Metropolitan Transportation Commission

Service Authority for Freeways and Expressways

June 24, 2026 **Agenda Item 4a - 26-0755**

Metropolitan Transportation Commission –

Service Authority for Freeways and Expressways (SAFE) Resolution No. 74

Proposed Fiscal Year 2026-27 Operating and Capital Budget

Subject:

Staff requests adoption of the Service Authority for Freeways and Expressways Resolution No. 74, approving the Metropolitan Transportation Commission (MTC) - Service Authority for Freeways and Expressways (SAFE) Proposed Fiscal Year (FY) 2026-27 Operating and Capital Budget.

Summary of Changes from May Draft:

On May 27, 2026, staff presented the draft MTC-SAFE FY 2026-27 Operating and Capital Budget to the Authority. The proposed budget includes an additional $44 thousand in projected interest revenue due to updated interest rate assumptions based on recent economic trends. This increase in revenue is partially offset by higher operating costs due to a 3.8% Cost-of-Living Adjustment (COLA), consistent with MTC labor agreements. The updated COLA, based on recent Consumer Price Index projections from the Bureau of Labor Statistics, increases operating expenses by $12 thousand. Overall, these changes reduce the projected operating deficit by $32 thousand.

Background:

MTC-SAFE is one of 21 similar programs throughout California. It supports the core mission of providing motorist assistance, incident management, and emergency response across the region. The program's purpose is to reduce congestion, enhance public safety, and improve air quality through faster freeway incident clearance. SAFE continues to fund operations for approximately 200 Freeway Assist Program call boxes and 24 Freeway Service Patrol beats. SAFE also manages a capital program with five active projects.

The FY 2026-27 operating budget reflects $20.5 million in projected revenues and $20.9 million in operating expenses. This results in a total operating budget deficit of $373 thousand which is lower than the projected $1.4 million deficit in the FY 2025-26 budget, largely due to the

absence of one-time capital funding transfers of $0.8 million included in the FY 2025–26 budget. No new capital funding is requested for FY 2026-27.

The projected shortfall will be addressed through a draw from operating reserves. Current SAFE reserves remain sufficient to support operations for several years, reflecting continued prudent fiscal management.

Operating Revenue

Department of Motor Vehicle (DMV) registration fees continue to provide a stable funding source for SAFE Freeway Assist Program operations. SAFE Freeway Service Patrol is funded by grants from the State Local Assistance Program and Senate Bill 1 (SB1) which reimburses 80% of eligible towing costs, requiring ongoing reserve transfers to maintain program balance.

FY 2026-27 total projected revenue compared to FY 2025-26 is detailed below (in millions):

	FY 2025-26 ($ millions)	**FY 2026-27** ($ millions)
Freeway Assist Program - DMV Registration Fees	$6.7	$6.8
Freeway Service Patrol – State Local Assistance Program	$7.2	$7.0
Freeway Service Patrol - SB 1	$5.9	$6.2
Interest	$0.6	$0.5
Total	**$20.4**	**$20.5**

Total projected revenues for FY 2026–27 of $20.5 million reflect a nominal increase of 0.4% over the FY 2025-26 budget. It includes $6.8 million in projected DMV fees and is slightly higher than the FY 2025-26 budget. Freeway Service Patrol state grant revenues of $13.2 million increase by 0.8%, with funding split between State Local Assistance Program (53%) and SB1 (47%).

Operating Expense

FY 2026-27 proposed operating expenses total $20.9 million, representing a 0.7% decrease compared to FY 2025-26, primarily due to lower Freeway Assist Program costs. Freeway Assist Program expenditures are projected to decline by 8.0% to $3.0 million, reflecting ongoing cost

reductions. These savings are partially offset by marginal increases to Freeway Service Patrol expenditures, which for FY 2026-27 are projected to reach $17.9 million.

Total projected staffing costs are $2.1 million, consistent with FY 2025-26 levels. Salaries include a 3.8% Cost-of-Living Adjustment (COLA) in accordance with Metropolitan Transportation Commission Memorandums of Understanding. Indirect costs are projected to decline due to a lower Indirect Cost Allocation Plan rate. Core staffing levels remain unchanged to ensure continuity of program operations.

Highlights of operating expenses changes include:

• General Operations - Increases in legislative advocacy costs as well as minor administrative cost increases	+ $ 33,000
• Freeway Assist Program Contracts & Consultants- Savings by using agency tools for the Emergency Operations Center platform and lower incident management costs	- $288,000
• Freeway Service Patrol Contracts & Consultants - Increased towing expenses reflecting annual escalation costs offset by decreases in system costs	+ $121,000

Overall operating expenses remain aligned with program needs and continue to support SAFE's mission of assisting motorists and reducing congestion across the region.

Capital Projects

No new funding is requested for SAFE capital in FY 2026-27. The capital program budget remains $9.9 million life-to-date, with $4.9 million available for future capital expenses.

Reserves

SAFE has projected a FY 2025-26 year-end reserve balance of $19.1 million after covering operating and capital obligations. The FY 2026-27 budget anticipates a year-end reserve balance of $18.8 million. This includes $10.3 million (six months of operating revenue) restricted as operating reserve, $500 thousand reserved for encumbrances, and $5.0 million designated for capital projects. The unrestricted reserve balance that can be used to cover future operational

requirements is $3.0 million. This level of SAFE reserve provides meaningful financial flexibility to manage emerging risks, most notably diesel fuel price volatility. Rising fuel costs present the most significant fiscal risk for FY 2026–27, as sustained increases could drive higher towing rates and may necessitate a mid-year budget amendment if cost pressures persist.

Recommendations:

Staff recommends adoption of SAFE Resolution No. 74, approving the MTC-SAFE FY 2026-27 Operating and Capital Budget.

Attachments:

- SAFE Resolution No. 74
    - Attachment A: SAFE Proposed FY 2026-27 Operating Budget
    - Attachment B: SAFE Proposed FY 2026-27 Capital Budget
- Presentation

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