Federal Transit Administration

Guidelines for Transit Financial Plans

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1. INTRODUCTION

Sound financial planning helps to ensure the financial health of transit agencies and the quality of service they can provide. A continually updated financial plan is the centerpiece of sound capital investment planning for any transit agency. Ideally, a financial plan should document the recent financial history of the transit agency, describe its current financial health, document projected costs and revenues, and demonstrate the reasonableness of key assumptions underlying these projections.

Recognizing the importance of sound financial planning to the successful implementation of transit capital investments, under 49 U.S.C. § 5309(c)(1), FTA may make a grant for a Capital Investments Grant (CIG) project only if "the Secretary determines that . . . "the applicant has, or will have, the legal, financial, and technical capacity to carry out the project." Consequently, the Federal Transit Administration (FTA) has specific responsibilities to promote careful financial planning by state and local transportation agencies that receive FTA funds for the CIG program.

This document defines the content and scope of a financial plan that accomplishes the objectives of the legislative mandate placed upon FTA. It provides a model format and detailed examples of the elements of a complete and concise financial plan. The document also describes FTA best practices in financial planning that are applicable to all transit agencies. FTA encourages all transportation agencies receiving FTA CIG funds to employ financial planning practices consistent with these best practices and to prepare financial plans consistent with the content, scope, and format of these guidelines. FTA anticipates that financial plans consistent with these guidelines will support communications with grantees on the use of FTA CIG funds. For the CIG Program, FTA has adopted these practices and documentation as guidelines for receiving FTA capital funds.

The practices described here are intended as integral components of the planning and development of CIG projects. The approach to financial planning recognizes two key principles. First, the general content of the financial plan remains the same throughout planning, project development, and engineering processes. The financial health of an organization and the financial feasibility of specific projects are established by information on costs, revenues, funding sources, and financing mechanisms. Second, the details of the financial information will change as projects advance through the phases of the program . Project cost estimates become more reliable as the project scope is defined in detail and funding strategies become more certain as funds are committed to the proposed project.

The purpose of these guidelines is to establish a framework and minimum content for financial plans. Plans produced within this framework describe the overall financial condition of a transit agency, include realistic financial projections, and incorporate the increasingly detailed financial information available to projects in later stages of development. Transit agencies are encouraged to adapt the elements and practices within this framework to their individual settings and specific regional, state, and local funding requirements.

2. CONTENTS OF THE FINANCIAL PLAN

The financial plan outlines an integrated financial model that comprehensively describes the project sponsor's financial capability. The financial plan generally consists of (1) the capital financial plan and (2) the operating financial plan (also known as operating cash flow). Each of those two parts generally consists of at least two interrelated, constituent elements: (1) a system-wide financial forecast and (2) a financial plan narrative. The two parts, the capital financial plan (consisting of a capital financial forecast and capital financial plan narrative) and the operating financial plan (consisting of an operating financial forecast and operating financial plan narrative) are collectively referred to as the financial plan.

The system-wide financial forecast begins with the adopted budget for the current fiscal year and extends to future years, creating a 10- or 20-year forecast. Historically, 20-year forecasts have been the standard for all projects within the CIG program. These 20-year forecasts include capital and operating plans for the transit system as a whole and for the proposed project. The term "transit system" refers to all the transit services operated directly by or funded by the project sponsor. If the project sponsor is a multi-purpose entity (i.e., is responsible for transit plus other non-transit activities) or is a component of a larger multi-purpose entity (e.g., a city or county government), the project sponsor should ask FTA for advice on how to bound the scope of its financial plan.

Beginning in 2025, as an alternate to a 20-year cash forecasts, project sponsors may submit a 10-year financial plan if project construction plus five years of operations is less than 10 years in length, and the project sponsor is not submitting any other long-term historical information to substantiate some element of the forecast (e.g., a 20-year history of sales tax revenues to provide context for the reasonableness of the forecast).

Both 10- and 20-year financial forecasts must be accompanied by five years of financial history, presented at the same level of detail and encompassing the same scope of activities as included in the forecast. FTA's determination of the reasonableness of the forecast is informed by comparing the historical trends to the forecast assumptions. Thus, it is essential that the five-year history and the financial forecast be consistent.

Generally, the financial forecast is presented as a series of annual cash flows, consisting of the following components: (i) the beginning cash balance; (ii) annual revenues by source; (iii) annual expenditures by type; (iv) net annual cash flow (i.e., revenues minus expenditures); and (v) ending cash balance (i.e., beginning cash balance plus net annual cash flow). The ending cash balance for one year is the beginning cash balance of the immediately following year. Regarding forecast terminology, the term "sources of funds", in these Guidelines, refers to any financial resources the project sponsor applies to capital projects – revenues collected by the sponsor, other income earned by the sponsor, borrowed funds, and grants or contributions from external entities. The term "uses of funds", in these Guidelines, refers to expenditures on capital projects, whether the expenditure involves acquisition of capital assets or any other thing needed to implement a capital project. "Uses of funds" typically excludes debt service, which is instead included in the system-wide operating financial plan. However, if debt service is paid from revenues that are fully restricted to capital projects, debt service should be included in the system-wide capital financial plan rather than the operating financial plan.

The financial plan narrative should describe and substantiate the assumptions and inputs that underpin the financial forecast. This narrative would include summaries of multiple years of project cash flow, and systemwide-specific debt service outlining the principal, interest, and funding sources for the sponsor agency. Also included within the narrative are highlights of the recent history of the transit system to highlight the effect that the project will have on the current financial condition of the transit agency.

FTA suggests that the financial plan narrative be presented in an objective voice, similar to an annual disclosure statement or an official statement accompanying a bond issue. The financial plan narrative is not an advocacy document.

