



LOUISVILLE - SOUTHERN INDIANA OHIO RIVER
BRIDGES PROJECT

Financial Plan – 2013 Annual Update

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Federal Highway Administration



Submitted by:
Kentucky Transportation Cabinet
Indiana Department of Transportation



In conjunction with:
Indiana Finance Authority
Kentucky Public Transportation Infrastructure Authority

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Executive Summary

INTRODUCTION

This document presents the 2013 Annual Update to the Initial Financial Plan (IFP or Plan) for the Louisville-Southern Indiana Ohio River Bridges Project (the Project or the Ohio River Bridges Project). This Update includes the current schedule for delivering the Project, current cost estimates and expenditure data through State Fiscal Year (SFY) 2013, and the latest financial analyses developed for the Project. It also includes comparative information reflecting key changes since the IFP was prepared. .

PROJECT OVERVIEW

The Louisville-Southern Indiana Ohio River Bridges Project is a construction and reconstruction project being undertaken to address long-term cross-river transportation needs in the Louisville metropolitan area (LMA). The Project has been developed over more than 40 years in recognition of the need to improve cross-river mobility between Jefferson County, Kentucky and Clark County, Indiana (see Figure ES-1). In September 2003, the Federal Highway Administration (FHWA) issued a Record of Decision (ROD) that identified the preferred alternative in the Final Environmental Impact Statement (FEIS) as two new Ohio River bridge crossings, connected approaches, and the reconstruction of the Kennedy Interchange.

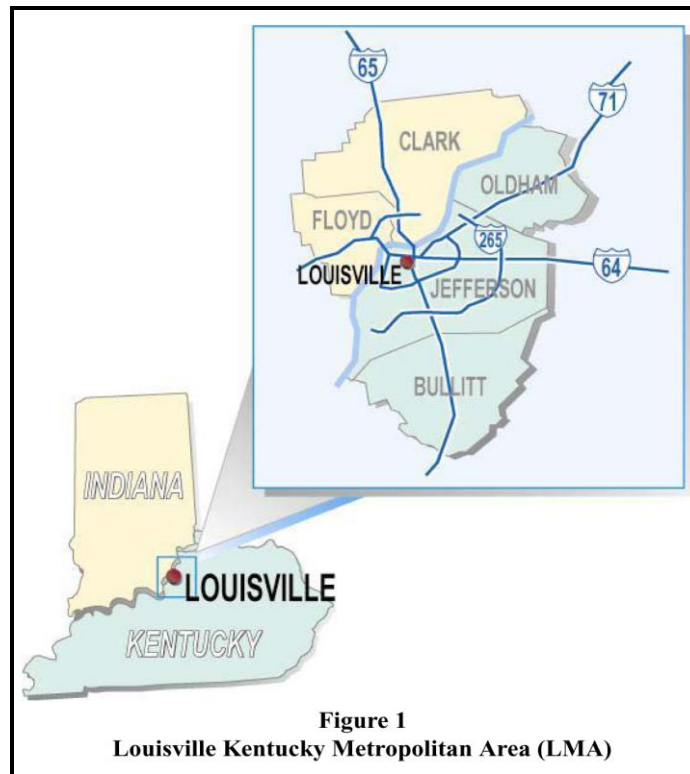


Figure ES-1. Louisville Kentucky Metropolitan Area

The 2012 Supplemental Environmental Impact Statement (SEIS) modified the preferred alternative to introduce tolling to the Project and to achieve substantial cost savings, yet still includes the two new Ohio River bridge crossings, connected approaches, and the reconstruction of the Kennedy Interchange. On June 20, 2012, FHWA issued a revised ROD, approving the Modified Selected Alternative approach. This Financial Plan Update is prepared in support of this modified approach.

PROJECT SPONSORS

The Commonwealth of Kentucky and the State of Indiana are collectively the Project Sponsors for the Ohio River Bridges Project. In furtherance of this partnership, each state has taken the lead in financing and overseeing construction of one half of the Project, with Kentucky responsible for financing and constructing the Downtown Crossing, and Indiana responsible for financing and constructing the East End Crossing, as described further below.

PROJECT DETAIL

For procurement purposes, the Project is being implemented as two components, the Downtown Crossing and the East End Crossing, as described below. The sections that comprise the Crossings are shown in Figure ES.2:



Figure ES-2. Project Section Map

Downtown Crossing – to be funded, procured, and constructed using Kentucky Transportation Cabinet (KYTC) and Kentucky Public Transportation Infrastructure Authority (KPTIA) processes, and including the following subcomponents:

- **Kennedy Interchange (Section 1)** – reconstructing the Kennedy Interchange in downtown Louisville, at the convergence of I-64, I-65 and I-71.
- **Downtown Bridge (Section 2)** – a new Ohio River bridge located adjacent to and east of the existing I-65 Kennedy Bridge, providing six northbound I-65 lanes. The existing John F. Kennedy Bridge will be converted to carry southbound I-65 traffic only.

- **Indiana Downtown Approach (Section 3)** – approximately one mile of reconfigured I-65 and associated ramps north of the Ohio River Downtown Bridges, and including new and improved access to Clarksville and Jeffersonville, Indiana via Court Avenue, 6th Street and 10th Street.

East End Crossing – to be funded, procured, and constructed using Indiana Department of Transportation (INDOT) and Indiana Finance Authority (IFA) processes, and including the following subcomponents:

- **East End Kentucky Approach (Section 4)** – approximately four miles of reconstruction and new terrain road on KY 841, including reconstruction of the half diamond interchange at US 42 and KY 841, twin two-lane tunnels under the historic Drumanard property, and a four-lane approach to the new East End Bridge.
- **East End Bridge (Section 5)** – a new four-lane Ohio River bridge with a pedestrian walkway/bikeway that connects the East End Kentucky Approach section with the East End Indiana Approach section.
- **East End Indiana Approach (Section 6)** – construction of a new roadway from the existing SR 265/SR 62/Port Road Interchange to the new East End River Bridge and reconstruction of the SR 62/Port Rd/SR 265 Interchange which provides access to the Indiana Port Authority on the Ohio River and the River Ridge Commerce Center on SR 62.

PROJECT IMPLEMENTATION STATUS

The Project has moved to the full implementation stage, as evidenced by the following actions that have occurred over the last several years:

- In January 2011, Kentucky Governor Steve Beshear, Indiana Governor Mitch Daniels, and Louisville Mayor Greg Fisher announced plans to explore design options to reduce the cost of the Project and speed construction.
- Over the course of 2011, the Louisville and Southern Indiana Bridges Authority (the Bridges Authority) evaluated alternative delivery options for the Project and, in October 2011, identified two options as the most viable: (i) one involving a design-build construction approach, financed with tax-exempt toll revenue bonds and combined with a separate operations and maintenance contract following construction, and (ii) another involving an availability payment public-private partnership (P3) model.
- On December 29, 2011, the two governors and the Bridges Authority announced that the states would use both of the preferred delivery options identified by the Bridges Authority. Kentucky will utilize a design-build contracting approach for procurement of the Downtown Crossing, whereas Indiana will utilize an availability payment P3 approach to deliver the East End Crossing.
- In February 2012, a cost review was completed in conjunction with FHWA, which resulted in a reduced total estimated Project cost of \$2.6 billion – a savings of \$1.5 billion from previous estimates.
- On March 5, 2012, the governors signed a memorandum of understanding commemorating their agreement regarding the roles and responsibilities of each state in delivering the Project. The same day, both the Bridges Authority and the Kentucky

Public Transportation Infrastructure Authority unanimously approved the financial plan for the Project.

- On March 8, 2012, KYTC issued a Request for Qualifications (RFQ) to teams interested in providing design-build services for the Downtown Crossing and on March 9, 2012, IFA and INDOT issued an RFQ for a Developer to design, build, and finance the East End Crossing and operate and maintain portions thereof.
- On June 20, 2012, FHWA issued a revised ROD, approving the Modified Selected Alternative approach.
- On July 19, 2012, FHWA accepted the Section 129 Toll Agreement for the Project.
- On August 1, 2012, FHWA approved the financing, management, and tolling plans for the Project.
- On August 30, 2012, a groundbreaking ceremony was held at Old Salem Road, which will be the first exit on the Indiana side of the East End Crossing.
- On October 16, 2012, KYTC and IFA and INDOT finalized a Bi-state Development Agreement to govern the construction, financing, and management of the Project.
- On December 7, 2012, KYTC formally selected the Walsh Construction Company (Walsh) to build the Downtown Crossing, proposing a substantial completion date 18 months ahead of schedule and cost savings of approximately \$90 million compared to initial cost estimates.
- On December 28, 2012, notice to proceed was issued to Walsh for the Downtown Crossing.
- On December 28, 2012, IFA and INDOT reached Commercial Close with the Walsh – Vinci- Bilfinger (WVB) East End Partners Team, proposing a substantial completion date nearly eight months ahead of schedule and cost savings of approximately \$228 million compared to initial cost estimates.
- On January 4, 2013, INDOT and KYTC reached a settlement agreement with the National Trust for Historic Preservation and River Fields, Inc. – agreeing to dismiss the pending lawsuit in exchange for additional commitments to historic preservation and public involvement.
- On March 28, 2013, IFA and INDOT reached Financial Close on the East End Crossing.
- In July 2013, the Kentucky Asset Liability Commission issued grant anticipation revenue vehicles (GARVEEs) for the Project and KYTC anticipates the completion of toll revenue bond financing and securing a TIFIA loan for the Project by year end 2013.
- On September 11, 2013, the Kentucky-Indiana Tolling Body approved initial toll rates for both Crossings.

OVERVIEW OF FINANCIAL PLAN UPDATE

This Annual Update to the Initial Financial Plan reflects the planned funding and finance strategy by which the Project's currently estimated \$2.3 billion cost (in year-of-expenditure dollars, exclusive of financing and interest costs) will be funded through a combination of conventional state and federal transportation program funds and toll-based Project revenues.

This cost estimate is approximately \$300 million less than that provided in the Initial Financial Plan for the Project.

In the case of Kentucky's design-build contracting approach for the Downtown Crossing, identified funding sources will be leveraged to provide the necessary up-front capital for construction through a combination of Kentucky's commitment of state and federal funding, toll revenue bonds, financing via the Transportation Infrastructure Finance and Innovation Act (TIFIA) program (application submitted), and GARVEE bonds. In the case of Indiana's availability payment P3 approach for the East End Crossing, private sector financing, including private equity and debt (issued via private activity bonds), has been secured by the Developer to support its obligations, and the payments under the availability payment agreement will be met by Indiana's commitments of state and federal funding and its share of the toll-based revenues from the Project. Federal discretionary program funds also will continue to be utilized to fund the Project to the extent additional discretionary funds become available and are obtained by the states. As of the end of SFY2013 (June 30, 2013), the states have expended approximately \$643.3 million collectively for the Project (exclusive of financing and interest costs).

The Project Sponsors have 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 that cost sharing arrangements are equitable and the states' financial obligations to the Project are manageable;
- Ensuring that the Project delivers value to the states, taxpayers, project partners, and end users through appropriate toll rates and 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 Record of Decision;
- 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;
- Transparently engaging the public and minimizing disruptions to existing traffic, local businesses, and local communities; and
- Delivering a Project that is a self-sustaining, integrated cross-river mobility solution for future generations.

The alternative delivery methods selected by the states have had a strong impact on reducing Project costs and enhancing the overall Project finance strategy. A portion of these cost savings were reflected in the IFP and significantly improved upon in this Annual Update, based on actual construction and project delivery bids received.

