



MCKALLA STATION – CAPITAL PROJECT CONTROLS (24-12)

Terry Follmer, Chief Audit Executive

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Executive Summary

The fiscal year 2024 Audit Plan approved by the CapMetro Board of Directors included an assurance review of the McKalla Station Capital Project Controls to ensure compliance with contracts, policies, procedures and regulatory requirements. The audit results including the objective, scope and conclusion are as follows.

Background

The McKalla Rail Station is a new regional rail transit station constructed as part of Project Connect to provide increased mobility and transit options for the North Burnet neighborhood. It was a \$58.8M capital project of a new rail station located adjacent to Q2 Stadium that opened in February 2024. There were two primary construction projects, McKalla MLS Red Line Station (PLN2103) and McKalla Double Track, Drainage and Signals (PLN2207). The rail station construction was a design-build contract approved by the Board in March 2022 for \$16.6M and was awarded to Stacy and Whitbeck. Design-build is a delivery method in which a contractor is responsible for both the design and construction phases to streamline the project. Additional funding approved by the Board brought the rail station total not to exceed \$21M. The second project, track and drainage, was approved by the Board in October 2022 not to exceed \$29M and was awarded to Jay Reese.

McKalla Station was part of the original Project Connect plan and pursued a variety of funding sources. ATP committed to providing \$25M to the project. Q2 also committed \$3M over 15 years. The City of Austin provided funding of \$750K for betterments, or upgrades, to planned wastewater lines (increased diameter size) and a shared-use path. Initially, there was an expectation that federal funds would be pursued for the McKalla project. CapMetro applied for two federal fund grants, the BUILD 2020 (\$11.3M) and INFRA (\$17.7M), however, the grant applications were denied in October 2020 and July 2021 respectively. Management informed us that though expenditures on the current project did not qualify for current federal grants, the expenditures could potentially be considered as CapMetro matching fund contributions for future grants if federal standards are followed. The standards applied to projects using federal funds are higher than if only local funds are used. For example, if local funds are used, Chapter 451 of the Texas Transportation Code requires two appraisals for real estate acquisitions. If federal funds are used, the Uniform Relocation Assistance and Real Properties Acquisition Act of 1970 (Uniform Act) requires an appraisal and an additional appraisal review.

The Capital Projects Group (CPG) managed the project, following the guidelines established in their CPG Policies and Procedures Manual and a variety of systems. The core systems used were Planview, eBuilder, Oracle for Accounting and Contract Land Staffing (CLS) which is used for right-of-way licenses, permits and roadway worker in charge (RWIC) fees. Additionally, other departments contributed to the success of the project, for example, the Real Estate Department was responsible for obtaining required permitting, title documents, surveys, and appraisals for temporary construction easements ensuring that contractors had access to the properties along the area where the work was being performed. The Real Estate department engaged multiple contractors to provide technical expertise and management of real estate transactions. The Rail Department was responsible for assigning RWIC, per Federal Railroad Administration and Company policy, to ensure contractor rail safety protocols were followed. Legal Department reviewed contractual documents and Intra-local Agreements.

Audit Objective & Scope

The objective of the audit was to review construction process for compliance with contracts, policies, procedures and regulatory requirements, contract close-out and lien releases. The scope included all invoices for Jay Reese and Stacy & Whitbeck submitted from August 2022 through May 2024 as well as the contract closeout process. We also reviewed other capital project costs charged to the McKalla project to ensure that the process for capital project initiation and capitalization followed CapMetro policies and procedures. We reviewed processes at the initiation of the project such as temporary construction easements acquisition and the contract closeout processes, including and release of retention payments and vendor lien releases.

Opinion

In our opinion, internal controls are generally in place and properly functioning over the capital project processes. We identified some areas where internal controls could be further enhanced as follows:

1. Real Estate Appraisal Documentation Not Obtained for Professional Services
2. Construction Capitalization Process
3. Capitalization Policies Require Updates and SOPs Are Needed
4. Delegations of Authority Not Defined for Temporary Construction Easement Acquisitions
5. Capital Projects Funding Source Not Formally Documented

More details regarding the issues/risks and recommendations can be found below in the detailed audit report.

This audit was conducted in accordance with US Government Accountability Office's Generally Accepted Government Auditing Standards (GAGAS) and the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit was conducted by the following staff members in the Capital Metro Internal Audit Department:

- Robert Moreno, Manager of Internal Audit
- Terry Follmer, Chief Audit Executive

Recommendations to strengthen controls and improve accountability were provided to management. Management agrees with the internal audit recommendations and has provided target completion dates which are included in the detailed audit report below. A follow-up audit is performed semi-annually (i.e., May and November) to ensure management action plans for all issued audit reports are completed in a timely manner.

We appreciate the cooperation and assistance provided to us throughout this audit.

