

**New York State Department of Transportation
New York State Thruway Authority
Metropolitan Transportation Authority/Metro-North Railroad**

Financial Plan Development

STEP 1:

Develop Core Strategies

STEP 1 Management Plan



**Tappan Zee Bridge/I-287 Corridor
Financing Study**

May 1, 2009

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1. INTRODUCTION, PURPOSE, BACKGROUND, AND DESCRIPTION

1.1 INTRODUCTION

The Tappan Zee Bridge/I-287 Corridor Project (“Project”) presents tremendous opportunities to define a solution that optimizes the transportation, environmental and quality of life objectives for the region. The vital optimization among these various policy goals is being addressed through the ongoing Environmental Impact Statement process.

A project of this size and complexity presents an equally significant finance opportunity. Initial cost estimates far exceed the traditional financing capacities of State and federal transportation agencies. This gap was first put into perspective by the “Preliminary Financial Studies Phase I Report,” which was completed in November 2008. Commonly called “the Phase I Report,” it provided a useful illustration of the challenges and opportunities ahead.

This contract begins the next steps in determining the means to finance this critical project.

The New York State Department of Transportation (“NYSDOT”) has contracted with Merrill Lynch, Pierce, Fenner & Smith, Incorporated (“Merrill Lynch”), and with sub-consultants Loop Capital Markets LLC (“Loop Capital”) and Winston & Strawn LLP (“Winston & Strawn”), to serve as the Financial Advisor Team to the project. The contract was advertised and awarded as a five year contract divided into “three phases of work” to develop a financing plan, assist in obtaining the necessary approvals for the plan, and culminate in the technical implementation of the plan (“Project Financing Study”).

Since advertising this contract in June 2008, the global economy has taken an abrupt and dramatic downturn. This has had a profound impact on the fiscal climate in New York State. Advancing the work under this contract must now occur in the context of a range of potential economic changes, both positive and negative, that could occur over the next few years.

After careful consideration, NYSDOT and our project partners agreed it was essential to continue our plan to produce detailed analysis for project financing. Funding was identified for “Phase I work only,” that would lead to identification of select strategies to finance the Project. Once that work is complete, around 12/31/09, decisions on whether or not to move forward with additional work by the Financial Advisor Team will be made.

As we begin work with the Financial Advisor Team, a minor change in description is being incorporated to clarify work flow: the three “phases” of this contract will now be called “steps.” This change is in anticipation of there being a final report for the currently funded work through 12/31/09. By calling this effort “STEP 1,” we intend to avoid confusion with the “Phase I Report” associated with the previous effort under a separate contract for the “Preliminary Financial Studies.”

There are many entities involved with the Project and the Project Financing Study. We will use the following terminology to describe various groupings of participants:

“Project”	Tappan Zee Bridge/I-287 Corridor Project proposed bridge, highway and transit improvements, currently in the environmental impact study phase
“Project EIS Team”	NYSDOT, Metro-North Railroad (“Metro-North”) and the New York State Thruway Authority (“NYSTA”) and their consultants
“EIS Project Director”	NYSDOT, acting through its representative who is managing the Project, currently Michael Anderson
“Project Financing Study”	Work to be performed by Merrill Lynch, Pierce, Fenner & Smith, Incorporated, and its sub-consultants, under contract with NYSDOT
“Financial Advisor Consultant” or “FA Consultant”	Merrill Lynch, Pierce, Fenner & Smith, Incorporated
“Financial Advisor Team” or “FA Team”	Merrill Lynch, Pierce, Fenner & Smith, Incorporated and its subconsultants Loop Capital and Winston & Strawn
“Project Partners”	NYSDOT, Metropolitan Transportation Authority (“MTA”), Metro-North and the NYSTA
“Project Financing Team”	Project Partners and the Financial Advisor Team
“Finance Manager”	NYSDOT, acting through its representative who is managing the Project Financing Study, currently Phil Ferguson

1.2 PURPOSE OF THE STEP 1 MANAGEMENT PLAN

The STEP 1 Management Plan (“Plan”), defines the management practices of the Project Financing Team. The specific objectives of the Plan are:

- Establish the framework for administering the contract in accordance with the requirements of NYSDOT;
- Define the relationships between NYSDOT and the FA Team;
- Establish the organization, responsibilities, management systems, and conventions that the Project Financing Team will utilize; and
- Provide a guideline for the orderly interactions of the multiple agencies, organizations, consultants and Project staff involved in the successful completion of the Project.

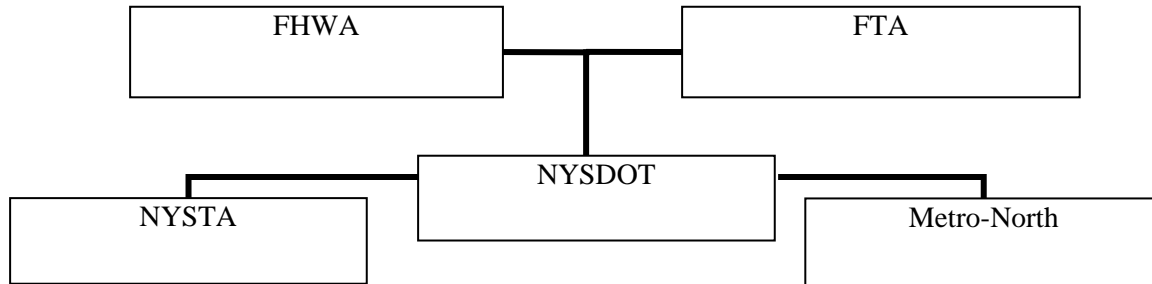
The Plan will apply to STEP 1 of the contract with the Financial Advisor Consultant. When starting STEP 2, the Plan will need to be revised to take into account fundamental differences in the nature of the work and billing procedures.

1.3 BACKGROUND INFORMATION

When opened to traffic in 1955, the Tappan Zee Bridge carried approximately 18,000 vehicles per day. Today, the bridge carries approximately 135,000 vehicles daily with volumes as high as 170,000 on some peak days. During the past 20 years, traffic volumes have grown significantly in the Tappan Zee Bridge/I-287 Corridor (the “Corridor”) from Suffern in Rockland County to Port Chester in Westchester County, by over 50 percent on the Cross Westchester Expressway (“CWE”) and by more than 70 percent on the Tappan Zee Bridge. As a result, the Corridor experiences varying levels of traffic congestion throughout the 30-mile length. The steady increase in traffic demand over the years, together with only limited increases in roadway capacity and limited east-west modal alternatives, have resulted in continual increases in travel time and delay. The problems are most severe during the eastbound morning peak and the westbound evening peak periods, particularly within the vicinity of the Tappan Zee Bridge.

NYSDOT, NYSTA, and Metro-North, an agency of the MTA, have formed a working partnership to undertake a comprehensive study of regional transportation needs and mobility within the Corridor. NYSDOT has Project Manager responsibility and is the owner of the consultant contracts. NYSTA and Metro-North are local co-lead agencies.

Figure 1 - Project Participants: Agency Relationships



The Federal Highway Administration (FHWA) and Federal Transit Administration (FTA) are the joint Federal lead agencies under the National Environmental Policy Act (NEPA), with NYSDOT as the project manager, and NYSTA and Metro-North as Joint Lead Agencies, for the preparation of the Environmental Impact Statement (EIS). The EIS is being prepared in accordance with the NEPA, as amended, and implemented by the Council on Environmental Quality (CEQ) regulations (40 CFR parts 1500-1508), the FTA/FHWA Environmental Impact regulations (23 CFR part 771), and the FTA/FHWA Statewide Planning/Metropolitan Planning regulations (23 CFR part 450), as well as the requirements of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) Section 6002. The EIS and the environmental review process will also satisfy requirements of the New York State Environmental Quality Review Act (SEQRA).