FINANCIAL PLAN UPDATE ORGANIZATION

This document demonstrates the states' continued commitment to completing the Ohio River Bridges Project and to sound financial planning, 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). This document addresses the following requirements:

- **Chapter 1. Introduction** – This chapter provides an overview of the Project by section, describes the management plan, and provides a history of the Project to date, including a review of the status of all ongoing activities.
- **Chapter 2. Project Cost Estimate** – This chapter provides a detailed overview of Project costs and changes since the IFP was developed. It also summarizes the costs incurred to date and provides updated detail on key cost-related assumptions.
- **Chapter 3. Implementation Plan** – This chapter provides information on the updated schedule for completing the Project, including information regarding the assignment of responsibilities and a summary of the current status of necessary permits and approvals.
- **Chapter 4. Financing and Revenue** – This chapter describes the plan of finance for the Project, including both the sources of funds and financing methods, and provides updates from the IFP to reflect developments in completing the financing for the Project.
- **Chapter 5. Project Cash Flow** – This chapter provides an annual construction cash flow schedule for the Project and an updated overview of the planned sources and uses of funds. This chapter also addresses the estimated long-term operations and maintenance costs of the Project and how these costs will be managed.
- **Chapter 6. Risk Identification and Other Factors** – This chapter identifies continued risks that could affect the Project and, in particular, the Project's Financial Plan. This chapter also provides mitigation strategies to manage such risks and addresses the anticipated impact of the Project on each state's transportation program, budgets, and other projects.
- **Chapter 7. Cost and Revenue History** – This chapter reviews the cost and schedule history for the Project as well as the revenue history since the IFP.
- **Chapter 8. Cost and Revenue Trends** – This chapter reviews key trends in Project costs and revenue and addresses the future implications of these trends for the Project.
- **Chapter 9. Revenue Shortfall Mitigation** – This chapter addresses any necessary mitigation steps for actual or anticipated shortfalls in Project revenues.
- **Chapter 10. Significant Cost Reductions** – This chapter reviews significant cost reductions for the Project since the IFP was issued.
- **Chapter 11. Significant Cost Increases** – This chapter reviews significant cost increases for the Project since the IFP was issued.

The effective date for this Annual Update is June 30, 2013. Future annual updates will be submitted to FHWA for approval within 90 days of the effective date, or by September 30 each year.

Chapter 1. Introduction

INTRODUCTION

This document presents the 2013 Annual Update to the Initial Financial Plan (IFP or Financial Plan) for the Louisville-Southern Indiana Ohio River Bridges Project (the Project or the Ohio River Bridges Project), including current cost estimates, expenditure data through State Fiscal Year (SFY) 2013 (June 30, 2013), the current schedule for delivering the Project, and the financial analyses developed for the Project. It also includes comparative information reflecting key changes since the IFP was developed. This Financial Plan Update has been prepared generally in accordance with FHWA's Financial Plans Guidance, including the January 2007 Financial Plans Guidance and additional Interim Guidance issued by FHWA September 24, 2012 to reflect several MAP-21 provisions.

PROJECT OVERVIEW

The Louisville-Southern Indiana Ohio River Bridges Project is a construction and reconstruction project being undertaken to address long-term cross-river transportation needs in the Louisville metropolitan area (LMA). The Project was developed over more than a 40-year period (see *Project History* below), in recognition of the need to improve cross-river mobility between Jefferson County, Kentucky and Clark County, Indiana (see *Figure 1-1*). In September 2003, FHWA issued a Record of Decision (ROD) confirming the selected alternative identified in the Final Environmental Impact Statement (FEIS) consisting of two new Ohio River bridge crossings and the reconstruction of the Kennedy Interchange.



Figure 1-1. Louisville Kentucky Metropolitan Area

The 2012 Supplemental Environmental Impact Statement (SEIS) modified the preferred alternative to introduce tolling to the Project and achieve substantial cost savings, yet still

includes the two new Ohio River bridge crossings, connected approaches, and the reconstruction of the Kennedy Interchange. On June 20, 2012, FHWA issued a revised ROD, approving the Modified Selected Alternative approach.

PROJECT SPONSORS

The Commonwealth of Kentucky and the State of Indiana are collectively the Project Sponsors for the Ohio River Bridges Project. In furtherance of this partnership, the Governors of Kentucky and Indiana determined that each state would take the lead in financing and overseeing construction of one half of the Project, with Kentucky responsible for financing and constructing the Downtown Crossing, and Indiana responsible for financing and constructing the East End Crossing.

PROJECT DETAIL

For procurement purposes, the Project is being implemented in two components, the Downtown Crossing and the East End Crossing, as described below (the sections that comprise the Crossings are shown in Figure 1-2):

- **Downtown Crossing** – to be funded, procured, and constructed using Kentucky Transportation Cabinet (KYTC) and Kentucky Public Transportation Infrastructure Authority (KPTIA) processes.
- **East End Crossing** – to be funded, procured, and constructed using Indiana Department of Transportation (INDOT) and Indiana Finance Authority (IFA) processes.



Figure 1-2. Project Section Map

Downtown Crossing – Key aspects of the Downtown Crossing component of the Project are described further below.

The Kennedy Interchange (Section 1) – The Kennedy Interchange operates interdependently with the Kennedy Bridge and is the convergence of Interstates 64, 65, and 71 in downtown Louisville, commonly known as “Spaghetti Junction.” The modernization of the interchange will be designed to eliminate dangerous weaves, provide sufficient capacity to meet the rush hour demands, add emergency pull-off areas and soften the curves throughout the interchange to improve safety and meet drivers’ expectations. Its improvements include:

- Reconfiguration of I-64, I-65, and I-71 movements to the additional lanes provided by the new northbound I-65 Downtown Bridge and the rehabilitated (for southbound I-65) existing Kennedy Bridge;
- Elimination of the current traffic weaving movements from I-64 westbound and I-71 southbound to I-65;
- Elimination of the current traffic weaving movements from I-65 to I-64 eastbound and I-71 northbound;
- Introduction of “Collector-Distributor (CD) Road” systems on I-65 between I-64 and the Liberty Street interchange;
- Reconstruction of all bridges in the interchange; and
- Introduction of a “Flyover Ramp” for the Story Avenue entrance ramp movement to I-65.

The Downtown Bridge (Section 2) – The new Downtown Bridge crossing of I-65 between downtown Louisville, Kentucky and Jeffersonville, Indiana will be configured to carry northbound I-65 traffic across the river. The newly constructed bridge will extend from the northern end of the Kennedy Interchange from the south in Kentucky to the newly constructed approach spans in Indiana. The new main structure will be a three tower cable-stayed bridge.

The new bridge and approach structures will cross both Waterfront Park in Kentucky and Riverfront Park in Indiana and, on the latter side, will be adjacent to the Old Jeffersonville Historic District. This new northbound structure will be located just upstream and nearly parallel to the existing Kennedy Bridge and will carry six 12-foot lanes and two 12-foot shoulders. Northbound approach spans will flank both sides of the main cable-stayed bridge. To the south, the cable-stayed bridge connects with new approach spans that are a part of the new Kennedy Interchange. To the north, approach spans will be constructed over the river flood wall and local streets in Jeffersonville.



The Downtown Bridge will revitalize downtown Louisville and alleviate what is fast-becoming a drain on the economic vitality of the Louisville-Southern Indiana region and a barrier to Interstate travel.

The existing I-65 Kennedy Bridge will be re-decked and will have structural improvements made to it. The existing Indiana bridge

approaches to the Kennedy Bridge will be replaced. The Kennedy Bridge will be reconfigured to serve southbound traffic and carry six 12-foot travel lanes and two 9.5-foot shoulders. The reconfigured deck of the Kennedy Bridge will tie into the newly-constructed Kennedy Interchange to the south.

The Indiana Approach to the Downtown Bridge (Section 3) – Changes to I-65 in southern Indiana will include reconstruction of the facility to accept the additional capacity provided by the new Downtown Bridge, modernizing a collector-distributor road system to improve ingress and egress from Clarksville and Jeffersonville, Indiana, and improving connections between these two communities that have been separated since the Interstate was originally built through this area. Thus, the Indiana approaches to the Downtown Bridge include the realignment and widening of southbound I-65 to the current Kennedy Bridge and the construction of a new segment of northbound I-65 from the new Downtown Bridge. The Indiana approach improvements extend from West Market Street northward to approximately 1,250 feet north of Stansifer Avenue / West 14th Street. In addition to the improvements for I-65, improved local access is provided to the City of Jeffersonville and the Town of Clarksville.

In addition, I-65 will be expanded from the existing three lane configuration to four lanes in both the northbound and southbound directions. A new elevated ramp system will connect US 31 at the Clark Memorial (2nd Street) Bridge with I-65, eliminating the at-grade crossing at Court Avenue. Additional access for Clarksville and Jeffersonville will be provided with the opening of 6th Street / South Clark Boulevard under I-65 and added ramps. The collector-distributor ramp system and interchanges with I-65 at Court Avenue, 10th Street and Stansifer Avenue/West 14th Street will also be reconstructed for added capacity and safety.

East End Crossing – Key aspects of the East End Crossing are described further below.

The Kentucky Approach to the East End Bridge (Section 4) – The Kentucky approach includes a four-lane reconstruction and extension of KY 841 from I-71 to the new Ohio River East End Bridge, two lanes in each direction, for a distance of approximately 3.4 miles. This includes reconstruction of the two-lane section of KY 841 between I-71 and US 42 to four lanes, an approximately 1,800-foot long tunnel beneath US 42 and the historic Drumanard Estate, with two tunnel bores, each carrying two lanes with shoulders, one for northbound, one for southbound, and then continuing with four-lanes continuing northwesterly across Harrods Creek, River Road and Transylvania Beach Road to the proposed East End Bridge.

East End Bridge (Section 5) – The East End Bridge section is comprised of construction of an approximately 2,500 foot long 4-lane bridge (which can accommodate 6 lanes) over the Ohio River with a 13-foot wide pedestrian and bicycle pathway on the southwesterly side of the bridge.

The Indiana Approach to the East End Bridge (Section 6) – The Indiana approach comprises a four-lane extension of SR 265 from SR 62 to the new East End Bridge, two lanes in each direction, a distance of approximately 4.1 miles. This includes reconstruction of the SR 265/SR 62/Port Road interchange and construction of a full-diamond interchange at an extension of Old Salem Road.



The East End Bridge will provide critical transportation choices, reduce travel times and distances, and ensure cross-river mobility for local residents and through-travelers alike.

PROJECT HISTORY

The inception of the Ohio River Bridges Project occurred nearly 50 years ago as part of the development of a regional transportation planning process. Below is a chronology of recent major Project milestones. The IFP for the Project includes a full chronology of Project history.

- **2003**

The Federal Highway Administration issued a Record of Decision selecting the preferred alternative as a Two Bridges/Highway Alternative, with the specific elements selected in the Far East and Downtown corridors, as well as the Kennedy Interchange Reconstruction option.

- **2008**

The Federal Highway Administration approved an Initial Financial Plan for the Project based on its configuration at the time.

- **2010**

The Bridges Authority was established pursuant to Kentucky Revised Statutes Section 175B.030. Indiana Governor Mitch Daniels issued an Executive Order in December 2009 authorizing Indiana's participation in the Authority, and its formation was ratified by the Kentucky General Assembly in late March 2010, as required by the enabling statute.

- **2011**

On January 2011, Kentucky Governor Steve Beshear, Indiana Governor Mitch Daniels, and Louisville Mayor Greg Fisher announced plans to explore design options to reduce the cost of the Project and speed construction.

Over the course of 2011, the Bridges Authority evaluated various alternative delivery options for the Project and, at its October 2011 meeting, identified two options as the most viable: (i) one involving a design-build construction approach, financed with tax-exempt toll revenue bonds and combined with a separate operations and maintenance contract following construction, and (ii) another involving an availability payment public-private partnership (P3) model.

On December 29, 2011, the two governors and the Bridges Authority announced that, under an agreement in principle reached among them, the states would use both of the preferred delivery options identified by the Bridges Authority. Under this approach, each state would take the lead in financing and overseeing construction of one half of the Project, with Kentucky being responsible for financing and constructing the Downtown portion, and Indiana being responsible for financing and constructing the East End portion.

- **2012**

In February 2012, a cost review was completed in conjunction with FHWA, which resulted in a reduced total Project cost of \$2.6 billion – a savings of \$1.5 billion from previous estimates.

On March 5, 2012, the governors signed a memorandum of understanding commemorating their agreement regarding the roles and responsibilities of each state in delivering the Project. The same day, both the Bridges Authority and the Kentucky Public Transportation Infrastructure Authority unanimously approved the financial plan for the Project.

On June 20, 2012, FHWA issued a revised ROD, approving the Modified Selected Alternative approach.

On July 19, 2012, FHWA accepted the Section 129 Toll Agreement for the Project and an agreement will be entered into among the states and FHWA.

On August 1, 2012, FHWA approved the financing, management, and tolling plans for the Project.

On August 30, 2012, a groundbreaking ceremony was held at Old Salem Road, which will be the first exit on the Indiana side of the East End Crossing.

On October 16, 2012, KYTC and IFA and INDOT finalized the Bi-State Development Agreement to govern the construction, financing, and management of the Project.

On November 16, 2012, IFA announced the Walsh-Vinci-Bilfinger team (WVB) as the selected proposer for the P3 contract.

