river authorities with internal audit functions already in line with best practice. In fact, one midsized river authority reported in its Self-Evaluation Report that it already complies with TIAA, signaling the statute's requirements are realistic for river authorities to implement.<sup>29</sup>

### **River authorities would benefit from having policies governing reserve funds.**

A reserve fund is an account maintained outside an entity's budget for use if the resources allocated within the budget are insufficient to cover expenses. Reserve funds typically can only be used for specific purposes. Like other governmental entities that generate their own revenue, such as municipalities and counties, several river authorities transfer unspent annual revenue into reserve funds. The authorities allocate reserve funds for purposes such as cash flow for operating expenses, large capital projects, or future unplanned or emergency expenses. Additionally, the bond covenants and loan agreements that many river authorities use to finance large capital projects may specify reserve fund requirements for servicing debt.<sup>30</sup>

A reserve fund policy can help ensure an authority charges appropriate fees or rates to customers.

Establishing a policy that governs a reserve fund is a nationally recognized best practice for local governments.<sup>31</sup> Without a policy in place, a self-funding governmental entity risks having reserve funds grow unchecked or fall below a level adequate to address any emergencies or unexpected costs, either of which could indicate a structural trend of excessive or inadequate revenue generation. With most of their revenue generated from rates or fees charged to customers, authorities that continually grow or shrink reserve funds may also have an inappropriate rate or fee structure. Throughout its reviews, Sunset has found this risk is heightened in the absence of additional oversight such as



the Legislature’s appropriations process that is applied to Texas state agencies and entails open discussions about publicly requested funding levels on which members of the public can provide input and elected officials make decisions.

Sunset found that among the river authorities who maintained reserve funds, some have reserve policies but that these policies were often incomplete. In general, a reserve fund policy includes a clear purpose for developing the fund and sets target minimum and maximum thresholds of reserves sufficient to accomplish the fund’s purpose. These target amounts are typically equal to a certain percentage of monthly or annual revenue or expenses. Additionally, the policy either establishes automatic triggers or directs staff to take actions when reserves dip below the minimum allowable amount or rise above the maximum allowable amount.<sup>32</sup> A reserve fund policy could also help a river authority create separate reserve funds for different needs and establish funding targets for each fund.

### **River authorities would benefit from using the Vendor Performance Tracking System for certain contracts.**

Before awarding major contracts, governmental entities should conduct research on potential contractors to identify vendors with good track records and protect against unethical or incompetent vendors. Third-party resources can enhance the evaluation of potential vendors. Texas has already invested into such a mechanism for state agencies — the Texas Comptroller of Public Accounts’ Vendor Performance Tracking System (VPTS), a statewide database containing performance information on vendors with which state agencies have previously contracted. The purpose of the VPTS is to provide detailed vendor performance information, help contracting agencies make an award decision based on past vendor performance, reduce risk in contract awarding, and provide measurable categories for rating performance.<sup>33</sup> Statute requires state agencies to use the VPTS to determine whether to award a contract to a vendor reviewed in the tracking system and follow the comptroller’s rules affecting a vendor’s eligibility for state contracts based on an evaluation of the vendor in the VPTS.<sup>34</sup> If a vendor is not in the VPTS, the comptroller directs the agency to provide the comptroller’s office the vendor’s information, but the vendor is not precluded from being awarded a state contract.<sup>35</sup>

VPTS provides  
an additional  
resource to  
support an  
effective vendor  
selection  
process.

River authorities typically have large contracting needs for various goods and services like construction, engineering, and legal counsel. In addition, procurement and contracting expenses often comprise a significant percentage of river authorities’ overall annual expenditures. During reviews of river authorities since 2015, Sunset often found the authorities relying on their staff’s firsthand knowledge of or previous experience with a potential vendor, rather than a third-party resource, to award contracts. Use of the VPTS for each contract a river authority executes could be unduly burdensome. However, referencing the VPTS when evaluating potential vendors for contracts above \$150,000, an established statutory dollar threshold for river authorities’ advertising of accepting sealed contract bids, is an opportunity for river authorities to enhance their contracting process and better mitigate risk.<sup>36</sup>

## Sunset Staff Proposed Options

The role of the Sunset Commission is to make recommendations to the full Legislature for consideration, and this uniformity study provides an opportunity to look holistically for ways to create uniformity across all river authorities. Aligning river authority board terms with the board term requirements established in the state constitution would help avoid any potential challenges to the legitimacy of river authority board decisions. However, because the appropriate manner for achieving this alignment is a policy decision, this study does not include a definitive recommendation and instead provides the following two options for the Sunset Commission's consideration.

