



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

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SAFE BOARD
MAY 22, 2008

SUBJECT: FISCAL YEAR 2008 - 2009 BUDGET

ACTION: ADOPT THE FISCAL YEAR 2007 – 2008 BUDGET

RECOMMENDATION

Adopt the Fiscal Year 2008 - 2009 (FY09) budget in the amount of \$17,903,963 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 \$1,025,608 and the Agreement with the Los Angeles County Metropolitan Transportation Authority (LACMTA) for Freeway Service Patrol (FSP) operations in the amount of \$2,000,000.

ISSUE

SAFE was created in 1988, pursuant to California Streets and Highway Code Section 2550 et.seq. and is responsible for providing motorist aid services in Los Angeles County. In order to fulfill its mission, SAFE needs an annual budget and requires administrative support services, which is provided via an MOU, from the PTSC. A summary of the proposed FY09 budget is provided as Attachment A.

OPTIONS

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

To ensure the continued operation of SAFE and its programs, an annual budget is required. Without the budget, SAFE will be unable to administer its programs and 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 FY09. The budget ensures SAFE's ability to properly fulfill its mission and comply with all existing legal and statutory requirements.

DISCUSSION

During FY08, 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 operation of the Mobile Call Box Program (#399).
- Continued funding of the 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.
- Continued leadership over the development of a regional traveler information system (5-1-1).

For FY09, 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 funding for the Metro Freeway Service Patrol program.
- Complete the transition of the call box system to a digital wireless based system.
- Complete the restructuring plan for the Kenneth Hahn Call Box System.
- Implementation and operation of a regional traveler information system for Los Angeles County motorists and residents (5-1-1)

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 FY09 budget of \$17.9 million represents a decrease of approximately \$1.8 million or 9% compared to the adopted FY08 budget. The budget decrease is attributable to a reduction in the overall budget for Programs and Services. Specifically, the FY09 budget increases and decreases for each major budget category are as follows:

| <u>Category</u> | <u>Increase/(Decrease)</u> |
|---------------------|----------------------------|
| Administration | \$ 235,920 |
| Direct Labor | \$ 218,608 |
| Programs & Services | (\$2,217,745) |

The increase in Administration is a result of contingent legal fees for any unexpected legal disputes. The increase in Direct Labor is a result of a reallocation of fringe benefit costs by PTSC and the additional labor costs associated with the addition of three new Board approved FTEs in support of the Motorist Aid and Traveler Information System (MATIS). The decrease for Programs & Services is attributable to three items: 1) a decrease in necessary funding for the traveler information system; 2) a decrease in necessary funding for the call box system digital transition; and 3)

completion of the funding for the I-710 Big Rig Demonstration project. All other remaining programs and services, which include Metro Freeway Service Patrol funding, are proposed to remain relatively stable with FY08 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 FY09 budget of \$17.9 million.

NEXT STEPS

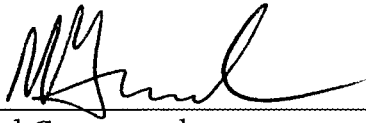
Upon approval of the proposed FY09 budget, staff will begin implementing the major projects for FY09.

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

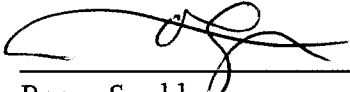
ATTACHMENTS

- A. Proposed Fiscal Year 2008 - 2009 Budget Summary
- B. Five Year Financial Forecast

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ATTACHMENT A

**Proposed Fiscal Year 2008 - 2009 Budget Summary
Total Expenditure Categories**

| Category | FY09 PROPOSED BUDGET | Percentage |
|--------------------------------------|-------------------------------------|-------------------|
| Administration | 468,600 | 2.6% |
| Direct Labor | 1,025,608 | 5.7% |
| Programs & Services | 16,409,755 | 91.7% |
| #399 - Motorist Aid | 411,205 | 2.5% |
| Call Box Operations | 1,683,550 | 10.3% |
| Call Box System Capital Improvements | 3,665,000 | 22.3% |
| Metro Freeway Service Patrol | 2,000,000 | 12.2% |
| Traveler Information System | 8,650,000 | 52.7% |
| Total | 17,903,963 | 100% |

