

2018 Fiscal Year Approved Budget



AT-GRADE SAFETY
IMPROVEMENTS

MONTEBELLO
CORRIDOR

DURFEE AVENUE

TURNBULL
CANYON ROAD

FAIRWAY DRIVE

PUENTE AVENUE

FULLERTON ROAD

SAN GABRIEL
TRENCH

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Budget Message

Fiscal year 2017 was an exceptionally busy time for ACE with four grade separation projects and one rail diversion project in construction at an estimated total cost of \$1.1 billion. In addition, during FY17 ACE continued working on the design of three more grade separation projects as well as safety enhancements at eight crossings. FY17 also posed schedule delays for construction activity due to record breaking rainfalls. An overall update of the ACE Program is as follows:

Construction

The Nogales Street grade separation was completed in FY17. This project was recently recognized as Safety Project of the Year by the California Transportation Foundation. Though open to traffic in June, there remains some work that will be completed shortly.

The Fullerton Road grade separation broke ground in September. With Nogales open, the Fullerton project now is our busiest construction project area, located in a heavily traveled corridor to shopping, restaurants, warehousing, residential and the State Road 60 freeway. As with all projects, ACE is working closely with local businesses to mitigate the construction and traffic impacts.

The San Gabriel Trench project progressed well in FY17 and was expected to be running trains on its tracks by now, however rain delayed delivery of ballast required for the new tracks. Full train service in the trench is expected in early FY18.

The Temple Avenue train diversion project affecting the Cal Poly Pomona area is expected to be complete by the end of the year.

The Fairway Drive grade separation project was amended to include construction of on and off ramps on the State Route 60 freeway. This phase of the Fairway project is expected to be complete before the end of calendar year 2017.

The Puente Avenue grade separation project has reached its half way milestone of construction. The Puente Avenue grade separation in the City of Industry, the Temple Avenue project in Pomona and our most extensive endeavor, the San Gabriel Trench project, are all expected to be complete in fiscal year 2018.

Design

The Durfee Avenue grade separation project in the City of Pico Rivera is in the midst of design and expected to begin construction early 2018.

The Montebello Corridor project, a long awaited project for the City is also in design.

Finally, the *At-Grade Safety Improvement* project, a series of much needed safety improvements in Pomona is also well into design.

While we do not have construction funding for the *Turnbull Canyon Road grade separation* project in the City of Industry, this project is also in design. Staff has applied for various state and

federal grants and is optimistic that funding for Turnbull Canyon, ACE's final grade separation project, will be available when the design is completed.

Looking ahead: During FY17, our parent agency, the San Gabriel Valley Council of Governments' (SGVCOG) Governing Board acknowledged the value of having a construction entity available for future regional projects being funded with Measure M and potentially other grants that the SGVCOG may obtain. Recognizing the benefits of maintaining some version of the current ACE organization and its expertise is something we are exceptionally proud of. In February, the Governing Board agreed to expand the scope of ACE beyond grade separations and a reorganization of ACE, the details of such are still in discussion. While it is for the SGVCOG Governing Board ultimately to decide, ACE does not anticipate any immediate changes to the current ACE organization. The current staff's primary focus will be to complete the ACE Program.

On the funding side, ACE staff successfully petitioned the California Transportation Commission to re-allocate Trade Corridor Improvement Funds from project savings on the Baldwin Avenue Project as well as regional funds that remained unspent to the Durfee Road Grade Separation Project. ACE has also submitted \$50 million in grant applications under the recently approved Federal FAST ACT. If approved, ACE will be very close to being a fully funded program.

Administratively, ACE has continued to recover all billable costs in a timely manner. As an agency completely reliant on reimbursement of expenses, this is an extremely important goal and insures that the agencies borrowing costs are kept to a minimum.

During FY17 ACE continued to provide finance, accounting, IT and human resources services through Memorandums of Understanding to the SGVCOG. Through our team efforts, improved policies and procedures were developed and implemented and audited by Caltrans. As a result, the SGVCOG's high risk designation has been removed and the SGVCOG is now eligible to receive and administer state and federal grants. ACE also continued to provide transportation planning and legislative advocacy support for programs related to Measure M.

The Fiscal Year 2018 budget provides for a work plan as ambitious as the one ACE just completed. It is anticipated that project expenditures will match or even exceed those of Fiscal Year 2017 and ACE will be one step closer to its goal of completing all of the adopted projects in the ACE Program.



Mark Christoffels
Chief Executive Officer

Background

The planning for the ACE Project, done in the late 1990s, was based on anticipated 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. The result would be traffic delays at crossings increasing by up to 300%. Based on current train traffic along both subdivisions of the Union Pacific Railroad through the San Gabriel Valley, train counts have increased significantly and are predicted to reach the numbers anticipated in the original study within the next 10 years.

The originally adopted ACE Project included safety improvements at 39 grade crossings located throughout the San Gabriel Valley and 22 grade crossing eliminations (grade separations). In 2007 the original project estimate from 1998 was updated to take into account inflation over the previous 10 years, higher than anticipated right-of-way requirements, and increased railroad and utility relocation costs. In late 2007 ACE increased the project cost estimate from \$910 million to \$1.404 billion (without an allowance for escalation over time), which remained fairly consistent until the remaining project scope was restudied in 2010-11. Subsequently in 2013, and again in 2015 the project was amended to revise the scope of projects in Pomona and Montebello. During fiscal year 2017 the addition of a betterment at Lemon Avenue, requested by the Cities of Diamond Bar and Industry was included in the adopted project. With the adoption of these project changes the overall ACE program cost now stands at \$1.735 billion.

To date ACE has implemented 39 crossing safety improvements and nine grade separation projects.

Project Status

The following is a summary of the status of the active projects:

Nogales Street Grade Separation (LA subdivision): The Nogales Street grade separation was opened to traffic in June 2017. While the street has been open, minor work remains related to the groundwater system and a local sewer connection that should be completed this summer.

