

2017 Fiscal Year



Approved Budget



AT-GRADE
SAFETY
IMPROVEMENTS

DURFEE AVENUE

FAIRWAY DRIVE



FULLERTON
ROAD



MONTEBELLO
CORRIDOR



NOGALES
STREET

PUENTE AVENUE

SAN GABRIEL
TRENCH

ORGANIZATION

Board of Directors

Councilman Jack Hadjinian
City of Montebello
Chair

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City of San Gabriel
Vice Chair

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LA County Board of Supervisors

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City of Pomona

Mayor Pro Tem Victoria Martinez
City of El Monte

Mayor Mark Radecki
City of Industry

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Table of Contents

Budget Message	1
Background.....	2
Project Status	3
PROJECT STATUS	4
Project Cost Estimates.....	5
FY 2016 Funding Status	6
Committed Funding & Sources.....	7
FY 2016 Budget Status.....	8
FY 2016 Budget vs. Estimated Actual	9
FY 2016 Goals Status	10
FY 2017 Proposed Budget	12
FY 2017 PROPOSED BUDGET.....	13
FY 2017 Direct Costs by Project.....	14
FY 2017 Proposed Revenue & Expenditure Budget	15
FY 2016/17 Expenditure Comparison.....	16
FY 2016 Approved Budget vs. FY 2017 Proposed Budget	19
FY 2016 Estimated Actuals vs. FY 2017 Proposed	20
FY 2017 Project Goals.....	21
Project Financing	23
Budget Review and Approval	24
Budget Glossary.....	25

Budget Message

As we close out Fiscal Year 2016, the ACE Board and staff can proudly reflect on having completed a very productive year and the significant progress made towards completing the adopted ACE program. This past year ACE awarded the Fullerton Road Grade Separation project, made significant progress on the San Gabriel Trench Project, as well as continued major construction on the Puente Avenue and Fairway Drive Grade Separation Projects. In addition, after years of delay from third party litigation regarding oil and gas line relocations, ACE has awarded the final phase of construction for the Temple Avenue Train Diversion Project, which when completed later this year, will eliminate vehicle delays at the Temple Avenue crossing adjacent to Cal Poly Pomona. Finally, before the fiscal year closes on June 30th, the Nogales Street Grade Separation Project will be open to traffic permanently fixing the most dangerous crossing in California and the third most dangerous in the nation.

In addition to the active construction projects, we have made significant progress on the design of our remaining projects. The Durfee Avenue Grade Separation Project is almost fully designed, conceptual plans for the Montebello Corridor Projects have been prepared as well as conceptual designs for the At-Grade Safety Improvements at four crossings in the City of Pomona.

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 and San Gabriel Trench Projects to the Fullerton Road Grade Separation Project. ACE has also submitted \$70 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 this year ACE entered into two Memorandums of Understanding (MOU) with our parent agency the San Gabriel Valley Council of Governments (SGVCOG) for existing ACE staff to provide administrative support. The SGVCOG acknowledged the resources available at ACE in the areas of finance, accounting, IT and human resources. Under these MOU's ACE will be fully reimbursed for all costs associated with performing these SGVCOG requested services.

The Fiscal Year 2017 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 2016 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, the scope of the adopted grade separation program was amended by changing several project locations and adding two additional grade separations. The scope was again amended in 2015 deleting the originally proposed grade separations at Hamilton Boulevard (Pomona) and Greenwood Avenue (Montebello). Replacing the Hamilton Boulevard project is a series of at-grade safety improvements in the same vicinity. Montebello has chosen ACE to build two grade separations (Montebello Blvd. and Maple Ave.) along with at-grade safety improvements to create a Quiet Corridor. With the adoption of these project changes the overall ACE program now cost stands at \$1.688 billion.

To date ACE has implemented 39 crossing safety improvements and eight grade separation projects. The Nogales Street grade separation, nearing completion will bring the total to nine completed grade separations.

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 project will open to traffic following a June 17th ribbon cutting event eliminating what was once one of the most dangerous railroad crossings in the country.

San Gabriel Trench: During this past fiscal year the main construction emphasis has been on completing the trench portion of the project having completed all four vehicular bridge structures. It is anticipated that trains will be operating in the trench by the end of this calendar year.

Puente Avenue Grade Separation: This project is approximately one third to completion with most of the utility relocations completed, and the connector road open to traffic.

