U.S. Department of Transportation
Federal Highway Administration

Indiana Division

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Indianapolis, IN 46204
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http://www.fhwa.dot.gov/indiv/

October 2, 2018

In Reply Refer To:
HDA-IN

Mr. Daniel Brassard
Chief Financial Officer, Deputy Commissioner
Indiana Department of Transportation
100 N. Senate Avenue
Indianapolis, Indiana 46204

Dear Mr. Brassard,

The Federal Highway Administration (FHWA) Indiana Division has reviewed the Initial Finance Plan (IFP) for the I-69 Section 6 project dated September 2018, which was submitted by the Indiana Department of Transportation (INDOT). In August 2017, a Cost Estimate Review (CER) was completed for this project. The total project cost in year of expenditure dollars is estimated at $1,634 million. The estimated overall construction completion date is June 2027. The project is being implemented in fundable phases with the first phase estimated at $344.5 million and scheduled for completion in June 2022.

The purpose of our review of financial plans is to determine whether they are in accordance with the FHWA Financial Plan Guidance. Based on the review of the financial plan and the results of the CER, the FHWA Indiana Division concurs that the submitted IFP meets FHWA requirements. Therefore, the IFP is approved.

The first Financial Plan Annual Update should be as of January 2019 and is due to FHWA by March 30, 2019. In addition, all lessons learned should be documented and submitted as soon as they become available.

If you have any questions concerning this approval, please feel free to contact Eryn Fletcher, Senior Transportation Engineer, FHWA Indiana Division, at (317) 226-7489.

Sincerely,

Mayela Sosa
Division Administrator

INDIANA DEPARTMENT OF TRANSPORTATION

100 North Senate Avenue
Room N758
Indianapolis, Indiana 46204

PHONE: (317) 232-5525
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Eric Holcomb, Governor
Joe McGuinness, Commissioner

September 21st, 2018

Mayela Sosa
Division Administrator
FHWA Indiana Division
575 N Pennsylvania St., Room 254
Indianapolis, IN 46204

Subject: I-69 Section 6 Initial Financial Plan Letter of Certification

Dear Ms. Sosa:

The Indiana Department of Transportation has developed a comprehensive Initial Financial Plan for the I-69 Section 6 Project in accordance with the requirements of 23 U.S.C. §106 and the Financial Plan guidance issued by the Federal Highway Administration. The plan provides detailed cost estimates to complete the project and the estimates of financial resources to be utilized to fund the project.

The cost data in the Financial Plan provide an accurate accounting of costs incurred to date and include a realistic estimate of future costs based on engineer's estimates and expected construction cost escalation factors. While the estimates of financial resources rely upon assumptions regarding future economic conditions and demographic variables, they represent realistic estimates of resources available to fund the project as described.

The Indiana Department of Transportation believes the Initial Financial Plan provides an accurate basis upon which to schedule and fund the I-69 Section 6 Project, and commits to provide Annual Updates according to the schedule outlined in the Initial Financial Plan.

To the best of our knowledge and belief, the Initial Financial Plan as submitted herewith, fairly and accurately presents the financial position of the I-69 Section 6 Project, cash flows, and expected conditions for the project's life cycle. The financial forecasts in the Initial Financial Plan are based on our judgment of the expected project conditions and our expected course of action. We believe that the assumptions underlying the Initial Financial Plan are reasonable and appropriate. Further, we have made available all significant information that we believe is relevant to the Initial Financial Plan and, to the best of our knowledge and belief, the documents and records supporting the assumptions are appropriate.

Sincerely,

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

I-69 Section 6
Martinsville to Indianapolis, Indiana

Initial Financial Plan

September 2018*

*Project cost estimates and completion schedules reflect information available as of June 30th, 2018.

Submitted to:
Federal Highway Administration

Submitted by:
Indiana Department of Transportation

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1 PROJECT DESCRIPTION

1.1 Introduction

This document discusses the Initial Financial Plan (IFP) for I-69 Section 6 from Martinsville to Indianapolis, including current cost estimates, expenditure data through State Fiscal Year[1] (SFY) 2027, the current schedule for delivering the project, and the financial analysis developed for the project. This IFP has been prepared generally in accordance with Federal Highway Administration (FHWA) Financial Plans Guidance.

I-69 Section 6 will be delivered using a phased project plan approach, meaning that it will designed and constructed in subprojects that make up the entirety of the project from Martinsville to Indianapolis. This will allow the project to be managed more effectively as funding is identified and in a way that aligns with the current STIP/TIP. The decision to adopt a phased plan was initiated by the Indiana Department of Transportation (INDOT), specifically by the INDOT Office of Innovative Project Delivery within the INDOT Division of Capital Program Management and in coordination with FHWA.

1.2 Project Overview

The I-69 Evansville to Indianapolis corridor was studied using a two-tiered approach per the guidelines of the National Environmental Policy Act (NEPA). The I-69 Evansville to Indianapolis corridor received a Tier I Record of Decision (ROD) in March 2004. The Tier I ROD divided the 142-mile corridor into six sections of independent utility. Section 6 of the I-69 corridor follows SR 37 from south of Martinsville near Indian Creek to I-465 in Indianapolis, Indiana. I-69 Section 6 utilizes SR 37, a partially access controlled four-lane divided highway, to be improved to a fully access controlled freeway (Appendix A). INDOT prepared the I-69 Section 6 Tier II Draft Environmental Impact Statement (DEIS) which was published in March 2017. INDOT received FHWA approval of the I-69 Section 6 Tier II Final Environmental Impact Statement (FEIS) and ROD on February 1, 2018. The FEIS/ROD includes a detailed description of the selected alternative, which provides for the construction of I-69 with four lanes from the southern terminus to the Smith Valley Road interchange, six lanes from Smith Valley Road to Southport Road, and eight lanes from Southport Road to I-465. The project also includes improvements to I-465 between Mann Road and US 31.

