



Metro

Board Report

Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

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Agenda Number: 3.

SAFE BOARD MEETING JUNE 25, 2015

SUBJECT: FISCAL YEAR BUDGET

ACTION: ADOPT THE FISCAL YEAR 2015 - 2016 BUDGET

RECOMMENDATION

ADOPT the **Fiscal Year 2015-2016 (FY16) budget** in the amount of \$12,309,099 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:

- A. the agreement with the Public Transportation Services Corporation (PTSC) for direct labor and administrative support services in the amount of \$2,176,099; and
- B. the agreement with the Los Angeles County Metropolitan Transportation Authority (MTA) for Freeway Service Patrol (FSP) 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 a Memorandum of Understanding (MOU), from the PTSC. A summary of the proposed FY16 budget is provided as Attachment A.

DISCUSSION

During FY15, 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 real-time transit information for Pasadena Arts and Glendale Beeline as well as the incorporation of improved Metro Rail information.
- 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 FY16, SAFE is recommending the funding, implementation and/or operation of the following projects and activities:

- Implement the approved restructuring plan for the Kenneth Hahn Call Box System;
- Continue operation of the restructured call box system;
- Manage, improve, operate and maintain Southern California 511;
- Develop and implement new services under Southern California 511 (includes improvements to the existing system as well as funding for the development of the next generation 511 system.);
- 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), monitoring and supporting the Waze agreement 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), Connected Vehicle, and corridor management projects;

The FY16 budget of \$12.3 million represents a decrease of approximately \$4.3 million or 26% compared to the adopted FY15 budget. Specifically, the FY16 budget variances for each major budget category are as follows:

<u>Category</u>	<u>Increase/ (Decrease)</u>
Administration	(\$ 69,100)
Direct Labor	(\$ 251,804)
Programs & Services	(\$4,015,000)

The decrease in Administration is due to a reduction in budgets for computer equipment and travel. Additionally, in FY15 there was a budget allocation for the replacement of a non-revenue service vehicle that is not being budgeted this fiscal year. The remaining Administration budget provides funding for insurance and office supplies.

The decrease in Direct Labor is a due to lower overhead, fringe and non-work costs allocated to SAFE by PTSC. These costs are allocated annually by PTSC based upon their formulas and are not controlled by SAFE. Despite this decrease, the Direct Labor budget includes a request for one new FTE in FY16 to support the management and upgrade of the Regional Integration of Intelligent Transportation Systems (RIITS) program. With the implementation of Southern California 511 and the growing impact of technology in transportation, SAFE's reliance on RIITS to gather, compile, manage and provide a vast array of transportation related data has increased. This additional FTE to support RIITS will assist in the modernization of RIITS and enable RIITS to more efficiently integrate new data sources, such as real-time transit data from municipal bus agencies. This data can then be

compiled and provided to Southern California 511 for distribution to the public.

The decrease for Programs & Services is due to reductions in the Call Box budget, the Traveler Information budget and the annual funding allocation to MTA in support of Metro FSP operations. The Call Box operations budget is proposed to decrease due to lower anticipated maintenance cost as a result of implementing the planned system restructuring. The decrease to the Traveler Information budget is attributable to lower advertising and new service development costs. During this fiscal year, staff will be focused on maintaining the current system while securing a new contractor to support the development and implementation of the new 511 system. While there will be continued improvements to the 511 system, the scope of the improvements are not anticipated to be as large due to the need to transition to a new system.

Finally, the largest decrease is associated with a lower allocation of SAFE funds to Metro for FSP operations. In FY15, SAFE provided, at Metro's request, \$5 million in support of FSP operations. This year, Metro requested additional funding above the historical \$1 million provided by SAFE and it was agreed that staff would recommend allocating \$2 million in FY16 to support Metro FSP operations. This additional funding will enable MTA to continue improving 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.

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).

DETERMINATION OF SAFETY IMPACT

None

FINANCIAL IMPACT

Funding in the amount of \$12,309,099 million has been included in the FY16 proposed budget in project 300209 and allocated to cost center 3351 (SAFE), 7140 (Marketing) and 0921 (Non-Departmental ITS). 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 FY16 budget.

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 FY16 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

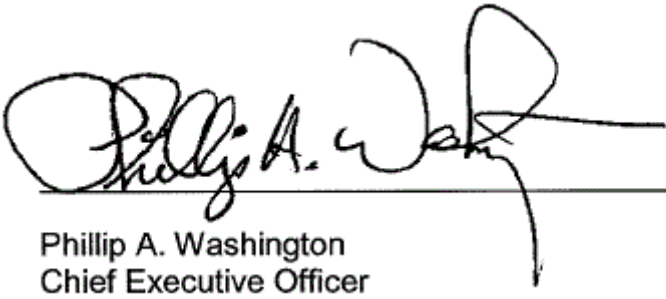
Upon approval of the proposed FY16 budget, staff will begin implementing the projects and work for FY16. Staff will monitor the budget and projects to ensure SAFE meets all its requirements in a fiscally responsible manner.