Fullerton Road Grade Separation: The project was recently awarded and will commence full construction this summer. To date several preconstruction activities have been completed which primarily include utility relocations.

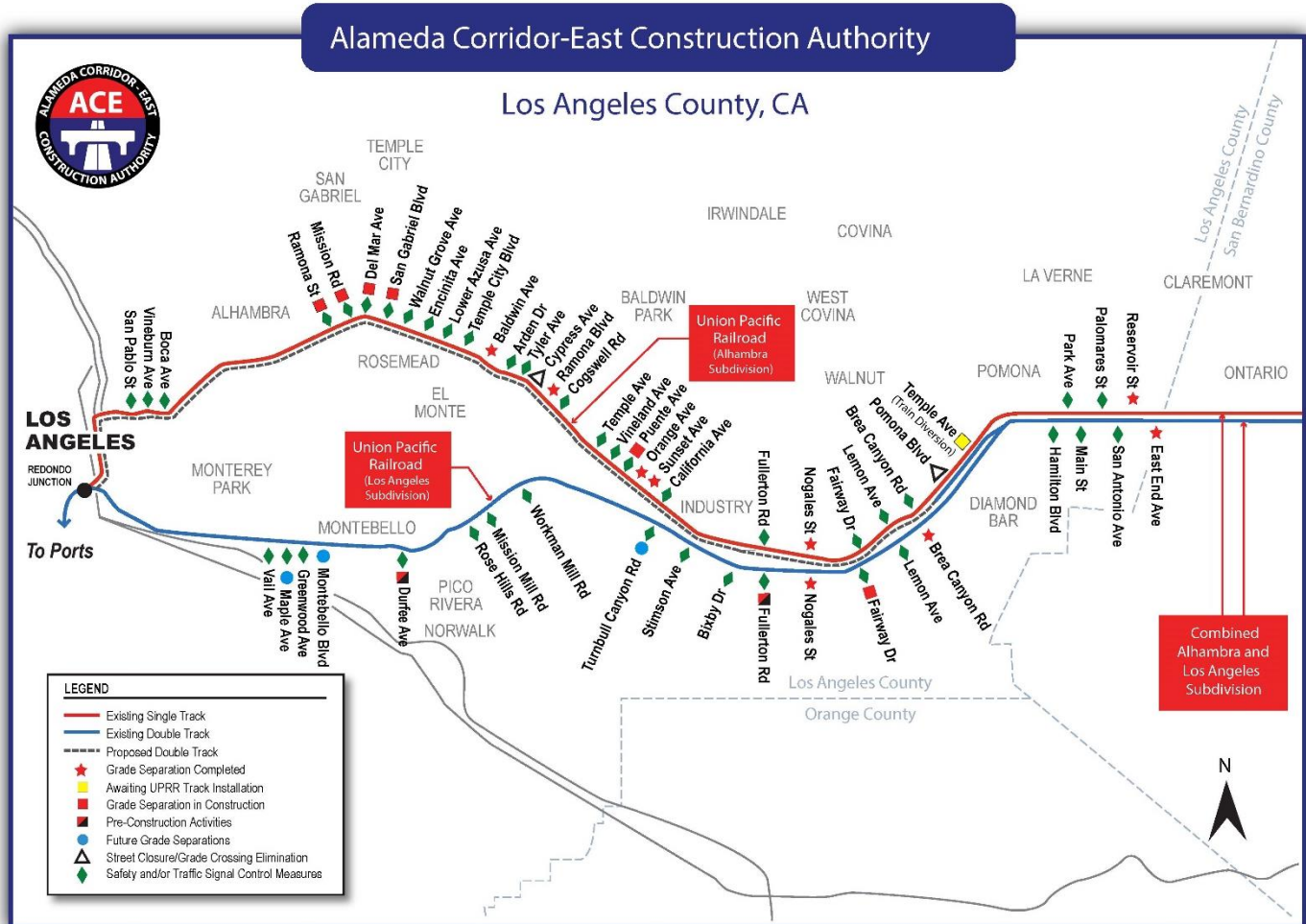
Fairway Drive Grade Separation: The contractor has completed several storm drain and sewer relocations as well as making significant progress on the pump station. Preparation is under way to initiate construction of retaining walls along the railroad for the elevated track. Street work will begin after the adjacent Nogales Street Grade Separation Project is open to traffic.

