

# Alameda Corridor-East Construction Authority



## FY 2008 Budget

(Approved May 21, 2007)

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## Table of Contents

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Budget Message .....	1
Project Background and Status .....	2
Background .....	2
Project Status.....	2
Project Map.....	3
Funding Status .....	4
FY 2007 Budget Status .....	5
Meeting FY 2007 Goals .....	8
ACE CONSTRUCTION AUTHORITY FY 2008 GOALS .....	10
Project Implementation.....	10
Funding/Financial/Administration .....	11
Outreach.....	11
FY 2008 ACE Construction Authority Budget .....	12
Budget Development .....	12
FY 2008 Budget.....	13
Project Financing .....	18
Budget Amendments And Revisions .....	19
Board Review And Approval.....	19
FY 2008 Budget Glossary .....	20
Indirect Expenses .....	20
Direct Expenses.....	21

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## Organization

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City of Diamond Bar

**Councilman Phil Marcellin**  
City of Industry

**Mayor Paul Eaton**  
City of Montclair  
(Ex-Officio San Bernadino  
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**Rick Richmond**  
Chief Executive Officer

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Nicolas T. Conway  
Executive Director

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## Budget Message

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Progress on implementing the Alameda Corridor-East (ACE) Project will continue as we will have five grade separations in construction, our final Phase I project, Baldwin Avenue, in real estate acquisition, and the San Gabriel Trench beginning design.

Reservoir Street, our second grade separation to be completed, was turned over to the City of Pomona in FY 2007. Construction continued at East End Avenue and Temple Avenue in Pomona, and Ramona Boulevard in El Monte. Contracts were let and construction begun on Sunset/Orange Avenues in the City of Industry and Brea Canyon Road on the border of the Cities of Industry and Diamond Bar.

The \$19.7 billion state transportation bond (Propositions 1 B), passed in November 2006, includes funding for trade corridor improvements, and goods movement environmental relief. Preparations have commenced at the state level on the allocation of funds to different projects throughout California. In addition, the state legislature is currently considering a container fee bill that would generate over \$250 million annually for trade corridor improvements in California's major port regions. ACE is 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, train traffic has increased from an average of 55 trains per day to 70 - 85 trains per day during peak traffic periods. Auto and truck traffic across the Union Pacific Railroad tracks during the same period has increased and is expected to grow by 40% by the project's design year (2020). Future traffic increases at the ports and continuing local economic expansion will exacerbate this problem 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 two 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 1997 has been updated recently 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 accepted 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 Phase I project components:

