



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

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**SAFE BOARD
JUNE 28, 2007**

SUBJECT: FISCAL YEAR 2007 - 2008 BUDGET

ACTION: ADOPT THE FISCAL YEAR 2007 – 2008 BUDGET

RECOMMENDATION

Adopt the Fiscal Year 2007 - 2008 (FY08) budget in the amount of \$19,667,180 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 \$807,000 and the Agreements with Metro for Freeway Service Patrol (FSP) and Big Rig operations in the amount of \$3,000,000.

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 requires an annual budget and administrative support services, which are provided via an MOU with PTSC. A summary of the proposed FY08 budget is provided as Attachment A.

OPTIONS

The Board may choose to modify or not adopt the proposed budget. Neither of these options is recommended in order to ensure the continued operation of SAFE and its programs. The proposed budget ensures SAFE's ability to properly fulfill its mission and comply with all existing legal and statutory requirements.

DISCUSSION

During FY07, SAFE initiated and continued the funding, implementation and operation of a variety of motorist aid services, programs and activities. These programs, services and activities include:

- The system-wide evaluation of the Kenneth Hahn Call Box System.
- Continued deployment and operation of the Mobile Call Box Program (#399).
- Continued funding of the I-710 Big Rig Demonstration Project.
- Continued funding of the expanded Metro Freeway Service Patrol program.
- Continued the transition of the call box system to a digital wireless-based system.
- Continued efforts to raise the public's awareness of motorist services programs.
- Assumed leadership over the development, deployment and operation of a regional traveler information system (511).

For FY08, SAFE is recommending the funding, implementation and/or operation of the following projects and activities:

- Continue the operation of the Mobile Call Box Program (#399).
- Continue the funding of the I-710 Big Rig Demonstration Project.
- Continue funding for the Metro Freeway Service Patrol program.
- Complete the transition of the call box system to a digital wireless based system.
- Implementation of a restructuring plan for the Kenneth Hahn Call Box System.
- Implementation and operation of a comprehensive traveler information system for Los Angeles County motorists and residents (511)

The anticipated ongoing operation, funding and 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 an issue of concern to all Los Angeles County residents.

The FY08 budget of \$19.7 million represents a decrease of approximately \$1.2 million compared to the adopted FY07 budget. The budget decrease is attributable to a decrease in the operational funding for the Mobile Call Box and Kenneth Hahn Call Box System as well as a decrease in funding for the transition of the call box system from an analog to a digital wireless based system. Specifically, the FY08 budget decreases for each major budget category are as follows:

<u>Category</u>	<u>Decrease</u>
Administration	(\$ 190,198)
Direct Labor	(\$ 94,870)
Programs & Services	(\$ 942,500)
Total	(\$1,227,568)

The decrease in Administration is a result of decreases in the overhead, services and material accounts. The decrease in Direct Labor is a result of a reallocation of fringe

benefits costs by PTSC and the elimination of labor costs associated with the transfer of one full-time equivalent (FTE) to Westside/Central Service Sector. The decrease for Programs & Services is attributable to two main items: 1) delays in the analog to digital wireless call box conversion, and 2) decreased funding to #399 – Motorist Aid (Mobile Call Box) operations. All other remaining programs and services, which include Metro Freeway Service Patrol funding and I-710 Big Rig FSP Demo funding, are proposed to remain relatively stable with FY07 funding levels. 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 demonstrates the financial capacity of SAFE to use its existing fund balance and projected revenue to fully fund the proposed FY08 budget of \$19.7 million.

NEXT STEPS

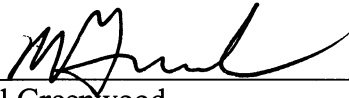
Upon approval of the proposed FY08 budget, staff will begin implementing the major projects for FY08.

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

ATTACHMENTS

- A. Proposed Fiscal Year 2007 - 2008 Budget Summary
- B. Five Year Financial Forecast

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ATTACHMENT A

Proposed Fiscal Year 2007 - 2008 Budget Summary
Total Expenditure Categories

Category	FY08 PROPOSED BUDGET	Percentage
Administration	232,680	1%
Direct Labor	807,000	4%
Programs & Services	18,627,500	95%
I-710 Big Rig Demonstration	1,000,000	5%
#399 - Motorist Aid	305,000	2%
Call Box Operations	1,396,500	7%
Call Box System Capital Improvements	4,651,000	24%
Metro Freeway Service Patrol	2,000,000	10%
Traveler Information System	9,275,000	47%
Total	19,667,180	100%

Proposed Fiscal Year 2007 - 2008 Budget Summary
Comparison FY 07 Budget vs. FY 08 Budget

Category	FY07 BUDGET	FY08 PROPOSED BUDGET	VARIANCE
Administration	422,878	232,680	(190,198)
Direct Labor	901,870	807,000	(94,870)
Programs & Services	19,570,000	18,627,500	(942,500)
I-710 Big Rig Demonstration	1,000,000	1,000,000	0
#399 - Motorist Aid	1,070,000	305,000	(765,000)
Call Box Operations	1,900,000	1,396,500	(503,500)
Call Box System Capital Improvements	8,500,000	4,651,000	(3,849,000)
Metro Freeway Service Patrol	2,000,000	2,000,000	0
Traveler Information System	5,100,000	9,275,000	4,175,000
Total	20,894,748	19,667,180	(1,227,568)