Montebello Corridor: Last year the Montebello City Council approved a conceptual design. ACE's design team has further developed the adopted concepts and will be presenting them for final approval to the community and Montebello City Council.

Durfee Avenue Grade Separation: This project is in final design and right of way acquisition, and is anticipated to proceed to construction next calendar year.

At-Grade Safety Improvements: Conceptual designs are being submitted to the Union Pacific Railroad for approval.

PROJECT STATUS



Alameda Corridor-East Project Area

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

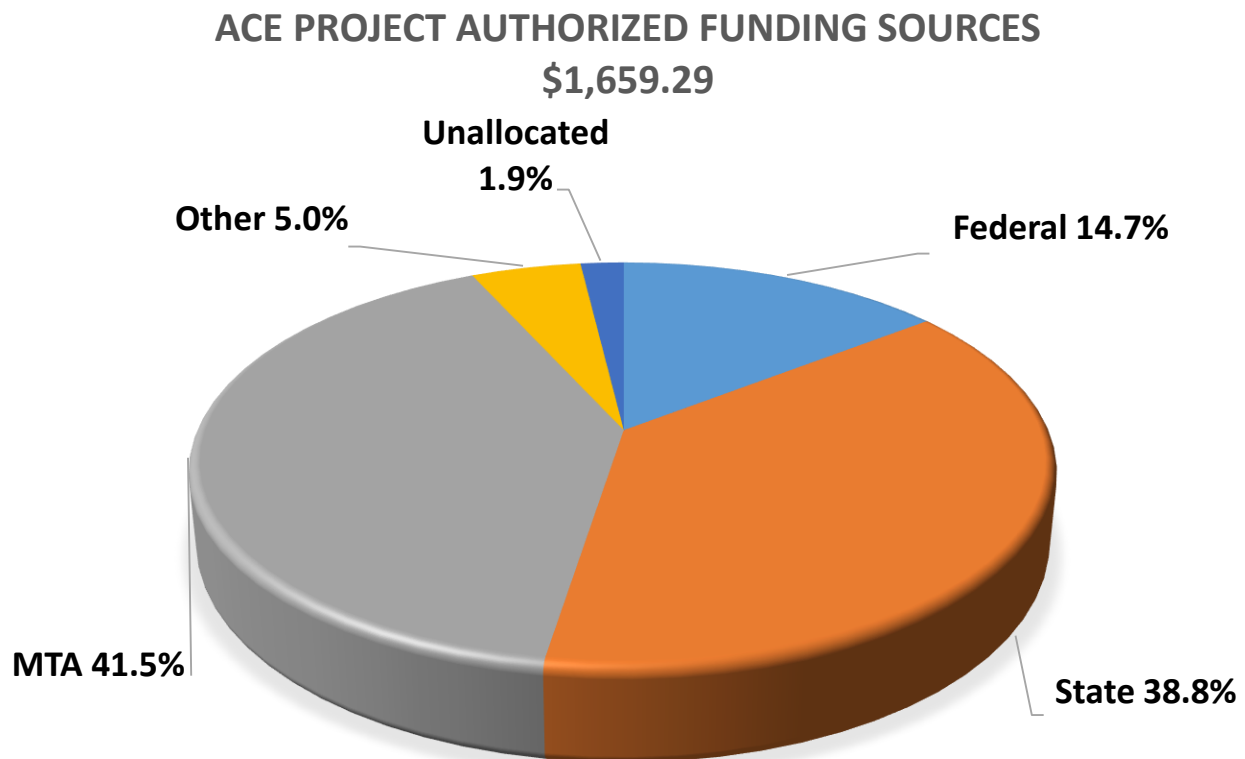
Project Cost Estimates

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)	71.804
Hamilton Boulevard (Pomona) (conceptual design only as project was deleted)	1.789
<u>Active Projects</u>	
Nogales Street (LA sub) Industry/Unincorporated LA Co.)	121.563
San Gabriel Trench (San Gabriel)	312.758
Puente Avenue (Industry)	96.458
Fairway Drive (Industry)	139.357
Fullerton Road (Industry)	145.184
Temple Avenue Train Diversion (Pomona)	92.121
Durfee Avenue (Pico Rivera)	78.381
At-Grade Improvements (Pomona)	19.840
Montebello Corridor (Montebello)	142.000
Turnbull Canyon Road (Industry/Unincorporated LA) (design only)	10.106
Total	\$ 1,615.156

FY 2016 Funding Status

The total funding sources and commitments to the ACE program since its inception is \$1,659.29. Matching these funding commitments against the projects expenditures of \$1.615 billion plus \$11.9 million in startup and administrative costs shows that the ACE program currently has \$32.2 million in funding available for the one remaining project in the adopted ACE program that is not fully funded (Turnbull Canyon Grade Separation). Design of this project was initiated this fiscal year however right of way or construction activities will not begin unless or until ACE can secure funding for this project which is estimated to be \$70 million.



