



Mayor
Ben White
Mayor Pro Tem
Ron Gay
City Manager
Glenn Brown

Councilmembers
John Crompton
James Massey
Lynn McIlhaney
Chris Scotti
David Ruesink

Agenda
College Station City Council
Workshop Meeting
Thursday, October 25, 2007 3:00 p.m.
City Hall Council Chambers, 1101 Texas Avenue
College Station, Texas

1. Presentation, possible action, and discussion on items listed on the consent agenda.
2. Presentation, possible action and discussion regarding Bryan's experience with their Neighborhood Residential Conservation District and its applicability to College Station.
3. Presentation, possible action and discussion regarding growth management strategies.
4. Presentation, possible action and discussion on a timetable for implementing a new capital improvements program.
5. Presentation, possible action, and discussion concerning the City Internal Auditor's Policies and Procedures Manual.
6. Presentation, possible action, and discussion concerning the City Internal Auditor's annual audit plan and city wide risk assessment.
7. Presentation, possible action, and discussion concerning the fiscal year 2007 City of College Station external audit.
8. Council Calendar
 - a. Oct. 26 TMPA Park site tour, 11:00 am
 - b. Nov. 3 Employee Awards Banquet, Hilton, 6:00 pm
 - c. Nov. 5 Council workshop and regular meetings, 1:00 pm
 - d. Nov. 5 Chamber of Commerce Banquet, Hilton, 6:30 pm
9. Presentation, possible action, and discussion on future agenda items: A Council Member may inquire about a subject for which notice has not been given. A statement of specific factual information or the recitation of existing policy may be given. Any deliberation shall be limited to a proposal to place the subject on an agenda for a subsequent meeting.

10. Discussion, review and possible action regarding the following meetings: Arts Council Subcommittee of the Council, Audit Committee, Brazos County Health Dept., Brazos Valley Council of Governments, Cemetery Committee, Design Review Board, Historic Preservation Committee, Interfaith Dialogue Association, Intergovernmental Committee, Joint Relief Funding Review Committee, Library Committee, Metropolitan Planning Organization, Outside Agency Funding Review, Parks and Recreation Board, Planning and Zoning Commission, Sister City Association, TAMU Student Senate, Research Valley Partnership, Regional Transportation Committee for Council of Governments, Transportation Committee, Wolf Pen Creek Oversight Committee, Wolf Pen Creek TIF Board, Zoning Board of Adjustments (see attached posted notices for subject matters).
11. Executive Session will immediately follow the workshop meeting in the Administrative Conference Room.

Consultation with Attorney {Gov't Code Section 551.071}; possible action. The City Council may seek advice from its attorney regarding a pending and contemplated litigation subject or settlement offer or attorney-client privileged information. Litigation is an ongoing process and questions may arise as to a litigation tactic or settlement offer, which needs to be discussed with the City Council. Upon occasion the City Council may need information from its attorney as to the status of a pending or contemplated litigation subject or settlement offer or attorney-client privileged information. After executive session discussion, any final action or vote taken will be in public. The following subject(s) may be discussed:

- a. Application with TCEQ in Westside/Highway 60 area, near Brushy Water Supply Corporation.
- b. Civil Action No. H-04-4558, U.S. District Court, Southern District of Texas, Houston Division, *College Station v. U.S. Dept. of Agriculture, etc., and Wellborn Special Utility District.*
- c. Cause No. GN-502012, Travis County, *TMPA v. PUC* (College Station filed Intervention 7/6/05)
- d. Sewer CCN request.
- e. Legal aspects of Water Well and possible purchase of or lease of another water site.
- f. Civil Action No. H-04-3876, U.S. District Court, Southern District of Texas, Houston Division, *JK Development v. College Station.*
- g. Cause No. 06-002318-CV-272, 272nd Judicial District Court, Brazos County, Texas, *Taylor Kingsley v. City of College Station, Texas and Does 1 through 10, inclusive.*
- h. Cause No. 485-CC, County Court at Law No. 1, Brazos County, Texas, *City of College Station v. David Allen Weber, et al.*
- i. Bed & Banks Water Rights Discharge Permits for College Station and Bryan
- j. Cause No. 07-001241-CV-361, 361st Judicial District Court, Brazos County, Texas *Gregory A. & Agnes A. Ricks v. City of College Station*
- k. Water CCN request

Real Estate {Gov't Code Section 551.072}; possible action The City Council may deliberate the purchase, exchange, lease or value of real property if deliberation in an open meeting would have a detrimental effect on the position of the City in negotiations with a third person. After executive session discussion, any final action or vote taken will be in public. The following subject(s) may be discussed:

- a. Land Acquisition regarding southwestern portion of Northgate

Economic Development {Gov't Code Section 551.087}; possible action The City Council may deliberate on commercial or financial information that the City Council has received from a business prospect that the City Council seeks to have locate, stay or expand in or near the city with which the City Council in conducting economic development negotiations may deliberate on an offer of financial or other incentives

for a business prospect. After executive session discussion, any final action or vote taken will be in public. The following subject(s) may be discussed:

- a. Hotel Conference Center
- b. Discovery Drive

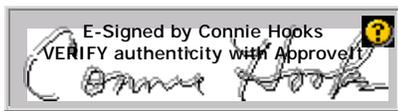
12. Action on executive session, or any workshop agenda item not completed or discussed in today's workshop meeting will be discussed in tonight's Regular Meeting if necessary.

13. Adjourn.

APPROVED:

City Manager

Notice is hereby given that a Workshop Meeting of the City Council of the City of College Station, Texas will be held on the 25th day of October, 2007 at 3:00 p.m. in the City Hall Council Chambers, 1101 Texas Avenue, College Station, Texas. The following subjects will be discussed, to wit: See Agenda
Posted this 22nd day of October, 2007 at 2:30 p.m.



City Secretary

I, the undersigned, do hereby certify that the above Notice of Meeting of the Governing Body of the City of College Station, Texas, is a true and correct copy of said Notice and that I posted a true and correct copy of said notice on the bulletin board at City Hall, 1101 Texas Avenue, in College Station, Texas, and the City's website, www.cstx.gov. The Agenda and Notice are readily accessible to the general public at all times. Said Notice and Agenda were posted on October 22, 2007 at 2:30 p.m. and remained so posted continuously for at least 72 hours proceeding the scheduled time of said meeting.

This public notice was removed from the official board at the College Station City Hall on the following date and time: _____ by _____.

Dated this ____ day of _____, 2007.

CITY OF COLLEGE STATION, TEXAS

By _____

Subscribed and sworn to before me on this the ____ day of _____,

Notary Public – Brazos County, Texas

My commission expires: _____

This building is wheelchair accessible. Handicap parking spaces are available. Any request for sign interpretive service must be made 48 hours before the meeting. To make arrangements call (979) 764-3517 or (TDD) 1-800-735-2989. Agendas may be viewed on www.cstx.gov. Council meetings are broadcast live on Cable Access Channel 19.

*Traditional Values, Progressive Thinking
In the Research Valley*

25 October 2007
Workshop Agenda Item 2
City of Bryan Presentation on Neighborhood Residential Conservation District

To: Glenn Brown, City Manager

From: Bob Cowell, AICP, Director of Planning & Development Services

Agenda Caption: Presentation, possible action and discussion regarding Bryan's experience with their Neighborhood Residential Conservation District and its applicability to College Station.

Recommendation(s): After consideration and discussion of Bryan's Neighborhood Residential Conservation District, provide policy direction to City staff.

Summary: In an effort to address neighborhood integrity concerns expressed by residents, the Council has directed staff to undertake a series of actions, including development of neighborhood protection standards, historic preservation standards, and discussion of neighborhood integrity issues and opportunities.

As part of these efforts, Council has asked that staff coordinate with officials from the City of Bryan to discuss their recent experiences with their newly adopted Neighborhood Residential Conservation District, that among other items places limitations on the number of un-related individuals that may reside in a single family home. Joey Dunn, Deputy City Manager of Bryan and Kevin Russell, Director of Development Services will present for the City of Bryan.

Budget & Financial Summary: N/A

Attachments:

1. FAQ about Ordinance from the City of Bryan
2. City of Bryan R-NC Ordinance

Frequently Asked Questions about Residential Neighborhood Conservation ('R-NC') Districts

1. What is the Zoning Ordinance?

The Zoning Ordinance is part of the City of Bryan's Code of Ordinances and provides for the division of land into different zoning districts and regulates the type, scale and intensity of development which may occur in those districts. Land uses in each district are regulated according to type, density, height, lot size, placement, building bulk and other development standards.

2. What is a Residential Neighborhood Conservation 'R-NC' zoning district?

In April 2006, the Bryan City Council approved an ordinance creating a new zoning classification, the Residential Neighborhood Conservation 'R-NC' zoning district. This residential zoning classification is intended primarily for low-density residential uses. Other residential zoning classifications allow up to four individuals who are not related to each other (by blood, marriage or adoption) to occupy a single-family dwelling. In 'R-NC' Districts, only two individuals who are not related to each other (by blood, marriage or adoption) can legally live in a single-family dwelling.

3. What is the intent of 'R-NC' zoning districts?

The Residential Neighborhood Conservation 'R-NC' zoning classification is intended to help preserve, protect and enhance the character of established residential neighborhoods.

4. How is a property rezoned to 'R-NC' District?

Rezoning property requires an action by the Bryan City Council. Property owners may apply to change the zoning of a single-family residential lot or subdivision to a Residential Neighborhood Conservation 'R-NC' District. In cases where an entire subdivision (or subdivision phase) is requested to be rezoned to an 'R-NC' District, at least 66 percent of the property owners within that subdivision (or subdivision phase) must sign a petition indicating their support for such a rezoning.

All rezoning requests are first considered by Bryan's Planning and Zoning Commission, or P&Z, during a public hearing at which interested citizens may come forward to speak for or against a request. Following the public hearing, P&Z forwards a recommendation to the city council, which holds its own public hearing where, again, interested citizens may come forward to speak for or against a request. The city council may then approve, approve with modifications, or deny the proposed rezoning.

Questions about applying for 'R-NC' zoning? Please call (979) 209-5030 or visit the Planning Division of the City of Bryan's Development Services Department on the first floor of the Bryan Municipal Office Building, 300 South Texas Avenue, Monday - Friday, 8 a.m.-5 p.m. No appointment is needed.

5. How can I get my neighborhood rezoned to a Residential Neighborhood Conservation 'R-NC' District?

The following describes the procedure for cases where property owners of a platted subdivision (or subdivision phase) desire to apply for 'R-NC' zoning. You may also refer to [Section 130-42\(c.\)](#) of the City of Bryan Zoning Ordinance. Requests to rezone individual lots to 'R-NC' District follow the ordinary rezoning procedure described in [Section 130-42\(d.\) thru \(j.\)](#) of the City of Bryan Zoning Ordinance.

a. Designate one individual as point of contact (also known as the "circulator") for the rezoning application.

b. Contact the Planning Division of the City of Bryan's Development Services Department in offices on the first floor of the Municipal Office Building, 300 South Texas Avenue, Monday-Friday, 8 a.m.-5 p.m., to request an application packet.

The circulator should also obtain a copy of the official plat from the City Planning Office. The information in the plat is important because the ordinance requires that petition forms be mailed to the property owners of all lots of record. For example, Mary Smith owns Lots 8 and 9, Block 1, Smithsonian Subdivision Phase 5. The Appraisal District may list this as one piece of property with one "R" number. However, if the official plat as on file with the City Planning Office shows that Lots 8 and 9 are two separate lots, this property owner would be mailed two petition forms, one for Lot 8 and one for Lot 9. Here is another example. Bob Jones owns Lot 8 and Part of Lot 9, Block 2, Smithsonian Subdivision Phase 5. If the portion of Lot 9 that Bob Jones owns is too small to "stand alone" as a separate piece of property, then Mr. Jones only gets one petition form since, in this case, Lot 8 and part of Lot 9 are viewed as one piece of property.

c. Identify name of the platted subdivision or subdivision phase for which 'R-NC' zoning is desired.

d. Obtain a list of property owners for the subdivision or subdivision phase from the Brazos County Appraisal District, located at 1673 Briarcrest Drive Suite A-101 in Bryan. Or call them at 979-774-4100. Please note that at least 51 percent of the land area in the proposed Residential Neighborhood Conservation District must be presently

improved as identified by the Brazos County Appraisal District.

e. Mail copies of the "Residential Neighborhood Conservation District Rezoning Petition Verification Response Form" and [Ordinance No. 1585](#) (which established the 'R-NC' zoning classification) to all (100%) property owners in the subdivision or subdivision phase. Copies of the petition form and Ordinance No. 1585 are included in the application packet. Please note that the application form is in English on one side and in Spanish on the other side and should be reproduced that way. Property owners who wish to return petition forms must sign them before a Notary Public. Petition forms must be returned with at least one side of the petition form (either in English or in Spanish) completely filled out (no blanks).

Any form returned without the Spanish version on the back, whether that side has been filled out by the property owner or not, will not be counted.

Note: If more than one individual (for example, husband and wife) owns a piece of property, it's only necessary that one of the owners sign the petition form. However, the circulator is advised to be certain that the person who signs the form is actually the owner (or one of the owners) of that piece of property as shown on the Brazos County Appraisal District records.

f. The circulator should collect all returned petition forms. Please note that an affirmative vote of the owners of at least 66 percent of the lots of record within the platted subdivision or within a single phase/section of a platted subdivision is required before the following steps can be completed. Please note that signatures affixed to a petition form cannot be more than 180 days old at the time of filing an 'R-NC' rezoning application with the City Secretary's Office.

g. When the circulator is ready to make an application for 'R-NC' zoning, he/she must submit the following documents to the City Secretary's Office (samples of all these documents are included in the application packet):

1. A completed rezoning application form. Please note that the \$300 application fee normally required in conjunction with rezoning requests is not required for rezoning requests under Ordinance No. 1585.
2. A completed affidavit, sworn to before a Notary Public, that the circulator mailed petition forms (in both English and Spanish) and a copy of Ordinance No. 1585 to 100 percent of the property

owners located in the area sought to be rezoned.

3. All returned petition forms.

Circulators should call the City Secretary's Office at (979) 209-5002 to schedule an appointment for filing an application for 'R-NC' zoning. The filing is a legal process and requires both the circulator and City Secretary or her designee to be present for the filing process.

h. Upon verifying application completeness, the City Secretary's Office will forward the rezoning application and supporting documents to the Development Services Department.

i. The rezoning request will then be processed like any other rezoning request. All rezoning requests are first considered by Bryan's Planning and Zoning Commission during a public hearing at which interested citizens may come forward to speak for or against a request.

j. With a recommendation from the Planning and Zoning Commission, rezoning requests are forwarded to the Bryan City Council, which then holds its own public hearing where interested citizens may come forward to speak for or against a request. Following the public hearing, the city council may approve, approve with modifications, or deny the proposed rezoning.

For additional questions regarding an application for 'R-NC' zoning, please call (979) 209-5030 or visit the Planning Division of the City of Bryan's Development Services Department in offices on the first floor of the Municipal Office Building, 300 South Texas Avenue, Monday-Friday, 8 a.m.-5 p.m. No appointment is needed.

6. Will this ordinance affect all of Bryan?

No. Only properties zoned Residential Neighborhood Conservation 'R-NC' District are subject to the standards of this zoning classification, which limits to two the number of individuals not related to each other (by blood, marriage or adoption) who may live in a single-family dwelling.

7. Will students currently residing in Bryan neighborhoods have to move out if their neighborhood is rezoned to a Residential Neighborhood Conservation District?

No. The number of individuals not related to each other (by blood, marriage or adoption) living in a single-family dwelling on the day that the property is rezoned to 'R-NC' District may continue to live there for as long as they want. If an individual moves out and no new individual

moves in within 12 months, then the number of individuals not related to each other allowed to live in that single-family dwelling is reduced by one (e.g., from 4 to 3 or from 3 to 2), unless the property is advertised for sale or lease and actively marketed.

It is important to remember that under no circumstances should more than 4 individuals who are not related to each other (by blood, marriage or adoption) live in a single-family dwelling within the Bryan city limits.

8. How will individuals wanting to rent or lease property in Bryan know how many individuals can live in a particular house?

To check the zoning classification on a particular property, citizens may call (979) 209-5030 or visit the Planning Division of the City of Bryan's Development Services Department on the first floor of the Municipal Office Building, 300 South Texas Avenue, Monday-Friday, 8 a.m.-5 p.m. No appointment is needed. Alternatively, the zoning of a particular property may be verified online at <http://ims.bryantx.gov/gis/website/pz/viewer.htm>. Maps are currently being updated to reflect the recent changes to the Zoning Ordinance.

9. Is the ordinance limited to students?

No, the ordinance applies to everyone.

ORDINANCE NO. 1585

AN ORDINANCE OF THE CITY OF BRYAN, TEXAS, AMENDING CHAPTER 130, ZONING, OF THE CITY OF BRYAN CODE OF ORDINANCES, AS AMENDED; CREATING THE “RESIDENTIAL NEIGHBORHOOD CONSERVATION DISTRICT” ZONING CLASSIFICATION; PROVIDING USE REGULATIONS FOR THAT ZONING DISTRICT; RENAMING THE ZONING CLASSIFICATIONS “SINGLE FAMILY -7000” AND “SINGLE FAMILY-5000” TO “RESIDENTIAL DISTRICT 7000” AND “RESIDENTIAL DISTRICT 5000”; ESTABLISHING A PROCESS WHEREBY PROPERTY OWNERS MAY PETITION THE CITY COUNCIL TO INITIATE A REZONING OF AN ENTIRE RESIDENTIAL SUBDIVISION OR A SINGLE PHASE OF A PLATTED RESIDENTIAL SUBDIVISION CURRENTLY ZONED “RESIDENTIAL DISTRICT 7000” OR “RESIDENTIAL DISTRICT 5000” TO THE NEW ZONING CLASSIFICATION “RESIDENTIAL NEIGHBORHOOD CONSERVATION DISTRICT;” REPEALING ALL ORDINANCES OR PARTS OF ORDINANCES IN CONFLICT HERewith; PROVIDING A SAVINGS CLAUSE; PROVIDING A SEVERABILITY CLAUSE; FINDING AND DETERMINING THAT THE MEETINGS AT WHICH SAID ORDINANCE IS PASSED ARE OPEN TO THE PUBLIC AS REQUIRED BY LAW; PROVIDING FOR CODIFICATION; AND PROVIDING FOR AN EFFECTIVE DATE

WHEREAS, the City of Bryan has adopted Chapter 130, Zoning, of the City of Bryan Code of Ordinances, as amended, which divides and regulates the various zoning districts within the City;

WHEREAS, the City of Bryan has many unique and distinctive established residential areas that contribute significantly to the overall cultural character and identity of the city;

WHEREAS, the Bryan City Council recognizes the need to preserve, protect, and enhance the value of these residential areas and wishes to provide a means of conserving the distinctive atmosphere or character of these neighborhoods by protecting them through the establishment of a Residential Neighborhood Conservation District Zoning Classification;

WHEREAS, the provisions of this ordinance are intended:

- (a) To protect and enhance the livability of the city;
- (b) To encourage the stabilization of property and property values; and
- (c) To ensure the harmonious, orderly and efficient growth and development of the city.

NOW THEREFORE, BE IT ORDAINED BY THE CITY OF BRYAN, TEXAS, THAT:

1.

Section 130-8, “Zoning Districts Established”, of the City of Bryan Code of Ordinances, as amended, is hereby by amended as follows:

Section 130-8 Zoning Districts Established

(a) The City of Bryan, Texas, is hereby divided into the following zoning districts. The use, height, and area regulations as set out herein apply to each district. The districts established herein shall be known as:

TABLE INSET:

Abbreviated Designation	Zoning District Name
A-O	Agricultural-Open District
RD-7000	Residential District -7000
RD-5000	Residential District -5000
MF	Multiple-family District
DT-N	Downtown North District
DT-S	Downtown South District
DT-C	Downtown Civic District
SC-B	South College Business
SC-R	South College Residential
C1	Office District
C2	Retail District
C3	Commercial District
I	Industrial District

TABLE INSET:

Abbreviated Designation	Special Purpose District Name
HP	Historic Preservation Overlay District
PD	Planned Development District
CO	Corridor Overlay District
MU-1	Mixed Use Residential District - 1
MU-2	Mixed Use District – 2 (General)
R-NC	Residential Neighborhood Conservation District

(b) Definitions and terms. Certain words and terms used throughout this ordinance are defined in Section 130-3.

2.

That Section 130-3 of the City of Bryan Code of Ordinances, as amended is omitted.

3.

That Section 130-3, “SF-5-Single Family Residential District -5000”, of the City of Bryan Code of Ordinances, as amended, shall be amended to read as follows:

Section 130-10 RD-7 Residential District – 7000

(a) General purpose and description. The Residential District - 7000, is intended to be composed of detached dwelling units on lots of not less than seven thousand (7,000) square feet. Detached dwelling units are designed primarily for residential use and do not easily lend themselves to other types of nonresidential uses. Other uses may be permitted in this district which are compatible to residential uses and occupy structures designed for their intended use and do not infringe upon the residential uses.

(b) Permitted uses:

Accessory Structures (refer to Section 130-33(a))
Detached Dwelling Units with no more than 4 un-related persons
Essential Municipal Uses
Group Home/Community Home
Government (Federal or State) Owned structures, facilities, and uses
Home Occupations
Place of Worship
Private Utilities (no storage yards)
Real estate sales offices during the development of residential subdivisions, but not to exceed three (3) years
Schools
Temporary Structures for uses incidental to construction work on the premises, which said buildings shall be removed upon the completion or abandonment of construction work

(c) Conditional uses:

Accessory Dwelling Unit (refer to Section 130-33(b))
Accessory Structure if greater than the standards set forth in Section 130-33(a)
Bed and Breakfast
Boarding (Lodging) House
Child Care - Class B
Country Club or Golf Course
Duplex
Funeral Home/Mortuary
Neighborhood Services
Nursing Home (Retirement Home)
Patio Home (Zero Lot Line Dwelling)
Police Station
Professional Offices (In the Eastside Historic District, the Building must also be used as a primary dwelling by the owner, managing partner or majority shareholder of the business occupying the building.)
Community Center/Recreation Center
Townhouses

(d) Lot area, height, and setback requirements:

Refer to Building Setbacks and Lot Standards, Article IV, Chapter 62, Bryan City Code.

(e) Parking regulations:

Refer to Access and Off-Street Parking, Article VI of Chapter 62, Bryan City Code.

(f) Other regulations:

- (1) As established by all other applicable sections and/or ordinances.
- (2) Wireless telecommunication facilities shall be allowed only as provided for in Section 130-34.

(g) Special requirements:

- (1) No temporary structures, such as recreational vehicles, travel trailers, construction trailers, or mobile homes may be used for on-site dwelling purposes.
- (2) Open storage is prohibited (except for materials for the resident's personal use or consumption, i.e. firewood, gardening materials, etc.)
- (3) Where activity has ceased for one (1) or more years on a property where the most recent land use is a permitted use in this district, a site plan shall be filed in accordance with the provisions of the Non-Residential & Multi-Family Development, Article III of Chapter 62, Bryan City Code, before activity on the property may resume. Detached dwellings, patio homes, townhouses, and duplexes are exempt from this provision.
- (4) Duplex, patio home, and townhouse dwellings permitted conditionally in this district shall conform to standards as specified in Section 130-33.
- (5) Professional offices, permitted conditionally in this district shall have one driveway. The minimum dimensions shall be 37 feet long by 18 feet wide so as to accommodate four vehicles on the site.
- (6) Professional offices, conditionally permitted in this district shall have a minimum of eight percent of the site landscaped.

4.

That Section 130-11, "SF-5-Single Family Residential District -5000", of the City of Bryan Code of Ordinances, as amended, shall be amended to read as follows:

Section 130-11 RD-5 Residential District - 5000

(a) General purpose and description:

The Residential District - 5000, is intended to provide for development of detached dwelling units on lots of not less than five thousand (5,000) square feet. Other uses, such as religious and educational facilities, and open spaces are provided to maintain a balanced, orderly, convenient, and attractive residential area. Certain uses, such as duplexes, may be permitted if used in a compatible manner with areas.

(b) Permitted uses:

Any use permitted in RD-7

(c) Conditional uses:

Any conditional use listed in RD-7 with the addition of:

Halfway House

(d) Lot area, height, and setback requirements:

Refer to Building Setbacks and Lot Standards, Article IV, Chapter 62, Bryan City Code.

(e) Parking regulations:

Refer to Access and Off-Street Parking, Article VI of Chapter 62, Bryan City Code.

(f) Other regulations:

- (1) As established by all other applicable sections and/or ordinances.
- (2) Wireless telecommunication facilities shall be allowed only as provided for in Section 130-34.

(g) Special requirements:

- (1) No temporary structures, such as recreational vehicles, travel trailers, construction trailers, or mobile homes may be used for on-site dwelling purposes.
- (2) Open storage is prohibited (except for materials for the resident's personal use or consumption, i.e. firewood, gardening materials, etc.)
- (3) Patio homes shall be permitted only on lots specified for such a use in an approved plat (see Section 130-33 for criteria). Duplex and townhouse dwellings permitted conditionally in this district shall conform to standards as specified in Section 130-33.
- (4) Where activity has ceased for one (1) or more years on a property where the most recent land use is a permitted use in this district, a site plan shall be filed in accordance with the provisions of Non-Residential & Multi-Family Development, Article III of Chapter 62, Bryan City Code, before activity on the property may resume. Detached dwellings, patio homes, townhouses, and duplexes are exempt from this provision.

