

Ventura County Grand Jury 2017 - 2018



Final Report

Ventura County Use Of Vehicle-Registration Fees April 19, 2018

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Ventura County Use of Vehicle-Registration Fees

Summary

The 2017-2018 Ventura County Grand Jury (Grand Jury) received a complaint regarding a \$9 fee collected annually by the Department of Motor Vehicles (DMV) from owners of vehicles registered in Ventura County (County). The Grand Jury investigated the four recipients of the fee and their handling of the revenue.

The Grand Jury concluded the County departments that receive portions of the registration fee are spending some or all of the money as intended. However, there is no consistency in the accumulation and management of reserve funding.

The Grand Jury concluded that the DMV fee received by Ventura County Transportation Commission (VCTC) for the Service Authority for Freeway Emergencies (SAFE) program to operate the roadside callbox system is roughly twice the annual cost of the callboxes. This disparity in revenues and expenditures has resulted in excess funding within the callbox program of \$4.4 million.

The Grand Jury recommends that the SAFE Board develop policies regarding the size and management of reserves. The Grand Jury further recommends that the collection of the DMV fee for the SAFE program be suspended until the amount of reserves has been greatly reduced.

Background

Research by the Grand Jury showed that an additional \$9 is collected by the DMV during the annual vehicle-registration process from owners of all on-road motor vehicles registered in the County. These funds are collected at the discretion of the County and then distributed to the following four countywide programs:

Service Authority for Freeway Emergencies (SAFE)

California Streets and Highways Code, Section 2555, authorizes counties to obtain the funding to purchase, install, operate, and maintain an emergency motorist-aid system, known as the Service Authority for Freeway Emergencies (SAFE). In 1986 the VCTC began receiving a \$1 per-vehicle fee for the SAFE program. The money is primarily used to install, maintain, and operate callboxes along the County's state highways.

Beginning in 1986, 560 callboxes were installed along state highways within the County. However, due to the increasing use of cellphones, 25% of callboxes with little or no use over multiple years were removed in 2016-2017, leaving 420 callboxes in the system. The remaining 420 callboxes are to be modified in fiscal year 2017-2018 to comply with the Americans with Disabilities Act (ADA). SAFE also operates a SpeedInfo system, which measures traffic flow on roadways.

CAL-ID Program

Vehicle Code (VC) Section 9250.19 provides a means of funding for the CAL-ID electronic fingerprinting program. In 2003 the County began receiving \$1 per vehicle for the CAL-ID program.

CAL-ID comprises an Automated Fingerprint Identification System (AFIS), Mobile ID, and LiveScan. Each system has a life expectancy of six to eight years. The hardware for the AFIS program needs to be replaced in 2018 at an estimated cost of \$1.8 million. The Mobile ID units are to be replaced in 2019 at an estimated cost of \$207,000 for 75 units. The LiveScan hardware in 24 units was updated in 2017 at a cost of \$290,000.

In the County, the Remote Access Network Board (RAN) oversees the CAL-ID program. CAL-ID employee positions include sheriff's technicians, a forensic scientist, and a systems coordinator, at a cost over the past fiscal year of \$403,000.

VC Section 9250.19 requires CAL-ID money be used only to fund programs that enhance the ability of law enforcement to provide fingerprint identification of individuals who might be involved in crimes committed while operating a motor vehicle.

Vehicle Theft Prosecution Program

VC Section 9250.14 provides for the establishment of a Vehicle Theft Prosecution Program to help reduce auto thefts and increase recovery of stolen vehicles. It authorizes a county Board of Supervisors to impose an annual \$1 per-vehicle fee for this program. In 1991, the County Board of Supervisors (BOS) adopted a resolution to accept the fee.

The auto theft task force is composed of a District Attorney Investigator, and personnel from the California Highway Patrol (CHP), Simi Valley Police Department, Ventura Police Department, and the DMV. The County District Attorney's Office manages the fiscal operations of the Vehicle Theft program; the CHP manages the program operations. The task force also investigates collateral offenses related to auto-theft cases.

