



Los Angeles County Service Authority for Freeway Emergencies
Kenneth Hahn Call Box System

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SAFE BOARD
MAY 26, 2005

SUBJECT: FISCAL YEAR 2005 - 2006 BUDGET

ACTION: ADOPT THE FISCAL YEAR 2005 – 2006 BUDGET

RECOMMENDATION

Adopt the Fiscal Year 2005 - 2006 (FY06) budget in the amount of \$13,063,981 for the operation and administration of the Los Angeles County Service Authority for Freeway Emergencies (SAFE); which includes the annual funding allocations to the existing Memorandum of Understanding (MOU) with the Public Transportation Services Corporation (PTSC) for direct labor support in the amount of \$899,337 and the Agreement with Metro for Freeway Service Patrol (FSP) operations in the amount of \$2,000,000.

ISSUE

SAFE was created in 1988, pursuant to California Streets and Highway Code Section 2550 et.seq. and is responsible for providing motorist aid services in Los Angeles County. In order to fulfill its mission SAFE needs an annual budget and requires administrative support services, which is provided via an MOU, from the PTSC. A summary of the proposed FY06 budget is provided as Attachment A.

OPTIONS

The Board has two alternatives. It can (a) decide to not adopt the proposed budget or (b) make a modification, either a decrease or an increase, to the proposed budget. Neither of these options is recommended.

To ensure the continued operation of SAFE and its programs an annual budget is required. Without the budget, SAFE will be unable to administer its programs, the most significant being the operation of the Kenneth Hahn Call Box System, and to fulfill its statutory motorist aid mission. Modification of the proposed budget is also not recommended. The proposed budget was developed to ensure that SAFE is sufficiently funded for FY06. The budget ensures SAFE's ability to properly fulfill its mission and comply with all existing legal and statutory requirements. The budget is also in conformance with the recently completed *FSP and SAFE Program Assessment and Strategic Plan*, which provides general guidelines

and recommendations regarding SAFE projects and operations.

DISCUSSION

In FY05, SAFE and the Metro Freeway Service Patrol (FSP) completed a Program Assessment and Strategic Plan, which provided guidelines and recommendations regarding existing services and potential new motorist aid services that SAFE should explore implementing and/or funding. The Strategic Plan recognized the diminishing use of the call box system by motorists and provided recommendations that will help SAFE transition from being a call box authority to a more comprehensive motorist aid authority. Towards that end, the Strategic Plan identified eleven (11) initiatives that SAFE and FSP should consider, they are:

- Reduce the number of call boxes in service and increase their spacing.
- Implement a wireless motorist aid number for mobile phones (#399).
- Implement and evaluate the I-710 Big Rig Demonstration Project.
- Increase FSP service.
- Implement an Abandoned Vehicle Abatement Authority.
- Improve coordination of incident response and management on the freeways.
- Participate in developing information service for motorists.
- Improve planning and coordination with partners, particularly Caltrans and CHP.
- Raise awareness of motorist services programs.
- Invest in technology, innovation and expert knowledge.
- Regionalize motorist services in program areas that would benefit from standardization.

The implementation of these initiatives will assist Los Angeles County motorists by expanding the motorist services available to them at a time when congestion continues to increase and remains a primary issue of concern to all Los Angeles County residents. SAFE's role in the implementation of these initiatives range from being the provider of the service, to funding the service, to coordinating and dialoging with various agencies. The overall impact of these initiatives will be to transform SAFE into a more comprehensive motorist aid authority.

The FY06 budget of \$13.1 million was developed to incorporate some of the aforementioned strategic initiatives. In order to meet these initiatives, the FY06 budget increased by approximately \$4 million or 44% compared to the adopted FY05 budget. The budget increase is primarily attributable to the implementation of the new projects and services identified in the strategic plan. Specifically, the FY06 budget increases for each major budget category are as follows:

<u>Category</u>	<u>Increase</u>
Administration	\$ 107,000
Direct Labor	\$ 71,000
Programs & Services	\$3,800,000

The increase in Administration is primarily a result of an increase in the allocated overhead account. The increase in Direct Labor is a result of increases in fringe benefits costs.

