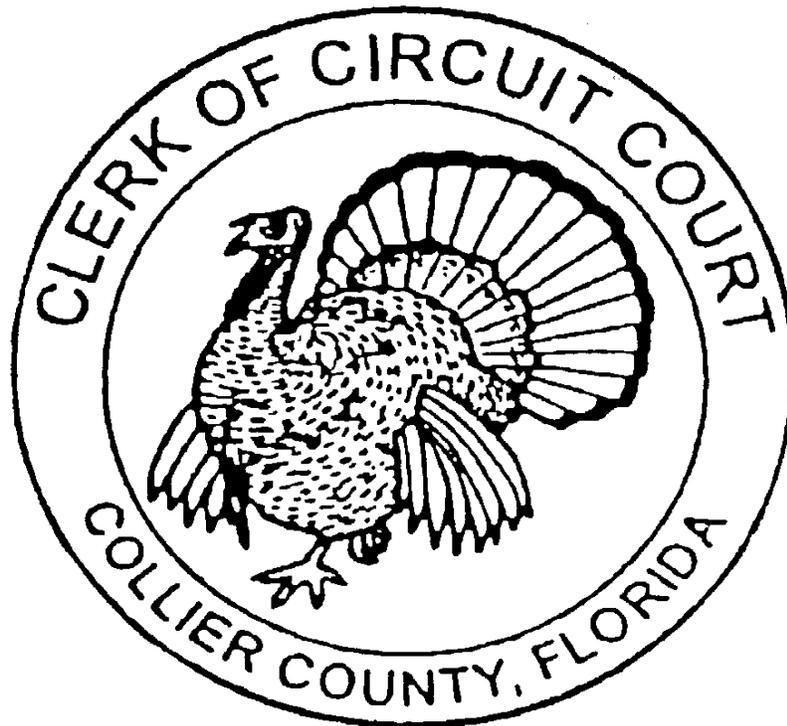


**Audit of
Alternative Road Impact Fees
-Golf Courses
Audit Report No. 2000-5**



Prepared by:

***Collier County Clerk of the Circuit
Court***

Internal Audit Department

April 2000

April 11, 2000

Honorable Timothy J. Constantine, Chairman
And Members of the Board of County Commissioners
3301 Tamiami Trail East
Naples, Florida 34112

**Re: Alternative Road Impact Fees - Golf Courses
(Audit Report No. 2000-5)**

Chairman:

The Internal Audit Department has completed an audit of the procedures followed in calculating and granting alternative road impact fees for golf courses. The objective of this audit was to assure that the provisions of the Road Impact Fee Ordinance were being followed with regard to these types of calculations.

The enclosed report discusses the findings of this audit and includes recommendations to address these findings. County staff has already implemented many of these recommendations.

We thank the County staff for their cooperation in the performance of this audit and diligence in addressing the issues identified. If you have any questions about this report, please feel free to telephone me at 732-2745 or Robert Byrne, Internal Audit Director, at 774-8075.

Sincerely,

Dwight E. Brock
Clerk of the Circuit Court

Enclosure

cc: Thomas Olliff, County Administrator
Vincent Cautero, Administrator, Community Development & Environmental Services Division
Phillip Tindall, Impact Fee Coordinator

Memo

To: The Honorable Dwight E. Brock, Clerk

From: Robert W. Byrne, CMA; Internal Audit Director

Date: April 11, 2000

Re: Alternative Road Impact Fees - Golf Courses (Audit Report 2000-5)

The attached report outlines the findings and recommendations of the Internal Audit Department's review of procedures followed to calculate alternative road impact fees for golf courses. This audit was performed in accordance with generally accepted government auditing standards and was the result of a public inquiry received by the Internal Audit Department.

The findings note that there are several areas in need of improvement concerning the calculation and collection of golf course alternative road impact fees. Recommendations to address the audit findings are included in the report. A draft copy of this audit report was provided to County staff and their comments are included in the final report. County staff has already implemented many of the recommendations.

