

This collection of information is required to obtain or retain benefits 23 U.S.C. 106(h)(2), and will be used to prepare financial and project management plans for major projects. Public reporting burden is estimated to average 40 hour per response, including the time for reviewing instructions searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Please note that an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number. The OMB control number for this collection is 2125-XXXX. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Michael Howell, Information Collection Clearance Officer, Federal Highway Administration, Michael.howell@dot.gov , 1200 New Jersey Avenue, SE, Washington, DC 20590.

MAJOR PROJECT FINANCIAL PLAN GUIDANCE

ISSUED BY: Federal Highway Administration (FHWA)

This guidance is for use by recipients of Federal financial assistance in the preparation of financial plans for certain projects as required by section 106(h) of title 23, United States Code (23 U.S.C. 106(h)). This guidance also applies to 23 U.S.C. 106(i). This guidance applies only to the development and updates of these project financial plans. Major projects must comply with all applicable Federal requirements.

DATE OF ISSUANCE: December 18, 2014

This guidance supersedes previously issued Interim Major Project Financial Plan Guidance, dated September 24, 2012, Operational Independence and Non-Concurrent Construction Guidance dated December 30, 2009, and the January 2007 Major Project Financial Plans Guidance.

Contents of this Guidance

Background

Purpose of Annual Financial Plans

Projects That Require a Financial Plan

Major Projects

Operationally Independent and Non-Concurrent Construction Projects

Projects Between \$100 Million and \$500 Million

Transportation Infrastructure Finance and Innovation Act (TIFIA) Projects

Additional Financial Plan Considerations

Phasing

Multiple Project Sponsors

Financial Plan Submittal Process

The Initial Financial Plan

Annual Updates

Financial Plans Including TIFIA Assistance

Project Sponsor(s) Certification

FHWA Review and Approval

Contents of the Financial Plan

Attachments

A. Sample Letter of Certification

B. Financial Plan Checklist

Background

Effective October 1, 2012, the Moving Ahead for Progress in the 21st Century Act (MAP-21) (Public Law 112-141), amended 23 U.S.C. 106(h) and 106(i), to read as follows:

(h) MAJOR PROJECTS.-

(1) IN GENERAL. - Notwithstanding any other provision of this section, a recipient of Federal financial assistance for a project under this title with an estimated total cost of \$500,000,000 or more, and recipients for such other projects as may be identified by the Secretary, shall submit to the Secretary for each project -

- (A) a project management plan; and
- (B) an annual financial plan, including a phasing plan when applicable.

(2) PROJECT MANAGEMENT PLAN. - A project management plan shall document -

- (A) the procedures and processes that are in effect to provide timely information to the project decisionmakers to effectively manage the scope, costs, schedules, and quality of, and the Federal requirements applicable to, the project; and
- (B) the role of the agency leadership and management team in the delivery of the project.

(3) FINANCIAL PLAN.- A financial plan--

- (A) shall be based on detailed estimates of the cost to complete the project;
- (B) shall provide for the annual submission of updates to the Secretary that are based on reasonable assumptions, as determined by the Secretary, of future increases in the cost to complete the project;
- (C) may include a phasing plan that identifies fundable incremental improvements or phases that will address the purpose and the need of the project in the short term in the event there are insufficient financial resources to complete the entire project. If a phasing plan is adopted for a project pursuant to this section, the project shall be deemed to satisfy the fiscal constraint requirements in the statewide and metropolitan planning requirements in sections 134 and 135; and
- (D) shall assess the appropriateness of a public-private partnership to deliver the project.

(i) OTHER PROJECTS. - A recipient of Federal financial assistance for a project under this title with an estimated total cost of \$100,000,000 or more that is not covered by subsection (h) shall prepare an annual financial plan. Annual financial plans prepared under this subsection shall be made available to the Secretary for review upon the request of the Secretary.

Purpose of Annual Financial Plan

Major projects are large, complex projects designed to address major highway needs and requiring the investment of significant financial resources. The preparation of the annual financial plan ensures that the necessary financial resources are identified, available, and

managed throughout the life of the project.

An annual financial plan is a comprehensive document that reflects the project's scope, schedule, cost estimate, and funding structure to provide reasonable assurance that there will be sufficient funding available to implement and complete the entire project, or a fundable phase of the project, as planned.

