



# INDIANA DEPARTMENT OF TRANSPORTATION

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**Michael R. Pence, Governor**  
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April 14, 2016

Richard J. Marquis  
Division Administrator  
FHWA Indiana Division  
575 N Pennsylvania St., Room 254  
Indianapolis, IN 46204

Subject: I-69 Section 5 Financial Plan Letter of Certification

Dear Mr. Marquis:

The Indiana Department of Transportation (INDOT) present this Financial Plan Annual Update for the I-69 Section 5 Project (the Project) in accordance with the requirements of Section 106(h) of Title 23, as amended by Section 1305(b) of the Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21), as amended by Section 1904(a) of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) and further amended by Section 1503(a)(4) of Moving Ahead for Progress in the 21<sup>st</sup> Century (MAP-21). This Annual Update conforms to the requirements set out in Federal Highway Administration (FHWA) December 2014 *Major Project Financial Plan Guidance*.

This 2015 Financial Plan Annual Update provides the schedule for delivering the Project, cost estimates, and expenditure data through State Fiscal Year (SFY) 2015 (June 30<sup>th</sup>), and financial analyses developed for the Project as of this date. The cost data in this Financial Plan Annual Update provides an accurate accounting of costs incurred through the reporting period and includes an estimate of future costs based on engineers' estimates and reasonable estimates of construction related inflation factors available at the time. The estimates of financial resources to fund the Project also represent an accurate accounting of funds expended through the reporting period and best information and reasonable assumptions for future resources that were available. The State of Indiana is the Project sponsor which was procured and managed by a partnership between the Indiana Finance Authority and INDOT. The department will review and update the Financial Plan on an annual basis.

To the best of our knowledge and belief, the Financial Plan Annual Update, as submitted, fairly and accurately presents the financial position of the Project, cash flows, and expected conditions for the Project's lifecycle. The financial forecasts are based on our judgment of the expected project conditions and course of action. We have made available all significant information that is relevant to the Financial Plan and to the best of our knowledge and belief, inputs and assumptions derived from these documents and records are appropriate.

Respectfully submitted,

Daniel L. Brassard  
CFO, Deputy Commissioner - Finance  
Indiana Department of Transportation



I-69 Section 5: Bloomington to Martinsville

# Project Financial Plan 2015 Update

**March 2016**

Submitted to:  
**Federal Highway  
Administration**



Submitted by:  
**Indiana Department of  
Transportation**



In conjunction with:  
**Indiana Finance Authority**



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## CHAPTER 1. PROJECT DESCRIPTION

### INTRODUCTION

*This document presents the 2015 Annual Update to the Initial Financial Plan (IFP) for Section 5 of the I-69 Project (the Project or the I-69 Project), including current cost estimates, expenditure data through State Fiscal Year (SFY) 2015, the current schedule for delivering the Project, and the financial analyses developed for the Project. This Financial Plan Annual Update (FPAU) has been prepared generally in accordance with FHWA's Financial Plans Guidance.*

### 2015 FINANCIAL PLAN UPDATE

The purpose of this 2015 FPAU is to provide the annual updated summary of estimated costs and revenues for the I-69 Section 5 project from Bloomington to Martinsville, IN as required by Section 106 of Title 23 and modified by Section 1305 (b) of the Transportation Equity Act for the 21st Century (TEA-21) and Section 1904 of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) and further amended by Section 1503(a)(4) of Moving Ahead for Progress in the 21st Century (MAP-21). Costs associated with the 2015 FPAU are as of June 30, 2015.

### PROJECT OVERVIEW

The I-69 Evansville to Indianapolis corridor received a Tier 1 Record of Decision (ROD) in 2004 which divided the 142 mile corridor into six sections of independent utility. Section 5 of the I-69 corridor follows SR 37 extending from southwest of Bloomington near Victor Pike to SR 39, south of Martinsville, Indiana. I-69 Section 5 (the Project) utilizes SR 37, currently a partially access controlled four-lane divided highway, to be improved to a fully access controlled freeway. The Indiana Department of Transportation (INDOT) prepared and the Federal Highway Administration (FHWA) approved the I-69 Section 5 Tier 2 Final Environmental Impact Statement (FEIS) and the ROD selecting refined preferred alternative 8 for the Project. Refined preferred alternative 8 provides for construction of an urban six-lane section from the southern terminus of the Project, south of the Fullerton Pike interchange, to the Sample Road Interchange. I-69 north of Sample Road Interchange will follow a rural 4-lane section to the northern project terminus.

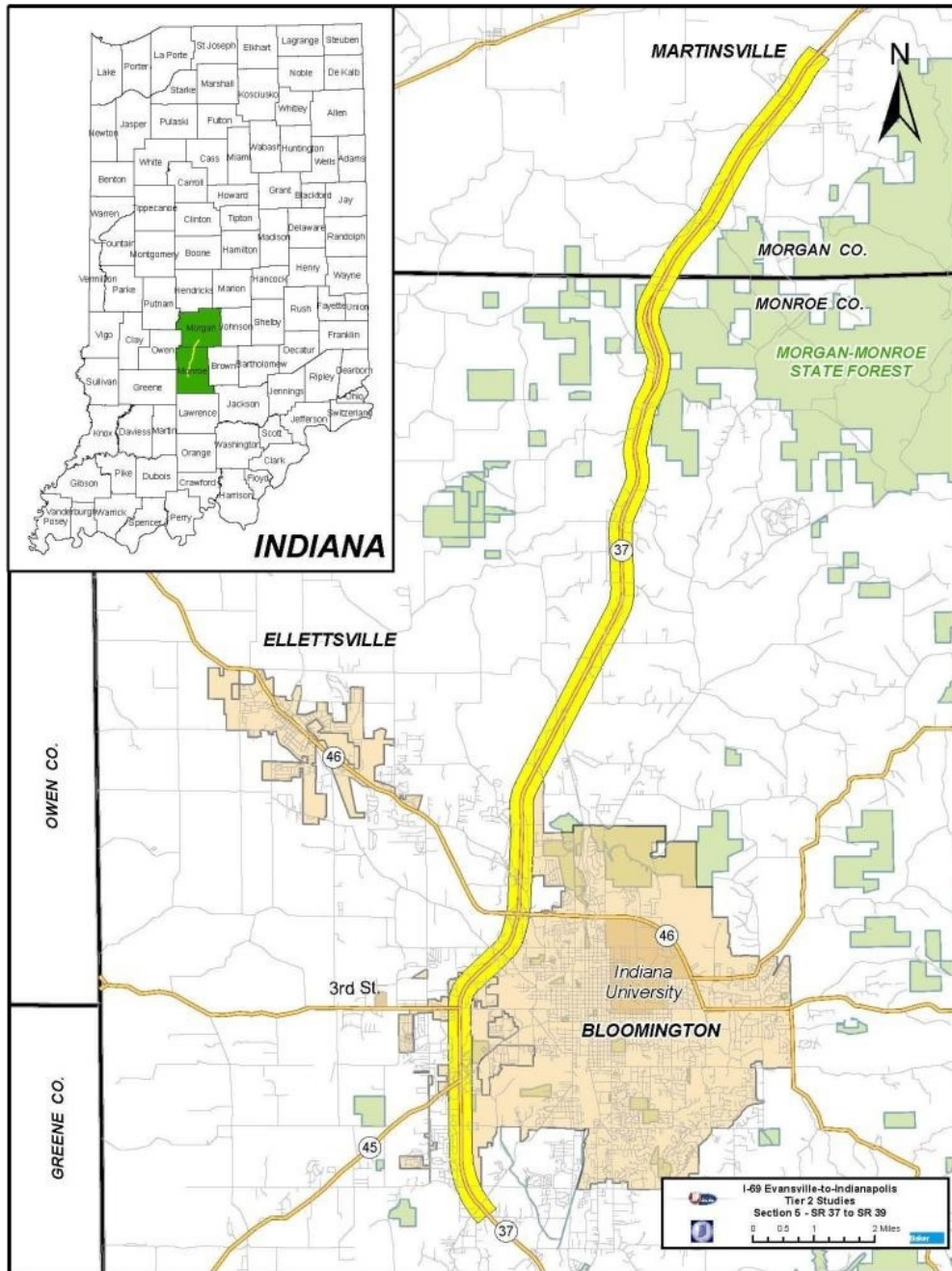
### PROJECT SPONSOR

The State of Indiana is the Project Sponsor for Section 5 of the I-69 Project. The project will be procured and managed by a partnership between the Indiana Finance Authority (IFA) and the INDOT.

### PROJECT DETAIL

The Project begins at State Road 37 in Bloomington, IN and extends north approximately 21 miles to SR 39 in Martinsville, IN. The Project extends through Monroe and Morgan Counties, Indiana, with the majority of the Project being in Monroe County. The purpose of the Project, as well as the broader I-69 project, is to strengthen the transportation network in the State, support economic development in the region and complete the portion of the broader I-69 project between Evansville and Indianapolis. Figure 1-1 below illustrates the general location and length of the Project.

**Figure 1-1 I-69 Section 5 Corridor Map**



## PROJECT APPROACH

INDOT plans to develop I-69 Section 5 as a Public-Private Partnership (P3) project. The project sponsors (IFA and INDOT) will solicit proposals for the design-build-finance-operate-maintain (DBFOM) of the Project.

On April 8, 2014, IFA entered into a Public-Private Agreement (PPA) with the I-69 Development Partners (the “Section 5 Developer”) for the DBFOM of the project. On July 23, 2014, IFA and the Section 5 Developer achieved financial close. This update includes the costs as bid by the Developer plus those incurred by INDOT.

## PROJECT HISTORY

Briefly, Sections of Independent Utility (SIU) 3 of the National Corridor is the Evansville to Indianapolis project in Indiana. In March 2004, the FHWA issued a Tier 1 ROD for the Evansville to Indianapolis section of I-69. The Tier 1 ROD selected a “corridor” - that is, a band generally 2,000 feet in width, but narrower in some places and broader in others - for I-69 between Evansville and Indianapolis. In addition, the Tier 1 ROD divided the Evansville to Indianapolis project into six separate sections for more detailed Tier 2 studies. Sections 1-3 are constructed and open to traffic. Section 4 located from US 231 to SR 37 south of Bloomington is currently under construction and expected to be open to traffic by the end of the 2015 calendar year. Section 5 has received its FEIS and ROD. Section 6 from south of Martinsville to Indianapolis is undergoing environmental studies. Section 5 is the second section from the north; it extends from SR 37 southwest of Bloomington to SR 39 in Martinsville. This financial plan focuses on Section 5.

A full discussion of the Project History can be found in the Draft (Environmental Impact Statement) EIS or the FEIS, found on the internet at this address <http://www.i69indyevn.org/>.

## PROJECT IMPLEMENTATION – MANAGEMENT AND OVERSIGHT

The State of Indiana is the Project Sponsor for the Project and intends to manage and deliver the project jointly between the INDOT and the IFA. The following is additional detail on the roles and responsibilities of various parties.

- **INDOT and IFA** supported by their Technical Team (described below), will be responsible for all aspects of the I-69 Section 5 contract.
- **Chief Legal Advisor** will supplement and assist state personnel with short listing of potential developers, contract language, and contract negotiations and will work under the direction of IFA. The contract is known as the PPA.
- **Technical Procurement Advisor** will supplement and assist state personnel with technical provisions, design review, contract administration, construction inspection, and quality control and quality assurance activities and will work under the direction of INDOT.
- **P3 Financial Advisor** will supplement and assist state personnel with financial

issues associated with Developer selection, financing, cash flow, and project financial close.

- **Section 5 Developer** - IFA and INDOT issued a final Request For Proposals (RFP) in October 2013 for a developer to design, construct, and finance Section 5 of the I-69 Project, and operate and maintain portions thereof.

## **2015 FINANCIAL PLAN UPDATE**

IFA and INDOT selected I-69 Development Partners, a consortium consisting of Isolux Infrastructure and Infra-PSP, as the preferred proposer and entered into a PPA on April 8, 2014 for the DBFOM of the project.

- **Standing Advisory Teams**  
There are several standing advisory teams with specific historical and environmental functions that also serve as information outlets. These advisory teams have varying duties which include providing recommendations during development of contract provisions regarding design of the Project; providing feedback on plans with the specific needs of the communities in mind as well as the region at large.

## CHAPTER 2. PROJECT SCHEDULE

### INTRODUCTION

*This chapter provides information on the planned implementation schedule for the Project. It also provides additional information regarding the allocation of implementation responsibilities and a summary of the necessary permits and approvals.*

### PROJECT SCHEDULE OVERVIEW

The current Project schedule is based on delivery of the Project under an Availability Payment (AP) concession. The Project is expected to be complete by the fall of 2016 as shown in Table 2-1 below.

**Table 2-1 Project Schedule Overview**

| YEAR                  | 2012 and prior     | 2013               | 2014               | 2015               | 2016 |
|-----------------------|--------------------|--------------------|--------------------|--------------------|------|
| <b>I-69 Section 5</b> |                    |                    |                    |                    |      |
| Environmental         | IFP                |                    |                    |                    |      |
|                       | Update - June 2015 |                    |                    |                    |      |
| Prelim Design         |                    | IFP                |                    |                    |      |
|                       |                    | Update - June 2015 |                    |                    |      |
| Final Design          |                    |                    | IFP                |                    |      |
|                       |                    |                    | Update - June 2015 |                    |      |
| Right-of-Way          |                    |                    | IFP                |                    |      |
|                       |                    |                    | Update - June 2015 |                    |      |
| Utilities Relocation  |                    |                    | IFP                |                    |      |
|                       |                    |                    | Update - June 2015 |                    |      |
| Construction          |                    |                    |                    | IFP                |      |
|                       |                    |                    |                    | Update - June 2015 |      |

The State of Indiana, in the IFP, anticipated awarding a construction contract in the spring of Calendar Year 2014, as shown in the procurement schedules in the Project Delivery discussion below. The ROD was received in August 2013, and the level of completed design by the Final RFP was approximately 10% complete. ROW acquisition was initiated during the summer of 2013 and was completed on or before July 2015 with a parcel acquisition schedule included in the Final RFP.

### 2015 FINANCIAL PLAN UPDATE

The current Project schedule is based on delivery of the Project under an AP concession. Per the Developer's Project Baseline Schedule and their June 2015 Monthly Project Schedule update, the Project is expected to be complete by the fall of 2016 (see Table 2-2 below).