If you have any questions regarding this report, please telephone me at 774-8075

Audit Report 2000- 5

Audit of Alternative Road Impact Fees - Golf Courses

Prepared by

Collier County Clerk of the Circuit Court

Internal Audit Department

April 2000

**Audit of
Alternative Road Impact Fees - Golf Courses**

Audit Report No. 2000-5

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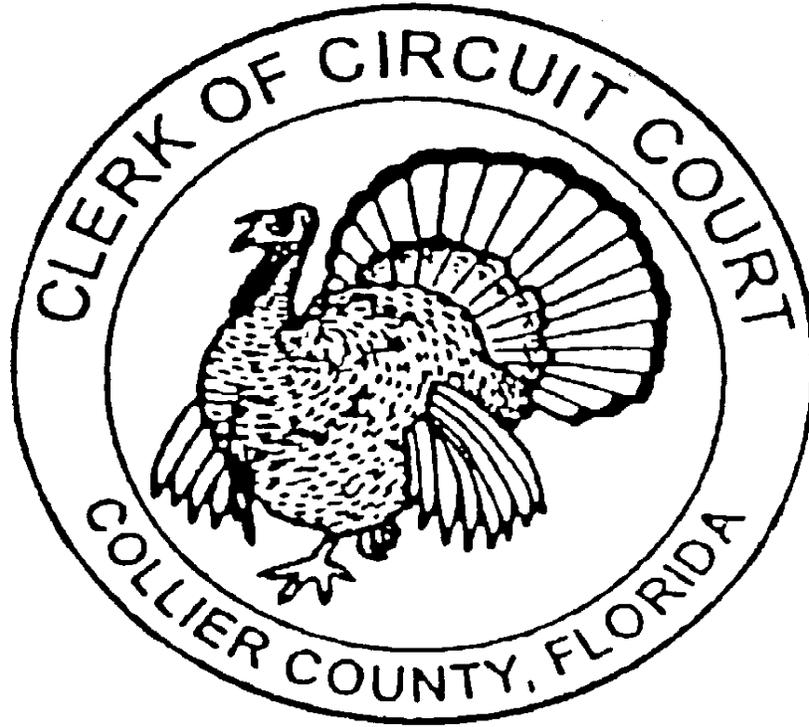
Alternative Road Impact Fees - Golf Courses Audit Report No. 2000-5

Executive Summary

The purpose of this audit was to review the procedures for Alternative Road Impact Fee calculations and to ensure that the procedures being followed were in compliance with the Road Impact Fee Ordinance. Initially this review was limited to Alternative Road Impact Fee calculations for golf courses approved during fiscal years 1998 and 1999 but was expanded to include all such calculations approved between October 1997 and November 1999 in order to determine if there was anything unusual in the procedures for golf courses compared to other types of land uses.

This audit was performed in accordance with generally accepted government auditing standards. The Internal Audit Department interviewed County staff, reviewed the Road Impact Fee Ordinance and applicable procedures, and tested compliance as appropriate. The following table summarizes the audit findings, recommendations and staff responses to the findings and recommendations:

	FINDINGS	RECOMMENDATIONS	STAFF RESPONSE
1	Alternative Road Impact Fee calculations were approved but did not comply with major provisions of Ordinance 92-22, particularly regarding appropriate data sources for calculations.	Ensure that all provisions of Ordinance 92-22 are adhered to.	Concur. Steps have been taken to ensure that future calculations are based on appropriate data sources. This is also being addressed in the development of a new administrative procedures manual.
2	Golf course road impact fees are not being collected consistently.	Ensure road impact fees payments are received prior to golf course construction through the current permitting system (CD-Plus), preferably by requiring a building permit for the construction of a golf course.	Concur. This will be addressed when the Development Review Module of the CD-Plus System is implemented. Interim steps have been taken to ensure impact fees are collected prior to construction.
3	Procedures manual is not distributed to all parties involved and is incomplete.	Update and distribute procedures manual to all departments.	Concur. Distribution complete. Update in process.
4	Lack of coordination among departments involved in the process of assessing and collecting golf course road impact fees.	Coordinate procedures between all departments involved in impact fee calculations.	Concur. The new administrative procedures manual and the hiring of an impact fee coordinator are steps taken to correct this problem.
5	Alternative Road Impact Fees are typically presented to the BCC as Consent Agenda (routine) items.	Present Alternative Road Impact Fee calculations to the BCC on the Regular Agenda because of their unusual nature and the decision-making required by the BCC.	Believe it is better to leave this to the discretion of the Board. Commissioners have moved these items from consent to the regular agenda on numerous occasions to ask for clarification or additional information.



Audit of Alternative Road Impact Fees - Golf Courses

Audit Report No. 2000-5

Alternative Road Impact Fees - Golf Courses Audit Report No. 2000-5

Audit Purpose, Objectives, & Scope

The purpose of this audit was to review the procedures for Alternative Road Impact Fee calculations and was initiated due to a public inquiry. The Internal Audit Department's objective was to ensure that the procedures being used were in compliance with those outlined in Collier County Ordinance 92-22. The scope of this review was initially limited to Alternative Road Impact Fee calculations for golf courses approved by the Board of County Commissioners (BCC) during fiscal years 1998 and 1999. The scope was then expanded to include all Alternative Road Impact Fee calculations approved by the BCC between October 1997 and November 1999. This increase in scope was done to determine if there was anything unusual in the procedures, calculations, or approvals of golf courses compared to other types of land uses.

