



San Gabriel Valley Council of Governments

1000 S. Fremont Ave., Unit 42, Bldg. A6, Suite 6425, Alhambra, CA 91803 Phone: (626) 457-1800 FAX: (626) 564-1116 E-Mail SGV@sgvcog.org

Special Meeting

City Managers' Steering Committee

February 9th, 2011

12 Noon

Please Note New Location:

West Covina City Hall
1444 W Garvey Avenue South
West Covina, CA

1.0 Preliminary Business

2.0 Public Comment

3.0 Changes to Agenda Order; Identify Subsequent Need or Emergency Items

4.0 Consent Items

- 4.1 Minutes from January 5th, 2011 meeting – *Page 1*

5.0 Discussion Items

5.1 The ACE Project

- 5.1.1 Los Angeles County Department of Public Works Phase I Report – *Page 3*
Review information included the Report and discuss next steps.

5.1.2 Phase II Report Review Subcommittee – *Page 43*

Review motion by the Office of Supervisor Antonovich directing the City Managers' Steering Committee to participate in the review process and discuss next steps.

5.2 ACE 2009-2010 Annual Financial Report – *Page 47*

Review ACE's FY 2009-2010 financial audit prior to review and action by the Governing Board.

5.3 SGVCOG Strategic Plan Update – *Page 81*

Review updated SGVCOG Strategic Plan, including objectives for the next six months.

5.4 SGVCOG 2nd Quarter Financial Report and Mid-Year Budget Revision

Review and recommend approval to the Governing Board.

5.5 SGVCOG High Speed Rail Working Group Update – *Page 88*

Review minutes from January Working Group meeting and discuss next steps in preparation of March CHSRA Board of Directors meeting.

5.6 Small Business Development Centers (SBDC)

Review the updated SBDC proposal for service delivery in the San Gabriel Valley.

6.0 New Business items for Next Regular Meeting

7.0 Announcements

8.0 Next Meeting

9.0 Adjourn



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City Managers' Steering Committee Minutes

Date: January 5th, 2011

Time: 12 Noon

Location: West Covina City Hall

1.0 Preliminary Business

1.1 Call to Order

A. Pasmant called the meeting to order at 12:05 p.m.

1.2 Roll Call/Introductions

Members Present:

Alhambra	J. Fuentes, J. Keating
Glendora	C. Jeffers
Rosemead	J. Allred
San Dimas	B. Michaelis
San Gabriel	S. Preston
Walnut	R. Wishner
West Covina	A. Pasmant, C. Freeland

Members Absent:

Covina
Diamond Bar
El Monte
La Canada Flintridge
San Marino
Walnut

SGVCOG Staff:

N. Conway, Executive Director
M. Creter, Staff

Guests:

P. Doudar, LA County Flood Control District
M. Pestrella, LA County Flood Control District
J. Alva, Small Business Development Centers (SBDC)

2.0 Public Comment

3.0 Changes to Agenda Order; Identify Subsequent Need or Emergency Items

The Executive Director indicated that the presenter for Item 5.1 requested that it be moved down on the agenda.

4.0 Consent Items

4.1 Minutes from December 1st, 2010 meeting

There was a motion to approve the minutes (M/S/C: J. Allred/ J. Fuentes).

5.0 Discussion Items

5.1 County of Los Angeles' Water Quality Funding Initiative

Staff from the LA County Flood Control District presented on this item and provided a brief update on the status of the MS-4 permit. They reviewed the structure of the revenue that would be utilized, which is as follows: 50% to Watershed Groups, 40% to local jurisdictions, and 10% for administration, science

and monitoring. They also indicated that there will most likely be a citizen's oversight committee. They anticipate the measure going before the voters in late 2012. They also indicated that a model ordinance, which will provide further structure to this proposed program, will be available in Spring 2011.

5.2 Small Business Development Centers (SBDC)

SBDC staff presented on this item. There was discussion regarding the grant to Pasadena City College and how this differed or overlapped with the proposed SBDC services. SBDC staff indicated that the primary differences were that the funding for PCC was one time and the SBDC is held to strict date reporting and outcome protocols. The Committee members asked if there was a possibility of structuring the services to include "house calls" at cities' chambers. Additionally, they requested that SBDC staff prepare a "menu" of services that could be available and their associated prices.

6.0 New Business items for Next Regular Meeting

7.0 Announcements

8.0 Next Meeting

9.0 Adjourn

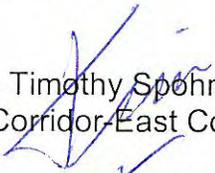
The meeting was adjourned at 1:40 p.m.



Board of Supervisors County of Los Angeles

January 14, 2011

MICHAEL D. ANTONOVICH
MAYOR


Honorable Timothy Spohn, Chairman
Alameda Corridor-East Construction Authority


Honorable Tom King, Chairman
San Gabriel Valley Council of Governments

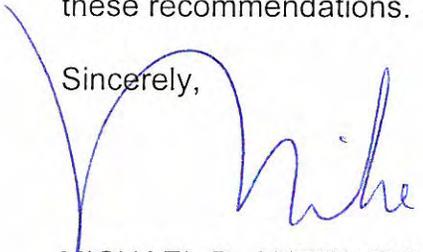
Dear Chairman Spohn and Chairman King:

Enclosed please find a report from the Los Angeles County Department of Public Works that provides a preliminary analysis of ACE's performance in delivering the first six Phase I projects. This report makes several recommendations that address issues of transparency, cost-increases and project delays.

I would like the SGVCOG and ACE Boards to provide a response next month to these specific concerns and how best to implement the recommendations made by the Los Angeles County Department of Public Works.

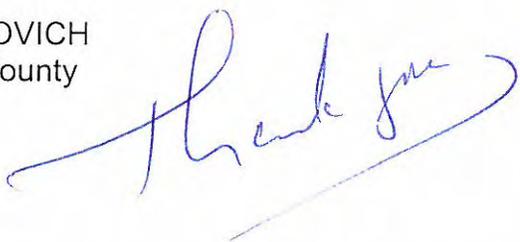
If you have any questions, please do not hesitate to contact me. Los Angeles County Department of Public Works' Assistant Deputy Director John Walker and my Deputy Michael Cano will be made available to assist ACE and the SGVCOG in implementing these recommendations.

Sincerely,


MICHAEL D. ANTONOVICH
Mayor, Los Angeles County

MDA:mcc

Enclosure


c: Alameda Corridor East Construction Authority Board of Directors
San Gabriel Valley Council of Governments Governing Board
Gail Farber, Director, Los Angeles County Department of Public Works



GAIL FARBER, Director

COUNTY OF LOS ANGELES

DEPARTMENT OF PUBLIC WORKS

"To Enrich Lives Through Effective and Caring Service"

900 SOUTH FREMONT AVENUE
ALHAMBRA, CALIFORNIA 91803-1331
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P.O. BOX 1460
ALHAMBRA, CALIFORNIA 91802-1460

IN REPLY PLEASE

REFER TO FILE PD-1

December 16, 2010

TO: Mayor Michael D. Antonovich

Attention Michael Cano

Supervisor Gloria Molina

Attention Nicole Englund

FROM: Gail Farber *Gail Farber*
Director of Public Works

ALAMEDA CORRIDOR-EAST CONSTRUCTION AUTHORITY (ACE) PROJECT REVIEW

Public Works has conducted a review of the public Information available on the ACE web site, documents from the San Gabriel Valley Council of Governments (SGVCOG) and other available documents concerning the project costs and delivery schedule of the following ACE projects:

- Brea Canyon Road Grade Separation
- East End Avenue/Reservoir Street Grade Separation
- Nogales Street (Alhambra Subdivision) Grade Separation
- Ramona Boulevard Grade Separation
- Sunset Avenue Grade Separation
- Temple Avenue Projects
- Temple Avenue Train Diversion
- Temple Avenue Fourth Track

ACE experienced delays in schedule and cost increases during right of way acquisition and construction of these projects. The cost increases were likely due to increasing costs during the years 2002-2007, where property values and construction costs in general rose. Following are some factors that contributed to the construction cost increases:

- ACE's estimates of construction cost prior to contract advertising were underestimated, as evidenced by the pronounced spike in construction cost prior to contract award for some projects. During the design phases of such projects prior to advertising and award, the Caltrans Construction Cost Index for highway construction items increased significantly while the project construction cost estimate remained relatively flat.
- Change orders are a part of all construction projects, and, as stated in ACE's quarterly reports and Board letters, they tried to minimize the amount of change orders. In many instances, these change orders were driven by third party requests such as the Union Pacific Railroad, utilities, and private property owners. Other change orders resulted from necessary design changes due to site conditions (issues which were not considered during the original design) and from railroad requirements that emerged during the construction phase after the original design plans were approved. This latter factor was particularly evident on the Sunset Avenue Grade Separation project. Regardless of how ACE chose to resolve the issue, either negotiating with the railroad or agreeing to the demands, the result would ultimately delay delivery and increase the construction cost.
- Indirect program management costs, previously a separate line item in the program budget, were allocated to these projects in December 2006, resulting in increased project costs.
- Another cause of cost increases result from contractor claims. There were contractor claims for lost time (when their crews are idled) due to delays from third parties (utilities) and/or the railroad, both of which occurred on the East End/Reservoir Avenue Grade Separation project.

Following are some actions ACE staff could take to increase the transparency to its Board and other stakeholders on cost increases, schedule delays, and their causes.

- Conduct frequent updates of construction contract cost estimates for projects not yet under construction, by the use of the Caltrans Construction Cost Index or other similar index. This will identify both potential construction cost increases in periods of increasing costs as well as potential budgetary savings in periods of a declining index, as is presently the case

Mayor Michael D Antonovich
Supervisor Gloria Molina
December 16, 2010
Page 3

- Identifying sources and providing explanation of cost increases, along with efforts of ACE staff to ameliorate them, in monthly reports to the ACE Board
- Conduct post-construction project reviews to:
 - Identify critical issues that occurred in construction and address them in the design stages of future projects
 - Identify construction management measures that can be applied to future projects to prevent excessive change orders

We also reviewed the independent audit of ACE's Fiscal Year 2009-10 financial statements, dated November 9, 2010. The audit opined ACE's financial statements fairly represent its financial position. Consistent with this review, the audit recommended that ACE establish strong monitoring and budgetary control over its project development and construction activities.

Attached is a staff report containing further detail of our review

In addition, although not part of the staff report, we recommend that ACE consider the industry-wide trend toward the use of alternative project delivery methods to reduce the potential for project cost overruns and schedule delays

If you have any questions, please call my Deputy Director for transportation, Patrick DeChellis, at (626) 458-4004 or your staff may contact John Walker of our Programs Development Division at (626) 458-3900 or jwalker@dpw.lacounty.gov

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P:\pdpub\Admin\Walker\Alameda Corridor East\ACE Project Review, report (12.15.10).doc

Attach.

cc: Chief Executive Office (Rita Robinson)

Alameda Corridor-East Construction Authority (ACE) Project Review

Public Works reviewed the Public Information available on the ACE web site, documents from the San Gabriel Valley Council of Governments (SGVCOG) and documents in our possession.

ACE has experienced delays in schedule and increases in cost during right of way acquisition and construction. It appears the increases were due to increasing costs during the years 2005-2007, where property values and construction costs in general rose. ACE's estimates of construction cost prior to award of bid were underestimated, as they most likely were not updated prior to the bid award.

Change orders are a part of all construction projects and as stated by ACE in their quarterly reports and Board letters, they tried to minimize the amount of change orders. In many instances, these change orders were driven by third party requests such as the Union Pacific Railroad, utilities, and private property owners. Other change orders resulted from necessary design changes due to changes in site conditions (issues which were not considered during the design) and changing railroad requirements that changed from the design stage to completion of construction. One example is the Sunset Avenue Grade Separation where the railroad mandated significant design changes from the previously approved plans. Regardless how ACE choose to resolve the issue, either fighting/negotiating with the railroad or acquiescing to the railroad the result would ultimately delay delivery and increase the cost of the project. ACE choose to acquiesce to the railroads demands.

A secondary cause of cost increases result from contractor claims. There were contractor claims for lost time (when their crews are idled) due to delays from third parties (utilities) and/or the railroad, both of which occurred on the East End/Reservoir Avenue Grade Separation.

Alameda Corridor-East Construction Authority (ACE) Project Review Suggestions

ACE should be more transparent in detailing cost increases and their causes, when reporting to their Board and other stakeholders. ACE should prepare more timely updates so that cost and schedule projections are more accurate. This can include

- Highlighting sources of cost increases in monthly reports to the ACE Board
- Detailed explanations of cost increases and attempts by ACE to ameliorate increases in the quarterly reports
- More frequent updates of construction contract cost estimates and project estimates for those not yet under construction, by the use of the Caltrans Construction Cost Index or other inflation escalator
- Using past project experience to identify critical issues that occurred in construction and addressing them in the design stage of future projects
- “Lessons Learned”: Following each project review, if the change order percentage exceeds a predetermined limit, document corrective measures that can be applied to prevent excessive change orders on future projects. This will be a tool for future project development

Alameda Corridor-East Construction Authority – Summary of Projects Completed and In Progress

Cost – All Amounts are in Millions

Project Concept Estimate is used as the baseline for determining cost increases.

Project	Total Project Concept Estimate (05/2002)	Total Estimate Prior to Advertising	Increase (\$)	Total Estimated Cost at Award Date	Increase (\$)	Final Expenditures at Completion	Increase (\$)
Grade Separation Projects Completed (Except for Sunset which is in progress)							
Brea Canyon	28.5	43.6 (12/2005)	15.1 (53.0%)	57.4 (06/2006)	28.9 (101%)	67.4 (6/2010)	38.9 (136%)
East End/Reservoir	59.8	59.9 (9/2003)	0.1 (0.1%)	62.0 (6/2004)	2.2 (3.7%)	78.9 (6/2010)	19.1 (31.9%)
Nogales (Alhambra Sub)	45.6	49.6 (12/2002)	4.0 (8.8%)	43.8 (3/2003)	-1.8 (-3.6%)	49.7 (6/2010)	4.1 (9.0%)
Ramona	35.2	36.7 (6/2004)	1.5 (4.3%)	41.1 (9/2004)	5.9 (16.7%)	51.4 (6/2010)	16.2 (46.0%)
Sunset	49.4	49.5 (12/2005)	0.1 (0.2%)	70.5 (12/2006)	21.1 (42.7%)	95.7 [^] (6/2010)	46.3 (93.7%)
Temple*	42.9	52.2 (6/2004)	9.3 (21.7%)	58.4 (12/2004)	15.5 (36.1%)	84.9 (6/2010)	42.0 (97.9%)
Grade Separation Projects to be awarded							
Baldwin	25.9	76.4 (6/2010)	50.5 (295%)	N/A	N/A	N/A	N/A
Nogales (LA Sub)	N/A	88.1 (6/2010)	N/A	N/A	N/A	N/A	N/A
Non Grade Separation Projects							
Crossing Safety Upgrades	23.9	23.9 (12/2001)	0 (0%)	24.1 (3/2002)	0.2 (0.8%)	24.1 (12/2005)	0.2 (0.8%)
IRRIS **	6.7	7.2 (6/2003)	0.5 (7.4%)	7.2 (9/2003)	0.5 (7.4%)	Not completed (technical issues)	N/A

Project Concept Estimate in 2002 included a separate line item of \$29.0 million in indirect costs. In 2007, this was allocated into individual projects

* - Temple includes both Temple Avenue Train Diversion and UPRR-mandated Temple Avenue Fourth Track projects.

** - IRRIS is the Intelligent Roadway/Rail Interface System, an Intelligent Transportation Systems project to provide additional information about train length and speed in the City of Pomona.

[^] - Estimated value as this project is not yet completed

Schedule

Project	Notice to Proceed	Originally Scheduled Open Date	Actual Open Date	Increase in Duration
Brea Canyon	07/2006	07/2008	10/2008	3 months
East End/Reservoir	06/2004	04/2008	06/2008	2 months
Nogales North	09/2003	09/2005	08/2005	1 month
Ramona	12/2004	07/2007	04/2008	9 months
Sunset	11/2006	11/2009	01/2011 [^]	14 months
Temple Avenue Projects:				
Temple Fourth Track	11/2008	10/2009	02/2010	4 months
Temple Train Diversion	05/2005	05/2007	08/2007	3 months

[^] : Estimated date as this project is not yet completed.

Alameda Corridor-East Construction Authority

Project Review

Project Graphs and Summaries for the following projects:

- Nogales Street (Alhambra Subdivision) Grade Separation
- East End Avenue/Reservoir Street Grade Separation
- Ramona Boulevard Grade Separation
- Temple Avenue Projects
 - Temple Avenue Train Diversion
 - Temple Avenue Fourth Track
- Brea Canyon Road Grade Separation
- Sunset Avenue Grade Separation
- Baldwin Grade Separation

**NOGALES STREET (ALHAMBRA SUBDIVISION) GRADE SEPARATION (As of
June 2010)**

Phase I Grade Separation Project

Location City of Industry and City of West Covina

Original Contract Award \$15,710,677

Notice to Proceed September 2003

Original Scheduled Completion Date September 2005

Open to Public August 2005

Final Contract Amount \$17,197,181

Project Issues:

- Through value engineering prior to the bid package being issued, the construction cost estimate decreased \$6.8 million. Further, the bid amount was lower than expected, resulting in a cost savings of \$3.6 million. This was offset by a corresponding increase in right-of-way acquisition.
- Union Pacific Railroad requested various improvements during the period of the project, amounting to approximately \$1.0 million during the life of the project.
- Indirect program management costs, previously a separate line item in the program budget, were included in the project cost, resulting in an apparent increase of \$6.0 million in December 2006. The remaining \$0.2 million increase was as a result of Union Pacific Railroad costs.
- At the end of 2007, excess property was able to be sold, generating a \$5.0 million credit to the right of way cost.

**Nogales Street Grade Separation – Table of Costs
(from available quarterly reports – in millions)**

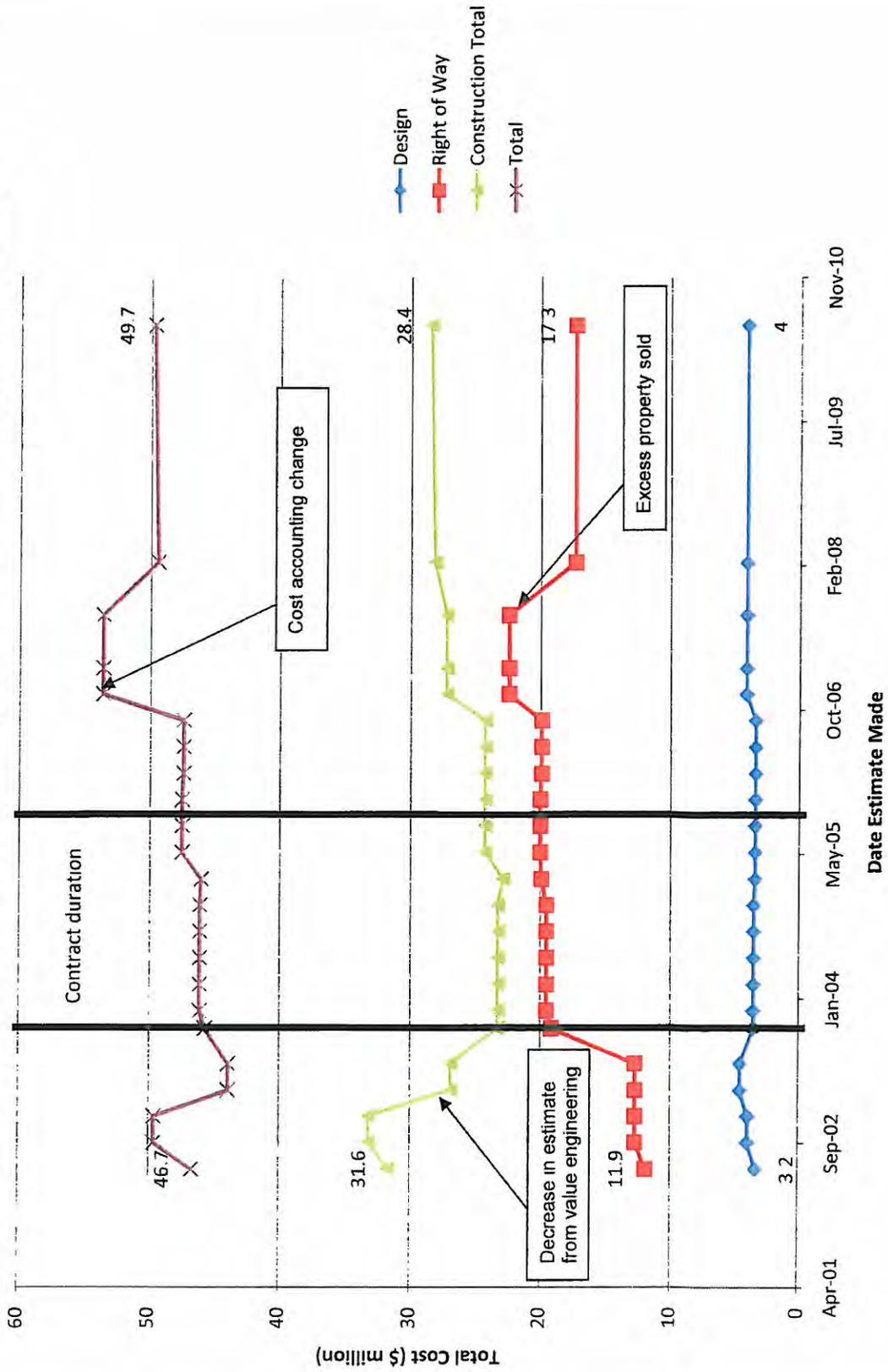
project	date reported	design	right of way	construction	total
Nogales North	Jun-02	3.2	11.9	31.6	46.7
Nogales North	Sep-02	3.8	12.7	33.1	49.6
Nogales North	Dec-02	3.8	12.7	33.1	49.6
Nogales North	Mar-03	4.4	12.7	26.8	43.9
Nogales North	Jun-03	4.4	12.7	26.8	43.9
Nogales North	Oct-03	3.4	19.1	23.2	45.7
Nogales North	Dec-03	3.4	19.5	23.2	46.1
Nogales North	Mar-04	3.4	19.5	23.2	46.1
Nogales North	Jun-04	3.4	19.5	23.2	46.1
Nogales North	Sep-04	3.4	19.5	23.2	46.1
Nogales North	Dec-04	3.4	19.5	23.2	46.1
Nogales North	Mar-05	3.3	19.9	22.8	46
Nogales North	Jun-05	3.3	20	24.2	47.5
Nogales North	Sep-05	3.3	20	24.2	47.5
Nogales North	Dec-05	3.3	20	24.2	47.5
Nogales North	Mar-06	3.3	19.9	24.2	47.4
Nogales North	Jun-06	3.3	19.9	24.2	47.4
Nogales North	Sep-06	3.3	19.9	24.2	47.4
Nogales North	Dec-06	4	22.4	27.2	53.6
Nogales North	Mar-07	4	22.4	27.2	53.6
Nogales North	Sep-07	4	22.4	27.2	53.6
Nogales North	Mar-08	4	17.3	28.1	49.4
Nogales North	Jun-10	4	17.3	28.4	49.7
Increase		0.8 (25.0%)	5.4 (45.3%)	-3.2 (-10.1%)	3.0 (6.4%)

Design includes all activities during the design phase

Right of way includes the cost for right of way activities.