The PPA was awarded in the spring of Calendar Year 2014, as shown in the procurement schedules in the Project Delivery discussion below. The ROD was received in August 2013. Final Design was initiated during the procurement phase of the project and the level of design by the time the Final RFP was issued in January 15, 2014 was approximately 10% complete. Design continues to be advanced with the Section 5 Developer commencing design in June 2014. Design was to be completed by summer of 2015, but will be done by the end of 2015 (all design activities that have yet to be completed are for construction activities in 2016). ROW acquisition was initiated by INDOT during the summer of 2013 and was complete on or before July 2015.

The 2015 FPAU project schedule has not changed since last year's Update project schedule. Numerous activities across design, utilities, permits, and construction have in fact been modified by the Developer due to their own slow initiation and performance of their own activities. As such, the Developer has updated their schedule to modify production rates and intermediate completion dates, but as of June 2015, their Substantial Completion date remains October 2016.

## PROJECT DELIVERY

The State of Indiana has evaluated various alternative contracting methods permitted under current Indiana law. Such alternative delivery models are expected to enhance the feasibility of the Project through accelerated project delivery; avoidance of inflation costs; the infusion of additional sources of financing; and the transfer of various risks to the private sector, such as construction risk, and/or long-term operating and maintenance risks. As a result, Section 5 of the I-69 Project is being procured as an AP concession. Table 2-2 provides the current procurement schedules for each component.

## PROCUREMENT SCHEDULE

**Table 2-2 Procurement Schedule**

| Scheduled Item                                     | Dates      |
|--|------------|
| Issue Request for Qualifications (RFQ)             | 5/23/2013  |
| Statement of Qualifications (SOQ) Due Date         | 7/9/2013   |
| Anticipated Announcement of Short-listed Proposers | 7/30/2013  |
| Circulate Draft of RFP to Short-listed Proposals   | 7/1/2013   |
| Issue final RFP                                    | 10/15/2013 |
| Proposal Due Date                                  | 1/21/2014  |
| Award and execution of PPA (Commercial Close)      | 3/1/2014   |
| Financial Close                                    | 6/1/2014   |
| Substantial Completion                             | 10/31/2016 |

## 2015 FINANCIAL PLAN UPDATE

The project procurement schedule was executed according to schedule through the

proposal due date. Execution of the PPA (i.e., commercial close) occurred on April 8, 2014 and financial close occurred on July 23, 2014. Substantial Completion is scheduled for October 31, 2016. The 2015 FPAU procurement schedule has not changed since the prior Update procurement schedule.

## CHAPTER 3. PROJECT COSTS

### INTRODUCTION

*This chapter provides a detailed description of Project cost elements and current cost estimates in year-of-expenditure dollars for each element. This chapter also summarizes the costs incurred to date since the original Notice of Intent was published in the Federal Register and provides detail on key cost-related assumptions.*

### COST ESTIMATES

The IFP total estimated cost for the Project was \$406.7 million, based on 2012 dollar estimates included within the August 2013 Cost Estimate Review (CER). This cost estimate reflects updated estimates to those prepared in 2013 by the CER process and includes the most current project phasing and anticipated schedule, and is updated for actual expenditures incurred by INDOT in FY2015.

The Draft EIS provided a wide range of alternatives with varying cost estimates. Using Refined Preferred Alternative 8 and Minimal Impact Design Criteria, the costs for the project have increased. Further costs are anticipated as construction proceeds.

Table 3-1 provides an overview of Project costs, broken down by project component and section and comparing the IFP with 2014 and 2015 Updates. The estimates are presented in year-of-expenditure dollars and incorporate reasonable inflation estimates, as described further below. The current cost estimate of \$472.3 million is \$6.5 million more than the prior year's cost estimate as presented in the 2014 Update of \$465.8 million and \$65.6 million more than the IFP of \$406.7 million. The increase reflects significant changes between planned and actual expenses in a few cost categories, as described further below.

**Table 3-1 Project Cost Estimate by Project Phase (in \$ millions)**

|                                  | Initial<br>Total<br>Cost | Post Bid Cost<br>Comparison | 2014 FPU<br>Items Not in<br>Orig. Est | 2015 FPU<br>Items Not in<br>Orig. Est | Updated<br>Total Cost | Change<br>from IFP |
|----------------------------------|--------------------------|-----------------------------|---------------------------------------|---------------------------------------|-----------------------|--------------------|
| I-69 Section 5                   |                          |                             |                                       |                                       |                       |                    |
| PE & Final Design                | \$ 20.2                  | \$ 20.2                     | \$ 58.8                               | \$ -                                  | \$ 79.0               | \$ 58.8            |
| Right of Way <sup>1</sup>        | \$ 48.3                  | \$ 47.4                     | \$ -                                  | \$ 16.8                               | \$ 64.2               | \$ 15.9            |
| Construction <sup>2</sup>        | \$ 58.6                  | \$ 237.7                    | \$ 3.0                                | \$ (19.1)                             | \$ 221.6              | \$ (37.0)          |
| Utility Relocations <sup>3</sup> | \$ 5.0                   | \$ 50.2                     | \$ -                                  | \$ 8.8                                | \$ 59.0               | \$ 4.0             |
| Mitigation Costs                 | \$ 11.7                  | \$ -                        | \$ -                                  | \$ -                                  | \$ -                  | \$ (11.7)          |
| CEI, Admin & Program Costs       | \$ 13.0                  | \$ 10.8                     | \$ 37.7                               | \$ -                                  | \$ 48.5               | \$ 35.5            |
| <b>PROJECT TOTAL</b>             | <b>\$ 406.7</b>          | <b>\$ 366.3</b>             | <b>\$ 99.5</b>                        | <b>\$ 6.5</b>                         | <b>\$ 472.3</b>       | <b>\$ 65.6</b>     |

- 1) ROW estimates are based on current INDOT expenditures, estimates, and bid prices. The post bid cost comparison is provided to compare bid and relevant current expenditures against the initial estimate. For 2015 FPU, the ROW costs were increased by \$16.8 million due to higher than anticipated condemnations, claims and relocations.



- 2) The original bid prices for the Construction cost were much lower than originally predicted (this figure also includes mitigation - included separate in the initial estimate - and Bridge 161 - not part of the IFP construction estimate). Includes the \$3.0 million for potential change orders, but a reduction of \$19.1 million occurred due to a \$0.9 million increase to address higher than predicted costs for the Mitigation contracts and a \$20 million reduction to appropriately allocate the Utility Milestone.
- 3) Utility estimates are based on current INDOT expenditures, estimates, and bid prices. For 2015 FPU, the Utility Relocation costs increased by \$8.8 million due to the increased estimate associated with Washington Township Water's relocation.

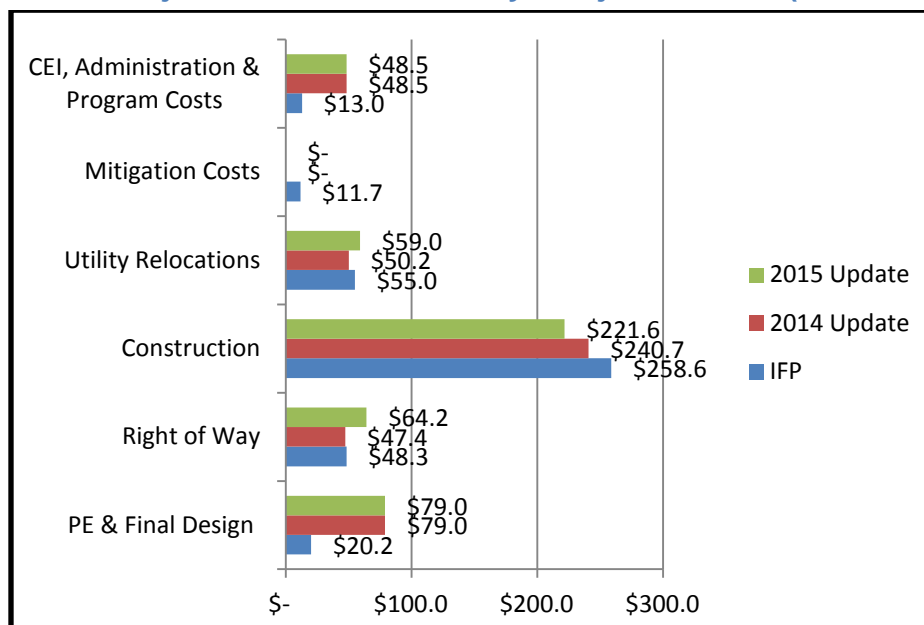
## 2015 FINANCIAL PLAN UPDATE

The IFP estimate was based on the Draft EIS Refined Preferred Alternative 8 and Minimal Impact Design Criteria. The current total estimated cost for the Project is \$472.3 million, based on 2015 dollar estimate. This cost estimate:

- reflects updated costs reflected as part of the Section 5 Developer's bid,
- includes the most current project phasing and anticipated schedule,
- includes updated actual expenditures incurred by INDOT in FY2015,
- adds and updates anticipated expenditures yet to be incurred by INDOT,

Figure 3-1 provides an overview of Project costs, broken down by project component. The estimates are presented in year-of-expenditure dollars and compared to the IFP and 2014 Update estimates. As shown in Figure 3-1, construction costs/estimates have decreased since the IFP by \$37 million while design/preliminary engineering, right of way, and utilities relocations costs/estimates have increased by \$66 million, \$16 million, and \$4 million respectively. The rationale for these changes is explained above in Table 3-1 and further in Chapter 4.

**Figure 3-1 Project Cost Estimate by Project Phase (in \$ millions)**



## INFLATION ASSUMPTIONS

For the purpose of this FPAU, the following inflation assumptions have been applied:

### Project Year Inflation Rate

2014: 2.5%  
 2015: 2.5%  
 2016: 2.5%  
 2017 & after: 2.5%

These inflation rates reflect calendar year rates that were then applied on a prorated basis to monthly expenditure forecasts. These assumptions are based on the CER.

## 2015 FINANCIAL PLAN UPDATE

The bid from the Section 5 Developer is a fixed-price bid and, therefore, inflation rates were not applied to the costs associated with activities that the Section 5 Developer will perform.

## COST ESTIMATING METHODOLOGY

Initial cost estimates were developed by the General Engineering Consultant, in conjunction with INDOT and FHWA. The cost estimates were developed by breaking down the Project into the six major sections plus an “Other Costs” category and, further, into nine major elements. The methodology for each element is further described below in Table 3-2.

**Table 3-2 Cost Estimating Methodology**

| <b>Cost Elements</b>  |
|---|
| <b>Engineering and Design</b>   |
| <i>Preliminary and final engineering design services.</i>   |
| Final engineering will be part of the alternative delivery contracts for the I-69 Section 5. Engineering and design cost estimates are currently estimated at 7.5% of the construction cost estimate. |
| <b>Design Program Management</b>  |
| <i>Cost to state for services of the GEC during the design phase and miscellaneous departmental program management costs.</i>   |
| Program Management estimates are based on currently negotiated contracts and estimates that cover the currently planned Project schedule.   |
| <b>Construction Administration and Inspection</b>   |
| <i>All construction and program management, administration, and inspection activities during the construction phase of the Project.</i>   |
| Construction Administration and Inspection costs are estimated at 5% of the construction cost estimate.   |
| <b>Construction</b>   |
| <i>Estimated cost of construction.</i>  |
| Construction estimates reflect current prices inflated for year of expenditure utilizing a large alternative delivery contract.   |
| <b>Construction Contingency</b>   |

|   |
|---|
| <b>Cost Elements</b>  |
| <i>Contingency to cover additional construction services in the event unforeseen circumstances arise that result in additional cost.</i>  |
| Construction contingency estimates are based on the level of engineering undertaken to date for each Project section. Contingency factors have been developed based on the August 2013 FHWA CER that assessed the likelihood and potential cost of various major project risk items using a monte- carlo simulation to evaluate the overall potential cost impact. Contingencies have been adjusted to match the recommended 70th percentile cost estimate from the August 2013 FHWA CER. |
| <b>Utilities</b>  |
| <i>All public and private project-related utility relocation and new utility construction.</i>  |
| Costs include those related to telephone, electric, gas, fiber optics, water, sewer, TV cable, and storm drainage and are based on the most up-to-date cost information available.  |
| <b>Right of Way Acquisition</b>   |
| <i>Appraisals, administration, management, and acquisition of required right of way.</i>  |
| Costs include completed and anticipated right of way acquisition and are based on the most up-to-date market information available.   |
| <b>Enhancements</b>   |
| <i>Various Project-related commitments as identified in the ROD.</i>  |
| This includes fixed dollar commitments made for mitigation for impacts to a 4f facility (as agreed to by the jurisdictional authority) and various other National Environmental Protection Act (NEPA) commitments.  |
| <b>Mitigation</b>   |
| <i>Implementation of mitigation of sensitive impacts.</i>   |
| This includes costs for such items education for the historic landscape districts associated with the limestone industry, wetland, stream and forest creation and preservation.   |

## 2015 FINANCIAL PLAN UPDATE

FPAU cost estimates for the remaining activities have been developed as a combination of expended INDOT funds as of the end of FY2015, components of the Section 5 Developer’s bid, and expected distribution of remaining design oversight, construction oversight and construction funds with no change since the last FPU.

