



ACE CONSTRUCTION AUTHORITY FY 2011 APPROVED BUDGET

City of Industry

1.6 mile
construction
project



SUNSET AVE.
PROJECT



Sunset
Avenue
Bridge



32 feet high
flyover



Orange
Avenue
Bridge

PRESENTED TO THE
BOARD OF DIRECTORS
MAY 24, 2010

Table of Contents

Budget Message	1
Background.....	2
Project Status.....	2
Project Map.....	3
Funding Status	4
FY 2010 Budget Status.....	5
ACE CONSTRUCTION AUTHORITY FY 2010 GOALS	8
Meeting FY 2010 Goals	8
ACE CONSTRUCTION AUTHORITY FY 2011 GOALS	10
Project Implementation.....	10
Funding/Financial Administration	10
Outreach.....	10
FY 2011 ACE Construction Authority Budget	11
Budget Development	11
FY 2011 Budget.....	12
Project Financing	20
Budget Amendments And Revisions	21
Board Review and Approval	22
FY 2011 Budget Glossary	23
Indirect Expenses.....	23
Direct Expenses.....	24

Organization

Board of Directors

Councilman Tim Spohn
City of Industry
Chair

Vice Mayor David Gutierrez
City of San Gabriel
Vice Chair

Supervisor Michael D. Antonovich
LA County Board of Supervisors

Councilman Stephen Atchley
City of Pomona

Councilman Frank Gomez
City of Montebello

Mayor 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

San Gabriel Valley Council of Governments

3452 E. Foothill Blvd.
Suite 910
Pasadena, CA 91107

Phone: (626) 564-9702
Fax: (626) 564-1116
Web site: www.sgvkog.org

Nicholas Conway
Executive Director

Office

4900 Rivergrade Road
Suite A120
Irwindale, CA 91706

Phone: (626) 962-9292
Fax: (626) 962-9393
Helpline: 888-ACE-1426
Web site: www.theaceproject.org

Budget Message

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) completing real estate acquisition, the Nogales Street project in the midst of property acquisition clearance, and the San Gabriel Trench moving toward completion of design and beginning property acquisition.

The remaining six adopted grade separations have been reviewed in a recently released update study which will lead to a blueprint for implementation of the remainder of the ACE Project.

Prospectively, we will be seeking additional project funding from the reauthorization of Federal transportation funding expected in 2010 or 2011. 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.

Rick Richmond
Chief Executive Officer

Project Background and Status

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 few years and presently is showing signs of recovery, but predicting 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, 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. That estimate is subject to a revision based on the results of a recently updated study.