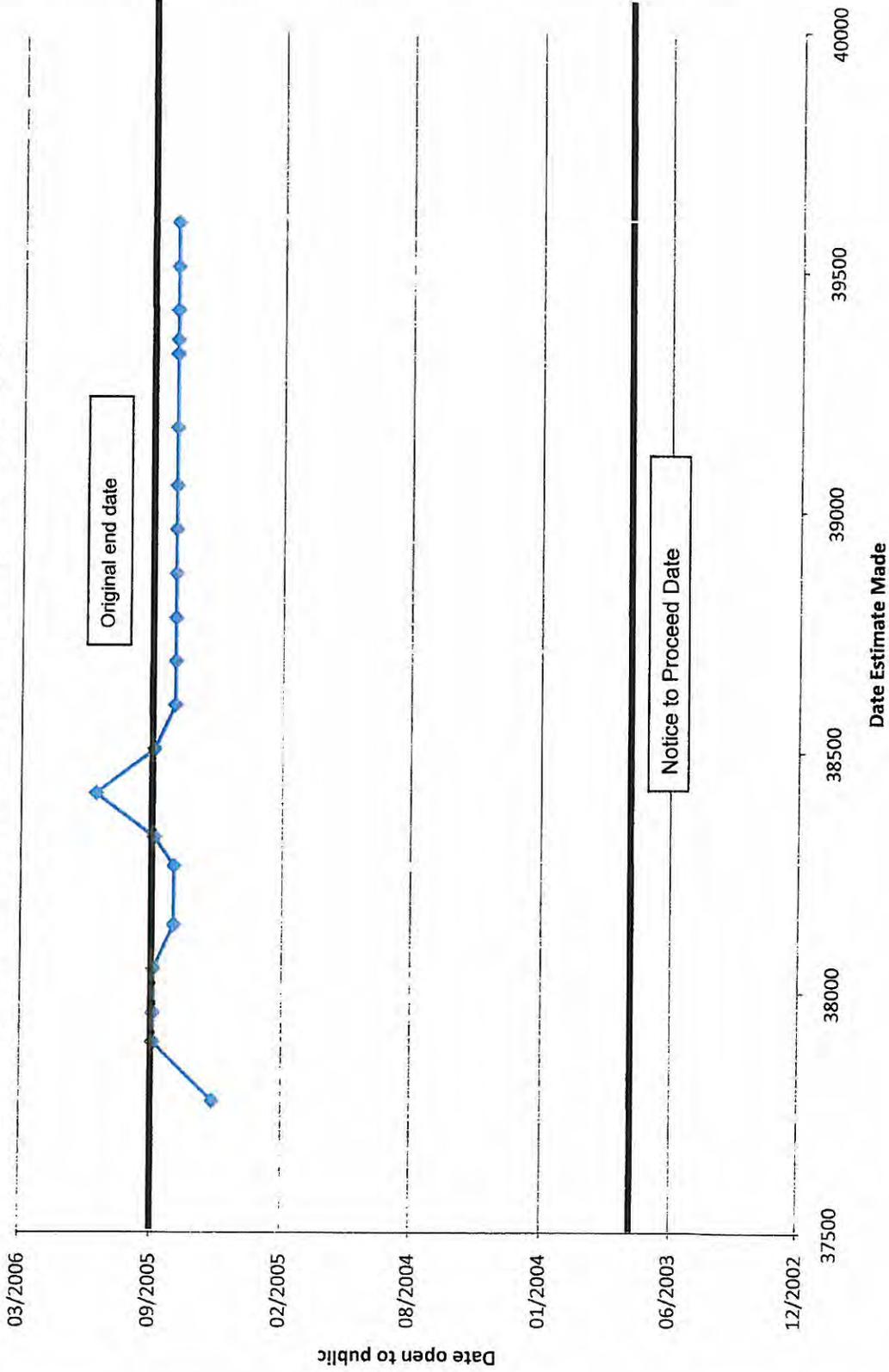
Construction includes the construction contract cost, construction management costs, and design support during construction. It is higher than the contract cost amount.

Nogales Street (Alhambra Subd.) Grade Separation (As of 6/2010)

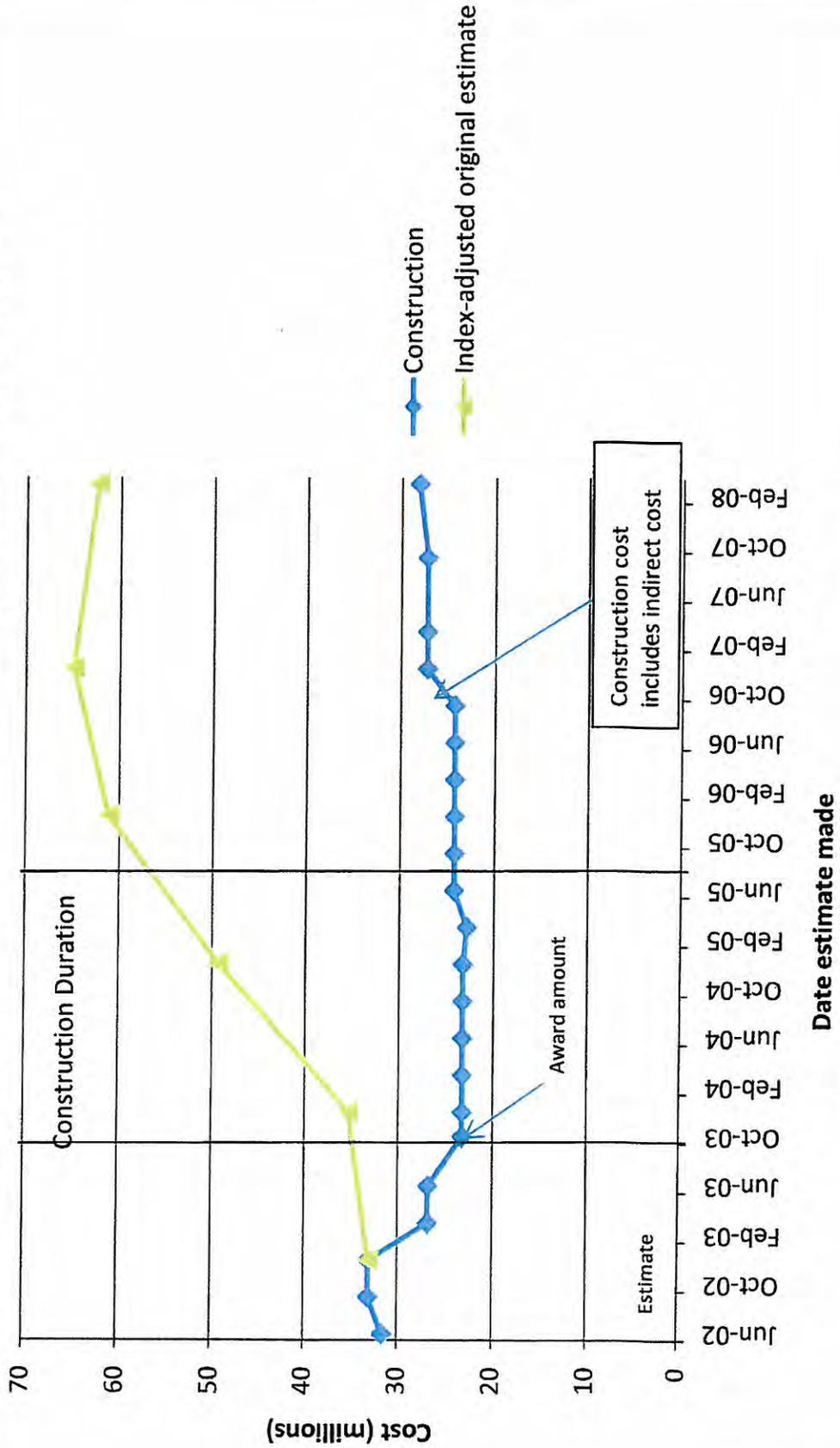


Current status Project open to public August 2005, contract closeout October 23, 2006

Nogales Street (Alhambra Subdivision) Grade Separation



Nogales Street (Alhambra Sub) Grade Separation



EAST END AVENUE/RESERVOIR STREET GRADE SEPARATION (As of June 2010)

Phase I Grade Separation Project

Location City of Pomona

Original Contract Award \$30,208,600

Notice to Proceed June 2004

Original Scheduled Completion Date April 2008

Open to Public June 2008

Final Contract Amount. \$37,734,247

Project Issues:

- ACE expected a lower project cost as a result of value engineering, prior to project award
- Indirect program management costs, previously a separate line item in the program budget, were included in the project cost, resulting in an apparent increase of \$5.4 million in December 2006
- At the closeout of the project in 2008, the contractor made several claims for additional payment, due to increased material costs and construction required for additional mitigation requested by adjacent property owners. This increased the costs in agency support and other indirect costs to defend against these claims and prepare for a possible trial. Ultimately, the issues were settled out of court and the project was closed out in March 2010

**East End Avenue/Reservoir Street Grade Separations – Table of Costs
(from available quarterly reports – in millions)**

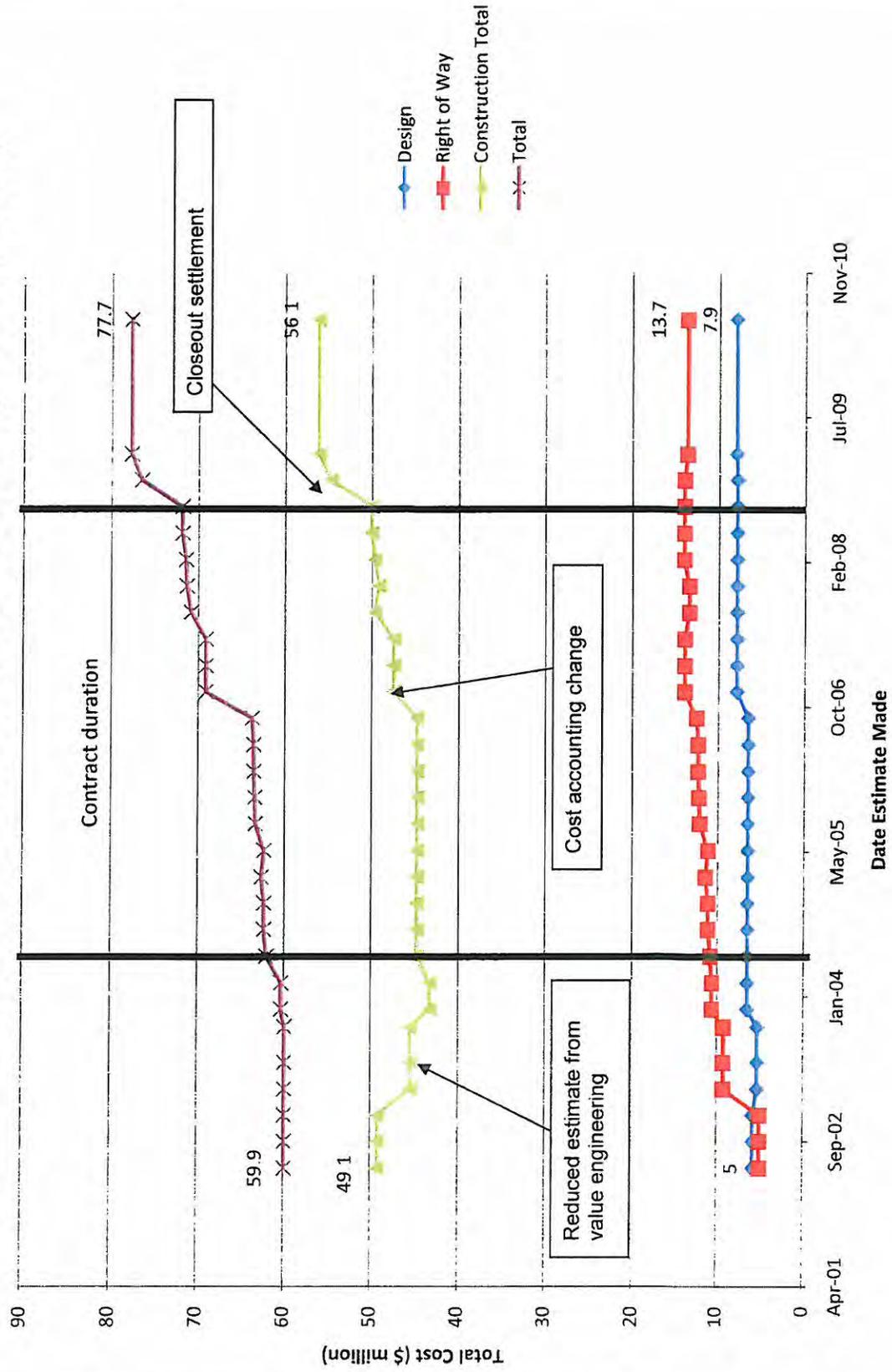
project	date reported	design	right of way	construction	total
East End/Reservoir	Jun-02	5.8	5	49.1	59.9
East End/Reservoir	Sep-02	5.8	5	49.1	59.9
East End/Reservoir	Dec-02	5.8	5	49.1	59.9
East End/Reservoir	Mar-03	5.3	9.2	45.4	59.9
East End/Reservoir	Jun-03	5.3	9.2	45.4	59.9
East End/Reservoir	Oct-03	5.3	9.2	45.4	59.9
East End/Reservoir	Dec-03	6.5	10.6	43.2	60.3
East End/Reservoir	Mar-04	6.5	10.6	43.2	60.3
East End/Reservoir	Jun-04	6.5	10.8	44.7	62
East End/Reservoir	Sep-04	6.5	11.1	44.7	62.3
East End/Reservoir	Dec-04	6.5	11.1	44.7	62.3
East End/Reservoir	Mar-05	6.5	11.4	44.7	62.6
East End/Reservoir	Jun-05	6.5	11.1	44.7	62.3
East End/Reservoir	Sep-05	6.5	12.1	44.7	63.3
East End/Reservoir	Dec-05	6.5	12.2	44.7	63.4
East End/Reservoir	Mar-06	6.5	12.3	44.7	63.5
East End/Reservoir	Jun-06	6.5	12.3	44.7	63.5
East End/Reservoir	Sep-06	6.5	12.5	44.7	63.7
East End/Reservoir	Dec-06	7.8	13.9	47.4	69.1
East End/Reservoir	Mar-07	7.8	13.9	47.4	69.1
East End/Reservoir	Jun-07	7.8	13.9	47.4	69.1
East End/Reservoir	Sep-07	7.8	13.4	49.6	70.8
East End/Reservoir	Dec-07	7.8	13.4	49.1	71.3
East End/Reservoir	Mar-08	7.8	14	49.6	71.4
East End/Reservoir	Jun-08	7.8	14	50	71.8
East End/Reservoir	Sep-08	7.8	14	50	71.8
East End/Reservoir	Dec-08	7.8	14	54.7	76.5
East End/Reservoir	Mar-09	7.9	13.7	56.1	77.7
East End/Reservoir	Jun-10	7.9	13.7	56.1	77.7
Increase		2.1 (36.2%)	8.7 (63.5%)	7.0 (12.5%)	17.8 (29.7%)

Design includes all activities during the design phase

Right of way includes the cost for right of way activities

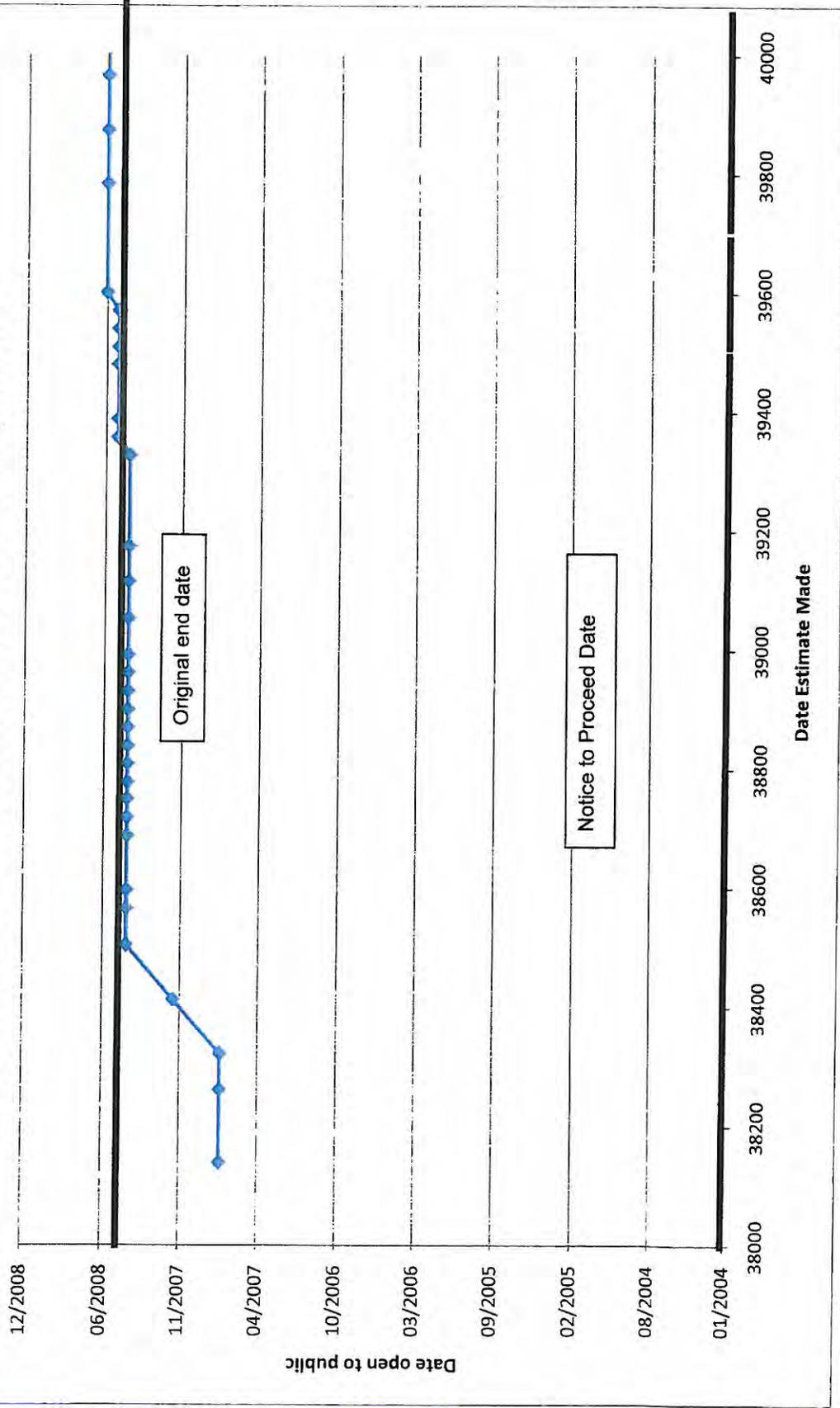
Construction includes the construction contract cost, construction management costs, and design support during construction. It is higher than the awarded contract amount.

