COUNCIL AGENDA: 08-30-11
ITEM: 2.18

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Dennis Hawkins, CMC
City Clerk

SUBJECT: **SEE BELOW**

DATE: 08-18-11

SUBJECT: REVIEW OF TRAFFIC CITATION REVENUE

RECOMMENDATION

As recommended by the Public Safety, Finance and Strategic Support Committee on August 18, 2011 and outlined in the attached memo previously submitted to the Public Safety, Finance and Strategic Support Committee, accept the Review of Traffic Citation Revenue.

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

Office of the City Auditor

Report to the City Council
City of San José

TRAFFIC CITATION REVENUE: REVENUE HAS DECLINED OVER THE LAST FIVE YEARS AND THE CITY CONTINUES TO RECEIVE A SMALL SHARE OF THE REVENUE

Report 11-06
August 2011

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

Office of the City Auditor
Sharon W. Erickson, City Auditor

August 11, 2011

Honorable Mayor and Members
Of the City Council
200 East Santa Clara Street
San José, CA 95113

Traffic Citation Revenue: Revenue Has Declined Over the Last Five Years and the City Continues to Receive a Small Share of the Revenue

The City of San José issues more than 50,000 traffic citations annually and receives $4 million per year in traffic citation revenue. Over the last five years, the City's traffic citation revenues have declined slightly. Most revenue from traffic citations benefits the State of California and the County, not the City. For example, the City would only receive about $85, or 17 percent, of the $490 charged on a sample ticket carrying a base fine amount of $100. We found declining revenue is neither cleanly related to the number of traffic citations issued by the San José Police Department nor isolated to San José, and does not appear to be the result of an improper distribution of revenue from the Santa Clara County Superior Court or Santa Clara County. Instead, such revenue has fallen County-wide. Two possible explanations for the revenue drop include a decrease in traffic violations that result in payment to the City and delinquency by traffic violators.

This report includes three recommendations for the City to (1) potentially enhance the revenue it receives from traffic citations; (2) ensure it is promptly notified of the results of audits by the State Controller's Office, and (3) receive appropriate, timely information that it can use to improve its operations. The Administration has reviewed the information in this report and their response is shown on the attached yellow pages.

I will present this memorandum at the August 18, 2011 meeting of the Public Safety, Finance and Strategic Support Committee. We would like to thank the management and staff of the City Manager's Office, Finance Department, and San José Police Department, as well as the Santa Clara County Superior Court and Santa Clara County Finance Agency, for their time, information, insight, and cooperation during the audit process.

Respectfully submitted,

Sharon W. Erickson
City Auditor

finaltr
SE:lg

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Introduction

In accordance with the City Auditor's Fiscal Year 2011-12 Work Plan, we have completed a review of traffic citation revenue.[1] We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and 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 City Auditor's Office thanks the management and staff of the City Manager's Office, Finance Department, and San José Police Department (SJPD), as well as the Santa Clara County Superior Court and Santa Clara County Finance Agency, for their time, information, insight, and cooperation during the audit process.

Background

For the last several fiscal years (FY), the City has received approximately $4 million per year from fines collected in connection with violations of the State Vehicle Code and, in some instances, the Municipal Code. The City receives revenue from citations issued on City streets by the SJPD as well as the California Highway Patrol.

The Traffic Citation Process

Most traffic citations issued by the SJPD originate from its Traffic Enforcement Unit, which is responsible for enforcing traffic laws to reduce traffic collisions, their resulting injuries, and to facilitate the safe and expedient flow of vehicular and pedestrian traffic. Patrol officers also issue traffic tickets, but that is not their primary focus.

Handheld Electronic Citation Devices

Citations issued by San José police officers for violations of traffic laws on City streets are usually recorded on handheld electronic citation devices. While the violator receives a printed receipt of the citation, the handheld device stores an electronic copy of the citation, known as an e-cite. At the end of the workday, the officer docks the handheld device to charge overnight, at which point data from the device is downloaded onto the e-cite server.

[1] In 1991 and 1996, we issued reports concerning the City's declining revenue from traffic citations. At the time, the City collected traffic citation revenue under contract with the County. The reports discussed several aspects of the City's traffic citations revenue collection process that could be improved, including asking the City Manager to request procedural changes by the County. The Court has now implemented many of the recommendations from those reports, such as using a private collection agency for delinquent accounts and imposing civil assessments when violators fail to appear.

Although the SJPD purchased 175 electronic handheld devices in FY 2006-07 and 2007-08, some officers still issue paper citations. Like e-cites, paper citations are to be turned in on a daily basis by issuing officers. However, unlike e-cites, which are transmitted electronically from the e-cite server to the Santa Clara County Superior Court's Case Management System, paper citations are hand delivered by the department's Report Processing Unit to the Court on a daily or every-other-day basis.