Annual financial plans for major projects and other projects as defined in 23 U.S.C. 106(h) and 106(i) consist of an Initial Financial Plan and Annual Updates. Initial Financial Plans provide the major project's baseline information. Through the submission of Annual Updates, the Initial Financial Plan is updated with current project status to provide a comparison of baseline information to actual performance and to provide updated forecasts of future project performance. Annual Updates track the progress of the project over time by highlighting significant deviations from the Initial Financial Plan and subsequent Annual Updates and explaining the mitigating actions or response strategies taken to address the deviations. Each Annual Update, therefore, provides a comprehensive view of the project's background and status without requiring the reader to refer to previous submissions.

Financial plans are developed and submitted by the Project Sponsor. For the purposes of this guidance, the term "Project Sponsor" includes any entity that provides funds for the project and administers any Construction or Construction Engineering/Inspection activities for the project.

Projects That Require a Financial Plan

Major Projects

As described in 23 U.S.C. 106(h), the recipient of Federal financial assistance for a title 23 project with a minimum estimated total cost of \$500 million or a project that has been otherwise identified by the Secretary as a major project, must submit an Initial Financial Plan and Annual Updates to the Secretary. Major project financial plans and updates are submitted to the FHWA division office for approval.

For the purposes of determining whether a project's estimated cost exceeds \$500 million, FHWA will use the total cost estimate within the project scope set forth in NEPA decision document approving the project. The total cost of the project is the value of all resources necessary to perform the planning, engineering, and construction activities regardless of funding source or administering agency. (See "Contents of the Financial Plan," Section 3, Project Cost.)

Operationally Independent and Non-Concurrent Construction Projects

Occasionally, a Project Sponsor plans to spread construction of a project (defined by the NEPA decision document) over such a long period of time that it is reasonable to treat portions of the overall project as separate and independent projects for purposes of determining whether major project requirements apply. In cases where a project has future work not anticipated to start construction for at least 20 years after the initial construction commences, the FHWA may consider the initial portion as an operationally independent and non-concurrent construction

project. This determination by FHWA is solely for the purpose of applying major project requirements, and specifically the annual financial plan requirement. This determination has no effect on other FHWA requirements, including those relating to Planning or NEPA review. Once an overall project is determined to be an operationally independent and non-concurrent construction project, the FHWA will determine whether major project requirements apply to the initial portion based on the cost estimate for that portion rather than the cost estimate for the overall project. The FHWA will not make a determination on the remaining portions of the overall project until they are ready to advance to construction.

The following criteria will be used by FHWA division offices and the FHWA Project Delivery Team in the FHWA Headquarters Office of Innovative Program Delivery (OIPD) when determining whether it will treat the initial portion of an overall project as an operationally independent and non-concurrent construction project for the purpose of applying major project requirements. All three criteria should be satisfied.

- Once completed, the defined operationally independent and non-concurrent construction project can be opened to the public and effectively operated without any other portion of the overall project being completed. This does not necessarily mean that it has to meet the same performance levels for the overall project, but it should reasonably operate regardless of whether the remainder of the overall project is completed or not.
- The time period between the completion of the operationally independent and non-concurrent construction project and the start of the next portion of the overall project exceeds 5 years.
- The time period between commencement of construction for the initial operationally independent and non-concurrent construction project and commencement of construction for the final portion of the overall project exceeds 20 years.

The Project Sponsor will submit requests for operationally independent and non-concurrent construction projects to the FHWA division office. Any revisions to operationally independent and non-concurrent construction determinations should also be submitted to the FHWA division office. The FHWA division office will consult with and obtain the concurrence of the FHWA Project Delivery Team prior to making any determination. If the operationally independent and non-concurrent construction project is over the \$500 million major project threshold or receives TIFIA assistance, the major project requirements must be met. If not, the Project Sponsor would still be required to prepare a financial plan for any operationally independent and non-concurrent construction project estimated to cost between \$100 million and \$500 million (23 U.S.C. 106(i)). Prior to construction of the remaining portions of the project, the need to meet the major project requirements should be reassessed.

Projects Between \$100 Million and \$500 Million

As described in 23 U.S.C. 106(i), projects with an estimated total cost exceeding \$100 million but not designated by FHWA as a major project pursuant to section 106(h)(1) also must have an Initial Financial Plan and Annual Updates. The Project Sponsor must make these plans available to the FHWA for review upon request. Except as otherwise noted in this guidance, the financial

plan provisions in section 106(h)(3) and this guidance apply to financial plans prepared pursuant to section 106(i).