Audit Methodology & Procedures

This audit was performed in accordance with generally accepted government auditing standards. The Internal Audit Department interviewed County staff in the Community Development and Environmental Services Division and Public Works Division (Transportation Department) responsible for calculating, assessing, and collecting road impact fees and reviewed applicable procedures. Additionally, the provisions of Ordinance 92-22 related to alternative road impact fee calculations were reviewed and those alternative road impact fee calculations approved by the BCC between October 1997 and November 1999 were tested for compliance with those provisions.

Background

The Community Development & Environmental Services Division, within various departments, is responsible for issuing building permits, assessing and collecting impact fees, and reviewing site development plans. The Transportation Department of the Public Works Division is responsible for the review of alternative impact fee studies as well as the calculation of individual impact fees pursuant to the provisions of Ordinance 92-22.

Impact fees are charges imposed against new developments to provide for the cost of capital facilities made necessary by growth in population. The purpose of impact fee charges is to impose upon the newcomers, rather than the general public, the cost of new facilities necessitated by their influx. Impact fees are a significant source of Collier County revenue. The County collects impact fees for new growth and development, which are levied and used for: roads, emergency medical services (EMS), parks and recreational facilities, libraries, schools, regional sewer system, regional water system and respective fire districts.

Should a developer believe that a certain development will have a lower "impact" on the road network, the developer is entitled to submit an Alternative Road Impact Fee calculation. The alternate impact fee calculation can represent significantly lower revenues to Collier County than would have been collected through the general impact fee rates. To allow the developer to pay a lower fee to the County based on an alternative impact fee calculation; an individual study meeting criteria outlined in the Road Impact Fee Ordinance (92-22) must be completed and paid for by the developer.

Once a developer applies for a permit to begin construction on a site, the appropriate impact fee is due prior to issuance of the permit. The developer, however, has the option to either pay the impact fee due "under protest" to immediately receive the permit to begin construction and consequently alert the County to its intention of performing an Alternative Impact Study. Alternatively, the developer may prefer to delay construction and submit the calculation of the Alternative Road Impact Fee to the County prior to requesting a permit. After review of the Alternative Impact Fee Study and accuracy of calculation has been confirmed by the Transportation Department, the Alternative Road Impact Fee Calculation is presented to the Board of County Commissioners (BCC) for approval. If approved by the BCC and the developer paid "under protest," the developer is entitled to a refund from Collier County.

Alternative Road Impact Fees - Golf Courses Audit Report No. 2000-5

Findings:

1. Alternative Road Impact Fees calculations, reducing assessments by \$904,964, were approved but did not comply with major provisions of Ordinance 92-22.

The key criteria for an Alternative Road Impact Fee calculation are outlined in Section 2.03 C of Ordinance 92-22. Among these major provisions are that a study must be done in accordance with the methodology and assumptions of the "Study" (*Collier County Transportation Impact Fee 1991 Update Study*, Tindale-Oliver and Associates, April 1992) on which Ordinance 92-22 was based. Additionally, a study can be based on an independent source of data, apart from the "Study", as long as it meets one of the following criteria:

- "(1) The independent source is a generally accepted standard source of transportation engineering or planning or information." (Ordinance 92-22, Section 2.03 C (1))
- "(2) The independent source is a local study supported by a data base adequate for the conclusions contained in such study performed by a professional engineer pursuant to the methodology contained within the Impact Fee Study." (Ordinance 92-22, Section 2.03 C (2))
- "(3) If a previously approved Road Impact Construction project submitted, during its approval process, a traffic impact study substantially consistent with the criteria required by this Section, and if such study is determined by the Board to be current, the traffic impacts of such previously approved Road Impact construction shall be presumed to be as described in the prior study..." (Ordinance 92-22, Section 2.03 C (3))

Table I highlights the rate of compliance during the period covered in this audit for these major provisions of Ordinance 92-22. Generally, the Internal Audit Department found that assumptions were made as to the trip generation rate, which was then entered into a spreadsheet calculating the impact fee due. These assumptions were not based on any of the sources outlined in the Ordinance, but rather were unsupported estimates of trip generation by the subject property. The Internal Audit Department found that only two of the ten alternative calculations were based on an acceptable independent source. These calculations were for furniture stores and were based on data in *Trip Generation* (Institute of Transportation Engineers, Washington D.C., various editions.), a reference source used in the "Study."

