

Financial Plans

Contact

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Purpose

Projects approaching \$100 Million or Greater

MnDOT has determined any project within close range of \$100 million will complete an Initial Financial Plan, regardless of whether the project incorporates federal funds to accomplish the project. An example of this could be a state funded Corridors of Commerce project.

Guidance for developing Financial Plans can be found at

https://www.fhwa.dot.gov/majorprojects/financial_plans/ . This guidance should be followed when drafting the Initial Financial Plan and any future updates. The Financial Plan Coordinator will verify if FHWA's guidance is current and if any other information will be required.

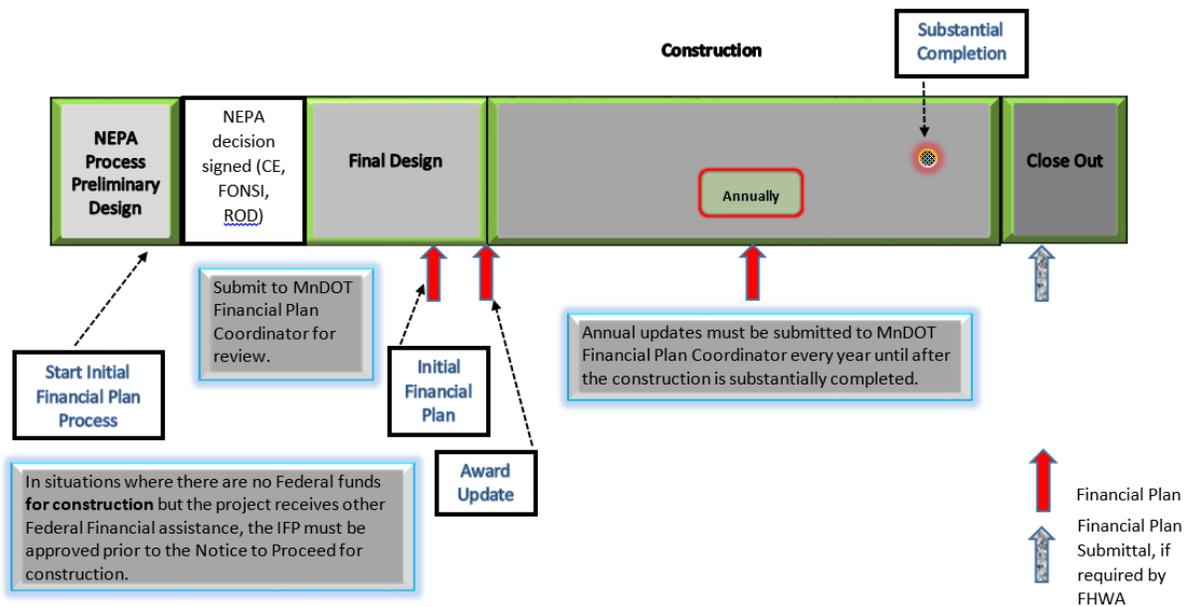
The Financial Plans are to be supported by the Total Project Cost Estimate (TPCE) information. The TPCE development guidance can be found at

<http://www.dot.state.mn.us/pm/processes.html>

<http://ihub/projectmanagement/cost.html>

The MnDOT Milestone Timeline is shown below and details when the Financial Plans fit into the Project Delivery Schedule.

MnDOT Major Projects Milestone Timeline for Financial Plans
(Approximately \$100 Million and greater)



For additional information on Financial Plans, contact the Financial Plan Coordinator, Janelle Collier at janelle.collier@state.mn.us.

Initial Financial Plans:

An Initial Financial Plan should be developed during the Final Design phase and after the NEPA process. The Initial Financial Plan development should follow FHWA guidance at https://www.fhwa.dot.gov/majorprojects/financial_plans/. Cost information should come from the NEPA document and other sources such as any scoping TPCE updates. The Initial Financial Plan provides the project’s baseline information related to the project’s scope, schedule, cost estimate, and funding structure so there is realistic assurance sufficient funding is available to execute and complete the entire project, or a fundable phase of the project. The Initial Financial Plan will document when future financial plans will be annually submitted.