Municipal Code Violations

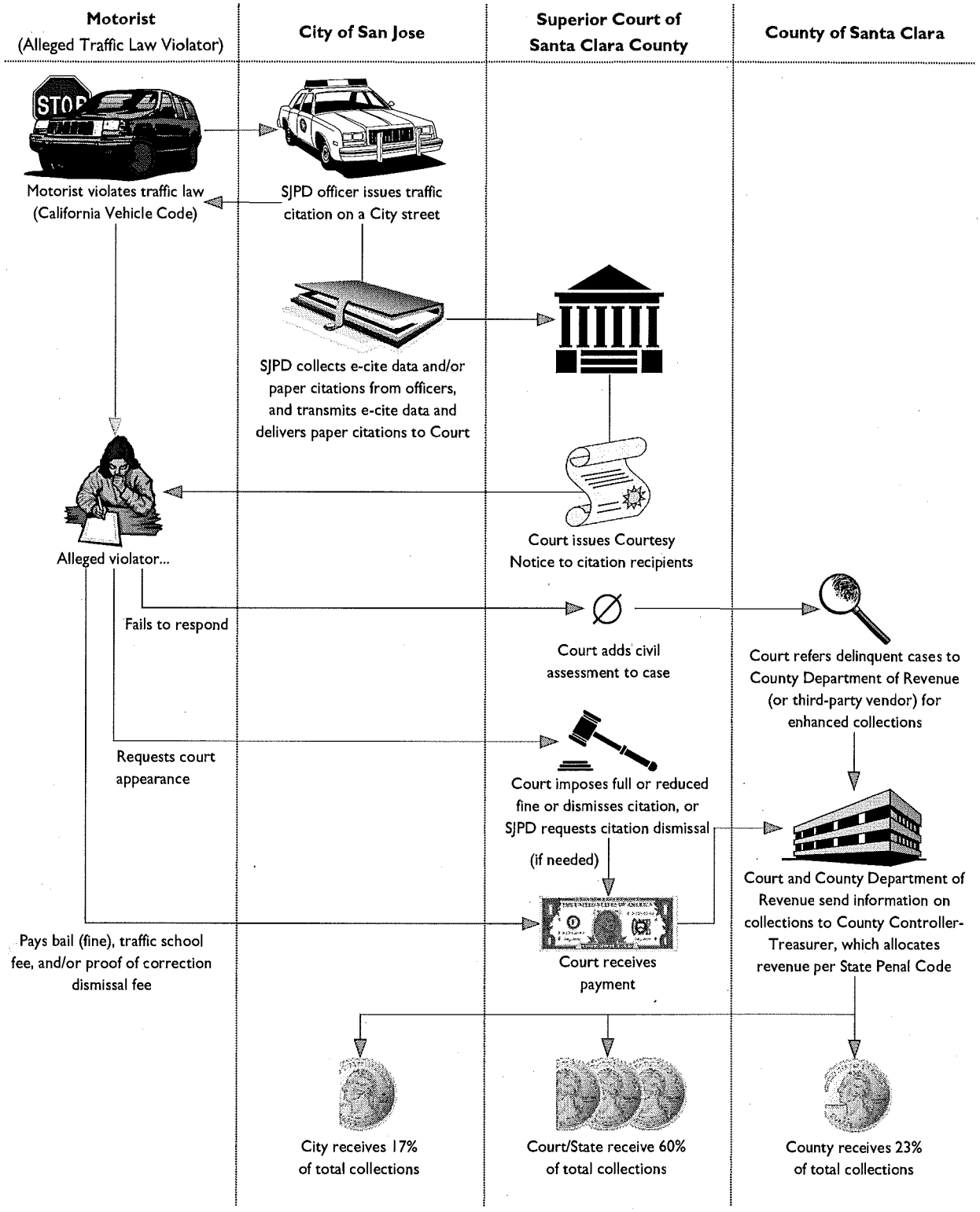
California Vehicle Code (section 21100) grants local jurisdictions authority to establish rules and regulations by ordinance to regulate local traffic. In recent years, some municipalities began issuing more citations under local laws (Municipal Codes) to increase the revenue realized locally because all of it stayed with the issuing municipality. In 2010, the California Legislature passed and the Governor signed into law legislation limiting the local authority granted under the State Vehicle Code effective July 2011.

According to the SJPD, the department has an undocumented policy that officers should use State Vehicle Code whenever a violation could be cited under either it or the Municipal Code. The department further explained that use of Municipal Code citations focuses on areas not covered by State laws, including the Vehicle Code. According to the department, this policy ensures violations of traffic laws are documented on motorists' driving records and that automobile insurers learn of them.

