

Los Angeles County

Service Authority for Freeway Emergencies

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**SAFE BOARD
MAY 25, 2000**

SUBJECT: FISCAL YEAR 2000 - 2001 BUDGET

ACTION: ADOPT THE FISCAL YEAR 2000 – 2001 BUDGET

RECOMMENDATION

Adopt the FY 2000 - 2001 budget in the amount of \$10.6 million for the operation, maintenance, administration and improvement of the Los Angeles County Service Authority for Freeway Emergencies (SAFE).

ISSUE

SAFE was created in 1988, pursuant to California Streets and Highway Code Section 2550 et. seq., and is responsible for the operation, maintenance and administration of the Los Angeles County Kenneth Hahn Call Box System. The proposed FY 2000 – 2001 budget provides the resources needed for SAFE to operate the system, meet its statutory mission and comply with the terms of the Thalheimer Settlement Agreement. A summary of the proposed 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 the call box system, an annual budget needs to be adopted. Without the budget, SAFE will be unable to operate the system and fulfill its statutory mission. Modification of the proposed budget is also not recommended. The proposed budget was developed to ensure that the SAFE is sufficiently funded for FY 2000 – 2001. The budget ensures SAFE's ability to properly fulfill its mission and comply with the terms of the Thalheimer Settlement Agreement.

FINANCIAL IMPACT

SAFE obtains its revenue from an annual \$1.00 surcharge assessed on each vehicle registered within Los Angeles County. Use of these funds is restricted primarily to motorist aid call boxes. SAFE is projecting to carry over a beginning year fund balance of approximately \$21.2 million for FY 2000 - 2001. This fund balance is due to low initial operating costs and, the deferral of accessibility and other improvements until settlement of the Thalheimer lawsuit. The fund balance will be augmented by approximately \$7 million in projected vehicle registration and interest revenue for FY 2000 - 2001.

As shown in the attached five (5) year financial forecast, provided as Attachment B, SAFE revenues are not anticipated to keep pace with future program expenses and as a result the funding carryover is projected to decrease each successive fiscal year. SAFE staff continues to investigate and implement operational efficiencies, such as the privatization of call box call answering, in an effort to reduce costs. Additionally, staff continues to identify and investigate new and/or alternative sources of revenue.

The projected fund balance and annual vehicle registration surcharge and interest revenues are sufficient for the proposed FY 2000 - 2001 budget. SAFE currently receives no additional funding from any other source. However, SAFE is working with MTA and Caltrans to secure \$7.5 million in Regional Surface Transportation Program (RSTP) funds for required system-wide call box capital improvements.

BACKGROUND

The \$10.6 million proposed FY 2000 - 2001 budget represents a decrease of approximately \$2.3 million or 18% compared to the adopted FY 1999 - 2000 budget. This decrease is attributable to a reduction in the budget for Contracted Services, which is mainly due to the settlement of the Thalheimer lawsuit and the completion of system-wide text teletypewriter (TTY) installations. The budgets for Labor, Administrative Services and Equipment categories are proposed to increase. The increase in these categories is due to a number of different factors including increased overhead and fringe costs; outreach requirements pursuant to the Thalheimer Settlement Agreement; and the replacement and procurement of equipment.

The proposed FY 2000 - 2001 budget will enable SAFE to focus on two (2) major objectives for the coming fiscal year, which include: 1) implementation of the Thalheimer Settlement Agreement, primarily concentrating on call box site modifications from the edge of the shoulder to the call box and at the call box site; and 2) evaluation and implementation, if appropriate, of operational enhancements, including call answering privatization and call box maintenance improvements.

Thalheimer Settlement

In March 1999, the Board approved a settlement agreement regarding the Thalheimer lawsuit. The lawsuit charged that the call box system was inaccessible to individuals who may be deaf, hard of hearing, speech impaired and/or mobility impaired. The Settlement Agreement stipulates that SAFE will upgrade the system to ensure accessibility for deaf, hearing and/or speech impaired individuals and will spend up to \$7.5 million to improve the accessibility, from the edge of the shoulder to the call box and at the call box itself, for mobility impaired individuals. During FY 1999 – 2000, SAFE completed the required system upgrades to ensure the accessibility of the call box system to individuals who may be deaf, hard of hearing and/or speech impaired. The required upgrades consisted of the installation of a text teletypewriter (TTY) keypad and display screen on each call box in the system. In FY 2000 – 2001, SAFE will focus on required system-wide modifications to improve the accessibility of the system for individuals who may be mobility impaired.