With prior concurrence of the FHWA division office, the Project Sponsor may submit a single financial plan that covers multiple projects exceeding \$100 million which are not designated as major projects.

TIFIA Projects

The TIFIA program provides Federal credit assistance (direct loans, loan guarantees, and lines of credit) to support critical improvements to the Nation's surface transportation system. For the purpose of implementing 23 U.S.C. 106(h) and (i), TIFIA loan proceeds are considered Federal financial assistance, and a TIFIA borrower must comply with all FHWA requirements even if the project receives no Federal-aid grant assistance (23 U.S.C. 602(c); 49 CFR 80.9).

All TIFIA loan agreements require the borrower, regardless of total project cost, to submit annual financial plans in accordance with this guidance. One financial plan may be submitted to meet the TIFIA and major project requirements. The TIFIA agreements further require the submission of Annual Updates throughout the life of the loan, which can extend beyond substantial completion of construction for the project.

Additional Financial Plan Considerations

Phasing

Project Sponsors often build major projects over a long period of time, funding and building phases of the overall project incrementally. In the event the Project Sponsor determines that there are insufficient financial resources immediately available to complete the entire project as defined in the NEPA decision document, financial plans may identify fundable incremental improvements or phases ("phasing plan") that will address the purpose and need of the overall project in the short term (23 U.S.C. 106(h)(3)(C)). For projects with financial plans that include phasing plans, the total cost of the overall project, not the cost of any fundable incremental improvement or phase, is used to determine whether the project meets the \$500 million threshold (23 U.S.C. 106(h)(1)).

In general, the inclusion of a phasing plan does not alter the contents of the financial plan as described in this guidance, but does have an impact on how the overall project can meet fiscal constraint requirements under 23 U.S.C. 134 and 135. If a phasing plan is included in an approved major project financial plan, and fiscal constraint requirements are met for the funded phase, then pursuant to 23 U.S.C. 106(h)(3)(C), the overall project is deemed to meet fiscal constraint requirements under 23 U.S.C. 134 and 135.

Fundable incremental improvements or phases do not need to meet the operationally independent and non-concurrent construction project criteria, but should be segments that can be opened to the public and effectively operated without the completion of subsequent segments or other additional transportation investments. The decision to adopt a phasing plan for a major project needs to be closely coordinated with FHWA, as this decision does not relieve or waive any of the

other regular planning or NEPA requirements, and could require re-evaluation of fiscal constraint and/or NEPA reviews.

Fundable incremental improvements or phases should be presented as one individual funded phase in the financial plan. As additional fundable incremental improvements or phases are identified, they should be added to the single funded phase in the financial plan. Detailed information about the funded phase should be included as outlined in the “Contents of Financial Plan” section of this guidance. Additionally, the financial plans should document the entire project’s scope, cost, and schedule as defined by the NEPA decision document approving the project.

Multiple Project Sponsors

When there are multiple Project Sponsors, a single financial plan should be prepared with the certification signed by all sponsors. Alternatively, each Project Sponsor may submit a plan describing its portion of the project. Such instances might occur in a public-private partnership (P3) where the private concessionaire has borrowed directly from the TIFIA program. If the State department of transportation (State DOT) granting the concession has also provided any type of funds, then both the public and private entities would be considered Project Sponsors. Additional information may be required from each Project Sponsor to ensure all information in the financial plan is accurate and complete. In such instances, each financial plan and all supplemental information should cover the same reporting period, be updated annually, and be submitted together.

Financial Plan Submittal Process

The Initial Financial Plan

For all major projects, the Initial Financial Plan should be submitted and approved prior to the first authorization of Federal funds for construction. The FHWA will not approve a major project financial plan until the selected alternative for the project has been identified in the NEPA decision document for the project. For design/bid/build projects, the Initial Financial Plan should be approved prior to FHWA project authorization for construction. For projects other than design/bid/build, the Project Sponsor should consult with the FHWA division office concerning the timing of the submittal of the Initial Financial Plan prior to issuing initial procurement requests for the project. The FHWA division office may consult with the FHWA Project Delivery Team as necessary.

In the case of major projects funded jointly by FHWA and other Federal agencies, the Project Sponsor may submit to the FHWA a single financial plan meeting the requirements of all the Federal agencies.