**Proposed Fiscal Year 2008 - 2009 Budget Summary
Comparison FY08 Budget vs. FY09 Budget**

| Category | FY08 PROPOSED BUDGET | FY09 PROPOSED BUDGET | VARIANCE |
|--------------------------------------|-------------------------------------|-------------------------------------|--------------------|
| Administration | 232,680 | 468,600 | 235,920 |
| Direct Labor | 807,000 | 1,025,608 | 218,608 |
| Programs & Services | 18,627,500 | 16,409,755 | (2,217,745) |
| I-710 Big Rig Demonstration | 1,000,000 | - | (1,000,000) |
| #399 - Motorist Aid | 305,000 | 411,205 | 106,205 |
| Call Box Operations | 1,396,500 | 1,683,550 | 287,050 |
| Call Box System Capital Improvements | 4,651,000 | 3,665,000 | (986,000) |
| Metro Freeway Service Patrol | 2,000,000 | 2,000,000 | - |
| Traveler Information System | 9,275,000 | 8,650,000 | (625,000) |
| Total | 19,667,180 | 17,903,963 | (1,763,217) |

ATTACHMENT B

LOS ANGELES COUNTY SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
 FINANCIAL FORECAST (\$000)
 FISCAL YEAR 2008 - 2009

| | PROJECTED YEAR-END 2007/08 | PROPOSED BUDGET 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
|---------------------------------------|----------------------------------|-------------------------------|-----------|-----------|-----------|-----------|-----------|
| SAFE FUNDS | | | | | | | |
| Projected Registration Surcharge | \$ 7,000 | \$ 7,000 | \$ 7,000 | \$ 7,000 | \$ 7,000 | \$ 7,000 | \$ 7,000 |
| Projected SAFE Fund Balance | \$ 33,070 | \$ 30,435 | \$ 21,268 | \$ 18,718 | \$ 16,890 | \$ 15,302 | \$ 13,712 |
| Projected Interest | \$ 870 | \$ 712 | \$ 580 | \$ 526 | \$ 484 | \$ 444 | \$ 408 |
| Other | \$ 25 | \$ 1,025 | \$ 25 | \$ 25 | \$ 25 | \$ 25 | \$ 25 |
| FUNDS AVAILABLE | \$ 40,965 | \$ 39,172 | \$ 28,873 | \$ 26,269 | \$ 24,398 | \$ 22,771 | \$ 21,144 |
| EXPENSES/OBLIGATIONS | | | | | | | |
| Administration | \$ 232 | \$ 468 | \$ 479 | \$ 374 | \$ 324 | \$ 420 | \$ 341 |
| Direct Labor | \$ 826 | \$ 1,026 | \$ 1,057 | \$ 1,088 | \$ 1,121 | \$ 1,155 | \$ 1,189 |
| Programs & Services | \$ 9,472 | \$ 16,410 | \$ 8,619 | \$ 7,917 | \$ 7,651 | \$ 7,485 | \$ 7,286 |
| #399 - Motorist Aid (Mobile Call Box) | \$ 175 | \$ 411 | \$ 290 | \$ 340 | \$ 290 | \$ 350 | \$ 350 |
| Call Box Program | \$ 3,647 | \$ 5,349 | \$ 1,435 | \$ 1,435 | \$ 1,435 | \$ 1,435 | \$ 1,435 |
| <i>Operations</i> | \$ 1,097 | \$ 1,684 | \$ 1,435 | \$ 1,435 | \$ 1,435 | \$ 1,435 | \$ 1,435 |
| <i>Capital Improvements</i> | \$ 2,550 | \$ 3,665 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Traveler Information | \$ 2,850 | \$ 8,650 | \$ 4,894 | \$ 4,142 | \$ 3,926 | \$ 3,700 | \$ 3,501 |
| I-710 Big Rig Demo | \$ 800 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Metro Freeway Service Patrol | \$ 2,000 | \$ 2,000 | \$ 2,000 | \$ 2,000 | \$ 2,000 | \$ 2,000 | \$ 2,000 |
| Other Services | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL EXPENSES/OBLIGATIONS | \$ 10,530 | \$ 17,904 | \$ 10,155 | \$ 9,379 | \$ 9,096 | \$ 9,060 | \$ 8,816 |
| PROJECTED YEAR END BALANCE | \$ 30,435 | \$ 21,268 | \$ 18,718 | \$ 16,890 | \$ 15,302 | \$ 13,712 | \$ 12,328 |

