



Innovative Program Delivery

Major Project Financial Plan Guidance Update

February 5, 2015

***FHWA Office of Innovative Program Delivery
Project Delivery Team***



Agenda

1. What is the purpose of the FHWA financial plan?
2. Why was the guidance updated?
3. What is in the new guidance?
4. How should the guidance be implemented?
5. Questions and input from participants



Financial Plan Purpose

- Helps to ensure that necessary financial resources are identified, available, and managed through life of project
- Provides
 - Scope
 - Cost estimate
 - Schedule
 - Funding
 - Reasonable assurance that there is funding to complete the project
- Developed and submitted by project sponsor
 - Any entity that provides funds for the project and administers any construction or construction engineering/inspection activities



Financial Plan Changes

- MAP-21
 - Phasing plans
 - Public-Private Partnership (P3) assessment
- GAO Recommendations
 - Financing costs
 - Availability on public website
- New Types of Procurements
 - P3 projects
 - Design-Build projects



Financial Plan Changes (Cont.)

- Supersedes
 - Interim Major Project Financial Plan Guidance, September 2012
 - Operational Independence and Non-Concurrent Construction Guidance, December 2009
 - Major Project Financial Plan Guidance, January 2007



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What is in the Guidance?



Projects That Require a Financial Plan

- **Major Projects**

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 identified as a major project

- **Projects Between \$100 Million and \$500 Million**

Projects with an estimated total cost of \$100 million or more but are not designated as a major project; not submitted to FHWA unless requested

- **TIFIA Projects**

All TIFIA loan agreements require the borrower, regardless of total project cost, to submit annual financial plans in accordance with this guidance



Projects That Require a Financial Plan (Cont.)

- **Operationally Independent and Non-Concurrent Construction Projects (OINCC)**

When a project sponsor plans to spread construction of a project over such a long period 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

All three criteria should be satisfied:

- Once complete, the OINCC can be opened to the public and effectively operated without any other portion of the overall project being completed
- Time period between completion of the OINCC and the start of the next portion of the overall project exceeds 5 years
- Time period between commencement of construction for the initial OINCC and commencement of construction of the final portion of the overall project exceeds 20 years

OINCCs must be approved by FHWA



Additional Financial Plan Considerations

■ Phasing

- If 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 a phasing plan that will address the purpose and need of the overall project in the short term
- Fundable phases should be presented as one individual funded phase in the financial plan
- The use of a phasing plan does not alter the contents of the financial plan
- Phasing plans should be closely coordinated with FHWA



Additional Financial Plan Considerations (Cont.)

- **Multiple Project Sponsors** may either
 - Prepare a single financial plan with the certification signed by all sponsors; or
 - Prepare a plan describing each project sponsor's portion of the project; however, each plan and supplemental information should cover the same reporting period, be updated annually, and be submitted together



Financial Plan Submittal Process

- **Initial Financial Plan (IFP)**
 - Should be submitted and approved prior to the first authorization of Federal funds for construction
 - Timing for submittal of IFP for projects other than design-bid build projects should be coordinated with FHWA

- **Annual Updates (AU)**
 - Should be submitted no later than 90 days after the end of the reporting period, defined in IFP



Submittal Process (Cont.)

■ **Financial Plan Including TIFIA Assistance**

- A single financial plan may be submitted to meet TIFIA and major projects requirements
- Additional information from the project sponsor, TIFIA borrower, and other funding partners may be needed. The TIFIA credit agreement will establish the financial plan requirements, including submittal dates and reporting periods

■ **Project Sponsor(s) Certification**

- The content of the IFP and each AU should be certified as “accurate and reasonable by the best of my knowledge and belief” by the CEO of the project sponsor(s)
- Sample Letter of Certification in Attachment A



Submittal Process (Cont.)

FHWA Review and Approval

1. The IFP and each AU will be submitted to the FHWA Division Office by the project sponsor
2. FHWA Division will coordinate with the FHWA Project Delivery Team for review and approval
3. Approval will be based upon a compliance review that will evaluate the contents of the submitted financial plan with the requirements set out in the financial plan guidance
4. FHWA will determine a financial plan's acceptance (with comments and/or an approval) within 30-60 days after the document is received by the FHWA Project Delivery Team



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Contents of the Financial Plan



Financial Plan Sections

Initial Financial Plan Sections:

1. Project Description
2. Schedule
3. Project Cost
4. Project Funds
5. Financing Issues
6. Cash Flow
7. P3 Assessment
8. Risk and Response Strategies
9. Annual Update Cycle