**Table 3-2-2015 FPU Cost Estimating Methodology**

|   |
|---|
| <b>Cost Elements</b>  |
| <b>Engineering and Design</b>   |
| <i>Preliminary and final engineering design services.</i>   |
| Engineering estimate is based on the currently contracted work for the alternative delivery contracts for the I-69 Section 5; the estimated effort for design and construction oversight and the Developer’s bid for final design.  |
| <b>Construction Administration and Inspection</b>   |
| <i>All construction and program management, administration, and inspection activities during the construction phase of the Project.</i>   |
| Construction Inspection costs was included as part of the Section 5 Developer’s bid. Additional administration costs covering design and construction management, operations and maintenance (O&M) during construction, and public involvement were also part of the Section 5 Developer’s bid.                                     |
| <b>Construction</b>   |
| <i>Estimated cost of construction.</i>  |
| Construction costs include bid prices for the INDOT let clearing, demolition, Morgan County Bridge 161 replacement (an unexpected project expense), and mitigation as well as the Section 5 Developer’s bid price for construction in the year of expenditure based on current project baseline schedule. The bid price for project |

|  |
|--|
| <b>Cost Elements</b>   |
| contingency is also included as well as a \$3 million contingency for possible change orders.  |
| <b>Utilities</b>   |
| <i>All public and private project-related utility relocation and new utility construction.</i>   |
| Costs include those related to telephone, electric, gas, fiber optics, water, sewer, TV cable, and storm drainage and are based on the most up-to-date cost information available for the utilities moved by INDOT (Type 1) and the utility relocations bid by the Developer (Types 2 and 3).                        |
| <b>Right of Way Acquisition</b>  |
| <i>Appraisals, administration, management, and acquisition of required right of way.</i>   |
| Costs include completed and anticipated right of way acquisition and condemnation expenses and are based on the most up-to-date market information available at the end of FY 2015. Tables 3-3 and 3-3 2015 FPU show the breakdown of costs for the Project annually by Project component and section, respectively. |

## PROJECT EXPENDITURES

Table 3-3 shows the breakdown of costs for the Project annually by component. As noted above, these costs reflect updated costs. As shown in Table 3-4, approximately \$65.6 million more is to be expended through State FY2017 than the IFP and \$6.5 million more than the 2014 Update. This update also differentiates construction costs from construction costs overruns/changes (change orders) and project contingencies. The Project experienced one small cost change of \$13,000 in FY15 for the demolition portion. The FY16 cost change share is estimated to be \$5,000. The contractor inadvertently removed a detached carport and portions of fencing that was not part of the Project scope. As such, these costs are recoverable from the Contractor by INDOT.

**Table 3-3 Project Budget by Fiscal Year (in \$ millions)**

| COSTS / FISCAL YEAR                    | 2013 & Prior   | 2014           | 2015            | 2016            | 2017           | Total           |
|--|----------------|----------------|-----------------|-----------------|----------------|-----------------|
| PE, Environmental, and Final Design    | \$ 14.3        | \$ 23.5        | \$ 21.2         | \$ 13.9         | \$ 6.1         | \$ 79.0         |
| Right of Way                           | \$ 0.7         | \$ 27.7        | \$ 24.8         | \$ 10.1         | \$ 0.9         | \$ 64.2         |
| Construction                           | \$ 0.1         | \$ 1.8         | \$ 39.5         | \$ 102.0        | \$ 76.2        | \$ 219.6        |
| Cost Changes/Project Contingency       | \$ -           | \$ -           | \$ 0.0          | \$ 1.0          | \$ 1.0         | \$ 2.0          |
| Utility and Railroad Relocations       | \$ -           | \$ 0.7         | \$ 28.5         | \$ 29.8         | \$ -           | \$ 59.0         |
| CEI, Administration, and Program Costs | \$ 0.0         | \$ -           | \$ 9.8          | \$ 27.4         | \$ 11.3        | \$ 48.5         |
| <b>Total, Costs</b>                    | <b>\$ 15.1</b> | <b>\$ 53.7</b> | <b>\$ 123.9</b> | <b>\$ 184.1</b> | <b>\$ 95.4</b> | <b>\$ 472.3</b> |

## 2015 FINANCIAL PLAN UPDATE

Table 3-3 shows the breakdown of costs for the Project annually by Project component and section, respectively. As shown, approximately \$192.7 million had been expended on the Project through the end of FY 2015. Expenditures in future years are summarized in the table as well. Approximately \$4 million less was spent in FY 2015 than anticipated from the 2014 FPU Table 2-3-2014 FPU due to a variety of issues associated with higher than anticipated PE, ROW, and Utility costs that were more than offset by the accounting of the Utility MPs. FY2016- FY2017 expenditures shown are estimated project costs.

The actual expenditures for the Project during FY15 were \$4.1 million less than

estimated in the 2014 FPU. A combination of increases and decreases among all categories was realized. PE, environmental, and design had a slight increase of \$0.4 million more than the 2014 FPU figure. This increase is representative of an increase in the number of and lack of quality of the design submissions and reviews than anticipated. \$5.8 million more was expended on RW than estimated in the 2014 FPU due to the accelerated rate consultants performed at to get properties clear for construction. Actual CN expenditures were \$5.3 million less than anticipated in the 2014 FPU. Scheduling and sequencing tasks delays has resulted in CN not occurring at the estimated pace. During FY15 the costs of UT relocations was \$2 million less than estimated in the 2014 FPU. This difference is due to INDOT working with the Utilities to bundle their work for contractors and negotiated bids. Finally, with CN delayed, the expenditures on CEI and administration were \$3 million less than estimated in the 2014 FPU. The net result is \$4.1 million less in expenditures for FY15 over the estimated \$128 million in the 2014 FPU. The overall Project costs increase is \$6.5 million over the 2014 FPU.

Table 3-4 provides a summary of the projected expenditures for the Project by year. It also provides a comparison with the IFP and 2014 Update.

**Table 3-4 Project Budget Summary Comparison by Fiscal Year (in \$ millions)**

| State FY     | IFP             | 2014            | 2015            | Change from 2014 | Change from IFP |
|--------------|-----------------|-----------------|-----------------|------------------|-----------------|
| 2013 & Prior | \$ 15.1         | \$ 15.1         | \$ 15.1         | -                | \$ -            |
| 2014         | \$ 30.1         | \$ 53.7         | \$ 53.7         | -                | \$ 23.6         |
| 2015         | \$ 129.3        | \$ 128.0        | \$ 123.9        | (4.1)            | \$ (5.4)        |
| 2016         | \$ 123.6        | \$ 160.1        | \$ 184.1        | 24.0             | \$ 60.5         |
| 2017         | \$ 108.6        | \$ 108.9        | \$ 95.4         | (13.5)           | \$ (13.2)       |
| <b>Total</b> | <b>\$ 406.7</b> | <b>\$ 465.8</b> | <b>\$ 472.3</b> | <b>6.5</b>       | <b>\$ 65.6</b>  |

In FY15 the Project ROW expenses increased over the 2014 FPU by \$16.8 million due to higher than estimated condemnations, claims, and relocations. \$8.8 million more was required for UT relocations borne by Washington Townships Water. CN activities realized a \$0.9 million reduction during FY15 due to lower than estimated costs for Demolition, Clearing, and Mitigation contracts. Lastly, in the 2014 FPU, the Utility MPs of \$20 million was inadvertently double counted in both the Utility Relocations and Construction lines. In this FPU, the duplication is removed resulting in an apparent CN reduction of \$20 million. The final result for Project wide costs for the 2015 FPU is a net increase of \$6.5 million as shown in Table 3-4 above.

The overall Project wide costs are currently \$65.6 million greater than estimated in the IFP. As described in the 2014 FPU, the increased costs are due to items not accounted for in the Bid and largely not estimated in the IFP. Now included in those costs not captured in the original estimate are associated costs for the additional utility relocation and ROW expenditures.

## CHAPTER 4. PROJECT FUNDS

### INTRODUCTION

*This chapter discusses the project funding sources that are dedicated to the Project. Specifically, it presents the available and committed funding required to complete the Project, including state transportation and federal-aid formula funds, and federal discretionary fund. A discussion of risks associated with funding availability also is included.*

### FINANCIAL PLAN OVERVIEW

This financing plan may differ slightly from the CER given differing terms that IFA/INDOT believe a developer will achieve vis-à-vis current approaches in the P3 market; however, the discrepancies overall are not material and are ultimately based on the same forecasts developed by INDOT and INDOT's technical advisor for the Project.

The IFP reflected the planned funding and finance strategy by which the Project would be financed through a combination of private equity and debt and repaid through a combination of conventional state and federal transportation program funds.

Notwithstanding the capital structure articulated in this pro forma finance plan, any future finance plan for the Project could include a number of financing instruments, including private sector equity, and a combination of debt securities including senior taxable debt, tax-exempt Private Activity Bonds (PABs), subordinated debt and / or privately placed restricted securities. Implicit in this finance plan is the assumption that senior debt will achieve an 'Investment Grade' rating.

The Project Sponsor has developed a financial plan that recognizes the limitations on conventional state and federal transportation funding and finds the right balance of funding alternatives to meet the following goals:

- ensuring Indiana's financial obligations to the Project are manageable,
- ensuring that the Project delivers value to Indiana, taxpayers, project partners, and end users through the lowest feasible Project cost,
- seeking private sector innovation and efficiencies and encouraging design solutions that respond to environmental concerns, permits, and commitments in the FEIS/ROD,
- developing the Project in a safe manner that supports congestion management and economic growth for the region,
- ensuring the Project is constructed within a time period that meets or exceeds final completion target dates, and
- transparently engaging the public and minimizing disruptions to existing traffic, local businesses, and local communities.

The alternative delivery method selected by Indiana has the potential of further reducing

Project costs and enhancing the overall Project finance strategy. Such cost savings will be reflected in future updates to the Financial Plan. Importantly, INDOT and IFA, together with their financial advisor and technical advisor, have developed a pro forma financial plan that provides a certain view of how a private developer may deliver and finance this Project. Ultimately the financial plan will reflect what the preferred developer will propose based on their respective view, as well as their lender and/or underwriter's view, of the Project.

## **2015 FINANCIAL PLAN UPDATE**

This Update to the IFP reflects the planned funding and finance strategy by which the Project's costs will be funded through a combination of conventional state and federal transportation program funds. Private sector financing, including private equity and debt, has been secured by the Developer to support its obligations during the construction period, and the payments under the PPA are being funded through state and federal funding.

## **PROCUREMENT APPROACH AND FINANCING**

The Project was procured using an AP DBFOM procurement model through a PPA. Under this model, IFA will make a series of APs to a developer as consideration for the developer designing and constructing a facility and, following substantial completion thereof, keeping the facility open and available to users in accordance with the performance standards set in the PPA over a 35 year operating period. In addition, IFA will contribute MPs of up to \$60 million in the aggregate, during the construction period, subject to final Project terms per the [PPA Exhibit 4](#).

The finance plan for the Project will reflect a typical P3 project financing whereby the cash flows payable to the developer will secure the senior lien obligations and provide a return for the private sector equity investment.

On May 23, 2013, IFA and INDOT issued a RFQ for the Project. In response to the RFQ, SOQs were received on July 9, 2013. Shortly thereafter, a draft RFP was issued to the shortlisted proposers. The final RFP was issued in October 2013, award and execution of the PPA was in March 2014.

The responses to the RFPs for the Project will include a detailed project development plan as well as a finance plan. In preparing their proposals, proposers will be making their own evaluations of the economics of the Project while developing a responsive financing approach. IFA and its advisors have performed a preliminary analysis of the suitability of PABs for the Project and have concluded that it is likely proposers may wish to include PABs as a source of financing in their finance plans. To this end, IFA sought and United States Department of Transportation (USDOT) has provided a preliminary allocation of \$400 million in PABs that may be, but is not obligated to be, used by a developer in its financing plan.

A combination of state and federal funds will be used to make MPs and APs. INDOT

and IFA will budget for APs using INDOT and IFA's state appropriation determined by the Indiana General Assembly. The sources of federal funds used to support the APs are anticipated to be from the National Highway Performance Program (NHPP). It is anticipated that the developer will utilize a combination of debt and equity to finance initial construction prior to receipt of the MPs and APs from the IFA.

The IFP was developed based on recent market precedent and current market conditions. The plan was developed on a pro forma basis in advance of the selection of a developer. Upon selection of a developer, the Developer's plan of finance will be used to finalize the financial structure for the Project which may include tax-exempt PABs, taxable bond debt or taxable bank debt, in addition to developer equity.

At this stage, the IFP was based on tax exempt PABs and a contribution of public funds by IFA together with developer equity.

## **2015 PROCUREMENT UPDATE**

On July 23, 2014, IFA and the Section 5 Developer achieved Financial Close.

To finance design and construction of the Project, the Section 5 Developer sold \$252 million of PABs and provided \$40.5 million in equity investment. IFA will make five MPs totaling \$80 million to the Section 5 Developer upon the achievement of certain construction (three payments) and utilities (two payments), as specified in the [PPA](#). This represents an additional \$20 million in MPs compared to the IFP. Upon achievement of substantial completion of construction (as defined in the PPA), IFA will commence making periodic APs if certain operating metrics are achieved by the Section 5 Developer. The operating period is 35 years under the PPA. The Maximum Availability Payment (MAP) in FY 2018, the first full fiscal year of operations of \$21.9 million may be adjusted per [PPA Exhibit 9](#), as specified in the PPA, for changes in inflation and the Section 5 Developer's performance during the operating period. IFA is contractually obligated to make milestone and availability payments and has entered into a Milestone Agreement and Use Agreement with INDOT. Under these agreements, INDOT is contractually obligated to make the milestone and availability payments owed to the Section 5 Developer to IFA.

INDOT will use a combination of state and federal funds to fund the milestone and availability payments, as described further below.

## **STATE TRANSPORTATION AND FEDERAL-AID FORMULA FUNDING**

Indiana has historically used federal-aid resources for the Project and has committed specific funding from their respective near-term federal-aid highway funding programs, as described further below in Table 4-1. Federal-aid formula funds provided to the Project have been and will continue to be matched by a combination of state funds. Indiana has a demonstrated track record of meeting their state match obligations with a variety of state funding sources, including state-imposed fuel taxes and a variety of transportation-related fees.



Based on expectations regarding the availability of federal funding, as well as expectations regarding the availability of corresponding state transportation funds, an estimated \$472.3 million of federal-aid highway formula and state transportation funds is reasonably expected to be available to the Project (see Table 4-1). This includes \$192.7 million of federal and state funds estimated to have been expended through state fiscal year 2015.

This Update includes Developer's bid price in the State section under the category 'State Highway Fund'. Previously this amount was split between the Federal and State sections under categories 'National Highway Performance Program' and 'State Highway Fund'. Excluding the Developer's bid price from the Federal fund section provides a clearer picture of federal-aid funds on the Project.