### ***Change in Statute***

#### **OPTION 1: Establish four years as the term length for members of all river authority governing boards.**

This option would change all river authority governing laws that provide for six-year board terms to provide for four-year terms. Such a change would make river authority governing laws conform with constitutional restrictions and provide the quickest path to bringing all river authorities into alignment with current constitutional requirements.

### ***Constitutional Amendment***

#### **OPTION 2: Establish six years as the maximum term length for members of river authority governing boards.**

This option would amend the state constitution to change the maximum term length for river authority board members to six years. This change would require both Legislative action and voter approval, but like Option 1, would bring all river authorities into alignment with current constitutional requirements.

## Sunset Staff Recommendations

### ***Change in Statute***

#### **1.1 Apply most Texas Internal Auditing Act provisions to river authorities with 100 or more staff.**

This recommendation would require river authorities with more than 100 full-time employees to comply with certain TIAA standards. Authorities that do not meet this threshold would only need to comply with TCEQ rule regarding internal auditing. Since river authorities do not receive legislative appropriations and are self-funded, this recommendation would exempt river authorities from TIAA's reporting requirements, thereby helping mitigate additional costs and administrative burdens to the river authorities as they implement best practices for internal auditing. The Legislature and governor would retain oversight of river authorities through State Auditor audits and Sunset Commission reviews.

Applying most TIAA provisions to mid-to-large-sized river authorities would bolster the ability of decision makers at these authorities to use internal auditing to manage risks and enhance internal processes. This recommendation would also bring risk management practices at river authorities into better parity with state agencies of comparable size.

## 1.2 Require river authorities to adopt a policy for reserve funds.

This recommendation would require a river authority to adopt a policy for any reserve fund the authority maintains. The policy would be required to clearly establish the appropriate uses of a reserve fund and the minimum funding level a reserve fund would need to support current operations and address potential future expenses. In addition, the policy would be required to include the basis for adjusting the growth or reducing the amount of reserves to account for changes in revenue and expenditures and specify the actions the authority would take to increase revenue if fund levels were to drop below the minimum funding level. This recommendation would also clearly authorize a river authority to establish in its reserve fund policy an upper limit to the amount of funding the reserve fund can maintain and specify the actions the authority would take when the amount exceeds this upper limit.

This recommendation would not apply to a reserve fund a river authority maintains as part of a bond covenant or loan agreement as these documents often specify their own requirements for reserve funds. A reserve fund policy would help river authorities maintain sufficient reserves for emergencies and other needs while keeping reserve funds at levels the authorities determine are fiscally responsible.

## 1.3 Require river authorities to utilize the state comptroller's Vendor Performance Tracking System before awarding a vendor a contract worth over \$150,000.

This recommendation would require river authorities to use the VPTS to determine whether to award a contract with a value greater than \$150,000 to a vendor reviewed in the tracking system. Under this recommendation, a river authority would check the VPTS prior to vendor selection to evaluate the past performance of potential vendors. Additionally, this recommendation would require river authorities to comply with the comptroller's rules that establish the manner in which information in the VPTS affects a vendor's eligibility for state contracts. Using the VPTS would help ensure river authorities avoid awarding public dollars to poorly performing vendors and receive the best possible service from contracted work.