Award Update Financial Plan:

The Initial Financial Plan will need to be revised once the construction project is let and awarded. This is called an Award Update Financial Plan. The Award Update is used to show the difference between the Initial Financial Plan and the award of the project. If the TPCE in the Award Update is below \$100 million, no further action is necessary. However, if at award or prior to substantial completion the TPCE for the project rises over \$100 million, then future updates will be necessary.

Annual Updates to Financial Plans:

Annual Updates provide current project status so a comparison of baseline information is shown and also to furnish updated forecasts of future project activities. Annual Updates show the progress of the project, over time, by emphasizing the major deviation from the Initial Financial Plan and any previous Annual Updates. The Annual Updates describe the mitigating actions or the response plan taken to address the deviations. The Annual Financial Plan narrative and financial information are revised to include any changes in project scope, schedule, milestones, project costs, financial resources, cash flow, risks and mitigation and trends since the previous Financial Plan. Each Annual Update, therefore, provides an all-inclusive outlook of the project's background and the status without requiring the reader to refer to previous plans. Financial Plans will be updated at least through the construction project's substantial completion date or until a FHWA required later date.

Financial Plans are developed by the project manager in coordination with the Financial Plan Coordinator. The project manager should contact the Financial Plan Coordinator, to receive Financial Plan templates, as early as the construction project is being placed in the State Transportation Improvement Program (STIP). This is so the Initial Financial Plan can be coordinated into a time table with other project development activities. The Financial Plan must be completed to permit sufficient time for MnDOT Leadership to review and comment on the Financial Plan and then to schedule a review meeting with FHWA so their comments can be incorporated, prior to the Financial Plan submittal.

The MnDOT Office of Financial Management is responsible for the drafting, obtaining signatures and the submittal of Financial Plans to the FHWA.

The FHWA will consider the TPCE for the project scope set forth in the National Environmental Policy Act (NEPA) decision document when approving the Financial Plan. The TPCE is the value of all resources necessary to perform the planning, design, right of way engineering, construction activities and contingencies regardless of the funding source or administering agency. This will include the construction let amount(s), post letting construction costs, other project costs, preliminary engineering, construction engineering and right of way costs the same as listed in the Capital Highway Information Management Enterprise System (CHIMES). All projects will need to include these six items as cost elements in the Financial Plan as well as a contingency cost estimate.

The FHWA has a Financial Plan Checklist, https://www.fhwa.dot.gov/majorprojects/financial_plans/checklist.pdf , which can be helpful when creating a Financial Plan, whether initial, award update or annual update.

Projects Between \$100 Million and \$500 Million

Any construction project with a TPCE over \$100 million and using federal funds, must have an Initial Financial Plan submitted to the FHWA, at least 30 days prior to federal authorization.