San Gabriel Trench: Construction crews are nearing completion of the 1.2-mile, 65-foot-wide and 30-foot-deep San Gabriel railroad trench. With work completed on the trench walls and floor, and bridges at all four railroad crossings, the focus shifts to new mainline construction. However, due to the record rainfall and severe weather conditions in California through the months of January and February, track outages and service interruptions required Union Pacific to divert their crews and materials for repairs elsewhere in the state and across the Pacific Northwest, ultimately impacting the schedule for the mainline track work. The new mainline tracks are scheduled to be installed by Union Pacific crews by mid-Summer. Once complete, freight traffic will shift from the temporary railroad shoofly onto the new tracks in the trench. The majority of the project is anticipated to be completed by the end of the year.

Puente Avenue Grade Separation: Construction of a roadway underpass and railroad bridge on Puente Avenue at Valley Boulevard in the City of Industry and unincorporated community of Avocado Heights is moving into its next phase. Excavation has begun on Workman Mill Road, south of Valley Boulevard, to prepare the site for construction of the south abutment, retaining walls and roadway underpass. Crews recently finished work on the southern portion of the roadway bridge that will carry vehicles across Puente Avenue. Despite construction taking place on busy Valley Boulevard, work was staged to ensure traffic flow and access to local businesses was maintained at all times. Work now moves on to the northern portion of the Valley Boulevard roadway bridge as well as the railroad bridge that will span the underpass. As a result, traffic lanes on Valley Boulevard have been shifted onto the newly constructed portion of the bridge structure

on the south. In addition, 3rd Avenue has been opened to traffic to provide access to eastbound Valley Boulevard. Project completion is scheduled for fall 2018.

Fullerton Road Grade Separation: Fullerton Road from Gale Avenue on the north and the eastbound State Route 60 freeway off-ramp on the south is being widened to three lanes in each direction, improving traffic flow and reducing congestion at the bottleneck, traversed by over 23,000 vehicles daily. The widening is being completed in advance of a road closure this summer to construct a six-lane roadway underpass and railroad bridge on Fullerton Road in the City of Industry and unincorporated community of Rowland Heights. Completion of the grade separation and reopening of the roadway is anticipated in summer 2020.

Fairway Drive Grade Separation: In anticipation of the crossing closure to construct a roadway underpass and railroad bridge on Fairway Drive later this year, crews are working to build a new interchange on State Route 60 at Lemon Avenue in the Cities of Diamond Bar and Industry that will be used as a detour for motorists. The three-legged interchange will include a westbound on-ramp and eastbound off and on-ramps. Freeway ramp work is scheduled to be completed in the fall. This was a betterment requested by the Cities of Diamond Bar and Industry. The Lemon Avenue project, once complete, will be the first major construction project funded under the Measure M program. This is not only a major achievement for all parties involved - ACE, Caltrans, Diamond Bar and City of Industry, but is the first major highway project undertaken by the ACE Construction Authority. Subsequent completion of the grade separation is anticipated in summer 2020.

Temple Avenue: This project consists of the diversion of the Union Pacific Railroad's (UPRR) Alhambra subdivision to join the UPRR Los Angeles subdivision in Pomona to eliminate grade crossings at both Pomona Boulevard and Temple Avenue. The diversion required a track across Cal Poly Pomona agricultural property and the addition of 2½ miles of third track along the Los Angeles subdivision and the modification of a storm drain box. This work will be completed this summer followed by UPRR completing rail installations and signal modifications. Thereafter rail operations along these lines will

begin, thus abandoning the portion of the Alhambra Subdivision from west of Temple Avenue to Hamilton Boulevard.

Montebello Corridor: The Montebello Corridor Grade Separation Project calls for constructing a roadway underpass, sidewalks, bike lanes and railroad bridge at the railroad crossing on Montebello Boulevard. Safety improvements will include quad crossing gates at the crossings on Maple, Greenwood and Vail Avenues. A pedestrian overcrossing is also planned for the Maple Avenue crossing due to significant numbers of pedestrians and cyclists. The environmental review process is moving forward as ACE staff continues to coordinate with the City and other stakeholders during the preliminary design phase. The project is expected to begin construction in early 2020.