1.3 Project Sponsor

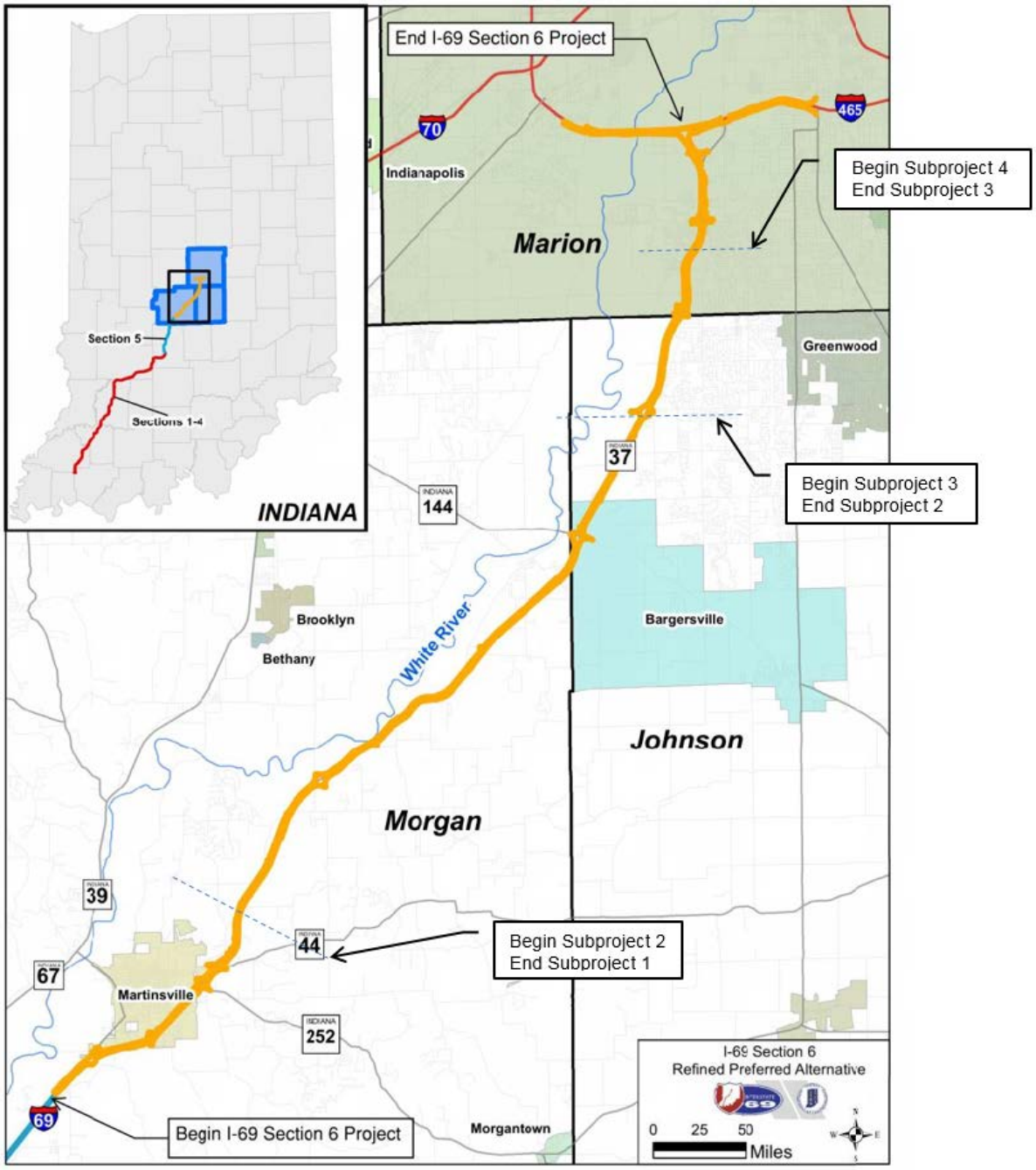
INDOT is the project sponsor for I-69 Section 6. The project will be procured and managed by INDOT. The project extends through Morgan, Johnson, and Marion Counties.

[1] *The State of Indiana Fiscal Year (SFY) runs from July 1 through June 30.*

1.4 Project Detail

The project begins just south of Indian Creek in Martinsville and extends north approximately 27 miles to I-465 in Indianapolis, with pavement rehabilitation, pavement reconstruction, interchange construction, grade separation construction, and local service road construction. The portion of the project on I-465 begins just east of Mann Road and continues east for approximately six miles to just west of US 31 as shown in Figure 1-1 below.

Figure 1-1: Project Map



The purpose of the I-69 Section 6 Project is detailed in Chapter 2 of the FEIS. In summary, the purpose of the project is to advance the overall goals of the I-69 Evansville to Indianapolis project in a manner consistent with the commitments in the Tier I ROD, while also addressing local needs identified in the Tier II process. The local needs identified in Tier II for I-69 Section 6 include:

- Complete Section 6 of I-69, as determined in the Tier I ROD
- Reduce existing and forecasted traffic congestion
- Improve traffic safety
- Support local economic development initiatives

These needs are defined in greater detail in Section 2.3 of the FEIS. Preliminary alternative alignments for I-69 Section 6 were developed to be consistent with the overall goals of Tier I and the local needs identified in this Tier II study.

1.5 Project Delivery Approach

INDOT has evaluated various alternative contracting methods permitted under current Indiana law. Alternative delivery methods may enhance the feasibility of the project through accelerated project delivery; avoidance of inflation costs; and the transfer of various risks to the private sector, such as design and construction risk.

INDOT anticipates phasing the project into four subprojects for final design, right of way acquisition, and construction. Each of these subprojects can independently be constructed and opened to the public, and operated effectively without the remaining construction being completed.

- Subproject 1: SR 39 to Morgan Street in Morgan County
- Subproject 2: Morgan Street to Olive Branch Road in Morgan and Johnson Counties
- Subproject 3: Olive Branch Road to Wicker Road in Johnson and Marion Counties
- Subproject 4: Wicker Road to and including I-465 in Marion County

Subprojects 1, 2, and 3 are anticipated to be constructed using traditional design-bid-build procurement methodology. Subproject 4 is anticipated to be constructed utilizing a design-build best-value procurement model. INDOT will finalize the specific type of procurement at a later date.

1.6 Project History

A full discussion of the project history can be found in the Environmental Impact Statement, found on the internet at http://www.in.gov/indot/projects/i69/2515.htm.

1.7 Project Implementation – Management and Oversight

1.7.1 Subprojects 1, 2, and 3

As the project sponsor, INDOT will manage and deliver the I-69 Section 6 Project. Roles and responsibilities of INDOT and other parties are listed below.

- INDOT, supported by their technical team (described below), will be responsible for all aspects of the I-69 Section 6 project.
- The Final Designer will prepare contract documents needed for construction contracts.
- Construction contractors will be selected using INDOT's monthly bid letting process.

1.7.2 Subproject 4

INDOT is the project sponsor for the project and is managing and delivering the project. The roles and responsibilities of various parties are described below.