5.

That the title of Section 130-13, "O- Office District", of the City of Bryan Code of Ordinances, as amended, shall be amended to read as follows:

Section 130-13 C1 - Office District

6.

That the title of Section 130-14, "R- Retail District", of the City of Bryan Code of Ordinances, as amended, shall be amended to read as follows:

Section 130-14 C2 - Retail District

7.

That the title of Section 130-15, "C- Commercial District", of the City of Bryan Code of Ordinances, as amended, shall be amended to read as follows:

Section 14 C3 - Commercial District

8.

That the existing Section 130-31, "Buffer Area Requirements", shall be renumbered as Section 130-32 and the succeeding sections shall be renumbered accordingly. The new Section 130-31 shall read as follows:

Section 130-31 R-NC Residential-Neighborhood Conservation

(a) General Purpose and Description

The R-NC, Residential-Neighborhood Conservation District, is intended to be composed of detached dwelling units on lots of not less than five thousand (5,000) square feet. Dwellings are designed primarily for residential use and do not easily lend themselves to other types of nonresidential uses or rental property. Other uses may be permitted in this district which are compatible to residential uses and occupy structures designed for their intended use and do not infringe upon the residential uses.

(b) Permitted Uses:

- Accessory Structures
- Detached Dwelling Units w/ no more than 2 un-related people
- Essential Municipal Uses
- Group Home / Community Home
- Government (Federal or State) Owned structures, facilities, and uses
- Home Occupations
- Place of Worship
- Private Utilities (no storage yards)
- Real estate sales offices during the development of residential subdivisions, but not to exceed three (3) years
- Schools
- Temporary Structures for uses incidental to construction work on the premises, which said buildings shall be removed upon the completion or abandonment of construction work.

(c) Conditional Uses:

- Accessory Dwelling Unit
- Accessory Structure if greater than the standards set forth in Section 130-3(a)
- Bed and Breakfast
- Boarding (Lodging) House
- Child Care - Class B
- Community Center /Recreation Center
- Country Club or Golf Course
- Detached Dwelling Units w/ no more than 4 un-related people
- Duplex
- Funeral Home/Mortuary
- Municipal Services Support Facilities
- Neighborhood Services
- Nursing Home (Retirement Home)
- Patio Home (Zero Lot Line Dwelling)
- Police Station

Professional Offices (In the Eastside Historic District, the Building must also be used as a primary dwelling by the owner, managing partner or majority shareholder of the business occupying the building.)

Townhouses

(d) Lot Area, Height, and Setback Requirements:

Refer to Building Setbacks and Lot Standards, Article IV, Chapter 62, Bryan City Code.

(e) Parking Regulations:

Refer to Access and Off-Street Parking, Article VI of Chapter 62, Bryan City Code.

(f) Other Regulations:

- (1) As established by all other applicable sections and/or ordinances.
- (2) Wireless telecommunication facilities shall be allowed only as provided for in Section 130-34.
- (3) Foster children residing in licensed foster care homes shall not be included in the calculation of the number of unrelated individuals living together in a single dwelling unit. Licensed foster care homes shall comply with any state mandated restrictions on the number of children permitted to reside in the dwelling unit.
- (4) Any dwelling unit permitted in this zoning district may have a second family comprised entirely of individuals related by blood, marriage or adoption, residing therein on a temporary basis for a period not exceeding six (6) months in any calendar year.

(g) Special Requirements:

- (1) No temporary structures, such as recreational vehicles, travel trailers, construction trailers, or mobile homes may be used for on-site dwelling purposes
- (2) Open storage is prohibited (except for materials for the resident's personal use or consumption, i.e. firewood, gardening materials, etc.)
- (3) Where activity has ceased for one (1) or more years on a property where the most recent land use is a permitted use in this district, a site plan shall be filed in accordance with the provisions of the Non-Residential & Multi-Family Development, Article III of Chapter 62, Bryan City Code, before activity on the property may resume. Detached dwellings, patio homes, townhouses, and duplexes are exempt from this provision.
- (4) Duplex, patio home, and townhouse dwellings permitted conditionally in this district shall conform to standards as specified in Section 130-33.
- (5) Professional offices, permitted conditionally in this district shall have one driveway. The minimum dimensions shall be 37 feet long by 18 feet wide so as to accommodate four vehicles on the site.
- (6) Professional offices, conditionally permitted in this district shall have a minimum of eight percent of the site landscaped.

9.

That the existing subsection 130-41(c) shall be renumbered as subsection 130-41(d), and the succeeding subsections of Section 130-41, "Changes and Amendments to Zoning Ordinance, Districts and Administrative Procedures", shall be renumbered accordingly. The new subsection 130-41(c) shall read as follows:

(C) Residential Neighborhood Conservation District Rezoning

- (1) Property owners may make application to the City Council for a city initiated rezoning of an entire platted residential subdivision or a single phase/section of a platted residential subdivision presently zoned Residential District -7000 (RD-7) or Residential District 5000 (RD-5) to Residential Neighborhood Conservation District (R-NC).
- (2) An application for a city initiated rezoning of an entire platted residential subdivision or a single phase/section of a platted residential subdivision from Residential District -7000 (RD-7000) or Residential District-5000 (RD-5000) to a Residential Neighborhood Conservation District (R-NC) must include the Residential Neighborhood Conservation District Rezoning Petition Verification Response Form. This Petition must be sent via regular mail to 100% of the lot of record owners listed within Brazos County Appraisal District Tax Rolls. All returned Petition Verification Response Forms shall contain signatures that shall be notarized, regardless of whether the vote cast is a yes or no. No signature affixed to the Petition more than 180 days prior to the date of filing the Petition with the City Secretary shall be counted. Each lot of record shall have one vote regardless of the number of owners listed in the Brazos County Appraisal District Tax Rolls. The agent representing the platted subdivision or platted phase of a subdivision shall file a notarized affidavit to attest all Petition Verification Response Forms were mailed to the last known owner(s) as listed in the Brazos County Appraisal District Tax Rolls. The Residential Neighborhood Conservation District Rezoning Petition Verification Response Form and Affidavit Form may be obtained at the office of Development Services.
- (3) At least 51% of the land area in the proposed Residential Neighborhood Conservation District must be presently improved as identified by the Brazos County Appraisal District (BCAD), and an affirmative vote of the owners of at least 66% of the lots of record within the platted subdivision or within a single phase/section of a platted subdivision shall be required for the Planning and Zoning Commission to take up consideration of the proposed rezoning.
- (4) The completed rezoning application and Petition Verification Response Forms shall be submitted to the City Secretary. The City Secretary shall examine the rezoning application and ascertain whether it is sufficient under Sections 130-41(C)(2) and (3) and shall attach to the Petition Verification Response Forms the City Secretary's certificate showing the result of the examination. If the certificate shows the rezoning application is insufficient, the rezoning application may be amended within ten (10) days from the date of the certificate, after which time the city secretary shall examine the amended rezoning application. If the City Secretary's certificate shows the amended rezoning application to be insufficient, it shall be returned to the person filing and a new petition for the same subdivision or phase/section shall not be submitted for a period of 180 days. If the rezoning application is found to be sufficient, the City Secretary shall submit the rezoning application to Planning and Zoning Commission without delay.
- (5) If rezoned to a Residential Neighborhood Conservation District, the permitted uses of the property shall be determined and controlled by the use regulations set forth for in Section 130-31, Residential Neighborhood Conservation District (R-NC) classification.

10.

Should any section, paragraph, sentence, phrase or word of this ordinance be declared unconstitutional or invalid for any purpose by a court of competent jurisdiction, the remainder of this ordinance shall not be affected thereby and to this end the provisions of this ordinance are declared to be severable.

11.

All ordinances or parts of ordinances in conflict with the provisions of this ordinance are hereby repealed to the extent of such conflict.

12.

The City of Bryan Code shall remain in full force and effect, save and except as amended by this ordinance.

13.

It is hereby found and determined that the meetings at which this ordinance was passed were open to the public as required by §551.001, et seq., Texas Government Code, and that advance public notice of the time, place and purpose of said meetings was given.

14.

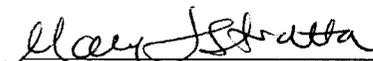
It is the intention of the City Council that this ordinance shall become a part of the Bryan City Code, and it may be renumbered and codified therein accordingly.

15.

This ordinance shall go into effect immediately after its second and final reading.

PRESENTED AND GIVEN first reading the 28 day of March, 2006, at a regular meeting of the City Council of the City of Bryan, Texas; and given second reading, passed and approved on the 11th day of April, 2006, by a vote of 6 ayes and 0 noes at a regular meeting of the City Council of the City of Bryan, Texas.

ATTEST:


Mary Lynne Stratta, City Secretary

CITY OF BRYAN


Ernie Wentrcek, Mayor

APPROVED AS TO FORM:


Michael J. Cosentino, City Attorney

**25 October 2007
Workshop Agenda Item 3
Growth Management Strategies**

To: Glenn Brown, City Manager

From: Bob Cowell, AICP, Director of Planning & Development Services

Agenda Caption: Presentation, possible action and discussion regarding growth management strategies.

Recommendation(s): After consideration and discussion of growth management options, provide policy direction to City staff.

Summary: On May 29, 2007, a joint meeting of the City Council, Planning and Zoning Commission, and Parks and Recreation Advisory Board was held to discuss growth management strategies for the City of College Station and its extra-territorial jurisdiction (ETJ). A report, compiled by Kendig Keast Collaborative, the City's Comprehensive Plan consultant, was presented for discussion.

After reviewing the report, staff prepared a memo recommending several growth management measures that could be employed prior to completion of the Comprehensive Plan to reduce the instance of and impacts of the development patterns occurring in the ETJ. The recommendations were presented to the City Council at their July 12, 2007 meeting. At that time, the City Council directed staff to engage community stakeholders in discussions about the proposed growth management strategies.

City staff held five informational meetings for the community, including meetings for neighborhoods and interested parties, the Comprehensive Plan Advisory Committee, the Business and Land Development Forum, the Home Builders Association and the Board of Realtors. The findings of the report compiled by Kendig Keast Collaborative were presented for feedback and discussion. Based on the report and these meetings staff prepared with assistance from the P&Z Commission recommendations regarding implementation of the identified strategies.

Upon Council direction on the proposed strategies, staff will develop specific plan and ordinance amendments for action by the Commission and Council.

Budget & Financial Summary: N/A

Attachments:

1. Staff Recommendations
2. Notes from Stakeholder Meetings
3. Staff memo on Consultant's report
4. KKC Growth Management Report

Growth Management Strategies Staff Recommendation – October 25, 2007

Stated purposes for growth management strategies:

- Protection of health, safety, and welfare of area citizens (traffic, drainage, building safety, etc.)
- Maximize net fiscal benefits of growth and development to the City of College Station
- Maximize the efficiency of the delivery of City of College Station public services
- Protection of area character, particularly clear delineation of rural and urban areas
- Protection of environmental resources

Techniques to respond to these purposes:

- Comprehensive Planning
- Zoning Regulations
- Subdivision Regulations
- Annexation
- Development Agreements
- Impact Fees
- Improvement Districts
- Interlocal Cooperation
- Capital Improvement Programming

To some extent, the City is engaging in each of these techniques. The consultant recommends adjustments in each of these areas to effectively manage growth and development to achieve the stated purposes. Further, *the consultant states that the most readily available means for minimizing the impacts of growth in the ETJ is through the subdivision regulations*, though such revisions must be accompanied by adjustments in many of the other identified techniques.

Staff believes that all options presented by the consultant except for those identified for no further action will result in achieving the stated purposes and therefore recommends that the those items identified for text amendments proceed and that those items identified for incorporation into the Comprehensive Plan proceed.

Staff Recommended Options:

- Take No Action at This Time
- Proceed with Text Amendment
- Incorporate into Comprehensive Plan Update

Take No Action at This Time

Staff believes that the following items are either currently prohibited by Texas Local Government Code or would fail to achieve the stated goals of growth management. Staff therefore recommends that no further action be taken on these items at this time:

- ü Transfer or Purchase of Development Rights

Proceed with Text Amendments

- ü Access Management – minimum lot width of 400’
- ü Minimum Lot Size - minimum lot size of 20 acres
- ü Development Plat – revise waivers and exemptions
- ü Parkland Dedication – extend parkland dedication into ETJ (already enacted)
- ü Urban Density Street Option – remove development incentive
- ü Redevelopment Standards – streamlined redevelopment procedures

Incorporate into Comprehensive Plan Update

- ü Development Clustering – develop incentives for clustering of development
- ü Resource Protection Standards – identification of resource protection areas and related standards
- ü City A-O Zoning – minimum lot size of 20 acres
- ü City A-OR Zoning – minimum lot size of 5 acres
- ü Character based Zoning – shift from use based zoning to character based zoning
- ü Adequate Public Facilities Ordinance – establish APFO or Concurrency requirements
- ü Traffic sheds – development of traffic shed provisions in development ordinances
- ü Impact Fees – extension of impact fees into the ETJ
- ü Conservation Easements – identification of protection areas and acquisition of easements
- ü Improvement Districts – establishment of improvement districts to pay for infrastructure
- ü Identification of Growth Areas – identify planned growth areas and protection areas
- ü Master Plans Related to Land Use Plan – ensure that all master plans (utilities, thoroughfares, parks, etc.) relate directly to the city’s land use plan.
- ü Revise Oversize Protection Requirements – revise OP practices to prohibit city participation in “non-growth” areas

Other Activities to Proceed with

- ü Annexation – exempt areas and development and continued maintenance of 3 year annexation plan
- ü Development Agreement – development agreements in the ETJ

- ü Interlocal Cooperation – interlocal cooperation agreements with the County and service providers regarding subdivision review, floodplain management, thoroughfare planning, utility provision, etc.
- ü CCN – extension of the City’s sewer service area into the ETJ to ensure that service provision in the ETJ will be consistent with city’s growth management strategies
- ü Implementation of CIP – Continued development and funding of the City’s CIP for capital projects within the City

GROWTH MANAGMENT STRATEGIES MEETING NOTES:

Neighborhoods and other interested parties-

- § Will make home sites in the ETJ too expensive. Unrealistic size requirements
- § The City allowed this to occur by offering sewer in the ETJ
- § Commercial is sprawling - no zoning in ETJ is an issue
- § Need to improve attraction for redevelopment in the City and provide infrastructure and services or fix problems with them to encourage development in the City
- § Need "neighborhood integrity" in the ETJ
- § Concern of lack of drainage control in ETJ
- § Need impact studies for developments in the ETJ to assure that project will not affect nearby streets, properties, etc.
- § This is good. Don't believe that "leap frogging" will occur with these regulations
- § Like the 20 acre requirement - radical and that is what we need.
- § Will be beneficial to the City's development pattern
- § Need impact fees in the City to ensure adequate infrastructure
- § Support the increase to 20 acre lot size as long as there is a zoning district within the City limits that will support the rural 3-5 acre lot subdivisions
- § Need to extend greenways program, etc. into the ETJ to ensure protection of natural resources and open space in the ETJ
- § Need to take radical steps now before it is all degraded. Our gateways are embarrassing. Health, safety and welfare includes the quality of the built environment
- § Concerned about a "rush" of developments coming forward to vest from the requirements.

Business & Land Development Forum-

- § Sprawl is driven by City regulations
- § Need a place for base industrial developments (metal buildings)
- § 20 acres will end residential and commercial development
- § Extending sewer into the ETJ was a mistake
- § 2-3 acres would probably be big enough and will retain "country living"
- § Annexation is the best option
- § Need better thoroughfare Plan in the County
- § Concern that the benefits of developing or redeveloping within the City will not be created before development opportunity in the ETJ is limited
- § City should not be concerned with drainage if plans are developed by an engineer
- § Those that don't like these regulations will develop elsewhere
- § Will this erode our tax base?
- § Need a fiscal analysis of sewer CCN extension and annexation
- § There may be a perception of the developments not meeting requirements, but they are working successfully
- § Proposal is good

Comprehensive Plan Advisory Committee-

- § Property owners should be able to do what they want with their property
- § Makes sense, but need to make sure we control the "skipping" out further that may occur
- § Don't extend utilities into the County
- § 20 acre minimum is good, but need to provide incentives for development in the City, such as density bonuses, etc. to meet the housing supply and housing prices don't get too high
- § Need to provide area in the City for businesses that don't need "pretty" buildings
- § Afraid that controls in ETJ will be put in without the incentives to develop inside the City that are needed
- § Need to recruit development / developers that will do something different and creative in the City
- § 10 acre minimum may be better
- § Need to create a desire to develop in the City
- § A manipulation of the market will have a reaction - people will just move out further
- § If we make it too expensive, people won't build here

- § We are going to have too much open space and parks to maintain
- § Very little land left in the City to develop
- § We need a more balanced economic base - need big ad valorem tax industries
- § Don't believe that this is really related to health and safety - just City's fiscal health
- § Annexation needed to balance the supply and demand of developable land
- § 20 acre minimum needed to conserve the land for development in the future - if 3-5 acre lots surround our City, we may miss out on future growth or economic development opportunities
- § Need to control drainage in the County
- § Need a more comprehensive thoroughfare Plan in the County
- § Need to encourage higher density infill in the City

Home Builders Association-

- § It is arrogant on the City's part to stop development in the ETJ just to encourage it within the City limits
- § ETJ property values will diminish
- § This is just control without annexation
- § An over reaction to a few bad development examples lately
- § We need to control density, drainage, etc.
- § 20 acres is too big
- § Building inspections will be provided in late 2008
- § The City is ignoring its western growth of the community - put infrastructure in the west
- § County should deal with assuring there are adequate public facilities, not the City
- § City has failed at responsibility to provide roads in the City. City needs to pay for and build roads. Don't do it in the ETJ
- § Market drives development
- § If City develops roads in the City, development will go there
- § ETJ residents don't need parks because they have a lot of land
- § Concerned with pricing people out of the home buying market
- § City's budget comes mainly from sales tax, not property tax - use sales tax to pay for roads
- § Not enough open acres left in the City to develop large subdivisions
- § We need affordable housing
- § Current City and County policies are preventing developers from providing adequate public facilities
- § 20 acres will stop development
- § Don't want cheap, dilapidated housing on the fringe of the City that will be annexed
- § 20 acres will drive development to Bryan
- § Need a growth strategy for ETJ

Board of Realtors-

- § There may be a conflict between these strategies and market demand
- § The City is blocking growth to the west, City should bring infrastructure westward
- § Need to be able to sell property at the maximum market price
- § The growth will go to Bryan
- § If the City annexes, need to provide City facilities and services
- § Land costs will diminish in the County and will increase in the City
- § This may affect affordability

Additional Written Comments:

- § Excellent recommendations!
- § Needs to be boiled down to 3-4 basic concepts
- § Comprehensive approach may be burdensome
- § Minimum 20 acre lots is too big, maybe 2 acre lots for rural areas. Have lot size equate to house size
- § We have a responsibility to address quality of life - beauty!
- § Gateways and urban/rural separation requires investment by the City
- § Need tree preservation
- § Will affect ability to provide affordable housing in these areas
- § Need to keep commercial development "in town" - concerned with light pollution and traffic

- § Neighborhoods in the ETJ need to be involved in the quality of growth that will occur in areas to be annexed
- § County and City need to meet together to address these issues
- § Agree with the recommendations to limit sprawl and encourage infill.
- § Make new development pay for itself - development fees, parkland dedication, etc.
- § The City limits has a boundary, but it shouldn't be so obvious to the eye
- § No parkland dedication in the ETJ!



1101 Texas Avenue, P.O. Box 9960
College Station, Texas 77842
Phone 979.764.3570 / Fax 979.764.3496

MEMORANDUM

June 27, 2007

TO: Members of the City Council
FROM: Jennifer Prochazka, AICP, Senior Planner
SUBJECT: **Growth Management Strategies**

On May 29, 2007, a joint meeting of the City Council, Planning and Zoning Commission, and Parks and Recreation Advisory Board was held to discuss growth management strategies for the City of College Station and its extra-territorial jurisdiction (ETJ). A report, compiled by Kendig Keast Collaborative, the City's Comprehensive Plan consultants, was presented for discussion.

The findings of the report concluded that development in the ETJ is, or is at least perceived to be, easier than development within the City limits. This is, in part, due to the availability of street and utility infrastructure, lack of development regulation and standards, lower land costs, fewer development fees and taxes, and an overall lack of development constraints in the ETJ. The City should incent development within the City limits by creating a compatible development environment in the ETJ and providing identifiable benefit to those that choose to develop in the City. Further, while encouraging development inside the City limits, quality development that will benefit the City both financially and aesthetically should be further incentivized.

The City must create a distinct line between the City and its rural ETJ and must provide a clear advantage for developing in the City limits. These recommendations are not intended to stop development, but guide it in areas that are more desired by the City because of decreased service costs and availability of services. As property is annexed, new growth areas will need to be identified so that over time, the City will be able to provide services in a way that maintains the City's fiscal health.

After reviewing the report prepared by Kendig Keast Collaborative, staff's recommendation is that the City employ several measures, prior to completion of the Comprehensive Plan, in order to incent development within the City limits and reduce the instance of and impacts of the development patterns that are occurring in the ETJ. At this time, staff is looking for specific direction on these measures from the Planning & Zoning Commission and City Council. The recommendations that follow have been separated into those that are recommended in the City limits and those that are recommended in the ETJ. Necessary ordinance or policy changes have also been included in the discussion.

Growth Management In The City's Extra-Territorial Jurisdiction

The City's ability to manage growth in the ETJ is limited by the authority given to Texas cities in the Local Government Code (LGC). Cities cannot extend zoning or building codes into their ETJ, nor can they

directly regulate density. Texas cities are, however, authorized to regulate the subdivision of land in their ETJ. Because the City's ability to manage growth is limited, it must fully utilize the tools that are available.

In order to prevent unchecked growth and density in the ETJ and to prevent the proliferation of individually operated package sewer plants, the City has submitted an application requesting the Certificate of Convenience and Necessity (CCN) for sewer service in this area. The CCN would enable and require the City to serve sewer in the ETJ, when it is requested and is consistent with the sewer extension policy. In the CCN application, the City has certified that it has both the ability and desire to serve sewer in that CCN area. Extending sewer service into the ETJ, without controlling growth in another way, will likely spur urban density development outside of the City limits. Neither land use controls nor building codes can be employed outside of the City limits, creating concern for the public health, safety and welfare when densities are increased. In addition, the roadway and drainage infrastructure in the ETJ is not adequate to serve urban densities. If the CCN for sewer service is awarded to the City, the City should amend its Subdivision Regulations to control the potential density, as discussed below, and should create a sewer service extension policy that requires that the developer bear all costs of sewer extension and service.

In addition to pursuing the sewer CCN in the ETJ, there are two primary methods of managing growth in the ETJ, more aggressive use of the Subdivision Regulations and annexation.

Subdivision Regulation Amendments

Minimum lot size and lot width - Several amendments should be made to the Subdivision Regulations to address some of the density concerns in the ETJ, including creating a minimum lot size and expanding current lot widths. The benefits of reducing densities in the ETJ include reducing the number of structures that are built in an area that has no building or fire regulations, reducing traffic on substandard roadways, and reducing the amount of run-off in areas that lack the drainage infrastructure to accommodate it.

Creating a larger minimum lot size is consistent with the City's current Comprehensive Plan, which calls for rural densities in the ETJ, and is supported by the County's effort to increase the minimum lot size needed to have an on-site septic facility. Larger lot requirements may also address the concern of property becoming 'unreachable' and precluded from future growth or economic development activities by reserving locations for future utility extensions. Small lot, urban development in the ETJ can preclude annexation or extension of utilities that may be needed or desired beyond these areas in the future. In addition, requiring a larger lot size will likely reduce the instance of sewer extension requests in the ETJ because on-site septic facilities are more likely to be used. In the future, the land will likely be further subdivided and more densely developed and sewer would be extended at that time. Kendig Keast recommended, and staff concurs with, a minimum of twenty acres for lots developing in the ETJ.

Increasing the required minimum lot width in the ETJ is consistent with both TxDOT's and the City's access management policies created to reduce the number of access points to roadways. Staff recommends that the minimum lot width be determined by a sliding scale based on the design speed of the roadway, but in no case should the width of a lot in the ETJ be less than 400 feet.

Remove urban density option - A current exemption in the Subdivision Regulations that allows urban densities to be developed when urban roadway standards are used within the proposed development needs to be removed. The benefits of reducing densities in the ETJ include reducing traffic on substandard roadways, reducing the amount of run-off in areas that lack the infrastructure to accommodate it, and reducing the number of structures in an area that is not subject to building or fire codes.

Concurrency / Adequate Public Facilities – Staff recommends that the Subdivision Regulations be amended to include specific requirements to address the timing and quality of infrastructure extensions, called 'concurrency' or 'adequate public facilities.' This would require that proposed

developments in the ETJ verify that the infrastructure needed to meet the health and safety requirements of the development, including roadway infrastructure, is in place prior to approval.