Annual Updates

Financial plans must be updated annually (23 U.S.C. 106(h)(1) and (3)). The submission dates and reporting periods (data “as of date”) should be proposed in the Initial Financial Plan. The

Annual Update should be submitted to FHWA no later than 90 days after the end of each reporting period. (See “Contents of the Financial Plan,” Section 9, Annual Update Cycle.)

Financial Plans Including TIFIA Assistance

For TIFIA projects, additional information from the Project Sponsor, TIFIA borrower, and other funding partners may be needed. In some cases, this may entail the submission of supplemental financial plans from the appropriate parties. In such instances, the financial plan and all supplemental financial plans should cover the same reporting period, be updated annually, and be submitted together. The TIFIA credit agreement will establish the financial plan requirements, including the submittal dates and reporting periods.

Project Sponsor(s) Certification

The content of the Initial Financial Plan and each Annual Update should be certified as “accurate and reasonable to the best of my knowledge and belief” by the Chief Executive Officer of the Project Sponsor(s). The signature authority for major project financial plans may be specifically delegated in writing by the Chief Executive Officer. The certification should be submitted to the FHWA division office with the financial plan. (See Attachment A, Sample Letter of Certification)

For TIFIA projects delivered through a P3 or concessionaire agreement, certifications should be provided from the Project Sponsor(s) and the TIFIA borrower (also considered a Project Sponsor).

FHWA Review and Approval

The Initial Financial Plan and each Annual Update will be submitted to the FHWA division office by the Project Sponsor for review and approval. The FHWA division office will coordinate with the FHWA Project Delivery Team for review and concurrence of all Initial Financial Plans and Annual Updates. Acceptance and approval will be based upon a compliance review that will evaluate, among other items, the reasonableness of the cost estimates, the viability of the identified funding sources (including whether they are contained in the fiscally constrained State Transportation Improvement Program (STIP), Transportation Improvement Program (TIP), and Long Range Plan), and the likelihood that the funding commitments will prove sufficient to complete the project as planned. Major project financial plans that include a phasing plan are subject to the modified fiscal constraint provisions discussed in this guidance.

The FHWA will determine a financial plan’s acceptability within 30 to 60 days after the document is received by the FHWA Project Delivery Team. Prior to the approval of the Initial Financial Plan, a concurrence memorandum from the Director of the OIPD will be sent to the division office. Prior to the approval of Annual Updates, a concurrence e-mail from the FHWA Project Delivery Team will be prepared and sent to the major project contact in the division office. After the project reaches construction completion, the concurrence e-mail from the FHWA Project Delivery Team will include a statement that all major project requirements have

been met. In all cases, the FHWA approval of the Initial Financial Plan or Annual Update rests with the division office during the construction period.

If there is TIFIA assistance for the project, financial plans should also be submitted to the TIFIA Joint Program Office (JPO) pursuant to the TIFIA credit agreement. The FHWA Project Delivery Team will coordinate concurrence from the TIFIA JPO prior to issuance of the OIPD concurrence memorandum or FHWA Project Delivery Team concurrence e-mail. Once construction is completed, approval of the Annual Updates will be coordinated by the TIFIA JPO in accordance with the TIFIA agreement.

For major projects with phasing plans, Annual Updates should be submitted each year until the entire project is complete. If construction is complete on the funded phase when an Annual Update is due and there are no changes to the information in the most recently approved financial plan, the Project Sponsor may notify the FHWA in writing that the most recently approved financial plan is to be used as the current Annual Update. With concurrence from the FHWA Project Delivery Team, the FHWA division office will provide an approval of the notification in lieu of an Annual Update. If fundable incremental improvements or phases are added to the funded phase then an updated financial plan should be submitted and approved prior to additional authorization of Federal funds for construction. If there are any other changes to aspects of the overall project, the Project Sponsor should coordinate with the FHWA division office to determine if an Annual Update should be submitted.

The FHWA recommends that each Project Sponsor post the approved Initial Financial Plan and Annual Updates on its external website for public review and use.

The FHWA recommends that the financial plans for projects with a total cost of \$100 million to \$500 million also be posted for public review and use. Any FHWA review of these financial plans is at the discretion of the FHWA division office.

Contents of the Financial Plan

The Initial Financial Plan

At a minimum, the Initial Financial Plan should include the information outlined in the following nine sections.

1. Project Description

The purpose of this section is to present the scope of the project. A graphic depicting the project location is recommended. Since the environmental document establishes the scope of the overall project, it is necessary to outline the environmental process and indicate the date of the NEPA decision document to ensure that the entire project is contained in the financial plan.

