



Alameda Corridor – East Construction Authority

2009

# Approved Budget



Ramona Blvd. Grade Separation  
City of El Monte

May 19, 2008

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## Budget Message

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Progress on implementing the Alameda Corridor-East (ACE) Project is continuing, with three grade separations open, four in construction, our final Phase I project (Baldwin Avenue) in real estate acquisition, the Nogales St. project completing environmental clearance, and the San Gabriel Trench beginning design.

The \$19.7 billion state transportation bond (Proposition 1B), passed in November 2006, includes funding for trade corridor improvements. We were successful in obtaining the largest single project allocation in the State, \$335.6 million, for the ACE Project. In December 2007 the MTA approved an additional \$112 million for the ACE Project. In addition, the State Legislature is considering a container fee bill that would generate over \$240 million annually for trade corridor infrastructure improvements in the LA/Long Beach port region. Based on recent and prospective developments, we are hopeful that significant funding will be available as we begin Phase II of our program.

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Rick Richmond  
Chief Executive Officer

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## **Project Background and Status**

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### **Background**

Since the start of planning for the ACE project, peak season train traffic has increased from an average of 55 trains per day to 75-90 trains per day in the ACE Project area. Auto and truck traffic across the Union Pacific Railroad tracks during the same period has increased and is expected to grow 40% from the time the project started to the project's design year (2020). Future traffic increases at the ports and continuing local economic expansion will exacerbate the problem of congestion in the San Gabriel Valley.

The ACE Project includes safety improvements at 39 grade crossings located throughout the San Gabriel Valley, use of modern traffic control technology to minimize congestion at grade crossings, and 22 grade crossing eliminations. ACE has completed three 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 has adopted the revised project estimate increase from \$910 million to \$1.404 billion.

### **Project Status**

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

#### Railroad Crossing Safety Improvements (39 crossings)

- Completed

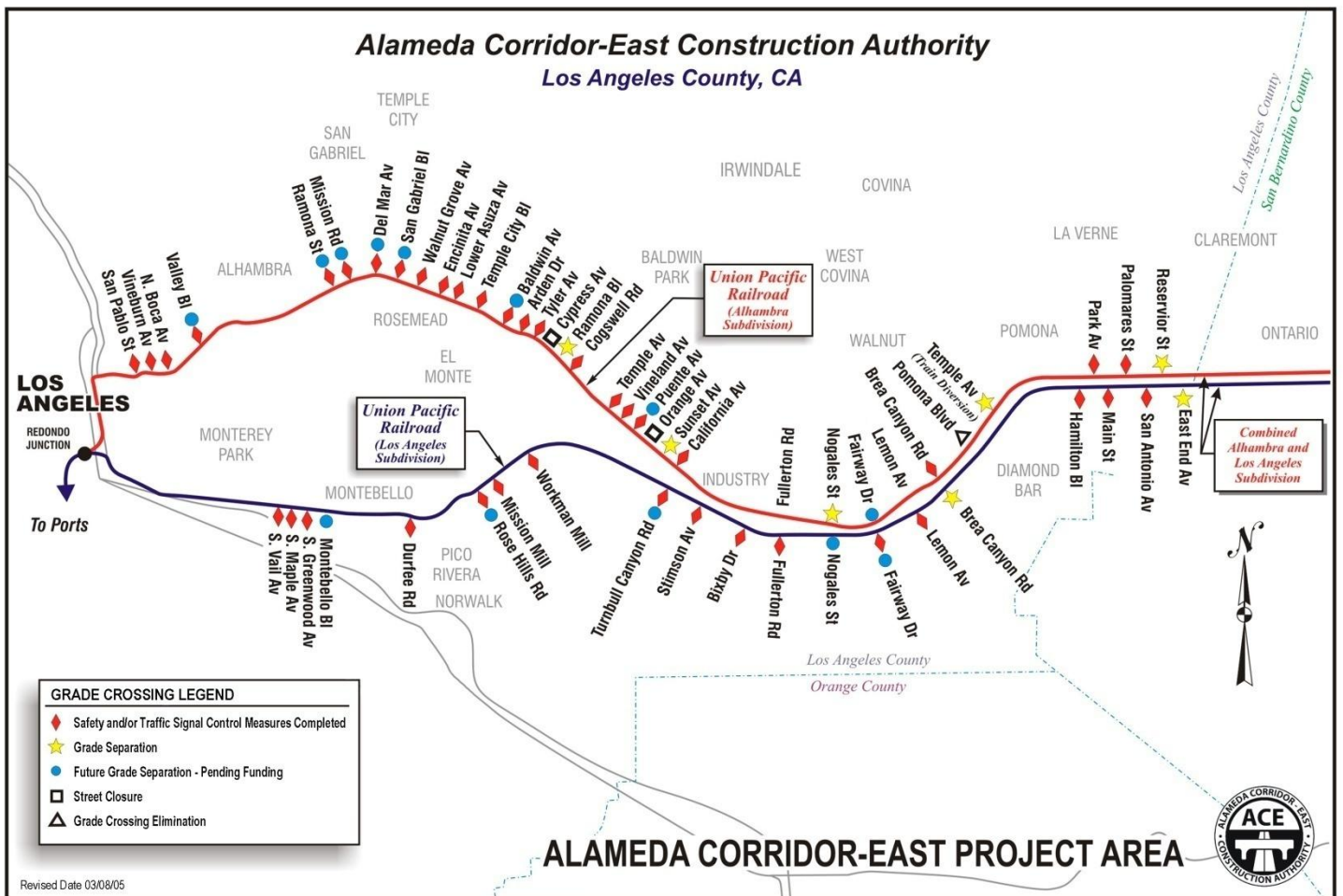
#### IR/RIS - Intelligent Roadway/Rail Signal System