Adjudication, Revenue Collection and Allocation

As shown in Exhibit 1 on the next page, the City, County, and Santa Clara County Superior Court have responsibility for various facets of the citation issuance, adjudication, and revenue collection and allocation process. San José police officers issue tickets. After receiving citations from the Police Department, the Court issues a Courtesy Notice, not required by law, informing violators of their options. The Court adjudicates cases and receives fines and fees from traffic law violators. And finally, the County allocates the fines and fees the Court received and attempts to collect on delinquent accounts. The City eventually receives funds from the County.

Exhibit 1: Traffic Citation Issuance, Adjudication, and Revenue Collection Process



Sources: Interviews with staff from the San José Police Department, Santa Clara County Superior Court, and Santa Clara County Finance Agency and review of pertinent documents (note: the City receives the same revenue if the ticket is issued by the CHP)

A traffic violator's options typically include forfeiting (paying) the bail/fine, attending traffic school, or setting a court date. As shown in Exhibit 2, the City receives revenue from a fine whether the violator chooses to attend traffic school or not.

Exhibit 2: Potential Dispositions of Cases That Result in Revenue to the City

Action	Impact on Revenue
Bail Forfeiture	
When the violator chooses to pay the base bail (fine) amount, the Court collects the fine, along with State and County penalties and fees, from the violator and forwards information on these collections to the County's Controller-Treasurer.	The County Controller-Treasurer allocates the base fine collections to the City according to State Penal Code (section 1463.002), which stipulates 13 percent of the base fines go to the County with the remainder going to San José.[2]
Traffic School	
When a violator chooses to attend traffic school, he or she pays the Court the fine amount plus a standard fee and a fee to cover the cost to monitor traffic schools, as well as a fee for the school itself.	Under the State Vehicle Code, a city is to receive the same amount from traffic school fee collections as it would have received had the violator instead chosen to pay the fine.

Sources: Interviews with staff from the San José Police Department, Santa Clara County Superior Court, and Santa Clara County Finance Agency, and reviews of California Penal Code, Vehicle Code, and Government Code

Audit Objective, Scope, and Methodology

Our audit objective was to review the accuracy of the apportionment of fines collected in connection with violations of the State Vehicle Code on city streets. Specifically, we interviewed staff from the City Manager's Budget Office and San José Police Department, as well as staff from Santa Clara County's Finance Agency and the Santa Clara County Superior Court. We verified the Court's receipt of SJPD traffic citations and traced revenue figures from a Court collections report for January 2011 to the County's allocation worksheet for that month, and then reviewed the County's apportionment to the City of San José. We also obtained and reviewed Police Department data on traffic citations, Financial Management System (FMS) records on traffic citation revenue, and summary Court records for San José traffic citation case dispositions. Lastly, we met with staff from the State Controller's Office to learn about past audits of Santa Clara County's citation revenue distributions, and used this periodic testing to supplement our own audit work.

[2] San José actually receives slightly less than 87 percent of base fines, as shown later in Exhibit 5.

Chapter I Traffic Citation Revenue Has Declined Over the Last Five Years and the City Continues to Receive a Small Share of the Revenue

SUMMARY

The City of San José issues more than 50,000 traffic citations annually, and receives $4 million per year in traffic citation revenue. Over the last five years, these revenues have declined slightly. We found:

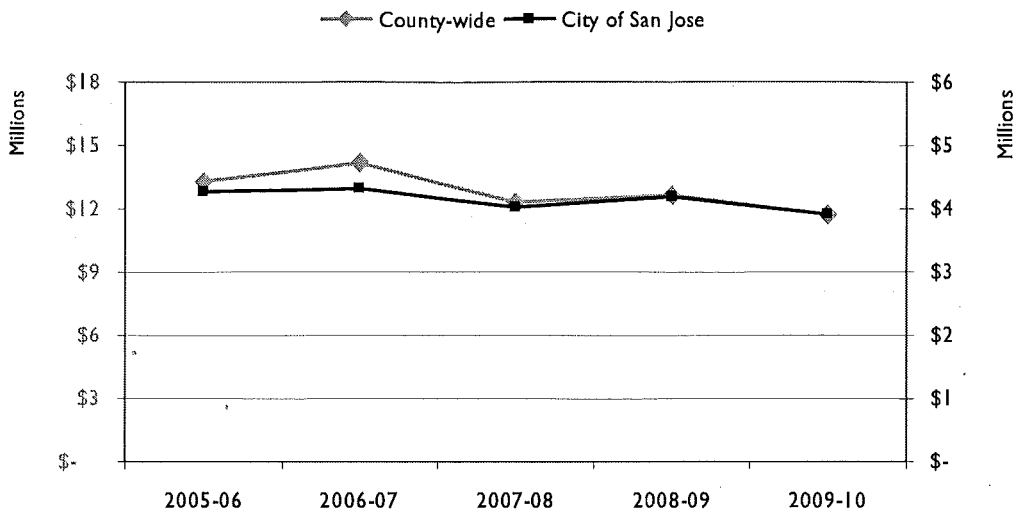
- Declining revenue is neither cleanly related to the number of traffic citations issued by the San José Police Department nor isolated to San José. Instead, such revenue has fallen County-wide.
- Most revenue from traffic citations benefits the State of California and the County, not the City. For example, the City would only receive about $85, or 17 percent, of the $490 charged on a sample ticket.
- The State Controller's Office conducts periodic reviews of the distribution of revenue by the Santa Clara County Superior Court or Santa Clara County. The decline in revenue does not appear to be the result of an improper distribution.
- Two possible explanations for the revenue drop include a decrease in traffic charges with a disposition that results in payment to the City and payment delinquency by traffic violators.

This report includes three recommendations for the City to (1) potentially enhance the revenue it receives from traffic citations; (2) ensure it is promptly notified of the results of audits by the State Controller's Office, and (3) receive appropriate, timely information that it can use to improve its operations.

Traffic Citation Revenue Has Declined Over the Last Five Years for the Entire County as Well as the City

The City's revenue from traffic citations has declined slightly over the last several years—a trend that also appears in County-wide data provided by the Santa Clara County Superior Court. Exhibit 3 shows the amount collected from FY 2005-06 to FY 2009-10 for the City as well as an estimate for the entire County.

Exhibit 3: Estimated County-wide and Actual City Traffic Citation Revenue (FY 2005-06 to 2009-10)

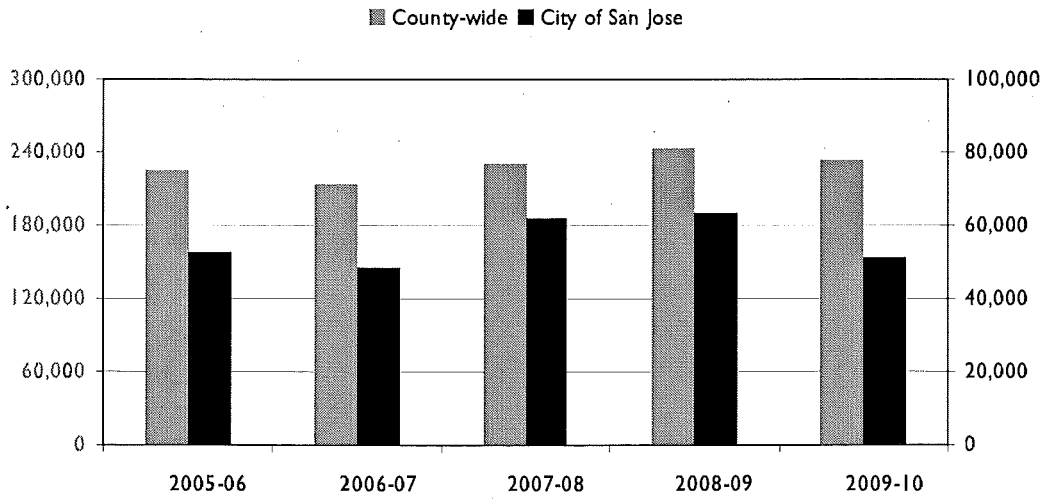


Sources: City's Financial Management System and auditor estimate using revenue reports from the Santa Clara County Superior Court (note: City revenue includes fine collections from CHP traffic citations)

City traffic citation revenue increased slightly in FY 2010-11to $4.0 million—2 percent more than in FY 2009-10 but 7.5 percent less than the $4.3 million received in FY 2006-07.

During the same period of time when revenue from traffic citations decreased slightly, the annual number of traffic citations issued by the San José Police Department has not followed suit. Exhibit 4 shows the number of traffic citations issued by the SJPD as well as by all jurisdictions in the County.

Exhibit 4: Annual Number of County-wide and City Traffic Citations (FY 2005-06 to 2009-10)



Source: Annual statistics from Santa Clara County Superior Court and San José Police Department

The City added resources to the Traffic Enforcement Unit in FY 2006-07 and 2007-08, which helps explain the increases in traffic citations in the years that followed. Nonetheless, a comparison of Exhibits 3 and 4 demonstrates that the numbers of traffic citations the SJPD issues does not appear to directly impact the City's resultant revenue—County-wide and San José traffic citation revenue increased from FY 2005-06 to 2006-07 despite a decrease in the number of traffic citations, yet the opposite held true from FY 2006-07 to 2007-08. We discuss several factors that potentially limit the City's yield from traffic citations in the sections below.

