

LASAFE

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**SAFE BOARD MEETING
MAY 22, 2014**

SUBJECT: FISCAL YEAR BUDGET

ACTION: ADOPT THE FISCAL YEAR 2014 – 2015 BUDGET

RECOMMENDATION

Adopt the Fiscal Year 2014 - 2015 (FY15) budget in the amount of \$16,609,503 for the operation and administration of the Los Angeles County Service Authority for Freeway Emergencies (SAFE). This budget amount includes the annual funding allocations to 1) the agreement with the Public Transportation Services Corporation (PTSC) for direct labor support in the amount of \$2,427,903; and 2) the agreement with the Los Angeles County Metropolitan Transportation Authority (MTA) for Freeway Service Patrol (FSP) in the amount of \$5,000,000.

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 a MOU, from the PTSC. A summary of the proposed FY15 budget is provided as Attachment A.

DISCUSSION

During FY14, SAFE continued to fund, develop, implement and operate a variety of motorist aid services, programs and activities. These programs, services and activities included:

- Operation of the Kenneth Hahn Call Box System
- Operation and continued development of Southern California 511 – new services/enhancements introduced include City of Los Angeles Express Park information, 511 mobile app and continued support of various construction activities.
- Funding for the Metro FSP program
- Partnering with MTA to develop and implement the One Call-One Click Veterans Transportation and Community Living Initiative (VTCLI)

- Continued coordination with MTA, Caltrans and CHP on a variety of motorist service programs including Metro FSP, the Regional Integration of Intelligent Transportation Systems (RIITS) and other regional projects that focus on improving mobility throughout Los Angeles County.

For FY15, SAFE is recommending the funding, implementation and/or operation of the following projects and activities:

- Implementation of any approved restructuring plans for the Kenneth Hahn Call Box System;
- Continued operation of the restructured call box system;
- Manage, improve, operate and maintain Southern California 511;
- Develop and implement new services under Southern California 511;
- Continue funding for the Metro Freeway Service Patrol program;
- Work with MTA and Caltrans to continue developing the new regional data environment, includes updating RIITS, integrating the Archived Data Management System (ADMS) and developing other data sources;
- Work with our regional partners to identify and implement improvements to existing programs and develop new services that will improve mobility within the region – including Intelligent Transportation Systems (ITS) projects;

The anticipated ongoing operation, funding and implementation of these initiatives will assist Los Angeles County motorists by continuing to provide efficient and effective motorist services at a time when congestion and mobility remain an issue of utmost concern to all Los Angeles County residents.

The FY15 budget of \$16.6 million represents an increase of approximately \$3.4 million or 26% compared to the adopted FY14 budget. Specifically, the FY15 budget variances for each major budget category are as follows:

<u>Category</u>	<u>Increase/(Decrease)</u>
Administration	\$ (57,500)
Direct Labor	\$ 726,611
Programs & Services	\$2,711,000

The decrease in Administration is due to a reduction in the technical and professional services budget. Historically there has been a small budget allocation under Administration to support a services required for the administration of SAFE. However there has been no use of this budget for the past couple of fiscal years and therefore this allocation was eliminated within the Administration category. The remaining Administration budget provides funding for insurance, office supplies, travel and other general items, including the acquisition of a non-revenue service vehicle to replace a 2002 vehicle.

The increase in Direct Labor is due to a rise in the overhead and fringe costs allocated to SAFE by PTSC, a rise in the cost of salaries due to recent position reclassifications and a request for one additional FTE as compared to the FY14 allocation.

The increase for Programs & Services is due to increases in the Call Box operations budget and the annual funding allocation from LA SAFE to MTA in support of Metro FSP operations. The Call Box operations budget is increasing due to an increase in the maintenance cost as a result of applying California prevailing wages. The increase to the LA SAFE annual funding allocation for Metro FSP operations is a result of a request from MTA to provide funds to cover a greater level of FSP operations. As this is an annual allocation and there are sufficient funds to accommodate the requested increase, the allocation of FY15 was increased to \$5 million. This additional funding will enable MTA to take steps to improve the outdated communications systems while continuing to fully fund and improve current FSP operations. As this is an annual allocation, LA SAFE and MTA will continue to meet and discuss the funding needs for FSP and the availability of LA SAFE funds and present the recommended allocation to the Board for approval each year.

