Alameda Corridor-East Construction Authority

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

PLEASE NOTE CHANGE OF MEETING LOCATION

ALAMEDA CORRIDOR-EAST CONSTRUCTION AUTHORITY
BOARD OF DIRECTORS
REGULAR MEETING AGENDA
Monday, February 27, 2017 – 1:00 P.M.
San Gabriel City Hall
425 S. Mission Drive
San Gabriel, CA 91776

Members of the public may comment on any item on the agenda at the time it is taken up by the Board. We ask that members of the public come forward to be recognized by the Chair and keep their remarks brief. If several persons wish to address the Board on a single item, the Chair may impose a three-minute time limit on individual remarks at the beginning of the discussion.

San Gabriel City Hall is accessible to persons using wheelchairs and with other disabilities. Informational material will be available in large print. Assistive listening devices, materials in other alternate formats, American Sign Language interpreters and other accommodations will be made available upon request. Requests should be made to Deanna Stanley at 626-962-9292 ext. 142 or dstanley@theaceproject.org Providing at least 72 hours notice will help ensure availability.

I.	Pledge of Allegiance		
II.	Roll Call and Introductions		
III.	Public Comment		
IV.	Approval of Regular Meeting Minutes of January 23, 2017	(Pages 1 – 5)	Action
V.	Chairman’s Remarks		
VI.	Board Member Comments		
VII.	Chief Executive Officer’s Report	(Pages 6 – 7)	Information
VIII.	Project Construction Progress Reports		Information

The ACE Construction Authority is constituted of seven (7) member jurisdiction; the Cities of El Monte, Industry, Montebello, San Gabriel and Pomona, the County of Los Angles and the San Gabriel Valley Council of Governments. A San Bernardino County Council of Governments representative is an ex-officio Board member. Each member or alternate has one vote. A quorum of the ACE Construction Authority is no less than four (4) of its total voting membership. Actions taken by the ACE Construction Authority shall be by simple majority of the members present with a quorum in attendance except for personnel actions, the annual budget, matters dealing with the Administrative Code or matters requiring subsequent approval by the SGVCOG, all of which shall require five (5) votes. All disclosable public records related to this meeting are available for viewing at the ACE office above during normal working hours.

IX.	Receive and File Fiscal Year 2016 Audited Financial Statements	(Pages 8 – 53)	Action
X.	Approval of Closeout of Construction Contract with Griffith Company and Acceptance of Nogales Street Grade Separation Project as Complete	(Pages 54 – 55)	Action
XI.	Approval of Task Order for Paragon Partners for Durfee Avenue Grade Separation Project	(Pages 56 – 57)	Action
XII.	Approval of Advance Acquisition of 418 S. Maple Avenue, Montebello, CA for the Montebello Boulevard Grade Separation Project	(Page 58)	Action
XIII.	Approval of Employee Voluntary Leave Transfer Program	(Pages 59 – 60)	Action
XIV.	Closed Session: The Board will adjourn to closed session in accordance with Government Code Section 549569 to discuss existing litigation: Los Angeles Superior Court Case No. BC539599 – ACE vs. Leone Mooradian, et al.		Possible Action
XV.	Adjournment		Action

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

ACE Construction Authority Board of Directors Special Meeting
January 23, 2017 Minutes

Chairman Hadjinian called the meeting of the Board of Directors of the Alameda Corridor-East Construction Authority to order at 1:03PM at the Montebello Council Chambers.

1. **Pledge of Alliance** – Javier Hernandez, Deputy to LA County Supervisor Hilda Solis led the pledge of allegiance.

2. **Roll Call:** Chairman Hadjinian welcomed new Board member Pomona Mayor Tim Sandoval.
   In attendance was:
   Jack Hadjinian, Chair
   Juli Costanzo, Vice Chair
   Tim Sandoval
   Victoria Martinez
   Hilda Solis

   Staff:
   Mark Christoffels, CEO
   Gregory Murphy, Burke, Williams & Sorensen, legal counsel
   Deanna Stanley
   Amy Hanson
   Cecilia Cardenas
   Charles Tsang
   Genichi Kanow
   Paul Hubler
   Phil Balmeo
   Rachel Korkos
   Ricky Choi
   Victoria Butler

   Guests:
   Pat Somerville, HNTB
   Tanja Brix, HNTB
   Charlie Nakamoto
   Hank Fung, Los Angeles County Public Works
   Keith Gillfillan, Moffatt Nichol
   Phil Hawkey, SGVCOG
   Cindy Manan, OSM
   Alan Sozio, Burke, Williams, Sorensen

3. **Public Comments** – Judy Mooradian, AM Disposal addressed the Board. Mrs. Mooradian indicated ACE purchased her property for the Pico Rivera grade separation project. She reported that she purchased an undeveloped property to relocate her business and under the terms of the agreement with ACE was due to vacate the Pico Rivera property by April 1. She

indicated that due to the unusual excessive rainfall, an act of God, development of the property has been delayed. She requested the Board direct staff to extend the deadline to June 1st. Legal counsel responded that there was an agreement in place but the staff would determine if the rain was an act of God.

4. **Approval of December 12, 2016 Special Meeting minutes** – A motion was made to approve the December 12, 2016 Special meeting minutes.

   M/S/C/Messina/Costanzo/Unanimous

5. **Chairman Remarks** – Chairman Hadjinian expressed his appreciation for serving as Chair and thanked staff for their support. He reminded the Board of the Finance Committee meeting on Thursday, January 26 at 10AM at the ACE Office.

6. **Board Member Comments** – Board members Victoria Martinez and Juli Costanzo thanked Jack Hadjinian for his representing ACE and serving as Chair.

7. **Chief Executive Officer's Report** – Mr. Christoffels reported that a recently completed audit resulted in no findings. He requested Board consider action items moved up on the agenda due to time constraints of members.

8. **Election of Board Officers** – Legal counsel reviewed the procedure for the election of officers. Chairman Hadjinian opened nominations for Chairman. Member Solis nominated for Juli Costanzo to serve as Chair which was seconded by Chairman Hadjinian. There were no other nominations. The nomination for Chair was closed. The Board unanimously approved Juli Costanzo as Chair.

   Chairperson Juli Costanzo opened the nominations for Vice Chair. Member Hadjinian nominated Victoria Martinez to serve as Vice Chair which was seconded by Chairperson Costanzo. There were no other nominations. The nominations for Vice Chair was closed. The Board unanimously approved Victoria Martinez to serve as Vice Chair.

9. **Approval of Budget Amendment** – Mr. Christoffels reviewed the agency's financial obligations to CalPERS for employee retirement benefits. He indicated the ACE employees were covered under a contract with CalPERS through the San Gabriel Valley Council of Governments. He indicated ACE was taking a proactive approach to reduce or eliminate its unfunded liability as well as making additional payments toward termination of the contract. He reminded the Board that these were eligible reimbursement expenses and that increasing the additional payments would affect the existing approved fiscal year budget. He reminded the Board that budget preparation was in April/May and the increased payments began in Summer. He reminded the Board that ACE budget amendments must also be approved by the San Gabriel Valley Council of Governments Governing Board. There were no questions.

A motion was made to approve an amendment to the approved Fiscal Year 2016-2017 budget to increase the retirement expense line item from $786,500 to $1,347,100 to pay down ACE's current estimated CalPERS termination liability.

M/S/C/Hadjinian/Martinez/Unanimous

10. **Approval of Award of Contract for Design and Engineering Services with HNTB Corporation for the Turnbull Canyon Grade Separation Project** – Mr. Christoffels reminded the Board that the Turnbull Canyon Grade Separation project was the last project in the ACE Program. The Board approved the selection of HNTB and authorized negotiations. He indicated negotiations have concluded and the scope of work was outlined in the staff report. He reminded the Board that design was approved at various stages of completion and if approved, this would carry the design of the project to 35%. There were no questions.

    A motion was made to authorize the Chief Executive Officer to execute a design services contract with HNTB Corporation and issue Task Order No. 1 for preliminary design for $1,818,209 for the Turnbull Canyon Grade Separation Project.

    M/S/C/Solis/Sandoval/Unanimous

11. **Approval of Sewer Relocation Agreement with Los Angeles County Sanitation District No. 2 for the Durfee Avenue Grade Separation Project** – Mr. Christoffels reminded the Board that all ACE projects have significant levels of excavation and almost all meet third party utilities at some point of construction. He indicated that ACE must enter into agreements with various underground utilities including LA County for storm drains and sewer lines impacted by the project. He indicated the design identified affected relocations necessary of sewer lines and the agreement outlines details including rights, reimbursement details and general provisions.
    There were no questions.

    A motion was made to authorize the Chief Executive Officer to execute a Sewer Relocation Agreement with County Sanitation District No. 2 of Los Angeles County for the design, construction and inspection of sewer facilities as part of the Durfee Avenue grade separation project.