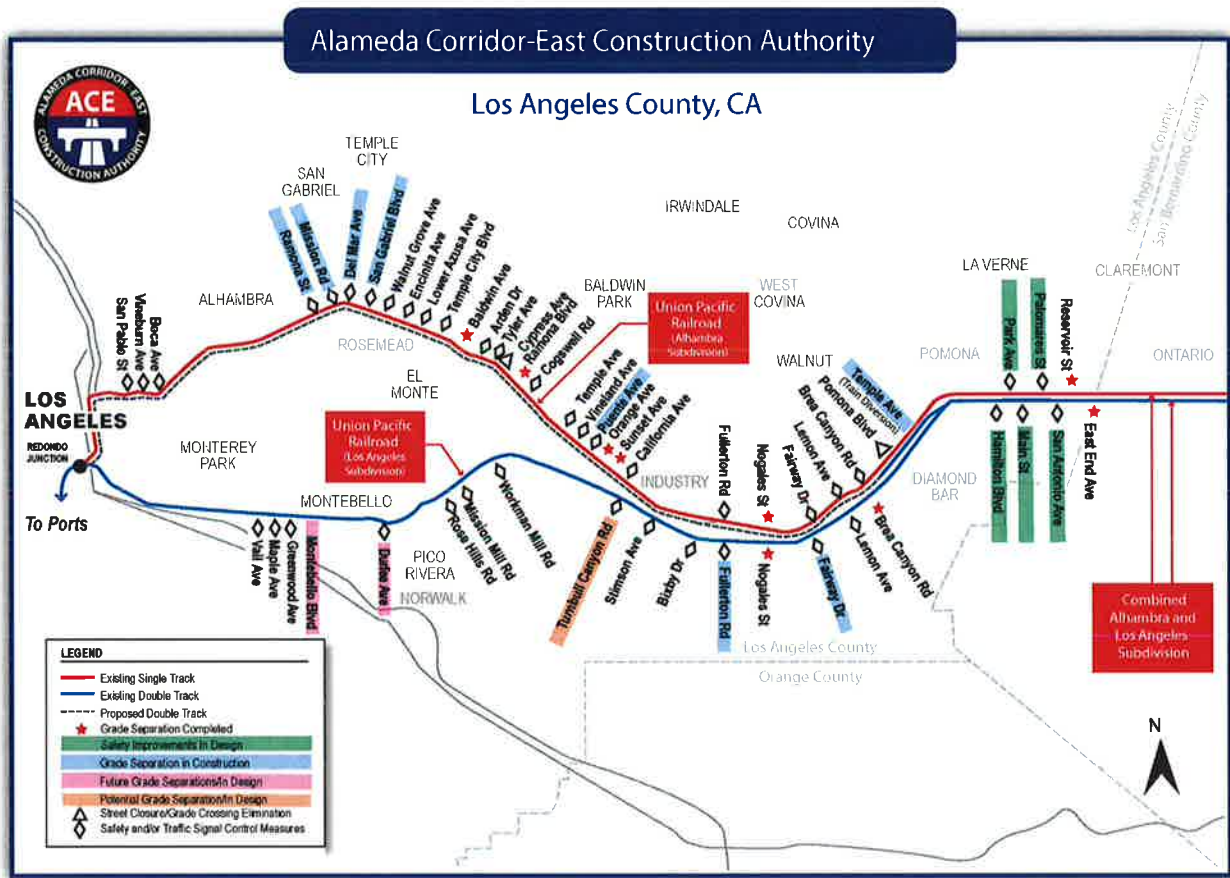
Durfee Avenue Grade Separation: Final design work and property acquisition is taking place on the Durfee Avenue Grade separation project. This project will lower Durfee Avenue between Beverly Road and Whittier Boulevard in the City of Pico Rivera and construct a new railroad bridge for freight and Metrolink passenger trains. Staff is addressing design revisions requested by project stakeholders and finalizing right-of-way acquisitions and utility coordination issues. Bids for construction of the underpass are scheduled to be solicited this fall with groundbreaking slated for early 2018.

At-Grade Safety Improvements: The proposed crossing safety improvement project in Pomona includes features such as pedestrian channelization, roadway modifications, updated signage and striping and traffic signal improvements at five at-grade railroad crossings near the downtown area at Hamilton Boulevard, Park Avenue, Main Street, Palomares Street and San Antonio Avenue. The project will address safety issues at the crossings, where five fatalities of pedestrians and a cyclist have been recorded at four of the crossings over the last 10 years, with one motorist injured when a vehicle was stuck on the tracks at the fifth crossing. Project design plans have reached the 35 percent preliminary engineering stage and ACE staff continues to coordinate with stakeholders, utilities and other agencies. The current schedule calls for construction to start in summer 2019.

Turnbull Canyon Road Grade Separation: Plans for a grade separation project on Turnbull Canyon Road in the City of Industry and unincorporated community of Hacienda Heights are moving on to the preliminary design phase. The City of Industry Council voted last year to approve construction of a two-lane overpass structure. The overpass concept was recommended due to potential property impacts, utility conflicts, groundwater concerns, coordination with Union Pacific Railroad and estimated project costs for an underpass. Preliminary design and engineering is anticipated to be completed by early 2018.

PROJECT MAP

The ACE project area map depicts completed projects to date and updated activities for the projects in construction and in design.