ATTACHMENTS

- A. Proposed Fiscal Year 2015 - 2016 Budget Summary
- B. Five Year Financial Forecast

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Phillip A. Washington
Chief Executive Officer

ATTACHMENT A

**Proposed Fiscal Year 2015-2016 Budget Summary
Total Expenditure Categories**

CATEGORY	FY16 PROPOSED BUDGET	PERCENTAGE
Administration	147,500	1%
Direct Labor	2,176,099	18%
Programs & Services	9,985,500	81%
Call Box Operations	1,235,000	12%
Traveler Information System	6,250,500	63%
Metro Freeway Service Patrol	2,000,000	20%
Motorist Services Improvements	500,000	5%
Total	12,309,099	

**Proposed Fiscal Year 2015-2016 Budget Summary
Comparison FY15 Budget vs. FY16 Budget**

CATEGORY	FY15 BUDGET	FY16 PROPOSED BUDGET	VARIANCE
Administration	216,600	147,500	(69,100)
Direct Labor	2,427,903	2,176,099	(251,804)
Programs & Services	13,965,000	9,985,500	(3,979,500)
Call Box Operations	1,790,000	1,235,000	(555,000)
Traveler Information System	6,675,000	6,250,500	(424,500)
Metro Freeway Service Patrol	5,000,000	2,000,000	(3,000,000)
Motorist Services Improvements	500,000	500,000	0
Total	16,609,503	12,309,099	(4,300,404)

ATTACHMENT B

**LOS ANGELES COUNTY SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
FINANCIAL FORECAST (\$000)
FISCAL YEAR 2015-2016**

	PROJECTE D YEAR- END 2014/2015	PROPOSED BUDGET 2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
SAFE FUNDS							
Projected Registration Surcharge	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
Projected SAFE Fund Balance	\$29,723	\$24,405	\$19,852	\$15,819	\$12,528	\$9,231	\$5,879
Projected Interest	\$307	\$257	\$215	\$178	\$146	\$112	\$79
FUNDS AVAILABLE	\$37,530	\$32,162	\$27,567	\$23,497	\$20,173	\$16,844	\$13,458
EXPENSES/OBLIGATIONS							
Administration	\$175	\$148	\$150	\$150	\$150	\$150	\$150
Direct Labor	\$2,000	\$2,176	\$2,198	\$2,220	\$2,242	\$2,264	\$2,287
Programs & Services	\$10,950	\$9,986	\$9,400	\$8,600	\$8,550	\$8,550	\$8,550
Call Box Program	\$1,000	\$1,235	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
Traveler Information	\$4,825	\$6,251	\$6,700	\$5,900	\$5,850	\$5,850	\$5,850
Metro Freeway Service Patrol	\$5,000	\$2,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Motorist Services Improvements	\$125	\$500	\$500	\$500	\$500	\$500	\$500
TOTAL EXPENSE/OBLIGATIONS	\$13,125	\$12,310	\$11,748	\$10,970	\$10,942	\$10,964	\$10,987
PROJECTED YEAR END BALANCE	\$24,405	\$19,852	\$15,819	\$12,528	\$9,231	\$5,879	\$2,471

Los Angeles County
Service Authority for Freeway Emergencies
Five-Year Financial Forecast
Fiscal Year 2015 – 2016

Notes and Assumptions

The FY16 Five-Year Financial Forecast has been developed to provide a snapshot of SAFE's current financial situation and project the impact of the proposed FY16 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 FY16 budget. SAFE has the current financial capability to absorb the impact of the FY16 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.

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 1.0% 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 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 \$150,000 for the purposes of this forecast. The forecast presumes the current general operating parameters for SAFE will remain constant with the potential variable being equipment replacement and insurance costs. However, as SAFE recently replaced one of its vehicles during FY15 and as insurance costs have remained relatively stable for SAFE the cost for these items are not projected to increase during the period of the forecast. As this is an annual forecast the impact of the variable cost items will be updated each year as new information is received.

The FY16 budget for administrative services is proposed to decrease by \$69,100 compared to the adopted FY15 budget. This decrease is due to the elimination of the cost of procuring a replacement non-revenue service vehicle as well as reductions to the computer equipment and travel budgets. There are no anticipated negative impacts as a result of this budget decrease.