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

Grade Separations (11 crossings eliminated – 8 separations managed by ACE)

- Three grade separations completed.
- Four grade separations in construction.
- One grade separation acquiring right-of-way.

**Project Map**



**Funding Status**

The current costs estimate for Phase I is \$495.8 million (March 2008 Quarterly Status Report). An additional \$21 million in city or railroad requested and funded property enhancements bring the total projected expenditures to \$516.8 million.

The following funding has been authorized for the “baseline” project (excluding enhancements). Not all of these funds are immediately available.

<b><u>Funding Source</u></b>	<b><u>(\$ millions) Committed /Estimated</u></b>
Federal TEA-Demonstration Earmark	\$ 130.5
Federal Trade Corridor Grants & Appropriations	18.2
Federal SAFETEA-LU Demonstration Earmark	65.0
State ITIP and PUC Funds	43.0
State General Funds (AB 2928)	130.3
MTA Proposition C Funds	241.0
Railroad Contribution	19.5
ROW Sales	8.0
<b>Total ACE Project Funding</b>	<b><u>\$ 655.5</u></b>

State Proposition 1B, passed in November 2006, includes funding for several types of transportation improvements, including trade corridor improvements such as ACE. The California Transportation Commission (CTC) allocated in April 2008 \$336.6 million in Proposition 1B funds for the ACE Project. The Los Angeles County Metropolitan Transportation Authority (Metro) allocated \$112 million as local contribution for the ACE Project in December 2007. The State Legislature is considering a container fee bill that would generate over \$240 million annually for trade corridor infrastructure improvements in the LA/Long Beach port region. ACE is actively supporting this and other future funding sources and we are hopeful that adequate funding will be available for Phase II of the project.

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## FY 2008 Budget Status

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The Board of Directors adopted the Fiscal Year 2008 budget in May 2007 and it was revised in January 2008 to reflect a slower rate of construction progress.

The attached table (Exhibit I) compares the FY 2008 Budget to the estimated actual expenses as of June 30, 2008.

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 2008 rate pending Caltrans approval is 4.3% and includes adjustments for over and under spending in prior years and depreciation expense. ACE anticipates indirect expenses for FY 2008 will be \$3.7 million, about 22% under budget.

Indirect expenses are expected to overrun by more than \$10,000 in three areas:

- Salaries (\$37,000 or 3.6%) - Due to shift from consultants to in-house employees for program management; consultant expenses for this function were reduced for the same period by over \$300,000.
- Auditing/Accounting (\$18,000 or 45.6%) – Reflecting an expanded scope of work to include auditing of nine professional services contracts.
- State/Federal Advisory Services (\$39,000 or 16.9%) – Due to increased cost and use of Sacramento representation (first rate increase since 1999).