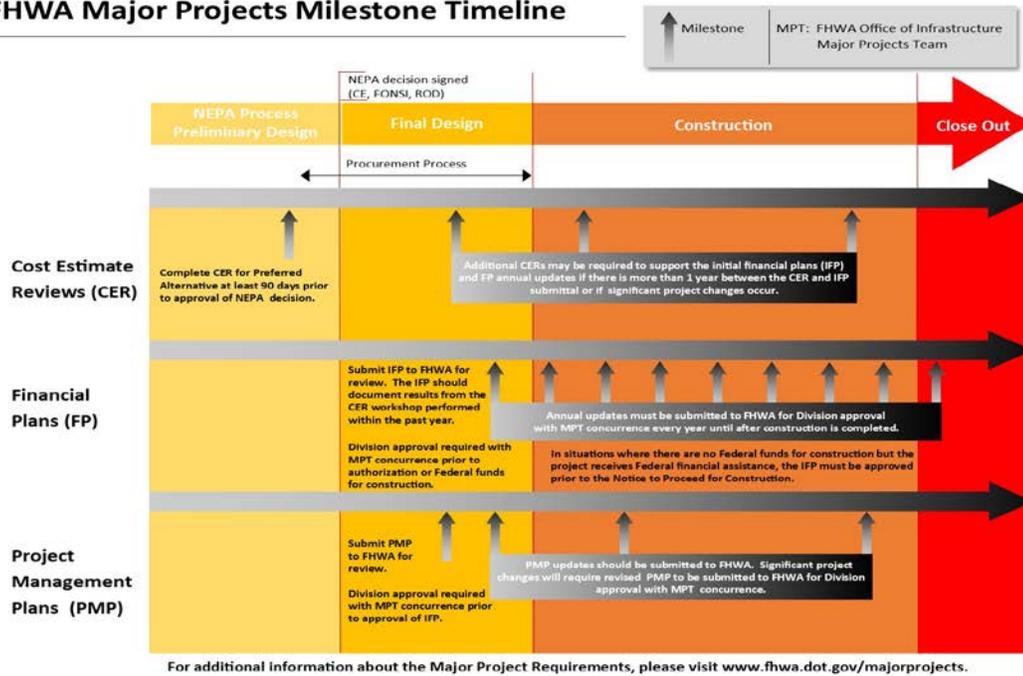
As described in the Title 23 U.S.C.106(i), projects with a TPCE exceeding \$100 million but not designated by FHWA as a major project pursuant to section 106(h)(1) must have an Initial Financial Plan and Annual Updates. Large, multifaceted projects are designed to deliver major highway needs and require the investment of substantial financial resources. The preparation of a financial plan guarantees financial resources (revenues) are identified, available, and managed throughout the life of the project as compared to the “expenditures” of the project. 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 until the project is considered substantially completed.

The Title 23 U.S.C. 106(h), states the recipient of Federal financial assistance under Title 23 with a minimum TPCE of \$500 million or has been identified by the Secretary of the FHWA as a major project and must submit an Initial Financial Plan and Annual Updates to the Secretary.

Additional Requirements for Major Project TPCE's of \$500M or more

There are a few additional requirements which need to be completed on projects over \$500M. In addition to the Initial Financial Plan and the Award Updates, Cost Estimate Reviews (CER) and Project Management Plans (PMP) are required to be performed and documented. The timeline below identifies these milestones for major projects as part of the overall project delivery process as it extends from planning to final design to construction. One of the critical elements of a successful project delivery lies in the CER and PMP. These documents provide critical information for the public, decision-makers in legislative bodies, and transportation officials when determining the transportation projects to support. More information on the CER and PMP is mentioned below.

FHWA Major Projects Milestone Timeline



Cost Estimate Reviews (CER) are required before the Initial Financial Plan and Project Management Plan and are usually conducted at least 90 days prior to the approval of the NEPA document. Cost Estimate Reviews are approximately week long workshop settings, conducted by the FHWA that includes all stakeholders. The purpose of the CER is to gather unbiased input on the TPCE to further refine it, to identify risks to the project and to identify a probability range for the TPCE. Cost Estimate Review guidance can be found at https://www.fhwa.dot.gov/majorprojects/cost_estimating/process.cfm .

In addition to the Financial Plan, a Project Management Plan (PMP) is required on any project with a TPCE of \$500 million or more. Project Management Plan guidance can be found at <https://www.fhwa.dot.gov/majorprojects/pmp/> . The key purpose of the PMP is to define the roles and responsibilities of the relevant parties, procedures and processes that will result in the project's successful completion - on-time, within budget, with a high degree of quality, and in a safe manner and a transparent process

Major project financial plans and updates are to be submitted to the FHWA Division Office for approval consistent with the graphic above. In addition to the FHWA Division Office reviewing the Financial Plans and Updates, the FHWA in Washington will receive a copy of the Financial Plan from the FHWA Division Office, so it can be reviewed and approved by Washington also. If the FHWA in Washington has any comments or suggestions, these will be required to be addressed in the Financial Plan or Update prior to final submittal to FHWA Division Office. These steps will need to be considered and included in the schedule as project authorization cannot be approved until Washington

has reviewed and approved the Financial Plan or Financial Plan Updates.