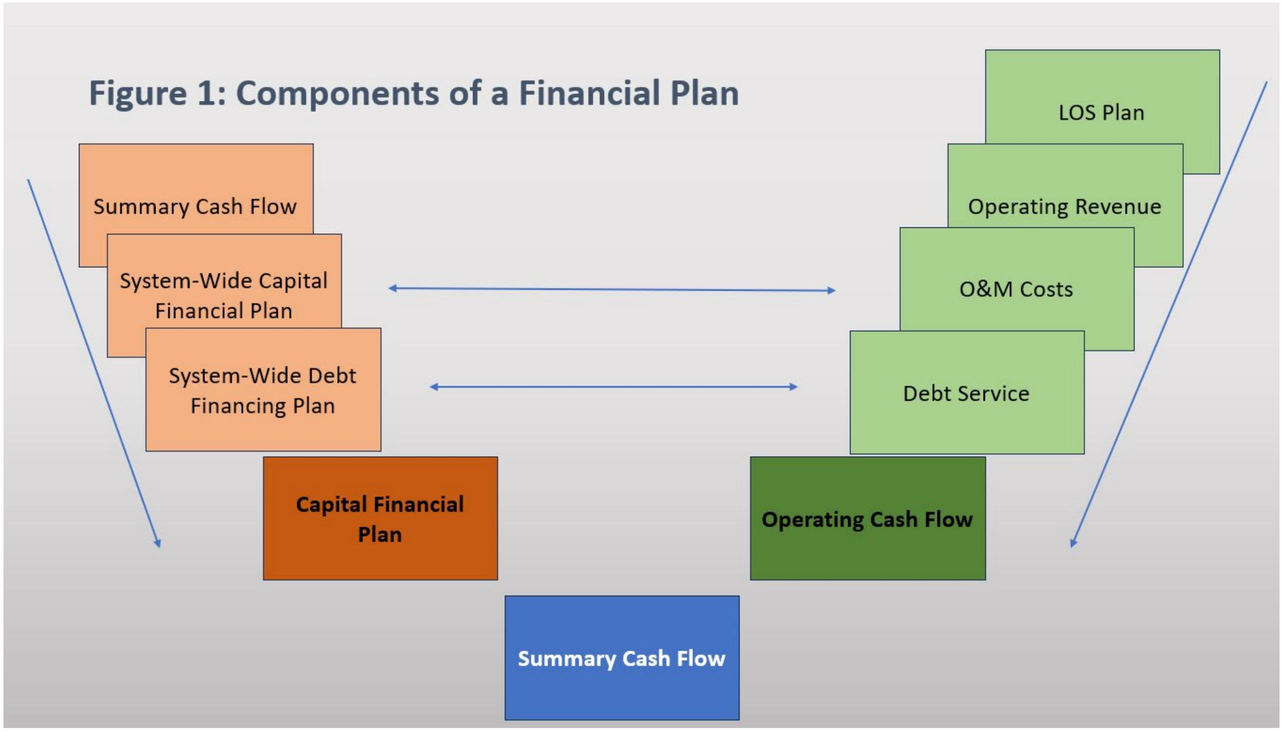

Figure 1: Components of a Financial Plan

2.1 Outline of the Financial Plan

FTA's assessment of financial plans requires consistent and comparable financial plans from project sponsors. To this end, project sponsors are required to provide a financial plan that adheres to the outline in Figure 2. Each element of the financial plan is described in the remaining sections within these guidelines.

Project sponsors should develop a financial model that supports the financial plan and provides transparency regarding the details of the financial forecast calculations. FTA understands that each project sponsor has a unique financial forecasting process that suits their needs. Should a project sponsor's existing model not map directly to the financial plan elements described in these guidelines, FTA suggests the project sponsor's model be amended to include new tables, which may be substantially in the form of examples provided in these guidelines, that link to the appropriate elements of the sponsor's existing model. In this manner, the financial plan submitted to FTA will be aligned with the project sponsor's standard financial planning practice.

Figure 2: Financial Plan Outline

FINANCIAL PLAN OUTLINE

1) **Introduction**
   a) Project Sponsor's Institutional Setting
   b) Project Description and Funding Plan
   c) Capability to Sustain the Existing Transit System
2) **Capital Financial Plan**
   a) Proposed Project Capital Plan
      i) Project Capital Costs, Schedule, and Financing Costs
      ii) Project Capital Funding Sources
      iii) Capacity to Fund Project Cost Increases or Funding Shortfalls
      iv) Strategies to Address Delays in CIG Funds
   b) System-Wide Capital Financial Plan
      i) Sources of Capital Funds
      ii) Uses of Capital Funds
   c) Debt Financing Plan
3) **Operating Financial Plan**
   a) Proposed Project Operating Plan
   b) System-Wide Operating Financial Plan
      i) Service Plan
      ii) Operating Revenues
      iii) Operating Costs
      iv) Debt Service
4) **Financial Evaluation**

Appendices (Reference Supporting Documentation)

A. Summary of Regional Economic Forecasts

B. Summary of Financial Condition of Project Sponsor

C. Summary of Transit Asset Management Plan

2.2 Introduction to the Financial Plan

The introduction to the financial plan should describe the authority and capability of the project sponsor to undertake the project and to sustain existing transit services, which are required considerations under 49 U.S.C. § 5309 . The introduction also discloses external relationships that bear on project funding and implementation. All information presented in this section should be consistent with supplemental project documents submitted to FTA for the project sponsors' CIG rating, specifically regarding project scope, cost, schedule, and ridership.

FTA suggests using the introduction to:

- describe the project sponsor's legal authority and general powers, governance structure, funding sources wholly controlled by the sponsor, existing operations, and existing transit asset condition (e.g., percent of capital assets in a state of good repair), identify other major capital projects planned or in progress during the construction timeframe of the proposed project, and describe external entities (e.g., metropolitan planning organization or MPO) with which the project sponsor has an on-going financial relationship;
- describe the project in summary form (e.g., alignment, technology, cost, schedule, and integration with existing services), confirm the project is included in the Federal transportation improvement program (FTIP) adopted by the MPO, and identify any supporting or linked projects that are separately budgeted in the capital improvement program (CIP), transportation improvement program (TIP) or state transportation improvement program (STIP);
- summarize the funding plan for the project; define future actions needed to commit funds to the project; and identify any funding partners, including the nature of the relationship (e.g., intergovernmental, contractual) between the funding partners and the project sponsor;
- summarize the resources available to the project sponsor to address project funding shortfalls and cost increases; and
- summarize the project sponsor's capability to fund other planned capital improvements and continue to operate and maintain the existing transit system.