## Fiscal Implication

Some of these options and recommendations may have a fiscal impact to the state and river authorities. Option 2 to establish six-year board terms for river authorities would require the Secretary of State to issue notice and translations to place a constitutional amendment on the ballot, which would have a one-time cost of \$194,369.<sup>37</sup> Recommendation 1.1 to apply most TIAA provisions to mid-to-large-sized river authorities may require additional resources from these authorities depending on the level of development of their current internal auditing functions. Recommendation 1.2 could eventually result in a change to a river authority's level of reserves, but such a change cannot be determined at this time.

<sup>1</sup> Chapter 1148 (SB 523), Acts of the 84th Texas Legislature, Regular Session, 2015.

<sup>2</sup> Ibid.

<sup>3</sup> Texas Sunset Advisory Commission, *Lavaca-Navidad River Authority, Upper Guadalupe River Authority, San Jacinto River Authority, and Bandera Count River Authority and Groundwater District, Staff Report with Final Results, 2022-2023*, p. A4, accessed online October 11, 2024, [https://www.sunset.texas.gov/public/uploads/2023-06/Bandera\\_Lavaca-Navidad\\_San%20Jacinto\\_Upper%20Guadalupe%20River%20Authorities%20Staff%20Report%20with%20Final%20Results\\_6-26-23.pdf](https://www.sunset.texas.gov/public/uploads/2023-06/Bandera_Lavaca-Navidad_San%20Jacinto_Upper%20Guadalupe%20River%20Authorities%20Staff%20Report%20with%20Final%20Results_6-26-23.pdf).

<sup>4</sup> Ibid.

<sup>5</sup> Section 30(c), Article XVI, Texas Constitution (amended 2009).

<sup>6</sup> HJR 77, Acts of the 67th Legislature, Regular Session (1981). Voted on and approved November 2, 1982.



- 7 Chapter 240 (HB 3731), 88th Legislature, Regular Session (2023).
- 8 Chapter 975 (SB 2262), 85th Legislature, Regular Session (2017).
- 9 Chapter 1046 (HB 1920), 85th Legislature, Regular Session (2017).
- 10 All citations to Texas statutes are as they appear on <http://www.statutes.legis.texas.gov/>. Section 2102.002, Texas Government Code.
- 11 Ibid.
- 12 Section 2102.005(a), Texas Government Code.
- 13 Section 2102.005(a)(2), Texas Government Code.
- 14 Section 2102.005(b), Texas Government Code.
- 15 Section 2102.006(a)-(c), Texas Government Code.
- 16 Section 2102.006(d), Texas Government Code.
- 17 Institute of Internal Auditors, *Global Internal Audit Standards*, pp. 45-49, accessed online September 2, 2024, [https://www.theiia.org/globalassets/site/standards/editable-versions/globalinternalauditstandards\\_2024january9\\_editable.pdf](https://www.theiia.org/globalassets/site/standards/editable-versions/globalinternalauditstandards_2024january9_editable.pdf).
- 18 Section 2102.007(a), Texas Government Code.
- 19 Section 2102.007(b), Texas Government Code.
- 20 Section 2102.008, Texas Government Code.
- 21 Section 2102.011, Texas Government Code.
- 22 Institute of Internal Auditors, "About Us," accessed online October 20, 2024, <https://www.theiia.org/en/about-us/>.
- 23 Section 2102.009, Texas Government Code.
- 24 Section 2102.0091(a) and (c), Texas Government Code.
- 25 Section 2102.004(a), Texas Government Code.
- 26 Sections 2102.004(b); 2102.013; and 2102.014, Texas Government Code.
- 27 30 Texas Administrative Code, Part 1, Chapter 292, Subchapter B, Section 292.13(5)(A) (2023) (Texas Commission on Environmental Quality, *Special Requirements for Certain Districts and Authorities*).
- 28 Section 49.191, Texas Water Code.
- 29 Sabine River Authority, *Self-Evaluation Report*, p. 91, accessed online October 20, 2024, <https://www.sunset.texas.gov/public/uploads/2023-09/SRA%20SER.pdf>.
- 30 See Texas Water Development Board, "Reserve Fund – What Is It And Why Is It Important?" January 4, 2021, p. 1, accessed online October 10, 2024, [https://www.twdb.texas.gov/financial/compliance/doc/B-3\\_Reserve\\_Fund-What\\_and\\_Why\\_Important.pdf](https://www.twdb.texas.gov/financial/compliance/doc/B-3_Reserve_Fund-What_and_Why_Important.pdf).
- 31 See Government Finance Officers Association, *Should We Rethink Reserves? A Multimillion Dollar Question*, May, 19, 2023, p. 2, accessed online October 10, 2024, [https://gfoaorg.cdn.prismic.io/gfoaorg/cd9544c4-8db9-49e6-beb1-3c39815fc464\\_Rethinking+ReservesR2.pdf](https://gfoaorg.cdn.prismic.io/gfoaorg/cd9544c4-8db9-49e6-beb1-3c39815fc464_Rethinking+ReservesR2.pdf).
- 32 Government Finance Officers Association, "GFOA Reserve Policy Template," September 2020, accessed online October 10, 2024, <https://www.gfoa.org/materials/reserve-policy-template>.
- 33 Texas Comptroller of Public Accounts (CPA), "Vendor Performance Tracking System (VPTS)," accessed online October 9, 2024, <https://comptroller.texas.gov/purchasing/programs/vendor-performance-tracking/>.
- 34 Section 2262.055(d), Texas Government Code.
- 35 CPA, "Vendor Performance Tracking System (VPTS)," accessed online October 10, 2024, <https://comptroller.texas.gov/purchasing/programs/vendor-performance-tracking/agencies.php#agencies-faq>.
- 36 Section 49.273(d), Texas Water Code.
- 37 Office of the Secretary of State, *Operating Budget for Fiscal Year 2024*, 2024, p. 3A 7.