The City must extend its utility master plans and thoroughfare plan further into the ETJ so that necessary easements and rights-of-way can be obtained as development occurs. These master plans are currently scheduled to be completed with the Comprehensive Plan update.

Parkland Dedication - Staff recommends extending parkland dedication requirements into the ETJ to make development in the ETJ more financially comparable to that within the City limits. Fees, instead of land dedications, are preferred for ETJ developments because of challenges related to the ownership and maintenance of land dedications outside of the City limits. Staff recommends that fee-in-lieu of land dedications be used to buy property further out in the ETJ for future park development or for the acquisition and development of community or regional parks in the area. Further, to ensure that these fee-in-lieu dedications are adequate for future acquisition and development, the existing parkland dedication fees need to be updated to reflect current land costs.

Open Space Requirements - Requiring open space with development, in addition to parkland dedication requirements, can create the open space that is desired by the community, without the burden of public ownership or maintenance on the City. This can be accomplished through an amendment to the Subdivision Regulations.

Annexation

The second growth management alternative in the ETJ, more aggressive annexation, would enable areas of higher density, where desirable, and require that development in those areas, once annexed, comply with City regulations, including zoning and land use, and building and fire codes. Additionally, police, fire, sanitation, and park services would be extended at the time of annexation and City property taxes would be assessed to the property owners. Generally, City facilities, such as roadways and parks, are already used by these residents without property tax revenue for the City.

Upon annexation, property is zoned as A-O Agricultural Open as a holding zone until it is appropriate for development. As is recommended in the next section, minimum lot sizes should be increased for the holding zone designation to reduce the densities in rural areas until adequate facilities and services can be provided.

As you may recall, the City is currently pursuing the annexation of over 6,700 acres in five different areas. That process should be complete in late 2007. City staff has also begun to identify additional areas that could be placed in a three-year annexation plan.

Annexation also leads to a larger ETJ, which further extends the City's subdivision authority and the potential to manage growth.

Growth Management Inside The City Limits

The City must clearly identify desired investment areas within the City limits, including areas that are contiguous to current development and easily served by existing public facilities and services, such as utilities, roadway and park infrastructure, and fire, police and sanitation services. Infill development and redevelopment within the core of the City should also be encouraged. Once these areas are identified, the City will be able to incent appropriate development in these areas. There are several tools that can be used to encourage development in areas within the City, including the following:

Focus Capital Resources

The City must be pro-active in incenting and encouraging growth in appropriate locations to occur by using capital funds to ensure that adequate infrastructure and services are available in these areas. The City needs to focus its resources ahead of growth to ensure that the property is ready for development and should not provide major utility extensions outside of these areas. Capital

funds must also be used in existing developed areas to maintain and upgrade existing infrastructure in order to maintain current facilities and services and encourage infill and redevelopment within the core of the City.

Amendments to Subdivision Regulations

Concurrency / Adequate Public Facilities - Staff recommends that additional requirements, such as adequate public facilities ordinances, apply in areas where development is desirable but difficult or too expensive to serve with current City resources. Adequate public facilities ordinances, also called concurrency, are used to address the timing and quality of infrastructure extensions. This would require that proposed developments verify that the infrastructure needed to support and serve the development, including roadway and utility infrastructure, is either in place prior to approval or that they be provided concurrent with development.

Impact Fees & Oversized Participation- Impact fees should be assessed in areas of the City to help finance the infrastructure needed to support growth, such as major roadways and primary utility infrastructure that are identified on the Thoroughfare and Master Utility Plans. In some growth areas, the City should construct improvements ahead of growth or provide needed oversized participation in order to attract development to these areas. In other areas, infrastructure should be extended with development and financed by that development, without the use of oversized participation funds. In still other areas, extension of infrastructure may be avoided all together.

Zoning

Areas not able to be currently served with adequate public facilities and services should retain their holding zone designation, A-O Agricultural Open. In some instances, these areas should retain this designation to create a more distinct difference between urban / suburban areas and rural areas, or to respond to environmental constraints. Minimum lot sizes should be increased for the City's holding zone and rural residential zoning districts in order to decrease the density of potential development. Staff recommends that the minimum lot size should be no less than twenty acres in the Agricultural-Open zoning district, as recommended by Kendig Keast Collaborative. Residential subdivisions zoned A-OR Agricultural-Open Residential should have a minimum lot size of 5 acres.

Additionally, potential protection areas need to be identified, and appropriately zoned, to conserve resources, including floodplain, mature vegetation, natural features, wetlands and habitat areas.

Following feedback and direction regarding the aforementioned strategies, staff will develop specific recommendations for further consideration by the Commission and Council.

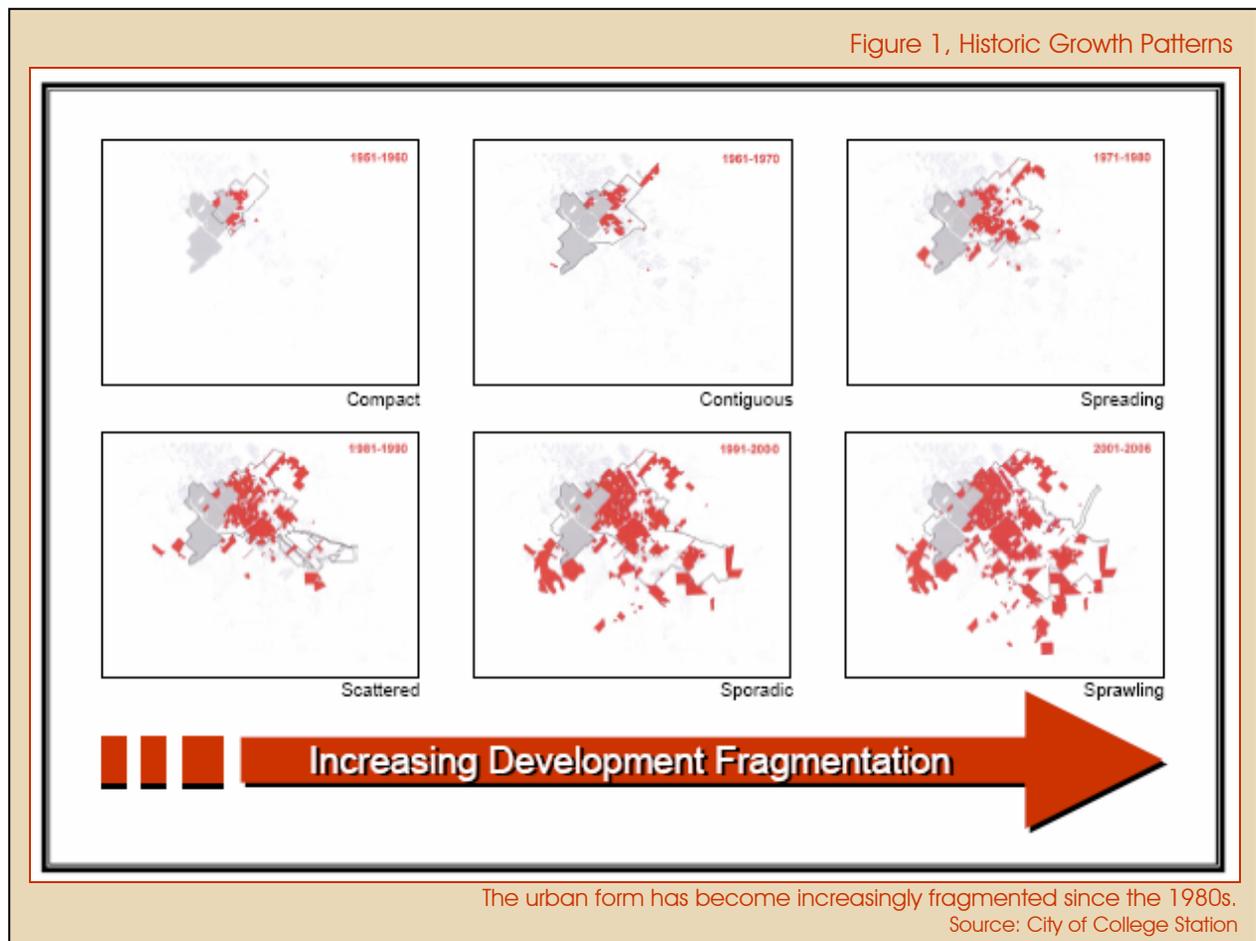
**TOOLBOX OF GROWTH MANAGEMENT TECHNIQUES
CITY OF COLLEGE STATION, TEXAS**

"The best way to predict your future is to create it."¹

INTRODUCTION

Over the course of the last six decades, College Station has experienced rapid growth, averaging 90 percent per decade. Excluding the 1940s (263 percent) and 1970s (111 percent), the average rate of growth per decade has been 42 percent. While the amount of growth has slowed since 1980, with 29 percent growth during the 1990s (compared to 111 percent and 41 percent during the 1970s and 1980s, respectively) it exceeds the rate of growth of Brazos County (34 percent) and Texas (22 percent).² From an economic perspective, the increase in population and corresponding employment growth is a positive indicator of the City's economic competitiveness and stability. A continuation of this economic growth is – and must remain – a primary goal of the community.

Figure 1, Historic Growth Patterns



¹ ~ Peter Drucker

² This is partially explained by the relative size of the respective jurisdictions.

A question confronting this community, however, is not only how to attract and sustain economic development but how to maximize its net fiscal benefits. The pattern of growth and efficiency of service provision are contributing factors, among others. As displayed in **Figure 1, Historic Growth Patterns**, beginning in the 1970s the form of development has become increasingly scattered. In fact, since the Year 2000, the number of platted lots in the ETJ has averaged 16.6 percent of the total annual platted lots.³ As for the projected population, assuming a continuation of recent trends, the ETJ is expected to increase in population by 17 percent by the Year 2016.⁴ The trend of peripheral growth is long-standing as development began to scatter in 1980s and has since increasing sprawled outward. Continuation of this pattern – and trend – will become increasingly problematic, resulting in an increased inefficiency of services thereby lessening the economic gain and placing a growing strain on the fiscal resources of the community.

Reasons for the Growth Pattern

There are several reasons why this growth pattern has occurred, including, but not limited to, the following:

- ◆ There is a lure to green field development due to the ease of development approval, particularly since the City has no authority within its ETJ to regulate:
 - The use of any building or property for business, industrial, residential, or other purposes;
 - The bulk, height, or number of buildings constructed on a particular tract;
 - The size of a building that can be constructed on a particular tract of land, including without limitation any restriction on the ratio of building floor space to the land square footage;
 - The number of residential units that can be built per acre of land; or
 - The size, type, or method of construction of a water or wastewater facility that can be constructed to serve a developed tract of land, subject to specified criteria.⁵
- ◆ The City's oversize participation ordinance allows the City to pay up to 100 percent of the total cost for any over-sizing of improvements that it requires in anticipation of future development. There are no stated exceptions or criteria regarding its cost effectiveness; financial feasibility; or conformance with utility master plans, the comprehensive plan, or other development policies. Furthermore, the current Comprehensive Plan does not define a designated growth area nor is it directly coordinated with the utility master plans. Therefore, there is no mechanism to coordinate the pattern and timing of development and ensure cost efficiency in the provision of adequate public facilities and services. This must be a focus of the current Comprehensive Plan, coordinated with updates of the City's water, wastewater, and drainage master plans.
- ◆ The City's decision to extend its Certificate of Convenience and Necessity (CCN) boundary for sewer service to coincide generally with its ETJ enables development to occur throughout the ETJ. While there are advantages by way of limiting the number of private package plants and controlling the quality of sewer infrastructure, this contributes to an inefficient pattern of development. Without a growth sequencing plan to direct the location and timing of development, consistent with the City's infrastructure planning and capital programming, the City has limited control of its development pattern.
- ◆ The fiscal impact analysis used to judge the feasibility of annexation appears to be an abbreviated model that does not fully account for the long-term operating and maintenance costs, the distance

³ Based upon plat data provided by the City

⁴ Based on a City forecast, "Development Trends in the Extra-territorial Jurisdiction (ETJ)"

⁵ Section 212.003, Extension of Rules to Extraterritorial Jurisdiction

required to extend utility services, or the timing of build-out. Further, the City's future land use plan and corresponding zoning districts are too general and thus, do not offer a clear indication of the likely uses and densities. Therefore, to more accurately determine the net fiscal benefit of annexation a more elaborate, robust model must be developed and used.

- ◆ There are both allowances and limitations within the zoning ordinance, including:
 - The minimum lot size within the Agricultural-Open "A-O" district is only five acres. Instead, the minimum lot size could be increased to 20 acres or larger ensuring preservation of the agricultural character and enabling the City to determine the timing by which facilities will be provided and urban development is allowed. Zoning, in this case, may serve as an effective growth management tool.
 - The Rural Residential Subdivision "A-OR" district allows a minimum lot size of one acre meaning that residences on septic systems and wells are permitted. Use of this district in the outlying areas of the corporate limits where adequate municipal facilities are not yet available is contributing to development fragmentation.
 - There are a relatively large number of use-based zoning districts. Essentially, this means that a zone change is necessary to respond to a shift in the market, which adds process and delays development. This is a disincentive for development to occur in the City rather than the ETJ where it is much easier and with less delay. Instead, the ordinance should allow more flexibility while increasing the development standards in line with the City's expectations and desired outcomes.
 - There is a multi-step process required for the Planned Mixed-Use "P-MUD" and Planned Development "PDD" districts, which lengthens the review and approval time, increases development costs, and is a disincentive for what is otherwise a preferred development type.
 - The ordinance allows for zoning classification at the time of annexation without any criteria as to when and under what circumstances the City will consider a change in zoning. Therefore, a zone change to a more intensive district may be allowed without consideration as to its consistency with the City's growth plan, capital improvement plan, or other criterion.
 - There are no incentives, such as density bonuses, integrated into the ordinance to encourage certain development types. An increased density in exchange for development clustering and increased open space could allow a rural development environment within the City limits rather than necessitating ETJ development to achieve this character.
 - The requirements for use transitions and buffering are generally ineffective providing reason to develop in the open countryside in relief of the impacts of abutting development.
- ◆ There are several rural water providers (Wellborn Special Utility District, Brushy Creek Water Supply Corporation, and Wickson Creek Special Utility District) and sewer providers (Carter Lake Water Supply Corporation and River Side Wastewater Treatment Plan) around the periphery of the City and ETJ, meaning that development may get access to public water and sewer systems that meets the standards of the Texas Council on Environmental Quality (TCEQ) without requiring connection to the City's utility systems.
- ◆ The Brazos County Health Department's requirements for permitting septic systems is a minimum of a one acre lot, whether there is public water available or a private well. This exceeds the State's one-half acre minimum, and is now being considered by the County Commission for an increase to a minimum of two acres. While an increase in the minimum allowable lot size for authorization to construct a septic system is both warranted and helpful, unless it is further increased it still allows rural development throughout the ETJ.

- ◆ There is a five-acre exemption of the platting requirements within State law that allows rural development to occur without platting and thus, without any provision for right-of-way dedication, delineation of easements, or other applicable – and warranted - development requirements.⁶
- ◆ The City’s parkland dedication requirements apply only within the City limits meaning that there are no requirements for the provision of parkland or payment in-lieu of land dedication. Therefore, effectively, this is an economic advantage for developing outside of the City limits to avoid payment of these fees.
- ◆ Development outside the City limits does not pay City taxes. Therefore, residents and businesses outside the City limits benefit from access to municipal facilities and services, such as parks, trails, libraries, and other community facilities, but do not share the tax burden associated with constructing and maintaining those facilities and services. Over time this increases the tax burden on in-City residents.
- ◆ Land is less expensive outside the City limits due, in part, to the absence of public infrastructure and improvements, which equates to cheaper development and hence, lower home costs.
- ◆ There is an attraction to the open, rural landscape, which will slowly disappear with increasing development over time and a lack of land use controls to protect the desirable character.

Potential Implications of Sprawl

While the growth of the community has brought great opportunity, without adequate foresight and preparedness it may involve long-term consequences, including:

- ◆ Erosion of a defined community edge thereby blurring its boundaries and contributing to a loss of community identity. This can be most readily seen along each of the entrances into the community where there is a proliferation of uses extending well beyond the City limits.
- ◆ Degradation of environmental resources, e.g. floodplains, wetlands, habitat, vegetated areas, etc.
- ◆ Overwhelmed public infrastructure (e.g., roads, water, and wastewater systems) and services (e.g., police and fire protection, parks, libraries, and schools), in some cases, creating unsafe conditions.
- ◆ A lack of coordinated planning between individual developments leading to, among other things, a discontinuous and disjointed street system and inability to plan for linear linkages and greenways.
- ◆ Premature and unexpected shifts in traffic patterns causing congestion and environmental impacts as development occurs in an uncoordinated fashion before adequate road infrastructure is in place.
- ◆ The provision of private streets and infrastructure systems such as package treatment plants, for which the burden may shift to the City in future years without the requisite funding to pay for it.
- ◆ Cumulative impacts on the natural environment due to stormwater runoff and non-point source pollution of area streams and watercourses.
- ◆ Inefficient provision of services meaning a larger investment in infrastructure systems with fewer than the optimal number of connections to pay for it.
- ◆ Increased traffic, as vehicles have to traverse relatively longer distances to reach places of work, shopping, services, education, recreation, and entertainment. This means that more public dollars must be expended on road building, expansion, maintenance, street lighting, and traffic enforcement.
- ◆ Declining community character and agricultural operations, as formerly large, contiguous farms are broken up by scattered development and the proliferation of “exurban”, 5-plus acre lots. The agricultural industry is a significant sector of the regional economy, and the presence of local

⁶ Section 212.004. Plat required (a)

agricultural products is good for local consumers. Moreover, farming is an important part of the region's heritage that continues to contribute to the quality of life and identity of the community.

GROWTH MANAGEMENT APPROACHES

Often, the elements that fuel growth (*e.g.*, community livability, quality schools, economic diversity, etc.) are slowly and ultimately sacrificed by the pattern, quality, and character of development. The integrity of public fiscal resources is also compromised because the new development is inefficient and does not contribute sufficient revenues to cover the costs of the services it demands. Modern "growth management" is a combination of techniques that allow municipalities to direct its pattern of growth and the timing of infrastructure provision, leading to better long-term economic sustainability. In broad terms, growth management techniques include:

- ◆ Comprehensive planning to establish the policy basis for the institution and administration of growth regulations;
- ◆ Regulatory approaches, including zoning and subdivision controls, which to varying degrees, directly impact the character, form, location, and quality of development.
- ◆ Annexation, which expands the geographic jurisdiction of the City to implement a full range of regulatory and fiscal approaches to growth management.
- ◆ Development and/or participation agreements, which provide for infrastructure funding (and may, in some instances, include land use controls).
- ◆ Impact fees, which provide funding for capital improvements that are needed to serve new development.
- ◆ Improvement districts and political subdivisions, which are independent entities that provide for infrastructure funding and operation.
- ◆ Interlocal cooperation contracts as a means for local governments to agree with other units of government with regard to providing administrative functions, infrastructure, and public services.
- ◆ Extension of publicly-owned utilities by way of capital improvement programming.

In Texas, state law provides a complex set of rules regarding which growth management techniques are available, and how those techniques may be implemented. The purpose of this issue paper is to summarize the provisions that may serve as viable and practical solutions for the City to manage its community character, efficient provision of adequate public infrastructure and services, and long-term fiscal health. This paper also establishes a framework for growth management, with strategic directions as to the changes in policies and practices to better manage future growth and development.⁷

There are an array of strategies for managing the pattern and timing of development, ranging from simply minimizing the impacts of growth without affecting the pattern to strictly controlling it. Given the limitations of Texas law there are few, if any, mechanisms currently available to entirely prevent sprawl. For the purposes of this discussion the growth management techniques are as follows:

⁷ This review of the applicable statutes is intended to provide a general overview of available tools and techniques, and shall not be considered legal advice with regard to the validity of any of the identified approaches or the potential legal consequences of implementing any particular approach. Potential risks are identified only if explicitly set out in the statutes. KKC recommends that the City consult with its attorney with respect to the legality and potential risks and exposures presented by any particular approach.

Comprehensive Planning

Chapter 213 of the Texas Local Government Code contains a broad authorization to develop and adopt a Comprehensive Plan.⁸ The statute allows the City to decide for itself what its Comprehensive Plan will address and how it will relate to the land development regulations. With regard to content, the statute says a Comprehensive Plan may:

- ♦ Include, but is not limited to, provisions on land use, transportation, and public facilities;
- ♦ consist of a single plan or a coordinated set of plans organized by subject and geographic area; and,
- ♦ be used to coordinate and guide the establishment of development regulations.

State law provides that “A municipality may define, in its charter or by ordinance, the relationship between a Comprehensive Plan and development regulations, and may provide standards for determining the consistency required between a plan and development regulations.” In other words, there is not a requirement that the comprehensive plan be applied in strict terms in all land use decision-making. However, there is latitude regarding the extent to which the land development regulations may be used to implement the plan. This is essential if the City is to successfully control its destiny.

In many cases, the availability of a particular growth management technique depends upon the type of municipality (e.g., general law or home rule), the population of the County, and the population and geography of the City.

The City of College Station is a home rule municipality with a 2000 population of 67,890 persons. Per Section 42.021 of the Texas Local Government Code, the extraterritorial jurisdiction (“ETJ”) extends 3½ miles from the City limits. College Station is located in Brazos County, which has a 2000 population of 152,415 persons.

It does not appear that the City Charter specifically authorizes the purpose or use of a Comprehensive Plan. While a plan is generally recognized as a “guide” for decision-making, given its relevance and essential role in managing the City’s growth and development, it is advisable for the City to specify its value in its long-range planning interests. Therefore, this may be an opportunity to make the plan for authoritative in land development decisions and capital expenditures.

The City’s Unified Development Ordinance (UDO) identifies as one of its objectives to “Implement the Comprehensive Plan through compliance with its individual elements.” Furthermore, the relationship between the UDO and Comprehensive Plan is expressed as follows:

- ♦ “It is intended that this UDO implement the City’s planning policies as adopted as part of the City’s Comprehensive Plan, as amended and periodically updated.
- ♦ The City’s Comprehensive Plan, and any associated plans or studies adopted by the City Council, shall be required to be amended prior to, or concurrent with, permitting development which would conflict with the plan.
- ♦ The alignments of proposed thoroughfares and bikeways on the “College Station Thoroughfare Plan map? And the “College Station Bikeway and Pedestrian Plan map” are generalized locations that are subject to modifications to fit local conditions, budget constraints, and right-of-way availability that warrant further refinement as development occurs. Alignments within 1,000 feet of the alignment shown on the aforementioned maps will not require a thoroughfare plan amendment.”⁹

⁸ Chapter 213 is not the only source of authority to adopt a comprehensive plan. Home rule may also be a source of authority, which is accomplished via the City charter in some Texas communities, e.g. Georgetown.

⁹ Section 1.6, Relationship to the Comprehensive Plan, Unified Development Ordinance, July 3, 2006

Therefore, to further strengthen the relationship between the Comprehensive Plan and UDO, the following should occur in the interest of better managing growth:

- ◆ Areas within the City limits that are not within the defined “growth area(s)” should be zoned Agricultural-Open “A-O”, provided the minimum lot size is increased from five to 20 acres, or more.
- ◆ The decision as to the zoning of newly annexed property must strictly adhere to the City’s growth plan. Annexation of land that is not within the defined “growth area(s)” must be zoned “A-O”, giving the City the decision as to the timing of development and its provision of services.
- ◆ The area defined as “Rural” on the Land Use Plan¹⁰ should strictly adhere to the City’s growth plan. Those portions of this area that are inadequately served and are not feasible for the extension of adequate public facilities and services should be re-designated as Agricultural-Open.
- ◆ The Rural Residential Subdivision “A-OR” district should coincide with the boundaries of the “Rural” designation on the Land Use Plan. The ordinance should subsequently be revised to increase the minimum lot size from one to five acres, with density bonuses for development clustering and increased open space.
- ◆ The use designations on the Future Land Use Plan should be reconciled with the zoning districts. Rather than indicating land use with a general reference to density, both should more clearly define the intended character of development. In other words, low, medium, and high density residential should include additional performance standards to ensure the intended character. Standards such as maximum gross density and open space and floor area ratios will better ensure the development outcomes. Otherwise, if more than one zoning district is allowed and there are not definitive standards, there is no mechanism for the City to control the development character. As it relates to growth management this is essential as a means for improved utility systems planning (since the density and hence, infrastructure demands are known) as well as controlling the form and character of development.

The Comprehensive Plan offers the ability for the City to establish its growth policies, which must then be directly related to the zoning regulations to effectuate them. This must be accomplished in tandem with the City’s water, wastewater, and drainage master plans, as well as the capital improvement program. Generally, the Comprehensive Plan should direct development first, to the areas where there is already adequate infrastructure and secondly, to the areas that may be readily and efficiently served with public facilities and services. Targeted upgrades of the infrastructure may be required to facilitate an infill development program. Lastly, the areas around the periphery of the City that may not be efficiently served - or are simply premature for development – should be reserved in the near term for agricultural (Agricultural-Open) or very low intensity uses (Rural Residential Subdivisions) with infrastructure staging for longer-term development. The means of executing these general policies are described in detail below.