Alameda Corridor-East Project Area

Project Construction Photos



PUMP STATION EXCAVATION – FULLERTON ROAD GRADE SEPARATION PROJECT – CITY OF INDUSTRY



CAST IN DRILL HOLE PILE DRIVING – PUENTE AVENUE GRADE SEPARATION PROJECT – CITY OF INDUSTRY



LAYING TRAIN TRACK – SAN GABRIEL TRENCH PROJECT – CITY OF SAN GABRIEL





STORM DRAIN INSTALLATION- LEMON AVENUE/60FWY BETTERMENT – CITIES OF DIAMOND BAR & INDUSTRY



AGGREGATE PIER INSTALLATION - FAIRWAY DRIVE GRADE SEPARATION PROJECT – CITY OF INDUSTRY

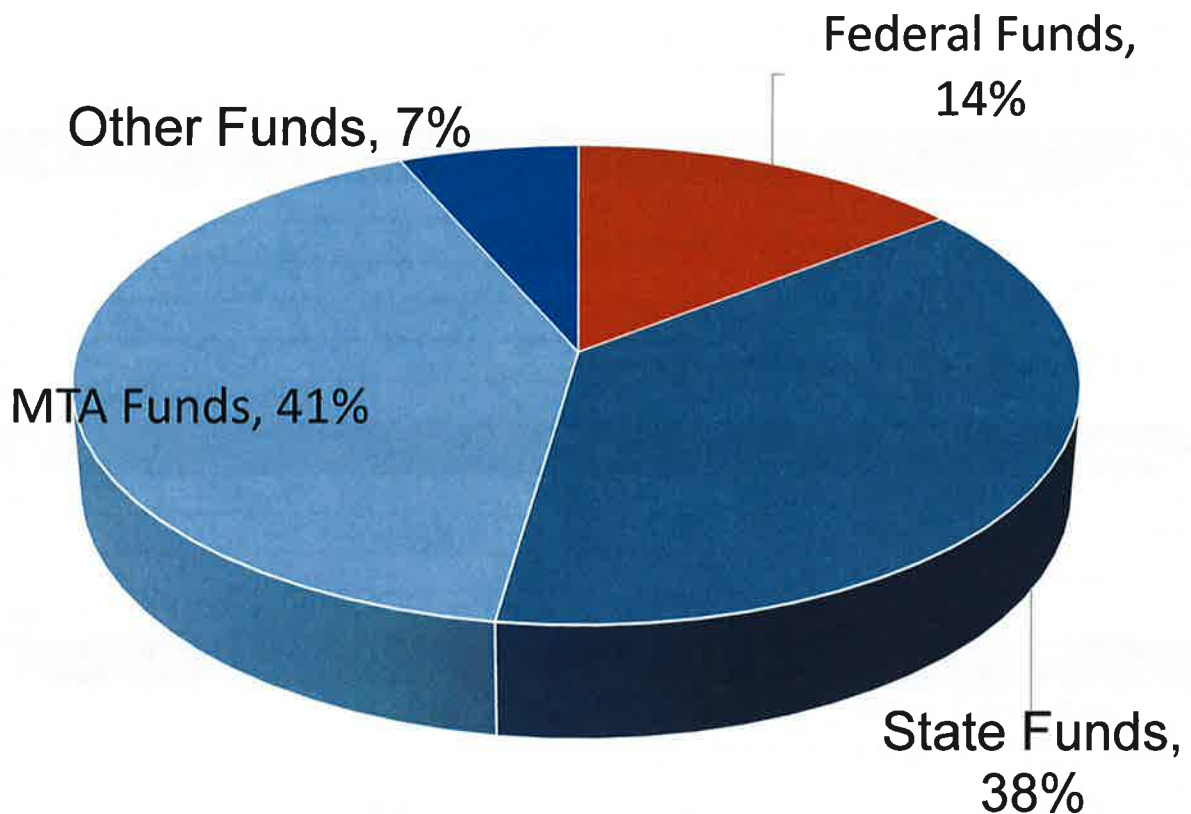
Project Cost Estimates

The current cost estimate for all completed and currently active projects as well as proposed future projects is as follows:

PROJECT	COST <i>(in millions)</i>
<u>Completed Projects</u>	
Safety Crossings/IRRIS	\$ 34.141
Nogales Street (Alh) (West Covina/Industry)	49.798
East End Avenue/Reservoir Street (Pomona)	79.000
Brea Canyon Road (Diamond Bar/Industry)	73.903
Ramona Boulevard (El Monte)	53.091
Sunset Avenue (Industry)	93.862
Baldwin Avenue (El Monte)	70.365
Nogales Street (LA sub) Industry/Unincorporated LA Co.)	121.088
<u>Active Projects</u>	
San Gabriel Trench (San Gabriel)	312.758
Puente Avenue (Industry)	97.377
Fairway Drive (Industry)	158.357
Fullerton Road (Industry)	152.384
Temple Avenue Train Diversion (Pomona)	98.165
Durfee Avenue (Pico Rivera)	91.143
At-Grade Improvements (Pomona)	22.916
Montebello Corridor (Montebello)	160.045
Turnbull Canyon Road (Industry/Unincorporated LA) (design only)	10.106
Total	\$ 1,680.288

FY 2018 Funding Status

The total funding sources and commitments to the ACE program since its inception is \$1,698,837. Matching these funding commitments against the projects expenditures of \$1.680 billion plus \$11.9 million in startup and administrative costs shows that the ACE program currently has \$6.6 million in funding available for the one remaining project in the adopted ACE program that is not fully funded (Turnbull Canyon Road grade separation). Design of this project was initiated this fiscal year however whether this project moves into right of way acquisition or construction activities will be dependent upon ACE securing additional grant funding.



Committed Funding & Sources

(\$ in millions)

FEDERAL	
Federal TEA-21 Highway Demonstration Earmark (FY 1999-2003)	\$132.557
FY 2001 FHWA Highway Fund Transportation Appropriation	1.497
FY 2000 FHWA Discretionary Sec. 1118(c) Trade Corridor Funds	1.240
FY 2001 FHWA Discretionary Sec. 1118(c) Trade Corridor Funds	2.397
FY 2002 FHWA Highway Fund Transportation Appropriation	3.884
FY 2003 FHWA Highway Fund Transportation Appropriation	1.485
FY 2004 FHWA Highway Fund Transportation Appropriation	1.881
FY 2006 FHWA Highway Fund Transportation Appropriation	4.158
FY 2009 Surface Transportation Program	0.570
FY 2010 Surface Transportation Program	0.500
AAA FY 2010	1.349
Federal SAFETEA-LU (FY 2005-2009)	67.346
FY 2009 FRA Grade Crossing Program	2.544
PUC (Section 130)	10.000
Intermodal Surface Transportation Efficiency Act Funds	6.936
Congestion Mitigation and Air Quality Improvement Funds	6.347
Total Federal Funding: \$244.691	
STATE	
1998 State ITIP Discretionary Funds (FY 2000- 2004)	\$38.982
State Transportation Congestion Relief Program Funds	130.300
Section 190 PUC Funds	10.000
Prop. 1B Trade Corridor Improvement Funds	420.497
Prop. 1B Highway-Rail Crossing Safety Account	43.906
Total State Funding: \$643.685	
MTA	
MTA 17% Local Match Commitment	\$259.891
MTA Call for Projects Funding (2007)	28.849
MTA Measure R*	400.000
Total MTA Funding: \$698.719	
OTHER	
City/County/MWD Funds	\$12.122
Railroad contribution to active projects	40.552
Betterments	26.274
Property Sales	3.224
Total Other Funding: \$111.172	

Total Funds Committed \$1,698.837

Less Project and Start Up Costs (1,692.215)

Remaining Funds Available **\$6.622**

FY 2017 Budget Status

The Board of Directors adopted the Fiscal Year 2017 budget in June 2016.

As in the past, ACE's adopted 2017 budget was 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 2017 rate was approved by Caltrans and included adjustments for over or under spending in prior years. ACE anticipates indirect expenses for FY 2017 will be \$21,000 under the budgeted amount of \$4.025 million (approximately 0.5%). For FY 2017 ACE will collect all of the indirect costs.