    M/S/C/Martinez/Hadjinian/Unanimous

15. **Receive and File Quarterly Project Progress and Financial Reports** – Mr. Christoffels reviewed the active projects schedules. He reviewed the project cost estimates for active and completed projects and indicated a cost increase was reflected in the Fairway project due to the addition of Lemon Avenue betterment. He reviewed the sources of funds committed to the program and stated this quarter the remaining funds unallocated is $5.307 million. He reminded the Board that the Turnbull Canyon Road project is the remaining project in the ACE

Program which does not have construction funding.

A motion was made to receive and file the quarterly project progress and financial reports.

M/S/C/Solis/Hadjinian/Unanimous

16. **Receive and File Quarterly Mitigated Monitoring Reports** – Mr. Christoffels reported that each project has a mitigated monitoring plan whereby ACE commits to monitor various elements during construction such as noise, vibration and general construction conditions. He reminded the Board that staff reports on their efforts each quarter and ACE continues to comply with the measures set.

    A motion was made to receive and file the quarterly mitigation monitoring reports.

    M/S/C/Martinez/Sandoval/Unanimous

17. **Approval of Support Position for TCIF Provisions of AB 1 (Fraiser), SB1 (Beall) and Governor's Budget Proposal** – Paul Hubler reviewed the provisions of AB1 and SB1, transportation funding proposals which provide new revenues through fuel tax. He indicated the Governor's office also has released the State budget with $2.5 billion of new funding. He reviewed the expanded grant program for local projects for active transportation. He reported the plan also calls for reforms and efficiencies at Caltrans to streamline project delivery.

    A motion was made to approve a support position for the Trade Corridors Improvement Fund provisions of Assembly Bill 1, Senate Bill 1 and of the 2017-2018 State Budget proposed by Governor Brown.

    M/S/C/Solis/Hadjinian/Unanimous

18. **Closed Session** – Legal Counsel indicated the Board would adjourn to closed session in accordance with Government Code Section 549568 to discuss real property negotiations, negotiating parties ACE and Industry Realty Holdings, IHOP/Jack in the Box and in accordance with Government Code Section 54956.9 to discuss four cases in litigation – LA Superior Court Case No BC 582076 ACE versus Fullerton 60 Holdings LLC et al and LA Superior Court Case Nos. BC 629037 and BC 62903 ACE versus Rowland Ranch Properties, et al, and LA Superior Court Case No. BC 593901 ACE versus Sasan Shadravan et al.

    The Board returned to open session and legal counsel announced the following actions:

    With regard to LA Superior Court Cases BC 629037 and 62903, ACE v Rowland Ranch, the Board unanimously gave direction to staff to negotiate a settlement on specified terms as to specified matters at issue. If settlement is reached, the agreement will be made available to the public at ACE's office at execution. Regarding La Superior Court Case No. 582076 ACE v Fullerton Holdings the Board unanimously gave direction to staff to execute a settlement agreement on specified terms. Following court approval of the settlement, the agreement will be made available to the public at ACE's office. Regarding real property negotiations with Industry Holdings the Board gave unanimous direction to staff to negotiate and execute an agreement with a designed price and terms. If agreement is reached between ACE and the property owner on the terms, the document will be made public in ACE's office upon execution.

Legal counsel reported that member Solis was not in attendance during closed session discussions.

17. **Adjournment** – The meeting was adjourned at 2:10PM and the Chairperson reminded the Board that with past practice the meeting would be held in the City of its Chair, therefore the February Board meeting would be held in the City of San Gabriel.

X Deanna Stanley

Deanna Stanley
Clerk of the Board

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: ACE Construction Authority Board Members & Alternates

FROM: Mark Christoffels
Chief Executive Officer

DATE: February 27, 2017

SUBJECT: CEO Report

The following are items of note since the last meeting:

ACE-COG Large Capital Projects – The COG Governing Board on February 16th provided direction regarding a potential role for the ACE Construction Authority in planning, funding and overseeing construction of large capital projects other than the ACE projects. The discussion followed on a report of the ACE/Large Capital Projects Ad Hoc Committee, which was convened nine months ago. Based on the Governing Board action, COG and ACE staff will report back in six months on staff consolidation and revised ACE Construction Authority Board organizational options including the following:

a. Required JPA and By-Law changes
b. Required changes to policies and procedures
c. Potential partnering relationships with Metro, Caltrans and the County
d. Budget considerations and potential funding sources
e. Liability considerations
f. Implementation timelines

Contracting – Our Administrative Code delegates to the CEO the authority to approve new contracts or change orders for Board-approved contracts within certain limits, with a requirement that I report to the Board any such contract action. Since my last report, I have approved the following:

Consultant/Vendor	Reason for Change	Change Amount	Total Contract Value
Walsh Construction	San Gabriel Trench Project - CN 072: Fence Gap Closure at Del Mar Bridge; CN 073: Fence Gap Closure at San Gabriel Bridge; CN 074: Reversal of CN 69; CCO 25	($12,039.00) Credit	$171,936,663
OHL USA, Inc.	Fairway Drive Grade Separation project: Change Order No. 4 – CIPP Lining for IPC 164R Sewer Line	$82,238	$91,956,150

Shimmick Construction Company, Inc.	Fullerton Road Grade Separation project: Change Order No. 3 – Temporary PCMS for Stage 1C, Phase 1A & 1B – Betterment	$15,909	$81,804,051
Shimmick Construction Company, Inc.	Fullerton Road Grade Separation project: Change Order No. 4 – Pump Station Door Discrepancies	$2,118	$81,806,168
Horizons Construction Company	Construction Related Services at 921-985 Fairway Drive: Change Order No. 1 – Planter Area Improvements, Sewer Lateral Clean Out, SCE Underground Ductbank Extension, Additional Wiring for Security Cameras, Credit for Telephone Service Relocation, SCE Trenching and Bollard Removal, ADA Striping and Ramps	$16,678	$216,149
Wagner Engineering & Survey, Inc.	Professional ALTA/NSPS Land Title Survey and supporting application materials for Temple Avenue.	$0.00	$2,980,629
Paragon Partners	Additional ROW services for Durfee Avenue	$103,153	$1,535,203

Community Outreach Update – Staff conducted the following project outreach activities:

- Distributed construction alert notices regarding sidewalk closures due to pedestrian ramp construction for the San Gabriel Trench project;
- Distributed construction alert notices regarding a temporary closure of Walnut Grove Avenue at the railroad crossing for the San Gabriel Trench project;
- Distributed construction alert notices regarding temporary lane and sidewalk closures for underground gas line relocations for the Fullerton Road project;
- Provided staff support for separate tours of the ACE projects arranged for Caltrans, FHWA and CTC staff, for the staff of State Senator Ed Hernandez and for American Railway Engineering and Maintenance-of-Way Association (AREMA) committee members;
- Staffed an ACE exhibit booth at the annual Owner's Night expo hosted by the Construction Manager's Association of America; and
- Conducted ongoing community outreach and support activities for the San Gabriel Trench, Puente Avenue, Fairway Drive and Fullerton Road grade separation projects.

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: ACE Construction Authority Board Members & Alternates

From: Mark Christoffels
Chief Executive Officer

Date: February 27, 2017

Subject: Audited Financial Statements for Fiscal Year ending June 30, 2016

RECOMMENDATION: Staff recommends the Board receive and file the Audited Financial Statements for Fiscal Year ending June 30, 2016

BACKGROUND: In December 2016, the firm of Vasquez & Company LLP completed their comprehensive audit of the financial statements for the ACE Construction Authority for the fiscal year ending June 30, 2016, and transmitted the attached report to staff and the ACE Board of Directors. The report concludes the following:

- In their opinion, the component unit financial statements present fairly, in all material respects, the respective financial position of the governmental activities and major funds of the ACE Construction Authority as of June 30, 2016, and the respective financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.
- No exceptions were taken to their review of the ACE Construction Authority's internal control over financial reporting and their tests of the agency's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters related to financial controls.

In summary, the audits found no discrepancies with the ACE Construction Authority's financial reporting and records for the financial reporting period ending June 30, 2016.

Alameda Corridor – East Construction Authority
(A Component Unit of San Gabriel Valley Council of Governments)
Audited Financial Statements
and Supplementary Information
As of and for the Year Ended June 30, 2016
with Report of Independent Auditors

An independently owned member
RSM US Alliance
RSM

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

Alameda Corridor – East Construction Authority
(A Component Unit of San Gabriel Valley Council of Governments)
Audited Financial Statements
and Supplementary Information
As of and for the Year Ended June 30, 2016
with Report of Independent Auditors

Report of Independent Auditors

The Honorable Members of the Board of Directors
Alameda Corridor – East Construction Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of Alameda Corridor - East Construction Authority (ACE), a component unit of San Gabriel Valley Council of Governments (SGVCOG), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise ACE's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Alameda Corridor – East Construction Authority as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 11 and the required supplementary information on pages 34 – 36 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.

Supplementary Information

The statement of revenues, expenditures and changes in fund balance – budget to actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of revenues, expenditures and changes in fund balance – budget to actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2017, on our consideration of ACE'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* in considering ACE's internal control over financial reporting and compliance.