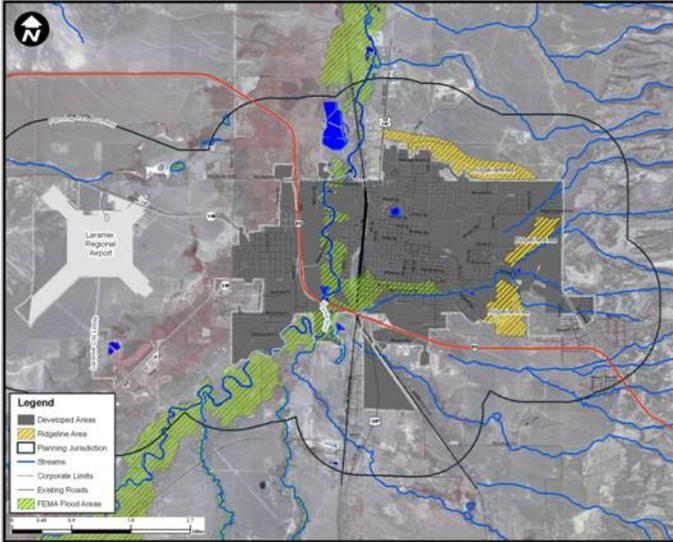
The City’s over-sizing policy should cite as an exception for refusing to extend water or wastewater mains consistency with the Comprehensive Plan. The update of the plan must then define the area for which urban development is to be accommodated. More specifically perhaps is the definition of the areas that are not intended for infrastructure investment during the horizon of the plan and thus, subject to the growth control mechanisms of this paper. In so doing, rather than responding to development, instead,

¹⁰ Land Use Plan, November 2004

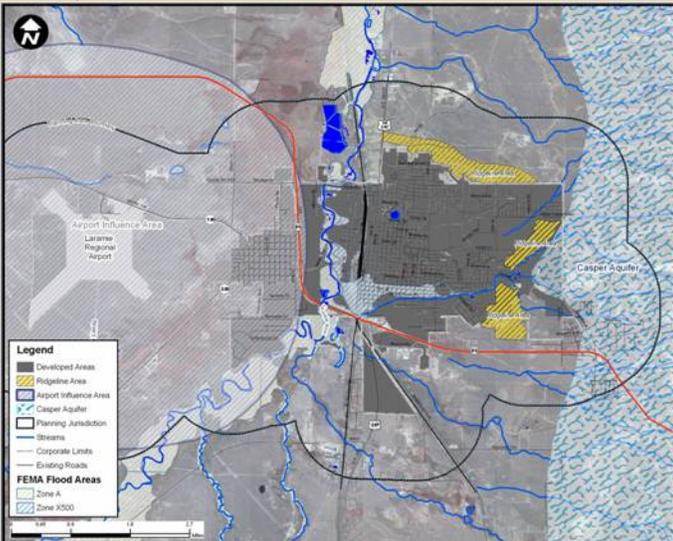
the City may proactively direct development to occur in appropriate locations and concurrent with the availability and provision of adequate public facilities and services.

Through the course of plan development the following areas should be identified and delineated, as displayed in the illustrative examples:

Illustrative Examples of Area Delineations



Developed Area



Protection Area

- ♦ The **developed area** is where there is existing infrastructure. Remaining opportunities within this defined area would consist of infill development, redevelopment, and areas that are immediately contiguous to existing development. It is important to note that there is approximately 2,010 acres of vacant, residentially-zoned land within the City limits. This amount of developable land will support an additional population of 18,650 persons¹¹, which is approximately 60 percent of a mid-range estimate of added population by the Year 2025. Therefore, the plan must quantify and determine the area necessary to support the projected population and employment increases, and coordinate the infrastructure plans accordingly.
- ♦ The **protection area** encompasses areas of floodplain, wetland, streams and drainage ways, or other natural areas that warrant permanent protection. These are areas where the City's zoning or subdivision regulations should prohibit development. The protection area may also include the Agricultural-Open "A-O" district that is intended to remain in agricultural use and where residential development is restricted.
- ♦ The **growth area** is where new growth is to be encouraged for which there are readily available services that may be efficiently extended. This is the area where the City will commit to extending infrastructure and improvements to support urban development. The size of this

area should support 20 years of development potential. This area may be further delineated to include five-year growth increments to be timed with the extension of facilities and services. It is common to upsize this area by 20 to 30 percent to allow market flexibility. The size and location of the growth areas need to be closely evaluated and clearly defined given the amount of currently available land. The City would also need to revisit these areas and make periodic adjustments.

¹¹ This assumes four units per acre and 2.32 persons per dwelling unit (U.S. Census, 2000)

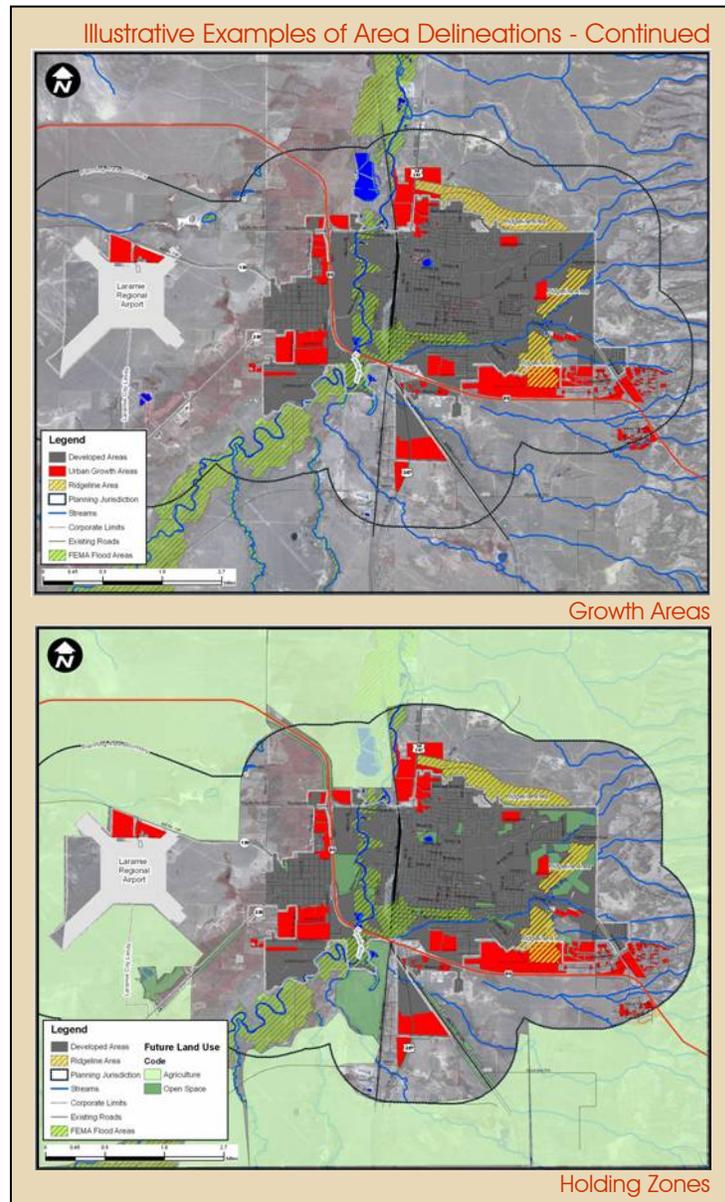
- ◆ The **holding zone** is all remaining land in the ETJ and outside of that identified above described areas. Due to the limitations of State law, this is the most difficult of the four areas to address. Given the reasons identified earlier, development may now occur within this area. Development in areas for which the City cannot readily and efficiently provide services is clearly premature and results in sprawl. Therefore, the question is to what extent the City is willing to enact control by the below described growth management techniques.

In order for the City to manage the location of development it must employ some of the techniques described below. Effectively, the strategy should direct a vast majority of development to occur in the developed and growth areas as infill or contiguous development. The controls must be designed to minimize the amount of urban development in the holding zone.

Amendment of the Subdivision Regulations

The most readily available means for minimizing the impacts of peripheral growth is by way of amending the subdivision regulations. However, while certain controls may be put in place to solve anticipated problems, this approach will not have any material affect on the pattern or timing of urban growth. It remains though, a warranted and necessary step to ensure quality development and to ameliorate unnecessary problems.

Unlike zoning regulations, the value of the subdivision regulations is that they may be extended into the ETJ.¹² While subdivision controls typically include requirements for lot size, access, and infrastructure, State law also authorizes the City to adopt “other municipal ordinances relating to access to public roads or the pumping, extraction, and use of groundwater by persons other than retail public utilities . . . for the purpose of preventing the use or contact with groundwater that presents an actual or potential threat to human health” within the ETJ.¹³



¹² Unlike subdivision controls within the City, enforcement of the subdivision regulations in the ETJ is limited to injunctive relief (fines and criminal penalties in the ETJ are prohibited). See § 212.003(b) and (c), TLGC.

¹³ Section 212.003, Texas Local Government Code

Summary: Subdivision Controls

Purpose:	Generally, the purpose of subdivision controls is to regulate the dimensions of lots and the provision of access, utilities, and public facilities.
Strengths:	Along with zoning, access management, and other regulatory tools, subdivision controls are an important means to ensure adequate infrastructure and regulate community character. Generally, utilities may not be connected to subdivided property without an approved plat.
Weaknesses:	Subdivision controls generally must stand alone in the ETJ (where zoning is not allowed without consent). Statutes do not allow regulation (without consent) as to land use, bulk, height, number of buildings, size of buildings, or residential units per acre in the ETJ.

Provided the Comprehensive Plan is sufficiently specific, subdivision controls can be a strong tool for ensuring that adequate water, sewer, and road service is provided to new development in the City, and more importantly, in the ETJ. This is so because State law provides that a plat *shall* be approved if:

- ◆ it conforms to the general plan of the municipality and its current and future *streets, alleys, parks, playgrounds, and public utility facilities*;
- ◆ it conforms to the general plan for the extension of the municipality and its roads, *streets, and public highways within the municipality and in its extraterritorial jurisdiction*, taking into account access to and extension of *sewer and water mains* and the instrumentalities of public utilities;
- ◆ it conforms to any [adopted subdivision] rules¹⁴

By implication, the plat can be denied if the standards are not met. This requires a Comprehensive Plan that sufficiently defines the standards by which development must uphold. For instance, the thoroughfare plan must encompass the entire ETJ – and beyond in some cases – with denoted alignments of collector and arterial streets, and other regional, intra- and inter-state highways.



Access management standards applied within the ETJ would help to avoid unsafe conditions while preserving the capacity of the roadway.

Potential amendments to the subdivision regulations may include the following:

- (1) **Access management** standards could – and should – be imposed consistent or similar to those recommended by TxDOT. For example, if the spacing requirement between driveways is 360 feet (recommended for streets with 45 m.p.h. posted speed), then 100 to 200 foot frontage lots with individual drives would not be allowed. This would preserve the safety and traffic carrying capacity of roadways that may be improved to collector or arterial standards in the future. Strict application of spacing requirements would: (1) encourage platting (which is required when infrastructure – here, access streets – is dedicated); or (2) likely reduce lot depth, which would make more efficient use of the land.

¹⁴ Section 212.010, Texas Local Government Code

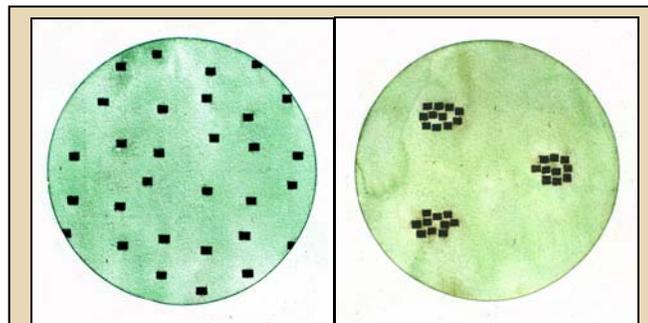
(2) Although the City is not allowed to directly regulate “the number of . . . units . . . per acre” in the ETJ, as a practical matter, because the City may regulate the dimensions and layout of the lots, density may be, more or less, influenced by authorized rules like minimum lot size, minimum lot width, and right-of-way dimensions.¹⁵ Therefore, if the City were to require a **minimum lot size** of five acres, for instance, due to the capacity of the adjoining roadway and/or where there are not public water and sewer systems available, effectively, a relationship may be forged between lot size, infrastructure demands, and the availability of adequate public facilities. This authority is granted to the City “to promote the health, safety, morals, or general welfare of the municipality and the safe, orderly, and healthful development of the municipality.”¹⁶

(3) Together with the requirements for an increased lot size could be an allowance – or incentive - for **development clustering**. The option would be given to the land owner as to whether they choose to develop with a large lot size or select a clustering option that allows more density. In other words, rather than constructing a rural large lot subdivision with no public open space, smaller lots would be required with a high ratio of public open space. The result allows the rural character to remain with the advantages of fewer required access points, less impervious cover, reduced water demands, increased recharge, and land conservation. Given certain performance standards, the open land could continue to be used for agricultural purposes.

(4) Through the delineation of “protection areas” the City may strengthen their standards relating to the protection and preservation of its resources. While the City has regulations for floodplain areas, there are few other standards for the delineation and protection of wetlands, habitats, mature vegetated areas, or other natural features. **Resource protection standards** would provide a method and means for requiring varying degrees of protection of resource features, depending on their scale and significance, with development flexibility and incentives by way of density bonuses for constructing on the developable portions of the site. The use of density bonuses

Section 212.004, of the Texas Local Government Code exempts from subdivision requirements “a division of land into parts greater than five acres, where each part has access and no public improvement is being dedicated.” “Exempt” development encourages lots that are narrow and deep, with 100 to 200 feet of frontage and 2,178 to 1,089 feet of depth. This development form creates a number of challenges:

- ◆ Narrow lots often front on roads that are intended to serve a city wide mobility function. Connecting residential driveways to these roads invites future traffic conflicts.
- ◆ Narrow lots alter the rural character of the landscape – and the rural economy – in five ways:
 1. Buildings are closely spaced and close to the street blocking views from the street of the open spaces behind them;
 2. The lots are “too small to farm and too big to mow,” so it is not uncommon for the yards to be poorly maintained;
 3. The land within the lots is often lost to agricultural use because such uses generally need large, regularly-shaped parcels, and assembling a reasonable leasehold from separate residential landowners, 100 to 200 feet at a time, is not practical (especially since the early morning noise and dust from agricultural operations is ultimately likely to be a point of contention between the homeowner and the farmer);
 4. The new residential uses are usually not compatible with the existing agricultural uses, which generates increasing political pressure against agriculture; and
 5. When they reach a critical mass, the new residential uses attract supporting commercial uses that further squeeze agricultural land and agriculture-supportive commercial uses.



By clustering development open views may be protected thereby preserving a rural, open character.

¹⁵ Such rules are permitted by Section 212.010(4), TLGC, which allows the same rules for subdivision in the ETJ as in the municipality. Of course, in the ETJ, these rules are limited by Section 212.003, TLGC, so, for example, if a developer found a market for multiple homes or buildings on a single lot in the ETJ, the City could not prohibit the development.

¹⁶ Section 212.002, Rules, Subchapter A, Regulation of Subdivisions, Texas Local Government Code

may allow a higher gross density as an incentive by adjusting lots sizes or using different housing types in combination with an open space ratio.

- (5) A **development plat** is a way for the City to regulate development within the City limits and ETJ that may otherwise be exempt from the subdivision plat process.¹⁷ The City has provisions for development plats, with stated exemptions. It is advisable for the City to reconsider the waiver allowance as well as the exemptions and instead, require submittal of a development plat for all projects in the ETJ. Such a requirement would be of great value to document all improvements, easements, and rights-of-way, and most importantly, because it must be approved to conform to: (1) the general plans, rules, and ordinances of the municipality concerning its current and future streets, sidewalks, alleys, parks, playgrounds, and public utility facilities; (2) the general plans, rules, and ordinances for the extension of the municipality or the extension, improvement, or widening of its roads, streets, and public highways within the municipality and in its extraterritorial jurisdiction, taking into account access to and extension of sewer and water mains and the instrumentalities of public utilities; and (3) [the subdivision plat regulations]. The subdivision plat process does not allow the municipality to require building permits or enforce its building code in the ETJ.¹⁸
- (6) Incorporation of the **parkland dedication requirements** into the subdivision regulations, which will allow the dedication or fee in-lieu provisions to be extended into and throughout the ETJ. Effectively, this will ensure that development outside of the City limits is fulfilling its proportionate demands on the community's park system similar to the requirements for development inside the City. This would remove this current advantage for developing in the ETJ.

Annexation

The means that most communities use to exercise control of the pattern and type of development outside of the City limits is to extend the City limits by annexation. Annexation allows the City the ability to impose its land development regulations, which provides an essential growth management tool to implement the Comprehensive Plan. Annexation also extends the City's ETJ enabling it to regulate the subdivision and development of land over a larger area. However, it is important to realize the stringent requirements mandated by State law for extending services to newly-annexed areas in a timely and adequate manner, which must be comparable to pre-existing services and service levels in similar incorporated areas. Requirements for annexation include:

- ◆ A three-year annexation plan to identify specific properties the City intends to annex following a three-year waiting period;
- ◆ Acting on annexation proposals within 31 days after the three-year waiting period to prevent the subject properties from becoming exempt from annexation for another five years;
- ◆ Inventorying all current services in the annexation area (including services provided by all entities, the condition of facilities, existing public safety response times, and current service costs);
- ◆ Preparing a municipal service plan for the targeted area within 10 months of receiving data for the service inventory;
- ◆ Immediately extending basic public services (police, fire, and EMS) and "full municipal services," including necessary capital improvements, within 2.5 years of annexation, unless certain exceptions apply (such as a negotiated service schedule for a requested annexation);
- ◆ Possibly negotiating agreements in lieu of annexation to formalize interim service provision and cost-sharing arrangements and possible compliance with City ordinances or development standards;

¹⁷ The authority to require a development plats is provided in Section 212.044, Local Government Code.

¹⁸ Section 212.049, Texas Local Government Code

- ◆ Potentially entering into arbitration proceedings if annexation planning and negotiation is unsuccessful; and,
- ◆ Potentially negotiating “strategic partnership agreements” with special districts.

Of significance in the law is an exemption from the above requirements for annexation proposals that will involve fewer than 100 tracts of land where each tract contains at least one residential dwelling. With the exception of sizeable developments, most annexations are exempt from the above requirements. Also, the City may not annex more than 10 percent of its land area in any given year. If it does not annex all of the land that is allowed, the difference rolls over to the next year. If multiple carryovers are accumulated, the City can annex up to 30 percent of its land area in a single year.

State law provides for the minimum level of service that must be extended to the annexed areas, as described in **Table 1, Annexation Level of Service Requirements**.

Significantly, State law does “not require that a uniform level of full municipal services be provided to each area of the municipality if different characteristics of topography, land use, and population density constitute a sufficient basis for providing different levels of service.”¹⁹ Therefore, the law appears to allow the City to annex territory and provide minimal services if those services are commensurate with that provided in areas of similar “topography, land use, and population density” within the City. Yet such a strategy is not necessarily without risk -- disputes with affected landowners over levels of service could expose the municipality to civil penalties, court costs, and attorneys’ fees.²⁰ Accordingly, the City should plan carefully and involve the City Attorney early in the process if it chooses a growth management strategy that involves providing a minimal (rural) level of service to a newly annexed area.

- ◆ Often, there are warranted reasons for considering annexation, including, among others, the ability to impose the City’s land development regulations along major transportation corridors and in prime development areas that may otherwise compromise the community’s long-term interests. There are several areas for which the City is now considering annexation. Since the primary purpose for annexing these areas is to exert control of probable growth areas, it is advisable for the City to employ

Table 1, Annexation Level of Service Requirements

Generally	
If the level of services, infrastructure, and infrastructure maintenance in the affected area before annexation was:	Then services, infrastructure, and infrastructure maintenance must be:
Lower than in the municipality	“Comparable to the level . . . available in other parts of the municipality with topography, land use, and population density similar to those reasonably contemplated or projected in the [annexed] area.”
Equal to the municipality	“[T]hat same [pre-annexation] level”
Superior to the municipality	
Re: services	“Comparable to the level . . . available in other parts of the municipality with topography, land use, and population density similar to those reasonably contemplated or projected in the [annexed] area.”
Re: operating and maintaining infrastructure	Equal to or superior to the pre-annexation level.

¹⁹ Section 43.056(m), Texas Local Government Code

²⁰ Section 43.056(l), Texas Local Government Code

growth management techniques in these areas to prevent premature development. For instance, unless the City is prepared to extend full municipal facilities and services – and such are determined to be efficient and feasible – these area should be zoned for Agricultural-Open, which may serve as a holding zone until which time as the City determined development to be appropriate and of fiscal benefit.

Zoning Regulations

Chapter 211 of the Texas Local Government Code authorizes the City to enact zoning regulations to control building height and size; lot coverage; yards and open spaces; population density; the location and use of buildings; the location of land that may be put to various business, industrial, residential, or other purposes; the extraction of groundwater (except by retail public utilities); and, in home-rule municipalities like College Station, the bulk of buildings. Zoning regulations are not authorized outside of the municipality’s corporate boundaries without the consent of the affected landowner(s).²¹

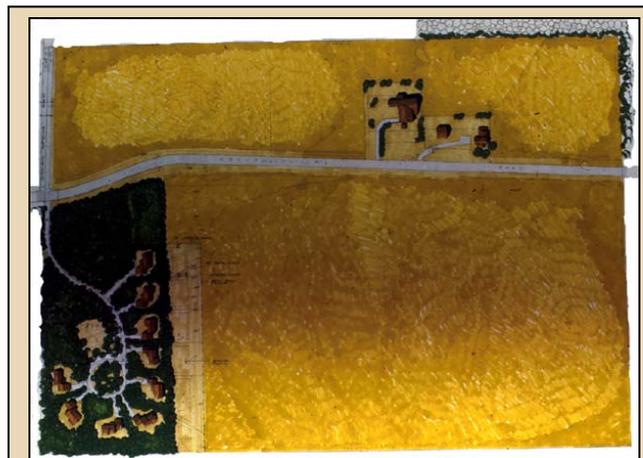
The Texas statutes set out several purposes for zoning. Zoning regulations must be designed to:

1. lessen congestion in the streets;
2. secure safety from fire, panic, and other dangers;
3. promote health and the general welfare;
4. provide adequate light and air;
5. prevent the overcrowding of land;
6. avoid undue concentration of population; or
7. facilitate the adequate provision of transportation, water, sewers, schools, parks, and other public requirements.

Source: Section 211.004, Compliance with Comprehensive Plan

In concert with annexation, all newly incorporated areas should to be zoned “A-O” Agricultural-Open, without consideration of any other zoning district classification unless merited by way of being within a defined “growth area.” However, to serve its growth management function, the minimum lot size must be increased from five to 20 or more acres. Therefore, the open, rural character of these areas would be maintained and their rezoning to another district classification could be timed with the City’s staged growth plan and infrastructure improvement plans.

The City could allow for very low density residential development in these agriculturally zoned areas by allowing extreme clustering. This enables there to be development value to this land and also allows for construction of additional homes. As an example, one dwelling unit per 20 acres with no required open space equates to a gross density of 0.050 units per acre. A one acre lot with a septic system and well and 85 percent open space allows an increase to 0.070 units per acre. Similarly, a one acre lot with a septic system and public water and 90 percent open space equates to the same 0.150 units per acre. Therefore, clustered residential development may be allowed with a corresponding high open space



Clustering allows development value while preserving the rural, open character.

²¹ Generally, the power to zone may only be exercised within the municipality. “The governing body of a municipality may divide the municipality into districts of a number, shape, and size the governing body considers best for carrying out this subchapter.” § 211.005(a), TLGC (emphasis added). However, one way to enforce zoning regulations in the ETJ is to enter into a development agreement with the affected landowner pursuant to Subchapter G of Chapter 212 of the Texas Local Government Code. See § 212.172(b), TLGC.

requirement to preserve the agricultural character. Slightly higher levels of density may also be permitted to allow more development value without compromising the character of pattern of peripheral development.

The most viable means of growth management for the City, given the limitations of State law, is to annex the maximum allowable 30 percent of its land area, followed by annexations of the maximum allowed 10 percent each year until the incorporated area encompasses land sufficient to support 30 to 50 years of growth, all areas of strategic interest, and the defined long-term growth boundary. This strategy, however, requires the City to establish that there are areas within the corporate limits that have similar “topography, land use, and population density” to those being annexed for which there are minimal facilities and services being provided. If this is the case, a uniform level of municipal service is not mandated making large-scale annexation more feasible. If this cannot be established, a service plan must be prepared and robust cost-benefit analysis conducted to determine the feasibility of the annexations. Then, a policy decision would be necessary to consider the value of annexation and growth control versus the added cost for providing the state mandated services.

