



Los Angeles County

Service Authority for Freeway Emergencies

**SAFE BOARD
MAY 27, 2004**

SUBJECT: FISCAL YEAR 2004 - 2005 BUDGET

ACTION: ADOPT THE FISCAL YEAR 2004 – 2005 BUDGET

RECOMMENDATION

Adopt the Fiscal Year 2004 - 2005 (FY05) budget in the amount of \$9,177,456 for the operation and administration of the Los Angeles County Service Authority for Freeway Emergencies (SAFE); and authorize the annual funding amendment to the Memorandum of Understanding (MOU) with the Public Transportation Services Corporation (PTSC) for direct labor support in the amount of \$863,347.

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 FY05 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 is 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 FY05. The budget ensures SAFE's ability to properly fulfill its mission and comply with all existing legal and statutory requirements.

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 FY05 budget of \$9.2 million.

DISCUSSION

During FY04, SAFE accomplished several projects that enabled themselves to efficiently and effectively operate and administer its operation. During FY04 SAFE:

- Improved the mobility-impaired accessibility to over 800 call box sites.
- Completed the transition of call answering services to a private vendor, saving approximately 75% of the cost to previously provide this service, and with an increase in both quality and level of service.
- Negotiated a settlement with the manufacturer of the current call box, which will allow SAFE to obtain technical information needed to better understand and improve the maintenance and operation of the call box.
- Identified and implemented more effective maintenance procedures to improve the overall operation of the call box system and control maintenance costs.

The proposed FY05 budget of \$9.2 million represents a decrease of approximately \$2.0 million or 17% compared to the adopted FY04 budget. FY05 budget reductions have been allocated to each of the major budget categories as follows:

<u>Category</u>	<u>Decrease</u>
Administration	\$ 560,000
Direct Labor	\$ 195,000
Programs & Services	<u>\$1,185,000</u>
	<u>\$1,940,000</u>

The decrease in Administration is primarily a result of reductions in legal services, professional support, and budgeted agency reserves. The decrease in Direct Labor is a result of the elimination of the intern and as-needed budgets, the elimination of one (1) FTE and a reduction to the overhead allocation. Program and Services reduction is primarily attributable to operational costs that were reduced due to streamlining/efficiency measures implemented during FY04, which included improved call box system maintenance operations and the privatization of call box call answering services. These decreases are a result of improved operations and will not negatively impact the ability of SAFE to administer or deliver its programs and services to the motorists and general public.

The FY05 budget also proposes an increase in funding for the new motorist aid cellular service number, which is scheduled to begin operation during the 2nd half of FY05. Once implemented

this new service will provide motorists with the ability to use their cellular phones, instead of a call box, to request roadside assistance. The increased funding for this new service is offset by a decrease in expenses for call box operations. SAFE is also under an obligation to provide up to \$2.7 million to the MTA to fund the operation of the I-710 Big Rig Demonstration Project. This funding, projected to not exceed \$1 million for FY05, will be handled outside of the budget but is noted on the Five-Year Forecast as an expenditure for FY05.

The proposed FY05 budget will enable SAFE to focus on the following major objectives and challenges for the coming fiscal year: 1) completion of the construction of accessibility improvements to call box sites; 2) evaluation and development of the next generation call box to replace the current analog cellular based call box; 3) implementation of a new cellular motorist aid service number; and 4) the continued evaluation and implementation of administrative and operational improvements in the area of motorist aid.

NEXT STEPS

Upon approval of the proposed FY05 budget, staff will amend the MOU with the PTSC and begin implementing the major projects for FY05.

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

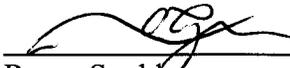
ATTACHMENTS

- A. Proposed Fiscal Year 2004 - 2005 Budget Summary
- B. Five Year Financial Forecast

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Attachment A

(A-1)

Proposed Fiscal Year 2004 - 2005 Budget Summary

Total Expenditure Categories (\$000)

<u>Category</u>	<u>Total</u>	<u>Percentage</u>
Administration	\$ 600	6.5%
Includes costs associated with the general administration of the SAFE – includes: legal services, procurement support, insurance, computer equipment, office supplies, travel, etc.		
Direct Labor	\$ 865	9.5%
Includes costs associated with direct labor support for SAFE – includes salary & fringe		
Programs & Services		
Kenneth Hahn Call Box System	\$6,635	
Operations	\$2,635	
Capital	\$4,000	
Cellular Motorist Aid Service Number	<u>\$1,080</u>	<u>\$ 7,715</u> <u>84.0%</u>
Total FY 2004 – 2005 Budget	\$ 9,180¹	100.0%
Big Rig Tow Demonstration Funding	<u>\$ 1,000</u>	
Total FY 2005 – 2005 Proposed Expenditures	<u>\$10,180</u>	

¹ May not total exactly due to rounding.