- INDOT supported by their technical team (described below), will be responsible for all aspects of the I-69 Section 6 project.
- The Legal Advisor will supplement and assist state personnel with short listing of potential design-builders, contract language, and contract negotiations. The Legal Advisor will work under the direction of INDOT. The contract is known as the Public Private Agreement (PPA).
- The Technical Advisor will supplement and assist state personnel with technical provisions, design review, contract administration, construction inspection, and quality control and quality assurance activities. The Technical Advisor will work under the direction of INDOT.
- Preferred Proposer - INDOT will issue a final RFP for a design-build contractor (Preferred Proposer) to design and construct the project.

2 PROJECT SCHEDULE

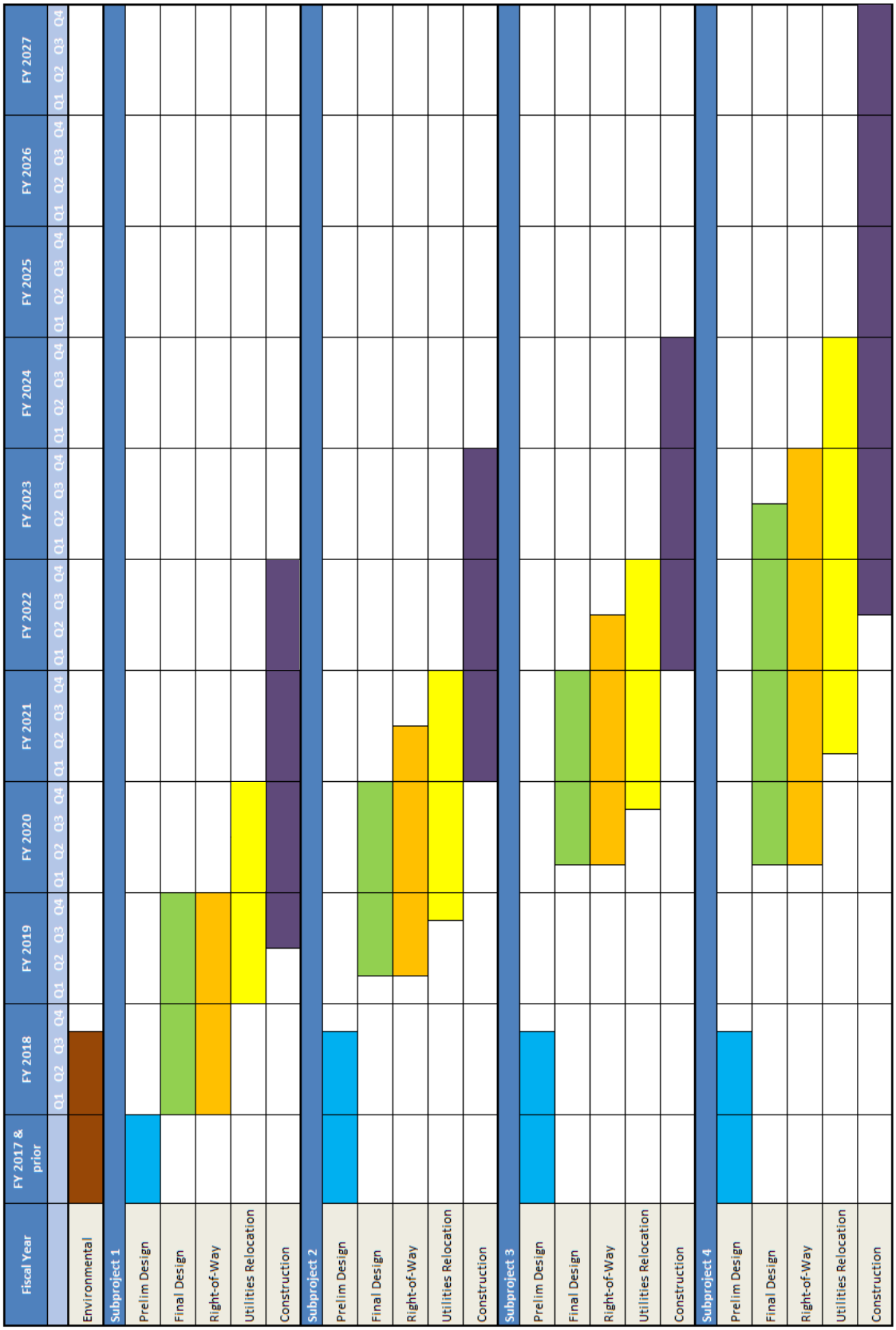
2.1 Introduction

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.

2.2 Project Schedule Overview

The current project schedule is based on delivery of the project under design-bid-build and design-build best-value procurement models. Substantial completion of Subproject 1 is expected by the end of June 2022 and the entire project is expected by the end of June 2027 as shown in Table 2-1.

Table 2-1: Project Schedule per State Fiscal Year



2.3 Procurement Schedule

Procurement schedules are shown in Table 2-2 and Table 2-3.

Table 2-2: Procurement Schedule for Design-Bid-Build Subprojects

DBB Procurement Schedule (State Fiscal Year)	Scheduled Item				
	NEPA Complete	Issue RFP for Final Designer	Select Final Designer	Advertise for Construction	Construction Complete
Subproject 1	FEB 2018	MAR 2017	JUN 2017	MAR 2019	JUN 2022
Subproject 2	FEB 2018	JUN 2018	SEP 2019	SEP 2021	JUN 2023
Subproject 3	FEB 2018	JUN 2019	SEP 2020	SEP 2022	JUN 2024

Table 2-3: Procurement Schedule for Design-Build Best-Value Subproject

DBBV Procurement Schedule (State Fiscal Year)	Scheduled Item									
	Issue Request for Qualifications	SOQ Due Date	Anticipated Announcement of Short-listed Proposers	Circulate Draft of RFP to Short-listed Proposers	Issue Final RFP	Proposal Due Date	Announce Preferred Proposer	Award and Execution of PPA (Commercial Close)	Substantial Completion	Contract Completion
Subproject 4	DEC 2020	JUN 2020	SEP 2021	DEC 2021	JUN 2021	SEP 2022	DEC 2022	MAR 2022	MAR 2027	JUN 2027

3 PROJECT COSTS

3.1 Introduction

This chapter provides a detailed description of project cost elements and current cost estimates in year-of-expenditure (YOE) 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.

3.2 Cost Estimates

The total estimated cost for the project is $1.6 billion in YOE dollars. This cost estimate includes the most current project phasing and anticipated schedule. Table 3-1 provides an overview of project costs, broken down by project component and phase (subproject).

