

ATTACHMENT B

**LOS ANGELES COUNTY SERVICE AUTHORITY FOR FREEWAY EMERGENCIES
FINANCIAL FORECAST (\$000)
FISCAL YEAR 2016-2017**

	PROJECTED YEAR-END 2015/2016	PROPOSED BUDGET 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
SAFE FUNDS							
Projected Registration Surcharge	\$7,750	\$7,750	\$7,750	\$7,750	\$7,750	\$7,750	\$7,750
Projected SAFE Fund Balance	\$24,599	\$21,514	\$15,370	\$14,687	\$13,754	\$12,557	\$11,081
Projected Interest	\$235	\$180	\$162	\$154	\$142	\$128	\$111
FUNDS AVAILABLE	\$32,584	\$29,444	\$23,282	\$22,591	\$21,646	\$20,435	\$18,942
EXPENSES/OBLIGATIONS							
Administration	\$125	\$145	\$150	\$150	\$150	\$150	\$150
Direct Labor	\$1,970	\$2,054	\$2,095	\$2,137	\$2,180	\$2,223	\$2,268
Programs & Services	\$8,975	\$11,875	\$6,350	\$6,550	\$6,760	\$6,981	\$7,212
Call Box Program	\$1,700	\$2,145	\$850	\$850	\$850	\$850	\$850
Traveler Information	\$5,200	\$8,205	\$4,000	\$4,200	\$4,410	\$4,631	\$4,862
Metro Freeway Service Patrol	\$2,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Motorist Services Improvements	\$75	\$525	\$500	\$500	\$500	\$500	\$500
TOTAL EXPENSE/OBLIGATIONS	\$11,070	\$14,074	\$8,595	\$8,837	\$9,090	\$9,354	\$9,630
PROJECTED YEAR END BALANCE	\$21,514	\$15,370	\$14,687	\$13,754	\$12,557	\$11,081	\$9,313

Los Angeles County
Service Authority for Freeway Emergencies
Five-Year Financial Forecast
Fiscal Year 2016 – 2017

Notes and Assumptions

The FY17 Five-Year Financial Forecast has been developed to provide a snapshot of SAFE's current financial situation and project the impact of the proposed FY17 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 FY17 budget. SAFE has the current financial capability to absorb the impact of the FY17 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 and Southern California 511, funding for the Metro Freeway Service Patrol, implementing upgrades to the call box system, implementing the next generation Southern California 511 system 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 80% 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. As this is an annual forecast the impact of the variable cost items will be updated each year as new information is received.

The FY17 budget for administrative services is proposed to decrease by \$2,500 compared to the adopted FY16 budget. This decrease is due to a \$5,000 reduction in the budget for general supplies. This reduction is offset by \$2,500 increase in the business travel budget (totaling \$10,000) to support travel to annual Intelligent Transportation Systems (ITS) conferences, traveler information (511) workshops and travel to accommodate meetings with the next generation Southern California 511 system contractors.

- 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 FY17, SAFE will continue to fund the program management staffing needs for both SAFE and RIITS. Funding of RIITS staff is an allowable use of SAFE funds as RIITS will be used as the primary data engine supporting Southern California 511. The FY17 budget for this category is \$122,229 less than FY16 primarily due to the overall reduction in the total full-time equivalent (FTE) allocation for FY17. All of the staff provided under this category will be obtained from the Public Transportation Services Corporation (PTSC) via the existing MOU.

The FY17 FTE allocation is comprised of the following positions:

Position	FY17 Request	FY16 Authorized	Comment
EO – Congestion Reduction	0.4	0	Position provides overall Executive leadership. This position also oversees the Metro Freeway Service Patrol and Metro ExpressLanes programs.
DEO – Hwy Ops	1	1	Existing position providing daily leadership over the unit.
Sr. Hwy Ops PM	2	1	Program manager positions over Southern California 511 and RIITS.
Motorist Services PM	0	1	Position no longer required, replaced by the Sr. Hwy Ops PM
Trans. Planning Mgr. V	0	2	Positions have been reallocated to MTA in support of FSP and ExpressLanes
Hwy Ops PM	1	1	Position provides senior level project management support over the daily operation of 511.
Trans. Planning Mgr. III	2	2	Project manager positions supporting RIITS and next generation 511 development; and oversight of the call box system.
Sr. Hwy Ops Program Administrator	1	1	Position supports the TMC integration implementation and coordination with partner agencies. Position also coordinates the transition of the Veterans initiative web services management and integration.
Sr. Admin Analyst	0.4	0	Position provides general administrative support for SAFE.
Administrative Aide	0	1	Position has been reallocated to MTA to support FSP operations.
Production Mgr.	0.02	0	Position supports the review and development of public facing media in support of 511.
Sr. Marketing & Communications Officer	0.1	0	Position coordinates all related marketing and communications needs for 511.
Total	7.92	10	

For FY17, SAFE is requesting a total of 7.92 FTEs. This is a decrease of 2.08 from FY16. The decrease will not negatively impact SAFE's ability to meet the FY17 work plan and will not result in any current employee losing their job. A total of 3 FTEs are being transferred to MTA for continued funding and all employees in these positions will retain their jobs. Of the 7.92 FTEs requested, 7 FTEs are carry-over of existing positions (with one being a title change from Motorist Services PM to Sr. Hwy Ops PM). The remaining 0.92 FTE allocation is new and more accurately represents the staff allocation needed to support SAFE and its programs.