Los Angeles County
Service Authority for Freeway Emergencies
Five-Year Financial Forecast
Fiscal Year 2008 – 2009

Notes and Assumptions

The FY09 Five-Year Financial Forecast has been developed to provide a snapshot of SAFE's financial situation and project the impact of the proposed FY09 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 FY09 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. Despite this trend, SAFE will continue to fund all the activities and expenses as forecasted for the next ten years. Staff will continue to closely monitor the financial status of SAFE and identify and implement solutions to alleviate any potential negative financial situation in a timely manner.

This forecast includes the projected costs of establishing and operating the new Traveler Information System (5-1-1) as well as continuing the operations of the call box system and the #399 – Mobile Call Box program, the capital costs to upgrade the existing call boxes from an analog to a digital-based system, and funding for Metro Freeway Service Patrol operations. 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

This refers to the projected annual revenue generated by the \$1.00 vehicle registration surcharge. The forecast is based upon historical figures. While the actual revenue obtained from the vehicle registration surcharge has increased over the last couple of years, there is a concern that rising gas prices and current state of the economy will negatively impact new vehicle purchases which may in turn impact the overall number of registered vehicles. Therefore, a conservative forecast is being presented based upon long-term historical averages. Overall, the

registration surcharge is projected to remain relatively constant for the next five years.

- Projected SAFE Fund Balance

The SAFE fund balance shows the available funds from the end of the previous fiscal year.

- Projected Interest

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

- Other

This category represents any funds to be obtained from claims against individuals who have damaged call boxes and from the sale of any surplus or salvaged inventory. The forecast includes the recognition of the receipt of a \$1 million South Coast Air Quality District – Mobile Source Air Pollution Reduction Review Committee grant to support outreach/marketing efforts for 5-1-1 Traveler Information during FY09.

EXPENSES/OBLIGATIONS

- Administration

These are funds programmed for overhead, general administrative support services and equipment costs. Items such as printing, travel, training, office supplies, computer equipment, insurance, legal, and other general services required for the administration of SAFE are included in this category. The forecasted cost for Administration is projected to fluctuate during the five-year period. Increases are mainly attributable to a 3% annual escalation for accounting and other service costs and a 10% escalation for insurance costs in FY10 and FY13. In addition, vehicle and other equipment replacement costs are programmed to occur during FY10 and FY13, thereby accounting for the additional costs during those fiscal years. However, overall Administration costs are forecasted to decrease by over 25% over the five-year period.

The FY09 budget for Administrative Services is proposed to increase by approximately \$236,000 compared to the adopted FY08 budget. This increase is primarily due to contingent legal fees budgeted to cover any unexpected legal disputes that may arise.

- Direct Labor

These funds are programmed to cover the projected costs associated with salary and fringe benefits SAFE incurs due to its staffing needs. During FY09, SAFE will continue to fund the program management for both SAFE and Metro Freeway Service Patrol. The budget for this category has changed slightly from FY08, due to the reallocation of two existing positions and the addition of three new Board approved positions.

