

SEMINOLE COUNTY

**AUDIT OF
THE ALTERNATIVE FEE RATE STUDIES**

SEPTEMBER 2008

Prepared by:
Internal Audit Division
Clerk of the Circuit Court



MARYANNE MORSE
Clerk of the Circuit Court
Seminole County

September 22, 2008

The Honorable Brenda Carey
Chairman
The Board of County Commissioners
Seminole County, Florida
1101 East First Street
Sanford, FL 32771

Dear Madam Chairman:

I am very pleased to present you with the attached audit of the Alternative Fee Rate Studies. The audit found conditions that warrant management's attention. These conditions and management's corrective action plans are included in the report that follows.

I would like to personally thank the men and women of the Planning and Development and the Public Works Departments for their assistance throughout the course of this review. Their assistance was deeply appreciated. With warmest personal regards, I am

Most cordially,

Maryanne Morse
Clerk of the Circuit Court
Seminole County

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TABLE OF CONTENTS

Transmittal letter

Introduction

Purpose	1
Background.....	1
Scope.....	1
Overall Evaluation.....	2

Findings and Recommendations

Restaurant classifications are not always consistent.

Audit Recommendation #1	4
Management Response	4
Audit Recommendation #2	5
Management Response	5
Current Status	5

EXHIBIT A

Prepared by:
Internal Audit Division
Clerk of the Circuit Court

Seminole County

Audit of Alternative Fee Rate Studies

Purpose

The purpose of this audit was: (1) to evaluate the effectiveness of the internal controls, records, and procedures with respect to alternative transportation impact fee studies; (2) evaluate compliance with county ordinances, Florida Statutes and Seminole County Land Development Code; and (3) verify that fee collections are in accordance with the approved alternative rate studies.

Background

An audit of the assessment of transportation impact fees was completed by the Clerk's Internal Audit Division in January 2008. In March 2008, an audit of the use of fees was completed.

This audit reviews the process of offering alternative rates to developers. Offering an alternative rate to a developer is based on the assumption that a developer's project will have a lower impact to the roadway than what is charged via the Seminole County Land Development Code.

If an applicant believes that a certain development would have a lower "impact" on the road network, the applicant, at his own expense, is entitled to submit to the county engineer an Alternative Road Impact Fee calculation prior to issuance of a building permit. The county engineer is responsible for determining the propriety of the calculations, in accordance with Seminole County Land Development Code Section 120.13.

The results of the audit are included in the report that follows.

Scope

We evaluated the system of internal controls, reviewed management's written procedures and evaluated compliance with those procedures to verify that statutory and county codes are being met. We examined alternative transportation impact fees assessed and collected for the period January 1, 2003 through March 2008.

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The audit included:

- Review of supporting documentation of alternative rate fee studies and collection thereof;
- Review of the Seminole County Land Development Code, Florida Building Code, Florida Statutes, and Seminole County ordinances and resolutions;
- Interview with County personnel; and,
- Any other procedures considered necessary under the circumstances.

The audit was performed by Gail Joubran and Bill Carroll.

Overall Evaluation

It is our opinion, the system of administrative controls over the program are not fully documented in the form of written policies and procedures.

The following condition warrants management's attention:

FINDING

Restaurant classifications are not always consistent.

The Seminole County Land Development Code has three (3) categories of impact fee charges for restaurants: sit-down, drive-in, and quality restaurants. No formal policy exists for defining these restaurants. According to engineering staff, quality restaurants generally do not serve breakfast, some do not serve lunch; all serve dinner. This type of restaurant usually requires reservations and is generally not part of a chain. In addition, quality restaurants are high-quality, full-service eating establishments with turnover rates usually of at least one hour or longer.

On the other hand, sit-down restaurants are full-service eating establishments with turnover rates of approximately one hour or less. This type is usually moderately priced and frequently belongs to a restaurant chain.

Nine upscale Seminole county restaurants were reviewed to verify whether the classification was in accordance with department guidelines. Three of nine (33%) restaurants were not classified in accordance with the definitions noted above.

