



San Gabriel Valley Council of Governments

1000 S. Fremont Ave., Unit 42, Alhambra, CA 91803 Phone: (626) 457-1800 FAX: (626) 457-1285 E-Mail SGV@sgvcog.org

City Managers' Steering Committee Agenda

November 7th, 2012

12:00 noon

El Monte City Hall
City Managers' Conference Room
11333 Valley Boulevard
El Monte, CA

Preliminary Business

- 1.0 Public Comment
- 2.0 Changes to Agenda Order; Identify Subsequent Need or Emergency Items
- 3.0 Consent Items
Recommended Action:
Approve.
3.1 Minutes from October 10th, 2012 -Page 1

Regular Business Items *(It is anticipated that the Committee may take action on the following items)*

- 4.0 SCAG Update – *Presentation for Hasan Ikhata, Executive Director SCAG – To be distributed separately*
Recommended Action:
Receive and file update from the Executive Director of SCAG on information related to the following: 1) 2012-2035 RTP/SCS Implementation, 2) Southern California Economic Recovery & Job Creation Strategy – Phase II, 3) 2016 RTP/SCS Growth Forecast Process, and 4) SCAG's Video-conferencing Sites Expansion.
- 5.0 ACE/SGVCOG Separation – Page 3
Recommended Action:
Receive and file report from General Counsel.
- 6.0 ACE 1st Quarter Financial Report – Page 5
Recommended Action:
Recommend approval to the Governing Board.
- 7.0 ACE FY 2011-12 Financial Audit – Page 20
Recommended Action:
Recommend approval to the Governing Board.
- 8.0 SGVCOG 1st Quarter Financial Report – *To be distributed separately*
Recommended Action:
Recommend approval to the Governing Board.
- 9.0 Status of Executive Director Recruitment – Ad Hoc Committee – Page 50
Recommended Action:
Appoint City Managers' Ad Hoc Committee to participate in Executive Director recruitment effort.

New Business items for Next Regular Meeting / Announcements

Next Meeting

Adjourn

For TAC Meeting Notice and Minutes, Please access www.sgvcog.org

NOTICE: City Clerks please post this notice (agenda)

Written materials relating to an item on any Regular Meeting Agenda of the this Committee of the San Gabriel Valley Council of Governments that are distributed to the Committee within 72 hours of the Meeting will be available for public inspection at the San Gabriel Valley Council of Governments, 1000 S. Fremont Ave., Unit 42, Bldg. A10, Suite 210, Alhambra, CA 91803 during normal business hours.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the SGVCOG office at (626) 457-1800. Notification 48 hours prior to the meeting will enable the SGVCOG to make reasonable arrangement to ensure accessibility to this meeting.



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City Managers' Steering Committee Minutes

Date: October 10th, 2012

Time: 12:00 noon

Location: El Monte City Hall

Preliminary Business

The meeting was called to order at 12:10 p.m.

Members Present:

Alhambra	J. Keating
Covina	D. Parrish
Diamond Bar	J. DeStefano
El Monte	D. Keller
Glendora	C. Jeffers
San Dimas	B. Michaelis
West Covina	C. Freeland

Members Absent:

San Gabriel
La Canada Flintridge
Rosemead
Walnut

SGVCOG Staff:

F. Delach, Interim Executive Director
M. Creter, Staff
R. Jones, General Counsel

Public:

B. Kuhn
R. Richmond, ACE
M. Cristoffels, ACE

1.0 Public Comment

There were no comments from the public.

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

There were no changes to the agenda order.

3.0 Consent Items

3.1 Minutes from September 10th, 2012

The Chair provided a grammatical correction to the September minutes. With that revision, there was a motion to approve the minutes (M/S/C: C. Jeffers/ B. Michaelis/ Unanimous).

Regular Business Items

4.0 Operation and Organization Review Ad Hoc Committee Recommendations

The Interim Executive Director reported on this item. He indicated that the Governing Board took action to select "Option 2" for staffing, which would have all "in-house" employees, with the caveat that the new Executive Director would determine the number of employees necessary to perform SGVCOG work. He also indicated, based on the latest communication with PERS, that agency was not willing to provide exemptions for the new proposed employees.

Discussion on this item was continued after Item 5.0. Specifically, there was discussion regarding the Governing Board's direction that the new Executive Director select and hire any SGVCOG employees. There was a motion to urge the Governing Board to allow the Interim Executive Director to make hiring decisions regarding SGVCOG staff (M/S/C: C. Jeffers/ J. Keating/ Unanimous). The reasons that this action was recommended were as follows: 1) the limited time period in which the new Executive Director would have to make decisions regarding the existing employees as it relates to the 1,000 hour cap on their

temporary employment contracts; 2) the Interim Executive Director's familiarity with the current temporary staff better positions him to make an informed decision; 3) addressing the status of the temporary employees would provide them greater stability in terms of long-term employment; 4) addressing the status of the temporary employees would be in the best interest of the Governing Board as it would ensure continuity of services; and 5) extricating the status of the other SGVCOG staff from that of the new Executive Director allows the Governing Board additional time to vet potential candidates.

5.0 Executive Director Recruitment

The Interim Executive Director reported on this item. He reviewed the proposed advertising and recruitment process. He indicated that, based on the projected timeline, it would be possible to provide a selected candidate a conditional offer of employment in early January, pending approval by the full Governing Board at its January 17th, 2013 meeting. He recommended that an ad hoc subcommittee of the Governing Board, with input from members of the City Managers' Steering Committee, vet applications and conduct interviews. Based on that timeline, the new Executive Director would be able to start employment in mid-February. However, there was concern that, depending on the level of interest and the ability of the ad hoc committee to narrow the pool of candidates, there could be slippage in the timeline.

The City Managers' Steering Committee also reviewed the proposed salary for the new Executive Director. There was a motion to recommend to the Governing Board a salary range of \$170,000 - \$190,000 annually (M/S/C: C. Jeffers/ J. Keating/ Unanimous).

6.0 ACE Independent Agency Feasibility Analysis and Draft Project Transfer Agreement

The CEO of ACE reviewed the status of activities related to possible ACE separation. There was extended discussion on how to best manage the process and related analytical work. There was a motion to refer ACE's responses to the Governing Board's questions regarding possible ACE separation to the City Managers' ad hoc subcommittee for this issue in order to both review ACE's responses and formulate a set of responses to submit to the Governing Board, and it was recommended that the Deputy CEO of ACE attend the meetings of the ad hoc subcommittee to provide appropriate subject matter expertise related to the ACE Project (M/S/C: C. Jeffers/ B. Michaelis/ Unanimous).

New Business items for Next Regular Meeting / Announcements

7.0 Upcoming SGVCOG Strategic Planning Session – November 30th, 2012

The Interim Executive Director strongly encouraged members of the Steering Committee to attend the SGVCOG's Strategic Planning Session.

Next Meeting

Adjourn

The meeting was adjourned at 2:25 p.m.

MEMORANDUM

To: San Gabriel Valley Council of Governments, Board of Directors
From: Richard D. Jones, General Counsel
Date: October 24, 2012
Subject: ACE Separation

In deliberating the feasibility of separation of ACE from the COG, I have identified three separate areas of discussion that I believe the Board should consider in its deliberation:

1. Long term liability consideration
2. Process
3. Long term impact organizationally to the COG.

The C.M.'s TAC and the Board have asked us to confirm and opine as to any liability that the COG may be exposed to upon separation, both short term and long term.

No analysis has taken place as to these issues by our office, but repeated assurances have been received from ACE's general manager that no such long term exposure will exist to the COG should ACE separate.

1. Long Term Liability

Areas we believe require review and analysis are as follows:

A. PERS

There are several issues that arise in this area these include:

- a. COG responsibility for PERS for retirement costs of ACE employee after ACE is no longer in existence as a PERS agency.
- b. Can the new JPA become a qualified PERS provider, and if not, what will occur?

- c. How does the current PERS relationship effect COG employees if they become full time employees of the COG and subject to PERS.
- d. How much super funding; is COG protected.

B. Existing ACE contracts that if challenged could result in exposure to COG:

- a. Bonds
- b. Lines of credit
- c. Funding source agreements
- d. Any contract that COG could be responsible for if ACE does not perform

The issues are: can they be terminated, transferred, or will the companies agree to hold the COG harmless for any liability that may arise. Each contract will need to be reviewed and transferred or terminated as to COG and new terms potentially negotiated.

C. Public Works contracts/Finding sources for such contracts

- a. Issues:
 - i. Future audits by agencies
 - ii. Any defect issues or performance issues by contractor that may revert to COG

2. Process

ACE has requested that the COG enter into a transfer agreement and through a due diligence process address the various liability issues.

C.M.'s TAC have suggested that the due diligence should occur first and the transfer agreement occur after liability issues and any other concerns are addressed, then the COG would enter such an agreement.

It is not clear at this time with whom the COG would execute the transfer agreement.

If the agreement is entered into and the COG elects to not complete the transfer would there be any exposure to ACE for failure to complete the transfer.

3. Long Term Impact:

Undoubtedly the mission and goal of the new ACE JPA would need to be understood and how it may effect the COG in the future.



Alameda Corridor-East Construction Authority

4900 Rivergrade Rd. Ste. A120 Irwindale, CA 91706 (626) 962-9292 fax (626) 962-3552 www.theaceproject.org

MEMO TO: SGVCOG City Managers' Steering Committee

FROM: Rick Richmond
Chief Executive Officer

DATE: October 25, 2012

SUBJECT: ACE Project Quarterly Reports

Attached is a copy of the ACE Quarterly Report for the period ending September 30, 2012 along with a definition of terms.

Below is a summary of the information included in each exhibit:

Exhibit I – ACE Revenue by Source

This exhibit details all funding authorized, allocated to projects, and remaining unallocated (surplus) since the inception of the ACE Project. (See definition terms for more detailed explanation.)

Available project revenue (surplus) is decreased by \$13.321 million from last quarter to \$100.291 million. The decrease in surplus revenue is due to new allocations of Federal, MTA and railroad funds to the Nogales (const.), Durfee (design), and Sunset (const.) as part of the project closeout, and a reduced allocation of MTA Measure R funding.