On December 23, 2002, FHWA and FTA, in cooperation with NYSTA and Metro-North issued a Notice of Intent (NOI) to prepare an Alternatives Analysis (AA) and an EIS for the Corridor in Westchester and Rockland Counties, NY (Federal Register Volume 67, No. 246). While extensive AA and EIS public involvement activity had been conducted since that NOI, the lead agencies determined that substantial changes warranted publication of a revised NOI. One of the most significant changes was that NYSDOT became a sponsoring agency and has assumed the role of lead Project Manager. On February 14, 2008 a revised NOI was published in the Federal Register which not only addressed the role of NYSDOT but also identified the EIS being prepared under the requirements of SAFETEA-LU Section 6002.

In addition, the Project EIS Team and the Federal Agencies (FHWA and FTA) have also revised the environmental review process since the original NOI was published. The Project is a multimodal project with proposed bridge, highway and transit improvements. In an effort to expedite the delivery of integrated, multi-modal transportation improvements in way that allows each modal element to advance at its own appropriate pace, the EIS will be conducted with a tiered analysis approach. The EIS will conduct two levels of analysis:

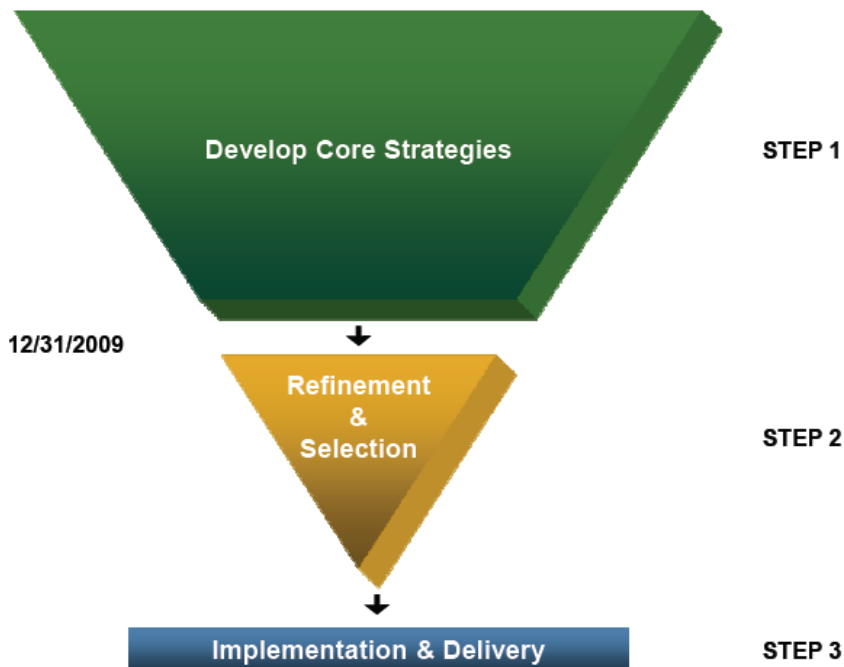
- Tier 1 analysis findings on the transit mode and alignment associated with the preferred alternative.
- Tier 2 analysis findings on the bridge facilities, approaches and associated highway network improvements which will accommodate future transit improvements in the Corridor, associated with the preferred alternative.

The tiered approach will allow the Project EIS Team to focus on both broad overall corridor issues in a Tier 1 transit analysis of general alignment and mode choice while simultaneously assessing site specific impacts, costs and mitigation measures in a Tier 2 bridge and highway analysis. The scope of the Tier 1 transit and Tier 2 bridge and highway analysis will be appropriate to the level of detail necessary for those studies and will receive input from the public and reviewing agencies. The intent is for the Tier 1 transit and Tier 2 bridge and highway analyses to be developed concurrently in order to maximize the efficiencies and potential for multimodal solutions.

The scope and magnitude of the final bridge, highway and transit improvements which will eventually be recommended in the preferred alternative will be unprecedented in terms of capital cost. Currently, there are no funds or potential funding mechanisms dedicated to or identified to support this project. The objective of the Project Financing Team is to evaluate all feasible finance mechanisms and funding scenarios which could provide the necessary capital resources to implement the recommendations of the preferred alternative.

1.4 DESCRIPTION OF FINANCING STUDY STEPS

Developing a financing plan for the Project will be managed as a three step process over five years. While this Plan is limited to the activities of STEP 1, it will be updated as necessary both during STEP 1 and when the assignment advances to the subsequent steps.



STEP 1: Develop Core Strategies (January – December 2009)

This will be a comprehensive legal, policy and financial analysis of a wide range of potential alternatives for financing the Project. The final product of this STEP will be the Final Core Strategies Report, which will recommend a narrowed band of possible financing strategies. Setting the stage for more focused and rigorous analysis in STEP 2 (below), the report will describe the most promising financial structures, show how they relate to policy goals, support the financial structures with an analytical framework that may be used for precise analysis in STEP 2, and outline the subsequent legal and other actions required to pursue each strategy.

The Final Core Strategies Report will include the following components:

The Financing Model will be an analytical framework designed to provide the clearest possible perspective of the fiscal potential of the Core Strategies at this early stage. The model will utilize the best available data and otherwise use reasonable assumptions for analytical purposes provided by the Project Financing Team.

The magnitude and complexity of the Project will also require considerable legal analysis to reveal the legal considerations that inhibit or support various alternatives. The Legal Strategic Plan will specifically identify the statutory or other legal issues that would have to be addressed to execute each of the Core Strategies.

An Execution Roadmap for each strategy will identify the important steps and the approximate timing required to execute each such option. It will specify the type and timing of more in-depth data gathering that will be necessary to refine the analysis for decision making in the next phase. Decision points and how the different strategies relate to each other will be identified. This execution roadmap will allow the Project Financing Team to share with and to educate key constituents on what is required to narrow the selection process and eventually choose the final financing solution.

STEP 2: Refinement and Selection (January 2010 - TBD)

In STEP 2, the Core Strategies will be given more in-depth analysis to support final decision making. Data will be refined and variables impacted by economic trends will be brought up to date as the Project start date draws closer. The more precise and timely analysis will be used to value and rank Core Strategies. In collaboration with the Project Partners, and a range of project stakeholders, a final recommendation on an approach to finance the Project will be proposed, along with the enabling legislation needed to implement it.

STEP 3: Implementation and Delivery

Once the solution has been selected, the FA Team will support NYSDOT in fully executing the plan.

2. STEP 1 OBJECTIVES, GOALS AND SCOPE

2.1 STEP 1 OBJECTIVES

Given the uncertain financial and economic environment, and the long lead time needed to achieve a plan for financing the Project, it is essential to first develop critical insights and adaptable strategies that will enhance and focus the decision making process over the subsequent one to two years. Accordingly, the basic goal of “STEP 1: Developing Core Strategies” is to extract from a very wide range of possible ideas a meaningful and manageable core group of strategies that offer the best prospects of successful financing of the Project.

STEP 1 will start by evaluating a wide range of “alternatives” that include potential sources of revenue, opportunities that may reduce costs or risks, and organizational considerations that may offer efficiencies, etc. These will be assessed from a number of perspectives (financial, legal, and other potential implications), including the steps necessary to implement the specific ideas. Over time, combinations of best ideas will emerge as “Core Strategies” that address project delivery and cost, revenue generation, and long term considerations such as ownership and operation of the facilities.

STEP 1 will end with a final report that not only presents these “Core Strategies,” but also provides a detailed roadmap and timing implications for pursuing each strategy. It will be clear what immediate actions should be taken to keep the Project on track while also allowing for a fresh re-assessment of the financial and economic environment at that time. This will provide the vital tools needed for entering “STEP 2: Refinement & Selection,” when the final decision of how to fund the Project will be made.

