

Metropolitan Transportation Commission
Operations Committee

June 9, 2023

Agenda Item 6a

**MTC Service Authority for Freeways and Expressways (SAFE) Resolution No. 71 - Fiscal
Year (FY) 2023-24 Operating and Capital Budget**

Subject:

Request for Authority approval of SAFE Resolution No. 71 authorizing the FY 2023-24 SAFE Operating and Capital Budget.

Background:

On May 24, 2023, staff presented the draft MTC-SAFE FY 2023-24 Operating and Capital Budget to the Authority. Staff does not propose any changes from the draft operating and capital budget presented to the Authority. The total operating budget revenue for FY 2023-24 is \$22.1 million, and the total operating budget expense is \$22.9 million. The operating budget is balanced by covering a \$726,000 deficit with a draw from available reserves. There is no additional project funding in the FY 2023-24 SAFE Capital Budget.

SAFE is one of the 21 programs throughout the state of California. 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 primarily derived from the California Department of Motor Vehicles (DMV) registration fees. FSP is funded by grants from the State Local Assistance Program (LAP) and Senate Bill 1 (SB 1), reimbursing eighty percent of towing and direct program operating expenses. The FSP has no other funding source except for FAP's DMV fees. Major funding sources are listed below (in millions):

	<u>FY 2022-23</u> (in millions)	<u>FY 2023-24</u> (in millions)
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 affected by 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. The main drivers for higher operating expenses are the towing contract increases and higher fuel prices. The California Highway Patrol will also increase its presence beyond peak hours.

Highlights of operating expenses changes include:

<ul style="list-style-type: none"> Salaries & Benefits - MOU increase mitigated by position reallocated out. 	-\$18,200
<ul style="list-style-type: none"> General Operations - Increase in business insurance mitigated by the elimination of budget for depreciation which is a non-cash item. 	-\$114,400
<ul style="list-style-type: none"> Freeway Assist Program Contracts & Consultants - Implementation of new contracts for incident management program and marketing services. 	+\$144,500
<ul style="list-style-type: none"> Freeway Service Patrol Contracts & Consultants - Increase towing contract amounts and related expenses. 	+\$981,000

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. However, their use limits the Authority’s ability to apply the reserves.

Capital Projects

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

Reserves

SAFE has a designated reserve of \$20.8 million at the close of FY 2021-22. During FY 2022-23, there is a projected year-end reserve balance of \$20.1 million after covering operating and capital obligations. The FY 2023-24 operating budget and its result project a year-end reserve balance of \$19.4 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).

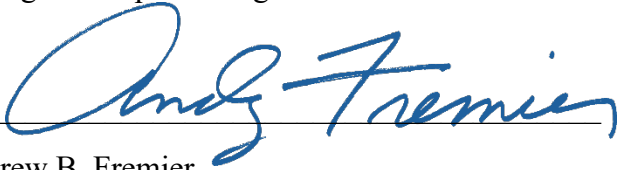
Description	FY 2021-22 Actual (in thousands)	FY 2022-23 Budget (in thousands)	FY 2023-24 Budget (in thousands)
Total Reserve for:			
Encumbrances	500	500	500
Fixed Assets	188	250	250
Transfer to MTC/Other	2,302	0	0
Capital Projects	4,400	4,400	4,400
Operating Reserve	0	10,673	11,060
Total Restricted	7,390	15,823	16,210
Unrestricted Balance	13,452	4,513	3,400
Total Reserves	\$20,843	\$20,086	\$19,360

Recommendations:

Staff recommends that SAFE Resolution No. 71 authorizing the FY 2023-24 Operating and Capital Budgets be referred to the Authority for approval.

Attachments:

- Attachment A: SAFE Resolution No. 71 FY 2023-24 Operating and Capital Budgets
- Attachment B: SAFE FY 2023-24 Operating and Capital Budgets



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