Proposed Fiscal Year 2004 - 2005 Budget Summary

**Comparison FY 04 Budget vs. FY 05 Budget
(\$000)**

<u>Category</u>	<u>FY 04</u>	<u>FY 05</u>	<u>Increase/(Decrease)</u>
² Administration	\$ 1,160	\$ 600	(\$ 560)
³ Direct Labor	\$ 1,060	\$ 865	(\$ 195)
⁴ Programs & Services	\$ 8,900	\$ 7,715	(\$1,185)
Total	<u>\$11,120</u>	<u>\$ 9,180</u>	<u>(\$1,940)</u>

² Decrease primarily due to reductions in legal professional services and agency contingency allocations.

³ Decrease due to the elimination of one FTE and a decrease in the overhead allocation.

⁴ Decrease due to operational efficiencies instituted for the maintenance of the call box system and reduced costs due to the privatization of call answering operations.

Attachment B

**LOS ANGELES COUNTY SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
FIVE YEAR FINANCIAL FORECAST (\$000)
FISCAL YEAR 2004 - 2005**

	PROJECTED YEAR-END 2003/2004	PROPOSED FUNDING 2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
SAFE FUNDS							
Projected Registration Surcharge	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000
Projected SAFE Fund Balance	\$ 27,215	\$ 27,185	\$ 24,906	\$ 21,631	\$ 18,284	\$ 18,594	\$ 18,810
Projected Interest	\$ 900	\$ 900	\$ 920	\$ 806	\$ 754	\$ 763	\$ 770
Other	\$ -	\$ -	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25
FUNDS AVAILABLE	\$ 35,115	\$ 35,085	\$ 32,851	\$ 29,462	\$ 26,063	\$ 26,383	\$ 26,605
EXPENSES/OBLIGATIONS							
Administration	\$ 373	\$ 600	\$ 658	\$ 698	\$ 756	\$ 781	\$ 841
Direct Labor	\$ 739	\$ 865	\$ 912	\$ 930	\$ 963	\$ 981	\$ 1,000
Programs & Services	\$ 6,818	\$ 8,715	\$ 9,650	\$ 9,550	\$ 5,750	\$ 5,810	\$ 5,780
Call Box Program	\$ 6,383	\$ 6,635	\$ 6,650	\$ 6,550	\$ 2,550	\$ 2,610	\$ 2,580
Operations	\$ 3,805	\$ 2,635	\$ 2,650	\$ 2,550	\$ 2,550	\$ 2,610	\$ 2,580
Capital Improvements	\$ 2,578	\$ 4,000	\$ 4,000	\$ 4,000	\$ -	\$ -	\$ -
Cellular Motorist Aid	\$ 85	\$ 1,080	\$ 2,000	\$ 2,000	\$ 2,200	\$ 2,200	\$ 2,200
Big Rig Tow Operations*	\$ 350	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
TOTAL EXPENSES/OBLIGATIONS	\$ 7,930	\$ 10,180	\$ 11,220	\$ 11,178	\$ 7,469	\$ 7,572	\$ 7,621
PROJECTED YEAR END BALANCE	\$ 27,185	\$ 24,906	\$ 21,631	\$ 18,284	\$ 18,594	\$ 18,810	\$ 18,984

* Big Rig Tow Operations funding is not allocated in the FY05 budget; however, funding for this project is depicted in the as an expenditures against SAFE funds.

**Los Angeles County
Service Authority for Freeway Emergencies
Five-Year Financial Forecast
Fiscal Year 2004 – 2005**

Notes and Assumptions

The FY05 Five-Year Financial Forecast has been developed to provide a snapshot of SAFE's financial situation and project the impact of the proposed FY05 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. Another factor limiting and directing the use of SAFE funds is the Board approved Thalheimer Settlement Agreement, which requires the expenditure of up to \$7.5 million to improve the accessibility of the call box system for individuals who may be mobility impaired.