Table 3-1: Budget Organized by Project Component and Phase (in YOE $ millions)

Detailed Budget	Total Project Costs by Project Component and Phase					
	Project Development	Subproject 1	Subproject 2	Subproject 3	Subproject 4	**Total**
Preliminary Engineering	$ 41.28	$ 7.10	$ 13.30	$ 8.00	$ 25.90	**$ 95.58**
Right of Way	$ 17.39	$ 108.90	$ 46.10	$ 21.70	$ 78.30	**$ 272.39**
Environmental Mitigation	$ 0.58	$ 8.70	$ 13.30	$ 2.50	$ 15.40	**$ 40.48**
Construction	$ -	$ 130.40	$ 245.78	$ 147.22	$ 493.18	**$ 1,016.58**
Utilities	$ -	$ 23.10	$ 40.30	$ 45.50	$ 47.50	**$ 156.40**
CEI, Admin & Program Costs	$ -	$ 6.80	$ 12.82	$ 7.68	$ 25.72	**$ 53.02**
Total	**$ 59.25**	**$ 285.00**	**$ 371.60**	**$ 232.60**	**$ 686.00**	$ 1,634.45

Figure 3-1 illustrates the total project costs by component. Construction accounts for nearly two-thirds (65%) of the total project costs with right of way costs accounting for just over 15%. Comparatively, Figure 3-2 demonstrates the total project costs by phase (subproject). The largest subproject is 4 edging toward 45% of the total project costs. Subprojects 1 and 3 are each under 20% of the total project costs while subproject 2 accounts for nearly 25%.

Figure 3-1: Total Project Costs by Component (in YOE $ millions)

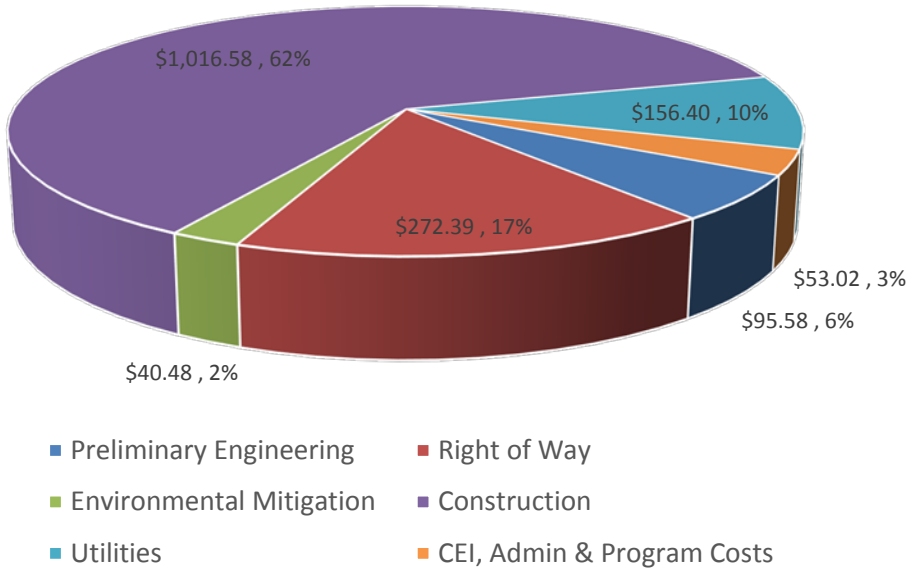
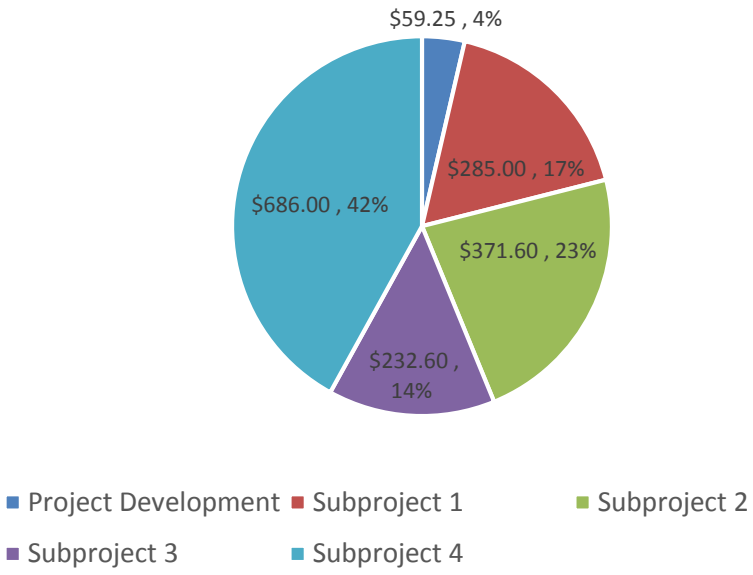


Figure 3-2: Total Project Costs by Phase (in YOE $ millions)



3.3 Cost Estimating Methodology

Initial cost estimates were developed by a consultant in conjunction with INDOT and FHWA. The cost estimates were developed by breaking down the project into eight subsections which were later grouped into the four subprojects. The methodology for each element is summarized in Table 3-2 and further described below.

Table 3-2: Cost Elements Methodology

Cost Elements
Engineering and Design
Preliminary and Final Design Services
Final engineering will be procured directly by INDOT for subprojects 1, 2, and 3. Final engineering will be part of the DB contract for subproject 4. Engineering and design cost estimates are currently estimated at 7% of the construction cost estimate.
Design Program Management
Cost to state for services of General Engineering Consultant (GEC) during the design phase and miscellaneous departmental program management costs.
Program Management estimates are based on the currently negotiated contracts and estimates that cover the currently planned project schedule.
Construction Administration and Inspection
All construction and program management, administration, and inspection activities during the construction phase of the project.
Construction Administration and Inspection costs are estimated at 5% of the construction cost estimate.
Construction
Estimated cost of construction.
Construction estimates reflect current prices inflated for YOE utilizing large DBB and DBBV cost methods.
Construction Contingency
Contingency to cover additional construction services in the event unforeseen circumstances arise that result in additional cost.
Construction contingency estimates are based on the level of engineering undertaken to date for the project. Contingency factors have been developed based on the cost estimates 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.
Utilities and Railroads
All public and private project-related utility and railroad relocation and new construction.
Costs that include those related to telephone, electric, gas, fiber optics, water, sewer, TV cable, storm drainage, and railroads are based on the most up-to-date cost information available.
Right of way Acquisition
Appraisals, administration, management, and acquisition of required right of way.
Costs include completed and anticipated right of way acquisition and are based on the most up-to-date market information available.
Enhancements
Various project-related commitments as identified in the EIS.
This includes fixed dollar commitments made for various environmental commitments.
Mitigation
Implementation of mitigation of sensitive impacts.
This includes costs for such items as wetlands, streams, and forest creation and preservation.

