

**REVISED** AGENDA AND NOTICE OF THE REGULAR MEETING OF THE  
SAN GABRIEL VALLEY COUNCIL OF GOVERNMENTS GOVERNING BOARD  
**MARCH 16, 2017 - 6:00 P.M.**

**Upper San Gabriel Valley Municipal Water District Office  
602 E. Huntington Drive, Suite B, Monrovia, California 91016**

**SGVCOG Officers**

President  
**Gene Murabito**

1<sup>st</sup> Vice President  
**Kevin Stapleton**

2<sup>nd</sup> Vice President  
**Cynthia Sternquist**

3<sup>rd</sup> Vice President  
**Margaret Clark**

**Members**

*Alhambra*

*Arcadia*

*Azusa*

*Baldwin Park*

*Bradbury*

*Claremont*

*Covina*

*Diamond Bar*

*Duarte*

*El Monte*

*Glendora*

*Industry*

*Irwindale*

*La Cañada Flintridge*

*La Puente*

*La Verne*

*Monrovia*

*Montebello*

*Monterey Park*

*Pasadena*

*Pomona*

*Rosemead*

*San Dimas*

*San Gabriel*

*San Marino*

*Sierra Madre*

*South El Monte*

*South Pasadena*

*Temple City*

*Walnut*

*West Covina*

*First District, LA County  
Unincorporated Communities*

*Fourth District, LA County  
Unincorporated Communities*

*Fifth District, LA County  
Unincorporated Communities*

*SGV Water Districts*

Thank you for participating in tonight's meeting. The Governing Board encourages public participation and invites you to share your views on agenda items.

**MEETINGS:** *Regular Meetings of the Governing Board are held on the third Thursday of each month at 6:00 PM at the Upper San Gabriel Valley Municipal Water District Office (602 E. Huntington Drive, Suite B, Monrovia, California 91016).* The Governing Board agenda packet is available at the San Gabriel Valley Council of Government's (SGVCOG) Office, 1000 South Fremont Avenue, Suite 10210, Alhambra, CA, and on the website, [www.sgvkog.org](http://www.sgvkog.org). Copies are available via email upon request ([sgv@sgvcog.org](mailto:sgv@sgvcog.org)). Documents distributed to a majority of the Board after the posting will be available for review in the SGVCOG office and on the SGVCOG website. Your attendance at this public meeting may result in the recording of your voice.

**CITIZEN PARTICIPATION:** Your participation is welcomed and invited at all Governing Board meetings. Time is reserved at each regular meeting for those who wish to address the Board. SGVCOG requests that persons addressing the meeting refrain from making personal, slanderous, profane or disruptive remarks.

**TO ADDRESS THE GOVERNING BOARD:** At a regular meeting, the public may comment on any matter within the jurisdiction of the Board during the public comment period and may also comment on any agenda item at the time it is discussed. At a special meeting, the public may only comment on items that are on the agenda. Members of the public wishing to speak are asked to complete a comment card or simply rise to be recognized when the Chair asks for public comments to speak. We ask that members of the public state their name for the record and keep their remarks brief. There is a three minute limit on all public comments. Proxies are not permitted and individuals may not cede their comment time to other members of the public. **The Governing Board may not discuss or vote on items not on the agenda.**

**AGENDA ITEMS:** The Agenda contains the regular order of business of the Governing Board. Items on the Agenda have generally been reviewed and investigated by the staff in advance of the meeting so that the Governing Board can be fully informed about a matter before making its decision.

**CONSENT CALENDAR:** Items listed on the Consent Calendar are considered to be routine and will be acted upon by one motion. There will be no separate discussion on these items unless a Board member or citizen so requests. In this event, the item will be removed from the Consent Calendar and considered after the Consent Calendar. If you would like an item on the Consent Calendar discussed, simply tell Staff or a member of the Governing Board.

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



**PRELIMINARY BUSINESS**

**5 MINUTES**

1. Call to Order
2. Pledge of Allegiance
3. Roll Call
4. Public Comment (*If necessary, the President may place reasonable time limits on all comments*)
5. Changes to Agenda Order: Identify emergency items arising after agenda posting and requiring action prior to next regular meeting

**CONSENT CALENDAR**

**10 MINUTES**

*(It is anticipated that the SGVCOG Governing Board may take action on the following matters)*

6. Governing Board Meeting Minutes  
*Recommended Action: Adopt Governing Board minutes.*
7. Monthly Cash Disbursements/Balances/Transfers  
*Recommended Action: Approve Monthly Cash Disbursements/Balances/Transfers.*
8. ACE Board of Directors Minutes  
*Recommended Action: Receive and file.*
9. ACE Monthly Report  
*Recommended Action: Receive and file.*
10. Committee Attendance  
*Recommended Action: Receive and file.*
11. Treasurers' Report  
*Recommended Action: Receive and File*

**ACTION ITEMS**

**30 MINUTES**

*(It is anticipated that the SGVCOG Governing Board may take action on the following matters)*

12. FY 2015-16 Financial Audit  
*Recommended Action: Receive and file.*
13. FY 2017-18 Strategic Plan Update  
*Recommended Action: Adopt Resolution 17-04 updating the SGVCOG Strategic Plan for FY 2017-18.*
14. Measure M Guiding Principles  
*Recommended Actions: Adopt Resolution 17-05 approving Measure M Guiding Principles.*
- 14a. SB 589 (Hernandez)  
*Recommended Actions: Adopt Resolution 17-06 supporting SB 589 (Hernandez).*

**PRESIDENT'S REPORT**

**5 MINUTES**

*(It is anticipated that the SGVCOG Governing Board may take action on the following matters)*

15. Oral Report  
*Recommended Action: For information.*

**EXECUTIVE DIRECTOR'S REPORT**

**5 MINUTES**

*(It is anticipated that the SGVCOG Governing Board may take action on the following matters)*

16. Oral Report  
*Recommended Action: For information.*

17. Transportation Planner/ Program Manager Position  
*Recommended Action: For information*

**GENERAL COUNSEL'S REPORT**

*(It is anticipated that the SGVCOG Governing Board may take action on the following matters)*

18. SGVCOG Bylaws  
*Recommended Actions: Review and approve for first reading proposed revision to SGVCOGv bylaws regarding Executive Committee membership. .*

**COMMITTEE REPORTS**

**10 MINUTES**

**Transportation Committee**  
**Homelessness Committee**  
**Energy, Environment and Natural Resources Committee**  
**Water Committee**  
**Ad Hoc Legislative Committee**  
**Ad Hoc ACE/Large Capital Projects Committee**

**PROJECT REPORTS**

**10 MINUTES**

**The ACE Project**  
**San Gabriel Valley Energy Wise Partnership**

**LIAISON REPORTS**

**10 MINUTES**

**Gold Line Foothill Extension Construction Authority**  
**San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy**  
**Southern California Association of Governments**  
**League of California Cities**  
**San Gabriel Valley Economic Partnership**  
**South Coast Air Quality Management District**

**BOARD MEMBER ITEMS**

**ANNOUNCEMENTS**

**ADJOURN**





**SGVCOG Governing Board Unapproved Minutes**

Date: February 16, 2017

Time: 6:00 PM

Location: USGVMWD (602 E. Huntington Drive, Monrovia)

**PRELIMINARY BUSINESS**

1. Call to Order

President Gene Murabito called the meeting to order at 6:05 p.m.

2. Pledge of Allegiance

Senator Huff led the pledge of allegiance.

3. Roll Call

**A quorum was in attendance.**

**Governing Board Members Present**

Alhambra	David Mejia
Arcadia	Sho Tay
Claremont	Sam Pedroza/J. Lyons
Covina	Kevin Stapleton
Diamond Bar	Nancy Lyons/C. Herrera
Duarte	John Fasana
El Monte	Jerry Velasco
Glendora	Gene Murabito
Monrovia	Becky Shevlin
Montebello	Jack Hadjinian
Pomona	Tim Sandoval
Rosemead	Margaret Clark
San Dimas	Denis Bertone
Sierra Madre	John Capoccia
South El Monte	Joseph Gonzales
South Pasadena	Diana Mahmud
Temple City	Cynthia Sternquist
West Covina	James Toma
LA County District 1	Rachel Barbosa
LA County District 5	Debra Mendelsohn
San Gabriel Water Districts	Anthony Fellow/T.Wong

**Absent**

Azusa  
 Baldwin Park  
 Bradbury  
 Industry  
 Irwindale  
 La Canada Flintridge  
 La Puente  
 La Verne  
 Monterey Park  
 Pasadena  
 San Marino  
 San Gabriel  
 Walnut  
 LA County District 4

**SGVCOG Staff**

Phil Hawkey, Executive Director  
 Marisa Creter, Assistant Executive Director  
 Dick Jones, General Counsel  
 Christian Cruz, Staff  
 Stefanie Hernandez, Staff  
 Eric Wolf, Staff

4. Public Comment

No public comment

5. Changes to Agenda Order

Item 7 was moved before item 6.

Item 8 was pulled from the consent calendar.

**PRESENTATIONS**

- 6. Recognition of Former Elected Officials that had a Significant Impact on the SGVCOG  
G. Murabito presented a recognition plaque to Senator Bob Huff.
- 7. San Gabriel Valley Economic Partnership Power Site  
J. Allred (SGVEP) presented an overview of this website.

**CONSENT CALENDAR**

- 9. Monthly Cash Disbursements/Balances/Transfers  
*Recommended Action: Approve Monthly Cash Disbursements/Balances/Transfers.*
- 10. ACE Board of Directors Minutes  
*Recommended Action: Receive and file.*
- 11. ACE Monthly Report  
*Recommended Action: Receive and file.*
- 12. Committee Attendance  
*Recommended Action: Receive and file.*
- 13. Committee Appointments  
*Recommended Action: Appoint the City of West Covina to the EENR Committee.*
- 14. Approval of Amendment to ACE’s Adopted Fiscal Year 2016-17 Budget  
*Recommendation Action: Amend ACE’s approved Fiscal Year 2016-17 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.*
- 15. Comment Letter on Statewide Housing Assessment 2025  
*Recommendation Action: Direct staff to submit a comment letter on the Statewide Housing Assessment 2025.*
- 16. Appointment to the State Water Resources Control Board (SWRCB)  
*Recommendation Action: Direct staff to submit a letter of support for the nomination of the Irma Munoz (Chair- Los Angeles Regional Water Quality Control Board) to serve on the SWRCB.*
- 17. Appointments to the County of Los Angeles Measure H Revenue Planning Process (Process) Group  
*Recommendation Action: Appoint Joe Lyons (Claremont) and Linda Lowry (Pomona) to represent the SGVCOG on the Measure H Process Group.*

**There was a motion to approve consent calendar items 9-16 (M/S: K. Stapleton/J. Velasco).**

**[Motion Passed]**

<b>AYES:</b>	Alhambra, Arcadia, Claremont, Covina, Diamond Bar, Duarte, El Monte, Glendora, Monrovia, Montebello, Pomona, Rosemead, San Dimas, Sierra Madre, South El Monte, South Pasadena, Temple City, West Covina, LA County District 1, LA County District 5, San Gabriel Water Districts
<b>NOES:</b>	
<b>ABSTAIN:</b>	
<b>ABSENT:</b>	Azusa, Baldwin Park, Bradbury, Industry, Irwindale, La Canada Flintridge, La Puente, La Verne, Monterey Park, Pasadena, San Marino, San Gabriel, Walnut, LA County District 4

- 8. Governing Board Meeting Minutes  
J. Fasana and M. Clark provided corrections to Item 7 (Governing Board minutes).  
**There was a motion to approve consent calendar items 8 (M/S: J. Lyons/D. Mahmud).**

**[Motion Passed]**

<b>AYES:</b>	Alhambra, Arcadia, Claremont, Covina, Diamond Bar, Duarte, El Monte, Glendora,
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	Monrovia, Montebello, Pomona, Rosemead, San Dimas, Sierra Madre, South El Monte, South Pasadena, Temple City, West Covina, LA County District 1, LA County District 5, San Gabriel Water Districts
<b>NOES:</b>	
<b>ABSTAIN:</b>	
<b>ABSENT:</b>	Azusa, Baldwin Park, Bradbury, Industry, Irwindale, La Canada Flintridge, La Puente, La Verne, Monterey Park, Pasadena, San Marino, San Gabriel, Walnut, LA County District 4

**ACTION ITEMS**

18. FY 2016-17 2<sup>nd</sup> Quarter Financial Report

**There was a motion to Receive and file FY 2016-17 2nd Quarter Financial Report. (M/S: J.Lyons/D. Mahmud).**

**[Motion Passed]**

<b>AYES:</b>	Alhambra, Arcadia, Claremont, Covina, Diamond Bar, Duarte, El Monte, Glendora, Monrovia, Montebello, Pomona, Rosemead, San Dimas, Sierra Madre, South El Monte, South Pasadena, Temple City, West Covina, LA County District 1, LA County District 5, San Gabriel Water Districts
<b>NOES:</b>	
<b>ABSTAIN:</b>	
<b>ABSENT:</b>	Azusa, Baldwin Park, Bradbury, Industry, Irwindale, La Canada Flintridge, La Puente, La Verne, Monterey Park, Pasadena, San Marino, San Gabriel, Walnut, LA County District 4

19. FY 2016-17 Budget Amendment #2

**There was a motion to Adopt Resolution 17-03 approving Budget Amendment #2 to the FY 2016-17 budget. (M/S: J. Lyons/N. Lyons).**

**[Motion Passed]**

<b>AYES:</b>	Alhambra, Arcadia, Claremont, Covina, Diamond Bar, Duarte, El Monte, Glendora, Monrovia, Montebello, Pomona, Rosemead, San Dimas, Sierra Madre, South El Monte, South Pasadena, Temple City, West Covina, LA County District 1, LA County District 5, San Gabriel Water Districts
<b>NOES:</b>	
<b>ABSTAIN:</b>	
<b>ABSENT:</b>	Azusa, Baldwin Park, Bradbury, Industry, Irwindale, La Canada Flintridge, La Puente, La Verne, Monterey Park, Pasadena, San Marino, San Gabriel, Walnut, LA County District 4

20. Ad Hoc Legislative Committee

**There was a motion to Appoint the following members to the Ad Hoc Legislative Committee: Juli Costanzo (City of San Gabriel), Bob Pacheco (City of Walnut), Ginna Escobar (City of Pomona), Kevin Stapleton (City of Covina), Thomas Wong (SGV Water Districts), Juventino Gomez (City of El Monte) and Chris Freeland (City of West Covina). (M/S: D. Bertone/J. Toma).**

**[Motion Passed]**

<b>AYES:</b>	Alhambra, Arcadia, Claremont, Covina, Diamond Bar, Duarte, El Monte, Glendora, Monrovia, Montebello, Pomona, Rosemead, San Dimas, Sierra Madre, South El Monte, South Pasadena, Temple City, West Covina, LA County District 1, LA County District 5,
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	San Gabriel Water Districts
<b>NOES:</b>	
<b>ABSTAIN:</b>	
<b>ABSENT:</b>	Azusa, Baldwin Park, Bradbury, Industry, Irwindale, La Canada Flintridge, La Puente, La Verne, Monterey Park, Pasadena, San Marino, San Gabriel, Walnut, LA County District 4

21. ACE / Large Capital Projects Ad Hoc Committee Report

**There was a motion to 1) Approve the report of the ACE/Large Capital Projects Ad Hoc Committee; 2) Direct staff to undertake the necessary actions to develop and staff a new Transportation Planner position (i.e. develop near-term funding plan for position, prepare revisions to SGVCOG salary resolution, develop job description, and initiate recruitment), 3) Develop a multi-year plan to integrate ACE, as an ongoing integral part of the SGVCOG, to allow for potential future capacity to construct capital projects in the San Gabriel Valley pending future specific direction from the Governing Board. Report back within six months; 4) Direct ACE and SGVCOG staff to further integrate administrative functions and 5) Consult with legal counsel of ACE and SGVCOG to identify necessary changes to SGVCOG JPA and Bylaws. (M/S: J. Fasana/T. Sandoval).**

[Motion Passed]

<b>AYES:</b>	Alhambra, Arcadia, Claremont, Covina, Diamond Bar, Duarte, El Monte, Glendora, Monrovia, Montebello, Pomona, Rosemead, San Dimas, Sierra Madre, South El Monte, South Pasadena, Temple City, West Covina, LA County District 1, LA County District 5, San Gabriel Water Districts
<b>NOES:</b>	
<b>ABSTAIN:</b>	
<b>ABSENT:</b>	Azusa, Baldwin Park, Bradbury, Industry, Irwindale, La Canada Flintridge, La Puente, La Verne, Monterey Park, Pasadena, San Marino, San Gabriel, Walnut, LA County District 4

22. Los Angeles County Measure H (1/4 Cent Sales Tax for Homeless Services)

B. Steckler (Move LA) spoke in support of Measure H.

P. Ansell (LA County) provided an overview of Measure H and answered questions.

**There was a motion to support Measure H. (M/S: J. Fasana/T. Sandoval).**

[Motion Passed]

<b>AYES:</b>	Azusa, Arcadia, Claremont, Duarte, El Monte, Pomona, South Pasadena, West Covina, LA County District 1, LA County District 5, San Gabriel Water Districts
<b>NOES:</b>	Diamond Bar,
<b>ABSTAIN:</b>	Alhambra, Covina, Glendora, Monrovia, Montebello, Rosemead, San Dimas, Temple City,
<b>ABSENT:</b>	Baldwin Park, Bradbury, Industry, Irwindale, La Canada Flintridge, La Puente, La Verne, Monterey Park, Pasadena, San Marino, Sierra Madre, San Gabriel, South El Monte, Walnut, LA County District 4

**PRESIDENT'S REPORT**

23. Oral Report

G. Murabito reported on Washington D.C trip to discuss transportation and stormwater.

M. Creter reported on the recently announced SCAG Sustainability Grant awards.

**EXECUTIVE DIRECTOR'S REPORT**

24. Oral Report

No report given.

25. Measure M – Next Steps

SGVCOG Governing Board Meeting

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No report given.

26. Los Angeles Community Choice Energy (LACCE) Joint Powers Authority (JPA)

No report given.

## **GENERAL COUNSEL'S REPORT**

No report given.

## **COMMITTEE REPORTS**

### **Transportation Committee**

J. Fasana reported on this item.

### **Homelessness Committee**

J. Lyons reported on this item.

### **Energy, Environment and Natural Resources Committee**

D. Bertone reported on this item.

### **Water Committee**

D. Mahmud reported on this item.

### **ACE / Large Capital Projects Ad Hoc Committee**

No report given.

### **Ad Hoc Legislative Committee**

K. Stapleton reported on this item.

## **PROJECT REPORTS**

### **The ACE Project**

No report given.

### **San Gabriel Valley Energy Wise Partnership**

No report given.

## **LIAISON REPORTS**

### **Gold Line Foothill Extension Construction Authority**

S. Pedroza reported on this item.

### **San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy**

D. Bertone reported on this item.

### **Southern California Association of Government**

J. Cartagena reported on this item.

### **San Gabriel Valley Economic Partnership**

No report given.

### **South Coast Air Quality Management District**

M. Cacciotti reported on this item.

## **BOARD MEMBER ITEMS**

S. Pedroza announced an upcoming Measure H rally in Pasadena.

## **ANNOUNCEMENTS**

## **ADJOURN**

President Gene Murabito adjourned at 8:08 p.m. in memory of Donald Choate, husband of Shirley Choate, Deputy Director of Caltrans District 7.



**SAN GABRIEL VALLEY COUNCIL OF GOVERNMENTS**  
**Selected Asset Account Balances**  
**As of February 28, 2017**

Account Name	Balance 1/31/2017	Increase	Decrease	Net Change	Balance 2/28/17
CBB - Checking	\$ 714,220.42	\$ 13,380.10	\$ 97,850.42	\$ (84,470.32)	\$ 629,750.10
CBB- 242-034-325 CD	55,534.71			\$ -	55,534.71
CBB - 2766 Savings	1,586.75			\$ -	1,586.75
CBB -242-034-953 CD	54,768.83			\$ -	54,768.83
Petty Cash	400.00			\$ -	400.00
LAIF	229,394.77			\$ -	229,394.77
LAIF Maket Value	85.55			\$ -	85.55
Member Receivable	799.99	\$ 799.99		\$ 799.99	1,599.98
Grants/Contracts Receivable	70,871.35		\$ 13,380.10	\$ (13,380.10)	57,491.25
Sponsorships Receivable	25.00			\$ -	25.00
Rental Deposits Receivable	214.80			\$ -	214.80
Receivables - Other	2,625.00	\$ 219.97		\$ 219.97	2,844.97
	<b><u>\$ 1,130,527.17</u></b>	<b><u>\$ 14,400.06</u></b>	<b><u>\$ 111,230.52</u></b>	<b><u>\$ (96,830.46)</u></b>	<b><u>\$ 1,033,696.71</u></b>

SAN GABRIEL VALLEY COUNCIL OF GOVERNMENTS

Disbursements Report

February 2017

Transaction Date	Number/ Reference	Vendor Name	Description	Amount
2/3/2017	EFT	Paychex	Payroll Period Ending 02/03/17	23,058.92
2/7/2017	9366	Alameda Corridor East Constr	CALPERS Retirement Contribution Reimbursement	3,218.98
2/7/2017	9367	Peter Duyshart	Mileage Reimbursement Jan'17	6.20
2/7/2017	9368	Kaiser Permanente Health Pla	Dues for Mar'17	669.89
2/7/2017	9369	Christian Cruz	Mileage Reimbursement Jan'17	58.85
2/7/2017	9370	Artin Baghkhani	Mileage Reimbursement Jan'17	98.65
2/7/2017	9371	Image IV Systems	Copy Machine Rental - Feb'17	722.38
2/7/2017	9372	Vantagepoint Transfer Agents	ICMA-457 Payment	80.86
2/9/2017	9221	Citi Card	Citi Card Payment	5,199.17
2/14/2017	9373	Jones & Mayer	Legal services	6,023.83
2/17/2017	EFT	Paychex	Payroll Period Ending 02/03/17	19,868.43
2/17/2017	EFT	Paychex	Processing Fee for Feb'17	40.00
2/21/2017	9374	Mary Lou Echternach	Transportation Consulting Services - Jan'17	8,840.83
2/21/2017	9375	R. M. Rogers & Associates	Plaque for B. Huff	108.21
2/21/2017	9376	Elite-TRC-Alhambra Community	Rent - Mar'17	6,198.45
2/21/2017	9377	Vantagepoint Transfer Agents	ICMA-457 Payment	80.86
2/21/2017	9378	Alameda Corridor East Constr	CALPERS Contribution Reimbursement & ACE Serv. Reimburse	23,033.93
2/28/2017	9379	Athena Parking (Alhambra)	Parking for Mar'17	465.00
2/28/2017	9380	Philip A. Hawkey	Expense Reimbursement Jan'17 & Feb'17	257.31
2/28/2017	9381	PLIC-SBD GRAND ISLAND	Dues for Mar'17	50.29
<b>Total February 2017 Disbursements</b>				<b>\$ 98,081.04</b>



# Alameda Corridor-East Construction Authority

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 1<sup>st</sup>. 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 

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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: SGVCOG Governing Board Members & Alternates

FROM: Juli Costanzo, Chair

DATE: March 6, 2017

SUBJECT: Monthly Report

The following are items of note since the last meeting:

San Gabriel Trench Update – Union Pacific work crews are laying new railroad tracks and ballast in the 1.4-mile-long, 30-foot-deep San Gabriel Trench in anticipation of accommodating freight and Amtrak train operations later this spring. Train operations in the trench will allow removal of temporary railroad track and crossing gates at Ramona Street, Mission Road, Del Mar Avenue and San Gabriel Boulevard where vehicles and pedestrians are already using new roadway bridges.

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.



