



AGENDA ITEM SUMMARY FORM

MEETING DATE: May 20, 2026
PREPARED BY: Michael Burrell, Director
DEPARTMENT: Development Services

AGENDA ITEM DESCRIPTION:

Consideration, discussion, and possible action on a Professional Services Agreement with Baker Tilly US, LLP to perform an Independent Financial Audit of the city’s Impact Fee funds.

BACKGROUND/SUMMARY:

This Professional Services Agreement (PSA) between the city and Baker Tilly is required under new state laws that were implemented during the last legislative session. The updates to Section 395 of the Local Gov’t Code required at least 50% of the Committee to be members of the building and development trades, disallowed the Planning and Zoning Commission from acting as the Community Impact Fee Advisory Committee, required new public notices, and required an independent financial audit of the city’s existing impact fee accounts.

Under TLGC Sec. 395.059, the city must engage the services of a certified public accountant whom the city has not contracted services with in the preceding 12 months to do an audit of our impact fee funds before the City Council can authorize any impact fee increases or implement new impact fees. The city currently assesses water and sewer impact fees, and under Resolution 2026-04, the City Council authorized during the next Impact Fee Advisory Committee, the imposition of roadway impact fees would be studied. To impose roadway impact fees, or to increase our existing water and sewer impact fees, this financial audit must be conducted. The city’s current impact fees, per LUE, are \$2,022.00 for water, and \$7,193.50 for sewer.

The chosen independent financial auditor is required by state law to detail accounting of ten (10) areas:

- (1) The amount of funds collected from any impact fee imposed by the political subdivision in the service area;
- (2) The amount of interest accumulated under Section 395.025 on impact fees collected by the political subdivision in the service area;
- (3) Any proposed capital improvements or facility expansions to be financed from an impact fee collected by the political subdivision in the service area that were not constructed, as described by Section 395.025, including the categories of each improvement and expansion;
- (4) The amount of funds collected from impact fees by 25 the political subdivision in the service area that have not been spent;
- (5) Each impact fee collected by the political subdivision in the service area;
- (6) The allocation of each impact fee made to the political subdivision in the service area;
- (7) Any waived impact fees in the service area under Section 395.016(g);
- (8) Any requested refunds of impact fees in the service area under Section 395.025;
- (9) Any impact fees in the service area refunded under Section 395.025;
- (10) and any errors or omissions of credits in impact fee calculations for impact fees in the service area.

The not-to-exceed cost of this PSA, \$23,500, is below the threshold of the city's purchasing policy to require formal bids. Consistent with the city's purchasing policy, quotes were requested from other qualifying auditor firms, but Baker Tilly was the only responsive firm who could perform the requested service.

The project start date of this PSA is May 20, 2026 with a completion date of July 24, 2026.

LEGAL REVIEW: Yes, Veronica Rivera, Assistant City Attorney
FISCAL IMPACT: Yes, cost of service can be paid from impact fees – not to exceed \$23,500
FORM 1295 FILED: Yes, 2026-15
PRESENTATION: No
ATTACHMENTS: Yes

- Professional Services Agreement
- Exhibit A - Engagement Letter
- TLGC Sec. 395.059
- Resolution 2026-04

STAFF RECOMMENDATION:

The city staff recommends that the City Council approve a Professional Services Agreement with Baker Tilly US, LLP to perform an Independent Financial Audit of the city's Impact Fee funds and authorize the City Manager to execute the agreement.