Costs for outlying years are projected to slightly increase over the forecast period. The forecast predicts a 2% 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 FY17 include the Kenneth Hahn Call Box System, Southern California 511 traveler information system, Metro FSP operations and Motorist Services Improvements.

The FY17 budget for this category has increased by \$1,889,500 compared to the adopted FY16 budget. This increase is attributable to call box upgrades and the development of the next generation Southern California 511 system. The budget associated with the on-going operations of both the call box and 511 systems are each budgeted to decrease. The operational budget reductions are in recognition of the anticipated restructuring of the call box system and a reduction to system improvements and marketing for the existing 511 system. Additionally, SAFE's allocation to support the Metro Freeway Service Patrol has decreased.

Funding for Programs & Services is projected to decrease in FY18 due to the completion of the call box upgrades and restructuring as well as the completion of the development of the next generation Southern California 511 system. Cost for FY19 and beyond are projected to increase as a result of increased cost and usage of 511. The following is a breakdown of each program and service to be funded and/or operated by SAFE during FY17:

Call Box Program

Funds programmed to cover the costs to operate, maintain and upgrade the Kenneth Hahn Call Box System. The FY17 funding for the Call Box Program is comprised of \$945,000 to operate the system and \$1,200,000 to perform the required upgrades to the system due to wireless carrier changes. The overall budget for this category is increasing by \$910,000; however as stated earlier this is due to the required upgrade costs.

During FY16, SAFE completed the initial phase of the call box system restructuring, which resulted in the removal of 412 call boxes. Due to a variety of circumstances, including:

- No known negative impact to the Phase 1 restructuring;
- Continued reduction in the volume of call box calls;
- Increased and improved wireless coverage;
- Growing impact of Southern California 511 motorist aid service;
- Continued movement by other SAFEs regarding the removal of their call box system (MTC Bay Area SAFE recently approved the removal of a majority of their call box system); and
- Impact of required call box upgrades;

SAFE is presenting a recommendation to proceed with Phase 2 of the restructuring plan, which will result in the removal of 534 call boxes from the system. The recommended restructuring is consistent with the overall plan that was approved by the Board in June 25, 2015 and has been approved by our partners CHP and Caltrans.

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 the call box system is projected to decrease significantly in FY19 due to the completion of the upgrades and the system restructuring. On-going operational costs for FY19 and beyond is projected to remain stable, pending the impact of any further system restructuring. 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 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 and since the launch, Southern California 511 has been used by over 11 million users. This current system represents the first generation and new contracts are scheduled to be awarded for the development of the next generation 511 system. The next generation systems are targeted to be developed and deployed by July 1, 2017.

The FY17 allocation for Southern California 511 is proposed to increase \$1,954,500 compared to the FY16 allocation. This increase is all a result of the development and implementation of the next generation Southern California 511 system. Operation and maintenance costs for the current 511 system is proposed to decrease by \$1,580,500 and this decrease is tied to prior system improvements, marketing and other related costs. This decrease will not negatively impact the ability of the current system to meet current contractual and service related requirements.

Allocations for FY19 project the cost to operate, maintain and make improvements to the newly deployed next generation Southern California 511 system. The on-going projections present a 5% annual increase to account for annual cost escalation and increased usage. As the actual development and operating costs are not currently known, these figures are only an estimate and more accurate costs based on actual contracted rates will be used for future forecasts. Staff will actively 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, funding to support system improvements is included in the forecasted figures.

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 FY16. The funding allocation is considered on an annual basis and is determined by a combination of MTA's request and available funding. For FY17, SAFE is allocating a total of \$1 million which is more in line with past allocations. During FY15 and FY16, MTA requested and SAFE granted an increase to the annual allocation; however, due to the unknown impact of the next generation 511 system development and on-going operational costs, it was determined that a more conservative approach be taken regarding this allocation. The forecast includes an on-going allocation of \$1 million but may be modified in the future 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 FY17, these funds may be used to develop and deploy new non-planned improvements to Southern California 511; develop a strategic roadmap for SAFE; support the integration of motorist services operations into the Los Angeles Regional Transportation Management Center; and support the procurement of third party data for RIITS and 511. 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.