Programs and Services increase is attributable to the implementation/funding of new projects and services, which include: 1) Incident Management and Motorist Aid Evaluations; 2) I-710 Big Rig Demonstration; 3) Freeway Exit Sign Numbering; 4) #399 – Motorist Aid (Mobile Call Box) Program; 5) Metro Freeway Service Patrol Expansion; 6) Analog to Digital Wireless Call Box Conversion; 7) Call Box Site Removals, Relocations and Installations. The funding of Metro FSP expansion is contingent upon the approval and execution of a funding agreement between SAFE and Metro. Upon approval of this funding agreement, SAFE will allocate funds to support FSP operations. A summary of each project/service is provided as part of the Five-Year Financial Forecast (Attachment B).

FINANCIAL IMPACT

SAFE primarily obtains its revenue from an annual \$1.00 surcharge assessed on each vehicle registered within Los Angeles County. The Five-Year Financial Forecast, provided as Attachment B, demonstrates the financial capacity of SAFE to use its existing fund balance and projected revenue to fully fund the proposed FY06 budget of \$13.1 million.

NEXT STEPS

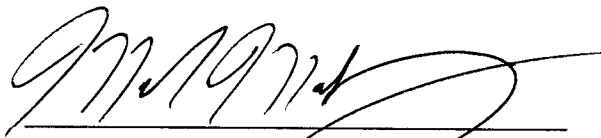
Upon approval of the proposed FY06 budget, staff will amend the MOU with the PTSC and begin implementing the major projects for FY06.

Staff will monitor the budget and projects to ensure SAFE meets all its requirements in a fiscally responsible manner.

ATTACHMENTS

- A. Proposed Fiscal Year 2005 - 2006 Budget Summary
- B. Five Year Financial Forecast

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ATTACHMENT A

(A-1)

Proposed Fiscal Year 2005 - 2006 Budget Summary

**Total Expenditure Categories
(\$000)**

<u>Category</u>	<u>Total</u>	<u>Percentage</u>
Administration	\$ 875	7%
<p>Includes costs associated with the general administration of the SAFE – includes: legal services, procurement support, insurance, computer equipment, office supplies, travel, allocated overhead, etc.</p>		
Direct Labor	\$ 899	7%
<p>Includes costs associated with direct labor support for SAFE – includes: salary, fringe,</p>		
Programs & Services	\$11,290	86%
<p>Includes costs to fund/operate various Motorist Aid related projects and services. Does not include the direct labor costs associated with the management or administration of the programs/services.</p> <ul style="list-style-type: none"> • Incident Management & Motorist Aid Evaluations \$ 225 • I-710 Big Rig Demonstration \$ 700 • Freeway Exit Sign Numbering \$ 825 • #399 – Motorist Aid \$ 970 • Metro Freeway Service Patrol \$2,000 • Call Box System Operations \$2,095 • Call Box System Capital \$4,475 		
Total FY 2005 – 2006 Budget	\$13,064	100%

Proposed Fiscal Year 2005 - 2006 Budget Summary

Comparison FY 05 Budget vs. FY 06 Budget
(\$000)

<u>Category</u>	<u>FY 05</u>	<u>FY 06</u>	<u>Increase/(Decrease)</u>
¹ Administration	\$ 768	\$ 875	\$ 107
² Direct Labor	\$ 828	\$ 899	\$ 71
³ Programs & Services	\$ 7,490	\$11,290	\$3,800
• <i>Incident Management & Motorist Aid Evaluations</i>	\$ 0	\$ 225	\$ 225
• <i>I-710 Big Rig Demonstration</i>	\$ 0	\$ 700	\$ 700
• <i>Freeway Exit Sign Numbering</i>	\$ 0	\$ 825	\$ 825
• <i>#399 – Motorist Aid</i>	\$1,080	\$ 970	(\$ 110)
• <i>Metro Freeway Service Patrol</i>	\$ 0	\$2,000	\$2,000
• <i>Call Box System Operations</i>	\$2,485	\$2,095	(\$ 390)
• <i>Call Box System Capital</i>	\$3,925	\$4,475	\$ 550
Total	\$ 9,086	\$13,064	\$3,978

