Number: BP 021
Authority: Board of Directors
Adopted: October 20, 2026
Revised: —
Dept./Div.: Administration/ HR

BOARD POLICY

CAPITAL IMPROVEMENT PROGRAM POLICY

ARTICLE 1 POLICY

1.1 The Board of Directors establishes a Capital Improvement Program (CIP) to plan, prioritize, authorize, fund, deliver, account for, and report on capital projects necessary to maintain, rehabilitate, replace, expand, and improve District facilities, infrastructure, equipment, and other capital assets.

1.2 Capital projects shall be administered in a manner that promotes public accountability, sound financial management, regulatory compliance, appropriate internal controls, lifecycle planning, and efficient project delivery.

1.3 The Board-approved Capital Improvement Program Procedure Handbook (CIP Handbook) provides a comprehensive framework and specific procedures for administering the CIP in accordance with applicable law, District policies, and the California Uniform Public Construction Cost Accounting Act (CUPCCAA). The CIP Handbook establishes procedures, responsibilities, approval thresholds, procurement requirements, financial controls, reporting, capitalization, and closeout practices applicable to the CIP.

ARTICLE 2 PURPOSE

2.1 The purpose of this policy is to establish the Board-level governance framework for the District's CIP and define the authorities reserved to the Board and delegated to District management.

2.2 This policy and the CIP Handbook shall be administered consistently with the adopted annual budget and CIP, District purchasing and reserve policies, applicable funding restrictions, Generally Accepted Accounting Principles (GAAP), Governmental Accounting Standards Board (GASB) requirements, and applicable federal and state law.

ARTICLE 3 RESPONSIBILITY AND AUTHORITY

3.1 Board of Directors. The Board adopts the annual and long-range CIP and associated appropriations; approves contracts, project actions, and budget changes that exceed delegated authority; and approves material changes to this policy or the CIP Handbook.

3.2 General Manager. The General Manager is responsible for executive administration of the CIP and may exercise contracting, budget, and project authorities delegated by this

policy, the CIP Handbook, other Board policies, and specific Board actions.

3.3 District Engineer. The District Engineer serves as the CIP Program Manager and is responsible for overall program oversight, technical standards, project delivery, procurement management, supervision of Project Managers, and CIP reporting. The District Engineer may exercise delegated authority up to $50,000 as provided in the CIP Handbook.

3.4 Finance Department. Finance is responsible for budget control, project accounting, funding-source compliance, capitalization, financial reporting, and coordination of fiscal-year closeout.

3.5 Project Managers. Project Managers are responsible for day-to-day project administration within the approved scope, budget, schedule, contract requirements, and delegated authority.

ARTICLE 4 PROJECT AUTHORIZATION AND PROCUREMENT

4.1 Projects included in the Board-adopted CIP and annual budget are authorized for implementation within the approved scope, funding, and delegated authorities. Actions requiring additional appropriation or exceeding delegated authority require Board approval.

4.2 The District elected to become subject to the California Uniform Public Construction Cost Accounting Act (CUPCCAA), Public Contract Code section 22000 et seq., through Resolution No. 21-11, adopted December 21, 2021. Resolution No. 21-11 remains in full force and effect, and qualifying public projects shall be procured in accordance with CUPCCAA and the policies and procedures of the California Uniform Construction Cost Accounting Commission, as amended from time to time.

4.3 CUPCCAA monetary thresholds determine the permitted procurement method for qualifying public projects but do not, by themselves, increase the District's internal contract-award authority. Unless otherwise expressly authorized by the Board, the General Manager may award and execute qualifying public-project contracts of $74,999 or less, and public-project contracts of $75,000 or more require Board award.

4.4 Professional services, general services, supplies, equipment, and other procurements that are not public projects under applicable law shall be procured in accordance with District policy and applicable legal requirements.

4.5 Projects shall not be split or separated for the purpose of avoiding competitive procurement, Board approval, or other applicable requirements.

ARTICLE 5 CIP BUDGET ADMINISTRATION

5.1 The General Manager may reallocate appropriated funds among existing Board-approved CIP projects, provided cumulative transfers from any individual project during a fiscal year do not exceed fifteen percent (15%) of that project's Board-approved annual allocation for that fiscal year and all other funding, reserve, debt, and legal restrictions are maintained.