Financial Plan Annual Update Sections:

10. Summary of Cost Changes
11. Cost and Funding Trends
12. Summary of Schedule Changes
13. Schedule Trends



1. Project Description

- Briefly describe the project
- Discuss the environmental decision including date of approval
- Document approved OINCC
- Use maps to visually show project
- If a phasing plan is presented, describe funded phase



2. Schedule

- Show major milestones for completing the project
- Identify the estimated completion date
- Present all dates in month and year
- Compare current schedule to IFP and prior AU schedules
- If a phasing plan is presented, include schedule and identify estimated completion date for funded phase



3. Project Costs

- Present current estimate of total cost and remaining cost-to-complete
- Show in YOE \$
- Breakdown costs by major project element and construction segment
- IFP equal to or greater than CER 70% amount
- Compare current cost to IFP and prior AU costs
- If a phasing plan is presented, include current estimate of cost for funded phase



4. Project Funds

- Identify all funding sources
- Show dedicated and anticipated funds separately
 - Note where funding sources are identified in STIP/TIP/LRP
 - Evaluate likelihood of anticipated amounts
 - Do not show future discretionary funding as funding
- Show breakdown of Federal, State, and/or local funds
 - Describe Federal-aid by funding category



4. Project Funds (Cont.)

- Identify project funds raised from debt proceeds such as GARVEE bonds, TIFIA loans, toll revenue bonds
- Include information on special funding techniques such as advance construction
- Address potential unanticipated changes in expected funding
- If a phasing plan is presented, funding should only be shown for funded phase



5. Financing Issues

- Identify type of financing proposed
- Show interest rates and associated fees
- Present total financing costs
- If a phasing plan is presented, financing costs should only be shown for funded phase



6. Cash Flow

- Present annual schedule of cash needs (expenditures) vs. cash available by FY
- Compare to current cash flow to cash flow presented in IFP
- Discuss changes in estimated timing of funding availability and/or expenditures since IFP
- If a phasing plan is presented, cash flow should only be shown for funded phase



7. P3 Assessment

- Cite legislative authority
- Describe project sponsor's plan to manage a P3
- Compare benefits and challenges of procuring a P3 vs. traditional procurement methods
- Summarize risk allocation analysis
- Identify market conditions such as relative access to and cost of capital
- If a phasing plan is presented, P3 assessment should only be shown for funded phase



8. Risk and Response Strategies

- Identify significant threats and opportunities regarding schedule, costs and funding
- Summarize risk identified during the CER and update as appropriate
- Provide response strategies for each risk
- Show potential risk impacts in Schedule, Cost, and Funding sections
- Update (add, modify, or retire) risks in each AU as project progresses



9. Annual Update Cycle

- Define annual reporting period (“as of date”) for data reported in the AU
- State the due date for next AU (90 days after the end of the reporting period)



10. Summary of Cost Changes Since Last Year's Financial Plan (AU Only) ²⁶

- List changes to the project cost
- Discuss reasons for changes
- Discuss actions taken to monitor and control cost growth



11. Cost and Funding Trends Since IFP (AU Only)

- Identify trends that have impacted project costs
- Discuss probable reasons for these trends



12. Summary of Schedule Changes Since Last Year's Financial Plan (AU Only)

- List changes to project completion date
- Discuss reasons for the changes
- Discuss actions taken to monitor and control schedule growth



13. Schedule Trends Since Last IFP (AU Only)

- Identify trends that have impacted project schedule
- Discuss probable reasons for these trends



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Implementation of Financial Plan Guidance





Expectations of Project Sponsor

- Submit financial plans in accordance with the new guidance
- Submit AU within 90 days of the end of the reporting period
- Include signed certification
- Address comments from FHWA in a timely manner
- Proactively coordinate with FHWA regarding financial plan issues or concerns



Expectations of FHWA Division

- Ensure IFPs and AUs submitted according to appropriate schedule
- Coordinate communication between project sponsor(s) and FHWA HQ such as resolution of comments
- Ensure that financial plan meets financial plan guidance requirements
 - Ensure that the scope of the major project is consistent with the environmental document
 - Verify the project progress reported in AUs
 - Verify that the financial information is in the STIP, TIP, and/or Long Range Plan
 - Verify the advance construction information
- Provide approval to project sponsor



Expectations of FHWA HQ

- Ensures financial plan meets financial plan guidance requirements
- Track schedule and cost data
- Coordinate comments with the Division
- Participate in conference calls to coordinate the resolution of comments
- Provide concurrence to Division
- Monitor timing of AU submittal
- Coordinate with TIFIA as appropriate