In addition to the aforementioned increases, there is a decrease identified for the Traveler Information System budget. This decrease is primarily due to a reduction in the advertising/marketing, operating and development budget allocations for Southern California 511. The decrease is attributable to new actions that will focus on the next generation of Southern California 511 while continuing to maintain its current operations. New development activities will be focused on new technologies and improved systems with the goal of obtaining improved services at a lower cost.

A more detailed summary of each project/service as well as a breakdown of the FTE allocation is provided as part of the Five-Year Financial Forecast (Attachment B).

FINANCIAL IMPACT

Funding in the amount of \$16.6 million has been included in the FY15 proposed budget in project 300209 and allocated to the appropriate cost centers. 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 FY15 budget.

Impacts on Bus and Rail Operating and Capital Budget

The source of funds is the annual \$1.00 surcharge assessed on each vehicle registered within Los Angeles County. These funds are not eligible for MTA bus and rail operating and capital expenditures or to resolve the MTA structural deficit.

ALTERNATIVES CONSIDERED

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 FY14 and has a certain amount of flexibility to adapt to situations and opportunities as they arise. The proposed budget ensures SAFE's ability to properly fulfill its mission and comply with all existing legal and statutory requirements.

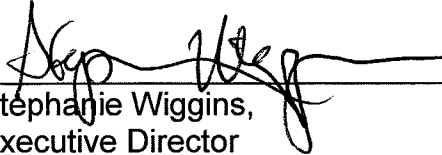
NEXT STEPS

Upon approval of the proposed FY15 budget, staff will begin implementing the projects and work for FY15. Staff will monitor the budget and projects to ensure SAFE meets all its requirements in a fiscally responsible manner.

ATTACHMENTS

- A. Proposed Fiscal Year 2014 - 2015 Budget Summary
- B. Five Year Financial Forecast

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Vendor/Contract Management



Arthur T. Leahy
Chief Executive Officer

ATTACHMENT A

**Proposed Fiscal Year 2014-2015 Budget Summary
Total Expenditure Categories**

CATEGORY	FY15 PROPOSED BUDGET	Percentage
Administration	216,600	1%
Direct Labor	2,427,903	15%
Programs & Services	13,965,000	84%
Call Box Operations	1,790,000	13%
Traveler Information System	6,675,000	48%
Metro Freeway Service Patrol	5,000,000	36%
Metro Services Improvements	500,000	4%
Total	16,609,503	

**Proposed Fiscal Year 2014-2015 Budget Summary
Comparison FY14 Budget vs. FY15 Budget**

CATEGORY	FY14 BUDGET	FY15 PROPOSED BUDGET	VARIANCE
Administration	274,100	216,600	(57,500)
Direct Labor	1,701,292	2,427,903	726,611
Programs & Services	11,254,000	13,965,000	2,711,000
Call Box Operations	1,029,000	1,790,000	761,000
Traveler Information System	8,225,000	6,675,000	(1,550,000)
Metro Freeway Service Patrol	1,500,000	5,000,000	3,500,000
Motorist Services Improvements	500,000	500,000	0
Total	13,229,392	16,609,503	3,380,111

ATTACHMENT B

**LOS ANGELES COUNTY SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
FINANCIAL FORECAST (\$000)
FISCAL YEAR 2014-2015**

	PROJECTED YEAR-END 2013/2014	PROPOSED BUDGET 2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
SAFE FUNDS							
Projected Registration Surcharge	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
Projected SAFE Fund Balance	\$32,455	\$28,210	\$19,785	\$15,648	\$11,889	\$8,299	\$4,862
Projected Interest	\$625	\$685	\$530	\$433	\$342	\$255	\$172
FUNDS AVAILABLE	\$40,580	\$36,395	\$27,815	\$23,580	\$19,730	\$16,054	\$12,534
EXPENSES/OBLIGATIONS							
Administration	\$135	\$217	\$225	\$225	\$240	\$225	\$225
Direct Labor	\$1,300	\$2,428	\$2,452	\$2,477	\$2,502	\$2,527	\$2,552
Programs & Services	\$10,935	\$13,965	\$9,490	\$8,990	\$8,690	\$8,440	\$8,190
Call Box Program	\$1,100	\$1,790	\$1,790	\$1,790	\$1,790	\$1,790	\$1,790
Traveler Information	\$4,200	\$6,675	\$6,400	\$5,900	\$5,600	\$5,350	\$5,100
Metro Freeway Service Patrol	\$1,300	\$5,000	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300
Motorist Services Improvements	\$335	\$500	\$0	\$0	\$0	\$0	\$0
ExpressLanes	\$4,000	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL EXPENSE/OBLIGATIONS	\$12,370	\$16,610	\$12,167	\$11,692	\$11,432	\$11,192	\$10,967
PROJECTED YEAR END BALANCE	\$28,210	\$19,785	\$15,648	\$11,889	\$8,299	\$4,862	\$1,567