The FHWA will consider the TPCE for the project scope set forth in the National Environmental Policy Act (NEPA) decision document when approving the Financial Plan. The TPCE is the value of all resources necessary to perform the planning, design, right of way engineering, construction activities and contingencies regardless of the funding source or administering agency. This will include the construction let amount(s), post letting construction costs, other project costs, preliminary engineering, construction engineering and right of way costs the same as listed in the Capital Highway Information Management Enterprise System (CHIMES). All projects will need to include these six items as cost elements in the Financial Plan along with a contingency cost estimate.

Additional Financial Plan Considerations

The MnDOT Office of Financial Management will present requests for operationally independent and non-concurrent construction projects to the FHWA division office. Any changes to the 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 in Washington prior to making any determination.

Phasing

If MnDOT determines 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 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)).

TPCE Refined to Actual Costs

Total project cost estimates (TPCE) reference material can be found at <http://ihub/projectmanagement/cost.html> .

Over time, a project's costs will be refined from a planning level TPCE to a more refined “actual” costs once lettings occur, consultant contracts are executed, right of way is acquired, contracts with closeouts/final audits, etc.

Due to this gradually evolving nature of cost estimates, it is important that a meticulous documentation/tracking system be implemented, where estimates are kept up-to-date, and can be easily checked and verified.

TIFIA Projects

As of September 4, 2018 MnDOT does not use TIFIA funding on projects. However, this could change in the future.)

The TIFIA program provides Federal credit assistance in the form of direct loans, loan guarantees, and lines of credit to support critical improvement to the National 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.

Agencies Involved

AGENCY (S)	HOW THEY ARE INVOLVED
United States Department of Transportation, Federal Highway Administration	Provide guidance on Federal financial plan for recipients of federal assistance
Federal Highway Administration, Division Office	Responsible for reviewing MnDOT construction project financial plans
MnDOT Districts/Other States or Local Partners	Provide detailed construction project information for the initial, award update and annual updates of financial plans
Office of Financial Management	Coordinating the Financial Plans for MnDOT and submit them to MnDOT Leadership and FHWA

The initial, award updates and annual financial plans require coordination with many functional groups and offices within MnDOT. The extent of that coordination can vary depending on the scope of the project and if a consultant is hired by the MnDOT project manager or if the project manager maintains full responsibility for the project management plan, cost estimate reviews, and financial plan. Ultimately, the MnDOT

project manager is responsible for the financial plan, cost estimate reviews, and project management plan either way.

Relationship to the HPDP

The project manager should contact the Financial Plan Coordinator as early as when the project is placed in the STIP. The Initial Financial Plan should not wait until the NEPA has been approved and should be started shortly after the NEPA document has begun development. The Financial Plan Coordinator will provide a FHWA approved template of a financial plan to the Project Manager, for any projects close to or over \$100 million, well in advance of federal authorization. The best time to start with the Initial Financial Plan is when the full project scope is known and a reasonably accurate TPCE is identified.

Contact should be made with the Financial Plan Coordinator to start the Initial Financial Plan process, early enough for completion, prior to requesting federal authorization. For those construction projects with federal funds, Federal Authorization **CANNOT** occur without an Initial Financial Plan on projects over \$100 million.

When federal funds are used, MnDOT Leadership and FHWA will meet to discuss the Financial Plan, whether it is the Initial, Award Update, Annual Update or Final. The MnDOT Leadership involved in the review and approval will include the Project Manager, Capital Highway Program Supervisor, Office of Financial Management Director, and Commissioner. The Commissioner certifies the Financial Plan and the Office of Financial Management Director provides the accompanying cover letter. If the project is only state funds, the MnDOT Leadership responsible for the review and approval will include the Project Manager, District Engineer, Capital Highway Program Supervisor, and Office of Financial Management, prior to advertisement.