A breakdown of out committed funding sources in on the following page.

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: \$688.740	
OTHER	
City/County/MWD Funds	\$12.122
Railroad contribution to active projects	40.552
Betterments	26.274
Property Sales	3.224
Total Other Funding: \$82.172	

Total Funds Committed \$1,659.288

Less Project Costs (1,627.082)

Remaining Funds Available **\$32.206**

FY 2016 Budget Status

The Board of Directors adopted the Fiscal Year 2016 budget in June 2015.

As in the past, ACE's adopted 2016 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 2016 rate was approved by Caltrans and included adjustments for over or under spending in prior years. ACE anticipates indirect expenses for FY 2016 will be \$2,000 over the budgeted amount of \$3.2 million (approximately 0.06%). For FY 2016 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 2016 direct costs will be \$69 million below the budgeted amount of \$182.2 million (38%). 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 2017. Examples of delayed expenditures include right of way purchases that are still being negotiated, or construction delays resulting in lower monthly billings from ACE's contractors. These funds will be carried over and re-budgeted in the proposed FY 2017 budget.

FY 2016 Budget vs. Estimated Actual

(\$ in thousands)

Expenditures	Year End Estimate	FY 2016 Budget	Under/ (Over)
Indirect			
Personnel			
Salaries and Wages	\$ 1,479	\$ 1,457	\$ (22)
Fringe Benefits	760	768	8
Board/ Employee Expense			
Auto/Travel	23	28	5
Training/Memberships	30	37	7
Board Expense	20	21	1
Professional Services			
Auditing/Accounting	41	50	9
Legal-Agency Support	25	25	-
Program Management	7	27	20
State/Federal Advisory Services	254	252	(2)
Risk Management	55	65	10
Insurance	129	103	(26)
Equipment Expense	100	75	(25)
Office Expense	242	237	(5)
Office Operations	54	71	17
Other	8	9	1
Total Indirect	<u>3,227</u>	<u>3,225</u>	<u>(2)</u>
Direct			
Salaries and Wages	1,374	1,376	2
Fringe Benefits	531	534	3
Auto Allowance Allocated to Projects	21	27	6
Program Management	2,510	3,662	1,152
Legal	1,119	1,568	449
Design	4,675	8,178	3,503
ROW Acquisition	11,450	28,669	17,219
Utility Relocation	2,300	4,762	2,462
Construction Mgt	8,759	8,600	(159)
Railroad	4,997	5,280	283
Construction	74,520	118,600	44,080
UPRR Invoice Review	21	13	(8)
Third Party Review	545	994	449
Utilities (Site)	7	2	(5)
Advertising	11	28	17
Total Direct	<u>112,840</u>	<u>182,293</u>	<u>69,453</u>
Total Expenditures	<u>\$ 116,067</u>	<u>\$ 185,518</u>	<u>\$ 69,451</u>

FY 2016 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, 2016.

Project Implementation

PROJECT	GOAL	STATUS
Nogales Street	Construction 100% complete	Goal expected
San Gabriel Trench	Construction 70% complete	Accomplished
Puente Avenue	Construction 50% complete	Construction at 45%
Fairway Drive	Construction 35% complete	Construction at 10%
Durfee Avenue	Concept Design 100% complete	Accomplished
Fullerton Road	Construction Contract Awarded	Accomplished
At-Grade Safety Improvements	Concept Design 35% complete	Accomplished
Montebello Corridor	Concept Design 35% complete	Accomplished
Turnbull Canyon	Design 5% complete	Design 2% completed

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 in TCIF project savings and \$18.3M in new state funds allocated to Fullerton. Two Federal freight grant funds applications submitted and 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	Accomplished.
Complete 4 quality control/quality assurance audits	Accomplished.