Table I: Compliance Rate for Major Provisions of Ordinance 92-22

Provision	Ord. 92-22 ref.	Golf Courses (5)	Others (5)
Used generally accepted standard source of data	Section 2.03 C (1)	0 %	40 %
Local study performed by professional engineer	Section 2.03 C (2)	0 %	0 %
Previous study used	Section 2.03 C (3)	0 %	0 %

The Internal Audit Department also found other areas of non-compliance, which were of a lesser, more procedural nature. These included requirements that: 1) the applicant submit the calculation rather than County staff preparing the calculation; 2) that the applicant be notified in writing of when a hearing before the BCC was scheduled; and 3) that the scheduled date be no later than 30 days after submission of the calculation.

Client response: Concur. Staff has already taken affirmative steps to ensure that future alternative road impact fee calculations for golf courses are based on appropriate data sources pursuant to Ordinance 92-22 (as amended), Section 2.03.C. In addition, this subject is being addressed in-depth by our consultant in the development of a new administrative procedures manual.

Alternative Road Impact Fees - Golf Courses Audit Report No. 2000-5

2. Golf course road impact fees are not being collected consistently.

Impact fees, including alternative impact fee calculations, are required to be collected prior to construction commencing. A building permit may be issued if the impact fees are paid in full, under protest, and with subsequent approval of an alternative calculation, a refund will be granted for the difference. Currently there is no building permit required for golf courses as they are approved as part of a Site Development Plan (SDP). Similarly, work may start on a golf course as part of a Preliminary Work Agreement (PWA) which allows work to commence prior to final SDP approval. The road impact fees are to be assessed and collected at the time of SDP approval. Because there is no building permit required, there is no mechanism that ensures payment is received prior to construction. Furthermore; because clubhouses, maintenance buildings, and other ancillary structures to the golf course are included in the road impact fee for golf courses; when building permits are issued for such structures after the golf course has been built, a road impact fee is not assessed as the road impact fees are assumed to have been paid. Table II summarizes the golf courses permitted during the period of the audit (as well as several outside the scope that were brought to the attention of the auditor) and the status of the assessment and payment of road impact fees.

Note: As a result of this finding, The Internal Audit Department has requested payment information on road impact fees for golf courses since the adoption of Ordinance 92-22 and will issue a follow-up report on those findings.

Table II: Status of Golf Course Impact Fees

Golf Course	SDP # or PWA Date	Road Impact Fees Due	Road Impact Fees Paid as of 1/1/2000	If Alternate Fee, BCC Approved?
Naples Executive	99-15	\$ 34,678.77	\$ 0.00	Yes, 8/3/99 16B1
Cypress Woods	99-140	\$ 17,710.46	\$ 17,710.46	Yes, 2/24/98 16B1
Lely Mustang	98-61	\$ 20,455.00	\$ 20,455.00	Yes, 12/15/98 16B4
Heritage Greens		\$ 11,435.35	\$ 11,435.35	Yes, 1/12/99 8B5
Twin Eagles	PWA 3/3/98	\$ 187,317.52	\$ 69,867.52	No - Staff Approved
Cedar Hammock	PWA 5/1/99	\$ 103,402.00	\$ 0.00	N/A, Paid 2/4/2000 (under protest)
Tiburon	97-166	\$ 304,097.82	\$ 0.00	N/A
Bay Colony		\$ 173,534.14	\$ 0.00	N/A
Pelican Marsh		\$ 226,311.80	\$ 0.00	N/A
Old Cypress	99-21	\$ 15,044.47	\$ 0.00	Yes, 8/3/99 16B2
Naples Grand	98-163	\$ 147,960.80	\$ 0.00	N/A, Paid 1/24/2000 (under protest)
Naples Lakes	98-138	\$ 118,539.20	\$ 0.00	N/A
Old Collier	99-11	\$ 237,398.20	\$ 0.00	N/A
Hideout	99-17	\$ 38,248.64	\$ 0.00	Yes, 6/22/99 16B14
Golf Club of the Everglades	99-140	\$ 279,078.80	\$ 0.00	N/A
Grey Oaks	98-84	\$ 60,868.60	\$ 0.00	N/A
Vanderbilt	PWA 10/21/97	\$ 142,204.40	\$ 35,723.03	No - Charged wrong rate
Naples Heritage		\$ 110,331.00	\$ 27,447.00	No - Staff Approved
Valencia		\$ 127,920.00	\$ 0.00	N/A
TOTALS		\$2,345,101.62	\$182,638.36	

Alternative Road Impact Fees - Golf Courses Audit Report No. 2000-5

Client response: Concur. Our current process for approving the commencement of construction of golf courses is not a reliable mechanism for ensuring the collection of road impact fees. We have identified this as an area to be addressed with the upcoming implementation of the Development Review Module of the Perconti CD-Plus System. In the interim, our Engineering Review staff in the Planning Services Department have updated their review checklists to ensure impact fees are collected prior to approval of Site Development Plans or granting of Preliminary Work Authorizations.