Project Status

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

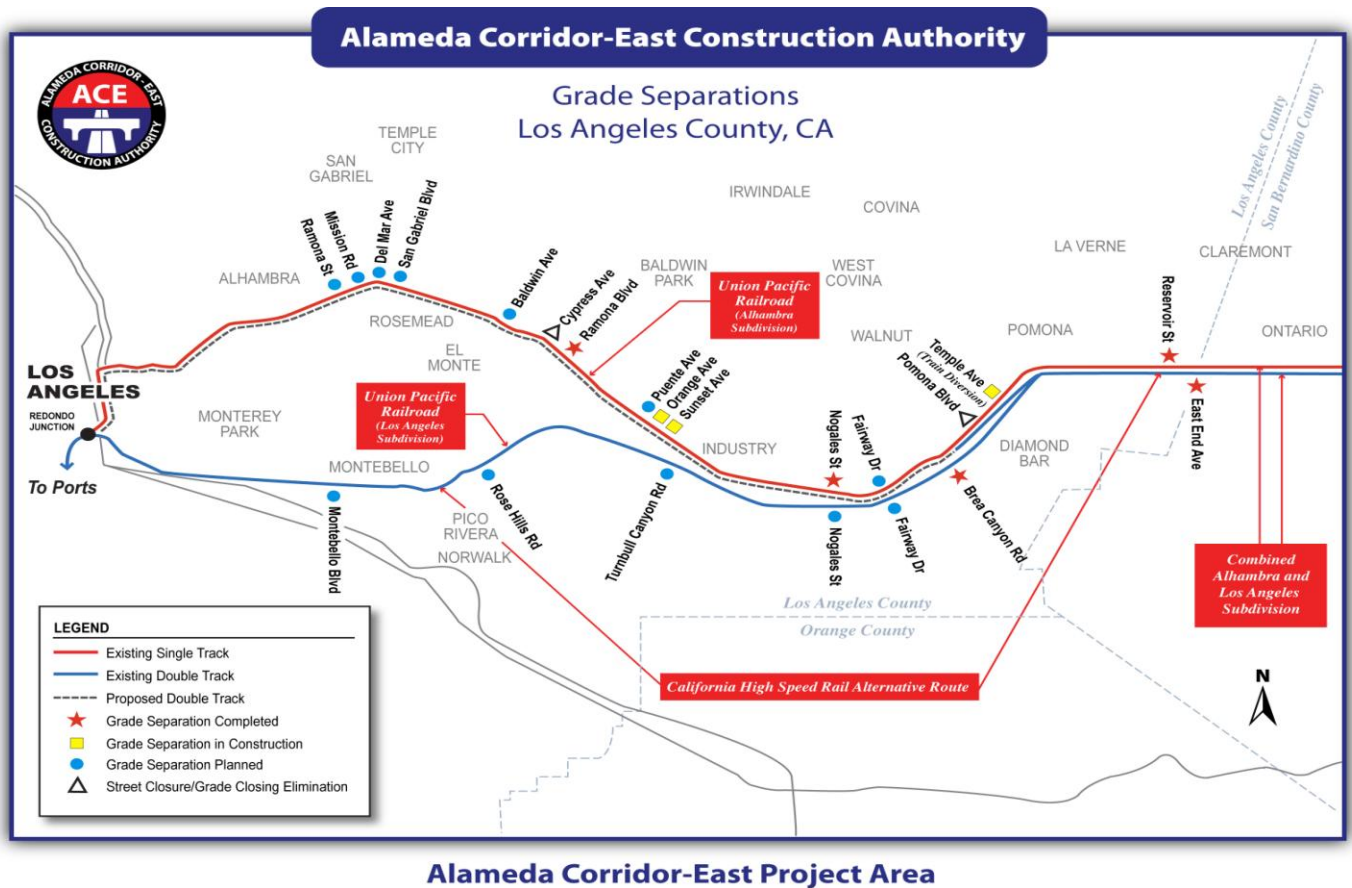
Railroad Crossing Safety Improvements (39 crossings)

- Completed

Grade Separations

- Five grade separations completed (Nogales St., Reservoir St., East End Ave., Ramona Blvd., and Brea Canyon Rd.) and Temple Ave. (ACE work only)
- One grade separation awaiting completion of UPRR work (Temple Ave.)
- One grade separation in construction (Sunset Ave.)
- One grade separation in construction (Sunset Ave.)
- One grade separation in right of way phase (Nogales St.)
- Four grade separations in design (San Gabriel Trench).

Project Map



Funding Status

The current cost estimate for completion of all completed or active projects is \$1,125,814 (March 2010 quarterly status report). An additional \$14.6 million in city or railroad requested and funded property enhancements bring the total projected expenditures to \$1.104 billion.

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

<u>Funding Source</u>	(\$ millions) Committed /Estimate
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	20.5
City/Railroad Betterments	14.6
Total ACE Project Funding	<u>\$ 1,155.2</u>

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.

FY 2010 Budget Status

The Board of Directors adopted the Fiscal Year 2010 budget in May 2009 and it was revised in January 2010 to reflect a slower rate of construction progress.

The attached table (Exhibit I) compares the FY 2010 Budget to the estimated actual expenses as of June 30, 2010.

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 2010 rate approved by Caltrans on provisional basis and includes adjustments for over and under spending in prior years and depreciation expense. ACE anticipates indirect expenses for FY 2010 will be \$3.995 million, about 4% under budget.