5.2 Budget reallocations under Section 5.1 shall not cause the total annual CIP appropriation to be exceeded, require new debt, reduce reserves below Board-adopted policy requirements, or violate restrictions associated with grants, capacity fees, restricted revenues, bond proceeds, or other funding sources. Transfers exceeding the delegated 15% limit require Board approval.

5.3 The District may maintain a CIP Program Contingency as a separate CIP project/account with a maximum authorized balance of $1,000,000 to provide controlled flexibility for qualifying capital needs between annual budget cycles, subject to the delegated authorities and controls set forth in the CIP Handbook. The $1,000,000 amount is a cap and is not a required or target balance.

5.4 Use, replenishment, year-end transfer, and reporting of the CIP Program Contingency shall be governed by the CIP Handbook. Any supplemental appropriation that increases the total annual CIP appropriation requires Board approval.

ARTICLE 6 PROGRAM-TYPE CAPITAL PROJECTS

6.1 The District may establish program-type capital projects with annual allocations for recurring equipment purchases, rehabilitation, replacement, repairs, or other qualifying capital expenditures. The parent program project shall serve as the budget and expenditure-control account during the fiscal year.

6.2 At fiscal-year closeout, qualifying expenditures within program-type capital projects shall be reviewed and capitalized individually in accordance with the CIP Handbook, the District's capitalization requirements, and applicable GAAP and GASB requirements.

6.3 An individual project or purchase with a final capitalized cost of $100,000 or less may remain recorded and tracked within the parent program project.

6.4 An individual project or purchase with a final capitalized cost greater than $100,000 shall be established or transferred as a separate child project under the original parent program project for project-level cost and asset tracking.

6.5 For program-type CIP projects, establishment or transfer of an individual expenditure greater than $100,000 to a child project under its original Board-approved parent program for accounting and tracking purposes shall not, by itself, constitute a new appropriation or new project authorization when the expenditure is within the authorized scope, funding source, and annual allocation of the parent program. Parent and child project records shall reconcile to the applicable program appropriation.

ARTICLE 7 CHANGE MANAGEMENT AND REPORTING

7.1 Project scope, schedule, budget, contract changes, contingencies, and change orders shall be managed within the delegated authorities and escalation requirements established in the CIP Handbook.

7.2 Management shall provide periodic CIP reporting to the Board addressing project

status, budget, schedule, significant risks, material changes, and other information necessary for Board oversight.

7.3 Routine progress payments and administrative actions within an authorized contract, approved project budget, and delegated authority do not require repeated Board approval unless otherwise required by law, policy, contract, or specific Board action.

ARTICLE 8 CAPITALIZATION AND CLOSEOUT

8.1 Completed capital assets shall be placed in service, capitalized, and recorded in the District's fixed asset records in accordance with the CIP Handbook, District capitalization requirements, GAAP, and applicable GASB standards.

8.2 At fiscal-year closeout, the District Engineer and Finance Department shall identify completed or inactive projects eligible for closure, reconcile project costs and funding, complete required capitalization, and process authorized transfers in accordance with the CIP Handbook.

8.3 Remaining project funds shall retain all applicable legal and funding-source restrictions. Closeout of a project does not authorize the redirection of restricted funds for an ineligible purpose.

ARTICLE 9 MANAGEMENT RESPONSIBILITY

9.1 The General Manager is authorized to implement this policy and the CIP Handbook and to issue administrative procedures, forms, templates, and interpretations consistent with the CIP Handbook, District policy, and applicable law.

9.2 The General Manager may cause statutory citations, reference tables, and external procurement thresholds stated in the CIP Handbook to be updated administratively when controlling law or legal thresholds change, provided such updates do not alter the substantive delegations of authority approved by the Board.

9.3 Material amendments to this policy or the CIP Handbook require Board approval. Administrative updates authorized by Section 9.2 do not require Board approval.

9.4 If a provision of this policy or the CIP Handbook conflicts with applicable law, the law shall control. If this policy or the CIP Handbook conflicts with a more restrictive Board-adopted policy or specific Board action, the more restrictive Board requirement shall control unless the Board expressly provides otherwise.

END OF POLICY