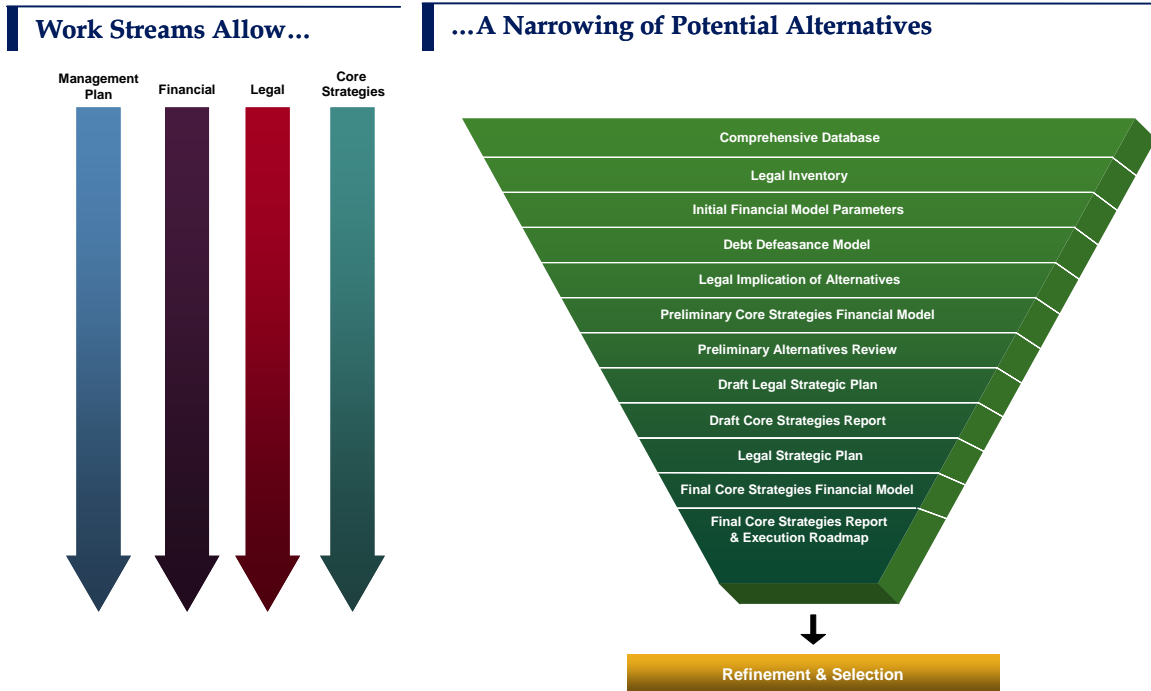
2.2 STEP 1 SCOPE OF WORK

The STEP 1 Plan sets forth categories of work that are anticipated to occur as we proceed. While the Plan will be formally updated after the **Preliminary Alternatives Review (see Task S01)**, it is important to review the Plan frequently to adapt it to decision-making, external events and trends, and work as it is accomplished. The process of assessing alternatives for the Project must be dynamic in order to respond to the information gathered, any programmatic changes in the Project, and input from the Project Partners.

Description of the Analytical Approach

The first work product will be the Plan itself (**Task A**). It defines the approach, the deliverables and associated payments, the agreed upon timeline for the deliverables, and the processes and procedures that will govern the management of STEP 1: Develop Core Strategies.

Along with developing and managing the Plan, there will be three key work streams: Financial, Legal, and Core Strategies. All of these efforts are further delineated into preliminary, intermediate and final work products. Responsibility for the overall work will be shared among the FA Team and the work streams will proceed simultaneously and interact with each other throughout the process. As outlined in this display, the overall result will be a focusing of the analysis over time.



2.3 DESCRIPTION OF WORK STREAMS

Within each work stream, the analysis will progress sequentially and logically, as follows:

- Gathering and assembling of information.
- Reviewing that information, considering to what extent it is useable, internally consistent and complete.
- Converting and organizing materials into a track-able and useful format. Conversion is expected to be an interactive process with NYSDOT to agree upon approaches for converting multiple data sources into baseline figures for model development.
- Development of that information into the end product for the work stream.

FINANCIAL WORK STREAM (TASK F)

The **Financial work stream (Task F)** will begin by focusing on data collection and assessment. This is the foundation for arriving at the most credible starting position for the Core Strategies Financial Analysis. Following the gathering of available data, the review phase will focus on assessing the degree of utility and benefit of the information. The conversion phase will assemble all available and useful information into a format that can be used in developing the Financial Model.

Financial Model development is the second major work product of the financial work stream. Its gathering phase includes assembling existing data and identifying other data that needs to be available to complete the model input. This phase will also include examining possible model customization methodologies. In the review phase, NYSDOT examines and approves assumptions made by the FA Team, as well as the various ways in which the model could be customized. The model customization methodology (which allows for the most comprehensive evaluation of alternatives) will be populated with all existing and NYSDOT approved data entered into the model, in a format that can be easily analyzed during the conversion phase. Finally, “development” is the actual completion of the model customization so that it will be prepared to calculate and present credible and meaningful information.

LEGAL WORK STREAM (TASK L)

For the **Legal work stream (Task L)**, the FA Team will assemble all relevant reference material so that these questions can be adequately addressed: Who can do what? When can they act? Under what powers can they act? The Legal work stream will assess statutes, contracts and case law. The interaction of these legal powers and restrictions will be reviewed to identify points of overlap or conflict. The “conversion” phase of the legal review will identify items that control in the event that laws conflict, and legal elements that can or cannot be amended or changed. The development phase of the Legal Work stream consists of outlining changes that will be required to execute the various financing strategies under review.

CORE STRATEGIES WORK STREAM (TASK S)

The **Core Strategies work stream (Task S)** brings together the Legal and Financial work streams. Drawing on the information gathered on the Project and New York State, as well the FA Team’s experience, Core Strategies for financing the project will be assembled.

This work stream is dependent upon the gathering of broad guidance on desired outcomes (e.g., no option should be considered which delays the construction beyond X date or no action should be taken which disqualifies the Project for federal aid, etc.). Guidance will provide insights into which outcomes are important, neutral, or possibly detrimental to the project’s success.

To produce the first deliverable, the **Preliminary Alternatives Review**, the FA Team will initially use the other work streams to gather information on which funding options, ownership

alternatives and operating models are possible and merit further analysis. This will provide an opportunity to comprehensively update the Plan and begin the process of narrowing the range of alternatives towards Core Strategies.

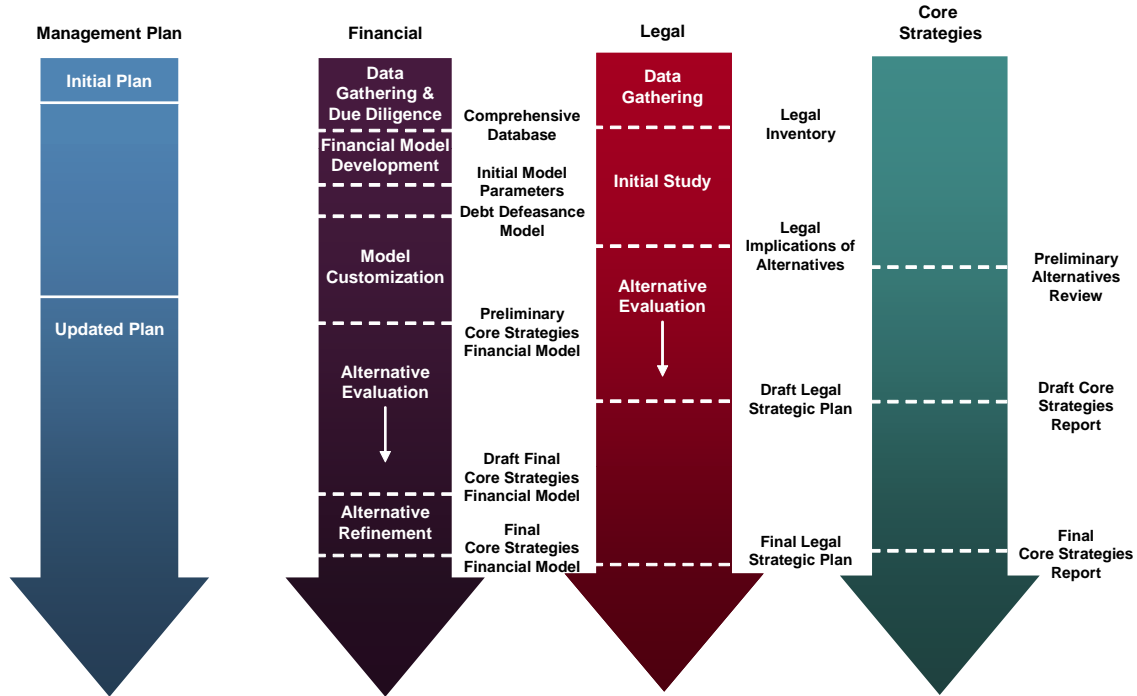
The review phase will consider whether the information developed in the other work streams indicate that alternatives should be excluded (e.g., scenario X has an unconstitutional ownership structure, scenario Y is not qualified for federal aid, etc.). Combinations of promising “alternatives” will start to emerge as “strategies” that provide context and communicate how multiple actions are actually related and consistent.

