

EXECUTIVE SUMMARY

Guadalupe-Blanco River Authority

Red River Authority of Texas

Nueces River Authority

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Sunset finds these three river authorities at consecutive stages of significant organizational transition. The Nueces River Authority (NRA) has realized successful stewardship of the Nueces River basin and established a positive reputation in and outside its boundaries under the steady leadership of its general manager over the last several decades. However, with a general manager eligible for retirement and approaching 40 years into his tenure, and with the authority's first foray into utility operations drawing closer, the inevitability of substantial change looms on the horizon. Meanwhile, the Red River Authority of Texas (RRA) is currently in the midst of a changing of the guard, with the recent retirement of its own longtime general manager. RRA's new manager, only a few months into the position, is finding his footing with guidance from the outgoing manager, who remains on as a contracted consultant of the authority. The Guadalupe-Blanco River Authority (GBRA) finds itself securely on the other side of a major leadership transition. A new management team took the helm of the authority in 2016 and is looking at GBRA with fresh eyes. Along with such substantial changes come opportunities for a closer, more discerning look at the past and future of an organization, and thus fortuitous timing for these three river authorities to undergo a Sunset review.

The Sunset reviews of these three river authorities come at a time of transition for each.

Guadalupe-Blanco River Authority. GBRA's new management team has hit the ground running, identifying a long list of basic management practices and internal issues for the authority to improve or fix. They also have begun repairing GBRA's strained reputation with customers, partners, and other water entities, with whom the authority has clashed in the past. However, addressing the past is not enough, especially as GBRA is working to quench the thirst of the basin's growing population along the I-35 corridor. Sunset's recommendations therefore focus on what GBRA will need to have in place into the future: a thorough asset management planning process to care for its aging infrastructure and prepare for new projects, and a robust contracting team that can ensure proper execution of those plans.

Red River Authority of Texas. RRA is steered by traditionalists; the authority likes to do things the way they have always been done. Even in the midst of its own leadership change, the authority continues to live in the past, signaling resistance to change and new perspectives. As a provider of rural utility services, RRA encounters many of the struggles that face these types of services: low revenues, high costs of running a spread out system, and persistent issues with compliance due to naturally occurring contaminants that plague several small water systems across the state. These obstacles, however, do not excuse the authority from meeting minimum safety and transparency standards. Rather they signal the need for more robust and proactive management that is willing to seek out solutions and address these problems head-on. As the authority's new general manager steps in, this is an opportunity for a fresh leadership perspective open to new ideas to ensure the best decisions are made for the authority's customers and the basin as a whole.

Nueces River Authority. NRA is a well-run, successful authority, but stands on the precipice of change with its first utility operation, a wastewater treatment plant and distribution system, starting up this year. NRA's seemingly limited functions, in comparison to the other authorities under review, are misleading at first blush. On the contrary, the authority has been exceptionally proactive in seeking out and spearheading important projects, like its successful Carrizo cane control campaign, which has become the model for other invasive plant control projects throughout the state. However, NRA's upcoming growth into utility operations and an inevitable future handover in leadership warrant strategic management and foresight to ensure the authority will continue to realize the same success going forward.

Issues and Recommendations

Issue 1

GBRA's Aging Infrastructure and Inadequate Asset Management Put Some Utility Operations at Risk.

GBRA is a sizeable utility provider, with hundreds of thousands of Texans relying on its services for their water and wastewater, and it sits positioned to serve many more in the upcoming decades. However, the authority has not implemented a comprehensive asset management process to ensure timely repair and replacement of its significant utility assets. Some of the authority's infrastructure is failing, either in critical condition or beyond repair, and GBRA faces potential service disruptions for its customers. GBRA will need to balance maintenance, repair, and replacement of its existing, aging infrastructure with the need for new development throughout the basin. Additionally, GBRA's communication strategies are not well-coordinated with asset management and operations, which may limit sensitive and timely messaging regarding asset needs to local communities.

Key Recommendations

- Require GBRA to develop and maintain a comprehensive asset management plan.
- Direct GBRA to ensure the asset management process is linked to the authority's public messaging and communications.

Issue 2

GBRA's Procurement and Contracting Efforts Lack Coordination and Best Practices Needed to Ensure Adequate Expertise and Best Value.

Given GBRA will likely see its contracting activity increase to help meet the river basin's growing water needs, the authority needs to ensure it has a sound, well-coordinated procurement and contracting system in place. GBRA does not have fully centralized oversight of procurement and contracting functions to ensure proper development, tracking, and monitoring of contracts. Also, some of GBRA's contracting activities do not conform to typical best practices, such as ensuring procurement and contract management staff receive formal and ongoing training. Addressing these issues would promote consistency and efficiency, ultimately improving the quality of GBRA's procurements and ensuring the authority gets best value for its contracts.

Key Recommendations

- GBRA should take additional steps to centralize its approach to procurement and contracting functions.
- GBRA should ensure key procurement and contract management staff receive formal training.
- GBRA should improve certain contracting activities to ensure consistency and enhance monitoring.