### 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.

The most significant projected direct expense overruns are:

- ROW Acquisition– A mid-year budget adjustment anticipated slower rate of acquisition for the Baldwin Ave. grade separation, however, acquisitions are expected to end slightly higher.
- Construction Management – Construction delays experienced on the East End/Reservoir and Ramona projects have required extended durations for the CM contractors on these projects.
- Construction – Stronger than expected performance at Brea Canyon Road and other sites.

**Exhibit I**  
**FY 2008 Budget vs. Estimated Actual**  
**(\$ in thousands)**

<b>Expenditures</b>	<b>Year End Estimate</b>	<b>FY 2008 Budget</b>	<b>Under/ (Over)</b>
<b>Indirect</b>			
<b>Personnel</b>			
Salaries and Wages	\$ 1,061	\$ 1,025	\$ (37)
Fringe Benefits	359	385	26
<b>Board/Employee Expense</b>			
Auto/Travel	44	49	5
Training/Memberships	7	6	(1)
Board Expense	16	20	4
<b>Professional Services</b>			
Auditing/Accounting	58	40	(18)
DBE/Labor Compliance	118	120	2
Legal - Agency Support	40	40	-
Program Management	1,010	1,977	967
State/Federal Advisory Services	269	230	(39)
Risk Management	55	60	5
UPRR Invoice Review	73	72	(1)
<b>Insurance</b>	263	407	144
<b>Equipment Expense</b>	71	77	6
<b>Office Expense</b>	210	210	-
<b>Office Operations</b>	30	27	(3)
<b>Other</b>	7	5	(2)
<b>Total Indirect</b>	<u>3,691</u>	<u>4,750</u>	<u>1,059</u>
<b>Direct</b>			
Salaries and Wages	380	485	105
Fringe Benefits	147	173	26
Program Management	2,863	4,111	1,248
Legal	529	955	426
DBE/Labor Compliance	158	174	16
Design	1,583	2,764	1,181
ROW Acquisition	13,119	11,774	(1,345)
Utility Relocation	(110)	1,616	1,726
Construction Mgt	5,595	4,773	(822)
Railroad	13,120	16,699	3,579
Construction	40,348	39,074	(1,274)
<b>Total Direct</b>	<u>77,732</u>	<u>82,598</u>	<u>4,866</u>
<b>Total Expenditures</b>	<u>\$ 81,423</u>	<u>\$ 87,348</u>	<u>\$ 5,925</u>

## **Meeting FY 2008 Goals**

Last fiscal year's budget set forth a number of goals for FY 2008. The following is the anticipated status of each goal as of June 30, 2008:

<b>Project Implementation</b>	
<b>Goal</b>	<b>Progress</b>
Ramona Blvd: Open to traffic by Fall 2007	Not accomplished; opened in April 2008
Temple Ave: Fourth track right of way 90% complete	Not accomplished; delays due to right of way acquisition, design changes and staff turnover
Brea Canyon Road: Construction 90% complete	Accomplished; limited opening expected August '08
Sunset Avenue: Construction 50% complete	Not accomplished; construction 25% complete; delays to due to design changes and unforeseen site conditions
East End Avenue: Open to traffic	Accomplished
Baldwin Avenue: All property under control; ready to bid construction	Not accomplished; property acquisition began later than anticipated
San Gabriel Trench: Complete environmental clearance and substantially complete preliminary engineering	Not accomplished; preliminary engineering begun in April; environmental clearance held to coordinate with engineering
IRRIS: Alternative train detection in testing	Not accomplished; anticipate by Summer '08

<b>Funding/Financial/Administration</b>	
<b>Goal</b>	<b>Progress</b>
Secure initial SAFETEA-LU funding	Accomplished; FHWA application approved \$31.25 million
FY '08 Appropriation earmark	Not accomplished; Appropriations included very few earmarks
Obtain Prop 1B earmark for Phase II projects	Accomplished; largest single project allocation
Support passage of SB 974	Ongoing; SB 974 pulled back last session by author
Seek dedicated freight trust fund in SAFETEA-LU reauthorization	Ongoing
Obtain clean financial audit and management letter	Accomplished; only issue in management letter addressed
Create self audit program	Accomplished
Maintain at least 95% of notes invested	Accomplished for nine of twelve months

<b>Outreach</b>	
<b>Goal</b>	<b>Progress</b>
Conduct ribbon-cutting ceremonies for Ramona Boulevard and East End Avenue	Ramona accomplished; East End Avenue just opening
Continue business support, school safety outreach programs	Accomplished
Continue to implement DBE goals during FY '08	Accomplished to the degree permitted by regulations
Conduct at least one environmental outreach meeting for San Gabriel Trench	Not accomplished; environmental document not circulated yet.

