

EXECUTIVE SUMMARY OF SUNSET STAFF REPORT

Trinity River Authority of Texas

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Since its creation in 1955, the Trinity River Authority of Texas (TRA) has managed the Trinity River basin, which extends from Tarrant County to Chambers County and includes all or part of 17 counties in Texas. TRA treats more wastewater than any other river authority in the state, generating clean water for reuse within the basin and serving as a source of new water supply.¹ The authority owns and operates five wholesale regional wastewater systems, four wholesale regional drinking water treatment systems, and the dam that forms Lake Livingston. TRA also provides raw water to customers that are primarily municipalities, monitors water quality in the Trinity River basin, and participates in regional water and flood planning.

Overall, Sunset staff found TRA to be a generally well-run organization. However, the authority faces significant challenges due to population growth and development in the greater Dallas-Fort Worth Metroplex, aging infrastructure at its water and wastewater treatment systems, regulatory changes, and record-setting rainfall and flooding. As such, this review focused on improving TRA's management and operations to set up the authority for success and better position TRA to address challenges going forward.

TRA faces significant challenges due to population growth, aging infrastructure, and record-setting rainfall.

In response to population growth and aging infrastructure, TRA has expanded its capital improvement program, which relies on engineering and construction contractors to complete projects. The authority estimates rates will nearly double for some customers over the next five years, primarily to pay off bond debt used to fund these projects. Because capital improvement contracts are often high dollar and involve critical infrastructure, Sunset staff's recommendations focused on improving TRA's contracting processes by enhancing training and oversight, implementing formal policies for contract monitoring and enforcement, and aligning processes with best practices to mitigate risk to the authority and its customers.

In addition, the review found that TRA would benefit from greater auditor independence and increased board involvement for its internal auditing function to strengthen board oversight, identify potential risks, and help ensure internal audit recommendations are implemented timely. Furthermore, although TRA has a robust strategic planning process, the authority would benefit from developing more detailed action items for implementing its strategic plan,

proactively planning for stakeholder communication, and conducting formal analyses to assess risk and evaluate the costs and benefits of strategic decisions. Finally, this report includes several findings and recommendations relating to good government practices applied across the board during Sunset reviews.

The following material highlights Sunset staff's key recommendations for the Trinity River Authority of Texas.

Sunset Staff Issues and Recommendations

ISSUE 1

TRA's Procurement and Contracting Processes Would Benefit from Enhanced Oversight, Formal Policies, and Best Practices to Mitigate Potential Risk.

To respond to increasing capital needs due to aging water and wastewater infrastructure and population growth in the areas it serves, TRA has increased its contracting for professional engineering and construction services. While TRA has been improving its contracting function, the authority needs additional training and oversight to protect it from risks such as project delays and cost increases. Bolstering TRA's construction and engineering contracting processes through clear and consistent policies and remedies for vendor underperformance would help ensure costs increase only as necessary. Additionally, TRA would benefit from adopting certain best practices to better position the authority for success.

Key Recommendations

- Direct TRA to expand internal oversight of construction and engineering contracting and take additional steps to centralize procurement and contracting functions.
- Direct TRA to adopt formal policies for internal contract management and monitoring, the use of remedies for contractors with performance problems, and when to escalate problems to management and the board.
- Direct TRA to adopt intermediate remedies in standard contract language.
- Direct TRA to improve certain contracting activities to ensure consistency and enhance monitoring.

ISSUE 2

TRA Would Benefit from Restructuring and Prioritizing Its Internal Auditing Efforts to Improve Operational Efficiency and Reduce Risk.

Internal auditing is a key tool for decision makers to help identify and mitigate organizational risks before they result in more serious problems. TRA could improve its internal auditing function by adopting best practices to strengthen internal audit independence, which would allow the auditor to report directly to the board without staff-level influence. Increased board awareness of and involvement in the internal auditing process would give the board greater insight into risks facing the authority and ensure staff is accountable for implementing internal audit recommendations to improve TRA's operations.

Key Recommendations

- Direct TRA to have its internal audit function report directly to the board's Administration and Audit Committee.
- Direct TRA's full board of directors to receive regular internal audit status updates and vote on internal audit-related decisions prior to their enactment.
- Direct TRA's Administration and Audit Committee to exercise additional oversight of the internal audit function.

ISSUE 3

Additional Formalized Planning Would Better Position TRA for Continued Success.

While TRA has a robust strategic planning process, the authority would benefit from developing more detailed action items to ensure staff has clear direction on how to implement the plan and the board has sufficient information to evaluate success. Additionally, TRA would benefit from more formal and proactive planning for communication with stakeholders to promote trust in the authority during flooding events and as it undertakes more capital projects. Finally, as TRA's budget grows the authority would benefit from better documenting the costs and benefits of high-dollar decisions.

Key Recommendations

- Direct TRA to develop more specific work plans with action items and performance measures to evaluate progress and operationalize its current and future strategic plans.
- Direct TRA to further plan for future communications.
- Direct TRA to develop a formal, strategic decision-making process to identify and address potential risk and better inform its decisions.

ISSUE 4

TRA's Governing Law and Processes Do Not Reflect Some Standard Elements of Sunset Reviews.

Sunset's across-the-board recommendations are standard elements that reflect Sunset Act criteria designed to ensure open, responsive, and effective government. In addition, Sunset has worked with the Texas Legislative Council to ensure river authorities' governing laws are codified rather than divided between multiple session laws. TRA's governing law does not include some of these standard elements and is difficult for the public and the authority to find and fully understand. TRA's governing law is also outdated, failing to reflect the authority's actual board size. Finally, TRA does not publish all board and committee meeting minutes online, limiting the transparency of board decisions.

Key Recommendations

- Apply 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.

- Amend TRA's governing law to reflect a board size of 25 directors and direct the Texas Legislative Council to update TRA's governing law.
- Direct TRA to publish minutes for board and committee meetings to improve transparency.

Fiscal Implication Summary

These recommendations would have no fiscal impact to the state. TRA would be able to implement most of the recommendations with existing resources. However, the full impact on TRA will depend on how the authority chooses to implement certain recommendations, such as assessing internal audit resource levels, and cannot be estimated at this time.

¹ Trinity River Authority of Texas, *Self-Evaluation Report*, September 2023, accessed online October 25, 2024, <https://www.sunset.texas.gov/public/uploads/2023-09/Trinity%20River%20Authority%20of%20Texas%20SER.pdf>.