**Table 4-1 I-69 Section 5 Federal and State Funding (in \$ millions)**

| FUND TYPE / FISCAL YEAR   | Financial Plan    | 2013 & Prior    | 2014            | 2015             | 2016             | 2017           | Total             |
|---|-------------------|-----------------|-----------------|------------------|------------------|----------------|-------------------|
| <b>Federal</b>  |                   |                 |                 |                  |                  |                |                   |
| National Highway System (NHS)   | 2015              | \$ 8.4          | \$ 3.6          | \$ 2.3           | \$ 0.7           | \$ -           | \$ 15.0           |
|   | 2014              | \$ -            | \$ -            | \$ -             | \$ -             | \$ -           | \$ -              |
|   | <b>Difference</b> | <b>\$ 8.4</b>   | <b>\$ 3.6</b>   | <b>\$ 2.3</b>    | <b>\$ 0.7</b>    | <b>\$ -</b>    | <b>\$ 15.0</b>    |
| Earmark/Demostration/High Priority Funds  | 2015              | \$ 2.8          | \$ 0.7          | \$ -             | \$ -             | \$ -           | \$ 3.5            |
|   | 2014              | \$ 4.0          | \$ 0.8          | \$ -             | \$ 4.9           | \$ -           | \$ 9.7            |
|   | <b>Difference</b> | <b>\$ (1.3)</b> | <b>\$ (0.1)</b> | <b>\$ -</b>      | <b>\$ (4.9)</b>  | <b>\$ -</b>    | <b>\$ (6.2)</b>   |
| Surface Transportation Program (STP)  | 2015              | \$ 0.0          | \$ 8.0          | \$ 4.0           | \$ 0.8           | \$ -           | \$ 12.9           |
|   | 2014              | \$ 44.4         | \$ 31.2         | \$ 14.3          | \$ 89.9          | \$ -           | \$ 179.7          |
|   | <b>Difference</b> | <b>\$(44.4)</b> | <b>\$(23.2)</b> | <b>\$ (10.2)</b> | <b>\$ (89.0)</b> | <b>\$ -</b>    | <b>\$ (166.9)</b> |
| National Highway Performance Program <sup>1</sup>                               | 2015              | \$ 0.2          | \$ 29.1         | \$ 44.4          | \$ 64.5          | \$ 19.5        | \$ 157.7          |
|   | 2014              | \$ 0.5          | \$ 1.0          | \$ -             | \$ 1.5           | \$ -           | \$ 3.1            |
|   | <b>Difference</b> | <b>\$ (0.3)</b> | <b>\$ 28.1</b>  | <b>\$ 44.4</b>   | <b>\$ 63.0</b>   | <b>\$ 19.5</b> | <b>\$ 154.7</b>   |
| Transportation Infrastructure Finance and Innovation Act (TIFIA) Redistribution | 2015              | \$ -            | \$ -            | \$ 0.5           | \$ 1.0           | \$ -           | \$ 1.5            |
|   | 2014              | \$ -            | \$ -            | \$ -             | \$ -             | \$ -           | \$ -              |
|   | <b>Difference</b> | <b>\$ -</b>     | <b>\$ -</b>     | <b>\$ 0.5</b>    | <b>\$ 1.0</b>    | <b>\$ -</b>    | <b>\$ 1.5</b>     |
| Equity Bonus  | 2015              | \$ -            | \$ -            | \$ -             | \$ 0.1           | \$ -           | \$ 0.1            |
|   | 2014              | \$ -            | \$ -            | \$ -             | \$ -             | \$ -           | \$ -              |
|   | <b>Difference</b> | <b>\$ -</b>     | <b>\$ -</b>     | <b>\$ -</b>      | <b>\$ 0.1</b>    | <b>\$ -</b>    | <b>\$ 0.1</b>     |
| <b>Subtotal, Federal Funds</b>  | <b>2015</b>       | <b>\$ 11.5</b>  | <b>\$ 41.4</b>  | <b>\$ 51.2</b>   | <b>\$ 67.2</b>   | <b>\$ 19.5</b> | <b>\$ 190.8</b>   |
| <b>State</b>  |                   |                 |                 |                  |                  |                |                   |
| State Highway Fund <sup>2</sup>   | 2015              | \$ 3.3          | \$ 12.3         | \$ 72.7          | \$ 117.0         | \$ 76.0        | \$ 281.2          |
|   | 2014              | \$ 3.3          | \$ 12.3         | \$ 25.8          | \$ 28.0          | \$ 21.8        | \$ 91.1           |
|   | <b>Difference</b> | <b>\$ -</b>     | <b>\$ -</b>     | <b>\$ 46.9</b>   | <b>\$ 89.0</b>   | <b>\$ 54.2</b> | <b>\$ 190.1</b>   |
| Indiana Toll Road Lease Proceeds  | 2015              | \$ 0.4          | \$ -            | \$ -             | \$ -             | \$ -           | \$ 0.4            |
|   | 2014              | \$ 0.4          | \$ -            | \$ -             | \$ -             | \$ -           | \$ 0.4            |
|   | <b>Difference</b> | <b>\$ -</b>     | <b>\$ -</b>     | <b>\$ -</b>      | <b>\$ -</b>      | <b>\$ -</b>    | <b>\$ -</b>       |
| <b>Subtotal, State Funds</b>  | <b>2015</b>       | <b>\$ 3.6</b>   | <b>\$ 12.3</b>  | <b>\$ 72.7</b>   | <b>\$ 117.0</b>  | <b>\$ 76.0</b> | <b>\$ 281.5</b>   |
| <b>Total</b>  | <b>2015</b>       | <b>\$ 15.1</b>  | <b>\$ 53.7</b>  | <b>\$ 123.9</b>  | <b>\$ 184.1</b>  | <b>\$ 95.4</b> | <b>\$ 472.3</b>   |

- 1) The 'National Highway Performance Program' category excludes the Developer's bid price of \$232.9 million as previously included in 2015 through 2017 columns.
- 2) The 'State Highway Fund' category includes the Developer's bid price of \$232.9 million and is included in 2015 through 2017 columns.

It is anticipated that future funds will come from the NHPP funding category, although the commitment of specific funding categories of federal funding is subject to adjustment based on the recently authorized federal Surface Transportation Program (STP), MAP-21, and the availability of more restricted categories, and funding categories associated with a new transportation program ACT.

## 2015 FINANCIAL PLAN UPDATE

Federal-aid formula funds provided to the Project have been and are expected to continue to be matched by a combination of state funds.

Based on expectations regarding the availability of federal funding, as well as expectations regarding the availability of corresponding state transportation funds, an estimated \$65.6 million more of federal-aid highway formula and state transportation funds is reasonably expected to be available to the Project over the IFP and \$6.5 million more than the 2014 Update (see Table 4-1). This includes \$192.7 million of federal and state funds estimated to have been expended through state fiscal year 2015 as shown in Table 4-1.

To support the I-69 Section 5 procurement, INDOT intends to commit a total of \$80 million in federal and conventional state funds through state fiscal year 2017 for MPs. This includes three anticipated payments totaling \$60 million to fund the construction MPs and an additional two payments totaling \$20 million to offset unavoidable utility relocations (included under Utilities and Railroad). In addition, INDOT intends to commit about \$53.8 million for engineering and design, \$64.2 million for right of way, \$25 million for utility relocations (\$45 million below includes \$20 million milestone), and about \$16.4 million for environmental mitigation, clearing, and building demolitions. The developer partners intend to commit a total of \$232.9 million to fund the project through construction completion as shown below in Table 4-1a.

**Table 4-1a I-69 Section 5 Public and Private Funding Summary (in \$ millions)**

| Phase / Funding Source | 2015 FPU        |                 | 2014 FPU        |                 | Difference    |           |
|------------------------|-----------------|-----------------|-----------------|-----------------|---------------|-----------|
|                        | INDOT           | Developer       | Total           | Total           | \$            | % Change  |
| PE, Env., and Design   | \$ 53.8         | \$ 27.0         | \$ 80.8         | \$ 79.0         | \$ 1.8        | 2%        |
| Right of Way           | \$ 64.2         | \$ -            | \$ 64.2         | \$ 47.4         | \$ 16.8       | 35%       |
| Construction           | \$ 16.4         | \$ 191.9        | \$ 208.3        | \$ 209.2        | \$ (0.9)      | 0%        |
| Milestone Payments     | \$ 60.0         | \$ -            | \$ 60.0         | \$ 80.0         | \$ (20.0)     | -25%      |
| Utilities and Railroad | \$ 45.0         | \$ 14.0         | \$ 59.0         | \$ 50.2         | \$ 8.8        | 17%       |
| <b>Total</b>           | <b>\$ 239.4</b> | <b>\$ 232.9</b> | <b>\$ 472.3</b> | <b>\$ 465.8</b> | <b>\$ 6.5</b> | <b>1%</b> |

As shown in Table 4-1a, the \$6.5 million increase in Project costs are borne by the INDOT and represent an overall increase of 1% over the 2014 Update. Table 4-1b below illustrates the cost breakdown between the public and private sectors, by phase, and year of expenditure. The figures shown for the 'Private' sector are representative of the Developer's bid price.

**Table 4-1b I-69 Public and Private Funding (in \$ millions)**

| FUND TYPE - PHASE / FISCAL YEAR        | 2013 &         |               |                |                |                | Total           |
|--|----------------|---------------|----------------|----------------|----------------|-----------------|
|  | Prior          | 2014          | 2015           | 2016           | 2017           |                 |
| <b>Public</b>                          |                |               |                |                |                |                 |
| PE, Environmental, and Final Design    | \$ 14.3        | \$ 23.5       | \$ 9.9         | \$ 5.1         | \$ 1.0         | \$ 53.8         |
| Right of Way                           | \$ 0.7         | \$ 27.7       | \$ 24.8        | \$ 10.1        | \$ 0.9         | \$ 64.2         |
| Construction                           | \$ 0.1         | \$ 1.8        | \$ 14.3        | \$ 31.0        | \$ 20.0        | \$ 67.1         |
| Utility and Railroad Relocations       | \$ -           | \$ 0.7        | \$ 18.5        | \$ 25.8        | \$ -           | \$ 45.0         |
| CEI, Administration, and Program Costs | \$ 0.0         | \$ -          | \$ 0.0         | \$ 7.8         | \$ 1.5         | \$ 9.3          |
| <b>Subtotal, Public Funds</b>          | <b>\$ 15.1</b> | <b>\$53.7</b> | <b>\$ 67.5</b> | <b>\$ 79.7</b> | <b>\$ 23.3</b> | <b>\$ 239.4</b> |
| <b>Private</b>                         |                |               |                |                |                |                 |
| PE, Environmental, and Final Design    | \$ -           | \$ -          | \$ 11.3        | \$ 10.6        | \$ 5.1         | \$ 27.0         |
| Right of Way                           | \$ -           | \$ -          | \$ -           | \$ -           | \$ -           | \$ -            |
| Construction                           | \$ -           | \$ -          | \$ 25.3        | \$ 72.0        | \$ 57.2        | \$ 154.5        |
| Utility and Railroad Relocations       | \$ -           | \$ -          | \$ 10.0        | \$ 4.0         | \$ -           | \$ 14.0         |
| CEI, Administration, and Program Costs | \$ -           | \$ -          | \$ 9.8         | \$ 17.8        | \$ 9.8         | \$ 37.4         |
| <b>Subtotal, Private Funds</b>         | <b>\$ -</b>    | <b>\$ -</b>   | <b>\$ 56.4</b> | <b>\$104.4</b> | <b>\$ 72.1</b> | <b>\$ 232.9</b> |
| <b>Total</b>                           | <b>\$ 15.1</b> | <b>\$53.7</b> | <b>\$123.9</b> | <b>\$184.1</b> | <b>\$ 95.4</b> | <b>\$ 472.3</b> |

It is anticipated that future funds will come from the NHPP funding category, although the commitment of specific funding categories of federal funding is subject to adjustment based on the recently authorized federal STP, MAP-21, and the availability of more restricted categories, and funding categories associated with a new transportation program ACT. The remainder of the project costs is covered by the developer as shown in Table 4-1b above.

Table 4-2 below provides the Advanced Construction (AC) conversion status for Indiana updated through FY2015. It was discovered during analysis of AC that the incorrect date/ending period was used to generate the figures presented in the 2014 FPU. The 2014 figures have been corrected in the table below. As shown in Table 4-2 the Project has \$20.4 million in additional authorized AC funds over the 2014 Update. The additional authorized funds are due to the increased RW and UT expenditures for condemnations and Washington Township Water respectively. Throughout the course of fiscal year 2015 \$11.5 million was converted to Federal funds.

**Table 4-2 Advanced Construction Funding Status (in \$ millions)**

|               | State Fiscal Year | Total Federal Funding Amounts | Amount AC'd to Date | Amount Converted to Date | Amount Remaining in AC |
|---------------|-------------------|-------------------------------|---------------------|--------------------------|------------------------|
| INDOT AC Auth | 2015              | \$ 358.9                      | \$ 294.1            | \$ 61.6                  | \$ 232.5               |
|               | 2014              | \$ 303.3                      | \$ 273.7            | \$ 50.1                  | \$ 223.6               |
|               | <b>Difference</b> | <b>\$ 55.6</b>                | <b>\$ 20.4</b>      | <b>\$ 11.5</b>           | <b>\$ 8.9</b>          |

## MILESTONE AND AVAILABILITY PAYMENTS

Upon the developer achieving substantial completion of I-69 Section 5, to the extent that the road is open and available for service, APs will commence. The APs will be funded with a combination of state and federal funds appropriated by INDOT on a biennial basis, as described in further detail below. APs will commence upon achievement of substantial completion and continue during operations. APs will be unitary and fixed payments subject to an adjustment for inflation based on a predetermined index. Should the Project not be available for a period of time or not operated in the manner prescribed in the PPA, then all or a portion of an AP may be withheld.

IFA also intends to make a series of MPs to the developer upon completion of certain construction milestones. It is anticipated that the MPs will be funded with a combination of state and federal funds appropriated by INDOT on a biennial basis, as discussed in further detail below.

In order to fund the milestone and availability payments, IFA intends to enter into a Master Agreement and Use Agreement with INDOT under which INDOT will agree to fund milestone and availability payments as part of its budget. In addition to being reflected in INDOT & IFA's internal budget and financial control systems, all anticipated funding amounts are reflected in the fiscally-constrained 2016-2019 Statewide Transportation Improvement Program (STIP), as well as the Bloomington/Monroe County Metropolitan Planning Organization (MPO) 2014-2017 Transportation Improvement Program (TIP).