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

- Completed

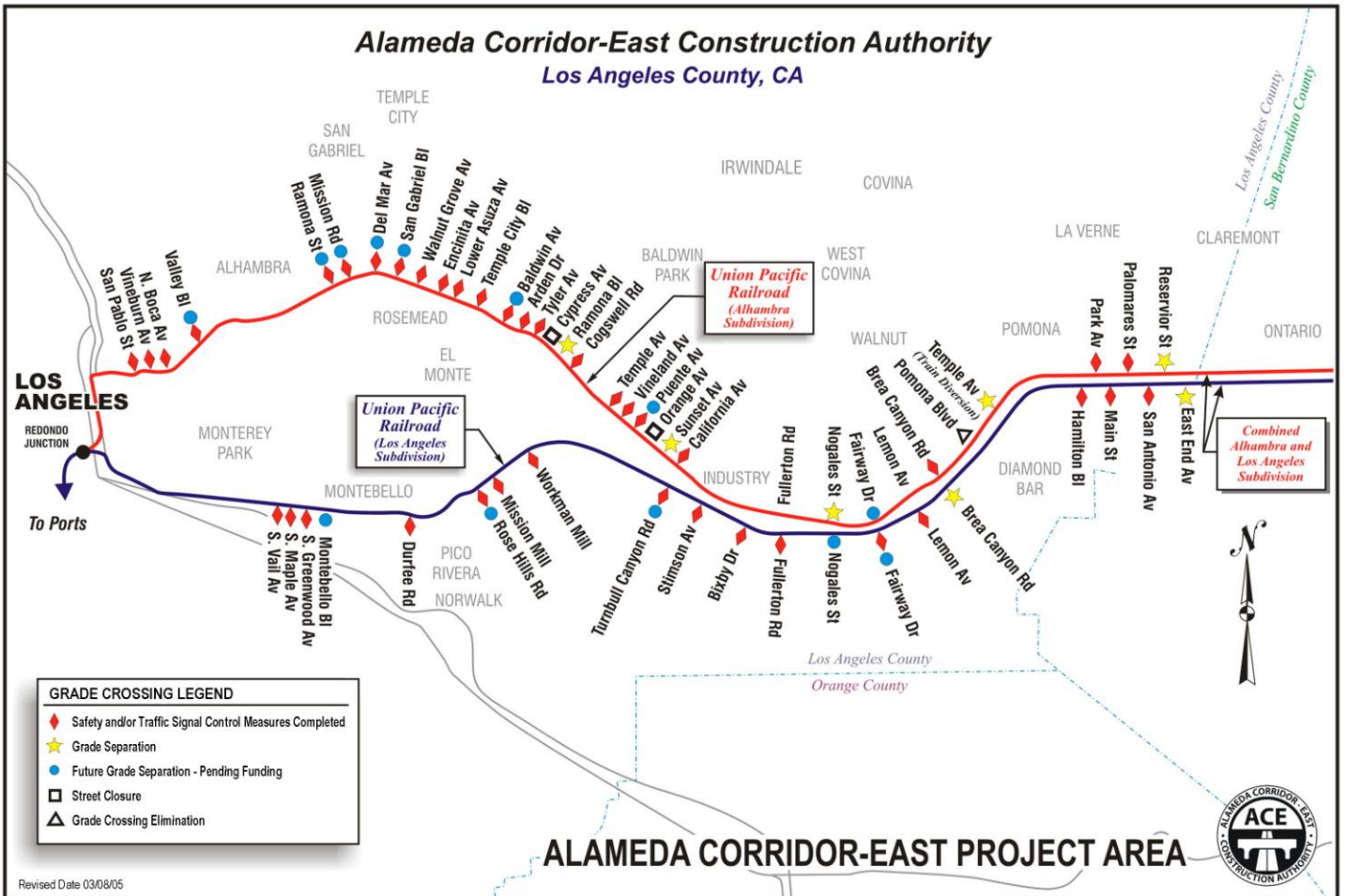
#### IR/RIS - Intelligent Roadway/Rail Signal System

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

Grade Separations (12 crossings eliminated – 8 separations managed by ACE)

- Two grade separations completed.
- Five grade separations in construction.
- One grade separation acquiring right-of-way.

**Project Map**



## **Funding Status**

The current cost estimate for Phase I is \$486.1 million. (March 2007 Quarterly Status Report). An additional \$20.1 million in city or railroad requested and funded property enhancements bring the total projected expenditures to \$506.2 million.

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

<u>Funding Source</u>	<u>(millions)</u>
Federal TEA-21 Demonstration Earmark	\$ 129.0
Federal SAFTEA-LU Demonstration Earmark	73.9
Federal Trade Corridor Grants and Appropriations	16.4
State Highway Funds (ITIP)	38.7
State General Funds (TCRF)	130.3
MTA "Call for Projects"	128.9
UPRR/SCRRA Contribution	<u>12.5</u>
	\$ 529.7

Proposition 1B, passed in November 2006, includes funding for several types of transportation improvements, including trade corridor improvements such as ACE. The State is currently establishing the project administration process for allocating funds to different projects throughout California. The state legislature is currently considering a container fee bill that would generate over \$250 million annually for trade corridor improvements in California's major ports regions. ACE is actively supporting and/or pursuing these anticipated state funds and we are hopeful that significant funding will be available for Phase II of the project.

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## FY 2007 Budget Status

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The Board of Directors adopted the Fiscal Year (FY) 2007 Budget in May 2006.

The attached table (Exhibit I) compares the FY 2007 Budget to the estimated actual expenses as of June 30, 2007.

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 rate approved for FY 2007 was 8.5% and included a “catch-up” provision for under spending in prior years. ACE anticipates indirect expenses will be \$4.2 million, about 2% under budget.

Indirect expenses are expected to overrun in two areas, however:

- Salaries (\$16,000 or 2%) due to the addition of a permanent part-time employee.
- Program management (\$237,000 or 16%) due to beginning Baldwin Avenue ROW acquisition which was authorized by the Board in mid-fiscal year.

### Direct Project Expense

Direct expenses are those than can be readily associated with specific projects such as staff or program management time, engineering, property acquisition, construction, and miscellaneous support costs. As a general rule, overruns in direct annual costs are a positive sign of faster than assumed progress, if total project costs aren't increasing.



Conversely, underruns generally mean slower progress and result in under-collection of indirect costs.

