

Metropolitan Transportation Commission Service Authority for Freeways and Expressways

May 24, 2023

Agenda Item 3a - 23-0685

Draft Metropolitan Transportation Commission (MTC) - Service Authority for Freeways and Expressways (SAFE) Fiscal Year (FY) 2023-24 Operating and Capital Budgets

Subject:

This is an informational presentation of the Draft MTC-SAFE FY 2023-24 Operating and Capital Budgets. The total operating budget revenue for FY 2023-24 is \$22.1 million and total operating budget expense is \$22.9 million. The operating budget is balanced by covering a \$726 thousand deficit from a draw on available reserves. There is no additional project funding in the SAFE Capital Budget for FY 2023-24.

Background:

SAFE is one of the 21 SAFE programs around the state. SAFE has two separate activities: the Freeway Assist Program (FAP) which provides callbox services on the Bay Area freeways and the Freeway Service Patrol (FSP) which provides vehicle towing services. SAFE also manages a capital program with five active projects.

Operating Revenue

SAFE's FAP revenue is mainly from the Department of Motor Vehicles (DMV) vehicle registration fees while the FSP is funded by grants from the State Local Assistance (LAP) and Senate Bill 1 (SB1) reimbursing eighty percent of towing and direct program operating expenses. The FSP has no other major funding source besides additional funding from the FAP's DMV fees. Major funding sources are listed below (in millions):

	<u>FY 2022-23</u>	<u>FY 2023-24</u>
FAP - DMV Registration Fees	\$6.85	\$6.89
FSP - LAP	7.97	7.93
FSP - SB 1	6.52	7.14
Interest	--	0.16

The FY 2023-24 SAFE total revenue of \$22.1 million is a marginal 3.6% increase from the prior fiscal year. This indicates that funding sources are relatively steady, particularly the DMV fees.

State grant funding is expected to increase slightly due to increased reimbursement for higher towing expenses that are affected by very volatile and rising fuel prices.

Operating Expense

Proposed operating expenses for FY 2023-24 are \$22.9 million, 4.5% higher than FY 2022-23.

There is a minor reallocation of staff from SAFE to other MTC programs. Main drivers for higher operating expenses are the agreed increases for towing contracts coupled with higher fuel prices. There will also be increased presence of the California Highway Patrol beyond peak hours.

Highlights of operating expenses changes include:

- Salaries & Benefits - - \$18,200
MOU increase mitigated by position reallocated out.
- General Operations - - \$114,400
Increase in business insurance mitigated by elimination of budget for depreciation which is a non-cash item.
- Freeway Assist Program Contracts & Consultants - + \$144,500
Implementation of new contracts for incident management program and marketing services.
- Freeway Service Patrol Contracts & Consultants - + \$981,000
Increase towing contract amounts and related expenses.

The SAFE Budget as proposed will continue the important program of assisting motorists and reducing congestion in the region. However, there is a need to enhance the revenue base of the SAFE programs especially when FSP towing services are only reimbursed for eighty percent of direct expenses. For the past several years, the SAFE operating budget has been supported by transfers from reserves –these reserves are sufficient to support the program for the next few years, but their use limits the Authority’s ability to otherwise apply the reserves.

Capital Projects

There are no new projects for FY 2023-24. SAFE life-to-date capital budget is \$9.1 million with a remaining budget balance of \$4.7 million.

Reserves

SAFE has a designated reserve of \$20.8 million at the close of FY 2021-22. For FY 2022-23, there is a projected year-end reserve balance of \$20.3 million after covering operating and capital obligations. For FY 2023-24, the operating budget and its result project a year-end reserve balance of \$19.3 million. This includes \$11.1 million (six months of operating revenue) designated as operating reserve and \$4.4 million designated for capital projects. The undesignated reserve balance of \$3.4 million can be used to cover future operational requirements. SAFE approval is required for any future changes to the reserve designations.

The current and projected operating and capital reserve position is shown below (in thousands).

Description	FY 2021-22 Actual	FY2022-23 Budget	FY 2023-24 Budget
Total Reserve for:			
Encumbrances	500	500	500
Fixed Assets	188	250	250
Transfer to MTC/Other	2,302	0	0
Capital Projects	4,400	4,400	4,400
Net Pension Liability	0	0	0
Operating Reserve	0	10,673	11,060
Total Restricted	7,390	15,823	16,210
Unrestricted Balance	13,452	4,513	3,400
Total Reserves	\$20,843	\$20,086	\$19,360

Recommendations:

This is an information item.

Attachments:

- Draft SAFE FY 2023-24 Operating and Capital Budgets – Attachments A and B
- Draft SAFE FY 2023-24 Budget PowerPoint Presentation



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