## 2015 FINANCIAL PLAN UPDATE

The IFA has entered into an agreement (the "Milestone Agreement") with the INDOT, pursuant to which INDOT will agree to make payments to IFA in an amount at least equal to the MPs owed by IFA under the Project Agreement. The MPs are limited obligations of IFA, payable solely from the amounts payable by the Department as provided in the Milestone Agreement or as otherwise appropriated by the General Assembly to IFA for this purpose as described herein for this purpose.

In the Milestone Agreement, INDOT covenants that it will do all things lawfully within its power to obtain and maintain funds from which to meet its payment obligations to IFA under the Milestone Agreement, including, but not limited to, requesting an appropriation in an amount sufficient to meet its payment obligations to IFA under the Milestone Agreement in writing submitted to the General Assembly at a time sufficiently

in advance of the date for payment thereof so that an appropriation may be made from the General Assembly in the normal State budgetary process, using its bona fide best efforts to have such request approved, and exhausting all available reviews and appeals if such request is not approved. In addition, and notwithstanding a non-renewal or termination of the Milestone Agreement, IFA covenants that it will do all things lawfully within its power to obtain and maintain funds from which to meet its MP obligations owed to the Section 5 Developer under the PPA.

Indiana's plan for making these payments will be to use its biennial appropriations to INDOT. Payments will be made by INDOT to IFA based on the budget IFA will present to INDOT. These payments will be made on an annual basis prior to August 1 of the current fiscal year, as described in the Milestone Payment Agreement. APs will be funded by INDOT from appropriations from the General Assembly of the State to INDOT for such biennium. In addition to being reflected in INDOT & IFA's internal budget and financial control systems, excluding the APs, all anticipated funding amounts are reflected in the fiscally-constrained 2016-2019 STIP, as well as the Bloomington/Monroe County MPO 2014-2017 TIP. APs will not commence until the Developer reaches substantial completion of the Project per the PPA. Therefore, the APs are not reflected in the Financial Plan figures for costs and funding.

## **FEDERAL DISCRETIONARY FUNDING**

In addition to federal-aid formula funds, Indiana has previously secured \$3.46 million in discretionary funding from the Federal Highway Trust Fund and General Appropriations as earmarks for the Project. The discretionary funds received for the Project have been expended on major investment and environmental studies, design and engineering costs, right of way acquisition, and oversight and project management, and are included in the figures above. Please refer to the Project Addendum for the proposed FHWA participation rates with regards to Project funding.

## CHAPTER 5. FINANCING ISSUES

### INTRODUCTION

*This chapter discusses the specific costs associated with financing the Project, including the issuance costs, interest costs, and other aspects of borrowing funds for the Project.*

### FINANCING STRATEGY

The final financing strategy, or combination of financing approaches, will depend on market circumstances at the time of financial close and the finance plan of the developer that is ultimately selected to develop the Project. IFA and INDOT, however, have developed preliminary financing plans based on currently available project data and market circumstances. To the extent that additional data becomes available or market circumstances change, the financial plan will be updated to account for these changes.

As discussed above, the Project is expected to be financed by a developer with a combination of PABs or commercial bank financing, and developer equity. Under the planned funding approach, the IFA will make MPs during construction and APs during the operations period of the Project.

### 2015 FINANCIAL PLAN UPDATE

This update to the financing strategy for the Project is based on the Section 5 Developer's financing strategy as executed at financial close. The Section 5 Developer financed the capital costs of the Project through a PABs issuance and equity investment, as described in detail below. In the event financing plans were to change, such updates will be incorporated into the Project's subsequent FPAU.

The Section 5 Developer financed the capital cost of the Project using a combination of PABs and equity investment, secured by the milestone and availability payments to be paid by IFA under the PPA. The Section 5 Developer has invested \$40.5 million of equity investment and raised \$252 million of debt financing through the issuance of PABs. The structure of the PABs is detailed below. The preliminary financial structure for the Project includes two tranches of PABs – a short term tranche that will be repaid by the developer with MPs proceeds and a long term tranche that will be repaid by the developer with proceeds.

**Table 5-1 Private Activity Bond Structure for I-69 Section 5**

| MATURITY | PRINCIPAL   | COUPON | YIELDS |
|----------|-------------|--------|--------|
| 2017     | \$3,530,000 | 4.00%  | 1.50%  |
| 2025     | \$6,175,000 | 5.25%  | 3.98%  |
| 2026     | \$5,405,000 | 5.25%  | 4.08%  |
| 2027     | \$6,150,000 | 5.25%  | 4.17%  |

| MATURITY     | PRINCIPAL            | COUPON | YIELDS |
|--------------|----------------------|--------|--------|
| 2028         | \$6,980,000          | 5.25%  | 4.25%  |
| 2029         | \$7,800,000          | 5.25%  | 4.33%  |
| 2034         | \$52,745,000         | 5.25%  | 4.67%  |
| 2040         | \$78,245,000         | 5.25%  | 4.86%  |
| 2046         | \$76,815,000         | 5.00%  | 5.00%  |
| <b>TOTAL</b> | <b>\$243,845,000</b> |        |        |

The Financial Plan distinguishes that two types of PABs were issued by I-69 Development Partners. The 2017 maturity is a serial bond. The other PABs are term bonds and have longer tenors – with maturities in 2025, 2026, 2027, 2028, 2029, 2034, 2040 and 2046.

Indiana will make \$60 million of construction related MPs and \$20 million in utility related MPs to the Section 5 Developer upon achievement of specific milestones during construction. The APs will commence upon substantial completion of construction. Twenty percent of each AP will be adjusted based on the Consumer Price Index (CPI) to account for changes in inflation. Eighty percent of each AP will increase at a rate of 2.5 percent per year. APs will be distributed on a monthly basis, insofar as the Section 5 Developer achieves the operating standards for the Project, as specified in the PPA. A snapshot of the growth of the APs has been captured in the table below, which begins in the first full year of operations and ends in the last full year of operations. For purposes of this snapshot, it is assumed that CPI increases by 2.5 percent per year such that the entire availability increases by 2.5 percent per year. The APs schedule remains unchanged from the 2014 Update. The full schedule may be found in the [PPA Exhibit 9](#).

**Table 5-2 Availability Payment Growth Summary Schedule**

| Year (end June) | Availability Payments |
|-----------------|-----------------------|
| 2018            | \$ 21,892,854         |
| 2023            | \$ 24,769,754         |
| 2028            | \$ 28,063,303         |
| 2033            | \$ 31,663,708         |
| 2038            | \$ 35,873,990         |
| 2043            | \$ 40,588,127         |
| 2048            | \$ 45,984,990         |
| 2051            | \$ 49,452,691         |

## ASSUMPTIONS, RISKS, AND MITIGATION

The funding available for the Project will be subject to risks that cannot be fully known at this time. The following is a summary of potential risks that may affect the financing of the Project and the Project Sponsor’s assessment of mitigating factors:

- Availability of state and federal revenue sources beyond those currently committed to the Project:
  - Indiana has demonstrated a strong commitment to ensuring the Project is

delivered. This commitment is demonstrated through the investment of \$136.3 million of funds to date on Section 5. Indiana believes that it is reasonable to assume that future state and federal funds will be made available to fund the Project as detailed in this FPAU.

- Fixed APs:
  - The Project will be procured using an AP DBFOM procurement model through a PPA. Under this model, IFA will make a series of annual fixed APs to a developer as consideration for the developer designing and constructing a facility. The APs will be a fixed price and escalated annually for inflation. Should the Project not be available for a period of time or not operated in the manner prescribed in the PPA, then all or a portion of an AP may be withheld. As a result, the risk of construction or operating costs increases transfers from INDOT to the private developer.



## CHAPTER 6. CASH FLOW

### INTRODUCTION

*This chapter provides an estimated annual construction cash flow schedule for the Project and an overview of the planned sources of funds.*

### ESTIMATED SOURCES AND USES OF FUNDING

An indicative summary of the sources and uses of funds is shown in Table 6-1. This summary reflects IFA's view of the financing structure and IFA fully anticipates the developer will develop a plan of finance based on their respective view of the Project's economics.

Sources of funds for the Project is currently anticipated to be entirely financed through PABs, public funds contribution, private equity investment and interest earned on these proceeds. The following sources of funds will fund construction and other development costs. The sizing of each facility will be subject to agreement by the developer and IFA. This approach is identical to IFA's indicative financial plan outlined in its application to USDOT for the \$400 million requested for the preliminary PABs allocation.

**Table 6-1 Estimated Project Sources and Uses of Funds (in \$ millions)**

| Sources and Uses of Funds During Construction(in \$ millions YOY) |                 |                 |               |                 |
|---|-----------------|-----------------|---------------|-----------------|
| Sources of Funds  | 2014 FPAU       | 2015 FPAU       | Change        | 2015 % of Total |
| Milestone Payment (Federal & State)                               | \$ 60.0         | \$ 60.0         | \$ -          | 11%             |
| Utilities Milestone Payment (Federal & State)                     | \$ 20.0         | \$ 20.0         | \$ -          | 4%              |
| IN State & Federal Funding - Formulary <sup>1</sup>               | \$ 144.2        | \$ 149.2        | \$ 5.0        | 28%             |
| IN State & Federal Funding - Discretionary                        | \$ 3.5          | \$ 5.1          | \$ 1.6        | 1%              |
| Bond Proceeds   | \$ 251.8        | \$ 251.8        | \$ -          | 48%             |
| Equity  | \$ 40.5         | \$ 40.5         | \$ -          | 8%              |
| Interest Income   | \$ 0.7          | \$ 0.7          | \$ -          | 0%              |
| <b>Total</b>  | <b>\$ 520.7</b> | <b>\$ 527.3</b> | <b>\$ 6.5</b> | <b>100%</b>     |
| Uses of Funds   |                 |                 |               |                 |
| Transaction Cost  | \$ 9.0          | \$ 9.0          | \$ -          | 2%              |
| Construction Costs <sup>1</sup>                                   | \$ 446.6        | \$ 452.0        | \$ 5.4        | 86%             |
| Construction Oversight  | \$ 19.0         | \$ 20.2         | \$ 1.2        | 4%              |
| Operations during Construction                                    | \$ 7.9          | \$ 7.9          | \$ -          | 2%              |
| Lead Underwriter Fee  | \$ 1.9          | \$ 1.9          | \$ -          | 0%              |
| Bond Interest   | \$ 26.5         | \$ 26.5         | \$ -          | 5%              |
| DSRA Funding  | \$ 6.2          | \$ 6.2          | \$ -          | 1%              |
| Bond Repayment  | \$ 3.5          | \$ 3.5          | \$ -          | 1%              |
| <b>Total</b>  | <b>\$ 520.7</b> | <b>\$ 527.3</b> | <b>\$ 6.5</b> | <b>100%</b>     |

- 1) An accounting error of \$5.2 million was found in the Developer's 'Construction Costs' figures from prior Update calculations. It has been removed from the 2014 FPAU column in the table above.

## 2015 FINANCIAL PLAN UPDATE

The estimated sources and uses of funds shown in Table 6-1 are based on the Section 5 Developer's final financial structure as at financial close and INDOT's through June 30th, 2015. This Update brings together INDOT Project costs and the Developer costs from prior versions. These include Developer financing and interest costs not previously reflected in prior chapters.

The sources of funds have increased \$6.5 million over the 2014 Update and are from INDOT's Federal and State funding sources. These source of funds cover the increased use of funds on PE, RW, and UT as discussed in Chapters 3 and 4 by an equal amount.

The combination of INDOT and Developer sources and uses of funds in Table 6-1 is greater than figures shown in Chapters 3 and 4. The 'Use of Funds' construction line includes MPs of \$80 million to the Developer for use per the [PPA Exhibit 4](#). Other expenses born by the Developer on the Project amounts to \$55 million as shown in Table 6-1 in the categories under 'Uses of Funds': Transaction Costs, Operations During Construction, Lead Underwriter Fee, Bond Interest, DSRA Funding, and Bond Repayment and are indirect costs.

The Developer's bond issuance was successful with bond proceeds totaling \$252 million as shown in Table 6-1 above. This is \$60.6 million less than the PABs financing from the IFP and no change from the 2014 Update. The difference is accounted for in the construction MPs from INDOT via IFA from financial closing of the Project.

## CASH MANAGEMENT TECHNIQUES

For Project funding expected to be contributed from state and federal sources, the state intends to utilize available cash management techniques, including but not limited to Advance Construction and Tapered Match, to manage the timing of cash needs against the availability of federal and state funds.

The INDOT also has the authority to "concurrently advance projects by employing management techniques that maximize the State's ability to contract for and effectively administer the project work." Indiana will advance the project utilizing the federally accepted practice of Advance Construction. Current year expenditures will be converted to limitation obligation while future year expenditure estimates will remain under Advance Construction. This practice will continue throughout the life of the project. At no time will Indiana's Advance Construction exceed Indiana's future federal estimates. Indiana also will utilize Tapered Match provisions to manage the timing of federal and state expenditures for the Project.

For funding that is provided from bond proceeds, appropriate oversight mechanisms are in place through the requirements of the legal documents. These include controls over disbursement of proceeds for construction and annual reporting requirements.

## **FINANCING COSTS**

The exact financing costs were determined upon financial close. The Project is being financed by a series of PABs issues via the Developer, MPs totaling \$80 million paid to the Developer when applicable via IFA by INDOT per the [PPA Exhibit 4](#), Developer private equity of \$40 million, and \$154.3 million of Federal and State appropriations. The indirect costs were borne by the Developer amounting to \$55 million.

## **2015 FINANCIAL PLAN UPDATE**

Financing costs for the Section 5 Developer total \$17.1 million during construction and encompass transaction costs of \$9 million, underwriter fees of \$1.9 million, and funding of a debt service reserve account of \$6.2 million.

## **OPERATIONS AND MAINTENANCE COSTS**

FPAUs will account for reasonably anticipated operations and O&M costs as part of the DBFOM award at financial close. These costs include routine operations and maintenance expenditures and major maintenance requirements.