Indirect salaries and wages will be slightly over budget as more time was charged to non-project specific activities than was anticipated. Almost all remaining line items are all under-running.

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 \$18.7 million, or 24%.

The most significant projected direct cost overruns is expected to be construction where spending is picking up slightly better than expected on Sunset.

The largest underruns are expected in ROW acquisition, utility relocation, construction management and railroad construction.

Right of Way Acquisition – Primarily due to starting the Nogales property acquisition about six months later than planned due to delays in environmental clearance. We also underspent on property acquisition on the San Gabriel Trench, also due to a later start than anticipated.

Utility Relocation – Reflects a decision earlier this year to shift a portion of the early San Gabriel Trench utility relocation into the main construction contract to retain State funding eligibility.

Construction Management – Largely due to a delayed construction start on the Baldwin project resulting from property acquisition delay.

Railroad Construction – The UPRR work on the Sunset project, which has started, was expected to have started earlier.

Exhibit I
FY 2010 Budget vs. Estimated Actual
(\$ in thousands)

Expenditures	Year End Estimate	FY 2010 Budget	Under/ (Over)
Indirect			
Personnel			
Salaries and Wages	\$ 1,512	\$ 1,429	\$ (83)
Fringe Benefits	416	417	1
Board/Employee Expense			
Auto/Travel	36	42	6
Training/Memberships	3	5	2
Board Expense	18	19	1
Professional Services			
Auditing/Accounting	35	35	-
DBE Compliance	93	121	28
Legal-Agency Support	59	50	(9)
Program Management	1,138	1,138	-
State/Federal Advisory Services	276	301	25
Risk Management	65	65	-
Insurance	61	175	114
Equipment Expense	44	58	14
Office Expense	150	209	59
Office Operations	40	47	7
Other	9	13	4
Total Indirect	<u>3,955</u>	<u>4,124</u>	<u>169</u>
Direct			
Salaries and Wages	718	814	96
Fringe Benefits	229	225	(4)
Employee Travel - Projects	17	17	-
Program Management	2,179	3,077	898
Legal	504	891	387
Labor Compliance	98	124	26
Design	14,974	15,065	91
ROW Acquisition	8,926	20,210	11,284
Utility Relocation	673	5,056	4,382
Construction Mgt	1,554	2,740	1,186
Railroad	7,606	12,392	4,786
Construction	37,200	33,006	(4,194)
Third Party Review	460	-	(460)
UPRR Invoice Review	53	72	19
Advertising	5	15	10
Total Direct	<u>75,196</u>	<u>93,704</u>	<u>18,508</u>
Total Expenditures	<u>\$ 79,151</u>	<u>\$ 97,828</u>	<u>\$ 18,677</u>

ACE CONSTRUCTION AUTHORITY FY 2010 GOALS

Meeting FY 2010 Goals

Last fiscal year's budget set forth a number of goals for FY 2010. The following is the anticipated status of each goal as of June 30, 2010:

Project Implementation	
Goal	Progress
Temple Ave: Fourth track right of way completed.	Accomplished.
Sunset Avenue: Construction 80% complete.	Accomplished; expect to be at 85%.
Baldwin Avenue: Construction underway.	Not accomplished; last property acquisition in condemnation.
San Gabriel Trench: Complete environmental clearance and SHPO process; substantially complete design, bid re-construction utility relocation contracts.	Partially accomplished: expect to meet environmental/SHPO and design goals to be met; early fiber optic relocation should be bid this Summer.
Nogales Street: Complete right-of-way acquisition; construction contract out to bid.	Not accomplished; completion of environmental process delayed by detour road substitution; property acquisition underway.

Funding/Financial/Administration	
Goal	Progress
Establish eligibility grant application & apply for FRA rail relocation funds.	Partially accomplished; received earmarked FRA funds
Seek FY Federal appropriations earmark.	Accomplished; received approximately \$1 million.
Seek dedicated freight trust fund and/or Federal funding in SAFETEA-LU reauthorization.	Ongoing effort.
Advocate container fees either through legislation or ports agreement.	Not attempted due to economic and ports traffic conditions.
Obtain clean financial audit and management letter.	Accomplished.
Maintain at least 95% of note proceeds invested.	Not accomplished due to lags in receiving retained funds from Caltrans and MTA; averaged approximately 90%.