Finally, the FA Team will utilize the results of the other work streams to develop, complete and present a **Draft Core Strategies Report** approximately three months prior to the target date for the **Final Core Strategies Report**. This should permit the necessary review, consideration, and refinement of assumptions, be reflective of feedback on preliminary policy guidance, and incorporate additional analysis to reach an approved final plan.

This description of the work streams focuses on those elements of the work plan which build on each other. The inter-dependence of the work streams and the results cannot be overemphasized. As was stated at the beginning of this section, the work program must be dynamic and responsive to the developments in different phases and in other work streams.

2.4 DESCRIPTION OF DELIVERABLES

Below we detail the work streams of the Plan in terms of major tasks and specific deliverables. A schedule for deliverables in chronological order is summarized in Section 6.3.



There will be two major milestones where the various work streams and related deliverables come together and facilitate the development of the Core Strategies: the Preliminary Alternatives Review and the Draft Core Strategies Report, scheduled for July 15th and September 30th respectively. As will be described below, these two presentations / reports will provide the Project Financing Team the opportunity to comprehensively review the findings of the FA Team and how alternatives are being combined into strategies. After the Draft Core Strategies Report, there will be a three month period to refine the Core Strategies and supportive analysis before issuing the Final Core Strategies Report on December 30th.

TASK A: STEP 1 Management Plan

As specified in the contract, prior to commencing work, the FA Consultant will prepare and reach agreement with NYSDOT on a comprehensive STEP 1 Management Plan. This Plan will be reviewed and modified as needed after the Preliminary Alternatives Review.

Deliverable A01: STEP 1 Management Plan

On or about April 30, 2009, the FA Consultant will submit as complete to NYSDOT a STEP 1 Management Plan for delivering the final product. This will include a description and schedule of the deliverables.

Deliverable A02: Updated STEP 1 Management Plan

On or about July 30, 2009, the FA Consultant will submit as complete an Updated STEP 1 Management Plan for delivering the final product. This will include an updated schedule of deliverables and documentation to substantiate the need for the revisions. The revised Plan will reflect the evolution of the process as the various iterations of the different work flow segments proceed.

WORK STREAM F: Financial Assessment

Before beginning work on the financial assessment of alternatives, the FA Team will assess the available information pertinent to the overall work plan. Data elements will be identified (e.g., traffic and revenue data), gathered and evaluated. In light of the depth and scope of the financial analysis ahead, it is reasonable to anticipate that there will be “gaps” identified between the data available and what is required for modeling purposes. In such cases, suitable assumptions will be approved by NYSDOT so that the FA Team can assemble this information in a format which can be easily input into the Financial Model.

Over time, the Financial Model will be customized through an iterative process among the Project Financing Team, expanding its capacity to evaluate and compare various alternatives. Outputs will be structured to allow clear review of comparative elements designed by the FA Team so that future analysis can be compared on criteria NYSDOT determines relevant. (Task S).

Data and Document Gathering & Due Diligence:

This effort of accumulating and evaluating information will include, but not be limited to:

- Various sources of revenue and cost data for the Project
- Detailed information on the existing debt and legal constraints of the NYSTA and other stakeholders
- Legal information in order to determine what constraints are on the Project, the NYSDOT, Metro-North, the MTA and the NYSTA.
- Relevant information from any source not listed above, determined by the FA Team with NYSDOT to be usable and useful.

Deliverable F01: Comprehensive Database

On or about April 30, 2009, the FA Consultant will submit as complete all sources of financial data that they received and compiled as applicable to financial analyses for the Project. While this database will be added to as appropriate throughout the Project, this deliverable will exist in two forms:

1. A data site, in a secure limited access electronic format. (The data and documents will be stored in a shared drive to be maintained by the Team, with secure electronic access to ensure confidentiality.)
2. A complete set of all data, including an index of the information and the file organization, will be made available to NYSDOT in a hard copy set, along with electronic access to such information.

Financial Model Development:

The deliverables associated with the model building are several, but all relate to the potential range of sources of funding related to the array of financing options and procurement tools available. This will inform an objective discussion of the relative financial merits of the various alternatives.

The model will be developed in several stages, with review, discussion and input at key intervals. Those key intervals will be embodied in the presentation of the:

- Initial Financial Model Parameters (F02)
- Preliminary Core Strategies Model (F04)
- Draft Final Core Strategies Model (F05)
- Final Core Strategies Model (F06)

In addition, a Debt Defeasance Model (F03) will be developed to calculate the costs associated with the defeasance of bonds under different scenarios. It will be built in accord with a substantive legal and tax analysis to be completed by Winston & Strawn. The model and deliverables will be based upon prior bonds issued and outstanding under different bond programs related to the Tappan Zee Bridge and the I-287 Corridor. A sensitivity analysis will enable assumptions to be made about potential near-term outcomes. It is expected that this deliverable may be updated, as additional work, in later stages of the Project to recognize additional bond sales and other pertinent factors.

Deliverable: F02: Initial Financial Model Parameters

On or about May 29, 2009, the FA Consultant will submit as complete a compilation of assumptions that have been reviewed and accepted by NYSDOT and thus will permit the initiation of the financial modeling work stream. The deliverable will include, but may not be limited to:

- A clear inventory of the list of assumptions and sources
- Electronic and physical delivery of data input tables with selected data entered
- Potential model customization methodologies

Deliverable F03: Debt Defeasance Model:

On or about June 15, 2009, the FA Consultant will submit as complete a Debt Defeasance Model that will include:

- Electronic PDF and physical delivery of key model input pages and full model output demonstrating the estimated cost to defease all outstanding debt related to the original Tappan Zee Bridge and to the Thruway Authority, as well as sensitivity analysis for a range of market conditions.
- A full listing of all existing bonds to be refunded.
- A memorandum from Winston & Strawn detailing the legal conclusions which require the defeasance as well as outlining the major legal assumptions, including tax assumptions, on all related State bond programs (if determined to be relevant.)

Deliverable F04: Preliminary Core Strategies Financing Model

On or about June 30, 2009, the FA Consultant will submit as complete a preliminary model that will:

- Have the capability to provide sensitivity analyses to NYSDOT to test possible outcomes reflective of the available and preliminary nature of various input data.
- Differentiate between highway and transit costs and resources, to the extent permitted by the available data.
- Contain preliminary traffic, revenue and other data inputs suited to the early stage nature of the Core Strategies phase of the project.

Deliverable F05: Draft Core Strategies Financing Model

On or about November 12, 2009, the FA Consultant will submit as complete a draft of the Final Core Strategies Financing Model. This will incorporate any modifications to the **Preliminary Core Strategies Financing Model** based on the deliberative process from the **Preliminary Alternatives Review** through the **Draft Core Strategies Report** and subsequent feedback.