The O&M cost estimates were developed by INDOT. The primary estimating methodology used was mathematical scaling from other comparable projects and facilities. The physical aspects of comparable projects, relying on a ratio with specific restrictions of magnitude, were used to extrapolate a cost estimate. Under the provisions of the PPA, reductions may be imposed on the developer if O&M performance standards are not met. Additionally, the contract includes quality standards that must be met when the Project is handed back to the Project Sponsor at the end of the PPA term.

## **2015 FINANCIAL PLAN UPDATE**

The Project Sponsors understand that the financial plan must account for reasonably anticipated O&M costs. These costs include routine O&M expenditures (including project management and insurance), and major maintenance requirements (“lifecycle costs”). Representative annual O&M cost estimates are highlighted in the table below, based on the Section 5 Developer’s bid.

**Table 6-2 Projected Operations and Maintenance Costs (in \$ millions)**

| Fiscal Year End | O&M Costs       | Lifecycle Costs |
|-----------------|-----------------|-----------------|
| 2015            | \$ 3.7          | \$ -            |
| 2016            | \$ 3.3          | \$ -            |
| 2017            | \$ 3.0          | \$ -            |
| 2018            | \$ 3.1          | \$ -            |
| 2019            | \$ 3.5          | \$ 0.1          |
| 2020            | \$ 4.0          | \$ 0.2          |
| 2021            | \$ 4.1          | \$ 0.1          |
| 2022            | \$ 4.2          | \$ 0.2          |
| 2023            | \$ 4.3          | \$ 0.2          |
| 2024            | \$ 4.4          | \$ 0.1          |
| 2025            | \$ 4.5          | \$ 0.4          |
| 2026            | \$ 4.7          | \$ 0.8          |
| 2027            | \$ 4.8          | \$ 1.0          |
| 2028            | \$ 4.9          | \$ 0.9          |
| 2029            | \$ 5.0          | \$ 1.0          |
| 2030            | \$ 5.1          | \$ 3.1          |
| 2031            | \$ 5.3          | \$ 5.5          |
| 2032            | \$ 5.4          | \$ 6.0          |
| 2033            | \$ 5.5          | \$ 6.3          |
| 2034            | \$ 5.7          | \$ 4.7          |
| 2035            | \$ 5.8          | \$ 1.8          |
| 2036            | \$ 6.0          | \$ 0.9          |
| 2037            | \$ 6.1          | \$ 0.9          |
| 2038            | \$ 6.3          | \$ 0.6          |
| 2039            | \$ 6.4          | \$ 0.6          |
| 2040            | \$ 6.6          | \$ 0.7          |
| 2041            | \$ 6.7          | \$ 2.6          |
| 2042            | \$ 6.9          | \$ 4.6          |
| 2043            | \$ 7.1          | \$ 4.2          |
| 2044            | \$ 7.3          | \$ 4.8          |
| 2045            | \$ 7.4          | \$ 4.4          |
| 2046            | \$ 7.6          | \$ 8.9          |
| 2047            | \$ 7.8          | \$ 15.4         |
| 2048            | \$ 8.0          | \$ 15.7         |
| 2049            | \$ 8.2          | \$ 8.9          |
| 2050            | \$ 8.4          | \$ 1.5          |
| 2051            | \$ 8.6          | \$ 11.3         |
| 2052            | \$ 3.2          | \$ 7.3          |
| <b>Total</b>    | <b>\$ 212.9</b> | <b>\$ 125.7</b> |

## PROJECTED CASH FLOWS

Future plans will include a table summarizing the prior, current, and anticipated total, annual cash outlays for the Project. Table 6-3 does not reflect the cash flow timing effects of the various financing mechanisms but rather the underlying total Project expenditures. More specific cash flow schedules will continue to be developed as the Project progresses towards substantial completion and the exact financing structure is known. The table is not included in the initial plan to retain a competitive bidding nature of the P3 but will be updated through substantial completion.

**Table 6-3 Project Cash Flows (in \$ millions)**

|  | Thru 2013      | 2014             | 2015            | 2016            | 2017             | Total           |
|--|----------------|------------------|-----------------|-----------------|------------------|-----------------|
| <b>Revenue</b>                             |                |                  |                 |                 |                  |                 |
| Carry Forward                              | \$ 3.3         | \$ 3.3           | \$ (38.3)       | \$ 127.9        | \$ (6.7)         | \$ 89.5         |
| INDOT Funding – Milestones                 | \$ -           | \$ -             | \$ 10.0         | \$ 30.0         | \$ 20.0          | \$ 60.0         |
| INDOT Funding – Utility Milestones         | \$ -           | \$ -             | \$ 5.0          | \$ 15.0         | \$ -             | \$ 20.0         |
| INDOT Funding Other                        | \$ 15.1        | \$ 12.1          | \$ 22.5         | \$ 11.9         | \$ 3.3           | \$ 64.9         |
| Private Activity Bonds                     | \$ -           | \$ -             | \$ 251.8        | \$ -            | \$ -             | \$ 251.8        |
| Developer Equity                           | \$ -           | \$ -             | \$ 23.9         | \$ 8.3          | \$ 8.3           | \$ 40.5         |
| Interest Earned                            | \$ -           | \$ -             | \$ 0.4          | \$ 0.2          | \$ 0.1           | \$ 0.7          |
| <b>Total</b>                               | <b>\$ 18.4</b> | <b>\$ 15.4</b>   | <b>\$ 275.3</b> | <b>\$ 193.2</b> | <b>\$ 25.0</b>   | <b>\$ 527.3</b> |
| <b>Expenditures</b>                        |                |                  |                 |                 |                  |                 |
| <b>Non-Developer Expenditures</b>          |                |                  |                 |                 |                  |                 |
| Design                                     | \$ 14.3        | \$ 23.5          | \$ 9.9          | \$ 5.1          | \$ 1.0           | \$ 53.8         |
| ROW  | \$ 0.7         | \$ 27.7          | \$ 24.8         | \$ 10.1         | \$ 0.9           | \$ 64.2         |
| Construction                               | \$ 0.1         | \$ 1.8           | \$ 4.3          | \$ 1.0          | \$ -             | \$ 7.1          |
| Utilities                                  | \$ -           | \$ 0.7           | \$ 13.5         | \$ 10.8         | \$ -             | \$ 25.0         |
| CN Chg Order/Ctgy                          | \$ -           | \$ -             | \$ -            | \$ -            | \$ -             | \$ -            |
| CEI, Admin, Prgm                           | \$ 0.0         | \$ -             | \$ 0.0          | \$ 7.8          | \$ 1.5           | \$ 9.3          |
| <b>Developer Expenditures</b>              |                |                  |                 |                 |                  |                 |
| Construction                               | \$ -           | \$ -             | \$ 76.5         | \$ 146.9        | \$ 89.5          | \$ 312.9        |
| Other Costs                                | \$ -           | \$ -             | \$ 3.0          | \$ 3.0          | \$ 3.0           | \$ 9.0          |
| Interest during Construction               | \$ -           | \$ -             | \$ 8.8          | \$ 8.8          | \$ 8.8           | \$ 26.5         |
| Financing/Bond Repayment and Reserve Costs | \$ -           | \$ -             | \$ 3.9          | \$ 3.9          | \$ 3.9           | \$ 11.6         |
| O&M During Construction                    | \$ -           | \$ -             | \$ 2.6          | \$ 2.6          | \$ 2.6           | \$ 7.9          |
| <b>Total</b>                               | <b>\$ 15.1</b> | <b>\$ 53.7</b>   | <b>\$ 147.4</b> | <b>\$ 200.0</b> | <b>\$ 111.1</b>  | <b>\$ 527.3</b> |
| <b>Net Cash Flow</b>                       | <b>\$ 3.3</b>  | <b>\$ (38.3)</b> | <b>\$ 127.9</b> | <b>\$ (6.7)</b> | <b>\$ (86.2)</b> | <b>\$ -</b>     |

## 2015 FINANCIAL PLAN UPDATE

This Update provides cash flow information for the total Project both the Developer and INDOT. The total of \$527.3 million is \$6.5 million more than the 2014 Update (Table 5-3 FPU in 2014 Update). This amount includes the identified Project cost increases of \$6.5 million as discussed in Chapter 3 and \$6.5 million in additional INDOT funding as discussed in Chapter 4.

## **CHAPTER 7. PUBLIC-PRIVATE PARTNERSHIP (P3) ASSESSMENT**

### **INTRODUCTION**

*This chapter provides information on the process used to assess the appropriateness of a P3 to deliver the project.*

### **P3 ASSESSMENT**

The project sponsors have evaluated alternative contracting methods permitted under current Indiana law. Such alternative delivery models are expected to enhance the feasibility of the project through accelerated project delivery; construction cost certainty; the infusion of additional sources of financing; and the transfer of various risks to the private sector, such as construction risk, and/or long-term operating and maintenance risks. As a result, the project was procured as a P3.

### **LEGISLATIVE AUTHORITY**

The P3 Program operates within the general legal framework set forth in the Indiana Code (“IC”). Both INDOT and the IFA have been granted legislative authority to procure P3 projects. The statutes providing authorization to procure P3 projects are IC 8-15.5 for the IFA and IC 8-15.7 for INDOT. Indiana has organized its P3 program around the joint capabilities of IFA/INDOT. IFA will lead the procurement on most projects. INDOT will be responsible for the technical aspects of P3 projects and will commit, where it is appropriate, its appropriations towards a project. The IFA will oversee the financial terms of P3 procurement. The IFA must be involved in projects that are financed through bonds, debt and loans. The relevant statutes permit both tolled and non-tolled transportation projects and allow for the development, financing, and operation of P3 projects.

### **INDIANA’S P3 MANAGEMENT STRUCTURE**

Indiana has established itself as a national leader in leveraging private sector capital and innovation to finance, construct and maintain major transportation infrastructure projects. Indiana has organized its P3 Program as a partnership between the INDOT and the IFA. The partnership allows the State to leverage the core competencies and unique capabilities of each agency. The IFA will be the procuring agency for most P3 projects. INDOT will work closely with IFA and will be responsible for the technical aspects of the procurement.

IFA's primary mission is to oversee State-related debt issuances and provide efficient, effective financing solutions to facilitate state, local government and business investments in the State. As the entity responsible for the planning and development of the transportation system in the State, INDOT will work closely with IFA to assist with the procurement of projects and oversee the work of the developers involved in all technical aspects of the project. INDOT’s procurement role is to assist the IFA in all

technical aspects.

INDOT has an established P3 Department that resides within the Innovative Project Delivery Division. Both the P3 Department and the Innovative Project Delivery Division are responsible for delivering and overseeing P3s at INDOT.

## **BENEFITS – DISADVANTAGES COMPARISON**

### **BENEFITS**

The I-69 Section 5 project was procured under a P3 DBFOM model with APs. While P3s are not suitable for all projects, there are a few main benefits to P3s of all sizes and complexities. Using innovative project delivery models, such as P3s, to deliver and operate infrastructure projects have many benefits for INDOT including:

- **Advancement of projects:** Private sector investment and its ability to provide upfront financing for projects enabled the project to advance quicker than on a pay-as-you-go basis.
- **Accelerated project delivery:** An integrated consortium of qualified firms working concurrently on the design and construction of the project can accelerate project delivery. This process typically results in efficiencies and synergies for a more streamlined, accelerated delivery process.
- **Cost certainty and predictability:** INDOT's cost for the project was locked in at financial close and is only subject to variation for inflation. This provides more cost certainty when compared to traditional delivery. INDOT is able to better budget and allocate funding for other projects with the confidence that costs are less likely to increase.
- **Whole lifecycle approach to construction and maintenance:** Due to the integration of construction and long-term maintenance responsibilities, the Developer is incentivized to design and build a facility that will have the lowest whole-of-life cost while adhering to the performance standards of the PPA. Under a P3 delivery model, asset management practices are incorporated from project inception to hand back to optimize asset health and financial obligations over the course of the asset lifecycle. Under a traditional delivery model, such as design-bid-build, design, construction and maintenance are rarely integrated and are not performed by the same entity during the asset lifecycle. This can cause disconnect between design and whole-of-life cost which can result in increased maintenance costs over the asset's life.
- **Private sector innovation:** Innovative project delivery can be structured for multiple facets of the project to be coordinated and managed under a single entity and to enhance collaboration between the design, construction and O&M managers in the development of the project bid. The exchange of ideas between these parties can result in significant value engineering efficiencies and can help to avoid technical issues. Private entities are typically experienced in the design, construction, and O&M of similar projects and are incentivized to use these efficiencies and economies of scale to achieve lower costs.
- **Performance-based incentives:** Financial incentives imposed by the contract

structure, which include withholding a portion of payment to the Developer until the project has been constructed to the established standards and are sufficiently available for public use; act as a powerful motivator toward on-time completion and project delivery. In addition, the PPA utilizes an available payment mechanism which is structured such that INDOT makes deductions to the APs if the asset is not maintained in accordance with the predefined standards.

- **Improved accountability:** One party, the Developer, is responsible for project delivery and operation regardless of the number of subcontractors. If the project is not delivered according to the contractual requirements, then the Developer is responsible. In addition, in P3 models that utilize private finance, the financiers act as an additional layer of oversight. They are especially concerned about the performance of the project since repayment of their capital is at-risk in the event of non-performance.

## DISADVANTAGES

While there are benefits to innovative project delivery, there are also disadvantages that should be considered, including:

- **Longer procurement timeline:** Innovative project delivery, such as P3s, requires extensive upfront negotiations of the PPA. The PPA governs rights and obligations associated with the asset for the length of the contract. As a result, the procurement timeline can take longer for innovative project delivery when compared to traditional delivery.
- **Higher Transaction Costs:** Under innovative project delivery that includes financing, there are generally higher transaction costs borne by both public and the private sector due to value engineering, alternative technical concepts, and extensive negotiations. These costs result from the same factors that drive the efficiency gains. Increased upfront due diligence is required by all parties during the procurement phase.
- **Paying a risk premium to transfer unknown risks upfront:** The P3 delivery model transfers many risks associated with project delivery to the private sector. This is done through long-term performance based agreements that lock-in project costs, both construction and operations, at commercial and/or financial close. Given the long-term nature of these contracts, not all risks are fully known at the outset. Therefore, a private entity may build a “risk premium” into their proposal. Not unlike the purchase of insurance, this investment is made to help lock-in costs and mitigate exposure to certain risks for the public sponsor. These costs can be mitigated in part by robust competition between bidders.