Los Angeles County
Service Authority for Freeway Emergencies
Five-Year Financial Forecast
Fiscal Year 2014 – 2015

Notes and Assumptions

The FY15 Five-Year Financial Forecast has been developed to provide a snapshot of SAFE's current financial situation and project the impact of the proposed FY15 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 financial capacity to fully fund the call box system as well as other motorist aid services as proposed in the FY15 budget. SAFE has the current financial capability to absorb the impact of the FY15 budget for the next five years. However, the forecast also shows a decrease in available SAFE funds for each successive fiscal year. Staff will closely monitor the financial status of SAFE and identify and implement solutions to alleviate any potential negative financial situation in a timely manner. During FY15, staff will also investigate the need for establishing a minimum fund balance policy to ensure SAFE has sufficient funds to perform its core functions and sufficient time to take appropriate action to either reduce costs or secure additional funding as needed.

This forecast includes the projected costs of operating the call box system, operating and enhancing Southern California 511, funding for Metro Freeway Service Patrol operations and funding improvements to motorist services programs. All financial 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. The forecast is a conservative forecast based upon long-term historical actuals. 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 are defined as the "Projected Registration Surcharge" + "Projected SAFE Fund Balance".

EXPENSES/OBLIGATIONS

- Administration

These are funds programmed for general administrative support services and equipment costs. Items such as professional and technical support, 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 cost for administration is projected to remain relatively constant at an allocation of \$225,000 for the purposes of this forecast. The forecast presumes the current general operating parameters for SAFE will remain constant with the real variable being equipment replacement and insurance costs. For example in FY15 and FY18 the costs are higher due to the replacement of the SAFE vehicles (one vehicle in FY15 and another vehicle in FY18).

The FY15 budget for administrative services is proposed to decrease by \$57,500 compared to the adopted FY14 budget. This decrease is due to the elimination of the professional and technical services budget with Administration. In the past this budget has been used to support the development of policies, procedures and systems. There is no anticipated need for these services in FY15. The cost of As-Needed support is included in the Direct Labor category.

- Direct Labor

These funds are programmed to cover the projected costs associated with overhead, salary and fringe benefits SAFE incurs due to its FTE/permanent staffing needs. During FY15, SAFE will continue to fund the program management for both SAFE and Motorist Services Unit. The FY15 budget for this category is \$546,611 more than FY14 primarily due to changes in the overhead and fringe benefit allocation rates by PTSC. There is also a slight increase due to the completion and implementation of reclassification studies conducted by PTSC.

The FY15 FTE allocation is comprised of the following positions:

1.00	– DEO, Highway Operations
1.00	– Senior Hwy Ops Program Manager
3.00	– Highway Operations Program Manager
1.00	– Motorist Services Program Manager
1.00	– Motorist Services Technical Administrator
1.00	– Senior Hwy Ops Program Administrator
1.00	– Transportation Planning Manager III
1.00	– Administrative Aide
<u>1.00</u>	– New FTE
10.00	

The FY15 allocation is requesting one new FTE (Highway Operations Program Manager) to support the continued growth of Southern California 511 and other motorist services operated by or supported by SAFE. All of the staff provided under this category will be obtained from the Public Transportation Services Corporation (PTSC) via the existing MOU. Costs for outlying years are projected to slightly increase over the forecast period. The forecast predicts a 1% annual increase in Direct Labor costs for the duration of the forecast period.

- 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 support during FY15 include the Kenneth Hahn Call Box System, Southern California 511 traveler information system, Metro FSP operations and Motorist Services Improvements.

The FY15 budget for this category has increased by \$2,711,000 compared to the adopted FY14 budget. This increase is primarily attributable to a rise in the cost of maintenance for the Call Box System and an increase to the annual funding allocation in support of the Metro FSP program. Funding for Programs & Services is projected to remain relatively steady over the next five year forecasted period. It is anticipated that the major cost associated with the operation of the traveler information system will decrease slightly over the next five years. 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 FY15:

Call Box Program

Funds programmed to cover the costs to operate, maintain and improve the Kenneth Hahn Call Box System. The FY15 funding for the Call Box Program is proposed to increase by \$761,000 compared to the adopted FY14 budget. This increase is attributable to a recent ruling requiring the application of prevailing wages to the maintenance of the call box system.