The most significant projected direct expense variances are:

- Legal (over budget)– Higher than anticipated legal expense on Sunset Ave. and Brea Canyon Road right-of-way (ROW) acquisition.
- ROW Acquisition (over budget) – Unanticipated purchase of the Hartlieb office building at the Brea Canyon Road site.
- Railroad (under budget) – Schedule delays on three projects (Ramona Avenue, Temple Avenue and Brea Canyon Road) and expected increases in Union Pacific Railroad overhead charges not billed as yet.
- Construction (over budget) – Strong performance at Brea Canyon Road and other sites.

**Exhibit I**  
**FY 2007 Budget vs. Est. Actual**  
(\$ in Thousands)

<b>Expenditures</b>	<b>Yr End Estimate</b>	<b>FY 2007 Budget</b>	<b>Under/ (Over)</b>
<b>Indirect</b>			
<b>Personnel</b>			
Salaries and Wages	\$ 904	\$ 888	\$ (16)
Fringe Benefits	411	417	6
<b>Board/Employee Expenses</b>			
Auto/Travel	42	41	(1)
Training/Memberships	5	14	9
Board Related Expenses	17	20	3
<b>Professional Services</b>			
Auditing/Accounting	37	40	3
DBE/Labor Compliance	114	190	76
Legal - Agency Support	39	29	(10)
Program Management	1,737	1,500	(237)
State/Federal Advisory Services	222	245	23
Risk Management	55	65	10
UPRR Invoice Review	72	62	(10)
<b>Insurance</b>	370	500	130
<b>Equipment Expense</b>	45	59	14
<b>Office Expense</b>	201	201	-
<b>Office Operations</b>	24	54	30
<b>Other</b>	3	7	4
<b>Total Indirect</b>	<u>4,298</u>	<u>4,332</u>	<u>34</u>
<b>Direct</b>			
Salaries and Wages	405	370	(36)
Program Management	2,526	1,860	(666)
Legal	1,056	548	(508)
Labor Compliance	185	146	(39)
Design	1,243	1,242	(1)
ROW Acquisition	5,950	2,186	(3,764)
Utility Relocation	244	941	697
Construction Mgt	3,939	3,795	(144)
Railroad	4,699	10,834	6,135
Construction	57,384	44,855	(12,529)
Advertising	23	10	(13)
<b>Total Direct</b>	<u>77,654</u>	<u>66,787</u>	<u>(10,867)</u>
<b>Total ACE</b>	<u>\$ 81,952</u>	<u>\$ 71,119</u>	<u>\$ (10,833)</u>

**Meeting FY 2007 Goals**

Last fiscal year’s budget set forth a number of goals for FY 2007. The following is the anticipated status of each goal as of June 30, 2007:

<b>Project Implementation</b>	
<b>Goal</b>	<b>Progress</b>
San Gabriel Trench: Complete environmental clearance process	<ul style="list-style-type: none"> <li>• Noise and vibration technical study completed</li> <li>• SHPPO documentation finalized</li> <li>• Caltrans/FHWA reviewing IS/EA</li> </ul>
Ramona Boulevard: Construction 90% complete.	<ul style="list-style-type: none"> <li>• 75% complete</li> </ul>
Temple Avenue:  Third track: Right-of-way construction completed;  Third Track: Track/signal installation 20% complete  Fourth track: Right-of-way construction 20% complete	<ul style="list-style-type: none"> <li>• 98% complete</li> <li>• Postponed by UPRR</li> <li>• Completion of engineering and bidding delayed</li> </ul>
Brea Canyon Road: Construction 35% complete	<ul style="list-style-type: none"> <li>• 50% complete</li> </ul>
Sunset Avenue: Construction 10% complete	<ul style="list-style-type: none"> <li>• 5% complete</li> </ul>
East End Avenue: Construction 30% complete	<ul style="list-style-type: none"> <li>• 15% complete</li> </ul>
Reservoir Street: Open to traffic by November, 2006	<ul style="list-style-type: none"> <li>• Opened to traffic December 2006</li> </ul>

<b>Project Implementation</b>	
<b>Goal</b>	<b>Progress</b>
IRRIS: System under City of Pomona operation	<ul style="list-style-type: none"> <li>Not accomplished; train detection element failed to meet specs; retrofit being studied</li> </ul>

