

**STATE OF FLORIDA AUDITOR GENERAL**

**Operational Audit**

Report No. 2022-074  
December 2021

**PORT RICHEY  
COMMUNITY REDEVELOPMENT AGENCY**



Sherrill F. Norman, CPA  
Auditor General

## Port Richey Community Redevelopment Agency Board Members

During the period October 2016 through January 2020, the following individuals served as CRA Board members:

Dale Massad, Chairman through February 22, 2019<sup>a</sup>  
Terrence Rowe, Acting Chairman February 23, 2019, through  
March 19, 2019<sup>b</sup>  
William Dittmer, Acting Chairman April 15, 2019, through  
June 23, 2019  
Scott Tremblay, Chairman from June 24, 2019  
Richard Bloom, April 16, 2018, through June 18, 2019<sup>c</sup>  
Nancy Britton, through April 15, 2018  
Thomas Kinsella, from September 16, 2019  
Todd Maklary, from July 9, 2019  
Angel Nally, July 30, 2019,<sup>c</sup> through September 15, 2019  
Jennie Sorrell

<sup>a</sup> On February 22, 2019, the Governor signed Executive Order No. 19-48, which suspended Dale Massad from public office.

<sup>b</sup> On March 19, 2019, the Governor signed Executive Order No. 19-81, which suspended Terrence Rowe from public office. The Board continued to recognize Terrence Rowe as Acting Chairman through April 14, 2019.

<sup>c</sup> Position vacant from June 19, 2019, through July 29, 2019.

The team leader was Shane L. Herman, CPA, and the audit was supervised by Derek H. Noonan, CPA.

Please address inquiries regarding this report to Derek H. Noonan, CPA, Audit Manager, by e-mail at [dereknnoonan@aud.state.fl.us](mailto:dereknnoonan@aud.state.fl.us) or by telephone at (850) 412-2864.

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# PORT RICHEY COMMUNITY REDEVELOPMENT AGENCY

## **SUMMARY**

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This operational audit of the Port Richey Community Redevelopment Agency (PRCRA) focused on selected processes and administrative activities. Our operational audit disclosed the following:

**Finding 1:** The PRCRA boundaries constrain the City of Port Richey's (City) ability to provide general government services without either reducing contributions to the PRCRA or paying for general government operating expenses with PRCRA funds.

**Finding 2:** The PRCRA did not detect incorrect amounts paid by the taxing authorities required to pay tax increment financing (TIF) to the PRCRA.

**Finding 3:** Contrary to State law, the City and PRCRA signed interlocal agreements that reduced the amount of TIF paid by the City to the PRCRA from 95 percent to 3.27 percent for the 2008-09 and 2020-21 fiscal years.

**Finding 4:** Although the taxing authorities did not always timely contribute TIF to the PRCRA for the 2016 through 2019 property tax years, the PRCRA did not assess late fees or interest provided for in State law and PRCRA records did not demonstrate that the assessments were waived by the Board.

**Finding 5:** Contrary to State law, the PRCRA Plan did not identify publicly funded capital projects, contain a detailed statement of projected costs of redevelopment, or provide a time certain for completing all redevelopment.

**Finding 6:** PRCRA records did not document that a systematic and rational methodology was used to allocate City salary and benefits costs to the PRCRA.

**Finding 7:** During the period October 2016 through January 2020, the PRCRA paid salary and benefits costs for the City Council and certain City employees, contrary to State law.

**Finding 8:** Contrary to State law, the PRCRA-adopted budgets for the 2016-17 through 2019-20 fiscal years either significantly understated or did not account for balances brought forward from prior fiscal years. In addition, PRCRA budget transparency could be improved.

**Finding 9:** The PRCRA did not have a policy establishing the legal level of budgetary control, PRCRA expenditures exceeded budgeted amounts for the 2016-17 through 2018-19 fiscal years, and budgeted amounts reported on the financial statements were not presented at a level that enabled financial statement users to readily determine whether resources were expended within budgeted amounts consistent with PRCRA Board intent.

**Finding 10:** PRCRA records did not demonstrate that moneys remaining in the PRCRA redevelopment trust fund on the last day of the 2016-17, 2017-18, and 2018-19 fiscal years were appropriated to a specific redevelopment project or disposed of in accordance with State law.

**Finding 11:** The PRCRA lacked comprehensive policies and procedures for the various aspects of PRCRA operations.

**Finding 12:** The PRCRA had not established anti-fraud policies and procedures for the mitigation, detection, and reporting of suspected or known fraud.

**Finding 13:** Contrary to State law, the PRCRA did not provide to the Commission on Ethics the name, e-mail address, and physical address of, and the office or position held by, some local officers for the 2016 and 2019 calendar years. As a result, the local officers did not file the required statement of financial interests.

**Finding 14:** The PRCRA did not include certain statutorily required information on its Web page.

**Finding 15:** During the period October 2016 through January 2020, the PRCRA did not publish schedules of its regular meetings in a newspaper of general paid circulation as required by State law.

## ***BACKGROUND***

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State law<sup>1</sup> authorizes the creation of community redevelopment agencies (CRAs) by counties and municipalities for the purpose of redeveloping slums and blighted areas that are injurious to the public health, safety, morals, and welfare of residents and for which there is a shortage of housing affordable to residents of low or moderate income, including the elderly. CRA funding is accomplished through tax increment financing provided by applicable taxing authorities and expenditures from such funding must be in accordance with an approved plan. In addition, CRA revenues and expenditures must be accounted for in a separate redevelopment trust fund.

On January 8, 2002, the City of Port Richey (City) created the Port Richey CRA (PRCRA) as a dependent special district pursuant to a City Resolution<sup>2</sup> under the authority granted by State law. Pursuant to City Resolution,<sup>3</sup> the PRCRA's boundaries include all areas within the City and City personnel record PRCRA activities in the City's Community Redevelopment Fund. The City Council members serve as the PRCRA governing board and the City manages PRCRA operations.

## ***FINDINGS AND RECOMMENDATIONS***

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### **Finding 1: Community Redevelopment Agency Boundaries**

Upon the Port Richey Community Redevelopment Agency's (PRCRA's) creation in January 2002, the PRCRA's boundaries were established, and the PRCRA Plan was adopted in accordance with State law.<sup>4</sup> As provided in State law,<sup>5</sup> the Port Richey City Council, as the governing body creating the PRCRA, may amend the PRCRA Plan upon recommendation of the PRCRA Board and any such amendments may include a change in PRCRA boundaries, either by adding or excluding land. Because CRA funding is dependent on an allocation of ad valorem taxes levied on taxable real property within CRA boundaries,

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<sup>1</sup> Chapter 163, Part III, Florida Statutes, also known as the Community Redevelopment Act of 1969.

<sup>2</sup> City of Port Richey Resolution No. 02-02.

<sup>3</sup> City of Port Richey Resolution No. 02-01.

<sup>4</sup> Section 163.360, Florida Statutes (2001).

<sup>5</sup> Section 163.361(1), Florida Statutes.

any change to CRA boundaries impacts the amount of ad valorem tax revenues allocable to the CRA and available for the City to provide general government services.

CRA's are annually funded through receipt of tax increment financing (TIF), which is 95 percent of the increase in ad valorem taxes representing the difference between actual ad valorem taxes levied on the current value of real property within CRA boundaries and the amount of such taxes that would have been generated on the base value of the property if current millage rates were applied to the taxable property value prior to the effective date of the ordinance authorizing funding of a CRA redevelopment trust fund.<sup>6</sup> As provided in State law,<sup>7</sup> each applicable taxing authority<sup>8</sup> within a CRA is required to contribute TIF to the CRA. For the PRCRA, the taxing authorities are the City of Port Richey (City) and Pasco County (County).

Our review of PRCRA records and discussion with City personnel<sup>9</sup> disclosed that the land area and boundaries of the PRCRA and the City are synonymous (i.e., the PRCRA comprises the entire City). As a result, since the 2002 property tax year,<sup>10</sup> the TIF payable to the PRCRA was for increases in taxes on real property in the City. For example, for the 2016 through 2019 property tax years, the taxable value of real property in the City and PRCRA increased by \$34.4 million, resulting in an additional \$378,800 in ad valorem tax revenues for the 2017 through 2019 fiscal years. Of this amount, the City retained \$18,940 (5 percent) and the PRCRA was paid \$359,860 (95 percent). However, had the boundaries of the PRCRA excluded certain portions of the City not considered to be areas of slum or blight, a smaller portion of ad valorem tax revenues would have been paid to the PRCRA and the City would have retained a relatively larger portion.

Our evaluation of the long-term effects of the requirement to transfer the TIF to the PRCRA disclosed that this requirement constrains the City's ability to provide general government services without either reducing payments to the PRCRA or paying for City general government operating expenses from PRCRA funds. For example, as discussed in Finding 3, to provide funding for needed general government services, the City reduced its TIF payments to the PRCRA for the 2008-09 and 2020-21 fiscal years pursuant to interlocal agreements. Further, as discussed in Findings 6 and 7, during the period October 2016 through January 2020, the City inappropriately charged the PRCRA for the salary and benefits costs of City Council members and City employees, which also may have been due to a lack of property tax moneys necessary to fund City operations. As discussed in those findings, the actions taken by the City to ensure adequate funding for general government services are questionable as to allowability or amounts.

Additionally, the above circumstances may indicate that, at the time of the PRCRA's creation, the City did not give appropriate consideration to the impact that the inclusion of the entire City within the PRCRA boundaries on the City's ability to ensure adequate funding of general government services. In response to our inquiry, City personnel indicated that, since the City no longer employed the individuals involved

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<sup>6</sup> To finance or refinance community redevelopment undertakings pursuant to an approved community redevelopment plan, Section 163.387(1)(a), Florida Statutes, requires applicable taxing authorities to annually pay TIF and provides for its calculation.

<sup>7</sup> Section 163.387(1)(a), Florida Statutes.

<sup>8</sup> Certain taxing authorities are exempt from contributing TIF pursuant to Section 163.387(2)(c) and (d), Florida Statutes.

<sup>9</sup> Because the PRCRA does not have employees, City personnel perform PRCRA operating functions.

<sup>10</sup> The property tax year is the calendar year in which the real property is initially valued on January 1. As discussed in Finding 2, contrary to State law, the PRCRA should have used the 2001 property tax year for setting its base value.

in creating the PRCRA, they did not know if consideration was given to the effects of the boundaries on the City's reduced share of ad valorem property tax revenues and whether those effects might inhibit the provision of general government services.

According to the minutes of its March 9, 2021, meeting, the PRCRA Board and County Administrator discussed concerns the County had with the PRCRA boundaries. For example, the County Administrator, who attended the meeting, indicated that the PRCRA boundaries include a waterfront neighborhood that the County does not consider to be a blighted area.<sup>11</sup> At its August 24, 2021, meeting, in response to the County's concerns, the PRCRA Board approved a motion to recommend to the City Council the removal of the waterfront neighborhood from PRCRA boundaries.

