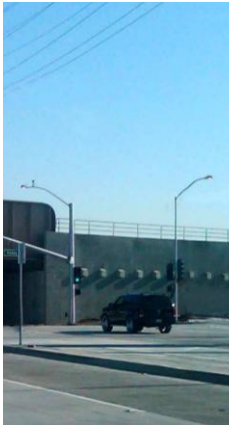
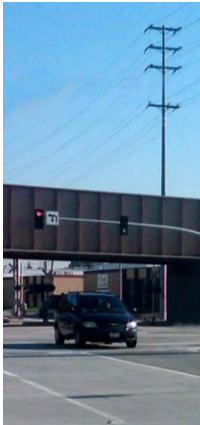




# ACE CONSTRUCTION AUTHORITY FY 2012 APPROVED BUDGET



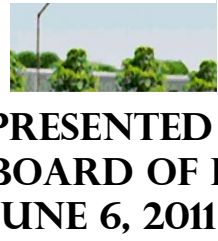
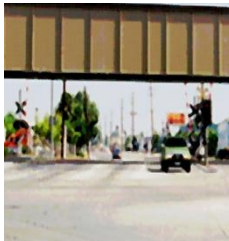
City of Industry



Sunset Avenue  
Bridge



Sunset Ave  
Rendering



PRESENTED TO THE  
BOARD OF DIRECTORS  
JUNE 6, 2011

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## Organization

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### Board of Directors

**Councilman Tim Spohn**  
City of Industry  
Chair

**Mayor David Gutierrez**  
City of San Gabriel  
Vice Chair

**Supervisor Gloria Molina**  
LA County Board of Supervisors

**Councilman Stephen Atchley**  
City of Pomona

**Mayor Pro Tem Frank Gomez**  
City of Montebello

**Councilmember Tom King**  
City of Walnut

**Councilmember Patricia Wallach**  
City of El Monte

**Mayor Paul Eaton**  
Ex-Officio. City of Montclair

**Rick Richmond**  
Chief Executive Officer

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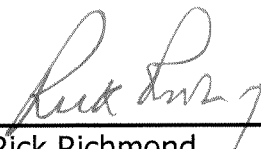
## Budget Message

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Progress on implementing the Alameda Corridor-East (ACE) Project is continuing, with six grade separations open, one in construction, the Baldwin Avenue project completing real estate acquisition, the Nogales Street project in the midst of property acquisition, and the San Gabriel Trench completing design and property acquisition and early construction activities poised to begin.

The remaining six adopted grade separations are under review in an update study which will lead to a blueprint for implementation of the remainder of the ACE Project. While the scope of the remaining Project is subject to the approval of the ACE and SGVCOG Boards, it may well require additional funding beyond currently available resources.

In the near term, we will be seeking additional project funding from the reauthorization of Federal transportation funding expected in 2011. Two prior reauthorizations have provided more than \$200 million for the ACE Project. We will also continue to monitor the potential for some form of user-based funding should economic conditions warrant and it becomes feasible.



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Rick Richmond  
Chief Executive Officer

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## **Project Background and Status**

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### **Background**

The planning for the ACE Project, done in the late 1990s, was based on increases in train traffic through the San Gabriel Valley from the then current level of approximately 55 trains per day, to approximately 160 by 2020. Until the recent recession and its effect on international trade activity through the San Pedro Bay ports, growth in train traffic was tracking close to estimates. The significant drop off that occurred over the last few years and is now recovering, but forecasting long term train traffic growth is difficult until the new growth patterns can be reliably predicted. There is little doubt, however, that growth will return.

The ACE Project includes safety improvements at 39 grade crossings located throughout the San Gabriel Valley and 22 grade crossing eliminations. ACE has implemented safety improvements throughout the San Gabriel Valley, completed six grade separations and is close to initiating construction on six more locations. The original project estimate from 1998 has been updated to take into account inflation over the last 10 years, higher than anticipated right-of-way requirements, and increased railroad and utility relocation costs. In late 2007 the ACE Board adopted an increase in the project cost estimate from \$910 million to \$1.404 billion. That estimate is subject to a revision based on any actions resulting from the Phase II update study which could change the scope, and therefore the cost, of the remainder of the ACE Project.