Audit Report

<i>Issues & Risk</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
<p>1. <u>REAL ESTATE APPRAISAL DOCUMENTS NOT OBTAINED FOR PROFESSIONAL SERVICES</u></p> <p>CapMetro identified 14 property parcels to be considered for potential temporary construction easements (TCE) for the McKalla project. FTA requires an appraisal and an independent review of the appraisal while state regulations require two appraisals on each property to ensure fair market value is established. Appraisals and surveys totaling over \$300K were performed for the 14 parcels. Ultimately only three of the 14 parcels needed a TCE to be purchased. See Appendix A for TCE flowchart, Appendix B & C for examples of letters to landowners and Appendix D for TCE parcels identified.</p> <p>We requested copies of the appraisal documentation from the Real Estate department, but the documentation was not available. The completed appraisal documents had not been uploaded to CapMetro SharePoint site but were retained by HDR Engineering.</p> <p>The Real Estate department subsequently obtained the documents. Upon review of the documents, we noted that some parcel documentation (i.e. second appraisal or appraisal reviews) was missing from the documents provided.</p> <p>Lack of documentation of work performed, reduces management’s ability to:</p> <ul style="list-style-type: none"> a) Effectively review and approve contractor invoices, and b) Ensure complete and accurate records are maintained for CapMetro and for potential future federal grants. 	<p>Internal Audit recommends that Management implement the following:</p> <ul style="list-style-type: none"> a) The Director of Real Estate and ROW should consider implementing a process to obtain all work product from vendors before approving invoices to ensure that the service is complete, accurate and saved to SharePoint. b) The Director of Capital Construction Management should consider defining the responsibility for managing real estate project documentation to the Director of Real Estate and ROW within the Capital Project Group Procedures and Policy Manual. 	<p>Management agrees and has developed the action plan below.</p> <ul style="list-style-type: none"> a) The Director of Real Estate and ROW will update the Task Order Status spreadsheet to include tracking receipt and SharePoint update of professional service deliverables. b) The Director of Capital Construction Management will update the Capital Project Group Procedures and Policy manual. <p><u>Target Completion Date:</u> December 31, 2024</p>

<i>Issues & Risk</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
<p>2. <u>CONSTRUCTION CAPITALIZATION PROCESS</u></p> <p>McKalla Station was a \$58.8M construction project that went live in February 2024 and final payments were made to vendors in May 2024. As of September 30, 2024, the related assets had not been recorded in the Oracle ERP and Hexagon EAM systems, and the two systems had not been reconciled.</p> <p>We reviewed the construction capitalization controls used to update the Oracle and Hexagon systems and identified the following weaknesses:</p> <ul style="list-style-type: none"> • There is FIN-104, Fixed Asset Capitalization & Disposal Policy (Appendix F), however there is no SOP detailing procedures for Accounting and Capital Project Group (CPG) staff as to how/when construction is to be capitalized and recorded into the Hexagon and Oracle systems. • There are no training or periodic meetings between CPG and Accounting to discuss construction status and capitalization process. • The monthly PlanView Upcoming Go-Live project report has project percentage of completion from budget, but it is missing the percentage of actual project completion. • Required reports and reporting procedures between CPG and Finance have not been defined. <p>The situations above increase the risk that assets may not be capitalized timely and assets between Hexagon and Oracle cannot be reconciled.</p>	<p>Internal Audit recommends that the Controller and the VP of Facilities Management & Capital Construction should consider the following improvements:</p> <ol style="list-style-type: none"> a) Define and develop SOPs for construction processes to ensure CPG and Accounting Departments are getting timely and appropriate information to ensure capitalization records in both Hexagon and Oracle systems can be properly updated. From here, develop Policies and SOP's that codify the process and ensure appropriate staff within CPG and Accounting are trained and understand how their activities support each other. b) Periodic meetings (e.g. monthly and/or quarterly) should be scheduled between CPG and Accounting to ensure proper communications and coordination of projects. c) The monthly PlanView Upcoming Go-Live report should be updated to include a field that captures the actual project percentage of completion. d) Capitalized assets in Hexagon should be reconciled to Oracle asset records monthly. Any unexpected differences should be investigated and adjusted in Hexagon and/or Oracle. 	<p>Management agrees and has developed the action plan below.</p> <ol style="list-style-type: none"> a. Capital Projects Group and Finance will develop SOPs for documenting and recording fixed assets in the respective Hexagon and Oracle systems. After the SOPs have been created, the policies will be developed that incorporate the SOP. b. Capital Projects and Accounting have initiated monthly meetings in October to discuss project activity. c. Enterprise Project Portfolio Management group is developing a process workflow in Planview which would include an approval by both Accounting and Capital Projects before a project can be advanced from the "Execute" status to the "Close" status. d. Accounting has begun reconciling Oracle capital assets to Hexagon assets. As Oracle asset numbers are created, the information will be forwarded to Capital Projects to add to the asset in the Hexagon system as a cross reference. <p><u>Target Completion Date:</u> June 30, 2025</p>

