

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

**June 26, 2024**

**Agenda Item 4a - 24-0719**

**MTC Service Authority for Freeways and Expressways (SAFE) Resolution No. 72  
Fiscal Year (FY) 2024-25 Operating and Capital Budget**

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**Subject:**

Request for Authority approval of SAFE Resolution No. 72 authorizing the FY 2024-25 SAFE Operating and Capital Budgets.

**Summary of Changes from May Draft:**

On May 22, 2024, staff presented the draft MTC-SAFE FY 2024-25 Operating and Capital Budgets to the Authority. The proposed budget includes updated cost-of-living adjustment, benefits rate and indirect cost rate. These updates resulted in a \$69 thousand increase in total operating expense and a projected equivalent increase in operating deficit from \$358 thousand to \$427 thousand.

**Background:**

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.

Total operating budget revenue for FY 2024-25 is \$21.9 million and total operating budget expense is \$22.3 million. The proposed operating budget results in a \$427 thousand deficit that will be supported by a draw from operating reserves. There is no additional project funding requested in the SAFE Capital Budget for FY 2024-25.

**Operating Revenue**

SAFE receives its FAP revenue from 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. The FY 2024-25 total revenue is \$21.9 million generated from major funding sources listed below (in millions):

	<u>FY 2023-24</u>	<u>FY 2024-25</u>
FAP - DMV Registration Fees	\$6.89	\$6.75
FSP - LAP	7.93	7.43
FSP - SB 1	7.14	7.24
Interest	0.16	0.48

The proposed FY 2024-25 total revenue shows a slight decrease of 1% from FY 2023-24 budget. The FY 2024-25 DMV fees revenue is estimated at 98% of FY 2023-24 budget and assumes a 3.5% CPI increase. The FY 2024-25 FSP revenues are estimated at 97% of FY 2023-24 budget. State grant funding is expected to slightly decrease due to decreased reimbursement associated with lower anticipated towing expenses. Due to continued robust interest income, the projected total operating revenue for SAFE only decreases by 1% compared to FY 2023-24 total revenue budget.

**Operating Expense**

The proposed FY 2024-25 operating expenses are \$22.3 million, 2.3% lower than FY 2023-24 budget. The staff costs calculation is based on the San Francisco Consumer Price Index (CPI) of 3.5%. There is an increase in the indirect cost rate for SAFE staff from 56% in the prior year to 62% to better reflect the cost of providing administrative services to SAFE. The lower total operating expenses are mainly due to decrease in towing expenses based on fewer anticipated towing service activities.

Highlights of operating expenses changes include:

- Salaries & Benefits - + \$315,314  
MOU increase and higher overhead costs
- General Operations - - \$ 79,317  
decrease in business insurance and data costs
- Freeway Assist Program Contracts & Consultants - - \$290,000  
No additional contract expenses for incident management  
program and marketing services
- Freeway Service Patrol Contracts & Consultants - - \$469,500  
decrease towing contract amounts and related expenses.

The main service of SAFE programs aims to assist motorists and reduce congestion in the region. While the collection of DMV fees continues to be a stable funding source, the FSP towing services are only reimbursed for eighty percent of direct expenses. Regular transfers from reserves are required to balance the SAFE operating budget. The SAFE operating reserves are sufficient to support the program for the next several years.

### **Capital Projects**

There are no new projects for FY 2024-25. SAFE life-to-date capital budget is \$9.1 million with a remaining budget balance of \$4.7 million.

### **Reserves**

SAFE had reserves of \$19.7 million at the close of FY 2022-23. The projected FY 2023-24 year-end reserve balance is \$19.0 million after covering operating and capital obligations. The FY 2024-25 operating budget anticipates a year-end reserve balance of \$18.6 million. This includes \$10.9 million (six months of operating revenue) restricted as operating reserve and \$4.4 million designated for capital projects. The unrestricted reserve balance that can be used to cover future operational requirements is \$2.4 million. SAFE approval is required for any future changes to the reserve designations.

**Recommendations:**

Staff recommends approval of Resolution No. 72 authorizing the MTC-SAFE FY 2024-25 Operating and Capital Budgets.

**Attachments:**

- SAFE Resolution No. 72 FY 2024-25 Operating and Capital Budgets



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