ATTACHMENT B

Los Angeles County Service Authority for Freeway Emergencies
 Financial Forecast (\$000)
 Fiscal Year 2006 – 2007

	PROJECTED YEAR-END BUDGET	FY08 PROPOSED BUDGET	FY09 FORECAST	FY10 FORECAST	FY11 FORECAST	FY12 FORECAST	FY13 FORECAST
SAFE FUNDS							
Projected Registration Surcharge	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Projected SAFE Fund Balance	33,254	33,070	21,184	17,884	15,941	13,712	11,454
Projected Interest	1,200	756	568	504	452	397	338
Other	25	25	25	25	25	25	25
FUNDS AVAILABLE	41,479	40,851	28,777	25,413	23,418	21,134	18,817
EXPENSES/OBLIGATIONS							
Administration	307	232	253	309	279	279	350
Direct Labor	856	607	830	853	877	901	927
Programs & Services	7,246	18,628	9,810	8,310	8,550	8,500	8,590
1-710 Big Rig Demonstration	700	1,000	0	0	0	0	0
#309 - Motorist Aid	665	305	470	420	510	460	550
Call Box Program	3,567	6,048	2,540	1,690	1,690	1,690	1,690
Operations	1,369	1,523	1,490	1,690	1,690	1,690	1,690
Capital Improvements	2,198	4,525	1,050	0	0	0	0
Metro Freeway Service Patrol	1,500	2,000	2,000	2,000	2,000	2,000	2,000
Trailer Information System	794	9,275	4,800	4,200	4,350	4,350	4,350
TOTAL EXPENSES/OBLIGATIONS	8,409	19,667	10,893	9,472	9,706	9,680	9,867
PROJECTED YEAR END BALANCE	33,070	21,184	17,884	15,941	13,712	11,454	8,950

(B-2)

Los Angeles County
Service Authority for Freeway Emergencies
Five-Year Financial Forecast
Fiscal Year 2007 – 2008

Notes and Assumptions

The FY08 Five-Year Financial Forecast has been developed to provide a snapshot of SAFE's financial situation and project the impact of the proposed FY08 budget to the overall financial condition of SAFE. 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., which requires SAFE to first use its dedicated funds to support the call box system and then enables the use of funds to support other motorist aid services.

The forecast demonstrates that SAFE currently has sufficient funding to fully fund the proposed FY08 budget and absorb the impact of this budget for the next five years. However, the forecast also shows a steady decrease in available SAFE funds for each successive fiscal year. If this trend continues as shown in this forecast, then SAFE would have insufficient funds to continue its operations by fiscal year 2015 – 2016. Staff will continue to closely monitor the financial status of SAFE and identify and implement solutions to alleviate any potential deficit in a timely manner.

This forecast includes the projected costs of establishing and operating the new Traveler Information System as well as continuing the operations of the call box system and the #399 – Motorist Aid Number (Mobile Call Box) program, the capital costs to upgrade the existing call boxes from an analog to a digital based system, the agreed upon cost of supporting the operation of the big rig tow demonstration, and funding for Metro Freeway Service Patrol operations. The potential impact of the call box system restructuring has not been fully factored into this forecast. All 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 relatively 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 is 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.

EXPENSES/OBLIGATIONS

- Administration

This category represents funds programmed for allocated overhead costs and general administrative support services and equipment. Administration includes items such as printing, travel, training, office supplies, computer equipment, insurance, legal, procurement, and 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, accounting services and equipment replacement and upgrade needs.

The FY08 budget for Administrative Services is approximately \$191,000 less than the adopted FY07 budget. This is attributable to a decrease in the budgets for professional services, office supplies and other miscellaneous costs.

The forecasted cost for Administration is projected to increase each successive fiscal year. This increase is mainly attributable to a 3% annual escalation for accounting and other service costs and a 10% escalation for insurance costs every other year. Vehicle and other equipment replacement costs are programmed to occur during FY10 and FY13 which will contribute to additional costs during those fiscal years.

- Direct Labor

Funds programmed to cover the projected costs associated with salary and fringe benefits SAFE incurs due to its staffing needs. During FY08 SAFE will continue to fund the full costs of program management for both SAFE and Freeway Service Patrol. The budget for this category has decreased by approximately \$95,000 from FY07 primarily due to a reallocation of fringe benefit costs and the elimination of certain FTE allocations. The FY08 allocation includes a total of 8.25 FTEs. This

allocation is comprised of 7.25 FTEs for direct program and project management, which is 1.75 FTE less than FY07 FTE allocation. There is also an additional 1.0 FTE allocation for general support, which is an increase in 0.9 FTE compared to the FY07 allocation and includes administrative, procurement and disadvantaged business opportunities services and support. The increase in the general support allocation is attributed to an increase in the administrative and procurement services.