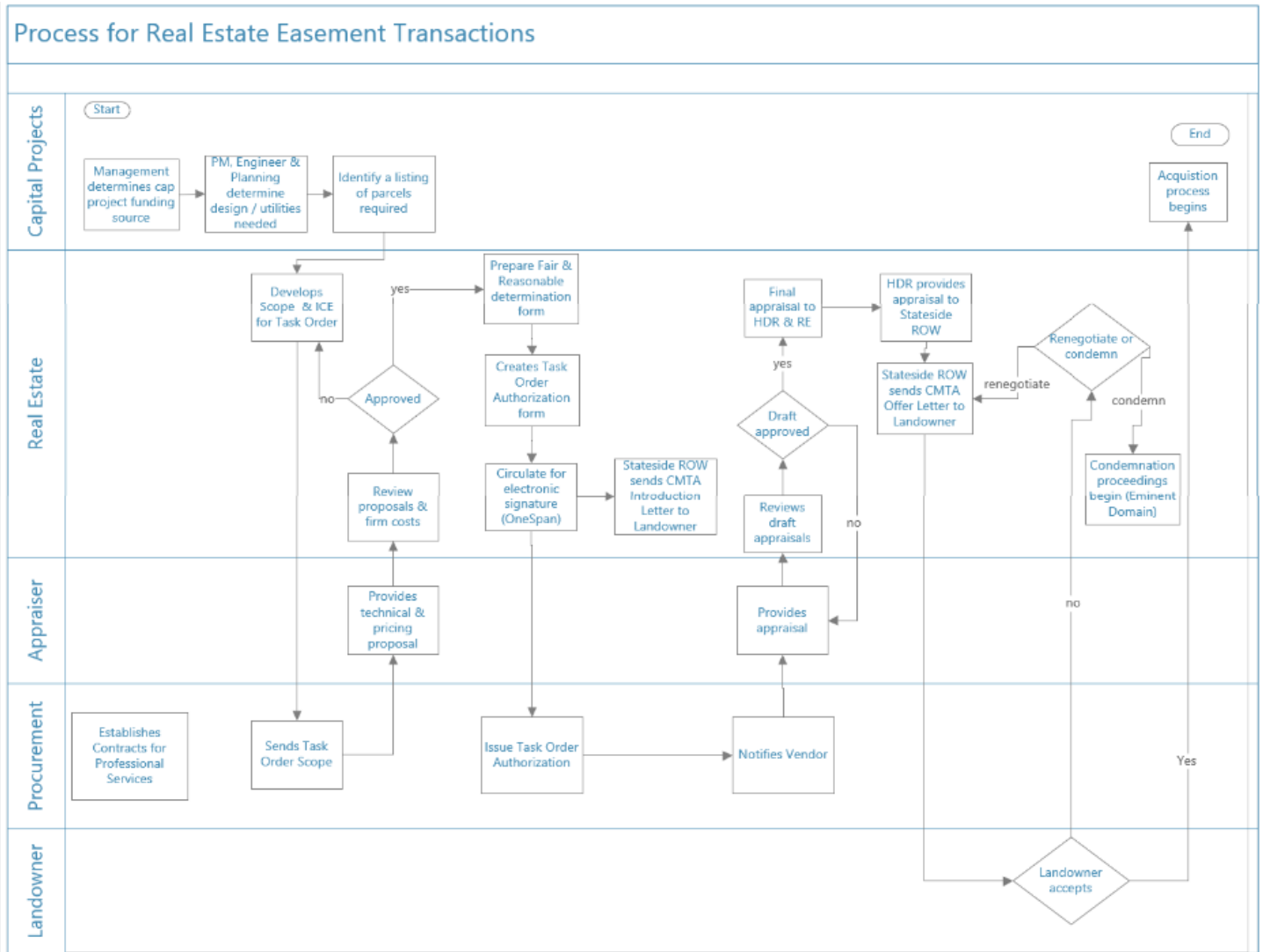
<i>Issues & Risk</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
<p>3. <u>CAPITALIZATION POLICIES REQUIRE UPDATES AND SOPs ARE NEEDED</u></p> <p>There are two Finance policies related to capitalization of assets, FIN-104 Fixed Asset Capitalization and Disposal Policy (See Appendix F) and FIN-105 Capitalization of Labor on Capital Projects (See Appendix G). We noted the following issues with the polices:</p> <ul style="list-style-type: none"> • Policy FIN-104 was last updated in October 2019 and references the prior Fixed Asset accounting module from the Microsoft Dynamics AX system. Policy FIN-105 was last updated in 2013 and includes hyperlinks to forms FN11 Capital Labor Hours Log (Employee) and FN12 Capital Labor Hours Log (Project Manager). However, the hyperlinks to these forms are broken and it appears the documents have been renamed as FIN9 and FIN10 respectively. • Neither policy FIN-104 nor FIN-105 define which accounting standards they follow, for example US GASB or other Federal guidelines or FTA requirements. • FIN104 provides a brief description of Construction Work In Progress (CWIP) but does not elaborate on any specifics. There are no SOPs to provide further instructions on the CWIP process. Additionally, there are no SOPs for FIN-105. • There are three manual forms used in the fixed asset documentation process. FIN2 Property Acquisition Form, FIN5 Property Disposal Form, and FIN6 Property Transfer Form each include a field from the previous EAM system titled SPEAR ID #. 	<p>Internal Audit recommends that the Controller consider the following improvements:</p> <ol style="list-style-type: none"> a) Updating FIN-104 and FIN-105 to reflect current accounting requirements, practices, and document form hyperlinks. The policy should include basic definitions of assets to guide users outside the Finance department. Instructions should be communicated with other departments to ensure that all parties are aware of and understand the requirements. b) Identify and document the relevant accounting standards to be used and incorporated into the Finance policies. c) Develop SOPs and procedures documents for the capitalization process which will define the expectations for all parties to follow to ensure items are properly categorized. d) Determine whether the forms (FIN2, FIN5, FIN6) are still necessary for documenting assets and if so, update the fixed assets forms to correspond to the current Hexagon EAM fixed assets system. 	<p>Management agrees and has developed the action plan below.</p> <p>Finance will develop SOPs for fixed asset capitalization during this process, the fixed asset policies and forms will be updated to correspond.</p> <p><u>Target Completion Date:</u></p> <p>June 30, 2025</p>

