



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

One Gateway Plaza Los Angeles, California 90012-2952
TEL (213) 922-5652 FAX (213) 922-2955

SAFE BOARD
JUNE 28, 2001

SUBJECT: FISCAL YEAR 2001 - 2002 BUDGET

ACTION: ADOPT THE FISCAL YEAR 2001 – 2002 BUDGET

RECOMMENDATION

Adopt the FY 2001 - 2002 budget in the amount of \$12.8 million for the operation, maintenance, administration and improvement of the Los Angeles County Service Authority for Freeway Emergencies (SAFE); and authorize the execution of the annual funding amendment to the Memorandum of Understanding (MOU) with the Public Services Transportation Corporation (PTSC) for administrative support services in the amount of \$1.3 million as proposed in the FY 2001 – 2002 budget.

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, which currently consists of the operation, maintenance and administration of the Los Angeles County Kenneth Hahn Call Box System. In order to fulfill its mission SAFE needs an annual budget and requires administrative support services to be provided by the PTSC. 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 2001 – 2002. 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 \$24.6 million for FY 2001 - 2002. This fund balance is due to the containment of initial operating costs and, the deferral of accessibility and other improvements due to legal disputes between SAFE and the Plaintiffs surrounding the implementation/interpretation of the *Thalheimer Settlement Agreement*. The fund balance will be augmented by approximately \$7 million in projected vehicle registration and interest revenue for FY 2001 – 2002. In addition to the projected \$7 million in vehicle registration and interest, SAFE has secured a \$7.5 million Federal Regional Surface Transportation Program (RSTP) grant. The RSTP grant will be used to fund the direct construction costs of the required mobility impaired accessibility improvements.

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 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 on-going operational costs. Additionally, staff will continue 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 2001 - 2002 budget.

BACKGROUND

The proposed FY 2001 – 2002 budget of \$12.8 million represents an increase of approximately \$2.1 million or 20% compared to the adopted FY 1999 - 2001 budget. This increase is primarily attributable to Contracted Services, which increased by approximately \$1.9 million. The increase in Contracted Services is mainly due the impact of the mobility-impaired accessibility improvements required pursuant to the *Thalheimer Settlement Agreement*. The budget for Administrative Services also increased, while the budgets for Labor and Equipment categories are proposed to decrease.

The proposed FY 2001 - 2002 budget will enable SAFE to focus on the following major objectives and challenges for the coming fiscal year: 1) implementation of the *Thalheimer Settlement Agreement*, primarily concentrating on mobility impaired accessibility improvements from the edge of the shoulder to the call box and at the call box site; 2) implementation of call answering privatization and 3) evaluation and implementation of administrative and operational enhancements.

Thalheimer Settlement Agreement

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. 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 ahead of the schedule required in the *Thalheimer Settlement Agreement* and has been working on the initiation of mobility impaired accessibility improvements.

SAFE has completed, as required per the *Thalheimer Settlement Agreement*, a system assessment to determine the level of accessibility of the call box system and has developed plans to improve the accessibility of the call box system. The implementation of the improvements was delayed until legal challenges initiated by the Plaintiffs were resolved. The challenges were recently resolved in favor of the SAFE and SAFE is now proceeding with the improvements to the system as required by the *Thalheimer Settlement Agreement*. During FY 2001 – 2002, SAFE will conduct the required procurement action and present a recommendation to the Board for approval per the schedule outlined in the *Thalheimer Settlement Agreement*. SAFE projects the construction of the improvements to begin in January 2002.

Call Answering Privatization

In FY 2000 - 2001, SAFE completed 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 have negotiated an amendment to the current agreement, which will improve the operation and decrease the overall cost of operations. Concurrently SAFE has informed CHP of its intention to proceed with the privatization of call box call answering operations. CHP has agreed to support SAFE in this endeavor and SAFE anticipates implementation of privatization during FY 2001 - 2002. Privatization will enable SAFE to provide the same if not better level of service, reduce the cost of call answering operations and enable CHP to reallocate its limited resources. SAFE will work closely with CHP and the private contractor to ensure that there is no impact to the motorists. In addition, SAFE will closely monitor and manage the transition and make appropriate modifications to the call answering agreement with CHP to ensure an accurate reflection of the impact of privatization.

Administrative and Operational Enhancements

During FY 2001 – 2002, SAFE will continue to examine current administrative and operational practices in an effort to identify and implement enhancements and efficiencies. Practices that may be examined include procurement and financial policies and procedures; call box installation guidelines; maintenance practices; and cellular services operations. Any modifications to current practices will be designed to improve the overall administration and operation of SAFE and certain issues may require Board approval prior to implementation.

