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HOW WILL COST RECOVERY PROGRAMS
AFFECT THE SERVICE CAPACITIES OF
LARGE AGENCIES BY THE YEAR 2000?

A LAW ENFORCEMENT
COMMAND COLLEGE PROJECT

PATRICK DWYER
SAN JOSE POLICE DEPARTMENT

MAY 1990

10-0183

This Command College Independent Study Project is a FUTURES study of a particular emerging issue in law enforcement. Its purpose is NOT to predict the future, but rather to project a number of possible scenarios for strategic planning consideration.

Defining the future differs from analyzing the past because the future has not yet happened. In this project, useful alternatives have been formulated systematically so that the planner can respond to a range of possible future environments.

Managing the future means influencing the future--creating it, constraining it, adapting to it. A futures study points the way.

The views and conclusions expressed in this Command College project are those of the author and are not necessarily those of the Commission on Peace Officer Standards and Training (POST).

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PART ONE:
THE FUTURES STUDY

What will be the future of cost-
recovery programs in large California
police agencies by the year 2000?

PART TWO:
STRATEGIC MANAGEMENT

Planning and developing cost-recovery programs

PART THREE:
TRANSITION MANAGEMENT

Managing change while implementing cost-
recovery programs

PART FOUR:

Conclusions and Recommendations

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Abstract

HOW WILL COST-RECOVERY PROGRAMS
AFFECT THE SERVICE CAPACITIES OF
LARGE AGENCIES IN THE YEAR 2000?

by

PATRICK DWYER

COMMAND COLLEGE CLASS X

PEACE OFFICERS STANDARDS AND TRAINING (POST)

SACRAMENTO, CALIFORNIA

1990

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Abstract

This study examines the potential of cost-recovery strategies to ease the financial strain of large police agencies during the coming decade. A review of the professional literature, surveys, and interviews at four large California police departments and an in-depth interview with a private consultant are used to introduce the issue. Additional sections of the study include a forecasting exercise, three hypothetical scenarios, the development of a strategic plan, and transition management methodologies. The study concludes that well-planned and carefully implemented cost-recovery programs can constitute a viable alternative revenue source and can provide the potential for increased service capacities.

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Executive Summary

This research study examines the potential of cost-recovery strategies to ease the financial strain of large police agencies over the coming decade. The study is organized in four parts.

Part One introduces the issue and related sub-issues. Fifteen articles from the professional literature and the news media are reviewed. The results of surveys and interviews at four large California departments are presented, and an in-depth interview with a private consultant specializing in the development of cost recovery programs for local governments is described. A Nominal Group Technique forecasting exercise is documented including generation and evaluation of trends and events and a cross-impact analysis. Part One ends with the inclusion of three different future scenarios based on the results of the forecasting exercise.

In Part Two a strategic plan is created which would allow a large department to increase its percent of budget recovered from two percent to at least ten percent over a ten-year span. A WOTS-Up Analysis (Weaknesses, Opportunities, Threats, Strengths) and a Capability Analysis are conducted to evaluate the organization's ability to deal with the selected strategy. Stakeholders are identified and analyzed. Assumptions regarding key stakeholders are listed. A Strategic Assumption Surfacing Technique (SAST) is utilized to analyze the importance of each stakeholder to the issue and the degree of certainty regarding assumptions associated with that stakeholder. A Modified Policy Delphi technique is used to develop specific policies which will support the strategy. A Macro-Mission for the department and a Micro-Mission statement relative to cost recovery are then presented. Part Two ends with negotiation strategies for each key stakeholder and an implementation plan.

Part Three addresses the effective management of the change process. A Critical Mass of key stakeholders is identified and the commitment of each member of the Critical Mass to the strategy is analyzed. A transition management structure is identified and the responsibilities of each member of the Critical Mass are analyzed and charted. Part Three ends with a discussion of implementation methodologies.

Part Four includes conclusions and recommendations. The basic conclusion of the study is that well planned and carefully implemented cost-recovery programs can constitute a viable alternative revenue source and can thereby provide the potential for increased service capacities for large police agencies.

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INTRODUCTION

During the 1990's, the State of California will undergo a period of dynamic change--perhaps the most dramatic period of change in its history.

Minority populations, especially Asian and Hispanic, will grow due to both proportionally higher birthrates and immigration. Demographers predict that today's minorities will constitute the majority in the state by 2005. The effects of a "greying" population will accompany the aging of the baby-boomers, and population shifts will occur within the state. All these trends will combine to strain the service capacities of California's law enforcement agencies.

Advancing technology will cause a re-definition of the police role, affecting recruitment, training, administration, and service delivery. Such technological trends as the development of a cashless society, cryonics, gene research, and computer crime will create hitherto unknown problems engendering new legislative responses. Protective social legislation, environmental legislation, the continuing war on drugs, and urban terrorism related to such issues as abortion (pro or con) or animal rights will also create major challenges to the police executive of the nineties.

Unfortunately, while service demands increase as a result of the interaction of all the above listed phenomena and others, it is unlikely that police budgets can be expected to increase proportionately. As a result, one of the primary challenges to the police executive of the nineties will be to maximize service capacities within the framework of limited local budgets. One strategy which promises relief in this effort is the development of

alternative revenue sources; i.e., cost recovery and fees for service. This study examines the issue of cost recovery in large police agencies. While parts of the study may not be directly applicable in every instance, many of the methodologies and analyses included are transferable. The author sincerely believes that the application of the strategy and methodologies contained herein will augment police budgets and thereby increase service capacities for any employing agency.

PART ONE:

THE FUTURES STUDY

- The Issue
- Review of the Literature
- Interview Results
- The Nominal Group
- Trend Identification
- Trend Evaluation
- Event Identification
- Event Evaluation
- Cross-Impact Analysis
- Scenarios

THE ISSUE

Few, if any, discussions of law enforcement problems or programs are ever held without reference to the proverbial "bottom line." Whether such conversations relate to operational issues, investigative strategies, personnel, technological advances, crime prevention, or the myriad of other esoteric issues which command the attention of law enforcement executives, the question of cost will without a doubt arise. The truth of this axiom is rooted in the fact that in the labor intensive work of policing, dollars translate into service. Some might even say that the primary challenge to the police executive is to provide the maximum level of service possible within the finite constraints of limited local budgets.

One should not, however, infer from this state of affairs that the police executive is doomed to be a prisoner walled in by budgetary bars. In recent years a spirit of entrepreneurship on the part of many police executives has led to the development of alternate revenue sources such as new or enhanced cost recovery programs and fees for service. Private consultant Doug Ayres, whose firm MSI (Management Services Institute) specializes in the development of cost-recovery programs, states that his firm has helped eighty cities recover over five hundred million dollars as a result of user fee based programs. An April 18, 1989, article in the "Boston Globe" states, "User fees per dollar of taxes in Massachusetts increased from 11 to 24 cents between 1972 and 1985 and many more have been established or raised in the last four years."¹ That same article noted that "...nationally, revenues from local government user fees have tripled from 1976 to 1987, bringing in nearly \$100 billion."²

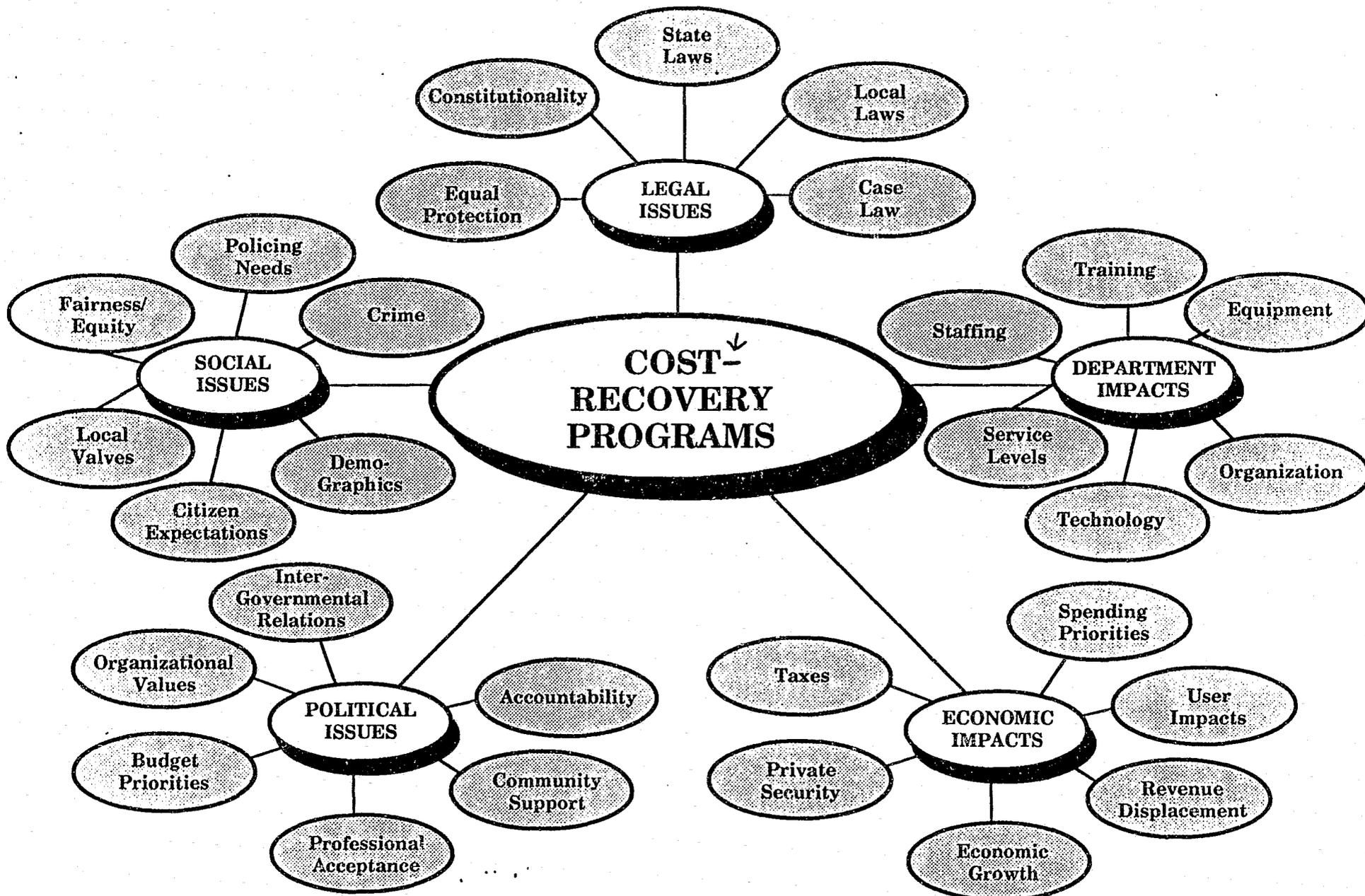
What then keeps large California police agencies from maximizing their utilization of this revenue enhancing tool? During the next decade will it be possible for large California police agencies to significantly offset their budget expenditures by the adoption of cost-recovery strategies? If so, to what extent? In an era of shrinking tax revenues what will be the future of cost-recovery programs in California's larger police agencies?

The solutions are contained within the primary issue of this study: How Will Cost-Recovery Programs Affect the Service Capacities of Large Agencies by the Year 2000?

The detailed examination of this issue generates a number of related sub-issues. One excellent method of illustrating the relationship of the study issue to level-one and level-two sub-issues is the utilization of a "Futures Wheel." In the Futures Wheel on the following page the study issue is represented in the center. Flowing out from the center are a number of significant level-one and level-two sub-issues endemic to the topic.

Obviously, it would be hopeless to try to address in detail all the sub-issues represented in the Futures Wheel within the limited scope of this project. As a result, although different parts of the study will touch upon a large number of the sub-issues listed, the primary sub-issues upon which the study will focus have been limited to the following:

1. How will trends and events already in motion redefine the police role in the coming decade?
2. What are the legal issues associated with the development and implementation of cost-recovery strategies?
3. What are the political issues associated with the development and implementation of cost-recovery strategies?
4. What will be the impact of cost-recovery strategies on the private security industry?



FUTURES WHEEL

LITERATURE REVIEW

While the majority of the forecasts and analyses contained in this study of cost recovery are based upon original data generated by groups assembled for a Nominal Group Technique and a Modified Policy Delphi, it is still desirable in the primary scanning process to attain a basic familiarity with the current professional literature. A review of such data provides insight into the various aspects of the issue itself and a foundation which will lead to a better understanding of the processes which comprise the remainder of the project. What follows in this section are synopses of a number of articles from the professional literature and news media. Some of the items are technical. Some wax somewhat philosophical about political and management theory. Some merely describe applications of individual cost-recovery programs. The attempt has been made to provide a representative group of selections which will provide an effective introduction to the study issue.

1. Police Management in the 1980's: From Decrementalism to Strategic Thinking by Charles Levine. In this article Mr. Levine describes the resource-demand gap which since the mid-80's has characterized many if not most law enforcement agencies. Mr. Levine postulates that police managers must re-examine their own role and that of their agencies and replace "decremental" problem solving with a strategic planning approach to organizational revitalization. According to Mr. Levine, such "strategic" responses involve (1) multi-year time frames, usually three to five years; (2) a significant reallocation and reconfiguration of resources; (3) substantial changes in work structure and work force activity; and (4) a comprehensive as opposed

to "ad hoc" re-examination of the organization's problems, mission, and structure.

Mr. Levine presents an alarming set of statistics describing the fiscal stress being encountered by a large number of agencies across the nation. He cites the negative effects of what he refers to as decremental responses stating, "The purpose of describing these consequences of decremental adjustments to long-term fiscal stress is to underscore the point that short-sighted responses eventually produce departments which are smaller and cheaper but also weaker and less vital and, as a consequence, less able to cope with the problems of crime and public order."³ Mr. Levine then presents what he considers to be four key assumptions behind strategic management: (1) contingency relationships between the strategy and the situation; (2) strategic capacity; (3) a full array of alternative service delivery options; and (4) that fiscal stress will close some windows of opportunity but open others. Mr. Levine, in his article, then examines in detail each of these four assumptions. Significantly, cost-recovery programs (user fees) are cited to illustrate both assumptions three and four.

Found at the end of Mr. Levine's article is the following quotation, which states poignantly and succinctly the philosophy underlying the development of innovative responses to financial stress:

The movement of strategies from traditional (primarily internal) to non-traditional (primarily external) responses is hardly automatic. It depends on a combination of leadership and political factors and, most important, on learning how to ask the right questions about a department's environment, mission and administrative capacity.

The central task for many police chiefs in the 1980's will be to adopt their departments to diminishing resources and to revitalize them when the initial shock of cutbacks has ended. To do this it will be necessary to develop a new "strategic image" that defines what the organization looks like in the near term future, what it will be doing and how it will be doing it. Such an image specifies the department's purpose, plans, programs, size and resources. It fixes the balance between resources and programs into the future and describes how to reach this new arrangement. Thus the strategic management process will involve an iterative analysis, that is, a series of comparisons between the resources required to operate the proposed programs and a realistic assessment of what managerial and political actions will be necessary to fund and implement them. In doing so managers are bound to address one of the key questions of strategic management: Is there another way of delivering this service that is better or costs less than the way we have been doing it?⁴

2. The Economics of Demand Management by Norman R. King. Mr. King begins his article by asserting that "California's future will include some new, different ways of approaching public policy that will make greater use of market systems, pricing, competition and choice to serve our public."⁵ Mr. King then devotes a good portion of the article to addressing the need to understand the fundamental limits of government. He makes the important point (in terms of consideration of cost recovery programs) that it is time to focus on what is necessary as opposed to what is good and desirable. One of the main themes of the article, in fact, is the definition of the problem as too much demand for the government service to start with.⁶ Mr. King also presents as a primary premise of demand management that "...we actually may be able to increase the satisfaction of our citizens by offering more choices through certain user fees."⁷ King indicates that user fees may be a means not just of raising money but of improving efficiency in the allocation of services so government is more efficient in the long run. King asserts that some government services are "necessary" and for reasons of equity must be

provided to everyone. Beyond that level, however, he proposes user fees to fund things that are good and desirable as opposed to necessary. He states, "Through choice, through variable levels of service, and the use of pricing to achieve this, we have a chance to provide more efficient government that provides wider public satisfaction at substantially less cost."⁸

3. Costing and Pricing Municipal Services, International City Management Association Management Information Service Report, prepared by Management Systems Inc., Philip Rosenberg, author. In this long and rather scholarly article the author begins by describing in some detail the sad set of financial circumstances in which local governments today find themselves. The author points out that many communities are lagging in their ability to finance local services. Recent federal budgets have slowed the flow of federal dollars to municipalities and municipal bond offerings have lost much of their competitive edge. Inflation has increased local government expenditures faster than revenues, and local governments are increasingly forced to rely on non-property tax revenues.

The author then suggests that "One option available to local governments is to diversify the revenue base by making greater use of fees and charges."⁹ In order to develop such non-traditional sources of revenue the author suggests the development of a "revenue plan." Considerations (regarding cost-recovery programs) which must be included in such a plan include: equity, fairness, dependability, administration and collection costs, and the effect of the planning various populations of the community. Additional concerns which must be addressed in the establishment of fees and charges include:

- How will the revenue alternative relate to community needs and priorities?
- Will the fees and charges be perceived as fair?
- Is it desirable or possible to aim for full cost recovery?
- Will the revenue source be dependable?

The author suggests that of all the considerations listed, the one most likely to generate citizen concern is equity. Who will pay? How much will they pay? Should the full cost of the service be paid by those who use it? To determine the answer to the first question, the author considers who is the beneficiary of the service, the individual, a group, or the entire community. With regard to the second, the author provides three alternatives: charge everyone the same amount, set a charge based on the class of user, or base the fee on the ability to pay.

As the previously cited authors have done, Mr. Rosenberg points out that user fees can be used to lesson inefficient or wasted use of resources (reduce demand). He points out, however, that new revenue plans undertaken with recognition of municipal service goals should result in a plan that does not contradict resident concerns and expectations.

Mr. Rosenberg next addresses the issues of evaluating the potential of new programs; i.e., (1) dependability, (2) flexibility, and (3) capability to generate desired amounts of revenue. He stresses the importance of public information programs and addresses the issues of administration and collection. Several pages of the article then deal with the mechanics of costing out services and program implementation. The author discusses the types of activities

CHECKLIST IN CONSIDERING USER CHARGES

- Resist subsidizing programs that provide direct benefits to identifiable individuals. Implement user charges.
- Periodically review all user charges to determine the extent to which you are recovering the full cost of providing a service.
- When establishing a price, consider the potential users' ability to pay.
- Before setting a new charge, estimate its revenue producing capability.
- Structure your accounting system so that it provides information on the full cost of all programs. Make sure this information is available to the elected officials, department heads, and citizens.
- Avoid a situation where the public mistakenly believes certain services are "free." The public should be made aware of the full cost of the services provided.
- Undertake an educational program in your community to inform residents that user charges are subject to annual (or more often) updating depending upon the cost of providing the service.
- Place the responsibility of raising the necessary revenue to implement a new program or the expansion of existing programs on those persons who use the programs.
- Be alert to the fact that services with no charge attached to them may lead to overuse, overcrowding, and waste of the service—ultimately resulting in public pressures to expand the service facilities.
- Consider charging fees to the promoters of sporting, theatrical, or any event that requires the local government to provide traffic control officers or inspections.
- Make sure that citizens urging that user charges not be increased realize that revenue to operate the service must then come from other sources. In such instances, non-users may be subsidizing users.
- Be aware that communities compete with each other to attract new business and industry. If you have too many charges, you may lose your competitive position.
- Consider pricing services based on location to take into account the cost differences caused by distance from treatment plants, disposal sites, pumping stations, etc.
- If certain services are subsidized to meet social goals, be sure the governing body is fully aware of the difference between the revenues received and the full cost of providing services.
- Consider how much it will cost to collect the fee or charge.
- Make sure the fee or charge is legal within state or local statutes.
- Be aware that subsidizing a service that could stand on its own may draw needed revenue from other sources that cannot support themselves.
- Keep in mind that user fees provide market signals to government officials on the types of services desired and the quality and the quantity of the service.
- Keep in mind the cost of a service is affected by the location of users, the density of the development at the location of consumption, and the time at which the service is used.
- Property taxes are deductible on federal personal income tax returns—user charges are not.
- Insure that there are adequate internal controls to protect the revenues collected.
- Consider charging for nuisances, such as false burglar and fire alarms, that cost your locality money.
- Keep in mind that consumption may be elastic. As the fee increases, consumption may go down.
- Remember that user fees and charges apply to tax exempt property as well as taxable property.
- Consider holding public hearings prior to establishing or increasing a fee or charge.

Partially developed from: Department of Commerce and Community Affairs, State of Illinois, "User Charges—Overlooked Revenue Source," May, 1981, pp. 9-10.

Table 2

User Charge Checklist

It is worthy of note that this article was the most comprehensive treatise this author encountered regarding practical nuts and bolts issues associated with implementation of cost recovery programs. The article is strongly recommended to any reader seeking more information in this area.

4. The Future of Law Enforcement by Joe Coyle. In this article which was published in the August 1987 issue of Police, the author first describes a number of problems currently facing law enforcement, then makes a series of broad projections about the future of the profession. Much of the article refers to the potential for technological advancement in such areas as automated systems and computerized voice-stress analysis. The article also addresses, however, additional topics such as crime prevention strategies, liaisons with the private security industry, and cost recovery.

With regard to the private security industry, Coyle notes that private security firms are today providing more "police" services than ever before. According to Coyle:

"With essential services such as responding to emergencies, crimes in progress and some reporting left to 'sworn' cops, private companies with their cheaper labor will provide our neighborhoods with the same show of force industry enjoys today... Crime prevention may become the exclusive domain of the private sector."¹⁰

Throughout his article, Coyle relates cost effectiveness to privatization. It is interesting to note, however, that his comments relative to privatization viewed in conjunction with his projections regarding cost-recovery strategies suggest an expanded role for the private security industry in the future as a result of cost recovery efforts. The likelihood of such an expanded role would almost certainly increase if fees were based on actual costs.

Specifically with regard to cost recovery Coyle predicts that it is a trend which promises to be tomorrow's standard. Coyle states, "In an effort to provide adequate levels of services to the people they serve, police departments of the future will bill their

constituencies to defray high costs."¹¹ Coyle cautions, however, that such programs may lead to lower levels of service and higher crime rates in low-income areas and areas which opt not to spend money on police services.

5. Participatory Democracy and Budgeting: The Effects of Proposition 13 by Jerry McCaffery and John H. Bowman. In this article written shortly after the passage of Proposition 13, McCaffery and Bowman examine the effect of the initiative process as an electoral device in policy areas which commonly have been dominated by experts. The authors suggest that the proposition's "meat axe" approach upset complex intergovernmental fiscal relationships and resulted in a "complicated and extensive" set of consequences. The authors refer repeatedly throughout the article to the increase in cost-recovery programs as one of those consequences. According to the authors, "After July 1 (1978), the tax structure would be very difficult to change. The League of California Cities estimated that over a quarter of the State's 417 cities had raised or were considering raising fees and charges during June."¹² The authors then cite a number of examples of fee structures which had dramatically changed. The authors summarize this section of the article saying, "In sum, immediately after its passage Proposition 13 was producing visible fee increases and service cutbacks...as local government, large and small, attempted to grope with the prospect of drastically reduced revenues and uncertainty about what the state would do to help them."¹³

In an interesting quote in which the authors address the previously described equity issue, they state:

Many local governments have already turned to new and increased fees and charges to make up part of their revenue losses. It is both appropriate and possible to exact from users the revenues necessary to support some types of publically provided services, and in these cases greater reliance on user charges should be considered a positive result of Proposition 13, producing improvements in both allocative efficiency (either under- or over-supply can result from divorcing payments from benefits) and equity (non-beneficiaries do not have to subsidize beneficiaries). For other types of services, however, it is either not technically feasible or not desirable (on distributive grounds) to link payments and benefits. These services must be funded from general tax revenues, such as the property tax. Unfortunately, Proposition 13 will create some equity problems.¹⁴

6. Let Them Eat Cake - "Cafeteria Style" Government is on the Rise in Massachusetts by John Powers. Mr. Powers wrote this article for the Sunday Magazine section of the Boston Globe. It is a relatively critical article in which the author decries what he identifies as an increasing tendency for taxpayers to believe they need only pay for what they order. The author notes that in the past a "social compact" existed in which the whole people covenant with each citizen and each citizen with the whole people. He then asserts that due to concerns for the way their money is spent and a basic distrust of government, the people are now less willing to tax themselves. According to this author, "The issue these days may not be what government is but what it should be. How big? How expensive? Who pays -- and for what? It's more a debate about what kind of government we want, and what kind of society we're going to be."¹⁵

The author points out that since the Depression a contract between generations has existed, wherein all benefitted by funding programs beneficial to society as a whole. The young have paid for medicaid. The elderly have paid for schools. Society prospered. As the price has gone up, however, citizens have grown reluctant to pay for services they do not use. As examples, the author cites the

elderly and the lower middle class as groups which for various reasons exemplify this reluctance.