<i>Issues & Risk</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
<p>4. <u>DELEGATIONS OF AUTHORITY NOT DEFINED FOR TEMPORARY CONSTRUCTION EASEMENT ACQUISITIONS</u></p> <p>The Capital Projects Group Policies & Procedures Manual references Board approval for real estate transactions over \$150K. The Procurement Policy & Procedures documents the approval process for various procurement transactions; however, real estate transactions are excluded. Real estate transactions are unique and highly subjective. Management has not defined delegations of authority to specify approvals for various real estate transaction types less than \$150K.</p> <p>CapMetro acquired three Temporary Construction Easements (TCE) for the McKalla project. We identified a transaction for the acquisition of a property in which the higher of two appraisals indicated a market value of \$20K. However, the landowner made a counteroffer of \$30K, 50% over the appraised market value, which was accepted by CapMetro to keep project construction moving forward. There is no policy to define who can approve TCE or transactions that may be above appraised market value.</p> <p>Without pre-defined authority limits for property acquisitions, there is a potential that unreasonable or unauthorized amounts could be paid to acquire temporary construction easements.</p>	<p>Internal Audit recommends that the VP, Facility Management & Capital Construction should work with the Legal Department to develop acceptable approval limits for routine and exception transactions (e.g. paying more than appraised value) within the overall CapMetro delegations of authority approval matrix.</p>	<p>Management agrees and has developed the action plan below.</p> <p>VP, Facility Management and Capital Construction will obtain clarification from Legal regarding the Delegation of Authority. If the delegation needs to be revised, the VP will pursue it with Legal.</p> <p><u>Target Completion Date:</u></p> <p>December 31, 2024</p>

<i>Issues & Risk</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
<p>5. <u>CAPITAL PROJECT FUNDING SOURCES NOT FORMALLY DOCUMENTED</u></p> <p>CapMetro Management determines whether the Agency will pursue federal funds. Any use of federal funds triggers the requirement to follow the Uniform Relocation Assistance and Real Properties Acquisition Act of 1970 (Uniform Act). The CapMetro Capital Projects Group Policy and Procedures Manual acknowledges that the use of federal funds necessitates special procedures are to be followed. See Appendix E for Excerpt from Manual.</p> <p>However, there is no notation in the policy manual that specifies that capital projects should be identified by the expected funding source to be pursued as it will affect the process flow needed for that project (e.g. if and how many appraisals are needed).</p> <p>Inadequate or ambiguous communication of the funding source could cause unnecessary spending to occur if higher than necessary federal standards are followed. Conversely, if the higher standards are not followed when required, it may restrict the ability to obtain federal funding.</p>	<p>Internal Audit recommends that the Capital Projects VP should consider developing procedures to include the anticipated funding source to be used in project documentation such as the Project Charter.</p>	<p>Management agrees and has developed the action plan below.</p> <p>Project Managers will document the funding source in the Project Charter.</p> <p><u>Target Completion Date:</u></p> <p>December 31, 2024</p>

Appendix A

Temporary Construction Easement (TCE) Flowchart for McKalla Station



Appendix B

Example Introduction Letter and Initial Offer Letter to Landowners



Capital Metropolitan Transportation Authority
2910 East Fifth Street | Austin, Texas 78702
TEL 512.369.7400 | FAX 512.369.6596 | capmetro.org