Cost estimates for the I-69 Section 6 alternatives were developed using a technique known as "cost-based estimating." Cost-based estimating identifies the major tasks required to construct a project and estimates the time, labor, equipment, and materials necessary to complete each task. Reasonable amounts for a contractor's overhead and profit are also included. This estimating method can more easily account for unique project characteristics, geographical influences, market factors, and material price fluctuations than methods based on historical unit pricing.

Quantity surveys ("takeoffs") were developed for each alternative based on preliminary engineering drawings and project descriptions. These quantities are used throughout the estimate and are supported by details (either developed or assumed) for the element being estimated. In addition to the project descriptions, the information used for cost estimating includes CAD design files showing the preliminary alignment and bridge locations for each of the alternates, roadway cross-sections, earthwork summary reports, roadway typical sections, and other miscellaneous reference and design information.

Additionally, a review team consisting of FHWA, INDOT, and the NEPA consultant conducted a Cost Estimate Review (CER) workshop to review the cost and schedule estimates for the I-69 Section 6 Project. The workshop was held from August 15-17, 2017. The objective of the review was to verify the accuracy and reasonableness of the project's cost and schedule estimates, and to develop a probability range for the cost estimate that represented the stage of development of the project at the time of the CER. During the review, contingencies were removed from the base estimate, and cost and schedule risks were identified, quantified, and then added to the estimate. Inflation rates were discussed to the midpoints of expenditure for the projected schedule.

Based on the revised base estimate and on the risk assessment from the CER workshop, the resulting cost estimate for the I-69 Section 6 Project at the 70% confidence level was estimated at $1.57 billion in YOE dollars, which was within 2% of the pre-CER estimates. The YOE 70% probability level for the currently funded portion of the project (Subproject 1) was estimated at approximately $282 million.

3.4 Project Expenditures

Since I-69 Section 6 will be delivered using a phased project plan approach, and considering this is the Initial Financial Plan for the project, the data presented in the tables of this document generally represent only a portion of the entire project, specifically Subproject 1 and the Project Development activities that occurred prior to 2018 which includes NEPA related activities. This information will be reiterated in the tables.

Table 3-3 shows the breakdown of costs for the project annually by component and by SFY. As shown, approximately $59.25 million will have been expended on the project through the end of SFY18. Approximately $116.4 million is anticipated to be expended in SFY19. Right of way acquisition accounts for most of these expenses at $89.9 million. The remainder of the anticipated expenditures are for final design, environmental mitigation, and utility relocations.

Table 3-3: Project Budget for Subproject 1 by State Fiscal Year (in YOE $ millions)

Phase / State Fiscal Year	2018 & Prior	2019	2020	2021	Phase Total	Future Cost to Complete	Total Project Cost
PE, Environmental & Final Design	$ 41.28	$ 7.10			**$ 48.38**	$ 47.20	**$ 95.58**
Right of Way	$ 17.39	$ 89.90	$ 19.00		**$ 126.29**	$ 146.10	**$ 272.39**
Environmental Mitigation	$ 0.58	$ 8.70			**$ 9.28**	$ 31.20	**$ 40.48**
Construction		$ 0.15	$ 65.15	$ 65.10	**$ 130.40**	$ 886.18	**$ 1,016.58**
Utility & Railroad Relocations		$ 10.55	$ 6.90	$ 5.66	**$ 23.10**	$ 133.30	**$ 156.40**
CEI, Admin & Program Costs			$ 3.40	$ 3.40	**$ 6.80**	$ 46.22	**$ 53.02**
Total Costs	**$ 59.25**	**$ 116.40**	**$ 94.45**	**$ 74.16**	**$ 344.25**	**$ 1,290.20**	**$ 1,634.45**

NOTES:
- *Project Budget for phase total is for Subproject 1 and Project Development (including NEPA from prior years).*
- *Totals may not add exactly due to rounding.*

4 PROJECT FUNDS

4.1 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 funds. A discussion of risks associated with funding availability also is included.

4.2 Financial Plan Overview

This IFP reflects the planned funding and finance strategy by which the project will be financed through a combination of conventional state and federal transportation program funds.

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 EIS,
- developing the project in a safe manner that supports congestion management,
- 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 DBBV delivery method selected by INDOT has the potential of providing private sector innovation, efficiencies, and best value to taxpayers. Importantly, INDOT, together with their advisory team, has developed a pro forma financial plan that provides a certain view of how a design-build best-value contractor may deliver this project. Ultimately the financial plan will reflect what the Preferred Proposer offers based on its view of the project.

4.3 Procurement Approach and Financing

Subprojects 1, 2 and 3 will be procured using design-bid-build procurement model through INDOT. The INDOT procurement will follow the schedule shown in Table 2-2.

Subproject 4 is anticipated to be procured using a design-build best-value procurement model through a PPA. Under this model, INDOT will make progress payments to the Preferred

Proposer as consideration for the contractor designing and constructing a facility in accordance with the performance standards set forth in the PPA. INDOT will follow the procurement schedule shown in Table 2-3.

A combination of state and federal funds will be used to make progress payments to the Preferred Proposer. INDOT will budget for these using INDOT's state appropriation determined by the Indiana General Assembly. The sources of federal funds used to support the payments are anticipated to be from the National Highway Performance Program (NHPP) and the National Highway Freight Program (NHFP).

4.4 State Transportation and Federal-Aid Formula Funding

Indiana has historically used federal-aid resources for the I-69 project and has committed specific funding from their respective near-term federal-aid highway funding programs, as described further below and 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 track record of meeting their state match obligations with a variety of state funding sources, including state-imposed fuel taxes and 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 $344.25 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 $59.25 million of federal and state funds expended through SFY18.