Three specific factors make this article particularly relevant to the study. First, it is the most current of all the articles reviewed. Second, user fees and cost-recovery programs are specifically referenced as methods which some cities have used to sustain programs. And third, the article presents insights about the people's expectations and concerns about government. This last issue may be a predictor of the police role in the year 2000.

7. Service Fees by Reed Hildreth. This article is the first reviewed here which pertains specifically to police service user fees and cost-recovery programs. The author begins the article by drawing an important distinction between legally and morally mandated duties of any department to protect the public from threats to life, health, and property, and those services which he categorizes as responsive or non-essential. The first class he views as "essential." The second he describes as "nice to provide if they don't conflict with delivery of basic services." The author points out that as operating costs have increased and funding sources decreased, a debate has developed regarding the elimination, cutback or alternate funding of "responsive" services.

In his consideration of this issue, Hildreth makes three assumptions: (1) police resources are limited and expensive, (2) all citizens are entitled to basic essential services, and (3) non-essential services which usually serve a distinct clientele compete for the same resources as basic essential services.

The author then describes the implementation of a cost-recovery program in St. Paul which consisted of four basic elements:

- Marketing of services to business and the public
- Charging other government entities for services
- Retention of responsive service fees by the department
- Responsive service fees

Generally, this short article describes a successful, comprehensive cost-recovery program which gained acceptance both internally and externally.

8. Cost-Recovery Revenues - An Answer to Declining Revenues, Increasing Service Demands by Theodore Bauer. This short article published recently in Current Municipal Problems presents an excellent overview of the successful development and implementation of cost recovery programs in a single municipality. In fact, the experience described surprisingly parallels the concepts presented in the Strategic Planning and Transition Management segments presented in the Command College. As many of the previously cited authors have done Bauer begins the article by pointing to the importance of seeking alternate solutions and strategies in the wake of shrinking traditional financing sources. He particularly cites the increasing importance of non-property tax revenues.

The author then describes the manner in which Neenah, Wisconsin increased cost-recovery revenues by 15%. Most noteworthy in the article was the fact that a stakeholder analysis and identification of the "critical mass" led to the inclusion of a number of governmental units and department heads in the program construction. An additional significant factor represented in this article was the contracting of

a private consultant to facilitate the process. The utilization of such services is addressed in some detail later in this paper.

9. How Iowa's Small Towns Cope with Financial Retrenchment by Gary A. Mattson. This article is representative of a number of similar articles published in the professional literature which document the retrenchment responses of local governments to shrinking revenues. Although the article describes the experience of small Iowa towns rather than large California cities, it has relevance to the study issue based on the paradigms it presents and the fact that it notes that, at least in Iowa, revenue enhancement; i.e., tax increases or cost recovery are not the response of choice but can be an effective alternative. According to this author, the responses of choice include: (1) service reductions, (2) load shedding, (3) contracting or privatization, and (4) volunteerism.

The author begins his article by defining fiscal stress as "the point where budgetary expenditures consistently outstrip the ability of the community to raise revenues to pay for continuation of the services at the expected levels."¹⁶ The author proposes as a response: "When fiscal stress occurs a municipality must address the deficit imbalance by adjusting either the revenue or the expenditure side of the budget."¹⁷ As noted above, the author does not consider the development of cost-recovery strategies as the response of choice, but he does concede their viability. Regarding these strategies he states:

Revenue enhancing strategy is the least popular of all the strategies for city to adopt during periods of fiscal stress. Of the two acceptable options, taxes or user fees, provided that federal funds are eliminated, user fees are seen as the better choice. Small town Iowa officials appear to view user fees as just or equitable because of the belief that those who directly benefit from the service should be required to pay.¹⁸

10. Cash Strapped Communities are Looking to Fees by Andrew J. Dabilis. This recent newspaper article from the Boston Globe presents an account of how a number of Massachusetts communities imposed user fees to offset lagging budgets. The article states that between 1972 and 1985 user fees per dollar of taxes in Massachusetts increased from 11 to 24 cents and that many more (fees) have been established or raised in the last four years. The article also noted that nationally revenue from local government user fees have tripled from 1976 to 1987, bringing in nearly \$100 billion. In the article, user fees are described as a way to stabilize a revenue base so as not to depend solely on one revenue source. The article predicts that paying for service will become much more commonplace but points out that there are still some problems associated with user fee programs; i.e., administration and collection. An additional potential problem associated with user-fee programs was the possibility of imposing fees which make services prohibitive.

A citizen, Barbara Anderson of the Citizen's for Limited Taxation, who sponsored Massachusetts's Proposition 2-1/2 (similar to California's Proposition 13), makes the following statements relative to user fees:

A genuine user fee is good because you're paying for the cost of service. Why should some senior citizen be subsidizing people playing ball at night? It's not essential and it's not fair.

The danger is when a municipality tries to recover more than the cost of the service or when the fee is not directly related to the service. You can't charge to subsidize the Fire Department.¹⁹

11. Long Beach Establishes User Fee Program by Ed Hatzenbuehler. This article is particularly noteworthy as Long Beach is one of the departments participating in the Survey/Interview research cited

later in Part One of this study. The article describes the development of a "Financial Incentive Plan" wherein the police department is able to use marginally generated revenue to support or expand services. The program targets services which reduce the availability of officers. The program uses standard billing rates for actual service time. Specific services for which fees are being charged and costs recovered include: (1) drunk driver enforcement, (2) weekend jail detention, and (3) a variety of routine services such as police reports and parking fines.

12. Pacific Grove Police Charging Drunk Drivers for Response Costs by Kevin Howe. This short article published in the Monterey Peninsula Herald describes the application of Government Code Section 53158 which allows the recovery of up to \$1,000 in emergency response costs from a person arrested. The article notes that of the \$145,000 billed since the program began, \$15,000 had actually been recovered.
13. Local Police Charging for False Alarms by Jennifer Kirkham. This 1989 article in the Oroville Mercury-Register describes that city's imposition of a fee to business owners when officers respond to move a set number of false-alarms. The article documents well the cost to the City of false alarm responses. It also describes in some detail the vehement opposition voiced by Oroville's business community. It would appear, based on the quotes contained in the article, that the support of key stakeholders was not insured prior to the implementation of this program.
14. Council Likes Plan to Bill Suspected Drunken Drivers by Jim Sanders. In this 1988 article which appeared in the Sacramento Bee, the author describes local support for cost recovery from drunk drivers.

The article predicts \$250,000 of revenue generated the first year compared to administrative costs of \$30,000. Interestingly, the article also describes the exploration of expansion of the program beyond drunk driving to include other intentional misconduct such as arson or fighting.

15. Traffic Enforcement Programs of the Santa Rosa Police Department by Scott D. Swanson. This is another article which describes an application of the statute allowing cost recovery from drunk drivers. The article, being from a professional journal rather than the news media, covers in the issue in somewhat more detail than previously cited articles on this topic. The legal philosophy and legislative intent of Government Code Section 53150 are well covered, as is the administration of the program in the Santa Rosa Police Department.

SURVEYS AND INTERVIEWS

In addition to the review of the professional literature which was synopsisized in the previous section, as a part of the scanning process for this study, surveys and interviews were conducted at four large California departments (San Diego, Long Beach, Sacramento, and San Jose). For the survey/interview process telephone contact was first made at each department soliciting cooperation and identifying a contact person. A short survey in the form of an "Interview Worksheet" was then faxed to the contact person at each agency. (A copy of the two-page worksheet is attached as Appendix A.) Each contact person was asked to review the worksheet and fill out the first section (statistical data) prior to the actual interview. Follow-up interviews were then conducted at each agency. This research format had a twofold purpose. First, it was designed to capture relevant "hard data" regarding current budgets and cost-recovery programs. Second, it was designed to elicit some "gut level" projections from current experts in the field regarding the future of cost-recovery programs in large California agencies. The results of these surveys and interviews follow in the section below.

San Diego Police Department

The contact person at the San Diego Police Department was Supervising Analyst in the Fiscal Management Section, Clay Bingham. Mr. Bingham was not only well prepared for the interview but had made copies of several City of San Diego documents which described and regulated San Diego's cost-recovery programs and which he felt would be relevant to this study. Those documents included the City's Cost-Recovery Manual, a Ratebook of Fees and Charges, and a Memorandum addressing Revised FY 1990, Projected FY 1991 and Estimated 1992

Revenue Projections. (Pertinent excerpts from these documents are included in Appendix B.)

Mr. Bingham provided the following budget and cost-recovery figures for Fiscal Years 1984-85 through 1988-89:

	FY 84-85	FY 85-86	FY 86-87	FY 87-88	FY 88-89
Total City Budget	412,375,234	469,971,444	510,250,138	561,358,804	624,457,768
Police Budget	81,045,341	91,205,343	104,581,994	119,882,969	128,027,982
Police Budget Recovered*	10,219,398	10,038,648	10,323,106	9,610,150	10,168,701
% Police Budget Recovered	12.6%	11.0%	9.9%	8.0%	7.9%
Less All Parking Revenue	9.6%	8.3%	7.5%	5.8%	5.9%

* By user fees for service or cost-recovery programs.

Table 3
San Diego Police Budget

The two charts on the following page illustrate the five-year trends for both the San Diego Police Department budget and the percentage of that budget which was recovered. While the department's budget climbed from \$81 million to \$128 million during that period, the percentage of the budget which was recovered showed a gradual decline, from 12.6% to 7.9%.

San Diego Police
Department Budget

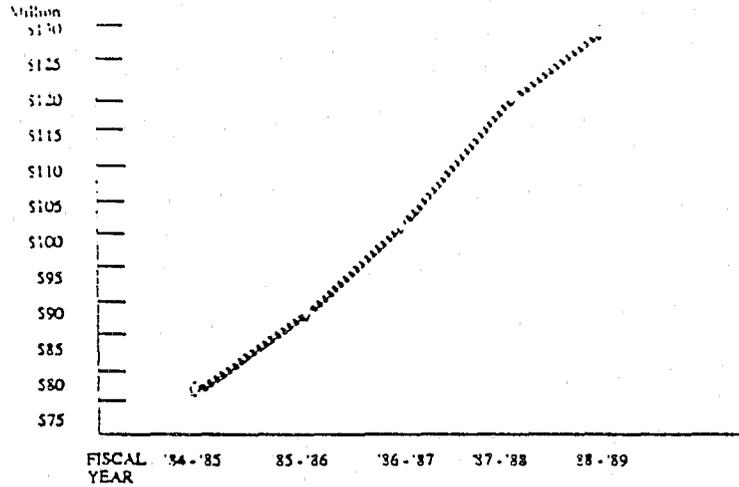


Chart 1
San Diego Police Budget
Five-Year Trend

Percentage of San Diego Police
Department Budget Recovered

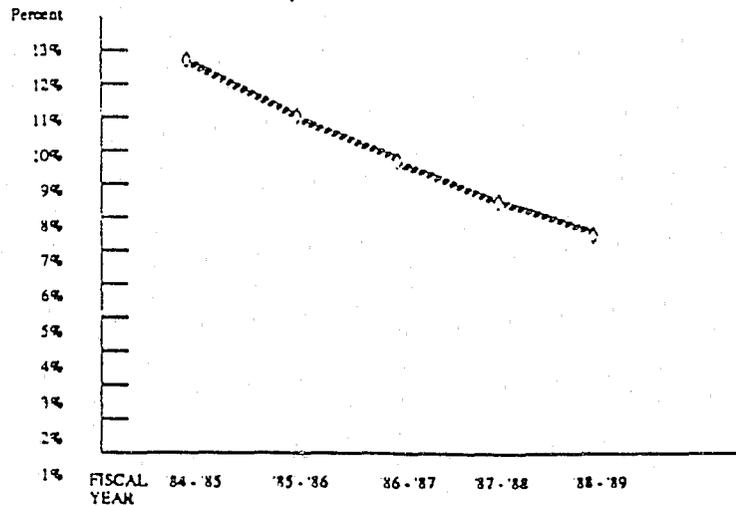


Chart 2
San Diego Police Budget
Cost Recovery
Five-Year Trend

Examples of existing cost-recovery and user-fee programs in San Diego include:

- Emergency Police Ambulance Service
- Crime Reports/Accident Reports
- Fingerprints
- Special Police Protection
- Polygraphs
- Expert Witnesses
- Licenses and Permits
- Vehicle Impounds
- Miscellaneous Police Services
- Second Response to a Loud Party

Future planned recovery programs include:

- Vehicle Impound Administrative Fees
- Stadium Traffic Control
- Royalties on Training Films
- Swap Meet Fees
- Firearms Dealer's Fee
- Escort Services Permit
- Auto Dismantler Fee

Mr. Bingham cited several problems which he associated with police cost-recovery programs, both present and future. First, citizens are reluctant to pay for services which they have become accustomed to getting free. Second, he identified a potential problem in departments pushing too hard to recover costs; i.e., becoming too entrepreneurial. Third, he cited the administrative burden of actually recovering the fees. Mr. Bingham predicted little change in the percent of budget recovered by San Diego Police Department over the next ten years. He added this poignant observation, however: "The issue of cost recovery is really part of a larger issue--how the people choose to fund law enforcement. Since most law enforcement services are not really the fee-generating type, the real problem is that the public does not want to pay the price for law enforcement services."

Long Beach Police Department

The contact person at Long Beach Police Department was Commander Jerome Lance. Commander Lance provided the following figures relative to City and Department Budgets, and Police Department cost-recovery programs. He noted, however, that his figures for Police Budget Recovered did not include charges to other police agencies or revenue generated by contract agreements to police the harbor, tidelands and airport. He estimated that fees generated by those sources would total about a million dollars.

	FY 84-85	FY 85-86	FY 86-87	FY 87-88	FY 88-89
Total City Budget	1,127,179,852	1,071,663,838	972,229,567	911,344,221	1,232,421,650
Police Budget	64,517,269	68,974,606	74,786,040	76,266,904	76,232,017
Police Budget Recovered*	717,010	466,250	567,307	671,323	826,590
% Police Budget Recovered*	2%	2%	2%	2%	2%

* By user fees for service or cost-recovery programs. (Includes \$1 million from contract agreements).

Table 4
Long Beach Police Budget

The two charts on the following page illustrate the five-year trends for the Long Beach Police Department Budget and the percentage of that budget recovered. While the budget increased from \$64.5 million to over \$76 million, cost recovery remained stable at 2%.

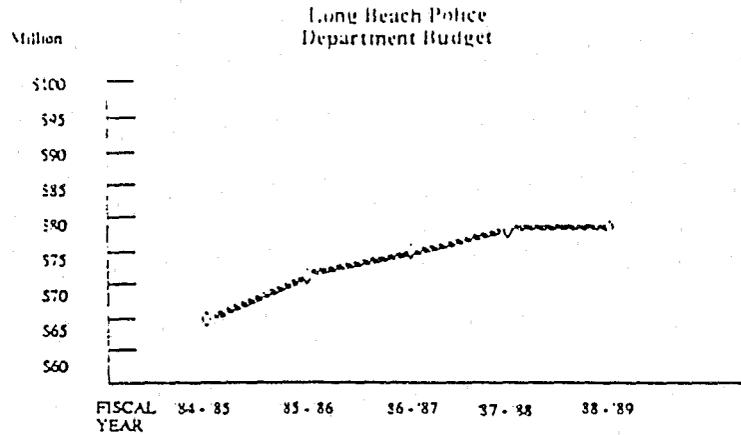


Chart 3
Long Beach Police Budget
Five-Year Trend

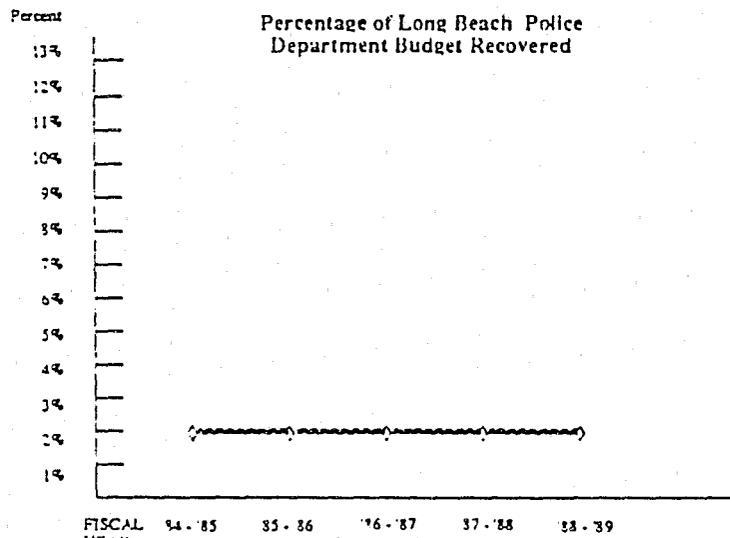


Chart 4
Long Beach Police Budget
Cost Recovery
Five-Year Trend

Examples of current Long Beach Police Department cost-recovery programs include:

- DUI Recovery
- Jail Weekender Program
- County Contract for Service to Carmelitos
- Special Event Policing

Examples of possible future cost-recovery programs include:

- 415 Party Response Fees
- Alcohol Related Calls
- Major Incidents at Private Facilities
- Special Long-term Undercover Investigations at Private Facilities
- License and Permits Fees

Commander Lance, not unlike Clay Bingham, anticipated a number of problems with the implementation of cost-recovery programs. First, he identified difficulties in selling such programs politically. Second, he expressed concern about adverse court rulings. Third, he predicted that as cost-recovery generated revenue increased, a revenue "displacement" would occur in other areas. Commander Lance was also quick to identify three major themes present in the professional literature: (1) How do you define the basic service level above which you can charge for; (2) How do you guarantee equity to both the "haves" and the "have-nots"; (3) Are citizens already "taking it in their own hands" by hiring private security at an increasing rate.

Surprisingly, unlike Clay Bingham, Commander Lance predicted a major increase in fees for service and cost-recovery programs over the next ten years--possibly as high as 25% of the Long Beach Police Department budget.

Sacramento Police Department

The contact person at the Sacramento Police Department was Sergeant Rick Braziel of the Planning and Fiscal Unit. Prior to the actual interview in addition to compiling the data for the first part of the Interview Worksheet Sgt. Braziel prepared a detailed list of Sacramento Police Department cost-recovery programs with the respective dollar amounts recovered for each of the last three fiscal years and to date this year. (This list is reproduced in its entirety in Appendix C). Sgt. Braziel also provided the following budget and cost-recovery figures for Fiscal Years 1984-85 through 1989-90 to date. He noted that these figures do not include either grant funds or asset forfeitures.

Total City Budget	153,964,000	175,556,000	195,701,000	262,350,000	218,801,000	241,800,000
Police Budget	38,046,000	42,330,000	44,968,000	45,189,000	51,238,000	55,962,000
Police Budget Recovered*			831,033	999,347	1,595,779	1,454,648
% Police Budget Recovered*			2%	2%	3%	3%

* By user fees for service or cost-recovery programs.

Table 5
Sacramento Police Budget

The following two charts illustrate the five-year trends for both the police budget and the amount of that budget recovered by the Sacramento Police Department.

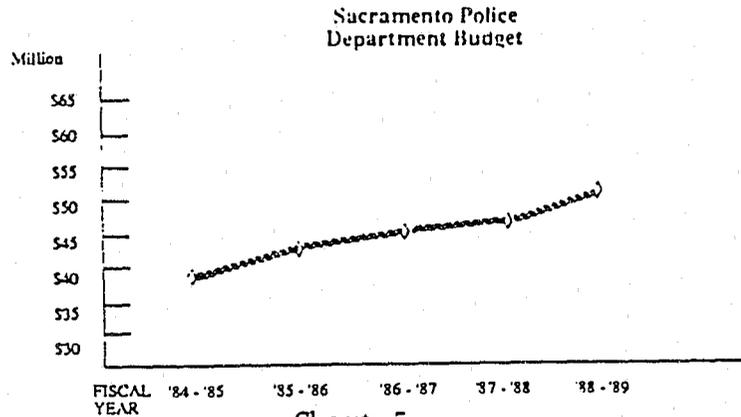


Chart 5
Sacramento Police Budget

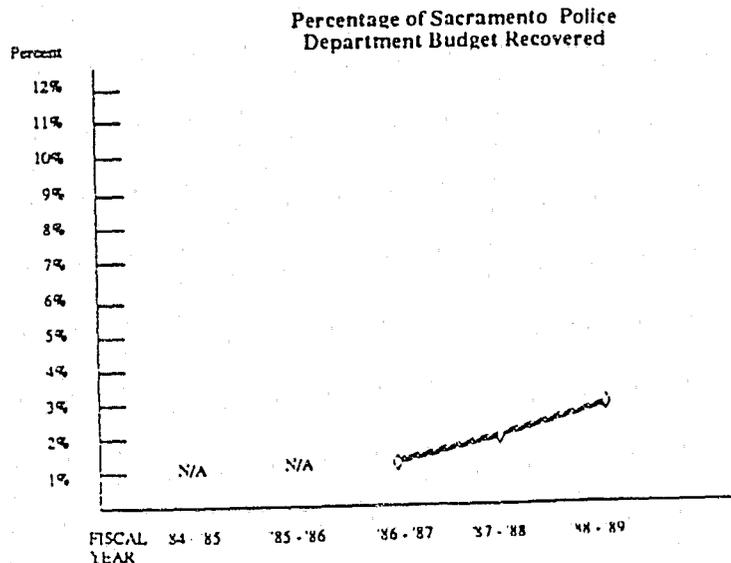


Chart 6
Sacramento Police Budget
Cost Recovery
Five-Year Trend

As examples of current cost-recovery programs, Sgt. Braziel cited:

- DUI Recovery
- Special Events at Arco Arena
- Traffic Community Service Fees
- Witness Fees
- Funds Recovered from POA for Reimbursement
- Recovery from DOJ for a TDY Officer
- Sale of Unclaimed Property
- New Loud Noise Ordinance

As examples of future programs, Sgt. Braziel cited:

- Recovery for Enforcement at Protest Demonstrations (e.g. Abortion)
- Anti-Cruising Ordinance
- Impact Fees from Developers
- Lease of Space in the New Building

With regard to problems encountered or anticipated in the development of cost-recovery programs, Sgt. Braziel expressed concern regarding political acceptance, the return of recovered funds to the Department as opposed to the general fund, and the degree of in-house resistance.

In spite of these anticipated problems, Sgt. Braziel predicted growth in the percent of budget recovered over the next ten years. Interestingly, Sgt. Braziel noted at the end of the interview that the "politics" which were part of the problem were also part of the solution.

San Jose Police Department

The contact person at San Jose Police Department was George Jacobson, a Senior Analyst assigned to the Fiscal Division in the Bureau of Administration. Regarding the first section of the Interview Worksheet, Mr. Jacobson noted that the budget figures were based on general purpose funds only (excluding special purpose funds such as the Airport and the Water Pollution Control Plant). Mr. Jacobson then provided the following data:

	FY 84-85	FY 85-86	FY 86-87	FY 87-88	FY 88-89
Total City Budget			(1) (2) 269,982,809	(1) 288,472,326	(1) 304,193,310
Police Budget	63,645,176	73,371,898	77,941,389	78,448,989	84,183,732
Police Budget Recovered*	1,723,591	1,860,000	1,903,000	1,280,300	1,587,600
% Police Budget Recovered	2.71%	2.53%	2.44%	1.63%	1.89%

* By user fees for service or cost-recovery programs.