## Project Status

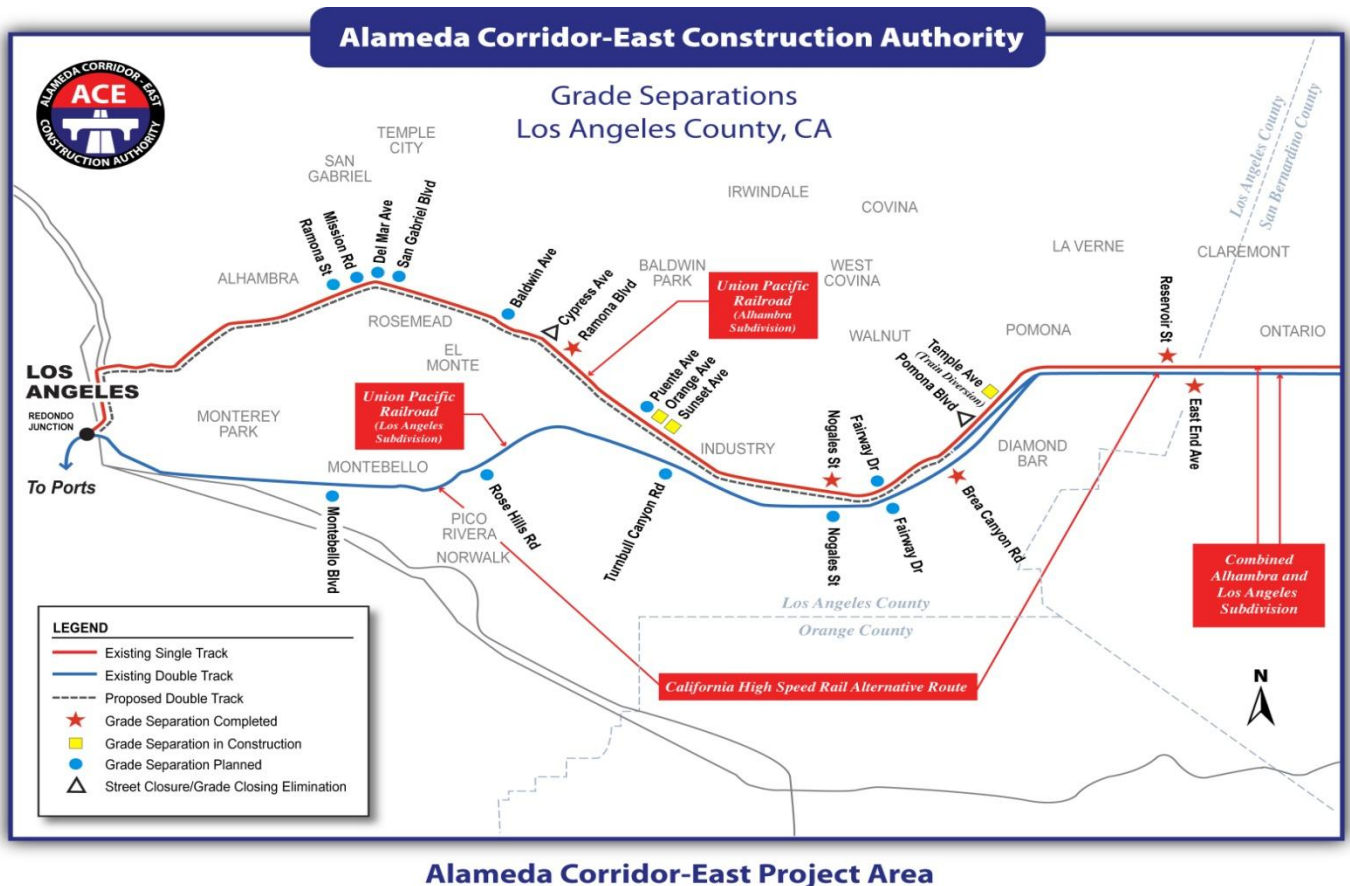
The following is a summary of the status of the active project components:

### Railroad Crossing Safety Improvements (39 crossings)

- Completed in 2004

### Grade Separations

- Six grade separations completed (Nogales St./Alh, Reservoir St., East End Ave., Ramona Blvd., Brea Canyon Rd., and Sunset Ave.);
- One grade separation awaiting completion of UPRR work (Temple Ave.);
- Two grade separations in right of way acquisition and expected in construction during 2011 ( Baldwin Ave., Nogales St./LA);
- Four grade separations ready for early construction activities but dependent on State funding for full construction (San Gabriel Trench)



## **Funding Status**

The current cost estimate for all completed or active projects is \$1.145 billion. An additional \$14.6 million in city or railroad requested and funded property enhancements bring the total projected expenditures to \$1.160 billion.

The following funding has been authorized for project (including enhancements):

<b><u>Funding Source</u></b>	<b>(\$ millions) Committed /Estimate</b>
Federal TEA-Demonstration Earmark	\$ 134.4
Federal SAFETEA-LU Demonstration Earmark	65.0
Federal Appropriations	19.7
State ITIP and PUC Funds	44.0
State General Funds (AB 2928)	130.3
State Prop 1B Trade Corridor Funds	336.6
State Prop 1B Grade Separation Funds	25.6
MTA Funds (17% Match)	269.9
MTA Call for Project Funds	28.8
MTA Measure R Funds	42.0
City/County/MWD Funds	23.8
Railroad Contribution	18.4
City/Railroad Betterments	14.6
<b>Total ACE Project Funding</b>	<b>\$ 1,153.1</b>

*Note: An additional \$358 million for the ACE Project is included in the MTA's Measure R Expenditure Plan and is expected to be released between 2011 and 2017.*

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## FY 2011 Budget Status

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The Board of Directors adopted the Fiscal Year 2011 budget in May 2010 and it was revised in January 2011 to reflect a slower rate of construction progress.