Call Answering Privatization

In FY 1999 – 2000, SAFE initiated a study of the cost-effectiveness of its call box call answering operations, which is currently provided on a contractual basis by the California Highway Patrol (CHP). The two goals of the study were to: 1) determine if any improvements could be instituted to the current operations; and 2) evaluate the feasibility of privatizing the operation. Based on the initial findings of the study, SAFE and CHP are in discussions regarding improvements to the current operations, which may result in substantial savings to SAFE. Concurrently with this report, SAFE is waiting for the final evaluation regarding the feasibility to privatize its call answering operation. If this evaluation finds that SAFE can reasonably privatize the call answering operations at a lower cost with no negative impact to the public, SAFE will then work with the CHP to begin privatization.

NEXT STEPS

Upon approval of the proposed FY 2000 – 2001 budget, staff will begin implementing the major projects for FY 2000 – 2001, which include:

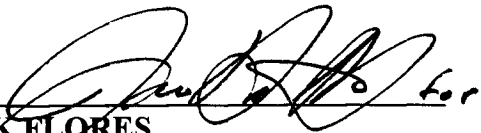
- Continued implementation of the Thalheimer Settlement Agreement, primarily focusing on Mobility Impaired Accessibility improvements to the call box system.
- Evaluation and potential implementation of call answering privatization.
- Management of on-going call box maintenance, cellular service and call answering operations.

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

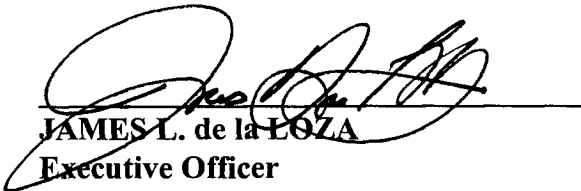
ATTACHMENTS

- A. Proposed Fiscal Year 2000 - 2001 Budget Summary
- B. Five Year Financial Forecast

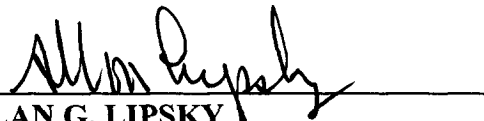
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Proposed Fiscal Year 2000 - 2001 Budget Summary

Major Expenditure Categories

<u>Category</u>	<u>Total</u>	<u>Percentage</u>
Contracted Services	\$ 8,674,000	81%
<ul style="list-style-type: none"> • On-Going Operations \$5,541,000 (Call Answering, Cellular Service, System Maintenance, etc.) • Thalheimer Settlement Agreement \$1,804,000 (Physical Access Improvements, TTY Program Revisions) • Professional & Technical Support \$1,329,000 (Legal & Audit Services, Engineering Analysis, etc.) 		
Labor/Fringe/Overhead	\$ 1,493,888	14%
Administrative Services	\$ 332,000	3%
Equipment	\$ 163,600	2%
Total FY 2000 – 2001 Budget	\$10,663,488	100.0%

Comparison FY 00 Budget vs. FY 01 Budget

<u>Category</u>	<u>FY 00</u>	<u>FY 01</u>	<u>Increase/(Decrease)</u>
¹ Contracted Services	\$12,272,681	\$8,674,000	(\$3,598,681)
² Labor/Fringe/Overhead	\$ 475,630	\$1,493,888	\$1,018,258
³ Administrative Services	\$ 208,850	\$ 332,000	\$ 123,150
⁴ Equipment	\$ 27,912	\$ 163,600	\$ 135,688
Total	\$12,985,073	\$10,663,488	(\$2,321,585)

FY01 Projected SAFE Fund Summary
(\$000)

Projected Beginning SAFE Fund Balance	\$21,205
Projected Vehicle Registration & Interest Revenue	<u>\$ 7,014</u>
Projected Funds Available	\$28,219
FY01 Proposed Budget	<u>\$10,664</u>
Projected Year End SAFE Fund Balance	\$17,555

¹ Decrease primarily due to completion of system-wide TTY installations.

² Increase due to increase in staffing allocation and increase in overhead and fringe rates. Overhead rates have increased due to a realignment of SAFE from Operations to Countywide Transportation Planning and Programming.

³ Increase due to an increase in outreach/marketing budgets needed to comply with the Thalheimer Settlement Agreement.

