HOUSTON AIRPORT SYSTEM

CAPITAL IMPROVEMENT PROGRAM

PROCEDURES MANUAL

I.   INTRODUCTION

The purpose of this document is to provide a procedures manual for the Capital Improvement Program ("CIP") process for the Houston Airport System (HAS). The procedures outlined below have been approved by Airport management and should be adhered to when developing the Airport's CIP.

II.   ESTABLISH A CAPITAL BUDGETING PROCEDURE AND SCHEDULE

Each year the department reviews and adjusts the schedule for an updated CIP prior to the start of each fiscal year. The CIP planning schedule should conform to the budgeting review dates provided in the City of Houston annual CIP submittal. Key components of this schedule are the executive evaluation of the projects, CIP retreat, and the funding of the CIP. The establishment of an executive committee to review and recommend approval/denial of projects is critical. The committee should be composed of senior management, with representation from Engineering, Operations, and Finance. However, the Airport Director has the final authority to approve or deny any capital project for inclusion in the CIP. Additionally, the Airport Director has the ability to add a project to the CIP with or without the review and approval of the CIP/MOD Committee.

The CIP Committee and then the Director will determine whether to accept or reject a capital project to be part of the CIP.

Capital projects will have the following characteristics:

> • Expected useful life of over ten year.
> • Provides a benefit to/creates an asset for the Airport and/or the users of Airport facilities.

CIP Procedures & Schedule

In order to institute a standard schedule for the CIP process, the following procedures were adopted for the indicated months. The schedule is designed to be consistent with the City's approval requirements for the CIP.

1)   Call for CIP projects

Step #1: Divisions prepare a CIP Project Request/Input Sheet for each proposed project (September through October). This is the first step of the process (see Exhibit 1, CIP Project Request/Input Sheet). The CIP Project Request/Input Sheet is filled out by the requestor to establish the project in the system. The requestor should fill in each of the following fields on the form Title of Project, Description of Project, Justification for Project, Estimated Project Cost and Manager's Signature.

2)   Assembly of projects

 Step #2: The completed CIP Project Request/Input Sheets are sent to Capital Planning (November 1 -- December 15). After receiving the CIP Project Request/ Input Sheets, Capital Planning performs the following tasks: reviews the CIP Project Request/Input Sheets for clarity; provides additional information regarding cost estimates, project timing, possible conflicts with other projects, project coordination, preliminary project evaluation, and prepares a comprehensive list/spreadsheet of potential projects by compiling all requested projects received.

3)   Funding amount established

Step #3: Finance establishes a preliminary funding limit for the CIP (November 1 --December 15). The preliminary funding limit for the CIP shows the amount of funding currently on hand and the amount of funding projected for each year of the 5 year CIP.

4)   Review by executive committee

Step #4: The CIP Project Request Input Sheets and Potential Projects lists are evaluated by the executive committee (December-15 – 31. After receiving the CIP Project Request/Input Sheets, the executive committee convenes to accomplish the following: establish high priority projects, other necessary projects, and eliminate projects that will not be included in the 5-year CIP.

5)   Preparation for CIP Retreat/Workshop

Step #5 The CIP Retreat/Workshop presentations are developed. (January 1 – January 16). Finance and PDC create charts, develop presentations for all the new candidate projects, provide preliminary funding spreadsheet for new candidate projects is generated and prepare the CIP Retreat/Workshop booklets.

6)   CIP Retreat/Workshop

Step # 6 The CIP Retreat/Workshop presentations are made to the director (a date in late January or early February).   Finance makes a presentation on the state of funding available. PDC makes a presentation on the current status of projects. All the new candidate projects presentations are made. The Director or the executive management approves or denies the project.

7)   Capital Planning recommends the projects schedule

Step # 7 Capital Planning uses the information from the CIP Project Request Input Sheets, CIP Retreat/ Workshop, Finance, the executive committee and others to develop a preliminary 5-year CIP schedule.

8)   Executive committee evaluates the schedule of projects

Step # 8. The executive committee evaluates the overall preliminary CIP schedule and approves or modifies the proposed project schedule.

9)   Project schedule presented to the MOD Committee

Step # 9 The project schedule is presented to the CIP/MOD Committee for evaluation. Airport managers and other senior management can request changes in the schedule. Typically any change in the project schedule requires other projects to be moved.

10)   **Finance funds the CIP**

Step #10: Finance performs a funding review of the proposed projects (February 16 -28) Finance performs the following tasks: reviews all proposed CIP projects from an affordability standpoint identifying all potential external funding sources, estimating expenditures by fiscal year and preparing a comprehensive worksheet summarizing the proposed funding sources for all proposed projects.

11)   **Airlines are briefed**

Step # 11 Finance performs necessary follow-up action for all approved CIP projects (March 8 through March 31). Finance conducts airline review meeting.

12)   **CIP is submitted to downtown**

Step #12 The 5-year CIP is loaded into the 3DI system. CIP Forms are printed and assembled into the City's CIP booklets. City Council approves the CIP. CIP booklets are available for the public.

13   **FAA Grant Applications**

Step # 13 Capital Planning prepares entitlement and discretionary grant applications.