Direct Project Expense

Direct expenses are those that 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. For FY 2017 direct costs will be \$40.932 million below the budgeted amount of \$129.381 million (30%). These projected under expenditures, unfortunately, are not project savings, but rather expected expenditures that did not occur this year and will most likely happen in FY 2018. Delayed expenditures are primarily a result of construction activities not progressing as we anticipated. Some were weather related, others third party, and some were simply unavoidable circumstances during construction. These delays result in lower monthly billings from ACE's contractors. These funds will be carried over and re-budgeted in the proposed FY 2018 budget

FY 2017 Budget vs. Estimated Actual

(\$ in thousands)

Expenditures	Year End Estimate	FY 2017 Budget	Under/ (Over)
Indirect			
Personnel			
Salaries and Wages	\$ 1,555	\$ 1,536	\$ (19)
Fringe Benefits	1,361	1,349	(12)
Board/ Employee Expense			
Auto/Travel	24	28	4
Training/Memberships	30	38	8
Board Expense	17	21	4
Professional Services			
Auditing/Accounting	44	42	(2)
Community Outreach Program	5	-	(5)
Legal-Agency Support	25	25	-
Program Management	17	17	-
State/Federal Advisory Services	242	256	14
Risk Management	52	65	13
Insurance	230	230	-
Equipment Expense	99	113	14
Office Expense	244	244	-
Office Operations	51	53	2
Other	8	8	-
Total Indirect	<u>4,004</u>	<u>4,025</u>	<u>21</u>
Direct			
Salaries and Wages	1,343	1,417	74
Fringe Benefits	538	568	30
Auto Allowance Allocated to Projects	19	23	4
Program Management	3,174	3,557	383
Legal	1,291	2,904	1,613
Design	4,117	7,956	3,839
ROW Acquisition	3,577	13,498	9,921
Utility Relocation	2,402	1,169	(1,233)
Construction Mgt	9,833	10,708	875
Railroad	8,248	4,040	(4,208)
Construction	53,192	82,771	29,579
UPRR Invoice Review	8	70	62
Third Party Review	671	700	29
Utilities (Site)	35	-	(35)
Advertising	1	-	(1)
Total Direct	<u>88,449</u>	<u>129,381</u>	<u>40,932</u>
Total Expenditures	<u>\$ 92,453</u>	<u>\$ 133,406</u>	<u>\$ 40,953</u>

FY 2017 Goals Status

Within each annual budget, goals are established based on best estimates at the time of budget preparation. The following represents how ACE met or expects to meet each goal in the areas of project implementation, funding/finance and outreach by June 30, 2017.

Project Implementation

PROJECT	GOAL	STATUS
At-Grade Safety Improvements	Design at 35% & completion of environmental clearance	Will meet this goal
Durfee Avenue Grade Separation	100% design complete/ advertise for construction	Expect design to be complete in October; advertise for construction in November
Fairway Drive Grade Separation	Construction 40% complete	Anticipate 35% completion
Fullerton Road Grade Separation	Construction 20% complete	Anticipate 12% completion
Montebello Corridor	Design 35% complete & completion of environmental clearance	Will meet this goal
Puente Avenue Grade Separation	Construction 70% complete	Will meet this goal
San Gabriel Trench	Construction 90% complete	Will meet this goal
Temple Avenue Train Diversion	Complete project	Project expected to be complete in September 2017
Turnbull Canyon Grade Separation	Design 25% complete	Will not meet this goal. Expect design at 35% by the end of calendar year 2017

Funding/Financial Administration

GOAL	STATUS
Ensure ACE's interests are represented in Federal National Freight Programs	Accomplished. Grade separations are eligible for new Federal freight funding programs; construction authorities are eligible grant applicants.
Pursue additional funding for remaining grade separation project or potential shortfall on existing projects	Accomplished. \$35M state bond funding reallocated from Baldwin to Fullerton. Two Federal freight grant fund applications submitted/under consideration.
Timely completion of "clean" financial and single audits	Accomplished.
Maintain at least 25% of borrowed funds invested	Accomplished.
Complete 18 professional services contract audits	Expect 17 audits to be complete.
Complete four quality control/quality assurance audits	Exceeded. Expect to complete five.

Community Outreach

GOAL	STATUS
Conduct dedication ceremonies for the San Gabriel Trench and potentially the Temple Avenue project	The San Gabriel Trench opening ceremony is expected to be held in FY '18.
Conduct community open house/public meetings for the Montebello Corridor, Turnbull Canyon and At-Grade Safety Improvement projects	Outreach meetings for all three projects will be held in FY '18.
Conduct environmental, community and school outreach effort for five projects in construction (San Gabriel Trench, Puente Ave., Fairway Dr., Fullerton Rd., and Durfee Ave)	Extensive outreach efforts continued for four projects in construction (San Gabriel Trench, Puente, Fairway and Fullerton). Early construction outreach activities held for Durfee Ave project.
Conduct groundbreaking ceremonies for the Fullerton Road and Durfee Avenue Projects	Groundbreaking held for Fullerton; Durfee Ave project groundbreaking will be held in FY '18



FULLERTON ROAD GRADE SEPARATION PROJECT GROUNDBREAKING CEREMONY – CITY OF INDUSTRY



FY 2018 Approved 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 expeditious and cost effective as possible. The budget for FY 2018 (July 1, 2017 through June 30, 2018) was developed in two parts: anticipated project related direct expenses and general indirect expenses.

Indirect Budget

The proposed FY 2018 indirect expense budget was developed by line item, based on past expenditures and anticipated cost changes such as liability insurance, rent, utility costs, salaries, CalPERS, legal support, office supplies, and IT support. The ratio of all indirect costs to anticipated direct labor and fringe benefit cost is used to calculate the Indirect Cost Allocation Plan (ICAP) which is submitted to Caltrans for approval, and becomes the basis for billing indirect costs in FY 2018.

Direct Budget

The proposed FY 2018 direct expense budget assumes six projects in construction and three projects in design as well as ongoing land acquisition activities. For the active construction projects (San Gabriel Trench, Fairway, Puente, Temple, Durfee and Fullerton) staff used the approved construction schedules to determine the rate of construction and determine the anticipated contractor expenditures. For the three projects in design (At-grade safety improvements, Montebello and Turnbull Canyon) staff included in the project budget the final design as well as the current estimated cost of land acquisition if applicable to the project. It should be noted that the pace and cost of land acquisition is the most speculative part of the budget estimates and may change if cost settlements require court action.

