



Board Policy No. 314

CAPITAL PLAN AND PROJECTS POLICY

ADOPTED: 4/92

RECENT AMENDMENT: 10/25/2017

SEE ALSO: N/A

SUBJECT CATEGORY: SECTION 300 - FINANCE

SUBSECTION: OPERATING BUDGET, RESERVES, REVENUE AND CAPITAL

CONTROL DEPARTMENT: FINANCE

I. PURPOSE

The purpose of Board Policy 314 is to establish a process for submission and approval of capital projects and a Capital Improvement Plan (CIP) by the General Manager and then by the Board. This policy also outlines the District's 5-year CIP which shall be updated every two years.

II. PERSONS AFFECTED

All District Board members, staff and members of the public are affected since capital improvements are regularly needed and District assets must be maintained in a State of Good Repair.

III. DEFINITIONS

For the purposes of this Policy, the following definitions are applicable:

"Capital Project" – A capital project consists of an expense or related group of expenses with a value of \$5,000 or more and a life expectancy of one year or more.

"Preventative Maintenance (PM)" - Systematic inspection and maintenance that is regularly performed on equipment or asset to lessen the likelihood of it failing. PM is an eligible use of Federal Transit Administration capital funds.

"State of Good Repair (SGR)" - SGR is a condition in which assets are fit for the purpose for which they were intended.

"Capital Improvement Plan (CIP)" - A short-range plan, usually four to ten years, which identifies capital projects and equipment purchases, provides a planning schedule, and identifies options for funding the plan.

IV. POLICY

Beginning in FY 2017-18, a five-year CIP will be developed by staff, reviewed by the General Manager, and adopted by the Board. The CIP shall be updated every two years and have a five-year planning horizon.

Capital Programming Committee

The Capital Programming Committee reviews and prioritizes capital project requests. The Committee shall consist of the Executive Director of Planning & Engineering, the Chief Operating Officer, the Chief Financial Officer, the Chief Information Officer, the Chief of Safety, Security, and

Training, the Director of Maintenance, the Director of Project Controls and Systems Analysis, the Director of Management and Budget, and the Manager of Capital Planning & Grants. The Committee shall periodically review the scope, timing, and eligibility of capital project requests for programming into the CIP. As part of that review, the Capital Planning and Grants Manager shall verify that the request is consistent with the District's adopted Short Range Transit Plan (SRTTP), and identify if grant funds are available for the request. Approved requests are then eligible for programming.

State of Good Repair

As a Federal Transit Administration (FTA) grantee, the District is required to program FTA funds based on the District's Transit Asset Management (TAM) plan. Notwithstanding the rest of the policy, the District shall program and prioritize in accordance with FTA regulations.

Capital Project Request

Capital Project Requests are the building blocks of the CIP. AC Transit Department Directors and Managers initiate and submit requests for capital projects. The Capital Programming Committee will periodically review submitted requests to determine whether they are appropriate for programming.

Capital Project Programming

During a CIP update, the Capital Programming Committee will submit to the General Manager a list of proposed modifications, deferrals/cancellations, and additions. The CIP must identify funding that will be used and whether it is committed, fully/partially funded or planned. Projects with planned funding may move up in priority if funding becomes available. Off-cycle programming of projects based on need or funding opportunity shall also be approved by the Capital Programming Committee and General Manager.

Approval Process

The Capital Programming Committee shall submit to the General Manager a prioritized list of capital project requests for review and approval. The General Manager will submit to the Board of Directors a list of approved capital project requests for programming into the CIP on a two-year cycle or as-needed basis.

Capital Project Approval Criteria

In the preparation of the CIP, the Capital Programming Committee shall evaluate all capital and preventive maintenance projects based upon, but not limited to, the following criteria:

- 1) Benefit to the District, including the effect on safety, future operating costs and revenues.
- 2) FTA asset management requirements.
- 3) Effects on service delivery.
- 4) Consequences of not funding the projects.
- 5) The useful life of the asset.
- 6) The total project cost and schedule for completion.
- 7) The sources of funding. For each funding source, the capital projects proposal shall clearly

indicate whether the source is an existing source, or a new source requiring District approval.

Capital Project Eligible Costs

Eligible costs for capital projects shall consist of only of hard and soft implementation costs, operating, administrative, maintenance and interest expenses incurred prior to close out of the project. Exceptions to this include standard and customary warranty and maintenance costs that are included in the purchase contracts for capital assets.

Capital Budget

The Capital Budget is the portion of the CIP that corresponds to the current District budget period (currently a single fiscal year). The CIP is a program of projects over a five-year horizon, so the Capital Budget for a given fiscal year is the projected spending of all projects for that year. The District Budget for a fiscal year shall include the general fund budget (otherwise known as District Capital) projected to be spent on Capital Projects within that fiscal year.

Reporting

The General Manager shall provide to the District Board an annual Capital Projects Report. The report should summarize the status of ongoing capital projects, including District-funded, grant-funded and preventive maintenance capital projects.

V. AUTHORITY

A. Board Authority

1. The District's General Manager shall submit to the AC Transit District Board every two years a proposed five-year CIP that identifies all capital projects, their scope, estimated costs, priority, and planned funding sources for the Board's approval.
2. Scope increases to capital projects that exceed twenty percent (20%) of total project cost.
3. Changes in funding source allocations that exceed twenty percent (20%) of total project cost.

B. General Manager's Authority

1. All AC Transit capital projects, previously approved by the Board, regardless of fund source and prior to initiation.
2. All bond issuances for AC Transit capital projects, subject to previous Board approval or, when required voter approval.
3. Addition of capital projects to the CIP that do not exceed \$100,000 and are a routine part of District business.

4. Scope increases to capital projects that do not exceed twenty percent (20%) of total project cost.
5. Changes in fund source allocations that do not exceed twenty percent (20%) of total project cost.

VI. ATTACHMENTS

None