

EXECUTIVE SUMMARY OF SUNSET STAFF REPORT

Angelina and Neches
River Authority

Lower Neches Valley
Authority

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Full Report Here
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While sharing management of a river basin, the Angelina and Neches River Authority (ANRA) and the Lower Neches Valley Authority (LNVA) are very different organizations. ANRA is a small rural river authority that primarily provides water and wastewater services to rural communities. ANRA acquires, rehabilitates, and operates these systems at the wholesale and retail level. LNVA is a larger, more urban river authority that primarily provides bulk raw water supply to municipalities, industries, and agriculture through two canal systems spanning approximately 600 miles with a myriad of pumping stations, holding reservoirs, and control gates. Through its canal systems, LNVA meets needs as disparate as providing industrial water for major refineries to providing drinking water for the Bolivar Peninsula.

ANRA and LNVA are very different organizations meeting very different local needs.

As a small water authority with a limited budget, ANRA must make every penny count. ANRA's mission, while critical, is not lucrative. Rehabilitating water and wastewater systems requires a heavy upfront capital injection with a long recoupment period before producing revenue — revenue that is ultimately limited. Success in the long term requires careful planning, an area in which ANRA has struggled. The Sunset review found several areas relating to long-term planning in need of improvement. First, better strategic planning would allow the authority to more clearly plot its future and identify its capabilities, opportunities, and resource gaps. Next, improved budget planning would give ANRA a better understanding of its financial position and could identify potential risks and challenges. Finally, a clearly defined process for acquiring failing utilities would better facilitate planning and operations by clearly identifying factors for consideration when planning acquisitions, including hard costs measured in dollars and cents and soft costs such as increased workload on staff. Additionally, following procurement and contracting best practices could help ANRA avoid costly pitfalls and ensure the authority is making best use of its limited resources.

While LNVA has a different mission and operates in a different environment from that of ANRA, strategic planning is just as critical to LNVA's success. Moving substantial amounts of water requires large, expensive infrastructure. Designing and building this infrastructure takes a long time so LNVA currently analyzes the needs of its region as much as thirty years out, identifies changes

in future needs, and plans how best to meet those needs, which is no small task. The review found LNVA needs a more robust and documented strategic planning process that relies less on authority staff's institutional knowledge and instead establishes mission-aligned goals and action plans, considers potential impediments and staffing needs, and incorporates customer and stakeholder feedback. Similarly to ANRA, following contracting best practices could help LNVA avoid costly pitfalls and ensure the authority is making best use of its resources. Finally, this report includes several findings and recommendations relating to good government policies applied across the board during Sunset reviews and, in the case of LNVA, other best practices for areas of public administration such as grant making, compliance with the Texas Commission on Environmental Quality's (TCEQ) audit requirements, and records management.

The following material highlights Sunset staff's key recommendations for the Angelina and Neches River Authority and the Lower Neches Valley Authority.

Sunset Staff Issues and Recommendations

ISSUE 1

ANRA Must Improve and Expand Its Planning Efforts to Fully Support Its Organizational Goals.

ANRA sees its future as a regional utility provider and pursues this goal by acquiring failing rural water and wastewater systems and rehabilitating them — a significant, emerging need within ANRA's jurisdiction that will continue to grow as utility infrastructure ages. However, ANRA lacks a comprehensive strategic planning process, imperiling the authority's ability to achieve this goal. Additionally, the authority lacks a formal utility acquisition planning process and has experienced budgetary shortfalls due to ineffective budget planning. Though ANRA believes it is now on more stable financial footing, the authority must improve its strategic, acquisition, and budgetary planning processes to meet the basin's developing challenges.

Key Recommendations

- Direct ANRA to develop and institute a strategic planning process that supports achieving the authority's long-term objectives.
- Direct ANRA to develop and institute a formal, documented planning process for facility acquisitions.
- Direct ANRA to develop and institute a formal, documented budget planning process that ensures its annual budget is structurally balanced.

