

EXECUTIVE SUMMARY

Sulphur River Basin Authority *Central Colorado River Authority* *Upper Colorado River Authority* *Palo Duro River Authority of Texas*

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Limited resources create an uncertain future for the four river authorities currently under Sunset review. Their small size directly affects their capacity to carry out their missions and raises questions about their ability to solve local water needs or make a real impact on their watersheds. Except for the Sulphur River Basin Authority, the authorities' limited duties lead to little public interest or demand for openness and transparency. As a result, the authorities are not very transparent in their operations; do not always follow state legislative requirements; and good government practices appear to be hit or miss. The authorities' lack of a stable revenue source also creates problems in organizational sustainability and continuity, mostly because of the lack of — or threat of losing — staff. Even the Sunset review costs, which the Legislature required the authorities to pay, placed these authorities in incredibly difficult financial positions.

Small size affects the river authorities' ability to make a real impact on their watersheds.

The following material summarizes Sunset staff's recommendations on each of these four river authorities.

Sulphur River Basin Authority (SRBA). SRBA is at the center of one of the biggest water fights in the state. Controversy over potential water development projects, such as Marvin Nichols Reservoir that the Dallas-Fort Worth metroplex has proposed in northeast Texas, has thrown an organizationally immature SRBA into the big leagues of water development.

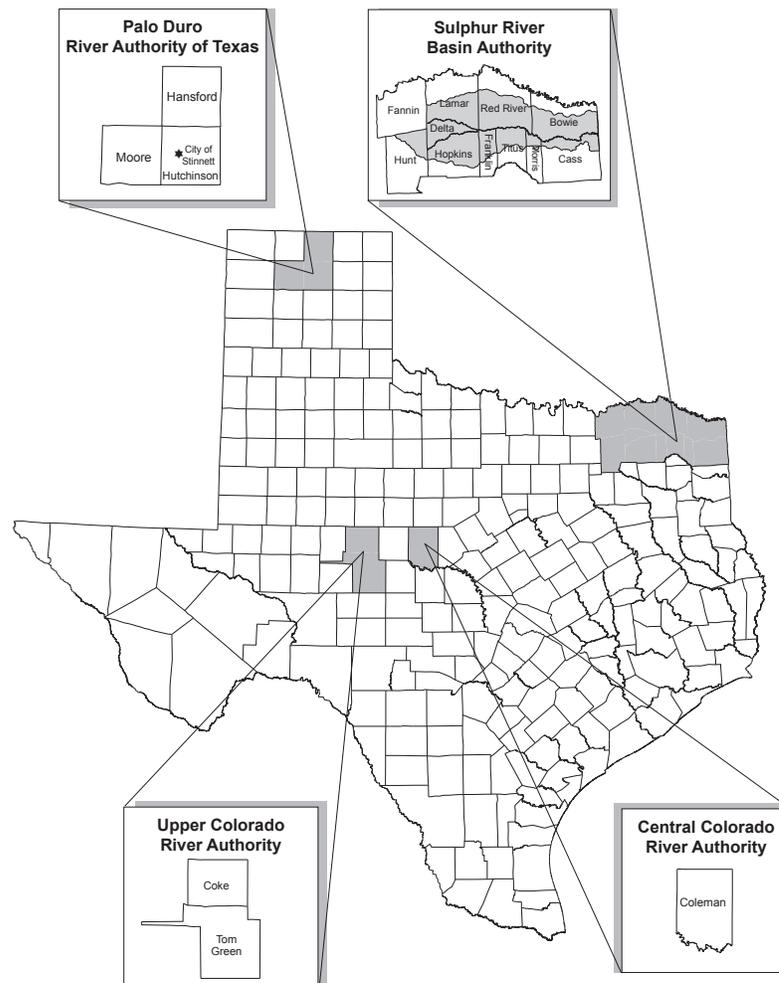
Recommendations in the report aim to hit the reset button on SRBA and its operations to allow SRBA and its stakeholders to reestablish the working relationships and trust needed to best meet the needs of the Sulphur River basin. The report provides a stark assessment of the SRBA board's failings, but SRBA alone is not to blame for the current atmosphere of distrust among the stakeholders in the basin. Some stakeholders can be divisive, antagonistic, and appear to be largely driven by their own financial motivations or wishes to control future water rights. However, the difficulties of operating in this controversial atmosphere only reinforce the importance of SRBA's mission and

warrant an overhaul of SRBA’s operations to better ensure its ability to successfully meet the watershed’s growing and controversial needs.

Central Colorado River Authority (CCRA). CCRA has outlived its relevance as a river authority. CCRA’s only function, providing bulldozing services to private landowners, is identical to land management services provided by the private sector and does not serve a direct public purpose. While the review found no ongoing need for CCRA’s duties, Sunset is prohibited from abolishing a river authority. As such, staff recommends transferring CCRA’s only ongoing responsibility, maintaining three small dams, to its neighboring river authority, the Upper Colorado River Authority.

Upper Colorado River Authority (UCRA). UCRA performs its functions in a well-run, successful fashion, but stakeholders are unsure where UCRA fits as part of future solutions to local watershed needs. UCRA’s funding model is inherently unstable and creates risks that UCRA could lose relevancy in its watershed and stray from its mission. Increasing the UCRA board’s role in identifying priorities and strengthening relationships with local partners could help UCRA add value to the region and avoid future risks of irrelevancy.