Revenue from Traffic Citations Primarily Benefits the State and County

Over the last few years, members of the public and media have asked, "where does the money go?" in response to seemingly ever-increasing penalties and fees for violations of traffic laws. Exhibit 5 shows that, although the City receives most of the base fine amount, it receives only about 17 percent of the total money collected from the full payment of a sample $100 traffic ticket, such as failing to stop at a red light.[3] Base fines are the initial amounts that must be paid. The large difference is due to the imposition of State and County penalties and fees for the traffic violation, and as a result, the State (including the Court) and County can receive about 83 percent of the money collected from a sample traffic ticket on a City street. (The actual percentage the City receives depends on the amount of the base fine, upon which penalties are assessed, and whether any fees are waived.)

Exhibit 5: Distribution of Revenue from a Sample Ticket with a $100 Base Fine

Cost Element	Total	2% for Court Automation	State/ Court Share	County Share*	City Share
Base Fine	**$100.00**	**$2.00**	**-**	**$12.74**	**$85.26**
Penalties and Fees					
State Penalty (Penal Code §1464)	100.00	2.00	$68.60	29.40	-
County Penalty (Government Code §76000)	70.00	1.40	-	68.60	-
20% Criminal Surcharge (Penal Code §1465.7)	20.00	-	20.00	-	-
Court Security Fee (Penal Code §1465.8)	40.00	-	40.00	-	-
Court Construction Penalty (Government Code §70372)	50.00	1.00	49.00	-	-
DNA Penalty (Government Code §76104.6 and §76104.7)	40.00	0.80	39.20	-	-
Emergency Medical Services (EMS) Penalty (Government Code §76000.5)	20.00	0.40	19.60	-	-
Emergency Medical Air Transportation Penalty (Government Code §76000.10(c)(1))	4.00	-	4.00	-	-
Criminal Conviction Infraction Assessment (Government Code §70373(a))	35.00	-	35.00	-	-
Prior Search Assessment (Vehicle Code §40508.6)	10.00	-	10.00	-	-
Night Court Assessment (Vehicle Code §42006)	1.00	-	1.00	-	-
Total Penalties and Fees	**$390.00**	**$5.60**	**$286.40**	**$98.00**	**-**
Total Amount	**$490.00**	**$7.60**	**$286.40**	**$110.74**	**$85.26**
Total Percent	**100%**	**2%**	**58%**	**23%**	**17%**

Source: Analysis of Santa Clara County Superior Court 2011 Traffic Bail Schedule and California Government, Penal, and Vehicle codes
* A portion of the revenue shown for the County may be eventually shared with the State.

[3] Per State law, the first 2 percent of the base fine goes to a state Trial Court Improvement Fund for court administrative automation.

In our opinion, the current allocation of revenue does not seem equitable: the City receives a much smaller share of traffic citation revenue than the State (and Court system), and even less than the County, despite bearing responsibility for maintaining and patrolling its streets.[4] Short of adding additional penalties or fees, this revenue sharing can be made more equitable by enhancing the portion of base fines that is allocated to the City.

The City's share of base fines is established in the California Penal Code. Different cities receive different shares of base fines from traffic citations. Exhibit 6 compares the percentage of base fines and traffic school fees that go to San José to that going to the other most populous cities in California.

Exhibit 6: Comparison of County/City Shares of Base Fines for Large Cities in California

City	Percent to county	Percent to city
San Diego	6	94
Los Angeles	8	92
Bakersfield	10	90
San José	*13*	*87*
Long Beach	14	86
Anaheim	15	85
Sacramento	21	79
Oakland	22	78
Fresno	26	74
San Francisco City/County	100	

Source: Analysis of California Penal Code section 1463.002 and California Department of Finance census data

The City of San José receives an 87-percent share of base fines for traffic tickets on its streets while the cities of Los Angeles and San Diego receive 92 and 94 percent, respectively. The difference between the these shares and San José's 87-percent share may seem minor, but 5 additional percentage points on each traffic citation could translate into $150,000 added revenue per year and 7 additional percentage points could mean $210,000 per year in added revenue.[5] If the City received the entire base fine amount, it could realize nearly $400,000 per year in revenue that could fund additional policing activities to ensure the safety of the City's streets.