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## **ACE CONSTRUCTION AUTHORITY FY 2009 GOALS**

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Staff proposes to accomplish the following by June 30, 2009 (unless otherwise noted):

### **Project Implementation**

- Temple Avenue: Fourth track right of way 70% complete
- Brea Canyon Road: Limited opening by August 2008; full opening by October 2008
- Sunset Avenue: Construction 60% complete
- East End Avenue: Open to traffic by July 2008
- Baldwin Avenue: Construction out to bid
- Nogales Street: Complete environmental clearance and design; right-of-way acquisition begun
- IRRIS: Retrofit system with alternative train detection (if testing is successful)
- San Gabriel Trench: Complete preliminary engineering and environmental clearance process

### **Funding/Financial Administration**

- Submit grant application for FRA rail relocation funds
- Seek FY '09 Federal appropriations earmark (success unlikely)
- Obtain Prop 1B grade separation funding for Nogales Street project
- Support passage of SB 974 (Lowenthal) container fees
- Seek dedicated freight trust fund in SAFETEA-LU reauthorization

- Obtain clean financial audit and management letter
- Maintain at least 95% of note proceeds invested.

### **Outreach**

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

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## FY 2009 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 2009 (July 1, 2008 through June 30, 2009) 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 2009 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 2009. 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 2009.

The FY 2009 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 2009 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 2009 budget as necessary.

### **FY 2009 Budget**

The FY 2009 budget is presented in Exhibit II. Exhibit II A includes estimate revenues and income from our grant anticipation note program. Exhibit III compares the estimated actual for FY 2008 to the proposed budget for FY 2009.

The following addresses significant line item increases (more than 10% and \$10,000) proposed for FY 2009 compared to the FY 2008 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.

- Staff Salaries and Benefits (\$906,000 increase or 47%) – The FY 2009 budget includes 20 full-time positions as the authority shifts from consultant supported



positions to internal staff. The budget provides for a 6% merit salary adjustment pool to be administered per our adopted salary guidelines. The increased staff expense should be viewed in the context of overall cost of program management and differences in work scope year-to-year. The corollary to staff expense – consultant program management – will decline approximately \$546,000 despite the increased work scope budgeted for the former subcontractors. Mostly resulting from Baldwin Avenue design and property acquisition and San Gabriel Trench environmental support, the budgeted work for the former subcontractors has increased by \$856,000 compared to FY '08. The FY '09 value of the Bechtel program management staff which (we are foregoing) would exceed \$1.7 million.

- Office Operations (\$15,000 increase or 50%) – The budget for office supplies and printing expenses will increase from current expenditures because they have been previously billed through the Program Manager’s contract but now will be paid directly; otherwise, no significant increase from past years.
- Design (\$8.245 million increase or 521%) – This reflects the difference between relatively little design done in FY '08 and the planned expenditures on the San Gabriel Trench preliminary engineering.
- Right of Way Acquisition (\$2.542 million increase or 19%) – The projected expenditures are the result of the completion of Baldwin Avenue right of way acquisition.

**Exhibit II**  
**FY 2009 Approved Budget with Type of Expenditure**  
**(\$ in thousands)**

<b>Expenditures</b>	<b>FY 2009 Approved</b>
<b>Indirect</b>	
<b>Personnel</b>	
Salaries and Wages	\$ 1,495
Fringe Benefits	424
<b>Board/Employee Expense</b>	
Auto/Travel	51
Training/Memberships	5
Board Expense	19
<b>Professional Services</b>	
Auditing/Accounting	30
DBE/Labor Compliance	115
Legal - Agency Support	35
Program Management	1,114
State/Federal Advisory Services	281
Risk Management	65
UPRR Invoice Review	73
<b>Insurance</b>	273
<b>Equipment Expense</b>	43
<b>Office Expense</b>	215
<b>Office Operations</b>	45
<b>Other</b>	8
<b>Total Indirect</b>	4,291
<b>Direct</b>	
Salaries and Wages	693
Fringe Benefits	242
Program Management	2,212
Legal	230
Labor Compliance	153
Design	9,827
ROW Acquisition	15,661
Utility Relocation	1,263
Construction Mgt	3,109
Railroad	14,553
Construction	28,443
<b>Total Direct</b>	76,386
<b>Total Expenditures</b>	\$ 80,677