The above information should be presented in summary form, with references as needed to subsequent sections of the financial plan and appendices that provide supporting details.

2.3 The Capital Financial Plan

The capital financial plan documents the project sponsor's transit capital spending plans and funding sources. It consists of multiple sub-elements: the capital plan for the proposed project, including a thorough description of all sources of funds; the system-wide 20-year (or 10-year, if qualified) capital plan; and the system-wide debt financing plan. The capital plan for the project is also included in (i.e., rolled into) the system-wide capital plan, and any borrowing required for the project is included in the system-wide debt financing plan. The capital plan must provide sufficient information for FTA to determine the stability, reliability, and availability of all capital funding sources, and to determine the project sponsor's capability to maintain a SGR, pursuant to 49 U.S.C. 5309.

2.3.1 Proposed Project Capital Plan

The project capital plan focuses on the project sponsor's plan to fund the construction of the proposed project. The project plan references the cost estimate and schedule for the proposed project which have been reviewed by FTA's Project Management Oversight Contractor (PMOC). The project capital plan describes in detail the amount and commitment of non-CIG funding sources, including any short-term or long-term debt, and describes the capacity to address cost increases and funding shortfalls.

FTA recognizes the components of the project capital plan may change considerably as the project moves from project development to engineering to signing a Full Funding Grant Agreement (FFGA). During this process, the construction cost estimate and schedule will be refined, project financing will become more specific, and, ultimately, all funds necessary to construct the project will be committed. FTA will review the financial plan in progressively greater detail as the project progresses through this timeline.

The project sponsor should include a table in the financial plan presenting the project cash flow, which may be substantially in the format of Table 1. The cash flow presents the annual sources and uses of funds for the proposed project. Additional details regarding Table 1 and the content of the Project Capital Finance Plan are presented below.

Project Capital Costs, Schedule, and Financing

As noted above when referring to the project narrative, the project capital cost and schedule should be presented in summary form, given that FTA reviews both the capital cost and schedule in considerable detail as part of a parallel effort managed by FTA's Office of Program Management (TPM), which directs the PMOC's efforts. The project sponsor should describe financing costs in the financial plan.

Capital costs should be broken down into: (1) construction costs (all-in, including contingencies); and (2) financing costs only. These costs should be consistent with the Standard Cost Category (SCC) Workbook the project sponsor is developing in concert with the PMOC's review. A sample cost estimate from an SCC Workbook is shown in Figure 3.[1] The data should also be consistent with cost information presented in the CIG Finance template. A portion of a sample CIG Finance Template is shown in Figure 4.[2]

[1] See https://www.transit.dot.gov/funding/grant-programs/capital-investments/new-starts-scc-workbook. A similar workbook is available for Small Starts and Core Capacity projects.
[2] See https://www.transit.dot.gov/funding/grant-programs/capital-investments/new-starts-templates-part-1. A similar template is available for Small Starts and Core Capacity projects.

Table 1: Sample Project Cash Flow

TABLE 1

Project Capital Cash Flow

YOE dollars, millions	Prior Years	Current Year (N)	N+1	N+2	N+3	N+4	•••>	add years as necessary	Total [2]
SOURCES OF FUNDS									
Federal									
Section 5309 CIG	-	-	100.0	100.0	100.0	100.0			1,300.0
STBGP	-	-	-	-	-	-			93.0
CMAQ	-	-	-	-	-	-			45.0
subtotal Federal	-	-	100.0	100.0	100.0	100.0			1,438.0
State									
Direct Appropriation	-	-	-	-	-	-			31.8
(add others as needed)	-	-	-	-	-	-			-
subtotal State	-	-	-	-	-	-			31.8
Local									
Sales Tax A	31.4	23.6	16.9	103.3	81.6	-			893.5
Sales Tax B	-	15.7	349.4	270.6	298.5	391.2			1,129.4
Fund Transfer	10.0	-	-	-	-	-			10.0
Local Contributions	-	-	-	-	-	-			96.4
subtotal local	41.4	39.2	366.3	373.9	380.1	391.2			2,129.4
Short-Term Debt Proceeds									
GAN	-	-	-	-	144.5	224.4			535.4
(add others as needed)	-	-	-	-	-	-			-
subtotal short-term debt	-	-	-	-	144.5	224.4			535.4
TOTAL SOURCES	41.4	39.2	466.3	473.9	624.6	715.6			4,134.6
USES OF FUNDS									
CIG Project Cost									
Construction	41.4	39.2	466.3	472.1	466.3	451.4			3,211.9
Financing Cost									
Short-Term Debt	-	-	-	-	-	18.0			133.8
Long-Term Debt [1]	-	-	-	1.8	13.8	21.8			253.6
subtotal financing cost	-	-	-	1.8	13.8	39.9			387.4
subtotal CIG Project	41.4	39.2	466.3	473.9	480.1	491.2			3,599.3
Short-Term Debt Principal	-	-	-	-	-	-			535.4
TOTAL USES	41.4	39.2	466.3	473.9	480.1	491.2			4,134.6
Net annual cash flow	-	-	-	-	144.5	224.4			-
Beginning balance	-	-	-	-	-	-			-
Ending balance	-	-	-	-	144.5	224.4			-

"•••>" denotes intervening years to be inserted

1. Include only long-term debt interest (not principal) payments in Uses.
2. "Total" in this example, includes intervening years not shown in the table (e.g., years N+5 to N+13).

Figure 3: Sample Project Cost Estimate in SCC Workbook

Figure 4: Sample CIG Finance Template (portion)

The project sponsor should state the construction duration (i.e., construction start and end dates) and the date for the initiation of revenue service. These dates should be consistent with similar information in the SCC Workbook and the Project Description table in the CIG Template.