⁴ Increase due to the replacement of existing computer equipment and acquisition of communications test equipment.

DESCRIPTION/SUMMARY

Contracted Services - \$8,674,000

Allocation of resources to support the operation of the Kenneth Hahn Call Box System. The FY01 Budget for Contracted Services represents a \$3.6 million decrease from the FY00 adopted budget. This decrease is primarily attributed to the completion of the installation of the Text Teletypewriter (TTY) in each call box as required pursuant to the Thalheimer Settlement Agreement.

Funds are programmed for the following major categories:

- On-Going Contractual Operations - \$5,541,000

This category includes the contract services necessary for day-to-day operation of the call box system. Contracts includes system maintenance, cellular service, call answering and Caltrans support. The Budget for this category has increased by \$1.1 million compared to FY00. This increase is due to projected maintenance cost increases as a result of the installation and operation of the TTY call boxes. Additionally, there is an increase in the contractual cost for call box call answering. The Budget is based upon contractual rates and historical data regarding the cost to maintain the system.

- Implementation of Thalheimer Settlement Agreement - \$1,804,000

This category includes the contract services necessary to comply with and implement the Thalheimer Settlement Agreement. Contract costs include programming revisions to the TTY call box and implementation of mobility impaired improvements. The Budget for this category has decreased by \$3.2 million compared by FY00. The decrease is a result of the completion of system-wide TTY installations. Because of the plaintiff approval process implementing mobility improvements to the system is not projected to commence until the last half of FY01. Budget is based upon contractual rates and the terms of the Thalheimer Settlement Agreement.

- Professional and Technical Support - \$1,329,000

This category includes contract services necessary to analyze and improve the overall operation and performance of the call box system. Contracts include the analysis of cellular service, continued evaluation and implementation of call answering privatization, evaluation of the call box system performance, audit support and legal support. The Budget for this category has decreased by \$1.5 million compared to FY00. Budget is based upon contractual rates, historical data and project management estimates to provide the services.

Labor/Fringe/Overhead - \$1,493,888

Allocation of funds for Program Management, Contracts/Procurement, and Internal Services and other support services to primarily be provided by the Public Transportation Services Corporation (PTSC).

The FY01 Budget for Labor/Fringe/Overhead represents a \$1,018,258 increase from the FY00 adopted budget. This increase is attributed to an increase in the fringe and overhead rates, the allocation of two (2) Internal Services staff, increase in As-Needed funding and the addition of a Department Systems Analyst. Compared to FY00, the proposed full-time direct labor costs have increased by 74%, fringe costs have increased by 138% and overhead allocation costs have increased by 665%. The increase in the overhead allocation cost is due to the realignment of SAFE from Operations to Countywide Transportation Planning and Programming.

- Program Management - \$1,188,294

This category includes staff assigned to manage the day-to-day operations. The FY01 Budget proposes to add a Department Systems Analyst (DSA) to the program management staff. The DSA is needed to support SAFE's increased technical applications, including the privatization of call answering. The Budget also includes funds for As-Needed staff to support SAFE with construction management, procurement and other related items. The Budget for this sub-category has increased by \$795,143 compared to FY00. The main reasons for this increase is an increase to the overhead and fringe rates charged to SAFE, which accounts for 67% of the total increase to this category, and an increase to the As-Needed budget, which accounts for an additional 19% of the increase.

- Contracts/Procurement - \$101,958

This category includes dedicated procurement staff support for SAFE. The FY01 Budget proposes to assign a dedicated Senior Contracts Administrator to support all SAFE procurement and contractual needs for the fiscal year. The Budget represents an increase of \$29,568 compared to FY00.

- Internal Services - \$186,636

This category includes systems programmers to support SAFE. The FY01 Budget proposes to assign two programmers to support and finalize the development of SAFE's Management Reporting System and accompanying systems. The Budget for this category has increased by \$186,636 compared to FY00. The reason for this increase is the assignment of dedicated staff in FY01 to work on the project.

- County Counsel - \$17,000

This category includes legal services support for SAFE. The FY01 Budget was developed by County Counsel to ensure a proper amount of support to SAFE.

Administrative Services - \$332,000

Allocation of funds for general administrative services and support. Services include Printing, Phones, Insurance, Freight/Postage, Office Supplies, Travel, Training, and other general administrative services needed for the SAFE to properly operate.