If a phasing plan is presented, the narrative should also include a detailed description of the scope of the funded phase. The narrative should document that the funded phase can be opened

to the public and operated effectively without the remaining construction being completed.

2. Schedule

This portion of the financial plan should present the schedule, including major milestones, for completing the project. Completion (month and year) is usually established as the date when the Project Sponsor expects to accept all of the construction work. Warranty periods should not be included when determining the project completion date. In compiling this schedule, funds should be available to cover estimated expenditures as they occur. This will be displayed in the Cash Flow Section.

Each Annual Update should show the schedule reported in the Initial Financial Plan and each previous Annual Update(s). (See Section 12, Annual Update for discussion of changes to schedule.)

If a phasing plan is being presented, in addition to providing the overall completion date, the financial plan should include anticipated completion for the funded phase.

3. Project Cost

The purpose of this section is to present the current estimate of the total cost of the project and the remaining cost-to-complete in year-of-expenditure dollars. This should include all costs and the value of all resources necessary to perform the preliminary engineering (including the cost of NEPA and other environmental documentation), right-of-way, environmental mitigation, construction, project management, public outreach, and costs of external third party work such as utility and railroad relocations. *Major Project Program Cost Estimating Guidance* can be located on the major projects website (http://www.fhwa.dot.gov/ipd/project_delivery/index.htm). The total cost of the project should be presented as the sum of the costs for each major segment and element of the project.

When submitting an Initial Financial Plan, at least one FHWA Cost Estimate Review (CER) should have been conducted for the entire project. The objective of the FHWA CER process is to conduct an unbiased risk based probabilistic review to verify the accuracy and reasonableness of the current cost estimate and schedule. The result of the CER is a probability range that represents the project's cost. Alternatives to the FHWA CER process may be considered with prior FHWA consultation. FHWA concurrence should be obtained before beginning the alternative to the FHWA CER process. In all cases, FHWA and the Project Sponsor(s) should participate during the entire CER. All CERs should be conducted within 12 months prior to the submission of the Initial Financial Plan.

The total estimated cost presented in the Initial Financial Plan should be consistent with the results of the CER and reflect the 70th percentile costs. Variations to the 70th percentile cost may be considered by FHWA on a case-by-case basis. If the 70th percentile cost is not used in the Initial Financial Plan, a detailed explanation should be provided.

Each Annual Update should show the cost estimate for the Initial Financial Plan and each previous Annual Update(s). (See Section 10, Annual Update for discussion of changes to cost.) If a phasing plan is being presented, in addition to providing the overall total project cost, the financial plan should include costs for the funded phase. When possible, CERs should be conducted to identify the estimated cost of the funded phase. Cost details should be provided for the funded phase being presented in the financial plan.

4. Project Funds

The financial plan should describe all project funding sources the Project Sponsor expects will be dedicated to the project, and include an evaluation of the likelihood of the anticipated amounts becoming committed and reasonably available. The financial plan should note where the funding sources and amounts are identified in the STIP, TIP, and Metropolitan Long Range Transportation Plan. For major project purposes, funds shown in approved STIP/TIPs are considered committed to the project. Funds that are identified in a Statewide Long Range Plan, are not fiscally constrained, or are in the process of being added or amended into a fiscally constrained Metropolitan Long Range Transportation Plan, will not automatically be considered committed and therefore must be evaluated for the likelihood of future commitment and availability. The financial plan should not include future Federal discretionary allocations as funding. If and when Federal discretionary allocations are enacted, they may be included as project funding at the time of the next Annual Update.

Federal-aid formula funds should be described by funding category under existing legislation and as potential amounts under future legislation. Projected expenditures of these funds should be constrained by anticipated annual limitations on Federal fund obligations.

If special funding techniques such as advance construction are to be utilized, the financial plan should provide information documenting the amount of State and Federal funding used in these special techniques. This information should include the total special funding technique amount, amount converted to date, and the amount remaining. The information should be broken down by direct Grant Anticipation Revenue Vehicles (GARVEEs), regular Federal-aid, or other special funding techniques.