**Governing Board  
FY 2016-17**

	2016						2017					
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Alhambra	✓							✓				
Arcadia	✓		✓	✓	✓			✓				
Azusa	✓			✓								
Baldwin Park			✓	✓			✓					
Bradbury												
Claremont	✓		✓	✓	✓		✓	✓				
Covina	✓		✓	✓	✓		✓	✓				
Diamond Bar	✓		✓	✓			✓	✓				
Duarte	✓		✓	✓	✓		✓	✓				
El Monte			✓	✓	✓		✓	✓				
Glendora	✓		✓	✓	✓		✓	✓				
Industry												
Irwindale												
La Canada Flintridge			✓	✓			✓					
La Puente												
La Verne	✓			✓	✓		✓					
Monrovia	✓		✓	✓	✓		✓	✓				
Montebello			✓					✓				
Monterey Park	✓				✓							
Pasadena	✓			✓	✓		✓					
Pomona							✓	✓				
Rosemead	✓		✓	✓	✓		✓	✓				
San Dimas	✓		✓	✓	✓		✓	✓				
San Gabriel	✓		✓		✓		✓					
San Marino	✓		✓		✓							
Sierra Madre	✓		✓	✓	✓		✓	✓				
South El Monte	✓		✓		✓		✓	✓				
South Pasadena	✓		✓	✓	✓		✓	✓				
Temple City	✓		✓	✓			✓	✓				
Walnut												
West Covina	✓		✓	✓	✓		✓	✓				
LA County District 1			✓	✓	✓		✓	✓				
LA County District 4	✓			✓	✓							
LA County District 5	✓				✓		✓	✓				
SGV Water Agencies				✓	✓		✓	✓				

**Major Action Items and Presentations**

***July***

- SCE Rolling Blackouts
- Conflict of Interest Code
- WRDA (S 2848 and HR 5303)
- AJR 44

**Governing Board  
FY 2016-17**

WOTUS Challenge Amicus Brief  
Metro Measure M

***September***

LA Impact  
SCE Coordination with Cities  
Modification of ACE Phase II Project  
LA County Parks Measure  
4th Quarter Financial Report  
FY 16-17 Budget Amendment #1

***October***

LACCE Letter of Support/Comment  
SG National Monuments Draft EA  
Puente Hills Regional Park LOS  
Financial Policies

***November***

Adopt SGVCOG Stormwater Policy  
Measure M Next Steps  
Closed Session: Executive Director position

***January***

LA County Drought Resiliency Appointment  
Los Angeles County Homeless Advisory Council  
Homeless Committee Policy and Workplan  
Approval of San Gabriel Valley Energy Wise MA Position  
Authorization to Participate in LACCE JPA Negotiations  
Formation of Ad Hoc Legislative Committee  
Stormwater Legislative Priorities

***February***

Amendment to ACE's FY 206-17 Budget  
Comment Letter on Statewide Housing Assesment  
LOS for Appointmnet to SWRCB  
Measure H Revenue Planning Process Group  
2nd Quarter Financial Report  
FY 2016-17 Budget Amendment #2  
Appointments to Ad Hoc Legislative Committee  
Approval of ACE/Large Capital Projects Committee Report  
Support for Measure H

**Transportation Committee Attendance  
FY 2015-16**

	2016						2017					
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Alhambra												
Claremont			✓	✓			✓	✓				
Diamond Bar			✓	✓	✓		✓	✓				
Duarte			✓	✓	✓		✓	✓				
El Monte			✓	✓			✓	✓				
Glendora			✓	✓	✓		✓	✓				
La Canada Flintridge			✓				✓					
LA County District 1					✓		✓	✓				
LA County District 5			✓	✓	✓		✓	✓				
Monterey Park				✓	✓							
Rosemead			✓									
San Gabriel					✓							
South El Monte			✓		✓		✓	✓				
South Pasadena			✓	✓	✓		✓	✓				
Walnut					✓		✓	✓				

**Agenda Topics**

**September**

- Highway 39 Completion
- Regional Quiet Zone Development Efforts
- Election of Chair and Vice-Chair

**October**

- SG Mountains National Monument Access Planning Efforts
- Pilot Study of Subsidized Ridesharing at Transit Stations
- BFBD Pilot
- SCAG Sustainability Planning Grants

**November**

- Bike SGV
- Measure M next steps

**January**

- CV Link
- Metro ExpressLanes
- LRTP Update

**February**

- Measure M Policy Guidelines
- SCAG Sustainability Planning Grants
- Metro Goods Movement Update

**Reminder:** If a member agency misses more than three consecutive committee meetings, the agency must request reappointment by the Governing Board.

**EENR Committee Attendance  
2016-2017**

	2016						2017					
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Claremont				✓				✓				
Duarte	✓		✓	✓	✓		✓	✓				
Glendora	✓		✓	✓	✓							
Rosemead	✓			✓			✓	✓				
San Dimas	✓			✓	✓		✓	✓				
Sierra Madre			✓	✓	✓		✓					
South Pasadena	✓		✓	✓	✓		✓	✓				
West Covina							✓	✓				

**Agenda Topics**

**July**

LA County Marks Measure

**September**

SG Mountains National Monument Draft Environmental Assessment

Community Choice Aggregation

**October**

Mandatory Organics

AB 45

Puente Hillss Regional Park

Leg Recap

**November**

Emerald Necklace

Climate Resolve

**January**

Regional Organics

Mosquito and Vector Control

**February**

San Gabriel Canyons Improvement Project

Clean Water through oysters

**Water Policy Committee  
2016-2017 Attendance**

	2016						2017					
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Claremont	✓			✓	✓	✓	✓	✓				
Diamond Bar		✓	✓		✓			✓				
Glendora	✓	✓	✓	✓	✓	✓	✓	✓				
Monrovia	✓	✓	✓	✓	✓	✓	✓	✓				
Rosemead	✓	✓	✓	✓		✓	✓	✓				
Sierra Madre	✓		✓	✓	✓	✓	✓	✓				
South Pasadena	✓	✓	✓	✓	✓	✓	✓	✓				

**Agenda Topics**

***July (Joint Meeting with Water TAC)***

- Elections
- Legislative Update
- RWQCB Update
- Stormwater Subcommittee Update
- Litigation Update

***August (Joint Meeting with Water TAC)***

- SB 1298
- Legislative Update
- RWQCB Update
- Stormwater Subcommittee Update

***September (Joint Meeting with Water TAC)***

- Legislative Update
- Litigation Update
- RWQCB Update
- Stormwater Subcommittee Update

***October (Joint Meeting with Water TAC)***

- Presentation: CA Water Fix
- Legislative Update
- Litigation Update
- RWQCB Update
- Stormwater Policy

***November (Joint Meeting with Water TAC)***

- Presentation: SB 485
- Presentation: SG Basin Groundwater
- RWQCB Update
- Legislative Update

***December (Joint Meeting with Water TAC)***

- Establish Stormwater Outreach Team
- Establish Stormwater Legislative Priorities
- RWQCB Update
- Election 2016 updates

***January (Joint Meeting with Water TAC)***

- Rio Hondo/San Gabriel River EWMP Presentation
- Establish Stormwater Legislative Priorities

**Water Policy Committee  
2016-2017 Attendance**

Urban Greening Grants

Stormwater Outreach Updates

Litigation Update

***February (Joint Meeting with Water TAC)***

Letter of Support: Irma Munoz to SWQCB

Revisions to 303(d) listing

Stormwater Outreach: Sacramento trip

Legislative Update

Water Supply Update: Chapman presentation

**Homelessness Committee Attendance  
FY 2016-2017**

	2016						2017					
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Baldwin Park	✓	✓	✓		✓		✓	✓				
Claremont	✓		✓	✓			✓					
Covina	✓	✓	✓				✓					
Monrovia	✓	✓	✓	✓			✓	✓				
Pasadena		✓	✓		✓		✓					
Pomona	✓	✓					✓	✓				
Rosemead	✓		✓	✓			✓					
San Gabriel	✓	✓			✓		✓					
South El Monte		✓	✓									
West Covina	✓	✓	✓	✓			✓					
LA County Dist 1	✓	✓	✓	✓			✓	✓				
Water Districts	✓		✓				✓					
TVMWD	✓		✓									

**Agenda Topics**

**July**

- Urban Harvester
- LA County Homeless Initiative

**August**

- SGV Homeless Fundraiser
- Lions Gate Transitional Living Centers

**September**

- Claremont Homeless Advocacy Program
- Vets Advocacy West LA

**October**

- Azusa PD Homeless Task Force
- LA County Sheriffs COPS unit
- Claremont Human Services

**November**

- Homeless Committee Work Plan
- Tour of Mar Vista Apartments

**January**

- Homeless Committee Work Plan
- LA County 1/4 Cent Measure
- LA Regional Homelessness Advisory Council

**February**

- El Monte Veterans Affordable Housing
- Pomona Homeless Plan

**City Managers' Steering Committee Attendance  
FY 2016-17**

	2016						2017					
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Arcadia	✓		✓	✓	✓	✓	✓					
Baldwin Park	✓		✓	✓	✓	✓	✓	✓	✓			
Claremont	✓			✓	✓		✓	✓	✓			
Diamond Bar				✓		✓	✓	✓	✓			
Duarte	✓		✓	✓	✓				✓			
Glendora	✓		✓	✓	✓	✓	✓	✓	✓			
La Canada Flintridge	✓			✓	✓				✓			
La Verne	✓		✓	✓	✓	✓	✓	✓	✓			
Monrovia												
Monterey Park	✓		✓	✓								
Pomona						✓	✓	✓				
South Pasadena	✓		✓	✓			✓		✓			
Temple City	✓			✓			✓	✓	✓			
West Covina				✓	✓	✓			✓			

**Agenda Topics**

**July**

- SCE Rolling Blackouts
- Metro Measure M
- County Parks Measure

**September**

- SCE Coordination with Cities
- Metrolink Coordination with Cities
- 4th Quarter Financial Report
- SB 1298
- FY 2016-17 Budget Amendment

**October**

- LA Impact
- SGVCOG Financial Policies

**November**

- LAHSA Homeless Count
- Quarterly Financial Report
- Budget Amendment #1
- Stormwater Policy

**December**

- Metro Bike Share
- Performance Benchmark Study
- ACE Ad Hoc Committee Update
- Regional Quiet Zone update

**January**

- ACE Ad Hoc Committee Draft Report
- SGVCOG Office Lease

**February**

- Measure H

**City Managers' Steering Committee Attendance  
FY 2016-17**

Budget Amendment #2  
ACE Ad Hoc Committee Report  
LACCE

***March***

SCE Coordination with Cities  
LACDPW Coordination  
SGVCOG Strategic Plan Update  
ACE Ad Hoc Committee Next Steps  
Transportation Planner/Program Manager

**Planning TAC Attendance  
FY 2016-17**

	2016						2017					
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Alhambra		✓		✓		✓	✓	✓				
Arcadia		✓		✓		✓	✓	✓				
Azusa												
Baldwin Park			✓				✓	✓				
Claremont		✓	✓	✓								
Covina		✓	✓				✓	✓				
Diamond Bar		✓	✓			✓	✓					
Duarte		✓	✓			✓		✓				
El Monte		✓						✓				
Glendora		✓	✓	✓		✓	✓	✓				
Irwindale												
LaVerne												
Monrovia		✓		✓		✓	✓					
Monterey Park		✓	✓	✓		✓	✓					
Pasadena												
Pomona		✓										
Rosemead			✓	✓		✓		✓				
San Dimas		✓	✓	✓		✓	✓	✓				
San Gabriel		✓	✓	✓			✓	✓				
Sierra Madre		✓	✓					✓				
South Pasadena			✓				✓					
Temple City		✓					✓					
Walnut												
West Covina		✓	✓			✓		✓				

**Agenda Topics**

**August**

- Elections
- Legislative Update
- Wireless Siting

**September**

- SCAG Sustainability Grant presentation
- Duarte Town Center presentation
- Joint PW/Planners PIWG

**October**

- Joint PW/Planners PIWG
- SGVCOG Housing
- Future Visioning

**December**

- Housing
- Marijuana
- GHG Impact by Transit Mode

**January**

- Housing
- Future Trends

**Planning TAC Attendance  
FY 2016-17**

Measure M

*February*

Model Drone Ordinance

Housing

Measure M

**Public Works TAC Attendance  
FY 2016-17**

	2016						2017					
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Alhambra												
Arcadia			✓	✓			✓	✓				
Azusa			✓	✓	✓		✓	✓				
Claremont				✓				✓				
Diamond Bar			✓	✓	✓		✓	✓				
Duarte												
El Monte			✓									
Irwindale			✓	✓	✓		✓	✓				
Monrovia					✓		✓	✓				
Pasadena			✓	✓	✓		✓	✓				
Pomona			✓	✓	✓		✓	✓				
San Dimas			✓	✓	✓		✓	✓				
West Covina				✓	✓		✓	✓				
LA County			✓	✓	✓		✓	✓				

**Agenda Topics**

**September:**

- ITS FIRST presentation
- PW TAC bank account
- ACE Ad Hoc committee update
- Joint PW/Planning PIWG concept

**October**

- METRO Complete Streets
- CCE
- SGVCOG Stormwater Policy
- Joint PW/Planning PIWG concept

**November**

- Aliso Canyon Gas Wells update
- METRO Complete Streets
- Stormwater Policy

**January**

- Envision Sustainability planning tool
- Urban Greening grant program
- Fastlane grant
- ACE Ad Hoc committee update

**February**

- Metro LRTP
- CA Conservation Corps
- Measure M
- ACE Ad Hoc committee update

**Water TAC Attendance  
FY 2016-17**

	2016						2017					
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Alhambra	✓	✓	✓	✓	✓	✓	✓	✓				
Arcadia	✓	✓	✓	✓				✓				
Covina												
Monrovia		✓	✓	✓	✓	✓	✓	✓				
Sierra Madre	✓	✓	✓		✓	✓	✓	✓				
LA County DPW	✓	✓	✓	✓		✓	✓	✓				
Upper San Gabriel Valley Municipal Water District	✓		✓	✓	✓	✓	✓	✓				
<i>Ex-Officio</i>												
Foothill MWD												
LA County Sanitation Districts		✓	✓	✓	✓	✓	✓	✓				
Main San Gabriel Basin Watermaster	✓	✓	✓		✓	✓	✓	✓				

**Agenda Topics**

**July (Joint Meeting with Water TAC)**

- Elections
- Legislative Update
- RWQCB Update
- Stormwater Subcommittee Update
- Litigation Update

**August (Joint Meeting with Water TAC)**

- SB 1298
- Legislative Update
- RWQCB Update
- Stormwater Subcommittee Update

**September (Joint Meeting with Water TAC)**

- Legislative Update
- Litigation Update
- RWQCB Update
- Stormwater Subcommittee Update

**October (Joint Meeting with Water TAC)**

Presentation: CA Water Fix

- Legislative Update
- Litigation Update
- RWQCB Update
- Stormwater Policy

**November (Joint Meeting with Water TAC)**

Presentation: SB 485

- Presentation: SG Basin Groundwater
- RWQCB Update
- Legislative Update

**December (Joint Meeting with Water TAC)**

Establish Stormwater Outreach Team

- Establish Stormwater Legislative Priorities

**Water TAC Attendance  
FY 2016-17**

RWQCB Update  
Election 2016 updates  
MSGB Resource Development Fee update  
**January (Joint Meeting with Water TAC)**  
Rio Hondo/San Gabriel River EWMP Presentation  
    Establish Stormwater Legislative Priorities  
Urban Greening Grants  
Stormwater Outreach Updates  
Litigation Update  
**February (Joint Meeting with Water TAC)**  
Letter of Support: Irma Munoz to SWQCB  
    Revisions to 303(d) listing  
Stormwater Outreach: Sacramento trip  
Legislative Update  
Water Supply Update: Chapman presentation



# San Gabriel Valley Council of Governments and Alameda Corridor - East Construction Authority

RESPECT  
FOR THE INDIVIDUAL



HIGH ETHICAL  
STANDARDS,

INNOVATION  
CREATIVITY  
CHANGE

MUTUAL TRUST

UNEQUIVOCAL  
EXCELLENCE



## Report to Executive Committee

**March 6, 2017**

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## I. Executive Summary

### ***Background and Objective***

Vicenti, Lloyd & Stutzman LLP (VLS) was retained by the San Gabriel Valley Council of Governments to perform consulting services related to the San Gabriel Valley Council of Governments (COG) and the Alameda Corridor-East Construction Authority (ACE). Throughout the consulting engagement, VLS maintained regular contact with Phil Hawkey, Gene Murabito, Marisa Creter, and Carlos Monroy.

### ***Professional Standards***

VLS performed this engagement in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Consulting Services contained in Rule 201 of the AICPA Code of Professional Conduct. In consulting engagements, the nature and scope of work is determined solely by the agreement between the practitioner (VLS) and the client. The analysis and report does not constitute an audit, compilation, or review, in accordance with Standards of the AICPA, the objective of which would be the expression of an opinion on any specified elements, accounts, or items. Accordingly, VLS does not express such an opinion.

### ***Scope of Engagement***

#### ***General***

VLS created or obtained various electronic files in order to prepare this report to the Executive Committee; the electronic files are available if requested.

Some of the dollar values included in this report have been rounded; there may be minor rounding errors, when comparing the values included in this report to the underlying detail.

### ***Results of Procedures Performed***

This section summarizes our findings from the analyses and procedures performed. The applicable sections of the report include a more detailed discussion of each area, specific observations, and recommendations, if applicable.

**Review of ACE Investments and Cash Balances**

The December 31, 2016 Fixed Income Investments Portfolio report was verified with the Citizen's Trust statement for the period of December 1, 2016 through December 31, 2016 and the LAIF statements as of December 2016. The amounts reported as current book value and market value on the December 31, 2016 Fixed Income Investments Portfolio report were reconciled. The allocation of investments within the pool by the type of investment is consistent with the current Investment Policy.

Reconciled bank statements were reviewed and verified to the period trail balance for the quarter ended December 31, 2016.

**Review of the accuracy of information provided by ACE**

Exhibit V ACE Expenditures vs. Reimbursements and Exhibit VII Treasury/ Banking Investments reports as of December 31, 2016 were verified against the period trial balance as of December 31, 2016. Amounts reported on both exhibits are accurate and provide key balances that can be used for oversight and decision-making purposes.

**Review of COG Second Quarter 2017 Report**

All balances on the Comparative Summary Balance Sheet as of December 31, 2016 were verified against the period trial balance as of December 31, 2016. The Grants Receivable Aging Detail report as of December 2016 was also verified to the trial balance without exception. The allocation of investments within the pool by the type of investment is consistent with the current Investment Policy.

Reconciled bank statements were reviewed and verified to the period trail balance for the quarter ended December 31, 2016.

**Review of written procedures for processing of COG transactions**

Staff worked diligently on finalizing written procedures and policies for submission to the Board for approval. Review of the written documents is anticipated to occur in 2017 for inclusion in the June 30, 2017 quarterly report.

**Review of Caltrans Audit**

Staff has worked diligently to implement the changes and improvements recommended by Caltrans from their pre-award audit conducted September 7, 2011. Management believes they have substantially complied with Caltrans recommendations and will no longer have the high risk designation. Caltrans communicated on February 23, 2017 that the results from their most recent pre-award audit has been delayed.

**Conclusion**

The procedures performed, as discussed herein, disclosed no instances that would cause concern that the quarterly reports prepared by ACE and COG are not accurate or adequate to meet the governance needs of the Executive Committee and the Board of Directors.

## II. Background and Scope of Engagement

### A. Engagement Background and Objectives

Vicenti, Lloyd & Stutzman LLP (VLS) was retained by the San Gabriel Valley Council of Governments. Throughout the engagement, VLS maintained regular contact with Phil Hawkey, Marisa Creter and Carlos Monroy.

### B. Professional Standards

VLS performed this engagement in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Consulting Services contained in Rule 201 of the AICPA Code of Professional Conduct. In consulting engagements, the nature and scope of work is determined solely by the agreement between the practitioner (VLS) and the client. The analysis and report does not constitute an audit, compilation, or review, in accordance with Standards of the AICPA, the objective of which would be the expression of an opinion on any specified elements, accounts, or items. Accordingly, VLS does not express such an opinion.

### C. Scope of Engagement

The engagement letter dated February 9, 2016 listed possible consulting procedures to be performed on a monthly basis based on initial discussions prior to entering into our agreement.

E-mail correspondence between Phil Hawkey, Marisa Creter and Renee Graves of VLS occurred to clarify the scope of the engagement for the quarter ending December 31, 2016. The following areas were agreed to regarding Second Quarter 2017 Reports prepared as of December 31, 2016.

#### ACE

1. Investments and Cash Balances
2. Information reported to COG from ACE is correct and accurate

#### COG

1. Review the Second Quarter 2017 Report as of December 31, 2016
2. Review of written procedures for processing of COG transactions
3. Review of Caltrans audit

## D. General Disclosures

VLS created or obtained various electronic files in order to prepare this report to the Executive Committee; the electronic files are available if requested.

Some of the dollar values included in this report have been rounded; there may be minor rounding errors, when comparing the values included in this report to the underlying detail.

## E. Background Information

### San Gabriel Valley Council of Governments (COG)

The San Gabriel Valley Council of Governments (SGVCOG) is a joint powers authority made up of representatives from 31 cities, 3 Los Angeles County Supervisorial Districts, and the 3 Municipal Water Districts located in the San Gabriel Valley. The SGVCOG serves as a regional voice for its member agencies and works to improve the quality of life for the more than 2 million residents living in the San Gabriel Valley. The SGVCOG works on issues of importance to its member agencies, including transportation, housing, economic development, the environment, and water, and seeks to address these regionally.

The SGVCOG is the largest and most diverse sub-regional council of governments in Los Angeles County. It encompasses more than 374 square miles and has more than 2 million residents.

While each of the communities has a unique character and history, they have also many shared issues and have developed a unified voice to maximize resources, achieve sustainable solutions, and advocate for regional and member interests to improve the quality of life in the San Gabriel Valley.

### Alameda Corridor-East Construction Authority (ACE)

The Alameda Corridor-East (ACE) Construction Authority is a single purpose construction authority established by the San Gabriel Valley Council of Governments in 1998 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 ACE Trade Corridor. 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 the San Pedro Bay.

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 53 crossings in the San Gabriel Valley. Construction has been completed on 8 roadway grade separations. Eight grade separations are under construction with four grade separations and pedestrian crossing safety program at four crossings starting in two years. Jump Start safety improvements have been completed at 40 at-grade crossings.

#### **F. Acronyms Used**

ACE - Alameda Corridor-East Construction Authority

CM – Construction Management

COG – San Gabriel Valley Council of Governments

LAIF – Local Agency Investment Fund

PERS – Public Employee’s Retirement System

ROW – Right of Way

### III. Review of identified areas for ACE

#### A. Review of investments and cash balances

The December 31, 2016 Fixed Income Investments Portfolio report was verified with the Citizen's Trust statement for the period of December 1, 2016 through December 31, 2016 and the LAIF statements as of December 31, 2016. The amounts reported as current book value on the December 31, 2016 Fixed Income Investments Portfolio report were reconciled. The allocation of investments within the pool by the type of investment is consistent with the current Investment Policy.

Investments are reported on a cost basis of \$30,910,119 as a separate line item on the trial balance. The amount reflected on Exhibit VII Treasury/ Banking Investments Report is \$30,889,919 – a difference of \$20,200. The fair value of investments has decreased as of December 31, 2016; the amount reflected on the statement is \$30,342,402 which results in an unrealized loss of approximately \$567,000. Due to its volatility, this activity is not shown on the investment line on Exhibit VII.

Robert Swan from Citizens Trust Wealth Management was contacted regarding the fluctuation in the portfolio. Mr. Swan's response is included in the Exhibits attached to this report.

#### B. Review of the accuracy of information provided by ACE

Exhibit V ACE Expenditures vs. Reimbursements and Exhibit VII Treasury/ Banking Investments reports as of December 31, 2016 were obtained and verified against the preliminary trial balance as of December 31, 2016.

##### Exhibit V ACE Expenditures vs. Reimbursements Report

Amounts shown under the reimbursement status for the categories of 1) *Current/ 30 days or less* of \$9.176m; 2) *Aged Receivable* of \$1.319m 3) *To be billed* of \$12.886m; and 4) *MTA retention* of \$6.62m were verified against the accounts listed on the trial balance. The *Current/ 30 days or less* and *MTA retention* balances are each in a separate general ledger account; the amounts on Exhibit V tied to the trial balance without exception. The *To be billed* amount is in approximately 30 accounts for each individual project by various phases (CM, ROW, Design, Construction, Construction Management and Betterment). These amounts were verified against the accounts listed on the trial balance without any differences.

##### Exhibit VII Treasury/ Banking Investments Report

Each of the accounts listed on Exhibit VII were verified against the trial balance without exception. Consistent with the previous quarterly report, Exhibit VII presents *other receivables, prepaids and deferred costs* at the gross aggregate amount of \$7.4m from approximately 18 separate accounts and *payables & other accruals* at the gross aggregate amount of \$2.02m from approximately 10 separate accounts.

The PERS net pension liability of \$0.947m and the PERS hypothetical termination liability of \$5.245m were derived from the June 30, 2015 CalPERS Actuarial Valuation Report. These liabilities are not reflected on the trial balance, but are post-closing entries recorded to prepare audited financial statements at June 30, 2016 that comply with Government Accounting Standards. The PERS net pension liability of \$0.947m will be verified to the June 30, 2016 audited financial statements as soon as the report is released.

#### **IV. Review of identified areas for COG**

##### **A. Review of Second Quarter 2017 Reports**

###### Comparative Summary Balance Sheet

As of December 31, 2016, the Comparative Summary Balance Sheet report was verified to the trial balance. Individual balances on the trial balance were verified to reconciled bank statements and to the LAIF statement at December 31, 2016. All amounts reported were verified to the trial balance without exception. The allocation of investments within the pool by the type of investment is consistent with the current Investment Policy.

###### Grants Receivable Aging Detail

The Grants Receivable Aging Detail report was reconciled to the trial balance without exception. The report provides amounts received subsequent to December 31, 2016. Additional analysis on the report shows that 44.93% or \$39,603.19 of the Grants Receivable balance of \$88,144.55 has been collected. Remaining receivables are 100% 0-90 days. The risk of uncollectability of the remaining Grant Receivable balance appears to be low.

###### CitiCard Credit Card Charges

The CitiCard Credit Card Charges report provides a breakdown of the types of purchases made by credit card. 18% of total purchases of \$22,049 for the period of October 2016 to December 2016 are for meetings and travel. Details of credit card charges were reviewed. There were no items noted that required additional inquiry or follow-up; purchases by credit card appear to be reasonable and an efficient method of procurement.

### Budget to Actual Comparison Report

Actual balances through December 31, 2016 were reconciled to the trial balance without exception. The budget for FY 2016-17 was reconciled to the Adopted Fiscal Year 2016-17 Budget dated May 19, 2016. The variances presented herein were noted:

	<b>Adopted Budget 2016-17</b>	<b>FY 2017 Budget Quarterly Report</b>
General Operating Revenue	\$ 758,909	\$ 758,909
Hero Revenue		10,500
Miscellaneous Revenue		2,500
	<u>758,909</u>	<u>771,909</u>
Grants & Special Projects	325,263	325,263
<b>Total Revenue</b>	<u><u>1,084,172</u></u>	<u><u>1,097,172</u></u>
Total Expenses	1,070,674	1,070,674
General Assembly		13,000
Transportation Consultant		10,000
<b>Total Expenses</b>	<u><u>1,070,674</u></u>	<u><u>1,093,674</u></u>
<b>Estimated Net Income</b>	<u><u>\$ 13,498</u></u>	<u><u>\$ 3,498</u></u>

As of December 31, 2016, actual revenues are at 51% of the budget while expenses are at 47% of the budget. Member dues, the most significant revenue stream is at 50% of the 2016-17 budget. Expenses by line item appear reasonable and at minimal risk for actual expenses to exceed budget by the fiscal year end, with the exception of two line items; 1) the internship program is currently at 90% of budget (actual of \$36,408; budget of \$40,500) and 2) administrative support (ACE) is currently at 97% of budget (actual of \$19,456; budget of \$20,000).

