



A Report to the Galveston  
City Council

**Mayor**  
Jim Yarbrough

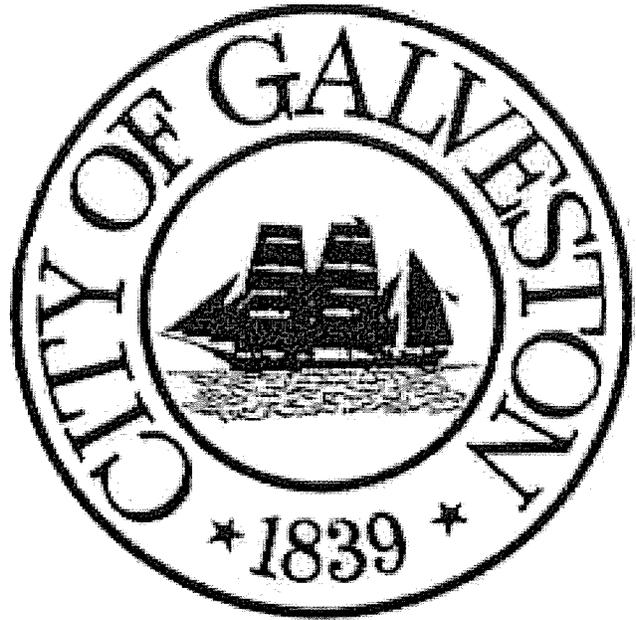
**Council Members**  
Tarris Woods  
Dr. Craig Brown  
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Norman Pappous  
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**City Auditor**  
Glenn Bulgherini, CPA

**Auditor**  
Carrie Sumrall, CFE

Audit Report

## Eight (8) Percent Temporary Hauling Fees FRA2015-1



### Report Summary

The City Auditor Department has an estimated 221 permit holders owe the City of Galveston the eight (8) percent temporary hauler fees. These 221 permit holders owe the City of Galveston a combined total of \$147,296.00. Enforcement of Ordinance 15-62 will yield the City of Galveston an additional \$50,000 per year in the future. The City Auditor recommends that the City Manager direct the Finance Director to begin collection efforts.



EIGHT (8) PERCENT TEMPORARY HAULING FESS FRA2015-1  
CITY AUDITOR

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**AUDIT TEAM**

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**Eight (8) Percent Temporary Hauling Fees**  
**City Auditor Executive Summary**

November 17, 2015

**Background**

One reason a city government must enforce its code of ordinances is to ensure the quality of life for the citizens in the community. The collection of fees by a municipal government is designed to help provide services to the public and not aimed at building financial wealth. The Galveston City Council directed the City Auditor on April 9, 2015 to amend the City Audit Plan for fiscal year 2016 to include conducting a spontaneous audit to confirm compliance with existing solid waste haulage ordinances. Section 15-62 – Temporary Hauler of the City of Galveston Code of Ordinances states “*Any person who obtains a permit to construct, enlarge, alter, repair, move, demolish, or change the occupancy of a building or structure who engaged in any hauling of trash, debris, or construction materials from the demolition or construction site shall pay a temporary hauling fee of eight (8) percent of the total consideration of the temporary haulers construction or demolition contract. This fee shall be in addition to any building permit, construction permit, demolition permit or other fee charged by the city. All temporary haulers generating more than fifty thousand dollars (\$50,000.00) in gross receipts per year from the hauling of refuse, trash, garbage, and solid waste shall be required to obtain a franchise and to utilize the transfer station in accordance with the requirements of article V, transfer station, of the city code and, in particular, section 15-92 of the City Code.*”

**Objective**

The objective of this report is to determine if there are any eight (8) percent temporary hauler fees due to the City of Galveston from temporary haulers. Temporary hauler fees are difficult for the City to monitor because information concerning haulers and contract dollar amounts is not available due to industry competition. Therefore, there is no clear audit trail for the City Auditor to follow.

**Scope**

The timeframe for identifying unpaid eight (8) percent temporary hauler fees due to the City of Galveston in this audit report is from October 1, 2012 thru September 30, 2015. This will allow the City of Galveston approximately one year to enforce collections without forfeiting revenues to State of Texas Statute of Limitations Laws.