Capital Metropolitan Transportation Authority
2910 East Fifth Street | Austin, Texas 78702
TEL 512.369.7400 | FAX 512.369.6596 | capmetro.org

August 2, 2022

County: Travis Parcel: W14
Project: McKalla Double Track

Via Regular Mail and Certified Mail Return Receipt Requested: 7019 0700 0001 6302 2703

MCKALLA STATION LP
3800 N Lamar Blvd., Ste. 350
Austin, TX 78756-4019

Re: Consultant Introduction and Texas Landowner's Bill of Rights

Dear Property Owner,

Capital Metropolitan Transportation Authority (CMTA) is moving forward with the McKalla Double Track project. CMTA has contracted Stateside Services to acquire the necessary property for the project.

You will soon be contacted by appraisers with Hornsby & Company and Aegis Group, Inc. to set-up an appointment to inspect and appraise your property. We encourage you to accompany the appraisers on this inspection if possible.

Once the appraisal of your property has been completed, you will be contacted by Brent Patterson, Right of Way Agent with Stateside Services, to discuss an offer for the temporary construction easement on behalf of CMTA. Once you have received the offer letter, please contact Brent with any questions or information you may need. Brent can be reached at 817-369-3191. For your reference, please find enclosed a copy of the Texas Landowner's Bill of Rights.

Should you have questions or concerns anytime during this process, please feel free to contact Shannon Gray, Manager, Real Estate and Right of Way with CMTA at 512-369-7735 or email at Shannon.Gray@capmetro.org.

Sincerely,

Ken Cartwright
Vice President, Capital Construction & Facility Management
Capital Metropolitan Transportation Authority

Enclosures:
Texas Landowner's Bill of Rights
Travis County Appraisal District (TCAD)/Exhibit

November 15, 2022

County: Travis
Project: McKalla Double Track

Parcel No.: W14

McKalla Station, LP,
a Texas limited partnership
c/o Austin Trantham
3800 N. Lamar Blvd., Ste 350
Austin, TX 78756-4019

By Certified Mail, Return Receipt Requested No.:
9402 7112 0620 3844 3922 30

Dear McKalla Station, LP

You have indicated a willingness to sign a *Temporary Construction Easement Agreement* ("TCE") for your property which consists of 6,550 SF (0.1504 acres) located 10401 McKalla Place, Austin, TX 78758.

It is important to confirm this agreement in order to avoid any possible misunderstanding as to the details of the purchase or the process by which the Capital Metropolitan Transportation Authority (CMTA) will make payment. The payment of **\$106,896.00** as herein agreed will constitute full payment to be made by CMTA for the TCE to be conveyed to the CMTA for a term of November 15, 2022 through the earlier of November 15, 2024 or the date the work is completed.

CMTA and the owner(s) have agreed to the following provisions.

Until payment is made by CMTA, title and possession of the property to be conveyed remains with you. You shall bear all risk of loss to any and all such property prior to such payment. Either you or CMTA shall have the right to terminate this agreement by providing written notice to the other party.

CMTA, without cost to the owner, will pay the cost of recording all instruments conveying the rights to the CMTA.

It is suggested that you carefully review the proposed *Temporary Construction Easement Agreement* (attached as Exhibit "A") and satisfy yourself (selves) as to its provisions. With your signing of this agreement and execution of the *Temporary Construction Easement Agreement*, the CMTA will proceed with the issuance of a check which will be made out jointly to you and to Community National Title.

This company has been designated as the CMTA's closing agent and is responsible to see that CMTA obtains title approved by CMTA. They will not endorse the check and make payment until CMTA title approval is secured. At the same time, you have the right to withhold endorsement of the check and not accept payment until you are fully satisfied on all details of the transaction.

Appendix C

Example Rescission Letter and Offer Letter to Landowners



Capital Metropolitan Transportation Authority
2910 East Fifth Street | Austin, Texas 78702
TEL 512.389.7400 | FAX 512.369.6596 | capmetro.org

March 7, 2023

County: Travis
Federal Project No.: N/A
Project: Red Line – McKalla Station Double Track
Parcel No.: W14

McKalla Station, LP,
a Texas limited partnership
c/o Austin Transillum
3800 N. Lamar Blvd., Ste 350
Austin, TX 78756-4019

By Certified Mail, Return Receipt Requested No.:
9414 7112 0620 3978 6974 35

Dear McKalla Station, LP,

The Capital Metropolitan Transportation Authority ("CMTA") made an offer to purchase rights on a portion of your property identified as Parcel W14, located at 10401 McKalla Place, Austin, Texas 78758. For your reference, enclosed please find a copy of the Initial Offer Letter dated November 15, 2022, from Stateside Right of Way, on behalf of CMTA.

