

Annual Report

SUMMER 2014

Governing Together to Compete Globally and Prosper Locally

Riverbend Water Resources District

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Since the summer of 2013 Riverbend Water Resources District (District) has changed from an organization searching for an identity to carrying out a well-defined mission and goals. This report provides an update on the District's progress since the summer of 2013 and a glimpse into the future.

Although the District was founded in 2009, it remains a new organization under the restructuring in 2012, and hiring of their first employee in midyear of 2013. The support of RWRD Members will dictate the District's success in coming years.

Before we get into details about the District's year, it is essential that the readers of this report understand and remember the purpose of the District and how it evolved.

Riverbend's History and Purpose

In 1969, the City of Texarkana, Texas signed contracts with several surrounding communities (aka Member Cities) to provide them water. After decades of service, Member Cities noticed Texarkana, Texas had been overcharging for water.

In 2002, Member Cities responded to the overcharges by filing a lawsuit against Texarkana, Texas for breach of contract. Texarkana, Texas filed a motion to dismiss the lawsuit filed by the Member Cities. The Texas Supreme Court ruled that the City of Texarkana, Texas did not have immunity from a breach of contract, and the Member Cities could move forward with their lawsuit.

After the Texas Supreme Court ruling, Texarkana, Texas City Council approved an agreement for settling the lawsuit with Member Cities. The agreement called for all cities to work together in creating a municipal water district. The City of Texarkana, Texas and Member Cities jointly prepared legislation forming a municipal water district. In 2009, the Texas State Legislature approved Senate Bill 1223 creating the District.

In 2011, the Texas Legislature reorganized composition of the District Board of Directors and appointed a temporary conservator with the passage of House Bill 3847. The District Board includes two directors from Texarkana, Texas, one director from New Boston, one director from TexAmericas Center, and one director appointed at-large by several communities within the region.

The District currently serves fifteen organizations including the cities of Annona, Atlanta, Avery, De Kalb, Hooks, Leary, Maud, Nash, New Boston, Redwater, Texarkana, Texas, Wake Village, TexAmericas Center, Red River and Bowie Counties. The District provides services and project development for the region in exchange for a fee per 1,000 gallons of water used within each entities jurisdiction. The fee and dollar-for-dollar credits are towards participation in future water purchases should the District develop such capability, and the District is willing to provide such services and agree to such credits.

Executive Director Appointment

In May 2013, after months of conducting a national search and interviewing candidates, the Board of Directors appointed a new Executive Director. Strategic Government Resources conducted the search that involved fourteen candidates. The new Executive Director started in May with the first responsibility of finding an office location and setting up daily tasks for the District.

The new Executive Director comes to the District with twenty plus years of utility experience. His experience includes but is not limited to the following:

- Planning, financing and construction of local and regional water and wastewater utilities.
- Negotiated contracts with North Texas Municipal Water District, Upper Trinity Regional Water District and several developers on various infrastructure improvements.
- Oversaw water and wastewater planning for a build-out population of 350,000 over a ninety-nine square mile area.
- Managed implementation of
 - One million gallon elevated tank.
 - Pump stations.
 - Wastewater and water plants.
 - Twenty-eight water projects in a conflict zone.
 - Utility projects for commercial and residential development.
 - Many other utility projects.
- Overseen staff ranging from twenty-five to one-hundred personnel.
- Managed budgets ranging from five to thirty-five million dollars.
- Managed various other types of capital projects including parks, drainage, streets, etc.

Preliminary Way-Forward

In June 2013, the Board approved a preliminary way-forward for the District, which included contractual duties and other tasks. Intent of the preliminary way-forward was to gather input from member entities governing bodies. Over two and half months, the Executive Director met with member entities and discussed the District's preliminary way-forward.

In September, the Board of Directors reviewed the member entities comments and studied them during the District's strategic planning session in late 2013. The member entities comments were significant in identifying the District's goals for the next three to five years. A few of the comments gathered from our member entities were:

- Several member entities want to increase the number of Directors currently sitting on the Riverbend Board.
- What is the status of building a new water treatment plant?
- Availability of raw water for industrial or commercial development.

- Riverbend should be the wholesale provider of water for the region.
- Public is not aware of Riverbend's purpose.
- Concerned about a future Metroplex water project and related mitigation.
- The region is dysfunctional, and they hope Riverbend can bring the area together on water matters.

Strategic Plan

On December 19, 2013 the Board of Directors approved the District's strategic plan for the next three to five years. The District's strategic plan is the result of gathering data from

- The District's member entities.
- Contractual duties.
- Board of Directors planning retreats.
- Examination of various utility districts.