# APPENDIX A

## Sunset Review Standards Applied to River Authorities

The table below summarizes the nearly 150 standards-based actions the Sunset Commission and Legislature applied to the 14 river authorities reviewed from 2015 through 2023.<sup>1</sup>

	Management Directive	Statutory Change
<b>Complaint Functions</b>		
Develop and maintain a system for receiving and acting on complaints. (Brazos River Authority, Guadalupe-Blanco River Authority, Lavaca-Navidad River Authority, Lower Colorado River Authority, Nueces River Authority, Palo Duro River Authority of Texas, Red River Authority of Texas, San Antonio River Authority, San Jacinto River Authority, Sulphur River Basin Authority, Upper Colorado River Authority, Upper Guadalupe River Authority)		✓
<b>Contracting Functions</b>		
Adopt objective criteria for awarding professional services contracts and document the basis for award decisions. (Brazos River Authority)	✓	
Develop a policy to ensure all professional services contracts are reviewed every five years and compile vendor lists and best value practices for cost savings to use when re-evaluating contracts. (Guadalupe-Blanco River Authority, Nueces River Authority, Red River Authority of Texas)	✓	
Document and evaluate vendor performance. (Brazos River Authority and San Jacinto River Authority)	✓	
Ensure key procurement and contract management staff receive formal training. (Guadalupe-Blanco River Authority)	✓	
Establish additional guidance for contracting needs and procurement methods and use open solicitations except in documented exceptions. (San Jacinto River Authority)	✓	
Improve contracting processes to ensure sufficient consistency and transparency. (Brazos River Authority, Guadalupe-Blanco River Authority, San Antonio River Authority, San Jacinto River Authority, Upper Guadalupe River Authority)	✓	
Proactively plan and monitor historically underutilized business spending efforts. (Brazos River Authority, Lower Colorado River Authority, San Antonio River Authority, San Jacinto River Authority, Sulphur River Basin Authority, Upper Colorado River Authority)	✓	
Take additional steps to centralize the authority's approach to procurement and contracting functions. (Guadalupe-Blanco River Authority)	✓	
<b>Governance</b>		
Amend board member terms to four years to comply with constitutional requirements. (Lavaca-Navidad River Authority, San Antonio River Authority, San Jacinto River Authority, Upper Guadalupe River Authority)		✓
Apply the standard across-the-board requirement regarding board member training. (Brazos River Authority, Guadalupe-Blanco River Authority, Lavaca-Navidad River Authority, Lower Colorado River Authority, Nueces River Authority, Palo Duro River Authority of Texas, Red River Authority of Texas, San Antonio River Authority, San Jacinto River Authority, Sulphur River Basin Authority, Upper Colorado River Authority, Upper Guadalupe River Authority)		✓