(1) General Purpose funds only. Excludes Special Purpose funds, i.e. Airport, Water Pollution Control, etc.

(2) Based on actual expenditures.

Table 6
San Jose Police Budget

The following two charts illustrate the five-year trends for both the police budget and the percent of that budget recovered for the San Jose Police Department.

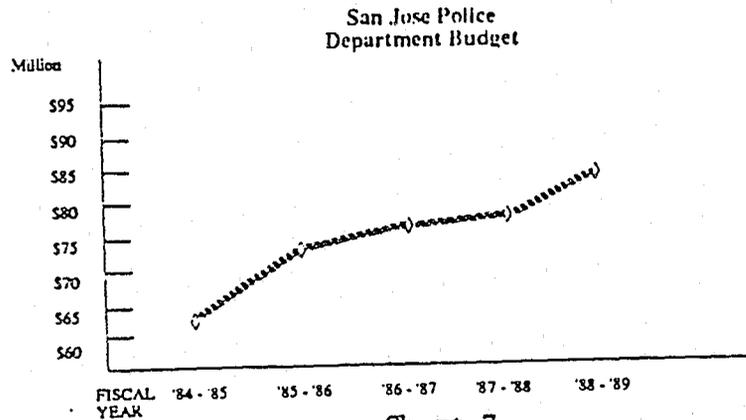


Chart 7
San Jose Police Budget

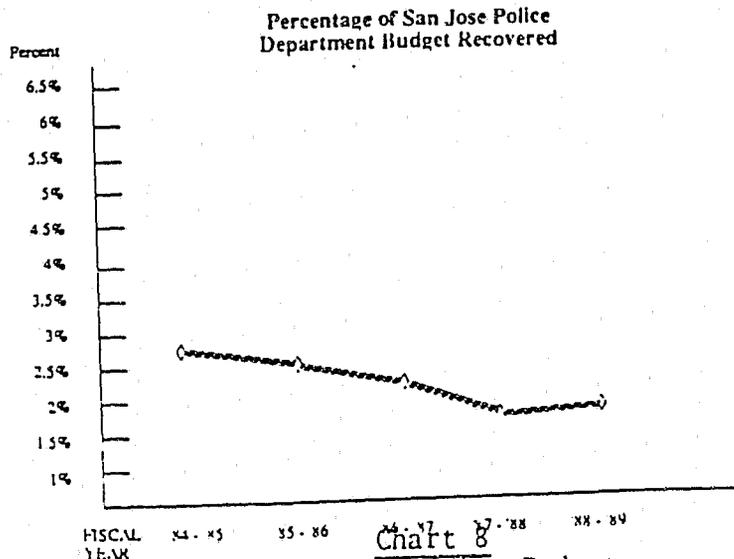


Chart 8
San Jose Police Budget
Cost Recovery
Five Year Trend

A complete list of existing cost recovery programs in the San Jose Police Department was provided by Mr. Jacobson in the form of a draft of a new schedule of Departmental Fees and Charges. (This proposed schedule is attached as Appendix D). Examples from that schedule include:

- Fingerprinting
- Funeral Escorts
- Report and Photograph Copying
- Bomb Squad Responses
- Canine Responses
- Police Artist Services
- A Variety of Licenses and Permits

Mr. Jacobson stated that he was not aware of any specific proposals for new cost-recovery programs within the San Jose Police Department. He added, however, that if such proposals were in development, it would probably be at the operational or unit level rather than in his own unit. With regard to problems associated with the implementation of cost recovery programs, Mr. Jacobson cited community acceptance and the development of equitable fee structures as two primary concerns.

Interview - Mr. Doug Ayres (MSI)

The last phase of the scanning process conducted as a part of this study consisted of an interview with Mr. Doug Ayres, President of Management Services Institute, a consultant firm which specializes in the development of cost-recovery programs for local government (and a Command College Instructor). As noted earlier in this study, Mr. Ayres' firm has consulted for over eighty jurisdictions and, by his own estimate, has recovered over five hundred million dollars in new revenue for clients. During the interview with Mr. Ayres, the following three primary themes were recurrent.

First, Mr. Ayres clearly believed that the diversion of public funds to non-public services was inappropriate, if not downright illegal. Mr. Ayres

cited such services as responding to false alarms, processing bingo permits, providing non-injury traffic reports to insurance companies, and policing shopping centers as inappropriate uses of public funds. He suggested that an integral phase in the development of an effective cost-recovery system is the identification of general base-line services which serve the public good and "special" services provided to individual recipients at the public's expense. Mr. Ayres suggested that identifying who was the beneficiary of a service was the first step down the road to cost recovery. In the two tables which are represented on the following two pages, Mr. Ayres presented examples of services which he considered to be cost recoverable. These tables were prepared for the cities of Folsom and Compton respectively.

When he addressed the legal authority under which his proposed cost recovery programs were developed, Mr. Ayres referred to a copy of the text of Proposition 4 which later became Article XIII B of the California Constitution. In pertinent part that section allows the recovery of "costs reasonably borne" in the provision of certain government services. In the following excerpt from a document prepared by MSI for Foster City, Mr. Ayres elaborates on this point:

The "costs reasonably borne" process as envisioned by the authors of Proposition 4 implies a direct relationship between payment of fees and charges and receipt of services. And the use of taxes for funding those governmental activities which humanely and properly cannot be financed other than through taxes.

This direct fee/service and tax equity relationship does not exist when tax moneys are used to subsidize services which are received by only a small portion of the taxpaying public, or by non-residents. Thus a major underlying goal of this study and Report is to provide information and guidance to the City Council on how the City can continue as a viable financial entity, finance the services and facilities which its citizens and business enterprises have come to expect, and yet in the long run be able to live within the limits imposed by Article XIII B and Proposition 13; while at the same time, re-establishing the basic fairness and equity between users of City services and those who pay for them. And controlling those costs on a continuing basis.

2 - Public Safety Services

Thirty service centers are grouped here. As shown on the following Table 2, a net increase of \$192,900 in fees and charges is suggested. Specific comments are made following the Table, explaining the rationale for the increases and changes, service center by service center.

PUBLIC SAFETY SERVICES

MSI #	SERVICE CENTER	TOTAL	TOTAL	TOTAL	PERCENTAGE SUBSIDY		POSSIBLE
		REVENUE	COST	SUBSIDY (PROFIT)	CURRENT	SUGGEST	ADDITIONAL REVENUE
S-46	GENERAL CODE ENFORCEMENT	\$3,500	\$36,951	\$33,451	90.5%	50.0%	\$10,000 **
S-47	PARKING ENFORCEMENT	NA	\$20,816	\$20,816	100.0%	0.0%	\$10,000 **
S-48	VEHICLE CODE ENFORCEMENT	\$40,000	\$536,432	\$496,432	92.5%	50.0%	\$50,000 **
S-49	ABANDONED VEHICLE REMOVAL	\$0	\$35,826	\$35,826	100.0%	0.0%	\$5,000 *
S-50	CARD ROOM REGULATION	\$600	\$6,386	\$5,786	90.6%	0.0%	\$5,800
S-51	BINGO REGULATION	\$125	\$442	\$317	71.7%	0.0%	\$300
S-52	BLASTING REVIEW	\$35	\$483	\$448	92.8%	0.0%	\$400
S-53	WIDE AND OVERLOAD INSPECTION	\$75	\$681	\$606	89.0%	0.0%	\$600
S-54	FALSE ALARM RESPONSE	\$0	\$9,453	\$9,453	100.0%	0.0%	\$5,000 *
S-55	CONCEALED WEAPON INVESTIGATION	\$153	\$5,051	\$4,898	97.0%	0.0%	See Text
S-56	ACCIDENT INVESTIGATION	\$1,935	\$86,145	\$84,210	97.8%	0.0%	\$20,000 *
S-57	DUI ARREST PROCESSING	\$0	\$41,517	\$41,517	100.0%	0.0%	\$20,000 *
S-58	DOMESTIC VIOLENCE RESPONSE	\$0	\$7,197	\$7,197	100.0%	0.0%	\$3,000 *
S-59	FINGERPRINTING	\$1,557	\$2,547	\$990	38.9%	0.0%	\$1,000
S-60	CLEARANCE LETTER PROCESSING	\$0	\$143	\$143	100.0%	0.0%	\$100
S-61	VEHICLE INSPECTION	\$0	\$2,978	\$2,978	100.0%	0.0%	\$2,000 *
S-62	POLICE PHOTOGRAPH SALE	\$15	\$221	\$206	93.2%	0.0%	\$200
S-63	SPECIAL EVENT SECURITY	\$2,755	\$2,106	(\$649)	NA	0.0%	(\$700)
S-64	STATE-MANDATED FIRE INSPECTION	\$0	\$1,119	\$1,119	100.0%	0.0%	\$200 **
S-65	FIRE COMPANY INSPECTION	\$0	\$34,926	\$34,926	100.0%	75.0%	\$5,000 **
S-66	FIRE PROTECTION PLAN REVIEW	\$0	\$10,156	\$10,156	100.0%	0.0%	\$10,200
S-67	SPECIAL FIRE INSPECTIONS	\$0	\$488	\$488	100.0%	0.0%	\$500
S-68	FIRE REPORT SALES	\$60	\$72	-\$12	16.7%	0.0%	\$0
S-69	FIRE SALVAGE SERVICE	\$0	\$1,147	\$1,147	100.0%	0.0%	\$800 *
S-70	LOT CLEANING	\$0	\$18,048	\$18,048	100.0%	0.0%	\$10,000 *
S-71	AMBULANCE SERVICE	\$135,916	\$214,082	\$78,166	36.5%	25.0%	\$24,600
S-72	FIRE FALSE ALARM RESPONSE	\$0	\$7,390	\$7,390	100.0%	0.0%	\$3,000 *
S-73	EMERGENCY MEDICAL ASSISTANCE	\$0	\$19,454	\$19,454	100.0%	25.0%	\$5,000 *
S-74	FIRE FLOODING CLEANUP	\$0	\$572	\$572	100.0%	0.0%	\$400 *
S-75	FIRE LOCKOUT ASSISTANCE	\$0	\$1,034	\$1,034	100.0%	0.0%	\$500 *
TOTALS		\$186,726	\$1,103,863	\$917,137	83.1%	65.6%	\$192,900

NOTES: * -- Market Sensitive
 ** -- See Text

Table 7

City of Folsom

2 - Public Safety Services

Twenty nine service centers are grouped here. As shown on the following Table 2, a net increase of \$704,700 in fees and charges is suggested. Specific comments are made following the Table, explaining the rationale for the increases and changes, service center by service center.

PUBLIC SAFETY SERVICES

MSI #	SERVICE CENTER	TOTAL REVENUE	TOTAL COST	TOTAL SUBSIDY (PROFIT)	PERCENTAGE		NEW REVENUE
					CURRENT	TARGET	
S-37	Parking Enforcement	\$406,000	\$187,297	(\$218,703)	NA	0%	NA **
S-38	Vehicle Code Enforcement	\$431,000	\$1,490,905	\$1,059,905	71%	65%	\$90,800
S-39	Nuisance Abatement	\$36,000	\$314,992	\$278,992	89%	85%	\$11,200
S-40	Sub Standard Abatement	\$80,000	\$138,574	\$58,574	42%	30%	\$17,000
S-41	Code Enforcement	\$125,000	\$157,502	\$32,502	21%	10%	\$16,800
S-42	Business Regulation	NA	\$1,921	\$1,921	100%	0%	\$1,900
S-43	Crossing Guard Protection	\$0	\$415,464	\$415,464	100%	0%	See Text
S-44	Police False Alarm Response	\$0	\$242,137	\$242,137	100%	0%	\$50,000
S-45	I. D. And Fingerprint Service	\$7,232	\$4,407	(\$2,825)	NA	0%	(\$2,800)
S-46	Accident Investigation	\$15,000	\$96,263	\$81,263	84%	0%	\$60,000 **
S-47	DUI Arrest Processing	\$0	\$58,933	\$58,933	100%	0%	\$20,000
S-48	Concealed Weapon Regulation	\$50	\$1,558	\$1,508	97%	0%	\$1,500
S-49	Police Photography Processing	\$120	\$335	\$215	64%	0%	See Text
S-50	Police Report Copy Service	\$30,000	\$11,632	(\$18,368)	NA	0%	(\$18,400)
S-51	Bail Money Processing	\$0	\$18,497	\$18,497	100%	0%	\$18,500
S-52	Emergency Stand-By	\$0	\$53	\$53	100%	0%	\$100 **
S-53	Abandoned Auto Abatement	\$9,900	\$146,240	\$136,340	93%	0%	See Text
S-54	Public R.O.W. Auto Abatement	\$0	\$52,160	\$52,160	100%	0%	\$25,000
S-55	Non-Fire Emergency Assist	\$0	\$14,881	\$14,881	100%	25%	\$11,200
S-56	State-Mandated Fire Inspection	\$0	\$5,684	\$5,684	100%	0%	\$2,700 **
S-57	Bureau Fire Inspection	\$0	\$77,625	\$77,625	100%	50%	\$38,800
S-58	Fire Company Inspection	\$0	\$4,251	\$4,251	100%	50%	\$2,100
S-59	Fire Report Sale	\$540	\$787	\$247	31%	0%	\$200
S-60	Paramedic Response	\$367,596	\$1,232,211	\$864,615	70%	50%	\$248,500 **
S-61	Ambulance Transport	\$158,832	\$342,376	\$183,544	54%	25%	\$98,000 **
S-62	Fire Protection System Review	\$5,300	\$12,988	\$7,688	59%	0%	\$7,700
S-63	Special Fire Permit Reg.	\$36,830	\$9,014	(\$27,816)	NA	0%	(\$27,800)
S-64	Fire False Alarm Response	\$0	\$13,106	\$13,106	100%	0%	\$6,000 **
S-65	Lot Cleaning	\$31,000	\$163,296	\$132,296	81%	0%	\$20,000 **
S-66	Animal Regulation	\$42,514	\$71,663	\$29,149	41%	30%	\$7,700
TOTALS		\$1,782,914	\$5,286,752	\$3,503,838	66%	53%	\$706,700

NOTES: ** See Text

Table 8

The third and last major theme of Mr. Ayres' interview was that fees should be based on comprehensive and detailed analyses of actual direct and indirect costs associated with a service. The "MSI Service Center Worksheet for Fees and Charges" which follows on the next two pages was prepared for the City of Riverside and serves as an example of this type of analysis.

When asked to forecast the future of cost-recovery programs in California over the next ten years, Mr. Ayres responded that he believed such programs would be regarded as fiscal and political necessities. He stated further that it would be necessary for government to become sensitive to public values as these values relate to "non-subsidy of services for private gain."

MSI SERVICE CENTER WORKSHEET FOR FEES AND CHARGES

SERVICE PROVIDED POLICE FALSE ALARM RESPONSE	CITY RIVERSIDE	REF.NO. S-102	
SERVICES PRIMARILY PERFORMED BY Police	FUND General	EXP.ACCT. 01-205,206,203,	
REVENUE RECEIVED [Actual - Potential] POLICE FALSE ALARM CHARGES	FUND None	REV.ACCT. NA	
REVENUE AUTHORIZATION None	DATE LAST REVISED: SUBSIDY RATIONALE:	NA None	
DESCRIPTION OF SERVICE Police response to false alarms triggered by private alarm systems.	REVENUE COLLECTION SCHEDULE:	NA	
	REVENUE COLLECTED BY:	None	
	UNIT OF SERVICE DESIGNATION:	Incident	
CURRENT FEE STRUCTURE	None		
FISCAL YEAR 1989-1990 REVENUE AND COST COMPARISON			
TOTAL EST. REVENUE :	\$0	UNIT REVENUE :	\$0.00
TOTAL COST :	\$1,259,225	UNIT COST :	\$87.45
PROFIT (SUBSIDY) :	<\$1,259,225>	PROFIT (SUBSIDY) :	<\$87.45>
% of COST RECOVERED :	0.0%	UNITS OF SERVICE :	14,400
SUGGESTED % RECOVERY AND FEE STRUCTURE			
PERCENT: 100%		SPECIAL CONDITIONS: None	
<p>\$ 50 for the third false alarm in a 12 month period. \$ 75 for the fourth false alarm in a 12 month period. \$100 for the fifth false alarm in a 12 month period. \$500 for each subsequent false alarm unless the Police Chief determines there were mitigating circumstances in which case the amount would be \$100.</p>			

[T-77]

MSI SERVICE CENTER WORKSHEET FOR COST DETAIL

<small>SERVICE PROVIDED</small> POLICE FALSE ALARM RESPONSE	<small>CITY</small> RIVERSIDE	<small>REF NO.</small> S-1
		<small>UNITS</small> 14,400

KEY TO COST COLUMNS	FILE	DEPARTMENT	SECTION
A	POL_203	POLICE	Patrol Services (203)
B	POL_206C	POLICE	Special Services (206C)
C	POL_208	POLICE	Public Safety Communications (208)
D	POL_205B	POLICE	Administrative Services (205B)
E			
F			
G			

EXPENSE TYPE	TOTAL	A	B	C	D	E	F	G
SALARIES & WAGES	\$832,317	\$438,608	\$159,090	\$20,268	\$14,355			
FRINGES	\$269,007	\$188,601	\$68,305	\$7,093	\$5,008			
MAINTENANCE & OPERATION	\$98,748	\$71,300	\$18,438	\$3,250	\$7,780			
BUILDING OCCUPANCY	\$17,922	\$6,489	\$8,219	\$773	\$4,481			
SECTION OVERHEAD	\$54,198	\$43,511	\$7,025	\$2,241	\$1,419			
DEPARTMENT OVERHEAD	\$50,900	\$35,249	\$12,503	\$1,589	\$1,579			
GENERAL OVERHEAD	\$71,280	\$49,348	\$17,504	\$2,197	\$2,211			
FIXED ASSET REPLACEMENT	\$84,877	\$44,281	\$18,872	\$2,846	\$1,078			
OTHER COST								
TOTAL	\$1,259,225	\$877,385	\$303,954	\$40,035	\$37,871			

EXPENSE TYPE	PER UNIT	A	B	C	D	E	F	G
SALARIES & WAGES	\$43.92	\$30.48	\$11.05	\$1.41	\$1.00			
FRINGES	\$18.68	\$13.10	\$4.74	\$0.49	\$0.35			
MAINTENANCE & OPERATION	\$8.88	\$4.95	\$1.14	\$0.23	\$0.54			
BUILDING OCCUPANCY	\$1.24	\$0.45	\$0.43	\$0.05	\$0.31			
SECTION OVERHEAD	\$3.77	\$3.02	\$0.49	\$0.16	\$0.10			
DEPARTMENT OVERHEAD	\$3.54	\$2.45	\$0.87	\$0.11	\$0.11			
GENERAL OVERHEAD	\$4.95	\$3.43	\$1.22	\$0.15	\$0.15			
FIXED ASSET REPLACEMENT	\$4.50	\$3.08	\$1.17	\$0.18	\$0.07			
OTHER COST								
TOTAL BY UNIT	\$87.46	\$60.94	\$21.11	\$2.78	\$2.83			

THE NOMINAL GROUP

Participants for the nominal group were selected carefully and deliberately. Each was chosen to contribute in a unique fashion based upon his or her background and his or her ability to contribute to the group as a whole. Criteria for selection included: professional qualifications, general knowledge regarding the dynamics of the community, familiarity with budget, and cost-recovery systems in the public sector, and the author's belief that the members' collective contributions could be orchestrated into meaningful results. Members were initially recruited by telephone contact. The telephone contact was followed by a confirmation letter which defined the issue, described the process, and provided direction to each member regarding construction of a short list of candidate events and trends prior to the actual group meeting.

For purposes of the exercise, the confirmation letter defined an Event as a discreet or noteworthy occurrence which occurs at a particular place and time. A Trend was defined as a pattern or prevailing tendency which occurs over time. Included with the confirmation letter was a fill-in form on which to record suggested Events and Trends, and copies of sets of Events and Trends generated by a prior NGT group assembled by the author for another topic. (Appendix E contains a copy of the letter and the attachments.)

The actual NGT group was comprised of the following nine individuals

1. Captain Steve D'Arcy, San Jose Police Department. Captain D'Arcy is a police manager with extensive experience in the development of cost-recovery programs relating to drunk driving cases. Captain D'Arcy was responsible for the development of a program which is used as a model in several California cities. Captain D'Arcy was also a member of Command College Class IX.

2. Captain Tom Johnson, San Jose Police Department. Captain Johnson is one of the senior managers on the San Jose Police Department. He has extensive experience in a wide variety of commands and is highly respected for both his administrative skill and his political insight.
3. Captain Bob Wilson, Santa Clara County Sheriff's Office. Captain Wilson is currently Commander of the Administrative Unit of the Sheriff's Office. His agency has over recent years been plagued by severe financial crises. Recently, his agency underwent a controversial and divisive split as a new Department of Corrections was created in the County. The Sheriff's Office will undoubtedly be critically evaluating alternative funding sources in the future.
4. Mike Dowdle, Supervising Statistical Analyst, San Jose Police Department. Mr. Dowdle's unique technical skills coupled with his insight into the Police Department's operations made his contributions invaluable. Mr. Dowdle was recently involved in a major research effort projecting police staffing needs for the City to the year 1995.
5. Carl Mitchell, Deputy City Attorney, City of San Jose. Mr. Mitchell, although assigned to the City Attorney's Office, serves as Police Legal Advisor. Mr. Mitchell has recently been involved in discussions relative to certain of the City's existing cost-recovery programs.
6. Gary Richert, Development Officer, Housing Department, City of San Jose. Mr. Richert has a background in both the City's Planning Department and Housing Department. His insights as a result of his assignments in both of these departments added important perspectives to the group's projections.
7. Richard Desmond, Budget Analyst, Office of the City Manager, City of San Jose. Mr. Desmond's background includes recent work on cost and revenue projections for the City of San Jose. He has also worked in the Parks and Recreation Department and City Personnel.
8. Gary Williams, Private Security Consultant, Principal in Interphase International. Mr. Williams, in addition to being a highly respected consultant and licensed investigator, is past Vice President of the California Association of Licensed Investigators (CALI). Mr. Williams brought to the group an authoritative perspective from the private security industry.
9. Trixie Johnson, Chairperson of the City Planning Commission and City Council candidate. Ms. Johnson is past President of the League of Women Voters and has an extensive history of service to the City and to local non-profits. She is currently running for City Council and has a keen interest in cost recovery programs.

The nominal group meeting was held in a conference room at the San Jose Police Department. The meeting began with a description of the Command College, the Independent Study Project, the issue and sub-issues, and the nominal group technique (NGT). The following steps were listed as being intrinsic to the NGT process:

1. Generation of candidate Events and Trends.
2. Discussions of Events and Trends.
3. Voting by secret ballot to distill sets of candidate Events and Trends to five each.
4. Forecasting and evaluating the selected Events and Trends by means of standard instruments provided in Command College workbooks.
5. Construction of a Cross-Impact Analysis measuring the effect of each Event on each of the other Events and Trends.

TREND IDENTIFICATION

The group initially generated a comprehensive set of thirty-seven candidate Trends. The complete set is listed in Appendix F. After generation of the entire set, the group discussed each trend to insure clarity. Each member then voted on a secret ballot for five Trends based on (1) importance to the issue, (2) representativeness of the set as a whole, and (3) interest as potential targets of policy actions.

The five Trends selected by the group were:

1. The level of reliance on local as opposed to State and/or Federal revenues.
2. The level of demand for police service (i.e., public expectations).
3. The level of polarity of economic classes allowing the more affluent to "buy" higher levels of service.
4. The level of local government reliance on user fees as opposed to taxes.

5. The development of a body of case law legally clarifying the utilization of cost-recovery programs and user fees for police agencies.

TREND EVALUATION

After selecting these five Trends, the group estimated the levels of the Trends five years ago (1985) and forecast the levels of the Trends five years from now (1995) and ten years from now (2000), using "100" as today's standard. For the future forecasts each member projected what he or she thought the Trend should be and what he or she thought the Trend would be. The median of the group was then utilized to establish numerical ratings.

The following "Trend Evaluation Form," used in Command College workshops, depicts the results of the group's projections.

