



**Alameda Corridor – East Construction Authority**

**2010**

# Approved Budget



Brea Canyon Road Grade Separation  
Cities of Diamond Bar & Industry

**Approved May 11, 2009**

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## Organization

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**Councilmember Patricia Wallach**  
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**Mayor Paul Eaton**  
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**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 five grade separations open, two in construction, our final Phase I project (Baldwin Avenue) in real estate acquisition, the Nogales Street project completing environmental clearance, and the San Gabriel Trench in design.

An updated study of the six remaining adopted grade separation sites should be completed by mid-FY 2010. This will provide a blueprint for implementation of the remainder of the adopted ACE Project.

Funding for the project was significantly enhanced by the passage of Measure R by L.A. County voters in November 2008. It will provide \$400 million for the ACE Project. In addition, we were successful in obtaining \$25.6 million in State funding for the Nogales Street grade separation from the State Bond grade separations fund.

Prospectively, we will be seeking additional project funding from the reauthorization of Federal transportation funding expected in 2009 or 2010. Two prior reauthorizations have provided more than \$200 million for the ACE Project. Finally, while the current economic climate and substantially reduced levels of ports traffic make it unlikely in the near term, some form of trade infrastructure user-benefit financing, such as container fees, will continue to be a prime potential source of project funding.

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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 current recession and its effect on international trade activity through the San Pedro Bay ports, growth in train traffic was tracking close to estimates. A significant drop off has occurred over the last two years and predicting its impact on long term projections is difficult until the current situation stabilizes and new growth patterns can be reliably predicted. There is little doubt, however, that growth will return nor is even the current level of grade crossing disruption at some of our heavily traveled locations tolerable.

The ACE Project includes safety improvements at 39 grade crossings located throughout the San Gabriel Valley and 22 grade crossing eliminations. ACE has completed five grade separations, implemented safety improvements throughout the San Gabriel Valley and is in the process of completing the remaining grade separations included in the first phase of the project. 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. The ACE Board adopted in late 2007 an increase in the project cost estimate from \$910 million to \$1.404 billion.

### **Project Status**

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

Railroad Crossing Safety Improvements (39 crossings)

- Completed

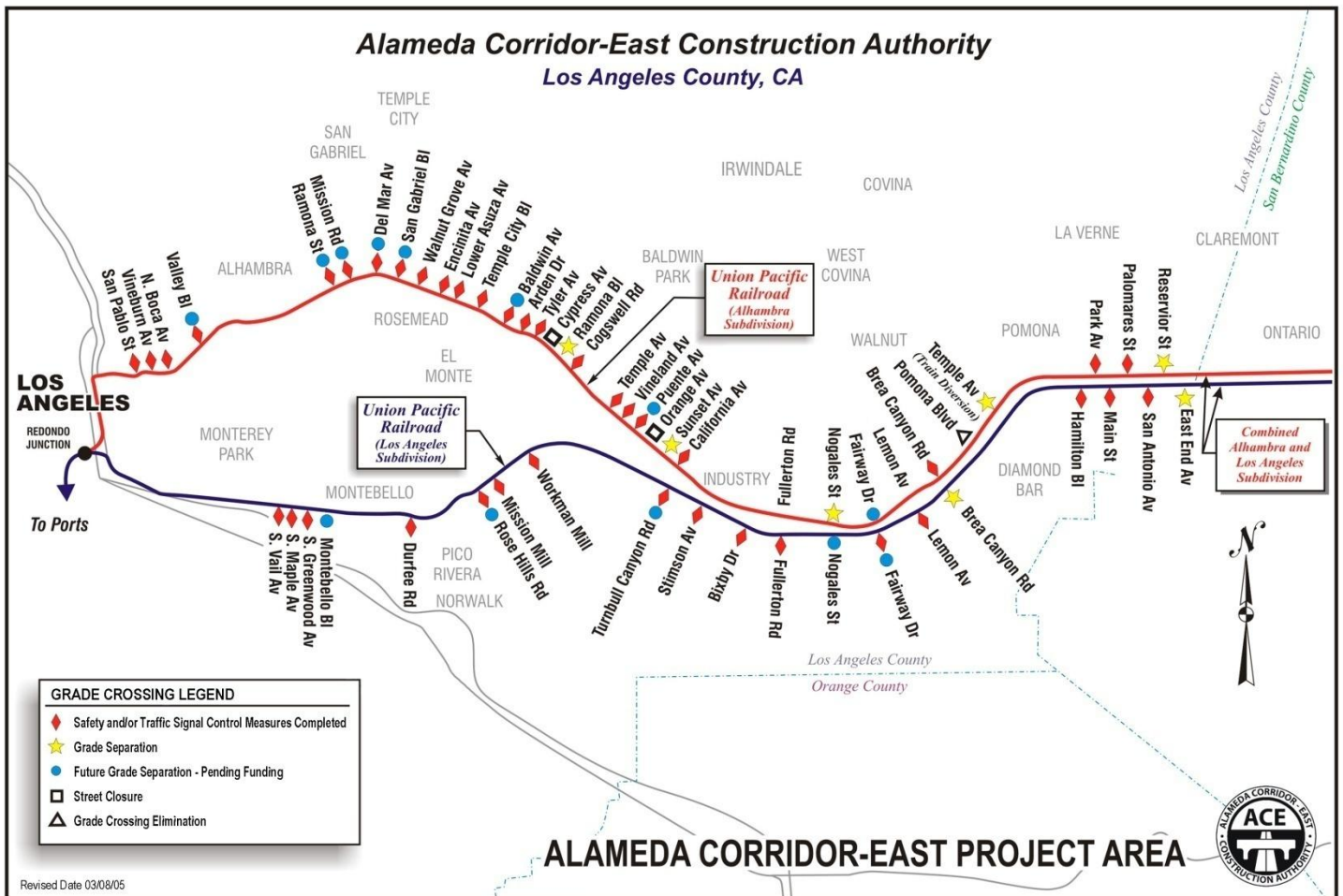
IR/RIS – Intelligent Roadway/Rail Signal System