Financial Plan Resources

Guidance:

http://www.fhwa.dot.gov/ipd/project_delivery/resources/financial_plans/guidance.aspx

Federal Register Notice:

<https://www.federalregister.gov/articles/2014/12/18/2014-29653/major-project-financial-plan-guidance>

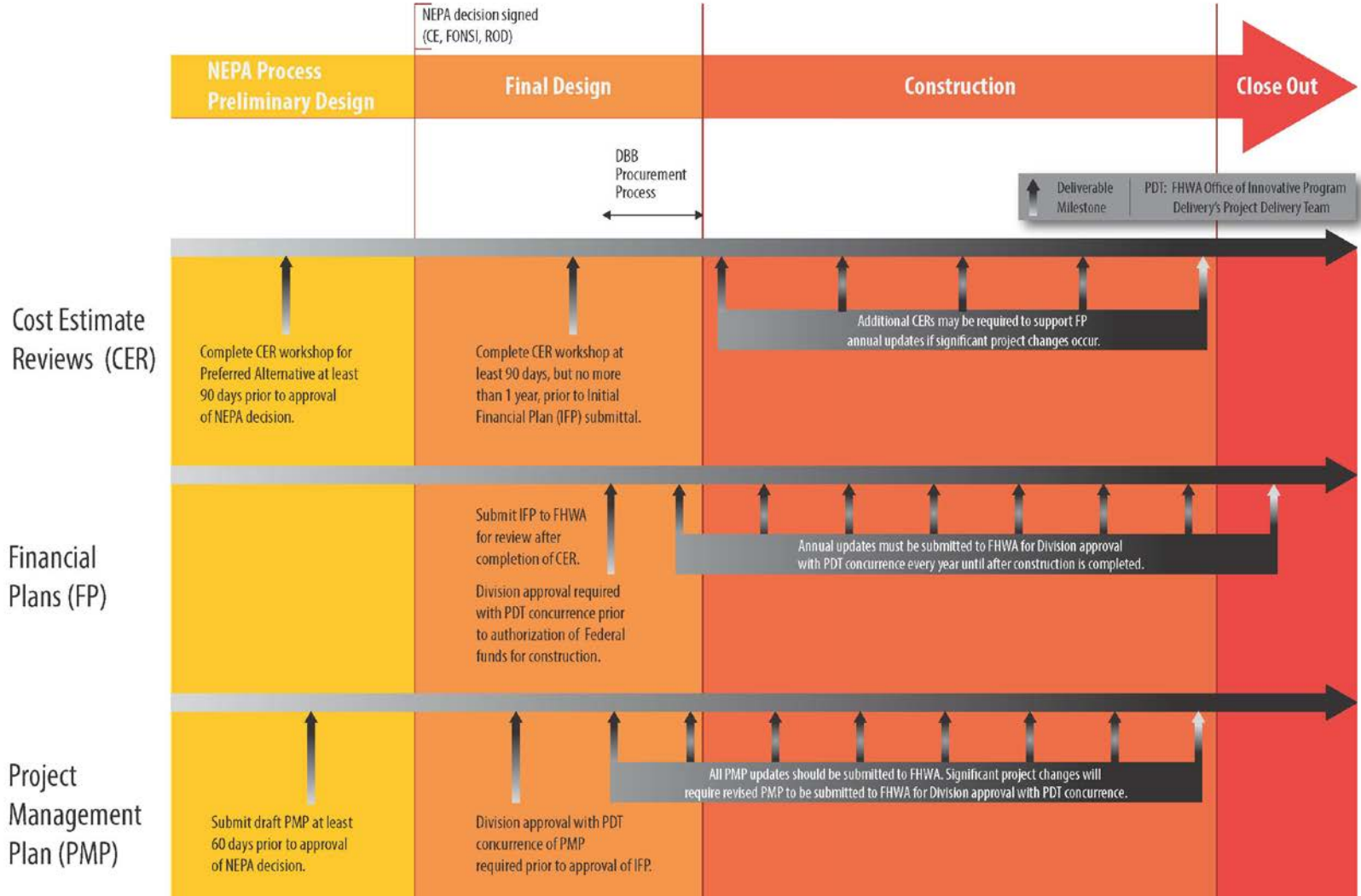
Financial Plan Examples:

http://www.fhwa.dot.gov/ipd/project_delivery/resources/financial_plans/



Major Project Timeline - DBB

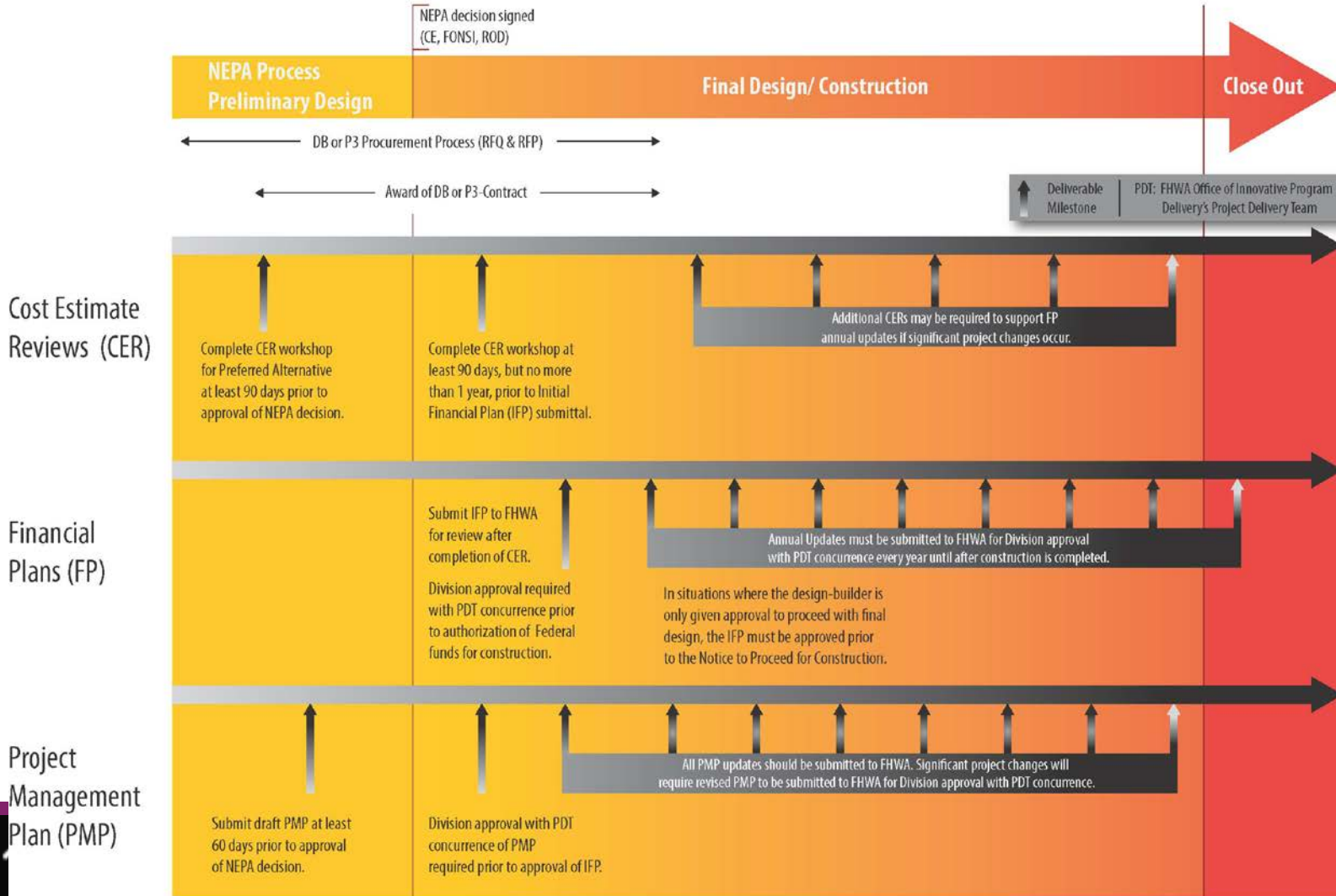
Major Projects Deliverable Timeline for Design-Bid-Build (DBB) Projects





Major Project Timeline – DB/P3

Major Projects Deliverable Timeline for Design-Build (DB) or Public-Private Partnership (P3) Projects





Questions & Input

Submit a question using the chat box



Or



Dial *1 to call in your question by phone



Upcoming Major Project Webinars

Joint DOT/FHWA Major Project Webinar

Tuesday, May 5th

1:30 p.m. to 3:30 p.m. (EDT)

Contact LaToya at latoya.johnson@dot.gov or 202-366-0479
if you have topic ideas for upcoming webinars



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