TREND STATEMENT		LEVEL OF THE TREND (Ratio: Today = 100)			
		5 Years Ago	Today	5 Years from Now	10 Years from Now
The level of reliance on local as opposed to State/Federal revenue.	T-1	50	100	75* 100*	90 150
The level of demand for police services (community expectations).	T-2	80	100	120 150	130 200
The level of polarity of economic classes allowing the more affluent to "buy" higher levels of service.	T-3	60	100	90 125	60 200
The level of local government reliance on user fees as opposed to taxes.	T-4	50	100	130 140	100 200
The development of a body of case law clarifying the use of cost-recovery programs and user fees for police agencies.	T-5	25	100	130 150	100 150

* = Should be
= Will be

Table 10
Trend Evaluation Form

Trend 1 - Reliance on Local Revenue as Opposed to State or Federal

The responses from the NGT group with regard to this Trend ranged from a "will be" low of 40 by the year 2000 to a surprising "will be" high projection of 300 for that same period. Obviously, the opinions of the group varied greatly as to the degree to which local governments would be forced to rely on locally generated revenues in the future as opposed to those generated by the State or Federal government. The group's median projections were that by 1995 the degree to which local government would be forced to rely on locally generated revenues would be 25% higher than today and that by the year 2000 that degree would increase to a level 50% higher than today.

The impact of this projection, according to the group will be pressure on local governments to seek out innovative budget strategies including charging fees for service and cost-recovery programs.

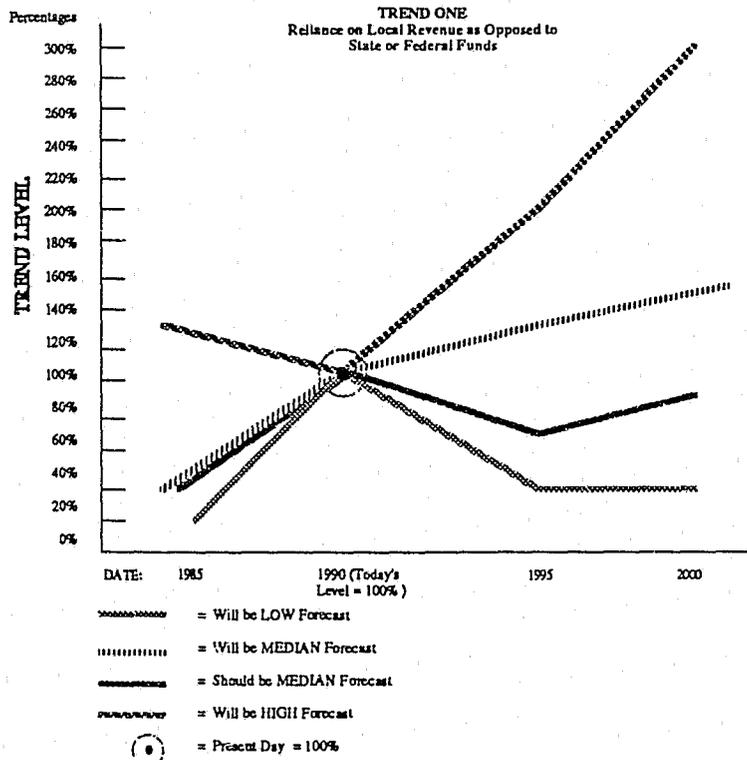


Chart 9

Trend 2 - Demand for Police Service

Clearly, the NGT group predicted increases in the demand for service over the next ten years. Projections ranged from a "will be" low in the year 2000, equal to the current level, to a "will be" high of 400, four times the current level. The median projection was that the demand for police service would increase 50% by 1995 and would double by the year 2000.

The group collectively agreed that since it is unlikely that local police budgets would increase in proportion to increased service demands, this trend, also, would encourage the development of fees for service and cost-recovery programs.

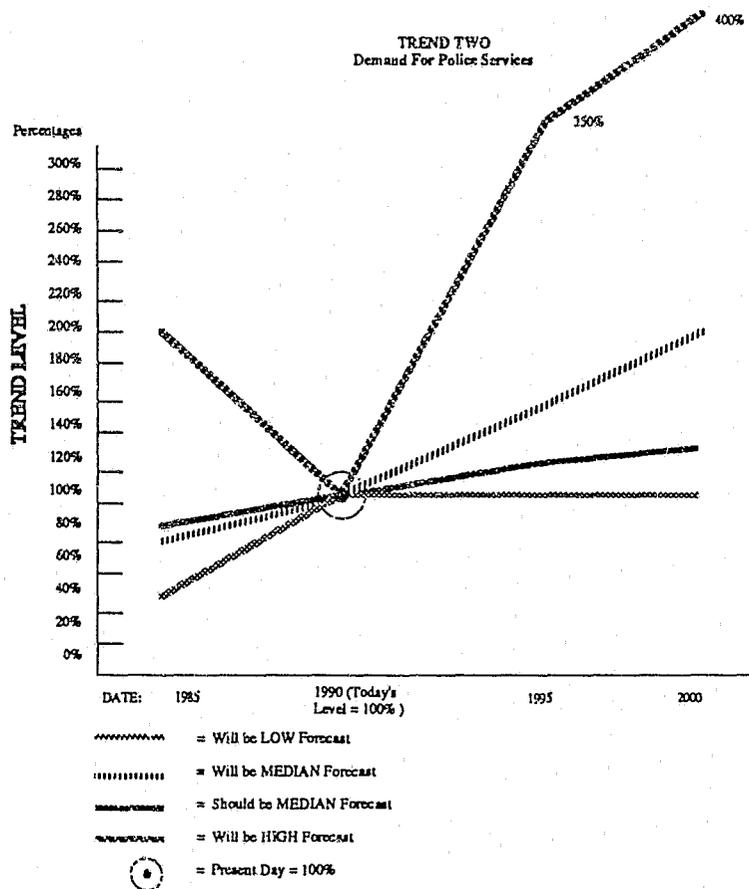


Chart 10

Trend 3 - Polarity of Economic Classes Allowing the Affluent to "Buy" Higher Levels of Service

This Trend reflects certain of the group's beliefs concerning a number of locally occurring social and economic phenomena. It is interesting to note the variance between the "should be" projections and the "will be" projections for this Trend. While the median "will be" projection indicates that the level of the Trend is likely to double by the year 2000, the median "should be" projection indicates that the group would like to see this trend at almost half its current level by that date.

Basically, the group believed that a widening economic rift would occur between low paid service employees and more highly compensated professional working classes. Likely causes would include shifts in the local workforce, demographic changes, relocation of major industries, and, on a broader scale, State and national economic trends. The group projected that as this Trend developed there would grow a concurrent willingness on the part of the more affluent segments of the community to pay for levels of service higher than that guaranteed by the limited capabilities of local governments. Actually, examples of this Trend can already be seen, as in parts of San Jose private patrol officers have been contracted to provide visible preventive patrol and residential security checks.

The group believed that by the year 2000 base-line services which police departments provide would be limited by the realities of local government budget restrictions. Demands for service above the base-line could likely be funded by service fees or cost-recovery programs. Conceivably, the collection of such revenues could have a universally beneficial economic impact; i.e., user's fees and cost-recovery programs could help raise base-line services for

the entire community. It was also noted that this Trend could have significant positive impact for the private security industry.

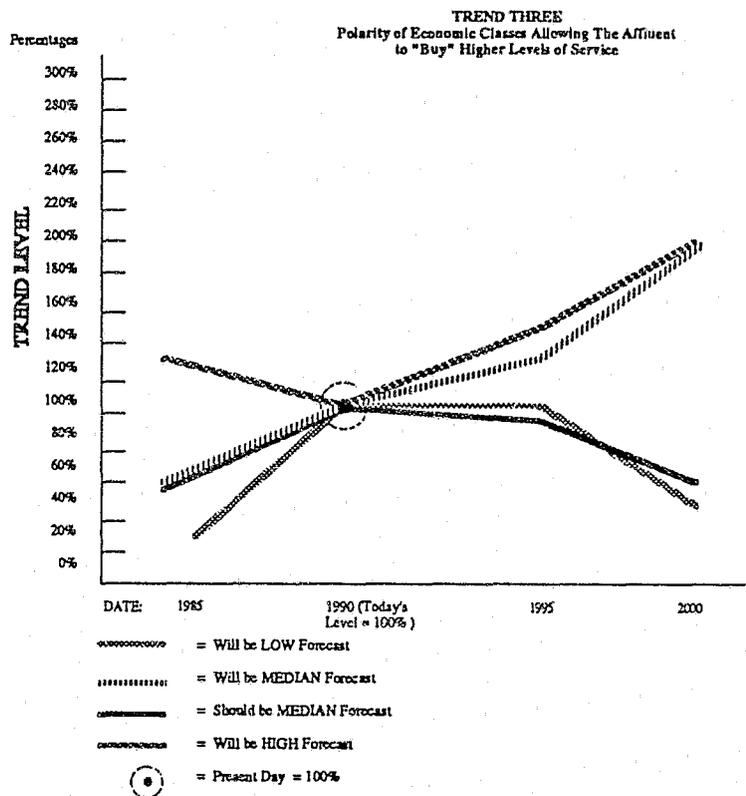


Chart 11

Trend 4 - Local Government Reliance on User Fees as Opposed to Taxes

This Trend is related and somewhat similar to Trends 1 and 3. The projections from the group varied from a "will be" low forecast of 40 to "will be" high forecast of 500, five times the current level. The median projection was that by the year 2000, local governments would be relying on user fees as opposed to taxes at twice the current level.

Clearly, this Trend also would add impetus to the development of user fee and cost-recovery programs for police departments. As the burden of paying for government services shifts from reliance on a primarily tax generated revenue base to a revenue base increasingly offset by alternative revenue strategies, such programs will play an increasingly vital role.

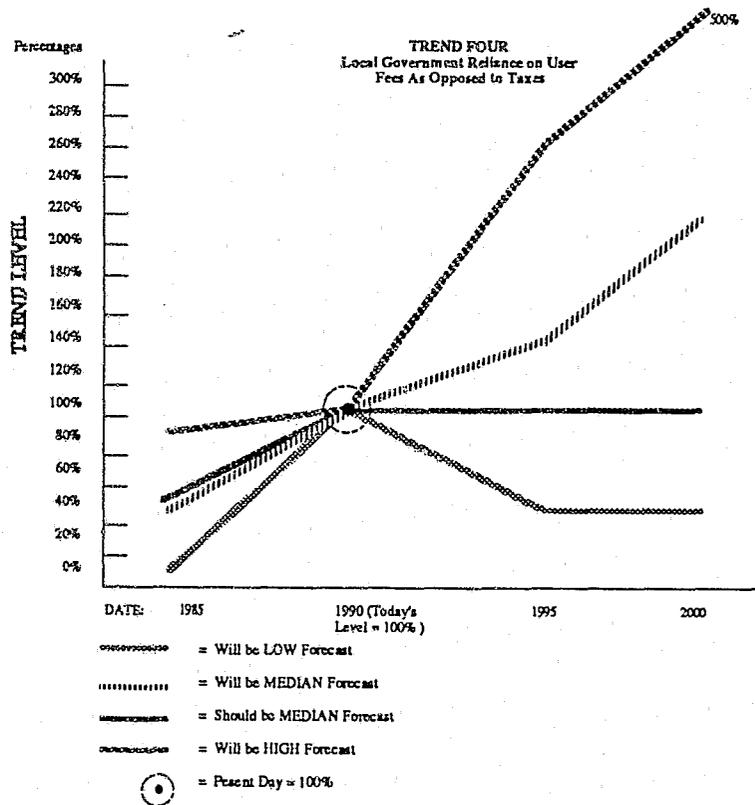


Chart 12

Trend 5 - Development of a Body of Case Law Legally Clarifying the Utilization of Cost-Recovery Programs and User Fees by Local Governments

All of the previously described Trends point to the increased utilization of cost-recovery programs and user fees by the year 2000. Trend 5 predicts that accompanying this shift and increased utilization will be the development over the next ten years of a body of case law which defines the utility and prescribes the limitations of such programs. The group's range of forecasts varied from a "will be" low of 30 to a "will be" high of 500. The median prediction was that the body of case law governing this area would increase by 50% by the year 2000. The projections of the group relative to this trend were non-directional; i.e., no effort was made to predict the specific nature of the case law. The group's forecast was simply that a body of case law would evolve prescribing direction and limits in this area.

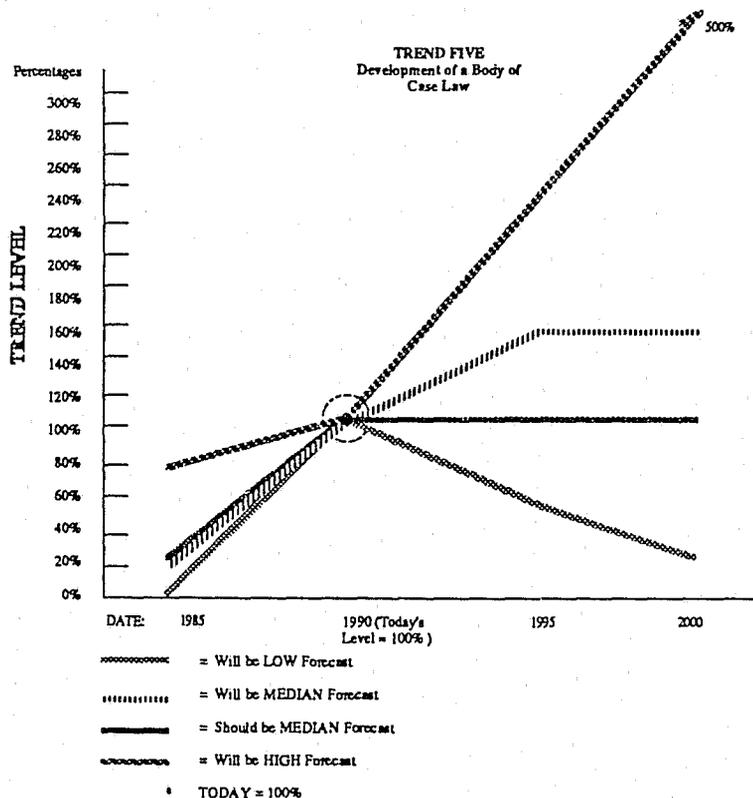


Chart 13

EVENT IDENTIFICATION

The nominal group initially generated a set of forty candidate Events. The group then discussed each individual Event to insure clarity and voted by secret ballot to distill the entire set into the five selected Events which would be used for forecasting. The criteria utilized for the selection of Events, as with Trends, included: (1) importance to the issue, (2) representativeness of the entire set, and (3) interest as potential targets of policy action. Directions to the group prior to their selections also made it clear that they should select events which had a realistic possibility of occurring.

The final five Events selected by the nominal group included:

1. A downtown business bust.
2. Proposition 13 modified or revoked resulting in increased City revenue.
3. City fiscal crisis occurs.
4. State statute regulating local government cost-recovery programs is passed.
5. National economic depression.

EVENT EVALUATION

After distilling the original set of forty Events down to the five selected, the group predicted the year the probability of each Event occurring first exceeded zero, the probability (0-100) that the Event would occur by 1995, and the probability (0-100) that the Event would occur by the year 2000. The group also forecast the probable positive (0-10) and/or negative (0-10) impacts on the study issue if each Event actually occurred. The median of the group was utilized to establish forecasts for probabilities and impacts.

The "Event Evaluation Form" which follows depicts the results of the group's projections.

EVENT STATEMENT	PROBABILITY			IMPACT ON BUDGET 1994 IF THE EVENT OCCURS	
	Year that Probability First Exceeds Zero	Five Years From Now (0-100)	Ten Years From Now (0-100)	Positive (0-10)	Negative (0-10)
1. Downtown Business Bust	1991	50%	30%	4	5
2. Proposition 13 Modified or Revoked	1992	50%	50%	5	5
3. City Fiscal Crisis Occurs	1992	50%	50%	5	5
4. State Statute Regulating Local Cost-Recovery Programs Passed	1993	50%	50%	4	4
5. National Economic Depression	1994	25%	40%	0	8

Table 11
Event Evaluation Form

Event 1 - Downtown Business Bust

Over the past decade downtown San Jose has evolved from a state of decay into a burgeoning financial, commercial, and cultural center. This evolution has, however, come at a high cost. Millions upon millions of redevelopment dollars have been poured into improving the downtown infrastructure, on transportation systems, on a convention center, on a soon-to-be-built arena, and on attracting new buildings and business. The question remains, can the "new" downtown sustain its apparent vitality without continued major expenditures of public funds? Some regard high vacancy rates and the failure of many of the downtown's new high-end retailers to draw customers from suburban areas as portents of doom.

On a larger scale, trends such as the relocation of major industry to areas where labor and housing are cheaper, and major demographic shifts will undoubtedly contribute to the ultimate success or failure of the downtown.

The group predicted a downtown business bust could occur as early as 1991. By 1995, according to the group's prediction, there exists a 50% chance of a downtown business bust; however, if the bust does not occur by 1995, the group reduced the probability of this occurrence by the year 2000 to 30%. Generally, the group felt that the longer the downtown "survived" and sustained momentum, the better the chances for long-term success.

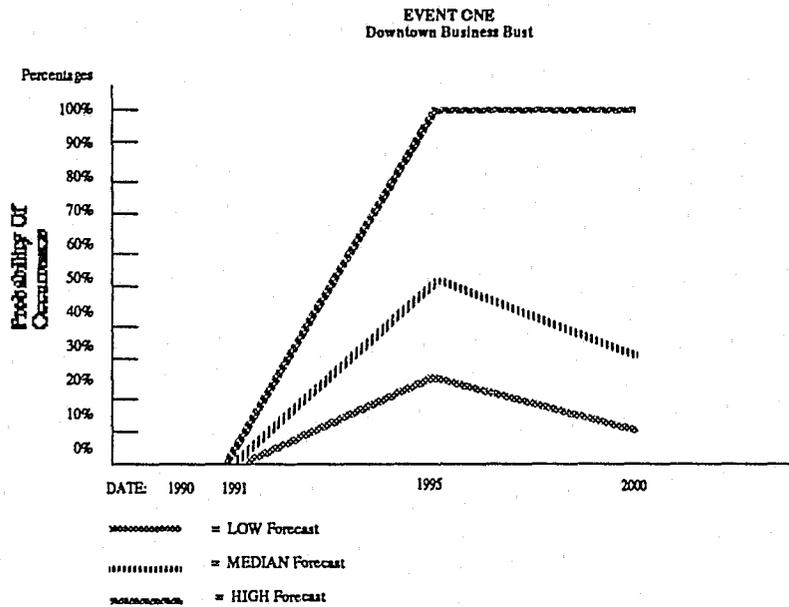


Chart 14

The group rated the positive impact of this Event on the issue as a "4" and the negative impact as a "5." Positive impact would be indirect as a downtown business bust was predicted to lead to an increase in crime and cause increased calls for service downtown. These increases in turn would tax service delivery to other areas, possibly providing some impetus for the development of cost-recovery strategies as a means to enhance police service. Negative impact was seen as primarily a function of economic fallout and damage to the overall community financial base.

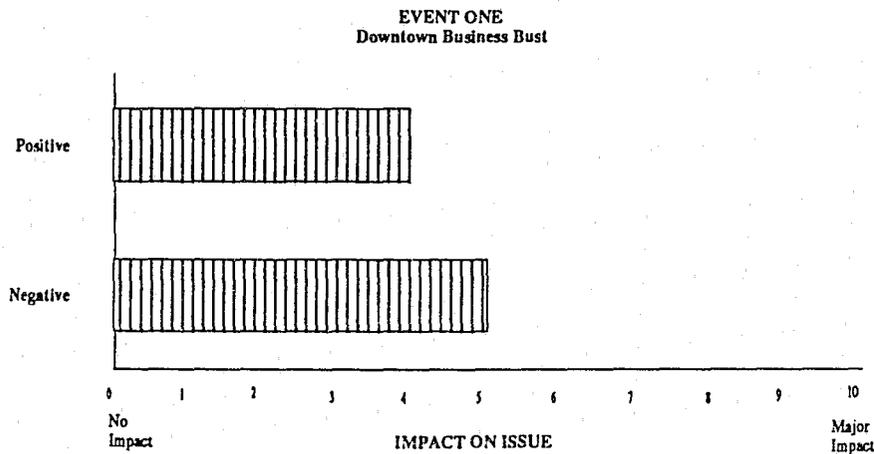


Chart 15

Event 2 - Proposition 13 Revoked or Modified

The nominal group felt that there was a 50-50 chance of Proposition 13 being revoked or modified in such a manner as to increase City revenues. Significantly, one member of the group noted that the number of post Proposition 13 homeowners is steadily growing. Growing just as rapidly is the dissatisfaction of these post Proposition 13 homeowners with the inequities inherent in their paying higher taxes than their next door neighbors who have identical homes but have owned a decade longer. Several members of the group felt that the electorate would eventually become frustrated with the service cutbacks which resulted from the curtailment of property tax revenues and would vote to increase taxes and, by extension, service delivery.

The group projected that Event 2 could occur as early as 1992. By 1995, according to the group, there exists a 50% probability of Event 2 occurring. That level of probability would remain constant through the year 2000. Interestingly, the projections of the group varied widely with regard to this event. The low forecasts for 1995 and 2000 were 25% and zero respectively; the high forecasts for those same years were 100% and 100%.

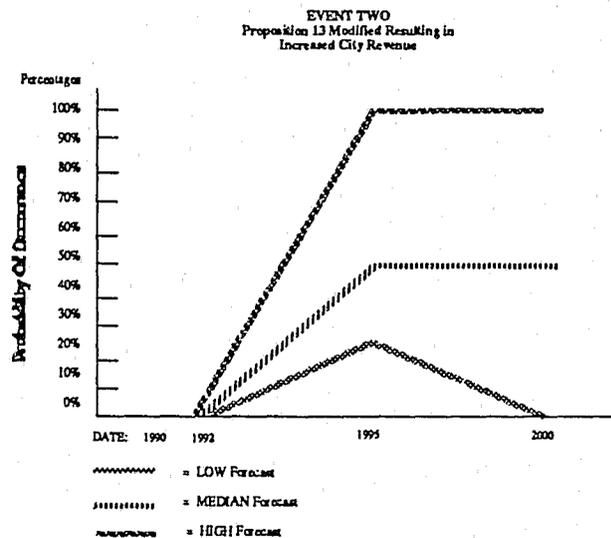


Chart 16

The nominal group rated both the positive and negative impact of this Event on the issue as a "5." The negative impact of increase City revenue on the development of cost-recovery programs and fees for service was regarded as obvious. As revenues from property taxes increased, the need for the development of cost-recovery programs decreased proportionally. Positive impact on the issue was seen as a function of community expectations regarding sound fiscal management and responsive creative leadership in return for the increased tax dollars. (It was pointed out that although a loosening of Prop. 13 restrictions was viewed as a 50% probability, even more restrictive legislation was also a possibility).

EVENT TWO
Proposition 13 Modified Resulting in
Increased City Revenues

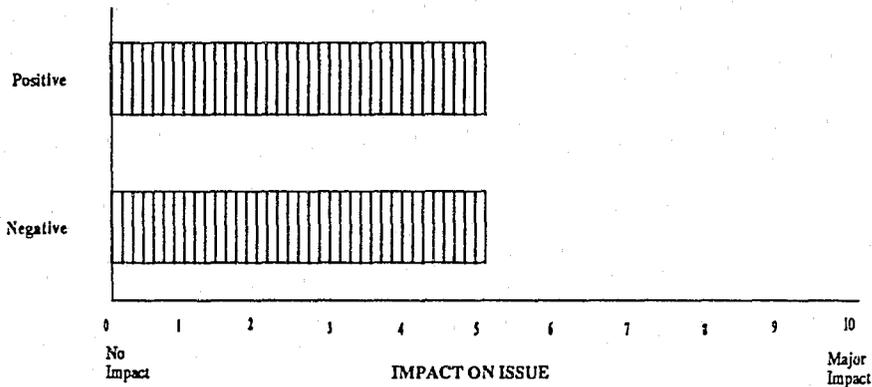


Chart 17

Event 3 - City Fiscal Crisis

Over the past decade, the City of San Jose has been staggered by two major financial crises. First, the City was forced to come to grips with the realities of Proposition 13. Second, the City suffered a sixty million dollar bond loss. As a result City services have suffered. San Jose's Police Department remains the most understaffed of any major American city in terms of officers per thousand population. For the last several years, the Department has survived without an equipment budget, relying on Federal and State asset forfeiture funds for much needed equipment. Against this background the nominal group projected that a major fiscal crisis for the City was a 50% possibility both by 1995 and by the year 2000. The group believed that such a crisis might occur as early as 1992. Again, it is interesting to note the varieties of opinions within the group. While some believed a major fiscal crisis was a virtual certainty, others attached only a 10% probability to this event.