Exhibit II – ACE Project Funding by Source

The funding allocation for the entire ACE Project is distributed among projects in this exhibit. In addition to allocating any 'new' money to projects from the surplus, we also shift allocations between projects to permit grantee billing, i.e. funds from projects with excess funding (usually temporary) are shifted to projects needing funds in order to bill incurred expenses.

Additional project allocations were made to Sunset (\$0.1 million), Nogales (\$3.520 million), and Durfee (\$4.719 million).

Exhibit III – ACE Project Allocations vs. Estimate at Completion

This exhibit tracks project allocations as compared to estimated cost to complete for each project, along with other data. The total estimate to complete has decreased by \$156.508 million from the last report, due favorable bids on the San Gabriel Trench (-\$162 million) offset by full funding of the Durfee design (+\$4.7 million) and an increased estimate for Nogales (+\$0.8 million).

Exhibit IV – Expenditure Forecasts

This is a cash flow forecast for active projects. It has been updated from the prior version. This exhibit also identifies the reasons for increased project costs, as mentioned above in Exhibit III.

Exhibit V – ACE Expenditures vs. Reimbursements

This exhibit captures the reimbursement status for all active or completed projects as of September 30. The total incurred to date has increased by \$4.459 million from last quarter and funds received have increased by \$5.033 million. The "Billed/Not Received" has decreased by \$4.040 million from last quarter. The unreimbursed expenses shown in the two columns "MTA Retention" and "Indirect Costs Requiring Caltrans Approval" have decreased by \$.152 million from last quarter reflecting a decrease of indirect costs to be recovered from Caltrans offset by a small increase in MTA retention. These reimbursements lag due to approval and audit requirements of the respective agencies.

Exhibit VI – Project Schedules

This exhibit reflects current estimated schedules for different phases of active project. The changes from last quarter's report in design, acquisition or construction (exc. closeout) are as follows:

Baldwin	Two months added to construction due to a delay in the bid process.
Nogales	Three months added to construction due to an extended Caltrans approval process for authorizing construction.

Exhibit VII – Treasury/Banking Investments

This exhibit has two components – a statement of net assets as of September 30 and an accounting of all banking and investments.

Net assets have decreased by \$1.893 million to \$7.199 million primarily due to a requirement to allocate railroad matching funds previously carried as surplus to qualify for an additional \$5 million State grant. We will replenish the surplus with railroad contributions expected over the next 6-12 months.

The banking and investments remain in compliance with the SGVCOG investment policy and our letter of credit requirements.

Attachments

cc: Fran Delach

EXHIBIT I - ACE REVENUE BY SOURCE
As of September 30, 2012

Grant		Authorized	Adjustments	Note	Net Authorized	Allocated To Projects	Surplus
Federal							
TEA - 21	Sect 0491	6,500,000	(402,000)	a	6,098,000	6,098,000	-
TEA - 21	Sect 1017	2,205,000	(136,333)	b	2,068,667	2,063,683	4,984
TEA - 21	Sect 1138	17,250,000	-		17,250,000	17,250,000	-
TEA - 21	Sect 1533	100,000,000	-		100,000,000	100,000,000	-
TEA - 21	Sect 198	9,562,500	(572,760)	b	8,989,740	8,989,740	-
Hiway Fund FY 01		1,500,000	(3,300)	b	1,496,700	1,496,700	-
NCPD FY 2000		1,240,000	-		1,240,000	1,240,000	-
NCPD FY 2001		2,400,000	(2,565)	b	2,397,435	2,397,435	-
NCPD FY 2002		4,000,000	(116,000)	b	3,884,000	3,884,000	-
NCPD FY 2003		1,495,000	(10,000)	b	1,485,000	1,485,000	-
NCPD FY 2004		2,000,000	(119,163)	b	1,880,837	1,880,837	-
STP FY 2006		4,200,000	(42,000)	b	4,158,000	4,158,000	-
STP FY 2009		570,000	-		570,000	570,000	-
STP FY 2010		500,000	(85)	b	499,915	499,915	-
AAA FY2009		950,000	-	c	950,000	-	950,000
AAA FY2010		1,348,770	-	c	1,348,770	-	1,348,770
SAFETEA-LU FY 05	Sect 1701	2,528,000	(255,185)	d	2,272,815	1,883,142	389,673
SAFETEA-LU FY 06	Sect 1701	2,528,000	(254,883)	d	2,273,117	2,273,117	-
SAFETEA-LU FY 07	Sect 1701	2,528,000	(252,029)	d	2,275,971	2,275,971	-
SAFETEA-LU FY 08	Sect 1701	2,528,000	(252,029)	d	2,275,971	2,275,971	-
SAFETEA-LU FY 09	Sect 1701	2,528,000	(251,136)	d	2,276,864	2,276,864	-
SAFETEA-LU FY 05	Sect 1934	3,000,000	(280,077)	d	2,719,923	2,719,923	-
SAFETEA-LU FY 06	Sect 1934	6,000,000	(560,154)	d	5,439,846	5,439,846	-
SAFETEA-LU FY 07	Sect 1934	7,500,000	(700,192)	d	6,799,808	6,799,808	-
SAFETEA-LU FY 08	Sect 1934	7,500,000	(700,192)	d	6,799,808	6,799,808	-
SAFETEA-LU FY 09	Sect 1934	6,000,000	(560,154)	d	5,439,846	3,130,775	2,309,071
SAFETEA-LU FY 05	Sect 1301	3,125,000	(247,763)	d	2,877,237	2,877,237	-
SAFETEA-LU FY 06	Sect 1301	6,250,000	(495,526)	d	5,754,474	5,754,474	-
SAFETEA-LU FY 07	Sect 1301	7,812,500	(619,407)	d	7,193,093	7,193,093	-
SAFETEA-LU FY 08	Sect 1301	7,812,500	(619,407)	d	7,193,093	7,193,093	-
SAFETEA-LU FY 09	Sect 1301	6,250,000	(495,526)	d	5,754,474	5,353,599	400,875
FRA		2,544,100	-		2,544,100	2,544,100	-
ISTEA (Nogales-LA)		6,936,147	-		6,936,147	6,936,147	-
CMAQ (Nogales-LA)		6,347,000	-		6,347,000	6,347,000	-
Subtotal		245,438,517	(7,947,866)		237,490,651	232,087,278	5,403,373
State							
ITIP		39,000,000	(18,426)	e	38,981,574	38,981,574	-
PUC (Brea Canyon)		5,000,000	-		5,000,000	5,000,000	-
TCRP		150,000,000	(19,700,000)	f	130,300,000	130,300,000	-
Prop 1B - HRCSA (Nogales-LA)		25,600,000	-		25,600,000	25,600,000	-
TCIF (SG Trench)		336,600,000	-		336,600,000	336,600,000	-
TCIF (Baldwin)		37,638,000	-		37,638,000	37,638,000	-
Subtotal		593,838,000	(19,718,426)		574,119,574	574,119,574	-
Local							
MTA 1 (FY 98-02)	C 25%	37,500,000	(23,360,000)	g	14,140,000	14,140,000	-
MTA 2 (FY 03-05)	C 10%	1,857,000	-		1,857,000	1,857,000	-
MTA 2 (FY 03-05)	C 25%	13,178,000	-		13,178,000	13,178,000	-
MTA 2 (FY 03-05)	AB 3090	9,308,000	-		9,308,000	9,308,000	-
MTA 2 (FY 03-05)	STIP-RIP	5,496,000	-		5,496,000	5,496,000	-
MTA 3 (FY 06-09)	C 25%	85,000,000	-		85,000,000	85,000,000	-
MTA 4 (FY 09-15)	C 25%-Remaining	28,566,800	-		28,566,800	28,566,800	-
MTA 5 (FY 09-15)	C 25%-Supplemental	112,323,000	(9,978,000)	h	102,345,000	29,074,150	73,270,850
MTA 6 (Nogales-LA)	C 25%	28,849,000	-		28,849,000	28,849,000	-
MTA 7 (Phase II)	Measure R	135,000,000	-	i	135,000,000	135,000,000	-
Subtotal		457,077,800	(33,338,000)		423,739,800	350,468,950	73,270,850
Other Sources							
Railroad (UPRR/Metrolink)		31,921,000	-	j	31,921,000	11,178,000	20,743,000
Cities (Nogales-LA)		9,600,000	-		9,600,000	9,600,000	-
Betterments (Cities/Metrolink)		17,773,575	-		17,773,575	17,084,825	688,750
MWD (Brea Canyon)		2,207,402	-		2,207,402	2,207,402	-
Subtotal		61,501,977	-		61,501,977	40,070,227	21,431,750
TOTAL GRANTS		1,357,856,294	(61,004,292)		1,296,852,002	1,196,746,029	100,105,973
Other Income							
Property Rental Income		184,574	-		184,574	-	184,574
Net Investment Income		-	-		-	-	-
Subtotal		184,574	-		184,574	-	184,574
TOTAL ACE Construction		1,358,040,868	(61,004,292)		1,297,036,576	1,196,746,029	100,290,547

Notes:

- Transferred by LA County to ACE for the Nogales-LA project.
- Federal budgetary reduction.
- Appropriation for ACE still to be determined by SCAG.
- Based on Caltrans updated OA, appropriations reduced by 10% instead of 15%.
- \$18K for Ramona lapsed in June 2008 prior to project closeout.
- \$19.7 million programmed to other entities (yet to be allocated by State).
- Allocated to City of LA.
- Adjustment made by MTA based on 17% of total project cost.
- Of the \$400M Measure R funds for the ACE program, \$42M has an executed MOU and \$93M is being requested for Phase II projects.
- Based on individual projects, UPRR paid 1/2 before and 1/2 after construction phase.
\$30.921M committed by UPRR but due to phasing of construction, only \$14.597M has been received.