## Appendix A

	Management Directive	Statutory Change
<b>Governance, continued</b>		
Apply the standard across-the-board requirement regarding the governor's appointment of the presiding officer. (Guadalupe-Blanco River Authority, Lavaca-Navidad River Authority, Nueces River Authority, Red River Authority of Texas, San Jacinto River Authority, Sulphur River Basin Authority, Upper Colorado River Authority, Upper Guadalupe River Authority)		✓
Apply the standard across-the-board requirement regarding grounds for removal of a board member. (Brazos River Authority, Lavaca-Navidad River Authority, Palo Duro River Authority of Texas, Red River Authority of Texas, San Jacinto River Authority, Upper Guadalupe River Authority)		✓
Apply the standard across-the-board requirement regarding the separation of duties of board members from those of staff. (Brazos River Authority, Guadalupe-Blanco River Authority, Lavaca-Navidad River Authority, Nueces River Authority, Palo Duro River Authority of Texas, Red River Authority of Texas, San Antonio River Authority, San Jacinto River Authority, Sulphur River Basin Authority, Upper Colorado River Authority, Upper Guadalupe River Authority)		✓
<b>Grantmaking Functions</b>		
Create and publish policies and procedures governing the authority's service grant and publicly post information about the grant. (Lavaca-Navidad River Authority)	✓	
Develop and adopt a conflict-of-interest policy specific to the authority's grant program including disclosure and recusal elements. (Lower Colorado River Authority)	✓	
Develop policies to consider the past performance of grantees before awarding future grants. (Lavaca-Navidad River Authority)	✓	
Establish and document in writing the goals, terms, and conditions for grants. (Lavaca-Navidad River Authority)	✓	
Establish policies and procedures for formally monitoring grant awardees. (Lavaca-Navidad River Authority)	✓	
Establish policies requiring conflicted members of the authority's grant review committee, staff, and the board to recuse themselves from the grant award process. (Lavaca-Navidad River Authority)	✓	
Update grant application materials to more clearly disclose scoring criteria to applicants. (Lower Colorado River Authority)	✓	
Update the overall goals for the authority's grant program to include more specific program priorities and outcome measures to inform future investments. (Lower Colorado River Authority)	✓	
Use available technology to improve grant tracking and communication to applicants and grantees. (Lower Colorado River Authority)	✓	
<b>Openness and Transparency</b>		
Adopt a formal, written five-year strategic plan and engage in a regular strategic planning process. (Guadalupe-Blanco River Authority, Nueces River Authority, Red River Authority of Texas)	✓	✓
Adopt a policy to ensure meaningful public input on significant rate changes. (Red River Authority of Texas)		✓
Conduct more comprehensive, inclusive strategic planning. (San Antonio River Authority)	✓	
Develop and adopt an objective process and evaluation criteria for prioritizing its projects. (Brazos River Authority)	✓	