#### **B. Review of COG's written procedures for processing transactions**

COG and ACE staff worked diligently to write procedures and policies regarding the processing of COG transactions. The written procedures have been submitted to the Board for approval. VLS was requested to review the written policies to 1) ensure procedures are performed as written and 2) provide feedback on the adequacy of the procedures. Review of the written documents is anticipated to occur in 2017 for inclusion in the June 30, 2017 quarterly report.

**C. Review of Caltrans Audit**

Caltrans conducted a pre-award audit on September 7, 2011 and issued a corrective action plan letter on December 9, 2011. The original pre-award audit scheduled for February 3, 2016 was cancelled until a financial management system that complied with Title 2 Code of Federal Regulations (CFR) Part 200, capable of accumulating and segregating reasonable, allowable and allocable project costs, was in place and processing transactions for three months or more.

Management has worked diligently to implement the changes and improvements recommended by Caltrans and believe they have substantially complied with the Caltrans recommendations and will no longer have the high risk designation. Caltrans communicated on February 23, 2017 that the results from their most recent pre-award audit has been delayed.

**V. List of Exhibits**

ACE – Exhibit V – Expenditures vs. Reimbursements as of December 31, 2016

ACE – Exhibit VII – Treasury/ Banking Investments, Investments Portfolio and  
Summary as of December 31, 2016

COG –2017 2<sup>nd</sup> Quarter Reports as of December 31, 2016 – Comparative  
Summary Balance Sheet, Grants Receivable Aging Detail, CitiCard  
Charges and Budget Report

Response from Robert Swan regarding fluctuation in the investment portfolio

# Exhibit V

## ACE Expenditures vs. Reimbursements

As of December 31, 2016

Projects	Reimbursement Status (\$ 000)					
	ITD Expenditures	Received	Current/ 30 days or Less	Aged ** Receivable	To Be Billed	MTA Retention
At Grade Crossing	\$ 952	\$ 787	\$ 155	\$ 0.25	\$ 9	\$ 1
Baldwin	70,365	70,336	-	27	-	2
Durfee	20,279	18,432	-	55	1,769	24
Fairway Drive	62,849	60,871	1,324	177	461	16
Fullerton	38,778	34,467	1,658	458	2,059	137
Montebello	3,267	2,426	-	0	840	2
Nogales (LA)	111,731	104,378	-	273	6,640	439
Puente Ave.	60,682	59,189	1,209	192	70	22
SG Trench	242,184	237,184	4,830	75	82	13
Temple	90,197	89,368	-	-	830	-
Turnbull Cyn.	292	221	-	-	63	8
Brea Canyon	73,459	73,459	-	-	-	-
Crossing Safety / IRRIS	34,343	34,343	-	-	-	-
EE/Reservoir	78,960	78,960	-	-	-	-
Hamilton	1,789	1,738	-	51	-	-
Nogales (AH)	49,797	49,797	-	-	-	-
Ramona	53,091	53,091	-	-	-	-
Sunset	93,794	93,784	-	9	-	-
Sub-total Projects	1,086,809	1,062,829	9,176	1,319	12,823	662
Project Administration	9,952	9,889	-	-	63	-
Total ACE	\$ 1,096,761	\$ 1,072,719	\$ 9,176	\$ 1,319	\$ 12,886	\$ 662

\*\* Represents retention billed MTA and collection is expected soon, pending completion of Measure R final audit report.

# Exhibit VII

## Treasury / Banking Investments

As of December 31, 2016

	12.31.2016	Change	09.30.2016
<b><u>Cash on hand</u></b>			
Operating Account	\$ 2,801,880	\$ (82,376)	\$ 2,884,255
Money Market Account	12,105,329	1,884,576	10,220,753
Money Market (UPRR Contributions)	7,693,912	6,240	7,687,672
<b>Total cash on hand</b>	<b>22,601,121</b>	<b>\$ 1,808,440</b>	<b>20,792,680</b>
<b><u>Investments</u></b>			
LAIF	1,587,750	2,409	1,585,341
CBT - Portfolio	30,910,119	109,869	30,800,250
<b>Total investments</b>	<b>32,497,869</b>	<b>112,278</b>	<b>32,385,591</b>
<b><u>Current - 30 days or less</u></b>	<b>9,175,815</b>	<b>(1,119,803)</b>	<b>10,295,618</b>
<b><u>Aged Receivable</u></b>	<b>1,319,214</b>	<b>1,319,214</b>	<b>-</b>
<b><u>To Be Billed</u></b>	<b>12,885,904</b>	<b>3,053</b>	<b>12,882,850</b>
<b><u>MTA Retention</u></b>	<b>661,782</b>	<b>(1,221,970)</b>	<b>1,883,752</b>
<b>Total Exhibit V</b>	<b>24,042,714</b>	<b>(1,019,506)</b>	<b>25,062,220</b>
Other receivables, prepaids and deferred costs	7,396,669	493,251	6,903,418
<b>Total Cash, Cash Equivalents &amp; Receivables</b>	<b>86,538,373</b>	<b>1,394,464</b>	<b>85,143,909</b>
<b><u>Liabilities</u></b>			
Payables & other Accruals	2,027,080	(97,594)	2,124,674
Unearned revenues	24,952,780 (a.)	1,481,153	23,471,627
MTA Working Capital Loan	45,000,000	-	45,000,000
<b>Total liabilities</b>	<b>71,979,860</b>	<b>1,383,559</b>	<b>70,596,301</b>
<b><u>Fund balance</u></b>			
Resources net of actual liabilities	14,558,513	10,905	14,547,608
Less estimated:			
CalPERS - Unfunded Liability	947,089 (b.)	(90,948)	1,038,037
CalPERS - Unfunded Termination Liability	5,245,348 (b.)	1,290,667	3,954,681
<b>Resources net of estimated liabilities</b>	<b>\$ 8,366,076</b>	<b>\$ 1,199,719</b>	<b>\$ 9,554,890</b>

a.) Represents surplus property appraised value, net proceeds from sale of ROW surplus properties, advanced UPRR funding, disallowed retention, and Betterment funds billed in advance to City of Industry for Fairway Drive and Fullerton projects.

b.) Updated based on CalPERS's annual valuation report as of June 30, 2015.

# Exhibit VII

## Treasury / Banking Investments

As of December 31 , 2016

Deposit/ Investment Amount 12.31.2016	% of Invest- ments	Bank Deposits	Maximum Maturity	Maximum Percent of Portfolio	Maximum Investment in One Issuer
		Ace deposits are held by Citizens Business Bank (CBB) under a deposit agreement in amounts not to exceed \$50 million. Under the agreement, CBB maintains collateral deposits of at least 110% of the value of all ACE deposits at Bank of New York Mellon in eligible securities. The CBB deposits accounts are:			
\$ 2,801,880		Checking Account			
19,799,241		Money Market Accounts (3) *			
22,601,121		Total Deposits			
		<b>Permitted Investments **</b>			
\$ 13,009,162	40.07%	Government Securities (3.0 - 5.00 years)	5 years	50%	15%<=
9,131,503	28.13%	Corporate Bonds (3.40 - 4.99 years)	5 years	30%	10%<=
2,727,292	8.40%	Gov't Mortgages (4.06 - 4.78 years)	5 years	15%	None stated
736,529	2.27%	Municipals (4.7 - 5.03 years)	None stated	None stated	None stated
4,533,577	13.96%	CDs (2.75 - 5.01 years)	5 years	30%	10%<=
751,857	2.32%	Money Markets	None stated	None stated	None stated
\$ 30,889,919	95.15%	Subtotal Investments - Book value *			
1,587,750	4.89%	State's Local Agency Investment Fund	None stated	None stated	None stated
32,477,669	100.00%	Total Investments			
\$ 55,078,790		<b>Total</b>			

\* Note: Includes \$20,163,447 of available unearned revenues

\*\* Complies with SGVCOG Investment Policy

# Fixed Income Investments Portfolio

## December 31, 2016

Cusip	Name	Coupon	Yield to Maturity	Purchase Date	Maturity Date	Current Price	Par Value	Market Value	Current Book Value
3136G1M55	Fannie Mae	0.80	0.837	12/10/2013	11/28/2017	99.854	250,000	249,635	248,494
3135G0J46	Fannie Mae	1.25	1.338	2/26/2016	2/26/2019	99.743	200,000	199,486	199,924
3136G1C98	Fannie Mae	1.42	1.536	5/11/2016	2/5/2020	99.579	150,000	149,369	151,575
3136G3C78	Fannie Mae	1.55	2.227	7/28/2016	7/28/2021	96.813	200,000	193,626	200,000
3136G3Y33	Fannie Mae	1.50	2.125	7/28/2016	7/28/2021	97.043	300,000	291,141	300,000
3135G0N66	Fannie Mae	1.40	2.080	8/25/2016	8/25/2021	96.785	400,000	387,140	400,000
3136G35G6	Fannie Mae	1.40	2.084	8/24/2016	8/24/2020	97.387	400,000	389,548	399,924
3136G37G4	Fannie Mae	1.55	2.168	9/23/2016	9/23/2021	97.083	1,000,000	970,830	999,720
3136G4EV1	Fannie Mae	1.60	2.271	9/30/2016	9/30/2021	96.845	900,000	871,605	899,487
3136G4GF4	Fannie Mae	1.63	2.250	10/28/2016	10/28/2021	97.057	250,000	242,643	249,898
3136G4GF4	Fannie Mae	1.55	2.211	10/31/2016	10/28/2021	96.891	200,000	193,782	200,000
3133EC5V2	Federal Farm Credit Bank	1.19	1.271	12/6/2013	12/4/2018	99.609	625,000	622,556	617,613
3133EFZ91	Federal Farm Credit Bank	1.62	2.271	4/12/2016	4/12/2021	96.936	500,000	484,680	499,545
313378QK0	Federal Home Loan Bank	1.88	1.626	4/28/2014	3/8/2019	101.161	250,000	252,903	250,742
3130A6NA1	Federal Home Loan Bank	1.40	1.760	10/29/2015	10/29/2019	98.615	200,000	197,230	200,000
313380FB8	Federal Home Loan Bank	1.38	1.465	11/5/2015	9/13/2019	99.663	365,000	363,770	363,785
3130A8EN9	Federal Home Loan Bank	1.64	2.022	6/14/2016	6/14/2021	98.189	100,000	98,189	100,000
3130A8NT6	Federal Home Loan Bank	1.48	1.995	7/28/2016	7/13/2021	97.578	200,000	195,156	200,000
3130A8WV9	Federal Home Loan Bank	1.30	1.885	8/3/2016	5/1/2020	97.894	400,000	391,576	400,000
3130A9GS4	Federal Home Loan Bank	1.70	2.237	10/12/2016	10/12/2021	97.473	600,000	584,838	600,000
3130AA2S6	Federal Home Loan Bank	1.80	2.123	11/30/2016	11/26/2021	98.479	300,000	295,437	299,727
3134G93Q8	Freddie Mac	1.68	2.420	8/25/2016	8/25/2021	96.531	400,000	386,124	400,000
3134G95L7	Freddie Mac	1.60	2.333	8/25/2016	8/25/2021	96.559	700,000	675,913	700,000
3134GAEE0	Freddie Mac	1.50	2.282	9/30/2016	3/30/2021	96.676	1,000,000	966,760	999,480
3134GAHK3	Freddie Mac	1.60	1.943	9/30/2016	9/30/2021	98.371	800,000	786,968	799,480
3137A6B27	Freddie Mac	4.33	2.332	9/7/2016	10/25/2020	107.843	155,458	167,650	171,733
3137A8PP7	Freddie Mac	4.19	2.316	9/7/2016	12/25/2020	107.616	321,608	346,101	355,226
3137ABFH9	Freddie Mac	3.99	2.538	9/7/2016	6/25/2021	106.517	496,000	528,326	547,013
3134GARB2	Freddie Mac	1.60	2.291	10/27/2016	10/27/2021	96.751	300,000	290,253	300,000
3134GAZR8	Freddie Mac	2.05	2.154	12/30/2016	12/30/2021	99.508	200,000	199,016	200,000
880591EQ1	Tenn Valley Authority DTD	1.75	1.530	10/6/2014	10/15/2018	100.858	200,000	201,716	200,358
880591EL2	Tenn Valley Authority DTD	1.75	2.063	9/19/2016	2/15/2021	107.602	500,000	538,010	555,440
<b>40.07%</b>	<b>Government Securities (3.0 - 5.00 years)</b>						<b>12,853,066</b>	<b>12,711,878</b>	<b>13,009,182</b>
020061M47	Ally Bank Medium	1.30	1.611	9/15/2016	6/16/2019	99.165	250,000	247,913	250,000
02587DWK0	American Expr Centurion	2.20	2.017	7/1/2015	11/29/2019	100.769	171,377	172,694	171,377
06740KHJ9	Barclays Bank/Delaware	1.60	1.486	7/18/2014	7/23/2018	100.443	100,443	100,443	100,000
05580AFA7	BMW Bank North America	1.20	1.559	9/13/2016	8/26/2019	98.969	250,000	247,422	250,000
05580ACZ5	BMW Bk North. America DTD	2.20	1.896	10/8/2015	9/30/2020	101.440	250,000	253,601	249,950
05568P6C6	BMW Bk North. America Salt Lake	2.00	1.770	11/20/2013	11/15/2018	101.095	250,000	252,738	249,488
140420D64	Capital One Bank	1.65	1.919	9/13/2016	8/31/2021	98.730	249,000	245,837	249,000
140420F21	Capital One Bank	1.65	1.986	9/14/2016	9/14/2021	98.407	250,000	246,018	250,000
140420B82	Capital One Bank	1.60	1.965	9/13/2016	8/17/2021	98.293	250,000	245,733	249,408
140420Y53	Capital One Bank Medium	1.60	1.898	7/13/2016	5/4/2021	98.636	250,000	246,590	250,573
140420QF0	Capital One Bank USA	2.15	1.949	7/7/2015	10/16/2019	100.821	163,993	165,399	163,993
14042RAR2	Capital One NA Medium	2.20	1.895	10/8/2015	10/7/2020	101.447	200,000	202,895	199,230
254672W20	Discover Bank DTD	1.85	1.833	12/14/2016	12/14/2020	100.065	200,000	200,130	200,000
36830KEU5	GE Capital Retail Bank	1.50	1.418	11/15/2013	11/22/2017	100.321	250,000	250,803	250,000
36157QTF4	GE Capital Retail Bank	2.00	1.768	11/19/2013	11/23/2018	101.108	250,000	252,770	248,725
619165GX5	Morton Community Bank	1.60	1.753	12/16/2016	6/16/2020	99.483	200,000	198,965	200,000
87164YML5	Synchrony Bank DTD	1.55	1.912	7/13/2016	6/29/2021	98.292	250,000	245,731	249,463
949763AW6	Wells Fargo Bank	1.30	1.588	9/14/2016	9/8/2019	99.164	250,000	247,910	250,000
949763AZ9	Wells Fargo Bank	1.65	1.987	9/14/2016	9/14/2021	98.403	250,000	246,007	250,000
9497485W3	Wells Fargo Bank CD	1.75	1.929	7/13/2016	6/17/2021	99.164	250,000	247,910	252,373
<b>13.96%</b>	<b>CDs (2.75 - 5.01 years)</b>						<b>4,534,370</b>	<b>4,517,448</b>	<b>4,533,577</b>
009158A55	Air Products	1.20	1.206	11/14/2013	10/15/2017	99.977	1,205,000	1,204,723	1,197,402
02665WBG5	American Honda Finance	1.70	2.449	9/15/2016	9/9/2021	96.506	1,400,000	1,351,084	1,392,034
05531FAL7	BB&T Corp	1.60	1.569	11/22/2013	8/15/2017	100.113	500,000	500,565	500,056
05531FAU7	BB&T Corp	2.63	2.452	9/2/2015	6/29/2020	100.783	925,000	932,243	929,494
14912L6U0	Caterpillar Financial Serv Corp	1.70	2.560	9/9/2016	8/9/2021	96.051	1,746,000	1,677,050	1,738,545
40428HPJ5	HSBC USA INC	2.63	2.398	12/4/2013	9/24/2018	101.024	1,000,000	1,010,240	1,011,622
437076BB7	Home Depot	2.25	1.956	11/7/2013	9/10/2018	101.352	1,000,000	1,013,520	1,008,708
713448BN7	PepsiCo Inc	4.50	2.846	1/23/2015	1/15/2020	107.605	100,000	107,605	106,942
79604YAB5	Samsung Electronics America	1.75	1.736	11/15/2014	4/10/2017	100.045	550,000	550,248	551,290
882508AU8	Texas Instruments Inc	1.65	1.710	9/9/2015	8/3/2019	99.776	500,000	498,880	495,737
911312AMB	United Parcel Service DTD	3.13	2.352	6/10/2016	1/15/2021	103.354	185,000	191,205	197,672
<b>28.13%</b>	<b>Corporate Bonds (3.40 - 4.99 years)</b>					<b>99,192</b>	<b>9,111,000</b>	<b>9,037,362</b>	<b>9,131,503</b>
31381NM83	Federal Nat'l Mtge Assn#FN465783	3.84	2.543	12/10/2015	9/1/2020	105.746	156,626	165,626	166,758
31381P329	Fannie Mae Pool #467116	3.73	3.718	12/10/2013	1/1/2018	100.046	500,000	500,230	530,781
31381QN69	Fannie Mae Pool #467613	3.74	3.271	11/21/2013	4/1/2018	101.890	683,735	696,658	744,631
31381Q5P7	Fannie Mae Pool #468054	3.59	3.090	11/21/2013	6/1/2018	102.096	455,999	465,557	493,762
31381SDV1	Fannie Mae Pool #469116 DTD	2.94	2.595	11/21/2013	9/1/2018	101.544	631,280	641,027	666,691
31407R1U8	Fannie Mae Pool #838563	5.00	3.795	4/29/2016	10/1/2020	194.867	117,405	123,119	124,669
<b>8.40%</b>	<b>Gov't Mortgages (4.06 - 4.78 years)</b>					<b>101,853</b>	<b>2,545,046</b>	<b>2,592,217</b>	<b>2,727,292</b>
758148GY0	Reed Calif Union School District	4.00	2.981	11/18/2013	8/1/2018	104.443	250,000	261,108	264,743
010831BM6	Alameda County JPA	5.00	3.489	11/21/2013	12/1/2018	106.917	440,000	470,435	471,786
<b>2.27%</b>	<b>Municipals (4.7 - 5.03 years)</b>					<b>106,021</b>	<b>690,000</b>	<b>731,542</b>	<b>736,529</b>
31607A208	Fidelity Prime Mon Mar-Ins	1.00		10/7/2015		100.000	751,857	751,857	751,857
<b>2.32%</b>	<b>Money Markets</b>						<b>751,857</b>	<b>751,857</b>	<b>751,857</b>
	<b>TOTAL (Dollars)</b>						<b>\$ 30,495,338</b>	<b>\$ 30,342,402</b>	<b>\$ 30,889,919</b>

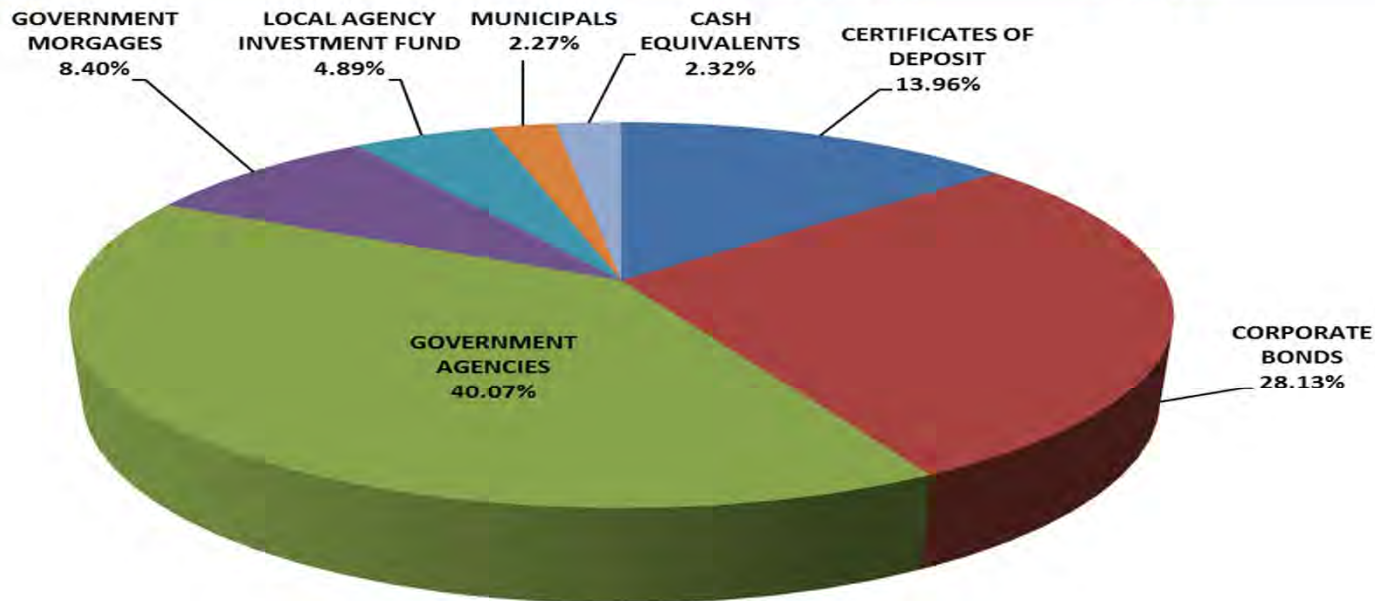
# Fixed Income Investments at 12-31-2016 - Summary

Alameda Corridor - East Construction Authority  
Office of ACE Construction Authority Finance Director/Treasurer



## ASSET ALLOCATION

Assets (Dollars)	Current Par Value	Current Book Value	Market Value	Mkt/Book
CERTIFICATES OF DEPOSIT	4,534,370	4,533,577	4,517,448	99.64%
CORPORATE BONDS	9,111,000	9,131,503	9,037,362	98.97%
GOVERNMENT AGENCIES	12,863,066	13,009,162	12,711,976	97.72%
GOVERNMENT MORTGAGES	2,545,046	2,727,292	2,592,217	95.05%
LOCAL AGENCY INVESTMENT FUND	1,587,750	1,587,750	1,587,750	100.00%
MUNICIPALS	690,000	736,529	731,542	99.32%
CASH EQUIVALENTS	751,857	751,857	751,857	100.00%
<b>Totals (Dollars)</b>	<b>32,083,088</b>	<b>32,477,669</b>	<b>31,930,152</b>	<b>98.31%</b>



Fixed Income Composition by Book Value

**Par Value:** Or face value is the amount of money redeemed to the bondholder once the bonds matures  
**Book Value :** Is the par value or face value plus any unamortized premiums or less any unamortized discounts.  
**Market Value:** Is the current price at which the bond is trading  
**Mkt/Book:** Measures the market value over the book value of a bond.