Vasquez & Company LLP

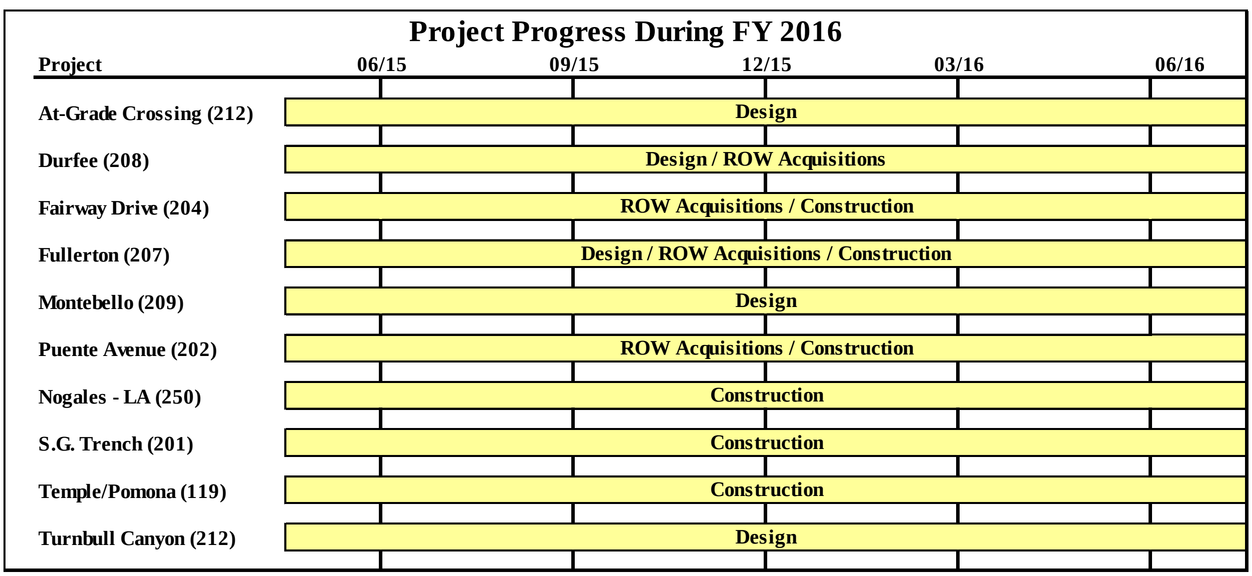
Los Angeles, California
January 30, 2017

The management's discussion and analysis (MD&A) of the financial performance and activity of the Alameda Corridor – East Construction Authority (ACE) provides an overview of ACE's financial statements for the year ended June 30, 2016. This discussion was prepared by management and should be read in conjunction with the accompanying financial statements and notes which follow this section.

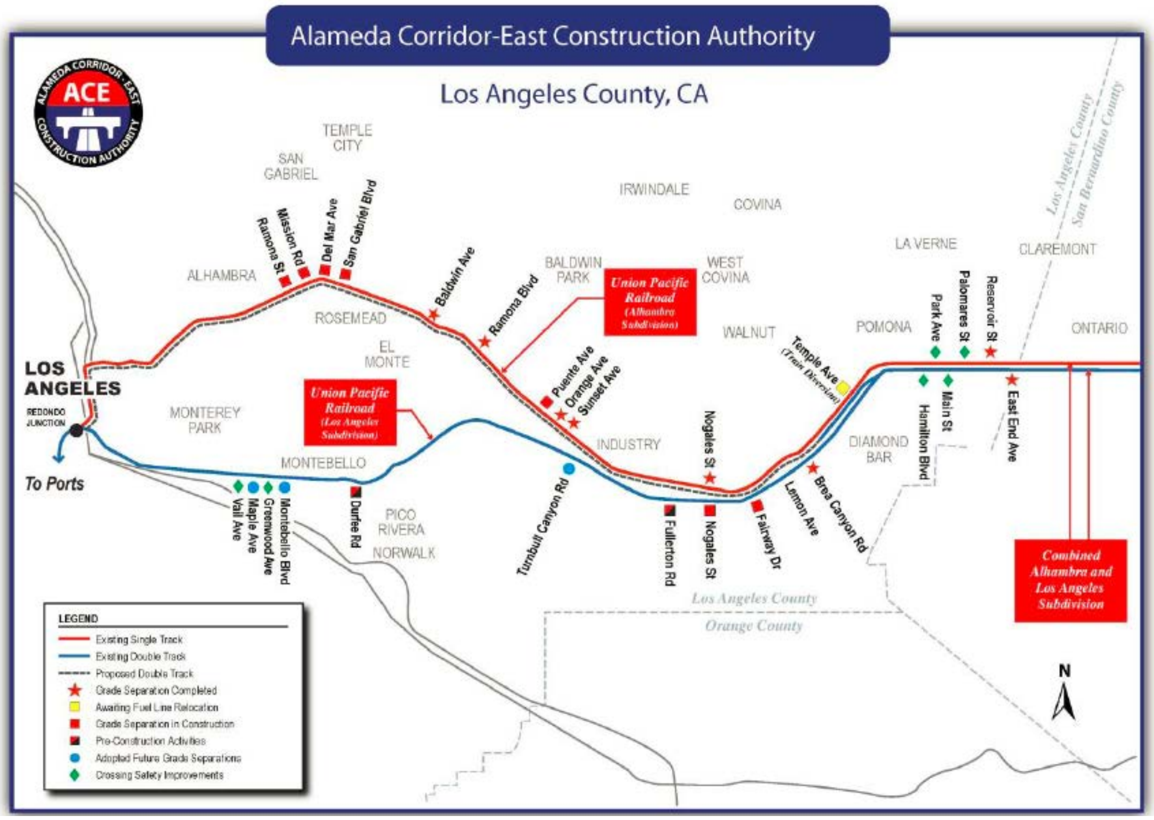
Train counts through the Valley are projected to nearly double by the year 2035 as increasing numbers of freight trains carry freight to and from the nation's busiest container ports in San Pedro Bay. Construction has been completed on nine rail-roadway grade separations. Seven additional grade separations and a rail diversion project are under construction. Three grade separation projects are in design along with improved pedestrian and vehicle safety gate at another eight crossings. Safety improvements have been completed at 39 at-grade crossings.

The cost estimate as of June 30, 2016 for the completed safety improvements and 14 grade separations either completed or going into construction is $1.653 billion.

Projects under construction include the Nogales Street, Fairway Drive, and Puente Avenue grade separations; the San Gabriel Trench; and the Temple Avenue rail diversion project. Going to construction in 2016 will be the Fullerton Road and Durfee Avenue grade separation projects. Currently in design is the Montebello Corridor Project and the At-Grade Crossing Safety Improvements.



Project Map



Alameda Corridor-East Construction Authority
Los Angeles County, CA
ALAMEDA CORRIDOR-EAST
ACE
CONSTRUCTION AUTHORITY
TEMPLE CITY
SAN GABRIEL
IRWINDALE
COVINA
LA VERNE
CLAREMONT
ALHAMBRA
BALDWIN PARK
WEST COVINA
ROSEMEAD
WALNUT
POMONA
ONTARIO
EL MONTE
LOS ANGELES
REDONDO JUNCTION
To Ports
MONTEREY PARK
MONTEBELLO
INDUSTRY
DIAMOND BAR
PICO RIVERA
NORWALK
Union Pacific Railroad (Alhambra Subdivision)
Union Pacific Railroad (Los Angeles Subdivision)
Combined Alhambra and Los Angeles Subdivision
Ramona St
Mission Rd
Del Mar Ave
San Gabriel Blvd
Baldwin Ave
Ramona Blvd
Puente Ave
Orange Ave
Sunset Ave
Nogales St
Temple Ave (Train Diversion)
Park Ave
Palomares St
Reservoir St
Hamilton Blvd
Main St
East End Ave
Vail Ave
Maple Ave
Greenwood Ave
Montebello Blvd
Durfee Rd
Turnbull Canyon Rd
Fullerton Rd
Nogales St
Fairway Dr
Lemon Ave
Brea Canyon Rd
Los Angeles County
Orange County
Los Angeles County
San Bernardino County
N
LEGEND
Existing Single Track
Existing Double Track
Proposed Double Track
Grade Separation Completed
Awaiting Fuel Line Relocation
Grade Separation in Construction
Pre-Construction Activities
Adopted Future Grade Separations
Crossing Safety Improvements

As of June 30, 2016, the following funding had been committed to the ACE project:

	ACE Funding Commitments ($ millions)		
Federal			
TEA-21 Earmark	$ 132.6		
Annual Appropriations (FY 2000-10)	21.5		
SAFETEA-LU Earmark	67.3		
Rail-Highway Crossing Program	10.0		
ISTEA (Nogales LA)	6.9		
CMAQ (Nogales LA)	6.3		
Total Federal		$	244.7
State			
Trans. Imp. Program (FY 2000-04)	39.0		
PUC Grade Separation Fund	10.0		
Trans. Cong. Relief Prog. (TCRP)	130.3		
Trade Corr. Impr. Fund (TCIF)	420.5		
Hwy. Rail Crossing Safety Act (HRCSA)	43.9		
Total State		$	643.7
L.A. County MTA			
17% - Match	259.9		
FY 2007 Call-for-projects	28.8		
Measure R	400.0		
Total L.A. County MTA		$	688.7
City/County Funds/MWD Funds			12.1
Railroad Contributions			33.9
City/Railroad/Betterments/Property Sales			29.5
Total ACE Project Funding		**$**	**1,652.7**

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. Railroad contributions reflect a regulatory ceiling of 5% of construction cost pro-rated over the construction phase of the various projects.