FHWA approved Financial Plan templates are available from the Financial Plan Coordinator for the Project Manager to use on Design-Build, Design-Bid-Build, and Construction Manager/General Contractor (CMGC) projects. The project manager and/or consultant will provide the project specific timeline and “planned expenditure” information for the narrative of the financial plan. The Financial Plan Coordinator will, collectively, work with the project manager and/or consultant and MnDOT Finance to insert the “revenue” financial information into the financial plan.

Permits and Approvals

Permit/Approval

Major Project Approval

Agency with Oversight

United States Department of
Transportation, Federal
Highway Administration

Legal Basis

Description	Code
Title 23 Chapter 1-Federal Aid Highways	23 U.S.C. 106(h)
	23 U.S.C. 106(i)

Guidelines/Regulations

Creator	Subject of guideline/regulation
Federal Highway Administration (2014)	Major Project Financial Plan Guidance
Federal Highway Administration (1997)	Frequently Asked Questions
Federal Highway Administration	Financial Plans
Federal Highway Administration	Cost Estimate
Federal Highway Administration	Project Management Plan

Glossary

Annual Updates – the sections in the Initial Financial Plan will need to be annually updated to reflect changes that have occurred since its approval. Annual updates should include the current TPCE compared to the previous TPCE and the differences should be explained in the Section - Summary of Cost Changes Since Last Year's Financial Plan and Section - the Cost and Funding Trends Since Initial Financial Plan. The current project schedule should be compared to the previous project schedule and the differences should be explained. Changes should be clearly presented and reasons should be clearly described. Dates and reporting periods for Annual Updates should be proposed in the Initial Financial Plan.

Contents of Initial Financial Plan – plan must include project description, schedule, project cost, project funds, financing issues, cash flow, P3 assessment, risk and response strategies, and annual update cycle.

Cost Estimate Reviews – workshop setting to review cost estimate/identify risks

FHWA- Federal Highway Administration

Financial Plans Major Project Financial Plan Guidance – guidance for recipients of Federal financial assistance in the preparation of financial plans for projects required by section 106(h) of title 23, United States Code (23 U.S.C. 106(h)). The guidance also applies to 23 U.S.C. 106(i), the guidance applies only to the development and updates of these project financial plans. The guidance was issued on December 18, 2014 and supersedes previously issued Interim Major Project Financial Plan Guidance, dated September 24, 2012, Operations Independence and Non-Concurrent Construction Guidance dated December 30, 2009, and the January 2007 Major Project Financial Plans Guidance.

Initial Financial Plan – submitted and approved prior to the first authorization of Federal funds for construction. The selected alternative for the project must be identified in the NEPA decision document for the project.

Major Projects: a title 23 construction project receiving federal financial assistance with an estimated total cost of \$500,000,000 or more. The U.S. Secretary of Transportation has the discretion to designate a major project.

NEPA – National Environmental Policy Act –Federal law that promotes efforts which will prevent or eliminate damage to the environment and biosphere and stimulate the health

and welfare of man.

Operationally Independent and Non-Concurrent Construction Projects- a construction project spread over such a long period of time that it is reasonable to treat portions of the overall project as separate and independent projects. This may be where future work is not anticipated to start construction for at least 20 years after the initial construction commences.

P3- Public – Private Partnership – a long-term contract between a government entity and a private-sector party for providing a public asset or service, in which the private party bears significant risk and management responsibility, cooperative arrangement between two or more public and private sectors.

Phases – fundable incremental improvements that will address the purpose and need of the overall project, the total cost of the overall project, not the cost of the phases, is used to determine whether the project meets the \$500 million threshold.

Project Management Plan – documents the procedures and processes that are in effect to provide timely information to the project decision makers to effectively manage the scope, costs, schedules, and quality of, and the Federal requirements applicable to the project and includes the roles/responsibilities of the agency leadership and management team in the delivery of the project.

TIFIA – Transportation Infrastructure Finance and Innovation Act-provides federal credit assistance (direct loans, loan guarantees, and lines of credit) to support critical improvement to the Nation’s surface transportation system.

Total Project Cost Estimate (TPCE): All costs associated with the project from the NEPA phase through final construction. The total cost estimate must include adequate contingencies and reserves for all cost elements.