## Comparative Summary Balance Sheet As of December 31, 2016

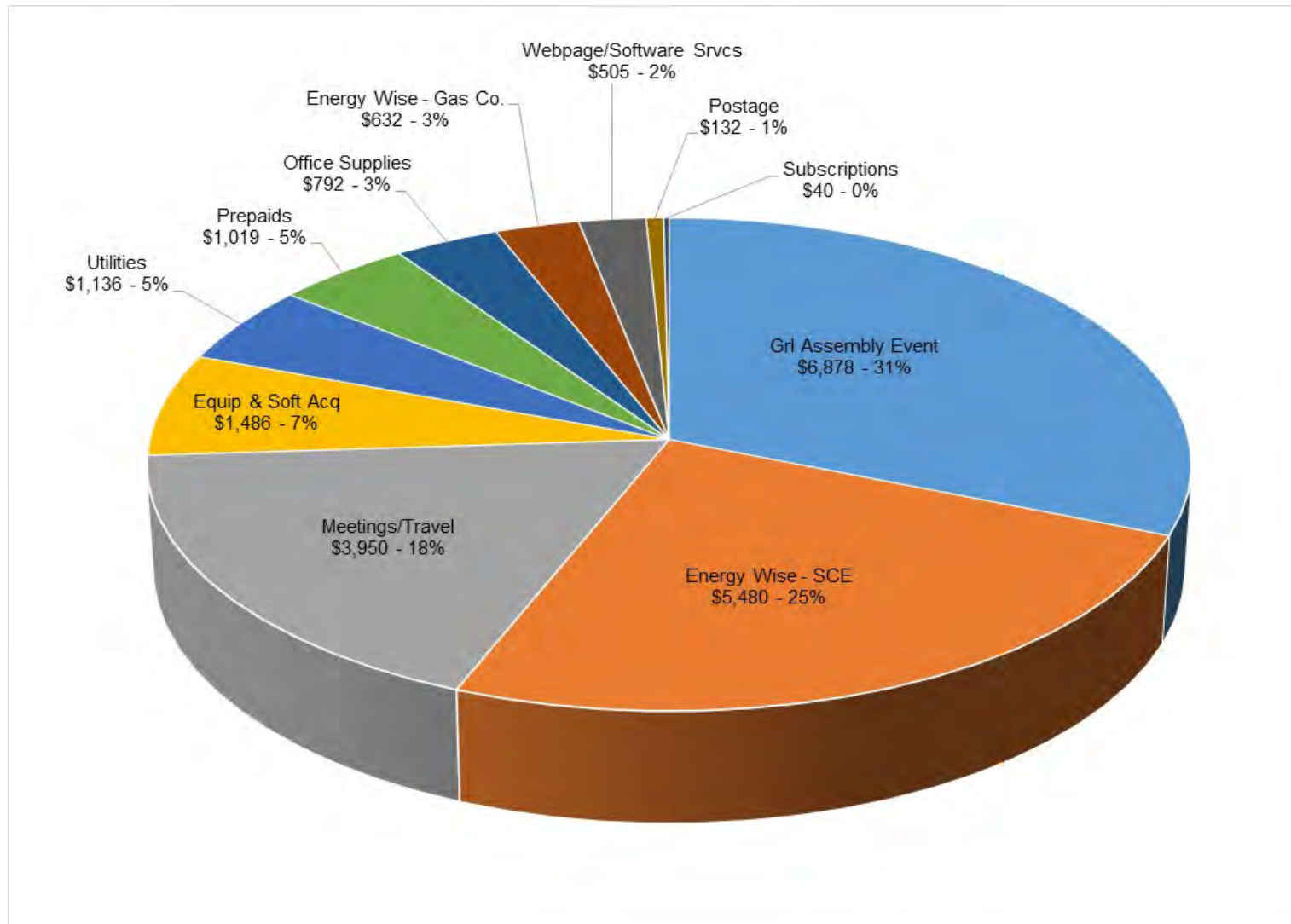
	<u>12.31.2016</u>	<u>Change</u>	<u>09.30.2016</u>
CBB - Checking	\$ 796,442	\$ (169,500)	\$ 965,942
CBB - 242-034-325 CD	55,535	14	55,521
CBB - 2766 Savings	1,587	0	1,586
CBB -242-034-953 CD	54,769	14	54,755
Petty Cash	400	-	400
LAIF	229,005	347	228,657
LAIF Market Value	86	-	86
Cash and equivalents	<u>1,137,823</u>	<u>(169,125)</u>	<u>1,306,947</u>
Member Cities Receivable	800	(30,289)	31,089
Grants/Contracts Receivable	88,144	(12,375)	100,519
Receivables - Other	-	-	-
Receivables	<u>88,944</u>	<u>(42,664)</u>	<u>131,608</u>
Misc receivables, prepaids, and deferrals	41,342	9,024	32,318
Total assets	<u>1,268,109</u>	<u>(202,764)</u>	<u>1,470,873</u>
Accounts Payable	26,861	26,861	-
Unearned Revenues - Member Cities Dues	371,933	(185,967)	557,900
Pension Liability	538	-	538
Accruals, deferrals and other payables	30,357	(45,230)	75,587
Total liabilities	<u>429,689</u>	<u>(204,336)</u>	<u>634,025</u>
Net Position, beginning of period	783,697	(2,500)	786,197
Change in net position	54,723	4,072	50,651
Net Position, end of period	<u>\$ 838,420</u>	<u>\$ 1,573</u>	<u>\$ 836,848</u>

## Grants Receivable Aging Detail As of December 31, 2016

Month	So. California Edison - Energy Wise	So. California Gas - Energy Wise	MTA	Totals	Notes
JUL-16	\$ -	\$ 6,681.01	\$ -	\$ 6,681.01	Received 1/4/17
SEP-16	-	9,624.63	7,809.79	17,434.42	MTA: Received 1/9/17 SCG: Received 1/12/17
OCT-16	-	7,899.00	7,588.76	15,487.76	SCG: Received 1/12/17
NOV-16	9,330.74	6,057.14	7,588.76	22,976.64	
DEC-16	<u>10,653.00</u>	<u>7,322.96</u>	<u>7,588.76</u>	<u>25,564.72</u>	
	<u><b>\$ 19,983.74</b></u>	<u><b>\$ 37,584.74</b></u>	<u><b>\$ 30,576.07</b></u>	<u><b>\$ 88,144.55</b></u>	

# CITICARD Charges: Period October – December 2016

## \$22,049



**Renee Graves**

---

**From:** Swan, Robert A <raswan@cbbank.com>  
**Sent:** Wednesday, March 01, 2017 10:23 AM  
**To:** Renee Graves; 'Carlos Monroy (cmonroy@theaceproject.org)'  
**Cc:** Hernandez, Erin R  
**Subject:** Price fluctuations in the Alameda Corridor portfolio

Hi Renee and Carlos: Thanks for your email: I would be glad to discuss price fluctuation in the portfolio.

As we talked about before, this is a "hold to maturity" portfolio, meaning that each security in the portfolio has a fixed positive return as long as the bond is held to its maturity-price fluctuations in the meantime are of little more than academic interest unless this was a "trading portfolio " and it is definitely not (trading in fixed income securities is considered a speculative practice-i.e. betting on the direction of interest rates; holding to maturity is considered a conservative practice). Every dollar invested will, over the life of the investment and including interest payments and return of principal, produce a profitable return (hence the "fixed income" designation). As long as the "losses" stay unrealized every bond will show a positive, profitable return. The price fluctuations are due to fluctuations in interest rates-in general interest rates are rising; the portfolio has a relatively short maturity which means that as bonds mature we can roll the proceeds into higher yielding securities that are then available. This is the advantage of a "laddered" portfolio structure.

If you need any more info, my contact data is below-please call anytime.

Regards

Bob

Robert A. Swan  
Citizens Trust Wealth Management  
Vice President and Senior Portfolio Manager  
701 North Haven Avenue, Suite 350  
Ontario, CA 91764-4925  
909-483-4390 or 888-734-4222  
Cell 909-240-7579  
[raswan@cbbank.com](mailto:raswan@cbbank.com)

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# REPORT

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DATE: March 1, 2017

TO: City Managers' Steering Committee  
Executive Committee  
Governing Board Delegates and Alternates

FROM: Phil Hawkey, Executive Director

RE: **FY 2015-16 FINANCIAL STATEMENT**

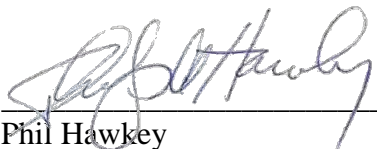
## **RECOMMENDED ACTION**

Recommend Governing Board receive and file.

## **BACKGROUND**

Attached is the FY 2015-16 Financial Audit that was prepared by the SGVCOG's auditor, Vasquez & Company. The auditors offered an unqualified opinion and there were no findings.

Prepared by:   
\_\_\_\_\_  
Marisa Creter  
Assistant Executive Director

Approved by:   
\_\_\_\_\_  
Phil Hawkey  
Executive Director

## **ATTACHMENTS**

- Attachment A – FY 2015-16 Financial Statement (Primary Government)
- Attachment B – FY 2015-16 Financial Statement (ACE)
- Attachment C – FY 2015-16 Financial Statement (Combined)



**Audited Financial Statements  
 (Primary Government)  
 As of and for the Year Ended June 30, 2016  
 with Report of Independent Auditors**



**San Gabriel Valley Council of Governments**  
**Audited Financial Statements**  
**(Primary Government)**  
*As of and for the Year Ended June 30, 2016*  
*with Report of Independent Auditors*

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## Report of Independent Auditors

### Members of the Governing Board San Gabriel Valley Council of Governments

#### Report on the Financial Statements

We have audited the accompanying financial statements of the primary government of San Gabriel Valley Council of Governments (the SGVCOG) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise SGVCOG'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the primary government of San Gabriel Valley Council of Governments, as of June 30, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1, the financial statements referred to above include only the primary government of the San Gabriel Valley Council of Governments, which consists of all funds and departments that comprise San Gabriel Valley Council of Governments' legal entity. These primary government financial statements do not include financial data for the San Gabriel Valley Council of Governments' component unit, the Alameda Corridor - East Construction Authority, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the SGVCOG's primary government. As a result, the primary government's financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the San Gabriel Valley Council of Governments, as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the reporting entity of the San Gabriel Valley Council of Governments, as of and for the year ended June 30, 2016, and our report thereon, dated January 30, 2017, expressed an unmodified opinion on those financial statements.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 and the required supplementary information on pages 25 through 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



**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 San Gabriel Valley Council of Governments' 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 San Gabriel Valley Council of Governments internal control over financial reporting and compliance.

*Vasquez & Company LLP*

Los Angeles, California  
January 30, 2017

**Attachment A**  
**San Gabriel Valley Council of Governments**  
**(Primary Government)**  
**Management's Discussion and Analysis (Unaudited)**  
**Year ended June 30, 2016**

---

The management's discussion and analysis of the San Gabriel Valley Council of Governments (the SGVCOG) financial performance presents an overview of the SGVCOG's financial activities 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. The financial statements, notes and this discussion and analysis were prepared by management and are the responsibility of management.

### **Background**

The SGVCOG was created on March 17, 1994 by a Joint Powers Agreement (JPA) among various member San Gabriel Valley Cities to promote cooperation, exchange ideas, coordinate regional government programs and to provide recommendations and solutions to common problems and to general concern of member governments.

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

### **Overview of Basic financial Statements**

The financial statements present the financial picture of the SGVCOG from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets and liabilities of the SGVCOG. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The statement of cash flows provides information about the SGVCOG's cash receipts, cash payments, and net changes in cash resulting from operating, and capital and related investing activities during the reporting period.

The statement of net position and the statement of revenues, expenses and changes in net position report the SGVCOG's net position and related changes. Net position is the difference between the recorded assets, liabilities and deferred inflows/outflows of resources. The recorded activities include all revenues from dues and operating expenses related to the operation of the SGVCOG. In addition, all of the SGVCOG's revenues and expenses related to its other programs and services are reflected in the statements.

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the basic financial statements are on pages 11-24.

Attachment A  
San Gabriel Valley Council of Governments  
(PPrimary Government)  
Management's Discussion and Analysis (Unaudited)  
Year ended June 30, 2016

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**Financial Analysis**

*Statements of Net Position*

The following table summarizes the assets, liabilities and net position of the SGVCOG as of June 30, 2016 and 2015:

	June 30		Variance	
	2016	2015	Amount	%
Current assets	\$ 917,083	\$ 778,098	\$ 138,985	18%
Deferred outflows of resources	<u>48,112</u>	<u>23,254</u>	<u>24,858</u>	<u>107%</u>
Total assets and deferred outflows of resources	<u>965,195</u>	<u>801,352</u>	<u>163,843</u>	<u>20%</u>
Current liabilities	<u>146,522</u>	236,431	(89,909)	-38%
Deferred inflows of resources	<u>23,578</u>	<u>8,172</u>	<u>15,406</u>	<u>189%</u>
Total liabilities and deferred inflows of resources	<u>170,100</u>	<u>244,603</u>	<u>(74,503)</u>	<u>-30%</u>
Net position				
Restricted	<u>110,248</u>	110,138	110	0%
Unrestricted	<u>684,847</u>	<u>446,611</u>	<u>238,236</u>	<u>53%</u>
Total net position	\$ <u>795,095</u>	\$ <u>556,749</u>	\$ <u>238,346</u>	<u>43%</u>

Current assets increased this year by \$138,985, or 18%, and current liabilities decreased by \$89,909 or 38%. The increase in current assets is primarily due to a \$272,226 increase in cash and cash equivalents. The decrease in current liabilities is primarily due to a decrease in accounts payable related to prior year over payments of \$43,694 for MS4 – National Pollutant Discharge Elimination System which was reimbursed in the current year and \$45,000 which was properly reclassified to cities membership dues in fiscal year June 30, 2016.

As previously discussed, net position can serve as an indicator of financial health. The SGVCOG's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$795,095 and \$556,749 as of June 30, 2016 and 2015, respectively.

Attachment A  
San Gabriel Valley Council of Governments  
(PPrimary Government)  
Management's Discussion and Analysis (Unaudited)  
Year ended June 30, 2016

*Statements of Revenues, Expenses and Changes in Net Position*

The following table presents the SGVCOG's revenues, expenses and changes in net position for the years ended June 30, 2016 and 2015:

	<u>Year ended June 30</u>		<u>Variance</u>	
	<u>2016</u>	<u>2015</u>	<u>Amount</u>	<u>%</u>
<b>Operating revenues</b>				
Dues:				
General Fund	\$ 566,734	\$ 498,552	\$ 68,182	14%
Transportation	<u>200,196</u>	<u>177,507</u>	<u>22,689</u>	<u>13%</u>
	<u>766,930</u>	676,059	90,871	13%
Grants and matches from other governments:				
Los Angeles County Metropolitan Transportation Authority	89,378	85,421	3,957	5%
Southern California Edison - Energywise	173,822	138,106	35,716	26%
Southern California Edison - California Energy Efficiency Strategic Plan Implementation	115,946	184,360	(68,414)	-37%
Western Riverside Council of Governments - California HERO	20,334	16,380	3,954	24%
LA Permit Group - MS4 NPDES Permit	-	32,475	(32,475)	-100%
Local Government Commission - CivicSpark	-	8,400	(8,400)	-100%
Others	-	78	(78)	-100%
<b>Total operating revenues</b>	<u>1,166,410</u>	<u>1,141,279</u>	<u>25,131</u>	<u>2%</u>
<b>Operating expenses</b>				
Administrative	570,248	508,775	61,473	12%
Energywise	173,822	106,930	66,892	63%
Transportation	120,060	232,935	(112,875)	-48%
California Energy Efficiency Strategic Plan Implementation	115,947	174,105	(58,158)	-33%
Miscellaneous	-	11,610	(11,610)	-100%
<b>Total operating expenses</b>	<u>980,077</u>	<u>1,034,355</u>	<u>(54,278)</u>	<u>-5%</u>
<b>Operating income</b>	<u>186,333</u>	<u>106,924</u>	<u>79,409</u>	<u>74%</u>
<b>Nonoperating income</b>				
Other income	50,933	-	50,933	100%
Interest income	1,080	1,114	(34)	-3%
<b>Total nonoperating income</b>	<u>52,013</u>	<u>1,114</u>	<u>50,899</u>	<u>4569%</u>
<b>Change in net position</b>	<u>238,346</u>	108,038	130,308	121%
<b>Net position, beginning of year</b>	<u>556,749</u>	<u>448,711</u>	<u>108,038</u>	<u>24%</u>
<b>Net position, end of year</b>	<u>\$ 795,095</u>	<u>\$ 556,749</u>	<u>\$ 238,346</u>	<u>43%</u>

**Attachment A**  
**San Gabriel Valley Council of Governments**  
**(Primary Government)**  
**Management's Discussion and Analysis (Unaudited)**  
**Year ended June 30, 2016**

---

In FY 2016, total operating revenues increased by 2% from the previous year. The increase was mainly attributable to the implementation of an annual Consumer price index(CPI) adjustment to the base fee of cities membership dues.

Revenues for SGVCOG in 2016 consist primarily of dues from 31 member cities, three Los Angeles County supervisorial districts, and a Joint Power Authority of the water agencies, which represents three municipal water districts, cost reimbursable grants from Southern California Edison (SCE), a local utility, grant matching funds from Los Angeles County Metropolitan Transportation Authority, and fees on the aggregate cost for the bonds issued to fund installation of renewable energy efficiency improvements from the Home Energy Renovation Opportunity (HERO) program. Grants and matches from other governments and SCE were \$399,480 in FY2016 compared to \$465,220 in FY 2015, a decrease of \$65,740, or 14%. This decrease was mostly due to reduction in program activity for California Energy Efficiency Strategic Plan Implementation - Phase 3. This program was completed in September 2016.

Total operating expenses were \$980,077 in FY2016 compared to \$1,034,355 in FY2015, a decrease of \$54,278, or 5%. This decrease is primarily attributable to delays in filling vacant positions which resulted in a reduction of grant reimbursable expenses.

Non-operating income of \$ 52,013 consists of investment income and other income from a claim settlement in FY 2016 compared to \$1,114 for FY 2015, an increase of \$50,899, or 4569%. This increase was attributable to a \$52,013 claim settlement from Allied World National Assurance Company, Inc. for breach of covenant which was settled and agreed in 2016.

### **Next Year's Budget**

The budget for fiscal year 2017 assumes that the on-hand net position as of June 30, 2016, will be required and available to fulfill the program and administrative expense requirements.

### **Further Information**

This report has been designed to provide a general overview to stakeholders of the SGVCOG's financial condition and related issues. Inquiries should be directed to Carlos Monroy, Director of Finance, 4900 Rivergrade Road, Suite A120 Irwindale, CA 91706.

Attachment A  
San Gabriel Valley Council of Governments  
Statement of Net Position  
June 30, 2016

<b>ASSETS</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 704,507
Member dues receivable	800
Grants receivable	137,980
Other receivables	58,282
Prepaid expenses	14,107
Net pension asset	<u>1,407</u>
<b>Total current assets</b>	<u>917,083</u>
<b>Capital assets</b>	
Office equipment	8,645
Less accumulated depreciation	<u>(8,645)</u>
<b>Capital assets, net</b>	<u>-</u>
<b>Total assets</b>	<u>917,083</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to pension	<u>48,112</u>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable and accrued expenses	97,363
Unearned revenues	49,159
Net pension liability	<u>-</u>
<b>Total current liabilities</b>	<u>146,522</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pension	<u>23,578</u>
<b>NET POSITION</b>	
Net investment in capital assets	
Restricted for :	
Water Quality Improvement	55,507
MS4-National Pollutant Discharge Elimination System	54,741
Unrestricted	<u>684,847</u>
<b>Net position</b>	<u>\$ <u>795,095</u></u>

See notes to financial statements.

Attachment A  
**San Gabriel Valley Council of Governments**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**June 30, 2016**

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**Operating revenues**

Dues:	
General Fund	\$ 566,734
Transportation	200,196
	766,930
Grants and matches from other governments:	
Los Angeles County Metropolitan Transportation Authority	89,378
Southern California Edison - Energywise	173,822
Southern California Edison - California Energy Efficiency Strategic Plan Implementation	115,946
Western Riverside Council of Governments - California HERO	20,334
LA Permit Group - MS4 NPDES Permit	-
Local Government Commission - CivicSpark	-
Others	-
<b>Total operating revenues</b>	<b>1,166,410</b>

**Operating expenses**

Administrative	570,248
Energywise	173,822
Transportation	120,060
California Energy Efficiency Strategic Plan Implementation	115,947
Miscellaneous	-
<b>Total operating expenses</b>	<b>980,077</b>
<b>Operating income</b>	<b>186,333</b>

**Nonoperating income**

Other income	50,933
Interest income	1,080
<b>Total nonoperating income</b>	<b>52,013</b>

**Change in net position** 238,346

<b>Net position, beginning of year</b>	556,749
<b>Net position, end of year</b>	\$ 795,095

*See notes to financial statements.*

Attachment A  
San Gabriel Valley Council of Governments  
(Priary Government)  
Statement of Cash Flows  
Year ended June 30, 2016

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**Cash flows from operating activities**

Cash receipts from cities	\$	820,739
Cash receipts from all other services		577,792
Cash paid for operating expenses		(519,128)
Cash paid for employee compensation and related costs		(608,107)
<b>Net cash provided by operating activities</b>		<u>271,296</u>

**Cash flows from investing activities**

Cash receipts from interest		930
<b>Cash provided by investing activities</b>		<u>930</u>
<b>Change in cash and cash equivalents</b>		272,226
<b>Cash and cash equivalents - beginning of year</b>		<u>432,281</u>
<b>Cash and cash equivalents - end of year</b>	\$	<u><u>704,507</u></u>

Reconciliation of operating income to net cash used in operating activities:

Operating income	\$	186,333
Adjustment to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Member dues receivable		4,650
Other receivables		(6,823)
Grants receivable		185,135
Prepaid expenses		2,769
Deferred outflows of resources		(24,858)
Accounts payable and accrued expenses		(138,530)
Unearned revenues		49,159
Net pension liability		(1,945)
Deferred inflows of resources		15,406
<b>Net cash provided by operating activities</b>	\$	<u><u>271,296</u></u>

See notes to financial statements.

**NOTE 1      SUMMARY OF SIGNIFICANT POLICIES**

**Organization and Activities**

The San Gabriel Valley Council of Governments (the SGVCOG) was created effective March 17, 1994 by a Joint Powers Agreement (JPA) among various San Gabriel Valley cities to promote cooperation, exchange ideas, coordinate regional government programs and to provide recommendations and solutions to common problems and to general concern of member governments. It is the immediate successor to the San Gabriel Valley Association of Cities, an unincorporated association. Its members organized the SGVCOG because they recognized a need for a more permanent and formalized structure.

The SGVCOG is supported by contributions from its members and also receives grant funds to conduct regional studies on Transportation, Air Quality, Environmental Matters, as a sub-grantee of other governmental entities. The SGVCOG is a non-profit California Public Agency and it is tax exempt.

**The Reporting Entity**

These financial statements do not include a component unit, the Alameda Corridor - East Construction Authority (ACE) and do not purport to, and do not, present the financial position of the reporting entity of San Gabriel Valley Council of Governments as of June 30, 2016, the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis of Accounting**

The financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

The following are SGVCOG's major revenue sources:

County of Los Angeles (LA) – Energy Upgrade - Funds that enable single-family homeowners to make upgrades to reduce energy use, conserve resources and create more comfortable and efficient homes.

Southern California Edison – California Energy Efficiency Strategic Plan Implementation - Funds for the implementation of certain energy efficiency programs under the Decision 09-09-47 of the California Public Utilities Commission including the Energy Leader Partnership Program.

Southern California Edison – Energywise - Funds to implement a program to reduce energy usage in the region by providing enhanced rebates for installing energy efficiency measures in municipal facilities, technical assistance, and various training and educational opportunities.

**NOTE 1      SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)**

**Basis of Accounting (Continued)**

County of Los Angeles – Municipal Separate Storm Sewer System (MS4) – National Pollutant Discharge Elimination System (NPDES) - Funds to assist LA Permit Group to comply with the LA County MS4 NPDES Permit. The LA Permit Group is comprised of approximately 50 municipalities in Los Angeles County and was created to work collaboratively to negotiate the LA County MS4 NPDES Permit.

Southern California Edison – California Energy Efficiency Strategic Plan Implementation Phase 3 - Funds for the implementation of certain energy efficiency programs under the Decision 12-11-015 of the California Public Utilities Commission including the Energy Leader Partnership Program.

**Cash and Cash Equivalents**

SGVCOG considers money market funds and all equivalent liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Grants Receivable**

Grants receivable relate to expense reimbursement and due from governmental agencies and are expected to be fully collectible. Accordingly, an allowance for doubtful accounts is not provided.

**Capital assets - Office Equipment**

Office equipment is carried at historical cost. Depreciation is provided using the straight-line method over the individual assets' estimated useful life, usually five years for computers, copiers and other electronic equipment, ten years for cabinets, desks and furniture.

**Pension**

SGVCOG adopted GASB Statement No, 68, *Accounting and Financial Reporting for Pensions* during the fiscal 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 SGVCOG's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's 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.

**NOTE 1      SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)**

**Use of Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles (GAAP) requires the use of estimates in many areas. Estimates used in these financial statements relate primarily to fixing estimated useful lives to depreciable assets. Based upon the preceding information, estimates do not have a material effect on these financial statements.

**NOTE 2      CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of June 30, 2016 consist of the following:

Deposits with financial institution	\$	476,074
Short-term investments		228,433
Total cash and cash equivalents	\$	704,507

**Investments Authorized by the California Government Code and San Gabriel Valley Council of Governments' Investment Policy**

The table below identifies the investment types that are authorized for SGVCOG by the California Government Code (or SGVCOG's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or SGVCOG's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

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 2 CASH AND CASH EQUIVALENTS (CONTINUED)**

**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 the SGVCOG manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming due over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of SGVCOG's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the SGVCOG's investments by maturity.

Investment Type	Total	12 Months or less
LAIF	\$ 228,433	\$ 228,433
Total	\$ 228,433	\$ 228,433

**Investment with Fair Values Highly Sensitive to Interest Rate Fluctuations**

The SGVCOG has no investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

**Credit Risk**

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

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End Not Rated
LAIF	\$ 228,433	N/A	\$ 228,433
Total	\$ 228,433		\$ 228,433

**Concentrations of Credit Risk**

The investment policy of the SGVCOG contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2016, the SGVCOG had no investments in any one issuer (other than U.S. external investment pools) that represent 5% or more of total SGVCOG investments.

**NOTE 2      CASH AND CASH EQUIVALENTS (CONTINUED)**

**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.

The California Government Code and SGVCOG's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure local government units' deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2016, the SGVCOG's cash in bank balances were fully covered by the deposit insurance of the Federal Depository Insurance Corporation (FDIC).

The SGVCOG is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. At June 30, 2016, the total market value of LAIF, including accrued interest was approximately \$75.497 billion. The fair value of the SGVCOG's investment in this pool is \$228,433 at June 30, 2016 based upon the SGVCOG'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 the SGVCOG's) exposure to risk (credit, market or legal) is not currently available.

**NOTE 3 ADMINISTRATIVE EXPENSES**

The following provides the components of administrative expenses for the year ended June 30, 2016:

Salaries and employee benefits	\$	342,451
Consultant fee		44,684
Rent		39,473
Accounting and audit fees		23,789
Meetings		18,733
Legal fees		15,915
Information technology		11,981
Repairs and maintenance		11,000
Stipends		7,346
Printing/publications		4,804
Utilities		3,395
Insurance		3,339
Dues and subscriptions		2,658
Supplies		2,412
Miscellaneous		38,268
Total	\$	570,248

**NOTE 4 EMPLOYEE BENEFIT PLAN**

**A. General Information about the Pension Plans**

***Plan Description***

SGVCOG's employee benefit plan was assigned to its component unit, ACE. SGVCOG does not have employees enrolled under the Classic Plan and SGVCOG employees currently represent 75% share of the PEPRA Plan. All qualified permanent and probationary employees are eligible to participate in SGVCOG's Miscellaneous Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan 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.