ACE 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 the California Department of Transportation (CalTRANS).

ACE must pay contractors and vendors first before invoicing grantors for reimbursement. Reimbursements are currently running between two to four weeks for CalTRANS (Federal and State funding) and the Los Angeles County Metropolitan Transportation Authority ("Metro") (local funding). Working capital therefore remains a major consideration. ACE and Metro entered into an agreement to provide ACE $45M subordinate Proposition C Sales Tax Revenue Revolving Obligation Construction Fund which replaced the Grants Anticipation Notes as the primary bridge funding.

Financial Highlights

For the year ended June 30, 2016:

- Net position increased by $2.5 million, an increase of 21.6%.
- Construction in progress increased by $62.9 million, an increase of 11.9%.
- Total revenues decreased by $0.3 million, a decrease of 0.2%.
- Total project expenses increase by $3.1 million, an increase of 2.3%.

Overview of Basic Financial Statements

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

Government-wide Financial Statements

The authority-wide financial statements found on pages 12 and 13 are designed to give readers a broad overview of ACE's financial position. These include all of ACE's assets and liabilities, deferred inflows/outflows of resources, revenues and expenses. The accounting basis is full accrual (similar to private sector companies) where ACE'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 Position" presents information on all of ACE's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position (or equity in the private sector). While large net position might indicate that a governmental agency has not spent all available revenues and other resources, negative net position indicates that the agency has overspent. It is management's position to maintain sufficient net position to compensate for any disallowed costs, but to allocate any surplus to construction activities. ACE's net position is classified in the following categories: net investment in capital assets and unrestricted.

The "Statement of Activities" presents ACE's revenues and expenses for the year ended on June 30, 2016. The statement has three primary areas: *project expenses*, *program revenues*, and *change in net position*. Project expenses are broken out into direct (those expenses that can be identified directly to individual projects) and indirect.

Fund Financial Statements

The fund financial statements can be found on pages 12 and 13 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, unlike cities, county or state governments, has one activity – construction. All of ACE's activities are recorded in the Capital Projects Fund.

Differences between the two sets of financial statements generally relate to capital assets and depreciation, debt issuance and repayment, and pension-related account balances.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the authority-wide financial statements and the governmental funds financial statements. The notes can be found on pages 14 through 33 of this report.

Condensed Statements of Net Position

The following table shows the condensed statements of net position as of June 30, 2016 and 2015:

	June 30		Variance	
	2016	2015	Amount	%
Current and other assets	**$ 93,669,646**	$ 88,561,367	$ 5,108,279	5.8%
Capital assets	**24,923**	24,841	82	0.3%
Construction in progress	**592,444,003**	529,573,361	62,870,642	11.9%
Less due to member cities and Union Pacific Railroad	**(592,444,003)**	(529,573,361)	(62,870,642)	11.9%
Total assets	**93,694,569**	88,586,208	5,108,361	5.8%
Deferred outflows of resources	**1,000,636**	797,532	203,104	25.5%
Total liabilities	**79,965,009**	77,509,175	2,455,834	3.2%
Deferred inflow of resources	**827,531**	444,373	383,158	86.2%
Net Position	**$ 13,902,665**	$ 11,430,192	$ 2,472,473	21.6%

Total current and other assets increased by 5.8% to $93.7 million, mainly due to increases in cash and investments, grants receivable, and unbilled grants receivable consistent with increased project activity.

Due to increased grant reimbursable expenses and increased billing efforts, grants receivable increased by 15.5% to $18.6 million and unbilled grants receivable decreased by 16% to $24.3 million, respectively.

Construction in progress increased by 11.9% to $592.4 million, primarily as a result of increased construction activity on Fairway Drive, Puente Avenue, and San Gabriel Trench; and increased right of way acquisitions activity on the Durfee project. As of June 30, 2016, projects under construction include the Nogales Street, Fairway Drive, Puente Avenue, Fullerton Road, and Durfee Avenue grade separation projects; the San Garbiel Trench; and the Temple Avenue rail diversion project. Projects in the design phase as of June 30, 2016 are the Montebello Corridor Project and the At Grade Crossing Safety Improvement Project.

Total liabilities increased by 3.2% ($2.5 million) to $80.0 million primarily as a result of a $10.9 million increase in unearned revenue which was partially offset by a $7.3 million decrease in accounts payable and accrued expenses.

Unearned revenue increased 212.8% to $16.1 million, mainly due to recognition of revenue for additional Baldwin Avenue project surplus properties now in escrow, betterment funds received in advance for the Fairway Drive project, returned right of way property condemnation deposit for Nogales that will be applied to 2017 grant reimbursable expense.

Condensed Statements of Activities

The following table shows the condensed statements of activities for the years ended June 30, 2016 and 2015.

Total net position increased by $2.5 million or 21.6% for the year ended June 30, 2016. This increase was primarily related to $3.1 million increase in project expenses realted to increased project activity in the current year.

	Years ended June 30		Variance	
	2016	**2015**	Amount	%
Project Expenses				
Direct (Construction)	**$132,103,266**	$128,506,162	$ 3,597,104	2.8%
Indirect expenses charged to operations	**2,025,888**	2,551,424	(525,536)	-20.6%
Total project expenses	**134,129,154**	131,057,586	3,071,568	2.3%
Operating revenues				
Grant reimbursements	**133,732,844**	131,098,676	2,634,168	2.0%
Other operating revenues	**2,763,634**	5,703,121	(2,939,487)	-51.5%
Total revenues	**136,496,478**	136,801,797	(305,319)	-0.2%
Income/(loss) from operations	**2,367,324**	5,744,211	(3,376,887)	-58.8%
Nonoperating income (expense)				
Financing income	**499,752**	430,691	69,061	16.0%
Financing expense	**(394,603)**	(464,451)	69,848	-15.0%
Net financing income (loss)	**105,149**	(33,760)	138,909	-411.5%
Change in net position	**2,472,473**	5,710,451	(3,237,978)	-56.7%
Net position at beginning of year	**11,430,192**	5,719,741	5,710,451	99.8%
Net position at end of year	**$ 13,902,665**	$ 11,430,192	$ 2,472,473	21.6%

Capital Assets

ACE had $24,923 invested in capital assets, net of depreciation, as of June 30, 2016 consisting of leasehold improvements and equipment.

Economic Factors and New Year's Budget

Budgeted expenditures in FY 2017 are down to $132.8 million from what was budgeted in FY 2016, $158.5 million, as construction expenses and right of way budgeted expenses were reduced to reflect the completion of some projects, and the early start of others.

Requests for Information:

These financial statements are designed to provide citizens, taxpayers, customers, and creditors with a general overview of ACE'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 ACE, 4900 Rivergrade Road, Suite A120, Irwindale, CA 91706, or call (626) 962-9292.

	Capital Projects Fund	Adjustments	Government Activities Statement of Net Position
ASSETS			
Current assets			
Cash and investments	$ 43,498,834	$ -	$ 43,498,834
Grants receivable	18,633,901	-	18,633,901
Unbilled grants receivable	24,318,084	-	24,318,084
Notes receivable	300,000	-	300,000
Interest receivable	2,155	-	2,155
Retention receivable	1,821,141	-	1,821,141
Prepaid expenses	280,226	-	280,226
Property held for sale	4,259,269	-	4,259,269
Under-recovery of indirect cost	556,036	-	556,036
Total current assets	93,669,646	-	93,669,646
Noncurrent assets			
Capital assets - Leasehold improvement and equipment	-	24,923	24,923
Construction in progress	-	592,444,003	592,444,003
Less due to member cities and Union Pacific Railroad	-	(592,444,003)	(592,444,003)
Total noncurrent assets	-	24,923	24,923
Total assets	93,669,646	24,923	93,694,569
DEFERRED OUTFLOWS OF RESOURCES			
Pension contribution	-	421,250	421,250
Net difference between actual and plan's proportionate share of aggregate employer contribution	-	579,386	579,386
Total deferred outflows of resources	-	1,000,636	1,000,636
LIABILITIES			
Liabilities			
Accounts payable and accrued expense	16,565,784	-	16,565,784
Accrued retention payable	1,304,267	-	1,304,267
Unearned revenue	16,053,098	-	16,053,098
Compensated absences	207,282	-	207,282
Metro note payable	45,000,000	-	45,000,000
Net pension liability	-	834,578	834,578
Total liabilities	79,130,431	834,578	79,965,009
DEFERRED INFLOWS OF RESOURCES			
Net difference between projected and actual earnings on pension plan investments	-	575,525	575,525
Changes in assumption	-	187,803	187,803
Differences between the employer's contribution and the employer's proportionate share of contributions		64,203	64,203
Total deferred outflows of resources	-	827,531	827,531
FUND BALANCES/NET POSITION			
Fund balance			
Nonspendable for:			
Prepaid expenses	280,226		
Assigned:			
Pension unfunded accrued liability	835,047		
Capital projects	13,423,942		
Total fund balance	$ 14,539,215		
Net position			
Net investment in capital assets		24,923	24,923
Unrestricted		(661,473)	13,877,742
Total net postion		$ (636,550)	$ 13,902,665