Community Outreach

GOAL	STATUS
Conduct community, business and school outreach effort for five projects in construction (San Gabriel Trench, Nogales Street, Puente Avenue, Fairway Drive, and Fullerton Road)	Accomplished and ongoing. Distributed over 500 school safety kits and conducted two railroad safety presentations in San Gabriel schools.
Conduct community and school outreach efforts to four projects in design (Durfee Avenue, At-Grade Safety Improvements, Montebello Corridor, and Turnbull Canyon Road)	Extensive school outreach efforts ongoing for Montebello Corridor project including May open house. Distributed over 5,000 school safety kits to students in Montebello at six railroad safety presentations. Durfee, Turnbull Canyon Rd and at-grade outreach efforts undertaken in support of design and/or right of way phases.
Conduct groundbreaking ceremony for the Nogales Street grade separation project	Ribbon cutting for Nogales is planned for June 17 th .
Conduct media outreach event for the San Gabriel Trench project	Accomplished. Outreach event held in Summer 2015.



Media Outreach Event

FY 2017 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 2017 (July 1, 2016 through June 30, 2017) was developed in two parts: anticipated project related direct expenses and general indirect expenses.

Indirect Budget

The proposed FY 2017 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 2017.

Direct Budget

The proposed FY 2017 direct expense budget assumes five projects in construction, one project completing design and land acquisition and initiating construction, and three projects in design. For the active construction projects (San Gabriel Trench, Fairway, Puente, Temple 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 2017 APPROVED BUDGET

(\$ in thousands)

Expenditures	FY 2017 Approved
Indirect	
Personnel	
Salaries and Wages	\$ 1,536
Fringe Benefits	789
Board/ Employee Expense	
Auto/Travel	28
Training/Memberships	38
Board Expense	21
Professional Services	
Auditing/Accounting	42
Legal-Agency Support	25
Program Management	17
State/Federal Advisory Services	256
Risk Management	65
Insurance	230
Equipment Expense	113
Office Expense	244
Office Operations	53
Other	8
Total Indirect	<u>3,465</u>
Direct	
Salaries and Wages	\$ 1,417
Fringe Benefits	568
Auto Allowance Allocated to Projects	23
Program Management	3,557
Legal	2,904
Design	7,956
ROW Acquisition	13,498
Utility Relocation	1,169
Construction Mgt	10,708
Railroad	4,040
Construction	82,771
UPRR Invoice Review	70
Third Party Review	700
Total Direct	<u>129,381</u>
Total Expenditures	<u>\$ 132,846</u>

FY 2017 Direct Costs by Project

	FY 2017			Puente		Fairway		Montebello		Turnbull	AT-Grade	Nogales
Expenditures	Approved	Temple	SG Trench	Avenue	Drive	Fullerton	Durfee	Corridor	Canyon	Crossing	(LA)	
Direct												
Salaries and Wages	\$ 1,417	\$ 19	\$ 232	\$ 266	\$ 252	\$ 198	\$ 158	\$ 115	\$ 56	\$ 54	\$ 66	
Fringe Benefits	568	8	93	107	101	79	63	46	22	22	26	
Auto Allowance Allocated to Projects	23	0	5	4	3	5	2	2	1	0	1	
Program Management	3,557	2	377	316	409	657	881	773	29	81	34	
Legal	2,904	5	140	11	316	700	1,633	22	2	5	70	
Design	7,956	-	240	550	240	970	950	3,500	300	1,200	6	
ROW Acquisition	13,498	-	-	585	18	2,800	9,420	-	-	-	675	
Utility Relocation	1,169	-	458	84	50	-	577	-	-	-	-	
Construction Mgt	10,708	50	5,428	1,250	1,800	1,800	260	-	-	-	120	
Railroad	4,040	50	1,000	700	960	1,200	-	20	-	10	100	
Construction	82,771	491	32,804	10,824	21,000	15,152	-	-	-	-	2,500	
UPRR Invoice Review	70	-	44	25	-	-	-	-	1	-	0	
Third Party Review	700	-	80	140	60	150	-	150	5	25	90	
Total Direct	\$ 129,381	\$ 624	\$ 40,900	\$ 14,861	\$ 25,209	\$ 23,712	\$ 13,945	\$ 4,628	\$ 416	\$ 1,396	\$ 3,689	

FY 2017 Approved Revenue & Expenditure Budget

(\$ in thousands)