**Recommendation: The City and the PRCRA should continue efforts to evaluate whether current PRCRA boundaries promote adequate funding of general government services by the City without relying on PRCRA funds. If it is determined that current PRCRA boundaries do not promote adequate funding of general government services by the City, the PRCRA Board should consider recommending an amendment to the PRCRA Plan to reduce PRCRA boundaries accordingly.**

## **Finding 2: Community Redevelopment Agency TIF Calculation**

Pursuant to State law,<sup>12</sup> the TIF payable to the PRCRA is to be calculated by determining the difference between the amount of ad valorem taxes levied by the County and the City as applicable taxing authorities (exclusive of amounts derived from debt service millages) on the current value of the taxable real property within the PRCRA boundaries and the amount of taxes that would have been produced by the millage rates levied by the County and the City upon the total assessed value of that real property, as shown on the most recent assessment roll used in connection with the taxation of such property prior to the effective date of the ordinance providing for the funding of the trust fund. Additionally, the Attorney General opined<sup>13</sup> that the assessed value of real property within the community redevelopment area used to determine the TIF authorized by State law include actions of the value adjustment board (VAB).<sup>14</sup> Insofar as the City ordinance<sup>15</sup> authorizing funding for the PRCRA redevelopment trust fund had an effective date of March 12, 2002, the most recent property tax assessment roll that included the results of VAB actions prior to the effective date of the ordinance was the assessment roll for the 2001 property tax year. However, the ordinance indicated that the assessment roll for the 2002 property tax year would be the base.<sup>16</sup>

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<sup>11</sup> Section 163.340(8), Florida Statutes, defines "blighted area" to mean an area in which there are a substantial number of deteriorated or deteriorating structures; in which conditions, as indicated by government-maintained statistics or other studies, endanger life or property or are leading to economic distress; and in which two or more of various factors are present; for example, predominance of defective or inadequate street layout, parking facilities, roadways, bridges, or public transportation facilities.

<sup>12</sup> Section 163.387(1)(a), Florida Statutes.

<sup>13</sup> Attorney General Opinion No. 96-39.

<sup>14</sup> The purpose of the VAB is to hear appeals from taxpayers or their representatives regarding property value assessments, denied exemptions or classifications, ad valorem tax deferrals, portability decisions, and change of ownership or control. Generally, actions of the VAB result in a net reduction in the assessed value of real property with a corresponding reduction in assessed ad valorem taxes.

<sup>15</sup> City Ordinance 02-510.

<sup>16</sup> City Ordinance 02-510 provided that deposits into the redevelopment trust fund would "begin with the incremental increases from subsequent years' tax rolls resulting in ad valorem tax revenues due subsequent to November 1, 2002."

For the 2016 through 2019 property tax years,<sup>17</sup> the PRCRA received TIF payments from the County and the City amounting to \$2.4 million and \$2.0 million, respectively. To determine whether the PRCRA received the correct amount of TIF payments required by law, we recalculated the TIF amounts due to the PRCRA for the 2016 through 2019 property tax years and compared our results to the amounts calculated and paid by the County and the City. Our recalculations disclosed that the County and the City used the taxable real property assessed value from the assessment roll for the 2002 property tax year rather than the assessment roll for the 2001 property tax year. We also noted that:

- The calculations of the City’s TIF payments for the 2016, 2017, and 2019 property tax years included the assessed value of the taxable real property for each respective property tax year from the assessment roll prior to adjustments being made by the County VAB, resulting in underpayments of TIF to the PRCRA of \$2,736 and \$42 for the 2016 and 2017 property tax years, respectively, and an overpayment of \$18,754 in the 2019 property tax year.
- Contrary to State law, the calculation of the City’s TIF payment amount for the 2019 property tax year also included in the current value the assessed value of taxable personal property. As a result, the City’s TIF payment for the 2019 property tax year was overstated by \$115,882.

As shown in Tables 1 and 2, our recalculation of TIF payment amounts to the PRCRA by the County and the City for the 2016 through 2019 property tax years disclosed that the County and the City made net underpayments to the CRA of \$670,344 and \$377,481, respectively, or a total of \$1,047,825.

**Table 1**  
**County TIF Under Payments Resulting from Incorrect Base Value**  
**For the 2016 Through 2019 Property Tax Years**

Error Type	2016	2017	2018	2019	Total
Incorrect TIF Base Value (2002) Used	\$(167,586)	\$(167,586)	\$(167,586)	\$(167,586)	<b>\$(670,344)</b>

Source: Auditor analysis of PRCRA and County Property Appraiser records.

**Table 2**  
**City TIF Over and (Under) Payments Due to Calculation Errors**  
**For the 2016 Through 2019 Property Tax Years**

Error Type	2016	2017	2018	2019	Totals
Incorrect TIF Base Value (2002) Used	\$(126,791)	\$(126,705)	\$(128,413)	\$(127,430)	<b>\$(509,339)</b>
Inclusion of Taxable Personal Property Assessments in TIF Calculation	-	-	-	115,882	<b>115,882</b>
VAB Actions Not Included in TIF Calculation	(2,736)	(42)	-	18,754	<b>15,976</b>
<b>Totals</b>	<b>\$(129,527)</b>	<b>\$(126,747)</b>	<b>\$(128,413)</b>	<b>\$ 7,206</b>	<b>\$(377,481)</b>

Source: Auditor analysis of PRCRA and County Property Appraiser records.

In response to our inquiries regarding the TIF calculation errors, City personnel indicated that:

- They were not sure why City personnel employed at the time used the 2002 property tax year assessment value rather than the 2001 property tax year assessment value. The City Manager indicated that, when the PRCRA was created, City personnel may have interpreted the phrase,

<sup>17</sup> TIF payments associated with a property tax year are due to the CRA in the following fiscal year (e.g., TIF payments for the 2016 property tax year are due in the 2016-17 fiscal year).

“most recent assessment roll used in connection with the taxation of such property,” to mean the most recent assessment roll prepared, even if not finalized or assessed by the County Property Appraiser and, as a result, City personnel may have used a preliminary assessment roll for the 2002 property tax year to calculate the TIF. Notwithstanding the City Manager’s response, as discussed above, the Attorney General opined that the assessed value of real property in a CRA used to determine the TIF amount should include adjustments to assessed values made by the VAB.<sup>18</sup> Additionally, in response to our inquiry, the County Property Appraiser, confirmed that the most recent property tax assessment roll, as of March 2002, was the 2001 property tax assessment roll.

- The 2019 TIF payment was calculated by the then Finance Director, who may not have been aware that the taxable value of personal property should not be included in the TIF payment calculation due to turnover in the Finance Director position.
- The City used assessed values reported on County Property Appraiser forms that were created prior to including VAB adjustments, and City personnel do not know why the TIF calculations were not adjusted to reflect subsequent VAB actions.

As discussed in Finding 11, as of January 2021, the PRCRA did not have policies and procedures for the various aspects of PRCRA operations and, the lack of policies and procedures requiring the verification of TIF amounts received from the County and the City may have contributed to the calculation errors. The incorrect TIF payments made to the PRCRA by the County and the City resulted in the PRCRA receiving \$1,047,825 less than it was due, thereby decreasing resources available to the PRCRA to carry out its redevelopment activities.

**Recommendation: The PRCRA should establish policies and procedures to assist City personnel in verifying that County and City TIF payments are in accordance with law and correctly calculated. Such policies and procedures should ensure that:**

- **The assessed value of taxable personal property is excluded from TIF calculations.**
- **Preliminary TIF calculations are subsequently revised to reflect VAB actions.**

**Additionally, the PRCRA should, in consultation with County and City legal counsel:**

- **Establish the assessment roll for the 2001 property tax year as the appropriate assessment roll for the calculation of TIF.**
- **Mediate the resolution of outstanding TIF moneys due to the PRCRA as a result of TIF calculation errors occurring since the creation of the PRCRA.**

### **Finding 3: TIF Reductions Through Interlocal Agreements**

As a taxing authority within the PRCRA, the City is required to make TIF payments to the PRCRA in accordance with State law.<sup>19</sup> However, State law<sup>20</sup> provides that an alternative funding provision may be established through an interlocal agreement between a taxing authority and the governing body that created the CRA.

<sup>18</sup> Pursuant to Section 194.032(1)(a), Florida Statutes (2001), the VAB could not hold a hearing until all, or any part of, the assessment rolls were approved by the Department of Revenue (DOR). Pursuant to Section 193.1142(1), Florida Statutes (2001), the assessment rolls for the 2002 property tax year were not due to the DOR until July 1, 2002. Therefore, the VAB hearings for the 2002 property tax year could not be held until after July 1, 2002, and, as of March 2002, the most recent property tax year that included actions of the VAB was the 2001 property tax year.

<sup>19</sup> Section 163.387, Florida Statutes.

<sup>20</sup> Section 163.387(3)(b), Florida Statutes.

In August 2008 and September 2020, the City and the PRCRA signed interlocal agreements reducing the percentage used in the calculation of City TIF payments from 95 percent to 3.27 percent for the 2008-09 and 2020-21 fiscal years.<sup>21</sup> As shown in Tables 3 and 4, the August 2008 and September 2020 interlocal agreements resulted in the City's TIF payments to the PRCRA being reduced by \$526,536 and \$718,930<sup>22</sup> for the 2008-09 and 2020-21 fiscal years, respectively.

**Table 3**  
**Effect of Interlocal Agreement on City TIF Payment**  
**For the 2008-09 Fiscal Year (2008 Property Tax Year)**

TIF Calculation	2008 Taxable Value of Real Property	2002 Taxable Value of Real Property	Tax Increment Value	Tax Increment Adjustment Percentage	Adjusted Incremental Value	Millage Rate	TIF Payment
Per State Law	\$319,255,840	\$172,074,836	\$147,181,004	95.00	\$139,821,954	3.90000	\$545,306
Per Agreement	319,255,840	172,074,836	147,181,004	3.27	4,812,819	3.90000	18,770
						<b>Difference</b>	<b><u>\$526,536</u></b>

Source: Auditor analysis of PRCRA and County Property Appraiser records.

**Table 4**  
**Effect of Interlocal Agreement on City TIF Payment**  
**For the 2020-21 Fiscal Year (2020 Property Tax Year)**

TIF Calculation	2020 Taxable Value of Real Property	2002 Taxable Value of Real Property	Tax Increment Value	Tax Increment Adjustment Percentage	Adjusted Incremental Value	Millage Rate	TIF Payment
Per State Law	\$287,591,401	\$172,074,836	\$115,516,565	95.00	\$109,740,737	6.78470	\$744,558
Per Agreement	287,591,401	172,074,836	115,516,565	3.27	3,777,392	6.78470	25,628
						<b>Difference</b>	<b><u>\$718,930</u></b>

Source: Auditor analysis of PRCRA and County Property Appraiser records.

As shown in Table 5, the two interlocal agreements reduced the City's TIF payments, resulting in the County's portion being increased to 98 and 97 percent of total TIF payable for the 2008-09 and 2020-21 fiscal years, respectively. Absent the interlocal agreements, and pursuant to State law, the County's portion would have represented 58 and 53 percent of total TIF payable for the 2008-09 and 2020-21 fiscal years, respectively. Consequently, the County paid a disproportionately high share (98 and 97 percent, respectively) of the TIF to the PRCRA for those 2 fiscal years.