The attached table (Exhibit I) compares the FY 2011 Budget to the estimated actual expenses as of June 30, 2011.

As in the past, our annual budget is broken down into two categories – indirect project expense and direct project expense.

### Indirect Project Expense

Indirect expenses (such as salaries, rent, office supplies, etc.) that cannot easily be charged to specific project activities are billed to grants based on an annual indirect rate plan approved by Caltrans. The FY 2011 rate was approved by Caltrans and includes adjustments for over or under spending in prior years. ACE anticipates indirect expenses for FY 2011 will be \$3.975 million, about 3.8% under budget.

Most of the underrun in indirect expenses is in salary and wages primarily due to a deferral in bringing on two of the three new positions authorized and budgeted. That deferral was caused by delays in the initiation of major construction discussed below. Funding for those two positions is being requested in the FY 2012 budget.

### Direct Project Expense

Direct expenses are those than can be readily associated with specific projects such as staff or program management time, engineering or construction management contracts, property acquisition, construction, and miscellaneous support costs. As a general rule, annual budget overruns in direct annual costs are a positive sign of faster than assumed progress, if total project costs aren't increasing. Conversely, annual budget underruns generally mean slower progress and can result, depending on where the



underrun occurs, under collection of indirect costs until a later date. For FY 2011 we estimate an under collection of approximately \$332,000 until FY 2013.

Overall, direct expenses will be under budget by \$37.6 million, or 48%. The most significant projected direct cost underruns will occur in right of way acquisition (ROW) for our three grade separation projects nearing construction – Baldwin, San Gabriel Trench and Nogales. Significant underruns (in excess of \$1 million) are also expected in utility relocation, construction and construction management.

Right of Way Acquisition (-\$23.950M) – The Baldwin ROW budget was based on a negotiated full acquisition of the MIPCO parcel which, for the time being, is not expected. Instead, we are budgeting for an eminent domain judgment in FY 2012. In the case of the San Gabriel Trench we are forecasting a reduction of approximately \$5 million in reduced, not deferred, cost as the final property acquisitions are being concluded. However, this will be offset to a presently unknown degree in the FY 2012 budget by the cost of acquiring necessary UPRR property interests which were not anticipated when the project cost estimate was established. Property acquisition costs for the Nogales project are estimated to underrun by approximately \$8 million due to transactions moving from FY 2011 to FY 2012.

Construction (-\$8.559M) – The FY 2011 budget projected limited construction to start on the Baldwin and San Gabriel Trench projects which will not take place due to delays in property acquisition and securing a railroad construction agreement, respectively. In the case of the Sunset project, we are forecasting a reduction of approximately \$3 million due to savings, not deferred cost.

Utility Relocation (-\$2.233M) – This primarily reflects a deferral in starting the fiber optic relocation on the San Gabriel Trench from late FY 2011 to early FY 2012 due to a delay in obtaining approval of the railroad construction agreement.

Construction Management (-\$1.138M) – This is due to a combination of savings (Sunset) and deferrals (Baldwin, San Gabriel Trench and Nogales).

**Exhibit I**  
**FY 2011 Budget vs. Estimated Actual**  
(\$ in thousands)

<b>Expenditures</b>	<b>Year End Estimate</b>	<b>FY 2011 Budget</b>	<b>Under/ (Over)</b>
<b>Indirect</b>			
<b>Personnel</b>			
Salaries and Wages	\$ 1,507	\$ 1,654	\$ 147
Fringe Benefits	472	477	5
<b>Board/ Employee Expense</b>			
Auto/Travel	27	25	(2)
Training/Memberships	11	8	(3)
Board Expense	19	19	-
<b>Professional Services</b>			
Auditing/Accounting	35	35	-
DBE Compliance	125	161	36
Legal-Agency Support	67	55	(12)
Program Management	952	952	-
State/Federal Advisory Services	266	266	-
Risk Management	65	65	-
<b>Insurance</b>	131	131	-
<b>Equipment Expense</b>	42	37	(5)
<b>Office Expense</b>	203	203	-
<b>Office Operations</b>	41	38	(3)
<b>Other</b>	12	5	(7)
<b>Total Indirect</b>	<u>3,975</u>	<u>4,131</u>	<u>154</u>
<b>Direct</b>			
Salaries and Wages	646	732	86
Fringe Benefits	235	267	32
Employee Travel - Projects	17	16	(1)
Program Management	2,268	2,978	710
Legal	315	631	316
Labor Compliance	97	134	37
Design	5,160	5,842	682
ROW Acquisition	17,217	41,167	23,950
Utility Relocation	2,209	4,442	2,233
Construction Mgt	769	1,907	1,138
Railroad	4,528	3,997	(531)
Construction	6,861	15,420	8,559
Third Party Review	892	1,290	398
UPRR Invoice Review	12	40	28
Advertising	2	10	8
<b>Total Direct</b>	<u>41,228</u>	<u>78,873</u>	<u>37,645</u>
<b>Total Expenditures</b>	<u>\$ 45,203</u>	<u>\$ 83,004</u>	<u>\$ 37,799</u>

