

## Policies and Procedures

No. 45

**SUBJECT:**

**Board Approval:** 4/29/04

**BUDGETING OF PROJECT RESERVE**

**PURPOSE:**

To establish procedures for budgeting project reserve funds on light rail transit extension projects and major light rail transit and bus capital projects over \$5,000,000.

**BACKGROUND:**

Project budgets are developed on each MTS light rail transit extension project as well as major capital projects. These budgets are based on cost estimates for each line item, such as planning, engineering, right-of-way, construction, etc. The budget is further refined as the project proceeds through various phases of planning, design, and construction.

At the time construction contract bids are received, staff evaluates the bids and recommends award of a contract to the lowest, responsive and responsible contractor. A contract contingency of 10 percent is included in the construction budget for unforeseen work.

This policy would establish a procedure for transferring certain unencumbered funds into a project reserve. The purpose of the project reserve is to hold funds until such time that a determination can be made to utilize unencumbered funds on another project.

**PROCEDURES:**

- 45.1 On each light rail extension project and major capital projects over \$5,000,000, prior to award of construction contract(s), staff will review the project budget and possible enhancements to the scope of work and, to the degree practical, recommend project savings be transferred to a "project reserve."
- 45.2 In the budget review, each budget line item shall be evaluated to allow an appropriate balance for completion of the project within the budget.



- 45.3 When the total recommended construction contract amount is below the engineers estimate and budget line item, all or an appropriate portion of the remaining balance shall be recommended to the Board for transfer into the project reserve.
- 45.4 If there is more than one construction contract on a project, this procedure shall be followed as part of each recommended contract award.
- 45.5 A vote of the Board of Directors will be required for the use of project reserve funds.
- 45.6 On an annual basis, as part of MTS agency budget development, each project containing a project reserve balance will be reviewed for possible use of project reserve funds on project enhancements other projects. Subject to funding constraints, and allowance for an appropriate balance to complete the project and/or enhancements, staff will recommend transfer of appropriate project reserve funds to other projects.

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POLICY.45.BUDGETING PROJECT RESERVE  
7/19/06

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