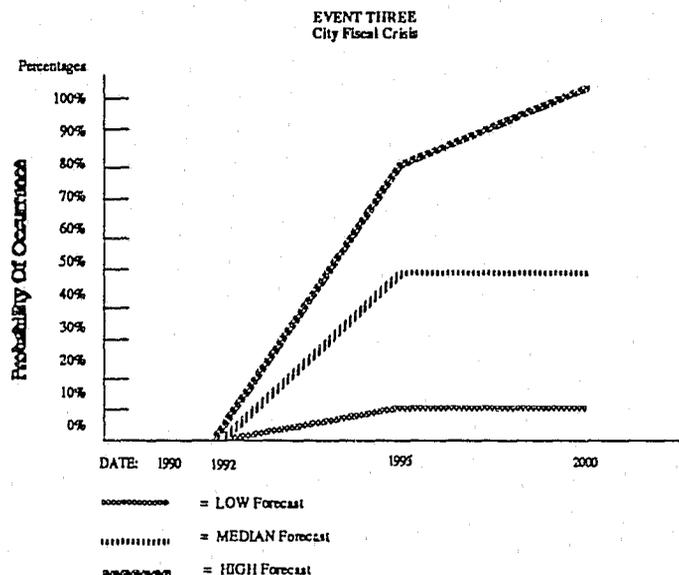


Chart 18

Again, the group projected roughly equal positive and negative impacts on the issue with regard to this event, assigning both positive and negative impact scores of "5." Positive impacts were seen as related to the absolute necessity to develop new reliable funding sources. In periods of such crises the group believed services would be reduced to absolute minimums consistent with the mission of the Department. Services above this base-line level would likely be on a fee basis. Negative impact on the issue was identified with both conservative fiscal policies and an anticipated lowering of public expectations as a result of the crisis.

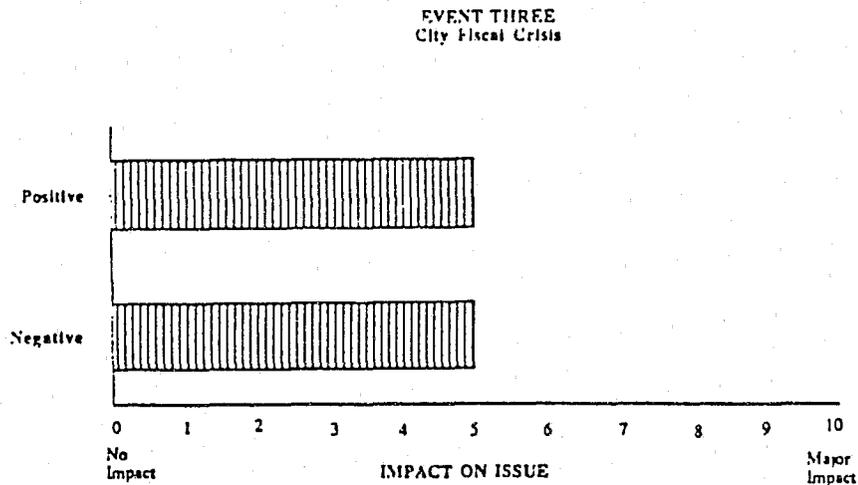


Chart 19

Event 4 - State Statute Regulating Cost-Recovery Programs for Local Government
is Passed

Each year more and more local government units are developing and updating fee schedules for services provided and are seeking creative new ways to recover costs. Statutory regulations have already been developed with regard to some cost-recovery efforts, such as the recovery of the cost of drunk driver arrests. In 1979 Proposition 4 amended the California Constitution to allow recovery of "costs reasonably borne," [California Constitution, Article XIII B(c)].

Projections from the nominal group relative to the probability of a major piece of legislation prescribing regulations regarding cost-recovery programs varied greatly from lows of 10% in 1995 and 25% in the year 2000 to highs of 75% in 1995 and 100% in the year 2000. Median projections were for 50% probabilities for both years. The group projected that 1993 was the first year in which the probability of such legislation passing exceeded zero.

Perhaps the most significant aspect of the discussion of potential legislation was the projection that excesses and abuses by local government units with regard to fees and cost recovery would most certainly lead to restrictive regulatory legislation.

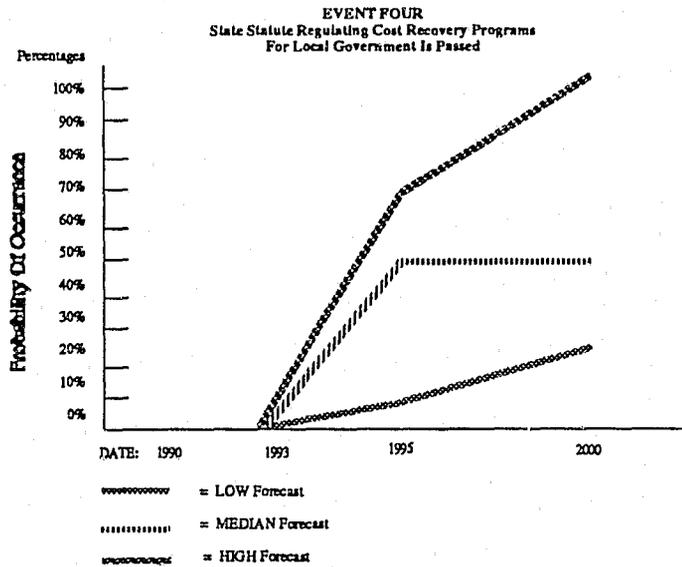


Chart 20

The nominal group projected relatively low levels of impact on the issue as a result of this Event occurring. It was generally felt that such legislation might define some additional circumstances where cost recovery could occur and would in all likelihood prescribe regulations and procedures for setting fees and recovering costs. It was noted, however, that such legislation could be a mixed blessing for local governments, offsetting increased potential for recovery with added levels of regulation and bureaucracy.

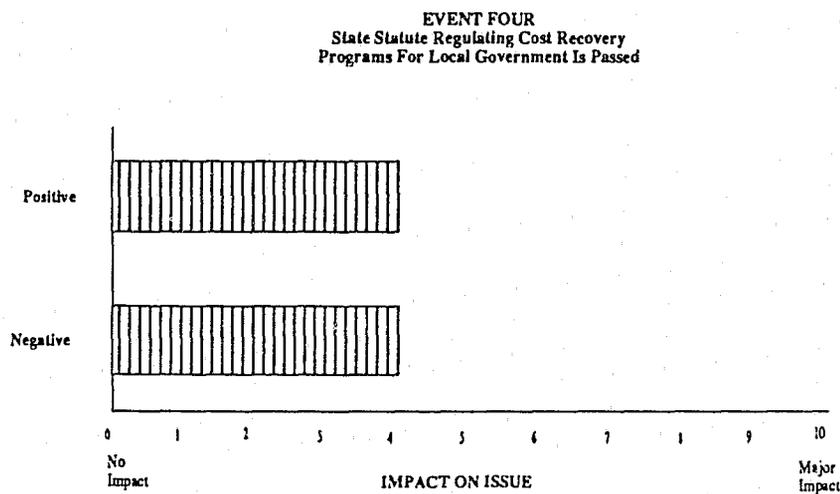


Chart 21

Event 5 - National Depression

The nominal group predicted that by 1995 there existed a 25% chance that a major national economic depression would occur. By the year 2000 that probability increased to 40%. Nineteen ninety-four was identified as the year the probability of this Event occurring first exceeded zero. (Although the group initially voted to select this Event from the originally generated set of forty, median projections indicated that the group did not consider a major depression to be a likelihood before the year 2000).

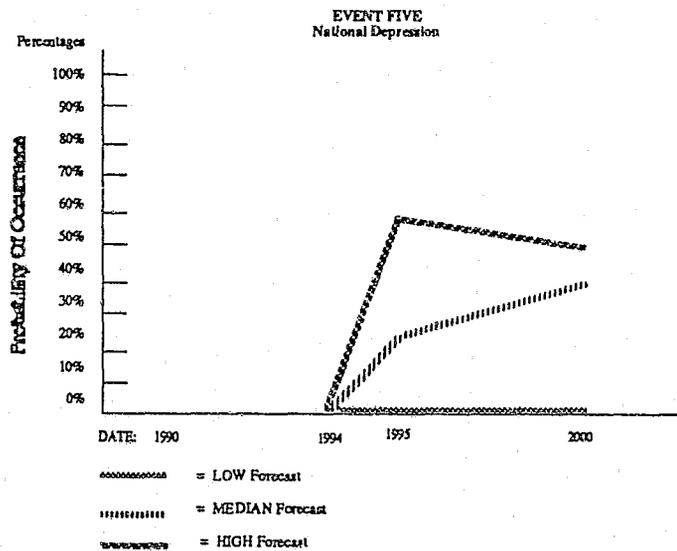


Chart 22

While the group did not consider the occurrence of a major national economic depression to be likely, the consensus was that should such an Event occur, the impact on the issue would be major. In fact, of all the five Events forecast, the impact levels of this Event were identified as most powerful. The group could identify no positive impact whatsoever resulting from a national depression, while a negative impact level of "8" was associated with this event. It was felt that such an occurrence would dramatically reduce both service capabilities, citizen expectations, and political decision making.

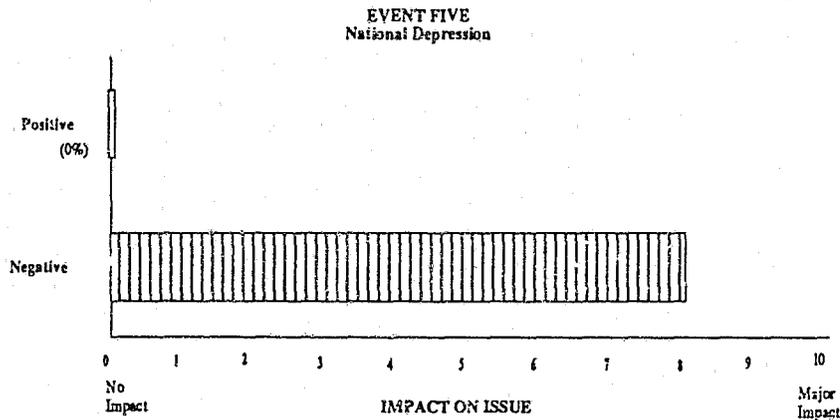


Chart 23

CROSS-IMPACT ANALYSIS

After generating of sets of Trends and Events, and voting and evaluating individual Trends and Events, the nominal group constructed a "Cross-Impact Analysis." In the Cross-Impact Analysis the effect of each Event, assuming it occurred, is evaluated in terms of its impact on the probability of each of the other Events occurring and on the level of each Trend, at its point of greatest impact. Effects on the Cross-Impact Analysis are expressed as percentages. The results of the group's projections are represented in the following matrix.

Table 12
Cross-Impact Analysis

Suppose this Event actually occurred...	How would the probability of the Events shown below be affected?					How would this level of these Trends be affected?				
	E1	E2	E3	E4	E5	T1	T2	T3	T4	T5
E1	X	+5	+100	-0-	-0-	-25	+75	-25	+40	-0-
E2	+10	X	-50	-25	-0-	+75	+25	-25	-75	+50
E3	+50	+25	X	+75	-0-	-75	-10	+75	+100	+30
E4	-0-	+10	+50	X	-0-	+75	+25	+50	+100	+100
E5	+100	-25	+100	+75	X	-75	-25	+100	+50	-0-

E1 - Downtown Business Bust E2 - Prop. 13 Revoked or Modified E3 - City Fiscal Crisis E4 - State Law Passed E5 - National Economic Depression

T1 - Reliance on Local Revenue T2 - Demand for Police Service T3 - Polarity of Economic Classes/Buying Service T4 - Reliance on User Fees T5 - Case Law Developments
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The Cross-Impact Analysis graphically represents complex relationships which exist between Trends and Events. In this analysis, "Actor" Events are those which impact the largest number of other Events and/or Trends. "Reactors" are Events and/or Trends which are most often impacted by the occurrence or non-occurrence of "Actors." By examining this complex set of interactions it is possible to identify targets for policy intervention. For example, if an Event always moves other Events and Trends in a positive direction with regard to the issue, then that Event would be a likely target for policy development.

In the Cross-Impact Analysis constructed by the nominal group, three Events affect eight other Events and/or Trends and could therefore be regarded as "Actors." These Actors include: Event 2, Revokation or Modification of Prop. 13; Event 3, City Fiscal Crisis, and Event 5, National Economic Depression. Since it is unlikely that local policies will have a major effect on the occurrence or non-occurrence of Event 5, a National Economic Depression, Events 2 and 3, tax reform and prevention of a City fiscal crisis, would appear to be likely targets for policy development. In the instant case, since Event 1, the Downtown Business Bust and Event 4, State Legislation Regarding Cost-Recovery Programs, affect six and seven other Events and/or Trends respectively, they also might conceivably be regarded as Actors and considered targets for policy development. It is significant to note that the five Events listed on the Cross-Impact Analysis have a mixture of both positive and negative impacts on the issue. When such mixed impacts are present it becomes increasingly important to weigh the benefits versus the costs of policy intervention.

With the exception of Event 5, the National Economic Depression, virtually all of the Events and Trends listed could be regarded as "Reactors," as none are impacted by less than three of the five Events. Many are impacted by all five. These reactors also might be considered targets for policy intervention.

SCENARIOS

The efforts involved in this study of the future of Cost-Recovery Programs in larger California police departments have to this point only produced a compendium of hard and soft data relating to the issue. The literature search, the faxed surveys and follow-up interviews, and all the data generated by the nominal group provide interesting background but need to be synthesized in a manner which will give them utility. The construction of Scenarios (i.e., descriptions of projected future states or sequences of events) is an effective means of integrating and synthesizing this information.

Contained in the pages which follow are three different scenarios, each describing a different end state with regard to the study issue. Scenario Number 1 is Normative in nature, presenting a slice of the future which is "feared but possible." Scenario Number 2 is Exploratory in nature, presenting a slice of the future which is "free of surprises" and based on forces in motion at this time as identified by the nominal group. Scenario Number 3 is Hypothetical and asks the question, "What if...?"

As presented in this study the scenarios described have the primary purpose of allowing the reader to consider the range of alternate futures possible with regard to the study issue. If in so doing they provide the reader with a framework or starting point for strategic planning, this purpose is well served.

Scenario Number 1 - Normative: "Feared but Possible"

As he guided his five-year-old 1995 Ford back to headquarters for a teleconference with his two station commanders, the only positive thing the Chief could identify with the five-year slump in downtown business was that the semi-empty streets made motor vehicle traffic fairly rapid (a fact not at all true in other areas of the city). As he surveyed the empty Convention Center, the sixty-percent vacant office high rises and the many small retail businesses which had been converted to bars and Asian markets, he lamented the latest crime and response-time figures faxed to his home office by R&D that morning. He was only too aware of the fact that his ratio of officers per thousand population had recently sunk to the lowest level since 1990 and crime was rising.

The City's ongoing fiscal crisis, caused primarily by the exodus of Silicon Valley business to areas where labor and housing were cheaper, the 1994 bond loss, and the 1996 passage of "Son of 13" which again rolled back property tax revenue, left no relief in sight for the beleaguered Department head. For a while, a year or two earlier, it looked like he could see a light at the end of the tunnel when the controversial Cost Recovery Program had been narrowly approved by a majority of the Council. The forty-five percent which full implementation of the proposal promised to offset the Department budget had at the time seemed like a panacea. Well, the light at the end of the tunnel turned out to be a train when a Citizen Action Committee sued the Department alleging that the Cost-Recovery Program was resulting in unequal protection in different areas of the city.

In retrospect the Chief admitted to himself that in rushing to implement the Program, legal research into the body of case law which had been growing since the passage of the State "Cost-Recovery Regulation Bill" in 1995 had been inadequate. Closer review could likely have averted both the citizens' lawsuit and the suit by CALI (California Association of Licensed Investigators) alleging unfair competition.

It would be months, the Chief realized, before the legal mess could be sorted out and the Program fine tuned to a point of acceptability. The Chief shook his head and sighed as he wondered what to do in the meantime.

Scenario Number 2 - Exploratory: Surprise Free

Walt Fenrich, the civilian director of San Jose Police Department's Bureau of Administrative Services, straightened his tie and grabbed a last look at the data that flashed on the computer screen built into his desk top. Walt was preparing to present the proposed "Schedule of Departmental Fees and Charges" for the 1999-2000 Fiscal Year to the City Council. At precisely 1330 hours, Walt flipped on the interactive video communications terminal mounted in the wall across from his desk and waited for the mayor's cue to begin.

Primarily for the benefit of the three new council members, Walt had decided to introduce his proposal with a short overview of the statutory and case law authorities which regulated local government cost recovery programs and prescribed limitations on fees. As he waited, Walt smiled inwardly and took some satisfaction in the fact that the controversy and acrimonious litigation which had accompanied the cost recovery and fee-for-service programs of the early 90's had been eliminated by the passage of the 1995 "Local Government Cost-Recovery Act." Perhaps better than anyone, Walt

realized that the ten to fifteen percent of the Department's budget which had been recovered annually since the passage of the '95 statute had been the largest single factor which had allowed the Department to keep pace with service demands which had increased by fifty percent over the last ten years. In fact, since the formation of the "Cost-Recovery Coordination Unit" in the Fiscal Division, hiring had caught up to levels projected in the 1995 Five-Year Plan and inroads had been made in lowering reportable crime.

Walt considered the fact that after a decade of economic uncertainty at Federal, State and local levels, the future fiscal outlook for the City was bright. The redevelopment efforts of the 80's and 90's were finally paying off and the resultant increased local tax base coupled with the implementation of coordinated cost-recovery programs promised growth not only in staffing but in training, equipment, and the development of new Police Department programs.

Walt's mood was one of confidence and optimism as the blue light in the corner of his video screen blinked and he began. "Good afternoon Mr. Mayor and members of the council..."

Scenario Number 3 - Hypothetical: "What if...?"

The three old friends mulled over their after-lunch coffee and waited for the afternoon workshops of the 1999 Command College Alumnae Conference to begin. The three had known each other for over a decade. Now, all three ran departments with over a thousand sworn officers. As they spoke, their conversation drifted to the inevitable topic discussed at every similar gathering as long as they could remember: THE BUDGET. It seemed that no matter what they started out talking about--staffing, personnel issues, crime trends, technology or special programs--the conversation eventually focused

on "the bottom line." Each being a seasoned professional, as they compared problems and programs their minds automatically shifted to consideration of such old Command College concepts as "economies of scale" or, putting it more colloquially, "getting the most bang for your (taxpayer's) buck."

Being from similar-sized agencies in roughly comparable communities, the three shared a somewhat common perspective. They had all suffered the financial strain of a decade in which a depressed national economy had increasingly shifted the burden of paying for local government services to cities and counties. They had shared some relief as the 1992 Property Tax Equity Law increased local government revenues by recomputing property tax assessments in a fair, standardized manner across the State. All three were unanimous in their belief, however, that the most significant occurrence of the last decade, at least in terms of their budgets, was the growth of cost-recovery programs and the charging of fees for services. Not one of the three had a budget that was offset by less than twenty percent by such programs.

Actually, the whole cost-recovery movement had begun haltingly, primarily in smaller, financially strapped jurisdictions. The hundreds of millions of dollars recovered by those jurisdictions, however, quickly gained attention throughout the State. Many larger cities were quick to jump on the bandwagon. The three chiefs chuckled as they recalled failed programs hastily implemented without any semblance of strategic planning or transition management. Some jurisdictions had simply started charging inflated fees for every service they thought they could squeeze into the overly broad parameters of the current laws.

By 1995 abuses in cost-recovery programs had led to a series of taxpayer's lawsuits. By 1996 the Attorney General had issued an official opinion regarding local government cost-recovery programs. Later that same year the

"Local Government Cost Recovery Regulatory Act" was added to the State Government Code.

Discouraged by highly publicized litigation and by the prospect of trying to "sell" cost-recovery programs in a political climate which eschewed any idea with a price tag attached, many jurisdictions became skeptical of cost-recovery programs as a viable means of offsetting service costs. This skepticism remained until the memorable "League of California Cities Conference on Cost Recovery" in late 1996. All three of the chiefs had attended the conference. All recalled the workshops during which the standards which currently governed virtually all police cost-recovery programs were developed. A new philosophy regarding cost-recovery programs began to evolve. Rather than simply a tactic to generate revenue, cost-recovery programs were identified as a means to expand basic service levels to the entire community by charging reasonable user fees and recovering certain specified costs of services rendered in prescribed situations.

As the three chiefs talked, they agreed that there was a basic quality of fairness inherent in the concept of users rather than taxpayers footing the bill for special police services. Their sentiments were apparently shared by many as it was a rare California police agency that in this 1999-2000 Fiscal Year was not recovering ten to twenty percent of its operating budget. After the proven successes of such programs, the communities, elected officials and city and county government administrators expected nothing less.

PART TWO:

STRATEGIC MANAGEMENT

- WOTS-Up Analysis
- Internal Capability Analysis
- Stakeholder Identification
- Stakeholder Assumptions
- Strategic Assumption Surfacing Technique (SAST)
- Modified Policy Delphi
- Mission Statement
- Implementation Plan

STRATEGIC MANAGEMENT

Part One of this study addressed scanning and forecasting processes. It provided a basic foundation regarding the study issue and projected trends and events which were predicted to impact the issue over the next ten years in one agency--the San Jose Police Department. Part Two will address the development of strategies and the negotiation of plans by which that Department might "create a better future" with regard to cost-recovery programs.

The strategies which are developed in Part Two will be those designed to cause Scenario Number Two, "Hypothetical - Surprise Free," to occur. While the San Jose Police Department continues to be used as the research model for this study, it should be noted that the remaining sections are hypothetical in nature and designed to exemplify prescribed methodologies. Whether such methodologies will actually be applied in San Jose or any other jurisdiction is academic. The point is that they could.

In order to conduct the WOTS-Up Analysis, the Internal Capability Analysis, Stakeholder Identification and Analysis, Strategic Assumption Surfacing Technique, and Modified Policy Delphi Technique which follow, a group of six individuals was convened. Four of the group, three police managers and a civilian analyst, had served previously on the NGT Group. One, an attorney, had no previous contact with the study but was familiar with various legal aspects of the issue. The sixth member was this author.

WOTS-UP ANALYSIS

The WOTS-Up Analysis is a model which can be used to evaluate an organization in terms of strengths and weaknesses with regard to a specific issue. WOTS-Up is an acronym for Weaknesses, Opportunities, Threats and Strengths. By analyzing these four factors it can be shown how capable an organization is of dealing with its environment.

Weaknesses

Current weaknesses in the organization relate primarily to the Department's fiscal situation. Proposition 13 limited the tax generated revenue available to the City. Less Federal and State funds are available than in the past and the current level of police budget recovered by cost-recovery programs is less than two percent. Cost Recovery has not traditionally been relied upon as a dependable alternate revenue source. Existing cost-recovery programs most often do not recover the full costs of services.

The Department is one of the most understaffed major city departments in the nation based on ratios of officers per thousand population. Personnel within the organization are well trained and highly professional but are regarded as rather conservative with regard to change. The group expressed concern regarding support of top City management (i.e., the City Manager). The group also predicted some conflict regarding how recovered funds would be allocated, and they expressed concern over "displacement" of existing budget funds.

The Department currently has no organizational unit which is equipped to develop and manage a comprehensive cost-recovery program. The existing Fiscal Unit, while it is the logical choice for such a task is already severely overburdened.

