

**Metropolitan Transportation Commission
Service Authority for Freeways and Expressways**

June 25, 2025

Agenda Item 4a - 25-0885

**Metropolitan Transportation Commission (MTC) –
Service Authority for Freeways and Expressways (SAFE) Resolution No. 73.
MTC-SAFE Proposed Fiscal Year (FY) 2025-26 Operating and Capital Budget**

Subject:

Staff requests adoption of MTC- SAFE Resolution No. 73, approving the MTC-SAFE Proposed FY 2025-26 Operating and Capital Budget.

Summary of Changes from May Draft:

On May 28, 2025, staff presented the draft MTC-SAFE FY 2025-26 Operating and Capital Budget to the Authority. The proposed budget includes an update to the Cost-of-Living Adjustment (COLA), which is pursuant to the Metropolitan Transportation Commission Memorandums of Understanding (MOU). The update resulted in a \$4,000 decrease in total operating expenses and a projected equivalent decrease in the operating deficit from \$601,000 to \$597,000.

Background:

MTC-SAFE is one of 21 similar programs throughout the state of California. SAFE has two separate activities: the Freeway Assist Program (FAP), which provides motorist aid services on the Bay Area freeways and the Freeway Service Patrol (FSP), which provides free vehicle towing services. SAFE also manages a capital program with five active projects.

The total operating budget revenue for FY 2025-26 is projected to be \$20.4 million, with operating expenses totaling \$21.0 million. This results in an operating budget deficit of \$597,000 which is proposed to be addressed through a draw from operating reserves. Additional funding of \$800,000 is being requested for an existing project in the SAFE Capital Budget for FY 2025-26.

Operating Revenue

SAFE receives its FAP revenue from the Department of Motor Vehicles (DMV) registration fees. SAFE FSP is funded by grants from the State Local Assistance Program (LAP) and Senate Bill 1 (SB1), reimbursing eighty percent of towing and direct program expenses. FY 2025-26

total projected revenue of \$20.4 million is generated from major revenues listed below (in millions):

	<u>FY 2024-25</u>	<u>FY 2025-26</u>
FAP - DMV Registration Fees	\$ 6.75	\$ 6.73
FSP – LAP	7.43	7.20
FSP - SB 1	7.24	5.90
Interest	0.48	0.59
Total Revenue	\$ 21.90	\$20.42

The proposed FY 2025-26 total operating revenue is projected at \$20.4 million, reflecting a 6.7% decrease compared to the FY 2024-25 budget. Key contributors to this decline include:

- DMV Fees Revenue: Remaining relatively flat compared to FY 2024-25, despite a 3% Consumer Price Index (CPI) increase factored into the three-year revenue average.
- Freeway Service Patrol Revenues: Estimated to reach 89.3% of FY 2024-25 budget levels, reflective of reduced service requirements and correspondingly reduced reimbursements.
- State Grant Funding: Expected to decline further, primarily due to lower reimbursements associated with decreased towing expenses.

Strong interest income continues to provide significant support, helping to soften the impact of other revenue reductions.

Operating Expense

FY 2025-26 proposed operating expenses are \$21.0 million, 5.9% lower than FY 2024-25 budget. There is an increase in the indirect cost rate for SAFE staff from 65% in the prior year to 80.8% to better reflect the cost of providing administrative services to SAFE. The lower total operating expenses are mainly due to a decrease in towing expenses based on fewer towing service activities.

Highlights of operating expenses changes include:

- Salaries & Benefits - + \$ 281,398
- COLA/MOU increase and higher overhead costs

- General Operations - + \$ 46,046
increase in business insurance and data costs
- Freeway Assist Program Contracts & Consultants- + \$147,100
Continuation of contract expenses for incident
management program
- Freeway Service Patrol Contracts & Consultants - - \$1,780,500
Decreased towing activity level and related expenses.

The SAFE programs primarily focus on providing free assistance to motorists and alleviating traffic congestion across the region. DMV fee collection remains a reliable funding source; however, reimbursement for FSP towing services only covers eighty percent of their direct costs. In the short term, state grants and reserve transfers are utilized to help address budget shortfalls and maintain financial balance, while ongoing towing services utilize unspent state grants within the FSP program. In the long term, the strategy focuses on reducing tow service expenses to balance the SAFE budget. SAFE reserves are adequate to sustain the program's operations for the next several years.

Capital Projects

Additional funding in FY 2025-26 of \$800,000 is requested for the Data/Automatic Vehicle Location Telecommunications System project. This project upgrades the FSP program’s longstanding data system used by the FSP drivers to communicate more effectively with the California Highway Patrol (CHP) dispatchers. SAFE life-to-date capital budget is \$9.9 million with a remaining budget balance of \$5.5 million as of December 2024.

Reserves

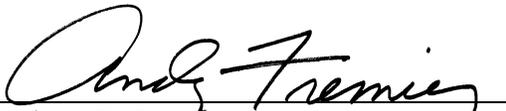
SAFE had reserves of \$19.9 million at the close of FY 2023-24. The projected FY 2024-25 year-end reserve balance is \$19.5 million after covering operating and capital obligations. SAFE anticipates a year-end reserve balance of \$18.1 million at the close of FY 2025-26. This includes \$10.3 million (six months of operating revenue) restricted as operating reserve and \$5.0 million designated for capital projects. The unrestricted reserve balance that can be used to cover future operational requirements is \$2.2 million. SAFE approval is required for any future changes to the reserve designations.

Recommendations:

Staff recommends adoption of Service Authority for Freeways and Expressways (SAFE) Resolution No. 73, approving the Metropolitan Transportation Commission (MTC)-SAFE Proposed FY 2025-26 Operating and Capital Budget.

Attachments:

- SAFE Resolution No. 73, FY 2025-26 Operating and Capital Budget
 - Attachment A: Operating Budget
 - Attachment B: Capital Budget
- Presentation


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