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1. Ruth's Chris Steak House was charged sit-down rates. Planning and Development's Impact Fees Procedures Manual dated March 25, 2003, define "special impact fee rates" as rates approved by the County Engineer based on new traffic studies and /or ITE traffic counts. Because Ruth's Chris Steak House was listed in this manual under the quality restaurant category, the developer was undercharged \$11,745.52.
2. Another example of the inconsistent treatment in the classification between sit-down and quality restaurant was the restaurant known as Amura. On October 27, 2003, this restaurant was classified as sit-down. Amura's website states "...we offer the very best in fine dining in Central Florida. Our restaurant's features range from the finest steaks to the freshest seafood, accompanied by an unparalleled wine selection." It appears that Amura holds itself out as a quality restaurant; however it was charged as a sit-down restaurant. By not having clear, defined parameters defining quality and sit-down restaurants, the classification of Amura as a sit-down restaurant presented a potential loss to the County in the amount of \$8,103.82
3. Blackfin, located at 951 Market Promenade Avenue #1101 in Heathrow, was classified as a sit-down restaurant. This up-scale, quality restaurant was open for business for approximately one year before closing its doors. The next restaurant in this location, Ultra Luce' Ristorante Italiano was also quality; however there was no change in use applied for with the County. It, too, went out of business shortly after opening. Both of these restaurants should have been charged as quality. Thus, the County undercharged \$9,513.28. A third restaurant currently at this location, Austral Fusion, fits the sit-down restaurant classification with no change of use applied for.

When a developer/applicant applies for the transportation impact fee, there is no land use category on the application to delineate between sit-down or quality restaurant. To help determine the correct classification, the applicant may be asked questions by the Planning and Development Department that will help staff make the appropriate classification if they are unfamiliar with the type of restaurant being developed. Not having a land-use category clearly defined on the application may result in under and/or over charges to the owner of the property.

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Audit Recommendation #1

Collect the undercharged Transportation Impact Fee from Ruth's Chris Steak House in the amount of \$11,745.52.

Management Response

The determination of the correct impact fee category is not a precise science and often requires an examination of the attributes associated with the business or enterprise in question. The land use categories are determined by the Institute of Transportation Engineer (ITE) manual and the projects that are submitted are assessed impact fees for the category that best fit the description of use for the building being constructed or where its usage is changed.

The ITE Manual describes each category as follows:

Land Use: 931 Quality Restaurant

Description: This land use consists of high quality, full-service eating establishments with turnover rates usually of at least one hour or longer. Quality restaurants generally do not service breakfast; some do not serve lunch; all serve dinner. This type of restaurant usually requires reservations and is generally not part of a chain.

Land Use: 932 High-Turnover (Sit-Down) Restaurant

Description: This land use consists of sit-down, full service eating establishments with turnover rates of approximately one hour or less. This type of restaurant is usually moderately priced and frequently belongs to a restaurant chain. Generally, these restaurants serve lunch and dinner; they may also be open for breakfast and are sometimes open 24 hours per day. These restaurants typically do not take reservations. Some facilities contained within this land use may also contain a bar area for serving food and alcoholic drinks.

Based on these general definitions and weighing the attributes associated with the Ruth's Chris Steak House Restaurant, prior management determined the restaurant best fit the description of a "sit-down" establishment. The following points support this determination:

- Ruth's Chris Steak House is part of a national chain;
- Reservations are not required, but recommended for Friday or Saturday;
- There is a bar where hors d'oeuvres are served to draw in patrons between 5:00pm and 7:00pm. Patrons can also order from the menu at the bar;
- The pass-by trips are greater at this location because of proximity to office, hotel and condominium uses; and,
- This particular restaurant location specializes in testing menu and business ideas for other restaurants in the chain.

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Page three of the audit discusses two other restaurants, Amura and Blackfin. Both restaurants are open for lunch and dinner and do not require reservations.

Even though all three (3) are upscale restaurants, management feels they were properly assessed in the sit-down category and were not undercharged.

Audit Recommendation #2

On the application, develop land-use categories that clearly define the proper designation of the restaurant. In addition, closely monitor the classifications for compliance with policy.