<sup>21</sup> The August 2008 interlocal agreement between the City and PRCRA indicated that "the City and the CRA have determined that it is in the best interest of the citizens of the City and the Community Redevelopment Area that the City deposit an amount equal to 3.27% of the Statutory Increment Revenues to better ensure the provision of general government services to the City and the Community Redevelopment Area." The September 2020 interlocal agreement referenced the same language and also indicated that "the City of Port Richey and the CRA has again decided that it is in the best interest of both parties to this Interlocal Agreement that the amount of the Statutory Increment Revenue be limited to an amount less than the 95%."

<sup>22</sup> For our calculations, we used the taxable value of real property for the 2002 property tax year to be consistent with the City's use of that taxable value for the TIF payment calculation for the 2016 through 2019 property tax years. However, as discussed in Finding 2, the City should have used the taxable value of real property for the 2001 property tax year for its calculations. Had the 2001 property tax year been used, the reduction in the City's TIF payments for the 2008 and 2020 property tax years would have been \$609,491 and \$863,244, respectively.

**Table 5**  
**TIF Amounts Due to PRCRA**  
**For the 2008-09 and 2020-21 Fiscal Years**

Taxing Authority	Pursuant to State Law				Based on Interlocal Agreement			
	2008-09	Percentage of Total TIF Payable	2020-21	Percentage of Total TIF Payable	2008-09	Percentage of Total TIF Payable	2020-21	Percentage of Total TIF Payable
City	\$ 545,306	42 percent	\$ 744,558	47 percent	\$ 18,770	2 percent	\$ 25,628	3 percent
County	759,695	58 percent	834,864	53 percent	759,695	98 percent	834,864	97 percent
<b>Totals</b>	<b><u>\$1,305,001</u></b>		<b><u>\$1,579,422</u></b>		<b><u>\$778,465</u></b>		<b><u>\$860,492</u></b>	

Source: Auditor analysis of PRCRA and County Property Appraiser records.

When we asked, City personnel confirmed that the City was acting as both a taxing authority and the governing body that created the PRCRA; however, City personnel also indicated that State law does not prohibit the City from acting as both a taxing authority and the governing body that created the PRCRA for purposes of entering into an interlocal agreement to establish an alternative funding provision for the PRCRA. Notwithstanding City personnel’s response, State law requires interlocal agreements establishing an alternative funding provision to be between two parties. Consequently, insofar as the City created the PRCRA, and the County is the only other taxing authority that contributes TIF to the PRCRA, it would be necessary for the County to be a party to an interlocal agreement establishing an alternative funding provision for the PRCRA. However, PRCRA records did not evidence the County being a party to such an agreement.

The significant reduction in City TIF payments to the PRCRA for the 2008-09 and 2020-21 fiscal years may result in the PRCRA not receiving all the resources necessary to carry out its planned redevelopment activities. In addition, the reduction of City TIF payments pursuant to the agreements without a corresponding reduction in the County TIF payments resulted in the County paying a disproportionately high share of PRCRA TIF contributions in those fiscal years.

**Recommendation: The PRCRA should consult with City and County legal counsel as to whether the 2008-09 and 2020-21 fiscal year TIF should be recalculated and, if appropriate, collect additional amounts due from the City.**

**Follow-Up to Management’s Response**

*Management indicated in their response that “nothing in the statute states that two separate taxing authorities must be involved.” However, as we noted in the finding, State law requires interlocal agreements establishing an alternative funding provision to be between two parties. Here, the City acted as both parties to the interlocal agreements that served to reduce the City’s financial obligation to support the PRCRA. Consequently, the finding and recommendation stand as presented.*

**Finding 4: Late TIF Payments, Interest, and Penalties**

State law<sup>23</sup> provides that a taxing authority that does not pay the required TIF to a CRA by January 1 of each year must pay a late fee equal to 5 percent of the TIF amount and interest on the unpaid TIF equal

<sup>23</sup> Section 163.387(2)(b), Florida Statutes.

to 1 percent for each month the TIF payment is past due. However, State law also allows CRAs to waive such penalty payments in whole or in part.

According to our discussions with City personnel, the City had not established procedures to prompt TIF payments by the January 1 deadline or procedures to promptly assess late fees and interest when payments are not timely received. Such procedures could include periodic notifications to the County, along with reminders to City personnel, regarding the statutory payment deadline and late fee and interest assessments.

For the 2016 through 2019 property tax years, the County and the City made TIF payments to the PRCRA totaling \$2.4 million and \$2 million, respectively. To determine whether the County and the City paid its required TIF by the January 1 deadlines for those property tax years, we examined PRCRA records to determine the dates the PRCRA received such TIF payments. Our examination disclosed that the County did not timely pay TIF for the 2016 property tax year and the City did not timely pay TIF for the 2016 through 2019 property tax years. For those years, Table 6 shows the number of months after the January 1 due date that TIF was paid and our calculation of the associated late fees and interest that could have been assessed.

**Table 6**  
**Auditor-Calculated County and City Late Fees and Interest**  
**For the 2016 through 2019 Property Tax Years**

Entity	Property Tax Year	Actual TIF Paid	TIF Receipt Date	Months Late <sup>a</sup>	Auditor-Calculated			
					Late Fee	Interest <sup>b</sup>	Total Penalty	
County	2016	\$491,688	2/10/2017	1	\$24,584	\$ 4,917	\$29,501	
<b>Total</b>								<b><u>\$29,501</u></b>
City	2016	\$369,261	2/20/2017	1	\$18,463	\$ 3,693	\$ 22,156	
City	2017	415,924	6/25/2018	5	20,796	20,796	41,592	
City	2018	503,494	1/15/2019	-	25,175	-	25,175	
City	2019	697,407	8/7/2020	7	34,870	48,818	83,688	
<b>Total</b>								<b><u>\$172,611</u></b>

<sup>a</sup> Months elapsed since January 1 TIF due date.  
<sup>b</sup> Interest was calculated on the entire unpaid TIF amount.

Source: Auditor analysis of PRCRA records.

In response to our inquiry, City personnel indicated that the County and the City did not pay any late fees or interest for untimely TIF payments for the 2016 through 2019 property tax years. As shown in Table 6, late fees and interest associated with the untimely County and the City TIF payments totaled \$29,501 and \$172,611, respectively. Insofar as State law allows a CRA to waive penalty payments, we asked City personnel whether the PRCRA, of record, waived the penalty associated with the untimely County and City TIF payments. In response to our inquiry, City personnel provided to us a memorandum dated January 23, 2017, from the County to the City Manager indicating that the County made an oversight in timely submitting its TIF payments to the various CRAs within the County and requested a waiver of the interest and late fees.

City personnel indicated that the matter was discussed at the January 24, 2017, City Council meeting; however, upon review of the meeting minutes and video, we found that the City Council discussed the County's late payment but did not take any formal action. On January 26, 2017, the City Finance/Human Resources Director e-mailed the County indicating she had confirmed with the City Manager that the City Council had approved the request to waive the County's late penalties. Notwithstanding, because the PRCRA is a legally separate entity from the City, and State law only provides the PRCRA with the authority to waive interest and late fees, the City had no legal authority to waive interest and late fees for untimely TIF payments.

Additionally, City personnel indicated that they were unaware of the reason the City did not pay interest and late fees to the PRCRA and, although we requested, City personnel did not provide records of any discussions by the PRCRA Board regarding waiving interest and late fees for either the County or City.

By not assessing the County and the City the interest and late fees provided for in State law or documenting, of record, the waiver of such penalties, the PRCRA cannot demonstrate compliance with State law. In addition, absent effective procedures for monitoring the timeliness of TIF payments and the assessment of penalties for late payments, there is an increased risk that the County and the City will not timely make annual TIF payments to the PRCRA and the PRCRA will not have sufficient resources to carry out its activities.

**Recommendation:** The City should establish effective procedures for monitoring the timeliness of TIF payments. In addition, the PRCRA Board should either assess interest and late fees to the County and the City for untimely TIF payments for the 2016 to 2019 property tax years or take official action at a public meeting to waive those penalties and document the waiver in PRCRA records. Likewise, should the County or City untimely make TIF payments in the future, the PRCRA Board should either assess interest and late fees or take official action at a public meeting to waive those penalties.

#### **Finding 5: CRA Plan**

Pursuant to State law,<sup>24</sup> CRAs must expend TIF moneys in accordance with an approved CRA Plan, which must include information prescribed by State law.<sup>25</sup> For example, CRA Plans must:

- Identify any publicly funded capital projects to be undertaken within the community redevelopment area.
- Contain a detailed statement of the projected costs of the redevelopment, including the amount to be expended on publicly funded capital projects in the community redevelopment area.
- Provide a time certain for completing all redevelopment financed by increment revenues.

We examined the PRCRA Plan in effect during the period October 2016 through January 2020 to determine whether the PRCRA Plan provided for the PRCRA's expenditures during the same period and provided a time certain for completing all redevelopment financed by increment revenues. We found that:

- The PRCRA Plan had not been updated since 2009 and, although the PRCRA Plan included descriptions of nine different types of redevelopment activities, such as parks, streets, sidewalks,

<sup>24</sup> Section 163.387(1)(a), Florida Statutes.

<sup>25</sup> Section 163.362, Florida Statutes.

drainage, and other similar improvements, and staffing information, the PRCRA Plan did not specifically identify the publicly funded capital projects that were undertaken in the community redevelopment area for the period examined. In response to our inquiry, City personnel indicated that currently employed City personnel relied on the already existing PRCRA Plan and did not know why a policy was not established to require periodic updating of the PRCRA Plan to provide more specificity. As State law<sup>26</sup> allows CRA plans to be amended or modified when necessary or desirable, it is not apparent why the PRCRA Plan was not periodically amended to reflect changes in circumstances or as additional information became available.

- The PRCRA Plan included an annual estimated cost of \$500,000 for each of the nine types of redevelopment activities; however, this amount had not been updated since at least 2009 and did not accurately depict the amounts that were actually expended on publicly funded capital projects during the 2016-17 through 2018-19 fiscal years. Specifically, although the annual estimated costs for the nine types of redevelopment activities totaled \$4.5 million (\$500,000 per fiscal year for each of the nine types of redevelopment activities), the PRCRA's total expenditures averaged \$780,335 per year for the 2016-17 through 2018-19 fiscal years, approximately \$3.7 million per fiscal year less than the annual estimated expenditures in the PRCRA Plan. City personnel indicated that they were unable to determine how the annual estimated costs provided in the PRCRA Plan were determined because the City no longer employed the personnel responsible for determining those amounts in 2009.
- The PRCRA Plan did not identify a time certain for completing all redevelopment activities financed by increment revenues. City personnel indicated the PRCRA Plan was prepared in 2002 and they did not know why it excluded a time certain for completing redevelopment activities.

Accurate CRA Plan redevelopment activity information, including, specifically identified capital projects to be undertaken within the redevelopment area, up-to-date cost estimates of such projects, and a time certain for completion of all redevelopment activities, provides valuable information to the taxing authorities contributing to the CRA and to the general public.