East End Avenue/Reservoir Street Grade Separation (As of June 2010)

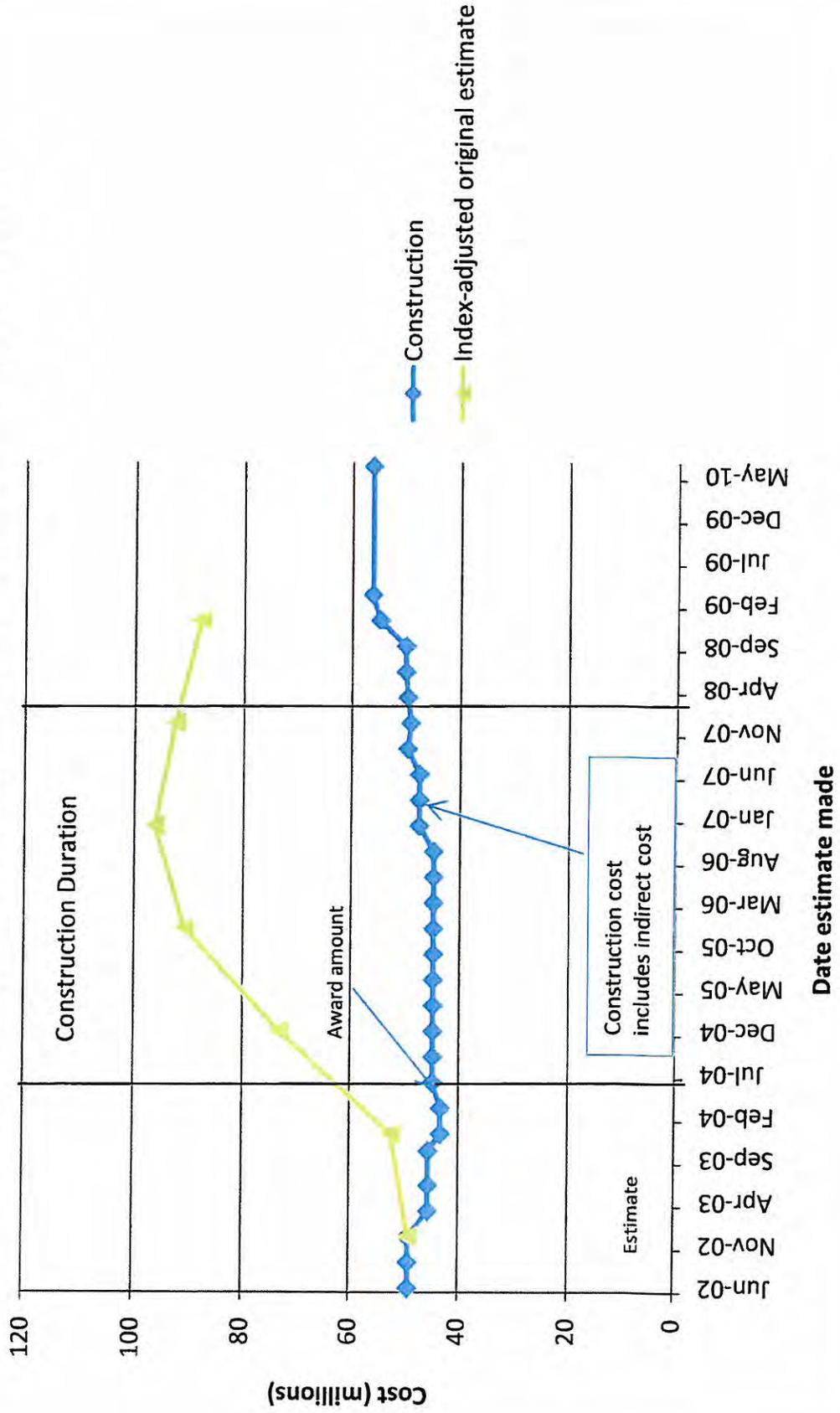


Current status: Project open to public June 2008, contract closeout March 22, 2010

East End Avenue/Reservoir Street Grade Separation



East End Avenue/Reservoir Street Grade Separations



RAMONA BOULEVARD GRADE SEPARATION (As of June 2010)

Phase I Grade Separation Project

Location City of El Monte

Original Contract Award \$17,721,474

Notice to Proceed December 2004

Original Scheduled Completion Date July 2007

Open to Public April 2008

Final Contract Amount: \$22,567,079

Project Issues:

- The cost increased in 2004 due to additional work necessary to accommodate a future third track as requested by Metrolink and Union Pacific. This increased construction costs as changes were made to the plans.
- Indirect program management costs, previously a separate line item in the program budget, were included in the project cost, resulting in an apparent increase of \$3.7 million in December 2006.
- The construction cost increased in June 2007 by \$1.0 million due to third party delays (Union Pacific Railroad and AT&T), which resulted in a contractor claim.
- The construction cost increased in March 2008 due to punchlist, project closeout, and additional construction management costs necessary to open the project on schedule.
- Union Pacific Railroad work and quantity adjustments accounted for \$1.7 million in added construction costs in December 2008.
- Through the closeout process, some charges were able to be reduced, resulting in a decreased total value of \$1.7 million.

**Ramona Boulevard Grade Separation – Table of Costs
(from available quarterly reports –in millions)**

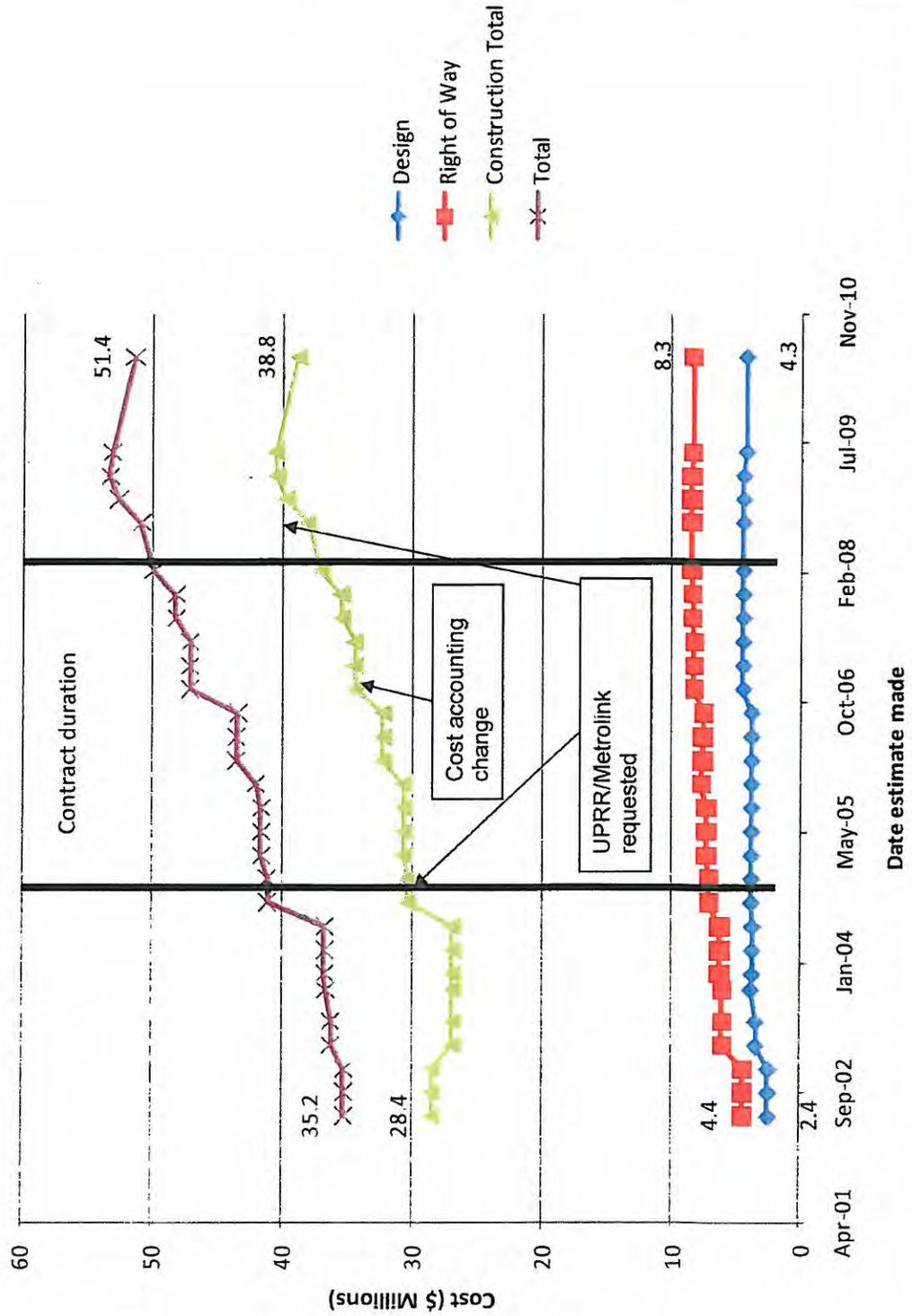
project	date reported	design	right of way	construction	total
Ramona	Jun-02	2.4	4.4	28.4	35.2
Ramona	Sep-02	2.4	4.4	28.4	35.2
Ramona	Dec-02	2.4	4.4	28.4	35.2
Ramona	Mar-03	3.4	6	26.8	36.2
Ramona	Jun-03	3.4	6	26.8	36.2
Ramona	Oct-03	3.8	6	26.8	36.6
Ramona	Dec-03	3.7	6.2	26.8	36.7
Ramona	Mar-04	3.7	6.2	26.8	36.7
Ramona	Jun-04	3.7	6.2	26.8	36.7
Ramona	Sep-04	3.8	7	30.3	41.1
Ramona	Dec-04	3.8	7	30.3	41.1
Ramona	Mar-05	3.8	7.2	30.6	41.6
Ramona	Jun-05	3.8	7.2	30.6	41.6
Ramona	Sep-05	3.8	7.2	30.6	41.6
Ramona	Dec-05	3.8	7.6	30.6	42
Ramona	Mar-06	3.8	7.5	32.2	43.5
Ramona	Jun-06	3.8	7.5	32.2	43.5
Ramona	Sep-06	3.8	7.4	32.2	43.4
Ramona	Dec-06	4.5	8.2	34.4	47.1
Ramona	Mar-07	4.5	8.2	34.4	47.1
Ramona	Jun-07	4.5	8.2	34.4	47.1
Ramona	Sep-07	4.5	8.3	35.4	48.2
Ramona	Dec-07	4.5	8.3	35.4	48.2
Ramona	Mar-08	4.5	8.4	37	49.9
Ramona	Sep-08	4.5	8.4	38	50.9
Ramona	Dec-08	4.5	8.4	39.7	52.6
Ramona	Mar-09	4.5	8.4	40.4	53.3
Ramona	Jun-09	4.3	8.3	40.5	53.1
Ramona	Jun-10	4.3	8.3	38.8	51.4
Increase		1.9 (79.2%)	3.9 (88.6%)	10.4 (36.6%)	16.2 (46.0%)

Design includes all activities during the design phase.

Right of way includes the cost for right of way activities.

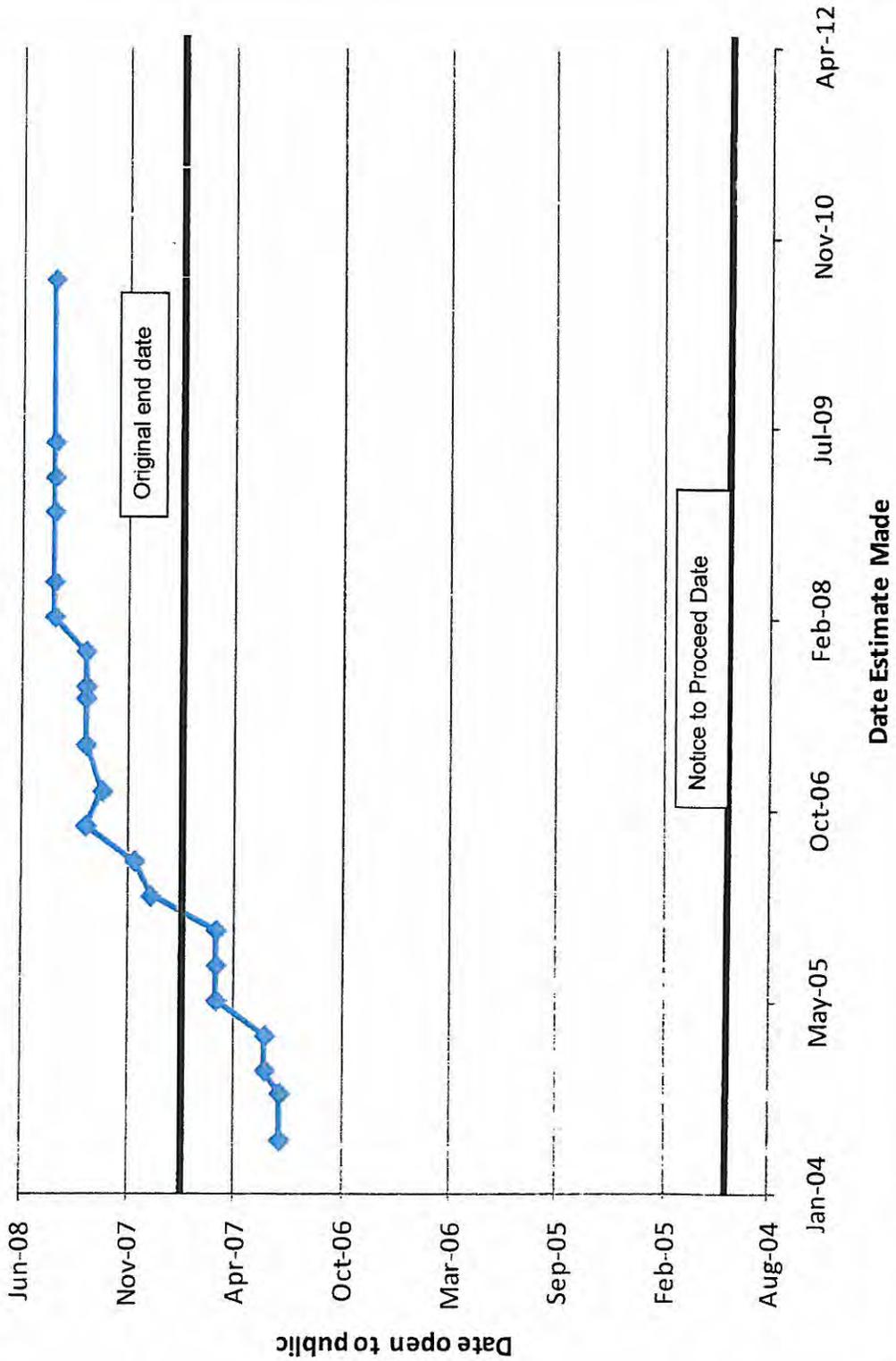
Construction includes the construction contract cost, construction management costs, and design support during construction. It is higher than the contract cost amount.

Ramona Boulevard Grade Separation

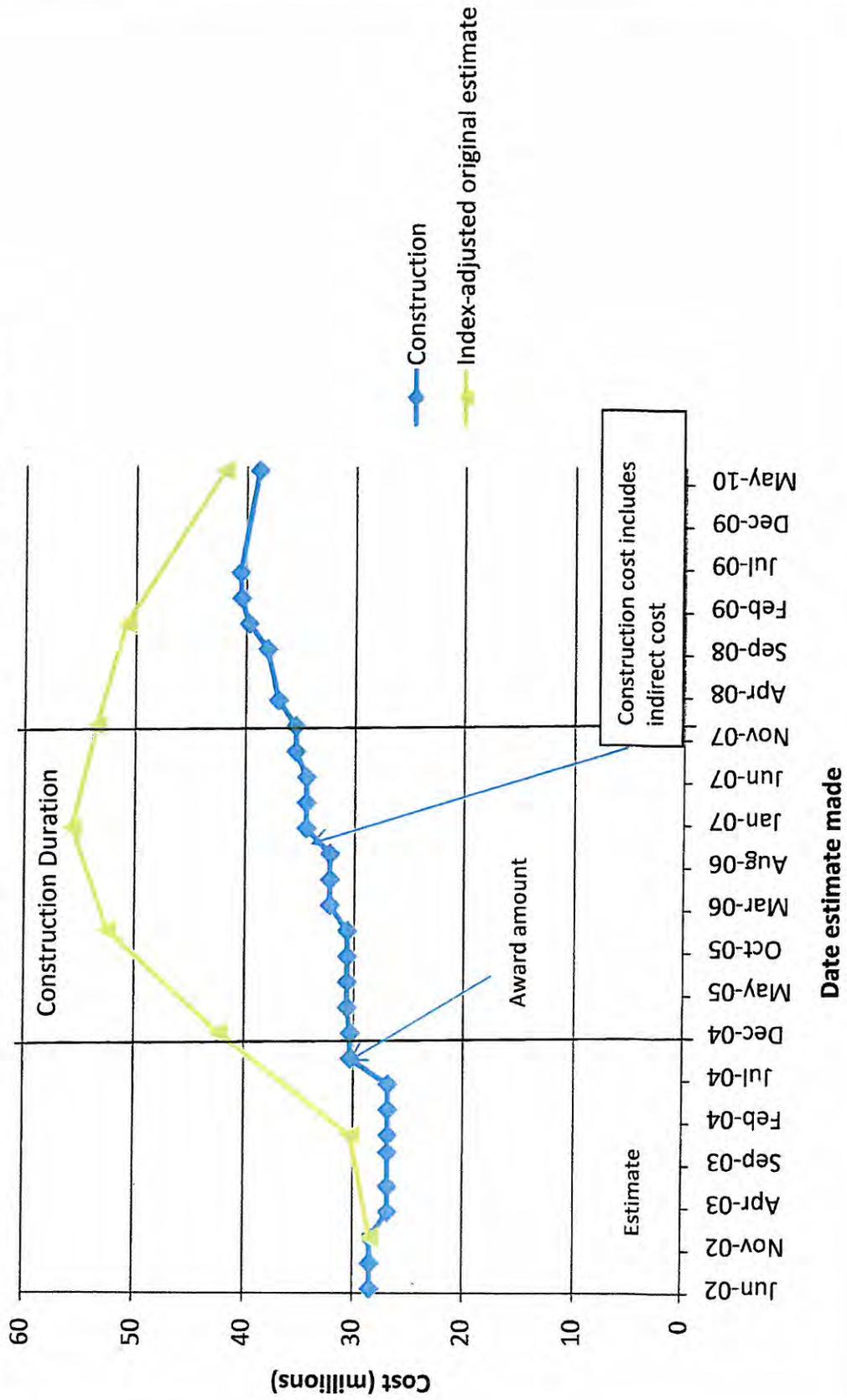


Current status. Project open to public April 2008, contract closeout October 27, 2008

Ramona Boulevard Grade Separation



Ramona Boulevard Grade Separation



TEMPLE AVENUE PROJECT (As of June 2010)

Phase I Grade Separation Project

Location City of Pomona

Temple Avenue Train Diversion Project

Original Contract Award \$24,389,743

Notice to Proceed May 2005

Originally Scheduled Completion Date May 2007

Completed August 2007

Final Contract Amount. \$29,246,431

Temple Avenue Fourth Track Project

Original Contract Award \$12,104,917

Notice to Proceed November 2008

Originally Scheduled Completion Date October 2009

Completed February 2010

Final Contract Amount: \$12,399,936

Key Issues

- The Temple Avenue Project is not a traditional grade separation, but is a diversion of train traffic from the Union Pacific Alhambra Subdivision to the Union Pacific Los Angeles Subdivision. The purpose of this project is to divert Alhambra Subdivision trains to new tracks in available right of way on the Los Angeles Subdivision, which already has a grade separation. The project includes construction of a railroad bridge over San Jose Creek, construction of a new Audiology Lab for the Lanterman Developmental Center, and construction of the replacement Alhambra Subdivision track (including acquisition of right of way).
- Indirect program management costs, previously a separate line item in the program budget, were included in the project cost, resulting in an apparent increase of \$4.2 million in December 2006. The remaining \$0.4 million was as a result of design and construction design support cost increases.
- The Fourth Track project was added when the Union Pacific Railroad required, that a fourth track be constructed.
- Cost increases for the Train Diversion project were due to additional requirements to mitigate train traffic and noise for the Lanterman Developmental Center, and additional railroad, Caltrans, and utility requirements.
- Schedule delays were incurred on the Temple Avenue Fourth Track Project due to issues with relocation of fuel pipelines on the south end of the project.

Temple Avenue Project – Table of Costs
(from available quarterly reports – in millions)

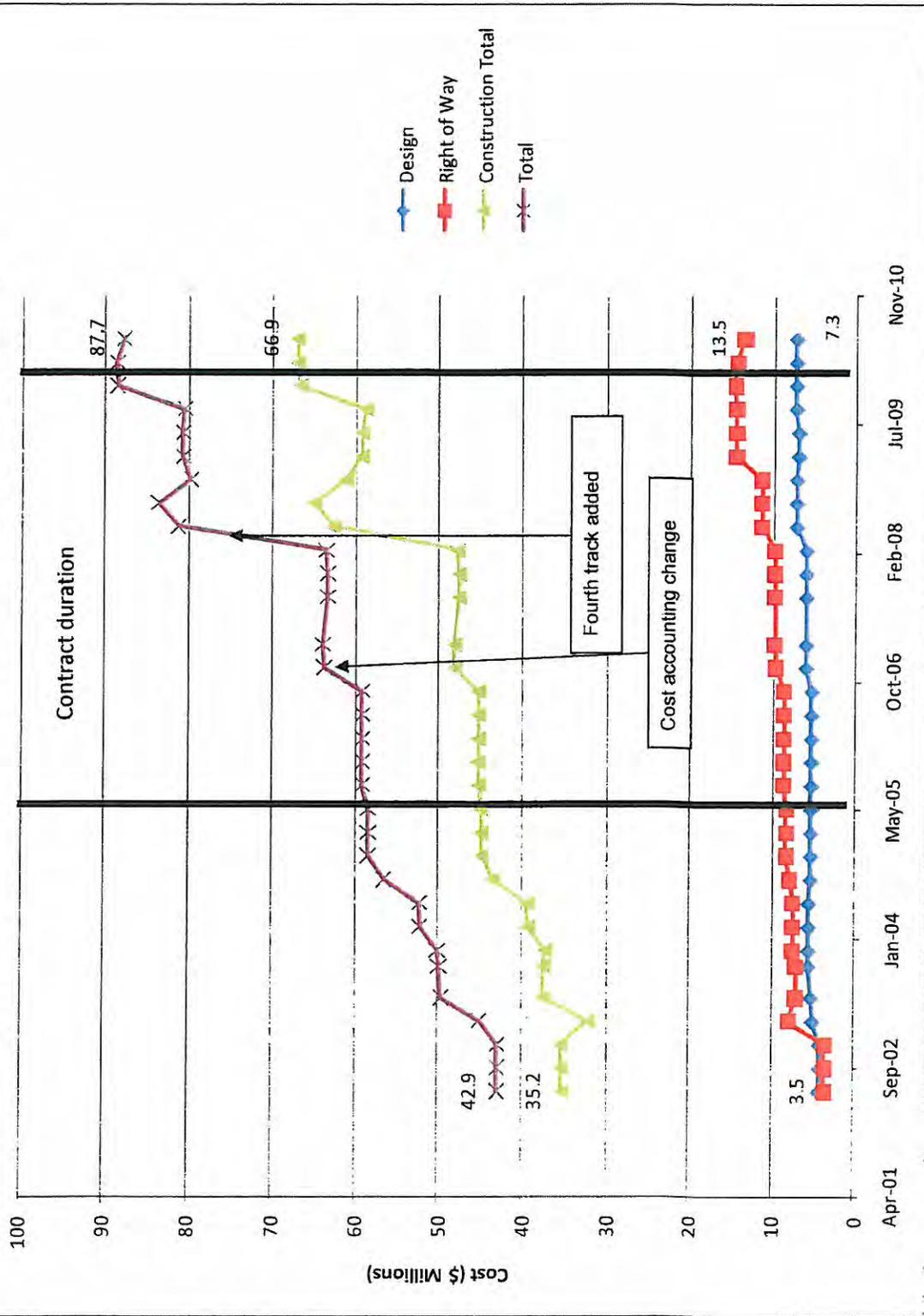
project	date reported	Design	Right of Way	Construction	Total
Temple	Jun-02	4.2	3.5	35.2	42.9
Temple	Sep-02	4.1	3.5	35.3	42.9
Temple	Dec-02	4.1	3.5	35.3	42.9
Temple	Mar-03	5	7.9	32.1	45
Temple	Jun-03	5.2	7	37.4	49.6
Temple	Oct-03	5.5	7	37.4	49.9
Temple	Dec-03	5.5	7.4	37.2	50.1
Temple	Mar-04	5.5	7.4	39.2	52.1
Temple	Jun-04	5.5	7.4	39.3	52.2
Temple	Sep-04	5.3	7.8	43.4	56.5
Temple	Dec-04	5.3	8.3	44.8	58.4
Temple	Mar-05	5.3	8.3	44.8	58.4
Temple	Jun-05	5.3	8.3	44.8	58.4
Temple	Sep-05	5.3	8.6	45.2	59.1
Temple	Dec-05	5.3	8.6	45.2	59.1
Temple	Mar-06	5.3	8.6	45.2	59.1
Temple	Jun-06	5.3	8.6	45.2	59.1
Temple	Sep-06	5.3	8.6	45.2	59.1
Temple	Dec-06	6	9.6	48.1	63.7
Temple	Mar-07	6	9.8	48.1	63.9
Temple	Sep-07	6	9.8	47.5	63.3
Temple	Dec-07	6	9.8	47.5	63.3
Temple	Mar-08	6	9.8	47.7	63.5
Note that from this point forward, Temple Avenue Fourth Track costs are included in the Table of Costs					
Temple	Jun-08	7.2	11.4	62.6	81.2
Temple	Sep-08	7.2	11.4	64.9	83.5
Temple	Dec-08	7.2	11.4	61.1	79.7
Temple	Mar-09	7	14.5	59.2	80.7
Temple	Jun-09	7	14.5	59.2	80.7
Temple	Sep-09	7.3	14.5	58.7	80.5
Temple	Dec-09	7.3	14.6	66.6	88.5
Temple	Mar-10	7.3	14.4	66.9	88.6
Temple	Jun-10	7.3	13.5	66.9	87.7
Increase		3.1 (73.8%)	10 (286%)	31.7 (90.0%)	44.8 (104%)

Design includes all activities during the design phase

Right of way includes the cost for right of way activities.