CMTA has rescinded this offer, as the rights for the temporary construction easement are no longer needed to complete track upgrades.

If you have any questions, please get in touch with Brent Patterson at 817-917-2043 or Brentp@statesiderow.com.

Sincerely,

Kenneth Cartwright

Ken Cartwright
Vice President, Capital Construction & Facility Management
Capital Metropolitan Transportation Authority

Enclosure(s):

- Initial Offer Letter dated November 15, 2022

c: Vincent Sandoval, Project Manager
Capital Metropolitan Transportation Authority



Capital Metropolitan Transportation Authority
2910 East Fifth Street | Austin, Texas 78702
TEL 512.389.7400 | FAX 512.369.6596 | capmetro.org

November 22, 2022

County: Travis
Project: McKalla Double Track

Parcel No.: E22

EKB2320, L.P.,
a Texas limited partnership
1000 N. Weston Lane
Austin, TX 78733-3444

By Certified Mail, Return Receipt Requested No.:
9402 7112 0620 3873 9990 59

Dear EKB2320, L.P.,

You have indicated a willingness to sign a *Temporary Construction Easement Agreement* ("TCE") for your property which consists of 1,100 SF (0.0252 acre) located 2320 Donley Drive, Austin, TX 78758.

It is important to confirm this agreement in order to avoid any possible misunderstanding as to the details of the purchase or the process by which the Capital Metropolitan Transportation Authority (CMTA) will make payment. The payment of **\$20,345.00** as herein agreed will constitute full payment to be made by CMTA for the TCE to be conveyed to the CMTA for a term of November 22, 2022 through the earlier of May 22, 2024 or the date the work is completed.

CMTA and the owner(s) have agreed to the following provisions.

Until payment is made by CMTA, title and possession of the property to be conveyed remains with you. You shall bear all risk of loss to any and all such property prior to such payment. Either you or CMTA shall have the right to terminate this agreement by providing written notice to the other party.

CMTA, without cost to the owner, will pay the cost of recording all instruments conveying the rights to the CMTA.

It is suggested that you carefully review the proposed *Temporary Construction Easement Agreement* (attached as Exhibit "A") and satisfy yourself (selves) as to its provisions. With your signing of this agreement and execution of the *Temporary Construction Easement Agreement*, the CMTA will proceed with the issuance of a check which will be made out jointly to you and to Community National Title.

This company has been designated as the CMTA's closing agent and is responsible to see that CMTA obtains title approved by CMTA. They will not endorse the check and make payment until CMTA title approval is secured.

Rescission of Offer

Appendix D

McKalla Station - Temporary Construction Easement (TCE) Parcel Listing

MCKALLA TRACK AND DRAINAGE TEMPORARY CONSTRUCTION EASEMENT PARCELS

#	Parcel #	Property ID	Property Owner:	Address:	Easement Area (SF)	Appraisal Costs	Appraisal Review Costs	Appraisal Received	TCE Acquired	Amount Paid for TCE
1	E1	426293	Met Parking LTD	2107 Rundberg Ln	10960	\$ 8,124	\$ 2,896	Yes		n/a
2	W2	442955	Met Phase 195 LTD	2311 Rundberg Ln	732	\$ -	\$ -	n/a		n/a
3	W3	442954	Met Phase 195 LTD	2311 Rundberg Ln	439	\$ -	\$ -	n/a		n/a
4	E4	426292	Met Phase 195 LTD	2222 Rundberg Ln	5861	\$ 18,550	\$ 2,896	Yes	Yes	\$ 34,302
5	W5	442952	Met Phase 195 LTD	9715 Burnet Rd	1531	\$ 21,193	\$ 2,896	Yes		n/a
6	E6	255066	FCGH-RUT 16 LTD	2209 Rutland Dr	4612	\$ -	\$ -	n/a		n/a
7	W7	255059	Icon IPC TX	2315 Rutland Drive	187	\$ -	\$ -	n/a		n/a
8	E8	255065	First Metric LTD	2209 Rutland Dr	816	\$ -	\$ -	n/a		n/a
9	W9	255050	JNCB Properties LLC	2300 Rutland Dr	1926	\$ -	\$ -	n/a		n/a
10	E10	255067	HPI-RR Rut 1 & 2 LLC	10220 Metropolitan Dr	8850	\$ -	\$ -	n/a		n/a
11	W11	255058	Roger Beasley Mazda Inc	10301 McKalla Pl	7324	\$ 15,125	\$ 5,955	Yes	Yes	\$ 35,624
12	E12	255069	CLI CB Owner LLC	10300 Metropolitan Dr	10290	\$ 4,062	\$ -	n/a		n/a
13	W13	255051	Piedra Holdings LLC	10315 McKalla Pl	1980	\$ 20,964	\$ 5,955	Yes		n/a
14	W14	255052	Kenty Sterling	10401 McKalla Pl	6555	\$ 15,560	\$ 5,955	Yes		n/a
15	W15	255054	10423 McKalla Place LP	10423 McKalla Pl	6807	\$ 17,248	\$ 5,955	Yes		n/a
16	E16	255070	Ferguson Enterprises LLC	10500 Metropolitan Dr	8736	\$ 15,560	\$ 5,464	Yes		n/a
17	W17	547839	City of Austin	10414 McKalla Pl	9398	\$ 19,180	\$ 2,896	Yes		n/a
18	E18	256578	Coca-Cola Southwest	2311 Denton Dr	9167	\$ 21,193	\$ 2,896	yes		n/a
20	W20	547967	Gref Copeland LP	2511 W Braker Ln	3424	\$ 19,180	\$ 5,955	yes		n/a
21	W21	547968	Bright Horizons Childrens Center LLC	2411 W Braker Ln	3282	\$ 8,124	\$ 5,955	yes		n/a
22	E22	258270	EKB2320 LP	2320 Donley Dr	1100	\$ 20,964	\$ 5,955	yes	Yes	\$ 30,000
			Totals			\$ 225,025	\$ 61,631			\$ 99,926