<b>Funding/Financial/Administration</b>	
<b>Goal</b>	<b>Progress</b>
Secure initial SAFETEA-LU funding	<ul style="list-style-type: none"> <li>FHWA approved Section 1301 application (\$31.25M)</li> </ul>
If State Transportation bond passes, obtain project funding allocation from CTC	<ul style="list-style-type: none"> <li>Participating in State hearings and CTC working group meetings on guidelines and application process</li> </ul>
Work with other interested parties to identify permanent goods movement funding source	<ul style="list-style-type: none"> <li>ACE included in State Goods Movement Action Plan for \$313 m of Prop 1B bond funds</li> <li>ACE included in SB 974 as eligible project for container fees</li> </ul>
Maintain sound financial and accounting systems and state/federal/local audit compliance	<ul style="list-style-type: none"> <li>Obtained clean financial audit and management letter</li> <li>Audit findings 1.3% of total contract amount audited</li> <li>MTA now allowing ACE to self-audit contracts</li> </ul>
Minimize use of working capital – keep 90-95% of note proceeds invested.	<ul style="list-style-type: none"> <li>94.6 % of note proceeds invested.</li> </ul>

<b>Outreach</b>	
<b>Goal</b>	<b>Progress</b>
Conduct ribbon-cutting ceremony for Reservoir Street project	<ul style="list-style-type: none"> <li>Reservoir Street project dedication ceremony held on April 2, 2007</li> </ul>
Implement Business Support Program, School Safety Outreach Program and construction outreach activities	<ul style="list-style-type: none"> <li>Business Support and School Safety Outreach programs implemented and construction outreach activities conducted</li> </ul>
Adopt DBE program to meet anticipated changes in Caltrans regulations.	<ul style="list-style-type: none"> <li>Caltrans/FHWA approved ACE revised DBE program</li> </ul>

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**ACE CONSTRUCTION AUTHORITY FY 2008 GOALS**

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Staff proposes to accomplish the following by June 30, 2008 (unless otherwise noted):

**Project Implementation**

- Ramona Boulevard: Open to traffic by Fall 2007
- Temple Avenue: Fourth track right of way 90% complete
- Brea Canyon Road: Construction 90% complete
- Sunset Avenue: Construction 50% complete
- East End Avenue: Open to traffic
- Baldwin Avenue: All necessary property under ACE control; ready to bid construction

- San Gabriel Trench: Complete environmental clearance process and substantially complete preliminary engineering
- IRRIS: Alternative train detection in testing

**Funding/Financial/Administration**

- Approve \$5M TCSP grant application
- FY '08 Appropriation earmark approved project funding allocation from CTC  
Obtain earmark of Prop 1B goods movement funds for Phase II projects
- Support passage of SB 974
- Seek dedicated freight trust fund in SAFE-TEA reauthorization
- Obtain clean financial audit and management letter
- Create self-audit program
- Maintain at least 95% of note proceeds invested.

**Outreach**

- Conduct ribbon-cutting ceremonies for Ramona Boulevard and East End Avenue projects
- Continue business support, school safety outreach programs
- Continue to implement DBE goals for contract letting during FY'08
- Conduct at least one environmental outreach meeting for San Gabriel Trench project.

The above goals do not address implementing Phase II projects other than initial design of the San Gabriel Trench due to lack of committed funding at this point.

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## FY 2008 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 2008 (July 1, 2007 through June 30, 2008) 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 2008 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 2008. 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 2008.

The FY 2008 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 2008 budget provides only for activity for which the Authority has committed funding. Therefore, there is no proposed budget for Phase II projects other than the design of the San Gabriel Trench. In the event additional funding becomes available we will amend the FY 2008 budget as necessary.

**FY 2008 Budget**

The FY 2008 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 actuals for FY 2007 to the budget for FY 2008.

The following addresses significant line item increases (\$10,000 or more and more than a 10% increase) approved for FY 2008 compared to the FY 2007 estimated actuals for all "indirect" expenses. Any basis for changes in the construction related line items are a result of our most current projection of construction progress, as described above.



- Staff Salaries and Benefits – The FY 2008 budget is based on existing staffing levels plus one additional project manager (previously authorized), and provides for a 6% merit salary adjustment pool to be administered per our adopted salary guidelines.
- Insurance – The primary cost is excess construction liability coverage. It is now acquired on an annual basis in September of each year. The budgeted amount represents, in conjunction with our insurance broker, our best estimate on advice of our insurance consultant, of the cost of the upcoming policy plus the other required policies.
- Program Management – FY 2008 Budget includes one-half person year each for procurement support and project scheduling.
- Equipment Expense – The increased cost reflects the replacement of existing computers in the agency.