	FY 2017 Approved
Expenditures	
Revenues	
Federal	\$ 3,697
State	101,631
Local	22,516
Betterment/Other	5,002
Total Revenue	132,846
Operating Expenditures	
Direct	
Design	7,570
ROW Acquisition	19,053
Construction	82,977
Construction Mgt	15,533
Betterment	4,248
Total Direct	129,381
Indirect	
Personnel	2,325
Board/Employee Expense	87
Professional Services	405
Insurance	230
Equipment Expense	113
Office Expense	244
Office Operations	53
Other	8
Total Indirect	3,465
Total Operating Expenditures	132,846
Excess of Revenue over Expenditures before Financing	-
Financing Income	
Investment Revenue	466
Financing Expense	(421)
Net Financing Income/Expense	45
Excess of Revenues over Expenditures	45
Net position at FY 2015 year's end	\$ 11,430
Estimated net position at FY 2017 year's end	\$ 11,475

FY 2016/17 Expenditure Comparison

The following addresses significant line item changes proposed for FY 2017 compared to the FY 2016 budgeted (greater than 10%). The total anticipated expenditures in FY 2017 will be down from what was budgeted in FY 2016 as construction expenses (our largest budget item) and right of way expenses are reduced to reflect the completion of some projects, and the early start of others.

Indirect Expenditures

Program Management (\$10,000 decrease) – This decrease reflects an effort to assign support costs directly to the projects in lieu of general expenses.

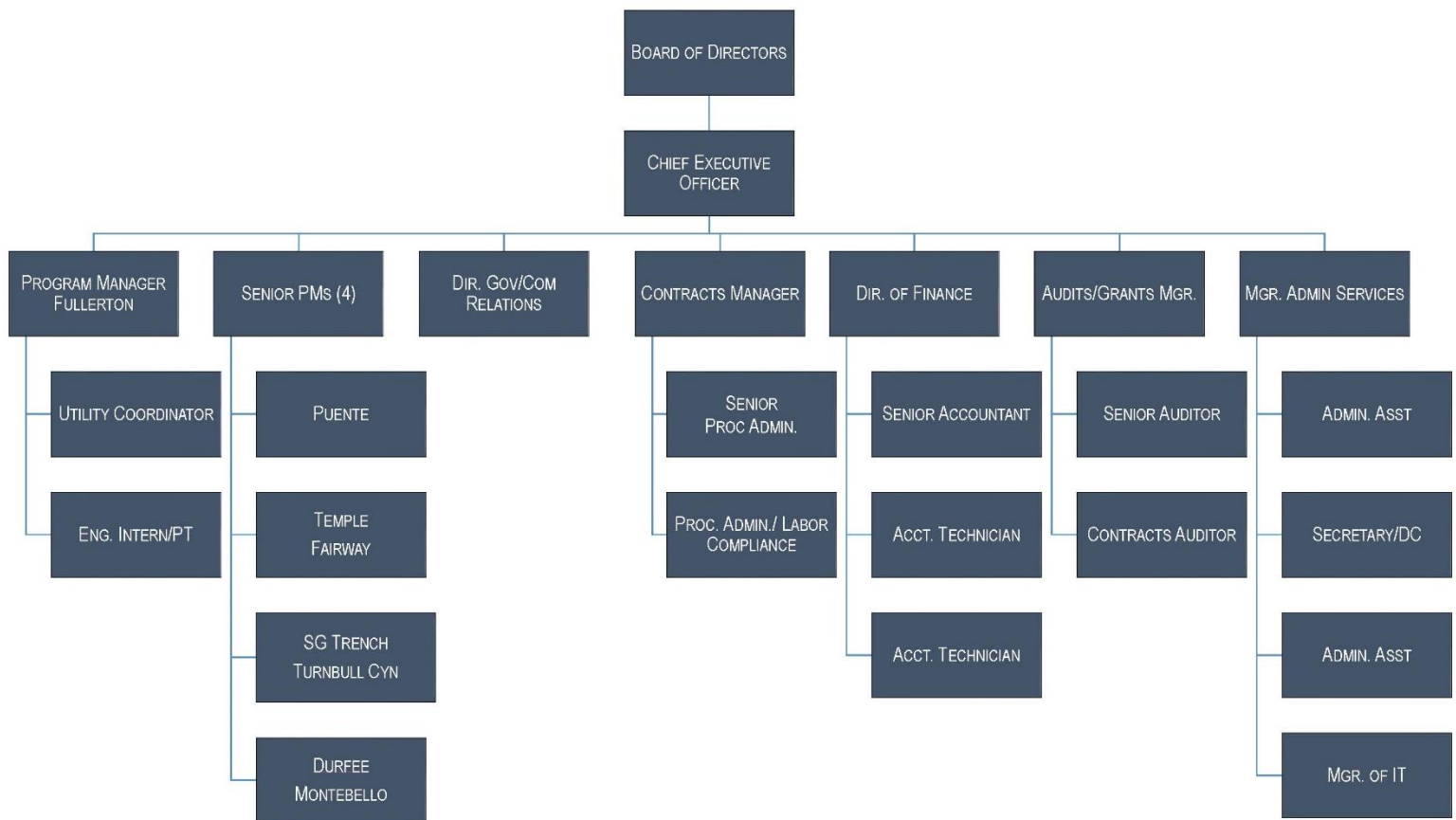
Insurance (\$127,000 increase) – This reflects the premium for the prepaid excess liability insurance being purchased for the Fullerton Road and Temple Avenue Grade Separation Projects. Each project requires this additional coverage.