Opportunities

Two recent phenomena have alerted the Department's administration to the potential for offsetting budget expenditures by alternative revenue sources: DUI cost recovery and Federal and State Asset Forfeitures. The Department was one of the first in the State to take advantage of the statute allowing cost recovery from drunk drivers, and it developed a model program which was widely copied. The Department has a full-time Asset Forfeiture Team coordinating Federal and State forfeitures totalling millions annually.

The Department has a well-staffed, highly competent Research and Development Unit. This Unit provides an in-house capacity to develop innovative programs and "sell" the programs based on evaluations of effectiveness and cost/benefit analyses.

While the Department has traditionally not relied heavily on cost recovery as an alternate revenue source, a number of programs are in place and could easily be expanded. A computerized budget system is in place which would facilitate easy bookkeeping. Computerized dispatch records and an automated case management system would facilitate easy tracking of personnel costs.

Interestingly, based upon information disclosed in the literature search and in the forecasting exercises there would appear to be significant citizen support for the development of user fees and cost-recovery programs. General anti-tax sentiment, feelings about the equity and fairness of users paying rather than being subsidized by taxpayers and the apparent successes of other communities could make now a politically opportune to press for the development of such programs.

Last, but not least, the dire financial straits of the City and the Department, coupled with increasing service demands, present an opportunity as well as a weakness. With no immediate financial salvation in sight, cost

recovery as an alternative revenue source may become increasingly attractive. In this context the environment could encourage change.

Threats

One clear threat which was identified was the "backlash" of poorly managed programs. Corrective legislation at the state level, a restrictive body of case law and a number of lawsuits from individuals, taxpayers, public interest groups, and possibly from the private security industry could stifle development of cost-recovery programs if early efforts are mishandled. It is essential that any programs developed reflect philosophies of service, fairness, and equity.

An additional concern was that allocation of recovered funds in a manner which displaced existing budget funds would discourage further development. On a practical basis, what would be the incentive to develop effective cost-recovery programs if successes resulted in decreased budgets rather than an increased capacity for service?

An additional environmental threat which could sound the death knell for the development of cost-recovery programs is the failure to solicit community and media support. Clearly, if the development of such programs were portrayed in the media as oppressive, unfair or a denial of services which citizens have a right to expect, the viability of the programs would be questionable. Likewise, the potential threat posed by such groups as the ACLU or Taxpayers United in terms of swaying public opinion cannot be ignored. Any programs developed must reflect sensitivity to the legitimate concerns of such groups.

Strengths

Clearly the strongest asset of the Department is the quality of its

personnel. As noted previously, personnel are well-trained and, although regarded as conservative, are adaptable to well-managed change. With regard to the study issue another significant strength lies in the in-house availability of technical experts. Between the Research and Development Unit and the Fiscal Unit, the Department has all the expertise required to develop and implement cost-recovery programs and enhanced fees for service.

The technical capacity of the Department in terms of automated systems, as noted previously, is also a major strength. Dispatch functions, case tracking, crime analysis, records, and administrative functions such as budgeting are all computerized.

The Department enjoys a high level of community support and an excellent relationship with the mayor and City Council.

INTERNAL CAPABILITY ANALYSIS

After completing the WOTS-Up Analysis, the group employed a second research model, the "Internal Capability Analysis" to further examine the strengths and weaknesses of the Department. The Internal Capability Analysis consists of two survey instruments. The first instrument evaluates the Department's current capacities. The second evaluates what types of activities the Department encourages with regard to change. The results of these surveys are represented in the two tables on the two following pages.

Analysis of the results of the first survey with regard to the study issue indicate that the Department's current capabilities are better than average in eighteen of the twenty-seven areas rated, average in four areas of the twenty-seven areas rated, and has problems or needs to improve in five of the twenty-seven categories. The problem areas which should merit special attention

CAPABILITY ANALYSIS - RATING ONE

STRATEGIC NEED AREA:

Instructions:

Evaluate each item, as appropriate, on the basis of the following criteria:

- I Superior. Better than anyone else. Beyond present need.
- II Better than average. Suitable performance. No problems.
- III Average. Acceptable. Equal to competition. Not good, not bad.
- IV Problems here. Not as good as it should be. Deteriorating. Must be improved
- V Real cause for concern. Situation bad. Crisis. Must take action.

Category:	I	II	III	IV	V
Manpower	—	—	—	X	—
Technology	—	X	—	—	—
Equipment	—	—	X	—	—
Facility	—	X	—	—	—
Money	—	—	—	X	—
Calls for Service	—	—	X	—	—
Supplies	—	—	X	—	—
Management Skills	—	X	—	—	—
P.O. Skills	—	X	—	—	—
Supervisory Skills	—	X	—	—	—
Training	—	X	—	—	—
Attitudes	—	X	—	—	—
Image	—	X	—	—	—
Council Support	—	X	—	—	—
City Mgr. Support	—	—	—	X	—
Specialties	—	X	—	—	—
Mgt. Flexibility	—	X	—	—	—
Sworn/non-sworn Ratio	—	—	—	X	—
Pay Scale	—	X	—	—	—
Benefits	—	X	—	—	—
Turnover	—	X	—	—	—
Community Support	—	X	—	—	—
Complaints Rec'd	—	X	—	—	—
Enforcement Index	—	X	—	—	—
Traffic Index	—	—	—	X	—
Sick Leave Rates	—	—	X	—	—
Morale	—	X	—	—	—

Table 13

CAPABILITY ANALYSIS

RATING TWO

STRATEGIC NEED AREA:

Instructions:

Evaluate each item for your agency as to what type of activity it encourages:

- | | | |
|-----|------------|-------------------------|
| I | Custodial | Rejects Change |
| II | Production | Adapts to Minor Changes |
| III | Marketing | Seeks Familiar Change |
| IV | Strategic | Seeks Related Change |
| V | Flexible | Seeks Novel Change |

Category:	I	II	III	IV	V
TCP MANAGERS:					
Mentality Personality	—	—	X	—	—
Skills/Talents	—	—	—	X	—
Knowledge/Education	—	—	—	X	—
ORGANIZATIONAL CLIMATE:					
Culture/Norms	—	X	—	—	—
Rewards/Incentives	—	X	—	—	—
Power Structure	—	X	—	—	—
ORGANIZATION COMPETENCE:					
Structure	—	—	X	—	—
Resources	X	—	—	—	—
Middle Management	—	—	X	—	—
Line Personnel	—	—	—	X	—

Table 14

include: manpower, money, city manager support, sworn/non-sworn ratio, and traffic index. The first three are obviously closely related to the study issue.

The second survey indicates that top department managers have the knowledge and skill to seek "strategic" changes; their mentality, however, as well as the organizational climate of the Department in general, is more oriented toward encouraging "marketing" or more familiar change. The organizational structure and middle management were also judged by the group to have "marketing" or familiar change orientations. Line personnel were viewed as having a more "strategic" orientation. As noted often earlier in this study, meager Department resources impose a "custodial" orientation and tend to block change.

STAKEHOLDER IDENTIFICATION AND ANALYSIS

A stakeholder can be defined as "... any person, group or organization that can place a claim on an organization's attention, resources or output, or is affected by that output," or as "...individuals or groups who impact what you do, are impacted by what you do or care about what you do." The group, applying these definitions, identified the following stakeholders with regard to the development of fees for service and cost recovery by the San Jose Police Department:

1. City Council
2. Insurance Companies
3. Residents of the City
4. Mexican American Community Service Association (MACSA)
5. NAACP
6. Human Relations Commission
7. American Civil Liberties Union
8. Taxpayers United
9. Trade Unions

10. Neighborhood Associations
11. Courts
12. League of Women Voters
13. Chamber of Commerce
14. Downtown Business
15. Hi Tech (Silicon Valley) Business
16. Chief of Police
17. City Manager
18. Developers
19. Collection Agencies
20. Private Security Industry
21. Seniors
22. Peace Officers Association
23. Youth Sports Programs Users
24. School Districts
25. Yuppies
26. San Jose Mercury News

After generating the above list, the group discussed each of the potential stakeholders and selected the ten which they believed would have the most impact on or be most impacted by the issue. The group also identified one "Snaildarter;" i.e., a seemingly insignificant player having the power to drastically impact policy or action.

1. City Council
2. City Manager
3. Police Chief
4. Chamber of Commerce
5. League of Women Voters
6. Human Relations Commission
7. School Districts
8. Neighborhood Associations
9. San Jose Mercury News
10. Private Security Industry
11. ACLU (Snaildarter)

STAKEHOLDER ASSUMPTIONS

1. City Council - The city council's primary concern with regard to the issue will be providing the maximum level of service possible within the financial constraints imposed by such factors as those enumerated in the forecasting section of this study. The council will be sensitive to community values as they relate to the expenditure of public funds on what could be regarded as non-public services. The council will also be sensitive to political realities and will probably want to "test the water" with limited, incremental development of cost-

recovery strategies. They will be sensitive to issues of equity and fairness and will closely monitor community reactions to measure the continued viability of programs. It would likely be unrealistic to expect the council to support total recovery for all possible services, as they will view subsidizing some services as in the public interest.

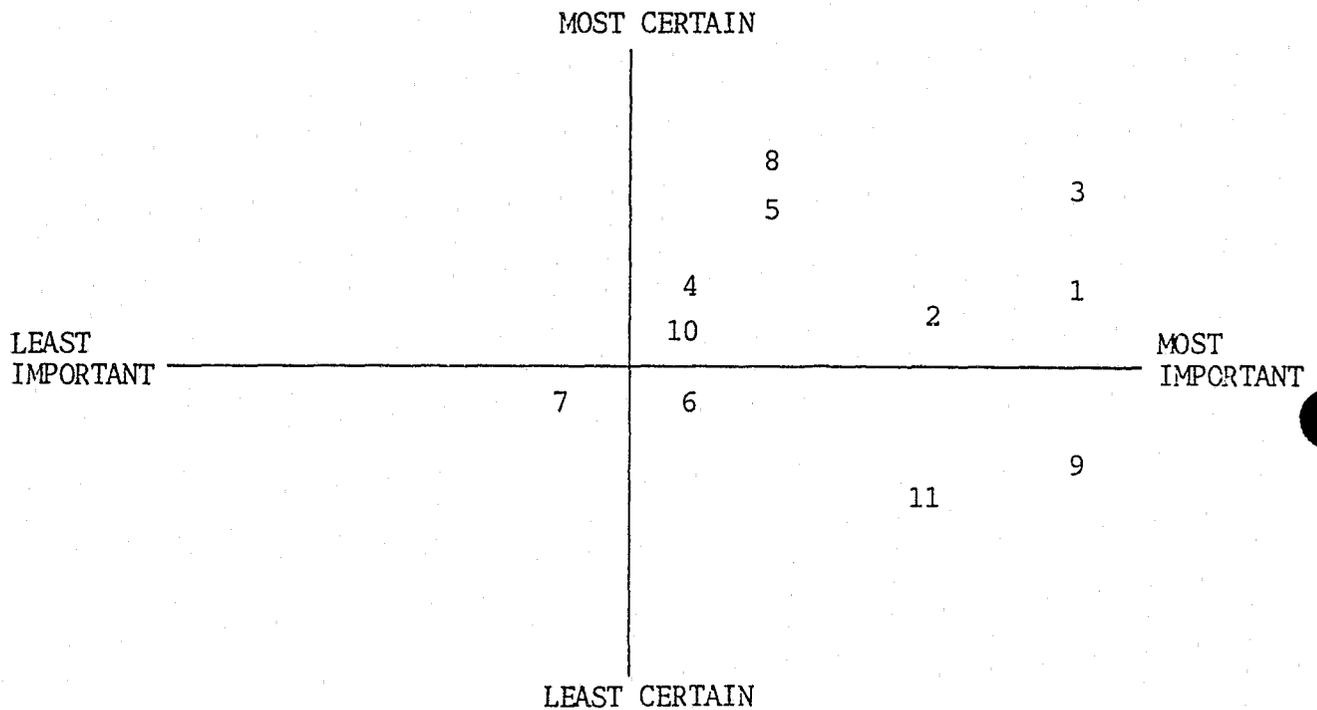
2. City Manager - The manager will ultimately execute the policies of the council. His support, however, will be critical to the successful expansion of existing programs and the development of new ones. He will have concerns about cost effectiveness, economies of scale, control, program administration and priorities for the use of recovered funds. It is likely that he will have to deal with competing interests regarding the use of funds as well as the issue of revenue displacement. It will be essential that his input be solicited from the outset.
3. Police Chief - The chief will share most of the same concerns as the council and the manager. He will be politically sensitive and concerned with the variety of management and administrative issues associated with cost-recovery programs. The level of his support will be a function of how much the implementation of cost-recovery strategies impact his own Department's service capacity. He will be responsible for the nuts-and-bolts administration of programs and will therefore be concerned with costs versus benefits and control. His input will be important in the determination of "who pays how much for what." Since he enjoys widespread community support, his public advocacy will go a long way towards encouraging community acceptance.
4. Chamber of Commerce - The chamber will be concerned about the effect of fees for service and cost recovery on the business community and the overall economic health of the city. Their support will also be important in the attempt to encourage community acceptance. They can be expected to take a rational, businesslike approach to the issue of taxes versus alternative revenue sources.
5. League of Women Voters - This group is highly respected and trusted as a result of their history of acting in the public good. Like the Chamber of Commerce, they will likely take a rational, businesslike posture with regard to the issue. They will be especially sensitive to issues of service levels, equal protection, fairness, and equity. If these issues are addressed to their satisfaction, they could lend strong support to the development of cost-recovery programs as alternate revenue sources.
6. Human Relations Commission - This County agency will be primarily concerned with issues of equity, fairness, and equal protection to all. They are traditionally regarded as advocates for the elderly, the poor, minority groups, and the homeless. They will assume a watchdog role but will likely support cost-recovery programs to the extent that across the board services are enhanced and that the majority does not end up subsidizing the minority's enjoyment of non-essential or optional services.

7. School Districts - These groups were identified as possible opponents of the user fee, cost-recovery concepts. It is likely that a number of cost-recovery programs would negatively impact district budgets. Being financially strapped themselves, they will likely oppose the development of programs which will cost them money. The funding of education is a controversial issue. It is likely that many feel that services to education is an area that should be subsidized by the community at large.
8. Neighborhood Associations - Neighborhood Associations will be primarily concerned with service, and how they can get the most bang for their buck. To the extent that cost-recovery programs can be shown to be cost effective for them and to enhance police services across the board they will support cost-recovery programs. Additionally, if neighborhood values run parallel to those described in many of the articles reviewed in Part One, they can be expected to be anti-tax, pro-choice and in favor of letting users foot the bill.
9. San Jose Mercury News - Many feel that there is no stronger influence on community views than the one large newspaper in town. The Mercury will closely scrutinize the implementation of comprehensive cost-recovery programs. Investigative reporting will analyze local developments and will take into account the experiences of other jurisdictions and the effect on local service capacities especially on minorities and the poor. Equity and fairness, legal precedents and the views of vocal opposition will also be topics of concern. The editorial support of the Mercury is viewed as essential to gaining widespread community support.
10. Private Security Industry - Main concerns of this group will be economic. They are sensitive to the issue of unfair competition. Certainly they will oppose police expansion of fees for service programs into areas which were previously their sole domain. Their support can be elicited if they can be shown, as many studies have suggested, that police cost recovery (especially at total recovery rates) will actually enhance their role. The positive effect of police cost recovery on increased privatization will be a major plus.
11. ACLU - Equal protection under the law, fairness and equity will be the primary concerns of this group. They could potentially challenge development of cost-recovery programs on a variety of legal grounds. This "snaildarter," if successful in challenging poorly researched or developed programs, could stifle cost recovery efforts.

STRATEGIC ASSUMPTION SURFACING TECHNIQUE (SAST)

Once stakeholders have been identified and stakeholder assumptions considered, an SAST Map can be plotted. The two criteria for plotting are:

(1) the importance of the stakeholder to the organization and the issue, and
 (2) the degree of certainty that the assumptions regarding the stakeholder are correct. The positions of each of the eleven stakeholders described in the above section have been plotted in this manner in the following chart:



SAST Chart 24

Almost all of the stakeholders represented are judged to be important. The chief, the council and the city manager are seen as most important due to their advocacy role with regard to the issue. They will be the ones who develop, propose, sell, and in some cases approve the programs. The chamber, Human Relations Commission, League of Women Voters, Neighborhood Associations, and the newspaper can encourage acceptance by their support or can assume a blocking position. Private security and the ACLU represent potential

litigation adverse to the issue. School districts were seen as less of a threat even if they opposed the implementation of programs.

The responses of most stakeholders to the issue were viewed as relatively certain. Most will support the issue based on: (1) increased service capacities, (2) anti-tax sentiment, (3) equity, and (4) fairness. School Districts, the Human Relations Commission, the newspaper, and the ACLU may assume a more cynical posture. Equal protection under the law, fairness, equity, and a clear delineation between guaranteed versus "charged for" services must be demonstrated to garner their support.

MODIFIED POLICY DELPHI

The Modified Policy Delphi is a process designed to generate and evaluate alternative policy options with regard to the issue. The group generated the following seven possible options and then rated each on feasibility and desireability scales.

1. It shall be the policy of the Department to recover fees for costs reasonably borne in the provision of optional and/or avoidable police services.
2. The Department will establish and annually update a fee schedule. Fees charged for optional and/or avoidable services will be based on actual cost to the Department and the City unless otherwise determined by the city council.
3. The Department will establish in its Fiscal Division a Cost-Recovery Unit.
4. The Department recognizes that the identification and development of potential cost-recovery programs is the ongoing responsibility of all personnel. The Department will maintain a financial incentive program to encourage the development of such programs.
5. Consistent with legal authorities and the accomplishment of the City's mission and goals, it shall be the policy of the City to allocate revenues generated by fees for service and cost-recovery programs to the originating department.

6. It shall be the policy of the Department not to bill victims of crimes for services related to the crime of which they were a victim.
7. It shall be the policy of the City to periodically audit and make recommendations regarding cost recovery programs.

A standard policy delphi rating sheet was used to evaluate the above seven policy options in terms of feasibility and desireability.

Alternative 1: Fees for Costs Reasonably Borne

Feasibility	DF	[PF]	PI	DI
Desireability	[VD]	D	U	VU

Alternative 2: Fee Schedule/Actual Costs

Feasibility	DF	[PF]	PI	DI
Desireability	[VD]	D	U	VU

Alternative 3: Cost-Recovery Unit**

Feasibility	[DF]	PF	PI	DI
Desireability	[VD]	D	U	VU

Alternative 4: Financial Incentive Program

Feasibility	DF	[PF]	PI	DI
Desireability	VD	[D]	U	VU

Alternative 5: Revenue Back to Departments*

Feasibility	DF	[PF]	PI	DI
Desireability	VD	[D]	U	VU

Alternative 6: Victims not Billed**

Feasibility	[DF]	PF	PI	DI
Desireability	[VD]	D	U	VU

Alternative 7: Audits**

Feasibility	[DF]	PF	PI	DI
Desireability	[VD]	D	U	VU

Legend: DF = Definitely Feasible VD = Very Desireable
 PF = Probably Feasible D = Desireable
 PI = Possibly Infeasible U = Undesireable
 DI = Definitely Infeasible VU = Very Undesireable

[] = Median Score
 * = Most Diversified Range
 ** = Highest Rated Alternatives

POLICY DELPHI RATINGS
Table 15

The following listed "pros" and "cons" were associated with each of the policy alternatives considered. The alternatives are listed in order of their respective scores (highest to lowest).

Alternative 6: Victims not Billed

- Pro: - PR Value
- Fairness/Equity issue addressed
- Equal protection issue addressed
- Con: - Potential loss of some recoverable revenue

Alternative 7: Audits

- Pro: - Independent audits will make the programs more attractive to virtually all important stakeholders
- Allows regular re-evaluation based on program administration and cost effectiveness
- Businesslike/Professional
- Allows exact tracking of revenues and expenditures
- Con: - Possibly some cost for contract services

Alternative 3: Cost-Recovery Unit

- Pro: - Centralizes/clarifies responsibility
- Efficiency
- Accountability
- Aids overall program administration
- Con: - Cost (manpower, overhead, etc...)
- Increases specialization

Alternative 1: Fees for Costs Reasonably Borne

- Pro: - Alternative revenue source
- Reflects community values
- Easy administration
- Fairness/Equity (users pay)
- Increases general service capacity
- Con: - Some opposition anticipated
- Costs associated with administration
- Collection problems

Alternative 2: Fee Schedule/Actual Cost

- Pro: - Revenue generated is higher
- Reduces subsidies by total community
- Con: - Expensive to users
- Requires analysis to set fees
- Political opposition

Alternative 4: Financial Incentive Program

- Pro: - Increases revenue bases
- Increases interest
- Recognizes entrepreneurship
- Con: - Can become overly competitive
- Can result in imbalance between free services and revenue enhancing services

Alternative 5: Revenue Back to Departments

- Pro: - Strong incentive for development
- Increases capacity for service for generating department
- Fairness
- Con: - Favors departments with strong potential for recovery
- Does not necessarily positively impact the general fund

As noted, all the policy alternatives were seen as feasible and desirable. All the policy alternatives, except Alternative 4, the Financial Incentive Program, were therefore selected for implementation. All the selected alternatives were seen as fitting well within the parameters of an overall philosophy and strategy of cost recovery. (Alternative 4, while having merit, was a duplication of existing City programs.)

MISSION STATEMENTS

An organization's mission is its "raison d' etre," the reason for its existence. The mission statement provides a framework for planning, direction, and guidance to the organization's members and a standard against which actions can be measured. For purposes of this study, two mission statements have been developed. The "Macro" mission articulates the overall mission and objectives of the Department. The "Micro" mission articulates the mission of the Department with regard to the study issue--cost recovery.

Macro Mission

The Mission of the San Jose Police Department is to provide a safe community in which residents can live and conduct their lives and businesses in a state of peace and security. The Department will stive to protect life

and property, prevent crime, apprehend offenders, and provide for the safe, efficient movement of all traffic. The Department will execute its Mission in a fair, impartial and professional manner, respecting the rights and dignities of all. As a dynamic organization, the Department will constantly monitor its operations and remain responsive to the changing needs of the community.

Micro Mission

The Department recognizes as its primary purpose the delivery of emergency and/or essential services. The Department will render these services in an efficient cost-effective manner designed to guarantee equal protection to all persons regardless of their individual backgrounds. As resources allow, the Department will provide non-emergency services. The Department may also provide optional, non-essential and/or avoidable services. In order, however, that the majority of citizens are not forced to subsidize optional, non-essential and/or avoidable services to the benefit of private individuals or groups, the Department may charge fees for costs reasonably borne in the delivery of such services. Any fees associated with the delivery of such optional, non-essential and/or avoidable services will be prescribed by ordinance and will be designed in a manner guaranteeing fairness and equity.

STAKEHOLDER NEGOTIATION

As noted previously, six policy alternatives were selected by the group for implementation. The first step in this implementation process is stakeholder negotiation. In the stakeholder negotiation process, the factors which motivate each stakeholder are identified, a general negotiation strategy is developed and specific tactics for each stakeholder are planned. In the table which follows, Stakeholders, Motivators, Strategies, and Tactics are identified for the study.

STAKEHOLDER	MOTIVATOR(S)	STRATEGY	TACTICS
1. City Council	Community Welfare; Fiscal Viability; Political Viability.	Stress the rational approach. Negotiate as a mutual gain. Be sensitive to political realities.	Good R&D. Sound completed staff work. (Possibly use outside consultant). Try to demonstrate community values and support. If possible, get editorial support in the Mercury.

