

Date: October 2, 2018



## **CLERK OF THE CIRCUIT COURT – AGENDA ITEM Marion County Commission**

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**SUBJECT: Present Report No. 2018-08: EDFIG Compliance Review of FedEx Ground Package System, Inc.**

**INITIATOR: Sachiko H. Leon, Internal Audit Director**

**DEPARTMENT: Clerk of Court**

**DESCRIPTION/BACKGROUND: FedEx Ground Package System, Inc. submitted their required annual report. Internal Audit agreed with the County Administration's conclusion that the grantee was in compliance with the applicable sections of the grant agreement and is due a payment of \$80,000.**


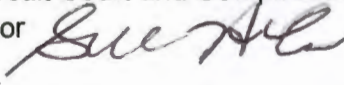
**BUDGET IMPACT: None**

**RECOMMENDED ACTION: None, for informational purposes only**



**CLERK OF THE CIRCUIT COURT AND COMPTROLLER**  
**David R. Ellspermann**

**TO:** Board of County Commissioners, individually  
Mounir Bouyounes, County Administrator

**FROM:** David R. Ellspermann, Clerk of the Circuit Court and Comptroller   
Sachiko H. León, Internal Audit Director 

**DATE:** September 12, 2018

**RE:** Report No. 2018-08: Economic Development Financial Incentive Grant Compliance Review: **FedEx Ground Package System, Inc.**

**Purpose and Objective**

Internal Audit performed a compliance review of the performance measures for FedEx Ground Package System, Inc. (grantee) required initial report and first annual report, pursuant to the Economic Development Financial Incentive Grant Agreement (agreement).

The objective was to determine if the County Administration's assessment of the grantee was reasonable and supported by sufficient documentation on the following criteria:

- satisfying the occupancy, reporting, employment, and capital improvement requirements
- determining the grantee's gas-line relocation expense for reimbursement by the county
- determining the transportation impact fees paid by the county

**Results**

**Our opinion is that** the County Administration's assessment was reasonable and supported by sufficient documentation. The grantee was in compliance with the applicable sections of the grant agreement and is due a cumulative grant payment of **\$80,000** for calendar year (CY) 2016 and CY 2017 (\$40,000 annual payment).

The grantee began operations at the facility in August 2016, which satisfied the occupancy requirement. We agree that the grantee exceeded the capital improvements and employment requirements and incurred \$1,008,940.69 worth of gas-line relocation expenses. Per the agreement terms, the county's portion of the reimbursement for the gas-line relocation expenses is \$400,000 to be paid over 10 years. The agreement also states that up to \$579,722.59 shall be paid in the form of a waiver of all county transportation impact fees; however, the grantee did not incur any impact fees due to the impact fee moratorium in effect at that time.

## **Scope and Approach**

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The scope included verification of compliance with the applicable mandatory requirements for CY 2016 and CY 2017. We performed analytical procedures to independently determine the number of full time equivalent employees (FTE) and total capital investment. In addition, we made inquiries to the grantee, the County Administration, and the Growth Services Department to determine the gas-line relocation expenditures and transportation impact fees.

## **Background**

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The Board of County Commissioners awarded to the grantee an Economic Development Financial Incentive Grant in the total amount of up to \$1,078,722.59 on February 5, 2013. This consisted of \$579,722.59 in the form of a waiver for all county transportation impact fees, \$400,000 for the gas-line relocation shortfall, payable over 10 years in equal installments of \$40,000, and \$99,000 as the county's match for the State of Florida's Qualified Target Refund Program (QTI). Our audit scope was limited to the county grant only. The Department of Economic Opportunity (DEO) performs audits related to the QTI, including the county's match.

The grantee was to occupy the premises and utilize the facility by the first of January that immediately follows the substantial completion date (February 10, 2016) and employ up to 165 FTE by a date (the "Achievement Date") that is on or before December 31, 2018, with an average annual wage of \$31,536. These requirements were met. The grantee shall continue to employ, at the facility, at least 165 FTE per year for a term of 10 years.

In addition to job creation, the grantee was to construct a 383,161 square foot facility at a cost of at least \$75 million and equip the facility with machinery and equipment at a cost of at least \$38 million. These requirements were satisfied.

## **Acknowledgement**

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We would like to thank the representatives of the County Administration and FedEx Ground Package System, Inc. for their cooperation during our review.

This review was conducted by Andrew Gibb and Sachiko H. León.

**Report Distribution List**

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