Carl Moyer Memorial Air Quality Program

Assembly Bill (AB) 923 and AB 2766 create the Carl Moyer Memorial Air Quality Standards Attainment (Carl Moyer) and the Voluntary Accelerated Vehicle Retirement (VAVR) programs. The bills authorize a \$6 per-vehicle fee for the implementation of programs to reduce air pollution from both on-road motor vehicles and predominantly off-road diesel equipment.

Of the \$6 annual fee, \$4 is authorized by AB 2766 and is used by the Ventura County Air Pollution Control District (APCD) to reduce air pollution in accordance with the California Clean Air Act. A portion of the \$4 fee is set aside for motor-vehicle-related grant programs such as the VAVR program.

The VAVR is an incentive program that provides money to encourage the early retirement of legally operating older (1995 or earlier), higher-emitting, light-duty vehicles. The program budgets for the removal of 100 vehicles per year and pays owners of those vehicles \$1,000 per vehicle. Although emissions from light-duty vehicles are decreasing, these vehicles still contribute 43% of the ozone-producing

emissions from all on-road vehicles in the County. In addition to the VAVR program, funding also goes to electric-vehicle-charging infrastructure projects, as well as assistance to the VCTC for traffic modeling.

The Carl Moyer program provides the means by which an air pollution control district that does not meet state air quality standards for ozone may collect a \$2 vehicle-registration fee to raise money for four specific air-pollution control programs.

The Carl Moyer program provides grants to reduce nitrogen oxide emissions from the burning of diesel fuel. Most diesel engines are associated with mobile equipment, which is not under the jurisdiction of local air districts. The grants, administered by the APCD, go toward replacement or repower of off-road diesel equipment and repower of diesel commercial marine vessels.

The APCD has been receiving a \$4-per-vehicle fee since 1992; an additional \$2 fee was added in 2005. State law mandates that revenue from these fees is to be used “solely to reduce air pollution from motor vehicles and for related planning, monitoring, enforcement, and technical studies necessary for the implementation of the California Clean Air Act of 1988.” (Ref-01)

Methodology

The Grand Jury conducted this investigation by researching California (State) statutes and vehicle codes pertaining to SAFE, CAL-ID, Vehicle Theft Program, VAVR and Carl Moyer programs, all of which receive funding from vehicle-registration fees. In addition, the Grand Jury reviewed VCTC’s budget, as well as fiscal year-end reports submitted to the State Controller’s Office for the CAL-ID and Vehicle Theft programs. During the course of the investigation, the Grand Jury also interviewed and corresponded with a number of County employees. Budget figures in this report are rounded to the nearest thousand.

Facts

SAFE

- FA-01.** SAFE’s revenue from vehicle-registration fees for the fiscal year ending June 30, 2017, was \$827,000. This revenue is expected to remain fairly constant. (Ref-02)
- FA-02.** Expenditures for fiscal year 2016-2017 were \$451,000. Going forward, VCTC estimates that the annual cost to maintain the SAFE and SpeedInfo systems after ADA modifications will be between \$447,000 and \$497,000 annually. (Ref-02)
- FA-03.** VCTC receives roughly twice the amount of DMV fees compared to the annual cost of operating the SAFE system. (Ref-02)
- FA-04.** SAFE has accumulated \$4,407,000 in reserves since the inception of the program in 1986. (Ref-02)

- FA-05.** The majority of the SAFE money is held in a designated fund within the county’s investment pool. A small portion of SAFE operating funds is held in the VCTC’s bank account.
- FA-06.** SAFE has authority to implement new services, including changeable message signs or a Freeway Service Patrol, among others. However, the SAFE Board has not provided any specific direction regarding expansion of the program. (Ref-03)
- FA-07.** VCTC has the authority, on an annual basis, to suspend collection of the \$1 fee.
- FA-08.** The Little Hoover Commission, a State oversight agency, writes of reserve funds: “These funds are a public resource that, over the long term, should be scrutinized like all public resources to determine if they are being put to the highest and best use.” The Commission recommends a “clear and well-articulated rationale for the accumulation and management of reserve funds.” (Ref-04)

CAL-ID

- FA-09.** Total revenue for fiscal year 2016-2017 was \$799,000, and the total expenditures for the same year were \$799,000. Expenditures include salaries, vehicles, training, and maintenance costs, as well as encumbrances for equipment replacement. (Att-01)
- FA-10.** The CAL-ID program has accumulated \$2,136,000 in excess funding, all of which is encumbered for future equipment replacement.
- FA-11.** Funds for the CAL-ID program are wired by the State to a trust account managed by the County Auditor-Controller.