## RISK ALLOCATION ANALYSIS

INDOT employs a two-step screening process when assessing whether a project should be delivered using an innovative delivery model, such as P3. During the initial project screening phase, INDOT reviews available project information and data and assesses the project against a set of screening criteria to determine the feasibility of delivering a proposed project via the P3 delivery method. Table 7-1 below summarizes criteria



examined during the initial project screening phase. The primary screening criteria are merely a guide for assessment. A project that does not meet some or all of the primary screening criteria may still advance to a secondary screening based on other considerations. Other unique characteristics of the project may require assessment of additional considerations.

**Table 7-1 INDOT P3 Screening Criteria – Step One**

| High Level Project Screening Criteria   |  |
|---|--|
| <b>Project Complexity</b>               | Is the project sufficiently complex in terms of technical and/or financial requirements to effectively leverage private sector innovation and expertise?   |
| <b>Accelerating Project Development</b> | If the required public funding is not currently available for the project, could using a P3 delivery method accelerate the delivery of the project?  |
| <b>Transportation Priorities</b>        | Is the project consistent with overall transportation objectives of the State?<br>Does the project adequately address transportation needs?  |
| <b>Project Efficiencies</b>             | Would the P3 delivery method help foster efficiencies through the most appropriate transfer of risk over the project life-cycle?<br>Is there an opportunity to bundle projects or create economies of scale?                   |
| <b>Ability to Transfer Risk</b>         | Would the P3 delivery method help transfer project risks and potential future responsibilities to the private sector on a long-term basis?   |
| <b>Funding Requirement</b>              | Does the project have revenue generation potential to partially offset the public funding requirement if necessary?<br>Could a public agency pay for the project over time as opposed to paying for its entire costs up front? |
| <b>Ability to Raise Capital</b>         | Would doing the project as a P3 help free up funds or leverage existing sources of funds for other transportation priorities with the State?   |

Projects that proceed to the second screening step undergo a detailed screening. The objective of the detail level project screening is to further assess delivering the project as a P3, examine in greater detail the current status of the project, and identify potential risk elements. In addition, the detail level project screening criteria evaluates the desirability and feasibility of delivering projects utilizing the P3 delivery method. The desirability evaluation includes factors such as effects on the public, market demand, and stakeholder support. The feasibility evaluation includes factors such as technical feasibility, financial feasibility, financial structure, and legal feasibility. INDOT will also begin to assess a timeline for achieving environmental approvals based on specific project criteria during this screening step. Detail level screening criteria are provided below in Figure 7-2.

**Table 7-2 INDOT P3 Screening Criteria – Step Two**

| Detail Project Screening Criteria |   |
|-----------------------------------|---|
| <b>Public Need</b>                | Does the project address the needs of the local, regional and state transportation plans, such as congestion relief, safety, new capacity, preservation of existing assets?<br>Does the project support improving safety, reducing congestion, increasing capacity, providing accessibility, improving air quality, improving pedestrian biking facilities, and/or enhancing economic efficiency? |

| <b>Detail Project Screening Criteria</b> |   |
|--|---|
| <b>Public Benefits</b>                   | <p>Will this project bring a transportation benefit to the community, the region, and/or the state?</p> <p>Does the project help achieve performance, safety, mobility, or transportation demand management goals?</p> <p>Does this project enhance adjacent transportation facilities or other modes?</p>  |
| <b>Economic Development</b>              | <p>Will the project enhance the State's economic development efforts?</p> <p>Is the project critical to attracting or maintaining competitive industries and businesses to the region, consistent with stated objectives?</p>   |
| <b>Market Demand</b>                     | <p>Does sufficient market appetite exist for the project? Are there ways to address industry concerns?</p>  |
| <b>Stakeholder Support</b>               | <p>What is the extent of support or opposition for the project? Does the proposed project demonstrate an understanding of the national and regional transportation issues and needs, as well as the impacts this project may have on those needs?</p> <p>What strategies are proposed to involve local, state and/or federal officials in developing this project?</p> <p>Has the project received approval in applicable local and/or regional plans and programs?</p> <p>Is the project consistent with federal agency programs or grants on transportation (FHWA, FTA, MARAD, FAA, FRA, etc.)?</p>   |
| <b>Legislative Considerations</b>        | <p>Are there any legislative considerations that need to be taken into account such as tolling, user charges, or use of public funds?</p>   |
| <b>Technical Feasibility</b>             | <p>Is the project described in sufficient detail to determine the type and size of the project, the location of the project, proposed interconnections with other transportation facilities, the communities that may be affected and alternatives that may need evaluation?</p> <p>Is the proposed schedule for project completion clearly outlined and feasible?</p> <p>Does the proposed design appear to be technically sound and consistent with the appropriate state and federal standards?</p> <p>Is the project consistent with applicable state and federal environmental statutes and regulations?</p> <p>Does the project identify the required permits and regulatory approvals and a reasonable plan and schedule for obtaining them?</p> <p>Does the project set forth the method by which utility relocations required for the transportation facility will be secured and by whom?</p> |
| <b>Financial Feasibility</b>             | <p>Are there public funds required and, if so, are the State's financial responsibilities clearly stated?</p> <p>Is the preliminary financial plan feasible in that the sources of funding and financing can reasonably be expected to be obtained?</p>   |
| <b>Legal Feasibility</b>                 | <p>Is legislation needed to complete the project?</p>   |
| <b>Project Risks</b>                     | <p>Are there any particular risks unique to the projects that have not been outlined above that could impair project viability?</p> <p>Are there any project risks proposed to be transferred to INDOT that are likely to be unacceptable?</p>  |

| Detail Project Screening Criteria |   |
|-----------------------------------|---|
| <b>Term</b>                       | <p>Does the project include a reasonable term of concession for proposed O&amp;M?</p> <p>Is the proposed term consistent with market demand, providing a best value solution for the State?</p> <p>Is the proposed term optimal for a whole-of-life approach?</p> |

The I-69 Section 5 project was identified as a potential candidate for P3 delivery and underwent the standard INDOT screening process identified above. This included a high level screen, detailed level screen and financial feasibility analysis. After consideration of both the qualitative and quantitative results of the analyses, the Department identified the DBFOM model as the preferred delivery model and proceeded with procuring the project on that basis.

## MARKET CONDITIONS

PABs, MPs and private equity were used to fund the Developer's expected expenditures during construction. The total PABS issuance was \$244 million and was comprised of a single short-term serial bond maturing March 1, 2017 and several term bonds with maturities ranging from September 1, 2027-September 2046. Yields on the term bonds range from 3.98% to 5%. The bonds have an average life of 22 years. The average issue price was 5% below the Developer's initial forecast as a result of the high demand in the market, with the issuance being oversubscribed by more than 4.5 times. As a result of high demand in the market and the application of the interest rate risk sharing mechanism, the final base maximum decreased by approximately \$1.5 million per year.

The ratings agencies Standard & Poor's and Fitch have rated the issue as investment grade BBB- with a stable outlook and BBB with a stable outlook respectively. Citigroup Global Markets and Jefferies acted as underwriters of the issue. In addition to the PABs, the project's funding sources include \$40.4 million of equity and payments from the INDOT/IFA of \$80 million per the [PPA Exhibit 4](#).

The amount, rates and terms of financing were executed at financial close and remained fixed for the life of the project. Financial close was achieved on July 23, 2014.

## PERMITS AND APPROVALS

The FHWA issued a ROD selecting the preferred alternative as Refined Preferred Alternative 8 in August 2013. All permitting activity will be carried out in accordance with the FEIS and ROD.

The RFP for final design and construction includes provisions to ensure compliance with all NEPA commitments that are included in the FEIS, the ROD, the Section 106 First Amended MOA and the karst MOA. The State of Indiana will apply for permits with key federal regulatory agencies. The private design-builders will apply for a number of other

necessary local, state and federal permits. The permits and notifications required by the FEIS are outlined in Table 7-3 below.

**Table 7-3 Required Permits and Notifications**

| Agency   | Permit/Notification <sup>1</sup>  |
|--|---|
| U.S. Army Corps of Engineers                   | Section 404 Permit for Discharge of Dredged or Fill Material into Waters of the United States   |
| Federal Aviation Administration                | Tall Structure Permit FAA Form 7460-1 Notice of Proposed Construction or Alteration for a crane |
| Indiana Department of Environmental Management | Isolated wetland permit   |
| United States Environmental Protection Agency  | Class 5 Injection Well Permit   |
| Indiana Department of Environmental Management | Section 401 Water Quality Certification   |
| Indiana Department of Environmental Management | Rule 5 National Pollution Discharge Elimination System  |
| Indiana Department of Natural Resources        | Construction in a Floodway Permit   |

1) Not all permits/notifications apply to all sections of the Project.

## **2015 FINANCIAL PLAN UPDATE**

No change in permit requirements since the IFP submission.

## CHAPTER 8. RISK AND RESPONSE STRATEGIES

### INTRODUCTION

*This chapter addresses a number of important factors that could affect the Project and, in particular, the financial plan for the Project. These risks fall under one or more of the following categories: Project Cost, Project Schedule, Financing, and Procurement. Significant consideration has been given to identifying risks and potential mitigation measures, and this chapter outlines these factors. Additionally, this chapter addresses the impact of the state's financial contribution to the Project on its respective statewide transportation program.*

### PROJECT COST RISKS AND MITIGATION STRATEGIES

The following factors have been identified as possible reasons for cost overruns. Additional detail can be found in the CER document prepared by the Project Sponsor and the FHWA in 2013. Utility estimates were revised in January 2014, and were updated herein based on actual costs.

**Table 8-1 Project Cost – Risks and Mitigation Strategies**

| Risk   | Mitigation Strategy   |
|--|---|
| <p><b>Original Cost Estimates</b></p> <p>The risk that original cost estimates are lower than bids received.</p>   | <p>Recent US design-build and P3 experience indicates that competition may result in aggressive bids below the state sponsor's estimates. Should that prove not to be the case; however, the state will revise its financial plans accordingly, including the possible inclusion of additional state and federal funding. It is the expectation of the Project Sponsor that the planned procurement approach will help to accelerate project delivery and, in turn, reduce costs.</p> |
| <p><b>Inflation</b></p> <p>Highway construction inflation has been very volatile over the past several years and could significantly increase the cost of the Project.</p> | <p>Reasonable inflationary assumptions based on recent and historical trends in construction inflation have been included in current cost estimates. These estimates take into account current low commodity prices and relatively high unemployment rates which are expected to result in favorable contract pricing.</p>  |
| <p><b>Contingency</b></p> <p>The amount of contingency factored into Project cost estimates may be insufficient to cover unexpected costs or cost increases.</p>           | <p>While petroleum prices have an inflationary risk, both a design-build and a concession structure, as contemplated by the state, helps transfer much of this risk from the public to the private sector design-builder or concessionaire.</p>   |
| <p><b>Cost Overruns During Construction</b></p> <p>Cost overruns after start of construction could result in insufficient upfront funds to complete the project.</p>       | <p>A design-build or concession structure helps transfer much of this risk from the public to the private sector design-builder or concessionaire.</p>  |

## 2015 FINANCIAL PLAN UPDATE

The previously identified risk and mitigation strategies are still valid for the 2015 FPU, however, it should be noted that although the original cost estimates for the estimated items were not lower than actual bids received, the IFP did not estimate all of the programmatic costs for the project including procurement costs, design and construction oversight, public involvement, and the Developer’s administration costs. Scope additions, particularly the requirement to replace the historic Bridge 161 and the inclusion of O&M during Construction caused an increase in cost to the project.

### PROJECT SCHEDULE RISKS AND MITIGATION STRATEGIES

The following risks have been identified as those that may affect Project schedule and, therefore, the ability of the Project Sponsor to deliver the Project on a timely basis.

**Table 8-2 Project Schedule – Risks and Mitigation Strategies**

| Risk  | Mitigation Strategy   |
|---|---|
| <b>Litigation</b>   |   |
| Lawsuits filed within the statutory protest period may result in significant delays to the start of construction and expose the Project to additional inflationary costs.   | To mitigate the potential impacts of future litigation that could cause schedule delays and cost escalation, risk and mitigation delays and measures were addressed in the EIS. INDOT intends to adhere to the recommendations outlined in the EIS and conditions of each federal approval received to construct the project.                   |
| <b>Permits and Approvals</b>  |   |
| Delays in the receipt of permits and approvals may delay the start of construction.   | The state has initiated activities necessary to secure major permits. The developer will assume responsibility to obtain all other permit approvals. Compliance will be the developer’s responsibility and will be addressed directly in the relevant contract documents. The state has a track record of success in acquiring similar permits. |
| <b>ROW Acquisition</b>  |   |
| A large number of ROW parcels will need to be acquired for the Project and variances in cost and time forecasts may impact both Project cost and schedule.  | The state has identified the potential properties to be acquired and is proceeding with acquisitions. Significant ROW has already been purchased, but acquisition will not be completed prior to contract award. A project ROW acquisition schedule will be maintained and updated throughout the process.                                      |
| <b>Unanticipated Site Conditions</b>  |   |
| Unanticipated geotechnical conditions could be encountered, potentially delaying the schedule or increasing costs. Much of the Project includes Karst geology, with caves, sinkholes, and underground streams that are especially sensitive to groundwater pollution. | Extensive analysis was undertaken as part of the FEIS process. Additionally, geotechnical investigations have been conducted on the Project, and preliminary results do not indicate any significant problems.  |
| <b>Endangered Species</b>   |   |

| Risk  | Mitigation Strategy   |
|---|---|
| If endangered species (e.g., Indiana bat, mussels, etc.) are encountered, construction work may be disrupted, leading to schedule delays and/or additional costs. | Mitigation is an established process that minimizes delay with dedicated staffing to address surprise findings. Similar mitigation has been used on four previous corridor projects successfully to avoid construction delays.  |
| <b>Hazardous Materials</b>  |   |
| Both known and unknown hazardous materials could delay the Project and/or lead to additional costs.   | Extensive analysis was undertaken as part of the FEIS process. Additionally, investigations have been conducted on identified sites and preliminary results do not indicate any significant problems.   |
| <b>Schedule Coordination</b>  |   |
| Due to the size and complexity of the Project, poor project scheduling and coordination could delay the Project schedule.   | A design-build or concession structure helps transfer much of this risk from the public to the private sector design-builder or concessionaire.   |
| <b>Maintenance of Traffic</b>   |   |
| Traffic impacts and loss of access could adversely affect communities / businesses, negatively impacting support for project.                                     | A detailed maintenance of traffic (MOT) plan will be required of the Developer. Commitments to the community will be included in the project requirements, such as no two streets cross the project shall be closed at the same time. Additional coordination with local projects and ongoing stakeholders is required as well. |

## 2015 FINANCIAL PLAN UPDATE

The previously identified risk and mitigation strategies are still valid for the 2015 FPU. Relief Requests for karst have been initiated by the Developer; however, the projected amount is still anticipated to end up below the contract threshold. An additional risk has materialized through the initial stages of project execution:

**Table 8-2-2015 FPU Project Schedule – Risks and Mitigation Strategies**

| Risk  | Mitigation Strategy  |
|---|--|
| <b>Project Start-up/Execution</b>   |  |
| Delays in mobilizing required resources at project kick-off could delay the project at inception, requiring the Developer to perpetually play catch-up with their schedule. | Detailed requirements in the Technical Provisions and PPA define the Developer’s responsibilities and keep schedule risk predominantly with the Developer. Vigilant oversight by the project team will protect IFA/INDOT from unexpected delay claims. |

This risk has been realized both by the Developer’s own performance, documented through non-compliance Notices of Determination, and unsubstantiated Relief Requests (subsequently denied by IFA).