Management Response

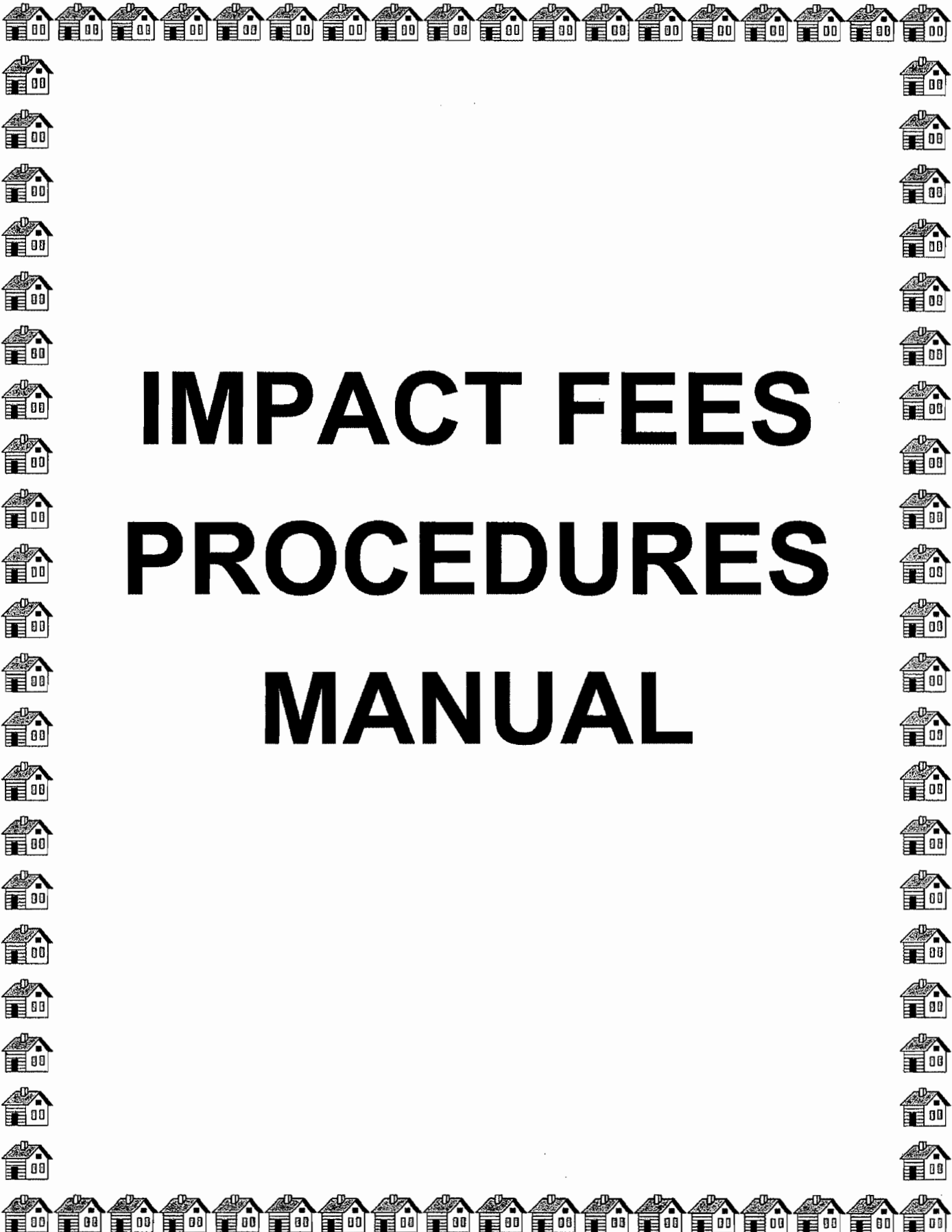
As stated above, the land use categories are determined by the ITE manual.

Management feels it is the responsibility of staff, not the applicant, to make that determination. It is staff's responsibility to take the necessary steps to ensure the proper Land Use Category for a restaurant is utilized. This may require a phone call or email to the owner or applicant (if the applicant is not the owner) to gather additional information. This office will consult with Public Works Engineering to determine the proper land-use category and will update the procedure manual to include the definitions from the ITE manual.

Current Status

Management has since updated their procedures manual to reflect the ITE manual definitions for quality and sit-down restaurants. This update manual is incorporated herein as Exhibit A.

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IMPACT FEES PROCEDURES MANUAL

IMPACT FEE STATEMENTS FOR CITIES

- Click on **“Building Permits.”**
- Click on **“Application Processing Menu.”**
- Click on **“Application Maintenance.”**
- Click on **“Functions”** and then **“Add”** in the drop down menu.
- When the **“Application Addition Option”** menu pops up, click **“OK.”**
- Highlight applicable **“service area”** (North, East, South, West), then click on **“select.”**

North – Sanford, Lake Mary

East – Geneva, Oviedo, Chuluota

South – Casselberry – East of Hwy 17-92, Winter Springs

West - Casselberry – West of Hwy 17-92, Altamonte Springs, Longwood

- When **“Location Applications”** pops up, click **“OK.”**
- Enter the following information on the **“Application General Information Screen:”**
 1. Application date. (If not already entered.)
 2. Application type. (The city)

Altamonte Springs	- CALT
Casselberry	- CCAS
Lake Mary	- CLM
Longwood	- CLWO
Oviedo	- COVI
Sanford	- CSAN
Winter Springs	- CWS
 3. Application Status (ap for approved.)