The model will be designed such that it will have the ability to incorporate more precise data to be developed in STEP 2: Refinement and Selection, in order to demonstrate the costs and benefits associated with an array of funding and financing structures. This deliverable will include:

- Electronic PDF and physical delivery of revised data input pages
- Sample output relating to the recommended Core Strategies
- Workshop presentation to NYSDOT demonstrating

- Structure and function of the model
- Output capabilities
- Further customization potential

Deliverable F06: Final Core Strategies Financing Model

On or about December 16, 2009, the FA Consultant will submit as complete the Final Core Strategies Financing Model. This model will incorporate all data elements, assumptions and analytical tools necessary to commence the analyses that will support further analysis on the final set of core strategies. It will include:

- Electronic PDF and physical delivery of revised data input pages
- The capability to provide more customized sensitivity analysis of recommended Core Strategies
- Sample graphic and chart comparisons of the Core Strategies

WORK STREAM L: Assess Legal Implications

While described as a separate work stream, the process of identifying legal issues will permeate the process of evaluating alternatives. In order to consider the widest range of financing opportunities, alternatives to traditional transportation financing in New York State will be given due consideration. Some examples are: design-build/publicly fund; public authority model; design-build-finance; design-build-finance-operate-maintain; private concession structure, etc. The legal team will review such alternative models to determine if there is an adequate statutory framework for their implementation.

As with Task F, to provide the foundation for assessing the legal implications for various alternatives, the legal team will first gather the legal documents that will likely be necessary for their analysis. Upon a preliminary review of these documents, other materials may be identified, requested and included in the initial **Legal Inventory**.

During their review, it is anticipated that the legal team will discover other legal issues that affect financing alternatives and their outcomes. This could include but not be restricted to insights into contractual arrangements, federal procurement rules, bond series resolution provisions, bond insurance conditions, etc. Therefore, the legal team will be aggressively seeking out these issues to identify as many as possible, as early as possible, so that the Project Financing Team can evaluate their impact.

An initial outline of the **Legal Implications of Alternatives** under review will provide valuable insights to consider within the **Preliminary Alternatives Review (S01)**. Some insights will affect financing potential, others will eliminate options from consideration, and still others will mean a major policy decision must be made prior to finalizing the analysis. It is important to keep track of these issues in an organized fashion so that when legislative drafting begins, the issues can be adequately addressed.

Deliverable L01: Legal Inventory

On or about May 15, 2009, the FA Consultant will submit as complete the Legal Inventory. It will be an agreed upon list of areas of the law and specific issues the legal team will consider, and will also identify the key source documentation and statutory references that are to be reviewed. A complete set of these documents will be identified, and to the extent practicable, provided to NYSDOT in electronic format as a component of the Comprehensive Database (F01).

The Legal Inventory will serve to focus the legal team as a base of information that will likely be supplemented during the life of the Core Strategies phase as other documents and information are deemed necessary for the legal review.

Deliverable L02: Legal Implications of Alternatives

On or about July 1, 2009, the FA Consultant will submit as complete an outline setting forth the legal implications of the alternatives under review. It will take the form of a memorandum that outlines the opportunities, hurdles and impediments uncovered to pursue various project funding or structural core strategies. For each alternative, the outline will include:

- An inventory of the potential legal issues to be reviewed, including but not limited to design-build issues, legal financing issues and government contract issues;
- A suggested list of legal changes that may be required to complete such alternative; and
- To the extent practicable, a timeline of anticipated activity that will be necessary to proceed with such alternative (e.g., notice periods, bond defeasance requirements, federal approvals).

Deliverable L03: Draft Legal Strategic Plan

On or about September 30th, 2009, the FA Consultant will submit as complete the Draft Legal Strategic Plan.

As STEP 1 enters its final months and alternatives are narrowed, consistent with guidance from NYSDOT, this Draft Legal Strategic Plan will take the form of a memorandum covering fewer alternatives than the outline above, and will review each of those alternatives in greater depth. This will:

- Summarize the legal implications of combining and organizing selected alternatives into Core Strategies
- Outline the legal changes that will be required to execute the various financing strategies, and
- Suggest critical elements of legislation and documentation.

Deliverable L04: Legal Strategic Plan

On or about December 2, 2009, the FA Consultant will submit as complete the Legal Strategic Plan.

After reviewing and refining the draft Legal Strategic Plan with the Project Financing Team and, where appropriate, the Governor's office and legislators, the final Legal Strategic Plan will be presented. This package will reflect the legal implications of each of the Core Strategies which will be examined in STEP 2: Refinement and Selection. It will identify the statutory and other legal issues which must be addressed to enable the execution of these alternatives.

WORK STREAMS : Develop Core Strategies

While the end product of this work stream is a narrowed set of "Core Strategies" to move forward into **STEP 2: Refinement and Selection**, the FA Team is to start with an approach that is open to a wide range of potentially viable solutions. Throughout STEP 1, the FA Team and the Project Partners will be engaged in an iterative process designed to narrow options and reveal the type of analysis necessary to complete STEP 1. Integral to this discourse will be the work identified in Task L and coordination with the legal team to align efforts with the process of exploring financing alternatives.

With the first deliverable, the **Preliminary Alternatives Review**, the FA Team will initially present information on a wide range of possible approaches to fund the Project. The Project Partners will be presented with pros and cons, potential financial effects and legal hurdles to each of the different funding alternatives, ownership structures and operating models.

Subsequent discussion and analysis will identify certain alternatives for further examination while others may be eliminated. The elimination of alternatives could be for legal or policy reasons, or as a result of changes in Project elements, or because the Project Partners find certain legal or financial options require too much time to implement or entail too many legal, procedure or project configuration changes which have collateral impacts. As the field of alternatives narrows, they will combine into Core Strategies that would be best described from a policy, financial, procedural and legal perspective.

Two last reports, the **Draft** and **Final Core Strategies Reports**, will contain a clear compilation of the results of all of the work which precedes it in each of the various work streams. They will contain descriptions of the Core Strategies and clear comparisons of various components of individual alternatives along legal, financial and policy lines. The written reports, illustrated with charts and tables, will be prepared with publication in mind, and their components will address key constituent concerns so that they form the basis for a broad community and legislative outreach that is a vital ongoing part of this study.

Anticipating Economic Risks:

One of the essential goals of **STEP 1: Develop Core Strategies** is to position the Project Partners with strategies that are not only well thought through, but that provide adaptability to the rapidly changing economic climate we are experiencing. The state of the economy will be re-assessed as we approach the writing of the final report. The more important consideration, however, is to emerge from STEP 1 not only knowledgeable but prepared to adapt to change over the next 1-2 years before the scheduled start of the Project.

Toward that end, each Core Strategy will include an Execution Roadmap that will provide the Project Partners with an understanding of the critical path and value drivers involved in executing that strategy. It will lay out the steps and the approximate time required to execute each such approach, and how they interrelate to each other where appropriate. This execution roadmap will allow NYSDOT to share with key constituents precisely what is required to move forward into **STEP 2: Refinement and Selection** and will also provide great insight into the path ahead for the Project as a whole.

Deliverable S01: Preliminary Alternatives Review

On or about July 15, 2009, the FA Consultant will submit as complete the **Preliminary Alternatives Review**. This printed report will be a formal presentation of the individual alternatives under review on a detailed basis, including any findings and suggested next steps.

Starting where the Preliminary Financial Studies Phase I Report ended, the Preliminary Alternatives Review will include but not be restricted to the following:

1. Analysis of strategies listed below:
 - Project Phasing
 - Increased Pay-as-you-go Construction Funding
 - Savings Resulting from Toll Increases at Start of Construction
 - Minimizing Construction Inflation
 - Design-Build Approach
 - Public-Private Sector Concession Structures
 - Public Authority Model
 - Public Private Partnerships
 - Hybrid Structures
 - Availability Payments
 - Other Governance and Financing Options
 - Explore other New York State Thruway Tolling Options
 - Use of tolls from wider geographic areas
 - Use of tolls from currently un-tolled facilities
 - Use of two-way tolling
 - Various toll pricing scenarios
 - Pass-through tolls
 - Federal Aid Opportunities

- Stimulus Package Opportunities including Build America Bonds and Tax Credit Bonds
 - Federal Innovative Financing Tools
 - Private Activity Bonds (PABs)
 - Transportation Infrastructure Finance and Innovation Act (TIFIA)
 - Leveraging Federal Aid Highway Revenues (GARVEE Bonds) or leveraging Federal Transit Administration Revenues (Full Funding Grant Agreements pursuant to the New Starts process or FTA Section 5307 or 5309 formula funds)
 - Federal Infrastructure Bank
 - State, Local and Regional Tax Options
 - Existing State Financing Options
 - Dedicated Trust Funds –Highway and Transit
 - General Obligation Bond Acts
 - State Personal Income Tax Bonds
 - State Infrastructure Bank
2. Incremental non-traditional funding and financing ideas
3. A schedule for the financial steps that need to occur to produce an FHWA Major Projects Financial Plan in accordance with the overall project timeline including State and Federal budget cycles, legislative sessions, procurement timeframes, etc.