NEXT STEPS

Upon approval of the proposed FY 2001 – 2002 budget, staff will amend the MOU with the PTSC and begin implementing the major projects for FY 2001 – 2002, which include:

- Continued implementation of the *Thalheimer Settlement Agreement*, primarily focusing on Mobility Impaired Accessibility improvements to the call box system.
- Implementation of call answering privatization.
- Management and enhancements 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.

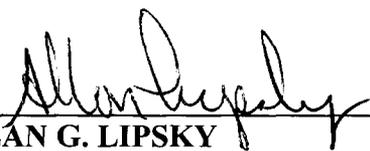
ATTACHMENTS

- A. Proposed Fiscal Year 2001 - 2002 Budget Summary
- B. Five Year Financial Forecast

Prepared by: Gary Chan, Administrative Analyst
Kenneth Coleman, Program Manager


FRANK FLORES
Deputy Executive Officer


JAMES L. de la LOZA
Executive Officer


ALLAN G. LIPSKY
Office of the Chief Executive Officer

Proposed Fiscal Year 2001 - 2002 Budget Summary

Comparison FY 01 Budget vs. FY 02 Budget

Category	<u>FY 01</u>	<u>FY 02</u>	Increase/(Decrease)
¹ Contracted Services	\$8,674,000	\$10,537,500	\$ 1,863,500
² Labor/Fringe/Overhead	\$1,508,715	\$ 1,266,643	\$ (242,072)
³ Administrative Services	\$ 333,000	\$ 838,000	\$ 505,000
⁴ Equipment	\$ 163,600	\$ 162,600	\$ (1,000)
Total	\$10,679,315	\$12,804,743	\$2,141,256

**FY01 Projected SAFE Fund Summary
(\$000)**

Projected Beginning SAFE Fund Balance	\$21,205
Projected Vehicle Registration & Interest Revenue	\$ 7,014
Projected Funds Available	\$28,219
FY02 Proposed Budget	\$12,805
Projected Year End SAFE Fund Balance	\$15,414

¹ Increase primarily due to *Thalheimer Settlement Agreement* required mobility impaired accessibility improvements.

² Decrease due to a decrease in as-needed labor and a decrease in staffing allocation from the Internal Services Department.

³ Increase due to an allocation of funds in the amount of approximately 4% of the proposed budget for agency contingency for Board directed and unanticipated activities.

⁴ Decrease due to a lower need for replacement of equipment.

DESCRIPTION/SUMMARYContracted Services - \$10,537,500

The Contracted Services budget represents the allocation of resources to support the operation and capital improvement of the Kenneth Hahn Call Box System. The FY02 Budget for Contracted Services represents a \$1.8 million increase from the FY01 adopted budget. This increase is primarily attributed to the *Thalheimer Settlement Agreement* required modifications to the call box system.

Funds are allocated to the following major sub-categories:

- On-Going Contractual Operations - \$5,440,000

This sub-category includes the contract services necessary for the day-to-day operation of the call box system. Contracts include system maintenance, cellular service, call answering and Caltrans support.

The budget for this sub-category decreased by \$1,801,000 compared to FY01. This decrease is due to a reallocation of costs for the Thalheimer improvements to a separate category. The budget for this sub-category is based upon contractual rates and historical data regarding the cost to maintain the system.

- Implementation of the *Thalheimer Settlement Agreement* - \$3,900,000

This sub-category includes the contract services necessary to comply with and implement the *Thalheimer Settlement Agreement*. Contract costs include construction management support and implementation of improvements for mobility impaired individuals.

The budget for this sub-category has increased by \$2.1 million compared by FY01. This increase is attributed to the cost for required construction management services and an allocation of funds to cover the potential acceleration of construction. SAFE anticipates beginning construction of the required improvement in January 2002. Per the terms of the Thalheimer Settlement Agreement, SAFE has up to three (3) years to complete the required improvements; however, due to the nature of the improvements SAFE projects that the contractor(s) will be able to complete the improvements on an accelerated schedule. The budget for this sub-category is based upon estimates the terms of the *Thalheimer Settlement Agreement*.

- Professional and Technical Support - \$1,197,500

This sub-category includes contract services necessary to evaluate and improve the administration and operation of SAFE and the call box system. Contracts include the analysis of cellular service, the implementation of call answering privatization, the evaluation of the call box system performance, audit support, legal support, call box engineering analysis, management reporting system enhancements and strategic plan evaluation and development.