**Recommendation: The PRCRA should establish policies and procedures to periodically recommend to the City Council that the PRCRA Plan be amended to identify specific capital projects to be undertaken and to provide up-to-date, accurate estimates of the projected costs of such projects. Additionally, the PRCRA Plan should be amended to include a time certain for completion of all tax increment-financed projects.**

#### **Finding 6: Allocation of Salary and Benefits Costs**

State law<sup>27</sup> provides that CRAs may expend moneys in their redevelopment trust fund for administrative and overhead expenses directly or indirectly necessary to implement a community redevelopment plan. State law<sup>28</sup> also provides municipalities the power to provide, or to arrange or contract for, non-overhead activities related to the furnishing or repair by any person, public or private, of services, privileges, works, streets, roads, public utilities, or other facilities for or in connection with a community redevelopment and the power to install, construct, and reconstruct streets, utilities, parks, playgrounds, and other public improvements. Government Finance Officers Association (GFOA) Best Practices<sup>29</sup> recommend that,

<sup>26</sup> Section 163.361(1), Florida Statutes.

<sup>27</sup> Section 163.387(6)(c)1., Florida Statutes (2019).

<sup>28</sup> Section 163.370(2)(d), Florida Statutes.

<sup>29</sup> GFOA Best Practice: *Indirect Cost Allocation*, February 2014.

when allocating indirect costs, such as shared administrative expenses, a systematic and rational methodology be used in the calculation of the amounts allocated.

Because the PRCRA does not have employees, City personnel perform PRCRA functions. For example, City personnel provide the PRCRA with maintenance services; growth management services; and administrative services, such as managing PRCRA projects, developing PRCRA annual budgets, and processing and recording PRCRA financial transactions. The City recovers these costs by charging the PRCRA a percentage of the salary and benefits costs of the City employees who perform PRCRA duties, and the PRCRA Plan provides that the PRCRA can either pay directly for those costs or reimburse the City for the salary and wage costs of City employees who work on community redevelopment undertakings described in the PRCRA Plan.<sup>30</sup> Per the PRCRA Plan, the City is to create and maintain records of the extent of each employee's time spent on such work and payment or reimbursement to the City from the PRCRA shall be based upon such records. City personnel provided a document<sup>31</sup> showing that the City once used daily time logs for each employee; however, when the PRCRA Plan was revised in June 2009, City personnel decided not to use daily time logs "due to difficulties and deficiencies the City encountered."

Our discussion with City personnel and review of PRCRA records for the period October 2016 through January 2020, disclosed that the City charged \$1.4 million to the PRCRA for a portion of City employee salary and benefits costs. To evaluate whether those costs were supported by records documenting the extent of each City employee's time spent working on PRCRA-related undertakings, we asked City personnel how the salary and benefits costs charged to the PRCRA were determined. City personnel responded that the salary and benefits costs charged to the PRCRA during that time frame were determined based on specific schedules<sup>32</sup> included in City budgets for the 2016-17, 2017-18, and 2018-19 fiscal years. Our review of the schedules disclosed an allocation percentage for the salary and benefits costs to be allocated to the PRCRA for 23, 21, and 16 City employee positions for the 3 City budget years, respectively, but no information as to how the allocation percentages were determined. For example, the schedule included in the City budget for the 2016-17 fiscal year showed that 75 percent of the Police Chief's salary and benefits costs should be allocated to the PRCRA. However, although we requested, we were not provided documentation supporting the allocation percentage and, when we asked how the allocation percentage was determined, City personnel indicated they did not know as the individuals who prepared the budgets were no longer employed by the City.

Also, our review of the City budget for the 2019-20 fiscal year disclosed that, instead of using allocation percentages, the City budgeted for lump sum amounts of costs to be transferred from the General Fund to the PRCRA redevelopment trust fund. Additionally, the amounts actually allocated to the PRCRA during the period October 2019 through January 2020 differed from the budgeted amounts. For example, the City budget for the 2019-20 fiscal year provided for \$2,174 to be allocated from the General Fund to the PRCRA redevelopment trust fund for the Administrative organizational unit; however, as of January 2020, \$38,025, or \$35,851 more than the budgeted amount, had already been allocated to the PRCRA redevelopment trust fund for that unit.

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<sup>30</sup> Section 7.0 of City of Port Richey Resolution No. 09-07.

<sup>31</sup> *CRA Time Justification Record*.

<sup>32</sup> The *Breakdown of Employee Funding Source* schedule.

To determine whether the allocation percentages in the budget schedules were used for actual allocations to the PRCRA during the period October 2016 through January 2020, we selected and examined ten salary transactions totaling \$3,069. We found that the allocation percentages used for seven of the ten salary transactions agreed with those in the applicable budget schedule. The other three salary transactions, each from the 2019-20 fiscal year, were based on allocation percentages in the 2018-19 fiscal year budget schedules. When we pointed out that the salary and benefits costs allocated for the 2019-20 fiscal year appeared to be based on the prior fiscal year's allocation percentages rather than budgeted amounts, City personnel indicated that they did not know how the 2019-20 fiscal year allocations were determined and records on the matter could not be located.

Absent a documented systematic and rational basis for allocating salary and benefits costs to the PRCRA, the PRCRA cannot demonstrate that the City employee salary and benefits costs paid by the CRA are commensurate with the actual time and effort spent on PRCRA activities.

**Recommendation:** The PRCRA, in consultation with the City, should develop a reasonable and systematic cost allocation methodology to support the salary and benefits costs charged to the PRCRA and periodically adjust the charges allocated as necessary to reflect the actual cost of City services provided to the PRCRA.

#### **Finding 7: Unauthorized Redevelopment Trust Fund Expenditures**

State law<sup>33</sup> provides for a CRA to expend moneys in their redevelopment trust fund for administrative and overhead expenses necessary to implement a community redevelopment plan and provides municipalities the power to provide, or contract for, the repair, reconstruction, or construction of public improvements, including streets, utilities, and parks, for or in connection with a community redevelopment. State law<sup>34</sup> also provides for a CRA to expend moneys in their redevelopment trust fund for the development of community policing innovations<sup>35</sup> provided they are described in the community redevelopment plan. State law,<sup>36</sup> however, prohibits CRA governing board members from receiving compensation for their services other than for necessary expenses incurred in the discharge of their duties and prohibits the use of TIF for general government operating expenses unrelated to the planning and carrying out of a community redevelopment plan.

As discussed in Finding 6, because the PRCRA does not have employees, City personnel perform PRCRA functions and the City charges the PRCRA a portion of the salary and benefits costs of the City employees who perform PRCRA duties. During the period October 2016 through January 2020, in addition to the \$1.4 million of City employee costs, the City charged to the PRCRA City Council members' salary and benefits costs totaling \$19,020.

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<sup>33</sup> Sections 163.370(2)(d) and 163.387(6)(c), Florida Statutes (2019).

<sup>34</sup> Section 163.387(6)(c), Florida Statutes.

<sup>35</sup> Section 163.340(23), Florida Statutes, defines community policing innovation as a policing technique or strategy designed to reduce crime by reducing opportunities for, and increasing the perceived risks of engaging in, criminal activity through visible presence of police in the community, including, but not limited to, community mobilization, neighborhood block watch, citizen patrol, citizen contact patrol, foot patrol, neighborhood storefront police stations, field interrogation, or intensified motorized patrol.

<sup>36</sup> Sections 163.356(3)(a) and 163.370(3)(c), Florida Statutes.

Our discussions with City personnel and review of PRCRA records disclosed that, of the nine City organizational units that charged salary and benefits costs to the PRCRA, three units, City Council, Fire Department, and Police Department, represented activities that were either specifically or possibly prohibited by State law from being paid for by a CRA. To determine whether salary and benefits costs charged to the PRCRA from these three City organizational units represented an appropriate use of CRA funds, we examined supporting records and found that:

- Contrary to State law<sup>37</sup> prohibiting CRA governing board members from receiving compensation for their services, the City allocated \$19,020 or 25 percent of City Council members<sup>38</sup> salary and benefits costs during the period October 2016 through January 2020 to the PRCRA. In response to our March 2021 inquiries as to why the City charged the PRCRA a portion of the salary and benefits costs of the City Council, City personnel responded that they were unaware of the reason and the City no longer employed the City personnel responsible for the allocation. However, City personnel indicated that the City Council salary and benefits costs allocation was outlined in the budget schedules and that the salary and benefits costs charged to the PRCRA for the City Council were unrelated to their duties as PRCRA Board members; rather, the payments were for City Council duties. Notwithstanding, as a portion of the City Council members' salary and benefits costs was paid by the PRCRA it appears the members' provided services to the PRCRA, and State law prohibits CRA Board members from receiving compensation for their services.
- The City allocated \$242,676 of the salary and benefits costs associated with the Fire Department to the PRCRA during the period October 2016 through January 2020 without apparent legal authority. In response to our April 2021 inquiries as to why the PRCRA expended redevelopment trust fund moneys to pay a portion of the salary and benefits costs of Fire Department personnel, City personnel provided us a resolution<sup>39</sup> that amended the PRCRA Plan to include language describing a need to fund fire personnel to address inadequate fire protection in the community redevelopment area. City personnel further indicated that State law<sup>40</sup> allows CRA moneys to be expended as necessary to carry out the CRA purposes set forth in State law and that slum and blighted areas require extra services, including fire services. Notwithstanding, insofar as the City charter requires the provision of fire services,<sup>41</sup> and State law<sup>42</sup> prohibits CRA moneys from being expended for general government operating expenses unrelated to the planning and carrying out of community redevelopment, the PRCRA has no legal authority to pay the City for fire services.
- The City allocated \$41,944 of the salary and benefits costs associated with the Police Department to the PRCRA during the period October 2016 through November 2017, which was attributable to 75 percent of the salary and benefits costs of two Police Chiefs, including the accrued leave payout for one of the two Police Chiefs. As previously discussed, State law allows CRAs to expend moneys for community policing innovations provided they are described in their community redevelopment plan. The PRCRA Plan, as amended,<sup>43</sup> provided that, due to the incidence of crime in the community redevelopment area, there is a shortage of law enforcement officers, and the incidence of crime can be addressed through the employment of additional law enforcement officers, increasing the amount of time law enforcement officers are on duty, and initiating and implementing a community policing program.

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<sup>37</sup> Section 163.356(3)(a), Florida Statutes.

<sup>38</sup> The City Council serves as the CRA governing board.

<sup>39</sup> City of Port Richey Resolution No. 09-07.

<sup>40</sup> Sections 163.335(1) and 163.370(2)(l), Florida Statutes.

<sup>41</sup> Section 5.06, City of Port Richey Charter, provides that "there shall be a Fire Department responsible for the prevention and control of fires within the city."

<sup>42</sup> Section 163.370(3)(c), Florida Statutes.

<sup>43</sup> City of Port Richey Resolution No. 09-07.