FY 2018 APPROVED BUDGET
(\$ in thousands)

Expenditures	FY 2018 Approved
Indirect	
Personnel	
Salaries and Wages	\$ 1,547
Fringe Benefits	1,334
Board/ Employee Expense	
Auto/Travel	24
Training/Memberships	34
Board Expense	17
Professional Services	
Auditing/Accounting	42
Community Outreach Program	5
Legal-Agency Support	25
Program Management	18
State/Federal Advisory Services	242
Risk Management	52
Insurance	250
Equipment Expense	174
Office Expense	251
Office Operations	51
Other	7
	4,073
Total Indirect	
Direct	
Salaries and Wages	\$ 1,485
Fringe Benefits	573
Auto Allowance Allocated to Projects	27
Program Management	3,895
Legal	1,590
Design	8,556
ROW Acquisition	3,835
Utility Relocation	3,866
Construction Mgt	9,187
Railroad	8,760
Construction	101,250
UPRR Invoice Review	29
Third Party Review	832
Utilities (Site)	30
Advertising	13
	143,928
Total Direct	
Total Expenditures	\$ 148,001

FY 2018 DIRECT COSTS BY PROJECT

(\$ in thousands)

Expenditures	FY 2018			Puente	Fairway		Montebello	Turnbull	AT-Grade	Nogales	
	Approved	Temple	SG Trench	Avenue	Drive	Fullerton	Durfee	Corridor	Canyon	Crossing	(LA)
Direct											
Salaries and Wages	\$ 1,485	\$ 62	\$ 201	\$ 197	\$ 258	\$ 246	\$ 177	\$ 136	\$ 99	\$ 68	\$ 40
Fringe Benefits	573	24	78	76	100	95	68	53	38	26	15
Auto Allowance Allocated to Projects	27	1	5	4	7	4	3	1	1	1	1
Program Management	3,895	1	160	24	826	490	959	1,152	-	23	260
Legal	1,590	-	60	-	305	280	613	260	-	10	62
Design	8,556	10	88	25	265	250	700	4,000	1,588	1,630	-
ROW Acquisition	3,835	-	5	-	(700)	2,500	830	-	-	-	1,200
Utility Relocation	3,866	-	4	2	860	1,000	2,000	-	-	-	-
Construction Mgt	9,187	210	2,012	1,400	1,800	2,400	1,275	-	-	-	90
Railroad	8,760	100	2,700	2,500	1,500	350	1,520	50	20	20	-
Construction	101,250	450	17,500	16,800	40,500	18,000	8,000	-	-	-	-
UPRR Invoice Review	29	-	4	-	-	25	-	-	-	-	-
Third Party Review	832	2	100	25	120	200	125	200	10	35	15
Utilities (Site)	30	-	-	-	-	-	25	-	-	-	5
Advertising	13	-	-	2	-	-	8	3	-	-	-
Total Direct	\$ 143,928	\$ 860	\$ 22,916	\$ 21,055	\$ 45,840	\$ 25,840	\$ 16,304	\$ 5,855	\$ 1,757	\$ 1,814	\$ 1,688

FY 2018 Approved Revenue & Expenditure Budget

(\$ in thousands)

Expenditures	FY 2018 Approved
Revenues	
Federal	\$ 2,766
State	71,430
Local	50,417
Betterment/Other	23,388
Total Revenue	148,001
 Operating Expenditures	
Direct	
Design	8,921
ROW Acquisition	11,814
Construction	88,900
Construction Mgt	12,408
Betterment	9,220
Lemon Ave Betterment	12,665
Total Direct	143,928
Indirect	
Personnel	2,881
Board/Employee Expense	75
Professional Services	384
Insurance	250
Equipment Expense	174
Office Expense	251
Office Operations	51
Other	7
Total Indirect	4,073
Total Operating Expenditures	148,001
 Excess of Revenue over Expenditures before Financing	 -
 Financing Income	
Investment Revenue	775
Financing Expense	(697)
Net Financing Income/Expense	79
Excess of Revenues over Expenditures	79
 Net position at FY 2016 year's end	 \$ 14,539
Estimated net position at FY 2018 year's end	\$ 14,618

FY 2017/18 Expenditure Comparison

The following addresses significant line item changes proposed for FY 2018 compared to the FY 2017 budgeted (greater than 10%). The total anticipated expenditures in FY 2018 will be up from what was budgeted in FY 2017 as construction expenses (our largest budget item) is increased to reflect the extensive construction activity anticipated.