On December 7, 2012, KYTC formally awarded the Downtown Crossing to the Walsh Construction Company (Walsh) to build the Downtown Crossing. Walsh is proposing a substantial completion date 18 months ahead of schedule and cost savings of approximately \$90 million compared to initial cost estimates.

On December 27, 2012, IFA reached Commercial Close with WVB, whose proposal had a substantial completion date nearly eight months ahead of the required completion date and cost savings of approximately \$228 million compared to initial cost estimates. NTP1 was issued at the same time, which allowed WVB to commence design work.

On December 28, 2012, KYTC issued a notice to proceed to Walsh for the Downtown Crossing.

▪ **2013**

On January 4, 2013, INDOT and KYTC reached a settlement agreement with the National Trust for Historic Preservation and River Fields, Inc., agreeing to dismiss a lawsuit in exchange for additional commitments to historic preservation and public involvement.

On March 28, 2013, IFA reached Financial Close on the P3 contract with WVB for the East End Crossing.

On May 14, 2013, IFA issued NTP2 to WVB, allowing WVB to commence construction.

In July 2013, the Kentucky Asset Liability Commission issued grant anticipation revenue vehicles (GARVEEs) for the Project and KYTC anticipates issuance of toll revenue bond financing and securing a TIFIA loan by year end 2013.

On September 11, 2013, the Kentucky-Indiana Tolling Body approved initial toll rates for both crossings.

PROJECT MANAGEMENT AND OVERSIGHT

The Commonwealth of Kentucky and the State of Indiana are collectively the Project Sponsors for the Ohio River Bridges Project. Working closely together, the states intend to implement the Project through the Kentucky Transportation Cabinet and the Kentucky Public Transportation Infrastructure Authority with respect to the Downtown Crossing and the Indiana Department of Transportation and the Indiana Finance Authority with respect to the East End Crossing. Following is additional detail on the roles and responsibilities of various parties.

- **Bi-State Management Team**

Overall project management is performed by the Bi-State Management Team (BSMT), comprised of representatives from KYTC, INDOT, and FHWA as a non-voting, ex-officio member.

- **Joint Board**

The Joint Board acts as the appeal authority for conflict resolution for the Bi-State Management Team. Members include the Secretary of the Kentucky Transportation Cabinet, the Chairman of KPTIA, the Commissioner of the Indiana Department of Transportation, and the Public Finance Director of the State of Indiana.

- **KYTC and KPTIA**

KYTC and KPTIA, supported by their Technical Team (described below), will be responsible for all aspects of the Downtown Crossing contract(s). KYTC also provides a liaison and advisory support to INDOT and IFA for their successful completion of the East End Crossing contract(s).

- **INDOT and IFA**

INDOT and IFA, supported by their Technical Team (described below), will be responsible for all aspects of the East End Crossing contract(s). INDOT also provides a liaison and advisory support to KYTC for its successful completion of the Downtown Crossing contract(s).

- **General Engineering Consultant**

The General Engineering Consultant (GEC) will serve as requested and authorized by the BSMT.

- **Technical Teams**

Each state has procured consultant Technical Teams to assist their staff with contract administration and oversight of their respective alternative delivery contracts. The Technical Teams supplement and assist state personnel with design review, contract administration, construction inspection, and quality control and quality assurance activities. Each state has appointed a representative to serve on the other state's Technical Team in order to assist in the review and development of those portions of the Project (Sections 3 and 4) that are to be constructed within the jurisdiction of the appointing state.

- **Downtown Crossing Design-Builder**

On December 28, 2012, KYTC formally selected Walsh Construction to build the Downtown Crossing.

- **East End Crossing Developer**

On December 27, 2012, IFA reached Commercial Close with WVB East End Partners, a consortium of Walsh Construction, Vinci Concessions, and Bilfinger Berger PI International, to construct the East End Crossing. IFA and INDOT elected to let separate construction contracts under INDOT's authority for the Salem Road alignment and for the majority of tree clearing and structure demolition for the East End Crossing.

- **Toll System Integrator**

As set forth in the Bi-State Development Agreement, Kentucky and Indiana will jointly contract with a Toll System Integrator/Operator to design, develop, integrate, deliver, install, and test the electronic toll collection system for the Downtown Crossing and the East End Crossing; and following completion, to operate, maintain, repair and manage the electronic toll collection system for both crossings. The Toll System Integrator and Operator may be the same entity, or different entities, as determined by Kentucky and Indiana.

- **Section Design Consultants**

Six Section Design Consultants (SDCs) were responsible for preliminary design, right of way, and utility engineering, including plan development, environmental investigations, preliminary permitting, and environmental mitigation required by the ROD. The SDCs were selected after issuance of the original ROD in 2004 and worked up to the start of the procurement process for the two major alternative delivery contracts. Four of the six SDCs continue to provide assistance in support of the procurements and will complete their work when the procurements are completed.

- **Standing Advisory Teams**

There are several standing advisory teams with specific historical and environmental functions that also serve as information outlets. These include a Bi-State Historic Consultation Team, two Historic Preservation Advisory Teams, four Area Advisory Teams, and a Regional Advisory Committee. These advisory teams have varying duties which include providing recommendations to the BSMT during development of contract provisions regarding design of the Project; providing feedback on plans with the specific needs of their communities in mind as well as the region at large.

- **Ombudsmen**

Two Project Ombudsmen are responsible for communicating with the public and investigating reported problems on all aspects of the Project during the development and delivery of the Project. The Ombudsmen report recommendations, complaints and their findings to the BSMT. The Ombudsmen provide responses of any findings, decisions or resolutions.

- **Louisville and Southern Indiana Bridges Authority**

The Bridges Authority will continue to satisfy any obligations it has with respect to the Project pursuant to Kentucky Revised Statutes Section 175B and any responsibilities it may have under the Bi-State Development Agreement.

Chapter 2. Project Cost Estimate

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. Project costs discussed in this chapter are limited to direct project expenditures and do not include financing and interest costs associated with the delivery of the Project. These indirect costs are discussed in Chapter 4 and included in the Project cash flows provided in Chapter 5.

CURRENT COST ESTIMATES

The current total estimated cost for the Project is \$2.34 billion, based on projected year-of-expenditure dollars (i.e., on a cash flow basis in nominal terms and exclusive of financing and interest costs during construction). This cost estimate: (i) reflects updated figures from bids provided by Walsh on the Downtown Crossing and WVB on the East End Crossing and (ii) includes the most current project phasing and anticipated schedule.

The current cost estimate of \$2.34 billion is lower than the prior year's official cost estimate as presented in the IFP of \$2.58 billion. The variance is attributable to a number of factors, including:

- Walsh Construction's proposed completion of the Downtown Crossing 18 months ahead of schedule, and cost savings of approximately \$90 million compared to initial cost estimates.
- WVB's proposed completion of the East End Crossing nearly eight months ahead of schedule, and cost savings of approximately \$228 million compared to initial cost estimates.
- The inclusion of estimated costs for the toll collection system for both crossings.
- The finalization of negotiated contracts with the states' respective Technical Teams and the GEC provides actual contract dollars as opposed to estimated dollars for oversight and other services.
- The completion of right-of-way (ROW) acquisition provides actual ROW expenditures in place of previously estimated costs.

Table 2-1 provides an overview of Project costs, broken down by project component and section and comparing the 2012 IFP with the 2013 Financial Plan Update. The estimates are presented in year-of-expenditure dollars and incorporate reasonable inflation estimates, as described

further below. These costs are exclusive of financing and interest costs for the Project and do not include designated reserve funds.

Table 2-1. Project Cost Estimate – by Project Component and Section

Total Project Costs in Year of Expenditure Dollars (in millions)			
Project Segment	2012 IFP	2013 Update	Difference
Downtown Crossing			
Section 1 - Kennedy Interchange	659.8	586.4	(73.4)
Section 2 - Downtown Bridge	357.8	323.2	(34.5)
Section 3 - Downtown IN Approach	197.7	182.9	(14.8)
Kentucky Other Costs	92.3	176.2	83.9
Total Downtown Crossing	1,307.6	1,268.7	(38.9)
East End Crossing			
Section 4 - KY East End Approach	737.6	500.7	(236.8)
Section 5 - East End Bridge	284.4	247.5	(36.9)
Section 6 - IN East End Approach	196.1	218.7	22.6
Indiana Other Costs	58.2	108.7	50.5
Total East End Crossing	1,276.3	1,075.7	(200.6)
PROJECT TOTAL	2,583.9	2,344.4	(239.5)

- (1) Totals may not sum due to rounding.
- (2) Other Costs include project-wide costs that are not specific to individual project sections and include such costs as those incurred for historic mitigation and enhancements (not tied to any particular section), project development, general engineering and other professional fees and administrative expenses. Kentucky's share of project-wide costs is shown as part of the Downtown Crossing expenditure and Indiana's share of project-wide costs is shown as part of the East End Crossing expenditure.
- (3) Project costs do not include financing and interest costs, addressed in Chapter 4.

INFLATION ASSUMPTIONS AND COST ESTIMATING METHODOLOGY

Inflation Assumptions

The inflation assumptions used by both states presently are within a range of 2.00 – 2.50 percent, which is representative of the average Midwestern Consumer Price Index (CPI) found over the past twenty years by the Bureau of Labor and Statistics. State costs that are subject to inflation include the General Engineering, Oversight, and Toll System costs, which are approximately \$479 million (or 28 percent of the total remaining Project cost of \$1,686 million).

Design Build and Developer costs are included as year-of-expenditure figures reflecting contractual commitments and thus no additional inflation assumptions are required for these costs. It also should be noted that Milestone Payments that will be paid by Indiana are fixed contractual amounts and not subject to inflation; however, 20 percent of the Availability Payments are subject to inflation as measured by the CPI and the remaining 80 percent at a constant 2.50 percent.

Cost Estimating Methodology

Current cost estimates for state expenditures have been developed by the General Engineering Consultant, and the states' technical advisors, in conjunction with the BSMT and FHWA. Cost estimates for the Design-Build Team (DBT) and Developer costs are based on actual bids received and contractual commitments from the selected construction consortia. 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 updated methodology for each element is further described below.

Table 2-2. Cost Estimating Methodology

Cost Elements
Engineering and Design <i>Preliminary and final engineering design services.</i> Final engineering is included in the delivery contracts for the Downtown and East End Crossings. The engineering design cost is approximately 10-15 percent of the DBT and Developer's total bid.
Design Program Management <i>Cost to each state for services of the GEC during the design phase and miscellaneous departmental program management costs.</i> This element is subdivided into two components: Design Program Management INDOT and Design Program Management KYTC to cover each state's share of the GEC costs. Program Management estimates are based on currently negotiated contracts and estimates that cover the currently planned Project schedule.
Construction Administration and Inspection <i>All construction and program management, administration, and inspection activities during the construction phase of the Project.</i> Construction Administration and Inspection costs in the negotiated contracts with the states technical advisors are based on estimated level of effort and final construction schedule.
Construction <i>Estimated cost of construction.</i> Construction estimates reflect current prices inflated for year of expenditure utilizing two large alternative delivery contracts, with several smaller specialty contracts throughout the construction period.
Construction Contingency <i>Contingency to cover additional construction services in the event unforeseen circumstances arise that result in additional cost.</i> With the alternative project delivery type contracts for the East End and Downtown Crossings, all of the pricing and most of the construction have been assigned to the DBT and Developer and are included in their bids. The states have set up reserve accounts to cover the risks they retain.
Utilities <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 all fixed. All of the Downtown Crossing's utility costs were included in the DBT's bid and are now fixed. Indiana retained responsibility for several utility relocations, and has negotiated fixed costs for that work with the utility companies. The balance of the East End Crossing utility work is included in the Developer's bid and is now fixed.

Cost Elements
Right of Way Acquisition <i>Appraisals, administration, management, and acquisition of required right of way.</i> All of the right-of-way required for the Project has been acquired. While fixed as to the dollar amount, right-of-way expenses will continue into SFY 2014.
Enhancements <i>Various Project-related commitments as identified in the Record of Decision.</i> This includes fixed dollar commitments made for a Minority Historic Rehabilitation Craftsman Training Program, Rehabilitation of Trolley Barn Buildings in West Louisville, TARC enhanced bus service, and various other NEPA commitments.
Historic Mitigation <i>Implementation of mitigation of sensitive historic properties.</i> This includes costs to date for such items as the acquisition and renovation of the Spring Street Freight House in Indiana and the acquisition and rehabilitation of Rosewell in Kentucky, both of which are now complete. Costs for mitigation at several other historic properties will continue into SFY 2014 and future years.