During FY08, the FTE allocation for the Freeway Service Patrol Program Manager and the Motorist Services Field Representative were reallocated to LACMTA. In addition, on February 28, 2008, the SAFE Board approved the addition of one Planning Manager III, one Planning Manager IV and a Senior Contract Administrator to support SAFE and the development, implementation, and operation of the Traveler Information System. Overall, the FY09 budget is \$218,608 more than FY08, primarily due to higher labor costs and the addition of the new positions.

The FY09 FTE allocation is comprised of the following positions and functions:

- 1.00 – Program Manager SAFE/ Freeway Service Patrol
- 1.00 – Motorist Aid Technical Administrator
- 2.00 – Motorist Aid Program Administrators
- 1.00 – Transportation Planning Manager III
- 1.00 – Transportation Planning Manager IV
- 1.00 – Senior Contract Administrator
- 1.30 – Senior Administrative Analyst
- 0.75 – Administrative Aide
- 0.70 – General Support
- 9.75

The FY09 allocation represents an increase of 1.5 FTEs compared to the approved FY08 allocation. This is reflective of the aforementioned reallocation of two previous positions and the addition of the three new approved positions. 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 an 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 FY09 include #399 – 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 5-1-1 Traveler Information System.

The FY09 budget for this category has decreased by \$2,217,745 compared to the adopted FY08 budget. This decrease is attributable to three items: 1) completion of SAFE funding support of the I-710 Big Rig Demonstration Project; 2) lower allocation for call box digital transition; and 3) lower allocation for the 5-1-1 Traveler Information System. Funding for Programs and Services is projected to decrease over the forecast period as projects are completed and funds are no longer needed. As funds become available and/or as new motorist aid projects are identified, SAFE will evaluate the ability to fund and/or operate 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 during FY09:

#399 – Mobile Call Box

Funds programmed to support the operation of the #399 – 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 the 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 5,500 calls/month for FY09 and FY10. FY11 and FY12 are projected at 7,500 calls/month and FY13 call volume is projected at 10,000 calls/month. Costs are higher in FY09 than FY10 to the same volume of calls due to the costs associated with the transition to a new call center during FY09. 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 5-1-1 this fiscal year, SAFE will evaluate opportunities that may arise to combine efforts which may improve the effectiveness and efficiency of both services.

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 FY09 funding for the Call Box Program is proposed to decrease by \$698,950 compared to the adopted FY08 budget. This decrease is mainly attributable to a decrease in the capital budget, offset by a small increase in the operations 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 FY09 budget for call box operations has increased by \$287,050 compared to the FY08 budget. This increase is due to call center transition costs and operational costs associated with the digital call box transition. Funding for call box operations is projected to decrease in FY10, due to the completion of the digital transition, and remain stable for the rest of the forecasted period.

➤ Capital

Funding for capital is associated with the transition of the call box system from analog to digital wireless service. The FY09 capital budget has decreased by approximately \$1.1 million compared to the FY08 budget. This decrease is primarily attributable to a decrease in the number of digital call boxes that will need to be procured to complete the transition during this fiscal year. Currently the digital call box manufacturer is facing some development issues which may delay the delivery of digital call boxes originally scheduled for delivery during FY08. If we are unable to obtain the projected number of call boxes during FY08, there may be a need to return to the Board to request additional budget authorization to receive and pay for the boxes in FY09.

Beyond this project 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 5-1-1 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 FY09 allocation for this system includes funds for the continued development, deployment and operation of the system. Allocations for FY10 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.

I-710 Big Rig Demonstration

Funds previously 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 LACMTA 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 LACMTA. 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 LACMTA decides to pursue on-going operations on the I-710.

Metro Freeway Service Patrol Operations

Funds programmed to assist LACMTA with the operation of the Metro Freeway Service Patrol (FSP). Funding of the Metro FSP program from SAFE funds is authorized as FSP is a motorist aid service. SAFE has allocated up to \$2 million annually for the five year period of this forecast in support of Metro FSP operations.