Outreach	
Goal	Progress
Conduct groundbreaking ceremonies for Baldwin Avenue and Nogales Street projects.	Not accomplished. Projects not yet in construction.
Continue business support, community and school safety outreach programs	Accomplished.
Launch e-newsletter.	Accomplished; two issues circulated.
Implement revised DBE program per anticipated Caltrans/FHWA regulation changes.	Accomplished.
Conduct at least one environmental outreach meeting for the San Gabriel Trench.	Accomplished during circulation of environmental document.

ACE CONSTRUCTION AUTHORITY FY 2011 GOALS

Staff proposes to accomplish the following by June 30, 2011 (unless otherwise noted):

Project Implementation

- Temple Avenue: Resolve UPRR issues delaying train diversion;
- Sunset Avenue: Construction complete by January 2011;
- Nogales Street: Complete right-of-way acquisition; construction underway;
- Baldwin Avenue: Construction underway;
- San Gabriel Trench: Complete design and right-of-way acquisition; complete early fiber optic relocation; bid main construction contract (dependent on State funding).

Funding/Financial Administration

- Apply for TIGER II grant;
- Seek FY '11 Federal appropriations earmark;
- 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 and/or opening for ready projects (Baldwin, Sunset, 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

FY 2011 ACE Construction Authority Budget

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 2011 (July 1, 2010 through June 30, 2011) 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 2011 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 2011. 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 2011.

The FY 2011 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 2011 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.

Staff anticipates that as a result of the ACE Project update study described earlier there will be new grade separation projects(s) entering into design in FY '11. The proposed budget does not include funding for this activity at this time since it is too difficult to speculate on the specifics. If new projects are begun there will be a recommended budget revision to accommodate them.

FY 2011 Budget

The FY 2011 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 2010 to the proposed budget for FY 2011.

The pace of active projects is the major factor in our annual budget projection. For FY '11 we have made the following assumptions about the projects having the biggest impact on our spending estimates:

Baldwin Ave. – Construction projected to begin in or about November 2010;

Nogales St. – Land acquisition expected to be completed by early 2011 and construction to begin in the first quarter of calendar year 2011.

San Gabriel Trench – Land acquisition expected to be completed by early 2011 and major construction expected to begin in Spring 2011.

The FY 2011 budget includes 23 full time positions, an increase of three phased in over the course of the fiscal year. Two of the additional 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. The third position is a planned conversion of an existing full time information technology consultant employee to staff, with a corresponding reduction in contract cost.

The budget provides for a 3% merit salary adjustment pool to be administered per our adopted salary guidelines.

The following addresses significant line item increases (more than 10% and \$10,000) proposed for FY 2011 compared to the FY 2010 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.

DBE/Labor Compliance (indirect) - (\$68,000/73% increase) – This reflects the reinstatement of the Federal DBE procedures by direction of Caltrans, which comes with it additional administrative burden, as well as an increased level of construction contracting expected in FY '11.

Insurance (indirect) – (\$104,000/170% increase) – This fluctuation is caused by timing of policy renewals which caused a substantial under-run in the current fiscal year. The expected FY 2011 insurance cost is about the same as was expected for FY 2010.

Office Expense (indirect) (\$53,000/35% increase) – In FY 2010 we received four months free rent as part of our lease renewal, resulting in a \$59,000 under-run. The FY '11 estimate reflects a full year's rent.

Program Management (direct) (\$1.721 million/79% increase) – This reflects a substantial increase in property acquisition support costs for Nogales and the San Gabriel Trench and major pre-construction archeological field work and documentation required for the San Gabriel Trench.

Legal (direct) (\$96,000/19% increase) – This provides for completion of an eminent domain case on the Baldwin project and allowances for potential eminent domain cases on Nogales and/or San Gabriel.