Table 4-1: Project Funding for Subproject 1 by State Fiscal Year (in YOE $ millions)

	Fund Type / State Fiscal Year	2018 & Prior	2019	2020	2021	Phase Total	Future Cost to Complete	Total Project Cost
Federal	National Highway System	$ 1.20	$ -	$ -	$ -	**$ 1.20**	$ -	**$ 1.20**
	National Highway Performance Program	$ 38.30	$ 93.12	$ 75.56	$ 59.33	**$ 266.31**	$ 1,032.16	**$ 1,298.47**
	Highway Infrastructure Program	$ -	$ -	$ -	$ -	**$ -**	$ -	**$ -**
	Equity Bonus	$ 1.30	$ -	$ -	$ -	**$ 1.30**	$ -	**$ 1.30**
	Surface Transportation Program	$ 0.40	$ -	$ -	$ -	**$ 0.40**	$ -	**$ 0.40**
	Earmarks	$ 3.10	$ -	$ -	$ -	**$ 3.10**	$ -	**$ 3.10**
	Subtotal, Federal	$ 44.30	$ 93.12	$ 75.56	$ 59.33	**$ 272.31**	$ 1,032.16	**$ 1,304.47**
State	State Highway Fund	$ 11.45	$ 23.28	$ 18.89	$ 14.82	**$ 68.44**	$ 258.04	**$ 326.48**
	Indiana Toll Road Lease Proceeds	$ 3.50	$ -	$ -	$ -	**$ 3.50**	$ -	**$ 3.50**
	Subtotal, State	$ 14.95	$ 23.28	$ 18.89	$ 14.82	**$ 71.94**	$ 258.04	**$ 329.98**
	Total, Revenues	**$ 59.25**	**$ 116.40**	**$ 94.45**	**$ 74.15**	**$ 344.25**	**$ 1,290.20**	**$ 1,634.45**

NOTES:
- *Federal and State Funding for phase total is for Subproject 1 and Project Development (including NEPA from prior years).*
- *Totals may not add exactly due to rounding.*

It is anticipated that future funds will come from the NHPP and NHFP funding categories, although the commitment of specific funding categories of federal funding is subject to adjustment based on the recently authorized federal MAP-21, FAST Act, and the availability of more restricted categories, and funding categories associated with a new transportation program Act.

The project is included in INDOT's 5 year and 20 year Capital Program plans and has funding allocated among the scheduled projects. INDOT is prepared to either revise the Capital Program, seek additional state funding from the Legislature, adjust Capital Program projects federal share, or explore other innovative financing methods available should unexpected changes occur in the anticipated funding sources. The State of Indiana is committed to see this project through completion.

4.5 Progress Payments

Progress payments will be funded with a combination of state and federal funds appropriated by INDOT on a biennial basis, as described below.

In addition to being reflected in INDOT's internal budget and financial control systems, all anticipated funding amounts are reflected in the fiscally-constrained 2018-2021 Statewide Transportation Improvement Program (STIP), as well as the 2018-2021 Indianapolis Regional Transportation Improvement Program (IRTIP) of the Indianapolis Metropolitan Planning Organization (MPO).

4.6 Federal Discretionary Funding

The project is expected to utilize federal-aid formulary and state transportation funds appropriated to INDOT as well as federal-aid discretionary funds.

5 FINANCING ISSUES

5.1 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.

5.2 Financing Strategy

The project will not utilize funding outside of federal-aid and state transportation funds appropriated to INDOT. This plan eliminates issuance, interest, and borrowing costs.

6 CASH FLOW

6.1 Introduction

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

6.2 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 INDOT's view of the funding structure based on the project's economics. The project is currently anticipated to be fully funded through public funds contribution. The following sources of funds will fund construction and other development costs.

Table 6-1: Estimated Sources and Uses of Funds for Subproject 1 (in YOE $ millions)

Sources of Funds	Phase Total	% of Total	Future Funding	% of Total
IN State & Federal Funding - Formulary	$ 337.65	98%	$ 1,290.20	100%
IN State & Federal Funding - Discretionary	$ 6.60	2%	$ 0.00	0%
Subtotal, Source of Funds	**$ 344.25**	**100%**	**$ 1,290.20**	**100%**
Uses of Funds				
Design and Environmental Costs	$ 48.38	14%	$ 47.20	4%
Right of Way Costs	$ 126.29	37%	$ 146.10	11%
Construction Costs	$ 162.78	47%	$ 1,050.68	81%
Construction Oversight Costs	$ 6.80	2%	$ 46.22	4%
Subtotal, Uses of Funds	**$ 344.25**	**100%**	**$ 1,290.20**	**100%**

NOTE: Estimated Sources and Uses for phase total is for Subproject 1 and Project Development (including NEPA from prior years).

6.3 Cash Management Techniques

For project funding expected to be contributed from state and federal sources, INDOT intends to utilize available cash management techniques, including Advanced Construction (AC) and Tapered Match (TM), to manage the timing of cash needs against the availability of federal and state funds. These techniques provide INDOT authority to "concurrently advance projects …." utilizing the federally accepted practice of AC codified in Title 23, Section 115. AC is a fund management tool that allows INDOT to incur costs on a project and submit the full or partial amount later for Federal reimbursement without having to currently allocate federal funds. This eliminates the need to set aside full obligational authority before starting a project. INDOT then converts the AC from eligible for funding to an obligation to fund and reimburse, while future year expenditure estimates will remain under AC. This practice will continue throughout the life

of the project. At no time will Indiana's AC exceed Indiana's future federal estimates. Indiana also will utilize TM provisions to manage the timing of federal and state expenditures for the project.

Table 6-2 provides the AC conversion status for Indiana updated through SFY18. As shown, the project had $21.9 million in total authorized federal funds as of June 30th 2018, with $8.9 million funded in AC and $5.2 million converted to federal limitation obligation funds to date. The remaining AC amount is $3.8 million and represents additional federal authorization committed for use on the project.

Table 6-2: Advanced Construction Funding Status (in YOE $ millions)

Funding Method	Total Federal Funding Amounts	Amount AC'd to Date	Amount Converted to Date	Amount Remaining in AC
INDOT AC Authorizations	$ 21.9	$ 8.9	$ 5.2	$ 3.8

NOTE: Totals may not add exactly due to rounding.

6.4 Financing Costs

The project will not utilize funding outside of federal-aid and state transportation funds appropriated to INDOT as previously discussed in Chapter 5.

6.5 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 below 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.

As shown in Table 6-3, INDOT has expended $59.25 million through SFY18 on the project. The remaining project costs of $285 million are anticipated to be fully obligated by SFY21 and expended in future SFYs with most preliminary engineering and final design in SFY19. Construction and CEI are expected to extend from SFY19 through SFY21, as shown in Table 6-3.