- Click **“OK.”**

WRITE THE APPLICATION NUMBER ON THE FORM!

- Click on **“Add Name.”**
- Enter the following information on **“Names Maintenance – Add”** screen:
 1. Name Type: Enter **“ap”** (for applicant)
 2. Name: Enter **Owner name**
 3. Address Line 1: Enter the **owner’s street address**. (Only need to enter the Street name & zip, the computer will add the town & state by using the zip code information.)
 4. Zip Code: Enter the **zip code number**.

5. Phone 2: Enter the **work phone number**.
- Click **“OK.”**
 - Click on **“Add Name.”**
 - Enter the following information in the **“Names Maintenance – Add”** screen:
 1. Name type: Enter **“ad”** (for address).
 2. Name: Enter **“Project Address”** by listing the street name first, then the address number. Example: Wayside Dr. 134.
 3. Address Line 1: Enter the **“Parcel ID Number.”** Use hyphens. Example: 24-21-30-300-0050-0000
 4. Address Line 2: Enter **“Type of use.”** Example: SFR if a single-family residence, if non-residential enter type of commercial, Example: Retail-Walgreen’s.
 5. Address Line 3: Enter the **“Subdivision Name”** (if applicable/available).
 - Click **“OK”** 4 more times until the **“Application Fees Maintenance”** screen pops up. You are now ready to calculate the impact fees.

ASSESSING IMPACT FEES

- Determine which impact fees are applicable to the permit being assessed. See table.
- Highlight the applicable impact fees and hit **“select.”** To select more than one fee type, hold the **“Ctrl”** key. When selecting the road impact fees you do not need to select the “collector road.” When you hit “road arterial,” the “collector road” will automatically pop-up.

Note: The City of Altamonte Springs is also assessed a “Fire Impact Fee” and is given a 25% discount if the building is sprinkled. To assess a 25% discount, use the 25% reduction for affordable housing located on the Impact Fee Calculation screen. It will calculate the reduction and appear on the Impact Fee Statement.
- Highlight **“Type of use”** (example: Retail/Wholesale <300,000 sq. ft., etc.) then **“Select.”**
- Enter the number of sq. ft./1000 sq. ft. of building if not already entered or if incorrect and enter the **“unit charge”** if not entered or if incorrect. (To enter the “unit charge,” click **“Lock/Unlock Unit Charge”** button and enter the correct rate from the Impact Fee Rate Schedule for both the Arterial and Collector Road. A 920 sq. ft. building would be entered as .92. A 24,000 sq. ft. building is entered as 24.00. i.e., 24,000 divided by 1000 = 24.00.)
- Click **“OK”** to total and click **“OK”** to exit.

MIXED USE:

- Determine which impact fees are applicable to the permit being assessed. See table.
- Highlight the applicable impact fees and hit “**select.**” To select more than one fee type, hold the “**Ctrl**” key. When selecting the road impact fees you do not need to select the “collector road.” When you hit “road arterial,” the “collector road” will automatically pop-up.

Note: The City of Altamonte Springs is also assessed a “Fire Impact Fee” and is given a 25% discount if the building is sprinkled. To assess a 25% discount, use the 25% reduction for affordable housing located on the Impact Fee Calculation screen. It will calculate the reduction and appear on the Impact Fee Statement.

- Highlight “**Mixed Use**” in the table of type of uses and then hit “**Select.**”
- Highlight the first “**type of use.**” (SFR, retail, office, etc.)
- Enter the number of sq. ft./1000 sq. ft. of building for the first type of use and enter the “**unit charge**” if not entered or incorrect. (To change the “unit charge,” click “**Lock/Unlock Unit Charge**” button and enter the correct rate from the Impact Fee Rate Schedule for both the Arterial and Collector Road. A 920 sq. ft. building would be entered as .92. A 24,000 sq. ft. building is entered as 24.00. i.e., 24,000 divided by 1000 = 24.00.)
- Click “**OK**” to total and click “**OK**” to exit first type of use.
- Highlight the **second “type of use.”** (Note: sometimes the second use does not come up. If you exit and re-enter, you can then enter the second use. If you go out and back in again, the screen will show both uses and the amount assessed for each.)
- Enter the number of Sq. ft. /1000 sq. ft. of building for the **second use** and also the unit charge if not entered.
- Hit “**OK**” to total and click “**OK**” to exit.
- If there is a third or fourth use, repeat the steps for each.
- It is a good idea to go back to the assessment screen and look at the table to make sure that all the uses calculated properly.