Figure 2-1 provides a summary breakdown of Project costs by element, in year-of-expenditure dollars and a comparison of the 2012 IFP and 2013 Financial Plan Update.

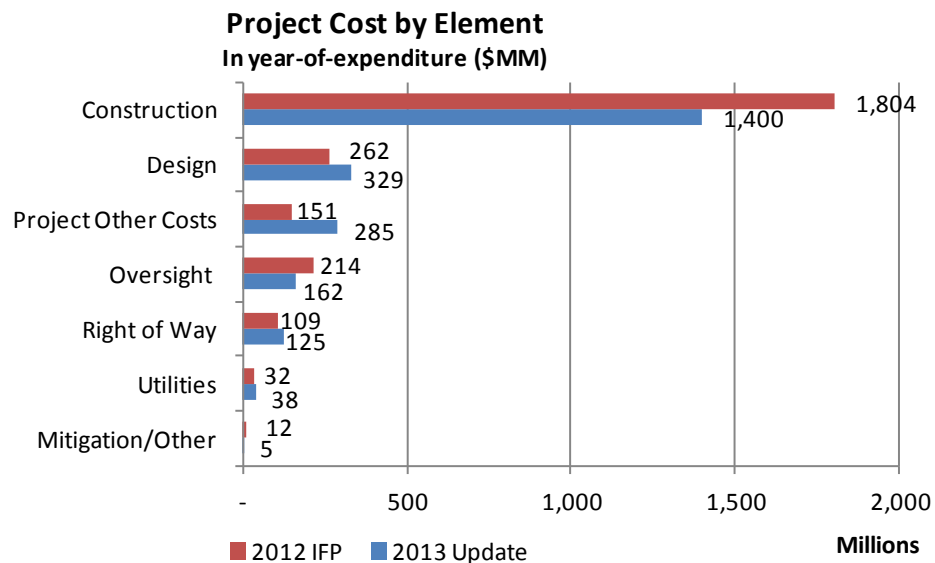


Figure 2-1. Project Cost by Element (exclusive of financing and interest costs)

Tables 2-3a and 2-3b show the breakdown of costs for the Project annually by Project component and section and by state, respectively. As noted above, these costs reflect updated costs by section and by state as well as an accelerated construction timetable relative to the project budget included in the IFP. There also are a few minor updates to prior year budget items, as discussed further in the Project Expenditures section, below.

Going forward, Kentucky will be primarily responsible for the costs associated with the Downtown Crossing (Sections 1, 2 and 3) and Indiana for the costs of the East End Crossing (Sections 4, 5 and 6). Kentucky will continue to pay for right of way for Section 4 and Indiana will continue to pay for right of way for Section 3. Prior to July 2012, however, Project costs were generally allocated so that Kentucky was responsible for Sections 1 and 4, Indiana was responsible for Sections 3 and 6, and the states split equally the cost of Sections 2 and 5. Therefore, Kentucky's total expenditures will not equal the total cost of the Downtown Crossing and Indiana's total expenditures will not equal the total cost of the East End Crossing.

Table 2-3a. Project Budget by Project Component and Section, Exclusive of Financing and Interest Costs
(Year-of-Expenditure \$, millions)

Detailed Budget (\$YOE)	Thru 2010	2011	2012	2013	2014	2015	2016	2017	2018/2019	Total
Downtown Crossing										
Section 1	54,389,977	10,598,674	7,937,305	81,101,641	193,309,534	122,507,065	81,266,700	35,248,704	-	586,359,600
Section 2	12,974,022	47,659	1,236,056	42,591,930	116,312,476	75,226,697	52,626,554	22,216,708	-	323,232,102
Section 3	1,177,461	1,621,824	2,426,272	41,918,178	60,695,120	37,928,117	25,929,347	11,201,315	-	182,897,634
Other Costs	50,304,264	4,902,764	7,983,064	39,400,000	23,927,851	16,362,161	13,297,563	12,027,522	8,000,000	176,205,189
Subtotal	118,845,724	17,170,921	19,582,697	205,011,749	394,244,981	252,024,040	173,120,164	80,694,249	8,000,000	1,268,694,525
East End Crossing										
Section 4	24,203,119	15,680,827	13,456,048	68,285,247	123,734,680	156,659,822	87,952,961	10,870,212	-	500,742,917
Section 5	12,794,456	2,813,469	2,424,770	29,399,732	45,586,975	87,454,884	56,470,556	10,586,018	-	247,530,858
Section 6	17,600,591	3,294,844	2,568,909	29,764,581	62,149,463	78,611,294	21,495,483	3,173,771	-	218,658,936
Other Costs	19,520,365	2,828,919	7,172,322	30,812,248	14,943,514	9,000,000	10,725,000	10,725,000	3,000,000	108,727,368
Subtotal	74,118,530	24,618,059	25,622,049	158,261,808	246,414,633	331,626,000	176,644,000	35,355,000	3,000,000	1,075,660,079
TOTAL	192,964,254	41,788,980	45,204,746	363,273,557	640,659,614	583,660,040	349,764,164	116,049,249	11,000,000	2,344,354,604

Table 2-3b. Project Budget by State
(Year-of-Expenditure \$, millions)

Detailed Budget (\$YOE)	Thru 2010	2011	2012	2013	2014	2015	2016	2017	2018/2019	Total
Full Project										
Kentucky	141,781,599	32,612,829	31,206,830	201,445,849	393,080,723	252,024,040	173,120,164	80,694,249	8,000,000	1,313,966,283
Indiana	51,182,656	9,176,151	13,997,916	161,827,708	247,578,891	331,626,000	176,644,000	35,355,000	3,000,000	1,030,388,321
TOTAL	192,964,254	41,788,980	45,204,746	363,273,557	640,659,614	583,650,040	349,764,164	116,049,249	11,000,000	2,344,354,604

PROJECT EXPENDITURES

As shown in Table 2-4, approximately \$658.3 million was expended on the Project through the end of SFY 2013. Differences between the 2012 IFP and the current Financial Plan within FY2012 are a consequence of estimating anticipated expenditures for the remainder of the year – particularly a series of Right of Way purchases, which were deferred in some cases to FY2013. Differences in future expenditures between the 2012 IFP and the current Financial Plan generally are due to construction being accelerated.

Table 2-4. Total Expenditures to Date by State Fiscal Year
(Year-of-Expenditure \$, in millions)

SFY	Kentucky			Indiana			Total		
	2012 IFP	2013 Update	Difference	2012 IFP	2013 Update	Difference	2012 IFP	2013 Update	Difference
1998 - 2003	11.1	11.1	-	11.1	11.1	-	22.2	22.2	-
2004	1.0	1.0	-	0.6	0.6	-	1.6	1.6	-
2005	15.1	15.1	-	4.1	4.1	-	19.2	19.2	-
2006	29.3	29.3	-	7.3	7.3	-	36.6	36.6	-
2007	31.1	31.1	-	8.4	8.4	-	39.5	39.5	-
2008	18.7	18.7	-	5.6	5.6	-	24.3	24.3	-
2009	18.1	18.1	-	7.9	7.9	-	26.0	26.0	-
2010	17.4	17.4	-	6.1	6.1	-	23.5	23.5	-
2011	32.6	32.6	-	9.2	9.2	-	41.8	41.8	-
2012	45.8	31.2	(14.6)	12.9	14.0	1.1	58.7	45.2	(13.5)
2013	71.4	201.4	130.1	60.3	161.8	101.6	131.6	363.3	231.6
TOTAL	291.6	407.0	115.5	133.5	236.2	102.7	425.1	643.3	218.1

*Numbers may not sum due to rounding.

** Costs are exclusive of financing and interest costs in this time period.

Table 2-5 provides a summary of the projected future expenditures for the Project, by state fiscal year and based on the current year-of-expenditure estimates. It also provides a comparison of the 2012 IFP and 2013 Update. As noted above, changes in future year expenditures relate primarily to the acceleration of construction in the current plan.

Table 2-5. Projected Future Expenditures by State Fiscal Year
(Year-of-Expenditure \$, in millions)

SFY	Kentucky			Indiana			Total		
	2012 IFP	2013 Update	Difference	2012 IFP	2013 Update	Difference	2012 IFP	2013 Update	Difference
2014	213.7	393.1	179.3	260.4	247.6	(12.9)	474.2	640.7	166.5
2015	237.2	252.0	14.8	275.0	331.6	56.7	512.1	583.7	71.5
2016	241.5	173.1	(68.4)	276.1	176.6	(99.5)	517.6	349.8	(167.9)
2017	251.1	80.7	(170.4)	284.2	35.4	(248.8)	535.2	116.0	(419.2)
2018	117.2	8.0	(109.2)	2.4	3.0	0.6	119.6	11.0	(108.6)
TOTAL	1,060.7	906.9	(153.8)	1,098.0	794.2	(303.8)	2,158.8	1,701.1	(457.6)

*Numbers may not sum due to rounding.

** Costs are exclusive of financing and interest costs in this time period.

Figures 2-2 and 2-3 show updated historic and future Project expenditures by section, exclusive of financing and interest costs.