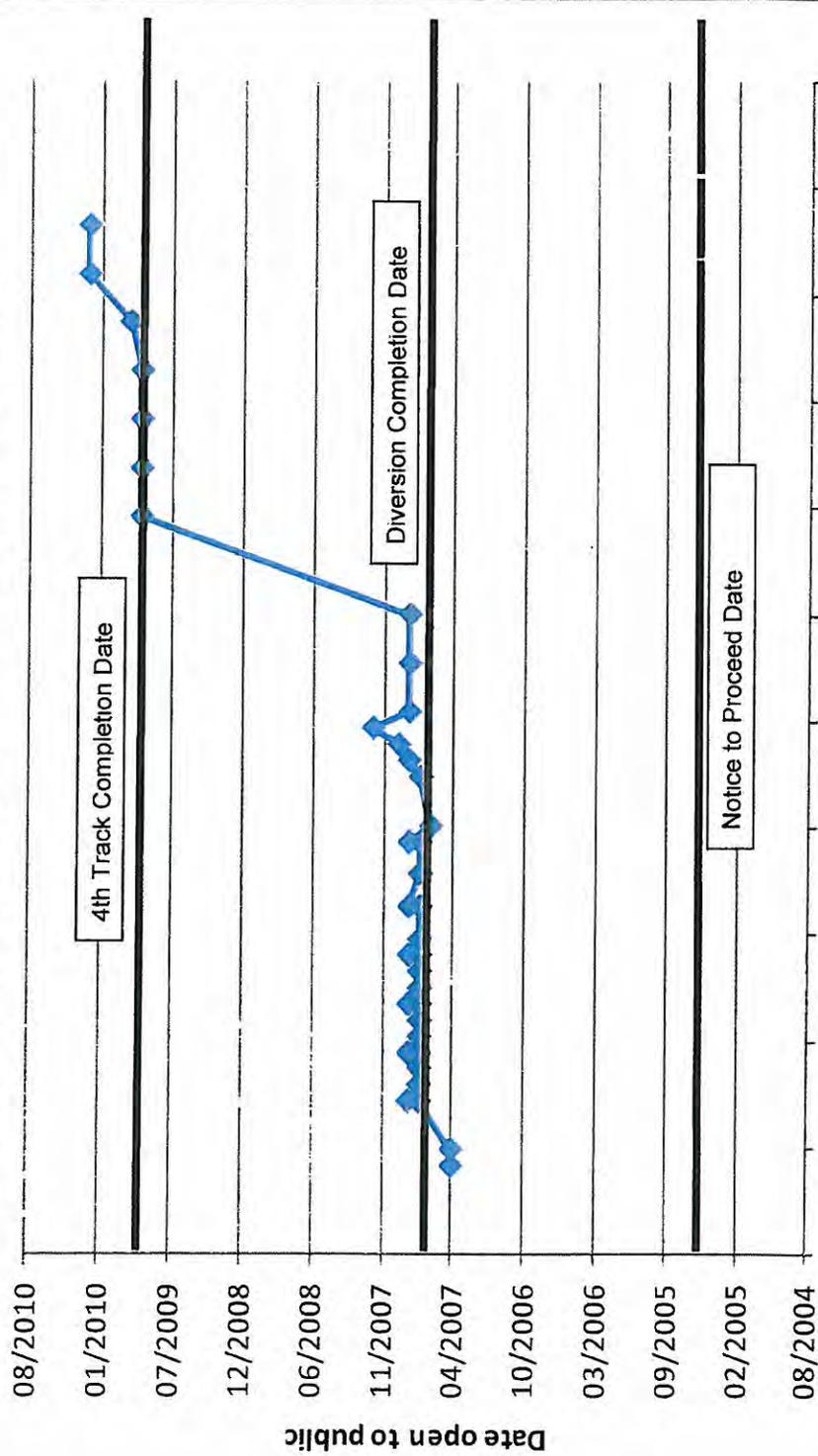
Construction includes the construction contract cost, construction management costs, and design support during construction. It is higher than the contract cost amount.

Temple Avenue (Train Diversion and Fourth Track)



Current project status. Project open to public February 2010, Fourth Track Infrastructure contract closeout April 26, 2010

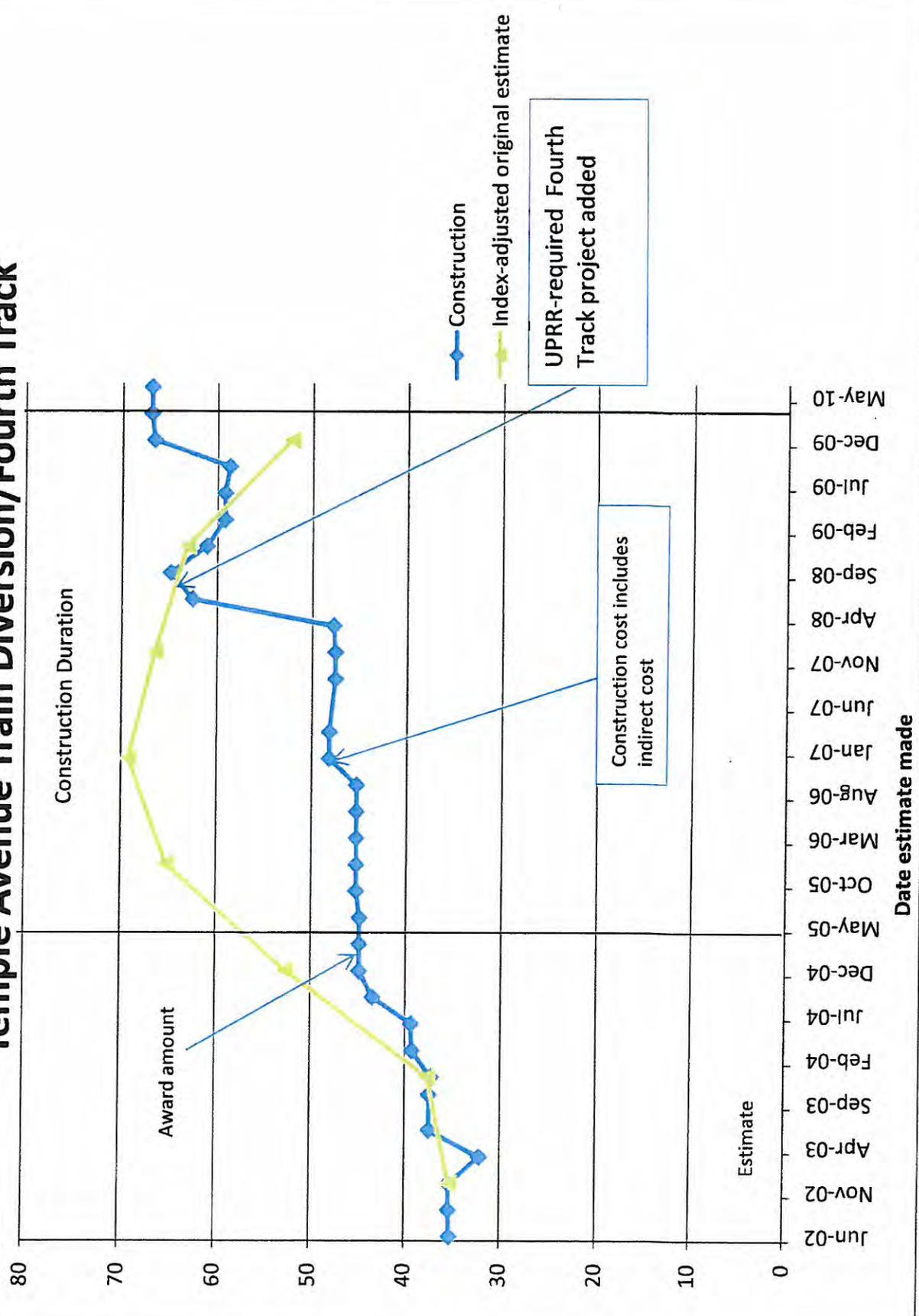
Temple Avenue (Train Diversion and Fourth Track)



Feb-05 Sep-05 Mar-06 Oct-06 Apr-07 Nov-07 Jun-08 Dec-08 Jul-09 Jan-10 Aug-10 Feb-11

Date Estimate Made

Temple Avenue Train Diversion/Fourth Track



BREA CANYON ROAD GRADE SEPARATION (As of June 2010)

Phase I Grade Separation Project

Location City of Industry, City of Walnut, and the unincorporated County

Original Contract Award \$39,958,807

Notice to Proceed July 2006

Original Scheduled Completion Date July 2008

Open to Public: October 2008

Final Contract Amount: \$43,863,512

Project issues:

- Project award cost was higher than the engineer's estimate, thus increasing the construction cost estimate by \$14 million. This cost increase was due to rising labor and materials costs during the 2006 period due to a strong economy.
- Indirect program management costs, previously a separate line item in the program budget, were included in the project cost, resulting in an apparent increase of \$4.0 million in December 2006. The remaining \$3.0 million increase in December 2006 was as a result of increase in right-of-way acquisition costs.
- Delay in 2007 was due to issues with Union Pacific Railroad activation and acceptance of the railroad bridge.
- At the end of the project in December 2008, an added \$4.9 million was included to resolve potential issues in the closeout and final inspection, as requested by the cities and Union Pacific Railroad, as well as settlement of change orders. Ultimately, many of these issues were settled without significant increase, for a final construction phase cost (including construction contract, construction management, and design support during construction) increase of \$1.3 million.

**Brea Canyon Road Grade Separation – Table of Costs
(from available quarterly reports – in millions)**

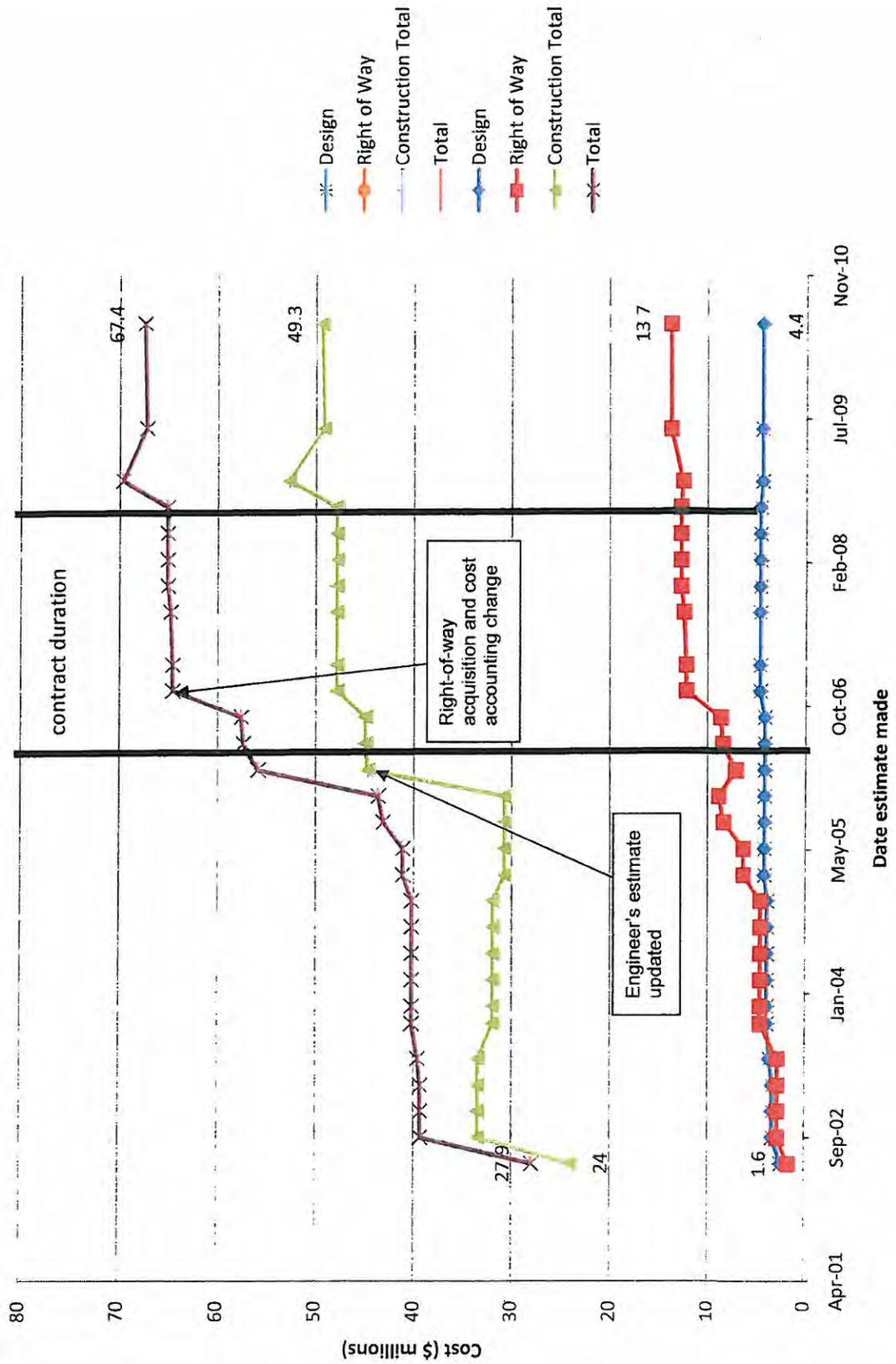
project	date reported	design	right of way	construction	total
Brea Canyon	Jun-02	2.3	1.6	24	27.9
Brea Canyon	Sep-02	3.2	2.7	33.4	39.3
Brea Canyon	Dec-02	3.2	2.7	33.4	39.3
Brea Canyon	Mar-03	3.2	2.7	33.4	39.3
Brea Canyon	Jun-03	3.5	2.7	33.4	39.6
Brea Canyon	Oct-03	3.8	4.5	31.9	40.2
Brea Canyon	Dec-03	3.8	4.5	31.9	40.2
Brea Canyon	Mar-04	3.8	4.5	31.9	40.2
Brea Canyon	Jun-04	3.8	4.5	31.9	40.2
Brea Canyon	Sep-04	3.8	4.5	31.9	40.2
Brea Canyon	Dec-04	3.8	4.5	31.9	40.2
Brea Canyon	Mar-05	4.1	6.3	30.7	41.1
Brea Canyon	Jun-05	4.1	6.3	30.7	41.1
Brea Canyon	Sep-05	4.1	8.3	30.7	43.1
Brea Canyon	Dec-05	4.1	8.8	30.7	43.6
Brea Canyon	Mar-06	4.1	7.1	44.7	55.9
Brea Canyon	Jun-06	4.1	8.4	44.9	57.4
Brea Canyon	Sep-06	4.1	8.6	44.9	57.6
Brea Canyon	Dec-06	4.6	12.2	47.8	64.6
Brea Canyon	Mar-07	4.6	12.2	47.8	64.6
Brea Canyon	Sep-07	4.6	12.4	47.8	64.8
Brea Canyon	Dec-07	4.6	12.7	47.8	65.1
Brea Canyon	Mar-08	4.6	12.7	47.8	65.1
Brea Canyon	Jun-08	4.6	12.7	47.8	65.1
Brea Canyon	Sep-08	4.6	12.7	47.8	65.1
Brea Canyon	Dec-08	4.4	12.5	52.7	69.6
Brea Canyon	Jun-09	4.4	13.7	49.1	67.2
Brea Canyon	Jun-10	4.4	13.7	49.1	67.2
Increase		2.1 (91.3%)	12.1 (856%)	25.1 (104%)	39.3 (141%)

Design includes all activities during the design phase

Right of way includes the cost for right of way activities

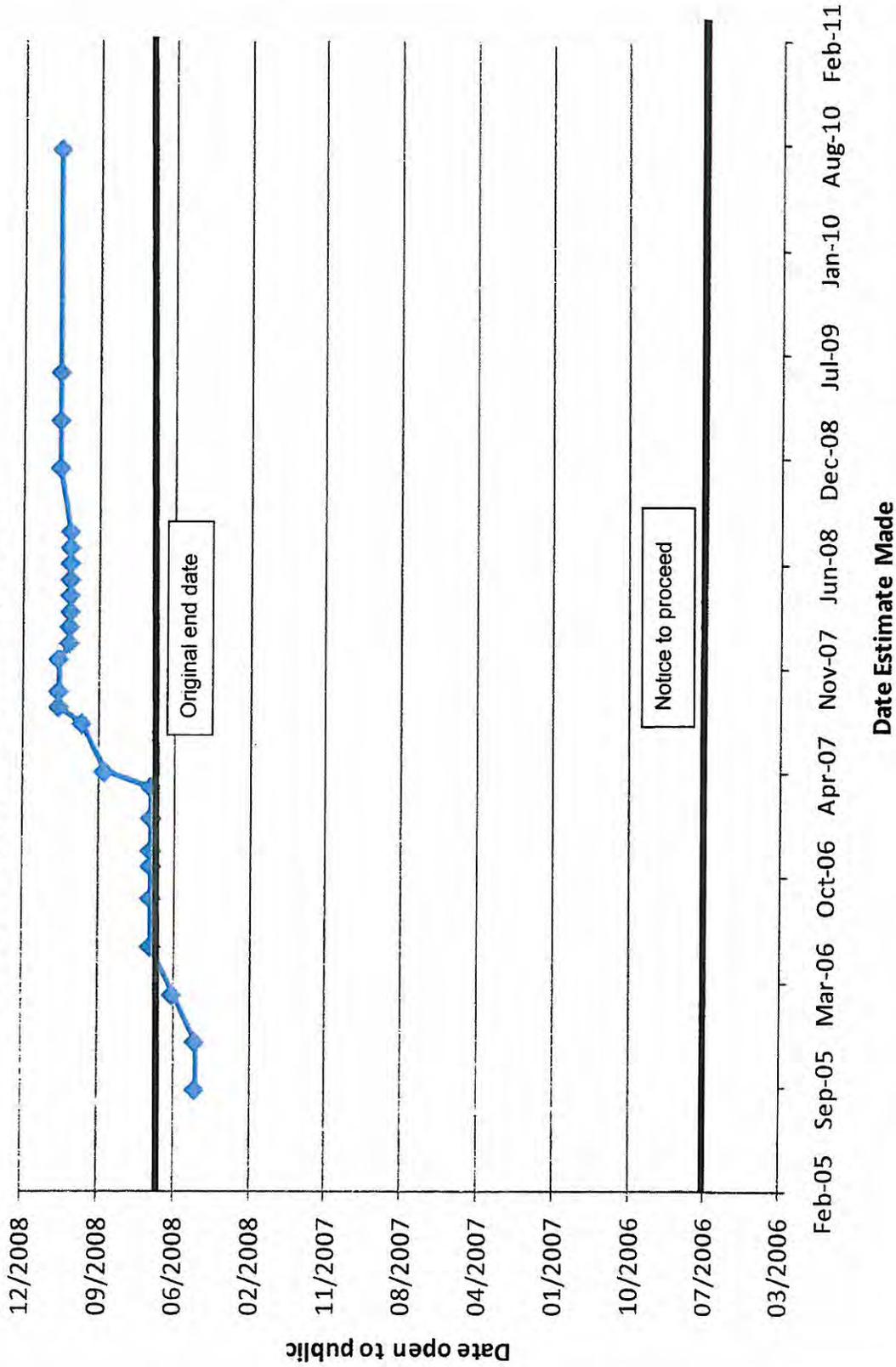
Construction includes the construction contract cost, construction management costs, and design support during construction. It is higher than the awarded contract amount.