The FY08 FTE allocation is comprised of the following positions and functions:

- 1.00 – Program Manager SAFE
- 0.50 – Program Manager Freeway Service Patrol
- 1.00 – Motorist Aid Technical Administrator
- 1.00 – Senior Administrative Analyst
- 2.00 – Program Planners
- 1.00 – Motorist Service Field Representative
- 0.75 – Administrative Aide
- 1.00 – General Support
- 8.25 – Total FTE's

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 3% 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 FY08 include the I-710 Big Rig Demonstration; #399 – Motorist Aid (Mobile Call Box) program; Metro Freeway Service Patrol operations; the Kenneth Hahn Call Box System capital improvements and operations; and the development, deployment and operation of the Los Angeles County Traveler Information System.

The FY08 budget for this category has decreased by approximately \$943,000 compared to the adopted FY07 budget. This decrease is attributable to decreases in the allocation for #399, call box operations and call box capital. The funding of the Traveler Information System is proposed to increase during FY08, which reflects the cost of developing and deploying the service during this fiscal year. Funding for Programs and Services is projected to decrease over the next two years as certain projects are completed and funds are no longer needed. Beginning in FY11, the costs are projected to increase slightly due to anticipated growth in both the #399 and Traveler Information System. 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 to be funded and/or operated by SAFE:

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 \$3 million for the operation and evaluation of this demonstration project. The demonstration is slated to 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.

#399 – Motorist Aid (Mobile Call Box)

Funds programmed to support the operation of the #399 – Motorist Aid (Mobile Call Box) program. This program provides 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 was 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 at 5,000 calls/month for FY08. FY09 and FY10 call volume is projected at 7,500 calls/month, FY11 and FY12 projected at 10,000 calls/month and FY13 call volume is projected at 12,500 call/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. In addition, with the projected deployment of 511 this fiscal year, SAFE will evaluate opportunities that may arise to combine efforts which may improve the effectiveness and efficiency of both services.

Metro Freeway Service Patrol Operations

Funds programmed to assist Metro with the expansion and operation of the Metro Freeway Service Patrol (FSP). During FY06, Metro expanded the 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. During FY07, Metro added new service to cover the 210 freeway from Pasadena to San Fernando and continue the operation of the expanded service hour coverage. The cost to SAFE to help fund this expansion is projected to be \$2 million annually for the five year period of this forecast. This expansion will help Los Angeles County motorist 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 FY08 funding for the Call Box Program is proposed to decrease by approximately \$4.4 million compared to the adopted FY07 budget. This decrease is mainly attributable to a decrease in the capital budget, however, it should be noted that there is also a projected decrease in the operating 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 FY08 budget for call box operations has decreased by approximately \$504,000 compared to the FY07 budget. This decrease is due to a decrease in call answering costs due to declining call volume and a decrease in maintenance costs. Funding for call box operations is projected to remain relatively stable with an increase in FY10 due to the projected cost of obtaining parts for the new digital call box, which are scheduled for installation during FY08.

➤ Capital

Funding for capital include cost associated with the two main capital improvement projects for the call box system: 1) the restructuring of call box system and 2) the transition of the call box system from analog to digital wireless service. The FY08 capital budget has decreased by \$3.8 million compared to the FY07 budget. This decrease is primarily attributable to a decrease in the allocation for the digital transition.

During FY07, SAFE started 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. The evaluation is scheduled to be presented to the Board for approval in June 2007.

The transition of the call box system from analog to digital service was initiated in FY06 and shall continue to the end of FY08. This project is necessary as the wireless providers are phasing out analog service. In December 2005, SAFE entered into a \$8.7 million contract to design, build and manufacture a new digital call box to replace the current aged analog call boxes that have been in service since the early 1990s. SAFE anticipates that this transition will be completed by FY09.

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.

Traveler Information System

Funds programmed to support the development, deployment and operation of a comprehensive Traveler Information system for Los Angeles County. The Traveler Information system will provide individuals with the ability to obtain traffic, transit, weather and other general traveler information via their phone or the Internet. This system is based upon the successful 511 Traveler Information programs currently in operation in the San Francisco Bay Area, San Diego County and more than 22 states around the nation. The deployment of this system will enable individuals to easily obtain comprehensive traveler information from a single easy-to-use system, will help people make better decisions regarding their travel plans, will enhance safety and reduce congestion by alerting motorists to incidents and congestion, and will ensure a consistent and reliable means of distributing travel information to the public. The deployment of this system also ensures Los Angeles County's compliance with the 2005 Safe, Accountable, Flexible, Efficient Transportation Equity Act (SAFETEA-LU) provision regarding the deployment of a national 511 system by 2010.

The FY08 allocation for this system includes the initial development, deployment and operation of the system. Allocations for FY09 and beyond include system enhancements, support, operational and marketing costs. Cost are projected to remain relatively stable with set increases during this forecast period due to the increased cost of operation.