Appendix E

Excerpt from CPG Policies and Procedure Manual Regarding Funding Sources

B. Project Funding Sources

1. Grant funding

Capital Metro applies for and receives types of grants that are utilized for the construction of capital and operating projects. Projects utilizing these funds have unique requirements and documentation needs and Project Managers must comply with all requirements that are necessary for these projects. Please consult with the Grants Departments for each project utilizing grant funds.

2. Local funding


Capital Metro uses local revenue, generated from a portion of the City Sales Tax for the completion of capital and operating projects. These funds may also be utilized in combination with grant funds on certain projects.

3. Partnership Funding

Capital Metro frequently collaborates with local and regional entities on projects, often contributing or receiving a portion of project funding from an outside entity such as any one of the cities within the Capital Metro service area, or entities such as Capital Area Rural Transit System (CARTS), Central Texas Regional Mobility Authority (CTRMA) or the Capital Area Metropolitan Planning Organization (CAMPO). Such collaborative projects and funding sources are required to jointly execute an Interlocal Agreement.

Appendix F pg1

Finance Policy FIN-104 Fixed Assets Capitalization & Disposal Policy

	FIXED ASSETS CAPITALIZATION & DISPOSAL POLICY FIN-104 Finance	Issued: April 2007 Revised: October 2019 Approved by: Randy Clarke President/CEO
PURPOSE		
The Fixed Assets Capitalization and Disposal Policy is intended to classify assets and create guidelines for the capitalization and disposal of assets for financial reporting purposes for Capital Metro. This policy applies to all Capital Metro employees.		
POLICY		
Fixed assets for capitalization and financial reporting purposes are all items purchased that have a useful life of more than one year, are of a tangible nature and have a value of \$5,000 or more, net cost, not including trade-ins or any taxes, licenses, etc.		
Computer software is classified as an intangible asset. Related installation or implementation costs can be capitalized if a software license is purchased, has a useful life of more than one year, and has a value of \$5,000 or more.		
Items of less than \$5,000 are not considered fixed assets unless they form an integral and essential part of another piece of equipment or structure that meets the fixed asset qualifications.		
Individual assets that cost less than \$5,000, but that operate as part of a network system (i.e., telephone system, computer system) will be capitalized by creating subcomponents, that in aggregate make up the system, if the estimated average useful life of the individual asset is one (1) year or more. A network is determined to be where individual components may be below the \$5,000 but are interdependent and the overriding value to Capital Metro is on the entire network and not the individual assets.		
CLASSIFICATION OF FIXED ASSETS		
Land and Improvements	Purchased land is carried in the Fixed Assets accounting module at acquired cost. Costs include, but are not limited to, expenses for services incidental to the acquisition and other charges incurred in preparing the land for use for improvements to be capitalized, the improvement must be considered permanent and must add value or improve the use of the land. In the event Capital Metro issues debt to finance a land purchase, the cost to be capitalized would include both the acquisition cost and any capitalizable interest expense from the outstanding debt.	
Buildings	All buildings are valued at purchase price or construction cost. Costs include all charges applicable to the building acquisition including fees for brokers, appraisers, engineering consultants, and architects. In the event Capital Metro issues debt to finance a building purchase, the cost to be capitalized would include both the acquisition cost and any capitalizable interest expense from the outstanding debt.	
Equipment and Machinery	All items of tangible property not permanently affixed to real property, which are needed in carrying out the operations of Capital Metro. Installation cost is included in the capitalized amount. Computer software is an intangible item and may be on-site or cloud based. Implementation costs are capitalizable if a license agreement is purchased. Future license agreements for that software or monthly hosting charges are considered Operating Expenses.	
Vehicles	All equipment that must be titled and bear a license tag.	