STAKEHOLDER	MOTIVATOR(S)	STRATEGY	TACTICS
2. City Manager	Professional competence; Cost Effectiveness; Service capacity of the Department. Control.	Rational Approach/Mutual Gain (Similar to Council) Compromise.	If possible, capitalize on council support. Use good R&D and staff work. Show successes of other cities. Be willing to implement incrementally.
3. Police Chief	Will relate dollars to service. Committed to improving service capacities. He also will be concerned with financial and political viability.	Rational/Mutual Gain. Must be willing to compromise, especially early in the program.	Similar to the Council and Manager. Make it a Win-Win proposition; i.e. "Better Service/Lower Taxes." Must get the Chief's support early on.
4. Chamber of Commerce	Economic viability. Taxes. Service levels effect on business and development.	Rational/Mutual Gain. "Bottom line-type approach." (Psychological influence).	Exploit successes in other cities. Include a representative on the "Citizens Advisory Committee."
5. League of Women Voters	Good government; service levels; equal protection, fairness and equity are all major concerns.	Rational/Demonstrate impact on the community good.	Similar to Council Manager and Chief. Provide data showing effectiveness of existing programs. Include a representative on "Citizens Advisory Commission." Demonstrate that service, equity and fairness are top priorities.
6. Human Relations Commission	Concerned for minorities and the poor. Equal protection, equity and fairness will be major concerns.	Rational/Mutual Gain/Compromise. Also use of psychological influence.	Must guarantee that the whole community will benefit. Stress that service levels to all will increase. Provide all the background information and solicit input.
7. School Districts	Will be motivated by cost factors and service levels.	Use Rationality and Power for Leverage. Possibly compromise on utilization of recovered funds. Try to show mutual gain.	Stress fairness and equity issues. Guarantee certain service levels. Possibly reach an accommodation regarding special fee structures for schools.

STAKEHOLDER	MOTIVATOR(S)	STRATEGY	TACTICS
8. Neighborhood Associations	Economic concerns over taxes; safe neighborhoods; service levels.	Rational/Psychological. Stress financial gain to taxpayers and overall increase in service levels. Stress fairness and equity. Stress mutual gain and compromise.	Have at least two neighborhood associations represented on Citizens' Advisory Commission. Have speakers go to neighborhood associations. Provide handouts with lists of program benefits. Cite successes in other areas.
9. San Jose Mercury News	Strong motivation to maintain watchdog role over government. Interest in community affairs/community welfare. Strong interest in equal protection, equity, fairness.	Rational. Stress all the benefits to the community. Stress the mutual gain to all.	Notify the press early and regularly update. Stress the successes locally and in other jurisdictions. Cite widespread community support. Be prepared to address legal and equity issues.
10. Private Security	Economic and Professional concerns.	Rational. Stress mutual gain. Be willing to accommodate.	Include a member on Advisory Board. Provide statistics on how cost recovery has increased privatization. Correspond with private security in other areas. Be willing to compromise on what services can be fee generators. Scrupulously avoid accusations of unfair competition
11. ACLU	Motivated to insure equal justice under the law, fairness and equity.	Rational. Stress mutual gain. Be willing to accommodate and compromise.	Get good legal assistance from the outset. Anticipate any challenges. Guarantee that programs do not detract from commitment to serve all the community equally. Insure fairness and equity.

Table 16

IMPLEMENTATION PLAN

The schedule for the implementation of a comprehensive cost recovery program depends on a number of dynamic factors, not the least of which is the rate of change that the community and the Department will tolerate. A safe approach would be to plan an incremental implementation aimed at reaching maximum recovery over an extended period. The ten-year timetable which follows is designed to bring the Department's percent of budget recovered from a current level of 1.89% to a minimum of ten percent by the year 2000.

1990 - Consultant hired

- Citizen Advisory Group Formed/Stakeholder Negotiations occur
- Basic Strategy formulated
- Program proposal developed and submitted and refined
- Ordinance becomes effective
- Cost-Recovery Unit staffed and equipped
- Programming and procedures in place

1991 - Annual audit

- Strategy and plan updated. Recommendations for fee increases and new cost-recovery programs developed
- Input and support solicited from Citizen Advisory Group
- Updated ordinance to Council
- Recovery rate of 3% reached

1992 thru

2000 - Repeat steps in 1991. Annually update and increase scope of the program to the point where a minimum of 10% of the budget is recovered.

PART THREE:

TRANSITION MANAGEMENT

- Critical Mass
- Commitment Assessment/Planning
- Management Structure
- Responsibility Charting
- Implementation Methodologies

TRANSITION MANAGEMENT

Part Three of this study addresses the management of change in the Department. It answers the question, "What happens between the idea and the effect?" Techniques will be presented which will allow the Department to overcome organizational resistance to change and to insure a smooth implementation process by developing a commitment plan, planning a management structure, and selecting appropriate implementation methodologies.

CRITICAL MASS

Critical Mass is that minimum number of individuals who, if they support the proposed change, are likely to cause it to occur, and if they oppose the change, are likely to cause it to fail. Any organizational change is likely doomed to failure if it does not have the support of these key individuals or if their opposition has not been neutralized. The Critical Mass is seldom less than three and should not exceed ten. Generally between three and ten is the number needed to "deliver" the organization. Because change cannot occur if any of the individuals or groups in the Critical Mass are in a blocking position, it becomes incumbent on the manager to: (1) identify targets or groups whose commitment is needed, (2) define the Critical Mass, and (3) develop strategies and action plans to gain support or neutralize opposition.

An examination of the list of key stakeholders identified in Part Two discloses the following individuals or groups as the Critical Mass with regard to the development of a comprehensive cost-recovery program for the San Jose Police Department.

1. Chief of Police
2. City Manager
3. City Council
4. San Jose Mercury News
5. League of Women Voters
6. Neighborhood Associations
7. Private Security Industry
8. ACLU

COMMITMENT ASSESSMENT/PLANNING

As noted above, change cannot take place with any members of the Critical Mass in a blocking position. It is therefore essential to assess each member's level of commitment to the proposed strategy and to develop, as necessary, action plans to bring each member to positions of support or, at the very least, tacit acceptance; i.e., "Let Change Happen." The following table reflects assumptions regarding each member's current level of commitment to the strategy and the degree to which that level of commitment must be modified to assure success.

Critical Mass	Block Change	Let Change Happen	Help Change Happen	Make Change Happen
Chief		0- - - -	- - - - -X	- - - -X
City Manager		0- - - -	- - - -X	
City Council		0- - - -	- - - - -X	- - - -X
San Jose Mercury		0- - - -X		
League of Women Voters		0- - - -	- - - -X	
Neighborhood Associations		0- - - -	- - - -X	
Private Security	0- - -	- - - -X		
ACLU	0- - -	- - - -X		

0 - Present Commitment
X - Desired Commitment

Table 17

1. Chief of Police - The chief of police, being aware of trends and events affecting his current and future budget will be highly motivated to seek alternative revenue sources. For him increased dollars mean an increased capacity for service. Nevertheless, he will be sensitive to the political realities, both inside and outside the Department, of trying to institute what could be controversial change. To enlist the strong "Make It Happen" support needed from the chief, sound research and development must occur. Extensive research in other agencies and locally must be conducted and the results must be convincing enough to cause the chief to believe that the results are worth the risk. The level of the chief's support will also, to an extent, be a function of how he perceives community values regarding the issue. Getting several of the other members of the Critical Mass to help change happen or at least let change happen will be important.
2. City Manager - The city manager by virtue of the nature of his job will take a broader view of the City's fiscal problems. Like the chief of police, he will be familiar with trends and events impacting budgets; however, he will view cost-recovery programs as an alternative revenue source in the context of running a total city government, establishing priorities and balancing competing interests. While he may find the prospect of an untapped revenue source attractive, his enthusiasm will be tempered by concerns with legal issues, dependability, administrative costs, community values and revenue allocation. Many of his concerns can be allayed with the same quality research and development and staff work presented to the chief. The recommendations of credible, respected outside consultants and successes in other large cities will also have major influence with the manager. So too will the support of other key individuals and groups in the Critical Mass. A willingness to "test the water" with incremental implementation will reduce risk for this key player.
3. City Council - The city council will view increased revenues from cost-recovery programs with cautious optimism. They too will equate increased dollars with increased service capacities. They will, however, be especially sensitive to community reactions and to the political realities of expanding this revenue base. The positive experiences of other California cities, especially larger cities, can be expected to strongly influence the council. Satisfactory resolution of the issues of equal protection, fairness, equity and the definition of basic service levels will be absolute prerequisites for council support. The council can be expected to want input into decision making processes relative to what fees are charged to whom for which services and how new revenues, once collected, are allocated. Like the previous two members of the Critical Mass, the council will be heavily influenced by the support of key individuals and groups judged to be representative of total community values.
4. San Jose Mercury News - As the only major local newspaper, the Mercury has enormous influence in shaping community opinions. The Mercury takes its "watchdog" role seriously and frequently addresses local government policy issues in both news articles and editorials. It will be essential that if the active support of the Mercury cannot be

gained, that at least the paper remain neutral, letting change occur and objectively reporting the results. It would be advantageous to notify the Mercury and other news media early of a major research project examining the viability enhancing service capacities by means of cost-recovery programs and possibly the hiring of an outside consultant. A feature article reporting the results of the initial research and programming might also be an effective method of gauging community response early on. As with other members of the Critical Mass, equal protection, fairness, equity, and the effect on service capacities must be resolved to guarantee support or neutrality.

5. League of Women Voters - As a highly respected, objective, non-partisan group, the League can do most to influence community opinion and the opinions of other members of the Critical Mass. To the extent that service capacities can be increased by cost-recovery programs without denying basic service, equity and fairness to all, the League can be counted upon to at least remain neutral if not generate active support. An effective method of enlisting this support would be to invite a representative from the League to serve on the Citizen's Advisory Board formed to assist the Department in an advisory capacity in program research, development, and evaluation.
6. Neighborhood Associations - Neighborhood Associations throughout the city can be expected to be primarily concerned with service levels, economies of scale, and the cost of government service. The positive impact of enhanced cost-recovery programs in all these areas should be stressed to these groups, as well as positive results of similar efforts in other jurisdictions. Based on many of the articles in the literature review, Neighborhood Associations should already be philosophically aligned with the concept of cost recovery as opposed to taxes. As long as basic services, fairness, and equity are guaranteed, the support of these groups should not be difficult to maintain. A helpful tactic with these groups also would be to insure representation on the Citizen's Advisory Committee.
7. Private Security - The private security industry will be concerned with professional and economic issues. It will be important to stress that cost recovery represents an effort to generate revenues from optional, non-essential and/or avoidable police services, not an effort to expand services into their domain. It will be essential to point out that fees charged by the Department based on actual costs will in all likelihood make their own rates more attractive and in that context can be expected to increase privatization. It would be advantageous in terms of gaining the support of this group to include a representative from a professional association such as CALI (California Association of Licensed Investigators) in the Citizen's Advisory Group.
8. ACLU - The ACLU can be expected to assume the role of legal watchdog. Tactics similar to those utilized in attempting to gain the support of the newspaper would also be applicable with this group. As long as the issues of equal protection, fairness, and equity are adequately addressed, the ACLU can be expected to assume a "Let Change Happen" posture.

MANAGEMENT STRUCTURE

The period of transition (i.e., the length of time between the current state [2% recovery] and the desired state [10+% recovery] of the proposed strategy) is long, possibly as long as a decade. The capability analyses conducted in Part Two indicated that the Department currently has the potential, both in terms of personnel and technology, to develop and implement this strategy. What is necessary to apply this potential is the development of two separate management structures congruent with unique developmental and transitional tasks.

Internally this transitional management structure would exist in two phases, both of which would assume the characteristics of what Bekhard and Harris refer to as the "Program Manager" structure. Initial phases of research and development would be coordinated by a senior analyst in the existing R&D Unit, assigned full time to this function. This analyst might or might not work in conjunction with a private consultant. Once the initial staff work was completed and the program approved, a separate new organizational unit would be created in the Department's Fiscal Division to manage continuing operation and coordinate further evaluation and development. Ideal staffing would consist of a senior analyst, an account clerk, and a clerical support person. The cost of staffing this new "Cost-Recovery Unit" would be totally offset by the increase in recovered funds.

A structure external to the Department would be created in the form of a Citizen's Advisory Group. The group would have a threefold purpose. First, it would provide input from representative constituencies during the developmental phase. Second, the group would increase the levels of credibility and community acceptance during the transition phase. Third, as the strategy

continued to develop, the group would provide feedback on existing programs and possible input regarding new cost-recovery efforts. An important characteristic of this group would be the inclusion of key stakeholders and members of the Critical Mass.

RESPONSIBILITY CHARTING

Responsibility charting is a process designed to clarify role relationships, reduce ambiguity, and wasted energy, and minimize adverse emotional reactions. Generally, the process involves a group effort which identifies tasks or decisions and clearly defines the role of selected "actors" who have a behavioral role with regard to the specific task or decision. The required behavior of an actor towards a particular activity falls into one of four classifications:

- R - Responsibility to see the activity occur
- A - Approval of activity with veto power
- S - Support of activity with no veto power
- I - Informed of activity with no veto power

The Responsibility Chart on the next page represents the individual roles of each of the members of the Critical Mass with regard to key activities in the management of the implementation of a comprehensive cost-recovery program for the Department. Responsibility for developmental activities is primarily at the chief's level. Approval decisions are primarily at the level of the city manager and the council. The League of Women Voters, Neighborhood Associations and Private Security have support roles. The Mercury News and the ACLU are identified as having the responsibility to remain informed regarding implementation of the strategy.

Task/ Decision	Chief	City Manager	City Council	Mercury News	League of Women Voters	Neighborhood Associations	Private Security	ACLU
Program Development	R	A	A	I	S	S	S	I
Formation of Cit's Adv. Group	R	A	I	I	S	S	S	I
Enabling Legislation	S	R	A	I	S	S	S	I
Form Cost-Recovery Unit	R	A	A	I	S	S	S	-
Allocate New Revenues	S	R	A	I	I	I	I	I
Conduct Audit	R	A	I	I	I	I	I	-
Update/ Adjust Program	R	A	A	I	S	S	S	I

R = Responsibility
A = Approval
S = Support
I = Informed
- = Unrelated

Responsibility Charting

Table 18

IMPLEMENTATION METHODOLOGIES

Three basic tenets underly all the various techniques and methodologies which would be utilized in the management of the transition phase: (1) a clear vision, (2) communication, and (3) participation. Within the Department, within the City government structure and in the community stresses caused by

implementation of the strategy can be expected. Constant adherence to the three basic tenets mentioned is essential to counteract these stresses endemic to the change process. Internally, these tenets must be applied as the chief develops and institutionalizes his program. Externally the chief will seek approval and support in the government setting and from the community.

Specific tactics (i.e., the application of these tenets) will include:

1. Establishing a clear vision of the purpose and the processes involved in the development of cost recovery as a revenue source. Answer the questions: What is it? How does it work? How does it benefit each stakeholder? How will implementation affect basic services? How will the Department guarantee equal protection, equity, and fairness?
2. Establish and circulate a plan and a timetable.
3. Establish milestones; i.e., recovery goals for the transition period.
4. Establish and maintain active two-way communication with significant stakeholders, especially the Critical Mass. Utilize creative communication tools (news conferences, editorials, neighborhood meetings, speeches, etc.)
5. Insure input from the Department and the community (staff meetings, Advisory Group).
6. Develop a Cost-Recovery Manual (similar to San Diego's).
7. Insure that assigned personnel are properly indoctrinated and trained.
8. Regularly evaluate (audit) the strategy. Publish positive impacts.
9. Above all, establish a positive atmosphere within which ordered, well-managed change can occur.

PART FOUR:
CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS AND RECOMMENDATIONS

The issue which this paper has addressed is "How Will Cost-Recovery Programs Affect the Service Capacities of Large Agencies by the Year 2000?" What the study has shown is: (1) that trends and events now in motion will increasingly strain the budgets of large agencies over the next ten years, and (2) that cost recovery programs can be a viable alternate revenue source for these agencies. The positive experiences of a number of departments across the state as well as the results described in this research model suggest that a significant portion of a major city's police budget can be offset by a philosophy and an applied strategy regarding the recovery of service costs for non-emergency, optional, and/or avoidable police services. The study suggests that the ten-percent recovery rate described in Scenario Number Two could be a reality. Such a recovery rate in the San Jose Police Department today would total approximately 8.4 million dollars!

It is important, however, to note that even if the ten-percent objective utilized in this research model is not feasible in some jurisdictions, each single percent of budget recovered by a large agency represents a significant budget augmentation. For example, in San Jose an increase of only one percent would equate to \$840,000--roughly the direct cost of salary and fringe benefits for twelve police officers.

The study suggests that the development of a cost-recovery strategy and an implementation plan should be based upon sound research and development. One effective means of developing and presenting a program may be the use of a professional consultant. At any rate, to garner the support of key stakeholders the issue of defining basic service levels, identifying services for which fees would be collected, what fees, who pays, equal protection, fairness,

and equity must be addressed. Failure to address these issues could result in litigation which could stifle present and future programs.

With regard to specific sub-issues the study found:

1. Police Role in the Year 2000. Trends, events, community values, and fiscal limitations will encourage large departments to focus on delivery of basic emergency and law enforcement services. Citizen cynicism regarding the use of their tax dollars, and an unwillingness to subsidize non-essential services coupled with increasing demands for basic services will force departments to become more efficient and more accountable.
2. Legal Issues. Legal issues associated with cost recovery include the legal authority to collect fees, local implementing legislation, and possible legal challenges based on constitutional or equity issues. All these issues are addressed at length in the study. Adherence to the recommended development and implementation strategies should eliminate any legal problems.
3. Political Issues. Community values about government and government services and the level of acceptance in individual jurisdictions can have a major impact on application of the basic strategy. Appointed and elected officials both will closely monitor these issues and act accordingly with regard to cost recovery. Based on the literature and survey research cost recovery is now politically viable.
4. Private Security. As long as the police do not expand into areas previously the exclusive domain of the private security industry and avoid allegations of unfair competition, private industry can be expected to let change happen. The study suggests that police cost recovery may, in fact, encourage increased privatization.

The challenge to the police administrator is to recognize the potential of this alternative revenue source for his own agency, to develop a strategic plan, and to implement that plan in a manner which will augment the service capacity of his department. Application of the methodologies and techniques presented in this study may be of value in this effort.

END NOTES

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6. Ibid.
7. Ibid.
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9. Rosenberg, Philip. "Costing and Pricing Municipal Services," Management Information Service Report - International City Management Association, Volume 15, June/July 1983, p. 1.
10. Coyle, Joe. "The Future of Law Enforcement," Police, August 1987, p. 62.
11. Ibid.
12. Bowman, John H. and McCaffery, Jerry. "Participatory Democracy and Budgeting: The Effects of Proposition 13," Public Administration Review, November/December 1978.
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APPENDIX A-1

INTERVIEW WORKSHEET

Agency: _____

Contact Person: _____ Title: _____

	FY 84-85	FY 85-86	FY 86-87	FY 87-88	FY 88-89
Total City Budget					
Police Budget					
Police Budget Recovered *					
% Police Budget Recovered					

* By user fees for service or cost recovery programs.

<u>Existing Recovery Programs:</u>	
1.	7.
2.	8.
3.	9.
4.	10.
5.	11.
6.	12.

<u>Future Planned Recovery Programs:</u>	
1.	7.
2.	8.
3.	9.
4.	10.
5.	11.
6.	12.

APPENDIX A-2

Problems Encountered or Anticipated in the Implementation of Police Cost Recovery Programs:

- 1.
- 2.
- 3.
- 4.
- 5.

Projected FY 1999-2000 % Police Budget Recovered by Fees for Service or Cost Recovery Programs:

SHOULD BE _____

PROBABLY WILL BE _____

Additional Comments:

COST RECOVERY MANUAL

SUMMARY

As outlined in Administrative Regulation 95.25 (Attachment I), it is City policy to establish fees to recover the cost of providing certain services. Once established, fees should be reviewed annually to ensure that all reasonable costs incurred in providing these services are being recouped. The City is generally precluded from recovering more than the cost of a service by Proposition 4, which requires that fees and charges in excess of total cost be counted as taxes against the City's Gann limit. To avoid either over or undercharging for City services, fees and charges must be based on a cost recovery analysis.

The issue of cost recovery has become increasingly important, as a slowing in the growth of General Fund revenues has reduced the City's ability to fund necessary services through traditional revenue sources. This manual offers guidelines for the analysis of cost recovery and is intended as an aid in the establishment and revision of fees and charges. The use of cost analysis is not, however, limited to the pricing of goods and services. Cost analysis may be used by managers to measure productivity, develop more efficient service delivery, evaluate the contracting out of services and justify changes to programs. The intent of this manual is to provide an analytical framework which can be used not only in the pricing of City services, but in a wide range of management decisions.

This manual utilizes basic cost analysis techniques to demonstrate the calculation of full cost recovery. Section I, Measuring Cost Recovery, reviews

the various categories of costs and presents methodologies for calculating full cost recovery. Section II, Criteria for Establishing Fees, discusses the factors which should be considered before implementing a new fee or charge. This section includes fee setting criteria and examples of exceptions for full cost recovery. Section III, Monitoring Cost Recovery, discusses the new system for tracking reimbursable costs and their associated revenues.

I. MEASURING COST RECOVERY

The first step in a cost analysis study is the selection of a unit of service to be analyzed. Some examples of units of service are numbers of permits processed, the dollar amount of plans reviewed or the number of customers using a specific program. A good unit of service should be simple and understandable, easily measurable, and the resulting costs per unit should provide a reasonable basis for a user charge decision.

For some goods and services, a cost analysis will be based on the cost of providing a single unit. For other goods and services, the full program cost will be divided by the total units to determine per unit cost. In such cases, departments must monitor the units of service on an ongoing basis. If departments over or underestimate the number of units when setting the fee, the fee should be revised accordingly.

Once a unit of service has been defined, a cost analysis study should be conducted to determine the full cost recovery rate for that service. Full cost recovery can be defined as the recovery of all direct and indirect costs associated with the delivery of a good or service. Direct costs are those costs that can be specifically assigned to the service being examined. Direct costs

are subdivided into salaries and wages, fringe benefits, and non-personnel costs, which consist of equipment used and supplies consumed during the delivery of a service. When calculating direct costs, the average benefit rate should be used when the actual fringe benefit figure is not available. Attachment II, Fiscal Year 1990 Overhead Rates, lists average fringe benefit rates for various departments and divisions.

To accurately track direct costs, departments must establish appropriate job orders and program and organization structures which relate direct expenses to specific fees, charges or other billable revenue sources. Once established, this accounting information should be used on all expense documents directly related to the service provided (e.g., labor cards, purchase orders, print requisitions, etc.).

Indirect costs, commonly called overhead costs, are those costs that are necessary for the operation of the organization, but are not uniquely or easily assignable to a specific good or service. Rent and utilities, depreciation on buildings and equipment, departmental administration expenses and the cost of services from other departments are examples of indirect costs. For the purposes of this manual, indirect costs consist of labor and fringe load, departmental overhead and general city overhead.

Labor load and fringe load represent a distribution of the costs of nonproductive time (vacation and holidays, jury duty, sick leave, etc.) over the costs of productive time. Labor load is included in the cost of a full position year (annual salary figures include the cost of nonproductive time, assuming average use of vacation, sick leave, etc.), but it must be added to an employee's wage and fringe benefit costs to calculate cost recovery for a

service which uses less than a full position year. Labor load and fringe load rates for various departments and divisions are included in Attachment III, Programmatic Load Rates.

Departmental overhead represents such indirect departmental costs as administrative and clerical support, supervision, payroll services, data processing expenses, equipment depreciation, and the operation and maintenance of the square footage of City buildings occupied by a department. The Auditor's Department sends each department a breakdown of job orders by direct and indirect costs for review and comment before the departmental overhead rates are calculated. Each department is responsible for reviewing the listing and noting any recommended changes for discussion with the Auditor's Department.

General city overhead represents services provided to a department by other City departments, such as Personnel, Purchasing and the Auditor's Department. The General city overhead is computed on the following basis. The support service departments (Intergovernmental Relations, City Clerk, City Manager, City Attorney, City Auditor and Comptroller, Financial Management, Purchasing, City Treasurer, Personnel and Nondepartmental expenses related to the above) are allocated to the line departments such as Water Utilities, Planning and Engineering and Development. An allocation base is selected for each support service department that results in a distribution of its costs that is proportionate to the level of service received by the departments. Personnel, for example, is allocated by the number of budgeted positions in each department, while Purchasing is allocated on the dollar amount of purchase requisitions issued by department. Some support service departments do not have an allocation data base which is readily available and verifiable. These departments' costs are allocated among the line departments based on the ratio

of the labor dollars of each department to the total labor dollars. The general City costs allocated to a department are then divided by the direct labor of the department to arrive at the general city overhead rate.