EXHIBIT II - ACE PROJECTS FUNDING BY SOURCE
As of September 30, 2012
(\$ 000's)

(\$ 000's)																			
Project	Task	Fed #	All																
			TEA-21	NCPD/STP	SAFETEA	ITIP	ISTEA/CMQ	FRA/PUC	TCRP	Prop 1B	MTA 1	MTA 2	MTA 3	MTA 4	MTA 5	MTA 6	MTA 7	Railroad	Cities/Better
Baldwin	Design	(017)	5,315	3,013	-	-	753	-	-	-	-	-	-	-	495	696	357	-	-
	ROW	(028)	37,500	-	-	24,890	-	-	-	-	-	-	-	-	9,382	2,500	728	-	-
	Constr	TCIF	37,638	-	-	-	-	-	-	37,638	-	-	-	-	-	-	-	-	-
Baldwin Total			80,453	3,013	-	24,890	753	-	-	37,638	-	-	9,877	3,196	1,085	-	-	-	-
Puente	Design	(034)	8,275	-	-	216	-	-	-	-	-	-	-	-	-	-	-	-	-
	ROW	n/a	32,386	-	-	-	-	-	-	-	-	-	84	7,975	-	-	-	-	-
	Constr	n/a	-	-	-	-	-	-	-	-	-	-	-	2,238	-	30,148	-	-	
Puente Total			40,661	-	-	216	-	-	-	-	-	-	84	10,213	-	30,148	-	-	
Fairway-LA	Design	(036)	8,620	-	-	240	-	-	-	-	-	-	60	8,320	-	-	-	-	-
	ROW	n/a	49,455	-	-	-	-	-	-	-	-	-	60	8,320	-	-	-	-	-
	Constr	n/a	-	-	-	-	-	-	-	-	-	-	-	2,855	-	46,600	-	-	
Fairway-LA Total			58,075	-	-	240	-	-	-	-	-	-	60	11,175	-	46,600	-	-	
Nogales-LA	Design	(032)	4,511	932	-	-	-	-	-	-	-	-	-	-	1,571	-	-	-	2,008
	ROW	(035)	37,694	5,166	-	-	6,936	1,109	-	-	-	-	-	-	19,076	-	-	-	5,407
	Constr	n/a	58,865	-	570	12,810	6,347	1,435	-	25,600	-	-	-	-	1,623	8,202	-	2,278	-
Nogales-LA Total			101,070	6,098	570	12,810	13,283	2,544	-	25,600	-	-	-	1,623	28,849	-	2,278	7,415	-
SG Trench	Design	(030)	34,214	120	1,881	11,913	-	-	-	3	27	3,006	1,365	-	-	15,900	-	-	-
	ROW	n/a	28,785	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Constr	TCIF	336,600	-	500	-	-	-	-	336,600	-	-	-	-	-	26,100	-	-	2,185
SG Trench Sub-Total			399,599	120	2,381	11,913	-	-	-	336,600	3	27	3,006	1,365	-	-	42,000	-	2,185
SG Trench Total	Design	(039)	2,925	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	ROW	n/a	8,730	-	-	6,984	-	-	-	-	-	-	-	-	1,746	-	-	-	-
	Constr	n/a	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Durfee Total			8,730	-	-	6,984	-	-	-	-	-	-	-	1,746	-	-	-	-	-
Hamilton	Design	n/a	6,926	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	ROW	n/a	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Constr	n/a	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hamilton Total			6,926	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fullerton	Design	n/a	9,326	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	ROW	n/a	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Constr	n/a	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fullerton Total			9,326	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Temple	Design	(008)	7,265	4,680	-	-	-	-	-	-	1,168	151	978	288	-	-	-	-	-
	ROW	(009)	12,367	7,768	-	-	-	-	-	-	969	1,370	2,260	-	-	-	-	-	-
	Constr	(009)	75,364	36,073	3,884	1,043	-	1,387	-	33	7,589	13,505	3,950	-	-	-	7,900	-	-
Temple Total			94,997	48,522	3,884	1,043	-	1,387	-	2,169	9,110	16,743	4,238	-	-	-	7,900	-	-
Sunset	Design	(020)	4,739	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	ROW	(026)	3,326	100	-	1,673	-	-	4,400	-	-	-	339	-	-	-	-	-	-
	Constr	TCRP	79,363	-	-	-	-	-	100	-	-	-	565	-	-	888	-	-	-
Sunset Sub-Total			87,428	100	-	1,673	-	-	47,720	-	-	-	14,607	16,691	-	345	-	-	-
Sunset Total	Design	(020)	6,434	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	ROW	(026)	3,326	100	-	1,673	-	-	4,400	-	-	-	339	-	-	-	-	-	-
	Constr	TCRP	79,363	-	-	-	-	-	100	-	-	-	565	-	-	888	-	-	-
Sunset Sub-Total			87,428	100	-	1,673	-	-	47,720	-	-	-	14,607	16,691	-	345	-	-	-
Sunset Total	Design	(020)	6,434	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	ROW	(026)	3,326	100	-	1,673	-	-	4,400	-	-	-	339	-	-	-	-	-	-
	Constr	TCRP	79,363	-	-	-	-	-	100	-	-	-	565	-	-	888	-	-	-
Sunset Sub-Total			87,428	100	-	1,673	-	-	47,720	-	-	-	14,607	16,691	-	345	-	-	-
Sunset Total	Design	(020)	6,434	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	ROW	(026)	3,326	100	-	1,673	-	-	4,400	-	-	-	339	-	-	-	-	-	-
	Constr	TCRP	79,363	-	-	-	-	-	100	-	-	-	565	-	-	888	-	-	-
Sunset Sub-Total			87,428	100	-	1,673	-	-	47,720	-	-	-	14,607	16,691	-	345	-	-	-
Sunset Total	Design	(020)	6,434	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	ROW	(026)	3,326	100	-	1,673	-	-	4,400	-	-	-	339	-	-	-	-	-	-
	Constr	TCRP	79,363	-	-	-	-	-	100	-	-	-	565	-	-	888	-	-	-
Sunset Sub-Total			87,428	100	-	1,673	-	-	47,720	-	-	-	14,607	16,691	-	345	-	-	-
Sunset Total	Design	(020)	6,434	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	ROW	(026)	3,326	100	-	1,673	-	-	4,400	-	-	-	339	-	-	-	-	-	-
	Constr	TCRP	79,363	-	-	-	-	-	100	-	-	-	565	-	-	888	-	-	-
Sunset Sub-Total			87,428	100	-	1,673	-	-	47,720	-	-	-	14,607	16,691	-	345	-	-	-
Sunset Total	Design	(020)	6,434	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	ROW	(026)	3,326	100	-	1,673	-	-	4,400	-	-	-	339	-	-	-	-	-	-
	Constr	TCRP	79,363	-	-	-	-	-	100	-	-	-	565	-	-	888	-	-	-
Sunset Sub-Total			87,428	100	-	1,673	-	-	47,720	-	-	-	14,607	16,691	-	345	-	-	-
Sunset Total	Design	(020)	6,434	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	ROW	(026)	3,326	100	-	1,673	-	-	4,400	-	-	-	339	-	-	-	-	-	-
	Constr	TCRP	79,363	-	-	-	-	-	100	-	-	-	565	-	-	888	-	-	-
Sunset Sub-Total			87,428	100	-	1,673	-	-	47,720	-	-	-	14,607	16,691	-	345	-	-	-
Sunset Total	Design	(020)	6,434	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	ROW	(026)	3,326	100	-	1,673	-	-	4,400	-	-	-	339	-	-	-	-	-	-
	Constr	TCRP	79,363	-	-	-	-	-	100	-	-	-	565	-	-	888	-	-	-
Sunset Sub-Total			87,428	100	-	1,673	-	-	47,720	-	-	-	14,607	16,691	-	345	-	-	-
Sunset Total	Design	(020)	6,434	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	ROW	(026)	3,326	100	-	1,673	-	-	4,400	-	-	-	339	-	-	-	-	-	-
	Constr	TCRP	79,363	-	-	-	-	-	100	-	-	-	565	-	-	888	-	-	-
Sunset Sub-Total			87,428	100	-	1,673	-	-	47,720	-	-	-	14,607	16,691	-	345	-	-	-
Sunset Total	Design	(020)	6,434	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	ROW	(026)	3,326	100	-	1,673	-	-	4,400	-	-	-	339	-	-	-	-	-	-
	Constr	TCRP	79,363	-	-	-	-	-	100	-	-	-	565	-	-	888	-	-	-
Sunset Sub-Total			87,428	100	-	1,673	-	-	47,720	-	-	-	14,607	16,691	-	345	-	-	-
Sunset Total	Design	(020)	6,434	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	ROW	(026)	3,326	100	-	1,673	-	-	4,400	-	-	-	339	-	-	-	-	-	-
	Constr	TCRP	79,363	-	-	-	-	-	100	-	-	-	565	-	-	888	-	-	-
Sunset Sub-Total			87,428	100	-	1,673	-	-	47,720	-	-	-	14,607	16,691	-	345	-	-	-
Sunset Total	Design	(020)	6,434	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	ROW	(026)	3,326	100	-	1,673	-	-	4,400	-	-	-	339	-	-	-	-	-	-
	Constr	TCRP	79,363	-	-	-	-	-	100	-	-	-	565	-	-	888	-	-	-
Sunset Sub-Total			87,428	100	-	1,673	-	-	47,720	-	-	-	14,607	16,691	-	345	-	-	-
Sunset Total	Design	(020)	6,434	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	ROW	(026)	3,326	100	-	1,673	-	-	4,400	-	-	-	339	-	-	-	-	-	-
	Constr	TCRP	79,363	-	-	-	-	-	100	-	-	-	565	-	-	888	-	-	-
Sunset Sub-Total			87,428	100	-	1,673	-	-	47,720	-	-	-	14,607	16,691	-	345	-	-	-
Sunset Total	Design	(020)	6,434	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	ROW	(026)	3,326	100	-	1,673	-	-	4,400	-	-	-	339	-	-	-	-	-	-
	Constr	TCRP	79,363	-	-	-	-	-	100	-	-	-	565	-	-	888	-	-	-
Sunset Sub-Total			87,428	100	-	1,673	-	-	47,720	-	-	-	14,607	16,691	-	345	-	-	-
Sunset Total	Design	(020)	6,434	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	ROW	(026)	3,326	100	-	1,673	-	-	4,400	-	-	-	339	-	-	-	-	-	-
	Constr																		

EXHIBIT II - ACE PROJECTS FUNDING BY SOURCE
As of September 30, 2012
(\$ 000's)