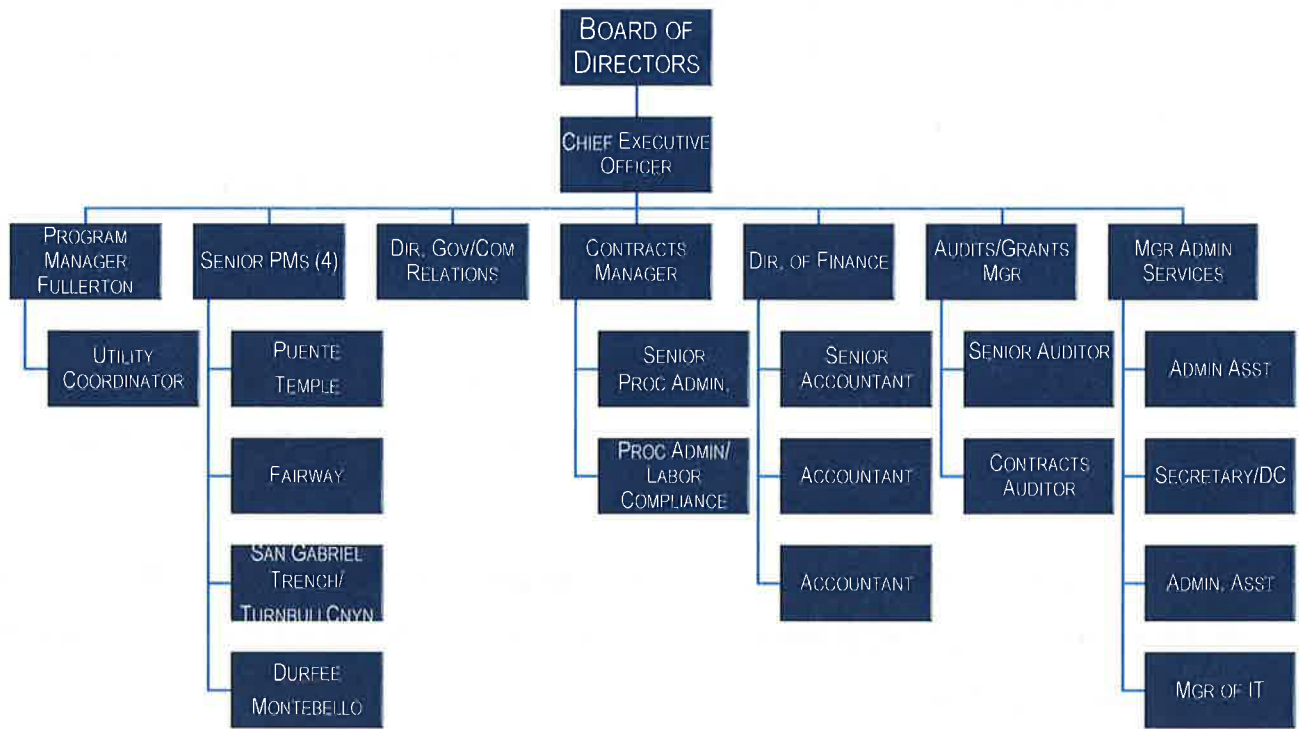
Indirect Expenditures

Insurance (\$20,000 increase) - This reflects the premium for the prepaid excess liability insurance required when we begin construction on a project. The increase this fiscal year reflects purchase of insurance for the Durfee Avenue grade separation project.

Office Equipment (\$61,000 increase) - ACE will purchase audit software to implement electronic audit work papers. ACE is one of the few agencies that still creates paper-based audit work papers. During peer reviews, utilization of electronic audit software was recommended by participating agencies. The implementation of electronic work papers will improve effectiveness and efficiency. We are also including funds for new office work station cubicles. The ACE office lease expires in May 2018 and we are planning to renegotiate our lease and return the office cubicles that belong to the building owner, cubicles that date back to the 1970s and need replacement. We will upgrade work stations to provide an ergonomically friendly work environment.

Personnel: Salary & Wages/Fringe Benefits - The FY 2018 proposed budget assumes no staffing level change. We foresee the organization maintaining the 24 full time positions and one part time position approved by the Board. We have included reclassification of accounting titles for two positions after re-examination of current responsibilities; however the range for the position did not change. The budget does provide for a 3% merit pool to be allocated based on performance evaluations. There is no CPI or fixed percentage salary adjustments included in the budget.

Organizational Chart



Direct Expenditures

Legal (\$1.3M decrease) - Legal costs are normally increased during periods of increased property acquisition activities. Property acquisition activities are expected to decrease during this fiscal year thereby reducing this line item.

Right of Way Acquisition (\$9.663M decrease) - Early acquisitions for properties at Montebello and Durfee during fiscal year 2017 contributed to this decrease. Overall the stage of the project drives this cost category and right of way activities are expected down this fiscal year due to the phase of each project.

Utility Relocations (\$2.697M increase) - With construction in full force at some projects, and early construction activities anticipated at Durfee, utility relocation costs are expected to slightly increase.

Construction (\$18.479 million increase) - Significant construction billing is anticipated on the Puente Avenue, Fullerton Road and Fairway Drive projects as they start constructing major retaining walls and bridge structures.

Railroad (\$4.720 million increase) - Union Pacific Railroad billings are expected to be higher in FY 2018 as mainline construction will be active on the San Gabriel Trench, Temple Avenue, and Puente Avenue projects.

The pace of active projects is the major factor in the annual budget projection. For FY 2018 we have made the following assumptions about the projects having the biggest impact on our spending estimates:

- San Gabriel Trench (San Gabriel) - Construction 100% complete.
- Puente Avenue (Industry) - Construction 80% complete.
- Fairway Drive (Industry/LA County) - Construction 50% complete.
- Durfee Avenue (Pico Rivera) - Construction begins.
- Fullerton Road (Industry) - Construction 35% complete.
- At-Grade Safety Improvements (Pomona) - Design 80% complete.
- Montebello Corridor (Montebello) - Design 60% complete.
- Turnbull Canyon Road - Design 50% complete

FY 2017 Budget vs. FY 2018 Approved

(\$ in thousands)

Expenditures	FY 2017 Approved	FY 2018 Approved	Incr/ (Decr)
Indirect			
Personnel			
Salaries and Wages	\$ 1,536	\$ 1,547	\$ 11
Fringe Benefits	1,349	1,334	(15)
Board/ Employee Expense			
Auto/Travel	28	24	(4)
Training/Memberships	38	34	(4)
Board Expense	21	17	(4)
Professional Services			
Auditing/Accounting	42	42	-
Community Outreach Program	-	5	5
Legal-Agency Support	25	25	-
Program Management	17	18	1
State/Federal Advisory Services	256	242	(14)
Risk Management	65	52	(13)
Insurance	230	250	20
Equipment Expense	113	174	61
Office Expense	244	251	7
Office Operations	53	51	(2)
Other	8	7	(1)
Total Indirect	<u>4,025</u>	<u>4,073</u>	<u>48</u>
Direct			
Salaries and Wages	1,417	1,485	68
Fringe Benefits	568	573	5
Auto Allowance Allocated to Projects	23	27	4
Program Management	3,557	3,895	338
Legal	2,904	1,590	(1,314)
Design	7,956	8,556	600
ROW Acquisition	13,498	3,835	(9,663)
Utility Relocation	1,169	3,866	2,697
Construction Mgt	10,708	9,187	(1,521)
Railroad	4,040	8,760	4,720
Construction	82,771	101,250	18,479
UPRR Invoice Review	70	29	(41)
Third Party Review	700	832	132
Utilities (Site)	-	30	30
Advertising	-	13	13
Total Direct	<u>129,381</u>	<u>143,928</u>	<u>14,547</u>
Total Expenditures	<u>\$ 133,406</u>	<u>\$ 148,001</u>	<u>\$ 14,595</u>