[4] The County's Department of Revenue, which acts as the Court's main collection agent, provides a cost-recovery service, meaning it may deduct the cost of operating the collection program from any revenues collected prior to making any distribution of revenues to other governmental entities required by any other provision of law. The other County agency involved in administering traffic citation revenue—the County Controller-Treasurer—receives monthly reports from the Court that aggregate the Court's revenue collections for the month; inputs this information into its spreadsheets; and allocates money to San José, the County, and the State/Court according to allocations established in California law.

[5] These are 12-month projections of the difference in revenue to the City if, instead of an 87-percent share, it received a 92- or 94-percent share of the Court's January 2011 collection of base fines and traffic violator school fees from SJPD and CHP traffic citations in San José.

Changing the percentage of revenue from base fines that San José receives requires either legislation amending the State Penal Code or mutual agreement with the County. Specifically, the Penal Code reads: "A county and city therein may, by mutual agreement, adjust these percentages [defined in Penal Code section 1463.002]." We believe the City should take steps to enhance the City's share of traffic citation revenue.

Recommendation #1: We recommend the City Administration consider whether to pursue an agreement with the County and/or seek state legislation to increase the City's share of traffic citation revenue.

The State Conducts Periodic Reviews of the Distribution of Traffic Citation Revenue

Faced with declining revenue from traffic citations, despite a relatively steady number of traffic citations issued by the SJPD, one could reasonably ask whether the City has been receiving less than its fair share. As shown in Exhibit 3 above, traffic citation revenue has declined across the entire County. In addition, there is an established process for ensuring a proper distribution of Court revenues—periodic state audits.

The State Controller's Office conducts periodic audits of the distribution of traffic citation revenue by the Santa Clara County Superior Court and County Controller-Treasurer. During these reviews, the State Controller verifies the Court's designation of traffic citation revenue in the Case Management System, and the County's appropriate allocation of these revenues to the State, County, and cities. The State's last audit of the Santa Clara County Superior Court, published in October 2006, was for the period July 2001 to June 2004.

After its last review, the State Controller recommended the County make a corrective redistribution of $318,824 to San José, and the County made this payment in June 2007.[6] The State Controller had found the Santa Clara County Auditor-Controller's Office did not allocate the cities' portion of fines from red-light traffic violator school (TVS) violations for all three fiscal years ending June 30, 2004. The error occurred because the county used incorrect entries in its allocation working papers.

Staff from the State Controller's Office conducted additional audit fieldwork in spring 2011 covering Court revenue distributions from July 2004 to June 2010. Findings resulting from this review, which may not be finalized until the fall or winter, could impact the City's share of traffic citation revenue.

[6] The County's corrective payment of $318,824 is not included in Exhibit 3's City revenue total for FY 2006-07 or 2007-08 because it was an adjustment for misallocated revenue from fiscal years 2001-02 to 2003-04.

Recommendation #2: We recommend the City Administration follow-up with the Santa Clara County Superior Court to receive a copy of the upcoming audit report from the State Controller's Office and ensure the City's timely receipt of any underpayments identified in the report.

Several Other Factors May Potentially Limit Actual Traffic Citation Revenue

Although there is no simple explanation for why the City's traffic citation revenue has declined, we believe court dismissals and violator delinquency may have, in part, limited traffic citation revenue. Exhibit 7 goes through the potential dispositions of a case that do not always result in revenue to the City.

Exhibit 7: Potential Dispositions of Cases That May Not Result in Revenue to the City

Action	Impact on Revenue
Court Hearing—Fine Reduction/Case Dismissal	
At a hearing, a violator can seek to attend traffic school if that was not an option originally, to contest the citation (i.e. seek its dismissal), or to have the fine or traffic school fee reduced. In addition, the police officer may request a citation's dismissal if justice is better served this way or if it is later determined the facts did not give rise to a traffic citation.	The Commissioner hearing the violator's or officer's request may impose a full or reduced fine/fee, waive certain fees, or dismiss select charges or the entire case.
Delinquency	
If the violator fails to respond to its notices, the Court eventually refers the case to the County Department of Revenue or a third-party vendor for enhanced collections, including a $300 civil assessment and potential driver's license suspension.	When delinquent accounts are collected, their distribution becomes subject to prioritization: 1. Collection efforts are cost recovery, and consume about 15 percent of enhanced collection revenue 2. Victim restitution, if any 3. 20 percent State criminal surcharge 4. Base fine and State/County penalties 5. Fees and other costs. (Traffic cases should not have victim restitution.)