Project Expenses		Capital Projects Fund		Adjustments		Statement of Activities
Direct (Construction)	$	132,126,961	$	(23,695)	$	132,103,266
Indirect expenses charged to operations		2,025,806		82		2,025,888
Total project expenses		134,152,767		(23,613)		134,129,154
Operating revenues						
Grant reimbursements		133,732,844		-		133,732,844
Other operating revenues		2,763,634		-		2,763,634
Total revenues		136,496,478		-		136,496,478
Income from operations		2,343,711		23,613		2,367,324
Nonoperating income (expense)						
Financing income		499,752		-		499,752
Financing expense		(394,603)		-		(394,603)
Net nonoperating income (expense)		105,149		-		105,149
Excess of revenues over expenditures/Change in net position		2,448,860		23,613		2,472,473
Fund balance/Net Position at beginning of year		11,430,192		-		11,430,192
Fund balance/Net Position at end of year	$	13,879,052	$	23,613	$	13,902,665

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity
The Alameda Corridor - East Construction Authority (ACE) is a component unit of the San Gabriel Valley Council of Governments (SGVCOG).

SGVCOG created ACE in 1998. ACE is a single purpose construction authority established to implement a construction program intended to mitigate the adverse impacts at rail-roadway crossings in the San Gabriel Valley of increasing rail traffic along the nationally significant Alameda Corridor East Trade Corridor. The ACE Project is a comprehensive program of constructing grade separations, where the road goes over or under the railroad, and safety and mobility upgrades at fifty-two crossings in the San Gabriel Valley.

Basis of Accounting
Authority-wide financial statements are reported using the full accrual basis of accounting. The statement of activities presents changes in net position (This is equivalent to a statement of income and statement of changes in equity in for-profit entities). Revenues are recorded when earned and expenses are recognized at the time of the causal event.

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Expenditures are generally recorded when a liability is incurred.

ACE recognizes grant revenues to the extent reimbursable obligations are earned on or before June 30, 2016, and are therefore the same under both modified accrual and full accrual basis.

Description of Funds
ACE 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
The Capital Projects Fund accounts for the activity of obtaining support from governmental groups, determining funding and specifications for structures needed and to fund the contracts for the grade crossing improvements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Reporting

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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 unless the proceeds are restricted, committed or assigned.

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.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Directors ("Board"), ACE's highest level of decision-making authority. The Board 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 removes or changes the specific use through the same type of formal action taken to establish the commitment. ACE does not have any fund balance that meets this classification as of June 30, 2016.

Assigned fund balance consists of funds that are set aside for specific purposes by ACE's Board 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 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 delegates the authority to assign fund balance to the Chief Executive Officer for purposes of reporting in the annual financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACE 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 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 to reduce the committed amounts first, followed by assigned amounts, and then unassigned amounts.

Budgetary Reporting

It is ACE'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 are 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 are considered cash equivalents.

Grant Revenues and Expenditures

All grant agreements are between the SGVCOG and the granting authorities. ACE has been given authority to obtain and administer funding in the name of SGVCOG. The Los Angeles County Metropolitan Transportation Authority (METRO) grant was in existence when ACE was created and all subsequent grants therefore are administered by ACE.

HIstorically, all grants with the exception of the Union Pacific Railroad (UPRR) contributions are, and are anticipated to be in the future, cost reimbursable. That is, ACE must first incur the expenditure and then bill for reimbursement from the grantors.

Captail assets - Leasehold Improvements and Equipment

Equipment and other improvements that can be capitalized in the authority-wide financial statements are recorded as expenditures in the Capital Projects Fund. The threshold for capitalization is $5,000 in accordance with federal guidelines. On the authority- wide financial statements, such items that meet the capitalization threshold are recorded as capital assets and are depreciated based upon their estimated useful lives on a straight-line basis. Useful lives of capital assets categories are as follows:

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasehold Improvements and Equipment (Continued)

Under GASB Statement No. 34, construction in progress is prepared on the statement of net position as an asset. Therefore, construction costs would normally be capitalized and excluded from the statement of activities. However, the grant reimbursements generated by construction would be included in the statement of activities as program revenue. ACE is obligated to transfer components of completed projects to the UPRR and the member 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 position and fund balances depending on whether ACE was constructing (surplus) or transferring assets to member cities (deficit). Therefore, ACE elected to treat construction in progress as a matching asset and liability. This shows the total cost of ACE's projects and the resulting liability to transfer the assets upon completion while not unduly impacting the statement of activities.

Pension

ACE adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the year ended June 30, 2015. For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of ACE's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

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 revenues 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. At June 30, 2016, property held for resale was $4,259,269.

NOTE 2 CAPITAL ASSETS

Capital assets are recorded at cost and consist of the following:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Cost:				
Leasehold Improvements	$ 19,762	$ -	$ -	$ 19,762
Computer Equipment:				
Hardware	201,679	12,462	-	214,141
Software	114,483	-	-	114,483
Website	3,393	-	-	3,393
Telephone Equipment	12,086	-	-	12,086
Office Furniture	31,972	-	-	31,972
Total cost	383,375	12,462	-	395,837
Less accumulated depreciation for:				
Leasehold Improvements	19,762	-	-	19,762
Computer Equipment:				
Hardware	180,794	10,622	-	191,416
Software	110,527	1,758	-	112,285
Website	3,393	-	-	3,393
Telephone Equipment	12,086	-	-	12,086
Office Furniture	31,972	-	-	31,972
Total accumulated depreciation	358,534	12,380	-	370,914
Capital assets, net	$ 24,841	$ 82	$ -	$ 24,923

Depreciation expense included in indirect expenses for the year ended June 30, 2016 amounted to $12,380.

NOTE 3 CASH AND INVESTMENTS

Cash and investments at June 30, 2016 consist of the following:

Cash in bank	$ 667,252
Pooled funds	1,583,187
Money market funds	20,463,613
Investments	20,784,781
Total cash and cash equivalents	$ 43,498,833

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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

The table below identifies the investment types that are authorized for ACE by the California Government Code ("Code") or ACE's investment policy ("Policy"), which is more restrictive. The table also identifies certain provisions of the Code (or the Policy) 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 ACE, rather than the general provisions of the Code or the Policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Notes	5 years	100%	None
Treasury Notes of the State of California	5 years	25%	None
Indebtness of Any Local Agency within CA	5 years	25%	None
U.S. Government Agencies	5 years	50%	15%
Banker's Acceptances	180 days	40%	10%
Commercial Paper	270 days	10%	10%
Negotiable Certificates of Deposit	5 years	30%	10%
Repurchase Agreements	90 days	20%	None
Medium-Term Notes	5 years	30%	10%
Shares of Beneficial Interest Issued by Diversified Companies Registered with the SEC	None	20%	10%
State of CA Local Agency Investment Fund (LAIF)	None	None	None
Mortgage-backed Securities	5 years	15%	None

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees is governed by provisions of the debt agreements, rather than the general provisions of the Code or the 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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed in	Maximum Investment One Issuer
U.S Government Agencies	5 years	33%	15%
Medium-term Notes (Corporate Bonds)	5 years	27%	10%
Mortgage-backed Securities	5 years	13%	None
Certificate of Deposits	5 years	8%	10%
Money Market Funds	None	8%	None
State of CA Local Agency Investment Fund (LAIF)	None	7%	None
Municipals	None	4%	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 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's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of ACE's investments by maturity:

		Remaining Maturity (in Months)			
Investment Type	Total	12 Months Or Less	13 to 24 Months	25-60 Months	More Than 60 Months
LAIF	$ 1,583,187	$ 1,507,194	$ 45,912	$ 30,081	$ -
Money Market Funds	20,463,613	20,463,613	-	-	-
Federated Prime Obligations	1,800,442	1,800,442	-	-	-
Government Agencies	7,324,558	-	-	7,324,558	-
Certificates of Deposit	1,882,762	1,882,762	-	-	-
Corporate Bonds	6,008,905	-	-	6,008,905	-
Government Mortgages	2,787,203	-	-	2,787,203	-
Municipals Obligations	911,657	-	-	911,657	-
Total	$ 42,762,327	$ 25,654,011	$ 45,912	$ 17,062,404	$ -

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations
ACE has no investments (including investments held by bond 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 Code, the Policy, or debt agreements, and the actual rating at the end of the year for each investment type.