- Initial installation of demo system unsuccessful; retrofit under study.

## Grade Separations

- Five grade separations completed (Nogales St., Reservoir St., East End Ave., Ramona Blvd., Brea Canyon Road.)
- Two grade separations in construction (Temple Ave., Sunset Ave.)
- One grade separation completing design and environmental clearance (Nogales St.)
- Four grade separations in design (San Gabriel Trench).

## Project Map



## **Funding Status**

The current cost estimates for Phase I is \$525.7 million (March 2009 Quarterly Status Report). An additional \$22.6 million in city or railroad requested and funded property enhancements bring the total projected expenditures to \$548.3 million.

The following funding has been authorized for "baseline" project (excluding enhancements). Not included in this total are State bond funds (\$362.2 million) and MTA Measure R funds (\$400 million) which are not immediately available and pledged to future projects.

<b><u>Funding Source</u></b>	<b>(\$ millions) Committed /Estimate</b>
Federal TEA-Demonstration Earmark	\$ 135.1
Federal SAFETEA-LU Demonstration Earmark	66.0
Federal Appropriations	16.5
State ITIP and PUC Funds	44.0
State General Funds (AB 2928)	130.3
MTA Funds (17% Match)	269.9
Railroad Contribution	12.6
<b>Total ACE Project Funding</b>	<b>\$ 674.4</b>

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## FY 2009 Budget Status

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The Board of Directors adopted the Fiscal Year 2009 budget in May 2008 and it was revised in January 2009 to reflect a slower rate of construction progress.

The attached table (Exhibit I) compares the FY 2009 Budget to the estimated actual expenses as of June 30, 2009.

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 2009 rate pending Caltrans approval is 4% and includes adjustments for over and under spending in prior years and depreciation expense. ACE anticipates indirect expenses for FY 2009 will be \$4 million, about 7% under budget.

Indirect expenses are expected to overrun by minor amounts (\$62,000 total) in three areas. The remaining line items are all underrunning.

### 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 result in under-collection of indirect costs.

Overall, direct expenses will be under budget by \$5.9 million, or 8%.

The most significant projected direct cost overruns are expected to be:

ROW Acquisition (\$144,000) – Slightly lower spending on Baldwin Avenue than anticipated.

Construction (\$3.3 million) – Construction spending picking up slightly better than expected on Sunset.

The largest underruns are expected in design (\$1 million), utility relocation (\$1 million and railroad (\$6.3 million)