## FINANCING RISKS AND MITIGATION STRATEGIES

The following risks may negatively affect the Project Sponsor’s ability to finance the Project cost- effectively and operate and maintain the Project over time. For each risk,

this table provides a summary of potential mitigation strategies.

**Table 8-3 Financing and Revenue – Risks and Mitigation Strategies**

| Risk   | Mitigation Strategy  |
|--|--|
| <b>Availability of State and Federal Funding</b>   |  |
| <p>The state has identified and committed various levels of conventional funding for the Project within the timeframe of its budget planning cycle. Funding beyond this period is subject to appropriation risk.</p> | <p>Within procedural limitations, the state has demonstrated a strong commitment to ensuring that the Project is delivered given the investment of funds to date. INDOT has included the Project in its internal budgeting and financial control systems at the requisite funding levels. On a biannual basis, the IFA will provide INDOT an annual budget which details the amount of funds to be appropriated by INDOT to meet annual payment requirements under the PPA. In addition, all anticipated funding amounts will be reflected in Indiana’s fiscally-constrained STIP and the TIP for the metropolitan region.</p> |
| <b>Capital Market Access</b>   |  |
| <p>Capital market volatility could limit access to financing and/or increase financing costs.</p>  | <p>The developer will be responsible for providing financing. The selected developer will have a demonstrated track record of securing capital market financings for concession projects. Commonly, developers include interest rate hedging interest to protect against variable rates over the long-term. Additionally, the PPA provides protection to the developer for changes in base interest rates prior to financial close, such that fluctuation in the capital markets does not adversely impact the successful financial close of the Project.</p>  |
| <b>Availability of Federal Financing Tools</b>   |  |
| <p>Uncertainty surrounding the availability of federal financing via the TIFIA program will have an impact on the risk level of the finance plan for the Project.</p>  | <p>TIFIA assistance is not anticipated in this project. In the event that the Project Sponsor pursues and is unsuccessful in securing federal TIFIA assistance, the Project Sponsor must ensure the viability of the finance plan without such assistance. The current finance plan is not dependent on a TIFIA allocation, although such an allocation would lessen dependence on certain state and federal funds described herein.</p>   |
| <b>Viability of Private Activity Bonds</b>   |  |
| <p>Potential difficulty in raising PAB financing in a timely manner could delay the project and/or increase costs.</p>   | <p>Securing a PABs allocation decreases financing costs and, therefore, lessens the amount of federal and state funds required for the Project. In the event that the final PABs allocation is unsuccessful, the Project Sponsor must ensure the viability of the finance plan without such assistance. Alternative finance plans have been identified and include commercial bank debt or taxable bond debt.</p>  |

## 2015 FINANCIAL PLAN UPDATE

The previously identified risk and mitigation strategies for availability of state and federal financing are still valid for the 2015 FPAU. The risks related to capital market access and viability of PABs has been fully mitigated. All planned debt has been issued for the Project. The risk related to the availability of federal financing tools is no longer



applicable as federal financing tools were not utilized as part of the financial plan for the project. The Project financial plan does not rely on additional federal discretionary funds beyond those already committed to the Project.

## PROCUREMENT RISKS AND STRATEGIES

The following risks may affect the Project Sponsor’s ability to implement the Project due to risks associated with the procurement of the I-69 Section 5 through an AP DBFOM procurement model through a PPA.

**Table 8-4 Procurement – Risks and Mitigation Strategies**

| Risk  | Mitigation Strategy  |
|---|--|
| <b>Delay in Procurement</b>   |  |
| The state does not receive affordable bids or are not able to reach commercial or financial close in the procurement. | An agreement is being developed to address the risks associated with not receiving affordable bids or not achieving commercial or financial close. |

## 2015 FINANCIAL PLAN UPDATE

This previously identified risk did not materialize during the procurement.

## IMPACT ON STATEWIDE TRANSPORTATION PROGRAM

The state has made specific commitments to the completion of the Project. Based on expectations of federal funding availability, as well as expectations regarding the availability of corresponding state transportation funds, the Project Sponsor believes the federal-aid highway formula, federal discretionary, and state transportation funds identified in the IFP are reasonably expected to be available, and without adverse impacts on the State’s overall transportation program or other funding commitments.

Indiana has provided for substantial funding for the Project through a combination of state and federal funding, including the Project in the State’s capital program. Indiana will continue to make specific financial commitments to the Project based on its standard budget procedures and in accordance with the STIP, which takes into account the needs of the overall transportation program and other projects throughout the State. INDOT and IFA are using the biennium appropriations for APs showing that Indiana has allocated these appropriations out of INDOT’s Capital Program. INDOT estimates that these future payments will be 19% of its capital program. Funding for the Project from INDOT federal authorizations has been 1.8% of the NHS and 4.67% NHPP. Approximately 0.01% of INDOT “Lease Proceeds”, 11.22% Redistribution of Certain Authority, 0.67% of STP, 0.04% of Equity Bonus, and 49.86% of Highway Infrastructure Program have been used for I-69 Section 5. In addition to being reflected in internal budget and financial control systems, all anticipated funding amounts are reflected in the STIP, as well as the Bloomington/Monroe County MPO TIP.

## CHAPTER 9. ANNUAL UPDATE CYCLE

### INTRODUCTION

*This chapter addresses the annual reporting period for the data reported in the Annual Update to the Financial Plan.*

### FUTURE UPDATES

The effective date for this FPAU is June 30, 2015. The effective date for the IFP was August, 2013 revised for an updated Utility estimate in January, 2014. Future updates will be submitted to FHWA for approval by October 30 each year.

Through discussions with FHWA, the I-69 Section 5 FPAUs will be conducted in October of each year through construction.

## CHAPTER 10. SUMMARY OF COST CHANGES SINCE LAST YEAR'S FINANCIAL PLAN

### INTRODUCTION

*This chapter addresses the changes that have reduced or increased the cost of the Project since last year's financial plan, the primary reason(s) for the changes, and actions taken to monitor and control cost growth.*

### 2015 FINANCIAL PLAN UPDATE

The following is a listing of project changes that have reduced or increased the cost of the project and/or funded phase since last year's financial plan:

- **Type 1 utilities:** these utility costs increased by \$8.8 million based on actual costs incurred versus previous estimates provided by the individual utility companies. Due to the increased costs, weekly utility review meetings were implemented to both monitor the utility costs and manage the individual utility activities to minimize additional impacts and reduce relocation costs where possible.
- **Construction:** costs have been reduced by \$19.1 million primarily due to accounting the \$20 million MP under both utilities and construction. There was a \$0.9 million increase in construction mitigation contracts than estimated. Monitoring will continue with associated change management and compliance management to minimize potential change orders.
- **Right of Way:** these costs increased \$16.8 million due an increase in condemnation cases. As the right of way acquisition process advanced, routine status updates were provided to IFA, INDOT, and the Project team to keep everyone informed. Specific ROW update meetings are held to make sure that individual parcel acquisitions were kept off the Developer's critical path to eliminate Relief Event risk.

## CHAPTER 11. COST AND FUNDING TRENDS SINCE INITIAL FINANCIAL PLAN

### INTRODUCTION

*This chapter addresses the trends that have impacted project costs and funding since the IFP, the probable reasons for these trends and the implications for the remainder of the Project.*

*One benefit of a P3 is the low risk of changes to the project costs and funding once the contract is signed. Since April 2014, when the PPA was signed, the contract costs and funding sources have been stable for all components of the contract. The contract set the construction costs, therefore the trend of increasing construction costs are mitigated by the contract. A project agreement between the state and FHWA Division office set the level of federal participation stabilized the funding source.*

### CURRENT COST TRENDS

The Project has realized minor cost increases since the 2013 IFP as illustrated in Chapter 3.

The current cost estimate of \$472.3 million is roughly \$6.5 million higher than the prior year's cost estimate as presented in the 2014 Update of \$465.8 million. The difference is attributable to variances between planned and actual expenses in several cost categories, as explained in Chapter 3 and further in Chapter 10.

The State's costs have increased during the most recent fiscal year in two notable areas that were retained as the state's risk. The activities retained by the State; federal permitting, some utility relocation and all right-of-way costs, were retained in order to provide bidding certainty and thereby reducing the amount of contingency in the private sector bids. The project increases are the result of incorrect scope assumptions in utility and right-of-way.

Type 1 utilities are the utility relocations performed by the State. One of the utilities, Washington Township Water, provided estimates for the expected relocation costs in 2013, but nearly half of their facilities in the project right-of-way were not included in their estimate. Once the error was identified in FY 2015 the utility estimated an \$8.8 million increase to their relocation costs. Other utilities have remained within their original scope and cost estimates.

Right-of-way costs are increased for this partially urban project area. The land values through condemnation have reflected urban pricing. The FY 2015 estimate includes anticipated costs through the end of all condemnation cases. The initial estimates included acquisition, relocation and condemnation costs through the initial phase of condemnations. The current estimate is expected to cover the costs of all phases of condemnation cases, through jury trials and awards.

Overall, real estate and construction costs are escalating. Costs of real estate have been mostly experienced because acquisition is complete however the judicial outcomes of the condemnations are not predictable. The state is protected from escalating construction costs by the contracting method.

## **CURRENT FUNDING TRENDS**

As shown in Chapter 4, the revenue and funding sources for the Project have been updated to correspond with the revised Project costs, schedule, and financing plans. As shown in that chapter, sufficient resources are available to meet reasonably anticipated Project costs, to meet financing costs, and to fund necessary contingency reserves.

Federal funding for the project was established by agreement between the State and FHWA for federal share of participation. While the percent of participation is established, INDOT selects the federal funding source dependent upon the current federal highway funding legislation. The US Congress is negotiating an updated FHWA funding legislation currently. State sources of funding include both the dedicated transportation funds comprised of state gas tax and other user fees supplemented by Indiana General Assembly appropriations to INDOT.

In both the federal and state funding mechanisms, project funding is dependent upon declining trends in gas tax collection (federal and state), user fees and annual appropriations from Congress or the General Assembly. User fees and appropriations are not predictable. One trend in recent years has been for each legislative body to recognize the need and appropriating additional infrastructure funding. The funds for this project have been secured and committed therefore the project will be completed.

## **IMPLICATIONS OF TRENDS**

The project costs and revenues remain relatively stable in this Update and are expected to remain so. As such, current budgets are expected to be adequate.

## **ADJUSTMENTS IN FINANCIAL PLAN TO ACCOUNT FOR TRENDS**

The 2015 FPAU was updated to reflect trends noted over the preceding year. If future trends should arise, the Project Sponsors are committed to identifying and taking action on those trends in a timely manner and those trends will be reflected in the routine management reporting tools and meetings.

## **CHAPTER 12. SUMMARY OF SCHEDULE CHANGES SINCE LAST YEAR'S FINANCIAL PLAN**

### **INTRODUCTION**

*This chapter addresses the changes that have caused the completion date for the Project to change since the last FPAU, the primary reason(s) for the change, actions taken to monitor and control schedule growth, and any scope changes that have contributed to this change.*

### **2015 FINANCIAL PLAN UPDATE**

As of June 2015, there have not been any changes to the completion date of the project per the Developer's June 2015 Monthly Schedule update.

## CHAPTER 13. SCHEDULE TRENDS SINCE INITIAL FINANCIAL PLAN

### INTRODUCTION

*This chapter addresses the trends that have impacted project schedule since the IFP, the probable reasons for these trends, and the implications for the remainder of the Project.*

### 2015 FINANCIAL PLAN UPDATE

Although the Developer's June 2015 Monthly Schedule update maintains that the project will be completed by October 2016 (on schedule), overall the schedule has been trending toward an apparent delay in completion.

- **Project Initiation:** the Developer's initial project kick-off efforts were lacking organized and adequate staff. As such, preliminary project activities, notably the preparation of the required Project Management Plan sections took longer than initially anticipated, resulting in delayed NTP1 and Commencement of Design, delaying these approvals by over 1 month.
- **Continued Design Issues:** Once initiated, the Developer's design efforts continued to have issues. Specifically, they had issues relative to quality processes, staffing, and contract compliance. These continued issues delayed advancement of individual components of construction, requiring numerous reorganizations of the project schedule.
- **Initiation of Construction:** Beyond the Project Initiation, the Developer continued to have organizational issues and design difficulties. These difficulties translated directly to delays in NTP2 and Commencement of Construction, delaying these approvals by up to 4 months.
- **Construction Difficulties:** the Developer did not have a strong understanding of all requirements necessary to initiate and advance construction activities including environmental approvals, inter-disciplinary coordination, permits, utility contracting and relocation requirements, internal contracting issues, and karst requirements. These difficulties collectively delayed both initiation of critical early activities and their completion.

While the Developer has maintained their Substantial Completion date as October 2016, the previous schedule trends defined above suggest that the schedule revisions proposed by the Developer will be challenging to achieve.