Project	Task	Fed #	TEA-21	NCDF/STP	SAFETEA	ITP	ISTEA/CNMQ	FRA/PUC	TCRP	Prop 1B	MTA 1	MTA 2	MTA 3	MTA 4	MTA 5	MTA 6	MTA 7	Railroad	Chiles/Better
East End	Design	(003)	4,295	1,952	-	-	952	-	-	-	-	97	54	-	-	-	-	-	-
Reservoir	ROW	(003)	4,478	3,131	-	-	1,347	-	-	-	-	-	-	-	-	-	-	-	-
	Design	(010)	3,620	2,896	-	-	-	-	-	-	122	2	-	-	-	-	-	-	-
	ROW	(010)	9,481	5,718	-	-	2,255	-	-	-	-	286	919	253	-	-	-	-	-
	Constr	TCRP	57,376	-	-	-	407	-	46,780	-	-	433	9,757	-	-	-	-	-	-
EE/Reservoir Total			79,200	13,697	1,240	-	5,561	-	46,780	-	122	818	10,750	253	-	-	-	-	-
Brea Canyon	Design	(019)	4,556	1,191	-	-	410	-	2,500	-	-	-	455	-	-	-	-	-	-
	ROW	(027)	12,881	-	1,485	5,521	-	2,000	-	-	-	-	3,875	-	-	-	-	-	-
	Constr	TCRP	49,959	-	-	-	-	5,000	21,007	-	-	-	21,745	-	-	-	-	-	-
Brea Canyon Sub-Total			67,396	1,191	1,485	5,521	410	5,000	25,507	-	-	-	26,075	-	-	-	-	-	2,207
Brea Canyon Total	Better	n/a	6,507	-	-	-	-	5,000	25,507	-	-	-	-	-	-	-	-	-	2,207
Ramona	Design	(002)	73,903	1,191	1,485	5,521	410	5,000	25,507	-	-	-	26,075	-	-	-	-	-	6,507
	ROW	(002)	4,355	3,560	-	-	-	-	-	-	795	-	-	-	-	-	-	-	8,715
	Constr	(002)	8,156	2,400	-	-	5,533	-	-	-	215	5,494	48	-	-	-	-	-	-
Ramona Sub-Total			38,839	16,684	4,158	-	5,533	-	-	-	-	8,083	2,324	1,057	-	-	-	-	1,000
Ramona Total	Better	n/a	51,350	22,644	4,158	-	5,533	-	-	-	1,010	13,577	2,372	1,057	-	-	-	-	1,000
Nogales-AH	Design	(005)	1,741	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	ROW	(005)	53,091	22,644	4,158	-	5,533	-	-	-	1,010	13,577	2,372	1,680	-	-	-	-	1,119
	Constr	(005)	4,034	2,560	-	-	1,473	-	-	-	-	1	-	-	-	-	-	-	1,119
	Sub-Total		17,231	9,829	2,397	-	2,364	-	-	-	700	1,940	-	-	-	-	-	-	-
Nogales-AH Total	Better	n/a	28,434	1,841	-	-	21,580	-	4,406	-	382	225	-	-	-	-	-	-	-
Nogales-AH Sub-Total			49,698	14,230	2,397	-	25,417	-	4,406	-	1,082	2,166	-	-	-	-	-	-	-
Nogales-AH Total			100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jump Start	Design	(001)	49,798	14,230	2,397	-	25,417	-	4,406	-	1,082	2,166	-	-	-	-	-	-	100
	ROW	(001)	8,057	6,072	-	-	265	-	-	-	1,541	-	179	-	-	-	-	-	100
	Constr	(001)	3,582	2,866	-	-	-	-	-	-	612	239	(134)	-	-	-	-	-	-
Jump Start Sub-Total			11,639	8,938	-	-	265	-	-	-	2,155	239	45	-	-	-	-	-	-
JS - Mission	Design	(006)	242	240	-	-	-	-	-	-	2	-	-	-	-	-	-	-	-
	ROW	(006)	158	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Constr	(015)	2,270	1,578	-	-	-	-	-	-	515	96	81	-	-	-	-	-	-
JS - Mission Sub-Total			2,670	1,978	-	-	-	-	-	-	517	94	81	-	-	-	-	-	-
JS - Quad Gates	Constr	(016)	4,832	3,863	-	-	-	-	-	-	888	38	43	-	-	-	-	-	-
IRRIIS - Train	Constr	(007)	2,936	2,164	-	-	-	-	-	-	374	167	231	-	-	-	-	-	-
JS - Phase 1	Constr	(008)	3,553	2,845	-	-	-	-	-	-	96	615	(2)	-	-	-	-	-	-
JS - Phase 2	Constr	(014)	4,991	3,992	-	-	-	-	-	-	-	1,000	(1)	-	-	-	-	-	-
IRRIIS - Traffic	Constr	(021)	3,520	2,502	-	-	-	-	-	-	-	727	290	-	-	-	-	-	-
JS/Safety/IRRIIS Total			34,141	26,282	-	-	265	-	-	-	4,028	2,880	686	-	-	-	-	-	-
Total Projects			1,186,758	135,898	16,115	64,247	38,982	13,283	7,544	130,300	399,838	8,414	28,578	85,000	27,567	27,074	28,849	135,000	11,178
Start-up/Misc	MTA	n/a	9,988	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total ACE			1,196,746	135,898	16,115	64,247	38,982	13,283	7,544	130,300	399,838	8,414	28,578	85,000	27,567	27,074	28,849	135,000	11,178
Net Authorized			1,196,852	135,903	18,414	67,346	38,982	13,283	7,544	130,300	399,838	14,140	29,839	85,000	28,567	102,345	28,849	135,000	31,921
Allocated to Projects			1,196,746	135,898	16,115	64,247	38,982	13,283	7,544	130,300	399,838	14,140	29,839	85,000	28,567	29,074	28,849	135,000	29,581
Surplus / (Shortfall)			100,106	5	2,299	3,099	0	(0)	(0)	-	-	-	-	-	-	-	-	-	28,882
Other Income			185	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	689
Surplus / (Shortfall)			100,291	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,571

MTA 1: MCO P0004367
MTA 2: MCO 8002
MTA 3-5: AMENDMENTS TO MCO 8002
MTA 6: MCO P000F1159 (Nogales-IA)
MTA 7: MCO 8002R (Measure R-Phase II)

Exhibit III

ACE Projects Allocation vs. Actual Summary

As of September 30, 2012

(\$ 000's)

Project	Cost Estimate (1997)	Cost Estimate (2006)	Allocated (Exhibit II)	Betterments /Other	Railroad	Total Allocated	ITD Expenditures (Exhibit V)	Estimate at ** Completion Exhibit IV	Variance (Allocated vs. Estimate at Completion)	Status
Start-up/Misc			\$ 9,988			\$ 9,988	\$ 8,107			
Active Projects										
1 Baldwin Avenue	\$ 23,994	\$ 64,765	80,453	\$ -	\$ -	\$ 80,453	\$ 37,641	\$ 80,651	\$ (198)	Active
2 Durfee Road	N/A	N/A	8,730	-	-	8,730	33	8,738	-	PE only
3 Fairway Drive (LA)	N/A	N/A	58,075	-	-	58,075	2,878	106,073	(47,998)	Active
4 Fullerton Road	N/A	N/A	9,326	-	-	9,326	25	9,306	-	PE only
5 Hamilton Blvd.	N/A	N/A	6,926	-	-	6,926	34	6,875	-	PE only
6 Nogales South (LA)	24,307	N/A	101,070	-	-	101,070	29,054	99,298	1,772	Active
7 Puente Avenue	N/A	N/A	40,661	-	-	40,661	3,360	78,601	(37,940)	Active
8 San Gabriel Trench	198,205	N/A	399,599	2,925	-	402,524	50,913	336,491	63,108	Active
9 Temple Avenue	35,985	80,272	94,997	-	7,900	94,997	88,239	92,120	2,877	Active
10 Sunset Avenue	22,259	70,502	87,428	6,434	-	93,862	87,360	87,360	68	Closed
11 Brea Canyon	26,571	64,401	67,396	6,507	-	73,903	67,394	67,396	-	Closed
12 East End/Reservoir	56,571	69,180	79,200	-	-	79,200	78,960	79,012	188	Closed
13 Jump Start/Crossing Safety/IRIS										
14 Nogales North (Alh)	61,000	35,200	34,141	-	-	34,141	34,142	34,142	-	Closed
15 Ramona Blvd.	39,636	54,599	49,698	100	-	49,798	49,698	49,698	-	Closed
Subtotal	\$ 503,017	\$ 486,021	\$ 1,179,038	\$ 17,707	\$ 8,900	\$ 1,196,746	\$ 589,188	\$ 1,187,111	\$ (18,123)	Closed
Inactive Projects										
16 Montebello Blvd.										
17 Rose Hill's Road										
18 Turnbull Canyon Road										
19 Fairway Drive (Alh)										
Estimated Total Project Cost, \$ 950,000 \$ 1,400,000										
Net Authorized \$ 1,297,036,576										
Allocated 1,196,746,029										
Available \$100,290,547										

Exhibit IV Expenditure Forecast (Active Projects)

As of September 30, 2012
(\$ millions)

ITD	Actual 2012	Budget		Estimate ^A		Forecast			EAC ^C					
		2013		2014			2015		2016 ^B		Q4 FY12		Q1 FY13	
Active Projects														
Baldwin	35.5	1.8	9.4	9.4	17.4	16.6		80.7		80.7			80.7	
Durfee Road				4.0	4.4	0.3		4.0			4.7 ^D		8.7	
Fairway Drive (LA)	0.7	1.9	5.3	5.3	16.1	39.8	42.3	106.1					106.1	
Fullerton Road				9.3				9.3					9.3	
Hamilton Blvd.				6.9				6.9					6.9	
Nogales (LA)	17.3	9.8	16.9	16.9	14.7	23.0	17.6	98.5		0.8 ^E			99.3	
Puente Ave	0.6	2.5	14.5	14.5	18.7	22.8	19.5	78.6					78.6	
San Gabriel Trench	41.7	8.7	16.5	16.5	66.4	96.2	107.0	498.5		-162.0 ^F			336.5	
Temple	88.2	0.1	3.8	3.8				92.1					92.1	
Completed Projects														
Brea Cyn	67.4							67.4					67.4	
Crossing Safety/IRRIS	34.1							34.1					34.1	
East End/Reservoir	79.0							79.0					79.0	
Nogales (Alh)	49.7							49.7					49.7	
Ramona	51.3							51.3					51.3	
Sunset	86.0	1.4	0.1					87.4					87.4	
Inactive Projects														
Fairway Dr (Alh)														
Greenwood Ave.														
Turnbull Canyon Rd														
Total	551.5	26.2	66.5	86.6	137.7	198.7	186.4	1,343.7		-156.5			1,187.2	

Note: Project forecasts include indirect cost.