The project sponsor should state whether the project is using any type of debt financing (e.g., bonds, notes, or any form of short-term credit). If debt financing is used, the financing costs (i.e., interest cost and financing fees) associated with that debt should be included in the project cost estimate. All financing costs incurred prior to the project's opening or the date of the last CIG apportionment (whichever is later) should be included in the project capital cost estimate.

The following information should be provided for each source of debt:

- The name of the debt and how it is labeled in the financial model (e.g., sales tax revenue bond, grant anticipation note, bank line of credit).
- The authority by which the project sponsor can access debt (e.g., empowered in enabling legislation).
- Whether the source of debt is active (e.g., as demonstrated by recent bond issues) or is a new source and, if existing, the termination date if appliable (e.g., a line of credit that will terminate at a certain date).
- The amount borrowed (i.e., principal).
- The source of funds for paying debt service (e.g., sales tax revenues that will be used to pay principal and interest).
- The maturity of the loan (i.e., the year by which all principal is paid).
- Total financing cost, broken down into interest cost and financing fees.
- The annual interest rate and the method for calculating financing fees (e.g., as a percentage of principal).

The principal, interest cost, and financing fees all should be included in the project capital plan annual cash flow (see Table 1). In addition, principal payments should be included in the cash flow if the principal is to be repaid from sources of funds that are specific to the project (e.g., CIG apportionments). Principal payments on long-term debt should not be included in Table 1.

Project Capital Funding Sources

The project sponsor should describe the proposed funding sources for the project in sufficient detail to allow FTA to determine, pursuant to 49 U.S.C. 5309, the degree of commitment of each funding source and confirm that local match requirements are met.

As the project advances in the development and implementation process, the expected level of commitment of non-CIG funds increases. To enter project development, a financial plan must identify a designated funding strategy for the non-CIG funds. During project development, the New Starts and Core Capacity project sponsor is expected to secure committed funds so that at a minimum 30% of non-CIG funds are committed or budgeted before the project may advance to engineering. All non-CIG funds must be formally approved and committed to the proposed project before FTA will recommend or approve a project for the FFGA.

The project sponsor should describe each individual source of capital funds to be applied to the project. For FTA to be able to determine each individual source of capital funds, the project sponsor should not group sources together or refer to them ambiguously (e.g., “state” funds, “other Federal” funds). Collectively, the sources of funds must equal the project cost estimate. This information should be consistent with the CIG Finance template submitted by the project sponsor as part of the financial plan submittal. The proposed funding for the project should also be consistent with the system-wide capital plan (section 2.3.2) and the system-wide Debt Financing Plan (section 2.3.3).

FTA relies on this information to determine the percentage of funds committed to the project, which is an important element of the local financial commitment rating. The criteria used by FTA to determine the degree of funding commitment are explained in detail in the current version of FTA Financial Contractor Guidelines and Standards for Assessing Local Financial Commitment of Proposed Capital Investment Grants Projects.[3] These criteria are paraphrased as follows:

- **Committed** funds are those that have all the necessary approvals (legislative or referendum) to be used to fund and finance the proposed project without any additional action. These capital funds have been formally programmed in the MPO’s FTIP and/or any related local, regional, or state CIP or appropriation.
- **Budgeted** funds are those that that have been budgeted and/or programmed for use on the proposed project, but remain uncommitted, i.e., the funds have not yet received statutory or municipal approval. These funds should have a high degree of certainty of being committed to the project.
- **Planned** funds are those that have been identified and have a reasonable chance of being committed but are neither committed nor budgeted.
- Funds are classified as **Uncertain** when the financial plan is unclear about whether a funding source is committed, budgeted, or unavailable. Instances where the plan to secure committed funds is deemed to be unreasonable may be classified as uncertain. This category also applies to funding sources that the sponsor describes as committed or budgeted but for which no supporting documentation is provided.
- Funds are classified as **unspecified** when the proposed non-CIG funding sources are not sufficient to cover the proposed local share or have not been clearly identified.

The project sponsor should provide the following information for each individual source of non-CIG funds:

- The official title of the source, the authority by which the funds will be or have been applied to the project (e.g., tax referendum), and whether any of the funds have already been obligated in an existing grant.
- The amount of funds, in total and the amount already expended on the project.
- The amount of funds committed to the project, the type of action taken to commit the funds, and a summary of the documentation provided by the project sponsor to demonstrate that the funds are committed. Evidence of commitment may include legislative documentation, resolutions approving funding, account balances, a bonding prospectus and agency debt covenants, signed joint development agreements or legally

[3] https://www.transit.dot.gov/sites/fta.dot.gov/files/2025-01/Guidelines-and-Standards-for-Assessing-Local-Financial-Commitment-January-2025.pdf

binding agreements with state/local agencies committing funds.

- A description of all additional action(s) needed to commit the funds to the project, including an estimate of the timeline, or a statement that no further actions are required.
- The project sponsor's assessment of whether the funding source should be considered committed, budgeted, or planned.

All the above should be organized by funding entities in the following order: Federal, State, local, and private sector. Any bond or loan sources should describe the source(s) of repayment.

The project sponsor should include a table in the financial plan that summarizes the project capital funding sources, which should be substantially in the form of the sample shown in Table 2. Funds should be denominated in year-of-expenditure (YOE) dollars.

Table 2: Sources of Project Capital Funds (sample), YOE Dollars (Millions)

Capacity to Address Cost Increases or Funding Shortfalls

In order to receive a positive rating in the heaviest weighted subfactor of CIG's local financial commitment rating, the project sponsor needs to demonstrate the financial capacity to address a project cost increase or funding shortfall, calculated as a percentage of total project cost (i.e., construction plus financing cost). This amount of capacity is one of the factors considered within the project's local financial commitment rating.

The project sponsor should have a minimum of additional financial capacity (whether it is through reserve funds, debt capacity, lines of credit or access to capital markets) equal to at least 10 percent of the total project cost, per the CIG Policy Guidance. This capacity should not require reducing service or deferring SGR needs and should allow for maintenance of adequate cash balances and debt service coverage ratios. Deferred capital expansion projects may be appropriate for offsetting funding shortfalls. The demonstration of capital funding capacity should be restricted to the construction period.