Issue 3

GBRA Should Clarify and Better Manage Its Relationships With Associated Nonprofits.

GBRA partners with three nonprofits it founded to assist in carrying out GBRA's educational and conservation activities. GBRA has provided significant funding to these organizations without defining a clear relationship with or expectations of the organizations in return for these contributions. Nonprofit staff members are also GBRA employees and report directly to GBRA's general manager as well as their respective boards. This creates a conflict of interest for nonprofit staff in balancing their obligations to both GBRA and the nonprofit boards. Although GBRA does appear to benefit from its relationship with these organizations, it has never fully evaluated the continued need for these partnerships.

Key Recommendations

- Direct GBRA to consolidate the funds it provides to the Guadalupe-Blanco River Trust and San Antonio Bay Foundation to one organization and clearly define expectations tied to this funding.
- Direct GBRA to create clear boundaries and reporting structures between its staff and associated nonprofits.
- Direct GBRA to evaluate whether the Gorge Preservation Society's narrow mission justifies GBRA support or whether its activities could be performed internally.
- Direct GBRA to evaluate the continuing need for relationships with any nonprofits every five years to ensure the nonprofits are achieving shared goals.

Issue 4

The Lack of Comprehensive Analysis Before Critical Decisions has Potentially Resulted in Missed Opportunities for RRA.

RRA is primarily a rural utility with operations stretching across 15 counties from the Panhandle to Lake Texoma. For decades, RRA failed to meet safe drinking water quality standards on some of its systems. When the U.S. Environmental Protection Agency fined RRA for violating the standards, the authority rushed to action without adequately evaluating all its options or fully considering the impact on customers. Had RRA had a more robust asset management approach, the authority would have identified and prioritized the needs of systems that were out of compliance with water quality standards, which could have resulted in RRA taking action sooner to alleviate the issues, perhaps avoiding the fine and minimizing its significant rate increase. The recommendations would implement best practices for operations and ensure RRA does not make major decisions based on limited information.

Key Recommendations

- Require RRA to develop and maintain a comprehensive asset management plan.
- Require the RRA board to adopt a policy to ensure meaningful public input on significant rate changes.
- Require RRA to inform customers of their right to appeal rate changes.

Issue 5

Additional Management Tools Could Help Guide Impending Change and Ensure Continued Success at NRA.

While NRA performs its duties thoughtfully and proactively, it lacks a formal strategic plan to guide it through the significant operational changes it faces ahead. The authority has seen success as a small organization with limited duties, but as it grows into its new role as a utility provider and faces the future, a formal strategic plan would help ensure its vision is clearly communicated to and executed by the board and staff. Future retirements create risk that NRA could lose valuable institutional knowledge held by its small, tenured staff. Documentation of functions and duties is critical for small organizations with multitasking staff who have specialized knowledge, and would help keep NRA running smoothly through any future staffing changes.

Key Recommendations

- Require NRA to adopt a formal, written five-year strategic plan and engage in a regular strategic planning process.
- NRA should take action to prepare for future retirements and workforce changes.

Issue 6

River Authorities Lack Certain Good Government Standards That Would Enhance Transparency, Accountability, and Compliance With State Law.

Over the past 40 years, Sunset has observed, documented, and applied good government standards that reflect best practices designed to ensure open, responsive, and effective government. These three river authorities have not applied certain best practices that would improve openness and transparency. In addition, the river authorities' governing laws do not reflect good government standards, such as requirements for board member training or regarding conflicts of interest, typically applied during Sunset reviews. TCEQ has a continuing right of supervision over all water districts, including river authorities. RRA also has not fully complied with applicable state laws and additional good government policies in TCEQ rules.

Key Recommendations

- Require opportunities for public testimony at board meetings and direct river authorities to implement additional best practices to improve openness and transparency.
- Direct river authorities to develop a policy to ensure all contracts are periodically reviewed.
- Apply good government standards to river authorities' governing laws to promote accountability, transparency, and best practices.
- Direct RRA to comply with TCEQ rules by adopting required administrative policies.

Fiscal Implication Summary

The recommendations in this report would not have a fiscal impact to the state. Impacts to each of the three river authorities are discussed below.

Guadalupe-Blanco River Authority — Recommendations in this report would not have a significant fiscal impact to GBRA. The authority will have some costs associated with implementing a comprehensive asset management process and procuring a contract management system, but has already budgeted for these costs. Other recommendations, such as implementing best practices for transparency, would not have a significant fiscal impact to GBRA and could be absorbed within existing resources.

Red River Authority of Texas — Recommendations in this report would have minimal or temporary fiscal impact on RRA. For example, RRA may need to contract for expertise when first developing an asset management plan. However, quality comprehensive asset management will better ensure RRA funds are well-spent and prevent excessive future costs or additional fines. Other changes reflecting improved management and open government practices could be absorbed within existing resources.

Nueces River Authority — Recommendations in this report would not have a significant fiscal impact to NRA. Preparing for future staff needs and ensuring a strategic vision for the agency are essential functions and should be absorbed using existing resources.

