MEMORANDUM

Date:	08.11.26
To:	Mayor & Council
From:	Scott Albert
Subject:	Weekley Report for Week 08.11.26

The following report is not intended to be an all-inclusive summary of activities.

Reconciliation of City Bank Accounts

All fourteen City bank accounts, with the exception of the General Fund, have now been reconciled through July 31, 2026.

There are still several older unreconciled items that will require adjusting entries from the auditor to properly clear them from the accounts. The auditor will also need to make several additional corrections as part of the overall financial cleanup process.

As part of the current review, we identified approximately 535 transactions appearing in the City's bank records that are not currently reflected in the City's general ledger (Incode) for the period from June 2023 through September 2025. These transactions will need to be further researched and addressed as part of the cleanup process. We are also researching several deposits reflected in the bank records to ensure they are properly accounted for in the general ledger. We identified approximately $1,828,504 in deposits made between 2024 and 2025 at the bank but were never recorded in the City’s general ledger.

During the reconciliation process, we identified several other transactions that had not previously been recorded in the accounting system, including certain debt payments. Those transactions have now been entered into and are properly reflected in the City's accounting records.

While additional work remains, particularly with respect to the historical transactions and necessary auditor adjustments, substantial progress has been made. From a bank reconciliation standpoint, the City's financial records are now in a significantly better position, and we are continuing to work through the remaining outstanding items.

City Loan Documents and Outstanding Debt

While preparing the FY 2026/27 budget, I was unable to locate the original loan documents for several of the City's outstanding debt obligations. As a result, I have essentially been piecing together the history of the City's debt by contacting the agencies that issued or financed the debt and reviewing various documents located in the City's files.

My objective is to develop a complete and accurate understanding of each outstanding debt obligation, including its original purpose, amount issued, interest rate, repayment schedule, maturity date, current outstanding balance, and the specific projects or equipment financed with the debt.

Below is a summary of the debt obligations I am currently researching and the information I have compiled to date.

2010 Texas Water Development Board Loan
Clean Water State Revolving Fund (CWSRF)
Loan No. L090063 / Project No. 72361
Original Commitment: $5,780,000
Interest Rate: 0%
Maturity: 2042

The City of Taft received financing through the Texas Water Development Board (TWDB) for wastewater system improvements.

State records identify the project as **"New Clarifier & Collection Repair."**

Based on the records located to date:

- **March 26, 2009:** TWDB committed approximately $5.78 million to the City under Project No. 72361 / Loan No. L090063.
- **FY 2010–FY 2011:** Only a relatively small portion of the TWDB commitment appears to have been drawn during the early stages of the project.
- **September 30, 2011:** Records indicate cumulative TWDB debt drawn at that point was approximately $202,892.

The next step is to contact TWDB and request the complete project administrative, engineering, construction, disbursement, and closeout file.

The complete file should allow us to determine the original engineer, contractor, engineering scope, plans and specifications, exact locations of the sewer collection system improvements, clarifier specifications, bids, change orders, pay applications, final project costs, construction records, and project closeout information.

At a minimum, I intend to obtain the following:

- March 26, 2009, TWDB commitment memorandum;
- Original TWDB financing application;
- Engineering contract and engineering scope;
- Construction plans and specifications;
- Contractor bids and award documents;
- Pay applications and TWDB disbursement records;
- Change orders, if applicable;
- Final project costs and closeout documents; and
- Original and current debt repayment schedules.

This information will allow us to reconstruct the history of the project and determine exactly what infrastructure was constructed or rehabilitated with the proceeds.

2010 Certificates of Obligation – $1,000,000

The City also issued approximately $1 million in Certificates of Obligation in connection with the 2010 wastewater improvements. The interest rate was approximately 5.4%, and this debt matured in 2025.

Based on the information located to date, the City financed approximately **$6.78 million** for wastewater improvements during this period:

TWDB Financing: $5,780,000
Certificates of Obligation: $1,000,000
Total Financing: $6,780,000

I am continuing to research the relationship between the $1 million Certificate of Obligation issuance and the TWDB-financed project to determine specifically how the CO proceeds were used and whether they provided the City's required match, financed costs not eligible under the TWDB program, or funded additional wastewater improvements.

2022 Certificates of Obligation, Series 2022
Interest Rate: Approximately 4.78%
Maturity: 2037

The Certificates of Obligation were issued for the following purposes:

- Construction, repair, and improvements to City streets, including drainage, street lighting, sidewalks, and the purchase of related land and equipment;
- Construction and improvements to the City's water and wastewater systems;
- Acquisition and construction of a building to be used by the Fire Department;
- Improvements and equipment for City parks and buildings, including the purchase of land for City parks; and
- Payment of professional services associated with the projects.

The City does have a copy of the debt service schedule for these Certificates of Obligation, as well as the original ordinance authorizing issuance of the debt.

Additional research will be conducted to identify the actual expenditures from the bond proceeds so we can reconcile the purposes authorized in the ordinance with the projects and expenditures that were ultimately funded.