The budget for this sub-category has decreased by \$131,500 compared to FY01. The budget for this sub-category is based upon contractual rates, historical data and project management estimates to provide the services.

Labor/Fringe/Overhead - \$1,266,643

The Labor/Fringe/Overhead budget represents the allocation of funds for Program Management, Contracts/Procurement, Internal Services and other support services provided by the Public Transportation Services Corporation (PTSC) to SAFE under the terms of the Board approved Memorandum of Understanding.

The FY02 budget for Labor/Fringe/Overhead decreased by \$242,072 compared to the FY01 adopted budget. The allocations include the following major sub-categories:

- Program Management - \$977,717

This sub-category includes staff assigned to manage the day-to-day operations and overall administration of SAFE. The budget for this sub-category has decreased by \$148,887 compared to FY01 primarily due to the elimination of As-Needed support.

- Contracts/Procurement - \$140,141

This sub-category includes dedicated procurement staff support for SAFE. The FY02 budget proposes to assign a dedicated Senior Contracts Administrator and allocate a portion of a Contracts Manager to support all SAFE procurement and contractual needs for the fiscal year. The budget represents an increase of \$10,559 compared to FY01.

- Internal Services - \$148,785

This sub-category includes a systems programmer to support SAFE. The FY02 budget proposes to assign one programmer to support the development of SAFE's Management Reporting System and accompanying systems. The budget for this category has decreased by \$97,529 compared to FY01 primarily due to the elimination of additional staffing allocations.

Administrative Services - \$838,000

The Administrative Services budget represents the allocation of funds for general administrative services and support. Services include Printing, Phones, Insurance, Freight, Office Supplies, Travel, Training, and other general administrative services needed for the SAFE to properly operate.

The FY02 budget for Administrative Services represents a \$505,000 increase from the FY01 adopted budget. This increase is primarily attributed to the allocation of funds to support unanticipated costs and/or Board directives. This allocation represents approximately 4% of the total proposed budget, which equates to \$500,000

Equipment - \$162,600

The Equipment budget represents the allocation of funds for the procurement and maintenance of dedicated SAFE equipment needed to properly monitor and administer the SAFE and the call box system. Items include vehicle maintenance, fuel, tools, communications test equipment, computer hardware, software and maintenance and the purchase of a replacement field vehicle. SAFE currently has a field vehicle that has been in service over 5 years and has over 100,000 miles. This vehicle is scheduled to be replaced during FY02 and funds have been allocated in the FY02 proposed budget to procure a replacement vehicle.

The FY02 budget for Equipment represents a \$1,000 decrease from the FY01 adopted budget.

**LOS ANGELES COUNTY SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
FIVE YEAR FINANCIAL FORECAST (\$000)
FISCAL YEAR 2001 - 2002**

	PROJECTED YEAR-END 2000/2001	PROPOSED BUDGET 2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
SAFE FUNDS							
Projected Registration Surcharge	\$ 5,660	\$ 6,100	\$ 6,100	\$ 6,100	\$ 6,100	\$ 6,100	\$ 6,100
Projected SAFE Fund Balance	\$ 22,900	\$ 24,600	\$ 22,494	\$ 20,581	\$ 19,163	\$ 17,593	\$ 15,749
Projected Interest	\$ 1,200	\$ 1,055	\$ 942	\$ 1,012	\$ 939	\$ 853	\$ 755
RSTP Grant	\$ -	\$ 3,500	\$ 4,000	\$ -	\$ -	\$ -	\$ -
Other	\$ 50	\$ 45	\$ 45	\$ 45	\$ 45	\$ 45	\$ 45
SAFE FUNDS AVAILABLE	\$ 29,810	\$ 35,300	\$ 33,581	\$ 27,738	\$ 26,247	\$ 24,591	\$ 22,649
EXPENSES/OBLIGATIONS							
Contract Services							
On-Going Operations	\$ 3,800	\$ 5,440	\$ 5,610	\$ 5,913	\$ 6,069	\$ 6,157	\$ 6,248
Thalheimer Agreement	\$ 150	\$ 3,900	\$ 4,500	\$ -	\$ -	\$ -	\$ -
Professional & Technical	\$ 50	\$ 1,198	\$ 650	\$ 475	\$ 350	\$ 350	\$ 325
Total Contract Services	\$ 4,000	\$ 10,538	\$ 10,760	\$ 6,388	\$ 6,419	\$ 6,507	\$ 6,573
Labor/Fringe/Overhead	\$ 1,100	\$ 1,267	\$ 1,290	\$ 1,313	\$ 1,336	\$ 1,360	\$ 1,384
Administrative Services	\$ 75	\$ 838	\$ 800	\$ 824	\$ 849	\$ 874	\$ 900
Equipment	\$ 35	\$ 163	\$ 150	\$ 50	\$ 50	\$ 100	\$ 150
TOTAL EXPENSES/OBLIGATIONS	\$ 5,210	\$ 12,806	\$ 13,000	\$ 8,575	\$ 8,654	\$ 8,841	\$ 9,008
PROJECTED YEAR END BALANCE	\$ 24,600	\$ 22,494	\$ 20,581	\$ 19,163	\$ 17,593	\$ 15,749	\$ 13,641