Brea Canyon Road Grade Separation (As of June 2010)

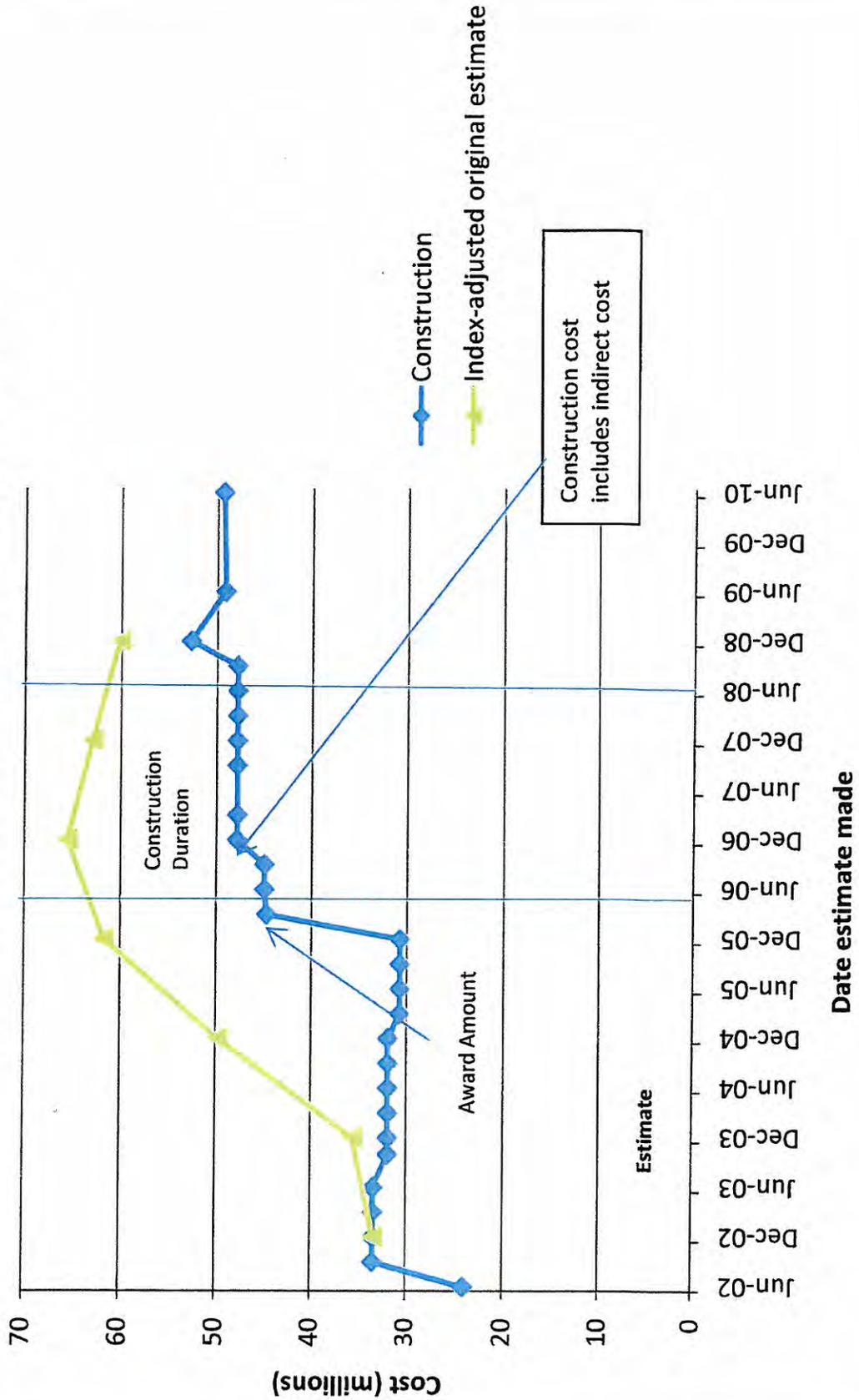


Current status: Project open to public October 2008, contract closeout July 15, 2009

Brea Canyon Road Grade Separation



Brea Canyon Road Grade Separation



SUNSET AVENUE GRADE SEPARATION (As of June 2010)

Phase I Grade Separation Project

Location City of Industry and the unincorporated County

Original Contract Award \$41,938,421

Notice to Proceed November 2006

Original Scheduled Completion Date November 2009

Currently Scheduled Completion Date January 2011

Current Projected Contract Cost \$53,753,000

Project Issues

- Design issues – the design did not consider potholing of the utilities, because it was contemplated that less excavation would be required than what ended up being the case
- Originally, a special type of retaining wall was specified, which caused bids for the project to go significantly over the engineer's estimate. All bids were rejected, and the project was rebid with an alternative retaining wall design. This delayed the date the project would be open to the public by five months, and although the alternative design was less expensive than the original design, still increased the construction cost by \$15.1 million in January 2006
- Indirect program management costs, previously a separate line item in the program budget, were included in the project cost, resulting in an apparent increase of \$4.6 million in December 2006
- During construction the Union Pacific Railroad imposed additional requirements for the shoofly track and the driii track. This was an added cost of \$11.1 million in June 2008
- Cost increased by approximately \$5.1 million to \$89.1 million in December 2009 due to estimate of settlement of outstanding change orders. Subsequently that estimate was revised downward by \$1.1 million to \$88 million once the change orders were settled

**Sunset Avenue Grade Separation – Table of Costs
(from available quarterly reports – in millions)**

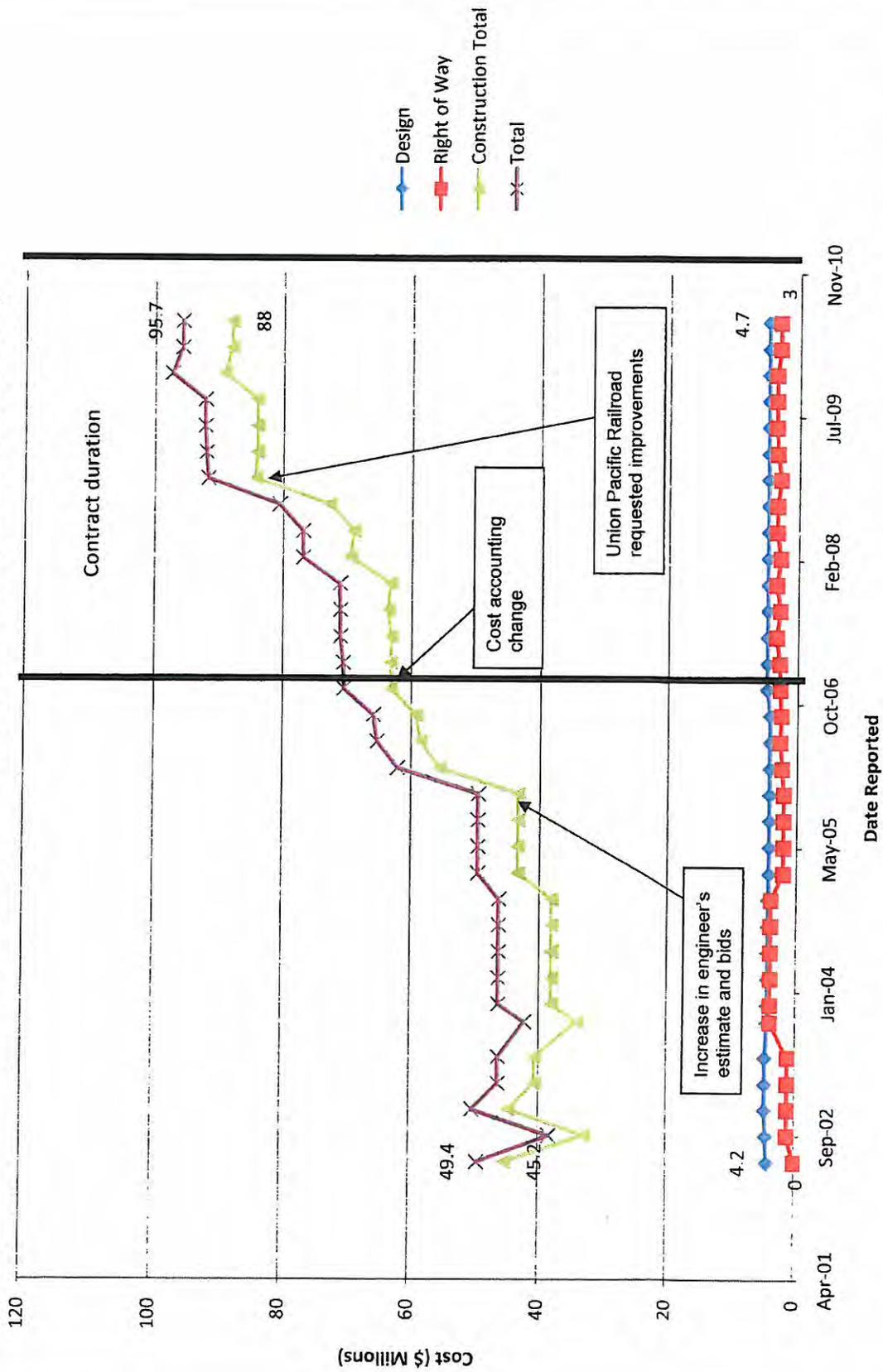
project	date reported	design	right of way	construction	total
Sunset	Jun-02	4.2	0	45.2	49.4
Sunset	Sep-02	4.4	1.1	32.8	38.3
Sunset	Dec-02	4.6	1.1	44.5	50.2
Sunset	Mar-03	4.6	1.1	40.5	46.2
Sunset	Jun-03	4.6	1.1	40.5	46.2
Sunset	Oct-03	4.3	3.9	34	42.2
Sunset	Dec-03	4.3	3.9	38	46.2
Sunset	Mar-04	4.3	3.9	38	46.2
Sunset	Jun-04	4.3	3.9	38	46.2
Sunset	Sep-04	4.3	3.9	38	46.2
Sunset	Dec-04	4.3	3.9	38	46.2
Sunset	Mar-05	4.2	2	43.3	49.5
Sunset	Jun-05	4.2	2	43.3	49.5
Sunset	Sep-05	4.2	2	43.3	49.5
Sunset	Dec-05	4.2	2	43.3	49.5
Sunset	Mar-06	4.2	2.3	55.5	62
Sunset	Jun-06	4.2	2.6	58.4	65.2
Sunset	Sep-06	4.2	2.5	59.1	65.8
Sunset	Dec-06	4.7	2.7	63	70.4
Sunset	Mar-07	4.7	2.8	63	70.5
Sunset	Jun-07	4.7	3.3	63	71
Sunset	Sep-07	4.7	2.8	63.5	71
Sunset	Dec-07	4.7	3.3	63.1	71.1
Sunset	Mar-08	4.7	2.8	69.4	76.9
Sunset	Jun-08	4.7	3.3	68.9	76.9
Sunset	Sep-08	4.7	3.3	72.6	80.6
Sunset	Dec-08	4.7	2.8	84.3	91.7
Sunset	Mar-09	4.7	3.3	84	92
Sunset	Jun-09	4.7	3.5	84	92.2
Sunset	Sep-09	4.7	3.5	84	92.2
Sunset	Dec-09	4.7	3.5	89.1	97.3
Sunset	Mar-10	4.7	3	88	95.7
Sunset	Jun-10	4.7	3	88	95.7
Increase		0.5 (11.9%)	3 (from 0)	42.8 (94.6%)	46.3 (93.7%)

Design includes all activities during the design phase

Right of way includes the cost for right of way activities

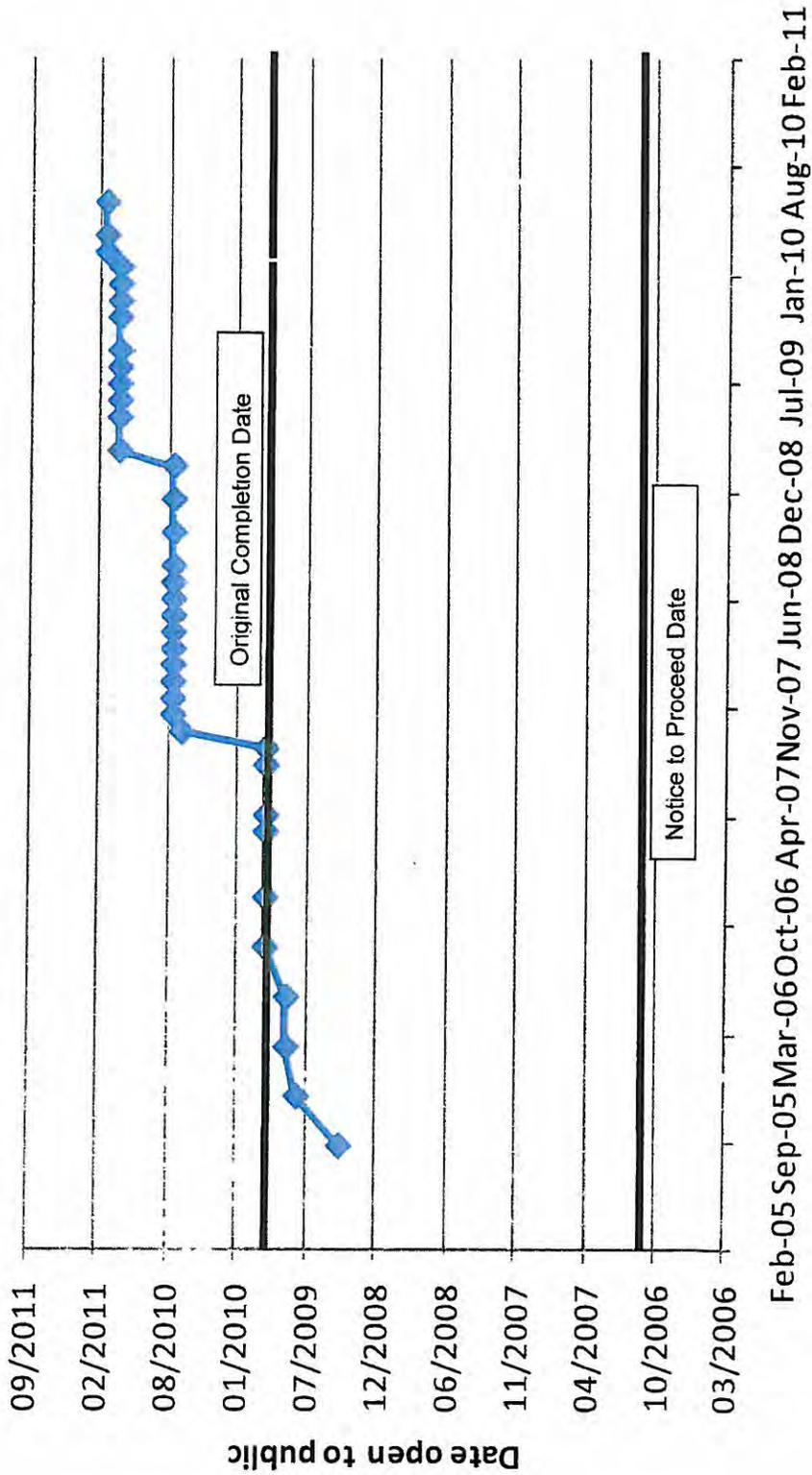
Construction includes the construction contract cost, construction management costs, and design support during construction

Sunset Avenue Grade Separation (As of June 2010)



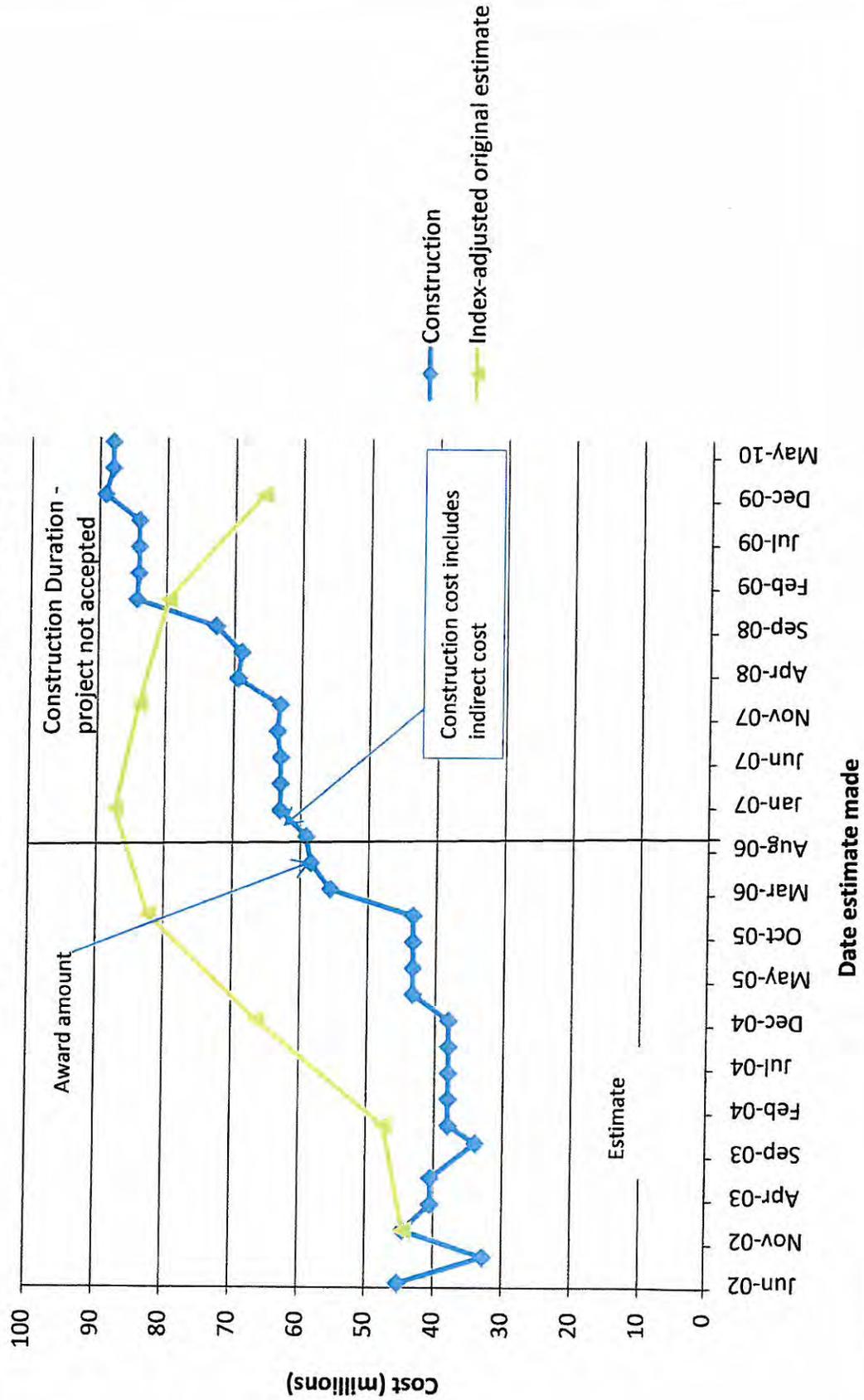
Current status. Project under construction, scheduled to be completed by January 1, 2011

Sunset Avenue Grade Separation

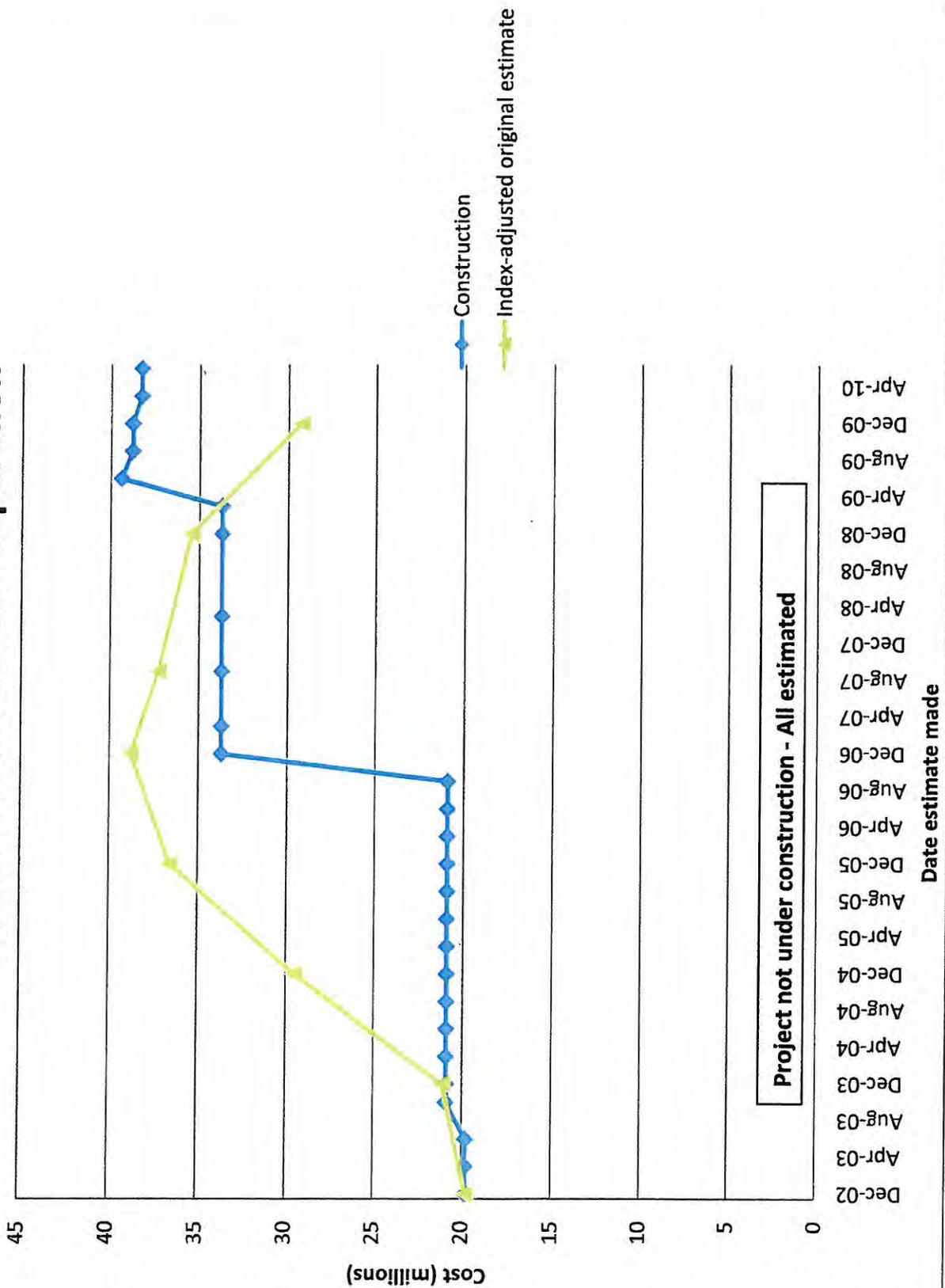


Date estimate made

Sunset Avenue Grade Separation



Baldwin Avenue Grade Separation





San Gabriel Valley Council of Governments

1000 S. Fremont Ave., Unit 42, Bldg. A6, Suite 6425, Alhambra, CA 91803 Phone: (626) 457-1800 FAX: (626) 564-1116 E-Mail SGV@sgvcog.org

Date: February 9th, 2011
To: City Managers' Steering Committee
From: Nicholas T. Conway, Executive Director
Re: Update on ACE Phase II Subcommittee

Recommended Action:

Recommend to the Governing Board adoption of the updated SGVCOG Strategic Plan.