Operational cost to fund the call box system 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. Funding for call box operations is projected to remain stable during the course of this forecast. However, depending upon the approval and implementation of the potential call box restructuring proposal, there is a likelihood that the cost of operating the call box system will decrease over the next five years. As the Board has yet to authorize the restructuring of the system the forecast depicts the cost of operating the call box system to remain stable. The actual impact of the any approved restructuring will be fully factored into this forecast at a later time.

Traveler Information System – Southern California 511

Funds programmed to support the continued development and operation of Southern California 511. Southern California 511 is a regional traveler information system operated in partnership with MTA, the Orange County Transportation Commission, the Ventura County Transportation Commission, CHP and Caltrans. The system provides individuals with the ability to obtain traffic, transit, commuter services and other general traveler information via their phone or the Internet. The system was deployed in June 2010 as a “beta” system and is now operating as a fully functional system. With the deployment, the Los Angeles County region joins over 35 other 511 systems in operation throughout the nation. Since the June 2010 launch, Southern California 511 has serviced over 11 million users. The system is still in its first iteration and steps are underway to evaluate and determine the best path forward for the next generation of Southern California 511. Items currently under consideration include:

- improve the quality of the 511 phone system;
- improve the performance of the website;
- expand the capability of the real-time transit information (Nextrip);
- improve the quality and amount of data and information available;
- develop a general emergency platform for 511 to support in emergency situations;
- improve the alert and announcement information;
- identify how to better integrate with MTA and their enhanced customer focused initiatives;
- and a variety of other items

The FY15 allocation for this system is proposed to decrease by \$1,550,000 compared to the FY14 allocation; however, this decrease will not negatively impact the ability of the program to operate or improve. The FY15 request includes funds for the continued development, deployment and operation of the system. The decrease is primarily due to a reduction in the funds allocated to support the marketing and advertising of Southern California 511 (from a FY14 allocation of \$1.75 million to a FY15 allocation of \$1 million). Allocations for FY15 and beyond continue to show a slight annual decrease primarily due to decreased marketing and

development costs. While the operating costs are projected to remain stable it is anticipated that there will be efficiencies realized that will lead to lower operating costs. For example, the introduction of mobile apps will hopefully provide a more cost effective solution for customers to obtain information versus the more costly interactive voice response phone service. Staff will closely monitor 511 operations to ensure that the highest quality service is provided to the public and to ensure that the system adapts to meet the needs of the region.

Metro Freeway Service Patrol Operations

Funds programmed to assist MTA with the operation of the Metro Freeway Service Patrol (FSP). Funding of the FSP program from SAFE funds is authorized as FSP is a motorist aid service. Based on discussions with MTA, SAFE is recommended an increased allocation for FY15. The funding allocation is considered on an annual basis and is determined by a combination of MTA's request and available funding. For FY15, MTA requested an increase to the allocation and after discussion it was agreed that SAFE would proceed with a recommendation to provide \$5 million. The allocation for FY16 and beyond have been reduced back to the historical \$1.3 million but may be modified as MTA and SAFE meet annually to review the needs of FSP and the ability of SAFE to provide funds.

Motorist Services Improvements

Funds programmed to enable SAFE to support improvements to existing motorist services programs and/or develop new services. During FY14 these funds were used to develop the Southern California 511 mobile app as well as support MTA's Veteran's Transportation grant. For FY15, these funds may be used to develop and deploy new non-planned improvements to Southern California 511; support the development of new ITS related projects which will reduce congestion and improve mobility; and a variety of other motorist services programs. The funding for service improvements will be allocated on an annual basis depending upon available funds, identified needs or the ability to secure new third party/grant funds.

ExpressLanes Demonstration Project

Funds programmed to assist MTA with the deployment and operation of the ExpressLanes demonstration project. This is a two-year allocation (\$2 million per year) whereby SAFE funds will be used to purchase in-vehicle transponders and provide administrative support to the project. This funding was approved by the Board in May, 2011 and the Funding agreement with MTA was executed in July 1, 2011. The agreement has been fulfilled and the cost depicted in FY14 shows the transfer of the \$4 million from SAFE to MTA. As this was a specific funding agreement and there is no further obligation there is no budget allocation for FY15 and beyond for this item.