In response to our inquiries as to how 75 percent of the salaries and benefits costs of the two Police Chiefs was related to community policing innovations, City personnel provided policies and procedures<sup>44</sup> for the Police Department's House Check program, extra/special patrol, and traffic assignments. However, City personnel also indicated that they were unable to determine how much time the Police Chiefs spent on specific tasks, and the basis for the Police Chiefs' PRCRA allocations during the period October 2016 through November 2017 could not be determined because the City no longer employed the personnel responsible for determining the allocations. City personnel also indicated that they were not aware of the reason the Police Chief's salary and benefits cost allocations to the PRCRA ended in November 2017; however, they did not believe the allocations to be inappropriate and included such allocations in the City budget for the 2020-21 fiscal year.

Notwithstanding City personnel's response, the City charter<sup>45</sup> assigns responsibility for the Police Department to the City, and by extension includes the Police Chief's supervisory duties. Consequently, to the extent that the PRCRA's payment of a portion of the Police Chiefs' salary and benefits costs and the accrued leave payout for one of the Police Chiefs does not represent community policing innovations, the payments are contrary to State law.<sup>46</sup>

**Recommendation: The PRCRA should establish policies and procedures to ensure that moneys in the PRCRA redevelopment trust fund are only expended as authorized by State law.**

#### **Follow-Up to Management's Response**

*Management's response indicates that they disagree that paying a portion of City Council members' salaries from the PRCRA budget violates State law and that State law prohibits using CRA funds to supplement Firefighters' and Police Officers' salaries. Notwithstanding, State law prohibits the use of TIF for general government operating expenses unrelated to a CRA plan and also explicitly prohibits CRA commissioners from being compensated for CRA services. Since the City Council and PRCRA governing board are identical, no aspect of PRCRA revenues may be applied to the salary and benefits costs of City Council members. In addition, payment of salary and benefits costs associated with the Fire and Police Departments is not a specifically authorized use of TIF enumerated in State law. Consequently, the finding and related recommendation stand as presented.*

#### **Finding 8: Budget Preparation and Reporting**

Pursuant to State law,<sup>47</sup> the PRCRA Board must adopt a budget by resolution each fiscal year, and the total amount available from taxation and other sources, including balances brought forward from prior fiscal years, must equal the total appropriations for expenditures and reserves. The adopted budget must regulate PRCRA expenditures, and it is unlawful to expend or contract for expenditures in any fiscal year except pursuant to the adopted budget. State law<sup>48</sup> requires that the PRCRA final adopted budgets be posted on the PRCRA official Web site within 30 days after adoption and must remain on the Web site for at least 2 years.

<sup>44</sup> Port Richey Police Department Policy and Procedure Directive No. 1006, *Special Patrol Programs*.

<sup>45</sup> Section 5.05, City of Port Richey Charter.

<sup>46</sup> Section 163.370(3)(c), Florida Statutes.

<sup>47</sup> Section 189.016(3), Florida Statutes.

<sup>48</sup> Section 189.016(4), Florida Statutes.

Our examination of PRCRA records and discussions with City personnel disclosed that the PRCRA budgetary process could be improved. Specifically, we noted that beginning fund balances were either not included or were significantly understated for the 2016-17 through 2019-20 fiscal years as follows:

- The PRCRA Board-adopted budgets for the 2016-17 and 2017-18 fiscal years included estimates of the balances to be brought forward from the prior fiscal years; however, the budgeted beginning balances were significantly understated.<sup>49</sup> Because the PRCRA 2015-16 and 2016-17 fiscal years were not complete when the 2016-17 and 2017-18 fiscal year budgets, respectively, were prepared, actual ending fund balances for the 2015-16 and 2016-17 fiscal years were not known, and it was necessary for City personnel to estimate beginning fund balances for the 2016-17 and 2017-18 fiscal year budgets. However, City personnel did not subsequently amend the estimated PRCRA budgeted beginning fund balances to reflect actual balances once the PRCRA accounting records for the 2015-16 and 2016-17 fiscal years were closed. In response to our inquiries, City personnel did not know how the budgeted beginning balances for the 2016-17 and 2017-18 fiscal years were estimated. Without utilizing the most current financial information available to estimate and, as applicable, amend the budgeted beginning fund balances, the usefulness of the budget as a financial management tool is diminished.
- The PRCRA Board-adopted budgets for the 2018-19 and 2019-20 fiscal years did not include balances brought forward from prior fiscal years as resources available for expenditure in the subsequent fiscal year. Specifically, the PRCRA budgets for the 2018-19 and 2019-20 fiscal years did not include the prior fiscal year-end balances totaling \$424,417 and \$1,050,955, respectively. In response to our inquiry, City personnel indicated that the 2018-19 and 2019-20 fiscal year budgets did not include balances brought forward from prior fiscal years due to not being able to determine the amount of funds to be brought forward at the time of budgeting. Upon further inquiry as to why the City was able to estimate the balances to be brought forward for the 2016-17 and 2017-18 fiscal years but not the 2018-19 and 2019-20 fiscal years, City personnel indicated that they did not know. Failure to consider balances brought forward in the budget obstructs transparency of available sources and diminishes the usefulness of the budget as a financial management tool.

In addition, we noted that the budgetary comparison schedules for the Community Redevelopment Fund within the City's audited financial statements for the 2016-17, 2017-18, and 2018-19 fiscal years presented the actual beginning fund balances as both the original and final budget amounts. In response to our inquiry, City personnel responded that they did not know why the actual beginning fund balance amounts were presented as budgeted amounts and indicated that, going forward, the budgetary comparison schedules will include the budgeted amounts from the legally adopted budgets and amendments (if any). Improper reporting of PRCRA budget amounts in the audited financial statements impairs the ability of financial statement users to compare PRCRA budgeted and actual amounts and evaluate the variances.

The PRCRA does not maintain its own Web site; rather, the City Web site includes a Web page for the PRCRA. Our examination of the PRCRA Web page in October 2020 disclosed that the PRCRA Web page did not include any of the PRCRA budgets, including the budgets for the 2019-20 and 2020-21 fiscal years required by State law. In response to our inquiry in November 2020, City personnel indicated that the PRCRA is included within the City budget, which is posted on the City Web site, but acknowledged that the PRCRA adopts its own independent budget. City personnel indicated that the

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<sup>49</sup> Budgeted beginning fund balances of \$241,477 and \$422,614 included in the CRA's 2016-17 and 2017-18 fiscal year budgets were \$161,005 and \$49,143, respectively, less than the actual prior fiscal year ending fund balances.

PRCRA budgets were not on the PRCRA Web page due to a lack of familiarity with the statutory requirements and stated that the PRCRA will post its budgets on its Web page in the future.

Subsequent to our inquiry, in February 2021 City personnel communicated that corrections had been made to the PRCRA Web page. We reviewed the PRCRA Web page in March 2021 and notified the City that, while State law requires the two most recent budgets be posted, the PRCRA Web page only contained the PRCRA-adopted budget for the 2020-21 fiscal year. To determine whether the PRCRA corrected the issue, in June 2021 we reviewed the PRCRA Web page again and found that, although the PRCRA Web page was updated to include the PRCRA budgets for 2 fiscal years, the budgets were for the 2018-19 and 2020-21 fiscal years, rather than the 2 most recent fiscal years.

**Recommendation: The PRCRA Board should improve the budgetary process by establishing policies and procedures that ensure:**

- **PRCRA Board-adopted budgets include all balances brought forward from prior fiscal years as required by State law. To that end, City personnel should estimate the PRCRA beginning fund balances to reflect the most current information available and subsequently amend those balances if actual amounts significantly differ when the PRCRA closes its accounting records.**
- **Budgeted beginning fund balances are properly disclosed in the PRCRA financial statements.**
- **Compliance with State law requiring that PRCRA Board-adopted budgets be posted on the PRCRA Web page within 30 days of adoption and maintained on the Web page for at least 2 years.**

## **Finding 9: Budget Monitoring**

Pursuant to State law,<sup>50</sup> the PRCRA-adopted budget must regulate PRCRA expenditures, and it is unlawful for the PRCRA to expend or contract for expenditures except pursuant to the adopted budget. The PRCRA Board may, at any time within a fiscal year or within 60 days following the end of the fiscal year, amend a budget for that year.<sup>51</sup>

Our examination of PRCRA records and discussions with City personnel disclosed that PRCRA policies and procedures did not define the legal level of budgetary control. In addition, the resolutions<sup>52</sup> through which the PRCRA Board adopted the 2016-17, 2017-18, and 2018-19 fiscal year budgets did not specify the legal level of budgetary control, although the adopted budgets presented budgeted expenditures at the sub-object code level (e.g., regular salaries and wages, road improvements, and landscaping) within organizational units (e.g., City Council, administrative, and fire department).<sup>53</sup> In response to our inquiry, City personnel indicated that, although the PRCRA Board did not independently establish a legal level of budgetary control for the 2016-17, 2017-18, and 2018-19 fiscal years, the PRCRA has historically treated City policies as PRCRA policies, and because the City adopted budget establishes the legal level of

<sup>50</sup> Section 189.016(3), Florida Statutes.

<sup>51</sup> Section 189.016(6), Florida Statutes.

<sup>52</sup> Port Richey CRA Resolution Nos. 16-13, 17-15, and 18-11.

<sup>53</sup> Although several PRCRA organizational units mirrored City departments, there were several organizational units that did not represent City departments. For example, the PRCRA Board-approved budgets included the City Council, grants, and other economic development organizational units, which did not represent City departments.

budgetary control at the department level, the PRCRA budget is also controlled at the department level. Notwithstanding this response, the PRCRA does not have departments and the Board-approved budgets for the 2016-17, 2017-18, and 2018-19 fiscal years presented budgeted expenditures at the sub-object code level within organizational units. In the absence of a PRCRA policy establishing the legal level of budgetary control, the established level of control was the level at which budgeted expenditure amounts were presented in the adopted budgets.

To determine whether PRCRA expenditures were made pursuant to the PRCRA Board-adopted budgets for the 2016-17, 2017-18, and 2018-19 fiscal years, we compared PRCRA expenditures for each fiscal year to the budgeted amount for each sub-object code. As summarized in Table 7, our comparison disclosed that PRCRA expenditures exceeded budgeted amounts by \$528,993 for 60 sub-object codes.

**Table 7**  
**Expenditures Exceeding Budgeted Amounts**  
**For the 2016-17 through 2018-19 Fiscal Years**

Fiscal Year	Number of Sub-Object Codes Over-Expended	Total Amount of Over-Expenditures
2016-17	21	\$177,211
2017-18	26	182,222
2018-19	13	169,560
<b>Totals</b>	<b><u>60</u></b>	<b><u>\$528,993</u></b>

Source: Auditor analysis of PRCRA records.

Additionally, although the PRCRA Board-adopted budgets presented budgeted expenditures at the sub-object code level by organizational unit, the budgeted expenditures reported for the PRCRA in the City audited financial statements for the 2016-17, 2017-18, and 2018-19 fiscal years were presented at the function (e.g., general government) and character/object code (e.g., capital outlay and debt service) levels. Because the legally adopted PRCRA budget amounts were not presented in the City financial statements, financial statement users could not readily determine whether PRCRA resources were expended within budgeted amounts consistent with PRCRA Board intent.