Classic participants (defined as eligible participants prior to January 1, 2013) are required to contribute 6.50% 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. SGVCOG contributes the remaining amounts necessary to fund the benefits for its employees, using the actuarial basis adopted by the CalPERS Board of Administration.

**NOTE 4      EMPLOYEE BENEFIT PLAN (CONTINUED)**

***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 for PEPRA to which SGVCOG participates, are summarized as follows:

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

**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. SGVCOG is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

**NOTE 4      EMPLOYEE BENEFIT PLAN (CONTINUED)**

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

		Miscellaneous	
		Plan	
		<u>PEPRA</u>	
Contributions - employer	\$	8,824	

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

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

Miscellaneous (PEPRA)	\$	<u>(1,407)</u>	
Total net pension liability (asset)	\$	<u><u>(1,407)</u></u>	

SGVCOG's net pension liability for the Plan is measured as the proportionate share of the net pension liability (asset). The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. SGVCOG's proportion of the net pension liability was based on a projection of the SGVCOG's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, which is actuarially determined.

**NOTE 4      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.

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

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

**NOTE 4      EMPLOYEE BENEFIT PLAN (CONTINUED)**

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

	<b>2016</b>	
	<b>Miscellaneous Plan</b>	
	<b>PEPRA</b>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 20,593	\$ -
Differences between actual and expected experience	566	-
Changes in assumption		(5,351)
Changes in employer's proportion	9,669	-
Differences between the employer's contribution and the employer's proportionate share of contributions	3,569	(1,830)
Net differences between projected and actual earnings on pension plan investments	<u>13,715</u>	<u>(16,397)</u>
Total	<u>\$ 48,112</u>	<u>\$ (23,578)</u>

	<b>2015</b>	
	<b>Miscellaneous Plan</b>	
	<b>PEPRA</b>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 17,254	\$ -
Net difference between actual and pension plan's proportionate share of aggregate employer contributions	6,000	-
Adjustments due to differences in proportions	-	(7,992)
Net differences between projected and actual earnings on pension plan investments	<u>-</u>	<u>(180)</u>
Total	<u>\$ 23,254</u>	<u>\$ (8,172)</u>

\$20,593 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 4 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 June 30	Amount
2017	\$ (757)
2018	(615)
2019	(43)
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 Cost Method
<b>Actuarial Assumptions:</b>	
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

**NOTE 4      EMPLOYEE BENEFIT PLAN (CONTINUED)**

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 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 be found on the CalPERS website.

***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.

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.

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.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10<sup>(a)</sup></u>	<u>Real Return Years 11+<sup>(b)</sup></u>
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%
Infrastucture and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	<u>100%</u>		

<sup>(a)</sup> An expected inflation of 2.5% used for this period.

<sup>(b)</sup> An expected inflation of 3.0% used for this period.

**NOTE 4 EMPLOYEE BENEFIT PLAN (CONTINUED)**

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

The following presents SGVCOG's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what SGVCOG'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:

		<u>Miscellaenous</u>	
		<u>PEPRA</u>	
1% Decrease		6.65%	
Net Pension Liability	\$	(2,360)	
Current Discount Rate		7.65%	
Net Pension Liability (asset)	\$	(1,407)	
1% Increase		8.65%	
Net Pension Liability	\$	(620)	

**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, SGVCOG did not have outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

**NOTE 5 ALAMEDA CORRIDOR - EAST CONSTRUCTION AUTHORITY (ACE)**

In June 2013, ACE entered into a promissory note to borrow up to \$45,000,000, in variable rate, from the Los Angeles County Metropolitan Transportation Authority to be used as working capital. The note payable outstanding as of 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 of the borrowings have been used to pay for construction activities.

**NOTE 6 RELATED PARTY TRANSACTION**

For the year ended June 30, 2016, SGVCOG paid ACE a total of \$68,958 for transportation technical support, administrative support, and accounting support, and \$2,368 for travel expenses.

**NOTE 7 CONTINGENCIES**

The SGVCOG is involved in claims arising from the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material effect on the SGVCOG's financial position.

**NOTE 8 COMMITMENTS**

The SGVCOG has entered into an office space lease agreement covering the period from January 1, 2013 to December 31, 2017.

Future minimum rental payments including tenant improvements are as follows:

Year ending June 30	Amount
2017	\$ 64,895
2018	32,936
Total	\$ <u>97,831</u>

**NOTE 9 OTHER INCOME**

Other income for the year ended June 30, 2016 includes \$50,933 claim settlement from Allied World National Assurance Company, Inc. for breach of covenant which was settled and agreed in 2016. Such amount is recorded as a component of other receivables as of June 30, 2016.

**NOTE 10 SUBSEQUENT EVENTS**

SGVCOG 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, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

Attachment A  
**San Gabriel Valley Council of Governments**  
**(Primary Government)**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**Last Ten Years\***

	<u>2016</u>	<u>2015</u>
	<b>Miscellaneous Plan PEPRA</b>	<b>Miscellaneous Plan PEPRA</b>
Proportion of the net pension liability	0.000158%	0.00001%
Proportionate share of the net pension liability (asset)	\$ (1,407)	\$ 538
Covered-employee payroll <sup>(1)</sup>	\$ 164,916	\$ 155,191
covered-employee payroll	-0.85%	0.35%
percentage of the plan's total pension liability	108.71%	83.02%
Plan's proportionate share of aggregate employer contributions <sup>(2)</sup>	\$ 15,076	\$ 88

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

**Notes to Schedule**

- <sup>1</sup> 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.
- <sup>2</sup> 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.

Attachment A  
 San Gabriel Valley Council of Governments  
 (Primary Government)  
 Schedule of Pension Contributions  
 Last Ten Years\*

	2016	2015
	Miscellaneous Plan	Miscellaneous Plan
	PEPRA	PEPRA
Actuarially determined contributions	\$ 8,824	\$ 8,214
Contributions in relation to the actuarially determined contributions	(8,824)	(8,214)
Contribution deficiency (excess)	\$ -	\$ -
 Covered-Employee Payroll	 \$ 164,916	 \$ 155,191
 Contributions as a percentage of covered-employee payroll	 5.35%	 5.29%

**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.

**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***

**Members of the Governing Board  
San Gabriel Valley Council of Governments**

We have audited, 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, the financial statements of the San Gabriel Valley Council of Governments (the SGVCOG), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise San Gabriel Valley Council of Governments' 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 San Gabriel Valley Council of Governments' 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 San Gabriel Valley Council of Governments' internal control. Accordingly, we do not express an opinion on the effectiveness of San Gabriel Valley Council of Governments' 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 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 the San Gabriel Valley Council of Governments' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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.

**Los Angeles, California**  
**January 30, 2017**



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**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*

**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***

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

**Attachment B**  
**Alameda Corridor - East Construction Authority**  
**(A Component Unit of San Gabriel Valley Council of Governments)**  
**Management's Discussion and Analysis (Unaudited)**  
**Year ended June 30, 2016**

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.

<b>Project Progress During FY 2016</b>					
<b>Project</b>	<b>06/15</b>	<b>09/15</b>	<b>12/15</b>	<b>03/16</b>	<b>06/16</b>
At-Grade Crossing (212)	Design				
Durfee (208)	Design / ROW Acquisitions				
Fairway Drive (204)	ROW Acquisitions / Construction				
Fullerton (207)	Design / ROW Acquisitions / Construction				
Montebello (209)	Design				
Puente Avenue (202)	ROW Acquisitions / Construction				
Nogales - LA (250)	Construction				
S.G. Trench (201)	Construction				
Temple/Pomona (119)	Construction				
Turnbull Canyon (212)	Design				



Attachment B  
**Alameda Corridor - East Construction Authority**  
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**Year ended June 30, 2016**

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

<u>Federal</u>	<b>ACE Funding Commitments</b>	
	<u>(\$ millions)</u>	
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)		<u>6.3</u>
<b>Total Federal</b>	<b>\$</b>	<b>244.7</b>
<b><u>State</u></b>		
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)		<u>43.9</u>
<b>Total State</b>	<b>\$</b>	<b>643.7</b>
<b><u>L.A. County MTA</u></b>		
17% - Match		259.9
FY 2007 Call-for-projects		28.8
Measure R		<u>400.0</u>
<b>Total L.A. County MTA</b>	<b>\$</b>	<b>688.7</b>
City/County Funds/MWD Funds		12.1
Railroad Contributions		33.9
City/Railroad/Betterments/Property Sales		<u>29.5</u>
<b>Total ACE Project Funding</b>	<b>\$</b>	<b><u>1,652.7</u></b>

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.

Attachment B  
**Alameda Corridor - East Construction Authority**  
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**Management's Discussion and Analysis (Unaudited)**  
**Year ended June 30, 2016**

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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:

	<b>June 30</b>		Variance	
	<b>2016</b>	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	<u>(592,444,003)</u>	<u>(529,573,361)</u>	<u>(62,870,642)</u>	11.9%
Total assets	<b>93,694,569</b>	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	<b><u>\$ 13,902,665</u></b>	<b><u>\$ 11,430,192</u></b>	<b><u>\$ 2,472,473</u></b>	21.6%

**Attachment B**  
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**Year ended June 30, 2016**

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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 Gabriel 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.

Attachment B  
**Alameda Corridor - East Construction Authority**  
**(A Component Unit of San Gabriel Valley Council of Governments)**  
**Management's Discussion and Analysis (Unaudited)**  
**Year ended June 30, 2016**

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**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 related to increased project activity in the current year.

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

Attachment B  
**Alameda Corridor - East Construction Authority**  
**(A Component Unit of San Gabriel Valley Council of Governments)**  
**Statement of Net Position**  
**June 30, 2016**

	Capital Projects Fund	Adjustments	Government Activities Statement of Net Position
<b>ASSETS</b>			
<b>Current assets</b>			
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
<b>Total current assets</b>	<b>93,669,646</b>	<b>-</b>	<b>93,669,646</b>
<b>Noncurrent assets</b>			
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)
<b>Total noncurrent assets</b>	<b>-</b>	<b>24,923</b>	<b>24,923</b>
<b>Total assets</b>	<b>93,669,646</b>	<b>24,923</b>	<b>93,694,569</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension contribution	-	421,250	421,250
Net difference between actual and plan's proportionate share of aggregate employer contribution	-	579,386	579,386
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>1,000,636</b>	<b>1,000,636</b>
<b>LIABILITIES</b>			
<b>Liabilities</b>			
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
<b>Total liabilities</b>	<b>79,130,431</b>	<b>834,578</b>	<b>79,965,009</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
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
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>827,531</b>	<b>827,531</b>
<b>FUND BALANCES/NET POSITION</b>			
<b>Fund balance</b>			
Nonspendable for:			
Prepaid expenses	280,226		
Assigned:			
Pension unfunded accrued liability	835,047		
Capital projects	13,423,942		
<b>Total fund balance</b>	<b>\$ 14,539,215</b>		
<b>Net position</b>			
Net investment in capital assets		24,923	24,923
Unrestricted		(661,473)	13,877,742
<b>Total net position</b>		<b>\$ (636,550)</b>	<b>\$ 13,902,665</b>

See notes to financial statements.

Attachment B  
**Alameda Corridor - East Construction Authority**  
**(A Component Unit of San Gabriel Valley Council of Governments)**  
**Statement of Activities**  
**Year ended June 30, 2016**

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
<b>Total project expenses</b>	<u>134,152,767</u>	<u>(23,613)</u>	<u>134,129,154</u>
Operating revenues			
Grant reimbursements	133,732,844	-	133,732,844
Other operating revenues	2,763,634	-	2,763,634
<b>Total revenues</b>	<u>136,496,478</u>	<u>-</u>	<u>136,496,478</u>
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)	<u>105,149</u>	<u>-</u>	<u>105,149</u>
<b>Excess of revenues over expenditures/Change in net position</b>	2,448,860	23,613	2,472,473
<b>Fund balance/Net Position at beginning of year</b>	<u>11,430,192</u>	<u>-</u>	<u>11,430,192</u>
<b>Fund balance/Net Position at end of year</b>	<u>\$ 13,879,052</u>	<u>\$ 23,613</u>	<u>\$ 13,902,665</u>

See notes to financial statements.

**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.

**Capital 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.

Attachment B  
**Alameda Corridor - East Construction Authority**  
**(A Component Unit of San Gabriel Valley Council of Governments)**  
**Notes to Financial Statements**  
**Year ended June 30, 2016**

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**NOTE 2 CAPITAL ASSETS**

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

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
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	<u>383,375</u>	<u>12,462</u>	<u>-</u>	<u>395,837</u>
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	<u>358,534</u>	<u>12,380</u>	<u>-</u>	<u>370,914</u>
Capital assets, net	<u>\$ 24,841</u>	<u>\$ 82</u>	<u>\$ -</u>	<u>\$ 24,923</u>

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	<u>20,784,781</u>
Total cash and cash equivalents	<u>\$ 43,498,833</u>

**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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed in</u>	<u>Maximum Investment One Issuer</u>
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:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>	<u>More Than 60 Months</u>
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	-
<b>Total</b>	<b>\$ 42,762,327</b>	<b>\$ 25,654,011</b>	<b>\$ 45,912</b>	<b>\$ 17,062,404</b>	<b>\$ -</b>

**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	<u>\$ 42,762,327</u>		<u>\$ 20,732,032</u>	<u>\$ 10,754,999</u>	<u>\$ 6,008,905</u>	<u>\$ 5,266,391</u>

**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:

<u>Investment Type</u>	<u>Reported Amount</u>
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:

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

**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)	<u>(469)</u>
Total Net Pension Liability	<u>\$ 834,578</u>

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:

Attachment B  
**Alameda Corridor - East Construction Authority**  
**(A Component Unit of San Gabriel Valley Council of Governments)**  
**Notes to Financial Statements**  
**Year ended June 30, 2016**

**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	<u>476,802</u>	<u>(570,059)</u>	<u>4,573</u>	<u>(5,466)</u>
Total	<u>\$ 984,610</u>	<u>\$ (819,671)</u>	<u>\$ 16,026</u>	<u>\$ (7,860)</u>

	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	-
Adjustments due to differences in proportions	-	(93,627)	-	(1,875)
Net differences between projected and actual earnings on pension plan investments	<u>-</u>	<u>(348,829)</u>	<u>-</u>	<u>(42)</u>
Total	<u>\$ 791,961</u>	<u>\$ (442,456)</u>	<u>\$ 5,571</u>	<u>\$ (1,917)</u>

\$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.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10<sup>(a)</sup></u>	<u>Real Return Years 11+<sup>(b)</sup></u>
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	<u>100%</u>		

<sup>(a)</sup> An expected inflation of 2.5% used for this period.

<sup>(b)</sup> 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)**

	<b>Miscellaneous Plan</b>	
	<b>Classic</b>	<b>PEPRA</b>
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**

**Attachment B**  
**Alameda Corridor - East Construction Authority**  
**(A Component Unit of San Gabriel Valley Council of Governments)**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**Last Ten Years\***

	<b>2016</b>	
	<b>Miscellaneous Plan</b>	
	<b>Classic</b>	<b>PEPRA</b>
Proportion of the net pension liability	0.04943%	0.000158%
Proportionate share of the net pension liability	\$ 835,047	\$ (469)
Covered - employee payroll <sup>(1)</sup>	\$ 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 <sup>(2)</sup>	\$ 393,080	\$ 15,076
	<b>2015</b>	
	<b>Miscellaneous Plan</b>	
	<b>Classic</b>	<b>PEPRA</b>
Proportion of the net pension liability	0.01668%	0.00001%
Proportionate share of the net pension liability	\$ 1,038,037	\$ 126
Covered - employee payroll <sup>(1)</sup>	\$ 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 <sup>(2)</sup>	\$ 137,329	\$ 88

**Attachment B**  
**Alameda Corridor - East Construction Authority**  
**(A Component Unit of San Gabriel Valley Council of Governments)**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**Last Ten Years\***

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**Notes to Schedule**

- <sup>1</sup> 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.
- <sup>2</sup> 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.

Attachment B  
**Alameda Corridor - East Construction Authority**  
**(A Component Unit of San Gabriel Valley Council of Governments)**  
**Schedule of Pension Contributions**  
**Last Ten Years\***

	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**

Attachment B

**Alameda Corridor - East Construction Authority**  
**(A Component Unit of San Gabriel Valley Council of Governments)**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Capital Project Fund - Budget to Actual**  
**Year ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Amended</u> <u>Final</u>		
<b>Revenues</b>				
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
<b>Total revenues</b>	<u>185,178,201</u>	<u>185,178,201</u>	<u>136,086,103</u>	<u>(49,092,097)</u>
<b>Operating expenditures</b>				
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)
<b>Total construction</b>	<u>182,293,469</u>	<u>182,293,469</u>	<u>132,126,962</u>	<u>50,166,507</u>
Indirect				
Personnel				
Salaries 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
<b>Total indirect</b>	<u>2,884,732</u>	<u>2,884,732</u>	<u>1,615,433</u>	<u>1,269,299</u>
<b>Total operating expenditures</b>	<u>185,178,201</u>	<u>185,178,201</u>	<u>133,742,395</u>	<u>51,435,806</u>
Excess revenues over expenditures	-	-	2,343,708	(100,527,903)
<b>Other financing sources (uses)</b>				
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)
<b>Net other financing sources (uses)</b>	<u>99,900</u>	<u>99,900</u>	<u>105,152</u>	<u>5,252</u>
Change in fund balance	<u>99,900</u>	<u>99,900</u>	<u>2,448,860</u>	<u>(100,522,651)</u>
Fund balance at beginning of year	12,090,355	12,090,355	12,090,355	-
Fund balance at end of year	<u>\$ 12,190,255</u>	<u>\$ 12,190,255</u>	<u>\$ 14,539,215</u>	<u>\$ (100,522,651)</u>

**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.

A handwritten signature in black ink that reads "Vaqueria &amp; Company LLP". The signature is written in a cursive, flowing style.

**Los Angeles, California  
January 30, 2017**



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**Audited Financial Statements  
and Supplementary Information  
Year Ended June 30, 2016  
with Report of Independent Auditors**

**San Gabriel Valley Council of Governments**  
**Audited Financial Statements**  
**and Supplementary Information**  
*Year Ended June 30, 2016*  
*with Report of Independent Auditors*

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## Report of Independent Auditors

### Members of the Governing Board San Gabriel Valley Council of Governments

#### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented 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 SGVCOG'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 from 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 business-type activities and the discretely presented component unit of San Gabriel Valley Council of Governments as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof 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 through 11 and the required supplementary information on pages 38-39 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 management discussion and analysis and 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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SGVCOG's basic financial statements. SGVCOG's discretely presented component unit's statement of revenues, expenditures and changes in fund balance – budget to actual on page 40, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 San Gabriel Valley Council of Governments' 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 San Gabriel Valley Council of Governments' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Vazquez &amp; Company LLP". The signature is written in a cursive, flowing style.

Los Angeles, California  
January 30, 2017

Our discussion and analysis of the San Gabriel Valley Council of Governments (the SGVCO) financial performance presents an overview of the SGVCOG's financial activities during the year ended June 30, 2016. We encourage readers to consider information presented here in conjunction with the financial statements (beginning on page 12). The financial statements, notes and this discussion and analysis were prepared by management and are the responsibility of management.

### **Background**

The SGVCOG was created on March 17, 1994 by a Joint Powers Agreement (JPA) among various member San Gabriel Valley Cities to promote cooperation, exchange ideas, coordinate regional government programs and to provide recommendations and solutions to common problems and to general concern of member governments.

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

### **Financial Highlights**

In FY 2015-16, SGVCOG's operating revenues increased by 2% from the previous year. The increase was mainly attributable to the implementation of an annual CPI adjustment to the base fee of cities membership dues.

#### Component Unit

ACE's 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 Financial Statements**

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

### Government-wide Financial Statements

The government-wide financial statements found on pages 12 and 13 are designed to give readers a broad overview of the SGVCOG and its discretely presented component unit's financial position. These include all of the SGVCOG and its discretely presented component unit's assets and liabilities, deferred inflows/outflows of resources, revenues and expenses. The accounting basis is full accrual (similar to private sector companies) where the SGVCOG and its discretely presented component unit'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 all of the SGVCOG and its discretely presented component unit'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.

The "Statement of Activities" presents the SGVCOG and its discretely presented component unit's revenues and expenses for the year ended on June 30, 2016.

### 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 classified as a Construction (Capital Projects) Fund with the exception of the amount invested in a deferred compensation plan funded solely by staff.

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

### Notes to the Basic Financial Statements

This report includes notes to the basic financial statements. They provide additional information that is important to a complete understanding of the data contained in the government-wide and fund financial statements. The notes can be found on pages 15 through 37 of this report.

**Financial Analysis**

Primary Government

*Condensed Statements of Net Position*

The following table summarizes the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of SGVCOG's primary government as of June 30, 2016 and 2015:

	<b>June 30</b>		Variance	
	<b>2016</b>	2015	Amount	%
Current assets	\$ 917,083	\$ 778,098	\$ 138,985	18%
Deferred outflows of resources	<u>48,112</u>	23,254	24,858	107%
Total assets and deferred outflows of resources	<u>965,195</u>	801,352	163,843	20%
Current liabilities	<b>146,522</b>	236,431	(89,909)	-38%
Deferred inflows of resources	<u>23,578</u>	8,172	15,406	189%
Total liabilities and deferred inflows of resources	<u>170,100</u>	244,603	(74,503)	-30%
Net position				
Restricted	<b>110,248</b>	110,138	110	0%
Unrestricted	<u>684,847</u>	446,611	238,236	53%
Total net position	<u>\$ 795,095</u>	\$ 556,749	\$ 238,346	43%

Current assets increased this year by \$138,985, or 18%, and current liabilities decreased by \$89,909 or 38%. The increase in current assets is primarily due to a \$272,226 increase in cash and cash equivalents. The decrease in current liabilities is primarily due to a decrease in accounts payable related to prior year over payments of \$43,694 for MS4 – National Pollutant Discharge Elimination System which was reimbursed in the current year and \$45,000 which was properly reclassified to cities membership dues in fiscal year June 30, 2016.

As previously discussed, net position can serve as an indicator of financial health. The SGVCOG's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$795,095 and \$556,749 as of June 30, 2016 and 2015, respectively.

**Attachment C**  
**San Gabriel Valley Council of Governments**  
**Management's Discussion and Analysis**  
**Year ended June 30, 2016**

*Condensed Statements of Activities*

The following table presents the SGVCOG's revenues, expenses, and changes in net position for the years ended June 30, 2016 and 2015:

	<b>Years ended June 30</b>		Variance	
	<u>2016</u>	<u>2015</u>	<u>Amount</u>	<u>%</u>
<b>Operating revenues</b>				
Dues:				
General Fund	\$ 566,734	\$ 498,552	\$ 68,182	14%
Transportation	200,196	177,507	22,689	13%
	<u>766,930</u>	<u>676,059</u>	<u>90,871</u>	<u>13%</u>
Grants and matches from other governments:				
Los Angeles County Metropolitan Transportation Authority	89,378	85,421	3,957	5%
Southern California Edison - Energywise	173,822	138,106	35,716	26%
Southern California Edison - California Energy Efficiency Strategic Plan Implementation	115,946	184,360	(68,414)	-37%
Western Riverside Council of Governments - California HERO	20,334	16,380	3,954	24%
LA Permit Group - MS4 NPDES Permit	-	32,475	(32,475)	-100%
Local Government Commission - CivicSpark	-	8,400	(8,400)	-100%
Others	-	78	(78)	-100%
<b>Total operating revenues</b>	<u>1,166,410</u>	<u>1,141,279</u>	<u>25,131</u>	<u>2%</u>
<b>Operating expenses</b>				
Administrative	570,248	508,775	61,473	12%
Energywise	173,822	106,930	66,892	63%
Transportation	120,060	232,935	(112,875)	-48%
California Energy Efficiency Strategic Plan Implementation	115,947	174,105	(58,158)	-33%
Miscellaneous	-	11,610	(11,610)	-100%
<b>Total operating expenses</b>	<u>980,077</u>	<u>1,034,355</u>	<u>(54,278)</u>	<u>-5%</u>
<b>Operating income</b>	<u>186,333</u>	<u>106,924</u>	<u>79,409</u>	<u>74%</u>
<b>Nonoperating income</b>				
Other income	50,933	-	50,933	100%
Interest income	1,080	1,114	(34)	-3%
<b>Total nonoperating income</b>	<u>52,013</u>	<u>1,114</u>	<u>50,899</u>	<u>4569%</u>
<b>Change in net position</b>	<u>238,346</u>	<u>108,038</u>	<u>130,308</u>	<u>121%</u>
<b>Net position, beginning of year</b>	<u>556,749</u>	<u>448,711</u>	<u>108,038</u>	<u>24%</u>
<b>Net position, end of year</b>	<u>\$ 795,095</u>	<u>\$ 556,749</u>	<u>\$ 238,346</u>	<u>43%</u>

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**San Gabriel Valley Council of Governments**  
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**Year ended June 30, 2016**

Revenues for SGVCOG in 2016 consist primarily of dues from 31 member cities, three Los Angeles County supervisorial districts, and a Joint Power Authority of the water agencies, which represents three municipal water districts, cost reimbursable grants from Southern California Edison (SCE), a local utility, grant matching funds from Los Angeles County Metropolitan Transportation Authority, and fees on the aggregate cost for the bonds issued to fund installation of renewable energy efficiency improvements from the Home Energy Renovation Opportunity (HERO) program. Grants and matches from other governments and SCE were \$399,480 in FY2016 compared to \$465,220 in FY 2015, a decrease of \$65,740, or 14%. This decrease was mostly due to reduction in program activity for California Energy Efficiency Strategic Plan Implementation - Phase 3. This program was completed in September 2016.