Zoning Ordinance Simplification and Development Streamlining

If the City is to successfully entice development to occur within the City limits rather than the ETJ, its development processes and timing of approvals must not be a constraint. Since a plat is the only required approval for development (of less than five acre lots) in the ETJ, the complexity of the process and length of time to gain approval within the City may outweigh the benefits of in-City development (public utilities, improved emergency response times, increased convenience, zoning controls, etc.). Therefore, although the City’s current process is not atypical, there are significant improvements to be made, of which the more significant and relevant include the following:

- ◆ First and foremost, there are opportunities to reduce the number of zoning districts. The structure of the current districts requires a zone change should a property owner decide to development more than one use or to change the use. At the same time, use-based districts offer no assurance of the character of compatibility of abutting developments.
- ◆ The use-based districts may be consolidated into fewer districts that are based on the intended character of the district. For residential districts, character is defined by the allowable density and required open space ratio, as well as other performance standards relating to the floor area ratio (FAR), landscaping, etc. The character of non-residential districts is defined by the use intensity (measured by FAR) and a landscape surface ratio, along with standards relating to building scale, lighting, signage, and other design requirements. As displayed in **Figure 3, Illustrative District Classification**, within each district is allowed a range of development options, each with corresponding standards to retain the intended character. The benefits of this approach include:
 - Ability to determine the character of future development.
 - Increased certainty in the development process and assurance of outcomes.
 - Improved compatibility within and between districts.
 - Multiple development options within each district adding flexibility while preserving development character.
 - Fewer zoning map amendments.
 - Ability to preserve resources while achieving an equivalent or higher density.
 - Ability to better plan for infrastructure needs.
 - Allowance for mixed use without a separate Planned Development District zoning process.

Table 3, Illustrative District Classification

District and Development Type	Min. OSR	Density		Required Utilities	Minimum Site Area
		Max. Gross	Max. Net		
Suburban (S)					
Single-Family	0.10	1.92	1.92	public	15,000 sf
Cluster	0.30	2.17	2.17	public	5 ac
Planned	0.85	2.25	3.50	public	15 ac.
Auto-Urban (AU)					
Single-Family	0.10	2.61	2.90	public	20,000 sf.
Cluster	0.30	3.23	5.54	public	10,000 sf.
Planned	0.35	4.37	7.50	public	10,000 sf.
Urban (U)					
Single-Family	0.10	3.27	3.64	public	15,000 sf.
Cluster 1	0.25	4.15	5.54	public	8,000 sf.
Planned	0.35	5.56	8.50	public	6,000 sf.

Within the Suburban Residential zoning district, for example, are three development options, each with a corresponding lot size, open space ratio (OSR), and allowed intensity/density. Note the incentive for planned development by way of increased density while retaining 85 percent open space.

- Buffering commensurate with the level of impact.
- Lessens use incompatibility due to the cumulative nature of the current districts.
- ◆ The above approach incorporates planned development as an option that is permitted by right, subject to applicable standards. Density bonuses are used as an incentive for encouraging this type of development, offering more density in exchange for increased open space and amenities. Therefore, the approval process is streamlined by avoiding the timely zoning map amendment process.

Adequate Public Facilities Requirements

An approach that may help to manage the pattern of growth is allowing development to occur only as adequate facilities and services are available. This requires other growth management provisions though,



Adequate public facilities requirements would essentially stage the scale of development concurrent with the requisite capacity improvements. This may be applied to roads, utilities, and schools, among others.

to determine where and when infrastructure will be provided. If the City commits to provide sewer service with an expanded CCN and water is readily available through other sources, then the question of adequate public facility availability is a moot point. If however, facilities are requested outside of the City's designated growth area, this mechanism may be effective if there is not other means of acquiring the requisite infrastructure.

Also known as concurrency requirements, essentially this mechanism ensures that infrastructure is existing or readily – and efficiently - available prior to or concurrent with development. Adequate Public Facilities Ordinances (APFOs) require applicants for new development to demonstrate that facilities and services will be available to serve the project at the time the development is available

for occupancy. Utilizing this system, the City is able to adopt level-of-service standards, which can be used as criterion for judging conformance with the subdivision regulations. The provisions of State law²² allow the City to condition property development for a portion of the infrastructure costs, which supports this method. As an alternative, higher impact fees and/or increased developer participation in infrastructure construction and financing may be necessary to shorten development timeframes.

This approach is practical in that it ties development to the capacity of the infrastructure systems to support it. The value of this approach is its ability to establish a direct, causal link between the provision of public facilities and the public health, safety, and welfare. The general components include:

1. Determining a service threshold at which demand exceeds the desired capacity of public facilities, whether it is water and wastewater systems, roadways, parks, or schools. Generally, the difference between the established threshold and the existing level of service is the amount available for development.
2. Determining if there are projects that will be exempted or receive flexibility in meeting the threshold requirements by way of achieving other community objectives, such as infill development, mixed use, affordable housing, etc.
3. Determining the measures to remedy situations when the threshold is exceeded, including delay of development until such time as the project no longer exceeds the threshold, reducing the project's impact to the point that it meets requirements, or mitigating the impact of the project by upgrading public facilities or infrastructure.
4. Reserving the amount of capacity projected for a development during the time between approval of a project and its completion, which counts against the total capacity of public facilities in future applications for development. An expiration date for approved projects may be necessary so as not to unnecessarily burden or deny other projects.

Provisions related to adequate public facilities could be added to the subdivision regulations. For instance, the following – or similar – language could be used: *“The City does not directly regulate the use, density, or intensity of development in the ETJ. However, neither subdivision plat nor development plat approval shall be granted for property located in the ETJ unless all of the following are demonstrated:*

1. *The water service to or within the development is sufficient to provide necessary potable water and sufficient volume and pressure for fire flows to an appropriate number of appropriately spaced fire hydrants that are necessary to protect the development.*
2. *The wastewater service to or within the development is sufficient to protect the health of the residents or the general public.*
3. *The proposed subdivision plat or development plat has no material potential to cause contamination of a municipal water supply that the City has jurisdiction to protect.”*

Market Performance Standards

This approach is an alternative to an APFO, which better addresses the conflict between property rights and the City's obligation to provide infrastructure and services in a fiscally responsible manner. It accomplishes the same things as performance standards in terms of added flexibility and clustering, but it alters the approach to density and infrastructure level of service.

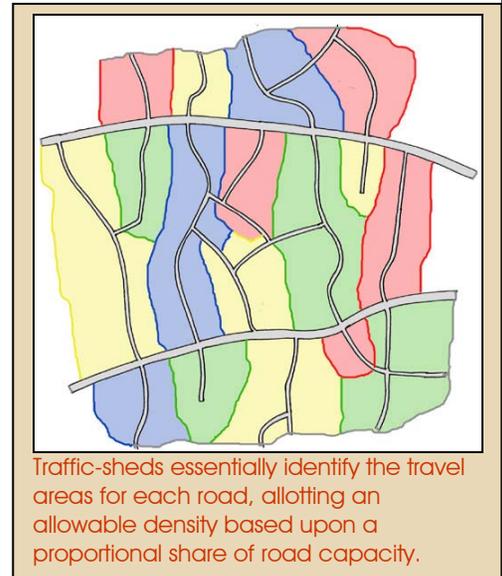
²² Section 212.904, Apportionment of Municipal Infrastructure Costs

Many argue that the market is the best way to regulate development. This has merit only when all elements are properly priced in the market. A problem as it relates to infrastructure, though, is that support of development by adequate roads, police and fire services, schools, and other public services is not part of the market equation. For example, road improvement and long-term maintenance are not considered in a real estate transaction. A person who purchases a home on a gravel road does not necessarily pay less for the home. Therefore, when the road requires maintenance it becomes the City's obligation to make the improvements. Except for the most expensive housing, the tax revenue from residential development is insufficient to cover the requisite costly infrastructure improvements and service expansion.

A market performance ordinance addresses the capacity of infrastructure. Where growth occurs roads will eventually require widening or surface improvements as the traffic volumes exceed the road capacity. Therefore, market performance ordinances create what is known as traffic-sheds for unimproved and under-improved roads. Since the traffic volumes and capacity of the road may be known, there may be an allotment of dwelling units per acre based upon a proportionate share of the road capacity. Therefore, the capacity is spread evenly across all properties in the traffic-shed rather than on a first-come-first-serve basis as in the APFO approach.

Each landowner has the right to use their proportionate share of the available road capacity. Roads with very low capacity or where there is a very large area within the traffic-shed result in lower densities. The difference is that the market offers the landowner a range of options not available under other types of ordinances, including the following:

- ◆ The allowable density may be altered by improving the road as part of the development cost. If a few hundred feet of improvements are needed to improve capacity, the improvements will likely be funded. If there is a long distance that must be improved it is unlikely that it will be funded, meaning that the development pattern occurs in a more contiguous – rather than leapfrog - manner.
- ◆ A new road may be constructed to create a new traffic-shed, which may reduce the size of the traffic-shed allowing increased density. This option is available only where there is direct access to an improved collector or arterial roadway.
- ◆ Development may occur in phases reserving the balance of land for subsequent phases as additional capacity becomes available upon improvement of the road.
- ◆ Development may occur at the permitted density with large acreages. If the acreages are of sufficient size and have proper frontage, there may be added development potential upon improvement of the road.
- ◆ There may be a transfer of development rights to other property. Upon improvement of the road the agricultural area may receive additional density allowing development at that time.
- ◆ A landowner or group of landowners could form an improvement district to pay for road improvements, subject to City standards and criteria.



Since State law specifically indicates that “a municipality shall not regulate: ... (4) the number of residential units that can be built per acre of land”,²³ there would have to be a legal basis established for the ordinance based on the City’s jurisdiction to “promote the health, safety, morals, or general welfare of the municipality and the safe, orderly, and healthful development of the municipality.”²⁴

Impact Fees

Impact fees are charged to new development for the construction of new infrastructure that is needed to serve the development. They are related to special assessments, except that: (1) they are charged to new development upon approval rather than to all owners within a particular district; and (2) they may only be charged for the fair share of infrastructure required as a result of the new development. Provided in

Table 2, Impact Fees, is a summary of their purpose, strengths, and limitations.

Impact fees facilitate a planned, coordinated approach to providing infrastructure. In Texas, impact fees may be used to fund water supply, treatment, and distribution facilities; wastewater collection and treatment facilities; storm water, drainage, and flood control facilities; and roadway facilities that are needed to serve new development according to a capital improvements plan (including planning, engineering, land acquisition, and construction).²⁵ They cannot be used to fund:

- ◆ Facilities that are not in the capital improvements plan;
- ◆ Repairs, operation, or maintenance of existing facilities;
- ◆ Upgrades to existing facilities to meet new standards;
- ◆ Upgrades to existing facilities to better serve existing development;

- ◆ Operating costs of the local government; and
- ◆ Payments on debt that is not related to expenditures that may be paid by impact fees.

Impact fees must be supported by technical analysis of qualified professionals, set out in a capital improvements plan. The plan must:

- ◆ Describe existing capital improvements and projected costs to meet existing needs (including stricter safety, efficiency, environmental, or regulatory standards, if applicable);
- ◆ Analyze the total capacity, the level of current usage, and commitments for usage of capacity of the existing capital improvements;
- ◆ Describe the capital improvements (including costs) that are necessitated by and attributable to new development based on the approved land use assumptions;
- ◆ Provide a definitive table that relates capital improvements costs to “service units” that will serve as the basis for impact fees;

Summary	
Purpose:	To allocate the costs of providing additional infrastructure to serve new development to that new development.
Strengths:	Fair share fee allocation; cash payments help avoid potentially dangerous piecemeal improvements to dedicated rights-of-way.
Limitations:	No street impact fees may be charged in the ETJ (where formerly rural roads are likely to be more easily overwhelmed by new development).

²³ Section 212.003, Extension of Rules of Extraterritorial Jurisdiction, Texas Local Government Code

²⁴ Section 212.002, Rules, Texas Local Government Code

²⁵ Impact fees for roadway facilities may not be charged in the extraterritorial jurisdiction. See § 395.011(b), TLGC.

- ◆ Estimate the total number of projected service units necessitated by and attributable to new development within the service area, based on the approved land use assumptions and calculated in accordance with generally accepted engineering or planning criteria; and
- ◆ Project the demand for capital improvements required by new service units, over a reasonable period of time up to 10 years.

Impact fees use the same theoretical basis as adequate public facilities ordinances. Essentially, the City would establish the capacity of all applicable facilities and the required standard; for example, the level of service (LOS) for roads or number of acres of parks per one thousand persons. The impact fee is then established to generate the funds needed to provide the desired level of service for all facilities. Rather than exhausting capacity, impact fees require payment for a proportionate share of the burden created.

Since the City has impact fees for some defined service areas,²⁶ this instrument could be expanded to encompass other areas of the City and ETJ, as allowed by State law. Impact fees may be particularly appropriate for portions of the City's defined growth area for which there are no plans for infrastructure improvements within the five-year capital improvement program. This would essentially allow development to occur consistent with the growth plan, but without committing the City to prematurely construct such facilities and services. Specific criteria must be established as to the appropriateness of and under what circumstances the City may consider the use of impact fees to allow development to occur – or not occur – in areas outside of the defined growth area(s). This would be an essential prerequisite for the development of this program to ensure that the integrity of the City's growth strategy may be upheld.

Conservation Easements

Conservation easements cover a broad range of purposes, whether it is for wildlife or resource management, scenic preservation, or to limit the use of land. A few communities are using conservation easements to control their growth and preserve their agricultural areas, such as Solebury Township in Bucks County, Pennsylvania. With a conservation easement, the landowner continues to own the land and is responsible to maintain it. The land remains on the tax roles although there may be significant tax advantages to the landowner for the dedication of an easement, which also lowers the cost of acquisition. An agricultural easement could allow the landowner the right to continue to farm the land and keep their home and buildings. It could also allow some additional development.

An important aspect of this concept is its flexibility. It can identify a variety of restrictions and development options that may be tailored to the needs of the landowner and the City as the agency accepting the conservation easement. This provides an opportunity to tailor the acquisition to meet landowner concerns and reduce the cost of the easement.

This instrument is most appropriate for and may best be used to supplement a host of other management techniques, rather than as an independent method of conserving resources and open space. For instance, there may be attractive incentives integrated into the zoning ordinance whereby density bonuses are offered in exchange for preservation of open space. This tool can and is being used effectively in some jurisdictions.

²⁶ Chapter 15, Impact Fees

Development Agreements

Development agreements are written contracts that can be used for a wide variety of purposes, including to impose land use and environmental controls (planning authority, existing zoning regulations, new land development regulations, or specific uses and development, and environmental regulations) over property in the ETJ in exchange for the provision of infrastructure and public services (*e.g.*, streets; drainage; and water, wastewater, and other utilities), and/or a guarantee to annex the property (on agreed upon terms), or not to annex the property for a period of not more than 15 years. Development agreements run with the land, but do not bind end-buyers of fully developed lots, except with respect to land use and development regulations that apply to the lots. Provided in **Table 3, Development Agreements**, is a summary of their purpose, strengths, and limitations.

Table 3, Development Agreements

Summary	
Purpose:	Allow municipalities and developers within the ETJ to negotiate and agree to terms regarding annexation, land use controls, infrastructure and utilities.
Strengths:	Allows municipalities to exercise some control over the use, character and quality of the development within the ETJ, provided that the landowner consents.
Limitations:	Many limitations reduce the leverage of the municipality to encourage developers to enter into a development agreement.

Development agreements are contracts, and as such, require negotiation and execution by the City and developer. In many cases, there is little incentive for the developer to enter into a development agreement because the City has relatively little leverage. For example:

- ♦ The City may not condition the provision of municipal utilities on the execution of a development agreement.²⁷
- ♦ No leverage is created by impact fees for roadway facilities because such fees “may not be enacted or imposed in the extraterritorial jurisdiction.” This is apparently so even if the roadway facilities are provided by development agreement.
- ♦ Developers have several alternatives to provide for infrastructure and utilities, such as a petition for the creation of a political subdivision (as described below). The City may place only very limited conditions on the formation of the political subdivision.²⁸

This is not to say however, that the City has no leverage. Indeed, cooperation may bring mutual advantages to the City and developer, especially if the City is able to provide timely infrastructure and services on reasonable terms. Since the City may enter into development agreements with landowners in the ETJ²⁹ this may offer an opportunity for providing services in exchange for abiding by the City’s development regulations and meeting other community objectives, *e.g.* resource protection, etc.

Improvement Districts

Improvement districts may be created to fund infrastructure improvements by special assessment against the property owners who principally benefit from them in fair proportion to the level of their benefit. Improvement districts are run by the governmental unit that creates them, in this case, the City. They have the power to impose a special assessment, but not to tax. Provided in **Table 4, Improvement Districts**, is a summary of their purpose, strengths, and limitations.

²⁷ “A municipality may not require [a development] agreement . . . as a condition for providing water, sewer, electricity, gas, or other utility service from a municipally owned or municipally operated utility that provides any of those services.” § 212.174, TLGC.

²⁸ The conditions do not involve land use controls or annexation.

²⁹ Development agreements are authorized by Subchapter G of Chapter 212, Texas Local Government Code.

Public improvements that may be funded by an improvement district include:

1. landscaping;
2. erection of fountains, distinctive lighting, and signs;
3. acquiring, constructing, improving, widening, narrowing, closing, or rerouting of sidewalks or of streets, any other roadways, or their rights-of-way;
4. construction or improvement of pedestrian malls;
5. acquisition and installation of pieces of art;
6. acquisition, construction, or improvement of libraries;
7. acquisition, construction, or improvement of off-street parking facilities;
8. acquisition, construction, improvement, or rerouting of mass transportation facilities;
9. acquisition, construction, or improvement of water, wastewater, or drainage facilities or improvements;
10. the establishment or improvement of parks;
11. projects similar to those listed in 1 through 10 above;
12. acquisition, by purchase or otherwise, of real property in connection with an authorized improvement;
13. special supplemental services for improvement and promotion of the district, including services relating to advertising, promotion, health and sanitation, water and wastewater, public safety, security, business recruitment, development, recreation, and cultural enhancement; and
14. payment of expenses incurred in the establishment, administration, and operation of the district.

Summary	
Purpose:	To fund public improvements and programs by assessing those landowners who benefit from them.
Strengths:	Those who pay special assessments are those who directly benefit from the improvements funded by them; improvement districts are administered by the governmental unit that formed them.
Limitations:	Potentially lengthy process for improvement district formation.

And, in the case of home rule municipalities like College Station:

15. levying, straightening, widening, enclosing, or otherwise improving a river, creek, bayou, stream, other body of water, street, or alley; [and]
16. draining, grading, filling, and otherwise protecting and improving the territory within the municipality's limits.

The City may create an improvement district within its corporate limits or ETJ, after a process in which:

- ◆ A petition is initiated by the affected landowners or the local government;
- ◆ One or more public hearings are held regarding: the advisability of the improvement; the nature of the improvement; the estimated cost of the improvement; the boundaries of the public improvement district; the method of assessment; and the apportionment of costs between the district and the municipality or county as a whole;
- ◆ The local government issues an improvement order (by majority vote); and
- ◆ Notice of the order is published.³⁰

An ongoing service plan must be approved by the City. The plan "must cover a period of at least five years and must also define the annual indebtedness and the projected costs for improvements." The

³⁰ The local government may also undertake a feasibility study and appoint an advisory committee with regard to the formation of the improvement district. See §§ 372.007 and 372.008, TLGC.

service plan must include an assessment plan³¹ and must “be reviewed and updated annually for the purpose of determining the annual budget for improvements.”

Use of this instrument may be feasible and warranted as a means for meeting the infrastructure needs within the City’s “growth area(s)” for which the City is not yet prepared to commit capital resources. This may include outlying portions of the “growth area(s)” where near-term infrastructure provision and service expansion is not yet feasible.

Interlocal Cooperation Contracts

Interlocal cooperation contracts are authorized by Chapter 791, Texas Government Code (TGC). The purpose of the interlocal cooperation contract is to: “increase the efficiency and effectiveness of local governments by authorizing them to contract, to the greatest possible extent, with one another and with agencies of the state.” Provided in **Table 5, Interlocal Cooperation Contracts**, is a summary of their purpose, strengths, and limitations. Chapter 791 provides broad authority for municipalities to contract with each other, with counties, with special districts and political subdivisions, with federally recognized

tribal governments that are located in the state of Texas, and with state agencies to provide “governmental function[s] or service[s] that each party to the contract is authorized to perform individually.” Such functions and services include:

- ◆ “Functions normally associated with the routine operation of government, including tax assessment and collection, personnel services, purchasing, records management services, data processing, warehousing, equipment repair, and printing.”
- ◆ “Police protection and detention services; . . . fire protection; . . . streets, roads, and drainage; . . . public health and welfare; . . . parks and recreation; . . . library and museum services; . . . records center services; . . . waste disposal; . . . planning; . . . engineering; . . . administrative functions; . . . public funds investment; . . . comprehensive health care and hospital services; or . . . other governmental functions in which the contracting parties are mutually interested.”

Table 5, Interlocal Cooperation Contracts

Summary	
Purpose:	To increase the efficiency of local governments by enhancing cooperation among them.
Strengths:	High degree of flexibility to contract in order to provide a wide variety of governmental services.
Limitations:	Interlocal cooperation contracts facilitate the use of other growth management tools, therefore their effectiveness depends largely upon how well they are implemented and what they provide for.

- ◆ Water supply and wastewater treatment, various types of correctional and criminal justice facilities, transportation infrastructure, and purchasing contracts.³²

Growth management is most effective when approached from several levels of government. Therefore, interlocal cooperation contracts are advised between the City, Brazos County, as well as each of the applicable water control and improvement districts (WCIDs).

STRATEGIC DIRECTIONS

To be completed...

³¹ City and County owned property is not exempt from assessment. See §§ 372.014, TLGC.

³² Sections 791.021 *et seq.*, TGC set out additional substantive and procedural requirements for these types of agreements.

**October 25, 2007
Workshop Agenda Item 4
Bond Election Work Plan**

To: Glenn Brown, City Manager

From: Mark Smith, Director of Public Works

Agenda Caption: Presentation, possible action and discussion on a timetable for implementing a new capital improvements program.

Recommendation(s):

Summary: Staff will present a proposed plan for public input meetings and citizen advisory committee meetings in preparation for a November 2008 bond election.

Budget & Financial Summary:

Attachments:

Bond Election Team Report



Memorandum

MEMO TO: Glenn Brown, City Manager

FROM: Terry L. Childers, Deputy City Manager

SUBJECT: CIP FY08 Bond Election

DATE: October 17, 2007

The November 08 Bond Election Team met yesterday to develop recommendations on the Bond Election process. Our recommendations are as follows:

Community Engagement Meetings

The Bond Election Team recommends 4 meetings in various areas of the city. Meeting locations recommended are

Conference Center
Lincoln Center
Pebble Creek Elementary
College Station Middle School (Rock Prairie)

It is recommended that the meetings be held on Wednesday - January 9, 16, 23, and 30. The rationale for January meetings is two-fold: 1) the upcoming holiday season will not permit us to conduct all four meetings before the end of the year; 2) the momentum created by sequential meetings sets the tone for the balance of the process.

It is further recommended that the Citizen Advisory Committee members be invited to all the Community Engagement meetings. We believe this will provide an opportunity for the CAC to hear first hand the comments and suggestions from the general public. It also will assist the staff in educating the CAC on the various projects contained in our Capital Plan.

The Community meetings will contain the following package of activities.

- ⇒ Videotape all meetings for rebroadcast on Channel 19
- ⇒ Produce a blog which provides a running summary of all comments from the meetings as well opportunity for Citizen comments and suggestions via our website
- ⇒ Maps and graphics displayed at each meeting for reference and informational purposes
- ⇒ Sign in registration to build an e mail notification database to notify participants of key events in the process

Memorandum

Citizen Advisory Committee

We believe the Citizen Advisory Committee will be invaluable in helping to shape the November 2008 ballot proposals. Here are our thoughts on the CAC.

- ⇒ The CAC should be no more than 15 - 20 people. This is an optimum size for a committee to accomplish its work in a timely fashion while permitting discussion and exchange of ideas. The CAC will be a deliberative body with citizen input accomplished through the initial community meetings and through the web blog for capital projects.
- ⇒ The CAC should be balanced geographically. Because the Capital program touches all areas of the city, we believe a solid distribution of citizens from across the city will be important.
- ⇒ Designation of a strong Chair. The success of the community meetings and CAC deliberations will be highly dependent on an experienced and strong Chair to lead the group.
- ⇒ Representatives from Council appointed Boards, Commissions, Committees. A critical part of creating the balance for the CAC will be to have representatives from other Boards and Committees which regularly advise us on capital projects. We suggest 4 designated slots on the CAC for Parks Board, Planning & Zoning Commission and Council Transportation Committee. We also suggest a person be appointed to represent College Station Independent School District.
- ⇒ We believe the Carter Creek Treatment Plant meeting room will be an excellent location to conduct CAC meetings.

Proposed Schedule

Based on our discussion with Council, here is the schedule we recommend for the November 2008 Bond Election.