- Direct Labor

These funds are programmed to cover the projected costs associated with SAFE's staffing resource needs. This includes overhead, salary, fringe benefits and as-needed labor costs. During FY16, SAFE will continue to fund the program management staffing needs for both SAFE and Motorist Services Unit (includes FSP, RIITS and other related motorist services projects). The FY16 budget for this category is \$251,804 less than FY15 primarily due to changes in the overhead and related labor costs allocated to SAFE by PTSC. All of the staff provided under this category will be obtained from the Public Transportation Services Corporation (PTSC) via the existing MOU.

The FY16 FTE allocation is comprised of the following positions:

Position	FY16 Request	FY15 Authorized	Existing - New
DEO – Hwy Ops	1	1	Existing
Sr. Hwy Ops PM	1	1	Existing
Motorist Services PM	1	1	Existing
Hwy Ops PM	1	1	Existing
Trans. Planning Mgr. III	2	2	Existing
Motorist Services Tech Administrator	1	1	Existing
Sr. Hwy Ops Program Administrator	1	1	Existing
Administrative Aide	1	1	Existing
Trans. Planning Mgr. V	1	0	New
Total	10	9	

For FY16, SAFE is requesting one new FTE, a Transportation Project Manager V, to support the on-going improvement, development and operation of the Regional Integration of Intelligent Transportation Systems program (RIITS). RIITS currently has one FTE allocated to manage the program and this additional FTE is needed to ensure that RIITS is able to manage its existing operations as well as updating its aging system. RIITS is a regional transportation program that obtains, manages and distributes a variety of transportation data to and from multiple regional partners. RIITS is a primary source of transportation data for Southern California 511 and the upgrade and continued improvement of RIITS operations and data is critical to the future success of 511. This position will ensure that RIITS has additional resources to make the needed improvements to its aging system and provide an expanded level of services and data to 511 and other regional partners.

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 FY16 include the Kenneth Hahn Call Box System, Southern California 511 traveler information system, Metro FSP operations and Motorist Services Improvements.

The FY16 budget for this category has decreased by \$4,015,000 compared to the adopted FY15 budget. This decrease is attributable to reductions in the budget allocation for Call Box Operations, Traveler Information System and the annual allocation to the Metro Freeway Service Patrol. Funding for Programs & Services is projected to decrease slightly over the next five year forecasted period. It is anticipated that the major cost associated with the operation of the traveler information system will initially increase due to the development and transition to the

next generation 511 system and then decrease in FY18 as the development activity is concluded. 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 FY16:

Call Box Program

Funds programmed to cover the costs to operate, maintain and improve the Kenneth Hahn Call Box System. The FY16 funding for the Call Box Program is proposed to decrease by \$555,000 compared to the adopted FY15 budget. This decrease is attributable to the anticipated impact of the planned system restructuring. The restructuring is anticipated to result in the removal of 412 call boxes which will result in an overall decrease in the operational cost for the 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. Should additional system restructuring occur during this period the operational cost of the system will be adjusted accordingly.

Traveler Information System – Southern California 511

Funds programmed to support the operation of the current Southern California 511 and the development of the next generation 511 system. Southern California 511 is a regional traveler information system operated in partnership with MTA, the Orange County Transportation Authority, 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 and since the launch, Southern California 511 has been used by over 11 million users. This system represents the first iteration and steps are being taken to evaluate and determine the best path forward for the next generation of Southern California 511. Items currently under consideration include:

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

The FY16 allocation for this system is proposed to decrease by \$460,000 compared to the FY15 allocation; however, this decrease will not negatively impact the ability of the program to operate or improve. The FY16 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 as well as a slight reduction in the budget for development efforts in support of the current 511 system. Allocations for FY17 shows an increase to account for the development cost of the next generation 511 system and while in FY18 the allocation is forecasted to decrease due to the completion of the initial next generation development and transition. While the operating costs are projected to remain stable from FY18 and beyond it is anticipated that there will be efficiencies realized that will lead to lower operating costs. 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, staff is recommending a decrease in the allocation compared to FY15. The funding allocation is considered on an annual basis and is determined by a combination of MTA's request and available funding. For FY16, MTA requested an increase to the allocation as compared against the historical average of \$1.0 million and after discussion it was agreed that staff would proceed with a recommendation to provide \$2 million. The allocation for FY17 and beyond have been reduced to the \$1.0 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. In the past these funds have been used to develop the Southern California 511 mobile app as well as support MTA's Veteran's Transportation grant. For FY16, 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 develop a strategic roadmap to support current and future SAFE activities. 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.