¹ Increase in this category is primarily due to an increase in the allocated overhead charges assessed by Metro.

² Increase in this category is primarily due to the increase in fringe benefit costs.

³ Increase in this category is primarily due to the implementation of new services and the funding of Metro Freeway Service Patrol expansion.

ATTACHMENT B

**LOS ANGELES COUNTY SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
FIVE YEAR FINANCIAL FORECAST (\$000)
FISCAL YEAR 2005 - 2006**

	PROJECTED YEAR-END 2004/05	PROPOSED BUDGET 2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
SAFE FUNDS							
Projected Registration Surcharge	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000
Projected SAFE Fund Balance	\$ 26,575	\$ 27,381	\$ 22,038	\$ 15,986	\$ 14,161	\$ 12,986	\$ 12,215
Projected Interest	\$ 500	\$ 696	\$ 556	\$ 458	\$ 421	\$ 397	\$ 374
Other	\$ -	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25
FUNDS AVAILABLE	\$ 34,075	\$ 35,102	\$ 29,619	\$ 23,469	\$ 21,608	\$ 20,409	\$ 19,614
EXPENSES/OBLIGATIONS							
Administration	\$ 456	\$ 875	\$ 904	\$ 996	\$ 977	\$ 1,046	\$ 1,090
Direct Labor	\$ 863	\$ 899	\$ 899	\$ 921	\$ 944	\$ 968	\$ 992
Programs & Services	\$ 5,375	\$ 11,290	\$ 11,830	\$ 7,390	\$ 6,700	\$ 6,180	\$ 6,390
Incident Mgmt & Motorist Aid Evaluations	\$ -	\$ 225	\$ 250	\$ 250	\$ 250	\$ 500	\$ 500
I-710 Big Rig Demo	\$ 332	\$ 700	\$ 700	\$ 1,000	\$ -	\$ -	\$ -
Freeway Exit Sign Numbers	\$ -	\$ 825	\$ 1,000	\$ 1,000	\$ 1,000	\$ -	\$ -
#399 - Motorist Aid (Mobile Call Box)	\$ 740	\$ 970	\$ 930	\$ 1,115	\$ 1,250	\$ 1,460	\$ 1,620
Metro Freeway Service Patrol	\$ -	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,200	\$ 2,220	\$ 2,220
Call Box Program	\$ 4,303	\$ 6,570	\$ 6,950	\$ 2,025	\$ 2,000	\$ 2,000	\$ 2,050
Operations	\$ 1,733	\$ 2,095	\$ 2,200	\$ 2,025	\$ 2,000	\$ 2,000	\$ 2,050
Capital Improvements	\$ 2,570	\$ 4,475	\$ 4,750	\$ -	\$ -	\$ -	\$ -
TOTAL EXPENSES/OBLIGATIONS	\$ 6,694	\$ 13,064	\$ 13,633	\$ 9,308	\$ 8,621	\$ 8,194	\$ 8,472
PROJECTED YEAR END BALANCE	\$ 27,381	\$ 22,038	\$ 15,986	\$ 14,161	\$ 12,986	\$ 12,215	\$ 11,142

Los Angeles County
Service Authority for Freeway Emergencies
Five-Year Financial Forecast
Fiscal Year 2005 – 2006

Notes and Assumptions

The FY06 Five-Year Financial Forecast has been developed to provide a snapshot of SAFE's financial situation and project the impact of the proposed FY06 budget. The forecast is based upon the assumptions and notes listed herein.