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**ACE CONSTRUCTION AUTHORITY FY 2011 GOALS**

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**Meeting FY 2011 Goals**

Last fiscal year's budget set forth a number of goals for FY 2011. The following is the anticipated status of each goal as of June 30, 2011:

<b>Project Implementation</b>	
<b>Project/Goal</b>	<b>Progress</b>
Temple Avenue: Resolve UPRR issues delaying train diversion	Partially accomplished; issue resolved; still awaiting revised schedule and ACE cost impact.
Sunset Avenue: Construction complete by January 2011.	Accomplished; Sunset Avenue opened in November 2010; Orange Avenue opened in March 2010.
Nogales Street: Complete right-of-way acquisition; construction underway	Not accomplished; expect property acquisition by late 2011; construction start in early 2012.
Baldwin Avenue: Construction underway	Not accomplished; final property acquisition remains.
San Gabriel Trench: Complete design and right-of-way acquisition; complete fiber optic relocation; bid main construction contract.	Partially accomplished; design and right-of-way done; fiber and main construction delayed by railroad agreement.

<b>Funding/Financial/Administration</b>	
<b>Goal</b>	<b>Progress</b>
Apply for TIGER II grant.	Application submitted; not funded.
Seek FY '11 Federal appropriations earmark.	Earmark requested; no earmarks in FY 2011 appropriations legislation.
Seek dedicated freight trust fund or other Federal funding in SAFETEA-LU reauthorization.	Ongoing; reauthorization legislation yet to pass.
Obtain clean financial audit and management letter.	Partially accomplished; minor comments in management letter.
Maintain at least 90% of net proceeds invested.	Accomplished.

<b>Outreach</b>	
<b>Goal</b>	<b>Progress</b>
Conduct ceremonies for started/finished projects.	Accomplished where possible (Sunset).
Continue business support, community and school safety outreach programs.	Accomplished.
Distribute ACE e-newsletter quarterly.	Accomplished.
Implement revised DBE program per Caltrans/FHWA regulation changes.	Accomplished; all UDBE goals met on new contract awards.

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## **ACE CONSTRUCTION AUTHORITY FY 2012 GOALS**

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Staff proposes to accomplish the following by June 30, 2012 (unless otherwise noted):

### **Project Implementation**

- Nogales Street: Complete right-of-way acquisition; construction underway;
- Baldwin Avenue: Construction underway;
- San Gabriel Trench: Complete early fiber optic relocation and archeological investigations; bid main construction contract (dependent on State funding);
- Puente Avenue & Fairway Drive: complete preliminary engineering, obtain environmental clearance and begin final engineering.

### **Funding/Financial Administration**

- Apply for TIGER III grant;
- Seek dedicated freight trust fund and/or existing Federal funding in SAFETEA-LU reauthorization;
- Obtain clean financial audit and management letter;
- Maintain at least 90% of note proceeds invested.

### **Outreach**

- Conduct groundbreaking ceremonies for ready projects (Baldwin, Nogales, San Gabriel);
- Continue business support, community and school safety outreach programs
- Distribute ACE e-newsletter quarterly;
- Implement revised DBE program per anticipated Caltrans/FHWA regulation changes.

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## **FY 2012 ACE Construction Authority Budget**

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ACE has developed and implemented budgeting, accounting and project control systems that meet generally accepted accounting standards with the goal of delivering a project that accomplishes its intended purposes as expeditiously and cost effectively as possible.

### **Budget Development**

The budget for FY 2012 (July 1, 2011 through June 30, 2012) was developed in two parts: project direct expense and indirect expense.

The project direct expense is developed using an estimate-at-complete model that time-phases ACE's best estimate of how much each task (i.e., design, right-of-way acquisition, construction) of a project will cost over the life of the project and its rate of progress over the upcoming fiscal year. Management reviews the forecast for each project for reasonableness and adjustments are made as necessary. The forecasts are summarized for all projects, adjustments to the overall level of spending are made as needed and the resulting forecast for FY 2012 becomes the basis for the approved budget.