Vehicle Theft Program

- FA-12.** Total revenue for fiscal year 2016-2017 was \$799,000. (Att-02)
- FA-13.** Total expenditures for fiscal year 2016-2017 were \$655,000. (Att-02)
- FA-14.** The Vehicle Theft Program has reserves of \$408,000. In recent years, reserve funding has grown by \$100,000 to \$120,000 annually, which is held in the County’s contingency fund.
- FA-15.** The County Auditor-Controller recommends the establishment of a trust fund account for all Vehicle Theft Program revenues.

Vehicle Retirement and Carl Moyer Air Quality Standards Programs

- FA-16.** Total APCD revenue for fiscal year 2016-2017 [from VAVR and Carl Moyer combined] was approximately \$4.6 million. (Ref-05)
- FA-17.** Expenditures for programs in AB 2766 are approximately \$2.89 million annually. This money is part of the APCD’s \$8.8-million operating budget to meet provisions in the State Clean Air Act. (Ref-05)
- FA-18.** Expenditures to meet Carl Moyer grants in fiscal year 2016-2017 were approximately \$3.8 million. In addition, the APCD Board approved grants

for fiscal year 2016-2017 resulting in \$3.9 million in encumbered funds. (Ref-05)

- FA-19.** The APCD’s Carl Moyer Program does not hold reserves. Unspent grant funding must be returned to the California Air Resources Board. (Att-03)
- FA-20.** The State sends funds directly to the APCD, which are reported in a separate revenue account.

Conclusions

- C-01.** The Grand Jury concluded that despite a nearly 25% decrease in the number of callboxes, the SAFE program continues to collect twice the amount in vehicle-registration fees than it needs to cover annual program costs. (FA-01, FA-02, FA-03)
- C-02.** The Grand Jury concluded the SAFE program has built up an excessive reserve fund of \$4.4 million, equal to roughly 10 years’ worth of current annual expenditures. (FA-04, FA-06, FA-07, FA-08)
- C-03.** The Grand Jury concluded the Vehicle Theft Program’s has a sizeable reserve balance of nearly \$408,000, and it is growing annually. The Grand Jury further concluded these funds could be kept in a trust account as recommended by the Auditor-Controller in order to provide additional oversight and transparency. (FA-12, FA-13, FA-14, FA-15)
- C-04.** The Grand Jury concluded there is no consistent policy on how operating expenses or reserve funding is held by SAFE, the Vehicle Theft Program, or the APCD. (FA-05, FA-14, FA-20)
- C-05.** The Grand Jury concluded the CAL-ID policy of having funds wired directly from the State to a trust fund managed by the Auditor-Controller provides more accountability and adherence to State statutes. (FA-09, FA-10, FA-11, FA-15)
- C-06.** The Grand Jury concluded it is good policy that Carl Moyer does not allow unspent money to accumulate, avoiding the creation of excessive reserves. (FA-16, FA-17, FA-18, FA-19)

Recommendations

- R-01.** The Grand Jury recommends that the SAFE Board suspend its receipt of DMV fees until the excess reserve is significantly reduced. (C-01, C-02)
- R-02.** The Grand Jury recommends the SAFE Board develop formal, written policies regarding the size and management of reserve funds. (C-04, C-06)
- R-03.** The Grand Jury recommends the Ventura County Board of Supervisors direct that funding for the Vehicle Theft Program be deposited into a trust account held by the Auditor-Controller’s office in order to provide more accountability, transparency, and oversight. (C-03, C-05)