Sources: Interviews with staff from the San José Police Department, Santa Clara County Superior Court, and Santa Clara County Finance Agency, and reviews of California Penal Code and Revenue and Taxation Code

Court Dismissals

According to Court records, the number of San José Police Department traffic charges that result in payment (bail forfeiture and traffic school) has decreased over the last three fiscal years. At the same time, the number of charges dismissed has increased, though most of the increase is due to a rise in dismissals

of "fix-it" tickets that require a small proof of correction dismissal fee. A rise in dismissals and drop in payments helps explain, in part, a decrease in traffic citation revenue. Exhibit 8 highlights some of these trends.

Exhibit 8: Select Disposition Trends for SJPD Traffic Tickets from FY 2007-08 to FY 2009-10[7]

(numbers in terms of traffic charges)	2007-08	2008-09	2009-10
Bail forfeiture and traffic school*			
Bail forfeiture	19,910	22,053	20,632
Traffic school	16,599	15,228	10,149
Total bail forfeiture and traffic school	36,509	37,281	30,781
Dismissals			
For lack of prosecution	489	581	703
In the interest of justice	1,766	2,140	3,979
For proof of correction	10,559	18,755	19,773
Other dismissals	13,709	6,932	7,282
Total dismissals	26,523	28,408	31,737

Source: Unaudited summary reports from the Santa Clara County Superior Court
* Does not include court-ordered forfeitures, suspended sentences, or cases transferred to criminal courts.

Over the last decade, the Court has implemented various program improvements aimed, in part, at improving revenue collection on traffic citations. Two key changes were the introduction of:

- Civil assessments and driver's license suspensions for delinquent traffic violators aimed at improving compliance with Court orders and enhancing collection on traffic citations by increasing the penalty for delinquency or non-payment.
- A comprehensive collections program run by the County's Department of Revenue, the purpose of which is to enhance collections on delinquent accounts by establishing a program to track down delinquent traffic violators to the extent possible.

Although the Court made these process improvements, much of what happens to San José's traffic citations is invisible to City staff. The traffic citation life cycle is split across several agencies, with no single stakeholder controlling or overseeing the entire process. The City initiates the process by issuing citations and receives revenue at the end of the process, but does not receive information about the outcomes of cases or disposition trends for its traffic citations.

[7] As noted in the Introduction, the City also receives revenue from CHP traffic citations issued on City streets. We do not present CHP data because dispositions, including bail forfeiture, traffic school, and dismissals, remained relatively flat from FY 2007-08 to FY 2009-10.

Periodic information summarizing the outcomes of citations would allow the department to make operational adjustments if problematic trends arose and ensure that justice is served. Improved communication and transparency from the Court could help the San José Police Department understand such issues and address their causes as needed. For instance, though it remains an infrequent outcome, the number of traffic charges "dismissed in the interest of justice" doubled in number from FY 2007-08 to FY 2009-10. A police officer can request that the Court dismiss a traffic citation in the interest of justice if he/she later determines the facts did not give rise to a traffic violation. The Court can also dismiss a citation in the interest of justice. If the trend continues, determining whether the rise is in officer- or Court-initiated dismissals could become important.

It is important to note that dismissals, including those for proof of correction, are not necessarily a bad outcome—they are legal dispositions of cases. Dismissals for proof of correction, in particular, indicate the problem cited by the officer (such as a broken taillight, or missing license, registration, or proof of insurance) has been resolved. They also generate some, albeit minimal, revenue for the City—$3.30 of the $25 fee per dismissal.

Recommendation #3: We recommend the City Administration work with the Santa Clara County Superior Court to develop an annual report of information the Police Department can use to improve its operations and ensure traffic citation revenue is not lost.

Delinquency of Traffic Cases

Court records indicate about 25 percent of SJPD traffic cases from FY 2007-08 to 2009-10 had an instance of a violator's failure to respond (i.e. to pay the fine or request a court date timely). After numerous attempts to contact a violator who has failed to respond, the Court refers the case to its collection agent, the County Department of Revenue, for enhanced collections. As discussed earlier, the Court also issues civil assessments and can order the suspension of a motorists' driver's license.

According to data in a December 2010 California Judicial Council report on collections of all court-ordered debt (not limited to traffic cases), collection efforts in Santa Clara County may have slipped from FY 2008-09 to FY 2009-10. Exhibit 9 shows this decline in collection recovery rates.