**Los Angeles County
Service Authority for Freeway Emergencies
Five Year Financial Forecast
Fiscal Year 2001 – 2002**

Notes and Assumptions

The FY 2001 – 2002 Five Year Financial Forecast was developed to provide a snapshot of SAFE's financial situation and project the impact of the proposed FY 2001 – 2002 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 2001 – 2002 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 2001 – 2002 budget, the forecast shows a steady decrease in SAFE funds for each successive fiscal year. If this trend were to continue, SAFE would be faced with a deficit in FY 2010 – 2011. Staff will continue to closely monitor the financial status of SAFE and identify recommendations to alleviate any future deficit in a timely manner.

The Forecast does not anticipate any potential cost savings that may be realized through the privatization of call box call answering or other measures. The Forecast also does not include the potential capital costs that may be required to upgrade the existing call boxes from an analog to a digital based cellular system.

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 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”.

- RSTP Grant

This represents the Federal Regional Surface Transportation Program (RSTP) grant that has been secured by SAFE to perform the *Thalheimer Settlement Agreement* required mobility impaired accessibility improvements. The total value of the grant is \$7.5 million. SAFE anticipates the capital improvement project to take two (2) years to complete. SAFE will receive the RSTP funds on a reimbursement basis.

- Other

This category represents any funds projected to be obtained from other sources. This primarily consists of funds obtained by SAFE from claims against individuals who have damaged call boxes. During FY 2001 – 2002, staff will evaluate methods to improve the rate of return on damage claims.

EXPENSES/OBLIGATIONS

- Contract Services

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

On-Going Operations

Funds allocated 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:

- Call Box Cellular Service
- Call Box System Maintenance
- Call Answering and Handling
- Other Items including Caltrans Support

The allocation for this category contains the 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 2001 – 2002 budget was developed based upon a review of historical data and contractual requirements. The allocation beyond FY02 includes the following projections:

- An increase to the allocation for call box cellular service is projected in FY03 to account for the costs associated with a new contract.
- An increase to the system maintenance costs is projected at a rate of 13% during FY03 and FY04 to account for the impact of the accessibility improvements. The costs are subsequently projected to increase at a rate of 3% per year thereafter.
- Call answering costs are projected to increase by approximately 3% every three years as of FY05.
- A 3% annual increase to the allocation for other general on-going costs.

Thalheimer Settlement Agreement

Funds allocated to cover the direct contractual costs, including the cost of the actual construction and the cost of construction management support, 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 *Thalheimer Settlement 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, the key remaining element of the *Thalheimer Settlement 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; however, SAFE estimates that the construction will be completed in two (2) years.

The proposed FY 2001 – 2002 budget allocates \$3.5 million for construction costs and an additional \$800,000 for construction management support. The cost of the actual construction will be reimbursed via the RSTP grant. The forecast projects costs for this category to increase in FY 2002 – 2003.

Professional & Technical

Funds allocated 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 2001 – 2002 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 allocation for this category is projected to decrease over the next two fiscal years due to the completion of projects. The costs are projected to again decrease in FY05 and FY06.

- Labor/Fringe/Overhead

Projected costs associated with the labor, workers' compensation, fringe and overhead support for SAFE. Staffing needs include program management, procurement/contracts, ISD and other administrative services. The allocation for this category has decreased for FY 2001 – 2002 primarily due to the decrease in ISD support and As-Needed staff 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.

ISD support is projected to decrease in FY03 and FY04 and remain constant thereafter. The allocation for Program Management and Procurement support is projected to grow at a rate of 2% per year.

- Administrative Services

Allocation 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 budget increase for FY 2001 – 2002 is due to an allocation of a reserve for unanticipated costs during the fiscal year. The costs are projected to decrease in FY03 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. The allocation projects and is representative of the need to replace field vehicle and computer equipment on an established schedule.