



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: John Ristow

SUBJECT: PARKING CITATION DELINQUENT FEE AMNESTY PROGRAM **DATE:** September 1, 2020

Approved

Date

9/3/2020

RECOMMENDATION

- a. Adopt a resolution establishing a time limited Parking Citation Delinquent Fee Amnesty Program (Amnesty Program) to temporarily reduce outstanding parking citations back to the original issued fine amount by waiving accumulated delinquent fees on outstanding parking citations issued on or before March 19, 2020.
- b. Adopt a resolution authorizing the City Manager to negotiate and execute an amendment to the agreement with the City's current parking citation processing and collection vendor, Turbo Data Systems, for additional services related to the administration of the Amnesty Program for an amount not to exceed \$200,000.

OUTCOME

The Amnesty Program will temporarily waive delinquent fees on outstanding parking citations, suspend certain parking citation collection activities, and provide the public immediate financial relief through December 31, 2020; while at the same time incentivizing the collection of outstanding debt to the City.

BACKGROUND

The proposed actions are prompted by the COVID-19 pandemic. Some of the major pandemic milestones since March 2020, include:

- On March 4, 2020, Governor Newsom issued the Proclamation of a State of Emergency ("Governor's Proclamation") under Section 8625 of the California Government Code and the California Emergency Services Act, establishing the existence of a state of emergency throughout California due to COVID-19.
- On March 9, 2020, County of Santa Clara Public Health Officer Dr. Sara Cody ("County Health Officer") officially announced the issuance of a legal Order requiring cancellation

of mass gatherings (public or private) consisting of more than 1,000 persons and published new recommendations to help protect residents from COVID-19.

- On March 16, 2020, the County Health Officer issued a further Order directing all residents to remain at their place of residence through April 7, except to conduct Essential Activities, Essential Businesses, and to operate Essential Infrastructure (as defined in the Order).
- Effective March 19, 2020, Staff suspended the City's parking operations and effectively provided free parking in the City's lots and garages and at on-street meters, as well as suspended parking citation issuance, processing, and collections, as these services were deemed "Non-Essential" per the County's Order.
- On May 18, 2020, the County Health Officer issued the latest Order extending the Shelter in Place directive "until it is rescinded, superseded, or amended".
- On June 23, 2020, Council approved staff's recommendations to ratify actions taken by Staff at the onset of COVID-19, update various parking programs and rates to support businesses, resume paid parking operations, provide temporary financial relief to long-term parking agreement holders, and provided direction to staff to review options and return to Council with recommendations on a potential parking citation delinquent fee amnesty program. Currently, parking citation processing and collection efforts continue to be temporarily paused.
- On August 3, 2020, paid parking resumed within the Downtown at on-street meters and off-street parking facilities.
- On August 17, 2020, after an extensive period of issuing written warnings, enforcement of safety and paid parking related parking violations resumed.

Although the suspension of parking citation processing, collections and issuance has supported our community during this unprecedented time and has deferred some of the financial impacts to those owing past due parking citations, this temporary relief was initially planned for only an approximate six-month period and is scheduled to end mid-September 2020.

The Department of Transportation (DOT) Parking Compliance Unit is responsible for enforcing the California Vehicle and Municipal Codes associated with illegal parking activities on public streets. While the goal is for vehicles to adhere to these codes through voluntary compliance, vehicles are subject to citation and/or tow when found in violation. Pre-COVID annual citation issuance ranged between 209,000 - 235,000 citations. The City has maintained a strong citation collection rate (high 80% range), which compares well with other cities that have typical collection rates in the 70% to 85% range. The methods currently used to collect outstanding citation fines include the issuance of courtesy and past due notices, placement of holds on vehicle registrations via the Department of Motor Vehicles (DMV), through collection agencies,