3. Procedures manual is not distributed to all parties involved and is incomplete.

A copy of a procedures manual was pointed out in the Transportation Department while other departments involved in the process were unaware of the manual's existence. The manual contained a copy of the Alternative Road Impact Fee Calculation section of Ordinance 92-22, but no elaboration nor guidance was included on how the County handled the review of such calculations. (A similar finding was also noted in Audit Report 98-03.)

Client response: Concur. All responsible personnel are now in possession of the existing document. In addition, a new, more detailed and comprehensive administrative procedures manual is now under development.

4. Lack of coordination among departments involved in the process of assessing and collecting golf course road impact fees.

This lack of coordination is evidenced by the non-collection of golf course road impact fees as outlined in finding #2 above. Please note that the County has hired an Impact Fee Coordinator that will likely address this issue. (A similar finding was also noted in Audit Report 98-03.)

Client response: Concur. Detailed procedures, including those for coordination of information among responsible staff, will be included in the new administrative procedures manual. As pointed out in the preliminary draft audit report, the hiring of an impact fee coordinator has been a major step toward correcting administrative problem areas such as this.

5. Alternative Road Impact Fees are typically presented to the BCC as Consent Agenda items.

Consent Agenda items are typically routine approvals. Alternative impact fee calculations are not routine approvals. Ordinance 92-22 Section 2.03 D states:

" If the Board determines that the data, information and assumptions utilized by the Applicant complies with the requirements of this Section and that the calculation of the Alternative Road Impact Fee was in conformance with the methodology contained within the Impact Fee Study, then the Alternative Road Impact Fee **shall** [emphasis added] be paid in lieu of the fee set forth in Section 2.01."

Thus, the BCC's role is decision-making in nature, as the approval of the Alternative Road Impact Fee is mandatory, should the BCC find that the conditions outlined in the ordinance have been met.

Client response: We believe it is better to leave this up to the discretion of the Board members. Executive summaries for alternative impact fee calculations are written in such a way as to present the facts and recommendations in a logical, easy-to-follow format. All necessary backup information, such as calculation worksheets, is included in the agenda packages. Board members have moved these items from consent to the regular agenda on numerous occasions to ask for clarification or additional information.

Alternative Road Impact Fees - Golf Courses Audit Report No. 2000-5

Recommendations:

The following recommendations correspond to the numbered findings above:

1. Ensure that all provisions of Ordinance 92-22 are adhered to.

Ordinance 92-22 was created to encompass what was considered the vital aspects of a Road Impact Fee Study. To qualify for the reduced Alternative Road Impact Fee, which reduces revenues to Collier County, strict adherence to the Ordinance conditions should be required. The creation of the new Impact Fee Coordinator should aid in ensuring compliance. All departments involved in the process should be properly trained in the provisions required by the Ordinance.

Client response: Concur. See responses to Findings 1, 2, and 3 above.

2. Ensure road impact fees payments are received prior to golf course construction.

The Internal Audit Department suggests that this be accomplished through the current permitting system (CD-Plus) and that a building permit for the construction of a golf course be required.

Client response: Concur. See responses to Findings 2, 3, and 4 above.

3. Update and distribute procedures manual to all departments.

Once the procedure manual has been updated it should be introduced to all departments and distributed to everyone to ensure familiarization with the required procedures.

Client response: Concur. See responses to Findings 1, 3, and 4 above.

4. Coordinate procedures between all departments involved in impact fee calculations.

Coordination may be established through the familiarization of each department's role and responsibility in the necessary processes. Initial familiarization may be established through a training session and in regular meetings thereafter. Ultimate responsibility for the adherence to the process outlined in Ordinance 92-22 should rest with the Impact Fee Coordinator.

Client response: Concur. See responses to Findings 2, 3, and 4 above.

5. Present Alternative Road Impact Fee calculations to the BCC on the Regular Agenda.

Alternative Road Impact Fee calculations, because of their unusual nature and required decision-making by the BCC, should be presented as Regular Agenda items.

Client response: See response to Finding 5 above.