Absent policies and procedures establishing the legal level of budgetary control, there is an increased risk that expenditures may not be effectively monitored to ensure that expenditures do not exceed budgeted amounts, and resources may not be expended within the budgeted amounts consistent with PRCRA Board intent.

**Recommendation: The PRCRA Board should establish budget policies and procedures that:**

- **Establish the desired legal level of budgetary control.**
- **Report budgeted expenditures in the budgetary comparison schedules presented in the financial statements at the established legal level of budgetary control to enable financial statement users to readily determine whether resources were expended within budgeted amounts consistent with PRCRA Board intent.**
- **Limit actual expenditures to budgeted amounts as required by State law.**

## Finding 10: Fiscal Year-End Balances in Redevelopment Trust Fund

State law<sup>54</sup> requires that, on the last day of a CRA's fiscal year, any money remaining in the CRA redevelopment trust fund after the payment of expenses pursuant to State law shall be either:

- Returned to each taxing authority which paid the increment in the proportion that the amount of the payment of such taxing authority bears to the total amount paid into the redevelopment trust fund by all taxing authorities for that year.
- Used to reduce the amount of any indebtedness to which increment revenues are pledged.
- Deposited into an escrow account for the purpose of later reducing any indebtedness to which increment revenues are pledged.
- Appropriated to a specific redevelopment project pursuant to an approved community redevelopment plan.

Moneys remaining in the PRCRA redevelopment trust fund on the last day of the PRCRA 2016-17, 2017-18, and 2018-19 fiscal years totaled \$471,757, \$424,417, and \$1,050,955, respectively. Our review of PRCRA records and discussions with City personnel disclosed that PRCRA records did not demonstrate that the moneys remaining in the PRCRA redevelopment trust fund were appropriated to a specific redevelopment project or otherwise disposed of in accordance with State law. In response to our inquiry in March 2021, City personnel indicated that they were unable to determine why the PRCRA redevelopment trust fund balances were not disposed of in accordance with State law because the responsible City personnel are no longer employed by the City; however, they believed that most of the moneys remaining in the PRCRA redevelopment trust fund on the last day of the 2016-17, 2017-18, and 2018-19 fiscal years were intended to be used for a future dredging project.

As support, City personnel provided us the minutes from the January 12, 2016, and September 14, 2017, PRCRA Board meetings with certain language highlighted. While the January 12, 2016, meeting minutes included discussion of a potential balance of \$76,000 in undesignated reserves in the PRCRA budget for the 2015-16 fiscal year, there was no mention of how those reserves would be incorporated into the PRCRA 2016-17 fiscal year budget. The September 14, 2017, meeting minutes indicated that a Board member requested clarification regarding how PRCRA carryover amounts from the 2016-17 fiscal year were reflected in the budget for the 2017-18 fiscal year. In response, the City Attorney and the then City Manager indicated that the carryover funds were allocated for the dredging project.

In response to further inquiry, City personnel indicated that any unspent money remaining at year-end was appropriated for expenditure in the following fiscal year and provided the PRCRA budgets for the 2016-17, 2017-18, and 2018-19 fiscal years. However, aside from the meeting minutes, City personnel did not provide documentation related to the appropriation of PRCRA redevelopment trust fund money remaining on the last day of the PRCRA 2016-17, 2017-18, or 2018-19 fiscal years for any specific redevelopment project. Also, notwithstanding City personnel's response, as discussed in Finding 8, the PRCRA's 2017-18 fiscal year budget did not account for the entire prior fiscal year-end balance and the 2018-19 and 2019-20 fiscal year budgets did not account for any of the prior fiscal year-end balances.

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<sup>54</sup> Section 163.387(7), Florida Statutes.

Absent records evidencing that moneys remaining in the PRCRA redevelopment trust fund at fiscal year-end were re-appropriated to a specific redevelopment project or otherwise disposed of according to State law, there is an increased risk that the taxing authorities that contributed TIF moneys to the PRCRA may not receive unused PRCRA moneys to which they are entitled pursuant to State law.

**Recommendation: The PRCRA should maintain records evidencing that moneys remaining in the PRCRA redevelopment trust fund at the end of the fiscal year were either obligated for specific purposes authorized by State law or returned to the taxing authorities that contributed TIF moneys.**

### **Finding 11: PRCRA Operations Policies and Procedures**

Given the significant public resources that are received and expended by the PRCRA, it is incumbent on the City<sup>55</sup> and the PRCRA to ensure that the PRCRA establishes policies and procedures to promote the safeguarding of PRCRA resources, including the effective, efficient, and appropriate use of those resources in accordance with applicable State and local laws.

Consistent with State law,<sup>56</sup> the PRCRA is required to procure goods and services in accordance with City purchasing policies and procedures.<sup>57</sup> However, although the PRCRA had general administrative and procedural rules,<sup>58</sup> which included, for example, policies regarding the composition of the PRCRA Board and the keeping of Board meeting minutes, City personnel had not provided records, as of November 2021, evidencing that the PRCRA Board had established policies and procedures governing the various other aspects (e.g., budgets, revenue processing, disbursement processing) of PRCRA operations.

In response to our inquiry, the City Attorney indicated that the City did not determine a need for separate PRCRA policies, beyond the general requirements of State law, and stated that “since its inception, the PRCRA has followed the finance rules as well as the non-financial rules of the City.” However, because the PRCRA is a separate legal entity established pursuant to State law,<sup>59</sup> specific action by the PRCRA Board is required to make City policies and procedures applicable to the PRCRA. Additionally, as a special district and CRA, the PRCRA is subject to State laws<sup>60</sup> that include provisions not applicable to municipalities and, therefore, may not be addressed by City policies and procedures. Conversely, certain City policies and procedures based on State laws applicable to municipalities may not apply to the PRCRA.

Established policies and procedures addressing the various aspects of PRCRA operations would provide additional assurance the PRCRA conducts business in an effective, efficient, and appropriate manner consistent with PRCRA Board intent, the approved PRCRA Plan, and applicable State and local laws. The lack of PRCRA operations policies and procedures may have contributed to the deficiencies discussed in Findings 2 through 10 and 12 through 15.

<sup>55</sup> The PRCRA is administered by City employees.

<sup>56</sup> Section 163.370(5), Florida Statutes.

<sup>57</sup> City of Port Richey *Purchasing Policy and Procedures*.

<sup>58</sup> *Administrative and Procedural Rules of the Port Richey Community Redevelopment Agency*.

<sup>59</sup> Section 163.356, Florida Statutes.

<sup>60</sup> For example, Chapter 163, Part III, and Chapter 189, Florida Statutes.

**Recommendation:** The PRCRA Board should establish policies and procedures governing all aspects of PRCRA operations. Such policies and procedures should be developed, as appropriate, based on State law specifically applicable to CRAs and generally applicable to special districts.

## **Finding 12: Anti-Fraud Policies and Procedures**

Effective policies and procedures for communicating, investigating, and reporting known or suspected fraud are essential to aid in the mitigation, detection, and prevention of fraud. Such policies and procedures serve to establish the responsibilities for investigating potential incidents of fraud and taking appropriate action, reporting evidence of such investigations and actions to the appropriate authorities and protecting the reputation of persons suspected but determined to be not guilty of fraud.

Our examination of PRCRA general administrative and procedural rules and discussions with City personnel disclosed that, as of November 2021, the PRCRA had not established anti-fraud policies and procedures. City personnel indicated that, because the PRCRA is administered by City employees, the PRCRA is bound by the City personnel manual. City personnel also provided excerpts of the City charter<sup>61</sup> and the City personnel manual<sup>62</sup> that, for example, prohibit certain activities that could result in a conflict of interest, suggest that City employees seek guidance from the City Manager before engaging in questionable activities, and require cooperation with job-related investigations. Although the City charter and personnel manual have some positive features to aid in the mitigation, detection, and prevention of fraud, they do not:

- Provide examples of actions constituting fraud.
- Require individuals to communicate and report known or suspected fraud.
- Provide for anonymous reporting of known or suspected fraud.
- Require officials to keep accurate records of reported fraud or suspected fraud.
- Assign responsibility for investigating potential incidents of fraud and taking appropriate action.
- Provide guidance for investigating potential and actual incidents of fraud; reporting evidence obtained by the investigation to the appropriate authorities, which may be the City Council members or City legal counsel if an incident involves City management; or protecting the reputations of persons suspected but determined not guilty of fraud.

In response to our inquiry, City personnel indicated that they had never considered anti-fraud policies and procedures for the PRCRA. Absent such policies and procedures, there is an increased risk that known or suspected fraud may not be identified, investigated, or reported to the appropriate authorities.

**Recommendation:** The PRCRA should establish anti-fraud policies and procedures for communicating, investigating, and reporting known or suspected fraud that:

- **Provide examples of actions constituting fraud.**
- **Require individuals to communicate and report known or suspected fraud.**
- **Provide for anonymous reporting of known or suspected fraud.**

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<sup>61</sup> Section 5.09, City of Port Richey Charter.

<sup>62</sup> Section 9.0, City Personnel Manual.

- **Require officials to keep accurate records of reported fraud or suspected fraud.**
- **Assign responsibility for investigating potential incidents of fraud and for taking appropriate action.**
- **Provide guidance for investigating potential and actual incidents of fraud, reporting evidence obtained by the investigation to the appropriate authorities, and protecting the reputations of persons suspected but not determined guilty of fraud.**

### **Finding 13: Statements of Financial Interests**

State law<sup>63</sup> requires local officers,<sup>64</sup> including CRA governing board members, city managers, finance directors of municipalities or other political subdivisions,<sup>65</sup> and city attorneys, to file a statement of financial interests with the supervisor of elections of the county in which the local officer permanently resides no later than July 1 of each year. Statements of financial interests are important because they provide a public record that discloses the financial interests, activities, and associations of local officers as well as potential conflicts of interest.

Pursuant to State law,<sup>66</sup> each year the Commission on Ethics (COE) prepares and provides each supervisor of elections with a list of the names and addresses of local officers required to file a statement of financial interests for the previous year. To assist the COE, governmental entities, such as the PRCRA, are required to provide the names and addresses of local officers within the respective unit of government as of December 31 of the previous calendar year.

Our examination of PRCRA records and discussions with City personnel identified 14 local officers who served as PRCRA Board members, City Manager, City Finance Director, and City Attorney during the period October 2016 through January 2020.<sup>67</sup> Our examination of the COE Web site disclosed that the individual who held the City Attorney position as of December 31, 2016, was excluded from the COE's 2016 calendar year list of City local officers and did not file the required statement of financial interest with the applicable supervisor of elections for the 2016 calendar year. In addition, the individual who held the City Finance Director position as of December 31, 2019, was excluded from the COE's 2019 calendar year list of City local officers. We also found that the contracted City Finance Director engaged from February 2019 through June 2020 did not file the required 2019 calendar year statement with the applicable supervisor of elections.

In response to our inquiries as to why the 2016 and 2019 calendar year lists provided to the COE did not include all the local officers, City personnel indicated that the City and PRCRA did not have policies and procedures for assisting the COE in updating the list of local officers each year and they did not know why the policies and procedures had not been established. In practice, the City Clerk was responsible for updating the list of local officers with the COE; however, due to turnover (three individuals served as City Clerk during the period October 2016 through January 2020), the City Clerks may not have fully understood the legal requirements.