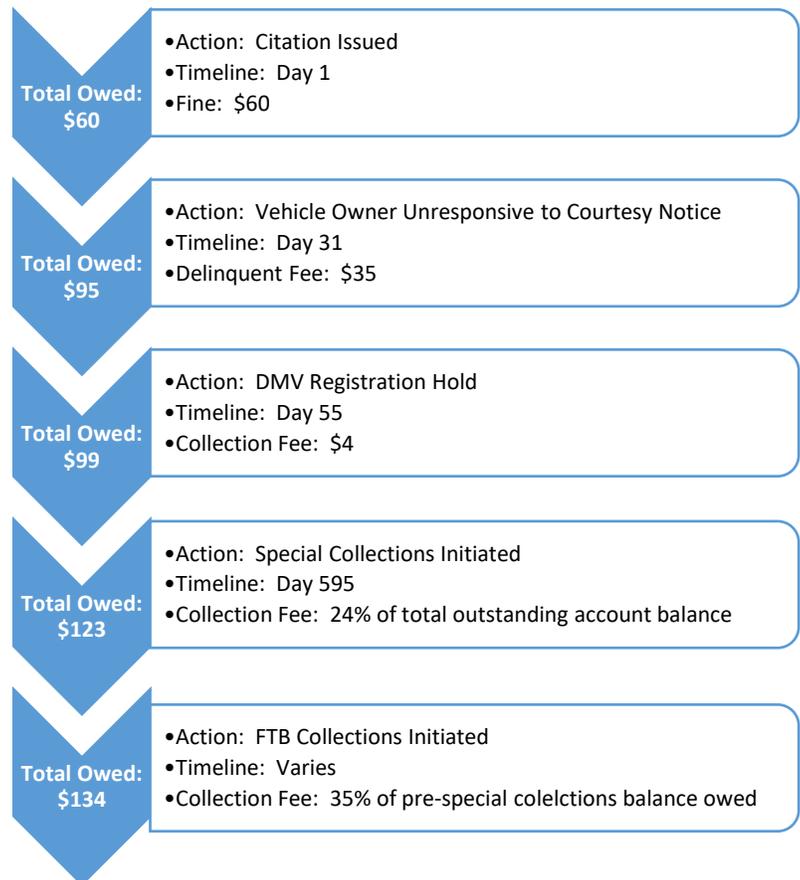
and collection attempts via the Franchise Tax Board (FTB). Despite these efforts, between 10-15% of parking citations remain uncollected for a variety of reasons.

A notable portion of uncollected citations (8%) belong to scofflaws or registered owners with five or more unpaid parking citations. However, the majority of outstanding fines and fees can be attributed to registered vehicle owners with one or two unpaid citations. By State law, once issued, parking citations are considered delinquent if not paid or contested within 21 days of issuance or 14 days after the mailing of a courtesy notice sent to the registered owner of the vehicle. When the citation becomes delinquent a \$35 late fee is assessed, increasing the total amount owed by the vehicle owner. As the fines and fees continue to go unpaid, additional fees are assessed to help cover the additional costs incurred by the City as the collection cycle continues. Vehicles with outstanding citations are subject to registration hold by the DMV and other special collection efforts including submittal to the California FTB for garnishment of any lottery winnings or tax refunds. Citation fines, as well as, late and collection fees are set by Council action. Citation fines were last amended in 2016 when the parking penalty for disabled space violations were increased to \$410. Collection fees were last updated in 2018 when the DMV increased the registration hold fee from \$3 to \$4.

While late and collection fees serve a much-needed purpose – to motivate the timely payment of parking citations – for those with multiple outstanding citations, the cumulative unpaid amount can become overwhelming over time. As an example, the collection process for a citation issued to a vehicle in violation of posted street sweeping restrictions is shown in Figure 1. In this example, a citation with an original fine amount of \$60, could increase up to \$134, if left unpaid. It is important to note that a vehicle owner would have received up to five (5) notices by the time an unpaid citation was sent to the FTB for collections.

Additionally, since July 2018, the City has offered a parking citation payment plan for low-income vehicle owner’s based on income criteria established by State law. The payment plan process temporarily waives delinquent fees and also allows individuals to retroactively apply.

Figure 1: Citation Fine/Fee Accumulation over time



ANALYSIS

Currently, there are approximately 212,000 unpaid parking citations that have accumulated delinquent fees over the last five years, and that are in various stages of collections. Including late and collection fees, these outstanding citations represent \$25 million in overdue citation related revenues. Of the outstanding amount, approximately \$13 million represents the original fine amounts owed, with late and collection fees representing the remaining approximate \$12 million. The 212,000 outstanding citations were issued to about 92,000 individual vehicles. On average individuals owe around \$270. The proposed Amnesty Program would reduce the amount owed on individual accounts, on average, to approximately \$130 – saving the vehicle owner about \$140.