The project sponsor should note that the capacity to address cost increases or funding shortfalls is in addition to cost contingencies that are included in the project cost estimate. The project sponsor should also note that after a FFGA is signed, the project sponsor is responsible for any cost increases and for fulfilling the terms of the FFGA.

The financial plan should briefly describe the analysis performed by the project sponsor to demonstrate its financial capacity. This scenario, similar to stress tests noted within the Financial Contractor Guidelines and Standards for Assessing Local Financial Commitment of Proposed Capital Investment Grants Projects, should assume no further CIG funding. The project sponsor should identify what sources of funds are anticipated to be tapped to provide additional capacity for the project, and what expenditures will be reduced or deferred. This comparison should be presented in a table as well as being explained in the narrative. The project sponsor must demonstrate the capability to sustain existing services (i.e., operating costs for existing services plus the project, SGR expenditures) and to satisfy existing financial policies (e.g., minimum fund balances), including applicable provisions of bond covenants (e.g., additional bonds tests). The project sponsor may alter other elements of its capital program that are not SGR-related and will not affect the functioning of the project. The project sponsor should summarize what these changes would be. This analysis should be supported by the financial model so that FTA can confirm the supporting details as needed.

Strategies to Address Delays in CIG Funding

After FTA has established the CIG share for the project (typically during the engineering phase), it is possible that CIG appropriations could be delayed. The project sponsor should summarize its ability to use cash, additional debt capacity, or other programmatic measures (e.g., changes in implementation schedules of non-SGR capital projects) to allow the Project to move forward if the receipt of CIG funds is delayed.

The plan should focus on the decision-making process and in particular the degree of autonomy the sponsor can exercise to execute such a plan, and the rapidity with which it could be implemented. This is different in concept from addressing a CIG funding shortfall, which in effect would have been addressed in the prior subsection (i.e., the capacity to cover a cost increase with CIG funding held constant is essentially the same result as a CIG funding shortfall with no Project cost increase).

Service reductions on the existing system, construction delays or reducing the scope or features of the project are not acceptable methods of responding to a delay in CIG funds.

2.3.2 System-Wide Capital Financial Plan

The purpose of the system-wide capital financial plan is to demonstrate the project sponsor's financial capability to undertake the proposed CIG project while also maintaining a state of good repair for the project sponsor's other capital assets and implementing other capital projects to which the sponsor is committed or tasked. The system-wide capital financial plan presents a 20-year forecast (or 10-year forecast, if qualified) of all sources and uses of capital funds, as well as a 5-year history (discussed in the front matter of section 2).

FTA recognizes that not all project sponsors adopt or prepare a long-range system-wide capital plan forecast. Thus, FTA is flexible regarding the presentation of the system-wide capital financial plan. However, the system-wide capital financial plan may include at least the following scope of capital projects: (i) the proposed CIG project; (ii) all other capital projects included in the FTIP; (iii) any other projects included in the sponsor's adopted capital improvement program or budget; (iv) any future projects to which the sponsor is committed as a result of local referenda or ordinance; and (v) SGR projects that occur beyond the horizon date of any currently-adopted plan. This scope of projects will allow FTA to ascertain the sponsor's capability to implement the proposed CIG project and maintain its existing system in a SGR, in the context of the sponsor's other capital project commitments.

The system-wide capital financial plan must include an annual cash flow forecast, as required by the CIG Policy Guidance, which may be substantially in the form of Table 3. The cash flow has three components: (i) annual sources of capital funds; (ii) annual uses of capital funds; and (iii) annual cash balances. The first year of the forecast should match the adopted budget. Subsequent years may be consistent with an adopted capital improvement program, for as many years as remain in the adopted capital program. The narrative accompanying this forecast should describe the assumptions on which the forecast is based and substantiate the reasonableness of the forecast assumptions within historical norms or current economic conditions. The three components of the forecast are further described below.

Sources of Capital Funds

Each source of capital funds should be described as follows:

- legal authority for collecting or acquiring the funds (e.g., sales tax referendum);
- the entity having the authority to program or commit the funds;
- the process by which the funds are made available to the sponsor (e.g., direct, statutory allocation, competitive grant, annual appropriation);
- any restrictions on the use of funds;
- explanation of the historical funding trend;
- the funds forecast; and
- forecast assumptions, including, for all external sources, distinguishing between already-

approved funds and planned funds.

Any debt proceeds used as a source of funds in the system-wide capital financial plan should be consistent with information presented in the system-wide debt financing plan (section 2.3.3).

The project sponsor should substantiate any forecast exceeding historical experience for that source. For new sources, the plan should indicate how the source would be effectuated (e.g., legislation, referendum, Board action) and the implementation date. If an existing source is term-limited (e.g., a local sales tax that has a sunset date), and the project sponsor is assuming some type of continuance, the project sponsor should explain the rationale for that assumption.

Table 3: System-Wide Capital Financial Plan (sample)

Uses of Capital Funds

The uses of capital funds should be delineated in a way that supports FTA's statutory requirements to determine the project sponsor's capability to implement the proposed CIG project while maintaining a SGR for the current system, as well as undertaking other projects to which the project sponsor is committed or tasked. FTA recognizes that project sponsors may have, at any one time, many capital projects of various types that are underway or planned. Working from the project sponsor's inventory of capital projects, the forecasted capital expenditures should be summarized into the following categories:

- fleet replacement projects, stratified by mode (e.g., rail, bus);
- non-fleet SGR projects, broken down by type (e.g., facility, equipment, non-revenue vehicles);
- the proposed CIG project;
- other expansion projects; and
- other capital projects.

The forecast narrative should indicate if the forecast is consistent with a Board-approved capital program, as well as the transit asset management (TAM) plan , and fleet management plans. The project sponsor should explain any significant changes (e.g., plus-or-minus 20 percent) between the historical average annual expenditure trend and the forecast for specific use (e.g., fleet replacement).

Cash Balances

The capital financial plan forecast is an annual cash flow, consisting of capital sources, capital uses, net annual cash flow (i.e., sources minus uses), and ending cash balance (i.e., beginning cash balance plus net annual cash flow).