Office Equipment (\$38,000 increase) – ACE's internet support and web based software licensing costs are anticipated to increase next year. In addition, several equipment leases will be up for renewal.

Office Supplies (\$18,000 decrease) – Staff has been securing needed supplies at reduced costs and working more efficiently, resulting in a reduced anticipated expense.

Personnel: Salary & Wages/Fringe Benefits – The FY 2017 proposed budget assumes no changes to the organization maintaining the 24 full time positions and one part time position approved by the Board. In past budget documents we have shown all vacant but board-approved positions in the event filling those positions become necessary. However, we do not foresee the need for additional staff with the current project schedule. The budget does provide for a 4% 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 (\$1.3 million increase) – This increase reflects the legal support that will be required as ACE completes the land acquisitions on Durfee, as well as completing negotiations related to properties acquired by eminent domain for the Fullerton and Fairway projects.

Right of Way Acquisition (\$15.1 million decrease) – This reflects the fact that most of the purchase costs associated with the land acquisition for Fullerton and Fairway now have been deposited with the courts and are pending jury trial and final settlements.

Utility Relocations (\$3.5 million decrease) – The majority of utility relocation work expenses on our active projects were incurred during FY 2016 and reimbursable utility relocations in FY 2017 are therefore significantly reduced.

Construction Management (\$2.1 million increase) – This increase reflects continued full scale construction activities on the San Gabriel Trench, Fairway Drive and Puente Avenue projects, and the addition of construction activities on the Fullerton Road project.

Construction (\$35.8 million decrease) – With the Nogales Street project completed, the San Gabriel Trench winding down at the end of the year, as well as the Puente Avenue, Fullerton Road and Fairway Drive projects not expected to construct bridge structures (generally a major expense under the construction contracts) until next year, contractor billings will be reduced, resulting in a budget reduction to this line item for FY 2017.

Railroad (\$1.2 million decrease) – Union Pacific Railroad billings are anticipated to be lower in FY 2017 as mainline rail construction will be primarily limited to one project (the San Gabriel Trench).

The pace of active projects is the major factor in the annual budget projection. For FY 2017 we have made the following assumptions about the projects having the biggest impact on our spending estimates:

- San Gabriel Trench (San Gabriel) – Construction 90% complete.
- Puente Avenue (Industry) – Construction 70 % complete.
- Fairway Drive (Industry/LA County) – Construction 40% complete.
- Durfee Avenue (Pico Rivera) – Construction contract awarded.
- Fullerton Road (Industry) – Construction 20% complete
- At-Grade Safety Improvements (Pomona) – Design 35% complete.
- Montebello Corridor (Montebello) – Design 35% complete
- Turnbull Canyon Road – Design 25% complete

FY 2016 Budget vs. FY 2017 Budget

(\$ in thousands)