Investment Type	Total	Minimum Legal Rating	Rating as of June 30, 2016 AAA	AA	A	Not Rated
LAIF	$ 1,583,187	N/A	$ -	$ -	$ -	$ 1,583,187
Money Market Funds	20,463,613	A	20,463,613	-	-	-
Federated Prime Obligations	1,800,442	N/A	-	-	-	1,800,442
Government Agencies	7,324,558	A	-	7,324,558	-	-
Certificates of Deposit	1,882,762	N/A	-	-	-	1,882,762
Corporate Bonds	6,008,905	A	-	-	6,008,905	-
Government Mortgages	2,787,203	A	-	2,787,203	-	-
Municipals Obligations	911,657	A	268,419	643,238	-	-
Total	$ 42,762,327		$ 20,732,032	$ 10,754,999	$ 6,008,905	$ 5,266,391

Concentration of Credit Risk
ACE's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Code. As of June 30, 2016, ACE 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 ACE's total investments other than funds held by the trustees.

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)

Custodial Credit Risk (Continued)
The Code and the 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 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, 2016, ACE's deposit of $43,498,834 with financial institutions is in excess of federal depository insurance limits but are held in collateralized accounts.

As of June 30, 2016, the following investment types were held by the same broker-dealer (counterparty) that was used by ACE to buy the securities:

Investment Type	Reported Amount
Money Market Funds	$ 20,463,613

Investments in State Investment Pool
ACE is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the Code under the oversight of the Treasurer of the State of California. At June 30, 2016, the total fair value of LAIF, including accrued interest was approximately $75.497 billion. The fair value of ACE's investment in this pool is $1,584,171 at June 30, 2016 based upon ACE'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's) exposure to risk (credit, market or legal) is not currently available.

NOTE 4 METRO PROMISSORY NOTE PAYABLE

In June 2013, ACE entered into a promissory note to borrow up to $45,000,000, in variable rate, from the Metro to be used as working capital. The note payable balance outstanding at June 30, 2016 amounted to $45,000,000. Interest rates vary according to market conditions and have ranged from 0.6288% to 0.6840%. Proceeds from the note payable have been used to pay for construction activities. Because this is a revolving construction fund provided by Metro to facilitate the payment to the project contractors of ACE, this note payable is not considered to be long-term debt.

NOTE 4 METRO PROMISSORY NOTE PAYABLE (CONTINUED)

The principal amount of the loan is to be used as working capital pursuant to the terms of the *Alameda Corridor East Phase II Grade Separations Master Funding Agreement* ("Master Agreement"), dated June 14, 2013. Except as otherwise provided in the Master Agreement and the promissory note, including, but not limited to, Metro's right to set off against the Measure R and/or Proposition C funds reimbursement due borrower, the entire unpaid balance of the working capital loan, all accrued and outstanding CP costs and any fees are unsecured and due on September 9, 2023, ten years after the first drawdown date. Because this is a revolving construction fund provided by Metro to facilitate the payment to the project contractors of ACE, this loan is not considered as a long-term debt.

NOTE 5 GRANTS RECEIVABLE PROJECTS

During the year ended June 30, 2016, ACE was the recipient, primarily from the U.S. Department of Transportation through California Department of Transportation (CalTRANS), of cost reimbursement type grants. Local matching share funds are also received from Metro. 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 certain costs incurred may be subject to disallowance. Grants receivable and unbilled grants receivable at June 30, 2016 are shown net of disallowed costs. CalTRANS approved, under Uniform Guidance section 2 CFR 200.516, an indirect overhead allocation formula of 84.3% of total direct salaries and fringe benefit costs. Indirect costs incurred charged to grants for the year ended June 30, 2016 were $1,615,432.

NOTE 6 EMPLOYEE BENEFIT PLANS

A. General Information about the Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in ACE's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and ACE resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

NOTE 6 EMPLOYEE BENEFIT PLAN (CONTINUED)

Classic participants (defined as eligible participants prior to January 1, 2013) are required to contribute 7% of their annual covered salary. New participants (defined as eligible employees brought into CalPERS membership for the first time on or after January 1, 2013 PEPRA) contribute at least half the normal cost rate as determined by CalPERS. ACE contributes the remaining amounts necessary to fund the benefits for its employees, using the actuarial basis adopted by the CalPERS Board of Administration.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous Plan	
	Classic	PEPRA
Hire date	Prior to Jan. 1, 2013	On or after Jan. 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.25%
Required employer contribution rates	11.032%	6.25%

NOTE 6 EMPLOYEE BENEFIT PLAN (CONTINUED)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. ACE is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous Plan	
	Classic	PEPRA
Contributions - employer	$ 306,775	$ 11,765

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2016, ACE reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

Miscellaneous (Classic)	$ 835,047
Miscellaneous (PEPRA)	(469)
Total Net Pension Liability	$ 834,578

ACE's net pension liability (asset) for each Plan is measured as the proportionate share of the net pension liability (asset). The net pension liability (asset) of each Plan is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. ACE's proportion of the net pension liability was based on a projection of the ACE's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, which is actuarially determined.

NOTE 6 EMPLOYEE BENEFIT PLAN (CONTINUED)

Effective for measurement period 2015, CalPERS provides the GASB Statement No. 68 Accounting Valuation Report for the miscellaneous risk pool and allocation methodology to be used by participants in the risk pool. The schedules of employer allocation include three ratios. It includes allocation for the Total Pension Liability, Plan Fiduciary Net Position and all other pension amounts (e.g. deferred outflows/inflows of resources and pension expense). The Total Pension Liability is allocated based on the Actuarial Accrued Liability from the most recent Actuarial Valuation Report as of June 30, 2014 used for funding purposes. The Plan Fiduciary Net Position is allocated based on the sum of the Plan's Market Value of Assets from the most recent Actuarial Valuation as of June 30, 2014 used for funding purposes plus supplemental payments made by employers during the current measurement period to reduce their unfunded actuarial accrued liabilities. All other pension amounts (deferred outflows/inflows of resources and pension expense) are allocated based on the legally or statutorily required employer contributions for the fiscal year ended June 30, 2015, including reported contribution adjustments and suspended payroll information.

ACE's proportionate share for pension items as provided by CalPERS are as follows:

	2016 Miscellaneous Plan	
	Classic	PEPRA
Total pension liability	0.00049430	0.00000158
Plan fiduciary net position	0.00054212	0.00000215
All other pension amounts (deferred outflows/inflows of resources and pension expense)	0.00104292	0.00004000

At June 30, 2016, ACE reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 6 EMPLOYEE BENEFIT PLAN (CONTINUED)

	2016 Miscellaneous Plan			
	Classic		PEPRA	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 414,398	$ -	$ 6,852	$ -
Differences between actual and expected experience	19,663	-	188	-
Changes in assumption	-	(186,019)	-	(1,784)
Changes in employer's proportion	3,245	-	3,223	-
Differences between the employer's contribution and the employer's proportionate share of contributions	70,502	(63,593)	1,190	(610)
Net differences between projected and actual earnings on pension plan investments	476,802	(570,059)	4,573	(5,466)
Total	$ 984,610	$ (819,671)	$ 16,026	$ (7,860)

	2015 Miscellaneous Plan			
	Classic		PEPRA	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 682,291	$ -	$ 4,164	$ -
Net difference between actual and pension plan's proportionate share of aggregate employer contributions	109,670	-	1,407	-
Ajdustments due to differences in proportions	-	(93,627)	-	(1,875)
Net differences between projected and actual earnings on pension plan investments	-	(348,829)	-	(42)
Total	$ 791,961	$ (442,456)	$ 5,571	$ (1,917)

$421,250 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

NOTE 6 EMPLOYEE BENEFIT PLAN (CONTINUED)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending		Amount
2017	$	(81,655)
2018		(82,767)
2019		(87,219)
Thereafter		-

Actuarial Assumptions
The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	(3)
Post-Retirement Benefit Increase	(4)

(1) Varies by entry age and service
(2) Net of pension plan investment and administrative expenses, including inflation
(3) Derived using CalPERS' Membership Data for all funds
(4) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

NOTE 6 EMPLOYEE BENEFIT PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statement Nos. 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

NOTE 6 EMPLOYEE BENEFIT PLAN (CONTINUED)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10[(a)]	Real Return Years 11+[(b)]
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents ACE's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what ACE's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

NOTE 6 EMPLOYEE BENEFIT PLAN (CONTINUED)

	Miscellaneous Plan	
	Classic	PEPRA
1% Decrease	6.65%	6.65%
Net Pension Liability	$ 1,400,432	$ (787)
Current Discount Rate	7.65%	7.65%
Net Pension Liability	$ 835,047	$ (469)
1% Increase	8.65%	8.65%
Net Pension Liability	$ 368,256	$ (207)

C. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

D. Payable to the Pension Plan

At June 30, 2016, ACE did not have outstanding balance for contributions to the pension plan required for the year ended June 30, 2016.