The indirect budget is developed by line item, based on past experience and changed levels of effort in FY 2012. The ratio of indirect costs to direct labor and related fringe benefits costs is used to calculate the Indirect Cost Allocation Plan (ICAP) that is submitted to Caltrans for approval, and becomes the basis for billing indirect costs in FY 2012.

The FY 2012 budget does not request Board approval for new contracts nor amendments to existing contracts. Each contract authorization will be brought to the Board for any necessary action.

The FY 2012 budget provides only for activities for which the Authority has committed funding, with one significant exception. The budget does assume a start of major construction on the San Gabriel Trench late in the fiscal year. This will be dependent on State bond funding for the project by late 2011. Without the bond funding the main construction contract for the Trench cannot be awarded. In the event State funds are not available later this year, a smaller contract of off-railroad work may be proposed using MTA Measure R funds.

The proposed budget includes engineering funding for two new projects resulting from the Phase II study, Puente Ave. and Fairway Drive.

### **FY 2012 Budget**

The FY 2012 budget is presented in Exhibit II. Exhibit II A provides a breakdown of all proposed direct expenditures by project. Exhibit III estimates overall revenues, expenses and income from our cash flow financing (GANs). Exhibit IV compares the estimated actual for FY 2011 to the proposed budget for FY 2012.

The pace of active projects is the major factor in our annual budget projection. For FY 2012 we have made the following assumptions about the projects having the biggest impact on our spending estimates:

Baldwin Ave. – Property acquisition will be concluded by October 2011; Construction bidding takes place in the Fall; construction contract awarded in January 2012.

Nogales St. – Property acquisition to permit construction bidding by November 2011; Construction bidding takes place in late 2011; construction contract award in February 2012.



San Gabriel Trench – Early construction activities (fiber optic relocation and archaeological investigation) start in Summer; main construction contract bidding takes place in late 2011/early 2012 (dependent on State funding); major construction starts May 2012.

The FY 2012 budget includes 23 full time positions, an increase of two phased in over the course of the fiscal year. The two positions are for engineering assistance staff for our project managers whose workload over the next year, with an ambitious construction schedule and new projects expected to enter the design pipeline, is going to increase significantly. Approval for the position description, salary range and authorization to recruit will be requested separately.

The following addresses significant line item changes (more than 10% and \$10,000) proposed for FY 2012 compared to the FY 2011 estimated actual. Changes in the construction related line items (utility relocation, construction management, railroad and construction) are a result of our most current projection of construction progress, as described above.

Personnel – Salary & Wages and Fringe Benefits (Indirect) (+\$198,000/10% increase) –

This increase is due, to a minor degree, to a portion of the costs of the two additional employees being charged to indirects. The major reason for the increase is a number of vacancies being carried for a portion of FY 2011 resulting in a 10% underrun in that budget. The FY 2012 budget for these line items is virtually the same as the FY 2011 budget.

DBE Compliance (Indirect) (-\$42,000/34% decrease) - The number of new procurements will be fewer in FY 2012 than FY 2011.

Program Management (Indirect) (-\$413,000/43% decrease) – This reduction reflects a decision to charge project outreach activities directly to projects where possible. The

level of outreach activities will increase slightly with more projects in construction but the portion charged to overhead will decline.

Insurance (Indirect) (+\$714,000/545% increase) – As our construction activity declined in FY 2011 we avoided the cost of excess liability coverage. We expect to reinstate this coverage by mid FY 2012 and have been quoted a four-year premium which would have to be paid at the beginning of coverage.

Equipment Expense (Indirect) (+\$13,000/31% increase) – The bulk of these expenses are for ongoing equipment leases (copiers primarily) and equipment maintenance contracts. The budgeted increase is for the lease of a plotter which will enable us to reproduce engineering drawings in-house at less cost than currently experienced with outside copying services.

Salaries and Wages and Fringe Benefits (Direct) (+\$134,000/15% increase) – This increase represents an assumed hiring at mid-fiscal year of two engineering assistants as mentioned above. They will be primarily charged directly to projects.

Program Management (Direct) (+\$112,000/5% increase) – This increase is a result of charging outreach activities for the first time, offset by reductions in spending on property acquisition support costs. Overall program management spending (indirect and direct) is estimated to decline about 10% from FY 2011.

Legal (Direct) (+\$140,000/44% increase) – This budget makes resources available primarily for completion of the Baldwin acquisition and an increased level of legal assistance on the Nogales acquisitions, where the most challenging acquisitions remain.

Labor Compliance (Direct) (+\$23,000/24% increase) – With construction increasing in the second half of the year there will be a greater need for monitoring compliance with State and Federal labor laws.