Background:

In September, staff from ACE presented the initial findings of the ACE Phase II report to the Transportation Committee. The purpose of this study is to evaluate the 6 remaining grade separation projects that are not completed, under construction, or approved to proceed to construction. Additionally, this study is intended to develop the scope and implementation strategy for completion of the ACE project. Upon submittal of this study, ACE requested approval to initiate engineering and environmental analysis on two grade separations (Puente Ave. and Fairway Drive). Initiation of this engineering work does not make these projects priorities for construction over other ACE projects.

When the Transportation Committee took action on the ACE Phase II Report, the motion recommended that information on ACE Phase II and these specific projects presented at the Public Works TAC for review and comment. That presentation was given at the December 2010 Public Works TAC meeting. At that time, the Public Works TAC took action to form a subcommittee to review the study in greater detail and provide comments to the larger TAC. The Subcommittee is comprised of representatives from the following jurisdictions: West Covina, Pomona, Industry, Montebello and LA County.

Representatives from the Subcommittee attended the January Transportation Committee to request clarification regarding the scope and purpose of the Public Works TAC review efforts. At that meeting, a motion by the Office of Supervisor Antonovich was approved that was intended to provide specific guidance to the Subcommittee. A copy of that motion is included as Exhibit 1. In addition to clarifying the tasks to be completed by the ACE Phase II Subcommittee, the motion requested the City Managers' Steering Committee provide oversight to the Subcommittee by reviewing and commenting in their report prior to submitting it to the Transportation Committee. Furthermore, the motion requested that the City Managers' Steering Committee, "analyze and critique the current revenue assumptions used by ACE for Phase II and include this analysis as part of the Report prior to sending it to the SGVCOG Transportation Committee." The Transportation Committee has requested the ACE Phase II Subcommittee complete its report by June 1 of this year and submit it to the City Managers' Steering Committee.

January 20, 2011

MOTION
San Gabriel Valley Council of Governments
Transportation Committee

Following direction from the San Gabriel Valley Council of Governments (SGVCOG) to review the ACE Phase II Grade Separation Traffic Study and Concept Plans (Study), the SGVCOG Public Works Technical Advisory Committee (PWTAC) created a subcommittee to complete this task. The PWTAC subcommittee has since requested further guidance from the SGVCOG Transportation Committee as to the scope of their work.

I, THEREFORE, MOVE that the SGVCOG Transportation Committee direct the Public Works TAC subcommittee for ACE Phase II to develop a Report that:

- (1) Performs a full review, analysis and critique of the Study that includes an analysis and critique of the methodology used by the Study consultant for its data collection and forecasts, including but not limited to existing count data, future motor vehicle traffic forecasts, future railroad train movement forecasts, vehicle delay, and CPUC rankings
- (2) Creates an evaluation of “regional benefit” of all of the grade crossings in the Study and ranks the projects based on this developed metric of “regional benefit”
- (3) Analyzes and critiques both the cost assumptions for current Phase II projects and estimated costs for the other grade crossing projects analyzed in the Study.

(4) Using the “regional benefit” metric and the cost analysis for all the grade crossings analyzed in the Study, develop a cost/benefit assessment of the projects in the Study and create a priority ranking for these projects.

(5) Present this Report to the SGVCOG Public Works TAC and SGVCOG City Managers Steering Committee for discussion and input.

I ALSO MOVE that the SGVCOG Governing Board City Managers Steering Committee analyze and critique the current revenue assumptions used by ACE for Phase II and include this analysis as part of the Report prior to sending it to the SGVCOG Transportation Committee.

I FURTHER MOVE that the SGVCOG Governing Board direct that the process for input on this Report be as follows:

1. SGVCOG Public Works TAC and SGVCOG City Managers Steering Committee receive report from the SGVCOG Public Works TAC Subcommittee, provide written input on the report and send it to the SGVCOG Transportation Committee.
2. SGVCOG Transportation Committee reviews the Report and additional input, provides written input on the report, and sends Report plus all additional input to the ACE Board of Directors
3. ACE Board of Directors reviews report and additional input, provides written input on the Report, and sends Report and all additional input back to the SGVCOG Transportation Committee and ultimately the SGVCOG Governing Board for review and consideration.

During discussion at the SGVCOG Transportation Committee, this motion was clarified as follows:

1. The Subcommittee will aim to complete its tasks by June 1, 2011, to allow for the Report to move forward during the June 2011 SGVCOG committee and board cycle.
2. The Subcommittee will be provided the latitude to complete the identified tasks to the extent reasonable, given the time constraints.
3. The Subcommittee will perform a cursory review of all 34 grade crossings, and narrow the list of projects for further review and consideration to no more than 14 (six adopted projects plus up to eight additional projects). These 14 projects will be given further analysis including cost, benefit, cost-benefit analysis and priority rankings. The ACE Board of Directors is being asked to provide the funding for the cost-estimates for the additional projects (up to eight beyond the original six for a total of 14) as part of this effort.



San Gabriel Valley Council of Governments

3452 East Foothill Blvd. Suite 810, Pasadena, California 91107 Phone: (626) 564-9702 FAX: (626) 564-1116 E-Mail SGV@sgvcog.org

Date: January 9, 2011
To: City Managers' Steering Committee
From: Charles Conway, SGVCOG Accountant/Treasurer
Re: **ACE FY 2009-2010 Audited Financial Statements**

RECOMMENDATION

Recommend to the Governing Board to receive and file FY 2009-10 Consolidated Financial Statement.

BACKGROUND

Article VII, Section 5 of the SGVCOG's JPA Agreement stipulates that the records and accounts of the SGVCOG shall be audited annually by an independent certified public accountant and in compliance with Government Code Sections 6505.5 and 6505.6. Furthermore, said report shall be presented to our member agencies within 15 days after receipt of said audit.

Vasquez & Company, LLP, located in Los Angeles, was hired in 2009 through a competitive procurement to perform the independent audit for both SGVCOG and ACE for the fiscal years beginning in FY 2009 through 2013. This is their first audit of the five-year audit contract.

In 2003, the Board decided to consolidate ACE and the SGVCOG financial statements for public presentation since ACE is a component unit of the SGVCOG. However, the scope and magnitude of these two organizations are entirely different and, for Board discussion purposes, they have been separated. The SGVCOG Audited Financial Statement was previously reviewed by the City Managers' Steering Committee in October 2010. ACE's 2009-10 financial statement is included as Attachment 1.

SUMMARY

FY2010 saw the completion of the Pomona Train Diversion project, major design effort on the San Gabriel Trench and continued work on Sunset/Orange, Baldwin and Nogales (LA) grade separations. Construction in progress increased by \$76.1 million to \$231.5 million as the pace in construction on Sunset/Orange increased.

ACE is basically a 100% cost reimbursed program and requires working capital financing. Deutsche Landesbank agreed to guarantee ACE's grant anticipation notes (commercial paper) through 2014.

The auditor's Management Letter raised two issues. First, in FY 2008 and FY 2009 ACE deferred a combined total of \$583,950 in unallowed indirect expense that was billable to Metro. It was expensed to and reimbursed by Metro in FY 2010.

Secondly, concern was raised over ACE's FY 2010's budget being unduly optimistic. ACE has under-run its budget for three years in a row. In FY 2010, actual revenues and expenditures for ACE were \$22.4 million, or 22% below the original budget. Under-running a budget negatively impacts reimbursement of indirect expense because the state approved indirect rate is based on the original budget and used by both Caltrans and Metro in reimbursing ACE for indirect expense. The current balance of deferred indirect expense is now \$2,033,076.

**Audited Financial Statements
and Supplementary Information
Alameda Corridor – East Construction Authority
(A Component Unit of San Gabriel Valley Council of Governments)
Year ended June 30, 2010
with Report of Independent Auditors**

Alameda Corridor - East Construction Authority
(A Component Unit of San Gabriel Valley Council of Governments)
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Report of Independent Auditors

Board of Directors Alameda Corridor – East Construction Authority

We have audited the accompanying basic financial statements of Alameda Corridor - East (ACE) Construction Authority, a component unit of San Gabriel Valley Council of Governments, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of ACE Construction Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on ACE Construction Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of ACE Construction Authority as of June 30, 2010, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2010, on our consideration of ACE Construction Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Los Angeles, California
October 29, 2010

**Alameda Corridor - East Construction Authority
Management's Discussion and Analysis
Year ended June 30, 2010**

The following discussion and analysis of the financial performance and activity of the Alameda Corridor – East (ACE) Construction Authority provides an overview of ACE Construction Authority financial statements for the year ended June 30, 2010. This discussion was prepared by management and should be read in conjunction with the financial statements and notes which follow this section.

Background

The San Gabriel Valley Council of Governments (SGVCOG) created the ACE Construction Authority in 1998 to mitigate the effects of increasing Union Pacific Railroad (UPRR) train traffic in the San Gabriel Valley. There were 55 “at-grade” crossings in the Valley where vehicular and pedestrian traffic cross directly over railroad tracks and must stop while trains pass by. This creates congestion, degrades the local environment, and compromises safety. The ACE Project will separate 20 crossings at the busiest intersections – by either raising or lowering the crossing street or the railroad – along the 35-mile freight rail corridor from East Los Angeles to Pomona.

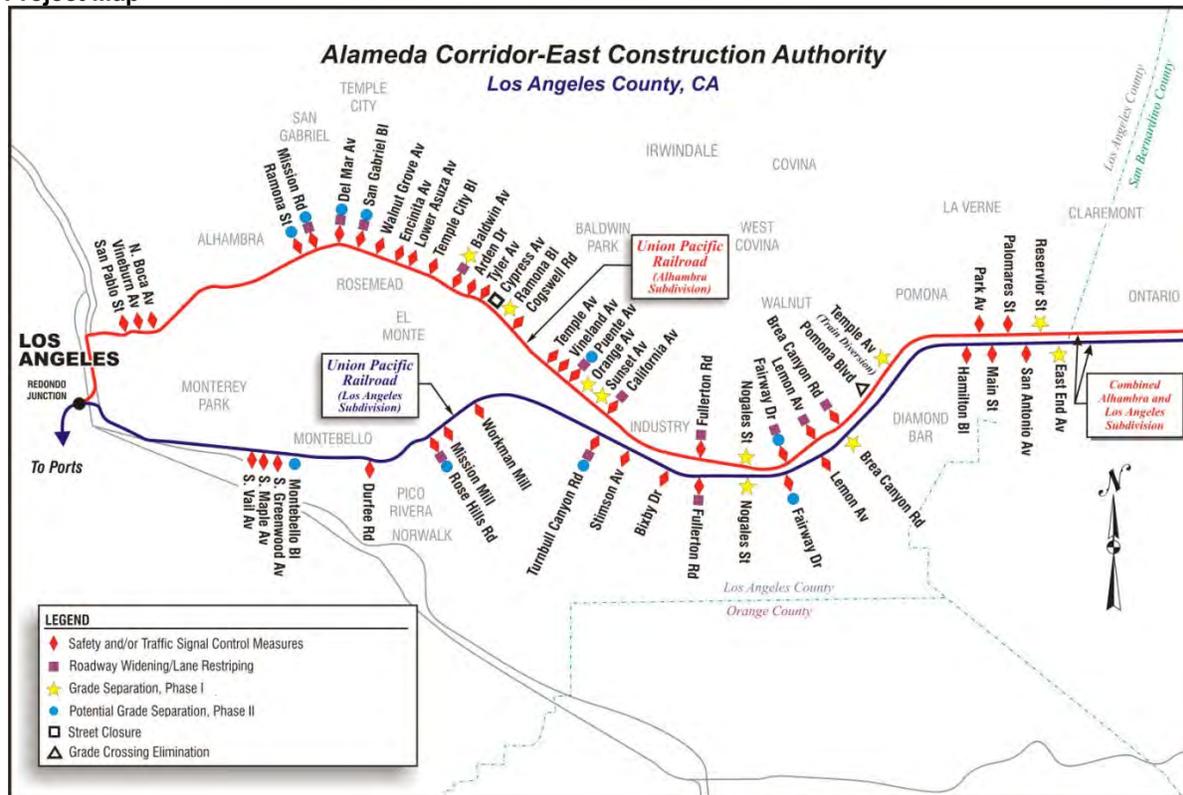
The original budget for the project was \$950 million in 1998 dollars. The project was broken out into two phases. Phase I included a test deployment of a modernized traffic control system, safety improvements at 39 grade crossings, and 10 grade separations, two of which were assigned to other agencies. Phase II included the remaining 10 grade separations. Since then, all but one of the 10 Phase I grade separations are completed or in construction. The current cost estimates for all active or completed projects consisting of the safety improvements and 13 grade separations is \$1.127 billion. The remaining six grade separations in the overall adopted project are the subject of an update study. Their updated definition and cost estimates should be available by the end of calendar year 2010.

The Nogales Street project in West Covina/Industry was completed in 2005, the Reservoir Street project in Pomona was opened to traffic in 2005, Ramona Boulevard in El Monte, East End Avenue in Pomona, and Brea Canyon Road in Industry/Diamond Bar opened in 2008. Sunset Avenue in City of Industry and the Temple Avenue Train Diversion in Pomona are under construction. Property is being acquired for remaining Phase I project, Baldwin Avenue in El Monte, in anticipation of construction starting in late 2010/early 2011. In addition, the ACE Project has assumed responsibility for the southern Nogales Street grade separation (completing design and environmental review) and has begun design of the San Gabriel Trench project.

**Alameda Corridor - East Construction Authority
Management's Discussion and Analysis
Year ended June 30, 2010**

Project	06/09	09/09	12/09	03/10	06/10
Baldwin	Right of Way Acquisitions				
Brea Canyon	Open to traffic				
East End	Open to traffic				
Reservoir	Open to traffic				
Nogales (AH)	Open to traffic				
Nogales (LA)	Design / ROW Acquisitions				
Ramona/Cypress	Open to traffic				
S.G. Trench	Design				
Sunset/Orange	Construction				
Temple/Pomona	Construction				

Project Map



ALAMEDA CORRIDOR-EAST PROJECT AREA

REVISED DATE 3/08

**Alameda Corridor - East Construction Authority
Management's Discussion and Analysis
Year ended June 30, 2010**

As of June 30, 2010 the following funding had been committed to the ACE project:

Federal	Committed/Pledged (\$ millions)	
TEA-21 Earmark	\$	134.4
Annual Appropriations (FY 2000-09)		19.7
SAFETEA-LU Earmark		65.0
Total Federal	\$	219.1
State		
Trans. Imp. Program (FY 2000-04)		39.0
PUC Grade Separation Fund		5.0
Trans. Cong. Relief Prog. (TCRP)		130.3
Trade Corr. Infr. Fund (TCIF)		336.6
Hwy. Rail Crossing Safety Act (HRCSA)		25.6
Total State		536.5
LA County Metropolitan Transportation Authority		
17% - Match		269.9
FY 2007 Call-for-projects		28.8
Measure R		42.0
Total LA County Metropolitan Transportation Authority		340.7
City/County Funds		23.8
Railroad Contributions		20.5
Total ACE Project Funding	\$	1,140.6

The Committed/Pledged amounts may differ slightly from authorized funding due to budgetary holdbacks on multi-year grants, and reflect management's best estimate as to the amount that will be available. In addition to the committed funds shown above, we expect to receive an additional \$358 million in Los Angeles County Metropolitan Transportation Authority (Metro) Measure R funds through fiscal years 2019. Railroad contributions reflect a regulatory ceiling of 5% of construction cost pro-rated over the construction phase of the various projects.

The ACE Construction Authority manages its projects to avoid risk wherever possible. All projects are designed to be within the scope allowed by federal, state and local guidelines. The project host city is responsible for paying for any "betterments" not needed for the basic grade separation. In addition, each phase - design, right-of-way acquisition and utility relocation, and construction - must be approved for reimbursement in advance by Caltrans.

The ACE Construction Authority must pay contractors and vendors first before invoicing grantors for reimbursement. Reimbursements are currently running between two to six weeks for Caltrans (Federal and State funding) and the Los Angeles County Metropolitan Transportation Authority (local funding). Working capital therefore remains a major consideration. ACE Construction Authority's parent organization, the San Gabriel Valley Council of Governments, authorized the issuance of up to \$100 million in grant anticipation notes to satisfy working capital requirements. This program has been in effect since 2001 and has generated over \$4 million in net earnings.

**Alameda Corridor - East Construction Authority
Management's Discussion and Analysis
Year ended June 30, 2010**

Financial Highlights

- ACE Construction Authority's net assets decreased by \$3.3 million, a decrease of 25%.
- Total construction in progress increased by \$76.1 million, an increase of 49%.
- Total revenues increased by \$10.7 million, an increase of 16%.
- Total project expenses increased by \$12.6 million, an increase of 19%.

Overview of Basic Financial Statements

ACE Construction Authority's basic financial statements consist of three components: (1) Government-wide Financial Statements, (2) Fund Financial Statements and (3) Notes to the Basic Financial Statements.

Government-wide Financial Statements

The government-wide financial statements found on pages 11 and 12 are designed to give readers a broad overview of ACE Construction Authority's financial position. These include all of the Authority's assets and liabilities, revenues and expenses. The accounting basis is full accrual (similar to private sector companies) where ACE Construction Authority's revenues and expenses are reported as the causal event occurs, instead of when the revenue was received or expense paid.

The "Statement of Net Assets" presents all of ACE Construction Authority's assets and liabilities, with the difference reported as net assets (or equity in the private sector). While large net assets might indicate that a governmental agency has not spent available revenues and other resources, negative net assets indicates that the agency has overspent. It is management's position to maintain sufficient net assets to compensate for any disallowed costs, but to allocate any surplus to construction activities.

The "Statement of Activities" presents ACE Construction Authority's revenues and expenses for the fiscal year ended on June 30, 2010. The statement has four primary areas: Project Expenses, Operating Revenues, Nonoperating Income (Expense) and Change in Net Assets. Expenses are broken out into Direct (those expenses that can be identified directly to individual projects) and Indirect, while Nonoperating Income (Expense) is the interest earned on cash balances less interest and fees paid on the corresponding debt.

Fund Financial Statements

The fund financial statements can be found on pages 13 and 15 of this report. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

**Alameda Corridor - East Construction Authority
Management's Discussion and Analysis
Year ended June 30, 2010**

The ACE Construction Authority, unlike municipalities, county or State governments, has one activity - construction. All of ACE Construction Authority's activities are classified as a Construction (Capital Projects) Fund.

Differences between the two sets of financial statements are normally determined by the complexity of the reporting agency and usually revolve around different treatments for capital assets and depreciation. ACE Construction Authority's focus on a single activity results in the two statements being very similar.

Notes to the Basic Financial Statements

This report includes notes to the basic financial statements. They provide additional information that is important to a complete understanding of the data contained in the government-wide and fund financial statements. The notes can be found on pages 17 through 28 of this report.

Statement of Net Assets

The following table shows the condensed statements of net assets for the past two years:

		June 30	
		<u>2010</u>	<u>2009</u>
Current assets	\$	123,817,067	\$ 134,119,106
Capital assets		43,208	65,447
Construction in progress		231,505,012	155,355,686
Less due to member cities and Union Pacific Railroad		(231,505,012)	(155,355,686)
Total assets		<u>123,860,275</u>	<u>134,184,553</u>
Current liabilities		113,617,868	120,598,177
Total liabilities		<u>113,617,868</u>	<u>120,598,177</u>
Net assets	\$	<u>10,242,407</u>	\$ <u>13,586,376</u>

All organizations are required to report construction in progress (that is, the sum of prior and current year's construction expense) on the Balance Sheet as an asset. This would normally be done by treating each year's construction as a capital expense which would be excluded from the Statement of Activities. However, the grant reimbursements generated by construction would be included in the Statement of Activities as revenue. The ACE Construction Authority is obligated to transfer components of completed projects to the UPRR and the cities so that they can be included in their financial statements. The resulting reduction in assets would flow through the Statement of Activities as a loss. The net effect would be to produce widely fluctuating Net Assets and Fund Balances depending on whether ACE Construction Authority was constructing (surplus) or transferring assets to member cities (deficit).

Therefore, the ACE Construction Authority elected to treat construction in progress as a matching asset and liability. This shows the total cost of ACE Construction Authority's projects and the resulting liability to transfer the assets upon completion while not unduly impacting the Statement of Activities.

**Alameda Corridor - East Construction Authority
Management's Discussion and Analysis
Year ended June 30, 2010**

Total assets decreased by \$10.3 million (8%) to \$123.9 million primarily because of decreases in cash and investments.