- Oct 25, 2007 - report to Council
- Nov-Dec, 2007 - establish citizen committee
- Dec, 2007 - Council committee appointments
- Dec, 2007 - dry run of community meeting with staff
- Jan 9, 16, 23, 30, 2008 - community meetings
- Feb-April, 2008 - citizen committee meetings
- April-May, 2008 - public presentation of citizen committee recommendations
- May, 2008 - citizen committee work complete

Memorandum

- June-July, 2008 - reviews (P&Z, Council, Parks Board)
- Aug 14, 2008 - Council adopts ballot and calls election before or by this date

FY 08 Bond Election Team

Terry Childers, Deputy City Manager

Mark Smith, Director of Public Works

Bob Cowell, Director of Planning

Wayne Larson, Director of Public Communications

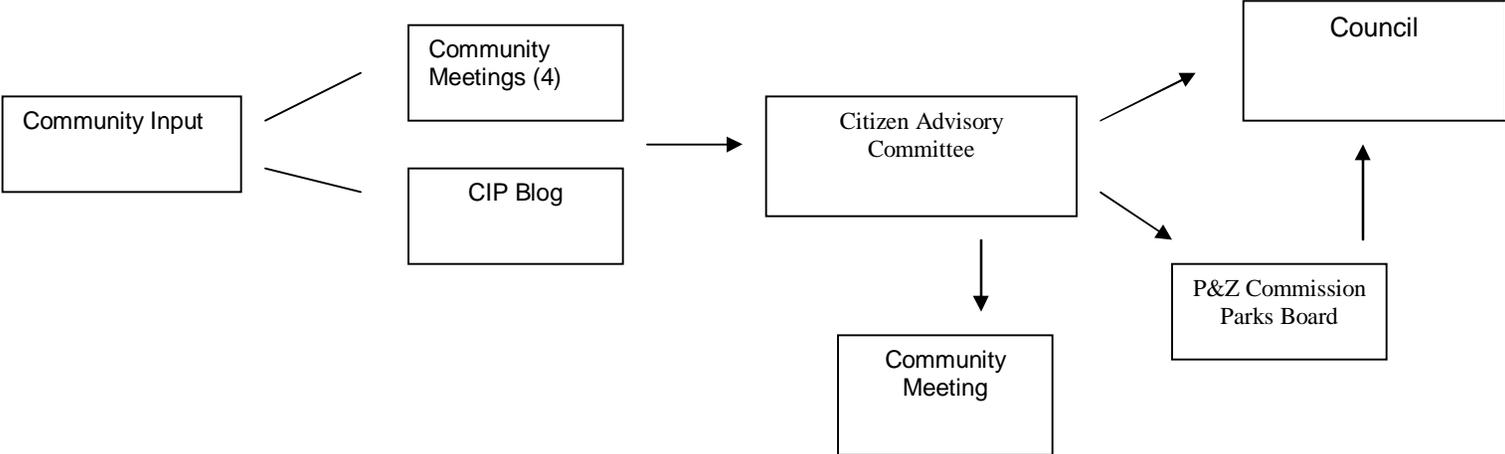
Jeff Kersten, Chief Financial Officer

Ric Ploeger, Assistant Director Parks and Recreation

Steve Beachy, Director Parks and Recreation

Hayden Migl, Assistant to City Manager

November 2008 Bond Election Process



October 25, 2007
Workshop Agenda Item 5
City Internal Auditor's Policies and Procedures Manual

To: Glenn Brown, City Manager

From: Ty Elliott, City Internal Auditor

Agenda Caption: Presentation, possible action, and discussion concerning the City Internal Auditor's Policies and Procedures Manual.

Recommendation(s): Adopt City Internal Auditor's Policies and Procedures Manual.

Summary: The purpose of the manual is to establish policies and procedures to help ensure that the City Internal Auditor's work is conducted in a consistent, fair, and professional manner and complies with *Government Auditing Standards*. The manual describes (1) the City Internal Auditor's core values and code of conduct, (2) the methods the City Internal Auditor will use to conduct city audits, (3) types of audit work, and (4) *Government Auditing Standards* and how the City Internal Auditor will comply with these standards.

Budget & Financial Summary: None.

Attachments:

1. City Internal Auditor's Policies and Procedures Manual

TABLE OF CONTENTS

Chapter I. Introduction

Preface	1
I.A Authority and Mission	2
I.B Types of Audits Performed	3
I.C Government Auditing Standards	5

Chapter II. Project Initiation and Planning

II.A Annual Audit Plan	8
II.B Auditor Assignments and Independence	10
II.C Initial Planning	12
II.D Engagement Letter	14
II.E Entrance Conference	15
II.F Conducting the Survey and Summarizing Results	16
II.G Post-Survey Phase	17
II.H Audit Scope and Objectives Statement	19
II.I Fieldwork Plan	21

Chapter III. Audit Fieldwork

III.A Conducting Fieldwork	25
III.B Audit Documentation (Workpapers)	28

Chapter IV. Communicating Results

IV.A Message Development	32
IV.B Draft Report	34
IV.C Technical Review of Draft Report	37
IV.D Management Review and Response to the Audit	38
IV.E Audit Committee Review	40
IV.F Public Release and Distribution	41

Chapter V. Quality Control

V.A Ensuring Quality	42
V.B Continuous Development	44
V.C Peer Review	46

CHAPTER I. INTRODUCTION

Preface

Purpose

The purpose of this manual is to establish policies and procedures to help ensure that the City Internal Auditor's work is conducted in a consistent, fair, and professional manner and complies with *Government Auditing Standards*. The audit process is built around critical decision points and ongoing communication. The City Internal Auditor's goal is to make decisions early in the process to best target auditing efforts, while remaining flexible to deal with uncertainty. Shared understanding about how and why auditing work is conducted is key to achieving this goal.

Core Values

The manual is intended to reflect the following core values:

- **Accountability.** The City Internal Auditor believes that government officials and agencies, including his office, are accountable to citizens for their performance, use of resources, stewardship of assets, and ethical conduct.
- **Transparency.** The City Internal Auditor believes that free and open access to information is necessary for government officials and agencies to be accountable.
- **Integrity.** The City Internal Auditor conducts his work and reports results fairly, honestly, objectively, and independently. He strives to be accurate, but will publicly acknowledge and correct his mistakes.
- **Quality.** The City Internal Auditor is committed to producing high-quality work and continuously strives to improve his performance.

Code of Conduct

Because auditors evaluate the performance and conduct of other city employees, the City Internal Auditor must:

- **Preserve independence.** Avoid conflicts of interest arising from relationships, financial interests, and responsibilities. Disclose potential conflicts to the Audit Committee before conducting an audit project.
- **Act with professionalism.** Conduct work objectively and treat staff and officials of audited agencies, co-workers, and members of the public with respect.
- **Make proper use of information, resources and position.** Protect confidential or sensitive information and do not use access to information or other city resources for personal gain or to the detriment of the city's interests.

CHAPTER I. INTRODUCTION

I.A. Authority and Mission

References:

GAS 3.21 – 3.32
City Charter, Article 3, Section 30

The City Internal Auditor was established in accordance with the City Charter, Article 3, Section 30. The City Internal Auditor is a council appointee and reports to an audit committee composed of three council members. The City Internal Auditor is organizationally independent to report externally to third parties as defined in GAS 3.24 because the reporting structure provides the office a separate organizational status from the management of programs and functions subject to audit.

According to Section 30, “the City Internal Auditor shall carry out the audit functions and shall perform such other duties as the City Council shall assign to him.” In accordance with this charge, the mission of the City Internal Auditor is to conduct audits of all departments, offices, boards, activities, and agencies of the city to independently determine whether:

- Activities and programs being implemented have been authorized by the City Council, state law, or applicable federal law or regulations and are being conducted and funds expended in compliance with applicable laws;
- The department, office, or agency is acquiring, managing, protecting, and using its resources, including public funds, personnel, property, equipment, and space, economically, efficiently, and effectively and in a manner consistent with the objectives intended by the authorizing entity or enabling legislation;
- The organization, programs, activities, functions, or policies are effective, including the identification of any causes of inefficiencies or uneconomical practices, such as inadequacies in management information systems, internal and administrative procedures, organization structure, use of resources, allocation of personnel, purchasing policies, and equipment;
- The desired result or benefits are being achieved;
- Financial and other reports are being provided that disclose fairly, accurately, and fully all information that is required by law, that is necessary to ascertain the nature and scope of programs and activities, and that is necessary to establish a proper basis for evaluating the results of programs and activities, including the collection of, accounting for, and depositing of revenues and other resources;
- Management has established adequate operating and administrative procedures and practices, systems, or accounting internal control systems and internal management controls; and
- Indications of fraud, abuse, or illegal acts are present.

CHAPTER I. INTRODUCTION

I.B. Types of Audits Performed

References:

GAS Chapter 2, Types of Government Audits and Attestation Engagements.
GAS 2.05-2.06, Financial Audits
GAS 2.07-2.08, Attestation Engagements
GAS 2.09-2.13, Performance Audits
GAS 2.14, Non-audit Services Provided by Audit Organizations
GAS 3.03-3.23, Independence

GAS defines different types of work that can be performed depending on the objectives. Engagements may have a combination of objectives that include more than one type of work. In cases where different standards could apply to an objective, the City Internal Auditor will consider users' needs and the City Internal Auditor's knowledge, skills, and experience in deciding which standards to follow.

1. **Financial Audits.** The primary purpose of a financial audit is to determine whether an entity's financial statements are presented in conformance with generally accepted accounting principles (GAAP) or using a basis of accounting other than GAAP. Financial audits may include providing special reports for portions of financial statements or reviewing interim financial information.

While the City Internal Auditor does not conduct the annual audit of the city's financial statements, financial audits in conjunction with other audit objectives may be conducted. Financial audits are performed under the American Institute of Certified Public Accountants' (AICPA) generally accepted auditing standards for fieldwork and reporting. GAS prescribes general standards and additional fieldwork and reporting standards beyond those provided by the AICPA when performing financial audits.

2. **Attestation Engagements.** The primary purpose of an attestation engagement is to determine whether a management report or assertion is consistent with stated criteria that are the responsibility of another party. Attestation engagements may cover a broad range of financial or non-financial subjects, provide different levels of assurance based on user needs, and can be part of financial or performance audits. Possible subjects of attestation engagements include:

- internal control over financial reporting
- compliance with requirements of specified laws, regulation, rules, contracts or grants
- prospective financial statements or pro-forma financial information

Attestation engagements are performed under the AICPA's attestation standards, as well as the related AICPA Statements on Standards for Attestation Engagements (SSAE). GAS prescribes general standards and additional field work and reporting standards beyond those provided by the AICPA for attestation engagements.

3. **Performance Audits.** The primary purpose of a performance audit is to evaluate the performance and management of government programs or functions compared with objective criteria or best practices. Performance audits may be broad or narrow in scope and encompass a variety of objectives, including assessing program efficiency, effectiveness, equity, internal control and compliance with legal or other requirements; and objectives related to providing prospective analyses, guidance, or summary information. Performance audits provide information to improve program operations and also facilitate decision making by management with responsibility for overseeing or initiating corrective action and improving public accountability.
4. **Non-audit Services.** GAS recognizes that provision of non-audit services may create a personal impairment to the independence of the audit organization and therefore limits the type of non-audit work that may be conducted. The City Internal Auditor will not typically perform non-audit services. In the rare instances when the City Internal Auditor does perform non-audit services, consideration that the service does not violate the overarching principles (GAS 3.13) will be documented to ensure that all safeguards are applied (GAS 3.17).

The City Internal Auditor may from time to time serve on city committees or task forces in a purely advisory capacity. The City Internal Auditor may also provide routine advice to management consistent with GAS 3.15. Specific actions to avoid include:

- voting on any issues that include internal controls, program objectives, etc.
- participating in designing or implementing internal controls
- providing management functions or making management decisions
- accepting responsibility, such as a director or member of management, of a program that may be audited

CHAPTER I. INTRODUCTION

I.C. Government Auditing Standards

References:

Government Auditing Standards, 2003 Revision

The City Internal Auditor is committed to achieving a high level of audit quality. This is accomplished by performing audit work in accordance with the Government Auditing Standards (GAS),¹ promulgated by the Comptroller General of the United States and published by the U.S. Government Accountability Office (GAO). These standards relate to the scope and quality of audit work and establish characteristics for professional and meaningful audit reports. The City Internal Auditor will follow GAS when performing all audits and attestation engagements.

This manual describes the policies and procedures to be followed when conducting audits, as well as the quality control systems to monitor and ensure compliance with GAS on individual projects. The City Internal Auditor will routinely refer to GAS when performing audit work to ensure compliance with the detailed requirements of each of the standards.

This manual is structured around the processes to be followed in conducting audits. Each policy and procedure is designed to comply with GAS. GAS is referred to throughout the manual as it applies to different procedures.

Exhibit 1 provides an overview of the general standards, as well as the field work and reporting standards.

¹ The current version of GAS was published in June 2003 and is available on the GAO website at <http://www.gao.gov/govaud/yb2003.pdf>. This revision supersedes the 1994 revision, including Amendments 1 through 3.

EXHIBIT 1
Government Auditing Standards

General Auditing Standards

Independence: In all matters relating to the audit work, the audit organization and the individual auditor, whether government or public, should be free both in fact and appearance from personal, external, and organizational impairments to independence.

Professional Judgment: Professional judgment should be used in planning and performing audits and attestation engagements and in reporting the results.

Competence: The auditor assigned to perform the audit or attestation engagement should possess adequate professional competence for the tasks required.

Quality Control and Assurance: Each audit organization performing audits and/or attestation engagements in accordance with GAS should have an appropriate internal quality control system in place and should undergo an external peer review.

Field Work Standards for Performance Audits

Planning: Work is to be adequately planned.

Evidence: Sufficient, competent, and relevant evidence is to be obtained to provide a reasonable basis for the auditors' findings and conclusions.

Audit Documentation: Auditors should prepare and maintain audit documentation. Audit documentation related to planning, conducting, and reporting on the audit should contain sufficient information to enable an experienced auditor, who has had no previous connection with the audit, to ascertain from the audit documentation the evidence that supports the auditors' significant judgments and conclusions. Audit documentation should contain support for findings, conclusions, and recommendations before auditors issue their report.

Reporting Standards for Performance Audits

Form: Auditors should prepare audit reports communicating the results of each audit.

Report Contents: The audit report should include the objectives, scope, and methodology; the audit results, including findings, conclusions, and recommendations, as appropriate; a reference to compliance with government auditing standards; the views of responsible officials; and, if applicable, the nature of any privileged and confidential information omitted.

Report Quality Elements: The report should be timely, complete, accurate, objective, convincing, clear, and as concise as the subject permits.

Report Issuance and Distribution: Government auditors should submit audit reports to the appropriate officials of the audited entity and to the appropriate officials of the organizations requiring or arranging for the audits, including external funding organizations, such as legislative bodies, unless legal restrictions prevent it. Auditors should also send copies of the reports to other officials who have legal oversight authority or who may be responsible for acting on audit findings and recommendations and to others authorized to receive such reports. Unless the report is restricted by law or regulation, or contains privileged or confidential information, auditors should clarify that copies are made available for public inspection. Nongovernmental auditors should clarify report distribution responsibilities with the party contracting for the audit and follow the agreements reached.

DRAFT

CHAPTER II. PROJECT INITIATION AND PLANNING

II.A. Annual Audit Plan

PURPOSE:

The purpose of the annual audit plan is to allocate scarce audit resources to areas that will most benefit the city.

PROCEDURES:

The City Internal Auditor is responsible for preparing and submitting an annual audit schedule to the Audit Committee for review and comment at the beginning of each fiscal year. The City Internal Auditor will make any necessary changes based on Audit Committee recommendations, and then present the annual audit plan to the City Council for their approval.

The City Internal Auditor may amend the schedule after its approval by the City Council, based on requests, legislative directives, or unanticipated developments in projects once they are underway. These amendments to the annual audit plan, however, must be presented to the City Council for their approval.

In developing the annual audit plan, the City Internal Auditor identifies potential audit topics based on several factors:

- Assessing financial and performance risks
- Reviewing the financial auditors' results
- Considering requests and suggestions from the City Council, city management, and other interested parties
- Determining the feasibility of audit topics and the availability of resources

Not all risk factors are quantifiable – judgment and opportunities to improve outcomes are also used to recommend audit projects. The City Internal Auditor considers:

- the impact the audit would have (the problem or risks it would address and the likely types of findings and recommendations to result)
- the sensitivity, complexity, and difficulty of the project compared to its likely impact
- the availability of other resources
- the breadth and depth of audit coverage across city government

Assessing financial and performance risks. A citywide risk assessment will be conducted at least once every two years when budget and financial audit data are available. To the extent possible, the model developed by the Austin City Auditor's Office is used to evaluate quantitative risks. Examples of possible quantitative factors that could be included in the risk model include:

- Size and Complexity: budgeted expenditures, FTE, and revenues
- Organizational Change: budget trend, FTE change, change dynamics in business plans, turnover, change in expenditures, and change in revenue

- Planning & Performance: variance in budget to actual expenditures, overtime expenditures, performance trends, grants, and sick days
- Public Concern & Perception: legal claims and suits filed, citizen complaints, and news articles
- Safety and Liability: worker's compensation claims and training expenditures
- Ethics: extent of cash handling and commodity expenditures

DRAFT

CHAPTER II. PROJECT INITIATION AND PLANNING

II.B. Auditor Assignments and Independence

References:

- GAS 3.03 – 3.32, Independence
 - GAS 3.39 – 3.44, Competence
 - GAO Publication, "Answers to Independence Standard Questions," GAO-02-870G, July 2002 (available on the internet at www.gao.gov/govaud/d02870g.pdf)
-

PURPOSE:

Ensure that the City Internal Auditor possesses the required knowledge, skills, and experience to perform the audit engagement and is free of impairments, both in fact and appearance, that could prevent him from exercising objectivity and impartial judgment on all issues associated with conducting and reporting on the assigned project.

PROCEDURES:

The City Internal Auditor will accept the Audit Committee's assignment of projects based on the project's complexity and the City Internal Auditor's knowledge, skills, and experience. The City Internal Auditor may hire consultants or specialists to assist on projects when additional knowledge and/or skills are needed.

The City Internal Auditor is responsible for notifying the Audit Committee if he has any personal impairment to independence as described in GAS 3.07 – 3.18 or if an impairment arises during the course of an audit.

Disclosure of potential impairments. In addition to notifying the Audit Committee of potential impairments to independence regarding a specific project, the City Internal Auditor is responsible for notifying the Audit Committee if he or his spouse:

- has any relatives who are employed by the City of College Station
- serves on the board of directors of any agency that receives grants or other funding from the city
- has a financial interest or hold any position or office in any business that contracts with the city.

The City Internal Auditor will discuss potential impairments with the Audit Committee to assess whether it would affect the City Internal Auditor's ability to exercise objectivity and impartial judgment on all issues associated with conducting and reporting on the work, or whether it could lead reasonable third parties to question the City Internal Auditor's independence with regard to the project. Acting in the public interest shall take precedence over assigning the City Internal Auditor to a project where impairment exists.

Auditor Independence Statement. For each assigned project, the City Internal Auditor will document his independence by signing an auditor independence statement. This signed form indicates that the City Internal Auditor (1) is not aware of any impairments that could affect or be perceived by others to affect his ability to objectively perform the work and (2) has the

knowledge and skills necessary to competently complete the assigned project. The Auditor Independence Statement is completed and filed in the audit working papers. If a project results in two or more reports, a copy of the statement shall be filed in each set of workpapers. The City Internal Auditor is responsible for alerting the Audit Committee of any potential impairment to his independence that arises during the course of an assignment.

Resolving or reporting personal impairments to independence. If the City Internal Auditor must be assigned to a project where an impairment exists, the City Internal Auditor shall attach a written statement to the Auditor Independence Statement describing the facts surrounding the impairment and the steps taken to mitigate it. If the impairment cannot be mitigated, it is to be disclosed in the scope section of the audit report as required by GAS 3.05, and the effect of the impairment on the audit shall be documented and retained in the workpapers.

Resolving or reporting external impairments to independence. In order to be free of impairments, the City Internal Auditor should have immediate access to records and property within the custody of city officials and employees. The City Internal Auditor also requires contracts with outside contractors and subcontractors provide for the City Internal Auditor's access to all financial and performance-related records, property, and equipment purchased in whole or in part with city funds and facilities. The City Internal Auditor is responsible for alerting the Audit Committee to external efforts to interfere with or limit the scope of an audit, to limit items selected for testing, or to deny access to records, staff, or property during the course of an assignment. The City Internal Auditor, the Audit Committee, and the City Manager will discuss how to resolve the impairment. If the impairment cannot be resolved, it is to be disclosed in the scope section of the audit report.

Use of consultants. Qualified consultants or specialists will be hired in accordance with the city's contracting procedures, and any request for proposal will identify the specific knowledge, skills, and experience required. Consultants and specialists who are retained to assist with a project shall be subject to the same competence and independence requirements as the City Internal Auditor. Consultants and specialists shall sign an independence statement as part of the contracting process.

CHAPTER II. PROJECT INITIATION AND PLANNING

II.C. Initial Planning

References:

- GAS 6.02 – 6.16, Attestation Engagements
 - GAS 7.02 – 7.43, Planning for Performance Audits
-

PURPOSE:

The purpose of initial planning is to consider reasons for the assignment and known concerns, and to identify potential stakeholders to begin narrowing the focus and to decide the type of work to be performed and the standards to be followed. During the initial planning phase of an audit, specific planning requirements in GAS 7.07 are used to develop a broad understanding of the program including: legal and regulatory authority, internal controls, potential criteria, sources of data, and data reliability

Planning work should generate sufficient information to set the scope and objectives (II.H) and draft an audit fieldwork plan (II.I). The work should be tailored to the reason the City Internal Auditor is undertaking the assignment and take into account what he knows about the area under audit.

PROCEDURES:

Gather background information. The City Internal Auditor collects basic background information that is publicly available on the audit topic. At this stage, the area to be audited will not be contacted to provide this information; rather, the City Internal Auditor will gather information from available sources. For example,

- budget and staffing information from public budget documents. As a general rule, data will be collected for a 3-year period.
- website information, including organizational information on who does what within the agency to be audited.
- City Code, regulations, laws, etc.

Planning considerations. The following areas should be considered in the initial planning phase to determine potential areas of audit concern within the audit topic:

- potential risk areas
- matters that have received media attention
- issues/concerns raised by the City Council, the City Manager, agencies or others
- potential stakeholders

The City Internal Auditor will decide which type of audit engagement is appropriate for the project and will document this decision and the standards that will be followed in the workpapers. In cases where a decision has been made to perform an attestation engagement, the City Internal Auditor will meet with the requestor to agree on the level of assurance and criteria to be used.

Plan the survey. Planning will be tailored to the reason the audit was selected and take into account what is know about the area under audit. The focus and time required will vary

depending on the size and complexity of the area under audit and the City Internal Auditor's prior knowledge of the area.

Work steps to address the specific planning requirements of GAS, including what data to obtain and from whom to obtain it include:

- Develop an understanding of the program to be audited and the needs of potential users, GAS 7.02-7.10.
- Consider and understand relevant internal controls, GAS 7.11-7.16.
- Consider risks due to legal violations, fraud, or abuse, GAS 7.17-27.
- Identify criteria for measuring performance, GAS 7.28.
- Identify potential sources of data that could be used as audit evidence and assess their reliability, GAS 7.31.
- Identify and consider previous audit work, GAS 7.29-7.30 and 7.32-7.34.

In deciding how long the survey should take, the rule of thumb is that planning will be 25-30 percent of the project budget. Once all these planning steps have been taken into consideration, the City Internal Auditor drafts the survey work plan (see II.F), the audit engagement letter (see II.D), and an agenda for the entrance conference with the agency (see II.E).

CHAPTER II. PROJECT INITIATION AND PLANNING

II.D. Engagement Letter

References:

- GAS 6.06-6.09, Auditor Communication (Attestation Engagements)
 - GAS 7.39-7.40, Communicating with Management and Others (Performance Audits)
-

PURPOSE:

The purpose of the engagement letter is to let agency management and the City Manager know that the City Internal Auditor is starting an audit (or attestation engagement) of the department, agency, or program; to provide general information about the planning and conduct of the audit or attestation; and to request an entrance conference.

PROCEDURES:

The City Internal Auditor drafts an engagement letter to the head of the agency with responsibility for the area under audit as soon as practical after the initial planning phase of the audit to avoid delaying the project. The City Manager, Deputy City Manager, Assistant City Manager, City Attorney, or Chief Financial Officer should be copied when audits are of areas for which they are responsible.

The engagement letter should describe the expected nature and focus of the work to the extent known, state that the City Internal Auditor will schedule an entrance conference, and may request that some basic information be brought to the entrance conference. Signed copies of the letter are distributed to the recipients and a copy is kept in the workpapers of the audit.

CHAPTER II. PROJECT INITIATION AND PLANNING

II.E. Entrance Conference

References:

- GAS 6.06-6.09, Auditor Communication (Attestation Engagements)
 - GAS 7.39-7.40, Communicating with Management and Others
-

PURPOSE:

The purpose of the entrance conference is to communicate with agency management the reasons for the audit, describe the audit process, address management's questions or concerns, identify key contacts, and discuss logistics if necessary. If the City Internal Auditor decided to perform an attestation engagement, the purpose of the entrance conference is to reach agreement with management on the level of assurance (examination, review, or agreed-upon procedures) and the criteria to be used.