Deliverable S02: Draft Core Strategies Report

On or about September 30, 2009, the FA Consultant will submit as complete a written report accompanied by a formal presentation. The **Draft Core Strategies Report** will contain:

- An array of possible Core Strategies that assemble alternatives into funding packages, combining project delivery, ownership and operating structures
- Identification of the most promising strategies for achieving a fully funded Project
- Supportive documents: the Draft Legal Strategic Plan (L02) and updated Preliminary Core Strategies Financing Model (F04 modified to match the Draft Core Strategies)
- Descriptions of the alternatives that do not appear as promising, along with the findings and assessments that support those conclusions
- Any other recommendations for successfully completing STEP 1 and being prepared to expedite the final decision making process in STEP 2

This milestone will serve to focus subsequent effort on a finite list of financing approaches and identify the additional work needed to address any remaining concerns about analysis, conclusions or presentations.

Deliverable S03: Final Core Strategies Report

On or about December 30, 2009, the FA Consultant will submit as complete a written report, likely accompanied by a presentation, of the **Final Core Strategies Report**, which will contain:

- A comprehensive analysis of a smaller number of Core Strategies that will be proposed to move forward into **STEP 2: Refinement and Selection**
- An Execution Roadmap for each Core Strategy that specifies the steps required to see it through to implementation (through STEP 3), as well as the market context necessary to make such implementation optimal.
- Supportive documents: the Final Legal Strategic Plan (L03) and the Final Core Strategies Financing Model (F06)
- A section that summarizes the alternatives that were not recommended for further study and the basis of those conclusions
- Any other recommendations for expediting the final decision making process in STEP 2

3. ORGANIZATION, ROLES AND RESPONSIBILITY

3.1 PROJECT FINANCING TEAM ORGANIZATION

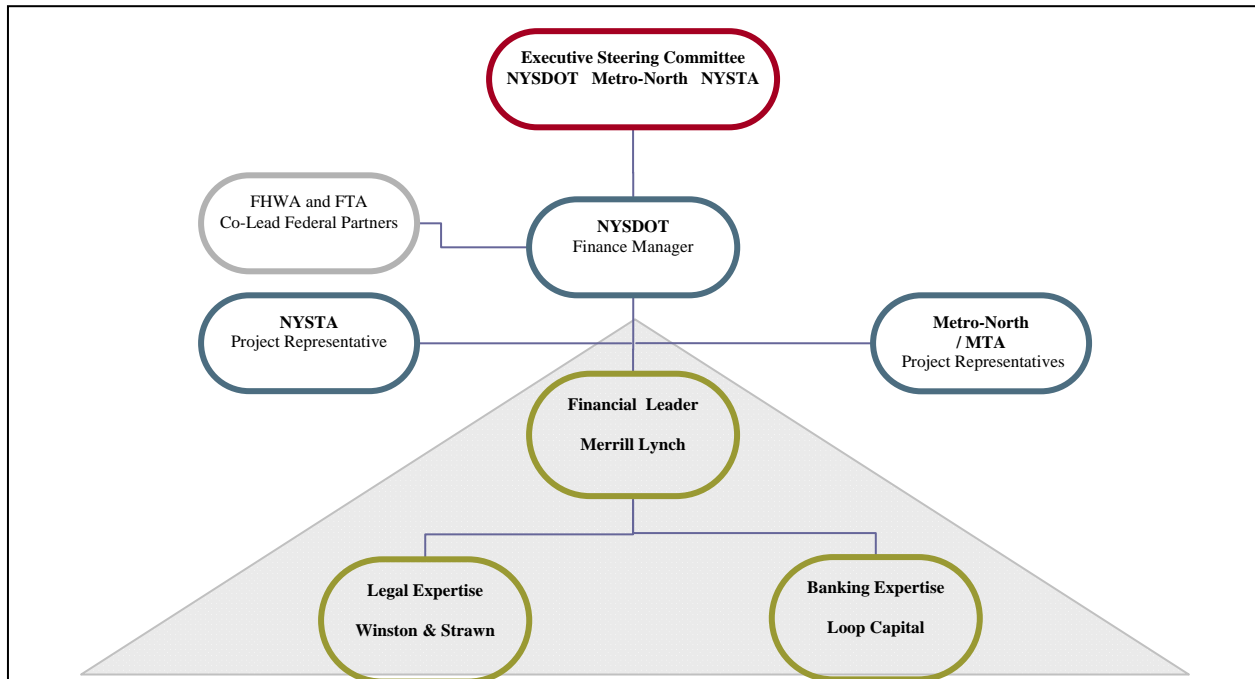
The Project Financing Team is an integrated group of managers and staff assigned from NYSDOT, Metro-North, MTA, NYSTA, and the FA Team.

The FA Team is comprised of three different firms. The three firms and their respective roles are:

Merrill Lynch is the prime consultant and, along with its sub-contractors Loop Capital and Winston & Strawn, is responsible for providing the financial and legal expertise required to execute each of the Steps delineated. Merrill Lynch and Loop Capital will work together to provide financial expertise as it relates to the State and National context as well as to the national public transportation sector. Winston & Strawn will provide legal and tax expertise as it relates to all matters and structures under review.

3.2 AGENCY ORGANIZATION

Day to day management of the Project is carried out by NYSDOT in coordination with the Project Partners of Metro-North, MTA and NYSTA as shown below:



The Finance Manager is responsible for the overall management of the Project Financing Team; convening and facilitating the Project related meetings and conference calls; and is the primary Project contact with the FHWA and FTA.

Each of the other Project Partners, NYSTA, Metro-North and the MTA, will have a Representative designated by the executive of that agency. The Project Partners establish the scope for the consultant contract; review, comment on and approve documents prepared by the FA Team; review monthly status reports; and report project progress.

Executive Steering Committee

The Project is managed and controlled by an **Executive Steering Committee (“ESC”)** consisting of the Commissioner of NYSDOT, the Executive Director of NYSTA, and the President of Metro-North. The decisions of this committee are made by unanimous consent.

Approval of the ESC is required for any consultant selection, consultant scope of work, scope changes and budget adjustments. The Committee also recommends the preferred alternative to the federal government and will develop and approve an associated action plan.

Representatives from NYSTA and Metro-North report to their respective Executive Steering Committee manager and update their executives as appropriate.

Federal Partners

The Federal Transit Administration and the Federal Highway Administration are co-lead Federal Agencies for the Project, referred to as the Agencies. FTA and FHWA will review and comment on the major milestones of the Plan, namely the Preliminary Alternatives Review, Updated Management Plan, and the Draft and Final Core Strategies Reports. After STEP 1, they will also assure that viable funding sources are identified in the TIP/STIP/LRTP prior to signing the ROD, as is required to be in place with the Project FEIS.

3.3 PROJECT FINANCING TEAM ROLES

The *Finance Manager* directs the project management and coordination of activities. The Finance Manager is the point of contact with the Project Partner Representatives and, with the FA Team, schedules and chairs all Project Management meetings. All deliverables will be received by the Finance Manager, who will then determine when they are approved for final payments.

The Finance Manager is a representative of NYSDOT in the NYSDOT Main Office who reports to and is supported by the NYSDOT Director of Major Projects. As liaison to the Project Study Team, the Finance Manager is the conduit for information exchanges and coordination between the Project EIS Team and the FA Team. The Finance Manager also serves as liaison to other interested entities, including the Governor’s Office, Division of the Budget, Office of the State Comptroller, FHWA and FTA, and is responsible for briefing the **Executive Steering Committee** on Project status.