If the Amnesty Program is approved, the City's parking citation processing and collections vendor, Turbo Data has tentatively agreed to identify and notify all vehicle owners with outstanding parking citations of the Amnesty Program via letter. Letters would be mailed to qualifying vehicle owners at their address on file with the DMV and explain the details of the Amnesty Program, payment timelines and the reduced outstanding balance owed. Additional information on the Amnesty Program will be posted on the DOT website and the parking citation payment portal. When contacting the Office of Parking Violations by phone, information on the program will be available in English, Spanish, and Vietnamese. It is estimated that these notification services will cost around \$2.00 per delinquent account (est. 92,000 accounts). Overall costs for sending notifications, administering the Amnesty Program and providing customer support is expected to not exceed \$200,000. Funding for this additional service would come from contract cost savings realized during the first quarter of FY 20-21 when no (July to mid-August) or a very limited number (mid-August to September) of parking citations were being issued by DOT Parking Compliance Officers. The mailed notices will enable vehicle owners with unpaid parking citations to be directly notified of the Amnesty Program via letter. To compensate Turbo Data for this additional work, staff will need to negotiate and execute an amendment to the existing contract.

The Amnesty Program is intended to make it easier for those with outstanding citations to pay off their balances during this challenging time while at the same time preserving the City's right to continue to pursue the collection of the full amount owed, if the amount is not paid by December 31, 2020. Additionally, the Amnesty Program is designed to stimulate the payment of "collection challenged" accounts or citations that have aged (two or more years) and have already transitioned through available collection options and remain unpaid. Approximately 56% or \$7 million of the outstanding citation fines owed (not including late or collection fees) are considered "collection challenged" accounts. Any collection of this portion of outstanding fines would be supplemental to existing revenues as it is considered likely uncollectable utilizing existing methods.

CONCLUSION

The proposed Amnesty Program would temporarily waive delinquent fees that have accumulated on all previously issued outstanding citations reducing them back to the original fine amount owed. The program would be time limited and sunset on January 1, 2021 after which the waived fees would be reinstated for those citations that remain uncollected. Approval of the recommendations will provide immediate financial relief to the public during this financially challenging time. Additionally, it is expected that the Amnesty Program will incentivize the collection of outstanding debt to the City. If the proposed Amnesty Program is not approved, staff anticipates resuming with prior plans to initiate processing and collection efforts before the end of September, for all parking citations that remain unpaid.

EVALUATION AND FOLLOW-UP

Staff will monitor the outcome of the Amnesty Program and provide an informational memorandum to the Council at the completion of the program in early 2021.

CLIMATE SMART SAN JOSE

The recommendations in this memo have no effect on Climate Smart San Jose energy, water, or mobility goals.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council agenda website for the September 15, 2020 City Council Meeting.

POLICY ALTERNATIVES

Alternative: Council can elect to not implement the Amnesty Program.

Pros: Maintains City's ability to potentially collect the full amount of the outstanding \$26 million in fines and fees.

Cons: Vehicle owners will not be afforded financial relief and their outstanding balances will likely remain active and unpaid for a variety of reasons including the age of the parking citations, high balances owed, etc. These citations will continue to accrue additional collection fees and become more of a burden on vehicle owners. Additionally, "collection challenged" accounts are likely to remain stagnant and uncollectable.

Reason for Not Recommending: Staff believes it is time to consider alternative options to address uncollected citation fees and fines while being sensitive to the economic realities of our communities as a result of the ongoing pandemic.

COORDINATION

This memorandum was coordinated with the City Attorney’s Office, the Finance Department and the City Manager’s Budget Office.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

COST SUMMARY / IMPLICATIONS

It is difficult to estimate the amount of revenue that may be collected as a result of offering an Amnesty Program. Other cities and agencies have offered similar amnesty programs (pre-COVID) including, the City of Riverside. The Riverside Amnesty Program, although, much smaller in scale and duration when compared to the proposed San Jose Amnesty Program, experienced a collection rate of 12.7%. Applying this same rate to the City’s program would result in collections of approximately \$1.65 million. However, taking into consideration the success of Riverside’s amnesty program, as well as the volume and potential value of outstanding citations, and the current economic environment, a more modest 5% collection rate would generate approximately \$650,000. Factoring in a maximum \$200,000 payment to Turbo Data for additional services associated with the program, would result in potential additional net revenues to the General Fund of approximately \$450,000.

CEQA

Not a Project, File No. PP17-003, Agreements and Contracts that will result in no physical changes to the environment.

Statutorily Exempt, File No. PP17-005, CEQA Guidelines Section 15273, Rates, Tolls, Fares and Charges.

/s/
JOHN RISTOW
Director of Transportation

For questions, please contact Heather Hoshii, DOT Division Manager, at (408) 973-4131.