Table 6-3: Project Cash Flows for Subproject 1 by State Fiscal Year (in YOE $ millions)

Revenue	2018 & Prior	2019	2020	2021	Phase Total	Future Phases	Total
Carry Forward	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INDOT Funding	$ 59.25	$ 116.40	$ 94.45	$ 74.16	$ 344.26	$ 1,290.20	$ 1,634.45
Subtotal, Revenue	**$ 59.25**	**$ 116.40**	**$ 94.45**	**$ 74.16**	**$ 344.26**	**$ 1,290.20**	**$ 1,634.45**
Expenditures							
Design	$ 41.28	$ 7.10			$ 48.38	$ 47.20	$ 95.58
ROW	$ 17.39	$ 89.90	$ 19.00		$ 126.29	$ 146.10	$ 272.39
Construction	$ 0.58	$ 8.85	$ 65.15	$ 65.10	$ 139.68	$ 917.38	$ 1,057.06
Utilities/Railroads		$ 10.55	$ 6.90	$ 5.66	$ 23.11	$ 133.30	$ 156.40
CEI, Admin, Program			$ 3.40	$ 3.40	$ 6.80	$ 46.22	$ 53.02
Subtotal, Expenditures	**$ 59.25**	**$ 116.40**	**$ 94.45**	**$ 74.16**	**$ 344.26**	**$ 1,290.20**	**$ 1,634.45**
Net Cash Flow	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

NOTES:
- *Revenue and Expenditures for phase total is for Subproject 1 and Project Development (including NEPA from prior years).*
- *Totals may not add exactly due to rounding.*

7 P3 ASSESSMENT

7.1 Introduction

This chapter provides information on the process used to assess the appropriateness of a P3 to deliver the project in whole or in part.

7.2 P3 Assessment

INDOT has evaluated alternative contracting methods permitted under current Indiana law. Such alternative delivery methods are expected to enhance the feasibility of the project through accelerated project delivery; construction cost certainty; and the transfer of various risks to the private sector, such as design and construction risk. As a result, a portion of the I-69 Section 6 project, specifically Subproject 4, is being procured as a P3 using a DBBV delivery method.

7.3 Legislative Authority

The P3 Program operates within the general legal framework set forth in the Indiana Code (IC). INDOT has been granted legislative authority to procure P3 projects in Indiana. The statutes providing authorization to procure P3 projects are IC 8-15.7 and IC 8-15.5. INDOT will lead the procurement and will be responsible for the technical aspects of P3 projects and will commit its appropriations towards a project where it is appropriate. The relevant statute allows for the development, financing, and operation of P3 projects.

7.4 Indiana's P3 Management Structure

Indiana has established itself as a national leader in using alternative delivery models to deliver major transportation infrastructure projects. INDOT will be the procuring agency and will be responsible for the technical aspects of the procurement.

INDOT has an established P3 Department that resides within the Capitol Program Management Division. Both the P3 Department and the Capital Program Management Division are responsible for delivering and overseeing P3s at INDOT.

7.5 Benefits – Disadvantages Comparison

I-69 Section 6 Subproject 4 is being procured using a DBBV delivery model and will be managed by INDOT. 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 the following:

- **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 commercial close and is only subject to cost changes approved by INDOT. 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.
- **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 and construction 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 and construction 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.
- **Improved accountability:** One party, the Preferred Proposer, is responsible for project delivery and operation regardless of the number of subcontractors. The Preferred Proposer is responsible if the project is not delivered according to the contractual requirements.

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

- **Longer procurement timeline:** Innovative project delivery 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 compared to traditional delivery.
- **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 performance based agreements that lock in project costs at commercial close. Given the 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.

7.6 Risk Allocation Analysis

INDOT employs a two-step screening process when assessing whether a project should be delivered using an alternative delivery model. 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 an alternative delivery method. Table 7-1 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 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	
Project Complexity	Is the project sufficiently complex in terms of technical and/or financial requirements to effectively leverage private sector innovation and expertise?
Accelerating Project Development	If the required public funding is not currently available for the project, could using a P3 delivery method accelerate the delivery of the project?
Transportation Priorities	Is the project consistent with overall transportation objectives of the state? Does the project adequately address transportation needs?
Project Efficiencies	Would the P3 delivery method help foster efficiencies through the most appropriate transfer of risk over the project life-cycle? Is there an opportunity to bundle projects or create economies of scale?
Ability to Transfer Risk	Would the P3 delivery method help transfer project risks and potential future responsibilities to the private sector on a long-term basis?
Funding Requirement	Does the project have revenue generation potential to partially offset the public funding requirement if necessary? Could a public agency pay for the project over time, such as through an availability payment, as opposed to paying for its entire costs up front?
Ability to Raise Capital	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 in Table 7-2.

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

Detail Project Screening Criteria	
Public Need	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? Does the project support improving safety, reducing congestion, increasing capacity, providing accessibility, improving air quality, improving pedestrian biking facilities, and/or enhancing economic efficiency?
Public Benefits	Will this project bring a transportation benefit to the community, the region, and/or the state? Does the project help achieve performance, safety, mobility, or transportation demand management goals? Does this project enhance adjacent transportation facilities or other modes?
Economic Development	Will the project enhance the state's economic development efforts? Is the project critical to attracting or maintaining competitive industries and businesses to the region, consistent with stated objectives?
Market Demand	Does sufficient market appetite exist for the project? Are there ways to address industry concerns?
Stakeholder Support	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? What strategies are proposed to involve local, state and/or federal officials in developing this project? Has the project received approval in applicable local and/or regional plans and programs? Is the project consistent with federal agency programs or grants on transportation (FHWA, FTA, MARAD, FAA, FRA, etc.)?
Legislative Factors	Are there any legislative considerations that need to be taken into account such as tolling, user charges, or use of public funds? Is legislation needed to complete the project?
Technical Feasibility	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? Is the proposed schedule for project completion clearly outlined and feasible? Does the proposed design appear to be technically sound and consistent with the appropriate state and federal standards? Is the project consistent with applicable state and federal environmental statutes and regulations? Does the project identify the required permits and regulatory approvals and a reasonable plan and schedule for obtaining them? Does the project set forth the method by which utility relocations required for the transportation facility will be secured and by whom?
Financial Feasibility	Are there public funds required and, if so, are the state's financial responsibilities clearly stated? Is the preliminary financial plan feasible in that the sources of funding and financing can reasonably be expected to be obtained?
Project Risks	Are there any particular risks unique to the projects that have not been outlined above that could impair project viability? Are there any project risks proposed to be transferred to INDOT that are likely to be unacceptable?
Term	Does the project include a reasonable term of concession for proposed operation and maintenance? Is the proposed term consistent with market demand, providing a best value solution for the state? Is the proposed term optimal for a whole-of-life approach?

Using the aforementioned standard INDOT screening process, including the high-level screening, detailed level screening and financial feasibility analysis, it was determined that I-69 Section 6 Subproject 4 is a strong candidate for P3 DBBV delivery. Table 7-3 provides additional considerations to the project using the DBBV delivery model.