The Project Partners Representatives are responsible for and function as supports to the Finance Manager:

- The Representative for the NYSTA is responsible for providing information and policy guidance relevant to the Thruway facilities, operations, and administration as may be necessary for advancement of this comprehensive financial evaluation.
- The Representatives for MTA / Metro-North are responsible for providing information and policy guidance relevant to the MTA / Metro-North facilities, operations, and administration as may be necessary for advancement of this comprehensive financial evaluation.

4. INTERNAL TEAM COMMUNICATIONS

4.1 OBJECTIVES

Presenting management information at the appropriate level, with sufficient detail to make informed decisions, and in time to act appropriately, can only be accomplished through efficient Project communications. The objectives of the Project communications are to:

- **Provide Timely Dissemination of Information:** Ensure timely collection and dissemination of Project information at all phases and levels; facilitate communication in a way that is intuitive and simple to use; and provide a means of logging, tracking and reproducing the information as required.
- **Facilitate Decision Making:** Ensure that information and resources are available in a timely manner to facilitate decision-making at the lowest appropriate responsibility level.
- **Provide Clear Project History:** Provide a clear traceable history of the issues, decisions, and processes.
- **Coordinate to Resolve Potential Conflicts:** Encourage information to be shared among decision makers in a focused, timely and comprehensive manner.
- **Integrate Information and Resources:** Integrate information to be shared and evaluated through a shared Project network. It is vital that decision makers have all relevant information to make a cogent case for their actions.

4.2 TEAM COMMUNICATIONS

Timely and informed communications between Project Financing Team members is the key to the success of the team approach. All requests for / exchanges of information and other communication between the FA Team and the Project Partners, the Project EIS Team, or other stakeholders will go through the Finance Manager. The Finance Manager will maintain a system that manages documents and correspondence of all types, and one that will log, track and schedule action items.

A secured website directory will be utilized to store data and documents that will be important to share across the Project Financing Team. Access privileges will be granted by the Finance Manager that will assure document security and consistency in the use of information.

The Finance Manager will schedule regular calls and meetings to update Project Financing Team members and maintain active communication that will advance the work of the FA Team. Specific tasks will often be addressed in working meetings involving sub-groups from the Project Partners and the FA Team. Minutes from these meetings will be distributed to the Project Financing Team.

4.3 SECURE SHARED DIRECTORY

Once information is received, it will be important to compile it as a common resource available to all members of the Project Financing Team so that various analyses will be based on the same source data and documents. This will be made possible by establishing a secure Project Financing Team directory on the existing SharePoint web-based server that was established for the Project EIS Team. As part of that site, the Project Financing Team directory will also be managed by the Project Document Control Manager and the Tarrytown Office Manager (“Office Manager”).

The Finance Manager and two designees from the FA Team will have full access privileges to the site. These individuals will manage what gets posted, deleted and edited.

Designees from each of the Project Partners and FA Team consultants will be granted rights to download copies of all documents on that site. These individuals will be charged with managing all requests for information on the site by any team members in their agency or consulting firm.

4.4 MEETINGS AND CONFERENCE CALL FORMAT

To provide timely communications across the Project Financing Team, we have identified the following types of meetings and conference calls:

Weekly Update Calls: Regular calls between the Finance Manager and the FA Team will be used to maintain perspective on activities in progress and actions requiring attention. Follow up e-mails to update the Project Financing Team will be done as needed by the Finance Manager.

Monthly Progress Meetings: Once per month, the Project Financing Team will meet to review the status of all activities, share information, and / or examine specific deliverables. Two hours will typically be allocated for these meetings although the specific agendas may dictate other time requirements. The Finance Manager will develop with the FA Consultant an agenda for each meeting, and the Finance Manager will e-mail the agenda, and any supporting documents, to the Project Partners at least 2 days ahead of the meeting.

Working Meetings and Conference Calls: These will be scheduled as needed between sub-groups of both the Project Partners and the FA Team, and possibly outside experts, to work on specific tasks. The participants will be determined by their expertise with the task in question.

Presentations and Briefings: Some of the STEP 1 deliverables specify a presentation to accompany a written report. Other presentations or briefings may become necessary or highly valuable to the success of the Project. The FA Team will develop the briefing or presentation materials. The presentation or briefing itself will be made by the FA Team or others as the Finance Manager will determine.

4.5 MEETING MINUTES

Meeting Minutes are prepared for each meeting by the FA Team. Meeting notes are drafted and distributed to the Finance Manager along with the agenda and meeting sign-in sheet within three days of the meeting. The Finance Manager will distribute the minutes to the Project Partners for comment, will compile said comments, and return to the FA Consultant for final incorporation into the record. Minutes include the following information:

- Meeting title
- Date and location
- Attendees (both present and on the phone)
- Meeting handouts
- Notes on topics of discussion
- Follow-up items

4.6 ELECTRONIC MAIL (E-MAIL)

E-mail shall be used for routine communication and coordination among members of the Agencies and Functions. This is particularly important given the geographic separation of the staff of the FA Team and the Project Partners, and the need for timely communication.

Typical uses of email shall include but not be limited to the following:

- Circulation of meeting agendas
- Circulation of meeting minutes
- Routine coordination (e.g., establish preferred meeting times)
- Circulation of project reports and files

It shall be the responsibility of each agency representative to ensure that emails are transmitted to other parties within its Agency or consultancy promptly.

The Finance Manager will establish a dedicated archive of all Project related e-mails files through the end of STEP 1.

4.7 INTERNAL AND EXTERNAL CORRESPONDENCE

The Finance Manager will maintain a system that manages correspondence of all types. Correspondence shall include memoranda and letters prepared by the FA Team and Agencies as well as public correspondence. Such correspondence shall form a part of the Project record, and will be entered into the project file.

All mail and faxes for the Project Financing Team sent directly to the Tarrytown Project Office will be logged in daily by the receptionist. They will be stamped received, dated and initialed by the receptionist, who will then scan them and send the files to the Finance Manager for placement in Project file. The original mail or fax will be retained in a Project Financing Team folder at the Project office.

Response to External Correspondence Protocol

The Finance Manager will at times assign a response to external correspondence received. The person assigned the task will have 5 business day to create a draft and submit it electronically to the Finance Manager. The Manager will finalize the approval, secure the appropriate signature, and mail the response, and then file copies of both the request and the reply. The Finance Manager will also send a copy of all such external correspondence to the Office Manager for inclusion in the Project Financing Team folder.

5. EXTERNAL COMMUNICATIONS

NEPA requires continuous community outreach and education during each step of the EIS process, from the selection of a preferred course of action to the ROD. Because lasting consensus for action can only be achieved through fully informed decision-making, a knowledgeable public that understands the range of choices available, as well as the basis for a selected course of action, is the greatest contribution that the EIS can make to the future of the Project.

The work of the Project Financing Team will be done in parallel to the work of the Project EIS Team. Where appropriate, information from these efforts will be shared with the public in coordination with the EIS process.

5.1 PUBLIC INVOLVEMENT PLAN

The Project EIS Team has developed a *Public Involvement Plan* which details the outreach efforts to inform and fully engage the local communities in the Corridor about the Project and receive comments and feedback.

The Public Involvement Plan has been developed to ensure that:

- Stakeholders are informed and engaged early and continually throughout the project planning process for improvements to the Corridor;
- Public comments receive meaningful consideration and are integrated into the plans for the Project as appropriate; and
- Issues and concerns raised by residents, businesses, and other stakeholders are addressed clearly and understandably.

Community Outreach Meetings will be used to provide Project update information in the form of briefings during key milestone periods. Members of the public will be kept apprised of the progress of the Project via regular progress reports, newsletters, and meeting minutes distributed by the agencies. These meetings include but are not limited to the following: Stakeholder Committee Meetings, Public Scoping Meetings, and Stakeholders' Advisory Working Groups (SAWGs).

During STEP 1, it is anticipated that the FA Team will be asked to support the project team in preparation for meetings with stakeholders and the public.