A significant part of the strategic plan was to clarify the mission of the District. The board identified three primary purposes.

1. Provide a representative governance structure for the region's water resources.
2. Take the leadership of regional water infrastructure issues facing the region.
3. Protect the ownership and distribution of the water resources of the region.

The District's strategic plan outlines five significant goals with associated tasks.

1. Set up the District's organization and budget.
 - Explore alternative revenue sources.
 - Continue to cultivate sustainable revenue.
 - Create a District staffing needs plan.
 - Explore ways to have member entities help with continued expenses.
2. Build a new water treatment plant.
 - Create a plan for a new water treatment plant.
 - Decide how to advance with the CH2M Hill Engineering report.
 - Create a plan for how to fund a new water treatment plant.
 - Educate the public on the need for a new water treatment plant in a way that creates buy-in.
 - Decide on the governance and operation policies for a new water treatment plant.
3. Educate the public on the role and purpose of the District.
 - Set up a website which communicates policies, reports and information.
 - Share District's message with a view towards the customer's needs and interests.
 - Seek out face-to-face opportunities to keep the public informed.
 - Build relationships with regional, state and federal water entities.
4. Strengthen the District's presence within the region, state and federal arenas.
 - Work to increase District's credibility with other water entities.
 - Set priorities on relationships and communication with member city councils.

- Develop a strategic regional water plan for District's area and communicate it well.
5. Promote legislation to create bi-state district.
- Develop a plan with Southwest Arkansas Water District, which member cites will support.
 - Seek to develop it as a localized agreement.

Master Plan for Regional Water Treatment Facilities

For the past decade, there have been various studies completed on regional water treatment facilities. In 2008, Texarkana, Texas performed a study on upgrading and expanding the New Boston Road water treatment plant with membrane filtration. In 2009, the District performed a study to identify a potential new water treatment plant site and raw water intake site on Lake Wright Patman.

Although, these studies have produced credible data, neither study thoroughly examines the region's water infrastructure in its entirety. Before committing tens of millions of dollars towards a regional water treatment plant for the next fifty years, a comprehensive review of the region's water treatment services is necessary.

The District understands most of our member entities want a new regional water treatment plant. In response to our member entities wish, the District has hired MWH Engineering to assist in preparing a scope of work for a Regional Water Treatment Master Plan. The objective of the Master Plan is to prove a business case for regional water supply and treatment needs, recommend a preferred way-forward, and show project feasibility to the District and its key investors. The plan will provide technical and financial information for educating the region and gathering support on building new regional water services.

The scope of work for performing the master plan is ninety-five percent complete. Due to a recent project, the scope of work has been idle. The District does expect to unveil the scope of work in early 2015 or earlier.

Water Availability

On March 20, 2014 the Board of Directors approved a contract with MWH engineering to review the water supply availability in Northeast Texas and Southwest Arkansas. The report will include findings from previous studies, next steps for improving the accuracy of water supply estimates and significant issues for to developing excess water. The contract was amended to include estimating water availability for specific diversion or storage points in the region. The District expects to have the study completed late 2014.

Communication

In February 2014, the District launched its website. The Board of Directors set up a website with three objectives in mind: communication, transparency and education. The District's goal is to keep the public up-to-date about water matters in the region through the website. The website includes meeting minutes, agendas, publications, reports, presentations and various other data for the public's view. The Board of Directors encourages everyone to visit the website at www.rwrd.org.

Financials

When the current District Board assumed control of Riverbend there was no evidence of a previous audit of the District's finances. There was limited data supporting the District's financial activities since its beginning. Over the past year, the District expended a significant amount of time compiling financial data for the previous four years. Collecting data over the previous four years was necessary to conduct a comprehensive audit for fiscal years 2012 and 2013. By May 2014, the District had received an unqualified audit opinion for fiscal years 2012 and 2013 representing a clean audit on the organizations finances.

Region C (Dallas/Fort Worth Metroplex) and D (North East Texas) Interregional Conflict

In 2011, the Region C Regional Water Planning Group adopted Marvin Nichols Reservoir as a recommended water strategy. Region D argued including Marvin Nichols in the Region C Regional Water Plan constituted an interregional conflict. The TWDB did not recognize the interregional conflict and moved forward approving Region D Regional Water Plan in October 2010, and the Region C Regional Water Plan in December 2010.

In response to TWDB approving both plans, private parties in Region D filed suit seeking judicial review of the TWDB's decision approving the Region C Regional Water Plan. In its order issued on December 5, 2011, the District Court declared that an interregional conflict existed, reversed the TWDB's decisions approving the two regional plans, and remanded the case to the TWDB for resolution. The TWDB appealed. The 11th Court of Appeals heard the case and affirmed the district court's ruling on May 23, 2013. No further motions were filed.