The use of SAFE funds is strictly limited per California Streets and Highways Code Section 2550 et seq. In the past, the Board approved Thalheimer Settlement Agreement, regarding the accessibility of the call box system, was also a limiting factor regarding the use and programming of SAFE funds. However, during FY05, SAFE successfully completed all requirements associated with the Settlement Agreement and is therefore relieved from any restrictions imposed as a result of the Settlement Agreement. This relief allows SAFE to use its dedicated funds to support the call box system as well as other related motorist aid services.

While SAFE has sufficient funding to fully fund the proposed FY06 budget, the forecast shows a slight but steady decrease in available SAFE funds for each successive fiscal year. Staff will continue to closely monitor the financial status of SAFE and identify recommendations to alleviate any potential deficit in a timely manner and develop potential new projects or services as funds become available to effectively and efficiently use the dedicated funds to help improve the drive for Los Angeles County motorists.

The forecast includes the projected costs of establishing and operating the #399 – Motorist Aid number program, an initial estimate for the capital costs that will be required to upgrade the existing call boxes from an analog to a digital based cellular system, the agreed upon cost of supporting the operation of the big rig tow demonstration, and funding for Metro Freeway Service Patrol operations, call box system operations, freeway exit sign numbering, and incident management and motorist aid evaluation and programs. These costs figures will be refined as better information is obtained and more accurate projections can be made.

SAFE FUNDS

This section provides a summary of the projected funds available to SAFE.

- Projected Registration Surcharge

Projected annual revenue generated by the \$1.00 vehicle registration surcharge. The figure is based upon historical figures. The registration surcharge is projected to remain constant for the next five years.

- Projected SAFE Fund Balance

SAFE fund balance from the end of the previous fiscal year.

- Projected Interest

Projected interest income for SAFE based upon a conservative 2.5% rate of return on the investment base. The investment base is defined as the total funds available less 50% of the projected fiscal year expenditures. The total funds available is defined as the “Projected Registration Surcharge” + “Projected SAFE Fund Balance”.

- Other

This category represents any funds to be obtained from claims against individuals who have damaged call boxes and from the sale of any surplus or salvaged inventory. During FY06, staff will evaluate methods to improve the rate of return on damage claims.

EXPENSES/OBLIGATIONS

- Administration

Funds programmed for allocated overhead costs and general administrative support services and equipment such as printing, travel, training, office supplies, computer equipment, insurance, legal, procurement, other general services required for the administration of SAFE. The costs are projected to increase slightly during the five-year period due to projected increases in insurance, procurement support, budgeted agency reserves and equipment needs.

The FY06 budget for Administrative Services is proposed to increase by \$107,000 compared to the adopted FY05 budget. This increase is due to increased overhead costs allocated by Metro. To offset the increased overhead costs, SAFE decreased the budgets for legal support, professional services, computer equipment, office supplies and other miscellaneous costs. Excluding the overhead allocation the budget for this category decreased by \$137,1540 or 18% compared to the adopted FY05 budget.

The cost for Administration is projected to increase each successive fiscal year. This increase is mainly attributable to a 3% annual escalation for accounting, procurement and overhead costs and a 15% annual escalation for insurance costs. Computer equipment costs are also projected to increase every third year commencing with FY08, to cover the cost of replacing computer hardware and software.