Total operating expenses were \$980,077 in FY2016 compared to \$1,034,355 in FY2015, a decrease of \$54,278, or 5%. This decrease is primarily attributable to delays in filling vacant positions which resulted in a reduction of grant reimbursable expenses.

Non-operating income of \$ 52,013 consists of investment income and other income from a claim settlement in FY 2016 compared to \$1,114 for FY 2015, an increase of \$50,899, or 4569%. This increase was attributable to a \$52,013 claim settlement from Allied World National Assurance Company, Inc. for breach of covenant which was settled and agreed in 2016.

Component Unit

*Condensed Statements of Net Position*

	<b>June 30</b>		Variance	
	<b>2016</b>	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	<u>(592,444,003)</u>	<u>(529,573,361)</u>	<u>(62,870,642)</u>	11.9%
Total assets	<b>93,694,569</b>	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	<u>\$ 13,902,665</u>	<u>\$ 11,430,192</u>	<u>\$ 2,472,473</u>	21.6%

All organizations are required to report construction in progress (that is, the sum of prior and current year's construction expense) on the statement of net position as an asset. This would normally be done by treating each year's construction as a capital expense which would be excluded from the statement of activities. However, the grant reimbursements generated by

construction would be included in the statement of activities as revenue. ACE is obligated to transfer components of completed projects to the UPRR and the cities so that they can be included in their financial statements. The resulting reduction in assets would flow through the statement of activities as a loss. The net effect would be to produce widely fluctuating net 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.

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 Gabriel 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.

The FY 2016 Budget for operating expenditures was \$185.2 million compared to \$173.4 million in FY 2015. Total actual operating expenditures are \$134.1 million compared to \$131.1 million in FY 2015.

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.

The project revenues continue to closely track the expenditures. ACE's policy is to avoid where possible costs not reimbursable under state and federal guidelines; Metro also provides project funds and, under separate agreement, continues to fund certain administrative expenses not reimbursable under federal and state regulations; cities requesting work in excess of CalTRANS' guidelines (referred to as betterments) are paid for by the requesting city.

**Attachment C**  
**San Gabriel Valley Council of Governments**  
**Management's Discussion and Analysis**  
**Year ended June 30, 2016**

*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 related to increased project activity in the current year.

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

\*The net position as of June 30, 2015 includes the effect of the implementation of GASB 68.

**Capital Assets**

Primary Government

The SGVCOG had \$0 invested in capital assets, net of depreciation, as of June 30, 2016 and 2015. The capital assets are fully depreciated as of June 30, 2016 and 2015.

The SGVCOG's capital assets consist of office equipment only. Capital assets are purchased with governmental resources.

Component Unit

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 Next Year's Budget**

Primary Government

The budget for fiscal year 2017 assumes that the on-hand net position as of June 30, 2016, will be required and available to fulfill the program and administrative expense requirements.

Component Unit

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.

**Further Information**

This report has been designed to provide a general overview to our stakeholders of the SGVCOG's financial condition and related issues. Inquiries should be directed to Carlos Monroy, Director of Finance, 4900 Rivergrade Road, Suite A120 Irwindale, CA 91706.

Attachment C  
San Gabriel Valley Council of Governments  
Management's Discussion and Analysis  
Year ended June 30, 2016

	Primary Government		Component Unit	
	Business-type Activities	Capital Project Fund	Adjustment	Total
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and investments	\$ 704,507	\$ 43,498,834	\$ -	\$ 43,498,834
Member receivable	800	-	-	-
Grants receivable	137,980	18,633,901	-	18,633,901
Unbilled receivables	-	24,318,084	-	24,318,084
Notes receivables	-	300,000	-	300,000
Other receivable	58,282	2,155	-	2,155
Retention receivable	-	1,821,141	-	1,821,141
Prepaid expenses	14,107	280,226	-	280,226
Property held for sale	-	4,259,269	-	4,259,269
Net pension asset	1,407	-	-	-
Under-recovery of indirect costs	-	556,036	-	556,036
<b>Total current assets</b>	<u>917,083</u>	<u>93,669,646</u>	<u>-</u>	<u>93,669,646</u>
<b>Noncurrent assets</b>				
Leasehold improvements and equipment	8,645	-	395,838	395,838
Less accumulated depreciation and amortization	(8,645)	-	(370,915)	(370,915)
Construction in progress	-	-	592,444,003	592,444,003
Less due to member cities and Union Pacific Railroad	-	-	(592,444,003)	(592,444,003)
<b>Total assets</b>	<u>917,083</u>	<u>93,669,646</u>	<u>24,923</u>	<u>93,694,569</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources related to pension	48,112	-	1,000,636	1,000,636
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable and accrued expense	97,363	16,565,784	-	16,565,784
Accrued retention payable	-	1,304,267	-	1,304,267
Unearned revenue	49,159	16,053,098	-	16,053,098
Compensated absences	-	207,282	-	207,282
Metro promissory note loan	-	45,000,000	-	45,000,000
Net pension liability	-	-	834,578	834,578
<b>Total current liabilities</b>	<u>146,522</u>	<u>79,130,431</u>	<u>834,578</u>	<u>79,965,009</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources related to pension	23,578	-	827,531	827,531
<b>FUND BALANCES/NET POSITION</b>				
<b>Fund balance</b>				
Nonspendable for:				
Prepaid expenses		280,226		
Assigned:				
CalPERS unfunded liability		835,047		
Capital project fund		<u>13,423,942</u>		
<b>Total fund balance</b>		<u>14,539,215</u>		
<b>Net position</b>				
Invested in capital assets	-		24,923	24,923
Restricted	110,248		-	-
Unrestricted	684,847		(661,473)	13,877,742
<b>Total net position</b>	<u>\$ 795,095</u>		<u>\$ (636,550)</u>	<u>\$ 13,902,665</u>
<b>Total liabilities and fund balance</b>		<u>\$ 93,669,646</u>		

See notes to financial statements.

Attachment C  
San Gabriel Valley Council of Governments  
Statement of Activities  
Year ended June 30, 2016

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Primary Government Business-type Activities	Component Unit			
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	Deficiency of Revenues over Expenditures	Adjustments	Net (Expense) Revenue and Changes in Net Position	
<b>Primary government:</b>										
<b>Business-type activities:</b>										
General government	\$ 570,248	\$ -	\$ 566,734	\$ -	\$ -	\$ (3,514)				
Transportation	120,060	-	200,196	-	-	80,136				
Los Angeles County Metropolitan Transportation Authority	-	-	-	89,378	-	89,378				
California Energy Efficiency Strategic Plan Implementation	115,947	-	-	115,947	-	-				
South California Edison - Energywise	173,822	-	-	173,822	-	-				
Others	-	-	-	20,333	-	20,333				
<b>Total business-type activities</b>	<b>\$ 980,077</b>	<b>\$ -</b>	<b>\$ 766,930</b>	<b>\$ 399,480</b>	<b>\$ -</b>	<b>\$ 186,333</b>				
<b>Component unit:</b>										
Project expenses	\$ 132,126,961	\$ 2,025,806	\$ -	\$ -	136,496,478	-	\$ 2,343,711	\$ 23,613	\$ 2,367,324	
Financing expense	394,603	-	-	-	-	-	(394,603)	-	(394,603)	
<b>Total component unit</b>	<b>\$ 132,521,564</b>	<b>\$ 2,025,806</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 136,496,478</b>	<b>-</b>	<b>1,949,108</b>	<b>23,613</b>	<b>1,972,721</b>	
<b>General revenues:</b>										
Interest and other income						52,013	499,752	-	499,752	
<b>Change in net position</b>						238,346	2,448,860	23,613	2,472,473	
<b>Fund balance/Net position, beginning of year, as restated</b>						556,749	12,090,355	(660,163)	11,430,192	
<b>Fund balance/Net position, end of year</b>						<b>\$ 795,095</b>	<b>\$ 14,539,215</b>	<b>\$ (636,550)</b>	<b>\$ 13,902,665</b>	

See notes to financial statements.

Attachment C  
San Gabriel Valley Council of Governments  
Statement of Cash Flows  
Year ended June 30, 2016

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**Cash flows from operating activities**

Cash receipts from cities	\$	820,739
Cash receipts from all other services		577,792
Cash paid for operating expenses		(519,128)
Cash paid for employee compensation and related costs		<u>(608,107)</u>
<b>Net cash provided by operating activities</b>		<u><u>271,296</u></u>

**Cash flows from investing activities**

Cash receipts from interest		<u>930</u>
<b>Cash provided by investing activities</b>		<u>930</u>

**Change in cash and cash equivalents** 272,226

**Cash and cash equivalents - beginning of year** 432,281

**Cash and cash equivalents - end of year** \$ 704,507

Reconciliation of operating income to net cash used in operating activities:

Operating income	\$	186,333
Adjustment to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Member dues receivable		4,650
Other receivables		(6,823)
Grants receivable		185,135
Prepaid expenses		2,769
Deferred outflows of resources		(24,858)
Accounts payable and accrued expenses		(138,530)
Unearned revenues		49,159
Net pension liability		(1,945)
Deferred inflows of resources		<u>15,406</u>
<b>Net cash provided by operating activities</b>	<b>\$</b>	<u><u>271,296</u></u>

See notes to financial statements.

**NOTE 1      SUMMARY OF SIGNIFICANT POLICIES**

**Organization and activities**

The San Gabriel Valley Council of Governments (the "SGVCOG") was created effective March 17, 1994 by a Joint Powers Agreement (JPA) among various San Gabriel Valley cities to promote cooperation, exchange ideas, coordinate regional government programs and to provide recommendations and solutions to common problems and to general concern of member governments. It is the immediate successor to the San Gabriel Valley Association of Cities, an unincorporated association. Its members organized the SGVCOG because they recognized a need for a more permanent and formalized structure.

The SGVCOG is supported by contributions from its members and also receives grant funds to conduct regional studies on Transportation, Air Quality, Environmental Matters, as a sub-grantee of other governmental entities. The SGVCOG is a non-profit California Public Agency and it is tax exempt.

**Reporting entity**

The accompanying financial statements present the SGVCOG (the primary government) and its component unit, the Alameda Corridor - East Construction Authority (ACE). As defined by GASB Statement No. 14, component units are legally separate entities that are included in the primary government's reporting entity because of the significance of their operating or financial relationships with the primary government. SGVCOG and its component unit are together referred to herein as the *reporting entity*.

ACE is a single purpose construction authority created by the SGVCOG in 1998 to mitigate the effects of increasing Union Pacific Railroad train traffic in the San Gabriel Valley. ACE does not meet the criteria for a blended component because it is a legally separate entity having its own set of Board of Directors, independent of SGVCOG's Governing Board. ACE's Board is responsible for approving its own budget and accounting and finance related activities. SGVCOG has no fiscal responsibility over ACE and there is no financial burden or benefit relationship between the two entities. Accordingly, ACE is reported as a discretely presented component unit in a separate column in the government-wide financial statements to emphasize that it is legally separate from the SGVCOG. Separate financial statements for ACE are issued.

**Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the primary government (the SGVCOG) and its discretely presented component unit (ACE). The financial statements are prepared using the accrual basis of accounting.

**NOTE 1      SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)**

**Measurement focus, basis of accounting and financial statement presentation**

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Statement of Activities presents changes in Net Position. (This is equivalent to an Income and Changes in Equity Statement in private sector companies.) Revenues are recorded when earned and expenses are recognized at the time of the causal event.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. ACE recognizes reimbursements from grants as revenues to the extent reimbursing obligations are earned on or before June 30, 2016 and are therefore the same under both modified accrual and full accrual basis. Major interest bearing debt is short-term in nature so there is no difference relating to accrued interest owed.

Based upon the nature of the operations of ACE, only a capital projects fund is utilized (a governmental fund type). Amounts reflected in the adjustment column in the financial statements of ACE represents capital assets and construction in progress (less due to member cities and Union Pacific Railroad) used on governmental activities that are not current financial resources and therefore are not reported as assets in the governmental fund balance and the related depreciation expense on the capital assets reported in the government-wide statement of activities that do not require the use of current financial resources and therefore not reported as an expenditure in the governmental funds.

**Description of funds**

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following are revenue components of the SGVCOG:

County of Los Angeles (LA) – Energy Upgrade - Funds that enables single-family homeowners to make upgrades to reduce energy use, conserve resources and create more comfortable and efficient homes.

Southern California Edison – California Energy Efficiency Strategic Plan Implementation - Funds for the implementation of certain energy efficiency programs under the Decision 09-09-47 of the California Public Utilities Commission including the Energy Leader Partnership Program.

Southern California Edison – Energywise - Funds to implement a program to reduce energy usage in the region by providing enhanced rebates for installing energy efficiency measures in municipal facilities, technical assistance, and various training and educational opportunities.

**NOTE 1      SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)**

**Description of funds (Continued)**

Proprietary Funds (Continued)

County of Los Angeles – Municipal Separate Storm Sewer System (MS4) – National Pollutant Discharge Elimination System (NPDES) - Funds to assist LA Permit Group to comply with the LA County MS4 NPDES Permit. The LA Permit Group is comprised of approximately 50 municipalities in Los Angeles County and was created to work collaboratively to negotiate the LA County MS4 NPDES Permit.

Southern California Edison – California Energy Efficiency Strategic Plan Implementation Phase 3 - Funds for the implementation of certain energy efficiency programs under the Decision 12-11-015 of the California Public Utilities Commission including the Energy Leader Partnership Program.

Governmental Fund

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

**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 highest level of decision-making authority (Board of Directors).

**NOTE 1      SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)**

**Fund balance reporting (Continued)**

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

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

The Board of Directors, as ACE's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken. Committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specific use through the same type of formal action taken to establish the commitment. ACE does not have any fund balance that meet this classification as of June 30, 2016.

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

ACE 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 an 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 the 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.

**NOTE 1      SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)**

**Cash and investments**

The SGVCOG considers money market funds and all equivalent liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Deposits with the State of California's Local Agency Investment Fund (LAIF) Operating Fund and the bond portfolio managed by Citizens' Business Bank meet are considered cash equivalents.

**Grants receivable**

Grants receivable relate to expense reimbursements and due from governmental agencies and are expected to be fully collectible. Accordingly, an allowance for doubtful accounts is not provided.

**Grant revenues and expenditures**

All grants agreements are between the SGVCOG and the granting authority. 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.

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

**Leasehold improvements and equipment**

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

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

**Pension**

SGVCOG and ACE adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* during the fiscal 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 SGVCOG's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's 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.

**NOTE 1      SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)**

**Use of estimates**

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

**Property held for sale**

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

**NOTE 2      CASH AND INVESTMENTS**

Cash and cash equivalents as of June 30, 2016 are as follows:

Primary government:

Deposits with financial institution	\$	476,074
Short-term investments		228,433
Total cash and investments	\$	<u>704,507</u>

Component unit:

Cash in bank	\$	667,252
Pooled funds		1,583,187
Money market funds		20,463,613
Investments		<u>20,784,782</u>
Total cash and investments	\$	<u>43,498,834</u>

**Investments Authorized by the California Government Code and San Gabriel Valley Council of Governments and its component unit's Investment Policy**

The table below identifies the investment types that are authorized for the *reporting entity* by the California Government Code (or *reporting entity's* investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or *reporting entity's* investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

Primary government and component unit:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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

**Investments Authorized by Debt Agreements**

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the reporting entity's investment policy.

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed in</u>	<u>Maximum Investment One Issuer</u>
U.S 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

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**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 the *reporting entity* manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-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 the *reporting entity's* investments to market interest rate fluctuations is provided by the following table that shows the distribution of the *reporting entity's* investments by maturity.

Primary government:

<u>Investment Type</u>	<u>Remaining maturity in months</u>	
	<u>Total</u>	<u>12 Months or less</u>
LAIF	\$ 228,433	\$ 228,433
Total	\$ 228,433	\$ 228,433

Component unit:

<u>Investment Type</u>	<u>Remaining maturity in months</u>				
	<u>Total</u>	<u>12 Months or less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More than 60 months</u>
LAIF	\$ 1,583,187	\$ 1,507,194	\$ 45,912	\$ 30,081	\$ -
Money market funds	20,463,613	20,463,613	-	-	-
Investment contracts	20,715,527	3,683,204	-	17,032,323	-
Total	\$ 42,762,327	\$ 25,654,011	\$ 45,912	\$ 17,062,404	\$ -

**Investment with Fair Values Highly Sensitive to Interest Rate Fluctuations**

The SGVCOG and its component unit have no investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**Credit Risk**

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

Primary government:

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Exempt from Disclosure</u>	<u>Rating as of Year End</u>		
				<u>AAA</u>	<u>AA</u>	<u>Not Rated</u>
LAIF	\$ 228,433	N/A	\$ -	\$ -	\$ -	\$ 228,433
Total	<u>\$ 228,433</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 228,433</u>

Component unit:

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>			
			<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not rated</u>
LAIF	\$ 1,583,187	N/A	\$ -	\$ -	\$ -	\$ 1,583,187
Money market funds	20,463,613	A	20,463,613	-	-	-
Investment contracts	20,715,527	A	268,419	10,754,999	6,008,905	3,683,204
Total	<u>\$ 42,762,327</u>		<u>\$ 20,732,032</u>	<u>\$ 10,754,999</u>	<u>\$ 6,008,905</u>	<u>\$ 5,266,391</u>

**Concentrations of Credit Risk**

The investment policy of the SGVCOG and ACE's contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2016, the SGVCOG and its component unit have no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total SGVCOG investments.

**NOTE 2      CASH AND INVESTMENTS (CONTINUED)**

**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. The California Government Code and the *reporting entity's* investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure local government units' deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2016, the SGVCOG's cash in bank balances did not exceed the FDIC limit. ACE's deposit of \$43,498,834 with financial institutions is in excess of federal depository insurance limits but are held in collateralized accounts.

The SGVCOG and ACE are voluntary participants in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. At June 30, 2016, the total market value of LAIF, including accrued interest was approximately \$75.497 billion.

The fair value of the SGVCOG's investment in this pool is \$228,433 at June 30, 2016 based upon the SGVCOG'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 the SGVCOG's) exposure to risk (credit, market or legal) is not currently available.

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 2 CASH AND INVESTMENTS (CONTINUED)**

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:

<b>Investment Type</b>	<b>Reported Amount</b>
Money Market Funds	\$ <u><u>20,463,613</u></u>

**NOTE 3 LEASEHOLD IMPROVEMENTS AND EQUIPMENT**

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

	<b>Balance June 30, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2016</b>
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	<u>383,375</u>	<u>12,462</u>	<u>-</u>	<u>395,837</u>
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	<u>358,534</u>	<u>12,380</u>	<u>-</u>	<u>370,914</u>
Capital assets, net	<u>\$ 24,841</u>	<u>\$ 82</u>	<u>\$ -</u>	<u>\$ 24,923</u>

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

**NOTE 4 RECEIVABLES**

Receivables of the component unit as of June 30, 2016, as shown in the government-wide financial statements, in the aggregate, including retention, are as follows:

Receivables	Amount
Grants	\$ 18,633,901
Notes	300,000
Unbilled	22,039,090
Retention	1,821,141
Interest	2,154
Total	\$ 42,796,286

**NOTE 5 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 and 2015 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.

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 6 GRANT ACCOUNTING**

During the year ended June 30, 2016, ACE was the recipient, primarily from the Federal Department of Transportation through the California Department of Transportation (Caltrans), of cost reimbursement type grants. There were also California transportation programs paid through Caltrans. Local share was received from Metro. All of these grants are expenditure driven; funds must be expended before reimbursement is received. Certain amounts have been held back by the grantor agency pending completion of certain phases of contracted work and some costs incurred are subject to disallowance.

**NOTE 6 GRANT ACCOUNTING (CONTINUED)**

Receivable amounts at June 30, 2015, are shown net of disallowed costs. Caltrans approved, under Office of Management and Budget (OMB) Circular A-87, an indirect overhead allocation formula of 84.13% of total direct salaries and fringe benefit costs. Indirect costs incurred in the fiscal year ended June 30, 2016 were \$1,615,432.

**NOTE 7 ADMINISTRATIVE EXPENSES**

The following were the administrative expenses of the primary government for the year ended June 30, 2016:

<u>Administrative Expenses</u>	<u>Amount</u>
Salaries and employee benefits	\$ 342,451
Consultant fee	44,684
Rent	39,473
Accounting and audit fees	23,789
Meetings	18,733
Legal fees	15,915
Information technology	11,981
Repairs and maintenance	11,000
Stipends	7,346
Printing/publications	4,804
Utilities	3,395
Insurance	3,339
Dues and subscriptions	2,658
Supplies	2,412
Miscellaneous	38,268
Total \$	<u><u>570,248</u></u>

**NOTE 8 RELATED PARTY TRANSACTIONS**

The ACE billed SGVCOG a total of \$68,958 for transportation technical support, administrative support, and accounting support, and \$2,368 for travel expenses.

**NOTE 9      EMPLOYEE BENEFIT PLAN**

**A. General Information about the Pension Plans**

***Plan Description***

SGVCOG's employee benefit plan was assigned to its component unit, ACE. SGVCOG does not have employees enrolled under the Classic Plan and currently represent 75% share of the PEPRA Plan.

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

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.

**NOTE 9 EMPLOYEE BENEFIT PLAN (CONTINUED)**

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

	<b>Miscellaneous Plan</b>	
	<u>Classic</u>	<u>PEPRA</u>
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%

**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 the Plan were as follows:

	<b>Miscellaneous Plan</b>	
	<u>Classic</u>	<u>PEPRA</u>
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, SGVCOG and ACE reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<b>Proportionate Share of Net Pension Liability (Asset)</b>	
	<u>SGVCOG</u>	<u>ACE</u>
Miscellaneous (Classic)	\$ -	\$ 835,047
Miscellaneous (PEPRA)	(1,407)	(469)
Total net pension liability (asset)	<u>\$ (1,407)</u>	<u>\$ 834,578</u>

**NOTE 9      EMPLOYEE BENEFIT PLAN (CONTINUED)**

The net pension liability (asset) for the Plan is measured as the proportionate share of the net pension liability (asset). The net pension liability (asset) of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. SGVCOG's and ACE's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

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.

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

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

**Attachment C**  
**San Gabriel Valley Council of Governments**  
**Notes to Financial Statements**  
**Year ended June 30, 2016**

**NOTE 9 EMPLOYEE BENEFIT PLAN (CONTINUED)**

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

	2016					
	Miscellaneous Plan					
	SGVCOG		ACE			
	PEPRA		Classic		PEPRA	
Deferred	Deferred	Deferred	Deferred	Deferred	Deferred	
Outflows of	Inflows of	Outflows of	Inflows of	Outflows of	Inflows of	
Resources	Resources	Resources	Resources	Resources	Resources	
Pension contributions subsequent to measurement date	\$ 20,593	\$ -	\$ 414,398	\$ -	\$ 6,852	\$ -
Differences between actual and expected experience	566	-	19,663	-	188	-
Changes in assumption	-	(5,351)	-	(186,019)	-	-
Changes in employer's proportion	9,669	-	3,245	-	3,223	(1,784)
Differences between the employer's contribution and the employer's proportionate share of contributions	3,569	(1,830)	70,502	(63,593)	1,190	(610)
Net differences between projected and actual earnings on pension plan investments	13,715	(16,397)	476,804	(570,059)	4,573	(5,466)
	<u>\$ 48,112</u>	<u>\$ (23,578)</u>	<u>\$ 984,612</u>	<u>\$ (819,671)</u>	<u>\$ 16,026</u>	<u>\$ (7,860)</u>

	Miscellaneous Plan					
	SGVCOG		ACE			
	PEPRA		Classic		PEPRA	
	Deferred	Deferred	Deferred	Deferred	Deferred	Deferred
Outflows of	Inflows of	Outflows of	Inflows of	Outflows of	Inflows of	
Resources	Resources	Resources	Resources	Resources	Resources	
Pension contributions subsequent to measurement date	\$ 17,254	\$ -	\$ 682,291	\$ -	\$ 4,164	\$ -
Net difference between actual and pension plan's proportionate share of aggregate employer contributions	6,000	-	109,670	-	1,407	-
Adjustments due to differences in proportions	-	(7,992)	-	(93,627)	-	(1,875)
Net differences between projected and actual earnings on pension plan investments	-	(180)	-	(348,829)	-	(42)
Total	<u>\$ 23,254</u>	<u>\$ (8,172)</u>	<u>\$ 791,961</u>	<u>\$ (442,456)</u>	<u>\$ 5,571</u>	<u>\$ (1,917)</u>

SGVCOG and ACE reported \$20,593 and \$421,250, respectively, as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

**NOTE 9 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 June 30	SGVCOG	ACE
2017	\$ (757)	\$ (81,655)
2018	(615)	(82,767)
2019	(43)	(87,219)
Thereafter	-	-

***Actuarial Assumptions***

The total pension liabilities in the June 30, 2013 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 Cost Method
<b>Actuarial Assumptions:</b>	
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 be found on the CalPERS website.

**NOTE 9      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.

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.

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 <sup>(a)</sup>	Real Return Years 11+ <sup>(b)</sup>
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastucture and Forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
Total	<u>100%</u>		

<sup>(a)</sup> An expected inflation of 2.5% used for this period.

<sup>(b)</sup> An expected inflation of 3.0% used for this period.