Labor Compliance (direct) (\$32,000/33% increase) – The expected increase in construction activity in FY 2011 will require increased field effort on labor compliance.

ROW Acquisition (direct) (\$23.505 million/283% increase) – This significant increase represents relatively large property acquisition requirements for both the Nogales (44 acquisitions) and San Gabriel (48 acquisitions), as well as completion of the Baldwin acquisitions.

Utility Relocation (direct) (\$10.533 million) – This reflects both a deferral of most of the activity expected in FY 2010 (\$4.4 million under-run) and additional "new" work on Nogales.

Construction Management (direct) (\$1.096 million/71% increase) – This increase is due to the continuation of Sunset CM activities and the phased-in addition over the course of the fiscal year of CM activity on Baldwin, Nogales and San Gabriel.

Third Party Review (direct) (\$456,000/89% increase) – This budget includes outside agency charges primarily for design reviews. Los Angeles County Public Works

Department and the City of San Gabriel are being added to the list for FY 2011, and the overall level of review activity has grown with the increasing project activity.

Advertising (direct) (\$10,000/300% increase) – This reflects the expected advertisement of three construction projects (Baldwin, Nogales and San Gabriel).

The construction line item, \$39.730 million, is based on the rate of progress described earlier for the Sunset, Baldwin, Nogales and the San Gabriel projects.

Exhibit II
FY 2011 Approved Budget with Type of Expenditure
(\$ in thousands)

Expenditures	FY 2011 Approved
Indirect	
Personnel	
Salaries and Wages	\$ 1,625
Fringe Benefits	467
Board/Employee Expense	
Auto/Travel	32
Training/Memberships	3
Board Expense	19
Professional Services	
Auditing/Accounting	35
DBE Compliance	161
Legal-Agency Support	55
Program Management	923
State/Federal Advisory Services	266
Risk Management	65
Insurance	
	166
Equipment Expense	
	48
Office Expense	
	203
Office Operations	
	38
Other	
	5
Total Indirect	4,111
Direct	
Salaries and Wages	732
Fringe Benefits	267
Employee Travel - Projects	16
Program Management	3,909
Legal	600
Labor Compliance	130
Design	6,707
ROW Acquisition	32,431
Utility Relocation	11,206
Construction Mgt	2,650
Railroad	5,836
Construction	39,730
Third Party Review	970
UPRR Invoice Review	70
Advertising	15
Total Direct	105,269
Total Expenditures	\$ 109,380

Exhibit IIA
FY 2011 Approved Budget with Type of Expenditure
(\$ in thousands)

Expenditures	FY 2011 Approved	Baldwin	Sunset	Brea Cyn	Temple	SG Trench	Nogales (LA)
Indirect							
Personnel							
Salaries and Wages	\$ 1,625	\$ 282	\$ 266	\$ -	\$ -	\$ 578	\$ 500
Fringe Benefits	467	81	76	-	-	166	143
Board/Employee Expense							
Auto/Travel	32	6	5	-	-	11	10
Training/Memberships	3	1	1	-	-	1	1
Board Expense	19	3	3	-	-	7	6
Professional Services							
Auditing/Accounting	35	6	6	-	-	12	11
DBE Compliance	161	28	26	-	-	57	49
Legal-Agency Support	55	10	9	-	-	20	17
Program Management	923	160	151	-	-	328	284
State/Federal Advisory Services	266	46	44	-	-	94	82
Risk Management	65	11	11	-	-	23	20
Insurance	166	29	27	-	-	59	51
Equipment Expense	48	8	8	-	-	17	15
Office Expense	203	35	33	-	-	72	62
Office Operations	38	7	6	-	-	13	12
Other	5	1	1	-	-	2	2
Total Indirect	<u>4,111</u>	<u>713</u>	<u>674</u>	<u>-</u>	<u>-</u>	<u>1,461</u>	<u>1,263</u>
Direct							
Salaries and Wages	732	127	120	-	-	260	225
Fringe Benefits	267	46	44	-	-	95	82
Employee Travel - Projects	16	2	5	-	-	4	5
Program Management	3,909	341	54	3	104	2,629	778
Legal	600	150	-	-	-	300	150
Labor Compliance	130	16	21	-	-	64	29
Design	6,707	414	-	-	-	6,093	200
ROW Acquisition	32,431	3,000	-	-	-	14,318	15,113
Utility Relocation	11,206	-	8	-	-	6,178	5,020
Construction Mgt	2,650	996	847	-	-	667	140
Railroad	5,836	10	5,723	-	-	56	47
Construction	39,730	6,446	10,241	-	-	22,043	1,000
Third Party Review	970	20	-	-	-	950	-
UPRR Invoice Review	70	15	15	-	-	20	20
Advertising	15	5	-	-	-	5	5
Total Direct	<u>105,269</u>	<u>11,588</u>	<u>17,077</u>	<u>3</u>	<u>104</u>	<u>53,682</u>	<u>22,814</u>
Total Expenditures	<u>\$ 109,380</u>	<u>\$ 12,301</u>	<u>\$ 17,751</u>	<u>\$ 3</u>	<u>\$ 104</u>	<u>\$ 55,143</u>	<u>\$ 24,077</u>