- Direct Labor

Funds programmed to cover the projected costs associated with salary and fringe benefits SAFE incurs due to its staffing needs. During FY06 SAFE will continue to fund the full costs of program management for both SAFE and Freeway Service Patrol. The budget for this category has increased by approximately \$71,000 from FY05 primarily due to a 12%

increase in the cost of fringe benefits as well as an increase in the allocation for workers' compensation costs. The FY06 allocation includes a total of 9 FTEs, which represents an increase of 1 FTE from FY05. The additional FTE is for an administrative aide to provide general administrative support for SAFE, FSP and the new projects that are proposed for implementation during FY06. The FY06 FTE allocation is comprised of the following positions:

- 1 – Director
- 1 – Program Manager SAFE
- 1 – Program Manager Freeway Service Patrol
- 1 – Motorist Aid Technical Administrator
- 1 – Senior Administrative Analyst
- 2 – Program Planners
- 1 – Motorist Service Field Representative
- 1 – Administrative Aide

All of the staff provided under this category will be obtained from the Public Transportation Services Corporation (PTSC) via a Board approved annual amendment to a MOU. Costs for outlying years are projected to increase at a rate of 2.5% per year.

- Programs & Services

Funds programmed in direct support of the programs, projects and services operated by or to be funded by SAFE. The programs and services SAFE proposes to fund during FY06 is consistent with the findings and recommendations of the recently completed Strategic Plan. Programs and services operated or to be funded by SAFE during FY06 include the Incident Management and Motorist Aid Evaluations; I-710 Big Rig Demonstration; Freeway Exit Sign Numbering; #399 – Motorist Aid (Mobile Call Box) Program; Metro Freeway Service Patrol Operations; and the Kenneth Hahn Call Box System Capital and Operations.

The FY06 budget for this category has increased by approximately \$3.8 million compared to the adopted FY05 budget. This increase is attributable to the implementation and funding of new programs and an increase in funding for call box capital projects. Funding for Programs and Services is projected to fluctuate in future years as certain projects are completed and funds are no longer needed and on-going programs grow or shrink in required funding support. As funds become available and/or as new motorist aid projects are identified, SAFE will evaluate the ability to fund and/or operate these new projects and incorporate the projects into the forecast as the Board authorizes them. The following is a breakdown of each program and service programmed to be funded and/or operated by SAFE:

Incident Management and Motorist Aid Evaluations

Funds programmed to support the implementation of one of the new strategic initiatives, pursuant to the recommendations of the Strategic Plan. During FY06 SAFE plans to evaluate the current status of incident management practices in Los Angeles County, the need for motorist outreach and education, the implementation status of 5-1-1 Traveler Information and

the overall role that SAFE could play in each of these areas. These evaluations may lead to the implementation or funding of new projects or services in the future. Funding for this sub-category is projected to hold steady at \$250,000 from FY07 to FY09 and then increase to \$500,000 for FY10 and FY11.

I-710 Big Rig Demonstration

Funds programmed to support the demonstration of operating a FSP type service to specifically assist disabled big rigs on the I-710 freeway. The funding for this demonstration project is based upon a Board approved MOU to reimburse Metro up to \$2.7 million for the operation and evaluation of this demonstration project. The demonstration is slated to begin in FY06 and conclude in FY08. The continued operation or expansion of this program will be dependent upon the final evaluation regarding the success of the demonstration, which will be conducted by Metro. The current financial plan does not, as of this time, project SAFE to have a continued funding role after the completion of the demonstration; however, this matter can be readdressed after the evaluation of the demonstration project is completed and if Metro decides to pursue on-going operations on the I-710.

Freeway Exit Sign Numbering

Funds programmed to support efforts to coordinate with Caltrans to install exit sign numbers on various freeway exit signs in Los Angeles County. Currently over 1,100 of the approximately 1,300 exits signs in Los Angeles County have exit numbers. This funding will enable SAFE to work with Caltrans to determine how and where to add the numbered exit signs. The addition of these signs will help motorists by providing an easy to understand reference and will help Los Angeles County comply with the federal government's 1971 call for the nationwide numbering of exit signs. SAFE currently projects to support this effort until FY09. Future funding for this project will be dependent upon the need and availability of funds to support this effort.