While SAFE has sufficient funding to fully fund the proposed FY05 budget, the forecast shows a slight but steady decrease in SAFE funds for each successive fiscal year until FY08. 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 to effectively and efficiently use the dedicated funds to help improve the drive for Los Angeles County motorists.

The forecast includes cost savings that SAFE has realized through the privatization of call box call answering and improved call box maintenance operations. The forecast also includes the projected costs of establishing and operating the cellular motorist aid number, 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 and the anticipated cost of supporting the operation of the big rig tow service currently under development by the MTA. 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 3.5% 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 FY05, staff will evaluate methods to improve the rate of return on damage claims.

EXPENSES/OBLIGATIONS

- Administration

Funds programmed for general administrative support services and equipment such as printing, travel, training, office supplies, computer equipment, advertising, 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, procurement support, budgeted agency reserves and equipment needs.

The FY05 budget for Administrative Services is proposed to decrease by \$560,000 compared to the adopted FY04 budget. The decrease is due to cuts in legal support, professional services, agency reserves, travel, training and equipment.

- Direct Labor

Funds programmed to cover the projected costs associated with salary, fringe and overhead SAFE incurs due to its staffing needs. During FY05 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 \$195,000 from FY04 due to the elimination of funding for as-needed and intern support, the elimination of one (1) FTE and various decreases in overhead and fringe costs. The FY05 allocation includes a total of 8 FTEs:

- 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

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% per year.

- Programs & Services

Funds programmed in direct support of the programs, projects and services operated by or committed to funded by SAFE. Programs and services to be funded during FY05 include the Kenneth Hahn Call Box System, the new Cellular Motorist Aid service and the I-710 Big Rig Tow Demonstration project. The FY05 budget for this category has decreased as a whole by approximately \$1.2 million compared to the adopted FY04 budget. The decrease is primarily attributed to a decrease in the funding for call box operational support. The following is a breakdown of each program and service programmed to be funded and/or operated by SAFE:

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 Improvements”. The FY05 funding for the Call Box Program has decreased by approximately \$1.4 million compared to the adopted FY04 budget.

➤ Operations

Funding for “Operations” includes 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 FY05 budget for call box operations has decreased by approximately \$1.2 million compared to the FY04 budget. 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. Overall maintenance costs are projected to remain constant during the next five years, while the costs to provide call answering services are projected to slightly increase during FY09 and FY10, due to anticipated call center support requirements. Call box cellular service costs are also projected to remain constant, although there may be an impact when the system is transitioned from analog cellular to an alternate communications system.

➤ Capital Improvements

Funding for “Capital Improvements” includes costs associated with the two main capital improvement projects for the call box system: 1) improvements to the mobility impaired accessibility of the call box system and 2) the transition of the call box system from analog cellular to an alternative communications system. The mobility impaired accessibility improvements to the call box system is scheduled to be completed in FY05, while the transition of the call box system to an alternative communications system is scheduled to begin during the later part of FY05 and continue to the end of FY07. 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 an alternative communication system. 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. The FY05 budget for Capital Improvements is approximately \$140,000 less than the FY04 adopted budget.

Cellular Motorist Aid Service

Funds programmed for the implementation and on-going operation of a new Cellular Motorist Aid Service Number projected to start during the second half of FY05. This new service will provide motorists with the ability to request roadside assistance from their cellular phones rather than using a call box or dialing 9-1-1. Funds have been programmed to cover the cost of answering the calls and marketing the new service. Costs are projected to increase in FY06 and FY09 due to the anticipated growth in the use of the service.

Big Rig Tow Operations

Funds programmed to cover the operational cost of the deployment of a Big Rig Tow Demonstration project to be administered by the MTA. In FY04, the Board authorized a three year \$2.7 million MOU with the MTA to provide funding for the implementation of this demonstration project. The forecast projects that this service will be successful and will require continued funding, by SAFE, for the on-going operation of the service. Annual funding for this service will be determined by the actual contract value and expenditures, once a contract has been executed by the MTA.