BUILD AMERICA CENTER
INNOVATIVE FINANCING AND DELIVERY OF TRANSPORTATION INFRASTRUCTURE

Value for Money Analysis Principles and Standards

The Build America Center's (BAC) Generally Accepted Value for Money (VfM) Analysis Principles and Standards establish a standardized, industry-driven framework to guide agencies in conducting and reviewing VfM analysis. With the Infrastructure Investment and Jobs Act (IIJA) requiring VfM analysis for specific categories of projects receiving federal financial assistance, the Principles and Standards aim to ensure that VfM analysis serves as an objective, comprehensive, consistent, robust, and transparent comparison of all practical delivery models to inform the selection of the most optimal option.

1. Objectivity

- [ ] **Standard 1.1:** A VfM analysis must **consider all practical conventional and alternative delivery options** for the procuring agency. If certain options are not considered practical, the **rationale for why they are not practical must be documented.**
- [ ] **Standard 1.2:** A VfM analysis must remain unbiased by **considering multiple perspectives** throughout its development.
- [ ] **Standard 1.3:** A VfM analysis must use **data that is up-to-date, statistically relevant** (to the extent available), **and grounded in experience**, with all sources thoroughly documented. It must **acknowledge when the information used is incomplete or uncertain** (as applicable).
- [ ] **Standard 1.4:** To the extent realistic and feasible, an **independent analysis of past performance** under all practical delivery models must be conducted to generate a database of reliable information.
- [ ] **Standard 1.5:** A VfM analysis must describe **how overhead costs and retained risks are considered** under all practical conventional and alternative delivery options.
- [ ] **Standard 1.6:** A VfM analysis must clearly **describe the key assumptions with regard to any Federal grants or loans received or expected** under all practical conventional and alternative delivery options.
- [ ] **Standard 1.7:** A VfM analysis must **specify the perspective from which it is conducted** (e.g., agency, state, or federal government). When federal funding or financing is used, the federal government's perspective must be applied along with the procuring agency's perspective.

2. Comprehensiveness

- [ ] **Standard 2.1:** A VfM analysis must **specify all project delivery goals and consider all relevant differences** between all practical conventional and alternative delivery options, as they relate to those goals.
- [ ] **Standard 2.2:** A VfM analysis must **adopt a life-cycle approach when estimating the costs** of all practical conventional and alternative delivery models. This **estimation process must be data-driven, evidence-based, and verifiable** by a third party.
- [ ] **Standard 2.3:** A VfM analysis must **consider both direct and indirect costs**.
- [ ] **Standard 2.4:** A VfM analysis must consider the **costs of public financing or private financing for the project**, taking into account the value of risks transferred to the private investors and financiers under alternative delivery.
- [ ] **Standard 2.5:** A VfM analysis must consider differences in the **benefits (economic) and/or revenues (financials)** generated by the project under each delivery model.
- [ ] **Standard 2.6:** A VfM analysis must **consider all major risks** throughout the project lifecycle.
- [ ] **Standard 2.7:** A VfM analysis must include **consideration of risks transferred** to the private entity as well as **risks retained** by the public agency.
- [ ] **Standard 2.8:** A VfM analysis must **consider differences between project delivery schedules** in all practical conventional and alternative delivery options.

3. Consistency

- ☐ **Standard 3.1:** VfM analysis must **define the project scope and consistently apply it** across all delivery models.
- ☐ **Standard 3.2:** VfM analysis must **clearly describe and consistently apply standards, procedures, and assumptions**. Any changes or updates to these standards, procedures, or assumptions must be disclosed and clearly documented.
- ☐ **Standard 3.3:** VfM analysis must be **conducted (i) early in project development** before initiating the procurement process, (ii) **before signing a pre-development agreement** (for a progressive P3), and (iii) **before signing a concession agreement** with a private entity.
- ☐ **Standard 3.4:** The scope of the PSC in a VfM analysis developed after procurement and before signing a concession agreement at commercial close must **reflect any and all relevant changes in the alternative delivery scope** (excluding innovations proposed by the winning bidder) and **risk allocation**, and **revisions of the technical standards** needed to allow for any Alternative Technical Concepts (ATCs).
- ☐ **Standard 3.5:** A VfM analysis that is developed after the procurement and before signing a concession agreement at commercial close must **reflect changes in the alternative delivery scope and risk allocation**.
- ☐ **Standard 3.6:** A VfM analysis that is developed after the procurement and before signing a concession agreement at commercial close must **specify how it treats "sunk costs."**

4. Robustness

- ☐ **Standard 4.1:** A VfM analysis must **only be quantitative when reliable data is available**. When it is not available, a VfM analysis must **rely more heavily on a qualitative analysis**.
- ☐ **Standard 4.2:** A quantitative VfM analysis must **assess uncertainty using appropriate methods** (e.g., sensitivity analysis) and present results in ranges.
- ☐ **Standard 4.3:** A VfM analysis must clearly **explain the concepts of discount rates and financing costs, justify any assumptions**, and **show the sensitivity** of the outcomes to these variables.
- ☐ **Standard 4.4:** When there are **material differences in the socio-economic benefits** accruing from the delivery models, a VfM analysis must, to the extent practicable, apply well-established benefit-cost analysis procedures.

5. Transparency

- ☐ **Standard 5.1:** A VfM analysis must **document all relevant details about how the analysis was conducted**, its **limitations**, and its **results** in order to be verifiable.
- ☐ **Standard 5.2:** A quantitative VfM analysis must **present each component distinctly and independently**, with particular emphasis on lifecycle costs, financing costs, and risk valuation with transparent use of escalation and discount rates to calculate present values.
- ☐ **Standard 5.3:** A VfM analysis **financial model must be transparent, easy to follow, well-documented, and structured.**
- ☐ **Standard 5.4:** The **VfM analysis and all associated documentation must be accessible and available**.
- ☐ **Standard 5.5:** The presentation of the VfM analysis results should clearly highlight the key differences between delivery models.

Scan to download the full VfM Standards and Principles

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