General city overhead makes up a substantial portion of the cost of providing goods and services. Departments should not presume that because a fee or charge generates revenues in excess of departmental costs, all costs are being recovered. To achieve full cost recovery, a fee or charge must also cover the cost to support departments, as represented by the general city overhead rate.

General city and departmental overhead rates for various departments and divisions are included in Attachment II, Fiscal Year 1990 Overhead Rates. The combined overhead rate (departmental and general city) must be applied to "loaded" labor, not fringe benefits, to arrive at total overhead.

Grant related overhead is a special category of overhead that must be used when calculating the cost of grant programs. Federal guidelines require that certain items (such as meals, capital outlay and legislative expenses) be excluded from overhead calculations for use in grants. The Auditor's office prepares a separate calculation and schedule of rates for use in billing grant programs (Attachment IV). These rates should not be used when analyzing full cost recovery.

A study of the full cost of any program or service should include an analysis of the direct and indirect costs outlined above. Rarely, however, will a cost analysis that deals with a service of any complexity be able to determine each cost element with complete precision. Rather, most of the major elements will be estimated. The use of estimation in no way invalidates a cost analysis.

APPENDIX B-6

Estimates must, however, be labeled as such, and a reasonable basis for making the estimate must be provided. The proposed or current budget, research reports, statewide averages, the experiences of other local governments and the opinions of knowledgeable public officials can be the basis for reasonable estimates, provided that the source chosen is the best reasonably available and that the use of an estimate is disclosed (and justified) in whatever report summarizes the results of the analysis. Departments are responsible for retaining a copy of the calculations used to establish a fee or charge.

As a general rule, the time and effort spent calculating each element of the cost of a good or service should be in proportion to the likely impact of that element on the total cost. For most goods and services, personnel costs will make up the major share of direct costs. The amount of labor devoted to an activity should be estimated as accurately as possible, usually through the timing of the activity under normal work conditions. Attention should also be given to non-personnel costs, however, since they can make up a significant portion of the cost of some goods and services. "Direct" services of other departments should be taken into consideration as well.

The imposition and collection of a fee or charge often entails direct costs for support departments in the form of additional staffing requirements. For example, additional Auditor's or Treasurer's Department staff may be required to process invoices or collect payments. Fees and charges must reflect the cost of additional staffing requirements for support departments. Generally, support department labor and expenses are included as direct costs when calculating total costs. There may, however, be circumstances in which this is not practical and the expenses must be included as indirect costs. Departments must meet with the affected departments and the Auditor's Department to determine which method is appropriate.

APPENDIX B-7

The following examples outline the measurement of cost recovery under several different scenarios. Example 1 discusses the measurement of cost recovery for the provision of a single good or service, such as the processing of a license or permit. Example 2 outlines the methodology for calculating the cost of an entire program, such as an inspection program. Example 3 demonstrates the calculation of full cost recovery for a service performed under a billable job order.

APPENDIX C-1

COST RECOVERIES

PROGRAMS	86/87	87/88	88/89	89/90 YTD 29mm
DUI fees			\$190,215	\$240,215
Witness fees & sub records	\$6,039	\$6,662	6,915	12,154
Light Rail		235,000	300,477	203,566
State/County-Off's time	197	1,586	0	2,369
ARCO Arena			126,604	87,158
Flares used in ARCO			7,272	1,917
SPOA		5,024	956	4,752
Weed abatement	3,251	0	0	0
Alarm Permits	149,334	87,879	88,275	198,915
Community contributions	740	550	323	1,440
State-Fire mutual aid asst.		70,125	14,231	0
Miscellaneous	2,450	554	4,480	144
Commun. serv. fees (Traffic)		3,897	1,128	0
Traffic control (Reserves)	44,409	21,548	17,266	19,166
DOJ (Steve Segura)				64,358
Special off-duty overtime	28,143	30,887	21,343	63,169
County - Court costs				2,378
State mandated -SB90			12,136	140,280
DEA	12,900	7,007	6,746	6,207
Narcotics - Restitutions	22,235	0	103,500	0
Asset seizure - Property sale				11,233
Records sale to public	127,528	129,186	135,928	147,948
Unclaimed funds (Property)	16,157	27,397	27,960	48,279
POST reimbursement	305,929	286,075	370,128	144,007
Non-affiliated reimbursement	41,682	14,470	93,645	53,210
Los Rios School Dist. reimb.	70,039	71,500	66,251	0
Loud noise ordinance <i>New program</i>				

\$831,033 \$999,347 \$1,595,779 \$1,454,648

	86/87	87/88	88/89	89/90
STATE GRANTS:				
Office of the Chief	\$154,807	0	0	0
Patrol	2,862	0	0	0
Asset Seizure		\$12,261	\$209,843	\$305,445
Crack/Rock Impact Program		173,110	82,045	417,532
Gang Violence Suppression	115,000	110,000	115,000	65,083
Gang/Drug Coalition			110,000	110,000
FEDERAL GRANTS:				
Asset Seizure		\$224,720	\$128,641	\$75,686
Traffic Safety Fund	\$45,833	0	0	0

\$318,502 \$520,091 \$645,529 \$973,746

GRAND TOTAL:\$1,149,535 \$1,519,438 \$2,241,308 \$2,428,394

APPENDIX C-2

	84/85	85/86	86/87	87/88	88/89	39/00
TOTAL CITY BUDGET	\$153,964	\$175,556	\$195,701	\$262,350	\$218,801	211,900
POLICE BUDGET	\$38,046	\$42,330	\$44,968	\$45,189	\$51,238	55,962

Service	Current Fee	Estimated 1989-90 Cost	Estimated 1989-90 Revenue	Estimated 1990-91 Cost	Est. 1990-91 Revenue with Current Fee	Proposed Fee	Est. Annual Revenue with Proposed Fee
<u>PUBLIC SAFETY CHARGES</u>							
<u>1. Fingerprinting</u>							
a) General (non-criminal) Incl. Citizen/Naturalization	\$10.00/set	\$ 151,000	\$ 61,500	\$ 160,900	\$ 62,000	No Charge	\$ 62,000
b) State Department of Justice (Reciprocal Services)	Current State Fee \$17.50 to State (In addition to General fee) Total fee is \$27.50	24,900	15,950	25,500	15,950	\$18.50 Established by State (In addition to General Fee) Total fee is \$28.50	16,900
c) Photo Latent Print Svc	\$25.00/set	100	100	100	100		100
<u>Subtotal - Fingerprinting</u>		\$ 176,000	\$ 77,550	\$ 186,500	\$ 78,050		\$ 79,000
<u>2. Funeral Escorts</u>	\$52.00	\$ 104,800	\$ 98,800	\$ -0-	\$ -0-	Discontinued	\$ -0-
<u>3. Misc. Police Fees & Chgs</u>							
a) Police Manual	\$30.00/Manual	120	120	120	120	No Change	120

APPENDIX D-1

Service	Current Fee	Estimated 1989-90 Cost	Estimated 1989-90 Revenue	Estimated 1990-91 Cost	Est.1990-91 Revenue with Current Fee	Proposed Fee	Est. Annual Revenue with Proposed Fee
<u>3. Misc Pol Fees/Chqs (Cont)</u>							
1) Photographs		\$ 17,500			\$ 17,500		\$ 17,500
1) Black & white							
3-1/2" x 3-1/2"	\$ 3.50 each					\$ 5.00 each	
8" x 10"	\$ 7.50 each					\$ 8.00 each	
11" x 14"	\$10.00 each					\$12.00 each	
2) Color							
3-1/2" x 3-1/2"	\$ 5.00 each					No Change	
8" x 10"	\$10.00 each					No Change	
11" x 14"	\$15.00 each					No Change	
c) 1) Public Records	\$1.00 for 1st page plus 10 cents each add'l page	\$ 27,000	\$ 3,500	\$ 27,000	\$ 48,800	\$1 for 1st 10 pages plus 10 cents each add'l page	\$ 32,500
2) Public Records at Warehouse	\$1.00 for 1st page plus 10 cents each add'l page	4,000	750	4,400	750	\$1 for 1st 10 pages plus 10 cents each add'l page	500
d) Duplicate Tapes							
1) Audio	\$5.00 per 60-min. tape \$7.50 per 90-min. tape	1,800	2,850	1,900	2,850	No Change	2,850
2) Training	\$10.00 per tape	1,100	1,000	1,200	1,000	\$12.00 per tape	1,200
3) Video	\$80.00 per tape	2,200	2,000	2,400	2,000	\$96.00 per tape	2,400
e) Bomb Detail Services	To be paid at prevailing wage rate for Pol. Off. at Step VII plus fringe benefits and outside billing rate determined by Finance Dept.	900	900	925	925	No Change	925

Service	Current Fee	Estimated 1989-90 Cost	Estimated 1989-90 Revenue	Estimated 1990-91 Cost	Est. 1990-91 Revenue with Current Fee	Proposed Fee	Est. Annual Revenue with Proposed Fee
3. <u>Misc Pol Fees/Chgs (Cont)</u>							
f) Canine Unit Services	To be paid at prevailing wage rate for Pol. Off. at Step VII plus fringe benefits and outside billing rate determined by Finance Dept.	\$ 925	\$ 925	\$ 925	\$ 925	No Change	\$ 925
g) Police Artist Services	To be paid at prevailing wage rate at Step VII plus fringe benefits and outside billing rate determined by Finance Dept.	7,700	7,700	8,350	8,350	No Change	8,350
h) Taxi Co. Application	\$350/Application	2,275	2,100	2,400	2,100	\$400/Application	2,400
i) Computerized Searches	\$120.00/Search	2,300	2,400	2,400	2,400	No Change	2,400
j) Newsrack Impound Fee	\$25.00	-0-	-0-	-0-	-0-	No Change	-0-
k) Latent Print Comp(SOLVE)	\$39.00	6,000	5,600	6,300	5,600	\$43.50	6,200

Service	Current Fee	Estimated 1989-90 Cost	Estimated 1989-90 Revenue	Estimated 1990-91 Cost	Est. 1990-91 Revenue with Current Fee	Proposed Fee	Est. Annual Revenue with Proposed Fee
2. Misc Pol Fees/Chgs (Cont)							
1) Special Events	Prevailing wage rate at Step VII plus fringe benefits and outside billing rate as determined by Finance	\$ 75,000	\$ 75,000	\$ 75,000	\$ -0-	No Change	\$ -0-
m) Crime Demographic Report	(New)	-0-	-0-	250	250	\$25.00 each	250
Subtotal-Misc. Police Fees		\$ 295,295	\$ 100,120	\$ 410,570	\$ 95,070		\$ 80,620
4. Veh. Impound Release Fee	\$35.00 per Release	\$ 247,600	\$ 250,000	\$ 250,000	\$ 250,000	No Change	\$ 250,000
5. Driving Under the Influence (DUI)	Actual Cost of Response	204,800 ^(A)	120,000 ^(B)	212,500	120,000 ^(B)	No Change	120,000 ^(B)
6. Peep Show Devices/Business	\$80/2 Years/Device \$54/Business/Year	1,200	750 ^X	650	330	No Change	330
7. Cab & Tow Truck Driver License Transfer Fee	\$10/Transfer	700	700	800	800	No Change	800

^(A)---Two year permit for devices.

^X* Includes cost for Police Services. Fee covers Police, Fire & Lab costs. Fire Dept. does not show this cost nor revenue in their Fees & Charges Report.

(A) Not 100% Police Department function. Some costs pertain to the Fire Department.

(B) Based on significant reduction in total collection.

Service	Current Fee	Estimated 1989-90 Cost	Estimated 1989-90 Revenue	Estimated 1990-91 Cost	Est. 1990-91 Revenue with Current Fee	Proposed Fee	Est. Annual Revenue with Proposed Fee
8. <u>Bicycle licenses</u>	License & Reg Fee-\$2.00 Renewal/Operating Fee - \$1.00 for all or any por- tion of each calendar yr	(1)	6,200	(1)	6,200	No Change	6,200
9. <u>Amusement & Music Devices</u>	Exhibitor Lic./Yrly - \$20 Owner Lic/Yrly - \$240 Per Device/Yrly - \$24	18,200	\$ 50,000	\$ 19,700	\$ 50,000	No Change	\$ 50,000
10. <u>Concealable Firearms Dealer Permit</u>		600	650	600	650		650
a) Initial Issue (1 Year from Date of Issue)	\$137.06 per Permit						
b) Renewal (1 Year from Date of Renewal)	\$50.54 plus any fee charged by State DOJ						
11. <u>Public Dances</u>	\$125.00/New Permit \$30.00/Renewal-Class A \$30.00/Renewal-Class C Free per Renewal-Class B	9,100	10,800	9,650	10,800	No Change	10,800
12. <u>Ambulance Oper. Permit</u>	10 (C)	-0-(A)	-0-(A)	-0-(A)	-0-(A)	No Change	0 (C)
<u>Subtotal-Public Safety Chgs</u>		\$1,258,745	\$ 784,670	\$1,191,770	\$ 612,000		\$ 598,500

APPENDIX D-3

(M) NOT POLICE DEPT'S FUNCTION. SOME COLLECTED BY THE FIRE DEPARTMENT

(A) Not a Police Department function. Permit issued by Treasury Division, Finance Department.

C.

Service	Current Fee	Estimated 1989-90 Cost	Estimated 1989-90 Revenue	Estimated 1990-91 Cost	Est. 1990-91 Revenue with Current Fee	Proposed Fee	Est. Annual Revenue with Proposed Fee
12. Misc. Regulatory Permits							
a) Peddler's Permit	\$30.00/Year	1,000	1,000	4,200	9,000	No Change	9,000
b) Peddler Approved Location Permit	\$70.00/Year-Initial Fee \$25.00/Year - Renewal	1,100	1,700	5,400	5,700	No Change	5,700
c) Pool & Billiards Permit	\$175.00/Year	100	1,800	200	1,800	No Change	1,800
d) 1) Handbill Distributors Permit	\$20.00/Year		1,000		21,000	No Change	21,000
2) Handbill Owner Permit	\$7.00/Year	3,900	1,000	4,200	3,500	\$8.40/Year	4,200
3) Handbill Com Dist Pt	\$1.00/Permit	(A)	(A)	(A)	(A)	No Charge	(A)
e) Fortune-telling Permit	\$30.00 for 2 Years	-0-	-0-	-0-	-0-	Permit No Longer Req'd	-0-
f) Taxicab Co. License	\$20.00 per Cab/Year	7,200	6,400	7,700	6,400	\$36.00 per Cab/Year	7,700
g) Taxicab Drvrs License	\$30.00/2 Yrs. per Driver	15,400	9,000	16,300	9,000	\$55.00/2 Yrs. per Driver	16,500
h) 1) Tow Car Owner Permit	\$60.00/2 Yrs Initial Fee	400	300	400	300	\$80.00/2 Yrs. Initial Fee	400
2) Tow Car Drvr Permit	\$30.00/2 Yrs Renewal \$30.00/2 Yrs per Tow Car Assistant	4,500	4,000	4,900	4,000	\$36.00/2 Yrs. Renewal \$36.00/2 Yrs per Tow Car Assistant	4,000
Y-3) Limousine Permit	\$7.50 per Vehicle per Yr	(B)	(B)	(B)	(B)		(B)
i) Massage Parlors							
1) Business Permit	\$200.00/Year	700	1,400	800	1,400	No Change	1,400
2) Masseur's Permit	\$50.00/Year	300	400	300	400	No Change	400
j) Canvasser of Periodicals Permit	\$30.00/2 Years	400	600	500	600	No Change	600
k) Amplified Sound Permit	\$25.00/Permit	2,100	1,000	2,200	1,000	\$55.00/Permit	2,200
l) Special Sales Permit (Bankruptcy, Fire, etc)	\$50.00 for 60-Day Permit	200	500	300	500	No Change	500

APPENDIX D-6

(A) Not a Police Department function. Permit issued by Treasury Division, Finance Department.

(B) Limo Permit: Licensed by State Public Utilities Commission. Only collect if operated within City limits exclusively.

(C)

APPENDIX D-7

Service	Current Fee	Estimated 1989-90 Cost	Estimated 1990-91 Cost	Estimated 1990-91 Cost	Est. 1990-91 Revenue with Current Fee	Proposed Fee	Est. Annual Revenue with Proposed Fee
13. Misc. Regular Permits (Cont)							
m) Fleet Party	\$17.00				\$ 200	\$30.00	\$ 200
n) Cardrooms							
1) Employer Prog Fee	\$60 Initial Issue/Employee			2,200	3,000	\$85.00 Initial Issue/Emp	2,200
2) Table & Premise Fees	\$500/Table up to 10 Tables			1,500	204,500	No Change	204,500
	\$2,500/Table 10+ Table (CY84)			(1)		No Change	
	\$3,000/Table 10+ Table (CY85)					No Change	
	\$3,500/Table 10+ Table (CY86)					No Change	
	\$4,000/Table 10+ Table (CY87)					No Change	
	\$4,500/Table 10+ Table (CY88)					No Change	
	\$5,000/Table 10+ Table (CY89)					No Change	
	\$1,000 Per Premise					No Change	
c) Bingo Permit	\$40.00 Per Year	2,000	2,400	2,100	2,400	No Change	2,400
p) Pawnbroker's/2nd-Hand Dealer's Permit	\$120/Year - Pawnbroker \$30/Year - 2nd-Hand	2,100	1,300	2,200	1,300	\$60/Year - 2nd-Hand	2,100
q) Parade Permit	\$45/Permit	1,900	1,000	2,100	1,000	\$55/Permit	2,100
r) State 2nd-Hand Dealer License Renewal	\$200/Year	300	500	300	1,000	No Change	1,000
s) Temp. Street Closing	\$48/Permit	2,000	1,900	2,200	1,900	\$54/Permit	2,200
t) Reinspection Fee	New	6,400	-0-	5,900	-0-	\$76.00	6,900
Subtotal-License & Permits		\$ 95,800	\$ 260,500	\$ 102,000	\$ 279,900		\$ 302,000
TOTAL - POLICE DEPARTMENT FEES		\$1,354,545	\$1,045,170	\$1,293,770	\$ 891,900		\$ 900,000

(E) Cardroom costs shown exclude investigative time related to cardroom activities.



CITY OF SAN JOSÉ, CALIFORNIA

201 W. MISSION STREET
 P.O. BOX 270
 SAN JOSE, CALIFORNIA 95103-0270
 (408) 277-4000

POLICE DEPARTMENT

March 20, 1990

Dear

Thank you for accepting my invitation to participate in a group exercise designed to forecast "Police Cost Recovery Programs in the Year 2000." To accomplish our forecast, we will employ the "Nominal Group Technique," a method widely applied in futures forecasting efforts. The Nominal Group Technique involves the selection of a group of participants, pooling the creative input of these participants to identify trends and events which may impact a given issue (in our case police cost recovery programs), evaluating and cross-impacting these events and trends, and the creation of alternative scenarios which can aid in the policy formation process.

Our group will meet on Tuesday, March 27, 1990, 2:00 pm in the R&D Conference Room of the San Jose Police Department. I anticipate that the exercise will last between two and three hours. In order to expedite our process, it is essential that prior to the session each participant identify four trends and four events that they feel will effect cost recovery programs (i.e., charging fees for selected services) in the year 2000. I have enclosed a form to simplify the process. Please bring your completed form on Tuesday.

For purposes of our exercise, a trend is defined as a pattern or prevailing tendency which occurs over time. An event is defined as a discreet or noteworthy occurrence which occurs at a particular place and time. As examples, I have included a list of trends and events compiled in a similar effort dealing with manpower needs in the year 2000.

Again, thank you for accepting my invitation to participate in what I am sure will be an exciting and enlightening exercise. I truly appreciate your help and will be glad to forward to you a copy of my finished paper should you desire one.

Sincerely,

PAT DWYER
 POST Command College - Class 10

PD:dto

COMMAND COLLEGE CLASS 10 - INDEPENDENT STUDY PROJECT

NOMINAL GROUP TECHNIQUE
MARCH 27, 1990 - 2:00 pm

ISSUE: Police Cost Recovery Programs in the Year 2000.

CANDIDATE TRENDS:

- 1.
- 2.
- 3.
- 4.

CANDIDATE EVENTS:

- 1.
- 2.
- 3.
- 4.

NAME: _____

N.G.T. PARTICIPANT

OCCUPATION: _____

FIRM OR DEPT.: _____

APPENDIX F

Candidate Trends

1. Preemption of local authority by State (with respect to the development of cost recovery programs/user fees).
2. Demand for police services (community expectations).
3. Private industry paying police departments for "special" internal investigation.
4. Recession.
5. Growth and development of Community Policing programs.
6. Cities subsidizing housing costs for public safety employees.
7. Movement toward cashless economy.
8. Increasing polarity of economic classes leading to the affluent being able to afford higher levels of service.
9. Total cost recovery for victims laws.
10. Increase in local housing stock.
11. Reliance on "User Fees" in lieu of taxes.
12. City revenue unable to keep pace with personnel costs.
13. Competition between City and County for revenues.
14. Health insurance costs for City employees.
15. Body of case law regarding cost recovery and user fees develops.
16. Increased reliance on local revenue sources versus State and Federal.
17. Increase in sentencing alternative programs.
18. Societal trend towards denying individual responsibility and deferring to government authority/programs.
19. echnological advances.
20. Narcotics use in business/industry.
21. Automation.
22. Problems in the recruitment, retention and promotion of protected classes.
23. Demographics - Age.
24. Demographics - Ethnicity.
25. Increase in problems related to cultural barriers between police and ethnic minorities.
26. Social tolerance regarding illegal drugs.
27. Increase in the statutes restricting the private security industry.
28. Homeless population.
29. Universal employer-sponsored child care.
30. Level of violent crime.
31. Population shifts in State and in the nation.
32. Shrinking qualified police workforce.
33. Ineffectiveness of the schools systems.
34. Jail overcrowding.
35. Exodus of high tech business out of Silicon Valley.
36. Return of middle classes to inner City.
37. The AIDS epidemic.

APPENDIX G

Candidate Events

1. Downtown business "bust."
2. Drought.
3. Mandated (by local ordinance) minimum staffing.
4. Prop 13 overturned.
5. Abortion demonstrations.
6. Second taxpayers revolt (similar to Prop 13).
7. Prop 13 liberalized.
8. Taxpayers revolt (and curtailed services) causes a reaction and a "counter-revolt."
9. National Constitutional Convention.
10. City Policy Change - major suburban expansion.
11. Increase in gang activity - major violence.
12. Mandated cost recovery (or reduced service levels).
13. Tightening of Federal funds.
14. Haz-mat incident.
15. City-County consolidation of Police/Fire services.
16. State assumes more active role in mental health programs.
17. Mandated enforcement of Gramm Rudmon.
18. Major lawsuit (and settlement) against City.
19. Forced relocation of homeless.
20. Another gas crisis.
21. Minorities constitute majority on City Council.
22. Major ethnic violence (race riots).
23. City of San Jose faces major fiscal crisis.
24. City abandons "Five Year Plan" for police staffing.
25. Repeal (expiration) of Asset Seizure Statute.
26. Major depression.
27. Exodus of Silicon Valley industry to Sun Belt.
28. Jail overcrowding lawsuit.
29. Sewage plant failure.
30. Police strike.
31. Decentralization of S.J.P.D.
32. Supreme Court upholds legality of "User Fees."
33. Cure for AIDS found.
34. Mass shooting incident (Texas Tower/McDonald's)
35. Major terrorist event in San Jose.
36. One more conservative Supreme Court Justice.
37. Explosion in technology.
38. Urban riot in San Jose.
39. Private Security Industry files suit regarding unfair competition when P.D. charges for selected services.
40. State statute allowing cost recovery for a wide variety of services is passed.

APPENDIX H

DEFINITIONS

Cost-Recovery Program - Any program designed to recover funds expended in the provision of police services.

Total Cost Recovery - Recovery of the full actual cost of a good or service. Includes both direct and indirect costs.

Direct Cost - Those costs that can be specifically assigned to the service being examined.

Indirect Cost - Commonly called overhead, those costs that are necessary for the organization but are not uniquely or easily assignable to a specific good or service.

Limited Cost Recovery - Recovery of costs totalling less than the full actual cost of a good or service.

Large Department - Department with over 500 sworn officers.