The FY01 Budget for Administrative Services represents a \$123,150 increase from the FY00 adopted budget. This increase is attributed to an increase in the outreach/marketing budget required to comply with the terms of the Thalheimer Settlement Agreement. The Thalheimer Settlement Agreement requires that SAFE distribute notices in a specific manner to inform the public of the improvements to the call box system.

Equipment - \$163,000

Allocation of funds for dedicated SAFE equipment needed to properly monitor and administer the SAFE.

The FY01 Budget for Equipment represents a \$135,688 increase from the FY00 adopted budget. This increase is attributed to replacement of computer hardware and the acquisition of communications test equipment.

**LOS ANGELES COUNTY SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
FIVE YEAR FINANCIAL FORECAST (\$000)
FISCAL YEAR 2000 - 2001**

	PROJECTED YEAR-END 1999/2000	PROPOSED BUDGET 2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
SAFE FUNDS							
Projected Registration Surcharge	\$ 6,100	\$ 6,100	\$ 6,100	\$ 6,100	\$ 6,100	\$ 6,100	\$ 6,100
Projected SAFE Fund Balance	\$ 22,700	\$ 21,205	\$ 17,555	\$ 13,616	\$ 9,450	\$ 6,907	\$ 5,008
Projected Interest	\$ 900	\$ 869	\$ 701	\$ 522	\$ 393	\$ 304	\$ 212
Other	\$ 246	\$ 45	\$ 45	\$ 45	\$ 45	\$ 45	\$ 45
SAFE FUNDS AVAILABLE	\$ 29,946	\$ 28,219	\$ 24,400	\$ 20,283	\$ 15,988	\$ 13,355	\$ 11,365
EXPENSES/OBLIGATIONS							
Contract Services							
On-Going Operations	\$ 3,616	\$ 5,541	\$ 5,934	\$ 6,124	\$ 6,313	\$ 6,395	\$ 6,612
Thalheimer Agreement	\$ 4,100	\$ 1,804	\$ 2,750	\$ 2,750	\$ 880	\$ -	\$ -
Professional & Technical	\$ 100	\$ 1,329	\$ 580	\$ 350	\$ 350	\$ 350	\$ 350
Total Contract Services	\$ 7,816	\$ 8,674	\$ 9,264	\$ 9,224	\$ 7,543	\$ 6,745	\$ 6,962
Labor/Fringe/Overhead	\$ 600	\$ 1,494	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200
Administrative Services	\$ 300	\$ 332	\$ 300	\$ 309	\$ 318	\$ 328	\$ 338
Equipment	\$ 25	\$ 164	\$ 20	\$ 100	\$ 20	\$ 75	\$ 20
TOTAL EXPENSES/OBLIGATIONS	\$ 8,741	\$ 10,664	\$ 10,784	\$ 10,833	\$ 9,081	\$ 8,348	\$ 8,520
PROJECTED YEAR END BALANCE	\$ 21,205	\$ 17,555	\$ 13,616	\$ 9,450	\$ 6,907	\$ 5,008	\$ 2,845

**Los Angeles County
Service Authority for Freeway Emergencies
Five Year Financial Forecast
Fiscal Year 2000 – 2001**

Notes and Assumptions

The FY 2000 – 2001 Five Year Financial Forecast was developed to provide a snapshot of SAFE's financial situation and project the impact of the proposed FY 2000 – 2001 budget. The forecast is based upon the assumptions and notes listed herein.

The forecast demonstrates that SAFE has sufficient funds to absorb the impact of the proposed FY 2000 – 2001 budget. The use of SAFE funds is strictly limited per California Streets and Highways Code Section 2550 et.seq. and is dedicated primarily for the installation, operation and maintenance of a motorist aid call box system. Another factor limiting and directing the use of SAFE funds is the Board approved Thalheimer Settlement Agreement. The Thalheimer Settlement Agreement requires SAFE to perform a number of duties, including the specific expenditure of funds within a specified time period. The key remaining requirement that SAFE must implement to comply with the terms of the agreement is the expenditure of up to \$7.5 million in construction costs to improve the accessibility of the call box system to individuals who may be mobility impaired.

While SAFE has sufficient funding in the present to fully fund the proposed FY 2000 – 2001 budget, the forecast shows a significant decrease in SAFE funds for each successive fiscal year. If this trend were to continue, SAFE would be faced with a deficit in FY 2007 – 2008. Staff will continue to closely monitor the financial status of SAFE and identify recommendations to alleviate any future deficit in a timely manner.