**Fieldwork Performed**

The City Auditor Department downloaded all files from the planning department identifying all permit holders that were issued permits for construction and demolition between October 1, 2012 and October 31, 2015. The City Auditor Department developed two formulas to estimate temporary hauler contract values to apply to the 8 percent temporary hauling fees due to the City of Galveston. These two formulas are detailed below as:

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**Construction Permits:**

Construction permits include permits for commercial new construction, additions, repair, and remodel.

1. Divide the estimated job value (*Source: permit issued*) by 120 (Estimated dollar cost per square foot to build in the City of Galveston. *Source: National Association of Home Builders*) = approximate square feet built under the permit.
2. Approximate square feet built under the permit (*Source: result from 1. above*) multiplied by 4 (Average industry statistics for number of pounds of construction waste created per square foot of construction. *Source: National Association of Home Builders*) = estimated weight in pounds of construction waste created under the permit.
3. Estimated weight of construction waste in pounds created under the permit (*Source: result from 2. above*) divided by 2,500 (Average amount of waste in pounds per load. *Source: City of Galveston Transfer Station*) = estimated number of loads hauled to Transfer Station under the permit. Note: The City Auditor Department rounded the estimated number of loads to the closest whole number.
4. Estimated number of loads hauled to Transfer Station under the permit (*Source: result from 3. above*) multiplied by \$400 (*Source: best price cost per load to permit holder per City Auditor Department inquiry*) = Estimated Temporary Hauler contract value under the permit.

**Demolition Permits:**

1. Approximate square feet demolished under the permit (*Source: permit issued*) multiplied by 4 (Average industry statistics for number of pounds of building materials per square foot of construction excluding concrete but including roof. *Source: National Association of Home Builders*) = estimated weight in pounds of demolition waste created under the permit. Note: The City Auditor Department used a minimum contract value of \$800 if approximate square footage of the demolition project was not available from the permit issued.

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2. Approximate square feet demolished under the permit (*Source: permit issued*) multiplied by 4 (*Average industry statistics for number of pounds of building materials per square foot of construction excluding concrete but including roof. Source: National Association of Home Builders*) = estimated weight in pounds of demolition waste created under the permit. Note: The City Auditor Department used a minimum contract value of \$800 if approximate square footage of the demolition project was not available from the permit issued.
3. Estimated weight in pounds of demolition waste created under the permit (*Source: result from 1. above*) divided by 2,500 (*Average amount of waste in pounds per load. Source: City of Galveston Transfer Station*) = estimated number of loads hauled to Transfer Station under the permit. Note: The City Auditor Department rounded the estimated number of loads to the closest whole number.
4. Estimated number of loads hauled to Transfer Station under the permit (*Source: result from 2. above*) multiplied by \$400 (*Source: best price cost per load to permit holders per City Auditor Department inquiry*) = Estimated Temporary Hauler contract value under the permit.

**Audit Findings**

The City Auditor Department has an estimated 221 permit holders owe the City of Galveston the eight (8) percent temporary hauler fees. These 221 permit holders owe the City of Galveston a combined total of \$147,296.00. Enforcement of Ordinance 15-62 will yield the City of Galveston an additional \$50,000 per year in the future.

**Recommendation**

The City Auditor recommends that the City Manager direct the Finance Director to begin collection efforts.

**Staff Conduct**

All staff acted in a professional and timely manner.

**City Manager's Response**

This audit confirms the Manager's belief that businesses have been operating without complying with City Ordinance and that the existing City Ordinance lacks sufficient specificity to ensure compliance. The analysis goes a long way toward placing a value on lost income and establishing a baseline for potential enforcement actions by the City.

The Manager is instructing the Finance Director to work with the City Attorney to determine if the analysis prepared by the Auditor can be used as a basis for enforcement action. The Finance Director will report back to the Manager regarding his Findings and any recommendations

regarding collection of fees not previously paid to the City. His findings are due on or before March 31, 2016. Following receipt of those Findings, the Manager will report to Council his recommendations. In addition, a revised Ordinance is pending Council action in January 2016.