**Exhibit I**  
**FY 2009 Budget vs. Estimated Actual**  
**(\$ in thousands)**

<b>Expenditures</b>	<b>Year End Estimate</b>	<b>FY 2009 Budget</b>	<b>Under/ (Over)</b>
<b>Indirect</b>			
<b>Personnel</b>			
Salaries and Wages	\$ 1,492	\$ 1,495	\$ 3
Fringe Benefits	385	424	39
<b>Board/Employee Expense</b>			
Auto/Travel	47	51	4
Training / Memberships	1	5	4
Board Expense	15	19	4
<b>Professional Services</b>			
Auditing/Accounting	34	30	(4)
DBE/Labor Compliance	122	115	(7)
Legal - Agency Support	49	35	(14)
Program Management	987	1,114	127
State/Federal Advisory Services	287	281	(6)
Risk Management	65	65	-
UPRR Invoice Review	66	73	7
<b>Insurance</b>	99	273	174
<b>Equipment Expense</b>	71	44	(27)
<b>Office Expense</b>	205	215	10
<b>Office Operations</b>	35	45	10
<b>Other</b>	12	8	(4)
<b>Total Indirect</b>	<u>3,972</u>	<u>4,292</u>	<u>320</u>
<b>Direct</b>			
Salaries and Wages	647	641	(6)
Fringe Benefits	215	223	8
Program Management	1,453	1,704	251
Legal	229	230	1
DBE/Labor Compliance	166	153	(13)
Design	8,244	9,307	1,063
ROW Acquisition	13,577	13,433	(144)
Utility Relocation	816	1,906	1,089
Construction Mgt	2,010	2,687	677
Railroad	12,047	18,325	6,279
Construction	25,877	22,579	(3,298)
Advertising	9	-	(9)
<b>Total Direct</b>	<u>65,290</u>	<u>71,188</u>	<u>5,898</u>
<b>Total Expenditures</b>	<u>\$ 69,262</u>	<u>\$ 75,480</u>	<u>\$ 6,218</u>

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## ACE CONSTRUCTION AUTHORITY FY 2009 GOALS

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### **Meeting FY 2009 Goals**

Last fiscal year's budget set forth a number of goals for FY 2009. The following is the anticipated status of each goal as of June 30, 2009:

<b>Project Implementation</b>	
<b>Goal</b>	<b>Progress</b>
Temple Ave: Fourth track right of way 70% complete	Accomplished.
Brea Canyon Road: Limited opening by August 2008; full opening by October 2008	Accomplished; Opened to traffic June 2008; full opening October 2008.
Sunset Avenue: Construction 60% complete	Not accomplished; Construction 40% complete; delays due to design changes and unforeseen site conditions.
East End Avenue: Open to traffic by July 2008.	Accomplished; Opened to traffic July 2008.
Baldwin Avenue: Construction out to bid.	Not accomplished; Commercial property acquisition not expected until Summer.
San Gabriel Trench: Complete environmental clearance and substantially complete preliminary engineering	Partially accomplished: Preliminary engineering complete; environmental document ready for circulation.
Nogales Street: Complete environmental clearance and design; right-of-way acquisition begun	Expect to accomplish.
IRRIS: Retrofit system with alternative train detection	Not accomplished; retrofit study not complete.

<b>Funding/Financial/Administration</b>	
<b>Goal</b>	<b>Progress</b>
Submit grant application for FRA rail relocation funds	Accomplished; Application submitted but rejected due to FRA program eligibility issue
Seek FY '09 Federal appropriations earmark (success unlikely)	Accomplished; \$2.75 million obtained.
Obtain Prop 1B grade separation funding for Nogales Street project	Accomplished; \$25.6 million grant approved by California Transportation Commission.
Support passage of SB 974 (Lowenthal) container fees	Bill vetoed by Governor
Seek dedicated freight trust fund in SAFETEA-LU reauthorization	Not accomplished; bill to be drafted this year
Obtain clean financial audit and management letter	Partially accomplished. Financial audit was clean; auditors cited control deficiencies which have been corrected.
Create self audit program	Accomplished
Maintain at least 95% of note proceeds invested	Accomplished for nine of twelve months

<b>Outreach</b>	
<b>Goal</b>	<b>Progress</b>
Conduct ribbon-cutting ceremonies for East End Avenue and Brea Canyon Road projects	Accomplished
Continue business support, school safety outreach programs	Accomplished
Implement revised DBE Program per anticipated Caltrans/FHWA regulation changes	Accomplished
Conduct at least one each environmental outreach meeting for the San Gabriel Trench and Nogales Street grade separation projects.	Accomplished

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## **ACE CONSTRUCTION AUTHORITY FY 2010 GOALS**

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Staff proposes to accomplish the following by June 30, 2010 (unless otherwise noted):

### **Project Implementation**

- Temple Avenue: Fourth track right of way completed;
- Sunset Avenue: Construction 80% complete;
- Nogales Street: Complete right-of-way acquisition; construction contract out to bid;
- Baldwin Avenue: Construction underway;
- San Gabriel Trench: Complete environmental clearance and SHPO process; substantially complete design; bid pre-construction utility relocation contracts.