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 4.5% rate of return on the investment base. The investment base is defined as the total funds available less 25% of the projected fiscal year expenditures. The total funds available is defined as the “Projected Registration Surcharge” + “Projected SAFE Fund Balance”.

- Other

Projected funds obtained from other sources. This primarily consists of funds obtained by SAFE from claims against individuals who have damaged call boxes. The FY 1999 – 2000 figure contains additional one-time funds obtained from a confidential settlement agreement between SAFE and GTE for contractually related matters.

EXPENSES/OBLIGATIONS

- Contract Services

Funds budgeted to cover SAFE contractual requirements. These requirements include the following three (3) major sub-categories:

On-Going Operations

Funds budgeted to cover the contractual costs related to the on-going day-to-day operation and maintenance of the Kenneth Hahn Call Box System. The majority of the work performed to ensure the operation and maintenance of the call box system is completed under contract with a number of different firms. The components included in this category are:

- Caltrans Review and Approvals
- Call Box Cellular Service
- Call Box System Maintenance
- Call Answering and Handling

The cost for this category is projected to increase due to increased maintenance requirements incurred as a result of the installation of text teletypewriters (TTY) on each call box and the mobility impaired accessibility improvements to the call box sites, and contractually allowable cost increases. The proposed FY 2000 – 2001 budget was developed based upon a review of historical data and contractual requirements.

Thalheimer Agreement

Funds budgeted to cover the direct contractual costs related to the implementation of the Thalheimer Settlement Agreement. This category does not include any on-going operational or maintenance costs incurred as a result of implementing the terms of the Agreement. This category also does not contain any administrative, staff, or outreach costs associated with the implementation of the Agreement. With the completion of the installation of TTYs in each call box during FY 1999 – 2000, the key remaining element of the Agreement is the improvements to the call box site to ensure accessibility to individuals who may be mobility impaired. SAFE is required to spend up to \$7.5 million in construction costs over a three (3) year period, after execution of a contract, to make the required improvements.

The proposed FY 2000 – 2001 budget allocates \$1.8 million for contractual costs related to the Agreement. This includes funds for engineering support and actual construction costs. The forecast projects costs for this category to increase in FY 2001 – 2002 and all work required by the Agreement to be completed in FY 2003 – 2004.

Professional & Technical

Funds budgeted to cover the cost of professional and technical support needed for SAFE. Services include call box engineering analysis, cellular service analysis, evaluation and implementation of call answering privatization, audit, legal and other technical support. The services proposed for FY 2000 – 2001 will assist SAFE to improve the operation and reliability of the call box system and potentially lower on-going operational costs in the future. The funding for this category is projected to decrease over the next two fiscal years and remain constant thereafter.

- Labor/Fringe/Overhead

Projected costs associated with the staff labor, workers' compensation, fringe and overhead support for SAFE. Staffing needs include project management, procurement/contracts, ISD and other administrative services. The cost is projected to increase in FY 2000 – 2001 primarily due to the increase in overhead and fringe allocations. The cost is projected to decrease in FY 2001 – 2002 due to a projected decrease need for dedicated ISD staff and temporary As-Needed support. The majority of the services provided under this category will be obtained from the Public Transportation Services Corporation (PTSC) via a Board approved annual amendment to a MOU.

- Administrative Services

Costs associated with general administrative services such as printing, travel, training, office supplies, advertising, insurance, utilities and other general services required for the administration of SAFE. The cost is projected to increase in FY 2000 – 2001 due to marketing/outreach requirements of the Thalheimer Settlement Agreement. The costs are projected to decrease in FY 2001 – 2002 and then increase at a rate of 3% per year thereafter.

- Equipment

Cost associated with equipment needed for SAFE. Equipment includes field inspection items, vehicles, cellular test equipment, computer hardware and software and any other equipment needed to manage the call box system. Costs are projected to increase in FY 2000 – 2001 due to the replacement of outdated computer hardware and the procurement of cellular test equipment to ensure the reliability of call box cellular service. Funding is projected to decrease in FY 2001 – 2002 as there are no projected equipment replacements or acquisitions. The funding is projected to increase in FY 2002 – 2003 to account for the replacement of vehicles, SAFE projects replacing vehicles every four (4) years. The cost increase projected for FY 2004 – 2005 is to accommodate computer hardware and software replacements on a four (4) year schedule. SAFE computer equipment includes not only desktop workstations but also system servers, which must be upgraded.