Palo Duro River Authority (PDRA). While generally well-managed, this river authority lacks a river and essentially runs a park. Lake Palo Duro is a meager 3 percent full, making it impractical to build a pipeline and fulfill PDRA’s mission to provide water to local cities. PDRA structurally resembles a local water district more than a river authority, and PDRA would benefit from flexibility to locally decide its future structure and role in the region.



Issues and Recommendations

Issue 1

The SRBA Board Has Not Built the Trust Needed to Effectively Carry Out Its Mission.

Within a contentious stakeholder environment, the lack of local trust in SRBA hinders its ability to successfully represent and protect the best interests of the basin. The SRBA board has not addressed critical gaps in its operational responsibilities and board members do not act as a whole to further the basin's interests. These actions of the SRBA board aggravate the atmosphere of distrust and ultimately threaten the board's ability to carry out its mission. The absence of local investment and perceived lack of independence in SRBA's funding structure creates further barriers to SRBA's success.

The state needs an effective basin-wide entity to help balance development and conservation efforts in the Sulphur River basin. However, because the distrust surrounding SRBA is deep and widespread, SRBA needs comprehensive change in its structure and operations to help restore public trust to serve as that basin-wide entity.

Key Recommendations

- Institute new leadership at SRBA by requiring the terms of all SRBA board members to expire on September 1, 2017.
- Direct the SRBA board to hire an executive director.
- Direct SRBA to seek local financial investment in its water development projects.
- Direct SRBA to implement best practices to improve transparency and openness in its operations.

Issue 2

CCRA No Longer Serves a Necessary Public Purpose.

CCRA's operations consist almost entirely of providing bulldozing services, such as building stock tanks, repairing small dams, and clearing brush, all for private landowners. These services are identical to those provided by local businesses and do not serve a direct public purpose. CCRA does not perform typical functions expected of a river authority or expressed in its mission. While CCRA maintains liability for the dams of several small lakes it built decades ago, it has all but abandoned its interest in these lakes, which are now only used by private landowners. CCRA lacks most governance documents and policies required by law, and has not positioned itself as an entity capable of meeting future watershed needs. UCRA, which operates adjacent to CCRA, is a well-functioning river authority and could absorb CCRA's minimal responsibilities for its dams.

Key Recommendation

- Transfer CCRA's functions and jurisdiction to UCRA.

Issue 3

UCRA Has Not Set Priorities to Ensure Its Operations Meet Changing Local Watershed Needs.

While UCRA's operations largely function in a well-run fashion, UCRA's board has not set priorities for the authority's operations. Without a clear process for identifying watershed priorities, UCRA's operations could fall out of line with the needs of local communities. In addition, UCRA's financial dependence on grants and contracts creates a risk that its operations will stray from UCRA's mission. Formal priorities developed in conjunction with local stakeholders would help UCRA establish a strategic direction for its programs, better guide the use of its resources, and ensure its ongoing relevance in addressing in future watershed needs.

Key Recommendation

- Direct UCRA to work with local partners to identify priorities and develop strategies to meet changing watershed needs.

Issue 4

PDRA Lacks Flexibility to Adapt to Changed Local Circumstances.

PDRA was created to supplement the ongoing water needs of its city and county members through construction of the taxpayer-funded dam that created Lake Palo Duro. However, because Lake Palo Duro has never remained full enough to provide water supplies to local cities, PDRA is unable to fulfil its original purpose. Since PDRA is unable to meet its local members' water needs, PDRA risks its members no longer wanting to participate in and fund PDRA. However, unlike other local water districts, PDRA's governing law does not provide for its dissolution or allow changes to its structure based on local circumstances. PDRA's board, funding structure, and limited geographic jurisdiction are also more like a water district than a river authority. PDRA would benefit from flexibility to adjust its structure to local circumstances.

Key Recommendations

- Reclassify PDRA as a local water district and remove it from Sunset review.
- Authorize one or more members to withdraw from or dissolve PDRA, but only if its members agree and ongoing obligations are met.

Issue 5

River Authorities Lack Basic 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. River authorities have not applied several 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. SRBA and UCRA also have 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.
- Apply good government standards to river authorities' governing laws to promote accountability, transparency, and best practices.
- Direct SRBA and UCRA 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 four river authorities are discussed below.

Sulphur River Basin Authority — Recommendations in this report would not have a significant fiscal impact to SRBA. Costs for SRBA to hire an executive director, about \$130,000 per year plus benefits, would be offset by savings from incorporating the duties of its consultant into the executive director position. Other recommendations, such as implementing best practices for transparency, would not have a significant fiscal impact to SRBA and could be absorbed within existing resources.

Central Colorado River Authority — The recommendation to transfer CCRA's functions and jurisdiction to UCRA would transfer approximately \$108,000 in cash and investments, \$150,000 in real property, and \$400,000 in equipment from CCRA to UCRA, based on estimates as of April 2016.

Upper Colorado River Authority — Recommendations in this report would not have a significant fiscal impact to UCRA, beyond the transfer of CCRA's assets discussed above.

Palo Duro River Authority — Recommendations in this report would not have a significant fiscal impact to PDRA. If a member of PDRA pursued withdrawal or dissolution, any resulting financial implications would have to be agreed to by the PDRA board and each of its member counties and city. Other recommendations, such as establishing a website, could result in a small cost that could be absorbed using existing resources.