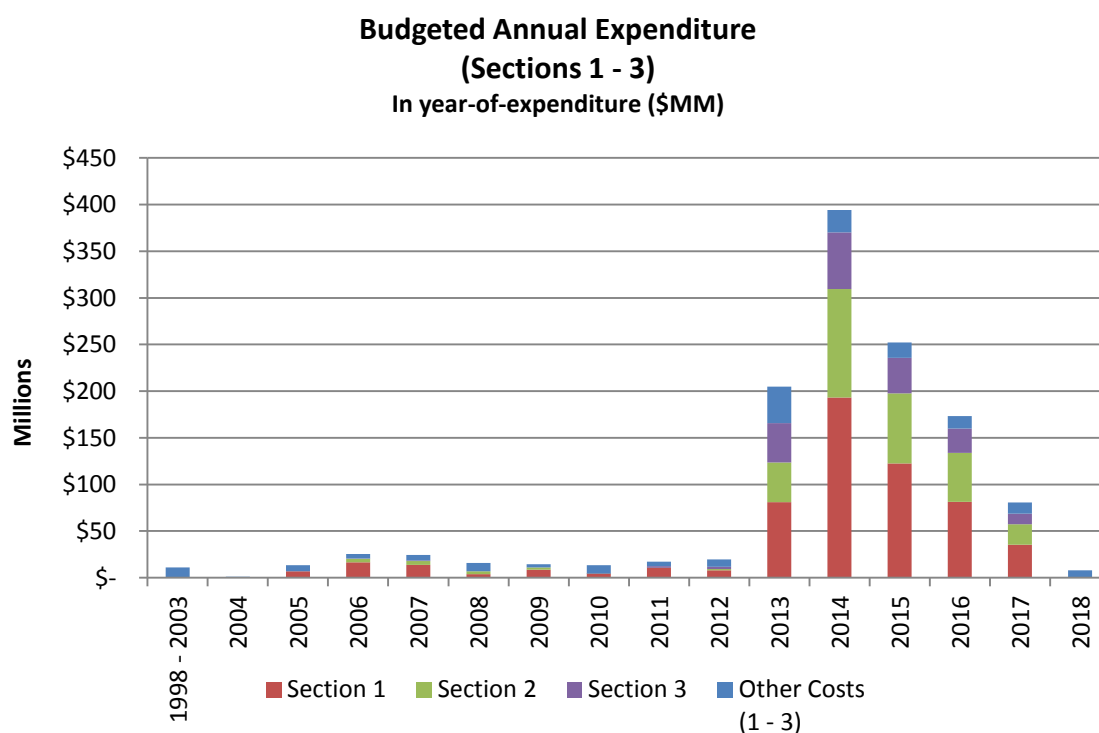


Figure 2-2. Annual Expenditures – Downtown Crossing

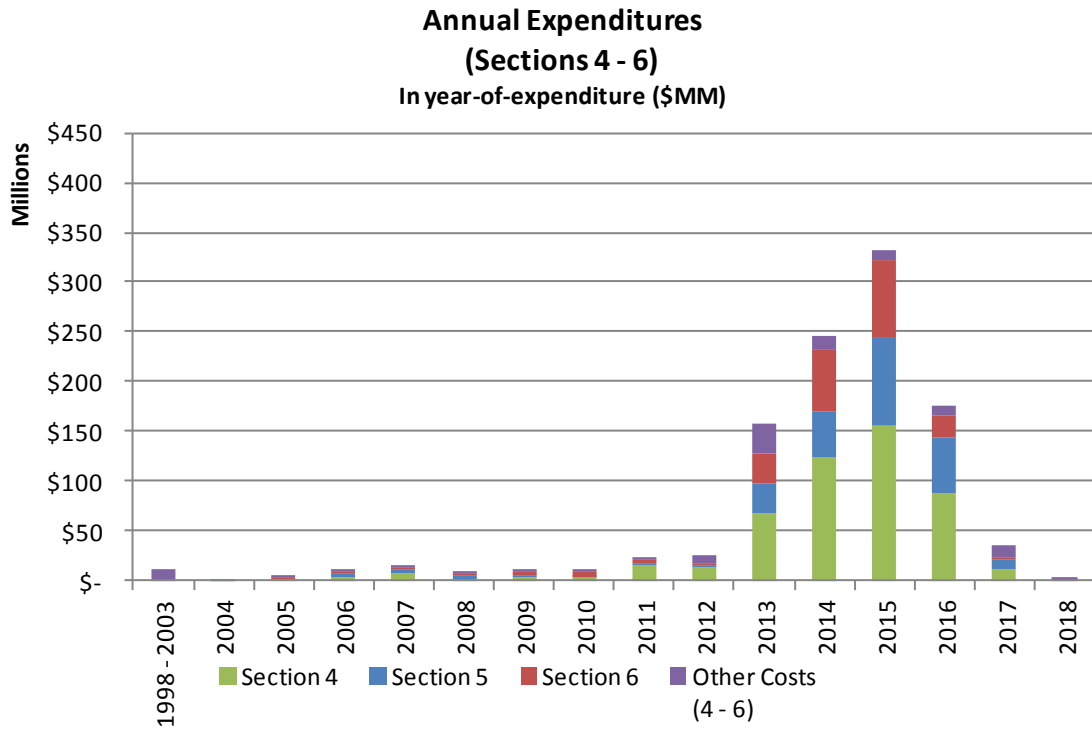


Figure 2-3. Annual Expenditures – East End Crossing

Figures 2-4a and 2-4b provide a comparison of budgeted annual expenditures by Crossing and Section and actual expenditures to date for the Downtown and East End Crossings, respectively. These costs are exclusive of financing and interest costs and do not include designated reserve funds. The budget figures presented have been updated in this Annual Update. Subsequent updates will use these costs as the baseline for comparison.

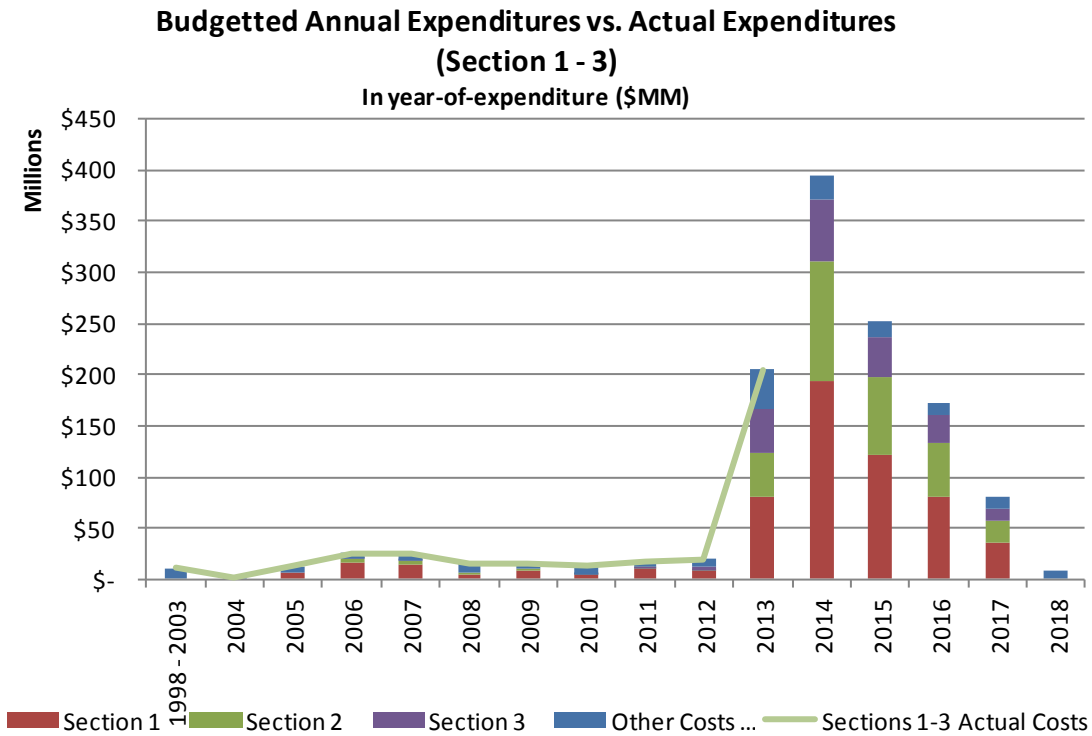


Figure 2-4a. Budgeted Annual Expenditure vs. Actual Expenditure, Downtown Crossing

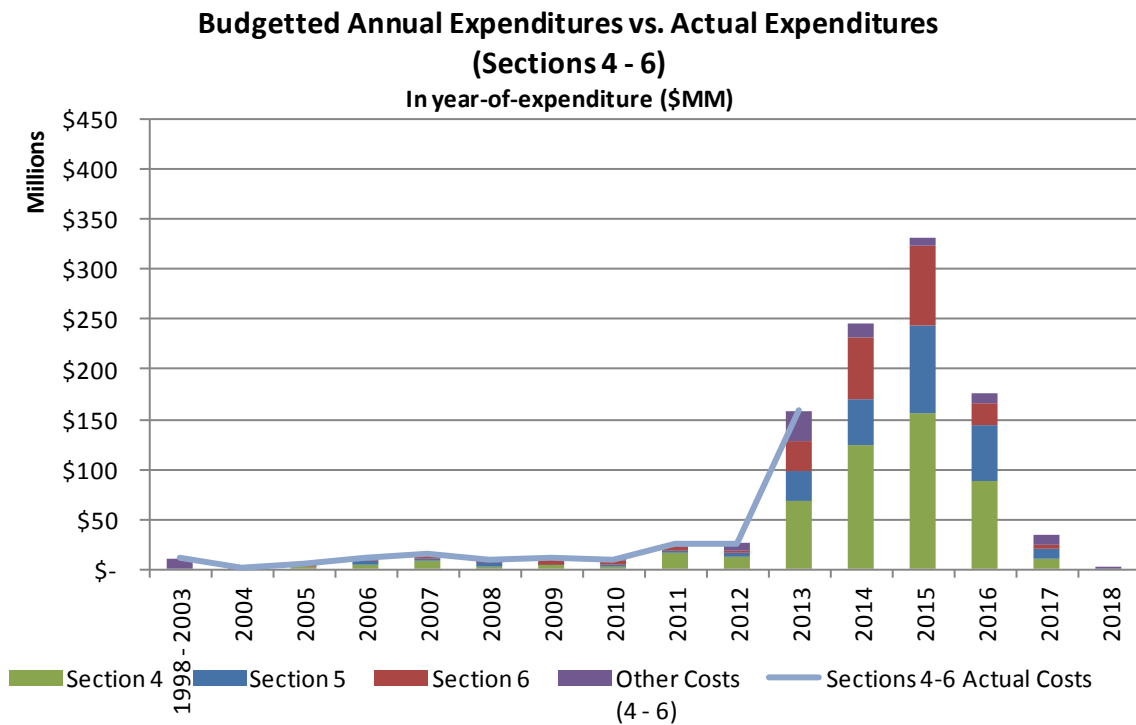


Figure 2-4b. Budgeted Annual Expenditure vs. Actual Expenditure, East End Crossing

Chapter 3. Implementation Plan

INTRODUCTION

This chapter provides information on the updated implementation schedule for the Project. It also provides additional information regarding the allocation of implementation responsibilities and an updated summary of the status of necessary permits and approvals.

PROJECT SCHEDULE OVERVIEW

The current Project schedule is based on delivery of the Downtown Crossing under a design-build contract and the East End Crossing under an availability payment P3 procurement. The Project is expected to be substantially complete by the end of SFY 2017 (see *Figure 3-1 and Table 3-1*). The East End Crossing is expected to reach final acceptance by February 28, 2017 and the Downtown Crossing is expected to reach final acceptance by April 15, 2017.

State Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
Downtown Crossing																	
Environmental	Update - June 2012																
	IFP																
Design	Update - July 2015																
	IFP																
Right-of-Way					Update - March 2015												
					IFP												
Utilities									Update - April 2016								
									IFP								
Construction									Update - April 2017								
									IFP								
Other *	Update - June 2019**																
East End Crossing																	
Environmental	Update - June 2012																
	IFP																
Design	Update - October 2016																
	IFP																
Right-of-Way		Update - June 2014															
		IFP															
Utilities									Update - June 2014								
									IFP								
Construction									Update - February 2017								
									IFP								
Other*	December 2018**																

**Includes state costs for toll system, project-wide mitigation, and oversight costs. **IFP did not include Other category.*

Figure 3-1. Project Schedule Overview

Table 3-1 shows the current status of each section of the Project, having awarded contracts for the Downtown Crossing and the East End Crossing. The States have condemned all required property within the Right of Way for the project – assessed the property's value, and agreed with the local county and courts that the property value was fair. At this point, the States only need to reach final settlement with select property owners. INDOT obtained all ROW for construction in Sections 3 and 6 prior to the end of FY 2013. Money for the appraised value of those properties in condemnation has been posted with the courts under Indiana Code and final settlement of those cases may result in additional ROW expenditures in FY 2014.

Table 3-1. Current Activities and Status

Project Section	Current Activities	Approximate Status ⁽¹⁾	Estimated Construction Start Date		Estimated Open to Traffic Date	
			2012 IFP	2013 Update	2012 IFP	2013 Update
Section 1 – Kennedy Interchange	Design phase ROW phase	70% complete 100% complete	July 2013	July 2013	Dec 2018	Dec 2016
Section 2 – Downtown Bridge	Design phase	60% complete	July 2013	July 2013	Dec 2018	Dec 2016
Section 3 – Downtown Indiana Approach	Design phase ROW phase	50% complete 99% complete	July 2013	July 2013	Dec 2017	Dec 2016
Section 4 – East End Kentucky Approach	Design phase ROW phase	45% complete 100% complete	Jun 2013	Jun 2013	Dec 2017	Oct 2016
Section 5 – East End Bridge	Design phase	45% complete	Jun 2013	Jun 2013	Dec 2017	Oct 2016
Section 6 – East End Indiana Approach	Design phase ROW phase	40% complete 99% complete	Jun 2013	Jun 2013	Dec 2017	Oct 2016

PROJECT DELIVERY

The Project Sponsors have pursued alternative delivery approaches for both Crossings in order to enhance the feasibility of the Project through accelerated project delivery, avoid inflation costs, take advantage of additional sources of financing, and transfer various risks to the private sector, such as construction risk, and/or long-term operating and maintenance risks. As a result, the Downtown Crossing is being procured under a design-build contract and the East End Crossing is being procured as an availability payment P3 procurement. Figure 3-2 provides the updated procurement schedules for each component.

Milestone	Downtown Crossing	East End Crossing
Final RFQ Issued	March 8, 2012	March 9, 2012
Statement of Qualifications	April 2, 2012	April 9, 2012
Shortlist of Proposers	May 1, 2012	April 23, 2012
Final RFP	August 3, 2012	July 31, 2012
Final Proposals Received	November 15, 2012	October 26, 2012

Milestone	Downtown Crossing	East End Crossing
Notice to Proceed/Financial Close	December 28, 2012	March 28, 2013
Targeted Substantial Completion	December 9, 2016	October 31, 2016
Final Acceptance Dates	April 15, 2017	February 28, 2017

Figure 3-2. Procurement Schedules

PERMITS AND APPROVALS

On September 6, 2003, the Federal Highway Administration issued a Record of Decision selecting the preferred alternative as a Two Bridges/Highway Alternative, with the specific elements selected in the Far East and Downtown corridors, as well as the Kennedy Interchange Reconstruction option.

On November 10, 2011, a Supplemental Draft Environmental Impact Statement was approved by FHWA, KYTC, and INDOT. The Supplemental Final Environmental Impact Statement (SFEIS) was signed on April 20, 2012 and the Revised ROD was signed on June 20, 2012. All permitting activity is being carried out in accordance with the SFEIS and Revised ROD.