Total construction in progress increased by \$76.1 million (49%) to \$231.5 million. This is consistent with faster pace in construction activities on the Sunset Ave. project and steady activities from the other remaining four active projects.

The SGVCOG, on behalf of the Authority, had \$100 million in variable rate, tax-exempt commercial paper outstanding as of June 30, 2010. The decision as to how much to issue is made periodically by the ACE Construction Authority management in consultation with its financial advisors taking into account current and prospective cash flow needs and the interest income vs. borrowing cost relationship.

Grants receivable increased by \$6.8 million (677%) to \$7.8 million primarily because of a \$7.5M outstanding invoice from Metro. Deferred cost incurred decreased by \$81,846 (4%) to \$2.0 million because ACE Construction Authority billed \$583,950 of its non-project reimburseable expenses to Metro.

Statement of Activities

The following table shows the condensed statements of activities for the past two years:

	<u>Years ended June 30</u>	
	<u>2010</u>	<u>2009</u>
Project expenses		
Direct (construction)	\$ 74,840,690	\$ 64,231,939
Indirect expenses charged to operations	<u>4,554,512</u>	<u>2,599,274</u>
Total project expenses	<u>79,395,202</u>	<u>66,831,213</u>
Operating revenues		
Grant reimbursements	74,623,951	62,881,142
Other operating revenues	<u>1,359,697</u>	<u>2,407,395</u>
Total revenues	<u>75,983,648</u>	<u>65,288,537</u>
Loss from operations	<u>(3,411,554)</u>	<u>(1,542,676)</u>
Nonoperating income (expense)		
Financing income	692,556	1,590,530
Financing expense	<u>(624,971)</u>	<u>(1,015,686)</u>
	<u>67,585</u>	<u>574,844</u>
Change in net assets	<u>(3,343,969)</u>	<u>(967,832)</u>
Net assets at beginning of year	<u>13,586,376</u>	<u>14,554,208</u>
Net assets at end of year	<u>\$ 10,242,407</u>	<u>\$ 13,586,376</u>

**Alameda Corridor - East Construction Authority
Management's Discussion and Analysis
Year ended June 30, 2010**

The FY '10 revised Budget for operating expenditures was \$97.5 million compared to \$75.5 million in FY '09. Actual total operating expenditures are \$78.5 million compared to \$66.8 million in FY 09.

Project revenues continue to closely track expenditures. ACE Construction Authority's policy is to avoid, where possible, costs not reimbursable under state and federal guidelines. Metro also provides project funds and, under separate agreement, continues to fund certain administrative expenses not reimbursable under federal and state regulations. Cities requesting work in excess of Caltrans guidelines (often called betterments) are paid for by the requesting city. Any remaining costs are paid from investment income.

Other revenues: \$6,606 is the net proceeds received from a settlement with the project designer for the Nogales grade separation project.

ACE Construction Authority earnings from its commercial paper program was \$67,585 in FY 10, considerably less than the \$574,844 earned in FY 09, as the gap between interest earned and interest paid narrowed, resulting in lower net interest income.

ACE Construction Authority is reimbursed for indirect expense based on Caltrans approved Indirect Cost Allocation Plan (ICAP) rate. The reimbursement is added to all Caltrans and Metro invoices and is calculated by applying the ICAP rate to direct salaries and wages, and fringe benefits. The applied indirect expense to projects was lower than the actual indirect expense incurred, resulting in a deferral of \$502,104 to next year.

Change in net assets for 2010 was (\$3.3 million) compared to (\$1.0 million) in 2009. During 2007, Ace Construction Authority sold an excess right-of-way property located in West Covina for about \$5.1 million. As allowed by the 23 Code of Federal Regulations Part 710.403(e), ACE Construction Authority elected to apply the proceeds from the sale against activities eligible for funding during the year ended June 30, 2010 resulting to higher expenses than revenues for the said year. The proceeds from sale were included in the beginning fund balance.

Capital Assets

ACE Construction Authority had \$43,208 and \$65,447 invested in capital assets, net of depreciation, as of June 30, 2010 and 2009, respectively.

ACE Construction Authority's capital assets consist of leasehold improvement and office equipment only.

Economic Factors and Next Year's Budget

Sufficient funds were available at the close of FY 2010 to continue with remaining active grade separation projects.

Los Angeles County voters approved Measure R in November 2008. The ACE Project is included for \$400 million in local funds over the life of the sales tax. Metro has approved an initial drawdown of \$42 million for the ACE Project and projects that the full \$400 million will be available between now and FY 2019.

**Alameda Corridor - East Construction Authority
Management's Discussion and Analysis
Year ended June 30, 2010**

In June 2009, ACE Construction Authority Board approved suspension of the Integrated Rail Roadway System (IRRIS), a traffic signal system demonstration project. A total of \$6.4 million has been spent on the project since inception. The ACE Construction Authority staff has requested a project close out from Caltrans.

With less than a quarter of expenditure activity in FY 2011 it is rather challenging to estimate that actual expenditures will be consistent with levels assumed in the FY 2011 budget. However, using recent expenditure trends it appears that ACE Construction Authority will be within 10 - 15% of the FY 2011 Approved Budget of \$109.3 million.

Requests for Information

These financial statements are designed to provide citizens, taxpayers, customers, and creditors with a general overview of the Authority's finances and to demonstrate accountability for the money it receives. If there are any questions about this report or a need for additional information, please contact The ACE Construction Authority, 4900 Rivergrade Road, Suite A120, Irwindale, CA 91706, or call (626) 962-9292.

Alameda Corridor - East Construction Authority
(A Component Unit of San Gabriel Valley Council of Governments)
Statement of Net Assets
June 30, 2010

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 92,588,960
Grants receivable	7,844,672
Unbilled receivables	17,386,831
Interest receivable	91,813
Retention receivable	3,714,651
Receivable - other	162
Deferred cost incurred	2,033,076
Prepaid expenses	
Insurance	63,964
Cost of issuance, commercial paper	92,938
	123,817,067
Noncurrent assets	
Leasehold improvements and equipment	\$ 332,897
Less accumulated depreciation and amortization	(289,689)
	43,208
Construction in progress	231,505,012
Less due to member cities and Union Pacific Railroad	(231,505,012)
	-
Total assets	123,860,275
LIABILITIES	
Current liabilities	
Accounts payable and accrued expense	7,646,292
Accrued retention payable	1,273,560
Deferred revenue	4,573,473
Compensated absences	124,543
Commercial paper	100,000,000
Total liabilities	113,617,868
NET ASSETS	
Invested in capital assets	43,208
Unrestricted	10,199,199
Total net assets	\$ 10,242,407

See notes to financial statements.

Alameda Corridor - East Construction Authority
(A Component Unit of San Gabriel Valley Council of Governments)
Statement of Activities
Year ended June 30, 2010

Project expenses	
Direct (construction)	\$ 74,840,690
Indirect expenses charged to operations	<u>4,554,512</u>
Total project expenses	<u>79,395,202</u>
Revenues	
Grant reimbursements	74,623,951
Other operating revenues	<u>1,359,697</u>
Total revenues	<u>75,983,648</u>
Loss from operations	(3,411,554)
Nonoperating income (expense)	
Financing income	692,556
Financing expense	<u>(624,971)</u>
Net nonoperating income (expense)	<u>67,585</u>
Change in net assets	(3,343,969)
Net assets at beginning of year	<u>13,586,376</u>
Net assets at end of year	<u>\$ 10,242,407</u>

See notes to financial statements.

Alameda Corridor - East Construction Authority
(A Component Unit of San Gabriel Valley Council of Governments)
Balance Sheet
Governmental Funds
June 30, 2010

	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 92,588,960	\$ 92,588,960
Grants receivable	7,844,672	7,844,672
Unbilled receivables	17,386,831	17,386,831
Interest receivable	91,813	91,813
Retention receivable	3,714,651	3,714,651
Receivable - other	162	162
Deferred cost incurred	2,033,076	2,033,076
Prepaid expenses		
Insurance	63,964	63,964
Cost of issuance, commercial paper	92,938	92,938
Total assets	\$ <u>123,817,067</u>	\$ <u>123,817,067</u>
LIABILITIES AND FUND BALANCE		
Accounts payable and accrued expense	\$ 7,646,292	\$ 7,646,292
Accrued retention payable	1,273,560	1,273,560
Deferred revenue	4,573,473	4,573,473
Compensated absences and employee benefits	124,543	124,543
Proceeds from issuance of commercial paper owing the San Gabriel Valley Council of Governments	<u>100,000,000</u>	<u>100,000,000</u>
Total liabilities	<u>113,617,868</u>	<u>113,617,868</u>
Fund balance		
Fund balance	<u>10,199,199</u>	<u>10,199,199</u>
Total fund balance	<u>10,199,199</u>	<u>10,199,199</u>
Total liabilities and fund balance	\$ <u>123,817,067</u>	\$ <u>123,817,067</u>

See notes to financial statements.

Alameda Corridor - East Construction Authority
(A Component Unit of San Gabriel Valley Council of Governments)
Reconciliation of the Balance Sheet of Governmental Fund
to the Statement of Net Assets
June 30, 2010

Fund balance for governmental funds \$ 10,199,199

Amount reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds

43,208

Net assets of governmental activities

\$ 10,242,407

See notes to financial statements.

Alameda Corridor - East Construction Authority
(A Component Unit of San Gabriel Valley Council of Governments)
Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended June 30, 2010

Revenues

Reimbursements		
Federal grants	\$	17,804,533
State grants		13,453,885
Local grants		43,158,885
Other revenue		<u>662,757</u>
Total revenues		<u><u>75,080,060</u></u>

Operating expenditures

Direct		
Design		16,511,192
Right-of-Way acquisition		11,720,139
Construction management		2,593,258
Construction		41,577,912
Betterments		<u>2,438,189</u>
Total direct		<u><u>74,840,690</u></u>
Indirect		
Personnel		
Salaries and wages		1,498,005
Fringe benefits		469,866
Employee related expenses		34,811
Professional services		
Auditing/accounting		39,835
Disadvantaged business/outreach		74,218
Legal		54,855
Other		445,354
Program management		1,090,470
Brokerage		60,064
Insurance		129,616
Equipment expense		42,324
Office rental expense		149,500
Office operations		41,871
Deferred indirect expense		<u>(502,104)</u>
Total indirect		<u><u>3,628,685</u></u>
Total operating expenditures		<u><u>78,469,375</u></u>

Deficiency of revenues over expenditures	(3,389,315)
------------------------------------------	-------------

Other financing sources (uses)

Investment revenue	692,556
Interest and related expenses	(624,971)
Non-project reimburseable funds	903,588
Non-project reimburseable expense	<u>(903,588)</u>
Net other financing sources (uses)	<u><u>67,585</u></u>

Change in fund balance	(3,321,730)
------------------------	-------------

Fund balance at beginning of year	<u>13,520,929</u>
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Fund balance at end of year	<u><u>\$ 10,199,199</u></u>
-----------------------------	-----------------------------

See notes to financial statements.

Alameda Corridor - East Construction Authority
(A Component Unit of San Gabriel Valley Council of Governments)
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balance of Governmental Funds to the Statement of Activities
Year ended June 30, 2010

Net change in fund balance - total governmental funds \$ (3,321,730)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlay as expenditures. In the
statement of activities, the cost of those assets is allocated over their
estimated useful lives as depreciation expense

Depreciation expense (22,239)

Change in net assets of governmental activities \$ (3,343,969)

See notes to financial statements.

Alameda Corridor - East Construction Authority
Notes to Financial Statements
Year ended June 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

ACE Construction Authority is a component unit of the San Gabriel Valley Council of Governments, (SGVCOG).

Basis of Accounting

Government-wide reporting uses the full accrual basis of accounting. The Statement of Activities presents changes in Net Assets. (This is equivalent to an Income and Changes in Equity Statement in private sector companies.) Revenues are recorded when earned and expenses are recognized at the time of the causal event.

ACE Construction Authority recognizes reimbursements from grants as revenues to the extent reimbursing obligations are earned on or before June 30, 2010 and are therefore the same under both modified accrual and full accrual basis. Major interest bearing debt is short-term in nature so there is no difference relating to accrued interest owed.

Description of Funds and Account Groups

ACE Construction Authority uses funds and account groups to report on its financial position and results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Governmental Fund

Capital Projects Fund - Accounts for the activity of obtaining support from governmental groups, determining funding and specifications for structures needed and to fund the contracts for the grade crossing improvements. This fund accounts for most of the activities of the Authority.

Budgetary Reporting

The Board approved the FY 2010 budget in May 2009.

The budget was based on estimated expenditures over the operating period. Significant under-runs were initially encountered as the Authority experienced delays in obtaining various Caltrans' required approvals for major design contracts from Federal and State grantors.

It is the Authority's policy not to start any phase of a project (i.e., design, right-of-way acquisition, or construction), unless there are sufficient funds to complete that phase. All project related expenses are reimbursable from existing grants and, as such, budgeted revenues were not budgeted separately, but derived from budgeted expenditures.

Cash Equivalents

Cash equivalents are those short-term investments readily converted into cash. Deposits with the State of California's Local Agency Investment Fund (LAIF) Operating Fund and the bond portfolio managed by Citizens' Business Bank meet that description.

Alameda Corridor - East Construction Authority
Notes to Financial Statements
Year ended June 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grant Revenues and Expenditures

All grants are between the SGVCOG and the granting authority. ACE Construction Authority has been given authority to obtain and administer funding in the name of SGVCOG. The MTA grant was in existence when ACE Construction Authority was created and all subsequent grants therefore are administered by ACE Construction Authority.

To-date, all grants with the exception of the UPRR contributions are, and are anticipated to be in the future, cost reimbursable. That is, the Authority must first expend the money and then bill for reimbursement from the grantors.

Short-term Notes (Commercial Paper)

In March 2001, SGVCOG authorized the issuance of up to \$100,000,000 in short-term variable rate tax-exempt grant anticipation notes. The notes are backed by a letter of credit from Bayern LB.

Borrowings at year end were \$100,000,000, the same as the prior year end. During the course of the year, amounts outstanding varied based on terms and maturities of individual commercial paper issuances.

ACE Construction Authority management and financial advisors review on a periodic basis the current and prospective cash requirements in determining the amount of commercial paper to be issued.

Arbitrage has been earned on the differential between interest earned on investment with the State Treasurer's Local Agency Fund (LAIF) and local bank, and to holders of the commercial paper. Arbitrage earned may be required to be refunded unless certain specific Internal Revenue Code requirements are met. Management believes it is meeting those requirements. Specific provisions of the borrowing are described in Note 5 (Advances by the San Gabriel Valley Council of Governments).

Leasehold Improvements and Equipment

Phases of equipment and other improvements that can be capitalized are recorded as expenditures in the capital projects fund. The threshold for capitalization has been \$5,000 since FY 2005 in accordance with Federal guidelines. On the government-wide financial statements such items are recorded as capital assets and are depreciated based upon their estimated useful lives on a straight-line basis. Useful lives of assets categories are as follows:

Leasehold improvements	10 years
Office furniture	10 years
Computer, office and telephone equipment	5 years

Alameda Corridor - East Construction Authority
Notes to Financial Statements
Year ended June 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Use of Estimates**

The process of presenting financial information requires the use of estimates and assumptions regarding certain assets and liabilities and their related income and expense items. Grant reimbursements and construction costs are especially vulnerable to such assumptions and accordingly actual results may differ from estimated amounts.

Reclassifications

Certain reclassifications have been made from previous years' presentations primarily in the Statements of Revenues, Expenditures and Changes in Fund Equity to agree more readily to budget categories.

NOTE 2 LEASEHOLD IMPROVEMENTS AND EQUIPMENT

The leasehold improvement and equipment are recorded at cost and consist of the following:

	Balance			Balance
	June 30, 2009	Additions	Deletions	June 30, 2010
<i>Cost:</i>				
Leasehold improvements	\$ 19,762	\$ -	\$ -	\$ 19,762
Computer equipment				
Hardware	159,992	-	-	159,992
Software	105,692	-	-	105,692
Website	3,393	-	-	3,393
Telephone equipment	12,086	-	-	12,086
Office furniture	31,972	-	-	31,972
Total cost	<u>332,897</u>	<u>-</u>	<u>-</u>	<u>332,897</u>
<i>Less accumulated depreciation for:</i>				
Leasehold improvements	16,798	1,976	-	18,774
Computer equipment				
Hardware	133,709	9,259	-	142,968
Software	74,811	8,376	-	83,187
Website	3,393	-	-	3,393
Telephone equipment	12,086	-	-	12,086
Office furniture	26,653	2,629	-	29,282
Total accumulated depreciation	<u>267,450</u>	<u>22,239</u>	<u>-</u>	<u>289,689</u>
Leasehold improvements and equipment, net	<u>\$ 65,447</u>	<u>\$ (22,239)</u>	<u>\$ -</u>	<u>\$ 43,208</u>

Depreciation expense included in indirect expenses for the year ended June 30, 2010 amounted to \$22,239.

Alameda Corridor - East Construction Authority
Notes to Financial Statements
Year ended June 30, 2010

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2010 are classified in the accompanying financial statements as follows:

Cash in bank	\$	24,692,006
Pooled funds		66,224,366
Money market funds		1,672,588
Total cash and cash equivalents	\$	<u>92,588,960</u>

Investments Authorized by the California Government Code and ACE Construction Authority's Investment Policy

The table below identifies the investment types that are authorized for ACE Construction Authority by the California Government Code (or ACE Construction Authority's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or ACE Construction Authority's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of ACE Construction Authority, rather than the general provisions of the California Government Code or ACE Construction Authority's investment policy.

	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	15%	5%
Commercial Paper	180 days	15%	5%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	30 days	None	None
Reverse Repurchase Agreements	92 days	5%	None
Medium-Term Notes	5 years	20%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	0%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None

Alameda Corridor - East Construction Authority
Notes to Financial Statements
Year ended June 30, 2010

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)**Investments Authorized by Debt Agreements**

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or ACE Construction Authority's investment policy.

The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed in</u>	<u>Maximum Investment One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that ACE Construction Authority manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of ACE Construction Authority's investments (including investments held by trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of ACE Construction Authority's investment by maturity:

<u>Investment Type</u>	<u>Remaining maturity in months</u>				
	<u>Total</u>	<u>12 Months or less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More than 60 months</u>
LAIF	\$ 66,224,366	\$ 63,045,597	\$ 1,920,507	\$ 1,258,262	-
<i>Held by trustee:</i>					
Money market funds	1,672,588	1,672,588	-	-	-
Investment contracts	-	-	-	-	-
Total \$	<u>\$ 67,896,954</u>	<u>\$ 64,718,185</u>	<u>\$ 1,920,507</u>	<u>\$ 1,258,262</u>	<u>-</u>

Alameda Corridor - East Construction Authority
Notes to Financial Statements
Year ended June 30, 2010

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)**Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations**

ACE Construction Authority has no investments (including investments held by trustees) that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, ACE Construction Authority's investment policy, or debt agreements, and the actual rating as the end of the year for each investment type.

Investment Type	Minimum Legal Rating	Exempt from Disclosure	Rating as of year end		
			AAA	Aa	Not rated
LAIF	\$ 66,224,366	N/A	\$ -	\$ -	\$ 66,224,366
Held by trustee:					
Money market funds	1,672,588	A	1,672,588	-	-
Investment contracts	-	N/A	-	-	-
Total	\$ 67,896,954		\$ 1,672,588	\$ -	\$ 66,224,366

Concentration of Credit Risk

ACE Construction Authority's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2010, ACE Construction Authority had no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total ACE Construction Authority investments.

ACE Construction Authority does not have any investments in any one issuer that represents 5% or more of total investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Alameda Corridor - East Construction Authority
Notes to Financial Statements
Year ended June 30, 2010

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

The California Government Code and ACE Construction Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2010, the Authority's deposit of \$24,834,846 with financial institutions is in excess of Federal depository insurance limits but are held in collateralized accounts.

As of June 30, 2010, the following investment types were held by the same broker-dealer (counterparty) that was used by ACE Construction Authority to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
Money market funds	\$ <u>\$1,672,588</u>

Investments in State Investment Pool

ACE Construction Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. At June 30, 2010, the total market value of LAIF, including accrued interest was approximately \$69.57 billion. The fair value of ACE Construction Authority's investment in this pool is \$66,224,366 at June 30, 2010 based upon ACE Construction Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the portfolio). LAIF's (and ACE Construction Authority's) exposure to risk (credit, market or legal) is not currently available.

Alameda Corridor - East Construction Authority
Notes to Financial Statements
Year ended June 30, 2010

NOTE 4 ADVANCES BY THE SAN GABRIEL VALLEY COUNCIL OF GOVERNMENTS

Short-term Notes Payable (Commercial Paper)

In the Spring of 2001 the SGVCOG entered into an agreement to borrow up to \$100,000,000 in short-term debt guaranteed by a letter of credit and collateralized by the pledge of grant revenues. The securities issue is tax exempt. Notes outstanding at June 30, 2010, amounted to \$100,000,000. Interest rates vary according to market conditions and have ranged from .20% to 1.51% over the life of the program and have ranged from 1.49% to .30 % in FY 2010. Proceeds of the borrowings have been used to pay for construction activities and also to provide a revenue source on the differential between interest earned and interest paid. The Commercial Paper is currently guaranteed by Bayern LB.

NOTE 5 GRANT ACCOUNTING

In the year ended June 30, 2010, ACE Construction Authority was the recipient, primarily from the Federal Department of Transportation through the California Department of Transportation (Caltrans), of reimbursement of cost incurred. There was also California transportation programs paid through Caltrans. Local share was received from Metro. All of these grants are expenditure driven; funds must be expended before reimbursement is received. Certain amounts have been held back by the grantor agency pending completion of certain phases of contracted work and some costs incurred are subject to disallowance.

Receivable amounts at June 30, 2010, are shown net of disallowed costs. Caltrans approved, under Office of Management and Budget (OMB) Circular A-87, an indirect overhead allocation formula of 435.70% of total direct salaries and fringe benefit costs. Indirect costs incurred in fiscal year ended June 30, 2010 were \$4,130,789 and previously deferred indirect expense (as restated) was increased by \$502,104.