FTA has observed that many project sponsors prepare capital budgets wherein annual capital sources equal annual capital uses, which produces a neutral cash flow. In that event, the annual cash balances in the forecast may be equal to zero.

If, however, the project sponsor has funding sources that are restricted to capital, and funds exist at the beginning of the forecast that are to be applied to later capital expenditures, then the project sponsor should define a beginning cash balance and calculate a net annual cash flow for each year of the forecast. The beginning cash balance should be reconciled to the audited financial statements for the most recent fiscal year, or to other information sources that can substantiate the beginning balance (e.g., unobligated balances on existing grants not included in the sources of funds forecast). The beginning cash balance should include only those funds that are reserved for the capital program. Unrestricted cash balances should be included in the system-wide operating financial plan (section 2.4.2). Any use of operating financial plan revenues or cash balances for capital projects should be shown as a transfer from the operating financial plan to the capital financial plan.

2.3.3 System-Wide Debt Financing Plan

If the capital financial plan includes debt, the project sponsor should include a system-wide debt financing plan in the financial plan documentation. As with the other components of the financial plan, the system-wide debt financing plan includes a 20-year forecast (or 10-year forecast, if qualified) and a 5-year history.

The system-wide debt financing plan should provide a forecast and history for each credit used by the project sponsor. A "credit" is shorthand for the collateral (e.g., source or sources of funds that are pledged to pay debt service) used to secure the debt. Common examples of credit include a general obligation bond (if all revenues received by the project sponsor are pledged as collateral), sales tax revenue bonds, and grant anticipation notes. Typically, each credit has its own set of conditions, set forth in a bond indenture. The conditions affect the amount of money that can be borrowed, how it is to be used, and how it will be paid back. The project sponsor's enabling legislation and financial policies may contain other conditions that affect the amount and use of debt. All these features of debt financing should be disclosed in the system-wide debt financing plan.

The project sponsor should include in the financial plan a debt financing forecast, like that shown in Table 4. The bond proceeds must be consistent with similar information presented in the system-wide capital financial plan. The debt service should be consistent with similar information shown in the operating financial plan. The pledged revenues should be consistent with similar information shown in the operating financial plan.

Table 4: System-Wide Debt Financing Plan (sample)

The narrative accompanying the debt financing forecast should provide the following information for each credit:

- The legal name of the credit.
- The source of authority establishing the credit (e.g., enabling legislation, sales tax ordinance).
- The revenues pledged as collateral for the debt.
- The procedure required to approve a new debt issue.
- Any statutory limits or Board-adopted financial policies affecting the total amount of debt (i.e., debt ceiling).
- The current debt outstanding, and the forecast of existing annual debt service associated with that debt.
- The current rating for the credit from all relevant credit rating agencies.
- Additional bonds tests or Board-approved financial policies defining the minimum debt service coverage ratios (DSCRs).
- The amount of new debt included in the forecast, and the forecasted trend in debt service.
- The assumptions used to forecast debt service (i.e., interest rate, maturity, debt structure).
- A statement substantiating the reasonableness of the debt service forecast assumptions.
- A summary of how the forecast compares to the debt ceiling and DSCR requirements.

However, if the project sponsor is a component of a larger governmental entity that manages debt centrally, and the credit is not based on a revenue source restricted to transit purposes, the project sponsor may submit an abbreviated form of the system-wide debt financing plan. The narrative should address the process for approving debt proceeds to be used by the project sponsor, the debt ceiling and current indebtedness, and the current credit rating.

2.4 The Operating Financial Plan

The operating financial plan includes five years of historical data and a 20-year financial forecast (or 10-year forecast, if qualified) that demonstrates the capability of the project sponsor to operate and maintain the proposed project while sustaining existing levels of transit service. The narrative accompanying the financial forecast should provide all the information needed by FTA to ascertain the reasonableness of the assumptions on which the forecast is based.

The operating financial plan consists of two parts – the operating impact of the proposed project, and the system-wide operating financial plan. The proposed project is separately identified but otherwise included within the system-wide operating financial plan. Both these parts of the operating financial plan are described below.

2.4.1 Impact of the Project

The project sponsor should provide a description of the operating features of the proposed project:

- Operating plan, including revenue service date, service frequency (i.e., headways), peak vehicles, and annual vehicle revenue miles (VRM). If existing services are to be altered as a result of or to support the proposed project, the project sponsor should describe the services to be realigned, eliminated, or added, and the net change in VRM for the affected mode(s).
- Ridership (daily, annual), including references to other documents submitted to FTA as part of the environmental review.
- Passenger fare revenues, including any special fare considerations unique to the project.
- Annual operating and maintenance (O&M cost), in constant and year-of-expenditure (YOE) dollars in its first full year of operation, including a summary of the methodology and links or reference to related documents submitted to FTA. This summary also should state the cost escalation rate used to convert the O&M cost estimate from constant to YOE dollars and substantiate the reasonableness of that rate. If the proposed project uses technology that is new to the project sponsor (e.g., an all-bus operator implementing a light rail line), the methodology summary and the backup documentation should describe peer systems that the project sponsor analyzed to derive the O&M cost estimate.

The above information should be consistent with similar information provided by the project sponsor in the CIG Finance Template (Figure 4).

2.4.2 System-Wide Operating Financial Plan

The purpose of the system-wide operating financial plan is to demonstrate the project sponsor's financial capability to undertake the proposed CIG project while maintaining existing services and implementing other expansion projects to which the sponsor is committed or tasked.

The operating financial plan includes forecasts of levels of service (LOS), sources of operating funds, O&M costs, debt service, cash balances, and operating metrics.

The system-wide operating financial plan presents a 20-year forecast (or 10-year forecast, if qualified) of all sources and uses of operating funds, as well as a 5-year history. The term "uses" is narrow, referring to expenditures on operating and maintenance costs (O&M costs), including the proposed CIG project, and debt service if applicable.