Taft Economic Development Corporation (EDC) Debt – Approximately $374,000
I am continuing to research this obligation to identify the original loan documents, purpose of the debt, interest rate, repayment schedule, maturity date, and current outstanding balance.

2022 Sewer Jet Machine Loan
The City financed the purchase of a sewer jet machine for approximately **$73,877**.
The financing provides for five annual payments of approximately **$16,177**.
I am continuing to locate and review the original financing documents to confirm the interest rate, payment history, maturity date, and remaining balance.

Fire Truck Loan
The Fire Truck loan matures in **2031**.
Based on the debt schedule currently available, annual payments for 2027 through 2031 are approximately **$40,657**, including principal and interest.
I am continuing to research the original financing documents, original purchase price, amount financed, interest rate, and current outstanding principal balance.

Utility Billing Meter Loan
Research is ongoing to locate the original financing documents and determine the original amount financed, purpose, interest rate, payment schedule, maturity date, and current outstanding balance.

Police Department Vehicle Loan
Research is ongoing to locate the original financing documents and determine the vehicles financed, original amount financed, interest rate, payment schedule, maturity date, and current outstanding balance.

Next Steps regarding the City's Debt
My goal is to develop a complete debt inventory for the City that identifies each obligation, the original purpose of the borrowing, the assets or infrastructure financed, the original amount borrowed, interest rate, annual debt service, maturity date, current outstanding principal, and funding source used to make the annual payments.

This information is important not only for preparation of the FY 2026/27 budget, but also for ensuring the City's accounting records accurately reflect all outstanding debt obligations and that future Mayor and Council members and City staff have a complete historical record of what was financed and why.

I will continue working through these records and will provide additional information as the documentation is located and verified.

Cross Point Development – Stripes & Vet Clinic.
This development has the potential to be a wonderful addition to the community. However, I am not confident that the appropriate level of due diligence has been conducted by the City to ensure that the project is not only successful for the developer, but also beneficial and sustainable for the City over the long term.

The economic benefits of any development project are obviously important, but they cannot be the sole factor driving the City's decision-making process. When immediate economic benefits become the primary focus, there is a risk that critical issues such as infrastructure, drainage, traffic, utilities, public safety, ongoing maintenance, and other long-term impacts may not receive the level of attention they require. If these matters are not thoroughly identified and addressed during the development and review process, the responsibility—and ultimately the financial burden—may fall on the City and its taxpayers in the future.

For a development to be truly economically beneficial and sustainable for the community, we must evaluate both its short-term benefits and its long-term impacts. An immediate economic benefit should not come at the expense of creating future infrastructure, operational, maintenance, or financial obligations for the City and its taxpayers.

For these reasons, I have recommended that the City retain an independent engineer to conduct a comprehensive review of this project and provide the Mayor, City Council, and staff with an objective professional assessment before the project proceeds further. An independent review will help ensure that potential issues are identified and addressed now, rather than becoming the City's responsibility after the development is completed.

My recommendation is not intended to discourage or delay development. Rather, it is intended to ensure that the City fulfills its responsibility to carefully evaluate the project, protect the public interest, and support development that will remain an asset to the community for many years to come.

Laydown Yard:
I have heard various discussions regarding a proposed laydown yard development in the City of Taft. Based on the information I have received, a business currently operating in Ingleside is considering relocating its storage operations to Taft. I also understand that the proposed facility will operate 24 hours a day, seven days a week.

In an effort to better understand the proposed project and conduct appropriate due diligence on behalf of the City and community, I reached out to the EDC Chairman approximately one week ago requesting the name of the business involved. Having this information would allow me to better understand the nature of the proposed operation, its existing activities in Ingleside, and the potential impacts associated with locating the facility in Taft. As of today, I have not received the requested information.

I have also been informed by the school district representative serving on the EDC Board that an easement may have been obtained to provide a route for children to walk through or adjacent to the proposed laydown yard on their way to and from school. If accurate, this arrangement needs to be carefully evaluated from a public safety standpoint, particularly if the proposed facility will involve frequent 18-wheelers and other heavy-truck traffic operating 24 hours a day.

Another area requiring careful review is drainage and floodplain management. I understand that the developer may be proposing to elevate several acres of property currently located within the floodplain. The City should closely evaluate the engineering and drainage impacts associated with this work, including whether elevating the property could displace floodwaters or otherwise affect surrounding properties, roadways, drainage infrastructure, or other areas of the community.

I have a number of questions regarding this project that need to be answered before the City can fully understand its potential impacts. These questions are not intended to discourage development. Rather, they are intended to ensure that the project is properly planned, reviewed, and designed so that it can be successful for both the developer and the community.

The sooner the City becomes actively involved in reviewing the proposed development, the better positioned we will be to identify and address potential issues before significant design or construction decisions are made. Early coordination and appropriate due diligence will ultimately benefit both the developer and the City

Closing:

I have many other topics and updates that I would have liked to share with you and the public this evening. However, I am currently limited in the amount of time I am able to devote to communications and, therefore, have not been able to address everything I would have liked to include in this report.