Design (Direct) (+\$996,000/19% increase) This projected increase reflects the ramping up of design expenditures on the Puente and Fairway projects, offset by the completion of design on the San Gabriel Trench.

ROW Acquisition (Direct) (+\$1,028/6% increase) – This reflects completion of the Baldwin and Nogales acquisitions and an allowance for the acquisition of right of way from the UPRR, as required under the Construction and Maintenance Agreement on the San Gabriel Trench. The Nogales project is the primary cost component.

Utility Relocation (Direct) (+\$9,646,000/437% increase) – About 90% of the total utility relocation cost is for the San Gabriel Trench where fiber optic relocation and archaeological excavation in the area near the San Gabriel Mission will precede construction. The remaining utility relocation expenses are for the Nogales project.

Construction Management (Direct) (+\$1,806,000/25% increase) – With the start of three construction projects over the course of FY 2012 an increase is expected compared to the winding down of construction experienced in 2011.

Railroad (Direct) (-\$3,474,000/77% decrease) – There was a substantial amount of UPRR work on the Sunset project in FY 2011 but there will be relatively little during the start up of construction on the Baldwin, Nogales and San Gabriel Trench projects in FY 2012.

Construction (Direct) (+\$16,254,000/237% increase) – FY 2011 construction was limited to the completion of the Sunset project. The FY 2012 budget estimate is based on starting construction on Baldwin (late Winter 2012), Nogales (Spring 2012) and San Gabriel trench (early work Summer 2011; main contract Spring 2012 – dependent on State funding).

Third Party Review (Direct) (-\$262,000/29% decrease) – This reflects a lesser amount of UPRR, City and County reviews as designs are completed on projects going into construction.

Advertising (Direct) (+\$12,000/600% increase) – This reflects the expected advertising expenses for four construction contracts as compared to minimal expenses in FY 2011.

**Exhibit II**  
**FY 2012 Approved Budget with Type of Expenditure**  
**(\$ in thousands)**

<b>Expenditures</b>	<b>FY 2012 Approved</b>
<b>Indirect</b>	
<b>Personnel</b>	
Salaries and Wages	\$ 1,650
Fringe Benefits	527
<b>Board/ Employee Expense</b>	
Auto/Travel	25
Training/Memberships	11
Board Expense	19
<b>Professional Services</b>	
Auditing/Accounting	35
DBE Compliance	83
Legal-Agency Support	65
Program Management	539
State/Federal Advisory Services	265
Risk Management	65
<b>Insurance</b>	845
<b>Equipment Expense</b>	55
<b>Office Expense</b>	209
<b>Office Operations</b>	41
<b>Other</b>	12
<b>Total Indirect</b>	4,446
<b>Direct</b>	
Salaries and Wages	727
Fringe Benefits	288
Employee Travel - Projects	17
Program Management	2,380
Legal	455
Labor Compliance	120
Design	6,156
ROW Acquisition	18,245
Utility Relocation	11,855
Construction Mgt	2,575
Railroad	1,054
Construction	23,115
Third Party Review	630
Advertising	14
<b>Total Direct</b>	67,631
<b>Total Expenditures</b>	\$ 72,077

**Exhibit II A**  
**FY 2012 Approved Budget with Type of Expenditure**  
(\$ in thousands)

<b>Expenditures</b>	<b>FY 2012 Approved</b>	<b>Baldwin</b>	<b>Sunset</b>	<b>SG Trench</b>	<b>Puente Avenue</b>	<b>Fairway Drive</b>	<b>Nogales (LA)</b>
<b>Indirect</b>							
<b>Personnel</b>							
Salaries and Wages	\$ 1,650	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fringe Benefits	527	-	-	-	-	-	-
<b>Board/Employee Expense</b>							
Auto/Travel	25	-	-	-	-	-	-
Training/Memberships	11	-	-	-	-	-	-
Board Expense	19	-	-	-	-	-	-
<b>Professional Services</b>							
Auditing/Accounting	35	-	-	-	-	-	-
DBE Compliance	83	-	-	-	-	-	-
Legal-Agency Support	65	-	-	-	-	-	-
Program Management	539	-	-	-	-	-	-
State/Federal Advisory Services	265	-	-	-	-	-	-
Risk Management	65	-	-	-	-	-	-
<b>Insurance</b>	845	-	-	-	-	-	-
<b>Equipment Expense</b>	55	-	-	-	-	-	-
<b>Office Expense</b>	209	-	-	-	-	-	-
<b>Office Operations</b>	41	-	-	-	-	-	-
<b>Other</b>	12	-	-	-	-	-	-
<b>Total Indirect</b>	4,446	-	-	-	-	-	-
<b>Direct</b>							
Salaries and Wages	727	87	3	413	27	24	172
Fringe Benefits	288	35	1	164	11	9	68
Employee Travel - Projects	17	3	4	4	0	0	5
Program Management	2,380	503	30	995	38	38	776
Legal	455	150	-	40	5	5	255
Labor Compliance	120	23	10	51	4	4	28
Design	6,156	73	5	600	2,715	2,463	300
ROW Acquisition	18,245	2,600	-	6,040	-	-	9,605
Utility Relocation	11,855	5	-	9,989	-	-	1,861
Construction Mgt	2,575	750	25	1,500	-	-	300
Railroad	1,054	79	200	660	100	15	-
Construction	23,115	5,000	15	14,100	-	-	4,000
Third Party Review	630	30	-	550	25	20	5
Advertising	14	5	-	4	-	-	5
<b>Total Direct</b>	67,631	9,343	292	35,111	2,926	2,580	17,380
<b>Total Expenditures</b>	\$ 72,077	\$ 9,343	\$ 292	\$ 35,111	\$ 2,926	\$ 2,580	\$ 17,380