In addition to Federal funds, all other funds (i.e. State, local, and private) should be presented separately. The sources, amounts, and stability of each fund category should be clearly discussed. If the availability of these funds is limited to certain parts or phases of the project, then those limits should be explained. As with Federal discretionary funds not yet allocated, any project-specific non-Federal funds that need additional legislative action by State or local governments may not be identified as dedicated funding sources until that legislative action has occurred. If these project-specific funds are not shown in the fiscally-constrained STIP, TIP, or Metropolitan Long Range Transportation Plan, then the funds are not automatically considered as dedicated and the Project Sponsor should provide an evaluation of the likelihood of those amounts being realized.

The financial plan should identify all project funds raised from debt proceeds according to their financing source, which may include GARVEE Bonds, TIFIA loans, project revenue bonds,

general obligation bonds, or many other sources. A narrative should demonstrate the Project Sponsor's ability to borrow the needed funds, focusing especially on the adequacy of the revenue source(s) pledged for repayment. The narrative description of the revenue forecasts should include the sources of information, methodology, assumptions, and any independent validation or sensitivity analysis.

Normally, a major project planning to use both Federal-aid funding and a TIFIA loan will receive these separate authorizations within the same approximate time period. In some instances, however, it may be necessary to obtain Federal construction funds in advance of the TIFIA loan closing. In order for FHWA to approve such a financial plan prior to the close of a TIFIA loan, additional sources of dedicated and available funding equal to the amount of the anticipated TIFIA loan proceeds should be shown until the loan reaches financial close.

The plan should address the potential for unanticipated changes in expected revenue and the impact on the project. Such changes might include delays or decreases in receipt of project funding, reductions in user fees earmarked for the project, changes in governmental rules impacting the project, etc.

If a phasing plan is being presented, funding documentation should only be provided for the funded phase covered by the financial plan.

5. Financing Issues

The cost of financing for the project should be estimated separately from the total project costs described above. This includes the issuance costs, interest costs, and other aspects of borrowing funds for this project. Financing facilities may include GARVEE Bonds, TIFIA loans, project revenue bonds, general obligation bonds, or many other options. Each should be shown separately as estimates in the Initial Financial Plan and updated appropriately in Annual Updates.

If a phasing plan is being presented, the financial plan should only include the cost of financing for the funded phase.

6. Cash Flow

The key feature of this section is to demonstrate that sufficient cash will be available to fund obligations and expenditures based on the project schedule and consistent with the fiscally-constrained STIP, TIP, and Metropolitan Long Range Transportation Plan. (See Section 2 above.)

The plan should include an annual schedule of cash revenues and expenditures. This will demonstrate that the payout schedules for contractors and in-house costs can be met. The cash flow analysis should show all expenditures through project completion.

Annual Updates should include the original projected cash flow updated for actual expenditures and revised estimates for future years. The narrative should explain significant deviations from the Initial Financial Plan. Previously expended funds need to be included so

that the entire estimated cost is included in the cash flow analysis.

If a phasing plan is being presented, cash flow should only be provided for the funded phase covered by the financial plan.

7. P3 Assessment

This section should provide a narrative describing the process used to assess the appropriateness of a P3 to deliver the project. For the purposes of this guidance, P3s are defined as contractual agreements between a public agency and a private entity that allow for greater private sector participation in the delivery and financing of transportation projects. Items covered in the narrative should include:

- Existence (or absence) of legislative authority to allow a P3 procurement structure,
- Project Sponsor's plan to manage a P3,
- Comparison of benefits and challenges of procuring the project as a P3 versus traditional procurement methods. These may include:
 - Innovation
 - Project delivery schedule
 - Cost and schedule impacts
 - Quality
 - Operations and maintenance efficiencies
 - Increased likelihood of project delivery
- Risk allocation analysis comparing P3 with traditional delivery methods
- Relative access to and cost of capital
- Any other factors that relate to evaluating the appropriateness of a P3 to the project (see also the FHWA OIPD P3 Toolkit and P3 Screening Tool for other issues that might be addressed <http://www.fhwa.dot.gov/ipd/p3/toolkit/>)

For a financial plan with a phasing plan, an analysis of the appropriateness of a P3 should be performed as additional portions of the project are added to the financial plan.

8. Risk and Response Strategies

The purpose of this section is to document significant project risks and response strategies. Project risks include significant threats and opportunities regarding schedule, cost, and funding. These risks should be identified and monitored throughout the entire project delivery process. This includes planning, environmental, design, construction, and operation and maintenance during construction. Risks may also include impacts of potential funding and revenue changes.