Exhibit III
FY 2011 Approved Budget with Type of Expenditure
(\$ in thousands)

Expenditures	FY 2011 Approved
Revenues	
Federal	\$ 14,631
State	26,808
Local	67,941
Other	1,333
Total Revenue	110,713
Operating Expenditures	
Direct	
Design	7,698
ROW Acquisition	43,677
Construction	51,726
Construction Management	1,198
Betterment	970
Total Direct	105,269
Indirect	
Personnel	2,092
Board/Employee Expense	54
Professional Services	1,504
Insurance	166
Equipment Expense	48
Office Expense	203
Office Operations	38
Other	5
Total Indirect	4,111
Total Operating Expenditures	109,380
Excess of Revenue over Expenditures before Financing	1,333
Financing Income	
Investment Revenue	638
Interest and Related Expense	562
Net Financing Income/Expense	76
Excess of Revenues over Expenditures	1,409
Fund Balance Beginning of Period	\$ 13,521
Fund Balance End of Period	\$ 14,930

Exhibit IV
Comparison - FY 2010 Estimated Actuals vs. FY 2011 Approved
(\$ in thousands)

Expenditures	FY 2010 Estimate	FY 2011 Approved	Incr/ Decr
Indirect			
Personnel			
Salaries and Wages	\$ 1,512	\$ 1,625	113
Fringe Benefits	416	467	51
Board/Employee Expense			
Auto/Travel	36	32	(4)
Training/Memberships	3	3	-
Board Expense	18	19	1
Professional Services			
Auditing/Accounting	35	35	-
DBE Compliance	93	161	68
Legal-Agency Support	59	55	(4)
Program Management	1,138	923	(215)
State/Federal Advisory Services	276	266	(10)
Risk Management	65	65	-
Insurance	61	166	105
Equipment Expense	44	48	4
Office Expense	150	203	53
Office Operations	40	38	(2)
Other	9	5	(4)
Total Indirect	3,955	4,111	156
Direct			
Salaries and Wages	718	732	14
Fringe Benefits	229	267	38
Employee Travel - Projects	17	16	(1)
Program Management	2,179	3,909	1,730
Legal	504	600	96
Labor Compliance	98	130	32
Design	14,974	6,707	(8,267)
ROW Acquisition	8,926	32,431	23,505
Utility Relocation	673	11,206	10,533
Construction Mgt	1,554	2,650	1,096
Railroad	7,606	5,836	(1,770)
Construction	37,200	39,730	2,530
Third Party Review	460	970	510
UPRR Invoice Review	53	70	17
Advertising	5	15	10
Total Direct	75,196	105,269	30,073
Total Expenditures	\$ 79,151	\$ 109,380	\$ 30,229

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 \$4 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.

Board Review and Approval

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 next meeting.

FY 20110 Budget Glossary

Indirect Expenses

Personnel

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.

Board/Employee Expenses

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.

Professional Services

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.

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

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