**Exhibit III**  
**FY 2012 Approved Budget with Type of Expenditure**  
**(\$ in thousands)**

<b>Expenditures</b>	<b>FY 2012 Approved</b>
<b>Revenues</b>	
Federal	\$ 18,780
Local	51,273
Other	2,025
<b>Total Revenue</b>	<b>72,077</b>
 <b>Operating Expenditures</b>	
<b>Direct</b>	
Design	6,078
ROW Acquisition	32,883
Construction	28,516
Construction Management	54
Betterment	100
<b>Total Direct</b>	<b>67,631</b>
 <b>Indirect</b>	
Personnel	2,177
Board/Employee Expense	55
Professional Services	1,052
Insurance	845
Equipment Expense	55
Office Expense	209
Office Operations	41
Other	12
<b>Total Indirect</b>	<b>4,446</b>
<b>Total Operating Expenditures</b>	<b>72,077</b>
 <b>Excess of Revenue over Expenditures before Financing</b>	 -
 <b>Financing Income</b>	
Investment Revenue	224
Interest and Related Expense	379
<b>Net Financing Income/Expense</b>	<b>(155)</b>
<b>Excess of Revenues over Expenditures</b>	<b>(155)</b>
 <b>Fund Balance Beginning of Period</b>	 \$ 10,242
<b>Fund Balance End of Period</b>	<b>\$ 10,087</b>

**Exhibit IV**  
**Comparison - FY 2011 Estimated Actuals vs. FY 2012 Approved**  
**(\$ in thousands)**

<b>Expenditures</b>	<b>FY 2011 Estimate</b>	<b>FY 2012 Approved</b>	<b>Incr/ Decr</b>
<b>Indirect</b>			
<b>Personnel</b>			
Salaries and Wages	\$ 1,507	\$ 1,650	\$ 143
Fringe Benefits	472	527	55
<b>Board/ Employee Expense</b>			
Auto/Travel	27	25	(2)
Training/Memberships	11	11	-
Board Expense	19	19	-
<b>Professional Services</b>			
Auditing/Accounting	35	35	-
DBE Compliance	125	83	(42)
Legal-Agency Support	67	65	(2)
Program Management	952	539	(413)
State/Federal Advisory Services	266	265	(1)
Risk Management	65	65	-
<b>Insurance</b>	131	845	714
<b>Equipment Expense</b>	42	55	13
<b>Office Expense</b>	203	209	6
<b>Office Operations</b>	41	41	-
<b>Other</b>	12	12	-
<b>Total Indirect</b>	3,975	4,446	471
<b>Direct</b>			
Salaries and Wages	646	727	81
Fringe Benefits	235	288	53
Employee Travel - Projects	17	17	-
Program Management	2,268	2,380	112
Legal	315	455	140
Labor Compliance	97	120	23
Design	5,160	6,156	996
ROW Acquisition	17,217	18,245	1,028
Utility Relocation	2,209	11,855	9,646
Construction Mgt	769	2,575	1,806
Railroad	4,528	1,054	(3,474)
Construction	6,861	23,115	16,254
UPRR Invoice Review	12	-	(12)
Third Party Review	892	630	(262)
Advertising	2	14	12
<b>Total Direct</b>	41,228	67,631	26,403
<b>Total Expenditures</b>	\$ 45,203	\$ 72,077	\$ 26,874



**Project Financing**

The San Gabriel Valley Council of Governments (SGVCOG) has authorized the issuance of up to \$100 million in tax-exempt Grant Anticipation Notes (GANs) backed by a letter of credit. This program has been in place since 2001. There is currently \$37.350 million in borrowed funds outstanding.