### **Funding/Financial Administration**

- Establish eligibility for grant application and apply for FRA rail relocation funds;
- Seek FY '10 Federal appropriations earmark;
- Seek dedicated freight trust fund and/or existing Federal funding in SAFETEA-LU reauthorization;
- Advocate container fees either through legislation or ports agreement;
- Obtain clean financial audit and management letter;
- Maintain at least 95% of note proceeds invested.

### **Outreach**

- Conduct groundbreaking ceremonies for Baldwin Ave. and Nogales St. projects;
- Continue business support, community and school safety outreach programs
- Launch ACE e-newsletter
- Implement revised DBE Program per anticipated Caltrans/FHWA regulation changes
- Conduct at least one environmental outreach meeting for the San Gabriel Trench project.

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## FY 2010 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 as possible and within budget.

### **Budget Development**

The budget for FY 2010 (July 1, 2009 through June 30, 2010) was developed in two parts: project direct expense and indirect expense.

The project direct expense was 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 2010 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 2010. The ratio of indirect costs to direct costs is used to calculate the Indirect Rate Plan that is submitted to Caltrans for approval and becomes the basis for billing indirect costs in FY 2010.

The FY 2010 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 2010 budget provides only for activity for which the Authority has committed funding. In the event funding becomes available which permits additional project activity we will recommend amending the FY 2010 budget as necessary.

### **FY 2010 Budget**

The FY 2010 budget is presented in Exhibit II. Exhibit II A estimates overall revenues, expenses and income from our cash flow financing (GANs). Exhibit III compares the estimated actual for FY 2009 to the proposed budget for FY 2010.

The following addresses significant line item increases (more than 10% and \$10,000) proposed for FY 2010 compared to the FY 2009 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.

The FY 2010 budget includes 20 full-time positions. The budget provides for a 3% merit salary adjustment pool to be administered per our adopted salary guidelines. No increase in staffing level is assumed in the budget.

- Auto/Travel – (\$12,000 increase or 25% increase) – This incorporates increases greater than 10% for staff auto allowances (one additional staff monthly car allowance reimbursement) (\$3,000) and additional employee travel for training (\$5,000).
- Program Management – (Indirect) (\$151,000 increase or 15%) – Included in this increase is \$450,000 for our Phase II update study; otherwise this line item is decreasing.

- Insurance – (\$76,000 or 77% increase) – The FY '09 amount was artificially low (64% under budget) because premiums were not due in '09 for our largest policies, excess construction liability.
- Office Operations – (\$12,000 increase or 34%) – We are experiencing higher costs primarily in the postal and delivery services and in copying. We will look to reduce costs in these areas as we move into FY '10.
- Program Management – (Direct) (\$1.67 million increase or 115%) – This significant increase reflects substantial property acquisition on Baldwin Ave., Nogales St., and the San Gabriel Trench, and a larger effort on the environmental and historic clearances for the San Gabriel Trench.
- Legal – (Direct) (\$466,000 or 200%) – Makes allowances for legal expenses for large scale property acquisition on the aforementioned three projects.
- Design – (\$6.026 million increase or 73%) – This reflects the difference between a lesser amount of design done in FY '09 and the planned expenditures on the San Gabriel Trench engineering.
- Right of Way Acquisition (\$5.054 million increase or 37%) – The projected expenditures reflect completion of Baldwin Avenue right of way acquisition, and significant acquisitions on the Nogales St. and the San Gabriel Trench projects.
- Utility Relocation – (\$9.760 million) – This reflects a transition from a year with very little utility expenses to significant costs for the three aforementioned projects.
- Construction Management – (\$3.355 million or 166% increase) – Reflects significant active construction on five projects – Sunset, Temple, Baldwin, Nogales and the San Gabriel Trench.
- Construction – (\$15.946 million, or 62% increase) – Same as above.



**Exhibit II**  
**FY 2010 Approved Budget with Type of Expenditure**  
**(\$ in thousands)**

<b>Expenditures</b>	<b>FY 2010 Approved</b>
<b>Indirect</b>	
<b>Personnel</b>	
Salaries and Wages	\$ 1,416
Fringe Benefits	413
<b>Board/Employee Expense</b>	
Auto/Travel	59
Training / Memberships	5
Board Expense	19
<b>Professional Services</b>	
Auditing/Accounting	35
DBE/Labor Compliance	121
Legal - Agency Support	50
Program Management	1,138
State/Federal Advisory Services	301
Risk Management	65
UPRR Invoice Review	72
<b>Insurance</b>	175
<b>Equipment Expense</b>	58
<b>Office Expense</b>	209
<b>Office Operations</b>	47
<b>Other</b>	13
<b>Total Indirect</b>	4,195
<b>Direct</b>	
Salaries and Wages	827
Fringe Benefits	228
Program Management	3,123
Legal	695
DBE/Labor Compliance	124
Design	14,270
ROW Acquisition	18,631
Utility Relocation	10,576
Construction Mgt	5,365
Railroad	12,290
Construction	41,831
Advertising	25
<b>Total Direct</b>	107,985
<b>Total Expenditures</b>	\$ 112,180