Responses

Responses Required From:

Ventura County Board of Supervisors (R-03)
Ventura County Auditor-Controller (C-05, R-03)
Ventura County District Attorney (C-03)

Responses Requested From:

Board for the Service Authority for Freeway Emergencies/VCTC (C-01, C-02, C-04, C-06, R-01, R-02)

References

- Ref-01.** The Carl Moyer Program Guidelines 2017 Revisions
https://www.arb.ca.gov/msprog/moyer/guidelines/2017gl/2017_cmp_gl_volume_1.pdf
Accessed on March 19, 2018
- Ref-02.** VCTC Comprehensive Annual Financial Report
<https://www.goventura.org/sites/default/files/CAFR%201617.pdf>
Accessed on March 19, 2018
- Ref-03.** Streets and Highways Code, Division 3, Chapter 14, Service Authority for Freeway Emergencies
https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=SHC&division=3.&title=&part=&chapter=14.&article
Accessed on March 19, 2018
- Ref-04.** Little Hoover Commission, Special Districts: Improving Oversight and Transparency, Report #239, August 2017
<http://www.lhc.ca.gov/sites/lhc.ca.gov/files/Reports/239/Report239.pdf>
Accessed on March 19, 2018
- Ref-05.** VCAPCD Adopted budget 2017-2018
<http://www.vcapcd.org/pubs/Fiscal/Budget/1718/FY2017-18-APCD-Adopted-Budget.pdf>
Accessed on March 19, 2018

Attachments

- Att-01.** State Controller’s Office Fingerprint CAL-ID Report Fiscal Year 2016-2017
- Att-02.** State Controller’s Office Vehicle Theft Report Fiscal Year 2016-2017
- Att-03.** The Carl Moyer Program Guidelines 2017 Revisions Liquidation Requirement

Glossary

<u>TERM</u>	<u>DEFINITION</u>
AB	Assembly Bill
ADA	Americans With Disabilities Act
AFIS	Automated Fingerprint Identification System
APCD	Air Pollution Control District
BOS	Ventura County Board of Supervisors
CHP	California Highway Patrol
County	Ventura County
DMV	Department of Motor Vehicles
Encumbrance	An obligation is the form of a purchase order, contract or salary commitment that is chargeable to an appropriation, and for which part of an appropriation is reserved. These obligations become disbursements upon payment.
Fiscal Year	A 12-month period of time for which the budget applies (often July 1 through June 30).
Operating Budget	Authorized expenditures for on-going services.
RAN	Remote Access Network
SAFE	Service Authority for Freeway Emergencies
State	State of California
VAVR	Voluntary Accelerated Vehicle Retirement
VC	Vehicle Code
VCTC	Ventura County Transportation Commission

Attachment 01

**State Controller's Office
Fingerprint CAL-ID Report
Fiscal Year 2016-2017**

California State Controller’s Office
Division of Accounting and Reporting
Fingerprint CAL-ID Report
Vehicle Code Section 9250.19
Fiscal Year 2016-2017
Ventura County

Pursuant to Vehicle Code (VC) section 9250.19 (f), every county that has authorized the collection of the fee pursuant to subdivision (a) shall issue a fiscal year-end report to the Controller on or before November 1 of each year, summarizing the following five items with respect to those fees. Subdivision (g) continues that if any county fails to submit the report by November 1, the Controller shall notify the Department of Motor Vehicles to suspend the fee for that county for one year. In accordance with paragraph (i) the Controller shall prepare and submit to the Legislature a report based on paragraphs (1) to (3). The Controller will attach the documents provided by each county for paragraphs (4) and (5).

