



## **The State of the City**

City of Taft Outlines Progress, Challenges, and Vision for the Future

### **Introduction**

Over the past several years, the City of Taft has experienced several challenges that include high turnover of employees and a lack of oversight of internal controls. These issues have recently come to light, and the City has transparently made this information available to the public to accept responsibility and act to make necessary changes. Resources are limited; however, we are making every effort to identify and disclose needed improvement to make Taft a well-run city and deliver superior service to residents and visitors. Currently, staff and elected officials are working to make necessary improvements as quickly as possible, and this letter details our progress in our ongoing effort to make Taft a city where people are proud to call home.

### **Current Challenges**

It is important to begin with the current challenges, as we are still working to understand the totality of recent discoveries of alleged misappropriation of funds and timekeeping. Additionally, we have identified a need for better record keeping. Beginning in 2021, the City saw an increase in revenues through the American Rescue Plan Act (ARPA) - a federal response to lost revenues due to COVID-19, and in 2022 the City issued \$2.9 million in certificates of obligation for various projects for engineering and construction of new buildings for the fire department and City Hall, equipment for Parks, and projects related to water and wastewater. This influx in funds gave administration a false sense of financial prosperity, and increased spending for projects ensued including the new City Hall building, new Fire Station Shell, Splash Pad, Senior Center, and 2 resurfaced roadways. Additional revenue was allocated to increase wages and personnel at unsustainable rates. This false sense of financial prosperity has helped to lead the city to the current situation we find ourselves in today.

### **Utility Billing**

We have received several complaints about utility bills. Staff researched the cause of the complaints and had discussions with our vendors for the accounting software, Tyler Technology / Incode and Beacon, the water meter signal providers, and we learned some account information (Dials) had been changed (Lowered) in the past on accounts that appeared to have high usage without properly researching the cause for the higher reading, or where the usage appeared to be abnormal. The issue was Beacon was sending the usage to Incode in the incorrect unit of measurements – in the hundreds of gallons not thousands (thousands is the correct unit of measurement), and the city bills in thousands. Incode took the incoming utility usage reading displayed, for example the usage of 33 which means 3,300 gallons. The 33 was confusing to some customers who thought it meant they were using 33,000. Some of the utility clerks in the past were unaware of how the system worked and changed the dials to depict a 3 rather than 33. As a result, customers whose dials were adjusted downward were being billed for 300 gallons instead of the 3,000 they should have been billed for.

During the rate increase, we changed both systems to thousands only, so Beacon now only sends information in the thousands as that is the correct billing method. This reduces the misunderstanding for both residents and for staff. This however was not a welcome change for some residents as many people have been constantly under billed for over a year. We are unaware of when the issue actually started to occur, but we estimate it was around 2022 when turnover spiked at City Hall. Now that the billing issue is corrected, customers are getting billed accurately (for the most part, there will always be a few issues that we will take care of on a case by case basis). With this change, we have also found a lot of water leaks that have been masked by the under billing. Furthermore, with accurate billing, we can better gauge water loss for annual water loss reports to the Texas Commission on Environmental Quality (TCEQ). We have had accounts with water leaks for a long time that have gone unnoticed due to improper billing. We recently ran a report that shows we still have around 70 accounts where the system is showing that they have a water leak (the system will only show this if there is constant use throughout the whole day).

### **Alleged Misappropriation**

There is not much we can currently discuss on this other than the fact that there are multiple cases where there is alleged misconduct currently under investigation. The City continues to cooperate with the investigating authorities to provide all information requested. Not only is the City fully cooperating in this investigation, the City will hold anyone accountable found to be acting outside of the laws and ordinances of the City of Taft, the State of Texas, and the United States.

The city has insurance to cover employee dishonesty, and once a complete understanding of the total losses are known, the city will complete the claim with our insurance company as well as any bond agencies that are applicable. Once the investigation and all subsequent action is complete, the information will become publicly available. Based on the findings of this ongoing investigation, management will implement necessary changes to avoid any future opportunities for possible dishonesty or misappropriation.

### **Ongoing Litigation**

**Shawn Wilson vs. City of Taft** – This lawsuit is in reference to a previous employment settlement agreement in which Mr. Wilson alleges a breach of contract.