E. Deferred Compensation Plan

ACE has entered into a salary reduction deferred compensation plan for its employees. 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, 2016, plan assets with a total fair value of $1,235,452 were held by independent trustees. Accordingly, such amounts are not reflected in the accompanying basic financial statements.

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 discussed in Note 5, ACE receives reimbursement type grants from federal, state and local sources. Certain expenditures are 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 the ordinary course of operations, ACE 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’s financial position.

Lease
ACE occupies its office from Metropolitan Life Insurance Company subject to a lease expiring April 30, 2018. The monthly base rent, as defined in the lease agreement, follows:

Period from / to		Monthly Rent		Annual Amount
May 1, 2016 to April 30, 2017	$	20,227	$	242,727
May 1, 2017 to April 30, 2018		20,834		250,009
Total lease commitments			$	492,736

Escrow Agreements for Contract Retention
Pursuant to contracts entered into between ACE and several of its contractors, funds are deposited with an Escrow Agent. The Escrow Agent holds the funds for the benefit of the contractors until the escrow is terminated. The Escrow Agent, contractor or ACE 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 ACE and any accrued interest less escrow fees shall be paid to the contractor. ACE has recognized expenditures related to contract retention payments totaling $13,098,174 for fiscal year ended June 30, 2016. Funds are deposited in several escrow accounts until release to the contractor is authorized.

NOTE 8 CONSTRUCTION IN PROGRESS AND TRANSFER OF COMPLETED PROJECTS

Except for minor acquisitions that may be sold by ACE when no longer needed, all of the construction projects, when completed, will be deeded and transferred to the UPRR and the cities in which they are located at no cost to the acquirer. At June 30, 2016, $1,056,203 of costs was accumulated on projects in process and $463,758,906 had been transferred to UPRR and impacted cities.

Under the modified accrual basis of accounting project expenditures would be reported as expenditures in the year incurred. On the authority-wide financial statements conforming to GASB 34 reporting on these transactions would result in (accumulating such costs as construction in progress (i.e., treated as a cash flow expenditure and not a current year expense). This would substantially overstate income while reporting the disposal and expensing the accumulated costs would distort the cost of operations. In both cases, net position would greatly fluctuate, depending on the timing of construction and transfer of the completed projects.

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 upon project completion. This approach will minimize the effects both the acquisition of property for construction and the accumulation of construction costs and their eventual disposal.

NOTE 9 SUBSEQUENT EVENTS

ACE has evaluated events subsequent to June 30, 2016 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through January 30, 2017, the date the financial statements were available to be issued. Based upon this evaluation, there were no subsequent events occurred that require recognition or additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

		2016	
		Miscellaneous Plan	
		Classic	PEPRA
Proportion of the net pension liability		0.04943%	0.000158%
Proportionate share of the net pension liability	$	835,047	$ (469)
Covered - employee payroll [1]	$	2,769,467	$ 55,122
Proportionate share of the net pension liability as percentage of covered-employee payroll		30.15%	-0.85%
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability		87.61%	108.71%
Plan's proportionate share of aggregate employer contributions [2]	$	393,080	$ 15,076

		2015	
		Miscellaneous Plan	
		Classic	PEPRA
Proportion of the net pension liability		0.01668%	0.00001%
Proportionate share of the net pension liability	$	1,038,037	$ 126
Covered - employee payroll [1]	$	2,764,711	$ 176,748
Proportionate share of the net pension liability as percentage of covered-employee payroll		37.55%	0.07%
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability		83.03%	83.02%
Plan's proportionate share of aggregate employer contributions [2]	$	137,329	$ 88

Notes to Schedule

[1] Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB Statement No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

[2] The plan's proportionate share of aggregate employer contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

* Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

	2016	
	Miscellaneous Plan	
	Classic	PEPRA
Actuarially determined contributions	$ 306,775	$ 11,765
Contributions in relation to the actuarially determined contributions	(306,775)	(11,765)
Contribution deficiency (excess)	$ -	$ -
Covered-Employee Payroll	$ 2,769,467	$ 55,122
Contributions as a percentage of covered-employee payroll	11.08%	21.34%

	2015	
	Miscellaneous Plan	
	Classic	PEPRA
Actuarially determined contributions	$ 286,167	$ 10,141
Contributions in relation to the actuarially determined contributions	(286,167)	(10,141)
Contribution deficiency (excess)	$ -	$ -
Covered-Employee Payroll	$ 2,764,711	$ 176,748
Contributions as a percentage of covered-employee payroll	10.35%	5.74%

Notes to Schedule:

Valuation date	June 30, 2014

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age normal
Amortization method / Period	Level percent of payroll
Remaining amortization period	15 years as of valuation date
Asset valuation method	5 year Smoothed Market
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.50%, net of pension plan investment expense and administrative expenses including inflation.
Retirement age	55 years
Mortality	Derived using CalPERS Membership Data for all funds

* Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

SUPPLEMENTARY INFORMATION

	Budgeted Amounts			Variance
	Original	Amended Final	Actual Amounts	Positive (Negative)
Revenues				
Reimbursements				
Federal grants	$ 20,064,980	$ 20,064,980	$ 10,393,488	$ (9,671,492)
State grants	112,220,688	112,220,688	96,454,462	(15,766,226)
Local grants	51,775,678	51,775,678	26,489,622	(25,286,056)
Betterment - Other	1,116,854	1,116,854	2,748,531	1,631,677
Total revenues	185,178,201	185,178,201	136,086,103	(49,092,097)
Operating expenditures				
Construction				
Design	9,844,425	9,844,425	5,057,021	4,787,404
Right-of-way acquisition	37,252,004	37,252,004	16,936,140	20,315,864
Construction management	11,421,337	11,421,337	16,778,061	(5,356,724)
Construction	123,128,000	123,128,000	91,113,859	32,014,141
Betterments	647,703	647,703	2,241,881	(1,594,178)
Total construction	182,293,469	182,293,469	132,126,962	50,166,507
Indirect				
Personnel				
Salaies and wages	1,445,212	1,445,212	1,487,085	(41,873)
Fringe benefits	768,100	768,100	748,764	19,336
Employee related expenses	36,600	36,600	33,795	2,805
Professional services				
Auditing/accounting	50,000	50,000	40,700	9,300
Legal	25,000	25,000	42,794	(17,794)
Brokerage	65,000	65,000	41,773	23,227
Insurance	102,967	102,967	264,836	(161,869)
Equipment expense	75,478	75,478	111,867	(36,389)
Office rental expense	236,834	236,834	237,047	(213)
Office operations	70,740	70,740	52,164	18,576
Other	8,800	8,800	5,302	3,498
Applied (under) indirect expense	-	-	(1,450,694)	1,450,694
Total indirect	2,884,732	2,884,732	1,615,433	1,269,299
Total operating expenditures	185,178,201	185,178,201	133,742,395	51,435,806
Excess revenues over expenditures	-	-	2,343,708	(100,527,903)
Other financing sources (uses)				
Investment revenue	423,900	423,900	499,752	75,852
Interest and related expenses	(324,000)	(324,000)	(394,600)	(70,600)
Non-project reimbursable funds	340,297	340,297	341,454	1,157
Non-project reimbursable expense	(340,297)	(340,297)	(341,454)	(1,157)
Intercompany revenue	-	-	68,920	68,920
Intercompany expense	-	-	(68,920)	(68,920)
Net other financing sources (uses)	99,900	99,900	105,152	5,252
Change in fund balance	99,900	99,900	2,448,860	(100,522,651)
Fund balance at beginning of year	12,090,355	12,090,355	12,090,355	-
Fund balance at end of year	$ 12,190,255	$ 12,190,255	$ 14,539,215	$ (100,522,651)

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*

The Honorable Members of the Board of Directors
Alameda Corridor – East Construction Authority

We have audited, in accordance with the 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, the financial statements of Alameda Corridor – East Construction Authority (ACE), a component unit of San Gabriel Valley Council of Governments, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise ACE's basic financial statements, and have issued our report thereon dated January 30, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered ACE's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ACE's internal control. Accordingly, we do not express an opinion on the effectiveness of ACE's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ACE's financial statements are free from 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.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vasquez & Company LLP

Los Angeles, California
January 30, 2017

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: ACE Construction Authority Board Members and Alternates

FROM: Mark Christoffels
Chief Executive Officer

DATE: February 27, 2017

SUBJECT: Approval of Closeout of Construction Contract with Griffith Company and Acceptance of the Nogales Street (L. A. Sub.) Grade Separation Project as Complete

RECOMMENDATION: It is recommended that the Board:

1. Accept the Nogales Street (L. A. Sub.) grade separation construction contract with Griffith Company (Griffith) as being completed in conformance with the project plans and specifications, with final closeout of the construction contract.