The updated status of the permits and approvals required for the Downtown Crossing and for the East End Crossing are outlined in the following table. Those that have not been approved are currently being processed or have been submitted to the appropriate agencies for approval. Additional detail can be found in the Project Management Plan for the Project.

Table 3-2. Required Permits or Notifications

Required Permits or Notifications						
Permit Description (Agency)	Design Section					
	1	2	3	4	5	6
Levee System Modification Permit (USACOE)	✓	N/A	✓	N/A	N/A	N/A
Floodplain Construction Permit (KDOW)	N/A	✓	N/A	✓	✓	N/A
Construction in a Floodway Permit (IDNR)	N/A	N/A	N/A	N/A	✓	✓
Federal Permit for Eagle Take (US Fish & Wildlife)	N/A	N/A	N/A	✓	N/A	N/A
National Pollutant Discharge Elimination System (IDEM Rule 5)	N/A	✓	✓	N/A	✓	✓
National Pollutant Discharge Elimination System (Kentucky PDES)	✓	✓	N/A	✓	✓	N/A
Section 401 Water Quality Certification (IDEM)	N/A	✓	✓	N/A	✓	✓
Section 401 Water Quality Certification (KDOW)	✓	✓	N/A	✓	✓	N/A
Section 404 – Discharge of Dredged or Fill Material (USACOE)	N/A	✓	✓	✓	✓	✓
Section 9 Bridges or Causeways Permit (USCG)	N/A	✓	N/A	✓	✓	N/A
Tall Structure Permit (FAA)	N/A	✓	✓	N/A	✓	✓

In 2010, the Bridges Authority and the Bi-State Management Team worked with the area's Metropolitan Planning Organization (MPO) and FHWA on a financial demonstration document for the Project in connection with the update of the MPO's long-range Metropolitan Transportation Plan (MTP). The plan was approved by the MPO's Transportation Policy Committee in October 2010 and subsequently approved by FHWA in November 2010. These actions allowed the Project to be retained as an active, fiscally-constrained project within the MTP. In October 2011, the third amendment of the MTP was approved. That amendment included project changes to align the MTP with the Modified Selected Alternative project scope and description, with the cost savings and tolling assumptions that were reflected in the SDEIS published in November 2011, and that are consistent with this Financial Plan document.

Chapter 4. Financing and Revenues

INTRODUCTION

This chapter discusses the financial plan for the Project and reviews updates since the IFP was prepared. Specifically, it presents the currently available and committed funding required to complete the Project, including state transportation and federal-aid formula funds, federal discretionary funds, Project revenues, and associated financing. A discussion of continued risks associated with funding availability also is included.

FINANCIAL PLAN OVERVIEW

This Annual Update to the Financial Plan reflects the currently planned funding and finance strategy by which the Project's currently estimated \$2.34 billion cost (in year-of-expenditure dollars, exclusive of financing and interest costs) will be funded through a combination of conventional state and federal transportation program funds and toll-based Project revenues. In the case of Kentucky's design-build contracting approach for the Downtown Crossing, these funding sources will be leveraged to provide the necessary up-front capital for construction through a combination of Kentucky's federal-aid funding commitments, toll revenue bonds, Transportation Infrastructure and Financing Act (TIFIA) financing (application invited and submitted), and grant anticipation revenue vehicle (GARVEE) bonds. In the case of Indiana's availability payment P3 approach for the East End Crossing, private sector financing, including private equity and debt, will be secured by the Developer to support its obligations, and the payments under the P3 agreement will be met by Indiana's commitments of state and federal funding and its share of the toll-based revenues from the Project. Federal discretionary program funds will continue to be utilized to fund the Project to the extent additional discretionary funds become available and are obtained by the states. As of the end of SFY2013 (June 30, 2013), the states have expended approximately \$643.3 million collectively for the Project (exclusive of financing and interest costs).¹

The Project Sponsors have 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 that cost sharing arrangements are equitable and the states' financial obligations to the Project are manageable;
- Ensuring that the Project delivers value to the states, taxpayers, project partners, and end users through appropriate toll rates and 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 ROD;

¹ \$722.0 million (\$407.0 million by Kentucky and \$315.0 million by Indiana), including interest and financing costs during construction.

- 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 beats final completion target dates.
- Transparently engaging the public and minimizing to the extent possible disruptions to existing traffic, local businesses, and local communities; and
- Delivering a Project that is a self-sustaining, integrated cross-river mobility solution for future generations.

PROCUREMENT APPROACH AND FINANCING

The Downtown Crossing and East End Crossing are being procured using two different methods of delivery and financing, as described below.

Downtown Crossing

On May 1, 2012, KYTC issued a draft RFP to three short-listed teams. The Final RFP was released in August 2012 and the Apparent Best Value Design Build Team, a consortium led by Walsh Construction, was announced in November 2012. On December 7, 2012, KYTC formally selected Walsh Construction to design and construct the Downtown Crossing.

Payments to the selected design-builder for the Downtown Crossing are being financed by KYTC and KPTIA using a combination of direct funding from the KYTC Highway Plan, GARVEE bond proceeds, toll revenue bond proceeds, and TIFIA financing (application submitted and pending approval), as described further below.

East End Crossing

Indiana has procured a developer to design, build, finance, as well as operate and maintain portions of the East End Crossing under an Availability Payment (AP) structure as set out in a Public-Private Agreement (PPA). On May 2, 2012, IFA issued a draft RFP to four short-listed teams. The Final RFP was issued in July 2012 and in December 2012 IFA reached Commercial Close on the PPA with WVB East End Partners (WVB), a consortium of Walsh Construction, Vinci Concessions, and Bilfinger Berger PI International. IFA and INDOT elected to let separate construction contracts under INDOT's authority for the Salem Road alignment and for the majority of tree clearing and structure demolition for the East End Crossing.

To finance design and construction of the East End Crossing, WVB sold \$702 million in private activity bonds (PABs) and provided \$78 million in Risk Capital. IFA will make eight Milestone Payments to WVB for the completion of specific portions of the East End Crossing during the construction phase, including substantial completion. Beginning at substantial completion, Availability Payments will then be made during the 35-year operations and maintenance (O&M) term of the PPA contract. The Maximum Availability Payment (MAP) of \$32.9 M, in 2012 dollars, will be adjusted as defined in the PPA dependent on the CPI and the Developer's performance during the O&M term. IFA is contractually obligated to make milestone and availability payments and has entered into a Project Trust Agreement with a Project Trustee who will manage and dispense funds accordingly. To give effect to this arrangement, IFA has entered into an agreement with INDOT to receive a total of \$392 million to fund Milestone Payments, beginning

with \$44 million in 2013 and then \$54 million on an annual basis from 2014 through 2016 and a final payment of \$186 million in 2017. Likewise, IFA has entered into a Use Agreement with INDOT to receive payments equal to anticipated MAP as defined in the PPA.

INDOT will use a combination of state and federal funds to fund the Milestone Payments to IFA while toll revenues, in combination with state and federal funds, as needed, will be used to make Availability Payments, as described further below. As noted above, the Developer will utilize a combination of PABs and Risk Capital to finance design and construction prior to receiving Milestone and Availability Payments.

STATE TRANSPORTATION AND FEDERAL-AID FORMULA FUNDING

Both Kentucky and Indiana have historically used federal-aid resources for the Project and have committed specific funding from their respective near-term federal-aid highway funding programs, as described further below.

Federal-aid formula funds provided to the Project have been and will continue to be matched by a combination of state road funds and toll credits (credits unrelated to the Project) in Kentucky and by state funds in Indiana. Both states have 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 \$1,536.9 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 the state and federal funds reflected in the Sources of Funds in Chapter 5 as well as additional contingency funding resources for both states. It does not include up-front funds being provided by the Developers or through project financing, discussed later in this chapter. For the period through 2012, minor differences exist between the 2013 Annual Update and the 2012 IFP. For Indiana, these differences represent accounting adjustments made upon final closing of the accounting for SFY 2012. For Kentucky, differences primarily represent revised determinations regarding federal funding eligibility and re-designation of pre-2012 costs as being funded with state dollars. Differences between the IFP and the 2013 Update commencing in SFY 2013 are primarily the result of changes in the overall Project schedule, including most notably the acceleration of construction discussed in more detail in Chapter 2. The updated Table 4.1 also includes the entire program of Milestone Payments for Indiana which previously were not fully shown in this table.

Table 4-1. Ohio River Bridges Federal and State Conventional Funding (in thousands)

Detailed Budget (\$YOE)	Financial Plan Year	Thru 2012	2013	2014	2015	2016	2017	2018	Total
Kentucky									
KYTC State Highway Plan Funding ¹	2012 IFP	-	10,000	10,000	10,000	10,000	10,000	10,000	60,000
	2013 Update	20,620	11,271	10,070	10,289	9,449	8,922	10,000	80,620
	Difference	20,620	1,271	70	289	(551)	(1,078)	-	20,620
KYTC Federal Highway Plan Funding ¹	2012 IFP	103,100	40,000	40,000	40,000	40,000	40,000	40,000	343,100
	2013 Update	82,480	45,083	40,278	41,156	37,796	35,686	40,000	322,480
	Difference	(20,620)	5,083	278	1,156	(2,204)	(4,314)	-	(20,620)
KYTC GARVEEs	2012 IFP	100,000	337	172,347	63,316	-	-	-	336,000
	2013 Update	100,000	-	237,302	-	-	-	-	337,302
	Difference	-	(337)	64,955	(63,316)	-	-	-	1,302
Federal Discretionary Funding	2012 IFP	76,300	-	-	-	-	-	-	76,300
	2013 Update	76,300	-	-	-	-	-	-	76,300
	Difference	-	-	-	-	-	-	-	-
Total	2012 IFP	279,400	50,337	222,347	113,316	50,000	50,000	50,000	815,400
	2013 Update	279,400	56,353	287,650	51,445	47,245	44,608	50,000	816,702
	Difference	-	6,016	65,303	(61,871)	(2,755)	(5,392)	-	1,302
Indiana									
State Funding ²	2012 IFP	15,724	24,365	24,941	18,709	16,498	16,861	10,800	127,898
	2013 Update	15,757	26,274	13,727	10,000	10,145	10,145	1,000	87,048
	Difference	33	1,909	(11,214)	(8,709)	(6,353)	(6,716)	(9,800)	(40,849)
Federal Formula Funding ³	2012 IFP	26,885	57,600	66,800	74,835	65,993	67,443	43,200	402,756
	2013 Update	31,185	91,488	88,079	75,000	75,580	232,100	-	593,732
	Difference	4,300	33,888	21,279	165	9,587	164,656	(43,200)	190,976
Federal Discretionary Funding	2012 IFP	31,500	7,900	-	-	-	-	-	39,400
	2013 Update	27,200	1,200	10,980	-	-	-	-	39,380
	Difference	(4,300)	(6,700)	10,980	-	-	-	-	(20)
Total	2012 IFP	74,109	89,865	91,741	93,544	82,491	84,304	54,000	570,054
	2013 Update	74,142	118,962	112,786	85,000	86,025	242,245	1,000	720,160
	Difference	33	29,098	21,045	(8,544)	3,534	157,941	(53,000)	150,107

¹In the 2012 IFP, Kentucky's state match was shown as being provided primarily via toll credits. Based on a review of funding eligibility, some costs have been re-classified as being funded with state dollars. An additional \$50 million in Highway Plan dollars are planned for SFY 2018 and available as a contingency amount.

²Includes funding for Relief Event Allowance Account.

³Includes the addition of funding for future milestone payments.

Kentucky

Through the Six-Year Highway Plan, Kentucky has planned \$816.7 million in federal and state funds to be used on the Project. This total includes \$403.1 million in traditional federal and state matching funds coming from the National Highway Performance and Surface Transportation Programs funding category. The remaining \$337.3 million in federal funding will be provided via GARVEE bonds already issued to support the Project (see table below for Kentucky's Advance Construction conversion schedule). The commitment of specific categories of federal and state matching funding is subject to future action by the Kentucky General Assembly.

Designated funding amounts are reflected in the Commonwealth's biennial budget (committed for the first two years of funding) and in the Six-Year Highway Plan (subject to appropriation for the remaining four years). Kentucky's funding participation is also reflected in the fiscally-constrained Statewide Transportation Improvement Program (STIP) and the FY 2011 – 2015 Transportation Improvement Program (TIP) for the metropolitan region.