Expenditures	FY 2016 Approved	FY 2017 Approved	Incr/ Decr
Indirect			
Personnel			
Salaries and Wages	\$ 1,457	\$ 1,536	\$ 79
Fringe Benefits	768	789	21
Board/ Employee Expense			
Auto/Travel	28	28	-
Training/Memberships	37	38	1
Board Expense	21	21	-
Professional Services			
Auditing/Accounting	50	42	(8)
Legal-Agency Support	25	25	-
Program Management	27	17	(10)
State/Federal Advisory Services	252	256	4
Risk Management	65	65	-
Insurance	103	230	127
Equipment Expense	75	113	38
Office Expense	237	244	7
Office Operations	71	53	(18)
Other	9	8	(1)
Total Indirect	<u>3,225</u>	<u>3,465</u>	<u>240</u>
Direct			
Salaries and Wages	1,376	1,417	41
Fringe Benefits	534	568	34
Auto Allowance Allocated to Projects	27	23	(4)
Program Management	3,662	3,557	(105)
Legal	1,568	2,904	1,336
Design	8,178	7,956	(222)
ROW Acquisition	28,669	13,498	(15,171)
Utility Relocation	4,762	1,169	(3,593)
Construction Mgt	8,600	10,708	2,108
Railroad	5,280	4,040	(1,240)
Construction	118,600	82,771	(35,829)
UPRR Invoice Review	13	70	57
Third Party Review	994	700	(294)
Utilities (Site)	2	-	(2)
Advertising	28	-	(28)
Total Direct	<u>182,293</u>	<u>129,381</u>	<u>(52,912)</u>
Total Expenditures	<u>\$ 185,518</u>	<u>\$ 132,846</u>	<u>\$ (52,672)</u>

FY 2016 Estimated Actuals vs. FY 2017 Approved

(\$ in thousands)

Expenditures	FY 2016 Estimate	FY 2017 Approved	Incr/ Decr
Indirect			
Personnel			
Salaries and Wages	\$ 1,479	\$ 1,536	\$ 57
Fringe Benefits	760	789	29
Board/ Employee Expense			
Auto/Travel	23	28	5
Training/Memberships	30	38	8
Board Expense	20	21	1
Professional Services			
Auditing/Accounting	41	42	1
Legal-Agency Support	25	25	-
Program Management	7	17	10
State/Federal Advisory Services	254	256	2
Risk Management	55	65	10
Insurance	129	230	101
Equipment Expense	100	113	13
Office Expense	242	244	2
Office Operations	54	53	(1)
Other	8	8	-
Total Indirect	<u>3,227</u>	<u>3,465</u>	<u>238</u>
Direct			
Salaries and Wages	1,374	1,417	43
Fringe Benefits	531	568	37
Auto Allowance Allocated to Projects	21	23	2
Program Management	2,510	3,557	1,047
Legal	1,119	2,904	1,785
Design	4,675	7,956	3,281
ROW Acquisition	11,450	13,498	2,048
Utility Relocation	2,300	1,169	(1,131)
Construction Mgt	8,759	10,708	1,949
Railroad	4,997	4,040	(957)
Construction	74,520	82,771	8,251
UPRR Invoice Review	21	70	49
Third Party Review	545	700	155
Utilities (Site)	7	-	(7)
Advertising	11	-	(11)
Total Direct	<u>112,840</u>	<u>129,381</u>	<u>16,541</u>
Total Expenditures	<u>\$ 116,067</u>	<u>\$ 132,846</u>	<u>\$ 16,779</u>

FY 2017 Project Goals

Staff proposes to accomplish the following by June 30, 2017 (unless otherwise noted):

Project Implementation

PROJECT	GOAL
At-Grade Safety Improvements	Design 35% and completion of environmental clearance
Durfee Avenue	100% design complete/advertise for construction
Fairway Drive	Construction 40% complete
Fullerton Road	Construction 20% complete
Montebello Corridor	Design 35% and completion of environmental clearance
Puente Avenue	Construction 70 % complete
San Gabriel Trench	Construction 90% complete
Temple Avenue	Complete project
Turnbull Canyon	Design 25% complete

Funding/Financial Administration

GOAL
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 18 professional services contract audits
Complete 4 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 ceremonies for the Fullerton Road and Durfee Avenue projects.
Conduct dedication ceremonies for the San Gabriel Trench project and potentially the Temple Avenue 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 will be presented to San Gabriel Valley Council of Governments City Manager Steering Committee on June 1, 2016 and to the ACE Board and to the public for consideration at the June 6, 2016 ACE Board Special meeting. Any changes will be incorporated into the approved budget and submitted to the San Gabriel Valley Council of Governments (SGVCOG) for consideration at their June 16, 2016 meeting.

Upon adoption of the FY 2017 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 2017 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 2017 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.