5.2 COORDINATION PLAN

The *SAFETEA-LU Section 6002 Coordination Plan* prepared for this project identifies opportunities for public and agency interaction with federal, state, and local agencies, focusing on opportunities for public and agency review and comment. It contains a list of key issues,

identifies the target audience, and defines the methods that will be used to capture public input during the EIS process. Public and Agency comments may lead to further revisions.

This coordination plan will guide the outreach efforts by the Project Financing Team.

6. STEP 1 MANAGEMENT CONTROLS

6.1 SCOPE MANAGEMENT

The scope of STEP 1 will be managed through the schedule of deliverables summarized in Section 6.3 and detailed in Section 2.4. At least weekly, the Finance Manager and the FA Consultant will review the status of deliverables, outstanding action items, and anything that may impact schedule or scope of the STEP 1 Plan. Progress on the deliverables will be supported by communication with Project Financing Team members at monthly meetings and through monthly Progress Reports developed by the FA Consultant and approved by the Finance Manager. Other calls and meetings will be scheduled as appropriate to maintain the scope and schedule of the deliverables.

Per Article 9 of the contract between NYSDOT and Merrill Lynch, before the FA Team can begin performing work outside of the contract, “extra work,” the FA Consultant must submit a written notification justifying the extra work. No extra work shall be started prior to the written authorization from NYSDOT and the FHWA.

Work that is outside the scope of the current deliverables may also be identified for possible inclusion in STEP 2 of this study by the Finance Manager.

6.2 COST MANAGEMENT

All invoices shall be prepared in accordance with NYSDOT procedures and comply in every respect. The Finance Manager shall review the consultant payment request for completeness, accuracy and compliance with contract provisions. If the payment request has been completed in an acceptable manner, the payment shall be approved by the Finance Manager and progressed to NYSDOT’s Accounting Bureau for processing through the New York State Comptroller’s Office for payment.

6.3 SCHEDULE OF DELIVERABLES

Submit Date	Title of Deliverable	Task Code
04/30	Initial STEP 1 Management Plan	A01
04/30	Comprehensive Database	F01
05/15	Legal Inventory	L01
05/29	Initial Financing Model Parameters	F02
06/15	Debt Defeasance Model	F03
06/30	Preliminary Core Strategies Financing Model	F04
07/01	Legal Implication of Alternatives	L02
07/15	Preliminary Alternatives Review	S01
07/30	Updated STEP 1 Management Plan	A02
09/30	Draft Core Strategies Report	S02
	Draft Legal Strategic Plan	L03
11/12	Draft Core Strategies Financing Model	F05
12/02	Final Legal Strategic Plan	L04
12/16	Final Core Strategies Financing Model	F06
12/30	Final Core Strategies Report	S03

6.4 STEP 1 MILESTONES

07/15 Preliminary Alternatives Review - The FA Team will present information on a wide range of possible approaches to fund the Project, clarifying the pros and cons, potential financial effects and legal hurdles to each of the different funding alternatives, ownership structures and operating models. This milestone will mark the beginning of the narrowing of possible solutions to those that are the most promising.

09/30 Draft Core Strategies Report – The FA Team will present a clear compilation of the results of all of the work which precedes it and how a narrowed group of Core Strategies were identified as the most promising. There will be comparisons of various components of individual alternatives along legal, financial and policy lines. This milestone will serve to focus subsequent work to a finite list of financing approaches and identify the additional work to address any remaining concerns about analysis, conclusions or presentations.

12/30 Final Core Strategies Report – The FA Team will present the most promising financial structures, show how they relate to policy goals, support the financial structures with an analytical framework that may be used for precise analysis in STEP 2, and outline the subsequent legal and other actions required to pursue each strategy. This report will set the stage for more focused and rigorous analysis in STEP 2, which will lead to the selection of an approach for financing the Project.

7. REPORTING AND TRACKING

7.1 MONTHLY PROGRESS REPORT

The FA Consultant is responsible for preparing and submitting a Monthly Progress Report by the 5th of each month. This report will provide the status on all deliverables and the budget item for non-salaried costs. The monthly report will discuss progress, changes, or issues recognized in the prior month, as well as any foreseeable trends and forecasts that may impact the Project.

The Finance Manager will determine the format of this report before the first due date. The content will include:

Executive Summary - This section summarizes the key accomplishments of the previous month and progress toward meeting the scheduled dates for the Project Milestones of the Preliminary Alternatives Review, Draft and Final Core Strategies Reports.

Important Issues - This section identifies key issues that may impact one or more deliverables relating to scope, budget, schedule, tasks, or decisions. It will include proposed actions to manage scope, schedule and costs.

Status Update – For each deliverable of STEP 1, this section identifies what has been accomplished to date, factors that may impact scope and schedule and how they are being addressed, an action plan for the next month, and confirms the expected delivery date. For the “Non-salaried Costs,” the budget will be summarized with life-to-date costs, the prior month’s expenses, and the remaining balance of the budget.

Schedule Update - This section updates the project schedule as necessary to reflect the items noted in the other sections.

7.2 COMPLIANCE WITH FEDERAL REQUIREMENTS

The Project financial study is proceeding in concert with the Project EIS Study, which is being conducted in compliance with NEPA, as amended, and implemented by the CEQ regulations (40 CFR parts 1500-1508), the FTA/FHWA Environmental Impact regulations (23 CFR part 771), and the FTA/FHWA Statewide Planning/Metropolitan Planning regulations (23 CFR part 450), as well as the requirements of the SAFETEA-LU Section 6002.

There are additional FHWA requirements specifically regarding the financing of the Project. As the Project total cost exceeds \$500 million, it meets the threshold for being a “Major Project” per 23USC106(h). Section 1305(b) of the Transportation Equity Act for the 21st Century (TEA-21) established that all Major Projects will require an “Initial Financial Plan,” which will need to be developed in later steps.

The FHWA has oversight responsibilities on this Project Financing Study. In that context, NYSDOT will not take any of the following actions without first receiving the express approval of FHWA:

- Approving the STEP 1 Management Plan, which includes the schedule of deliverables and budget
- Any amendment to the contract, including the addition of “Extra Work”
- Any consultant staff changes
- Any implementation of STEP 2 or STEP 3 of the contract.

8. RISK MANAGEMENT

Risk management is the process by which uncertainties are identified and treated through effective management response.

The Title 23 Major Projects requirements are implicitly a risk management function. In order to progress large projects, States are required to develop comprehensive, reasonable and workable plans of finance before project construction begins. This Federal guidance requires that project financing recognizes and anticipates risks associated with project design, scope, schedule and cost. This STEP 1 Management Plan is the first step in the process that will culminate with the Major Projects Financial Plan that enables project construction to begin. The changing economic environment clearly amplifies the risks associated with financing this project.

In order to address risks, this contract has been designed to be adaptable. As described in Section 1, developing a financing plan will be accomplished through a three step process over five years. With STEP 1, the primary risk management objective is to bring into focus the most promising strategies that will enhance the decision making process over the subsequent one to two years of STEP 2. By starting STEP 2 with a number of possible strategies to explore and refine, we ensure that the financing approach is adaptable in the face of project and economic changes that may occur over the next years.

8.1 MAJOR RISK AREAS IDENTIFIED AND MITIGATIONS PROVIDED

The following major risk categories have been identified and mitigation plans are discussed:

- 1) The primary risk management category in STEP I is the changing economic environment. By reviewing a wide range of strategies and keeping many options open as the study moves to the next steps, the process remains flexible. Limiting options at this early stage would greatly increase the risk of reaching construction without a financing solution.
- 2) Focus on Legal Issues: In addition to the economic and financial concerns, STEP 1 recognizes the importance of potential legal obstacles to implementing project financing. The analysis to be performed from the Legal Inventory through the development of the Legal Strategic Plan will ensure that legal issues are recognized and can be addressed.
- 3) Public acceptance of financial strategies is another important area of risk. This area of risk will be managed by communication with the public throughout the process, in conjunction with the EIS. (See Section 5.)

- 4) Project Financing must stay in sync with the project itself. As outlined in Section 3, this aspect of risk is managed by the close working relationship between the Finance Manager and the EIS Project Director. Many of the Project Partner representatives are also participating on the Project EIS Team.