ASSESS A CREDIT OR A CHANGE OF USE:

- (Process is the same for both residential and non-residential.)
- Hold “**control Key**” and highlight - **For Residential:** Select Roads, Schools and Libraries except for the City of Altamonte Springs which is assessed Road, Schools, Fire Impact

and no Library. (Remember the 25% fire discount if the building is sprinkled.)

Non-Residential: Roads only except for the City of Altamonte Springs which is also assessed Fire.

- Hit **“Select”**
- Highlight and **“Select”** the **new use** first.
- Enter the number of sq. ft./1000 sq. ft. of building for the new use if not already entered or if incorrect and enter the **“unit charge”** if not entered or incorrect. (To enter the “unit charge,” click **“Lock/Unlock Unit Charge”** button and enter the correct rate from the Impact Fee Rate Schedule for both the Arterial and Collector Road. A 920 sq. ft. building would be entered as .92. A 24,000 sq. ft. building is entered as 24.00. i.e., 24,000 divided by 1000 = 24.00.)
- Click **“OK”** to total.
- Go to **“Functions”** in the tool bar and select **“apply credit”** in the drop down menu.
- Highlight and **“Select”** the **former use**. If you need to change the square footage and rate for credit do so now.
- Click **“OK”** to total and then **“OK”** to apply the credit. (Both uses will show with the credit applied.)
- Click **“OK”** to exit.

NOTE: Only one credit can be applied to each type of impact fee. If you need to apply a credit for a mixed use, the amount to be applied needs to be calculated manually and typed in the rate box as the full amount. In this case the size of the building/1000 sq. ft. will be “1” (for one unit). i.e., if the credit is \$2500, the unit would be 1 x \$2500 = \$2500. You can use “Special Use” as the building type.

RESIDENTIAL USES:

- Hold **“control Key”** and highlight - **For Residential:** Select Roads, Schools and Libraries except for the City of Altamonte Springs which is assessed Road, Schools, Fire Impact and no Library. (Remember the 25% fire discount if the building is sprinkled.)
- Hit **“Select”**
- Highlight and **“Select”** the type of use for the first impact fee type.

- Enter the “**number of units**” and the “**unit charge**” if not entered or incorrect. (To enter the “unit charge,” click “**Lock/Unlock Unit Charge**” button and enter the correct rate from the Impact Fee Rate Schedule for both the Arterial and Collector Road.

Note: A multi-family building may have many units listed on one permit or each unit may be permitted separately. The Impact Fee Statement should match the city application. If the city has 4 units on one permit, prepare one statement with an assessment for all 4 units.

- Click “**OK**” to total.
- Do the same for the next impact fee type and the next until all impact fees are assessed.
- Go back to make sure that all the fees and the correct amounts were assessed before printing the statement.

TO ADD NOTES TO AN IMPACT FEE STATEMENT

- From the “**Application Master Maintenance**” screen, type the application number, hit “**OK**” then “highlight” the first application listed, which will be the subject application.
- Select “**Options**” in the tool bar and select “**Misc Info**” in the drop down menu.
- Click “**Add.**”
- Type “**IMPT**” in code box and click “**OK.**” NOTE: if you want the note to appear on the Impact Fee Statement, check the “**Permit Flag**” and display “**Print.**” Keep the message short. It will only print the first two lines.
- A word screen will pop up where you can type your notes. This is where useful information, such as, “Alternate rate approved by Co. Engineer,” the name of the store if it didn’t appear elsewhere or the formula for the calculation of mixed use credits can be annotated.
- When done, click “**OK.**”
- Completed note and date will pop up, click “**OK,**” then “**exit.**”

PRINT STATEMENT

- Click on “**Building Permits.**”
- Click on “**Custom Options.**”
- Click on “**Print Impact Fee Statement.**”
- Enter the “**Application number.**”

- Click **“OK”** to print. The statement is printed when the year is highlighted blue.
- Click **“Exit.”**

The Impact Fee statements print in the Building Department.

The Applicant can either pay us the Impact Fees or pay at the City.