This section should address risks identified during the CER, risks related to funding, revenue, and financing, and any additional risks identified by the Project Sponsor. The discussion should include risk descriptions, likelihoods of occurrence, impacts, and responses. Risk response strategies may include mitigation, cost containment, and accepting or transferring risks.

The potential impact of the risks should be reflected in the Schedule, Cost, and Funding sections of the plan. This can be demonstrated by a contingency or reserve funding or a discussion of the

Project Sponsor's practices for funding project risks.

Annual Updates should continually monitor the risks identified in the Initial Financial Plan by retiring, revising, and adding new risks when appropriate. In addition, the Schedule, Cost, and Funding sections should be updated to reflect changes to the project risk assessment.

9. Annual Update Cycle

Financial plans must be updated annually (23 U.S.C. 106(h)(1) and (3)). The submission dates and reporting periods (data "as of date") should be proposed in the Initial Financial Plan. Commonly, Project Sponsors propose reporting periods that coincide with the end of the Project Sponsor's fiscal year or the end of the Federal fiscal year. Occasionally, with prior FHWA consultation, the reporting cycle may change over the course of a project. A TIFIA loan, for instance, could introduce requirements necessitating an adjustment. The Annual Update should be submitted to FHWA no later than 90 days after the end of each reporting period.

The Annual Updates

Each of the nine sections in the Initial Financial Plan should be updated to reflect any changes that have occurred since its approval. The Annual Updates should also include discussions on the reasons and trends associated with these updates. The current project cost estimate should be compared to the previous project cost estimate, and differences should be explained in sections 10 and 11 as appropriate. The cost-to-complete estimate should be adjusted to reflect expended costs. The Funding and Cash Flow sections should be revised to identify the funding sources used for actual expenditures and those proposed to fund the remaining cost-to-complete. The current project schedule should be compared to the previous project schedule, and differences should be explained in sections 12 and 13 as appropriate. Changes since the previously approved financial plan should be clearly presented and their major reasons should be clearly described. Sections 10-13 are discussed below in more detail.

10. Summary of Cost Changes Since Last Year's Financial Plan

A listing of those changes that have reduced or increased the cost of the project and/or funded phase since last year's financial plan should be presented. The discussion should clearly identify the primary reason(s) for the change. The discussion should also include actions taken to monitor and control cost growth. Actions may include conducting an additional CER. Identify any scope changes that have contributed to this change.

11. Cost and Funding Trends Since Initial Financial Plan

This discussion should identify the trends that have impacted project costs and funding since the Initial Financial Plan. Discussion should include the probable reasons for these trends and assess the implications for the remainder of the project.

12. Summary of Schedule Changes Since Last Year's Financial Plan

A listing of those changes that have caused the completion date for the project and/or funded phase to change since the last financial plan should be presented. The discussion should identify clearly the primary reason(s) for the change. The discussion should also include actions taken to monitor and control schedule growth. Identify any scope changes that have contributed to this change.

13. Schedule Trends Since Initial Financial Plan

This discussion should identify the trends that have impacted project schedule since the Initial Financial Plan. Discussion should include the probable reasons for these trends and assess the implications for the remainder of the project.

ATTACHMENTS

Attachment A - Sample Letter of Certification

Attachment B - Financial Plan Checklist

Sample

Project Sponsor's
Letterhead

LETTER OF CERTIFICATION

The **(Project Sponsor)** has developed a comprehensive Financial Plan for **(Project Name)** in accordance with the requirements of title 23, United States Code, section 106 and the Financial Plan guidance issued by the Federal Highway Administration. The plan provides detailed cost estimates to complete the project and the estimates of financial resources to be utilized to fully fund the project.

The cost data in the Financial Plan provide an accurate accounting of costs incurred to date and include a realistic estimate of future costs based on engineer's estimates and expected construction cost escalation factors. While the estimates of financial resources rely upon assumptions regarding future economic conditions and demographic variables, they represent realistic estimates of resources available to fund the project as described.

The **(Project Sponsor)** believes the Financial Plan provides an accurate basis upon which to schedule and fund **(Project Name)**, and commits to provide Annual Updates according to the schedule outlined in the Initial Financial Plan.

