Board Policy No. 314
CAPITAL PLAN AND PROJECTS POLICY

ADOPTED: 4/92
RECENT AMENDMENT: 11/9/2022
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 a~~n~~ one-time expense, or related group of expenses with a value of $7,500 or more ~~and~~ to construct, acquire, replace, improve, expand, or rehabilitate (beyond routine maintenance) assets which can be capitalized and with a life expectancy of two years 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

The District first adopted a five-year CIP for the FY 2019-20 through FY 2023-24 period. The 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 is the committee tasked with approving project requests to be added to the CIP and ~~reviews and~~ prioritiz~~es~~ing capital project requests. The Committee shall consist of representatives from each executive department, with additional representatives from departments who play large roles in project delivery, implementation, and funding. Representatives will be appointed by the General Manager. ~~the Executive Director of Planning & Engineering, the Chief Operating Officer, the Chief Financial Officer, the Chief Information Officer, thethe Director of Capital Projects, 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 (at least bi-annually) review the scope, timing, cost and eligibility of capital project requests for programming into the CIP.

The Manager of Capital Planning and Grants shall act as Chair and take a lead role in developing and managing project request submission, review, and recommendation for Committee approval. As part of project request ~~that~~ review, the Capital Planning and Grants Manager shall verify that ~~the~~ requests are~~request is~~ consistent with the District's adopted Short Range Transit Plan (SRTP) and Strategic ~~Plan, and~~Plan and identify if grant funds and/or District Capital are available for the request. Approved requests are then eligible for ~~programming~~inclusion in the CIP and Capital Budget (pending funding availability).

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 or their delegates initiate and submit requests for capital projects to be included in the CIP. ~~-~~The Capital Programming Committee will periodically review submitted requests to determine whether they are appropriate for ~~programming~~inclusion and prioritization in the CIP. All Capital Project Requests must include a planning level project scope, project schedule, and estimate of cost.

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 addition~~list of projects for inclusion in the next CIP~~s~~. A project does not need to be funded to be included in the CIP but ~~T~~the CIP must identify funding that ~~will~~ may 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. Projects can be added ~~O~~off-cycle ~~programming of projects~~ based on need or funding opportunity ~~shall~~ with the~~also be~~ ~~approved~~ approval of~~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 projects ~~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 project requests 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) Asset management requirements per the District's Asset Management Plan.
3) Effects on service delivery.
4) Consequences of not funding the projects.
5) The age of the assets included compared to their useful life benchmarks.
6) The total project cost and schedule for completion.
7) Potential and available sources of funding.

Capital Project Eligible Costs

Eligible costs for capital projects shall consist only of hard and soft implementation costs. Soft costs include operating, administrative, maintenance and interest expenses incurred prior to close out of the project. Standard and customary warranty and maintenance costs that are included in the purchase contracts for capital assets are also eligible. Capital projects for software system implementation must be compliant with the capital and expense requirements under GASB 51.

Capital Budget

The CIP is a planned program of projects over a five-year horizon, and ~~the Capital Budget for a given fiscal year is the projected spending of all projects for that year. T~~the Capital Budget is ~~the portion of the~~a financially constrained list of projects approved annually ~~CIP that corresponds to the current District budget period.~~ ~~. The CIP is a program of projects over a five-year horizon, and 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. The Capital Budget serves as the first year of the CIP.

Reporting

The General Manager shall provide to the District Board of Directors an annual Capital Projects Report. The report should summarize the status of ~~significant~~ ongoing capital projects with a total project cost over $1 million.

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 (if any) for the Board's approval.

2. The Board has the authority to approve the annual Enterprise Budget and amendments, including the Capital Budget, in accordance with BP 311 - Budgets.

3. The Board has the authority to approve the application and execution of grants for capital projects, in accordance with BP 324 – Revenues and Grants.

~~1. Scope increases to capital projects that exceed twenty percent (20%) of total project cost, except for awarded grant funding as described in section V. B. 2.~~

~~2. Changes in funding allocations that exceed twenty percent (20%) of total project cost.~~

B. General Manager's Authority

1. The General Manager may add awarded grant funding for approved capital projects to the Capital Budget and respective project budgets, in accordance with BP 311 - Budgets and BP 324 - Revenues and Grants.

2. The General Manager may approve budgetary transfers between projects that result in no net change in the total Enterprise Budget, in accordance with BP 311 - Budgets.

~~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 funding allocations that do not exceed twenty percent (20%) of total project cost.~~

VI. ATTACHMENTS

None