- ^A 2013 estimate includes mid-year adjustments
^B Includes costs beyond 2016
^C EAC includes 2013 estimate

- ^D \$4.7m Full design estimate
^E \$0.3m UPRR, \$0.3m ROW, \$0.2m Indirects
^F (\$162m) Main construction bid

Exhibit V

ACE Expenditures vs. Reimbursements

As of September 30, 2012

Reimbursement Status (\$ 000)							Indirect Costs Requiring Caltrans Approval	Unreim- burseable
Projects	ITD Expenditures	Received	Billed/Not Received	To Be Billed	MTA Retention			
Baldwin	\$ 37,641	\$ 36,949	\$ 80	\$ 253	\$ 360		-	-
Durfee Road	33	-	-	33	-			
Fairway Drive	2,878	2,753	10	101	15			
Fullerton Road	25	-	-	25	-			
Hamilton	34	-	-	34	-			
Nogales (LA)	29,054	25,747	1,090	2,145	72		-	-
Puente Ave.	3,360	3,165	10	175	10			
SG Trench	50,913	46,930	255	3,542	185		-	-
Sunset	87,360	85,721	1,462	6	171		-	-
Temple	88,239	87,580	31	2	626		-	-
Brea Canyon	67,394	67,077	28	-	289		-	-
Crossing Safety / IRRIS	34,142	33,789	15	-	338		-	-
EE/Reservoir	78,960	78,710	14	-	235		-	-
Nogales (AH)	49,698	49,640	3	-	55		-	-
Ramona	51,350	51,082	94	-	174		-	-
Uncollected Indirect Exp. '08-'11	-	-	-	-	-		171	-
Sub-total Projects	581,081	569,142	3,093	6,316	2,529		171	-
Project Administration	8,107	8,063	-	44			-	(191)
Total ACE	\$ 589,188	\$ 577,205	\$ 3,093	\$ 6,360	\$ 2,529	\$	171	\$ (191)

Notes:

1 - Represents carriedforward amounts from '10 and '11 that will be applied to indirect cost plans for Fiscal Years '14 and '15.

Exhibit VI

Project Schedules

As of September 30, 2012

Activity Name	FY2013				FY2014				FY2015				FY2016				FY2017			
	FQ1	FQ2	FQ3	FQ4	FQ1	FQ2	FQ3	FQ4	FQ1	FQ2	FQ3	FQ4	FQ1	FQ2	FQ3	FQ4	FQ1	FQ2	FQ3	FQ4
ACTIVE PROJECTS																				
Baldwin																				
Design (Completed)																				
ROW Acquisition																				
Construction																				
Caltrans Closeout																				
Durfee Avenue																				
Design																				
ROW Acquisition																				
Construction																				
Caltrans Closeout (Occurs beyond reporting period)																				
Fairway Drive (LA)																				
Design																				
ROW Acquisition																				
Construction																				
Caltrans Closeout (Occurs after reporting period)																				
Fullerton Road																				
Design																				
ROW Acquisition																				
Construction																				
Caltrans Closeout (Occurs beyond reporting period)																				
Hamilton Blvd.																				
Design																				
ROW Acquisition																				
Construction																				
Caltrans Closeout (Occurs beyond reporting period)																				
Nogales (LA)																				
Design (Occurs before reporting period)																				
ROW Acquisition (Occurs before reporting period)																				
Construction																				
Caltrans Closeout																				
Puente Avenue																				
Design																				
ROW Acquisition																				
Construction																				
Caltrans Closeout																				

Exhibit VI

Project Schedules

As of September 30, 2012

Activity Name	FY2013				FY2014				FY2015				FY2016				FY2017			
	FQ1	FQ2	FQ3	FQ4	FQ1	FQ2	FQ3	FQ4	FQ1	FQ2	FQ3	FQ4	FQ1	FQ2	FQ3	FQ4	FQ1	FQ2	FQ3	FQ4
San Gabriel Trench																				
Design (Completed)																				
ROW Acquisition (Completed)																				
Construction (Extends beyond reporting period)																				
Caltrans Closeout (Occurs beyond reporting period)																				
Temple																				
Design (Completed)																				
ROW Acquisition (Completed)																				
Construction (Completed)																				
Caltrans Closeout																				
COMPLETED AND CLOSED																				
No Projnum																				
Nogales (Alt) (Occurs before reporting period)																				
Ranoma (Occurs before reporting period)																				
Brea Canyon (Occurs before reporting period)																				
Crossing Safety/IRIS (Occurs before reporting period)																				
East End/Reservoir																				
Sunset																				
ADOPTED PHASE II PROJECTS																				
No Projnum																				
Fairway Drive (Alt)																				
Turnbull Canyon																				
Greenwood Avenue																				

☐ Previous Report ☐ Remaining Work
☐ Actual Work ☐ Critical Remaining Work

Exhibit VII

Treasury / Banking Investments

As of September 30, 2012

Operating Account	\$	550,307
Money Market Account		214,337 *
Money Market (UPRR Contributions)		2,371,531
Total cash on hand		<u>3,136,175</u>

Investments

LAIF		1,565,028
CBB - US Treasuries		10,343,385
Total investments		<u>11,908,413</u>

Billed / Not Received

To Be Billed

MTA Retention

Indirect Expenses ('08 - '09)

Total Cash & Receivables

		3,093,498
		6,360,449
		2,529,282
		171,290
		<u>27,199,107</u>

Outstanding Debt (Commercial Paper)

Resources In Excess of Debt

		20,000,000
	\$	<u>7,199,107</u>

* Note: Excludes \$3,181,262 of advanced construction funds

Exhibit VII

Compliance with Banking / Investment Policy

As of September 30, 2012

SGVCOG Authorized Investments Ref. #	Bayerische Landesbank Permitted Investment Ref. #	Deposit/ Investment Amount 09-30-12	Bank Deposits	Maximum Maturity	Maximum Percent of Portfolio	Maximum Investment in One Issuer
			Ace deposits are held by Citizens Business Bank (CBB) under a deposit agreement in amounts not to exceed \$50 million. Under the agreement, CBB maintains collateral deposits of at least 110% of the value of all ACE deposits at Bank of the West - Los Angeles in eligible securities. The CBB deposits accounts are:			
		\$ 550,307	Checking Account			
		5,767,130	Money Market Accounts (2) *			
		6,317,437	Total Deposits			
			Permitted Investments			
1	1	10,343,385	U.S. Treasury Obligations	None Stated	None Stated	None Stated
5	11	1,565,028	State's Local Agency Investment Fund	None Stated	None Stated	None Stated
		11,908,413	Total Investments			
		\$ 18,225,850	Total			

SGVCOG and Bayerische Landesbank

1. United States Treasury notes, bonds, bills, or certificate of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest

SGVCOG

5. Notwithstanding any other provision of law, and local government official, with the consent of the governing body of that agency, having money in its treasury not required for immediate needs, may remit the money to the Treasurer of the State of California for deposit in the Local Agency Investment Fund for the purpose of investment.

11. State's Local Agency Investment Fund.

* Note: Includes \$3,206,201 of advanced construction funds

ACE Project Quarterly Report

Definition of Terms

Exhibit I - ACE Revenue by Source

Grant	Actions by funding agencies to make money available specifically for the ACE Project as a whole or for specific projects where noted.
Authorized	The amount of money initially identified by Federal, State and MTA or other contributing agency for the ACE Project.
Adjustments	Reductions in authorized amounts; reasons explained in notes to Exhibit I.
Net Authorized	The amount available to the ACE Construction Authority to commit to individual projects, subject to matching requirements or any other special provisions noted on Exhibit I.
Allocated to Projects	The amounts ACE has committed to specific projects, e.g. individual grade separations; these monies can be shifted between projects except where the original grant is restricted.
Surplus	The sources and amounts available to allocate to individual projects.

Exhibit II – ACE Projects Funding by Source

Funding sources as identified in Exhibit I as distributed between specific projects or expenses. Within each project funding is split into three separate Caltrans designated phases/accounts (design, right of way or construction). "Better" refers to additions to project scope requested and fully funded by local agencies.

Exhibit III – ACE Projects Allocation vs. Actual Summary

Project	The individual projects or expense on which grant monies have been spent. The list is broken down into active (and completed) projects where allocation and expenditure data exists and inactive projects where it doesn't.
Cost Estimates (1997)	The cost estimates for individual projects made in the original SGVCOG grade crossing study.
Cost Estimates (2006)	Updated estimates for those projects active as of 2006. Past cost experience on active projects was extrapolated to provide a total "estimate" for all originally adopted projects. Inactive projects are undefined, have no schedule and no inflation allowances are included.
Allocated (Exhibit II)	The amounts of grant funds allocated to each project (all phases); includes railroad but not betterments.

Betterments /Other	The amount of betterment or other funding committed to each project.
Railroad	Allocations of railroad funding (UPRR or Metrolink) pledged to specific projects.
Total Allocated	The combination of allocated and betterment funds; does not include railroad which is already included in the "allocated".
ITD Expenditures (Exhibit V)	Expenditures incurred to date of report for each project; comes from ACE general ledger.
Estimate at Completion	ACE staff's estimate of the cost to complete each project as of the date of this report.
Variance	Reflects the difference between Estimate at Completion and Allocated for each project, i.e., does not include betterments which are "self-liquidating". Any positive differences will be shifted to other projects once closeout is complete. Negative differences will be eliminated in advance of needing to invoice funding agencies for money spent.
Status	<p>"Close-out" means the project is finished, i.e. in service, except for Caltrans closeout.</p> <p>"Complete" means project is finished and closed out.</p> <p>"Active" means in design, right of way acquisition or construction.</p>

Exhibit IV – ACE Project Expenditure Forecast

A cash flow estimate for active projects broken down into incurred through last fiscal year, current budget year, and four years into the future.