To the best of our knowledge and belief, the Financial Plan as submitted herewith, fairly and accurately presents the financial position of **(Project Name)**, cash flows, and expected conditions for the project's life cycle. The financial forecasts in the Financial Plan are based on our judgment of the expected project conditions and our expected course of action. We believe that the assumptions underlying the Financial Plan are reasonable and appropriate. Further, we have made available all significant information that we believe is relevant to the Financial Plan and, to the best of our knowledge and belief, the documents and records supporting the assumptions are appropriate.

Chief Executive Officer
(Multiple Project Sponsor signatures may be needed)

Date

ATTACHMENT B

FINANCIAL PLAN CHECKLIST

1. Project Description
 - a. Narrative description of project scope
 - b. Map
 - c. Date of NEPA Decision Document(s) (month/year)
 - d. Documentation of Operationally Independent and Non-Concurrent Construction (OINCC) determinations, if applicable
 - e. If a phasing plan is presented, include detail description of the funded phase
2. Schedule
 - a. Present current schedule including major milestones
 - b. Compare with Initial Financial Plan (IFP) and prior Annual Update (AU) schedule
 - c. Clearly identify estimated completion date (Month/Year)
 - d. If a phasing plan is presented, include anticipated schedule (Month/Year) for the funded phase
3. Project Cost
 - a. Provide a total cost estimate for the full project
 - b. Provide a breakdown of cost by project component (contract, section, phase, etc.)
 - c. Provide a breakdown of cost by activity (feasibility studies, preliminary engineering, environmental assessment, right-of-way acquisition, construction, construction engineering and inspection, project management, contingencies, ITS activities, etc).
 - d. All costs should be expressed on a year-of-expenditure basis and should include a narrative describing assumptions used to arrive at such estimates
 - e. IFP cost should equal at least the 70% percentile cost amount from the most recent Cost Estimate Review (CER)
 - f. Compare current estimated cost with IFP and prior AU estimated cost
 - g. If a phasing plan is presented, include the cost estimate and breakdown of cost the funded phase
4. Project Funds
 - a. Provide all funding sources
 - b. Show dedicated and anticipated funds separately
 - c. Identify project listing in TIP/STIP and fiscally constrained Metropolitan Long Range Transportation Plan
 - d. Show Federal funds and State and/or local funds separately
 - e. Address potential unanticipated changes in expected funding
 - f. Include information for special funding techniques such as advance construction, if applicable
 - g. If a phasing plan is presented, funding should only be shown for the funded phase
5. Financing Issues
 - a. Identify the type of financing proposed
 - b. Estimate interest rates and associated fees
 - c. Estimate the total financing costs associated with the project

- d. If a phasing plan is presented, financing costs should only be shown for the funded phase
6. Cash Flow
 - a. Show fund availability versus expenditures by fiscal year (FY) (cash in versus cash out)
 - b. Compare cash flow displayed in IFP to updated cash flow
 - c. Discuss changes in estimated timing of fund availability (cash in) and/or expenditures (cash out) since IFP
 - d. If a phasing plan is presented, cash flow should only be shown for the funded phase
7. Public-Private Partnership (P3) Assessment
 - a. Cite legislative authority
 - b. Identify internal P3 structure
 - c. Comparison of benefits
 - d. Summarize Risk allocation analysis
 - e. Identify market conditions
 - f. If a phasing plan is presented and additional portions of the project are added to the financial plan, a P3 assessment should be provided
8. Risk and Response Strategies
 - a. Summarize risks identified during the CER and update as appropriate
 - b. Add risks that were not included or known during the CER
 - c. Provide a response strategy(ies) for each risk
 - d. Update (add, modify, or retire) risks in each AU as project progresses
9. Annual Update Cycle
 - a. Define the annual reporting period for the data reported in the Annual Update to the Financial Plan
 - b. State the due date (90 days after the end of the annual reporting period) for the next Annual Update to the Project
 - c. If necessary, provide any reason this date has changed from the last financial plan.
10. Summary of Cost Changes Since Last Year's Financial Plan
 - a. Provide an explanation of the change in total cost from last year's financial plan (amount and main contributing factor(s))
 - b. Document actions taken to monitor and control cost growth
11. Cost and Funding Trends Since Initial Financial Plan
 - a. Discuss trends impacting project costs and funding
12. Summary of Schedule Changes Since Last Year's Financial Plan
 - a. Provide an explanation of the change in the estimated completion date from last year's financial plan (number of months and main contributing factor(s))
 - b. Document actions taken to monitor and control schedule growth
13. Schedule Trends Since Initial Financial Plan
 - a. Discuss trends impacting project schedule