



Mayor and Council.

The City Manager's Notes for the week ending October 10, 2025, are provided below. This report contains public information and can be freely shared.

Housing Funds / Federal Government Shutdown

As the government shutdown continues, I wanted provide you an update in regard to the Housing Voucher program. The National Association of Housing and Redevelopment Officials (NAHRO) has recently learned that the Department of Housing and Urban Development (HUD) will be obligating the remaining November Housing Assistance Payment (HAP), the December HAP, and the Admin Fee funding to Public Housing Agencies (PHA) later this month. Funds will be available to PHAs at the beginning of each month as usual.

HB 1851 Enforcement

As you may recall, as the City moved through the budget process, staff had made you aware of HB 1851 and its impact on City's and the adoption of their tax rates. SB 1851 authorizes the Attorney General (AG) to determine whether a city complied with municipal auditing requirements. If the AG determines that a municipality did not comply with such requirements, then the municipality is prohibited from adopting an ad valorem tax rate that exceeds the no-new-revenue tax rate. The AG is actively and aggressively pursuing entities that have not complied with auditing requirements and adopted a tax rate after the September 1, 2025 effective date of the bill. The City of Odessa was notified that the AG has launched an investigation to determine if the City of Odessa was in compliance with HB 1851. Closer to home, it is our understanding that the City of Terrell also received a similar notice. Based on the process followed by the City, HB 1851 did not impact Terrell.

Texas Department of Agriculture / Single Audit

In September 2025, the City of Terrell received a letter regarding the City's FY 2023 Single Audit in relation to grant funds received from the Texas Department of Agriculture (TDA). A single audit is a compliance audit for non-federal agencies such as local governments, that expend federal dollars such as grants. It provides assurances that to the State and federal government that there are adequate internal controls in place and that the entities are complying with laws, regulations, and grant requirements.

TDA's information showed inconsistencies in the amounts reported and transactions that should have been reported as part of the City's Schedule of Expenditure of Federal Awards (SEFA) in the City's FY2023 Single Audit. After conducting our own analysis, we have responded to requirements in their letter including a Corrective Action Plan (CPA). As a result of the inconsistency and related findings, Terrell will be on an increased monitoring program for a period of two-years. If staff follows through with the Corrective Action Plan, and effectively records grant related expenditures and reimbursements, there should be no further issues.



City Manager's Notes

***Week Ending
October 10, 2025***

Audit Status (FY24 and FY25)

Staff continues to work on preparation of the FY24 Annual Consolidated Financial Report (ACFR), which is the City's annual audit. While staff does not have a delivery date or a draft for review at this time, we are told that Pattillo Brown & Hill (the audit firm) is wrapping up the process and should provide a draft for review in the near future.

We have also been in contact with Whitley Penn, the City's new audit firm that will be taking over with the audit of the FY2025 financials. We have worked out a tentative schedule and will be receiving the "Prepared By Client" (PBC) list so that staff can begin to pull together the necessary information. A PBC list is a comprehensive list of documents the auditors need from the client to conduct the audit. The list ensures a more streamlined information gathering process and provides for effective communication. The type of information provided typically includes, trial balances, bank reconciliations, and other supporting documentation. While challenging, all parties involved in the FY2025 audit clearly understand that the deadline for presentation to City Council is set for March 2026.

Solid Waste Service Pilot Program Update / Service Alternatives

Staff was preparing an item for discussion at the October 21, 2025 City Council meeting, however, due to the need to perform some additional analysis, the presentation will be made at the November 4, 2025 City Council meeting. This discussion will include the results of the program, feedback received, and potential paths forward. At a future meeting, after the discussion item is present, staff will bring a follow up item for Council action.

Parks & Recreation Reorganization

We are in the early stages of another step in reorganization. In the coming weeks, Parks, Youth Development, and Pool will be moved from the realm of Public Services and will report to Raylan Smith, our Assistant Director of Municipal Development and Downtown Manager. The purpose is twofold. This will allow the City to take a slightly different approach to Parks and Recreation as we prepare for it to be a separate Department in the future. In addition, this will provide Raylan with additional resources that can be deployed and utilized in the downtown area. Because of her involvement in the downtown area, ongoing park projects, and park related grants, we expect this to be a smooth transition. Raylan will have her first meeting with Parks staff on Monday, October 13. It is anticipated that this change will have a positive impact across the community. If you have any questions related to this transition, please let us know.

IT Director Update

Staff began interviewing candidates for the City's first IT Director this week. We have identified three finalists to bring in for interviews and hope to have a decision made the week of October 20.

Finance Director Update

Our search firm, CPSHR, has been able to confirm and arrange necessary travel for the candidates that will be brought in for panel interviews. The panel interviews are scheduled to occur on Friday, October 24.



City Manager's Notes

***Week Ending
October 10, 2025***

Reminders

- Chamber Civic Auction: Saturday, October 18
- American National Bank Event: Saturday, October 18
- City Council Meeting: Tuesday, October 21
- Texas Municipal League: October 29 through October 31 (Fort Worth)
- City Council Meeting: Tuesday, November 4

In Closing

If staff can provide additional information or clarification, please let me know. Thank you all for your continued service and dedication to the City of Terrell.

Respectfully,

Mark C. Mills
Interim City Manager