**Exhibit II A**  
**FY 2010 Approved Budget with Type of Expenditure**  
**(\$ in thousands)**

<b>Expenditures</b>	<b>FY 2010 Approved</b>
<b>Revenues</b>	
Federal	\$ 42,309
State	23,619
Local	40,334
Other	9,325
<b>Total Revenue</b>	<b>115,587</b>
 <b>Operating Expenditures</b>	
<b>Direct</b>	
Design	16,612
ROW Acquisition	30,182
Construction	49,819
Construction Management	5,923
Betterment	5,450
<b>Total Direct</b>	<b>107,985</b>
 <b>Indirect</b>	
Personnel	1,830
Board/Employee Expense	82
Professional Services	1,781
Insurance	175
Equipment Expense	58
Office Expense	209
Office Operations	47
Other	13
<b>Total Indirect</b>	<b>4,195</b>
<b>Total Operating Expenditures</b>	<b>112,180</b>
 <b>Excess of Revenue over Expenditures before Financing</b>	 <b>3,407</b>
 <b>Financing Income</b>	
Investment Revenue	1,455
Interest and Related Expense	868
<b>Net Financing Income/Expense</b>	<b>587</b>
<b>Excess of Revenues over Expenditures</b>	<b>3,994</b>
 <b>Fund Balance Beginning of Period</b>	 <b>\$ 14,489</b>
<b>Fund Balance End of Period</b>	<b>\$ 18,482</b>

**Exhibit III**  
**Comparison - FY 2009 Estimated Actuals vs. FY 2010 Approved**  
(\$ in thousands)

<b>Expenditures</b>	<b>FY 2009 Estimate</b>	<b>FY 2010 Approved</b>	<b>Incr/ Decr</b>
<b>Indirect</b>			
<b>Personnel</b>			
Salaries and Wages	\$ 1,492	\$ 1,416	\$ (76)
Fringe Benefits	385	413	29
<b>Board/Employee Expense</b>			
Auto/Travel	47	59	12
Training/Memberships	1	5	4
Board Expense	15	19	4
<b>Professional Services</b>			
Auditing/Accounting	34	35	1
DBE/Labor Compliance	122	121	(1)
Legal - Agency Support	49	50	1
Program Management	987	1,138	151
State/Federal Advisory Services	287	301	14
Risk Management	65	65	-
UPRR Invoice Review	66	72	6
<b>Insurance</b>	99	175	76
<b>Equipment Expense</b>	71	58	(13)
<b>Office Expense</b>	205	209	4
<b>Office Operations</b>	35	47	11
<b>Other</b>	12	13	1
<b>Total Indirect</b>	<u>3,972</u>	<u>4,195</u>	<u>223</u>
<b>Direct</b>			
Salaries and Wages	647	827	180
Fringe Benefits	215	228	12
Program Management	1,453	3,123	1,670
Legal	229	695	466
Labor Compliance	166	124	(42)
Design	8,244	14,270	6,026
ROW Acquisition	13,577	18,631	5,054
Utility Relocation	816	10,576	9,760
Construction Mgt	2,010	5,365	3,355
Railroad	12,047	12,290	244
Construction	25,877	41,831	15,954
Advertising	9	25	16
<b>Total Direct</b>	<u>65,290</u>	<u>107,985</u>	<u>42,694</u>
<b>Total Expenditures</b>	<u>\$ 69,262</u>	<u>\$ 112,180</u>	<u>\$ 42,917</u>

## **Project Financing**

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

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 has been over \$3.7 million over the life of the program. We believe that the cost of the notes will continue to be self-funding over the life of the project.

Because the ACE Construction Authority continues to have no other sources of revenue other than grants and contributions from funding agencies, ACE staff will make every effort to ensure that all 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 un-reimbursed expenses
	\$190,750	Estimated total – project-life-to-date

Based on experience to date, we expect the net income of our cash flow financing to 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 May 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 June meeting.

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## FY 2010 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.
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.
UPRR Invoice Review	UPRR invoice review services.

<b>Insurance</b>	Annual insurance premiums and out-of-pocket losses
<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



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	construction
<b>Construction</b>	Payment to construction contractors
<b>Advertising</b>	Cost of advertising construction contracts

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