**NOTE 9 EMPLOYEE BENEFIT PLAN (CONTINUED)**

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

The following presents SGVCOG's and ACE's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what its 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:

	<b>Miscellaenous Plan</b>		
	<b>SGVCOG</b>	<b>ACE</b>	
	<b>PEPRA</b>	<b>Classic</b>	<b>PEPRA</b>
1% Decrease	6.65%	6.65%	6.65%
Net Pension Liability (Asset) \$	(2,360) \$	1,400,432 \$	(787) \$
Current Discount Rate	7.65%	7.65%	7.65%
Net Pension Liability (Asset) \$	(1,407) \$	835,047 \$	(469) \$
1% Increase	8.65%	8.65%	8.65%
Net Pension Liability (Asset) \$	(620) \$	368,256 \$	(207) \$

**C. Pension Plan Fiduciary Net Position**

Detailed information about the 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, SGVCOG and ACE did not have outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

**Postemployment Benefits**

SGVCOG and ACE did not incur any other liabilities during the year 2016 related to postemployment benefits.

**NOTE 9      EMPLOYEE BENEFIT PLAN (CONTINUED)**

**Deferred Compensation Plan**

ACE has entered into a salary reduction deferred compensation plan for its employees. Securities held by the plan are valued at market. The plan allows employees to defer a portion of their current income from state and federal taxation. Employees may withdraw their participation at any time by giving written notice at least a week in advance prior to the effective date of the withdrawal. At June 30, 2016, plan assets totaling \$1,235,452 were held by independent trustees and, as such, 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 10      COMMITMENTS AND CONTINGENCIES**

Primary government:

The SGVCOG is involved in claims arising from the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material effect on the SGVCOG's financial position.

The SGVCOG has entered into an office space lease agreement covering the period from January 1, 2013 to December 31, 2017.

Future minimum rental payments including tenant improvements are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2017	\$ 64,895
2018	<u>32,936</u>
Total	<u>\$ 97,831</u>

Component unit:

As mentioned in Note 6, ACE receives reimbursement type grants from Federal, State and local sources. Certain expenditures are not allowable and not subject to reimbursement. Also, there may be disallowed costs. Management's experience in this regard indicates disallowances, if any, will not be material.

**NOTE 10      COMMITMENTS AND CONTINGENCIES (CONTINUED)**

In the ordinary course of its 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.

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 fund for the benefit of the contractors until the escrow is terminated. The Escrow Agent, Contractor or Owner may terminate this Escrow Agreement, with or without cause, by providing 30 days prior written notice to the other parties. In the event of termination of this Escrow Agreement, all the funds on deposit shall be paid to the Owner and any accrued interest less escrow fees shall be paid to the Contractor. ACE has recognized as expenditure retention payments totaling \$13,098,174. Funds are deposited in several escrow accounts until release to the Contractor is authorized.

**NOTE 11      ACCOUNTING FOR CONSTRUCTION IN PROGRESS AND EVENTUAL DISPOSAL OF 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 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 the railroad and impacted cities.

Under the governmental funds and modified accrual basis of accounting in FY 2016 project expenditures would be reported as expenditures in the year incurred. On the government-wide financial statements conforming to GASB 34 reporting on these transactions presents a challenge. Accumulating those costs as construction in progress (i.e., treated as a cash flow expenditure and not a current year expense) would substantially overstate income while reporting the disposal and expensing the accumulated costs would distort the cost of operations. In both cases, net position would fluctuate wildly, depending on the timing of construction and disposal.

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

**NOTE 12      OTHER INCOME**

Other income for the year ended June 30, 2016 includes \$50,933 claim settlement from Allied World National Assurance Company, Inc. for breach of covenant which was settled and agreed in 2016. Such amount is recorded as a component of other receivables as of June 30, 2016.

**NOTE 13      SUBSEQUENT EVENTS**

The SGVCOG 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, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Attachment C**  
**San Gabriel Valley Council of Governments**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**Last Ten Years\***

	<b>June 30, 2015 (Measurement Date)</b>		
	<b>Miscellaneous Plan</b>		
	<b>SGVCOG</b>	<b>ACE</b>	
	<b>PEPRA</b>	<b>Classic</b>	<b>PEPRA</b>
Proportion of the net pension liability	0.000158%	0.04943%	0.000158%
Proportionate share of the net pension liability	\$ (1,407)	\$ 835,047	\$ (469)
Covered - employee payroll <sup>(1)</sup>	\$ 164,916	\$ 2,769,467	\$ 55,122
Proportionate share of the net pension liability as percentage of covered-employee payroll	-0.85%	30.15%	-0.85%
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	108.71%	87.61%	83.02%
Plan's proportionate share of aggregate employer contributions <sup>(2)</sup>	\$ 15,076	\$ 393,080	\$ 15,076
	<b>June 30, 2014 (Measurement Date)</b>		
	<b>Miscellaneous Plan</b>		
	<b>SGVCOG</b>	<b>ACE</b>	
	<b>PEPRA</b>	<b>Classic</b>	<b>PEPRA</b>
Proportion of the net pension liability	0.00001%	0.01668%	0.00001%
Proportionate share of the net pension liability	\$ 538	\$ 1,038,037	\$ 126
Covered - employee payroll <sup>(1)</sup>	\$ 155,191	\$ 2,764,711	\$ 21,557
Proportionate share of the net pension liability as percentage of covered-employee payroll	0.35%	37.55%	0.58%
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	83.02%	83.03%	83.02%
Plan's proportionate share of aggregate employer contributions <sup>(2)</sup>	\$ 88	\$ 137,329	\$ 88

**Notes to Schedule**

1. Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 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 1st year of implementation, therefore, only two years are shown.

Attachment C  
San Gabriel Valley Council of Governments  
Schedule of Pension Contributions  
Last Ten Years\*

	FY 2014-15		
	Miscellaneous Plan		
	SGVCOG	ACE	
	PEPRA	Classic	PEPRA
Actuarially determined contributions	\$ 8,824	\$ 306,775	\$ 11,765
Contributions in relation to the actuarially determined contributions	(8,824)	(306,775)	(11,765)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 164,916	\$ 2,769,467	\$ 55,122
Contributions as a percentage of covered-employee payroll	5.35%	11.08%	21.34%

	FY 2013-14		
	Miscellaneous Plan		
	SGVCOG	ACE	
	PEPRA	Classic	PEPRA
Actuarially determined contributions	\$ 8,214	\$ 286,167	\$ 1,927
Contributions in relation to the actuarially determined contributions	(8,214)	(286,167)	(1,927)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 155,191	\$ 2,764,711	\$ 21,557
Contributions as a percentage of covered-employee payroll	5.29%	10.35%	8.94%

**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**

Attachment C  
**San Gabriel Valley Council of Governments**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Component Unit**  
**Budget to Actual**  
**Year ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Amended Final		
<b>Revenues</b>				
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
<b>Total revenues</b>	<u>185,178,201</u>	<u>185,178,201</u>	<u>136,086,103</u>	<u>(49,092,097)</u>
<b>Operating expenditures</b>				
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	<u>182,293,469</u>	<u>182,293,469</u>	<u>132,126,962</u>	<u>50,166,507</u>
Indirect				
Personnel				
Salaries 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	<u>2,884,732</u>	<u>2,884,732</u>	<u>1,615,433</u>	<u>1,269,299</u>
<b>Total operating expenditures</b>	<u>185,178,201</u>	<u>185,178,201</u>	<u>133,742,395</u>	<u>51,435,806</u>
Excess revenues over expenditures	-	-	2,343,708	2,343,708
<b>Other financing sources (uses)</b>				
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)	<u>99,900</u>	<u>99,900</u>	<u>105,152</u>	<u>5,252</u>
Change in fund balance	<u>99,900</u>	<u>99,900</u>	<u>2,448,860</u>	<u>2,348,960</u>
Fund balance at beginning of year	12,090,355	12,090,355	12,090,355	-
Fund balance at end of year	<u>\$ 12,190,255</u>	<u>\$ 12,190,255</u>	<u>\$ 14,539,215</u>	<u>\$ 2,348,960</u>

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

**Members of the Governing Board  
San Gabriel Valley Council of Governments**

We have audited, 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, the financial statements of the business-type activities and the discretely presented component unit of the San Gabriel Valley Council of Governments (the SGVCOG) as of and for the year ended June 30, 2016, which collectively comprise the SGVCOG'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 the SGVCOG'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 the SGVCOG's internal control. Accordingly, we do not express an opinion on the effectiveness of the SGVCOG'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 the SGVCOG's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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.

A handwritten signature in black ink that reads "Vaqueria &amp; Company LLP". The signature is written in a cursive, flowing style.

**Los Angeles, California**  
**January 30, 2017**



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# REPORT

DATE: March 16, 2017  
TO: Governing Board Delegates and Alternates  
FROM: Phil Hawkey, Executive Director  
RE: **FY 2017-18 STRATEGIC PLAN UPDATE**

## **RECOMMENDED ACTION**

Adopt Resolution 17-04 updating the SGVCOG Strategic Plan.

## **BACKGROUND**

Last year, the SGVCOG undertook a comprehensive effort to update its Strategic Plan. This updated plan was adopted in April 2016 and identified the following key initiatives as priorities for the agency:

- Stormwater
- Active Transportation
- Legislative and Regulatory Advocacy
- Homelessness
- Large Capital Transportation Projects

Each key initiative identifies a goal, which is intended to provide overall policy direction to the activities undertaken by SGVCOG staff, committees and Board members. Attachment A provides an update on progress to date as it relates to each key initiative. It also identifies new near-term actions for FY 2017-2018.

It is anticipated that the SGVCOG will initiate another comprehensive update to its Strategic Plan in FY 2017-18.

## **FISCAL IMPACT**

There is no fiscal impact associated with this update to the Strategic Plan. Should additional resources be required to implement activities associated with any of the key initiatives, staff will bring detailed proposals and action plans back to the Governing Board.

Prepared by: Marisa Creter  
Marisa Creter  
Assistant Executive Director

Approved by: Phil Hawkey  
Phil Hawkey  
Executive Director

## **ATTACHMENTS**

Attachment A – Strategic Plan Presentation  
Attachment B – Resolution 17-04

# SGVCOG Strategic Plan Update

March 2017

# SGVCOG Mission, Vision and Core Values

## **Mission**

“The SGVCOG is a unified voice to maximize resources and advocate for regional and member interests to improve the quality of life in the San Gabriel Valley.”

## **Vision**

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

## **Core Values**

Reflecting the Diversity of our Member Agencies

Accountability

Mutual Respect

Integrity

Unity of Common Goals & Objectives

Collaboration

Fiscal Responsibility

Transparency

Being Proactive and Results-Oriented

Creativity

The SGVCOG Mission, Vision and Core Values were reaffirmed by the SGVCOG Governing Board on October 17, 2013. Item #13

# Strategic Plan Key Initiatives

Attachment A



Active  
Transportation



Homelessness



Water Quality &  
Stormwater



Legislative &  
Regulatory Advocacy



Large Capital  
Transportation  
Projects  
Item #13  
Page 5 of 22

# Active Transportation



## Goal:

- Create a regional active transportation network that increases safety for users and enhances access to transit.

## FY 2016-17 Near-Term Actions:

- Identify, assist in securing funding for, and identify an agency or agencies to implement projects that advance the COG's active transportation priorities: Greenway Network; Complete Streets Network; and First-Mile Last-Mile Improvements.
- Secure funding for and implement regional bike share program and education and encouragement programs.



# Active Transportation

## 2016-17 Accomplishments:

- In partnership with 10 cities, awarded \$798K in funding for 5 projects submitted under SCAG's Sustainability Planning Grant program (i.e. Greenway Network Feasibility Plan; Arrow Highway Demonstration Project; Bike Friendly Business District - El Monte/South El Monte; Bike Friendly Business District - Baldwin Park; and First/Last Mile Planning - El Monte).
- Awarded \$594,000 by Metro for Open Street event in partnership with cities of San Dimas, Pomona, La Verne, and Claremont.
- Initiated ATP Cycle 1 Grant to undertake Greenway Network Feasibility Study, which will complete Greenway Network Feasibility Study and Active Transportation Plans for 5 cities (Glendora, Monrovia, La Puente, Irwindale and Montebello), provide educational workshops, and develop a wayfinding/signage coordination plan.
- Coordinated with Metro to initiate Regional Bike Share Expansion Feasibility Study with 15 SGV Cities.



# Active Transportation

## 2016-17 Accomplishments:

- Launching Bicycle-Friendly Business District Pilot with Glendora and South Pasadena.
- Hosted Bike Share educational workshops for staff and local stakeholders.
- Submitted and supported cities in submitting over 20 grant applications seeking over \$9M in funding to support the SGVCOG's active transportation projects and programs through the Statewide Active Transportation Program, Metro ExpressLanes, and SCAG Sustainability grant programs.
- Supported LA County application that received \$2.7M in funding to construct segment of Greenway Network in Temple City.
- Coordinated with Metro to host Complete Streets trainings that were attended by 16 SGVCOG member agencies.
- Coordinating with Metro to host First/Last Mile Training (scheduled for March 30, 2017).
- Supported passage of Measure A, which will provide over \$92.7M annually for open space and trail projects including the SGV Greenway Network.

# Active Transportation



## Proposed 2017-18 Near-Term Actions:

- Develop a high-level implementation plan for Greenway Network projects based on feasibility study and Measure M guidelines.
- Execute 4-cities Open Street event in April 2018.
- Coordinate with Goldline Phase 2B cities to develop First/Last Mile plans.
- Serve as project manager for SCAG grant funded in FY 2017-18 (e.g. Bike Friendly Business District Pilot Expansion and First/Last Mile Planning).

# Water Quality & Stormwater

## Goal:

- Assist cities in addressing MS-4 permit requirements.

## Actions:

- Educate elected officials, city staff and the public on MS-4 permit requirements.
- Collaborate with cities and agencies to address permit requirement, including identifying possible funding and implementation of regional BMPs.
- Develop a policy position and advocate for regulatory and legislative solutions that provide funding, extended timing, and additional assistance to meet requirements.



# Water Quality & Stormwater

## 2016-17 Accomplishments:

- Stormwater Policy adopted by Governing Board in November 2016.
- 2017 Legislative Platform adopted by Governing Board in January 2017.
- At least five initiatives from Legislative Platform are set to be introduced in this legislative cycle including the following:
  - AB 1180 (Holden): Creates a new tire fee to address stormwater pollution
  - SB 589 (Hernandez): Adopts Financial Capability Analysis (FCA) as a component of Municipal Separate Sewer Stormwater System (MS4) permits
  - SB 541 (Allen): Addresses school construction water capture design standards
  - SB 633 (Portantino): Clarifies that permittees shall enjoy entitlement to use the stormwater they capture
  - AB 968 (Rubio): Allows use of existing infrastructure to convey stormwater for capture and infiltration



# Water Quality & Stormwater

## 2016-17 Accomplishments:

- Engaged in ongoing outreach to key stakeholders; public and local elected leaders; and other Councils of Governments.
- Established constructive relationship with Board and staff of the Regional Water Quality Control Board

## Proposed 2017-18 Near-Term Actions:

- Draft and advocate for legislation supporting MS4 compliance.
- Apply for grants for construction of stormwater capture and infiltration infrastructure.
- Complete Stormwater Outreach agenda and continue meeting with stakeholders and policy makers.
- Develop stronger coordinated relationships with LA County DPW and LA County Sanitation Districts.
- Work to develop approach to new MS4 permit.



# Legislative & Regulatory Advocacy

## Goal:

- Advocate for San Gabriel Valley priorities and interests on the County-wide, State and Federal level.

## Actions:

- Develop an annual legislative and regulatory agenda.
- Form a Legislative Committee and perform analysis to track and comment on legislation related to key initiatives (i.e. stormwater, transportation, and homelessness).



# Legislative & Regulatory Advocacy

## 2016-17 Accomplishments:

- Ad Hoc Legislative Committee and committee structure approved by Governing Board in January 2017.

## Proposed 2017-18 Near-Term Actions:

- After one legislative cycle, report back findings on functionality of Ad Hoc Committee and provide recommendations regarding the formation of a standing committee.

# Homelessness



## Goal:

- Serve as a clearinghouse to member agencies for resources related to homelessness and advocate for resources to address homelessness in the San Gabriel Valley.

## Actions:

- Educate officials on issues related to homelessness.
- Develop consensus on regional strategies to address homelessness and assist regional partners in identifying and securing funding to implement these strategies.
- Re-constitute Housing Committee to focus on Homelessness.

# Homelessness



## 2016-17 Accomplishments:

- Homelessness Committee formed in July 2017.
- Homelessness Policy and Committee workplan approved by Governing Board in January 2017.

## Proposed 2017-18 Near-Term Actions:

- Engage with the Los Angeles Homeless Services Authority (LAHSA) to better coordinate on regional homeless issues.
- Complete master point of contact list and services/programs list.
- Identify important legislation at the County, State and Federal Levels that can help combat homelessness in the San Gabriel Valley Region.



# Large Capital Transportation Projects

Attachment A

## (Highway, Rail, Regional Corridors & Goods Movement)

### Goal:

- Ensure the timely implementation of regional transportation priority projects.

### Actions:

- Advocate for increased subregional discretion regarding Measure R2 funding.
- Advocate on County-wide, Regional, State and Federal level for SGVCOG priority projects.
- Collaborate with agencies to ensure implementation of projects.



# Large Capital Transportation Projects

Attachment A

## (Highway, Rail, Regional Corridors & Goods Movement)

### 2016-17 Accomplishments:

- Supported passage of Measure M, which will provide over \$3.3B in funding to San Gabriel Valley over next 40 years.
- After the adoption of new financial and administrative policies, SGVCOG participated in a Caltrans audit to remove “high risk designation”, which would allow agency to receive State and Federal Transportation funding.
- Governing Board approved recommendations of Ad Hoc ACE/Large Capital Projects Committee to enlarge the scope of ACE to serve the San Gabriel Valley and integrate ACE and SGVCOG.
- Actively participating in SCAG’s Los Angeles and San Bernardino Inter-County Transit and Rail Connectivity Study.
- Initiated corridor meeting to address the possibility of creating quiet zones along several rail corridors.



# Large Capital Transportation Projects Attachment A

## (Highway, Rail, Regional Corridors & Goods Movement)

### 2016-17 Accomplishments:

- Working with Gateway COG, secured \$34 million in funding for the environmental and final project approval phases of the 605/60 improvement project.
- Participating with Caltrans, Metro, and multiple cities on the 210 Connected Corridor study.
- Participating on the LA Metro Countywide Arterial Performance study.

### Proposed 2017-18 Near-Term Actions:

- Implement Ad Hoc ACE/ Large Capital Projects Committee recommendations, including integration study.
- Hire Transportation Planner/Program Manager and develop plan to manage Measure M funds.

**RESOLUTION NO. 17-04****RESOLUTION OF THE SAN GABRIEL VALLEY COUNCIL OF GOVERNMENTS  
UPDATING THE STRATEGIC PLAN FOR FY 2017-18**

**WHEREAS**, the San Gabriel Valley Council of Governments regularly engages in a strategic planning effort to prioritize its efforts in a manner that is consistent with its mission;

**WHEREAS**, the Strategic Plan identifies goals and objectives that guide the development of the SGVCOG's workplan and budget; and

**WHEREAS**, in FY 2015-16 the San Gabriel Valley Council of Governments undertook an extensive outreach effort to update the Strategic Plan.

**WHEREAS**, via Resolution 16-09, the San Gabriel Valley Council of Governments adopted the following key initiatives and goals under its Strategic Plan:

- Stormwater
  - Goal: Assist cities in addressing stormwater and MS-4 requirements with an emphasis on securing long-term funding and identifying regional solutions.
- Active Transportation
  - Goal: Create a regional active transportation network that increases safety for bicyclist and pedestrians and enhances access to transit.
- Legislative and Regulatory Advocacy
  - Goal: Advocate for San Gabriel Valley priorities and interests on the County-wide, State and Federal level.
- Homelessness
  - Goal: Serve as a clearinghouse to member agencies for resources related to homelessness and advocate for resources to address homelessness in the San Gabriel Valley.
- Large Capital Transportation Projects
  - Goal: Ensure the timely implementation of regional priority transportation projects.

**NOWHERE BE IT RESOLVED**, the San Gabriel Valley Council of Governments directs staff to undertake the following near-term actions in FY 2017-18 to advance the goals identified in the Agency's Strategic Plan:

- Stormwater
  - Draft and advocate for legislation supporting MS4 compliance.
  - Apply for grants for construction of stormwater capture and infiltration infrastructure.
  - Complete Stormwater Outreach agenda and continue meeting with stakeholders and policy makers.
  - Develop stronger coordinated relationships with LA County Department of Public Works and LA County Sanitation Districts.
  - Work to develop approach to new MS4 permit.

- Active Transportation
  - Develop a high-level implementation plan for Greenway Network projects based on feasibility study and Measure M guidelines.
  - Execute 4-cities Open Street event in April 2018.
  - Coordinate with Goldline Phase 2B cities to develop First/Last Mile plans.
  - Serve as project manager for SCAG grant funded in FY 2017-18 (e.g. Bike Friendly Business Pilot Expansion and First/Last Mile Planning).
- Legislative and Regulatory Advocacy
  - Report back findings on functionality of Ad Hoc Committee and provide recommendations regarding the formation of a standing committee.
- Homelessness
  - Engage with the Los Angeles Homeless Services Authority (LAHSA) to better coordinate on regional homeless issues.
  - Complete master point of contact list and services/programs list.
  - Identify important legislation at the County, State and Federal Levels that can help combat homelessness in the San Gabriel Valley Region.
- Large Capital Transportation Projects
  - Implement Ad Hoc ACE/ Large Capital Projects Committee recommendations, including integration study.
  - Hire Transportation Planner and develop plan to manage Measure M funds.

**PASSED AND ADOPTED** by the Governing Board of San Gabriel Valley Council of Governments, County of Los Angeles, in the County of Los Angeles, State of California, on the 16<sup>th</sup> day of March 2017.

San Gabriel Valley Council of Governments

---

Gene Murabito, President

**Attest:**

I, Philip A. Hawkey, Executive Director and Secretary of the Board of Directors of the San Gabriel Valley Council of Governments, do hereby certify that the foregoing Resolution was adopted at a regular meeting of the Governing Board held on the 21st day of April, 2016, by the following roll call vote:

**AYES:**

**NOES:**

**ABSTAIN:**

**ABSENT:**

---

Philip A. Hawkey, Secretary

# REPORT

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DATE: March 16, 2017

TO: Transportation Committee  
Governing Board Delegates and Alternates

FROM: Phil Hawkey, Executive Director

RE: **MEASURE M GUIDING PRINCIPLES**

## **RECOMMENDED ACTION**

Recommend Governing Board adopt Resolution 17-05 approving Measure M Guiding Principles.

## **BACKGROUND**

Metro is currently in the process of developing Measure M Expenditure Guidelines, which will outline the eligible uses of and requirements for Measure M funds. Metro intends to finalize these guidelines by June 2017, so that they are in place when the sales tax begins being collected on July 1, 2017. As a part of the guideline development process, Metro has formed a Measure M Policy Advisory Council (PAC), with representatives from cities, transit providers, and transit and roadway users. Mark Christoffels (ACE CEO) is representing the SGVCOG on the Measure M Policy Advisory Council and Marisa Creter (SGVCOG Assistant Executive Director) is the alternate.

In advance of those meetings, which are scheduled to begin in April, staff is seeking general policy direction. South Bay Cities Council of Governments (SBCCOG) recently developed a comment letter (Attachment A), and staff is proposing to develop a similar set of policy principles. Potential policy principles could include the following:

- **Planning:** Allowing subregions to utilize a portion of Measure M for in-house transportation planning and programming functions;
- **Subregional Call for Projects:** Delegate administration of Measure M sub-regional programs and the existing Call for Projects process to the respective COGs that express a willingness to manage the programs and allow them to establish their own guidelines provided they are in compliance with Measure M and other funding requirements.
- **3% Local Contribution and Local Match:** Maximize flexibility in meeting the 3% local match requirement through the following:
  - Allow the 3% Local Contribution for Rail Construction projects to be aggregated over the entire project segment and allow previous investments made by local jurisdictions to count towards this requirement;
  - Allow each Sub-Region, at its sole discretion, to use Measure M sub-regional funding as the minimum required local match for all competitive Metro grant programs and required local contributions; and
  - Count in-kind time and current and future planned betterments near stations towards the 3% local contribution requirement.
- **Project Acceleration:** Allow subregions the discretion to use unallocated Measure M funding to accelerate projects through bonding capacity or other mechanisms.

This item was discussed at the February Transportation Committee meeting and the suggested revisions were incorporated. This item will be brought back as an action item at the March Transportation Committee and Governing Board meetings for action.

As a reminder, in response to earlier correspondence sent by SBCCOG, Metro Chairman Fasana issued a letter providing assurances and clarifications on various issues including local return and the 3% local contribution requirement. A copy of that letter is included as Attachment C.

Prepared by: Marisa Creter  
Marisa Creter  
Assistant Executive Director

Approved by: Phil Hawkey  
Phil Hawkey  
Executive Director

**ATTACHMENTS**

- Attachment A – SBCCOG Comment Letter
- Attachment B – Resolution 16-04
- Attachment C – Metro Chairman Fasana Correspondence



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(310) 371-7222  
[sbccog@southbaycities.org](mailto:sbccog@southbaycities.org)  
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January 31, 2017

Honorable John Fasana, Chair  
Los Angeles County Metropolitan Transportation Authority  
One Gateway Plaza  
Los Angeles, CA 90012

SUBJECT: South Bay Cities Council of Governments Measure M Policy Recommendations

Dear Chairman Fasana:

The South Bay Cities Council of Governments (SBCCOG) Board of Directors reviewed and approved policy recommendations for inclusion in the Measure M Guidelines. This followed a workshop in which SBCCOG and Metro staff presented an overview of Measure M Implementation steps.