PROCEDURES:

The City Internal Auditor schedules the audit entrance conference within several days after the engagement letter has been distributed. Those who typically attend the audit entrance conference are:

- the agency head and key agency directors or managers for the audit topic area,
- the City Manager,
- the Deputy City Manager or Assistant City Manager (depending on the audited area under their purview), and
- the City Internal Auditor

The City Internal Auditor prepares an agenda for the entrance conference, including:

- Describe the audit process, including estimated timing and dates for the audit survey
- Obtain audit suggestions and input from agency management.
- Identify the key contact people from the agency.
- Determine the owners of key data and documents and how to obtain relevant information/data during the audit.
- Emphasize the need for responsiveness when data is requested; consider requesting the agency head to send a letter to his/her organization for their cooperation in responding to auditor requests. In general, set the tone for the turnaround expectations.
- Request preliminary information, if known.

The City Internal Auditor is responsible for recording who attended, matters discussed and any decisions made. The record is kept in administrative files of the audit documentation.

CHAPTER II. PROJECT INITIATION AND PLANNING

II.F. Conducting the Survey and Summarizing Results

References:

- GAS 7.02 – 7.07, Planning
 - GAS 7.08 – 7.10, Understanding the Program and its Significance
 - GAS 7.11 – 7.16, Considering Internal Control
 - GAS 7.17 – 7.27, Designing the Audit to Detect Violations of Legal and Regulatory Requirements, Contract Provisions, or Grant Agreement, Fraud, and Abuse
 - GAS 7.28, Identifying Audit Criteria
 - GAS 7.29-30, 7.32 – 7.34, Considering Results of Previous Audits and the Work of Others
 - GAS 7.31, Identifying Potential Sources of Audit Evidence
-

PURPOSE:

The purpose of the audit survey is to gather information needed to establish scope, objectives and methodology, and to effectively manage the project. The result of the survey is a body of workpapers and a summary prepared to lay the groundwork for the detailed audit.

PROCEDURES:

Developing the Survey Plan. Following initial planning and the entrance conference, the City Internal Auditor finalizes the survey plan including steps to be completed, estimated time to complete, and expected completion date. The plan should address the planning requirements in GAS and be consistent with planned resources for the project. Steps should clearly identify the purpose and method for conducting the work.

Conducting the Audit Survey. The City Internal Auditor completes the assigned work steps and documents the results in workpapers (see III.B Audit Documentation). The survey phase of the audit should provide broad assessment of the agency to be audited.

Summarizing the results. The City Internal Auditor summarizes the results of the survey. The length and nature of the summary will vary depending on the project but should provide information developed from the survey work, including general information about the program and preliminary assessments of performance risks, controls, and the availability and reliability of data that could be used as audit evidence.

CHAPTER II. PROJECT INITIATION AND PLANNING

II.G. Post-Survey Phase

References:

- GAS 7.02 – 7.31, Audit Planning
 - GAS 8.06, 7.40, Terminating an Audit
-

PURPOSE:

The purpose of the post-survey phase of an audit is to develop the audit scope and objectives, the key fieldwork tasks and methods, the preliminary calendar for the audit, and the resources planned to be devoted to the audit.

PROCEDURES:

After the City Internal Auditor has finished the survey phase of the audit, he will complete the following steps:

1. Review information from initial planning.
 - What are the key users of the audit: primary, secondary, and other?
 - What are the known areas of concern, i.e. what is the key issue?
 - What questions was the survey supposed to answer?
2. Review information developed from the survey.
 - Are there areas of concern based on the auditor's understanding of the program and preliminary assessments of risk and controls?
 - What should be the subject of the audit?
 - What is the performance aspect?
 - Has the criteria been identified?
 - Are reliable data available?
3. Consider potential audit objectives
 - Formulate a condition question that can be answered "Yes," "No," or "To some extent."
 - Formulate questions for effect and cause, if appropriate.
4. Decide whether or not to proceed with an audit ("go"/"no go").
 - Are there significant performance risks or issues for which a performance audit could make a meaningful contribution?
 - Is someone else already dealing with the issue or is it likely to be resolved in some other way?
 - Are there problems with timing?
 - Are there external deadlines for when the information is needed?
 - Do I have the resources necessary?
5. If I decide "go," develop audit objectives, scope, approach and type of report.
 - Objectives – the questions the audit will answer.
 - Scope – the boundaries (e.g., time period, organizational unit) of the audit.

- Develop work steps to address each element of a finding for each objective and generate sufficient, competent and relevant evidence. (See III.A for guidance on evidence).
 - i. Criteria
 - ii. Condition
 - iii. Cause
 - iv. Effect
 - v. Recommendation

- 6. In some circumstances, the survey may reveal that the audited agency or program presents a low risk to the city. Therefore, audit resources may be more usefully deployed in other areas. If the City Internal Auditor decides not to proceed with the audit, a letter will be drafted to the auditee, the City Manager, Assistant City Manager or Deputy City Manager, the Audit Committee, and the City Council communicating the reasons for terminating the audit.

After these steps have been completed, the City Internal Auditor drafts an audit scope and objectives statement (see II.H) and a fieldwork plan (see II.I).

CHAPTER II. PROJECT INITIATION AND PLANNING

II.H. Audit Scope and Objectives Statement

References:

GAS 6.06-6.09, Auditor Communication (Attestation Engagements)
GAS 7.39-7.40, Communicating with Management and Others (Performance Audits)

PURPOSE:

The purpose of the audit scope and objectives statement is to communicate to a broad audience the type of project (performance audit or attestation engagement), the reason for the audit or attestation, the objectives, an overview of methods, and the estimated release date.

PROCEDURES:

The City Internal Auditor drafts an audit scope and objectives statement after the post-survey phase that contains the audit's scope, objectives, and method. The audit scope and objectives statement should be limited to one page and includes the following sections:

- **Reasons for the audit.** Describe the main reason for the audit in a short paragraph. The City Internal Auditor selects audit topics based on several sources: internal risk assessment; follow-up procedures; issues identified in other audits; requests from city executives, the Audit Committee, or the City Council; requirements of legal authorities; tips or complaints; or other sources.
- **Audit objectives.** Audit objectives express what the audit is to accomplish and provide direction for doing the fieldwork and reporting the audit results. Audit objectives are usually stated as questions that the audit work will answer. Audit objectives should:
 - be answerable
 - identify the audit subject
 - identify the performance aspects to be included
 - identify the finding and reporting elements the auditor expects to develop
- **Audit procedures and scope.** The audit scope is the boundary of the audit, such as time period, organizational units, number of locations/employees, or aspects of performance that will be covered in the audit work. Audit procedures address the types of evidence that will be collected and how it will be analyzed.
- **Estimated time to complete.** This final section contains the expected dates that a draft report will be provided for management review and response and for Audit Committee approval for public release.

Communicating with management. The City Internal Auditor will share the draft scope statement with the auditee and other stakeholders if applicable to get their input before finalizing the scope and making it public.

Public distribution. Once the scope statement is finalized, the City Internal Auditor distributes it to the Audit Committee, the auditee, the appropriate executives (City Manager,

Assistant City Manager, Deputy City Manager, Chief Financial Officer and/or City Attorney) and makes it available to the public.

DRAFT

CHAPTER II. PROJECT INITIATION AND PLANNING

II.I. Fieldwork Plan

References:

- GAS 7.28, Identifying Audit Criteria
 - GAS 7.41-7.43, Preparing the Audit Plan
 - GAS 7.48-7.51, Standards of Evidence
-

PURPOSE:

The purpose of the fieldwork plan is to describe in detail how the City Internal Auditor will gather evidence to answer the questions posed by the audit objective(s). The written fieldwork plan:

- documents decisions about the audit scope, objectives, and approach made in the post-survey phase
- expands each objective into a series of tasks or steps to gather sufficient and relevant information from which to draw conclusions
- outlines additional tasks to assess compliance with legal and statutory requirements or management controls, if warranted based on preliminary assessments from the survey and significant to the audit objectives
- outlines additional tasks to consider risks of fraud if warranted based on preliminary assessments from the survey and significant to the audit objectives
- outlines additional tasks to assess data reliability if warranted based on preliminary assessments from the survey and how the City Internal Auditor plans to use the data to support conclusions about the audit objectives
- provides a means to manage the project
- helps to ensure that the City Internal Auditor is following GAS in planning and conducting the work

PROCEDURES:

Immediately following the post-survey phase, the City Internal Auditor drafts a detailed fieldwork plan to accomplish the audit objectives. The work steps for each fieldwork plan will vary depending on the audit objectives. Steps should be written for each objective to cover each relevant element, consider strength of evidence, and address data reliability. Steps should clearly identify the purpose and method for conducting the work and the expected completion date.

Organize steps by audit objective. In drafting the work plan, the City Internal Auditor will ensure that for each objective, the plan includes work steps that collectively:

- Allow him to answer the question(s) posed by the objective
- Identify how to collect evidence for each relevant finding element (condition, criteria, effect, cause, recommendation)
- Provide for sufficient and competent (reliable) evidence to support findings and conclusions relevant to the audit objectives
- Are consistent with the planned scope of the audit
- Are consistent with planned resources

Use a consistent format. While the content will vary, the format should be consistent to facilitate review and enhance the plan's usefulness in managing the project:

- List each objective.
- Summarize information from the survey to provide context for the objective and the work steps to follow.
- List detailed work steps, numbered sequentially. Identify the purpose and the method for each step. (Writing the purpose as a question or series of questions to be answered provides good guidance to the auditor about what is trying to be achieved with each step).
- Add the date the work was completed and list the workpaper(s) completed.

Revisions. It may be necessary to revise the fieldwork plans during the course of the audit. Significant changes to the fieldwork plan – changes that eliminate or add steps, expand, reduce or impair the scope of the audit, change an audit objective, or require a significant increase in resources – must be documented in the audit workpapers.

Developing audit methodology. The audit approach and methodology selected depends on the reasons for doing the audit, time and resources available, the audit objectives and the types of data available. Things to consider:

- What sources of data are available to address the objectives? Are data available for the different elements of a finding (condition, criteria, cause, effect, recommendation)?
- How are data collected, stored, verified, retrieved, and used? Are data accurate, timely, authoritative, and authentic? Being able to answer these questions helps to assess reliability. Consider ways to test data reliability when deciding what data to collect including:
 - a. Corroborating the evidence (comparing to other sources for consistency)
 - b. Verifying the evidence (direct testing – confirming through other sources)
 - c. Validating the evidence (testing the control environment), or
 - d. Obtaining additional evidence.

Write specific work steps to assess data competence if not already done during the survey/planning phase of the audit.

- Methods for collecting data and the extent to which the auditor can rely on them depend on the type. Often, there are alternate sources of needed data and alternative ways to collect them. It's usually best to get the strongest evidence available – subject to resource constraints and considering the purpose and risk. From strongest to weakest, the types of audit evidence are:
 - PHYSICAL EVIDENCE is obtained by direct inspection or observation of people, property, or events. It may be documented in memos, charts, or photographs.
 - DOCUMENTARY EVIDENCE consists of created information such as letters, contracts, accounting records, invoices, and management information on performance.
 - TESTIMONIAL EVIDENCE is obtained through inquiry, interviews, or questionnaires.

- ANALYTICAL EVIDENCE derives from the auditor's analysis (such as computations and comparisons) and logical reasoning using data previously obtained. The strength of analytic evidence in supporting a conclusion depends on methodological soundness as well as the underlying data.
- What types of analysis would be most persuasive or easiest for the users of the audit to understand regarding the performance aspect being evaluated? Choose methods for measuring and assessing performance, and tools for analyzing and displaying data (such as flow charts and pie charts, aging schedules, and diagrams) with users in mind.

Standards of audit evidence. Audit standards (GAS 7.48-7.51) require that evidence be sufficient, competent, and relevant in order to provide a reasonable basis for the audit findings and conclusions. The fieldwork plan directs the City Internal Auditor to obtain and evaluate evidence that will ultimately support his audit judgments and conclusions about the audit objectives.

- Evidence is sufficient when the auditor ensures that enough evidence exists to persuade a knowledgeable person of the validity of the findings. (GAS 7.52a)
- Evidence is competent if it is valid, reliable, and consistent. Auditors should consider such factors as whether the evidence is accurate, authoritative, timely and authentic. When appropriate, statistical methods may be used to derive competent evidence. (GAS 7.52b)
- Evidence is relevant if it has a logical relationship with the issue being addressed. (GAS 7.52c)

The approach to determining sufficiency, competence, and relevance of evidence depends on the source of information that constitutes the evidence.

- Data gathered by the auditor. This evidence is the auditor's own observations and measurements, usually gathered through questionnaires, structured interviews, direct observations, and computations. Professional judgment should be exercised in order to ensure that this evidence is sufficient, competent, and relevant.
- Data gathered by management. If the auditor uses data gathered by officials of the audited entity, they should determine its validity and reliability by direct testing of the data. The entity's internal controls over the validity and reliability of that data can be tested in order to establish this.
- Data gathered by third parties. The auditor's evidence may also include data gathered by third parties, such as outside audit reports, the Law Department's interpretation on complex laws or regulations, etc.

In many cases, the entire population of data is not used for testing and analysis during fieldwork. Audit sampling is frequently used and, when properly planned and performed, will satisfy audit standards.

Audit sampling is the application of audit procedures to less than 100 percent of the items within the population. For some types of testing, a sample may be unnecessary because the use of computer software allows the City Internal Auditor to test 100 percent of the population. In addition, computer software can be used to reduce the size of the population sampled by selecting data with certain characteristics.

- **Statistical sampling** is a sampling of units that must be randomly selected and quantitatively evaluated through the application of probability theory. The results of the sample are projected to the entire population.
- **Non-statistical (judgmental) sampling** occurs if units cannot be randomly selected or quantitatively evaluated. The auditor determines sample size and evaluates results on the basis of subjective audit experience. Conclusions may be drawn from the results of the sample only about the sample population.

DRAFT

CHAPTER III. AUDIT FIELDWORK

III.A. Conducting Fieldwork and Summarizing Results

References:

GAS 3.33 – 3.38, Professional Judgment
GAS 7.22 – 7.27, Detecting Violations, Fraud, and Abuse
GAS 7.48 – 7.61, Audit Evidence
GAS 7.62-7.65, Audit Findings
GAS 8.40, Interim Reporting

PURPOSE:

The purpose of audit fieldwork is to gather sufficient, competent, and relevant evidence in order to provide a reasonable basis for conclusions about the audit objectives. The result of fieldwork is a body of workpapers and written summaries of the City Internal Auditor's conclusions regarding each of the objectives, citing evidence from the workpapers.

PROCEDURES:

Conducting the audit fieldwork. The City Internal Auditor completes the assigned work steps and documents the results in workpapers (see III.B Audit Documentation). Auditors are responsible for exercising professional judgment in conducting fieldwork. Professional judgment requires auditors to continuously evaluate evidence as it is gathered; to exercise professional skepticism; and to refrain from assuming that management is either honest or dishonest.

Auditor responsibilities regarding potential fraud. Conducting a performance audit in accordance with standards provides reasonable assurance – but no guarantee – that auditors will detect illegal acts or fraud related to the audit objective. Fieldwork standards for performance audits require auditors to be alert to situations or transactions that could be indicative of fraud and extend audit steps if a potential fraud could significantly affect audit results (GAS 7.23). The City Internal Auditor will use professional judgment in pursuing indications of possible fraud so as not to interfere with investigations or legal proceedings (GAS 7.26). If, during the course of fieldwork, the City Internal Auditor becomes aware of situations or transactions that could be indicative of fraud, he will decide whether to extend audit steps, or to report the potential fraud to the Law Department, law enforcement, or a third party. The City Internal Auditor is responsible for communicating potential fraud to city officials or external parties. The City Internal Auditor will ordinarily make such communication in writing and will file a copy of the written communication in the administrative file of the audit workpapers.

Reporting fraud to officials in the organization. GAS require auditors to use judgment in reporting instances of fraud or likely fraud to officials of the audited entity. Auditors should include information in the audit report about the fraud or likely fraud unless public reporting would compromise investigative or legal proceedings or the fraud is not significant (GAS 8.19). If public reporting could compromise proceedings, the auditor should limit the extent of reporting to information that is already part of the public record (GAS 8.26). If the fraud is not significant, the auditor should communicate with management in a separate letter and refer to the letter in the audit report (GAS 8.21). Standards require auditors to document all

communications with management or officials of the audited entity about instances of fraud (GAS 8.21).

Reporting fraud to a third party. In some cases, laws or regulations require the audited entity to report fraud directly to outside parties such as a federal inspector general or state attorney general. If management fails to report the fraud as required, the auditor needs to communicate this failure to the governing body. If the audited entity does not then make the required report as soon as possible, the auditor is required to report the fraud directly to the specified external agency (GAS 8.22-8.23). Auditors should also report fraud directly when they cannot confirm through evidence that entity officials reported the fraud as required (GAS 8.25). Even in cases where the entity isn't required by law or regulation to report fraud to an external agency, auditors may have a duty under the standards to report instances of fraud to government funding agencies when officials fail to take timely steps to remedy identified fraud or other illegal acts (GAS 8.24).

Communicating with auditee management during fieldwork. The City Internal Auditor will periodically brief auditee management or the designated point-of-contact on the status of the audit work and tentative conclusions. However, the auditors must avoid reporting audit findings or making recommendations during fieldwork before all audit evidence has been collected and examined.

Interim reporting to auditee management. The City Internal Auditor can issue an interim report to alert management of significant matters needing immediate attention. The interim report will be a memo from the City Internal Auditor to the head of the agency with responsibility for the area under audit. The Audit Committee and the responsible executive (City Manager, Assistant City Manager, Deputy City Manager, City Attorney, or Chief Financial Officer) should be copied. Interim reports should be referenced and undergo technical review (see IV.C) before release. Copies are filed in the audit workpapers.

In cases where an interim report is issued, it is referenced in the scope section of the final audit report and, in most cases, appended to the final report. (The City Internal Auditor will not append the interim report if it is lengthy, contains confidential information, or could interfere with an ongoing investigation or legal proceeding).

Summarizing fieldwork results. Fieldwork results will be summarized in the elements of a finding framework (criteria, condition, cause, effect, and recommendation). The length and nature of the summary will vary depending on the project but should compile the auditor's conclusions about the audit objectives and cite detail from the workpapers in order to determine whether evidence is sufficient, competent and relevant.

- **Sufficient** evidence is enough evidence to support the audit findings. Auditors may evaluate sufficiency of evidence by considering the question: Is there enough evidence to persuade a reasonable person that the findings are valid? Sufficiency can vary depending on how sensitive the topic is.
- **Competent** evidence is consistent with fact. Auditors may evaluate competence of evidence by considering the questions: Is this evidence valid? Is it accurate? Does it represent a complete picture given the scope of the audit?

- **Relevant** evidence is clearly related to its use. Auditors may evaluate relevance of evidence by considering the question: Does this evidence bear a logical, sensible relationship to the finding it supports?

DRAFT

CHAPTER III. AUDIT FIELDWORK

III.B. Audit Documentation (Workpapers)

References:

GAS 7.66 – 7.71, Audit Documentation
Texas Open Records Act

PURPOSE:

The purpose of audit workpapers is to:

- provide a systematic, written record of the work performed to fulfill the audit objectives (i.e., the what, why, how, when, and by whom) that ultimately links the evidence obtained to the reported findings and conclusions
- facilitate external quality control reviews of audit work
- help ensure that the City Internal Auditor is following GAS in conducting and reporting on the work

PROCEDURES

The City Internal Auditor is responsible for creating individual workpapers that are accurate, have a clear purpose that is relevant to the objective and work plan, a clear description of method, and a conclusion that addresses the purpose and is consistent with the type and amount of evidence presented. The City Internal Auditor is responsible for safeguarding confidential information and complying with open record requirements.

FORMAT:

While the content of workpapers will vary, the format should be consistent to facilitate external peer review (see V.C) and enhance their usefulness in completing the project. Although consistency is important, auditors should exercise judgment in preparing workpapers and avoid emphasizing form over substance.

The first page of each workpaper lists:

- Project number and title of the assignment (for ease of filing and storage)
- Date – the date the auditor prepared the workpaper (or received appended documents from someone else).
- Purpose – a narrative description of why the work was completed and a reference to the work plan step. It's often useful to write the purpose as a question or series of questions that the work is intended to answer.
- Method – a description of what the auditor did to complete the work. The description should be clear enough that a reviewer can assess the competence of the evidence presented. The rule of thumb is that an experienced auditor unfamiliar with the topic should be able to understand what was done without additional explanation. A description of method generally isn't necessary for interviews and may not be necessary for reviews of documents unless the auditor used search or decision criteria for deciding

what and how to review. For ACL analysis or other work that is developed iteratively, it is helpful to outline the sequence of steps in the method so an external reviewer can retrace the steps to arrive at the conclusion.

- Source – the source of the information contained in the workpaper with enough detail so that an external reviewer can assess the competence of the evidence presented.
 - Document – include the title of the document and location where it was obtained or the name and position title of the person who provided it (include telephone number for non-city staff).
 - Analysis – the source of the data used in the analysis and how it was obtained or where it can be found
 - Observation – location and date
 - Interview – name and position title of person interviewed (include telephone number of non-city staff and for all telephone interviews)
- Conclusion – a brief summary of the auditor's conclusions based on the information contained in the workpaper or cross-referenced when multiple workpapers support a conclusion. The conclusion should be related to the purpose and appropriate to the level of evidence contained in the workpaper.
- A working paper index and file number (see Organization section below).
- For spreadsheets, query results or similar analyses where the external reviewer would need to check formulas, program language or commands, the printed workpaper should list the file path and document name.

Workpapers should be legible, neat, and reflect professionalism. Keep in mind also that audit files are subject to review by external auditors, peer review teams, and by anyone outside of the city who requests to review them, including members of the media, after an audit report is released.

CONTENT:

Workpapers should be clear, concise, objective, and limited to matters that are significant and relevant to the audit objectives.

Be clear and objective. Workpapers form the basis for auditor conclusions and therefore must be objective and factual. Auditors should write clearly and avoid unnecessary adjectives or adverbs that imply value judgments. Active voice is usually easiest to understand. Write summary workpapers or use cross-references to support conclusions based on multiple workpapers. Cross-referencing identifies other relevant documents or sources of data. For example, a summary spreadsheet that pulls together data from multiple spreadsheets should be cross-referenced to the documents that provide the source of the data; interviews with different people on a related topic should be cross-referenced to support overall conclusions.

Avoid creating unnecessary workpapers. In order to be concise, auditors must have a clear understanding why they are performing a specific audit task and how the task will satisfy the audit objectives before undertaking the work. Clear descriptions of the purpose of the workpaper help ensure common understanding of what the work is intended to achieve.

The workpapers must be complete. The body of workpapers must contain sufficient information to demonstrate compliance with GAS in planning, conducting and reporting on the work, must link significant findings and conclusions to evidence, and must be understandable without supplementary explanations. However, complete does not mean self-contained. Auditors need to exercise judgment in deciding what to include in the workpaper file. It's helpful to write summaries in lieu of placing copies of voluminous documents in the file. Documents that are readily available (e.g., the Code of Ordinances, CAFR, budget) should be referenced instead of copied for inclusion in the workpapers. When using other reference materials or reports, auditors can include a sample page, or copies of only the title page and the other relevant pages from a document. Sample pages of electronic documents should include a reference to the name of the electronic file and where it can be found.

ORGANIZATION:

Workpapers should be organized in a logical manner and filed as the audit progresses.

Index workpapers. The example workpaper index (page 5) provides a uniform method for organizing workpapers common to all audit projects (Sections A and B) and suggests methods for organizing the workpapers for audit planning (Section C) and fieldwork (Sections D-Y, as needed). File Z is reserved for legal and confidential information that is not subject to release under the Texas Open Records Act (see discussion below regarding Confidential Records and Sensitive Information). Using the index facilitates review and retrieval while allowing flexibility to meet the needs of the audit.

- Label the lower right-hand corner of the first page of each workpaper with the index and file number. The indexing system should be fairly simple, (e.g., B.1 would refer to the Report Outline in the Audit Report and Review file). Subsets of index numbers may be used to keep a logical organization to the working papers. For example, if the audit plan is revised, the revision could be indexed as working paper A.9.a.
- Each page of a workpaper should be numbered to facilitate referencing. However, use judgment. Don't renumber documents with existing page numbers. If only certain pages of a document are actually required as audit evidence, they may be tabbed and referenced by a tab color or label, rather than numbering each page (and consider whether the full document needs to be included in the file).
- It's helpful to index the workpapers in a way that maps to the planning and audit fieldwork plans.

Avoid redundancy. Auditors should avoid placing duplicates of the same document in different files. Workpapers should be centrally maintained and be accessible for peer review.

Safeguard workpapers during fieldwork. The City Internal Auditor is responsible for safeguarding workpapers while work is in progress. Printed documents should be stored in secure cabinets or locked offices.