County of Ventura

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|--|---------------------|
| 1) Revenues received by the county under VC 9250.19 (b), by quarter: | |
| 1 st Quarter – July through September 2015, paid in November 2016 | <u>\$208,154.23</u> |
| 2 nd Quarter – October through December 2015, paid in April 2017 | <u>\$180,386.06</u> |
| 3 rd Quarter – January through March 2016, paid in May 2017 | <u>\$203,511.93</u> |
| 4 th Quarter – April through June 2016, paid in August 2017 | <u>\$207,207.65</u> |
| The total revenues received by the county for the fiscal year. | <u>\$799,259.87</u> |
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| 2) The total expenditures and encumbered funds by the county for the fiscal year. | \$799,259.87 |
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| 3) Any unexpended or unencumbered fee revenues for the county for the fiscal year. | \$0 |
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| 4) The estimated annual cost of the purchase, operation, and maintenance of automated mobile and fixed location fingerprint equipment, related infrastructure, law enforcement enhancement programs, and personnel created or utilized in accordance with this section for the fiscal year. The listing shall detail the make and model number of the equipment, and include a succinct description of the related infrastructure items, law enforcement enhancement programs, and the classification or title of any personnel. | |

Attachment 02

**State Controller's Office
Vehicle Theft Report
Fiscal Year 2016-2017**

**California State Controller's Office
 Vehicle Theft Report – Fiscal Year 2016-17
 Vehicle Code Section 9250.14
 Ventura _____ County**

Vehicle Code (VC) section 9250.14(g) requires every county that imposes a fee pursuant to VC section 9250.14(a) to issue a fiscal year-end report to the State Controller's Office (SCO) on or before August 31 of each year, detailing the following information for the past fiscal year. Pursuant to VC section 9250.14(h), for each county that fails to submit the report by November 30, the SCO will notify the Department of Motor Vehicles to suspend the fee for one year.

Complete the following for Fiscal Year 2016-17 funds collected pursuant to VC section 9250.14:

(1) Funds received and expended by the county by quarter:		
1 st Quarter – July through September 2016, paid in November 2016	\$ 208,161.21	
2 nd Quarter – October through December 2016, paid in March 2017	\$ 180,411.94	
3 rd Quarter – January through March 2017, paid in May 2017	\$ 203,554.80	
4 th Quarter – April through June 2017, paid in August 2017	\$ 207,259.58	
Total revenues received by the county:		\$ 799,387.53
(2) Total expenditures by the county:		\$ 655,024.58
(3) Details of expenditures made by the county, including salaries and expenses, purchase of equipment and supplies, and any other expenditures made, listed by type with an explanatory comment (see Attachment I).		
(4) A summary of vehicle theft abatement activities and other vehicle theft programs funded by the fees collected under this section (see Attachment II).		
(5) Total number of stolen vehicles recovered and the value of those vehicles: Number of Stolen Vehicles Recovered <u>960</u> Value of Recovered Vehicles \$ <u>6,720,960.00</u>		
(6) Total number of stolen vehicles during the past fiscal year compared to the immediately preceding fiscal year: Number of Stolen Vehicles (2016-17) <u>839</u> Number of Stolen Vehicles (2015-16) <u>907</u>		
(7) Any additional, unexpended fee revenues received by the county:		\$ 144,362.95

Attachment 03

**The Carl Moyer Program Guidelines
2017 Revisions
Liquidation Requirement**

O. Funding Year Liquidation

1. **Liquidation Requirement.** By June 30 of each year, air districts must have liquidated all Moyer Program funds associated with the funding year four calendar years prior, as well as interest, recaptured funds, and other funds added to the funding target for that year. For example, funds awarded for Year 18 (fiscal year 2015-2016) must be fully liquidated by June 30, 2020. Before submitting the Yearly Report an air district may attempt to resolve an apparent liquidation shortfall by modifying in the CARL database the funding years from which funds are assigned to projects.

**Table 3-5
Example Progress Milestones: 2018 Yearly Report**

Timeline	Fiscal Year	Funding Year	Milestone
1 year	2016-17	19	50% of project funds under executed contract
2 years	2015-16	18	100% of projects funds under executed contract
			50% of project funds liquidated
3 years	2014-15	17	75% of project funds liquidated
4 years	2013-14	16	100% of grant funds liquidated (Section O)

**The Carl Moyer Program Guidelines
2017 Revisions**