As the implementation guidelines are being drafted by Metro, we ask that the following recommendations be incorporated:

- \* Delegate administration of Measure M sub-regional programs to the respective COGs that express a willingness to manage the programs and give them the ability to establish their own guidelines as long as they are in compliance with the Measure M ordinance requirements.
- \* Eliminate or restructure the Metro Call for Projects to better align the process with the sub-regional nature of the Measure M program by sub-venting the funding proportionately to COGs and requiring allocation via competitive processes where required.
- \* Allow as an alternative to individual city contributions, local investments that meet the Local Contribution Eligibility Criteria to be aggregated over an entire Rail Construction segment to meet the 3% Rail Local Contribution requirement regardless of where in the construction segment the investments are made.

---

LOCAL GOVERNMENTS IN ACTION

Carson El Segundo Gardena Hawthorne Hermosa Beach Inglewood Lawndale Lomita  
Manhattan Beach Palos Verdes Estates Rancho Palos Verdes Redondo Beach Rolling Hills  
Rolling Hills Estates Torrance Los Angeles District #15 Los Angeles County

- \* Grandfather in previous local expenditures – amount escalated to the original project date - that meet the Local Contribution Eligibility Criteria (e.g. Torrance and Redondo Beach transit center investments at future Green Line South Station sites).
- \* Allow each Sub-Region, at its sole discretion, to use Measure M sub-regional funding as the minimum required local match for all competitive Metro grant programs and required local contributions.
- \* Work with Sub-Regions to enable acceleration of construction of one or more transit or highway regional projects located within their sub-region (e.g. the Sub Region could lend near-term sub-regional program funding to Metro to accelerate the project(s) with repayment including escalation due when the accelerated regional project was initially scheduled in the Measure M Expenditure Plan Attachment A).
- \* Explore sub-regional allocation policy for local return funds that would use the resident population allocation from Metro and allow the sub-region to aggregate it using some agreed upon formula.

The SBCCOG Board also nominated Jacki Bacharach, SBCCOG Executive Director, and Steve Lantz, SBCCOG Transportation Director, as the SBCCOG representative and alternate on the Metro Measure M Advisory Council.

Thank you for considering our request.

Sincerely,



James Osborne, Chairman  
South Bay Cities Council of Governments

cc: Members of the Metro Board of Directors  
Phil Washington, Metro CEO  
Therese McMillan, Metro Chief Planning Officer  
SBCCOG Board of Directors  
SBCCOG City Managers

**RESOLUTION NO. 17-05****RESOLUTION OF THE SAN GABRIEL VALLEY  
COUNCIL OF GOVERNMENTS (SGVCOG) AFFIRMING MEASURE M GUIDING  
PRINCIPLES**

**WHEREAS**, Measure M, a ½ cent sales tax for Countywide transportation improvements, was approved by voters in November 2016; and

**WHEREAS**, Measure M is projected to fund \$3.3 Billion in transportation improvements in the San Gabriel Valley over the next 40 years; and

**WHEREAS**, the Los Angeles County Metropolitan Transportation Authority (Metro) has formed a Policy Advisory Committee to provide recommendations on the use of these funds through the development of various expenditure guidelines; and

**WHEREAS**, the San Gabriel Valley Council of Governments appointed the following representatives to serve on the Policy Advisory Committee:

- Delegate: Mark Christoffels, Chief Executive Officer, Alameda Corridor-East  
Construction Authority
- Alternate: Marisa Creter, Assistant Executive Director, SGVCOG

**NOW THEREFORE, BE IT RESOLVED** that the Governing Board does hereby adopt the following guiding principles for the development of Measure M Guidelines:

- **Planning:** Allowing subregions to utilize a portion of Measure M for in-house transportation planning and programming functions;
- **Subregional Call for Projects:** Delegate administration of Measure M sub-regional programs and the existing Call for Projects process to the respective Councils of Governments (COGs) that express a willingness to manage the programs and allow them to establish their own guidelines, provided they are in compliance with Measure M and other funding requirements.
- **3% Local Contribution and Local Match:** Maximize flexibility in meeting the 3% local match requirement through the following:
  - Allow the 3% Local Contribution for Rail Construction projects to be aggregated over the entire project segment and allow previous investments made by local jurisdictions to count towards this requirement;
  - Allow each Sub-Region, at its sole discretion, to use Measure M sub-regional funding as the minimum required local match for all competitive Metro grant programs and required local contributions; and
  - Count in-kind time and current and future planned betterments near stations towards the 3% local contribution requirement.
- **Project Acceleration:** Allow subregions the discretion to use unallocated Measure M funding to accelerate projects through bonding capacity or other mechanisms.

**PASSED AND ADOPTED** by the Governing Board of San Gabriel Valley Council of Governments, County of Los Angeles, in the County of Los Angeles, State of California, on the 16<sup>th</sup> day of March 2017.

---

Gene Murabito, President  
San Gabriel Valley Council of Governments

**Attest:**

I, Philip A. Hawkey, Executive Director and Secretary of the Board of Directors of the San Gabriel Valley Council of Governments, do hereby certify that Resolution 17-05 was adopted at a regular meeting of the Governing Board held on the 16<sup>th</sup> day of March 2017, by the following roll call vote:

<b>AYES:</b>	
<b>NOES:</b>	
<b>ABSTAIN:</b>	
<b>ABSENT:</b>	

---

Philip A. Hawkey, Secretary



**Metro**

Los Angeles County  
Metropolitan Transportation Authority

One Gateway Plaza  
Mail Stop 99-3-1  
Los Angeles, CA 90012-2952

Attachment C  
**John Fasana**  
Chair  
Board of Directors

September 9, 2016

Honorable Jim Osborne  
Chair  
South Bay Cities Council of Governments  
20285 S. Western Avenue, #100  
Torrance, CA 90501

Dear Jim:

Thank you for the opportunity to speak, along with my Board colleagues, at the South Bay Cities Council of Governments (SBCCOG) Board Meeting on August 25<sup>th</sup>. In response to your letter dated, August 29<sup>th</sup>, please find below additional clarification regarding the issues raised by the SBCCOG Board.

Per your request, I have conferred with Metro staff and legal counsel regarding specific Measure M-related items of interest to the SBCCOG. The findings are as follows:

- The Metro Board can flexibly interpret the population based formula for Local Return subsequent to the election in a manner that would be different from the previous propositions – A, C and R that allocate their Local Return sub-funds based only on resident population. Per the Ordinance, the Local Return Guidelines are to be developed in coordination with the cities and the County of Los Angeles and adopted by the Metro Board.
- The Independent Taxpayer Oversight Committee has no authority to add, delete, or amend any portion of the Ordinance, including the Expenditure Plan, at any time. All amendments are subject to restrictions and amendments can only be made by a supermajority of the Metro Board. Per the Ordinance, any amendment to accelerate one project shall not reduce funds or delay other projects or programs.
- The 3% Local Contribution Guidelines could allow for in-kind contributions. The Ordinance does not specify the form of contribution. The Metro Board, in adopting guidelines, can specify what is meant by “contribution” including possible in-kind contributions, federal, state, local, or other Measure M funds, such as Subregional Equity funds. Per the Ordinance, an agreement between Metro and the jurisdiction would specify the funding plan for the 3% contribution.

As indicated in my previous correspondence to you dated August 19, 2016, the Subregional Equity Program is a discretionary fund distributed to all subregions, excluding the San Fernando Valley subregion. The SBCCOG will receive \$130 million dollars in Subregional Equity funds, to program in consultation with your constituent cities. The process for this will be defined in Metro Board-adopted Measure M guidelines, should the voters pass the Measure. Further, this letter shall confirm that the Airport Metro Connector Project at

Aviation/96<sup>th</sup> Street is a Systemwide Connectivity project and is not included in the calculation of the fair share of Measure M funding for the SBCCOG.

My 23 years on the Metro Board has taught me that success with the previous measures has relied on guidelines that were developed subsequent to the election. Metro has a successful track record in developing guidelines in coordination with the cities and the County on various topics, including Local Return, and I am confident that this would continue after the election.

Jim, it is my hope that the clarifications above address the concerns by the COG. I am also attaching a Subregional Fact Sheet for the South Bay subregion as additional information for your COG.

Sincerely,

A handwritten signature in black ink that reads "John Fasana". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.

John Fasana, Chair  
Councilman, City of Duarte

Attachments: Subregional Fact Sheet – South Bay Cities



# MEASURE M

## THE LOS ANGELES COUNTY TRAFFIC IMPROVEMENT PLAN

### SOUTH BAY CITIES

The Metro Board of Directors voted to place a sales tax measure, titled the Los Angeles County Traffic Improvement Plan, on the November 8, 2016, ballot. This summarizes the projects and Measure M funding for the South Bay Cities area if the measure passes.

#### Major Projects (in 2015 \$)

- Green Line Extension to Crenshaw Bl in Torrance **\$619 million (\$891 million total cost)**<sup>1</sup>
- I-405/I-110 Interchange HOV Connect Ramps and Interchange Improvements **\$250 million**
- I-110 ExpressLanes Extension South to I-405/I-110 Interchange **\$51.5 million (\$280 million total cost)**<sup>1</sup>
- I-405 South Bay Curve Improvements **\$150 million (\$400 million total cost)**<sup>1</sup>
- Airport Metro Connector **\$347 million (\$581 million total cost)**<sup>1</sup>
- I-105 ExpressLane from I-405 to I-605 **\$175 million**
- Sepulveda Pass Westwood to LAX (Phase 3) **\$65 million (\$3.9 billion total cost)**<sup>1</sup>

#### Multi-Year Subregional Programs (in 2015 \$)

- Transportation System and Mobility Improvements Program **\$293.5 million**
- South Bay Highway Operational Improvements **\$500 million (\$1.1 billion total cost)**<sup>1</sup>
- Transportation System and Mobility Improvements Program **\$643.5 million**
- Subregional Equity Program **\$130 million**
- All subregions are eligible to compete for **\$260 million (\$350 million total cost)**<sup>1</sup> worth of Bus Rapid Transit projects, and **\$858 million** worth of Metro Active Transportation Projects

#### Local Return

- Local Return Revenue for South Bay Cities is expected to be **\$2.8 billion** over the next 40 years in escalated dollars

#### Transit

- Metro Transit and Municipal Transit Operators in South Bay Cities will also receive additional funding

<sup>1</sup>Total cost includes Measure M funding plus other fund sources.

#### ADDITIONAL ANNUAL LOCAL RETURN FUNDING PROJECTIONS FOR FIRST FULL YEAR

FUNDING IS PROJECTED TO INCREASE EACH YEAR (For street improvements, pothole repair, signals, etc.)

CITY	
Carson	\$ 1,323,300
El Segundo	\$ 241,500
Gardena	\$ 858,300
Hawthorne	\$ 1,245,300
Hermosa Beach	\$ 280,900
Inglewood	\$ 1,595,900
Lawndale	\$ 474,500
Lomita	\$ 294,500
Los Angeles <sup>2</sup>	\$ 56,216,200
Manhattan Beach	\$ 508,100
Palos Verdes Estates	\$ 195,100
Rancho Palos Verdes	\$ 604,700
Redondo Beach	\$ 967,400
Rolling Hills	\$ 27,000
Rolling Hills Estates	\$ 116,800
Torrance	\$ 2,108,700
Unincorporated LA County <sup>2</sup>	\$ 14,943,600

<sup>2</sup>Funding may be used for local transportation projects and programs anywhere within the City of Los Angeles or Unincorporated LA County as they determine.

#### ADDITIONAL ANNUAL FUNDING FOR LOCAL TRANSIT OPERATORS FOR FIRST FULL YEAR

FUNDING IS PROJECTED TO INCREASE EACH YEAR

OPERATOR	
Gardena GTrans	\$ 2,216,400
LADOT Commuter Express <sup>3</sup>	\$ 1,795,700
Redondo Beach (The WAVE & Beach Cities Transit)	\$ 305,200
Torrance Transit	\$ 2,699,700
LADOT Local <sup>3</sup>	\$ 3,146,100

<sup>3</sup>Funding may be used to operate LADOT transit service as they determine.

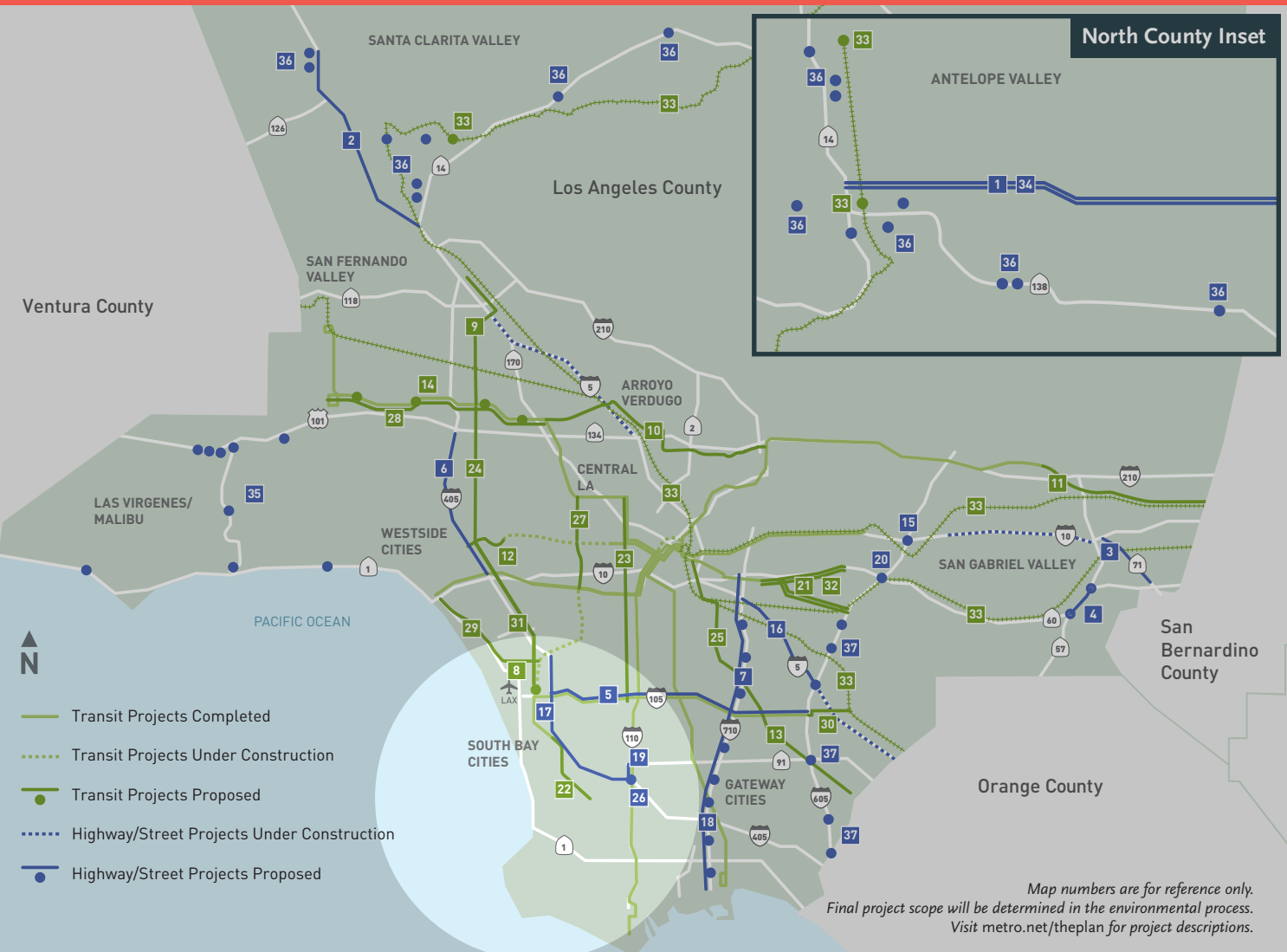
POPULATION GROWTH FOR SOUTH BAY	
1,092,618	2017
1,219,146	2047

SOURCE: METRO CALCULATION BASED ON 2012 SCAG RTP DATA

EMPLOYMENT IMPACT FOR LA COUNTY	
465,690	new jobs
Item #14	

SOURCE: LAEDC 2016 STUDY





Map numbers are for reference only. Final project scope will be determined in the environmental process. Visit metro.net/theplan for project descriptions.

Highway/Street Projects	
1	High Desert Multi-Purpose Corridor Project (Right-of-Way)
2	I-5 N Capacity Enhancements (SR-14 to Lake Hughes Rd)
3	SR-71 Gap: I-10 to Rio Rancho Rd
4	SR-57/SR-60 Interchange Improvements
5	I-105 ExpressLane: I-405 to I-605
6	Sepulveda Pass Corridor (Busway)
7	I-710 South Corridor Project Phase 1
15	I-605/I-10 Interchange
16	I-5 Corridor Improvements: I-605 to I-710
17	I-405 South Bay Curve Improvements
18	I-710 South Corridor Project Phase 2
19	I-110 ExpressLanes Extension to I-405/I-110 Interchange
20	SR-60/I-605 Interchange HOV Direct Connectors
26	I-405/I-110 Interchange HOV Connect Ramps & Interchange Improvements
34	High Desert Multi-Purpose Corridor Project (Construction)
35	Las Virgenes/Malibu Transportation Improvements (Representative Sample)
36	North County Transportation Improvements (Representative Sample)
37	I-605 Corridor "Hot Spot" Interchange Improvements

Transit Projects	
8	Airport Metro Connector/Green Line Extension
9	East San Fernando Valley Transit Corridor
10	BRT Connector Orange/Red Line to Gold Line
11	Gold Line Foothill Extension Phase 2B
12	Purple Line Extension Transit Project Section 3
13	West Santa Ana Transit Corridor Segment 1
14	Orange Line BRT Improvements (Locations TBD)
21	Gold Line Eastside Extension Phase 2 (one alignment)
22	Green Line Extension to Crenshaw Bl in Torrance
23	Vermont Transit Corridor
24	Sepulveda Pass Corridor (Rail)
25	West Santa Ana Transit Corridor Segment 2
27	Crenshaw Line Northern Extension
28	Orange Line Conversion to Light Rail
29	Lincoln Bl BRT
30	Green Line to Norwalk Metrolink Station
31	Sepulveda Pass Corridor Westwood to Airport Metro Connector
32	Gold Line Eastside Extension Phase 2 (second alignment)
33	Regional Rail and Metrolink Improvements

Not shown on map: Crenshaw/LAX Track Enhancement Project, Complete LA River Bike Path and LA River Waterway and System Bike Path, City of San Fernando Bike Master Plan, Historic Downtown Streetcar, North San Fernando Valley Bus Rapid Transit Improvements, Arroyo Valley Transportation Improvements, and South Bay Transportation Improvements



# REPORT

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DATE: March 16, 2017

TO: Water Policy Committee  
Governing Board

FROM: Phil Hawkey, Executive Director

RE: **SUPPORT OF SB 589 (HERNANDEZ)**

## **RECOMMENDED ACTION**

Recommend Governing Board adopt Resolution 17-06 supporting SB 589 (Hernandez).

## **BACKGROUND**

At the January 2017, Governing Board meeting, members adopted Resolution 16-31 identifying stormwater legislative priorities for 2017 and directing the Water Policy Committee to engage with State and Federal legislators to support these priorities. Since then, committee members have drafted initial state legislation and engaged with San Gabriel Valley representatives who have agreed to sponsor legislation. Because of these efforts, several bills have been introduced. One bill, SB 589 (Hernandez) would apply a process similar to the Environmental Protection Agency's Financial Capability Assessment to the state permitting process.

The Environmental Protection Agency's (EPA) Financial Capability Assessment (FCA) is a framework for assessing a community's ability to finance water-related capital infrastructure and the ability of individual utility customers to pay for water services without undue hardship. As programs are implemented to improve water quality and attain Clean Water Act (CWA) objectives, local governments find themselves facing difficult economic challenges. Local taxing restrictions and economic realities often preclude passing compliance costs on to ratepayers. In some cases, the regulatory costs associated with water become a financial burden on residents. To address these concerns, the EPA developed the "Combined Sewer Overflows: Guidance for Financial Capability Assessment (FCA) and Schedule Development" (EPA 832-B-97-004).

The FCA framework identifies the key elements the EPA uses in working with permittees to evaluate how their financial capability should influence compliance schedules. It does not exempt permittees from compliance. A two-phased approach considers both ratepayers and municipalities:

- Ratepayers. The residential share of CWA obligations is compared to the median household income (MHI). The FCA recommends capping total water expenditures at 4.5% of MHI.
- Municipality. FCA assesses the financial strength of the permittee.

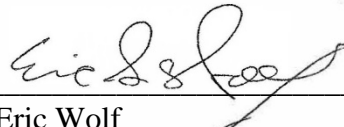
Staff and the Water Policy Committee believe the EPA's FCA approach is fair, thorough, and appropriate. However, California is governed by the 1969 Porter-Cologne Act and not subject to direct regulation by the EPA. Therefore, FCA does not apply to our permitting process.


# REPORT

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On February 17, 2017, Senator Dr. Ed Hernandez introduced legislation that would require a Regional Water Board and the State Water Board to establish schedules for compliance with water quality objectives only after consideration of a financial capability analysis, similar to the EPA's FCA framework. The analysis must include, among other things, a consideration of the financial burden to individual customers and the permittee's financial strength. The bill would require the Water Boards to renegotiate a schedule for compliance if the financial burden to individual customers is high.

Staff is recommending that the Governing Board support SB 589.

Prepared by:   
Eric Wolf  
Senior Management Analyst

Approved by:   
Marisa Creter  
Assistant Executive Director

## ATTACHMENT

Attachment A – SB 589 (Hernandez)  
Attachment B – Resolution 17-06

**RESOLUTION 17-06**

**A RESOLUTION OF THE GOVERNING BOARD OF THE SAN GABRIEL  
VALLEY COUNCIL OF GOVERNMENTS (“SGVCOG”)  
SUPPORTING SB 589 (HERNANDEZ)**

**WHEREAS**, as programs are implemented to improve water quality and attain Clean Water Act (CWA) objectives, local governments find themselves facing difficult economic challenges,

**WHEREAS**, in some cases, the regulatory costs associated with water become a financial burden on residents,

**WHEREAS**, the Environmental Protection Agency’s (EPA) Financial Capability Assessment (FCA) is a framework for assessing a community’s ability to finance water-related capital infrastructure and the ability of individual utility customers to pay for water services without undue hardship,

**WHEREAS**, the FCA framework does not exempt permittees from compliance but instead, identifies the key elements the EPA uses in working with permittees to evaluate how their financial capability should influence compliance schedules,

**WHEREAS**, California is governed by the 1969 Porter-Cologne Act and not subject to direct regulation by the EPA and therefore, FCA does not currently apply to our permitting process,

**WHEREAS**, SB 589 (Hernandez) would require a Regional Water Board and the State Water Board to establish schedules for compliance with water quality objectives only after consideration of a financial capability analysis.

**NOW, THEREFORE BE IT RESOLVED THAT THE GOVERNING BOARD OF THE  
SGVCOG SUPPORTS SB 589 (HERNANDEZ)**

PASSED, APPROVED, and ADOPTED this 16<sup>th</sup> day of March, 2017.

SAN GABRIEL VALLEY COUNCIL OF GOVERNMENTS

By: \_\_\_\_\_

Gene Murabito, President

**Attest:**

I, Philip A. Hawkey, Executive Director and Secretary of the Board of Directors of the San Gabriel Valley Council of Governments, do hereby certify that Resolution 17-06 was adopted at a regular meeting of the Governing Board held on the 16th day of March, 2017, by the following roll call vote:

<b>AYES:</b>	
<b>NOES:</b>	
<b>ABSTAIN:</b>	
<b>ABSENT:</b>	

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Philip A. Hawkey, Secretary

# REPORT

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DATE: March 16, 2017

TO: Governing Board Delegates and Alternates

FROM: Richard Jones, General Counsel

**RE: BYLAWS REVISION – FIRST READING**

## **RECOMMENDED ACTION**

Review and approve for first reading proposed revision to SGVCOG bylaws regarding Executive Committee membership.

## **BACKGROUND**

Our office was asked to provide clarification regarding the position of Immediate Past President on the Executive Committee given some confusion as to whether the position could be filled by the most recent past President currently serving on the SGVCOG Governing Board. Section E (Executive Committee) of Article VI (Committees) of the Seventh Amended and Restated Bylaws states in relevant part:

The elected officers of the Council [of Governments], the immediate past President of the Council, if currently serving as a Governing Board Delegate, the Chairpersons of all Council Standing Policy Committees and the Chairperson of the Alameda Corridor-East Construction Authority, shall comprise an Executive Committee, whose Chairperson shall be the President of the Council. (Emphasis added.)

A strict interpretation of the language in the Bylaws would mean a vacancy in that position if the “immediate past President” – meaning the last president – is not a current Governing Board Delegate. However, in past practice, the Executive Committee has filled the “Immediate Past President” position with the most recently serving past president who remains on the Governing Board.

This matter was brought before the Executive Committee for discussion at its meeting on March 6, 2017. The Executive Committee recommends that the language in the Bylaws be amended to reflect the past practice of allowing the most recently serving past President still serving on the Governing Board to fill the position. The Executive Committee discussed the benefit of continuing to engage past Presidents, who have institutional knowledge regarding SGVCOG matters.

The Executive Committee recommends the following redlined revisions to the language in Section E (Executive Committee) of Article VI (Committees) of the Seventh Amended and Restated Bylaws:

The elected officers of the Council, the **immediate most recent** past President of the Council, ~~if~~ currently serving as a Governing Board Delegate, the Chairpersons

of all Council Standing Policy Committees and the Chairperson of the Alameda Corridor-East Construction Authority, shall comprise an Executive Committee, whose Chairperson shall be the President of the Council.

The Bylaws require any amendment to be submitted to the Governing Board at a meeting at least one month prior to the meeting at which the amendment is voted upon. The proposed amendment is being introduced at this time. Unless the Governing Board directs otherwise, the amendment will be placed on the agenda for the next Governing Board meeting for a vote. A vote of fifty percent plus one of the total voting membership of the Governing Board is required to adopt the amendment.