FY 2017 Estimated Actuals vs. FY 2018 Approved

(\$ in thousands)

Expenditures	FY 2017 Estimate	FY 2018 Approved	Incr/ (Decr)
Indirect			
Personnel			
Salaries and Wages	\$ 1,555	\$ 1,547	\$ (8)
Fringe Benefits	1,361	1,334	(27)
Board/Employee Expense			
Auto/Travel	24	24	-
Training/Memberships	30	34	4
Board Expense	17	17	-
Professional Services			
Auditing/Accounting	44	42	(2)
Community Outreach Program	5	5	-
Legal-Agency Support	25	25	-
Program Management	17	18	1
State/Federal Advisory Services	242	242	-
Risk Management	52	52	-
Insurance	230	250	20
Equipment Expense	99	174	75
Office Expense	244	251	7
Office Operations	51	51	-
Other	8	7	(1)
Total Indirect	<u>4,004</u>	<u>4,073</u>	<u>69</u>
Direct			
Salaries and Wages	1,343	1,485	142
Fringe Benefits	538	573	35
Auto Allowance Allocated to Projects	19	27	8
Program Management	3,174	3,895	721
Legal	1,291	1,590	299
Design	4,117	8,556	4,439
ROW Acquisition	3,577	3,835	258
Utility Relocation	2,402	3,866	1,464
Construction Mgt	9,833	9,187	(646)
Railroad	8,248	8,760	512
Construction	53,192	101,250	48,058
UPRR Invoice Review	8	29	21
Third Party Review	671	832	161
Utilities (Site)	35	30	(5)
Advertising	1	13	12
Total Direct	<u>88,449</u>	<u>143,928</u>	<u>55,479</u>
Total Expenditures	<u>\$ 92,453</u>	<u>\$ 148,001</u>	<u>\$ 55,548</u>

FY 2018 Project Goals

Staff proposes to accomplish the following by June 30, 2018 (unless otherwise noted):

Project Implementation

PROJECT	GOAL
At-Grade Safety Improvements	Design 80% complete
Durfee Avenue	Construction begins
Fairway Drive	50% complete/Lemon Ave complete
Fullerton Road	35% complete
Montebello Corridor	35% design complete, begin right of way activity and final design
Puente Avenue	Complete project by July 2018
San Gabriel Trench	100% complete
Temple Avenue	Complete September 2017
Turnbull Canyon	Design 35% complete

Funding/Financial Administration

GOAL
Ensure ACE's interests are represented in Senate Bill 1 grant programs
Pursue additional funding for remaining grade separation project or potential shortfall on existing projects
Timely completion of "clean" financial and single audits
Maintain at least 25% of borrowed funds invested
Complete 16 professional services contract audits
Complete five quality control/quality assurance audits (All active construction projects)

Community Outreach

GOAL
Conduct environmental, community and school outreach effort for five projects in construction (San Gabriel Trench, Puente Avenue, Fairway Drive, and Fullerton Road and Durfee Avenue).
Conduct community open house/public meetings for the Montebello Corridor, Turnbull Canyon and At-Grade Safety Improvements projects.
Conduct groundbreaking ceremony for Durfee Avenue project.
Conduct dedication ceremony for Temple Avenue project.
Plan dedication ceremony for Puente Avenue project.
Plan dedication ceremony for San Gabriel Trench project.

Project Financing

ACE will continue to utilize the funds from a \$45 million working capital loan from the Los Angeles County Metropolitan Transportation Authority (Metro) to maintain cash flows and bridge the timing gap between project expenditures and reimbursements from our granting agencies. Based on the projected cash flow, ACE will be able to fund the interest expenses on the working capital loan from the proceeds of ACE's short term investments. Investments continue to generate interest income in excess of interest expense.

Because the ACE Construction Authority continues to have no meaningful sources of revenue other than grants and contributions from funding agencies, ACE staff continues to make every effort to ensure that all other expenditures are reimbursable by federal, state or local grants. We use this Budget submittal to annually advise the Board of the cumulative exposure of 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	105,529	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 railroad contributions will be sufficient to pay for our cumulative unreimbursed expense.

Budget Review and Approval

The proposed budget was presented to San Gabriel Valley Council of Governments City Manager Steering Committee on June 7, 2017 and to the ACE Board and to the public for consideration at the June 5, 2017 ACE Board Special meeting. The budget was submitted to the San Gabriel Valley Council of Governments (SGVCOG) and approved at their June 15, 2017 meeting.

Upon adoption of the FY 2018 budget, staff will continue to provide both the ACE and SGVCOG Governing Board with project status and budget updates on a quarterly basis. ACE's Finance Committee will also be provided a comprehensive discussion of the financial state of the ACE Program at its quarterly meetings.

The FY 2018 budget does not request Board approval for new contracts amendments to existing consultant support contracts. Each consultant support contract authorization will be brought to the Board for necessary action after adoption of the FY 2018 budget

Budget Glossary

INDIRECT EXPENSES

Personnel

- Salaries and Wages: Salaries for employees (charged both as indirect and direct expenses).
- Fringe Benefits: Employee 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, stipend and Board travel.

Professional Services

- Auditing/Accounting: Financial auditing and accounting services.
- 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, printers 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

- Betterments: City funded work that City desires to have ACE construct concurrently with project (e.g. street modifications, beautifications)
- 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.
- 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 Metro link) 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.
- Utilities (Site): Cost of utilities service to construction sites.