## Appendix A

	Management Directive	Statutory Change
<b>Openness and Transparency, continued</b>		
Develop and maintain a comprehensive asset management plan. (Guadalupe-Blanco River Authority and Red River Authority of Texas)		✓
Develop plans to improve public communications and outreach. (Brazos River Authority, Lower Colorado River Authority, San Jacinto River Authority)	✓	✓
Direct the Texas Legislative Council to update and codify the river authority's governing laws. (Guadalupe-Blanco River Authority, Lavaca-Navidad River Authority, Nueces River Authority, Palo Duro River Authority of Texas, Red River Authority of Texas, San Antonio River Authority, San Jacinto River Authority, Sulphur River Basin Authority, Upper Guadalupe River Authority)	✓	
Enhance the financial and project information provided on the authority's website. (Brazos River Authority, Guadalupe-Blanco River Authority, Lower Colorado River Authority, Nueces River Authority, Palo Duro River Authority of Texas, Red River Authority of Texas, San Antonio River Authority, San Jacinto River Authority)	✓	
Ensure the asset management process is linked to the authority's public messaging and communications. (Guadalupe-Blanco River Authority)	✓	
Follow best practices for developing a reserve fund policy. (Lavaca-Navidad River Authority, San Antonio River Authority, Upper Guadalupe River Authority)	✓	
Implement best practices to improve transparency and openness in the authority's operations. (Sulphur River Basin)	✓	
Involve the board of directors more directly in strategic planning. (Brazos River Authority)	✓	
Provide more transparent, consistent, and accurate agenda meeting notices to the public. (Lower Colorado River Authority)	✓	
Require river authorities to provide an official opportunity for public testimony at board meetings. (Brazos River Authority, Guadalupe-Blanco River Authority, Lavaca-Navidad River Authority, Lower Colorado River Authority, Nueces River Authority, Palo Duro River Authority of Texas, Red River Authority of Texas, San Antonio River Authority, San Jacinto River Authority, Upper Colorado River Authority, Upper Guadalupe River Authority)		✓
<b>Nonprofit Oversight</b>		
Clarify the separation of governance, management, and reporting structures between the authority's staff and associated nonprofits. (Guadalupe-Blanco River Authority, Lower Colorado River Authority, San Antonio River Authority)	✓	
Clearly authorize the authority to work with nonprofits. (San Antonio River Authority)		✓
Develop a policy governing affiliated nonprofit fundraising and criteria for corporate sponsorships. (San Antonio River Authority)		✓
Evaluate the continuing need for relationships with any nonprofits every five years. (Guadalupe-Blanco River Authority and San Antonio River Authority)	✓	
Evaluate whether the nonprofit's narrow mission justifies the authority's support or whether its activities could be performed internally. (Guadalupe-Blanco River Authority)	✓	
Prohibit the authority's staff and limit the authority's board members from serving on an affiliated nonprofit's board. (San Antonio River Authority)		✓
Update the authority's service agreement with the land trust to include performance goals and a timeline of expectations for the land trust to move towards greater financial independence from the authority. (Lower Colorado River Authority)	✓	

## ***Appendix A***

	Management Directive	Statutory Change
<b>Other Good Government Standards</b>		
Comply with the Texas Commission on Environmental Quality rules by adopting required administrative policies. (Lower Colorado River Authority, Red River Authority of Texas, Sulphur River Basin Authority, Upper Colorado River Authority)	✓	
Document and regularly update the authority's key duties and procedures. (Red River Authority of Texas)	✓	
Plan and monitor efforts to increase workforce diversity. (Brazos River Authority, Lower Colorado River Authority, San Jacinto River Authority)	✓	
Take action to prepare for future retirements and workforce changes. (Nueces River Authority and Red River Authority of Texas)	✓	

---

<sup>1</sup> At the time of publication, the Sunset Commission had not made decisions on the staff recommendations for three of the four river authorities under review during the 2024-25 biennium, including the Angelina and Neches River Authority, Lower Neches Valley Authority, and Trinity River Authority of Texas. In addition, the Commission had not yet confirmed and finalized decisions on the Sabine River Authority of Texas.

# Sunset Staff Review of the *River Authority Uniformity Study*

---

REPORT PREPARED BY

---

Chris Keslar, *Project Manager*

Anthony Ellis

Sarah Gruen

Elizabeth Saenz

Erick Fajardo, *Project Supervisor*

---

Eric Beverly  
*Executive Director*

## *Sunset Advisory Commission*

### **Location**

Robert E. Johnson Bldg., 6th Floor  
1501 North Congress Avenue  
Austin, TX 78701

### **Mail**

PO Box 13066  
Austin, TX 78711

### **Website**

[www.sunset.texas.gov](http://www.sunset.texas.gov)

### **Email**

[sunset@sunset.texas.gov](mailto:sunset@sunset.texas.gov)

### **Phone**

(512) 463-1300