#399 – Motorist Aid (Mobile Call Box)

Funds programmed to support the implementation and operation of the new #399 – Motorist Aid (Mobile Call Box) program. This program, one of SAFE's strategic initiatives, will provide motorists with an easy-to-use alternative to the freeway call box by providing a number that they can call from their wireless mobile phone to request non-emergency roadside assistance. This program is being jointly developed and implemented with CHP and other counties, including but not limited to San Diego, Orange, San Bernardino, Riverside, Kern and the Bay Area counties. The allocated funds cover the cost to answer the calls and market the program. Call volumes are projected to start at 10,000 calls/month and grow by an average of 5,000 calls/month annually until FY11 where it is projected to remain stable at 35,000 calls/month. SAFE will closely monitor call volume and will return to the Board if additional funding is required to cover the cost of higher than anticipated call volume.

Metro Freeway Service Patrol Operations

Funds programmed to assist Metro with the expansion and operation of the Metro Freeway Service Patrol (FSP). Pursuant to the Strategic Plan, Metro is looking to expand current FSP operations to effectively provide coverage on existing service beats from 6:00 a.m. to 7:00 p.m. on weekdays; 10:00 a.m. to 6:30 p.m. on weekends; and add new service to cover the 210 freeway from Pasadena to San Fernando. The cost to fund this expansion is projected to be \$2 million annually for the first three years with a 10% increase in FY09. This expansion will help Los Angeles County motorists by providing this highly beneficial and useful motorist aid service to them with consistent service hours on all major freeway segments in Los Angeles County.

Call Box Program

Funds programmed to cover the costs to operate, maintain and improve the Kenneth Hahn Call Box System. Funding is allocated between “operations” and “capital”. The FY06 funding for the Call Box Program is proposed to increase by approximately \$160,000 compared to the adopted FY05 budget. This increase is wholly attributable to an increase in the capital budget.

➤ Operations

Funding for operations include all day-to-day requirements to operate and maintain the call box system and is based on contractual and supplier costs to supply the services and parts to operate and maintain the system. Items include call answering services, cellular service and maintenance operations. The FY06 budget for call box operations has decreased by approximately \$390,000 compared to the FY05 budget. This decrease is due to a decrease in call answering costs due to declining call volume, a decrease in wireless costs due to the projected switch from analog to digital service and a decrease in maintenance costs due to the award of a new contract. Funding for call box operations is projected to remain relatively stable with some slight annual increases and decreases due to the impact of the completion of operational contracts.

➤ Capital

Funding for capital include cost associated with the two main capital improvement projects for the call box system: 1) the removal, relocation and installation of call boxes and 2) the transition of the call box system from analog to digital wireless service. During FY05, SAFE completed the mobility impaired accessibility improvements to the call box system and therefore there is no funding allocation for this activity in FY06. The FY06 capital budget has increase by \$550,000 compared to the FY05 budget. This increase is attributable to an increase in the allocation for the digital transition and the inclusion of funding for the removal, relocation and installation of call box sites.

During FY06, SAFE will complete a system-wide evaluation of each call box site and shall develop recommendations regarding the need for each site. SAFE anticipates that there will be a recommendation to remove a number of call box sites due to the decreased usage of the call boxes. In addition, there will be some recommendations to relocate existing sites and install new sites due to safety and/or operational issues. Once the evaluation is complete the recommendations will be forwarded to the Board for approval prior to implementation. SAFE projects project to begin in FY06 and be completed by the end of FY07.

The transition of the call box system from analog to digital service is scheduled and budgeted to begin in FY06 and continue to the end of FY07. This project is necessary as the wireless providers are phasing out analog service. SAFE has issued a RFP for the development and manufacturing of a new digital call box to replace the current aged analog call boxes that have been in service since the early 1990s.

Funding for capital improvements is projected to remain stable until FY07, which will mark the projected completion of the transition of the call box system to digital and the completion of the project to removal, relocation or install call box sites. Beyond these two projects, there are no known or anticipated capital improvement projects envisioned for the call box system during the remainder of this five-year forecast.