Table 7-3: INDOT DBBV Project Considerations

Design-Build Best-Value Project Considerations	
Technical Considerations	Considerations pertaining to project complexity, design, schedule acceleration, cost savings, and lifecycle performance and lifecycle cost objectives.
Market Considerations	Considerations pertaining to the market demand and market capacity and the marketability of the project to DB providers.
Resources and Capabilities	Considerations pertaining to INDOT's internal resources to deliver the project.

The qualitative and quantitative screening analyses indicated the project to be a strong candidate for DBBV delivery for the following reasons:

- The project is large, and it is located in a high traffic volume area with high truck traffic volume.
- An accelerated construction schedule would help to limit construction impacts to stakeholders while addressing safety concerns during the construction period.
- Maintenance of traffic is a challenge. The multiple work types included in the project could benefit from a high level of multi-discipline coordination and integrated approach to construction sequencing.
- The project characteristics (size, high traffic volumes, and truck traffic) are such that a performance-based contract would help to reduce the risk of change orders and cost overruns.
- The project size will be highly attractive to the region's larger players and is likely to attract a strong pool of bidders willing to bid under a DBBV model.

Therefore, the INDOT identified the DBBV model as the preferred delivery model and will proceed with procuring I-69 Section 6 Subproject 4 on that basis.

7.7 Market Conditions

The project will not utilize funding outside of federal-aid and state transportation funds appropriated to INDOT, as discussed in Chapter 5.

7.8 Permits and Approvals

The FEIS/ROD was reviewed and approved by FHWA on February 1, 2018. All permitting activity will be carried out in accordance with the FEIS/ROD.

The RFPs for final design and construction will include provisions to ensure compliance with all environmental commitments included in the FEIS/ROD. INDOT will apply for permits with key federal regulatory agencies. The permits and notifications that may be required are outlined in Table 7-4.

Table 7-4: Required Permits and Notifications

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

** Not all permits/notifications apply to all sections of the project.*

8 RISK AND RESPONSE STRATEGIES

8.1 Introduction

This chapter addresses factors that could affect the financial plan for the project. These risks fall under one or more of the following categories: Project Cost, Project Schedule, Financing, and Procurement. Additionally, this chapter addresses the impact of the state's financial contribution to the project on its respective statewide transportation program.

8.2 Project Cost Risks and Mitigation Strategies

The factors shown in Table 8-1 have been identified as possible reasons for cost overruns.

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

Risk	Mitigation Strategy
Original Cost Estimates	
The risk that original cost estimates are lower than bids received.	Recent US DB and P3 experience indicates that competition may result in aggressive bids below the state sponsor's estimates.
Inflation	
Highway construction inflation has been very volatile over the past several years and could significantly increase the cost of the project.	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.
Contingency	
The amount of contingency factored into project cost estimates may be insufficient to cover unexpected costs or cost increases.	While petroleum prices have an inflationary risk, both a DB and a progress payment concession structure, as contemplated by the state, helps transfer much of this risk from the public to the private sector design-builder.
Cost Overruns During Construction	
Cost overruns after start of construction could result in insufficient upfront funds to complete the project.	A DB or progress payment concession structure helps transfer much of this risk from the public to the private sector design-builder.

8.3 Project Schedule Risks and Mitigation Strategies

The risks shown in Table 8-2 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
Litigation	
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, INDOT intends to adhere to the conditions of each federal and local approvals received to construct the project.
Permits and Approvals	
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 design-builder will assume responsibility to obtain all other permit approvals. The design-builder's responsibility for compliance will be a contractual requirement in the PPA. The state has a track record of success in acquiring similar permits.
Unanticipated Site Conditions	
Unanticipated geotechnical conditions could be encountered, potentially delaying the schedule or increasing costs.	Geotechnical investigations have been conducted on the project, and preliminary results do not indicate any significant problems.
Endangered Species	
If endangered species (e.g., Indiana bat, Kirtland snake, 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.
Hazardous Materials	
Both known and unknown hazardous materials could delay the project and/or lead to additional costs.	Investigations have been conducted on identified sites and preliminary results do not indicate any significant problems.
Schedule Coordination	
Due to the size and complexity of the project, poor project scheduling and coordination could delay the project schedule.	The guaranteed maximum price design-build contract structure helps transfer much of this risk from the public to the private sector design-builder.
Maintenance of Traffic	
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 design-builder. The Design-Build Contractor is required to prepare, submit, and follow through on a Public Involvement Plan that provides INDOT regular updates on road closures and restrictions, notification of emergency events, coordinating and staffing public meetings, and providing informational maps or displays, as needed.
Project Start-up/Execution	
Delays in mobilizing required resources at project kick-off could delay the project at inception, requiring the design-builder to perpetually play catch-up with their schedule.	Detailed requirements in the Technical Provisions and PPA define the design-builder's responsibilities and keep schedule risk predominantly with the design-builder. Vigilant oversight by the project team will protect INDOT from unexpected delay claims.

8.4 Financing Risks and Mitigation Strategies

Table 8-3 discusses risks that may negatively affect the project sponsor's ability to fund the project cost effectively. 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
Availability of State and Federal Funding	
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.	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. In addition, all anticipated funding amounts will be reflected in Indiana's fiscally-constrained STIP and the TIP for the metropolitan region.

8.5 Procurement Risks and Strategies

The risks shown in Table 8-4 may affect the project sponsor's ability to implement the project due to risks associated with the procurement of the project through a DBBV procurement model utilizing a PPA.

Table 8-4: Procurement – Risks and Mitigation Strategies

Risk	Mitigation Strategy
Delay in Procurement	
The state does not receive compliant bids under the required budget limit, are not able to select a preferred bidder, or cannot execute the contract.	The variable scope nature of the proposal process allows the state to mitigate the potential that proposers cannot meet the required contract limit.

8.6 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, without adverse impacts on the state's overall transportation program or other funding commitments.

Indiana has provided 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 is using the biennium appropriations for progress payments showing that Indiana has allocated these appropriations out of INDOT's Capital Program. INDOT estimates that these future payments will be 9% of its capital program. Funding for the project from INDOT federal authorizations has been 0.6% of the NHPP. 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 IRTIP of the Indianapolis MPO.

9 ANNUAL UPDATE SCHEDULE

9.1 Introduction

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

9.2 Future Updates

The effective date for this IFP is June 30, 2018. Future updates will be submitted to FHWA by March 31 each year with an as-of date of January 1.