The Transportation Cabinet budget for the biennium is prepared in accordance with Chapter 48 of the Kentucky Revised Statutes and is based on two-year projections made in light of long-range program requirements and revenue estimates. The biennial budget request is prepared by the Transportation Cabinet and presented to the Governor for submission to the Kentucky General Assembly. The General Assembly is required by the Kentucky Constitution to adopt measures providing for the state's revenues and appropriations for each fiscal year. The Governor is required by law to submit a biennial State Budget (the "State Budget") and a separate biennial Transportation Budget to the General Assembly during the legislative session held in each even numbered year. State Budgets have generally been adopted by the General Assembly during those legislative sessions, which end in mid April, to be effective upon the Governor's signature for appropriations commencing for a two year period beginning the following July 1.

Indiana

To support the East End Crossing procurement, INDOT has committed a total of \$720.2 million in federal and conventional state funds through 2018. This includes \$392 million in Milestone Payments, which are reimbursements to the Developer for costs initially incurred by the Developer for design and construction. Payments will be made when the Developer achieves specific construction milestones, but no sooner than defined in the PPA. The funding for the Milestone Payments is shown in Table 5-2 as \$25 million in 2015, \$151 million in 2016, and \$216 million in 2017, based on INDOT's prescribed schedule for funding of the payments. The corresponding expenditures are included in Table 5-2 in the design and construction costs for each Section. Upon the Developer achieving substantial completion of the East End Crossing, to the extent that the Crossing is open and available for service, Availability Payments will commence. These payments will be funded by toll revenues, in combination with state and federal funds as needed to backstop any shortfalls in toll revenues. It is anticipated that future funds will come from the National Highway Performance and Surface Transportation Programs and state matching funds.

The table below provides the Advance Construction conversion status for both Kentucky and Indiana.

Advance Construction Conversion Status/Schedule (in \$millions)

	Total Federal Funding Amounts (through SFY2018)	Amount AC'd to Date	Amount Converted to Date	Amount Remaining in AC
KY GARVEE AC	\$337.3	\$488.7*	\$13.3	\$475.4
KY AC	\$398.8	\$201.0	\$60.0	\$141.0
IN AC	\$633.1	\$466.7	\$177.1	\$287.6

*Includes principal and interest

Milestone/Availability Payments

With regard to the Indiana budgeting process, the fiscal year commences on July 1 and ends on June 30 of the following calendar year. The State operates under a biennial budget for the two consecutive fiscal years ending on June 30 of an odd numbered year. On or before the first day of September in each even numbered year, all State agencies (including INDOT) submit budget requests to the State Budget Agency. The State Budget Agency then conducts an internal review of each request. In the fall of each even numbered year, the State Budget Committee (comprised of the State Budget Director and four members of the General Assembly) begins hearings on the budget requests. After presentations by the requesting State agency and the State Budget Agency, the State Budget Committee makes budget recommendations to the Governor. These budgets then become appropriations when the budget is passed by the Legislature, and then signed into law by the Governor.

As it relates to the East End Crossing, on or before the first day of August of each even numbered year, IFA will prepare and provide to INDOT an annual Milestone Payment budget forecast and deliver a copy for the ensuing two fiscal years which shall set forth the Milestone Payment. Upon substantial completion of the East End Crossing, on or before the first day of August of each even numbered year, the IFA will prepare and provide to INDOT an annual budget forecast and deliver a copy for the ensuing two fiscal years which details the Maximum Availability Payment for both fiscal years, the estimated tolling O&M expenses, the estimated funds required to be deposited under the Project Trust Agreement, and the amounts of funds to be appropriated to INDOT to meet Use Payment Requirements. The most recent versions of these agreements between IFA and INDOT have been completed.

Indiana's plan for making these payments will be to use its biennial appropriations to INDOT for Availability Payments. 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.

The IFA will work with the Project Trustee to evaluate the available tolling revenues and to determine whether there is a shortfall or excess in those funds. If there is a shortfall, IFA will use the appropriation from INDOT to make up the shortfall. If tolling revenues exceed the Availability Payment budget, IFA will return the appropriation to INDOT. IFA and INDOT are using the biennial appropriations for Availability Payments to show that Indiana is budgeting these appropriations out of INDOT's Capital Program. INDOT estimates that these payments will be approximately 5-8 percent of the State's capital program (see further discussion below and Table 4-4 for additional information).

Availability Payments will be funded by INDOT from appropriations from the General Assembly of the State to INDOT for such biennium to the extent that Availability Payments are not funded by toll revenues. In addition to being reflected in internal budget and financial control systems,

all anticipated funding amounts are reflected in the fiscally-constrained Statewide Transportation Improvement Program (STIP) and the FY 2011 – 2015 Transportation Improvement Program (TIP) for the metropolitan region.

FEDERAL DISCRETIONARY FUNDING

In addition to Federal-aid formula funds, Kentucky and Indiana have previously secured \$116 million in discretionary funding from the Federal Highway Trust Fund and General Appropriations for the Project. This includes \$24 million in direct federal appropriations and \$92 million through High Priority Project funding designations under TEA-21 (“Transportation Equity Act for the 21st Century”) and SAFETEA-LU (“Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users”). The \$116 million of 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.

PROJECT REVENUES

Both states have had successful histories of using alternative funding sources, including tolling, for the development of their road infrastructures.² Further, both states have the requisite legislative authority to impose tolls on the Project. Specifically, Kentucky Revised Statutes Section 175B.030 provides tolling authority for the Project, and the Indiana General Assembly amended its tolling and public-private partnership statutes in 2010 to expressly permit both tolling and public-private partnerships to be utilized in delivering the Project.³ The states have entered into a Tolling Agreement with the Federal Highway Administration, as previously provided for under Title 23 United States Code, Section 129.

Traffic forecasting work on the Project has been performed by the Bi-State Management Team’s traffic and revenue consultants using a time-of-day travel demand model that was developed in connection with the Project. The initial traffic and revenue work began in the 2005/2006 time period and included a Level 1 study using the KIPDA Daily Regional Travel Demand Model and assumed the FEIS Preferred Alternative. This was followed in 2007 with a Level 2 study again using the KIPDA Daily Model and FEIS Preferred Alternative. This study was updated in 2010 and is reflected in a December 2010 report. Subsequent to the 2010 report, an extensive effort was undertaken to create a time of day (TOD) model suitable for use in an investment grade traffic and revenue study. In addition to developing this model, additional data was collected and used to support the model validation process. Using the LSIORB TOD Model, a complete set of 2030 traffic forecasts were developed, used in the SEIS process and documented in a LSIORB Traffic Forecasting Report.

Work has continued beyond the SEIS in a Traffic and Revenue Study completed by Steer Davies Gleave (SDG) in August 2013, which was developed as follows:

² Kentucky, for example, built a system of approximately 680 miles of full-access controlled parkways using bonding with debt service supported by a mix of state road funds and tolling. Indiana maintained the 157-mile Indiana Toll Road connecting the Chicago Skyway with the Ohio Turnpike for fifty years, using the proceeds of toll-revenue bonds for necessary expansion and maintenance projects. In 2006, Indiana completed a very successful public-private partnership transaction involving the Toll Road. These experiences will be brought to bear to move the Ohio River Bridges Project to construction.

³ See Indiana Senate Enrolled Act No. 382 (2010).

- A stated preference survey undertaken to provide an empirical basis for establishing a route choice model mechanism into the highway assignment;
- Nine model time periods to present the varying levels of traffic and congestion throughout the day;
- Representation of the highway network to reflect the 2012 traffic conditions;
- New traffic counts and travel time measures used to validate the assignment results across the network for each of the nine time periods, and in particular for each of the existing Bridges, providing a robust platform for the forecasts; and
- Socioeconomic forecasts for the model area developed by an independent economic consultant, and a growth model built to validate the river crossing traffic growth included in the demand matrices.

Table 4-2a shows the estimated toll revenue for each of the Crossings and the total Project based on actual revenues generated by the facilities – with an indicative two-thirds of revenue being generated by the Downtown Crossing and one-third by the East End Crossing. The toll revenues presented here have slight deviations from the forecast included in the IFP, due to further refinements that were made in the process of generating an investment-grade Traffic & Revenue Study.

Table 4-2a. Estimated Toll Revenue by Facility – Ohio River Bridges Project
(\$, in millions)

Financial Plan Year	Ohio River Bridges Project Toll Revenue Summary Through 2058 (\$ Millions)								
	Downtown			East End		Total All Bridges			
	Gross Revenue	Toll O&M	Net Revenue	Gross Revenue	Toll O&M	Net Revenue	Gross Revenue	Toll O&M	Net Revenue
2013	6,397	594	5,803	3,198	297	2,902	9,595	890	8,705
2012	7,183	927	6,256	2,972	394	2,578	10,155	1,320	8,834
Difference	-786	-333	-453	227	-97	324	-559	-430	-129

Although tolls are collected at the facility-level, based upon an agreement between the States, they are distributed in a manner consistent with Table 4-2b. This table shows the estimated toll revenue for each of the Crossings and the total Project based on the analysis described above. This incorporates the agreed-upon 50-50 sharing between the states of toll revenues generated on the entire Project, including both Downtown and East End Crossings. It also reflects the initial toll rates approved by the Kentucky-Indiana Tolling Body in September 2013.

Table 4-2b. Estimated Toll Revenue by State – Ohio River Bridges Project
(\$, in millions)

Ohio River Bridges Project Toll Revenue Summary Through 2058 (\$ Millions)								
Kentucky			Indiana			Total		
Gross Revenue	Toll O&M	Net Revenue	Gross Revenue	Toll O&M	Net Revenue	Gross Revenue	Toll O&M	Net Revenue
4,798	445	4,353	4,798	445	4,353	9,595	890	8,705

As described further below, toll revenues will be leveraged in connection with the current financing approaches, including toll revenue bonds, TIFIA financing, private activity bonds, and equity investment.

FINANCING STRATEGY

Financing approaches for both the East End Crossing and Downtown Crossing have advanced significantly since the IFP for the Project was prepared. In the case of the East End Crossing, Financial Close has been reached on the Project, solidifying the Project's financial structure throughout both construction and operations. In the case of the Downtown Crossing, the Project's financial structure is presently nearly finalized, as discussions with the TIFIA Joint Program Office proceed forward and the state has been invited to and has submitted a formal application and has been approved by the US DOT Credit Council to proceed to final negotiations. GARVEE financing has been completed for the Project and toll revenue bond financing is anticipated to be completed by the end of 2013. In the event financing plans were to change for either Crossing, such updates will be incorporated into the Project's subsequent Financial Plan Update.

Kentucky

Under the design-build and separate operate-maintain structure that Kentucky plans to use, the Downtown Crossing is expected to be financed with a combination of funding commitments from Kentucky, governmental purpose tax-exempt debt in the form of GARVEE bonds backed by future federal funds, and toll revenue financing including both toll revenue bonds and TIFIA financing backed by Kentucky's share of toll revenues from the Project.

In addition to previously committed KYTC funds, as noted above, Kentucky anticipates financing the Downtown Crossing with \$296.5 million in Toll Revenue Bonds during 2013-2014, \$237.3 million in GARVEE bonds issued in 2013, \$486.1 million in TIFIA Bond Anticipation Note (BAN) proceeds and TIFIA take-out financing, and \$250 million in Highway Plan Funds comprised of \$200 million in federal funds and \$50 million in state matching funds over the 2013-2017 timeframe. An additional \$50 million is planned as part of Kentucky's 6-year Highway Plan in 2018 and available as contingency resources but not reflected in the annual Project Sources and Uses of Funds because it is not currently applied to the Project financing (Interest on GARVEE bonds issued in 2010 will be covered within the \$50 million per year in federal and state matching funds). Federal-aid funds will not be used to pay financing and interest costs associated with the sale of toll revenue bonds.