<sup>63</sup> Section 112.3145(2), Florida Statutes.

<sup>64</sup> Defined in Section 112.3145(1)(a), Florida Statutes.

<sup>65</sup> As defined by Section 1.01(8), Florida Statutes, political subdivisions include special districts (i.e., CRAs).

<sup>66</sup> Section 112.3145(8), Florida Statutes.

<sup>67</sup> The local officers identified included City employees and contractors as the PRCRA is administered by City employees.

Absent the provision of complete and accurate local officer information to the COE, local officers may not be included on the lists of local officers required to file a statement of financial interests. Local officers who do not timely file the required statements of financial interests may be subject to fines. Also, absent the required statements of financial interests, there is an increased risk that the PRCRA may be unaware of potential conflicts of interest when entering into contracts and other agreements.

**Recommendation:** The PRCRA should establish policies and procedures to ensure that PRCRA local officer names and addresses are timely provided to the COE. We also recommend that the PRCRA remind local officers to timely file required statements of financial interests with applicable supervisors of elections.

#### **Finding 14: Web Site Transparency**

Pursuant to State law,<sup>68</sup> the PRCRA is required to maintain its own Web site or be prominently displayed on the City's home page with a hyperlink to such Web pages as are necessary to provide the information required by State law.

At the time of our review in October 2020, the home page on the City's Web site included a link to a Web page dedicated to the PRCRA; however, contrary to State law,<sup>69</sup> the PRCRA Web page did not include:

- The name, official address, official e-mail address, and, if applicable, term and appointing authority for each member of the PRCRA Board.
- The PRCRA fiscal year.
- The full text of the PRCRA's charter.
- The mailing address, e-mail address, telephone number, and Web site uniform resource locator of the PRCRA.
- The primary contact information for the PRCRA for purposes of communication from the Department of Economic Opportunity.
- A hyperlink to generally applicable ethics provisions.
- The PRCRA budget and any amendments thereto.
- The final, complete audit report for the most recent fiscal year or a link to the audit report on the Auditor General Web site.
- A listing of regularly scheduled PRCRA Board meetings.
- A link to the Department of Financial Services Web site.
- Agendas for PRCRA meetings and workshops that were held in the previous 12 months and agendas for PRCRA events that will be held in the next 7 days.

Our review of the PRCRA Web page in June 2021 disclosed that required information had been added, except, as also discussed in Finding 8, the PRCRA Web page did not include all the required budget information. Maintenance of required information on the PRCRA Web page demonstrates compliance with State law, promotes citizen involvement, and helps inform the County and public of the extent that PRCRA redevelopment objectives are being met.

<sup>68</sup> Section 189.069(1), Florida Statutes.

<sup>69</sup> Section 189.069(2), Florida Statutes.

**Recommendation:** To comply with State law and provide essential information to interested parties, the PRCRA should establish policies and procedures that require and ensure that the PRCRA Web page includes all required information.

### **Finding 15: Board Meeting Notices**

State law<sup>70</sup> requires the governing body of each special district, including each CRA, to file quarterly, semiannually, or annually a schedule of its regular meetings with the local governing authority.<sup>71</sup> The schedule is to include the date, time, and location of each scheduled meeting and shall be published in a newspaper of general paid circulation.

During the period October 2016 through January 2020, the PRCRA did not publish schedules of its regular meetings in a newspaper of general paid circulation. In response to our inquiry, City personnel indicated in November 2020 that the PRCRA did not publish schedules of its regular meetings in a newspaper of general paid circulation because City personnel were unaware of the statutory requirement. However, in July 2021, City personnel indicated that no policy would be developed because they believed that a policy is not necessary to follow State law.

Notwithstanding, absent such policy, there is increased risk that current and future City personnel may not be familiar with and, therefore, not comply with PRCRA meeting notification requirements. The lack of published meeting schedules may have limited public awareness of and attendance at PRCRA Board meetings.

**Recommendation:** To comply with State law and ensure the public is provided proper notice, the PRCRA should publish schedules including the date, time, and location of each regular meeting. To ensure that schedules of PRCRA meetings are published in accordance with State law, we recommend that the PRCRA develop policies requiring publication of its regular meeting schedules.

## ***OBJECTIVES, SCOPE, AND METHODOLOGY***

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations. Pursuant to Section 11.45(2)(j), Florida Statutes, the Legislative Auditing Committee, at its December 12, 2019, meeting, directed us to conduct this operational audit of the Port Richey Community Redevelopment Agency (PRCRA).

<sup>70</sup> Section 189.015(1), Florida Statutes. Beginning January 1, 2022, pursuant to Chapter 2021-17, Laws of Florida, in lieu of publishing a schedule of its regular meetings in the print edition of a newspaper of general circulation, the governing body of a special district may opt for Internet-only publication with any newspaper of general circulation within the jurisdiction of the special district provided that the governing body holds a public hearing noticed in the print edition of a newspaper of general circulation and a majority of the governing body's members make a determination that Internet-only publication is in the public interest and residents within the special district's jurisdiction have sufficient access to the Internet such that Internet-only publication would not unreasonably restrict public access.

<sup>71</sup> Section 189.012(4), Florida Statutes, defines local governing authority to mean the municipality (i.e., the City of Port Richey) when the special district is a subdivision of a municipality.

We conducted this operational audit from May 2020 through June 2021 in accordance with generally accepted government auditing standards.<sup>72</sup> Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, ordinances, resolutions, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management's internal controls, instances of noncompliance with applicable laws, ordinances, resolutions, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; identifying and evaluating internal controls significant to our audit objectives; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records for the audit period October 2016 through January 2020 and selected transactions prior and subsequent thereto. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

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<sup>72</sup> *Government Auditing Standards*, July 2018.

An audit by its nature does not include a review of all records and actions of PRCRA management, City personnel, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed applicable laws, interlocal agreements, and City ordinances, resolutions, policies, and procedures, and interviewed City personnel to gain an understanding of PRCRA processes and to determine whether the PRCRA had established effective policies and procedures for major PRCRA functions, such as preparing and updating the PRCRA Plan, providing community redevelopment, and reporting.
- Examined PRCRA meeting minutes for the period October 2016 through January 2020 to evaluate the propriety and sufficiency of actions taken. We also examined PRCRA records to determine whether the PRCRA held all required meetings, properly noticed the meetings, promptly recorded minutes of the meetings, promptly reviewed and approved the minutes, and promptly made the minutes readily accessible to the public.
- Inquired with City personnel to determine whether the PRCRA had established anti-fraud policies and procedures to provide guidance to employees for identifying and communicating known or suspected fraud to appropriate individuals.
- Evaluated PRCRA policies and procedures for identifying potential conflicts of interest. We selected 10 PRCRA Board members, 2 City employees, and 2 contractors occupying positions defined in Section 112.3145(1)(a), Florida Statutes, that performed PRCRA duties and reviewed the Department of State, Division of Corporations, records; statements of financial interests; and PRCRA records to identify any relationships that represented a potential conflict of interest.
- For the 14 local officers who served on the PRCRA governing board, including individuals employed in the City Manager, City Finance Director, and City Attorney positions during the period October 2016 through January 2020, examined Commission on Ethics records to determine whether the local officers filed a statement of financial interests for the 2016 through 2019 calendar years, as required by Section 112.3145, Florida Statutes.
- Examined the City's PRCRA Web page to determine whether the Web page provided the information required by Section 189.069, Florida Statutes.
- Examined PRCRA records to determine whether the PRCRA complied with Section 163.356(3)(a), Florida Statutes, which prohibits PRCRA governing board members from receiving compensation for their services.
- Examined City and PRCRA records to determine whether the PRCRA redevelopment trust fund was audited by independent certified public accountants for the 2016-17, 2017-18, and 2018-19 fiscal years in accordance with Section 163.387, Florida Statutes.
- Examined City accounting records to determine whether the records provided adequate accountability for PRCRA financial transactions.
- Obtained and reviewed the interlocal agreements between the City and the PRCRA to determine whether the interlocal agreements complied with Section 163.387, Florida Statutes.
- Examined PRCRA records to determine whether the PRCRA received the correct amount of tax increment financing from Pasco County and the City for the 2016 through 2019 property tax years.
- Reviewed the budget resolutions adopting the PRCRA budgets for the 2016-17 through 2019-20 fiscal years to determine whether the budgets were properly prepared and included balances brought forward from prior fiscal years.

- Reviewed PRCRA budget and accounting records to determine whether the PRCRA adopted and amended its budgets for the 2016-17 through 2019-20 fiscal years in compliance with Section 189.016, Florida Statutes, and did not expend moneys in excess of the amounts established in those budgets, as amended.
- Inquired with City personnel to determine whether the methodology used to allocate City salary and benefits costs to the PRCRA during the period October 2016 through January 2020 accurately reflected the actual cost of services provided by City personnel to the PRCRA.
- From the 461 expenditure transactions totaling \$1.1 million during the audit period that did not relate to salary and benefits costs, examined PRCRA records supporting expenditures of \$571,551 for the 10 largest transactions to determine whether the expenditures were included in the PRCRA Plan and complied with Section 163.387, Florida Statutes.
- Examined City records and inquired of City personnel to determine whether the PRCRA disposed of moneys remaining in the PRCRA redevelopment trust fund on the last day of the 2016-17, 2017-18, and 2018-19 fiscal years in accordance with Section 163.387, Florida Statutes.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

## **AUTHORITY**

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Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



Sherrill F. Norman, CPA  
Auditor General

# MANAGEMENT'S RESPONSE

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**CITY OF PORT RICHEY**  
6333 RIDGE ROAD  
PORT RICHEY, FLORIDA 34668  
TELEPHONE (727) 816-1900

"FOR SUNSHINE



AND PROGRESS"

TO WHOM IT MAY CONCERN:

**WRITTEN STATEMENT OF EXPLANATION PURSUANT TO 11.45(4)(D) FLORIDA STATUTES  
CITY OF PORT RICHEY COMMUNITY REDEVELOPMENT AGENCY**

ATTACHED HERETO: RESPONSE TO 15 FINDINGS

  
\_\_\_\_\_  
Scott Tremblay (Dec 9, 2021 14:51 EST)

SCOTT TREMBLAY, CHAIRMAN  
PORT RICHEY COMMUNITY REDEVELOPMENT AGENCY

Dec 9, 2021

\_\_\_\_\_  
Date

  
\_\_\_\_\_  
M. John Dudte (Dec 9, 2021 12:19 EST)

JOHN DUDTE, CITY MANAGER  
CITY OF PORT RICHEY

Dec 9, 2021

\_\_\_\_\_  
Date

### **FINDING NO. 1 PRCRA BOUNDARIES CONSTRAIN GOVERNMENTAL SERVICES**

The CRA recognizes the need for the city to balance redevelopment and general fund purposes. As noted in the Finding 1 narrative, the PRCRA, after discussion with the County, did review the CRA boundaries and subsequently recommended to the City that a large area with significant assessed value be removed from the CRA. The City did then conduct the statutorily necessary review and processes by which the neighborhood commonly known as Harbor Pointe was removed from the CRA. This series of actions by both the CRA and the City occurred well prior to the auditor's report.