**John Landreth vs. City of Taft** – This lawsuit is in reference to his administrative leave of absence.

### **Infrastructure and Public Works Improvements**

Infrastructure continues to be a focus of not just the residents, but also city hall and council. We are focused on finding funding to support city infrastructure projects.

### **Outstanding Grants or Grants in Progress**

- **Hurricane Harvey Public Assistance (Granted)**
  - **Taft Fire Station** \$41,249.92 toward the repair of the station due to damages from Hurricane Harvey. (Requesting an Amendment)
  - **Concession Stand** \$5,000 toward repair of the Concession stand due to damages from Hurricane Harvey. (Completed and ready for closeout, waiting on insurance documents)

- **Water Park** \$22,644.36 toward repair of the Water Park from damages caused by Hurricane Harvey. (looking for documentation to verify completion of the project)
- **Direct Administrative Cost** \$15,024.29 toward administrative cost associated with the Public Assistance Grant. (completed after close out of all projects above)
- **Hazard Mitigation Grant- City of Taft Generators (Granted)**
  - **Construction Budget** \$427,350
  - **Federal Funds** \$320,512.50 (75%)
  - **Local Match** \$106,837.50 (25%)For the instillation of 4 generators with oversize fuel cells at the following locations
  - Taft City Hall
  - Taft Police Station
  - Kiva Hut
  - Water Storage Pump Station
- **Downtown Revitalization Grant (Submitted in Phase 2/Project Verification)**
  - **Construction Budget** \$428,500  
This project will replace all lighting in the downtown area from 181 to Hoover. All electrical will be ran underground instead of above ground and all lighting will be changed to old gas lantern appearance LED lights. (This project required a majority of money to be utilized on sidewalks or lighting.)
  - **Non Grant Contributions** – Both Type A and Type B EDC have committed to a project to coincide with the lighting project where Green Ave will be resurfaced from Green Ave to Hoover St. This will allow the electrical to be ran underground and the road work to cover the electrical and resurface the street.
- **GLO CDBG Mitigation and Modification Grant (submitted in final review)**
  - **Federal Funds** \$3,261,400.00 (%100)  
Replacement of City Supply line from Davis Ave to all 3 water tanks and the replacement of the sewer line down Davis Rd.
- **TxCDBG - Water Meters Replacement (Application phase)**
  - **Federal Funds** \$712,500 (95%)
  - **Local Match** \$37,500 (%5)  
This grant if approved will fund the replacement of all meters that have not currently been updated to the new cellular meter. Once all customers are upgraded, citizens will be able to access real-time data through a citizen portal.
- **TDEM City Wide Drainage Project (Application phase)**
  - **Federal Funds** \$1,187,430
  - **Local Funds** \$395,810City wide drainage project (pending approval)

### **Fiscal Responsibility and Economic Development**

The city while experiencing a financial hardship is working diligently to determine our economic position. A separate release will be issued by the Interim Finance Director in relation to our financial position and what we are working on in her department.

### **Vision for the Coming Year**

While the city is in a tough spot currently the future has potential. The city is working to determine our economic position, we may have to buckle down for a year or so to get everything lined back up, but by installing the proper safeguards and maintaining continuity of operations these goals can be met. The city is working on multiple grants as outlined above that should come to fruition over the next couple of years, this coupled with strong financial stewardship and the implementation of a capital improvements committee we can combine city staff and citizen concern to move toward positive improvements throughout our community.

### **Acknowledgement and Call to Action**

The city understands the frustration felt by its citizens, and we feel it as well -frustration that it could get to this level in the first place. We are actively working to get the city back on course and move in the right direction, which may be accompanied by some speed bumps or hiccups along the way but we ask you to bear with us as we navigate these changes.

### **Closing Statement**

I understand that some may be reluctant to provide us leeway as we move forward, but again I will state, there have been and continue to be issues within the city that we are working to resolve. This is only made harder by the current divide within the city. We will work to release more frequent updates and provide more detail about what the current situation is within the city to help inform the citizens of our actions and where we are headed. We encourage citizens to participate in their local government – attend council meetings, serve on a city board or commission, and help us restore the pride in Taft. This OUR community.

**Thank you,**

**Ryan Smith  
City Manager**