TO PAY THE IMPACT FEES AT THE CITY:

- Ask the Applicant to sign & date the Impact Fee Statement.
- We keep the original signed Impact Fee Statement. Make three copies for the Applicant.
- Attach the Impact Fee Statement to the Application and file in the City folder or place in Sandy's or Ginny's in-basket.

TO PAY THE IMPACT FEES DIRECTLY TO THE COUNTY:

To process payment/receipt:

GUI Instructions:

- On the HTE Application menu select #3 **“Cash Receipts.”**
- Select #1 **“Cash Receipt Entry.”**
- Then click **“Open New Batch.”**
- Tab over once to **“00”** and type **“1”** for a new batch. If you open the program again you will type **“2”** and so on. Type **“BC”** for batch type. Hit **“OK.”**
- Type **“BP”** for payment type. For Description, type the **name** as it appears on the check (or for cash, the person paying the fee). For year, type **“06.”** Then type the permit/statement number. (number after the year on statement. Ex.: 06-10000026. Hit **“OK.”** (Do not enter the payment amount)
- Hit **“receive all fees.”**
- Hit **“OK.”**
- Hit **enter**. Tab over and enter the **check #**. Hit **“OK.”**

If entering more than one statement, continue to enter the information for each statement starting with **“BP”** and the applicant name and statement number. The computer will indicate the total dollar amount for the batch. This amount should equal the check amount.

- To exit, hit **“cancel.”**

The receipt prints in the Building Division. We keep the white copy of the receipt and the applicant receives the yellow copy. Also, provide the applicant with three copies of the impact fee statement if they do not already have a copy.

Place a copy of the impact fee statement and the receipt in Sandy's or Ginny's in-basket.

PROCESSING MONTHLY IMPACT FEE PAYMENTS RECEIVED FROM CITIES

Pull copy of permits from City folder and match up with the statements received from the City. SFR pre-printed statements received from the City and appearing on the city collections log need to be entered into the computer. This may necessitate finding the tax parcel ID first.

Entering information into the HTE GUI System:

- Click on **“Building Permits”**
- Click on **“Custom Options Menu”**
- Click on **“City Impact Fee Receipt Entry.”** Enter Total Payment Amount, Payment Type (CK) and check number. Hit enter.
- Click on **“Key Application Number.”** Enter Application Year (06, first part of GUI No.), Enter GUI Statement Number (2nd part of GUI No.), tab to enter next application year & number. Do this for each statement listed on the City log.
- Then hit **“Process.”** If done correctly, the screen will show the total check amount. If there are errors, the computer will highlight them.
- Hit **“Accept and Generate Cash Batch.”**
- Hit **“Exit.”**
- Take check to Bldg. Division cashier, stamp back of check with endorsement stamp and put in Planning & DRD envelope.

ALTERNATE IMPACT FEE CATEGORIES

Apartment

Assisted Living Facility (per bedroom)

Condominium

Convenience Market with Gas Pumps

Daycare Center

Discount Club (Sam's, BJ's)

Discount Superstore – Free-standing <100K (Target, Wal-Mart)

Drugstore with Drive-thru (Walgreen's)

Funeral Home

Furniture Store

Golf Course (per acre)

Hospital

Hotel (per room)

Manufacturing

Mini-Warehouses

Motel (per room)

Movie Theater (per screen)

New Car Sales (Large Dealers)

Nursing Home (per bed)

Office (100K – 200K Sq. Ft.)

Office (>200K Sq. Ft.)

Quality Restaurant

- Full service eating establishments with turnover rates usually of at least one hour or longer
- Generally do not serve breakfast; some do not serve lunch; all serve dinner
- Usually requires reservations
- Generally not part of a chain

Restaurant - Sit-down

- Full service eating establishments with turnover rates of approximately one hour or less
- Usually moderately priced
- Frequently belongs to a restaurant chain
- Generally serve lunch and dinner, may be open for breakfast and are sometimes open 24 hours per day
- Typically do not take reservations
- May contain a bar area for serving food and alcoholic drinks

Retail Strip Center (<20,000 sq. ft.)

Retail (<50K Sq. Ft.)

Retail (>1M – 1250K Sq. Ft.)

Retail (>1250K Sq. Ft.)

Veterinary Clinic

- Use medical office & hospital rate.
- Waiting room, office & exam room – use medical office rate; surgery room , kennel, grooming room & remainder – use the hospital rate

Warehousing

Above are categories with approved alternate rates by the County Engineer based on new traffic studies and/or ITE traffic counts.