The City and CRA will continue to review revenue streams, city general fund needs, and CRA objectives to determine if future adjustments to the PRCRA boundaries are necessary or advisable.

### **FINDING NO. 2 COMMUNITY REDEVELOPMENT AGENCY TIF CALCULATIONS**

As the City of Port Richey indicated, the most plausible explanation for the reason the City set its base year as 2002 (as reflected in its Original Ordinance) was their interpretation of the phrase "most recent assessment roll used in connection with the taxation of such property" to mean the most recent assessment roll prepared.

Even the most recent DR-420TIF indicates a base year of 2002. The City does not disagree with the Attorney General's Opinion that because the VAB actions could not occur within the time frame, the base year of 2001 would prevail.

The City will be meeting with the County in light of this issue, as well as others brought up in these findings and intends to address the issue. Regardless of the outcome of the outstanding under payments, going forward, the base tax year will be changed to 2001 per the Attorney General's Opinion. The State DR-420TIF form will have to be changed going forward and the issue of underpayments worked out with the county. The State will need to be notified in anticipation of next year's Tax Increment Adjustment Worksheet.

### **FINDING NO. 3 INTERLOCAL AGREEMENTS**

Going forward, the City and PRCRA do not intend to enter similar interlocal agreements in the future without the approval of the County. However, the City and PRCRA initially entered the interlocal agreements pursuant to its good faith reading of the plain language of the statute. Section 163.340(24), *Florida Statutes*, defines “taxing authority” to mean a public body that is authorized to levy an ad valorem tax on real property within the community redevelopment area, a definition which includes the City. Section 163.387(3)(b) authorizes the establishment of alternative funding arrangements through an interlocal agreement between a taxing authority and the governing body that created the CRA, with the CRA as an additional party. Nothing in the statute indicates that this authorization applies to some taxing authorities, but not others, and nothing in the statute states that two separate taxing authorities must be involved. Had the City not entered said interlocal agreements, the City would have been forced to make drastic cuts to general services the Redevelopment Area relies upon, severely hampering the redevelopment objectives within the Redevelopment Plan.

### **FINDING NO. 4 ASSESS LATE FEES**

The City has begun the process to establish procedures for monitoring the timeliness of TIF payments. The City finance director has been tasked with advising the city council of the deadline and subsequently making the appropriate payment to the CRA. The position description for finance director has been amended to ensure consistent performance regardless of possible future changes in personnel. Additionally, City legal counsel will include in discussion with County legal counsel the auditor’s recommendations for the CRA to either waive or assess interest and late fees due from the City and the County. Pending the outcome of those discussions, the CRA board will, by resolution in a CRA board meeting, either waive or assess any existing penalties. City legal counsel will be directed to pursue concurrence with County legal counsel to waive any penalties.

#### **FINDING NO. 5 IDENTIFY CAPITAL PROJECTS**

The CRA board will adopt policies and procedures to periodically recommend amendments to the CRA plan. The City will address the CRA strategic plan in concurrence with City budgeting and planning processes. To ensure adequate time for consideration, discussion, and planning, the City will engage in the strategic plan review processes during the first quarter of the calendar year.

Capital projects will be clearly identified and estimated timelines established. Estimated costs will be clearly identified. In the next substantive CRA plan update, the plan will also be amended to provide a time certain for completing all redevelopment activities funded by increment revenues.

#### **FINDING NO. 6 METHODOLOGY ALLOCATION CITY SALARIES**

The City of Port Richey will develop and implement a procedure and protocol for the systematic and rational methodology to be employed going forward. As the Finding indicates, only certain salaries matched budget schedules, and records were not kept as to how the calculations and projections in the budget were determined. The PRCRA in conjunction with the City will develop a reasonable and systematic cost allocation methodology to be approved by the PRCRA and City, and appropriate budget to reflect same and procedure for record keeping.

#### **FINDING NO. 7 PAYMENT OF CITY SALARIES AND BENEFITS**

We disagree with several of the statements of law within this finding. However, based on feedback provided by the Auditor General and shortcomings discovered through the audit, the PRCRA and City intend to establish policies to document the redevelopment basis for CRA fund contributions more thoroughly.

First, we disagree with the conclusion that paying a portion of City Council members' salaries from the PRCRA budget constitutes compensation for service on the PRCRA board in violation of Section 163.356(3)(a). The City Council members would receive the same amount of salary even if the members did not also serve as the PRCRA Commission, and as such, the Councilmembers are receiving no additional compensation for performing as CRA Commissioners. That a portion of their compensation comes from CRA funds does not render it compensation for their performance as CRA Commissioner.

We also disagree with the Auditor General's conclusion that state law prohibits using CRA funds to supplement Firefighters' salaries simply because the City charter requires provision of fire services. While the Redevelopment Act prohibits funding general services unrelated to carrying out the community redevelopment plan, the Redevelopment Act also repeatedly authorizes using

CRA funds for seemingly general government services within a redevelopment area when tailored to a redevelopment objective. *See, e.g.*, FLA. STAT. § 163.370(2)(c)(3) (authorizing expenditures for installation of streets, parks, and utilities). The Redevelopment Act explicitly discusses that areas of slum and blight require greater fire services, and limits use of CRA funds for fire *buildings*, but not services. *See* FLA. STAT. §§ 163.335; 163.370(3)(a). The fact that the Charter requires the City government to provide fire services has no bearing on whether the CRA may then fund supplemental, redevelopment-related improvements to such services with redevelopment funds, just as establishing a public works department for building utilities does not prohibit using redevelopment funds to build utilities. The City and CRA specifically tailored the fire services funding to redevelopment objectives as discussed in Resolution No. 09-07.

For similar reasons, we disagree with the Auditor General's conclusion that state law prohibits using CRA funds to supplement Police Officers' salaries other than for specific, quantified community policing measures. Like with fire services, the Redevelopment Act explicitly discusses that areas of slum and blight require greater police services, and limits use of CRA funds for police *buildings*, but not services. *See* FLA. STAT. §§ 163.335; 163.370(3)(a). The Section limiting use of CRA funds for police buildings specifically allows use of funds on police buildings with the agreement of all taxing authorities even if the building is *not part of a community policing innovation*. *See* FLA. STAT. § 163.370(3)(a)(allowing use of funds for police buildings if part of community policing innovation *or* with agreement of taxing authorities). The clear implication is that while expenditures on community policing innovations are specifically authorized under the Redevelopment Act, they are not the sole basis for spending increment revenues on police services.

Aside from these disagreements on the law, the City and PRCRA acknowledge shortcomings when it comes to documenting the redevelopment basis for the specific level of funding from the CRA trust fund. As discussed with the Auditor General, the City has suffered significant staff turnover such that there are no staff remaining from when funding levels were initially set. To the extent there is documentation discussing the reasoning for the funding, the City has been unable to locate that documentation due to the turnover. To prevent this issue, the City will be adopting policies to ensure that the reasoning behind CRA contribution levels is thoroughly documented and formalized, and when appropriate, made a part of the Redevelopment Plan.

#### **FINDING NO. 8 BUDGET FORWARD BALANCE**

The PRCRA Board will adopt a policy to ensure that the CRA budget clearly shows any balance forward. City personnel will estimate the PRCRA fund balance to reflect the most current information available and amend those balances if actual amounts significantly differ when the PRCRA closes its accounting records. The CRA budget as adopted will include balances forward with explanation in the narrative that an amendment will be necessary if amounts significantly differ.

The City Clerk will be assigned responsibility to ensure web site information for CRA is timely, accurate, and statutorily compliant. The City Clerk's position description will be amended to include this responsibility to ensure consistent performance regardless of future personnel changes.

#### **FINDING NO. 9 BUDGET MONITORING**

The CRA board will set the desired legal level of budgetary control by resolution.

The CRA will establish a policy to report budgeted expenditures in the budgetary comparison schedules presented in the financial statements at the established legal level of budgetary control. As the auditors suggested, this will enable anyone reading the financial statements to easily determine whether moneys expended were within budgeted amounts and consistent with the CRA board's intentions.

This policy will also limit actual expenditures to the budgeted amounts as required by State law.

#### **FINDING NO. 10 APPROPRIATE OR RETURN ENDING BALANCE**

The PRCRA will create and maintain records evidencing the moneys remaining in the CRA redevelopment trust fund at the end of the fiscal year are obligated for specific purposes. Estimated fund balances will be appropriated in the budget development process for the CRA.

**FINDING NO. 11 LACK OF POLICIES AND PROCEDURES FOR PRCRA OPERATIONS.**

As set forth in the Audit finding, the PRCRA has been following the City of Port Richey policies and procedures for PRCRA operations. However, the PRCRA has not formally adopted those policies and there are additional policies specific to CRA operations which are inapplicable to City operations.

Therefore, the PRCRA will be preparing a resolution formally adopting the City's policies and procedures, including the City's procurement rules (which are more stringent than state rules), except when the CRA must establish different policies and procedures.

Secondly, with regard to budgets, revenue processing, disbursement processing, and any related issues where there are CRA or special district-specific requirements, a list of policies and procedures will be developed to be ratified by the PRCRA. This should establish assurances that the PRCRA conducts business in an effective, efficient and appropriate manner in accordance with Florida law.

**FINDING NO. 12 ANTI-FRAUD POLICIES AND PROCEDURES**

Despite there appearing to be no law requiring such a policy, an Anti-Fraud policy and procedure is being developed in conjunction with all departments of the City that perform CRA functions. This will be presented to the PRCRA board for passage.

**FINDING NO. 13. PROVIDE COE OFFICER INFORMATION**

The CRA will establish policies and procedures to ensure CRA local officer names and addresses are timely provided to the Commission on Ethics (COE). The City Clerk will be assigned responsibility to ensure that the statutorily required information is provided as required by law. The City Clerk's position description will be amended to ensure consistent performance of these duties regardless of future personnel changes.

The City Clerk will provide CRA Board members timely reminders to file required statements of financial interests with the applicable supervisors of elections. The Clerk's position description will be amended to ensure consistent performance of these duties regardless of future personnel changes.

**FINDING NO. 14 INCLUDE STATUTORILY REQUIRED INFORMATION ON WEB PAGE**

In consultation with the Auditor and City Staff, the CRA content on the City's web site has been updated to comply with statutory requirements. Internal staff review processes have been implemented to ensure ongoing compliance. Specific task assignments have been made and the City Clerk has been assigned ultimate responsibility for ensuring the web site is updated in a timely manner. To ensure these changes are maintained through any future staff changes, the position description for the City Clerk has been amended to reflect this responsibility.

**FINDING NO. 15 PUBLISH SCHEDULES**

During the 2021-2022 CRA budget development process in the fourth quarter of the previous fiscal year, the CRA Board did adopt and the City Clerk did publish the schedule of quarterly CRA Board meetings. This information is currently available on the CRA Board web presence. The City Clerk will continue to perform this function. The Clerk's position description will be amended to ensure consistent performance of these duties regardless of future personnel changes.