In response to the Court's decision, TWDB contracted for a mediator and arranged for a mediation between Region C and Region D members appointed by their respective regional planning groups. The mediator reported on December 17, 2013 the parties did not reach agreement in the mediation. Thus, under the statute and the Court's Order, TWDB was to resolve the conflict.

In March 2014, TWDB Executive Administrator released a preliminary recommendation on resolving the interregional conflict between Regions C & D. His proposed recommendation was, he would instruct the Region C Regional Water Planning Group to readopt its current regional water plan with Marvin Nichols Reservoir as a recommended water management strategy and

instruct the Region D Regional Water Planning Group to amend its plan to reflect the conflict has been resolved.

Before the TWDB Executive Director delivered his final recommendation to the Texas Water Development Board, he called for two public hearings on the proposed recommendation. One public hearing was held in Mount Pleasant, TX and the other in Arlington, TX. He also allowed for written comments to be submitted to the Office of General Counsel.

On April 17 Riverbend Board of Directors approved the following statement to be read into the public record and sent to the Office of General counsel opposing TWDB Executive Director's preliminary recommendation for resolving the interregional conflict.

Riverbend recognizes the importance of the Dallas/Fort Worth metroplex identifying additional sources of water. However, we also understand the negative impacts of building Marvin Nichols in Northeast Texas. Riverbend is researching alternatives that could satisfy the needs of both Regions and does not feel that enough time, nor resources have been allocated to these alternatives. Although Riverbend has not previously expressed an opinion on Marvin Nichols, we are opposed to the Texas Water Development Board (TWDB) directing Region D to remove or include language in its plan which is contrary to the region's best interest.

The conflict between Regions C and D is not just about two regional plans relying on the same water source. The conflict involves socioeconomic issues which harm Region D's economies, property rights, agricultural, natural resources and so forth.

The action, sought by the Executive Administrator, wanting Region D to remove reference to the "conflict" in its 2011 Water Plan is unwarranted or, at a minimum, is premature. The Executive Administrator's proposed resolution offers no reasonable explanation to Region D for amending its plan. For Region D, the conflict is clearly not resolved.

In short, the conflict between Regions C and D will not be absolved by the Executive Administrator's recommendation. Requiring the regions to simply change language in their respective plans does nothing to resolve the underlying factual conflict. Accordingly, TWDB will have failed to satisfy the directive of the Court, by failing to truly resolve the primary conflict.

Riverbend prays the TWDB deny the Executive Administrator's recommended action and work with both regions to truly resolve their needs and address their concerns.

Solutions for Regions C and D exist, and an agreeable resolution is possible. Riverbend stands ready to aid the TWDB in reaching a resolution to this conflict.

On May 19, 2014 the TWDB Executive Director released his final recommendation to the Texas Water Development Board in resolving the interregional conflict between Regions C and D. The Executive Administrator recommended several steps for resolving the conflict that can be found

on the TWDB website. His recommendation basically states that an interregional conflict does not exist between Regions C and D when applying TWDB rules.

On August 7, Texas Water Development Board met to consider the interregional conflict. After considering oral arguments, the Board determined there was inadequate analysis and quantification on the impact of Marvin Nichols in relation to agricultural and natural resources of Region D. Region C was directed to conduct an analysis and quantification of the impacts of Marvin Nichols. Region C should submit this information to the Board by November 3, 2014.

Future Activities

In July, 2014 the Board of Directors for TexAmerica Centers (TAC) and Riverbend Water Resources District (RWRD) approved a Letter of Intent to negotiate and enter into a contract for the transfer of TAC water and wastewater utilities to RWRD. It's expected that a transfer plan will be approved by both organizations in September and a contract formalizing the transfer in early December. Obviously, this is a significant event for the District, we'll keep you abreast of our progress in the coming months.

Conclusion

The past twelve months the District has changed from an organization with just a post office box to a formal Boardroom and office. We have set up business processes and started regional planning for infrastructure and resources. However, there remains a significant amount work. We expect the next twelve months to be just as productive as the previous twelve months.

There are many other activities which have contributed to the Districts progress this year not mentioned in this report. However, the activities listed in this report offers an overview of the District's progress for the past twelve months. Member Cities can expect an annual update from the District towards the end of each summer. However, we encourage you to routinely visit the Districts website (www.rwrd.org) and keep abreast of the Boards activities. If you have any questions, feel free to contact Scott Albert, Executive Director at 903-223-3905 or salbert@rwrd.org.