Proceeds from the program are invested in the State of California’s Local Agency Investment Fund (LAIF) and our local bank. The net interest income (interest revenue less interest and fee expense) of the program exceeds \$4 million over the life of the program. We have recently responded to an Internal Revenue Service inquiry on one of the GANs issues. It is likely that we will be required to rebate an as-yet undetermined amount of interest earnings in excess of those permitted by IRS regulation. Due to a reduced level of financing anticipated for the coming fiscal year, we are estimating a net financing expense of \$155,000. This cost will be financed from our net asset balance.

Because the ACE Construction Authority continues to have no meaningful sources of revenue other than grants and contributions from funding agencies, ACE staff will make every effort to ensure that all other expenditures are reimbursable by federal, state or local grants.

Staff is making every effort it can to operate in this stringent financial environment, but the Board needs to be aware of the practical difficulties of recovering every expense. We use this Budget submittal to annually advise the Board of the cumulative exposure for unreimbursed costs the Authority is incurring. As of this date, we have incurred the following unreimbursed or unreimbursable expenses, dating back to the beginning of the ACE Construction Authority:

FY 1998	\$71,185	Expenses incurred by SGVCOG prior to 6/30/98 not reimbursed by MTA
FY 2000	11,298	Net interest cost of loan from City of Industry
FY 2001	2,738	Net interest cost of loan from City of Industry
FY 2006	<u>105,529</u>	Payment to SGVCOG for claimed unreimbursed expenses
	\$190,750	Estimated total – project-life-to-date

Based on experience to date, we expect the cumulative surpluses from interest income and railroad contributions will be sufficient to pay for our cumulative unreimbursed expense.

**Budget Amendments And Revisions**

Staff will continue to provide the Board with project status and budget updates on a quarterly basis. A mid-year review of the upcoming fiscal year will be done in January and proposed revisions, if any, will be submitted for Board approval at that time.

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## **Board Review and Approval**

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The proposed budget is presented to the Board and to the public for consideration at the June 6 Board meeting. Any changes will be incorporated into the approved budget and submitted to the San Gabriel Valley Council of Governments for consideration at their next meeting.

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## FY 2012 Budget Glossary

### Indirect Expenses

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#### Personnel

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Salaries and Wages	Salaries for employees and temporary help (charged both as indirect and direct expenses).
Fringe Benefits	Paid benefits such as health insurance, life insurance and pension.

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#### Board/Employee Expenses

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Auto/Travel	Employee travel for business purposes. Includes registration fees and local mileage reimbursement or auto allowance.
Training/Memberships	Authority and professional memberships; ongoing professional training.
Board Related Expenses	Per diem and Board travel.

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#### Professional Services

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Auditing/Accounting	Financial auditing and accounting services.
DBE/Labor Compliance	Disadvantaged Business Enterprise program administration and monitoring; supervision of labor compliance monitoring
Legal - Agency Support	General counsel, construction legal and any other legal services not directly chargeable to specific construction projects.
Program Management	Contracted project administration support which cannot be charged to specific projects. Consists primarily of special studies, community relations, and those activities of our support contractors which address general agency needs.
State/Federal Advisory Services	State & Federal legislation research, monitoring and funding application services.
Risk Management	Administrative fee for analyzing insurance

requirements, reviewing ACE and contractor policies and obtaining insurance.

<b>Insurance</b>	Annual insurance premiums
<b>Equipment Expense</b>	Purchase/lease and maintenance of office equipment such as copiers, fax machines and computers.
<b>Office Expense</b>	Rent on ACE office space, including maintenance and miscellaneous expense.
<b>Office Operations</b>	Office supplies, postage, printing/copying and telephones.
<b>Other</b>	General advertising, subscriptions, payroll service fees, etc.
<b>Direct Expenses</b>	
<b>Program Management</b>	The portion of overall program management expenses which can be directly charged to projects; consists primarily of design and utility relocation support, land acquisition related services and office support.
<b>Legal</b>	Legal expenses which can be directly charged to specific projects for land acquisition activities.
<b>Labor Compliance</b>	Field monitoring and reporting of contractor compliance with State and Federal labor laws.
<b>Design</b>	Preparation of project plans, specifications and estimates and support during construction.
<b>Right of Way Acquisition</b>	Property acquisition costs, closing costs, appraisals, surveys, miscellaneous acquisition support costs.
<b>Utility Relocation</b>	Costs of relocating utilities, including design.

<b>Construction Management</b>	Field oversight of construction.
<b>Railroad</b>	Railroad (UPRR and Metrolink) charges to projects for project support, design, procurement and construction.
<b>Construction</b>	Payment to construction contractors.
<b>Third Party Review</b>	Payment to outside agencies (e.g., UPRR, Cities, LA County) for their costs to review and approve project designs and submittals.
<b>UPRR Invoice Review</b>	Use of an outside contractor to review UPRR billings for errors, mischarges, questionable costs, etc.
<b>Advertising</b>	Cost of advertising construction contracts.