The system-wide operating financial plan should include an annual cash flow forecast, substantially in the form of Table 5 The cash flow has three components: (i) annual sources of operating funds; (ii) annual uses of operating funds; and (iii) annual cash balances. The forecast is driven in large part by the forecasted LOS. The first year of the forecast should match the adopted budget. Subsequent years should be consistent with forecasted LOS. The narrative accompanying this forecast should describe the assumptions on which the forecast is based and substantiate the reasonableness of the forecast assumptions within historical norms or current economic conditions. The compound annual growth rate (CAGR)[4] is the primary metric for comparing historical and forecast growth. The subcomponents of the forecast include:

Service Plan

The service plan is a forecast of the annual LOS and ridership for the transit services provided by the project sponsor. FTA prefers that the LOS be measured in terms of VRM. The financial plan should include a forecast of LOS and ridership substantially in the form of Table 6. The narrative describing the service plan should identify, in addition to the proposed CIG project, any other expansion projects and when they will enter revenue service.

[4] The CAGR should be calculated as follows: ((ending value ÷ beginning value)^(1/N))-1. It can be expressed as a percentage. It represents the average annual percentage change over a period of time. N represents the number of compounding periods. For a five-year history, N equals 4; for a 20-year period, N equals 19.

Table 5: System-Wide Operating Financial Plan (sample)

Table 6: Service Plan (sample)

Sources of Operating Revenues

The term "operating revenues" or "operating funds" used in the Guidelines refers to any financial resource the project sponsor applies to operations – revenues collected by the sponsor, other income earned by the sponsor, grants or contributions from external entities, and transfers of internal funds (e.g., capital funds transferred to preventive maintenance), if applicable. Operating revenues should be listed in the following order: funds generated from operations; Federal financial assistance; state financial assistance; and local financial assistance, including locally approved taxes.

Each source of operating revenue should be described as follows:

- legal authority for collecting or acquiring the funds (e.g., sales tax referendum);
- the entity having the authority to program or commit the funds;
- the process by which the funds are made available to the sponsor (e.g., direct, statutory allocation, competitive grant, annual appropriation);
- any restrictions on the use of funds;
- explanation of the historical funding trend;
- the funds forecast; and
- forecast assumptions, including, for all external sources, distinguishing between already-approved funds and planned funds.

The narrative describing the forecast of passenger fare revenue should relate the underlying ridership forecast to the ridership forecast used in the project's environmental impact analysis. The project sponsor should also describe the fare assumptions and their consistency with Board policy and historical fares, as well as the fare elasticity used to adjust the ridership market for changes to fares.

It may be useful to include a separate forecast table for operating revenues having a complex distribution to various uses. Local sales tax revenues, for example, may be required to be distributed in fixed percentages to operations, capital programs, or external entities (e.g., other local jurisdictions) via an ordinance. FTA is open to how a project sponsor may best describe their own particular circumstances. The objective is to ascertain the reasonableness of the overall revenue forecast (e.g., total sales tax revenue) and clearly document its forecasted distribution.

The project sponsor should substantiate any forecast that exceeds historical experience for a particular source, based on a comparison of the historical CAGR and the forecast CAGR. For new sources, the plan should indicate when legislative approval or public referendum is expected and the date the source would become effective. If an existing source is term-limited (e.g., a local sales tax that has a sunset date), and the project sponsor is assuming some type of continuance, the project sponsor should explain the rationale for that assumption.

Operations & Maintenance (O&M) Costs

Annual O&M costs should be presented for the entire system, including the proposed CIG project. The first year of the forecast should be consistent with the adopted budget for O&M cost. The project sponsor should describe the methodology used to forecast O&M cost for future years, including cost escalation rates and any assumed changes in productivity or efficiency. FTA prefers that the O&M cost forecast be developed using a cost build-up methodology that recognizes the unique cost characteristics of each mode (e.g., bus, rail, demand-response) operated by the project sponsor. The O&M cost forecast should be tied directly to the LOS forecast. The project sponsor should comment on and explain differences between the historical and forecasted CAGR for O&M costs.

Debt Service

FTA suggests debt service be included in the system-wide operating financial plan since most transit systems use locally derived revenues (e.g., sales taxes) to pay debt service. Often, a significant percentage of these revenues are also applied to operations.

The annual debt service forecast should carry forward from the debt financing plan (see Table 4). It is the sum of existing debt service and new debt service related to new bonds or debt instruments. It excludes any debt service paid from sources that are restricted to capital purposes (e.g., debt service paid from CIG funds used to secure a grant anticipation note).

FTA recognizes that debt financing and debt service may be presented in a variety of ways in a project sponsor's on-going financial planning process. FTA prefers that debt financing and debt service be presented in the financial plan as described in these guidelines but is open to alternative means of presentation. What is most important is that all debt service and debt proceeds are accounted for.

Cash Balances

The operating financial plan forecast is an annual cash flow, consisting of operating sources, operating uses, net annual cash flow (i.e., sources minus uses), and ending cash balance (i.e., beginning cash balance plus net annual cash flow).

FTA has observed that most project sponsors prepare operating budgets wherein total annual operating sources vary from total annual operating uses, producing a variable cash flow. Also, typically, project sponsors have a beginning cash balance or cash reserve(s) that may be drawn on when needed.

The project sponsor should define a beginning cash balance and calculate a net annual cash flow for each year of the forecast. The beginning cash balance should be reconciled to the audited financial statements for the most recent fiscal year, or to other information sources that can substantiate the beginning balance. The beginning cash balance should include only those funds that are restricted to operations or whose use is unrestricted. The project sponsor should describe any Board-approved financial policies or other requirements that specify a minimum cash balance and ensure that the forecast is consistent with those requirements.

Operating Metrics

The operating financial plan should include three metrics, calculated from information described above. These metrics are: (i) riders per VRM; (ii) fare revenue per rider; and (iii) O&M cost per VRM. FTA prefers that these metrics be presented for each mode (e.g., bus, rail, demand-response).

The project sponsor should comment on and explain any differences in the historical CAGR and forecast CAGR for each metric.