ISSUE 2

An Improved Procurement and Contracting Process Would Better Protect ANRA from Unnecessary Risks.

ANRA contracts for various goods and services, which totaled about \$1.4 million in fiscal year 2023. While ANRA generally performs well in procurement and contracting, the authority does not ensure it receives the lowest price when outsourcing certain services, document and evaluate vendor performance, or follow some other contracting best practices. Implementing these best practices would better position the authority to continue to succeed and avoid risks.

Key Recommendations

- Direct ANRA to periodically conduct formal solicitations for utility repairs to ensure the authority receives fair and competitive pricing.
- Direct ANRA to formally document and evaluate vendor performance.
- Direct ANRA to adopt contracting best practices to ensure consistency.

ISSUE 3

A More Robust and Comprehensive Strategic Planning Process Would Better Position LNVA for Continued Long-Term Success.

Since its founding in 1933, LNVA has played a critical role in the East Texas economy, monitoring water quality of the Neches River and supplying raw water to major refineries and petrochemical plants — the bedrock of the region’s economy. Fortunately, LNVA has successfully navigated challenges for nearly a century, providing water through hurricanes, flooding, and a changing regulatory landscape. However, LNVA could do more to plan for the future. Currently, LNVA’s planning efforts are focused on capital projects, and goal setting is siloed in different divisions. By creating a more unified vision and planning process, the authority could better anticipate threats, ensure employees work toward common goals, and continue its success into the future.

Key Recommendation

- Direct LNVA to develop an authority-wide strategic planning process that more thoroughly contemplates all aspects of its operations.

ISSUE 4

LNVA’s Procurement and Contracting Process Would Benefit from Additional Best Practices.

LNVA contracts for various goods and services, which totaled about \$11 million in fiscal year 2023. While LNVA generally performs well in procurement and contracting, the authority does not ensure key procurement and contract management staff receive training, document and evaluate vendor performance,

or follow some other contracting best practices. Implementing these best practices would better position the authority to continue to succeed and avoid risks.

Key Recommendations

- Direct LNVA to ensure key procurement and contract management staff receives appropriate training.
- Direct LNVA to adopt a formal escalation policy to prevent contract compliance issues.
- Direct LNVA to formally document and evaluate vendor performance.
- Direct LNVA to improve certain contracting activities to ensure consistency and enhance monitoring.

ISSUE 5

ANRA's and LNVA's Statutes and LNVA's Grant Process Do Not Reflect Some Standard Elements of Sunset Reviews.

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. The river authorities' governing laws do not reflect good government standards, such as those that address board member training or conflicts of interest, typically applied during Sunset reviews. Additionally, LNVA has not fully complied with statutory records management requirements or TCEQ rules requiring audits.

LNVA has established a grant program under its Economic Development Program (EDP) that lacks some of the best practices found in the Texas Comptroller of Public Accounts' *Texas Grant Management Standards*. As a river authority, LNVA is not required to follow these standards. However, the standards provide a solid foundation to ensure LNVA complies with all legal requirements. Additionally, as LNVA's EDP contemplates expanding into a loan program, the authority should develop policies and processes to support any financing activity, such as establishing requirements for creditworthiness and collateral, before embarking on a loan project.

Key Recommendations

- Apply to ANRA and LNVA 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 LNVA to conduct TCEQ-required management audits.
- Direct LNVA to review and, as necessary, adopt grant administration best practices and develop loan-making policies and processes before issuing loans.

Fiscal Implication Summary

Most of these recommendations would have no fiscal impact on the state or the river authorities. The recommendations in Issues 1, 2, 4, and 5 relate to basic administrative responsibilities and could be

implemented with existing resources. While the recommendations in Issue 3 are largely designed to enhance LNVA’s existing strategic planning process, any impact on the authority would depend on the implementation of the recommendation. For example, the authority could decide to hire a subject matter or industry expert to help facilitate the strategic planning process, resulting in a cost that cannot be estimated at this time.