NOTE 6 EMPLOYEE BENEFIT PLAN

Defined Benefit Pension Plan

Effective June 17, 2002 contributions and earnings of continuing employees previously contributed to CalPars, were transferred to CalPERS.

CalPERS is an agent, multiple employer defined benefit pension plan that acts as a common investment and administrative agent for participating public entities within the State of California; State statutes within the Public Employees Retirement Law establish menus of benefit provisions as well as other requirements. CalPERS issues separate comprehensive annual financial reports. Copies of the CalPERS' annual financial report may be obtained from CalPERS Executive Office - 400 P Street, Sacramento, CA 95814. Since the plan had less than 100 active members and at least one valuation since June 30, 2003, CalPERS requires the Authority's Plan to participate in a risk pool. Mandated pooling was effective with the June 20, 2003 valuation.

Alameda Corridor - East Construction Authority
Notes to Financial Statements
Year ended June 30, 2010

NOTE 6 EMPLOYEE BENEFIT PLAN (CONTINUED)Funding Policy

Active plan members as defined by the above statutes are required to contribute 7% of their annual covered salary. The Authority has elected to contribute this amount to CalPERS on behalf of eligible employees. The authority is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by CalPERS Board of Administration. The required employer contribution rate to CalPERS for the year ended June 30, 2010 is 9.035%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost (APC)

For fiscal year 2010, the Authority's annual pension cost and actual contribution was \$353,248. For the year ended June 30, 2010, the actuarial funding method used by the CalPERS is the Entry Age Normal Cost Method. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces level annual cost as the percentage of pay in each year from the age of hire (entry age) to the assumed retirement age.

The actuarial assumptions included (a) 2% at 55 as the benefit formula; (b) 7.75% investment rate of return compounded annually (net of expenses); (c) projected payroll growth rate of 3.25% and inflation of 3.0% compounded annually; and (d) 2% cost-of-living adjustment.

The actuarial funding process calculates a regular contribution schedule of employee contributions and employer contributions (normal costs) which are designed to accumulate with interest to equal the total present value of benefits by the time every member has left employment. As of each June 30, the actuary calculated the desirable level of plan assets as of that point in time by subtracting the present value of scheduled future employee contributions and future employer normal costs from the total present value of benefits.

Three-Year Trend Information for CalPERS

<u>Year</u>	<u>(APC)</u>	<u>APC Contributed</u>	<u>Obligation</u>
6/30/2008	\$ 340,300	100%	\$ 89,189
6/30/2009	\$ 207,868	100%	-
6/30/2010	\$ 353,248	100%	-

Post-employment Benefits

ACE Construction Authority did not incur any other liabilities during fiscal year 2010 related to post-employment benefits.

Alameda Corridor - East Construction Authority
Notes to Financial Statements
Year ended June 30, 2010

NOTE 6 EMPLOYEE BENEFIT PLAN (CONTINUED)**Deferred Compensation Plan**

The Authority has entered into a salary reduction deferred compensation plan for its employees. Securities held by the plan are valued at market.

Balance at June 30, 2009	\$ 381,749
Add employee contribution	379,483
Add net realized and unrealized appreciation in fair value of investments	<u>45,484</u>
Balance at June 30, 2010	<u>\$ 806,716</u>

NOTE 7 COMMITMENTS AND CONTINGENCIES

As previously noted the Authority receives reimbursement type grants from Federal, State and local sources. Certain expenditures are not allowable and not subject to reimbursement. Also, there may be disallowed costs. Management's experience in this regard indicates disallowances, if any, will not be material.

In June 2009, ACE Construction Authority Board approved suspension of the Integrated Rail Roadway System (IRRIS), a traffic signal system demonstration project. A total of \$6.4 million has been spent on the project since inception. The ACE Construction Authority staff has requested a project close out from Caltrans. Management believes that no funds will be returned as a result of the suspension.

Earnings from arbitrage may be subject to rebate under certain provisions of the Internal Revenue Service Code unless certain specific conditions are met. Management is committed to meeting those conditions.

The Authority occupies its office from Metropolitan Life Insurance Company subject to a lease expiring April 30, 2016. Monthly rent and a pro-rata share of facility maintenance and utilities are as follow:

<u>Period from/to</u>	<u>Monthly Rent</u>	<u>Annual Amount</u>
May 1, 2010 to April 30, 2011	\$ 16,940	\$ 203,280
May 1, 2011 to April 30, 2012	17,448	209,376
May 1, 2012 to April 30, 2013	17,972	215,664
May 1, 2013 to April 30, 2014	18,511	222,132
May 1, 2014 to April 30, 2015	19,066	228,792
May 1, 2015 to April 30, 2016	19,638	<u>235,656</u>
Total lease commitments	\$	<u><u>1,314,900</u></u>

Alameda Corridor - East Construction Authority
Notes to Financial Statements
Year ended June 30, 2010

NOTE 7 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Escrow Agreements for Contract Retention - The Escrow Agent, Contractor or Owner may terminate this Escrow Agreement, with or without cause, by providing 30 days prior written notice to the other parties. In the event of termination of this Escrow Agreement, all the funds on deposit shall be paid to the Owner and any accrued interest less escrow fees shall be paid to the Contractor. The Authority has recognized as expenditure retention payments totaling \$6,161,867. Funds are deposited in several escrow accounts until release to the Contractor is authorized.

NOTE 8 ACCOUNTING FOR CONSTRUCTION IN PROGRESS AND EVENTUAL DISPOSAL OF PROJECTS

Except for minor acquisitions that may be sold by the ACE Construction Authority when no longer needed, all of the construction projects when completed, will be deeded to the Union Pacific Railroad and the cities in which they are located at no cost to the acquirer. At June 30, 2010, \$530,047,360 of costs was accumulated on projects in process and \$298,542,348 had been transferred to the railroad and impacted cities.

Under the government funds and modified accrual basis of accounting \$78,469,375 in FY 2010 project expenditures would be reported as expenditures in the year incurred. On the government-wide financial statements conforming to GASB 34 reporting on these transactions presents a challenge. Accumulating those costs as construction in progress (i.e., treated as a cash flow expenditure and not a current year expense) would substantially overstate income while reporting the disposal and expensing the accumulated costs would distort the cost of operations. In both cases, net assets would fluctuate wildly, depending on the timing of construction and disposal.

To alleviate this situation, management has elected to defer costs incurred and record a like liability to the UPRR and governments likely to be the eventual owner of the improvements/grade separations. This approach will minimize the effects of both on the acquisition of property for construction and the accumulation of construction costs and their eventual disposal.

Alameda Corridor - East Construction Authority
Notes to Financial Statements
Year ended June 30, 2010

NOTE 9 ACCOUNTING FOR PROCEEDS FROM SALE OF EXCESS RIGHT OF WAY PROPERTY

During the year ended June 30, 2007, ACE Construction Authority sold an excess right-of-way property located in the City of West Covina for \$5,098,904. The property was originally acquired for the Nogales Street project and was sold in June 2007. The proceeds of sale were reflected as other revenue in ACE Construction Authority's financial statements for the year ended June 30, 2007 and were included in the fund balance as of July 1, 2009. As allowed by the 23 Code of Federal Regulations Part 710.403(e), ACE Construction Authority elected to apply the proceeds from the said sale against activities eligible for funding during the year ended June 30, 2010 resulting to a significant decrease in the fund balance.

Alameda Corridor - East Construction Authority
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget to Actual
Year ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Amended</u> <u>Final</u>		
Revenues				
Reimbursements				
Federal grants	\$ 42,309,000	\$ 37,054,920	\$ 17,804,533	\$ 16,860,213
State grants	23,619,000	20,685,910	13,453,885	7,232,025
Local grants	40,014,000	35,005,182	43,158,885	(9,159,448)
Other revenue	9,325,000	8,166,989	662,757	7,504,232
Total revenues	<u>115,267,000</u>	<u>100,913,000</u>	<u>75,080,060</u>	<u>22,437,021</u>
Operating expenditures				
Construction				
Design	16,612,000	17,407,000	16,511,192	895,808
Right-of-Way acquisition	30,182,000	26,437,000	11,720,139	14,716,861
Construction management	5,922,000	3,297,000	2,593,258	703,742
Construction	49,819,000	41,096,000	41,577,912	(481,912)
Betterments	5,450,000	5,450,000	2,438,189	3,011,811
Total construction	<u>107,985,000</u>	<u>93,687,000</u>	<u>74,840,690</u>	<u>18,846,310</u>
Indirect				
Personnel				
Salaries and wages	1,416,000	1,429,000	1,498,005	(69,005)
Fringe benefits	413,000	417,000	469,866	(52,866)
Employee related expenses	63,000	63,000	34,811	28,189
Professional services				
Auditing/accounting	35,000	35,000	39,835	(4,835)
Disadvantaged business/labor compliance	121,000	121,000	74,218	46,782
Legal	50,000	50,000	54,855	(4,855)
Other	-	-	445,354	(445,354)
Program management	1,138,000	1,138,000	1,090,470	47,530
Brokerage	65,000	65,000	60,064	4,936
Insurance	175,000	175,000	129,616	45,384
Equipment expense	58,000	58,000	42,324	15,676
Office rental expense	209,000	209,000	149,500	59,500
Office operations	47,000	47,000	41,871	5,129
Other	13,000	13,000	-	13,000
Deferred indirect expense	-	-	(502,104)	502,104
Total indirect	<u>3,803,000</u>	<u>3,820,000</u>	<u>3,628,685</u>	<u>191,315</u>
Total operating expenditures	<u>111,788,000</u>	<u>97,507,000</u>	<u>78,469,375</u>	<u>19,037,625</u>
Excess of revenues over expenditures	3,479,000	3,406,000	(3,389,315)	(3,399,396)
Other financing sources (uses)				
Investment revenue	1,455,000	1,455,000	692,556	(762,444)
Interest and related expenses	(868,000)	(868,000)	(624,971)	(243,029)
Non-project reimburseable funds	320,000	320,000	903,588	(362)
Non-project reimburseable expense	(320,000)	(320,000)	(903,588)	(362)
Net other financing sources (uses)	<u>587,000</u>	<u>587,000</u>	<u>67,585</u>	<u>(1,006,197)</u>
Change in fund balance	4,066,000	3,993,000	(3,321,730)	(3,918,811)
Fund balance at beginning of year	13,520,929	13,520,929	13,520,929	-
Fund balance at end of year	<u>\$ 13,607,059</u>	<u>\$ 13,534,059</u>	<u>\$ 10,199,199</u>	<u>\$ (3,918,811)</u>

**Report of Independent Auditors on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Basic Financial Statements
Performed in Accordance with *Government Auditing Standards***

**Board of Directors
Alameda Corridor – East Construction Authority**

We have audited the financial statements of Alameda Corridor – East (ACE) Construction Authority, a component unit of San Gabriel Valley Council of Governments, as of and for the year ended June 30, 2010, and have issued our report thereon dated October 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered ACE Construction Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ACE Construction Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ACE Construction Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ACE Construction Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the governing board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Los Angeles, California
October 29, 2010



San Gabriel Valley Council of Governments

1000 S. Fremont Ave., Unit 42, Bldg. A6, Suite 6425, Alhambra, CA 91803 Phone: (626) 457-1800 FAX: (626) 564-1116 E-Mail SGV@sgvcog.org

Date: February 9th, 2011
To: City Managers' Steering Committee
From: Nicholas T. Conway, Executive Director
Re: Strategic Plan Update January – July 2011

Recommended Action:

Recommend to the Governing Board adoption of the updated SGVCOG Strategic Plan.

Background:

On Saturday, January 29th, the COG hosted its tenth semi-annual strategic planning session at the Esther Snyder Community Center in Baldwin Park. Approximately 50 attendees representing nearly all of the COG member agencies attended this half-day planning exercise. This was the COG's most highly attended strategic planning session. At this event, 25 member agencies were represented as follows:

- Alhambra
- Arcadia
- Azusa
- Baldwin Park
- Bradbury
- Claremont
- Covina
- Diamond Bar
- Duarte
- Industry
- Irwindale
- La Canada Flintridge
- La Puente
- Monrovia
- Monterey Park
- Pomona
- Rosemead
- San Dimas
- San Marino
- Sierra Madre
- South El Monte
- South Pasadena
- Walnut
- LA County Supervisorial District 1
- LA County Supervisorial District 5

Additionally, there was participation from ACE, LA County Department of Public Works, and the San Gabriel Valley Housing and Homeless Services Coordinating Council.

The COG's strategic planning process began by giving us the opportunity to reflect on our many accomplishments. In total, participants identified 37 major achievements that had occurred over the past six months, including the following:

- ✓ Serving as a unified voice on various issues including Proposition 22 and High Speed Rail
- ✓ Securing funding, including Measure R funds, and advancing work on San Gabriel Valley transportation projects, including the Gold Line Foothill and East Side Extensions and ACE
- ✓ Implementing strategies to address homelessness and housing issues, specifically the formation of the San Gabriel Valley Housing and Homeless Coordinating Council
- ✓ Serving as a forum to coordinate our member agencies on projects and issues of interest, including corridor planning and the proposed Congestion Mitigation fee
- ✓ Addressing environmental issues through innovative partnerships with both public and private entities focused on energy, stormwater and solid waste management

Participants then had the opportunity to review our Agency's mission statement, vision statement and core values. The SGVCOG's vision statement, which was developed in 2007 and is intended to provide guidance in the development of long-term goals, is as follows:

“By 2012, the San Gabriel Valley Council of Governments will be recognized as the leader in advocating and achieving sustainable solutions for transportation, housing, economic growth and the environment.”

Additionally, the long-term goals that are to be achieved over the next three years (2010-2012) were re-visited. As a result of these discussions, it is being recommended that there be separate goals that focus on housing and economic growth, and the environment. This revision would make the long-term goals more reflective of the SGVCOG's existing committee structure. If approved by the Governing Board, the revised long-term goals would be as follows:

- ✓ Obtain our fair share of local, state and federal dollars
(e.g., transportation, housing, energy, environment, trauma care)
- ✓ Advocate for the Gold Line extensions in the San Gabriel Valley
- ✓ Secure funding and acceleration for all COG transportation projects
- ✓ Develop and Implement Regional Solutions and Partnerships Housing and Economic Growth
- ✓ Develop and Implement Regional Solutions and Partnerships for The Environment

Finally, attendees developed new six-month objectives to achieve these goals. These goals and objectives, which are included in the attached matrix (Exhibit 1), will be discussed and presented for adoption at the February Governing Board. Once the revised strategic plan is adopted by the Governing Board, this matrix will be updated monthly to indicate progress in achieving the identified objectives.

As always, the Strategic Planning Session was extremely useful and provided an excellent opportunity for all of the SGVCOG's stakeholders to come together to reflect on our accomplishments and develop a plan of action for the coming months.

**Six-Month Strategic Objectives
January 29, 2011 - July 15, 2011**

Three-Year Goal: Obtain our fair share of local, state and federal dollars

When	Who	What	Status			Comments
			Done	On Target	Revised	
February 17, 2011	Executive Director	Develop and present to the COG Board for action a strategy to support the California League of Cities' and Redevelopment Association's efforts to protect redevelopment activities in our communities that continue to eliminate blight, fund affordable housing and spur economic development.				
March 1, 2011	Executive Director, working with TACs and all Policy Committees	Develop a comprehensive portfolio of projects throughout the Valley that are candidates for federal, state or local funding.				
March 1, 2011	Executive Director	Develop a lobbying strategy for obtaining state and federal government funding and present to the COG Board for action.				
July 1, 2011 and annually thereafter	Executive Director	Track the dollars allocated to San Gabriel Valley's Measure R transportation projects and report the results to the Transportation Committee and the COG Board.				

**Six-Month Strategic Objectives
January 29, 2011 - July 15, 2011**

Three-Year Goal: Advocate for Gold Line Extensions in the San Gabriel Valley

When	Who	What	Status			Comments
			Done	On Target	Revised	
March 1, 2011	Executive Director	Schedule the COG's legislative delegation going to Washington D.C. March 12 -16 to discuss the SGV's 30/10 projects with federal legislators and report back to the Transportation Committee upon the return of the delegates.				
March 1, 2011	Executive Director	Send a letter of support to the SGV's Congressional delegation regarding support for the San Gabriel Valley's involvement in the 30/10 Plan.				

**Six-Month Strategic Objectives
January 29, 2011 - July 15, 2011**

Three-Year Goal: Secure Funding and Acceleration for All COG Transportation Projects

When	Who	What	Status			Comments
			Done	On Target	Revised	
Ongoing	Executive Director	Advocate with federal and state representatives for funding to complete the I-10/I-605 interchange and report results to the COG Board.				
February 17, 2011	Executive Director and ACE CEO	Give a presentation to the SGVCOG Governing Board and Transportation Committee on the existing relationship between ACE and the SGVCOG Board.				
February 17, 2011	Transportation Committee Chair (John Fasana)	Update the Transportation Committee and the COG Board on federal reauthorization and other legislation.				
March 20, 2011	Transportation Committee Chair and Michael Cano	Present to the COG Board for consideration a policy on public-private transportation partnerships.				
May 1, 2011 and July 15, 2011 and every 90 days thereafter	SGVCOG Delegation (Transportation Committee Chair - Lead)	Advocate with the State Legislative Caucus for transportation needs and report the results to the COG Board.				
May 15, 2011	Executive Director	Set a date for a meeting between the reps of 3 COGs (SGV, South Bay, Gateway) to explore areas for working together (including 710 completion and the Gold Line East Side ext.)				
May 15, 2011	Transportation Committee Chair	Present to the COG Board for action a recommendation as to whether or not to support adoption of the MTA Congestion Mitigation Fee.				
June 15, 2011	Executive Director	Advocate with the Metro staff, SCAG and state and federal representatives for funding for the transportation corridors: Arrow Highway; Valley Blvd., Rosemead Blvd. and the Ramona/Badillo Corridor.				
June 15, 2011	Executive Director	Establish a date for the annual Transportation Summit for the San Gabriel Valley.				
June 15, 2011	Four Corner Committee (John Ballas - lead)	Report on the progress of projects of the committee.				

**Six-Month Strategic Objectives
January 29, 2011 - July 15, 2011**

Three-Year Goal: Develop and Implement Regional Solutions and Partnerships for Housing Economic Growth

When	Who	What	Status			Comments
			Done	On Target	Revised	
March 17, 2011	Housing Committee Chair (Gino Sund)	Present a proposal to the COG Board to reconstitute the Housing Committee as the Housing, Community and Economic Development Committee.				
April 15, 2011	Housing Committee (Gino Sund - lead)	Advocate with L.A. County for \$150,000 for the continued operation of the SGV Housing and Homeless Coordinating Council and secure at least one other funding source.				
April 30, 2011	Executive Director and San Gabriel Valley Economic Partnership CEO	Report to the COG Board on the L.A. County Economic Development Corp. Strategic Plan Initiatives and how they relate to SGV jobs growth.				
July 1, 2011	Planning TAC (David Chantarangsu Chair) working with San Gabriel Valley Housing and Homeless Services Coordinating Council Executive Director	Develop a database to track existing and planned affordable housing and share the database with member agencies.				
July 15, 2011	Housing Committee (Gino Sund - lead)	Recommend to the COG Board revisions to the L.A. County Economic Development Corp. Strategic Plan to involve SGV job growth.				

**Six-Month Strategic Objectives
January 29, 2011 - July 15, 2011**

Three-Year Goal: Develop and Implement Regional Solutions and Partnerships for The Environment

When	Who	What	Status			Comments
			Done	On Target	Revised	
Ongoing	Executive Director	Provide to the SGVCOG membership updates on SB 375 and AB 32 issues.				
Ongoing	AB 811/Energy Working Group (Mary Ann Lutz - Lead)	Coordinate marketing strategies for the Energy Upgrade California Program and report on the status of the PACE Program to the COG Board.				
March 15, 2011	Water Resources Working Group (Mary Ann Lutz - lead)	Recommend to the COG Board for action an updated water project priority list.				
June 1, 2011	Solid Waste Working Group (Sam Pedroza - lead)	Recommend to the Energy , Environment and Natural Resources Committee for action regarding a Conversion Technology Feasibility Study.				
July 15, 2011	Solid Waste Working Group (Sam Pedroza - lead)	Assist three cities to adopt resolutions in support of extended producer responsibility policies regarding product stewardship.				
July 15, 2011	Open Space Working Group (Denis Bertone - lead)	Recommend to the COG Board for action an Open Space Policy.				
July 15, 2011	Water Resources Working Group (Mary Ann Lutz - lead)	Make recommendation(s) to the COG Board and member agencies for an achievable, fundable MS4 permit for stormwater.				



San Gabriel Valley Council of Governments

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Date: February 9th, 2011

To: City Managers' Steering Committee

From: Nicholas T. Conway, Executive Director

Re: High Speed Rail Working Group

Background:

On March 3rd, the CHSRA Board of Directors will meet at MTA Headquarters in downtown Los Angeles. One of the agenda items of that meeting will be make a determination as the alignment alternatives for the Los Angeles to San Diego route that will be carried further for analysis. At the SGVCOG's January High Speed Rail Working, CHSRA staff provided a preview of the recommendations related to the San Gabriel Valley, which were to carry forward only the I-10 and the I-605 routes and the El Monte (adjacent to I-10), West Covina, and Pomona (near Holt) stations for further analysis. The following alignments are being recommended to be withdrawn from further study: Union Pacific Railroad (UPRR) right of way, UPRR adjacent, Metrolink Right of Way. As a result, the following stations are being recommended to be withdrawn from further study: El Monte (adjacent to I-605), Industry, CalPoly Pomona, and Pomona South (UPRR adjacent).

At the January meeting, Working Group members agreed to submit to the SGVCOG position letters from each of the cities along the proposed alignments. SGVCOG staff would then develop a letter that synthesized the jurisdictions' concerns and submit it to the Transportation Committee and Governing Board for review and action at their February meetings.

Currently, staff is still awaiting comment letters from some jurisdictions along the proposed alignments, and therefore the SGVCOG's comment letter has not been finalized. Staff anticipates distributing a draft letter to the City Managers' Steering Committee prior to its February meeting.