Exhibit 9: Performance of the Comprehensive Collection Program in Santa Clara County

Performance Measure	Definition	Formula	State-wide Benchmark	2008-09	2009-10	Change
Gross Recovery Rate	Measures a collection program's ability to resolve delinquent court-ordered debt, including alternative sentences, community service, and suspended sentences.	(Delinquent collections for fiscal year + Adjustments) / Referrals	34%	53%	49%	-4%
Success Rate	Measures the amount of revenue collected on delinquent court-ordered debt based on total delinquent accounts referred after adjustments (including non-sufficient funds checks).	Delinquent collections for fiscal year /(Referrals – Adjustments)	31%	47%	41%	-6%

Source: California Judicial Council's December 2010 Report to the Legislature on Statewide Collection of Court-Ordered Debt, as Required by Penal Code Section 1463.010

Notes: Performance results are self-reported, and represent the cooperative effort by the County of Santa Clara and Superior Court of Santa Clara County to collect delinquent accounts. According to the Judicial Council's report, the measures use a formula that is standard in the collections industry. The results are not limited to traffic cases.

Although the County exceeded State-wide benchmarks, its performance was in the bottom half of California's 58 counties (based on self-reported performance by other counties). According to the Judicial Council's report, Santa Clara County officials stated the rates may have declined because of a system reporting problem. Nonetheless, further declines in these performance indicators would warrant management attention by the Court.

In December 2010, the Court began using a third-party vendor for enhanced collections on cases where the violator had had no contact with the Court. It is too soon to tell whether this vendor's performance warrants consideration for use as the sole source of collections on delinquent accounts.

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Conclusion

The City of San José issues more than 50,000 traffic citations annually and receives $4 million per year in traffic citation revenue. Over the last five years, the City's traffic citation revenues have declined slightly. Most revenue from traffic citations benefits the State of California and the County, not the City. For example, the City would only receive about $85, or 17 percent, of the $490 charged on a sample ticket carrying a base fine amount of $100. We found declining revenue is neither cleanly related to the number of traffic citations issued by the San José Police Department nor isolated to San José, and does not appear to be the result of an improper distribution of revenue from the Santa Clara County Superior Court or Santa Clara County. Instead, such revenue has fallen County-wide. Two possible explanations for the revenue drop include a decrease in traffic violations that result in payment to the City and delinquency by traffic violators.

RECOMMENDATIONS

Recommendation #1: We recommend the City Administration consider whether to pursue an agreement with the County and/or seek state legislation to increase the City's share of traffic citation revenue.

Recommendation #2: We recommend the City Administration follow-up with the Santa Clara County Superior Court to receive a copy of the upcoming audit report from the State Controller's Office and ensure the City's timely receipt of any underpayments identified in the report.

Recommendation #3: We recommend the City Administration work with the Santa Clara County Superior Court to develop an annual report of information the Police Department can use to improve its operations and ensure traffic citation revenue is not lost.

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: Sharon Erickson
City Auditor

FROM: Christopher M. Moore
Chief of Police

SUBJECT: **RESPONSE TO THE AUDIT OF "TRAFFIC CITATION REVENUE"**

DATE: August 10, 2011

Approved ALEX GUNZA Date 8-10-11

RECOMMENDATION

Accept the Administration's response to the Traffic Citation Audit.

BACKGROUND

This memorandum is in response to the report Traffic Citation Audit issued by the City Auditor's Office (Auditor). As noted by the Auditor, this Audit was developed with the input from the San Jose Police Department (SJPD), City Manager's Office (CMO), and the Santa Clara County Traffic Court.

The Audit was directed by the City Council during FY 2010-2011 budget discussions and sought to determine opportunities for enhancing revenue derived from traffic citation fines and the manner in which it is proportionately shared by the City and other governmental entities.

ANALYSIS

The Department has reviewed the analysis and recommendations in the Auditor's report and is in agreement with all three recommendations.

Recommendation #1: We recommend the City Administration consider whether to pursue an agreement with the County and/or seek state legislation to increase the City's share of traffic citation revenue.

The Administration agrees with this recommendation to consider possible means in which to increase the City's share of traffic citation revenue while recognizing difficult budgetary times at all levels of government.

Recommendation #2: We recommend the City Administration follow-up with the Santa Clara County Superior Court to receive a copy of the upcoming audit report from the State Controller's Office and ensure the City's timely receipt of any underpayments identified in the report.

The Administration agrees with this recommendation and will review the forthcoming report in order to ensure timely receipt of any underpayments to the City.

Recommendation #3: We recommend the City Administration work with the Santa Clara County Superior Court to develop an annual report of information the Police Department can use to improve its operations and ensure traffic citation revenue is not lost.

The Administration agrees with this recommendation. Such an annual report is expected to supplement existing analytical methodologies.

CONCLUSION

The SJPD would like to thank the Auditor and her staff for completing this Audit. The SJPD has reviewed this audit and agrees with the conclusions/recommendations set forth regarding the decline in traffic citation revenue.

/s/
Christopher M. Moore
Chief of Police

CMM:JDS:PN