2.5 Financial Evaluation

The overall objective of project sponsor's financial plan is to demonstrate "local resources are available to recapitalize, maintain, and operate the overall existing and proposed public transportation system, including essential feeder bus and other services necessary to achieve the projected ridership levels without requiring a reduction in existing public transportation services or level of service to operate the proposed project," as provided in 49 U.S.C. 5309(f)(1)(C).

This statutory requirement may be demonstrated in part by adequate cash balances for the duration of the financial forecast.

A summary cash flow statement, like that shown in Table 7, is a quick and concise portrayal of the financial condition of the project sponsor for the past five years and throughout the 20-year analysis period. It is a carryforward of totals from the operating and capital financial plans.

The project sponsor should conclude the financial plan with a brief evaluation of its financial history and forecast, an interpretation of the trends presented in the summary cash flow statement, and its compliance with statutory requirements.

Table 7: Summary Cash Flow

2.6 The Appendix – Summary of Other Documents

Many components of the financial plan require additional documentation to support the assumptions and forecasts in the plan. The financial plan summarizes, in an appendix, the results of the critical external analyses that directly support the financial plan. The critical analyses include the regional economic forecasts, the financial condition of the sponsor, and the transit asset management plan. Additional supporting documents should also be provided with the submission of the financial plan. These supporting documents are listed in the Local Financial Commitment Checklist, included in the update of Reporting Instructions for the Section 5309 Capital Investment Grant Program, sent by the FTA Office of Planning & Environment (TPE) to project sponsors on an annual basis. The Local Financial Commitment Checklist is provided in Appendix D within annual updates to the Reporting Instructions for the Section 5309 Capital Investment Grants Program.

2.6.1 Summary of Regional Economic Conditions

Historical data and forecasts of local economic and demographic changes are developed to substantiate the reasonableness of revenue yield and cost estimates. These forecasts provide a check on growth rate assumptions for ridership, local tax revenues, regional inflation and other key variables. Forecasts from independent institutions, such as universities, state agencies and private forecasting firms, are preferred sources of these data. These forecasts include:

- Population and employment growth estimates;
- Inflation and interest rate forecasts consistent with assumptions in cash flow projections;
- Economic and land development projections; and
- The regional demographic or business trends to support 20-year revenue forecasts.

The appendix to the financial plan summarizes the results of the regional economic forecasts including the historical and projected economic condition of the region. It provides tables that should summarize population, employment, personal income and inflation forecasts 20 years into the future. The financial plan is supported by a current regional economic forecast report.

2.6.2 Summary of Financial Condition of the Project Sponsor

The project sponsor should report documentation on the financial condition of the sponsoring transit agency and other non-federal financial partners. Documentation of such evidence includes three years of audited financial statements (to include a Single-Year Audit Reports if necessary), a 3-year trend in the current ratio (i.e., current assets divided by current liabilities), cash account balances, debt ratings and reports by debt rating agencies, and the historical reaction to unexpected financial conditions. In addition, evidence of the timely match, obligation, and draw-down of FTA formula resources over the past five to 10 years should be provided.

The appendix should provide a short summary of the financial condition of the project sponsor and major funding partners. The summary should substantiate, and reference other reports and documents as noted within the annual Local Financial Commitment Checklist.

2.6.3 Summary of the Transit Asset Management Plan

Per 49 U.S.C. 5309(c)(1)(C), FTA must determine whether the CIG grant applicant has made progress toward meeting its state of good repair performance before a CIG construction grant may be awarded. Per FTA's TAM statute (49 U.S.C. § 5326(c)(2)), FTA recipients and subrecipients must set these performance targets annually based on the state of good repair performance measures identified in FTA's TAM implementing regulation (49 CFR Part 625). Transit agencies set their targets on state of good repair measures each year and report those targets to FTA through the National Transit Database (NTD). Transit agencies also report their progress toward meeting the performance targets each year to NTD.

TAM requirements do not apply if project sponsor does not yet own, operate, or manage capital assets for providing public transportation. As such, FTA does not require the project sponsors to satisfy the CIG TAM requirement .[5]

[5] FTA's requirements for a transit asset management plan may be found here: https://www.transit.dot.gov/TAM/TAMPlans

3. BIBLIOGRAPHY – OTHER FINANCIAL INFORMATION

Office of Management and Budget Circulars

- OMB Circular A-87, "Cost Principles Applicable to Grants and Contracts with State and Local Governments," dated 1-15-81, and changes to this document published 5/17/95, effective 9/1/95.
- OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," as revised June 24, 1997.

FTA Circulars

- FTA Circular 5010.1F, "Award Management Requirements," Dated 09-27-24.
- FTA Circular 5200.1A, "Full-Funding Grant Agreements Guidance," dated 12-05-02.
- FTA Circular 8100.1D, "Program Guidance for Metropolitan Planning and State Planning and Research Program Grants," dated 09-10-2018.
- FTA Circular 9050.1A, "Urbanized Areas Formula Grant Programs Guidance," dated 09-27-2024.
- FTA Circular 9300.1B, "Capital Investment Program Guidance and Application Instructions," dated 11-01-08.

FTA Financial Documentation Guidance

- Capital Investment Grants Final Policy Guidance, Federal Transit Administration, November 2025.
- FTA Financial Contractor Guidelines and Standards for Assessing Local Financial Commitment of Proposed Capital Investment Grants, Federal Transit Administration, Office of Planning and Environment, November 2025.

Federal Legislation, Regulations, and Federal Register Notices

- Federal transit laws, 49 U.S.C. chapter 53.
- Federal transit laws, "Fixed Guideway Capital Investment Grants," 49 U.S.C. 5309.
- FTA regulations, "Major Capital Investment Projects," 49 CFR Part 611.
- FTA regulations, "Project Management Oversight," 49 CFR Part 633.
- FTA regulations, "National Transit Database," 49 CFR Part 630.
- Joint Federal Highway Administration (FHWA)/FTA regulations, "Planning Assistance and Standards," 23 CFR Part 450, and "Metropolitan and Statewide and Nonmetropolitan Planning," 49 CFR Part 613.
- Treasury regulations, "Withdrawal of Cash From the Treasury for Advances Under Federal Grant and Other Programs," 31 CFR Part 205.