**Exhibit II A**  
**FY 2009 Approved Budget with Type of Expenditure**  
**(\$ in thousands)**

<b>Expenditures</b>	<b>FY 2009 Approved</b>
<b>Revenues</b>	
Federal	\$ 29,546
State	20,965
Local	23,199
Other	6,968
<b>Total Revenue</b>	<b>80,677</b>
 <b>Operating Expenditures</b>	
<b>Direct</b>	
Design	10,605
ROW Acquisition	19,475
Construction	36,387
Construction Management	2,951
Betterment	6,968
<b>Total Direct</b>	<b>76,386</b>
 <b>Indirect</b>	
Personnel	1,919
Board/Employee Expense	75
Professional Services	1,712
Insurance	273
Equipment Expense	44
Office Expense	215
Office Operations	45
Other	8
<b>Total Indirect</b>	<b>4,291</b>
<b>Total Operating Expenditures</b>	<b>80,677</b>
 <b>Excess of Revenue over Expenditures before Financing</b>	 -
 <b>Financing Income</b>	
Investment Revenue	4,136
Interest and Related Expense	3,291
<b>Net Financing Income/Expense</b>	<b>845</b>
<b>Excess of Revenues over Expenditures</b>	<b>845</b>
 <b>Fund Balance Beginning of Period</b>	 \$ 11,732
<b>Fund Balance End of Period</b>	<b>\$ 12,577</b>

**Exhibit III**  
**Comparison - FY 2008 Estimated Actuals vs. FY 2009 Approved**  
(\$ in thousands)

<b>Expenditures</b>	<b>FY 2008 Estimate</b>	<b>FY 2009 Approved</b>	<b>Incr/ Decr</b>	
<b>Indirect</b>				
<b>Personnel</b>				
Salaries and Wages	\$ 1,061	\$ 1,495	\$ 434	(a) (47% Inc)
Fringe Benefits	359	424	65	(a)
<b>Board/Employee Expense</b>				
Auto/Travel	44	51	7	
Training/Memberships	7	5	(2)	
Board Expense	16	19	3	
<b>Professional Services</b>				
Auditing/Accounting	58	30	(29)	
DBE/Labor Compliance	118	115	(3)	
Legal - Agency Support	40	35	(5)	
Program Management	1,010	1,114	104	
State/Federal Advisory Services	269	281	12	
Risk Management	55	65	10	
UPRR Invoice Review	73	73	-	
<b>Insurance</b>	263	273	10	
<b>Equipment Expense</b>	71	43	(27)	
<b>Office Expense</b>	210	215	5	
<b>Office Operations</b>	30	45	15	(50% Inc)
<b>Other</b>	7	8	1	
<b>Total Indirect</b>	3,691	4,291	600	
<b>Direct</b>				
Salaries and Wages	380	693	314	(a)
Fringe Benefits	147	242	95	(a)
Program Management	2,863	2,212	(651)	
Legal	529	230	(299)	
Labor Compliance	158	153	(6)	
Design	1,583	9,827	8,244	(521% Inc)
ROW Acquisition	13,119	15,661	2,542	(19% Inc)
Utility Relocation	(110)	1,263	1,373	
Construction Mgt	5,595	3,109	(2,486)	
Railroad	13,120	14,553	1,433	
Construction	40,348	28,443	(11,905)	
<b>Total Direct</b>	77,732	76,386	(1,346)	
<b>Total Expenditures</b>	\$ 81,423	\$ 80,677	\$ (746)	

**Project Financing**

The San Gabriel Valley Council of Governments (SGVCOG) is the “parent” of the ACE Construction Authority and has authorized the issuance of up to \$100 million in tax-exempt Grant Anticipated Notes (GANs) backed by a bank guarantee. There is currently \$100 million outstanding. This program has been in place since 2001. The bank guaranteeing our notes committed in 2005 to a ten-year program.

Proceeds from the program are invested in the State of California’s Local Agency Investment Fund (LAIF) and local banks. The net interest income (interest revenue less interest and fee expense) of the program has been over \$1.5 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 2009 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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