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Finance Policy FIN-104 Fixed Assets Capitalization & Disposal Policy - continued

Construction Work in Progress (CWIP)	This is used in conjunction with Capital Projects. Capital Project costs are accumulated until completion, when cumulative costs are transferred to the appropriate fixed asset account. The capitalization policy does not apply in these cases, and all costs must be recorded to give accurate values.
Additions and Modifications to Existing Assets	Costs are often incurred in connection with fixed assets after the original acquisition costs have been established. In general, any expenditure, which is an addition to a fixed asset, as an integral part of the asset, and/or that changes its useful life, is classified as a capital expenditure. If a component part, such as an engine or transmission, is rebuilt or replaced, the remaining undepreciated amount of the original component will be expensed, and the new component will be depreciated over the remaining life of the asset. If the original component part cost cannot be determined, the cost of the new part will be expensed. The additions of an air-conditioning system to a building or replacing/rebuilding an engine or transmission for a bus are some examples of capitalized expenses.
ITEMS NOT CONSIDERED TO BE FIXED ASSETS	
To clarify the question of asset classification, the following list of specific examples is provided.	
Land	Any costs associated with finding a piece of land, regardless of amount, that does not result in the purchase of a specific property are not capitalized and must be expensed. This includes any legal fees, appraisals or assessments.
Maintenance and Repair Replacements	<p>The replacement costs of component part(s) of a fixed asset, not the entire asset itself, during a maintenance and repair operation which also enhances the performance or life of the asset are not generally considered to be capital asset additions or modifications. For example, replacing an original disk drive with a higher capacity disk drive in a microcomputer, or changing worn or damaged brakes on a bus is considered to be a maintenance and repair expense.</p> <p>With respect to asset improvements, costs over \$5,000 should be capitalized if:</p> <ul style="list-style-type: none"> A. The estimated life of the asset is extended by more than 25%, or B. The costs result in an increase in the capacity of the asset, or C. The efficiency of the asset is increased by more than 10%, or D. Significantly changes the character of the asset, or E. In the case of streets and roads - if the work done impacts the "base" structure. <p>Otherwise, the costs should be expensed as repair and maintenance.</p>
Supplies	Any supply, regardless of costs, that is not permanent and will be consumed within a year is not considered a fixed asset.
Training	Any training costs associated with the implementation, or upgrade, of a fixed asset, regardless of cost, will be expensed.
CAPITALIZATION POLICY	
Acquisitions	Fixed Assets are recorded at cost. Costs are accumulated, usually in a CWIP general ledger account, until a qualified asset is placed in service and created in the Capital Metro financial software. If the costs are not associated with a qualified fixed asset, the funds are moved to an


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FIXED ASSETS CAPITALIZATION AND DISPOSAL POLICY – FIN-104

	operating expense general ledger account.
Depreciation	Assets are depreciated over their useful lives using the straight-line method.
Disposals of Local or Grant Financed Assets	Disposal of assets are conducted within GASB and Federal guidelines.
INVENTORY	
An inventory count will be conducted biennially in accordance with FTA guidance.	

REFERENCED PROCEDURES:
Fixed Asset Capitalization & Disposal Procedure – FIN-104

Appendix G

Finance Policy FIN-105 Capitalization of Labor on Capital Projects

	CAPITALIZATION OF LABOR ON CAPITAL PROJECTS FIN-105 Finance	Issued: April 2007 Revised: April 2013 Approved by: President & CEO
PURPOSE		
This policy, Capitalization of Labor on Capital Projects, applies to all Capital Metro employees and establishes guidelines for capitalization of labor on capital projects.		
POLICY		
Capital Metro permanent and temporary employees who spend time on capital projects may be required to submit those hours to the Project Manager on a monthly basis. The Project Manager is responsible for the project budget. In that budget, the project manager will estimate the number of hours the project team and others will spend implementing the project.		
PROCEDURES		
<p>The Project Manager responsible for the project budget will estimate the number of hours the project team and others will spend implementing the project. Employees who spend 10 or more hours in a given month on a capital project will complete the Capital Labor Hours Log on the last working day of the month. This spreadsheet will be forwarded to the Project Manager who will combine all the employees' time on the Project Manager Capital Labor Log. This spreadsheet will be forwarded to the Accounting Manager by the 3rd working day of the month.</p> <p>Capital labor will be tracked when the implementation of the capital project begins and will end when the project is put into service or production and system stabilization has occurred. During the scope and procurement stage, no labor will be capitalized.</p> <p>Steering Committee members and the Contract Administrator will not capitalize hours spent on the project unless approved by the Executive Vice President, Finance & Administration or his/her designee.</p> <p>Travel and training related expenses will not be capitalized.</p>		
FORMS		
<ul style="list-style-type: none"> • FN 11- Capital Labor Hours Log (Employee) • FN 12 - Capital Labor Hours Log (Project Manager) 		