Exhibit V – ACE Expenditures vs. Reimbursements

Projects	All active (including completed) projects or expenses.
ITD Expenditures	Same as Exhibit III.
Received	Reimbursements received from all funding agencies by project; Betterments not included since all payments by requesting agencies are received in advance of any spending by ACE.
Billed/Not Received	Reimbursement requests pending with funding agencies as of the date of this report.
To Be Billed	Any expenditures by ACE which cannot be billed due to insufficient approved allocations to individual projects.
MTA Retention	Expenditures incurred and billed to MTA but reimbursement withheld until closeout of individual memoranda of understanding.
Indirect Costs Requiring	Caltrans must approve our indirect cost plan for each year in order

Caltrans Approval	for us to include indirect (overhead) expenses in our invoices to them.
Unreimbursable	ACE expenditures which will not be reimbursed by any of our funding agencies.

Exhibit VI – Project Schedules

Projects encompassing the complete adopted ACE Project are divided into four groups – completed and closed, projects in closeout, active projects and future projects (which do not have a schedule).

Exhibit VII Treasury/Banking Investments

Provides a “snapshot” of the Authority’s financial position as of the date of the report. Does not include cash received in advance of construction (primarily betterments). Cash and investment categories identify the type of asset accounts of the Authority. The other asset categories are defined in Exhibit V.

Exhibit VIII – Compliance with Banking/Investment Policy

Identifies the types of investments being used by the Authority and their compliance with the investment policies of the SGVCOG and the issuer of our letter of credit supporting our grant anticipation notes.

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**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, 2012
with Report of Independent Auditors**

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Alameda Corridor - East Construction Authority
(A Component Unit of San Gabriel Valley Council of Governments)
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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	27

Report of Independent Auditors

Board of Directors Alameda Corridor – East Construction Authority

We have audited the accompanying financial statements of the governmental activities and major fund 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, 2012, which collectively comprise Ace Construction Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of ACE Construction Authority's management. Our responsibility is to express n opinions 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 the effectiveness of 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 opinions.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of ACE Construction Authority as of June 30, 2012, and the respective changes in 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 November 7, 2012, 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, and 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 – 10 and 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Los Angeles, California
November 7, 2012

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**Alameda Corridor - East Construction Authority
(A Component Unit of San Gabriel Valley Council of Governments)
Management's Discussion and Analysis
Year ended June 30, 2012**

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, 2012. 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 (the 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 cost estimate as of June 30, 2012 for the completed safety improvements and 13 grade separations either completed or going into construction was \$1.133 billion. The scope of the remaining portion of the overall ACE Project was studied over the last two years and a revised project scope was adopted by the ACE Board and by SGVCOG in March 2012. The adopting remaining scope totals eight grade separations, two of which (Puente Avenue and Fairway Drive) are in design. The estimated total cost for the safety improvements and 21 grade separations is \$1.863 billion.

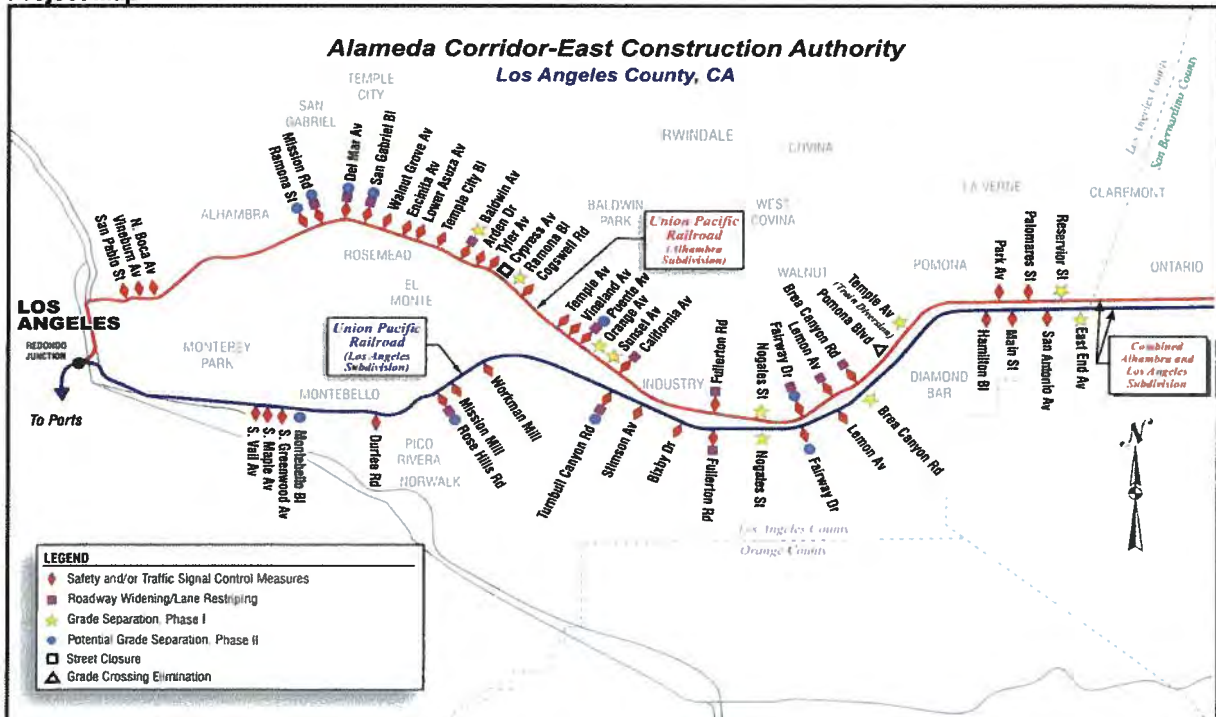
The Nogales Street project in West Covina/Industry was completed in 2005, the Reservoir Street project in Pomona was opened to traffic in 2005, Ramona Boulevard in El Monte, East End Avenue in Pomona, and Brea Canyon Road in Industry/Diamond Bar opened in 2008, and Sunset Avenue in City of Industry opened in 2010. The Temple Avenue Train Diversion in Pomona construction is complete, though we must await Union Pacific/Kinder Morgan agreement on relocating two Kinder Morgan pipelines in order divert the train traffic away from two crossings. Archaeological investigation at the San Gabriel Trench has been concluded and under budget construction bids have been received. The beginning of the main construction contract – relocation of fiber optic lines – will begin in the Fall. Both the Baldwin and Nogales grade separation projects will be bid in the second half of this calendar year.

Alameda Corridor - East Construction Authority
(A Component Unit of San Gabriel Valley Council of Governments)
Management's Discussion and Analysis
Year ended June 30, 2012

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Project Progress During FY 2012					
Project	06/11	09/11	12/11	03/12	06/12
Baldwin	Right of Way Acquisitions / Construction Bidding				
Brea Canyon			Open to traffic		
East End			Open to traffic		
Fairway Drive			Design / ROW Acquisitions		
Puente Avenue			Design / ROW Acquisitions		
Reservoir			Open to traffic		
Nogales (AH)			Open to traffic		
Nogales (LA)			Design / ROW Acquisitions		
Ramona/Cypress			Open to traffic		
S.G. Trench			ROW Acquisitions / Construction (Archeological Excavation) / Bidding		
Sunset/Orange			Open to traffic		
Temple/Pomona					Construction

Project Map



ALAMEDA CORRIDOR-EAST PROJECT AREA

REVISED DATE 3/08

Alameda Corridor - East Construction Authority
(A Component Unit of San Gabriel Valley Council of Governments)
Management's Discussion and Analysis
Year ended June 30, 2012

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As of June 30, 2012, the following funding had been committed to the ACE project:

<u>Federal</u>	Committed/Pledged (\$ millions)
TEA-21 Earmark	\$ 134.4
Annual Appropriations (FY 2000-09)	20.2
SAFETEA-LU Earmark	67.3
ISTEA (Nogales LA)	6.9
CMAQ (Nogales LA)	6.4
Total Federal	\$ 235.2
<u>State</u>	
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)	374.2
Hwy. Rail Crossing Safety Act (HRCSA)	25.6
Total State	\$ 574.1
<u>Los Angeles County MTA</u>	
<u>Metropolitan Transportation Authority</u>	
17% - Match	269.9
FY 2007 Call-for-projects	28.8
Measure R	42.0
Total L.A. County MTA	\$ 340.7
City/County Funds	29.6
Railroad Contributions	31.9
Total ACE Project Funding	<u>\$ 1,211.5</u>

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.

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.

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 Metro (local funding). Working capital therefore remains a major consideration. ACE Construction Authority's parent organization, the San Gabriel Valley Council of Governments (SGVCOG), authorized the issuance of up to \$100 million in grant anticipation notes (GAN) to satisfy working capital requirements. Presently, \$20 million in GANs are outstanding at June 30, 2012.

Financial Highlights

For the fiscal year ended June 30, 2012:

- Net assets decreased by \$101,421, a decrease of 1.7%.
- Construction in progress increased \$25.3 million, an increase of 13.8%.
- Total revenue decreased \$17.5 million, a decrease of 39.2%.
- Total project expense decreased \$17.5 million, a decrease of 39.2%.

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 the 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 the 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 the 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 all 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 the Authority's revenues and expenses for the fiscal year ended on June 30, 2012. The statement has four primary areas: Operating Expenditures, Operating Revenues, Nonoperating Income (Expenses) and Change in Net Assets. Expenses are broken out into Direct (those expenses that can be identified directly to individual projects) and Indirect, while Financing Income is the interest earned on cash balances less interest and fees paid on the corresponding debt.

Alameda Corridor - East Construction Authority
(A Component Unit of San Gabriel Valley Council of Governments)
Management's Discussion and Analysis
Year ended June 30, 2012

Fund Financial Statements

The fund financial statements can be found on pages 11 and 12 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.

ACE Construction Authority, unlike cities, county or State governments, has one activity – construction. All of ACE Construction Authority's activities are classified as a Construction (Capital Projects) Fund with the exception of the amount invested in a deferred compensation plan funded solely by staff.

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, and debt issuance and repayment. The 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 13 through 26 of this report.