The need to safeguard workpapers throughout the audit should not restrict routine discussions with the auditee. It is sometimes helpful to show program staff or management the results of

an analysis to get their input. In doing so, however, the City Internal Auditor should be clear that the work is in progress and subject to change. Before work is shared, it should be marked, "Confidential – For Discussion Only." The general practice is to retain copies of workpapers that are shared in meetings.

Organize computer files, too. Storing files on the City Internal Auditor's "O" drive provides for backup of electronic files. The City Internal Auditor will name the files in a way that their content can be easily identified. Generally, only the final version should be retained.

CONFIDENTIAL RECORDS AND SENSITIVE INFORMATION:

Workpapers sometimes include information that is specifically exempt from release under the Texas Open Records Act, including legal advice or personal information, such as social security numbers or banking information. Auditors should use judgment when preparing workpapers and not include personal information unless it is relevant to the purpose and necessary to establish sufficiency or competence of the evidence presented.

File privileged information separately. Written communications between the City Internal Auditor and attorneys - including emails – should be labeled, "Confidential – Attorney-Client Privilege," and be filed in the Z workpaper file. All confidential documents in the Z file should be stored in red folders. The Z file should be retained with the other workpapers, but must be removed before anyone outside of the City Auditor's Office, other than city attorneys or their representatives, review the workpapers. The City Internal Auditor will note on the workpaper index that the Z file was removed because all of the documents contain privileged information.

Documents that contain personal information are filed with workpapers as usual. The City Internal Auditor is responsible for reviewing workpapers to redact confidential information before releasing copies pursuant to an open records request.

CHAPTER IV. COMMUNICATING RESULTS

IV.A. Message Development

References:

- GAS 8.01-8.53, Report form, contents and quality
"Moving from Data to Message: Strategies and Methods," SGS Writing Workshops,
(Stan Stenersen)
-

PURPOSE:

The City Internal Auditor prepares written audit reports to communicate the results of each audit. The format and nature of the report can vary depending on timing requirements and user needs. Regardless of whether the final product is a bound report, briefing slides, or a memo, auditors should recognize that the value they add to city government will be judged largely by the quality of their reports.

The purpose of message development is to consider how to communicate the results of the audit. The result of message development is an expanded report outline that includes headings, synopsis paragraphs, topic sentences, and key data and/or graphics to support points.

The report outline provides a framework for the City Internal Auditor to draft the report.

PROCEDURES:

The City Internal auditor will:

- Review user needs
- Decide what kind of product will best communicate audit results.
- Review the findings and recommendations developed in the fieldwork
- Draft a synopsis of the findings (narrative description of the elements in plain English).
- Construct a sentence outline for the report.

A sentence outline reflects the structure of the report. The City Internal Auditor will structure audit reports to meet the needs of readers. The key elements of a reader-based report are:

- Title
- Summary
- Headings
- Topic sentences/key support
- Graphics

These elements allow non-expert, busy readers to understand the message of the audit by just skimming the report. Note that the structure moves from the whole (the overall message) to the parts (the supporting detail). Some people are more comfortable writing from the detail and building up to the conclusion. The City Internal Auditor is flexible in how the outline is written (headings first or detail first), but the final result needs to frame the message from the top down.

The City Internal Auditor will exercise care in developing the report if the audit findings include fraud, illegal acts, abuse, or significant violations of contracts or grant agreements. Therefore,

the City Internal Auditor will limit the information put in the public report so as not to interfere with an ongoing investigation or legal proceeding. The general practice will be to seek legal advice if there's question of what can be responsibly reported.

The report should describe significant deficiencies in internal controls related to the audit objectives. These will be part of the audit findings and developed as part of the message rather than a separate section.

Usually if the City Internal Auditor plans to issue a memo or briefing slides instead of a bound report, he will have made this decision when setting the scope. GAS identifies timeliness as an element of a quality report and defines timeliness as providing relevant information in time to respond to legislative officials and other users' legitimate needs. Auditors can be most responsive to timeliness needs when identifying them early. However, if the City Internal Auditor becomes aware of timeliness issues later in the audit process, he will tailor the report format and outline to respond to user needs while still following standards.

Once the outline is complete, the City Internal Auditor drafts the report.

CHAPTER IV. COMMUNICATING RESULTS

IV.B. Draft Report

References:

- GAS Chapter 8, Reporting Standards for Performance Audits:
 - 8.02, Form
 - 8.07, Report Contents
 - 8.38, Report Quality Elements
-

PURPOSE:

The purpose of the report is to communicate the audit results to a broad audience. The City Internal Auditor is responsible for drafting a report that provides convincing support for findings.

PROCEDURES:

The City Internal Auditor uses the report outline to write the first draft of the report. The first draft should include:

- **Background** - This section contains an introductory paragraph that states the overall nature and purpose of the audit and enough background information about the area under audit to provide context for the reader to understand the findings. Shorter is better. Avoid putting conclusions in the background.
- **Scope and Methodology** - This section contains a description of the scope and objectives and the major steps completed to conduct the audit. The following is also included:
 - A statement that the audit was conducted in accordance with government auditing standards. If the City Internal Auditor did not follow auditing standards or any particular standard, he will disclose the standard(s) that he did not follow and the likely impact it would have on the audit report.
 - Disclosure of any scope or independence impairments (see II.B).
 - A statement that the City Internal Auditor omitted information from the report, when applicable, and the reasons for the omission. Most omissions will be related to ongoing investigations or legal proceedings, or sensitive information protected under the Texas Open Records Act. It's the City Internal Auditor's practice to seek legal advice if there's question whether information should be omitted.
 - Description of interim reports or separate communications of deficiencies to management that weren't significant to the audit objectives (see III.A).
- **Audit Results** - This section lays out the audit findings, conclusions, and recommendations. The draft should meet the quality elements identified in GAS. The extent to which a report meets the quality elements is a matter of professional judgment. The City Internal Auditor recognizes the inherent tensions between the elements (complete and concise; accurate and clear; objective and convincing) and will draw upon his experience, fellow colleagues in the auditing profession, and input from the Audit Committee to balance them.

- **Complete** – The report should contain enough evidence to support audit conclusions and provide context and perspective about the significance of the findings. One example of a minor deficiency is not enough to support a broad conclusion.
- **Accurate** – The report must be factual. Even fairly minor inaccuracies can cast doubt on the entire audit and damage the credibility of the city's internal audit function. Keep in mind that misplaced precision – while accurate – can detract from the audit report's meaning.
- **Objective** – The report should be balanced in content and tone. Findings should be kept in perspective. Avoid unnecessary adjectives and adverbs.
- **Convincing** – The report should be presented persuasively with conclusions and recommendations flowing logically from the facts. Techniques to express the relationships between main ideas within and among paragraphs (parallel structures; coordination, subordination and transition phrases; and running heads) help make the report convincing. The key controlling idea should be in the first sentence of the paragraph to help make a clear and convincing case.
- **Clear** – The report should be easy to read and understand. Use active voice. Avoid acronyms and jargon. Define technical terms or abbreviations at their first use in the text or in a glossary if they are essential to understanding (but it's better to avoid using them). Simple sentence structures are usually easiest to understand (subject-verb-object). Put statements in positive form (what is, rather than what isn't). Graphs, charts, maps and other visuals also aid in clarity.
- **Concise** – The report should be no longer than necessary to convey the message. Shorter is better as long as the report is complete. Too much detail can obscure the message of the report. Omit needless words. Using strong verbs and limiting adverbs and noun phrases helps with clarity and conciseness.
- **Appendices** - Information that would be useful to some readers but is too detailed to include in the body of the report may be attached as appendices. Examples include the full text of a City Ordinance or a technical description of an audit method – such as sampling, forecasting, or modeling. Interim reports to management are included as appendices in most cases. Number each appendix sequentially and refer to each in the body of the report.

The final draft also includes:

Results-in-brief. Once the draft is edited and undergoes technical review (see IV.C), the City Internal Auditor drafts the results-in-brief (a one page summary of the report) and the table of contents. The results-in-brief may, at times, be drafted **after** the management response is received.

Management's response. The City Internal Auditor sends the draft to management for review and comment (see IV.D). Management's final response is scanned into the final report.

Audit cover letter in the report. The City Internal Auditor drafts the audit cover letter before sending the draft to the Audit Committee for review (see IV.E). The audit cover letter is addressed to the members of the City Council. The letter briefly states the reason the audit was conducted, characterizes the nature of the recommendations, and states whether management agreed or disagreed with the recommendations. It should be one page, display the "Confidential Report Draft for Discussion Only" watermark, as does the rest of the report, and conclude with the typed signatures of the City Internal Auditor and the Audit Committee Chairperson, but is not dated or signed until it is reviewed by the Audit Committee and ready for public release (see IV.F).

Retaining drafts in the workpapers. Avoid keeping multiple versions of the report draft in the workpapers (see III.B). The City Internal Auditor will keep in the workpaper files copies of: the technical review draft, the draft that was sent to management, and the draft that was sent to the audit committee. Only the most current electronic version of the draft will be kept in the project folder on the server to ensure that changes and corrections are made to the correct draft.

DRAFT

CHAPTER IV. COMMUNICATING RESULTS

IV.C. Technical Review

References:

GAS 3.49 – 3.51, Quality Control and Assurance
GAO/OP-4.1.6 An Audit Quality Control System: Essential Elements

PURPOSE:

The purpose of technical review is to ensure that the report accurately and objectively conveys the results of the work and that findings and conclusions in the report are based on sufficient, competent, and relevant evidence.

PROCEDURES:

The City Internal Auditor references the draft to supporting workpapers. Referencing (sometimes called indexing) is the process in which the auditor notes on the draft the workpaper source for each fact, figure, date, or other piece of evidence described in the report. Referencing should be complete and accurate. As the City Internal Auditor references the report, he is responsible for correcting the report as he finds errors to ensure that it is consistent with the evidence in the workpapers.

Each sentence in the draft should be referenced. Summary paragraphs should be referenced to the relevant text in the body of the report, which is referenced to the workpapers. Some sentences or ideas do not directly relate to a specific workpaper and may be referenced as conclusion, statement, recommendation, or calculation.

- **Conclusion** – use “conclusion, support follows” when the sentence summarizes audit conclusions and the supporting evidence is described in subsequent sentences. Lead sentences and headings are usually referenced as conclusion, support follows. Use “conclusion” when the sentence flows from the preceding discussion. If the conclusion is based on evidence that is not described in adjacent sentences, note where it is (exhibit number or page and paragraph number).
- **Statement** – use “statement” when the sentence is about how the auditor conducted his work or his intent (matters for which the auditor is the source) or when the sentence provides a conclusion based on professional experience or common knowledge rather than specific pieces of evidence. For example “segregating incompatible duties will strengthen controls” can be referenced as a statement.
- **Recommendation** – use “recommendation” when the sentence describes audit recommendations.
- **Calculation** – use “calculation” when the reported figure derives from others in the text rather than a workpaper.

The City Internal Auditor is responsible for ensuring that substantive changes to the draft that occur after technical review are referenced. For example, if information is added to the report following management’s or the Audit Committee’s review, any fact, conclusion or statement added must be referenced. The referenced draft is maintained in the workpaper files.

CHAPTER IV. COMMUNICATING RESULTS

IV.D. Management Review and Response to the Audit

References:

GAS 8.31 – 8.34, Reporting Views of Responsible Officials

PURPOSE:

Providing management with a draft audit report for review and comment serves three primary purposes. First, it helps to ensure that the report is accurate, fair, complete, and objective. Second, providing management's written response in the published report promotes transparency and helps the reader assess whether the report is fair and credible. Finally, management's response provides the basis for later follow-up on implementation of recommendations.

PROCEDURES:

Sending the draft audit report to management for review and comment. Once copy editing and formatting are completed, the City Internal Auditor drafts a transmittal letter to the head of the audited entity and prepares a response form. The City Manager, Deputy City Manager, Assistant City Manager, City Attorney, or Chief Financial Officer should be copied when audits involve areas for which they are responsible. (Rule-of-thumb – whoever received the engagement letter should also receive the draft report.)

The transmittal letter should:

- State that the draft report (with title and project number) is attached
- Provide instructions for completing the response form:
 - Response should indicate whether the manager agrees, agrees in part, or disagrees with the recommendations
 - In cases of agreement, the response should describe management's proposed actions and time frame for implementation
 - In cases of disagreement, the response should discuss why management disagrees
- Offer the opportunity to address other issues regarding the audit such as tone or perceived inaccuracies
- Request the completed form and any additional written comments by a specific date (7 working days from when it is sent unless there is prior agreement for a different timeframe)
- State that the City Internal Auditor will schedule an exit conference to discuss and resolve issues
- State that their final written response will be published with the report
- Describe the final steps for publicly releasing the report

The City Internal Auditor sometimes makes recommendations to more than one department when the area under audit spans functional units. In these cases, the City Internal Auditor sends letters to the head of each unit to which recommendations are directed and specifies the recommendations for which the recipient should respond. The draft report will contain a

"Confidential Report Draft for Discussion Only" watermark and will not be dated. The City Internal Auditor keeps copies of the letter and draft with the audit documentation.

Exit conference. The City Internal Auditor will schedule an exit conference if management has questions or concerns about the draft, disagrees with a recommendation, or simply wants to meet as a professional courtesy. This provides an opportunity to discuss disagreements in an attempt to find common ground. The City Internal Auditor will carefully assess management's comments and concerns raised in the written response and exit conference, and decide whether and how to revise the report. If the City Internal Auditor decides to revise the report, he will provide management a brief opportunity to amend their response for inclusion in the final report for publication.

The City Internal Auditor prefers to make recommendations that management agrees with so that management will be more likely to correct the problem. However, when the City Internal Auditor cannot come to agreement, or management's written response contains comments the City Internal Auditor thinks are not valid, he may choose to prepare rebuttal comments.

Once the City Internal Auditor has management's final response, he drafts the audit cover letter and scans the response into an appendix in the report.

DRAFT

CHAPTER IV. COMMUNICATING RESULTS

IV.E. Audit Committee Review

References:

GAS 8.54 – 8.57, Report Issuance and Distribution
Texas Open Records Act

PURPOSE:

The purpose of the Audit Committee's review is to ensure that the draft audit report is clear, objective, and balanced. Committee members may ask questions and suggest revisions.

The City Internal Auditor presents or sends the draft audit report to the Audit Committee after he receives management's response to the audit (see IV.D).

PROCEDURES:

Recommendation response. Management's response to the audit recommendations is scanned into the report appendices. The complete report remains as a draft. However, the watermark is changed from "Confidential - Report Draft for Discussion Only" to just "Draft". No date is put on the report until it is publicly presented at a full council meeting. Once the report is presented at a publicly posted meeting to the Audit Committee, it is subject to the Texas Open Records Act and may be requested by members of the media or public.

Audit cover letter in the report. The audit cover letter is drafted before sending the draft to the Audit Committee for review. The audit cover letter is addressed to the members of the City Council. The letter briefly states the reason the audit was conducted, characterizes the nature of the audit recommendations, and states whether management agreed or disagreed with the recommendations. It should be one page, display the "Draft" watermark, as does the rest of the report, and conclude with the typed signatures of the City Internal Auditor and the Audit Committee Chairperson, but is not dated or signed until it is reviewed by the Audit Committee (see IV.F).

Transmittal letter to the Audit Committee. The transmittal letter explains the purpose for their review, the timeframe in which the City Internal Auditor would like their feedback, and thanks them for their support.

Distribution to Audit Committee. Copies of the transmittal letter and the draft audit report are presented to the members at an Audit Committee meeting or sent to Audit Committee members.

CHAPTER IV. COMMUNICATING RESULTS

IV.F. Public Release and Distribution

References:

GAS 8.54 – 8.55, Report Issuance and Distribution

PURPOSE:

The City Internal Auditor provides audit reports to officials responsible for oversight and decision-making, as well as to the public to promote accountability and transparency in city government and to protect auditor independence.

PROCEDURES:

After the Audit Committee reviews the draft report, the City Internal Auditor removes the watermark, adds dates to the cover page, results-in-brief, and transmittal letter, and adds signatures to the transmittal letter. The final report is distributed to City Council members, the City Manager, and appropriate officials of the audited entity to be read into record at a full council meeting.

The City Internal Auditor keeps a record in the workpapers of additional requests for report copies with addresses of where and to whom they are sent. A published reports file is maintained for report copies upon request, and an unbound master file of all published reports for making additional bound copies as needed.

CHAPTER V. QUALITY ASSURANCE

V.A. Ensuring Quality

References:

GAS 3.49 – 3.56, Quality Control and Assurance

PURPOSE:

The purpose of the City Internal Auditor's quality assurance system is to provide reasonable assurance that the audit work conducted conforms to GAS. Key elements of quality assurance include:

- Review of audit documentation
- Technical review
- Continuous development (on-the-job training and CPE)
- Peer review

PROCEDURES:

In order to ensure that audit work complies with GAS and is high-quality, the City Internal Auditor is responsible for the following duties:

- Developing an annual audit plan considering risks to the city and capabilities and resources of the office to conduct the work
- Evaluating the knowledge and skills necessary to conduct an audit project and determining whether to hire consultants or specialists to assist on projects when additional knowledge and/or skills are needed
- Ensuring auditor independence
- Developing the audit scope and objectives
- Developing milestone documents such as the survey plan, scope statement, fieldwork plan, draft outline, report drafts and the final report
- Representing the city's audit function to the Audit Committee, the City Council, city officials and external stakeholders
- Developing audit policies and procedures based on GAS and ensuring milestone documents and other audit work are consistent with these policies and procedures
- Ensuring completed workpapers are accurate, complete and within the scope of the audit
- Establishing a working relationship with auditees
- Preparing administrative documents, such as the engagement letter, meeting agendas, and record of status meetings
- Managing time to meet established deadlines

Review of audit documentation. After fieldwork is completed, the City Internal Auditor will review audit documentation that is the basis of the audit findings. Reviewing audit documentation ensures that (1) individual workpapers are relevant to the objective, provide a clear description of method, contain a conclusion that addresses the purpose and is consistent with and supported by the type and amount of evidence presented, and data entry and calculations are accurate; and (2) the body of audit workpapers is complete, accurate, and logically organized. Workpapers with these characteristics allow auditors to draw sound

conclusions based on appropriate evidence and to systematically link audit findings and recommendations to the work conducted.

Other key elements of the quality assurance system:

- Technical review ensures that the report accurately and objectively conveys the results of the work and that findings and conclusions in the report are based on sufficient, competent, and relevant evidence (see IV.C).
- Continuous development helps to ensure audit quality by ensuring the auditor is competent (see V.B).
- Peer review helps ensure audit quality by obtaining (1) an independent assessment that the City Internal Auditor complied with GAS and (2) feedback from other audit professionals on the strengths and weaknesses of the city's audit function.

DRAFT

CHAPTER V. QUALITY ASSURANCE

V.B Continuous Development

References:

GAS 3.40, 3.45-3.47, Competence
Guidance on GAS Requirements for Continuing Professional Education, April 2005,
<http://www.gao.gov/govaud/ybcpe2005.pdf>

PURPOSE:

The purpose of continuous development is to ensure that the City Internal Auditor develop and maintain professional competence to effectively perform critical job tasks.

PROCEDURES:

Continuous development refers to the attainment of professional certifications, membership and involvement in professional organizations, and continuous professional education.

Professional certification. The City Internal Auditor is currently a certified internal auditor (CIA) and a certified government auditing professional (CGAP). In addition to these certifications, the City Internal Auditor will seek opportunities to obtain additional professional certifications or licenses such as the certified fraud examiner (CFE), certified information systems auditor (CISA), or certified public accountant (CPA).

Membership in Professional Organizations. Participating in professional organizations offers opportunities to establish relationships with other government auditing professionals. Through these relationships, the City Internal Auditor will be able to draw upon the expertise and experience of other auditors to more efficiently and effectively conduct audit work. Therefore, the City Internal Auditor will pursue opportunities to participate in activities of professional organizations related to government or auditing, such as:

- Association of Local Government Auditors
- American Society for Public Administration
- Association of Certified Fraud Examiners
- Association of Government Accountants
- Texas Society of Certified Public Accountants
- Government Finance Officers Association
- Information Systems Audit and Control Association
- Institute of Internal Auditors
- Institute of Management Accountants

Participation may include attendance at local chapter meetings or serving on a committee or board of a professional organization.

Continuous Professional Education (CPE)

Continuous professional education (CPE) refers to individual or group structured educational activities with learning objectives designed to maintain or enhance participants' knowledge and skills relevant to government auditing. The City Internal Auditor will comply with GAS CPE

requirements that auditors should complete at least 80 hours of CPE every two years. At least 24 of the 80 hours of CPE should be in subjects directly related to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. At least 20 of the 80 hours should be completed in any 1 year of the 2-year period.

Measurement period. The City Internal Auditor uses a fixed measurement period to monitor CPE compliance. For example 2007-2008 is one measurement period; 2009-2010 is another measurement period.

Documentation. The City Internal Auditor keeps on file the certificate of completion or other documentation of course attendance. If the sponsor did not provide documentation of attendance, the City Internal Auditor will prepare a memo for the file that describes:

- the name of the organization that provided the training
- the title and subject matter of the training
- the date attended (or date completed for individual study)
- the number of CPE hours earned related to government and nongovernmental topics

If the City Internal Auditor is requesting CPE for preparing course material or publishing an article, the memo should include:

- a written statement of the number of hours claimed
- contact information for the publisher or sponsor of the training
- a copy of the materials prepared or article published

GAO's guidance describes how to calculate CPE hours for training courses and preparing materials for presentation or articles for publication.

CHAPTER V. QUALITY ASSURANCE

V.C. Peer Review

References:

GAS 3.49, 3.52-3.56. Quality Control and Assurance

PURPOSE:

The purpose of peer review is to get an independent assessment of whether the City Internal Auditor's internal quality control system was adequately designed and followed over a defined period to provide reasonable assurance that his work complied with GAS. Peer review also provides an opportunity to get feedback from other audit professionals on what the City Internal Auditor is doing well and how to improve his effectiveness.

PROCEDURES:

The City Internal Auditor will undergo an external peer review every three years by an independent review team using the ALGA Guide. Reviewers are audit professionals from other local governments. A copy of the written report of the independent review shall be furnished to the City Council, and City Manager and made available to the public.

The City Internal Auditor is responsible for scheduling and arranging the review and communicating results to the Audit Committee and the public. He will provide reviewers full access to documents needed to conduct the review.

The City Internal Auditor will carefully review any findings with the peer review team and take steps to correct deficiencies in a timely manner.

The City Internal Auditor may participate in peer reviews of other organizations.

October 25, 2007
Workshop Agenda Item 6
City Internal Auditor's Annual Audit Plan and City Wide Risk Assessment

To: Glenn Brown, City Manager

From: Ty Elliott, City Internal Auditor

Agenda Caption: Presentation, possible action, and discussion concerning the City Internal Auditor's annual audit plan and city wide risk assessment.

Recommendation(s): Approve the City Internal Auditor's Annual Audit Plan.

Summary: The purpose of the annual audit plan is to allocate scarce audit resources to areas that will most benefit the city. In developing the annual audit plan, the City Internal Auditor identifies potential audit topics based on several quantifiable risk factors. To the extent possible, the model developed by the Austin City Auditor's Office is used to evaluate quantitative risks.

Quantitative risk factors used in the city wide risk assessment include the following:

- Size and Complexity: budgeted expenditures, FTE, and revenues
- Organizational Change: budget trend, FTE change, turnover, change in expenditures, and change in revenue
- Planning & Performance: variance in budget to actual expenditures, overtime expenditures, and sick hours per FTE
- Public Concern & Perception: legal claims and suits filed and news articles
- Safety and Liability: worker's compensation claims and training expenditures per FTE
- Ethics: extent of cash handling and commodity expenditures

Not all risk factors are quantifiable. Therefore, the City Internal Auditor considered qualitative input from 53 key city staff and observations from visiting city facilities to further assess potential areas of audit.

The recommended fiscal year 2008 (Oct 1, 2007 to Sept 30, 2008) audit plan is as follows:

1. Purchasing processes and internal controls
2. Public Works asset management and internal controls
3. Public Utilities asset management and internal controls
4. Cash handling procedures (if time permits)

Budget & Financial Summary: None.

Attachments: Handouts to be distributed to the City Council prior to the workshop session.

**October 25, 2007
Workshop Agenda Item 7
Fiscal Year 2007 External Audit**

To: Glenn Brown, City Manager

From: Jeff Kersten, Chief Financial Officer

Agenda Caption: Presentation, possible action, and discussion concerning the fiscal year 2007 City of College Station external audit.

Recommendation(s): N/A

Summary: The accounting firm of Ingram, Wallis & Co., P.C. ("IWC") has been selected by the City Council to perform the fiscal year 2007 external audit. Mr. Tom Wallis, a partner at IWC, will give the City Council a brief overview of the 2007 audit plan, he will answer any questions from the City Council concerning the audit, and he will be available to discuss any specific areas of concern that the Council may have.

Mr. Wallis gave a similar presentation at the audit committee meeting on October 12, 2007.

Budget & Financial Summary: The fee for the City's fiscal year 2007 external audit is \$69,500. Funds have been budgeted in the general fund for this expenditure.

Attachments: N/A