2. Approve the final retention payment to Griffith Company, upon completion of the statutory period identified in the California Civil Code, if no claims or objections have been filed, and upon concurrence of the Chief Executive Officer; and

3. Authorize the Contracts Manager to release the Labor and Materials Bond and the Faithful Performance Bond upon expiration of the required lien period, if no claims or objections have been filed, upon concurrence of the Chief Executive Officer.

BACKGROUND: At the December 2012 Board meeting, the Board authorized a contract with Griffith Company for the construction of the Nogales Street (L.A. Sub.) grade separation project in the City of Industry, in the amount of $47,365,888.00. Griffith was given full notice to proceed on May 13, 2013.

The Nogales Street (L.A. Sub.) grade separation was opened to traffic on June 17, 2016. All work described in the project plans and specifications for this project was completed in January of 2017, after the demolition of the Charlie Road Detour and restoration of Railroad Street, and completion of all final testing for the pump station.

The project employed 848 local workers, 88 of which were San Gabriel Valley residents, or about 10% of the total.

There was a total of 59 subcontractors. Four contractors have offices in the San Gabriel Valley or about 7% of the total.

Griffith met the Disadvantaged Business Enterprise (DBE) Program goal established under this contract:

DBE Contract Goal: 11%
Griffith's DBE Goal Attainment: 11%

ACE staff and the City of Industry as well as Los Angeles County Department of Public Works have accepted all construction work. The major components of the grade separation includes construction of a double track railroad, retaining walls, widening of Walnut Drive and Gale Avenue, curb/gutter, sidewalks, new traffic signal installation and landscaping, and reconfiguration of the Ranch 99 Market parking lot and access road.

Operation and maintenance of the project has been transferred to participating agencies, as follows:

- City of Industry: streets, street lighting, sidewalks, irrigation, landscaping and sewer lines
- Los Angeles County Sanitation District: sewer line
- Los Angeles County Department of Public Works: storm drain, bridge abutments
- Union Pacific Railroad: mainline track and railroad bridge
- Various companies and agencies: water, gas, electrical and communications lines

This project was completed within the contingency authority provided to the Chief Executive Officer by ACE's Administrative code. The final construction contract amounts are as follows:

Original Contract Value	$47,365,888.00
Change Orders (11)[i]	$3,978,357.63
Final Contract Value	$51,344,245.63
Change Order Percentage	8.4%

Staff requests that the Board approve final contract closeout and accept the Nogales Street (L.A. Sub.) grade separation project as completed.

BUDGET IMPACT: The project was completed within the approved budget.

[i] Subject to execution of Change Order Nos. 10 and 11.

MEMO TO: ACE Construction Authority Board Members and Alternates

FROM: Mark Christoffels
Chief Executive Officer

DATE: February 27, 2017

SUBJECT: Approval of Task Order Amendment for Right-of-Way Services with Paragon Partners on Durfee Avenue Grade Separation Project

RECOMMENDATION: Staff recommends that the Board authorize the Chief Executive Officer to increase the FY 2017 Annual Task Order with Paragon Partners Ltd. (Paragon) in an amount not-to-exceed $317,798 for right-of-way services for a total FY 2017 task order authorization of $1,853,001.

BACKGROUND: In June 2016, the Board authorized an annual task order to Paragon for the Fiscal Year 2016-17 in the amount of $1,432,050, of which $649,746 was allocated to the Durfee project to perform right-of-way/property acquisition and property management services.

The Durfee project has 23 parcels, which require either full or partial acquisitions, and numerous easements within each parcel. Of the 23 parcels, ACE has obtained possession for 13 parcels, with 10 parcels outstanding. Several issues related to property acquisition and relocation assistance have come up that require additional level of effort under Paragon's annual task order that was not anticipated when the original task order was approved in June of 2016.

Some property acquisitions have become more labor intensive due to legal proceedings, as property owners have hired their own eminent domain legal counsel and contested the acquisitions. Many of the acquisitions are high value commercial properties, resulting in protracted negotiations, in some cases, well over a year. Related to this, Paragon staff have had to support ACE's legal counsel regarding the legal proceedings of these acquisitions.

For displaced businesses, ACE is required by law to provide relocation assistance. Paragon acts as an agent for ACE on the required relocations. Many of the business being relocated are unique and have required more effort than normal. These include relocating a roll-off dumpster business, an art studio/warehouse, a tailor shop and sign company. The space needed for the aforementioned businesses in not easily found. Assistance with evaluating potential locations for relocation was requested on a number of occasions by displaced business owners.

Close of escrow and/or final adjudication of the 23 parcels is estimated to be completed by July 2017 and it is the staff's intent to go out for bid for construction for the Durfee project in August 2017.

To complete these acquisitions and maintain the project schedules, staff is recommending that the contract authority for Paragon be increased by $317,798 to cover costs that will be incurred through the end of the current fiscal year to complete the required acquisitions and associated relocation efforts.

BUDGET IMPACT: Funds for these additional right-of-way/property acquisition and property management services are currently available in the budgeted Federal, state and local funds.

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: ACE Construction Authority Board Members & Alternates

FROM: Mark Christoffels
Chief Executive Officer

DATE: February 27, 2017

SUBJECT: Approval of Advance Acquisition of Property at Maple Avenue for the Montebello Boulevard Grade Separation Project
Owner: Carmen Ybarra
ACE Parcel No. 209D
APN: 6350-014-004
Address: 418 S. Maple Avenue, Montebello, CA 90640

RECOMMENDATION: Authorize staff to make an offer, negotiate, and acquire a residential parcel owned by Mrs. Carmen Ybarra for the Montebello Corridor Grade Separation Project in advance of the Board approval of the 35% design plans and California Environmental Quality Act (CEQA) approval.

BACKGROUND: Inclusion of the Montebello Corridor Grade Separation Project in ACE's Program was approved by the Board on March 16, 2015. On July 25, 2016, the Board approved a change to the Project to construct a Pedestrian Overhead Structure at Maple Avenue in lieu of a roadway underpass. The 35% design of the Project has begun, plans for which are anticipated to be completed in September of this year. California Environmental Quality Act (CEQA) compliance is also anticipated to be completed by September of this year.

In all viable concepts prepared for the Pedestrian Overhead Structure, acquisition of one or more private properties north of the rail right-of-way is required to accommodate the structure's access ramps. The preferred option requires the acquisition of 418 S. Maple Avenue. ACE staff have met with the property owner to explain the Corridor Project and the owner has expressed interest in a voluntary sale of the property. The owner has requested unique features be included in the sale agreement, such as an extended possession of the property by the owner until required for construction, and these requests will be considered in our offer and during the negotiation process. This early acquisition of the property through voluntary sale would allow ACE to preserve right-of-way required for the preferred concept. Under ACE's adopted property acquisition guidelines, if a negotiated purchase can be negotiated within 125% of the appraised value, staff can conclude the purchase. A negotiated price over the 125% of appraised value must be approved by the Board.

BUDGET IMPACT: Funding for this acquisition is available from Measure R funds.

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: ACE Board Members & Alternates

FROM: Mark Christoffels
Chief Executive Officer

DATE: February 27, 2016

SUBJECT: Approval of Employee Voluntary Leave Transfer Program

RECOMMENDATION: Approve of a Voluntary Leave Transfer Program for employees to assist co-workers with unforeseen personal, family or medical emergencies who have exhausted paid leave.

BACKGROUND: The ACE employee benefits currently include earning separate accumulations of vacation and sick leave at the following levels:

Vacation

- 1-4 years of service – 3 weeks
- 5-9 years of service – 4 weeks
- 10 years of service – 5 weeks

Sick Leave

- Full time employees - 80 hours per year
- Part time employees – 1 hour per 30 hours worked

As with most agencies, there are employees who are fortunate enough to not have the need to use sick time while there are others, most often those with children who require more regular use of sick leave. The employees have asked to develop an additional voluntary leave transfer program which would allow staff with significant sick leave balances to donate leave hours to those employees with unforeseen personal, family or medical emergencies.

Although other leave programs are also available such as short and long term disability, this would be allow employees to voluntarily provide assistance to co-workers as a goodwill gesture.

Under the Voluntary Leave Transfer Program (VLTP), a covered employee may donate a portion of his/her accumulated leave *directly* to another employee who has a personal or family medical emergency and who has exhausted his or her available paid leave. The Human Resources department will administer the strictly voluntary program. There will be an 80 hour limit on the amount of donated leave a leave recipient may receive from the leave donor(s). However, the donor should be prepared to maintain at least 80 hours of sick leave after leave hours are donated. In addition, any unused donated leave must be returned to the leave donor(s) when the medical emergency ends.

If the ACE Board approves this policy this benefit will be incorporated into the Employee Policies Manual.

BUDGET IMPACT: Funds for employee benefits are included in approved annual budgets.