Statements of Net Assets

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

	June 30	
	2012	2011
Current and other assets	\$ 37,220,011	\$ 45,329,675
Capital assets	4,260	23,160
Construction in progress	209,337,159	183,999,655
Less due to member cities and Union Pacific Railroad	<u>(209,337,159)</u>	<u>(183,999,655)</u>
Total assets	37,224,271	45,352,835
 Current liabilities	 31,404,744	 39,431,887
Net assets	\$ <u>5,819,527</u>	\$ <u>5,920,948</u>

All organizations are required to report construction in progress (that is, the sum of prior and current year's construction expense) on the Statement of Net Assets 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

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**Alameda Corridor - East Construction Authority
(A Component Unit of San Gabriel Valley Council of Governments)
Management's Discussion and Analysis
Year ended June 30, 2012**

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.

Assets decreased by 17.9% to \$37.2 million (see condensed Statements of Net Assets, page 7) mainly due to reducing the amount held in investments to pay down outstanding GANs to match lower levels of project activity, lower grants and unbilled receivables as a result of lower grant reimbursable incurred expenditures.

Construction in progress increased 13.8% to \$209.3 million (see condensed Statements of Net Assets, page 7) primarily as a result of Right of Way acquisition and Archeological excavation activities on the San Gabriel Trench project and Right of Way activity on the Nogales South project.

Deferred revenue (unearned and unavailable) increased 42.6% to \$6.7 million (see Statement of Net Assets, page 11) primarily due to having to recognize \$1.5 of surplus rental property generating revenue after project was closed. Sale of this property is expected to take place within the next fiscal year. Also, increase is due to recognizing advanced construction funds from Union Pacific Railroad for the Nogales South project and the Baldwin Grade Separation project.

The SGVCOG, on behalf of the Authority, had \$20 million (see Statement of Net Assets, page 11) in variable rate, tax-exempt commercial paper outstanding as of June 2012. Interest rates vary according to market conditions and have ranged from 0.2121% to 0.3161% during FY 2012. 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.

Grants receivables increased 27.5% to \$5.1 million and unbilled receivables decreased 29.5% to \$5.4 million (see Statement of Net Assets, page 11).

The FY 2012 revised budget for operating expenditures was \$42.9 million compared to \$82.7 million in FY 2011. Actual total operating expenditures are \$26.7 million compared to \$44.2 million in FY 2011. (See Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual, page 27).

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 (referred to as betterments) are paid for by the requesting city.

Alameda Corridor - East Construction Authority
(A Component Unit of San Gabriel Valley Council of Governments)
Management's Discussion and Analysis
Year ended June 30, 2012

Statement of Activities

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

	Years ended June 30	
	2012	2011
Project expenses		
Direct (construction)	\$ 21,234,663	\$ 40,879,495
Indirect expenses charged to operations	5,864,400	3,735,496
Total project expenses	<u>27,099,063</u>	<u>44,614,991</u>
Revenues		
Grant reimbursements	26,625,509	44,181,756
Other operating revenues	496,267	475,871
Total revenues	<u>27,121,776</u>	<u>44,657,627</u>
Income/(loss) from operations	<u>22,713</u>	<u>42,636</u>
Nonoperating income (expense)		
Financing income	120,954	543,560
Financing expense	(245,088)	(4,907,655)
Net financing income (expense)	<u>(124,134)</u>	<u>(4,364,095)</u>
Change in net assets	(101,421)	(4,321,459)
Net assets at beginning of year	<u>5,920,948</u>	<u>10,242,407</u>
Net assets at end of year	\$ <u>5,819,527</u>	\$ <u>5,920,948</u>

The ACE Construction Authority is reimbursed for indirect expenses based on Caltrans approved Indirect Cost Allocation Plan (ICAP) rate. The reimbursement is added to all Caltrans and Los Angeles County 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 higher than the actual indirect expense incurred, reducing the amount deferred to future years to \$276,038.

Capital Assets

ACE Construction Authority had \$4,260 and \$23,160 invested in capital assets, net of depreciation, as of June 30, 2012 and 2011, 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 2012 to continue with remaining active grade separation projects.

Los Angeles County voters approved Measure R in November 2008. 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.

ACE Construction Authority Board approved suspension of the Integrated Rail Roadway System (IRRIS), a traffic signal system demonstration project, in June 2009. A total of \$6.4 million has been spent on the project since inception. Caltrans and the Federal Highway Administration have approved the closeout of the project.

With less than a quarter of expenditure activity in FY 2013, it is challenging to estimate that actual expenditures will be consistent with levels assumed in the FY 2013 budget. However, using recent expenditure trends it appears the ACE Construction Authority will be within 20% of the FY 2013 Approved Budget of \$67 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.

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Alameda Corridor - East Construction Authority
(A Component Unit of San Gabriel Valley Council of Governments)
Statement of Net Assets
June 30, 2012

	Capital Project Fund	Adjustment	Government- wide
ASSETS			
Current assets			
Cash and investments	\$ 17,891,133	\$ -	\$ 17,891,133
Grants receivable	5,142,907	-	5,142,907
Unbilled receivables	5,372,955	-	5,372,955
Interest receivable	1,390	-	1,390
Retention receivable	4,516,953	-	4,516,953
Receivable - other		-	
Deferred cost incurred	276,038	-	276,038
Prepaid expenses			
Insurance	679,681	-	679,681
Cost of issuance, commercial paper	55,763	-	55,763
Property held for sale	3,283,191	-	3,283,191
	<u>37,220,011</u>	<u>-</u>	<u>37,220,011</u>
Noncurrent assets			
Leasehold improvements and equipment, net	-	4,260	4,260
Construction in progress	-	209,337,159	209,337,159
Less due to member cities and Union Pacific Railroad	-	(209,337,159)	(209,337,159)
Total assets	<u>37,220,011</u>	<u>4,260</u>	<u>37,224,271</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expense	2,439,231	-	2,439,231
Accrued retention payable	815,343	-	815,343
Deferred revenue	8,015,418	-	8,015,418
Compensated absences	134,752	-	134,752
Commercial paper	20,000,000	-	20,000,000
Total liabilities	<u>31,404,744</u>	<u>-</u>	<u>31,404,744</u>
FUND BALANCES/NET ASSETS			
Fund balance			
Nonspendable for:			
Deferred cost incurred	276,038		
Prepaid expenses	735,444		
Assigned:			
Capital project fund	4,803,785		
Total fund balance	<u>\$ 5,815,267</u>		
Net assets			
Invested in capital assets		4,260	4,260
Unrestricted		-	5,815,267
Total net assets		<u>\$ 4,260</u>	<u>\$ 5,819,527</u>

See notes to financial statements.

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Alameda Corridor - East Construction Authority
(A Component Unit of San Gabriel Valley Council of Governments)
Statement of Activities
Year ended June 30, 2012

	Capital Project Fund	Adjustment	Government- wide
Project expenses			
Direct (construction)	\$ 21,234,663	\$ -	\$ 21,234,663
Indirect expenses charged to operations	5,845,500	18,900	5,864,400
Total project expenses	<u>27,080,163</u>	<u>18,900</u>	<u>27,099,063</u>
Revenues			
Grant reimbursements	26,625,509	-	26,625,509
Other operating revenues	496,267	-	496,267
Total revenues	<u>27,121,776</u>	<u>-</u>	<u>27,121,776</u>
Income from operations	41,613	(18,900)	22,713
Nonoperating income (expense)			
Financing income	120,954	-	120,954
Financing expense	(245,088)	-	(245,088)
Net nonoperating income (expense)	<u>(124,134)</u>	<u>-</u>	<u>(124,134)</u>
Deficiency of revenues over expenditures/Change in net assets	(82,521)	(18,900)	(101,421)
Fund balance/Net Assets at beginning of year	<u>5,897,788</u>	<u>23,160</u>	<u>5,920,948</u>
Fund balance/Net Assets at end of year	<u>\$ 5,815,267</u>	<u>\$ 4,260</u>	<u>\$ 5,819,527</u>

See notes to financial statements.

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, 2012 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

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 Project 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.

Fund Balance Reporting

Starting fiscal year ended June 30, 2012, ACE Construction Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes the following fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds:

Nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples are inventories, prepaid expenses, long-term receivables, or non-financial assets held for resale.

Restricted fund balance includes resources that are subject to externally enforceable legal restrictions. It includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Reporting (continued)

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of ACE Construction Authority's highest level of decision-making authority (Board of Directors).

Assigned fund balance consists of funds that are set aside for specific purposes by ACE Construction Authority's highest level of decision making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balance - is the residual classification for ACE Construction Authority's general fund and includes all spendable amounts not contained in the other classifications. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

The Board of Directors, as ACE Construction Authority's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken. Committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specific use through the same type of formal action taken to establish the commitment. ACE Construction Authority does not have any fund balance that meet this classification as of June 30, 2012.

The Board of Directors delegates the authority to assign fund balance to the Chief Executive Officer for purposes of reporting in the annual financial statements.

ACE Construction Authority considers the restricted fund balances to have been spent when expenditure is incurred for purposes for which both unrestricted and restricted fund balance is available. ACE Construction Authority considers unrestricted fund balances to have been spent when expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of ACE Construction Authority to reduce the committed amounts first, followed by assigned amounts, and then unassigned amounts.

Budgetary Reporting

The Board approved the FY 2012 budget in June 2011.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Reporting (continued)

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.

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.

As of June 30, 2012, \$20 million in variable rate, tax-exempt commercial paper is outstanding. 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.

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 a 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. Specific provisions of the borrowing are described in Note 4 (Advances by the San Gabriel Valley Council of Governments).

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Alameda Corridor - East Construction Authority
(A Component Unit of San Gabriel Valley Council of Governments)
Notes to Financial Statements
Year ended June 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

Property Held for Sale

The property held for sale is recorded at the lower of acquisition cost or estimated net realizable value.

NOTE 2 LEASEHOLD IMPROVEMENTS AND EQUIPMENT

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

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<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	332,897	-	-	332,897
<i>Less accumulated depreciation for:</i>				
Leasehold improvements	19,762	-	-	19,762
Computer equipment				
Hardware	152,227	9,259	-	161,486
Software	91,562	8,376	-	99,938
Website	3,393	-	-	3,393
Telephone equipment	12,086	-	-	12,086
Office furniture	30,707	1,265	-	31,972
Total accumulated depreciation	309,737	18,900	-	328,637
Leasehold improvements and equipment, net	\$ 23,160	\$ (18,900)	\$ -	\$ 4,260

Depreciation expense included in indirect expenses for the year ended June 30, 2012 amounted to \$18,900.