## Exhibit II

### FY 2008 Approved Budget with Type of Expenditure

(\$ in Thousands)

Expenditures	FY 2008 Approved
<b>Indirect</b>	
<b>Personnel</b>	
Salaries and Wages	\$ 1,025
Fringe Benefits	468
<b>Board/Employee Expenses</b>	
Auto/Travel	49
Training/Memberships	6
Board Related Expenses	20
<b>Professional Services</b>	
Auditing/Accounting	40
DBE/Labor Compliance	120
Legal - Agency Support	40
Program Management	1,977
State/Federal Advisory Services	230
Risk Management	60
UPRR Invoice Review	72
<b>Insurance</b>	407
<b>Equipment Expense</b>	77
<b>Office Expense</b>	210
<b>Office Operations</b>	27
<b>Other</b>	5
<b>Total Indirect</b>	4,833
<b>Direct</b>	
Salaries and Wages	485
Program Management	4,111
Legal	955
Labor Compliance	174
Design	2,764
ROW Acquisition	14,574
Utility Relocation	1,616
Construction Mgt	4,773
Railroad	18,699
Construction	50,874
Advertising	-
<b>Total Direct</b>	99,025
<b>Total ACE</b>	\$ 103,858

**Exhibit II A**  
**FY 2008 Approved Budget with Type of Expenditure**  
(\$ in Thousands)

	<b>FY 2008 Approved</b>
<b>Revenues</b>	
Federal	\$ 32,517
State	57,691
Local	14,685
Other	8,265
<b>Total Revenues</b>	113,158
 <b>Operating Expenditures</b>	
<b>Direct</b>	
Design	3,009
ROW Acquisition	22,856
Construction	67,903
Construction Management	6,291
Betterment	5,966
<b>Total Direct</b>	106,025
 <b>Indirect</b>	
Personnel	1,493
Board/Employee Expenses	75
Professional Services	2,539
Insurance	407
Equipment Expense	77
Office Expense	210
Office Operations	27
Other	5
<b>Total Indirect</b>	4,833
<b>Total Operating Expenditures</b>	110,858
<b>Excess of Revenue over Expenditures before Financing</b>	2,300
 <b>Financing Income</b>	
Investment Revenue	4,888
Interest and Related Expenses	4,138
<b>Net Financing Income/Expense</b>	750
<b>Excess of Revenues over Expenditures</b>	3,050
<b>Fund Balance Beginning of Period</b>	\$ 11,905
<b>Fund Balance End of Period</b>	\$ 14,955

## Exhibit III

### Comparison - FY 2007 Estimated Actuals vs. FY 2008 Approved

(\$ in Thousands)

Expenditures	FY 2007 Estimate	FY 2008 Approved	Incr/ Decr	(Decr)	%
<b>Indirect</b>					
<b>Personnel</b>					
Salaries and Wages	\$ 904	\$ 1,025	\$ 121		13%
Fringe Benefits	411	468	57		14%
<b>Board/Employee Expenses</b>					
Auto/Travel	42	49	7		17%
Training/Memberships	5	6	1		20%
Board Related Expenses	17	20	3		18%
<b>Professional Services</b>					
Auditing/Accounting	37	40	3		8%
DBE/Labor Compliance	114	120	6		5%
Legal - Agency Support	39	40	1		3%
Program Management	1,737	1,977	240		14%
State/Federal Advisory Services	222	230	8		4%
Risk Management	55	60	5		9%
UPRR Invoice Review	72	72	-		0%
<b>Insurance</b>	370	407	37		10%
<b>Equipment Expense</b>	45	77	32		71%
<b>Office Expense</b>	201	210	9		4%
<b>Office Operations</b>	24	27	3		13%
<b>Other</b>	3	5	2		67%
<b>Total Indirect</b>	4,298	4,833	535		12%
<b>Direct</b>					
Salaries and Wages	405	485	80		20%
Program Management	2,526	4,111	1,585		63%
Legal	1,056	955	(101)		-10%
Labor Compliance	185	174	(11)		-6%
Design	1,243	2,764	1,521		122%
ROW Acquisition	5,950	14,574	8,624		145%
Utility Relocation	244	1,616	1,372		563%
Construction Mgt	3,939	4,773	834		21%
Railroad	4,699	18,699	14,000		298%
Construction	57,384	50,874	(6,510)		-11%
Advertising	23	-	(23)		-100%
<b>Total Direct</b>	77,654	99,025	21,371		28%
<b>Total ACE</b>	\$ 81,952	\$ 103,858	\$ 21,906		27%

**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 2008 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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