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Alameda Corridor - East Construction Authority
(A Component Unit of San Gabriel Valley Council of Governments)
Notes to Financial Statements
Year ended June 30, 2012

NOTE 3 CASH AND INVESTMENTS

Cash and investments at June 30, 2012 as classified in the accompanying financial statements are composed of:

Cash in bank	\$	791,288
Pooled funds		1,564,638
Money market funds		5,192,253
US Treasury obligations		10,342,954
Total cash and investments	\$	<u>17,891,133</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

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NOTE 3 CASH AND INVESTMENTS (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	\$ 1,564,638	\$ 1,489,535	\$ 45,375	\$ 29,728	-
<i>Held by trustee:</i>					
Money market funds	5,192,253	5,192,253	-	-	-
Investment contracts	10,342,954	-	10,342,954	-	-
Total \$	<u>17,099,845</u>	<u>6,681,788</u>	<u>10,388,329</u>	<u>29,728</u>	<u>-</u>

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NOTE 3 CASH AND INVESTMENTS (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 at 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	\$ 1,564,638	N/A	\$ -	\$ -	\$ -	1,564,638
Held by trustee:						
Money market funds	5,192,253	A	-	5,192,253	-	-
Investment contracts	10,342,954	N/A	-	10,342,954	-	-
Total	\$ 17,099,845		\$ -	\$ 15,535,207	\$ -	\$ 1,564,638

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, 2012, 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 other than funds held by the trustee.

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.

NOTE 3 CASH AND INVESTMENTS (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, 2012, the Authority's deposit of \$5,192,253 on interest bearing accounts with financial institutions is in excess of Federal depository insurance limits but are held in collateralized accounts.

As of June 30, 2012, 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>5,192,253</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, 2012, the total market value of LAIF, including accrued interest was approximately \$60.612 billion. The fair value of ACE Construction Authority's investment in this pool is \$1,564,638 at June 30, 2012 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.

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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, 2012, amounted to \$20,000,000. Interest rates vary according to market conditions and have ranged from 0.2121% to 0.3161% in FY 2012. 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, 2012, ACE Construction Authority was the recipient, primarily from the Federal Department of Transportation through the California Department of Transportation (Caltrans), of cost reimbursement type grants. 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, 2012, are shown net of disallowed costs. Caltrans approved, under Office of Management and Budget (OMB) Circular A-87, an indirect overhead allocation formula of 544.70% of total direct salaries and fringe benefit costs. Indirect costs incurred in fiscal year ended June 30, 2012 were \$5,433,490 and previously deferred indirect expense was reduced by \$2,055,331.

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.

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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, 2012 is 9.539%. 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 2012, the Authority's annual pension cost and actual contribution was \$419,077. For the year ended June 30, 2012, 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

Year	(APC)	APC Contributed	Obligation
6/30/2010	\$ 353,248	100%	-
6/30/2011	331,340	100%	-
6/30/2012	419,077	100%	-

Postemployment Benefits

ACE Construction Authority did not incur any other liabilities during fiscal year 2012 related to postemployment benefits.

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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. The plan allows employees to defer a portion of their current income from state and federal taxation. Employees may withdraw their participation at any time by giving written notice at least a week in advance prior to the effective date of the withdrawal. At June 30, 2012, plan assets totaling \$1,306,816 were held by independent trustees and, as such, are not reflected in the accompanying basic financial statements.

Balance at June 30, 2011	\$ 1,162,063
Add employee contribution	123,030
Add net realized and unrealized appreciation in fair value of investments	21,750
less fees charged	<u>(27)</u>
Balance at June 30, 2012	<u>\$ 1,306,816</u>

All amounts of compensation deferred under the plans are solely the property and rights of each beneficiary (pursuant to legislative changes effective 1998 to the Internal Revenue Code Section 457, this includes all property and rights purchased and income attributable to these amounts until paid or made available to the employee or other beneficiary).

NOTE 7 COMMITMENTS AND CONTINGENCIES

As mentioned in Note 5, 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 received 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.

In the ordinary course of its operations, ACE Construction Authority is the subject of claims and litigations from outside parties. In the opinion of management, there is no pending litigation or unasserted claims, the outcome of which would materially affect ACE Construction Authority's financial position.

NOTE 7 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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, 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	235,656
Total lease commitments \$		<u>902,244</u>

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 \$1,580,844. 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, 2012, \$601,151,498 of costs was accumulated on projects in process and \$391,814,339 had been transferred to the railroad and impacted cities.

Under the government funds and modified accrual basis of accounting in FY 2012 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.

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**NOTE 8 ACCOUNTING FOR CONSTRUCTION IN PROGRESS AND EVENTUAL DISPOSAL
OF PROJECTS (CONTINUED)**

To alleviate this situation, management has elected to record a liability (same amount as the construction in progress) to 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.

NOTE 9 SUBSEQUENT EVENTS

ACE Construction Authority has evaluated events subsequent to June 30, 2012 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through November 7, 2012, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

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Alameda Corridor - East Construction Authority
(A Component Unit of San Gabriel Valley Council of Governments)
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget to Actual
Year ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Amended Final	Amounts	Positive (Negative)
Revenues				
Reimbursements				
Federal grants	\$ 18,780,000	\$ 11,167,804	\$ 3,607,519	\$ (7,560,285)
State grants	-	-	3,356,610	3,356,610
Local grants	51,273,000	30,490,246	19,661,380	(10,828,866)
Other revenue	2,025,000	1,204,196	-	(1,204,196)
Total revenues	72,078,000	42,862,246	26,625,509	(16,236,737)
Operating expenditures				
Construction				
Design	6,078,000	4,174,449	5,193,521	(1,019,072)
Right-of-Way acquisition	32,883,000	19,678,587	12,402,311	7,276,276
Construction management	54,000	292,477	547,068	(254,591)
Construction	28,516,000	14,878,632	3,074,631	11,804,001
Betterments	100,000	100,000	17,132	82,868
Total construction	67,631,000	39,124,146	21,234,663	17,889,483
Indirect				
Personnel				
Salaries and wages	1,650,000	1,589,000	1,671,698	(82,698)
Fringe benefits	527,000	495,000	532,903	(37,903)
Employee related expenses	24,100	24,100	34,534	(10,434)
Professional services				
Auditing/accounting	35,000	35,000	41,422	(6,422)
Disadvantaged business/labor compliance	83,000	83,000	16,410	66,590
Legal	65,000	65,000	43,601	21,399
Other	-	-	69,752	(69,752)
Program management	539,000	952,000	400,895	551,105
Brokerage	65,000	65,000	42,049	22,951
Insurance	845,000	131,000	204,493	(73,493)
Equipment expense	55,000	37,000	54,158	(17,158)
Office rental expense	209,000	209,000	212,279	(3,279)
Office operations	41,000	41,000	53,965	(12,965)
Other	12,000	12,000	-	12,000
Applied indirect expense	-	-	2,055,331	(2,055,331)
Total indirect	4,150,100	3,738,100	5,433,490	(1,695,390)
Total operating expenditures	71,781,100	42,862,246	26,668,153	16,194,093
Excess (deficiency) of revenues over expenditures	296,900	-	(42,644)	(42,644)
Other financing sources (uses)				
Investment revenue	224,000	224,000	120,954	(103,046)
Interest and related expenses	(379,000)	(379,000)	(245,088)	133,912
Non-project reimburseable funds	298,900	298,900	356,988	58,088
Non-project reimburseable expense	(298,900)	(298,900)	(356,988)	(58,088)
Rental revenue	-	-	139,280	139,280
Rental expense	-	-	(55,022)	(55,022)
Net other financing sources (uses)	(155,000)	(155,000)	(39,876)	115,124
Change in fund balance	141,900	(155,000)	(82,520)	72,480
Fund balance at beginning of year	5,897,787	5,897,787	5,897,787	-
Fund balance at end of year	\$ 6,039,687	\$ 5,742,787	\$ 5,815,267	\$ 72,480

**Report of Independent Auditors on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of 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, 2012, and have issued our report thereon dated November 7, 2012. 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

Management of ACE Construction Authority is responsible for establishing and maintaining effective 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 previously.

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
November 7, 2012



San Gabriel Valley Council of Governments

DATE: November 7th, 2012

TO: City Managers' Steering Committee

FROM: F.M. Delach, Interim Executive Director

RE: Appointment of an Ad-Hoc Committee of the Governing Board for Executive Director Recruitment

Recommended Action:

Appoint four members of the City Managers' Steering Committee to serve on an Ad-Hoc Committee for Recruitment of an Executive Director.

Background:

In accordance with the Governing Board's policy direction of hiring a full-time permanent Executive Director and the reorganizing SGVCOG staffing, it is necessary to begin the Executive Director recruitment in order to implement the new organization by the beginning of January, 2013.

To expedite this process, the Executive Committee was given authority to appoint an Ad-Hoc Committee to assist with application screening, interviews, and tentative selection of an appointee; subject to contract approval by the Governing Board. It is also recommended that the City Managers TAC participate on an advisory-only basis, by requesting they name four members to assist the Ad-Hoc Committee. Additionally, the Governing Board has directed me to assist in facilitating the process.

A tentative schedule is as follows:

Milestone	Estimated Date
1. Develop job description and open recruitment.	10/29/2012
2. Advertise position. Staff has advertised the position utilizing the following media: 1) "Jobs Available" newsletter 2) SGVCOG website 3) California Cities e-newsletter 4) Distributing job description to all SGVCOG member agency Governing Board members, City Managers, and Human Resources Departments.	10/29/2012 - 11/29/2012
3. Close recruitment	11/29/2012
4. Screen applications (via Ad-hoc Committee with assistance from City Managers) and develop short-list of candidates to interview.	12/3/2012 - 12/7/2012
5. Hold interviews with selected candidates. Proposed three-step process: 1) Panel of city managers (advisory only) 2) Ad-hoc Committee of four Governing Board members 3) City Managers' panel and ad hoc committee confer to make tentative recommendation.	1/3/2013 - 1/5/2013 ¹
6. Submit conditional offer of employment to candidate.	1/7/2013
7. Complete background and physical (if necessary).	1/14/2013
8. Submit recommendation for contract approval to Governing Board.	1/17/2013

¹ The time frame for this milestone could be moved up to late December based on the amount of time needed to screen candidates for interviews.