Kentucky recognizes the importance of the Louisville-Southern Indiana Ohio River Bridges project. As such, both the Kentucky Transportation Cabinet and the Kentucky Public Transportation Infrastructure Authority are fully committed to ensuring that the roadways which constitute the Downtown Crossing are properly maintained, and that the system used to collect toll revenues on both the Downtown Crossing and the East End Crossing are maintained and operated to standard. This commitment is evidenced by the KPTIA 2013 General Indenture, which requires the trustee, on behalf of KPTIA, to establish both a Tolling O&M Reserve Fund and a General O&M Reserve Fund. Both of these reserve funds, through an automatically renewable biennial lease between KPTIA and the Cabinet, benefit from a pledge by the Cabinet to seek an appropriation from the Kentucky General Assembly at the next available opportunity to replenish if insufficient toll collections cause them to be drawn upon to a level below their

required funding. The state Road Fund is a dedicated fund established under Section 230 of the Constitution of the Commonwealth of Kentucky. Section 230 states in part that:

No money derived from the excise or license taxation relating to gasoline and other motor fuels, and no monies derived from fees, excise or license taxation relating to registration, operation, or use of vehicles on public highways shall be expended for other than the cost of administration, statutory refunds and adjustments, payment of highway obligations, costs for construction, reconstruction, rights-of-way, maintenance and repair of public highways and bridges, and expense of enforcing state traffic and motor vehicle laws.

Table 4-3. Non-Statutorily Dedicated Road Fund Revenues Available for Appropriation
(In thousands)

Table 4-3 has been removed.
The information previously presented in this table is no longer directly relevant to the Project.

Indiana

Under the Availability Payment P3 structure being implemented by Indiana, the East End Crossing has been financed with a combination of funding commitments from Indiana as well as private activity bonds and Developer Risk Capital (equity) secured by WVB. In particular, WVB has provided \$78 million of Developer Risk Capital and \$702 million of PABs proceeds to fund design and construction of the East End Crossing. The structure of the PABs that were issued can be seen in the table below.

Table 4-4. Private Activity Bond Structure for East End Crossing

MATURITY	PRINCIPAL	PROCEEDS	COUPON	YIELDS
2019	\$194,495,000	\$213,438,813	5%	2.28%
2035	\$45,115,000	\$46,723,801	5%	4.56%
2040	\$97,955,000	\$99,679,008	5%	4.78%
2044	\$108,765,000	\$109,712,343	5%	4.89%
2048	\$120,435,000	\$120,226,647	5%	5.01%
2051	\$110,040,000	\$112,572,020	5.25%	4.96%
TOTAL	\$676,805,000	\$702,352,633		

The Financial Plan distinguishes that two types of PABs were issued by WVB – specifically “Milestone PABs (Series B)” and “Long Term PABs (Series A)”. The difference is that “Milestone PABs (Series B)” have a shorter tenor – reaching Maturity January 1, 2019 and with a Call Date of January 1, 2017. These Milestone PABs, as the name suggests, are repaid by Milestone Payments from Indiana. The other PABs, “Long Term PABs (Series A)”, have longer tenors – with maturities in 2034, 2040, 2044, 2048, and 2051.

Indiana will make \$392 million of Milestone Payments to WVB during construction and up to a maximum \$43.0 million of Availability Payments during the first full year of operations. The Availability Payments have 20 percent of their growth indexed to CPI, and 80 percent of their growth indexed at a constant 2.50 percent. A portion of the Availability Payments will be distributed on a monthly basis, insofar as the Project meets agreed upon operating standards. A snapshot of the growth of the Availability Payments 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:

Table 4-5. Availability Payment Growth (in year-of-expenditure dollars)

Year	Availability Payments
2018	42,950,822
2023	48,594,912
2028	55,056,411
2033	62,119,918
2038	70,379,923
2043	79,628,422
2048	90,216,340
2051	97,019,501

Indiana also will fund a Relief Events Allowance Account as a contingency against Relief Events that may occur during construction of the East End Crossing. Relief Events and the Relief Events Allowance Account are defined in the PPA. Starting in 2013, the Account will be funded at \$9 million per year through 2017, resulting in a total of \$45 million of funds in the Allowance Account. This funding is included in Table 4-1, but is currently not shown in the Project Sources and Uses of Funds. The Relief Events Allowance Account funding profile can be seen in the table below. The Allowance Account will be funded through an internal agreement between the IFA and INDOT.

Table 4-6. Relief Events Allowance Account Funding Profile

Year	Funding Amount
2013	9,000,000
2014	9,000,000
2015	9,000,000
2016	9,000,000
2017	9,000,000
Total	\$45,000,000

ASSUMPTIONS, RISKS, AND MITIGATIONS

While a significant amount of financial risk is already mitigated through State and private commitments and associated financing, the funding available for the Project will continue to be subject to some risks that cannot be fully known at this time. The following is a summary of continued potential risks that may affect the financing of the Project and the Project Sponsors' assessment of mitigating factors:

- 1) *Availability of state and federal revenue sources beyond those currently committed to the Project:* The states have demonstrated a strong commitment to ensuring the Project is delivered. This commitment is demonstrated through the investment of funds to date as well as the issuance of GARVEE bonds by the Commonwealth of Kentucky. The states believe that it is reasonable to assume that future state and federal funds will be made available to fund the Project as detailed in this Financial Plan Update and reflected in contractual obligations of each state with respect to the

private developer and construction consortia. Both states have demonstrated the availability of contingency resources to the extent required as part of this Financial Plan Update.

- 2) *Whether toll revenues will meet projections:* The Project Sponsors have developed traffic and revenue forecasts under a variety of tolling scenarios and now including an investment grade traffic and revenue study and approved initial toll rates. While risk inherently exists in traffic and revenue forecasts, the rigor employed in developing an investment-grade traffic and revenue report and the sensitivity testing performed on these estimates helps to ensure Project financing is based on reasonable toll revenue estimates. Rate covenants on Kentucky's planned toll revenue-backed debt also will serve to ensure adequate toll revenues are received to meet debt service, availability payments, and other obligations of the states.
- 3) *Availability of a TIFIA loan:* A TIFIA loan will provide a flexible, cost-effective funding mechanism for the Project. This Financial Plan Update assumes successful delivery of a TIFIA loan to the Project, based upon the recently accepted TIFIA application (September 2013) and application approval (November 2013) by the US DOT Credit Council and the current status of final loan negotiations. . To the extent that the Project is not able to successfully close on the TIFIA loan, KYTC and KPTIA are confident that additional capital market financing will be feasible, although at greater cost. Contingency funding to mitigate this potential increased financing cost is demonstrated to be available as part of this Financial Plan Update. Specifically, the \$50 million that is shown to be available in SFY 2018 could be utilized to offset higher financing costs associated with a non-TIFIA financing solution.

Chapter 5. Project Cash Flow

INTRODUCTION

This chapter provides an updated annual construction cash flow schedule for the Project and an updated overview of the planned sources of funds. This chapter also addresses the estimated long-term operations and maintenance costs of the Project and how these costs will be met.

ESTIMATED SOURCES AND USES OF FUNDING

The estimated sources and uses of funds shown in the figure below are based on the design-build and separate operate-maintain structure that Kentucky is pursuing and the availability payment concession structure that Indiana plans to utilize. These charts reflect construction-related costs, exclusive of ongoing operations and maintenance costs addressed later in this section.

Downtown Crossing Sources and Uses of Funds

Sources of Funds Through Construction (\$000)			Uses of Funds Through Construction (\$000)		
Source	Nominal \$	% of Total	Use	Nominal \$	% of Total
KY State & Federal Funding	\$335,343	23%	Oversight & Design	\$290,088	19%
KY GARVEE Bonds	\$337,302	23%	Right of Way	\$58,301	4%
IN State & Federal Funding	\$32,892	2%	Utilities	\$13,375	1%
KY Toll Revenue Bonds	\$296,538	20%	Construction	\$726,653	49%
KY TIFIA/BANs	\$486,072	33%	Mitigation/Other	\$4,073	0%
			Financing & Interest	\$219,452	15%
			Tolling & Other*	\$176,205	12%
Total Sources	\$1,488,147	100.00%	Total Uses	\$1,488,147	100.00%

*Includes Toll System Costs and Project-Wide Oversight Costs.

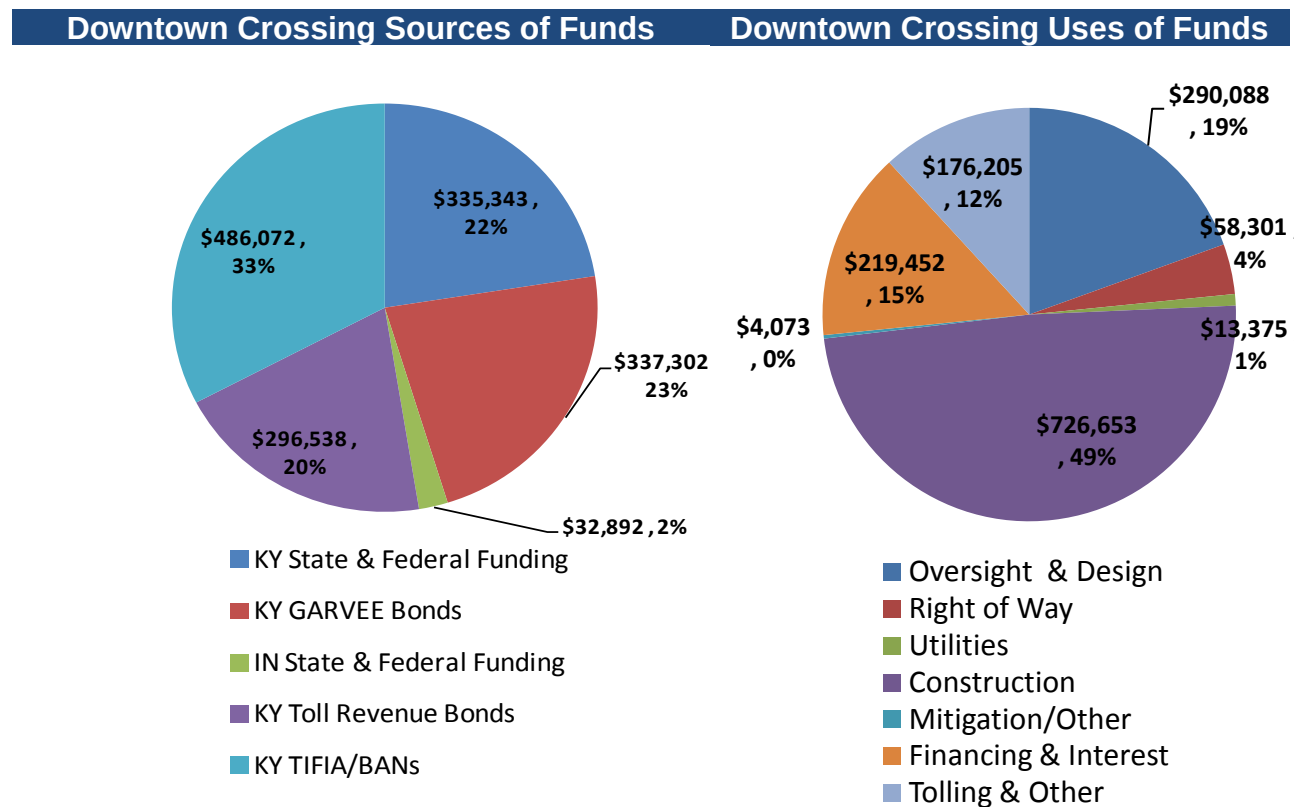


Figure 5.1a. Estimated Downtown Crossing Sources and Uses of Funds Through Construction

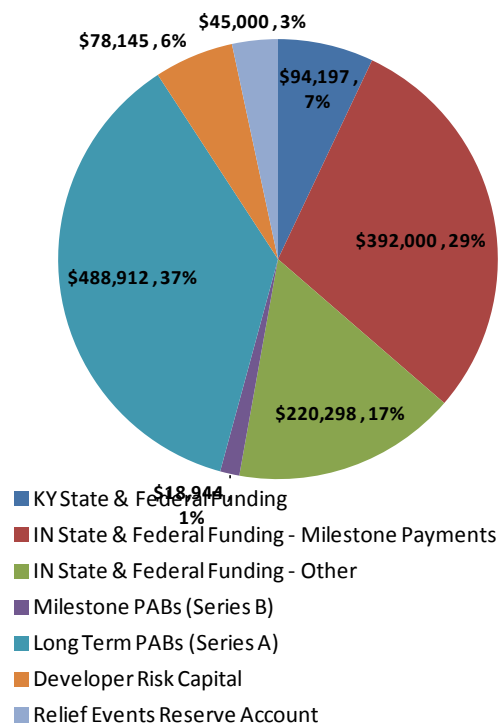
East End Crossing Sources and Uses of Funds

Sources of Funds Through Construction (\$000)			Uses of Funds Through Construction (\$000)		
Source	Nominal \$	% of Total	Use	Nominal \$	% of Total
KY State and Federal Funding	\$94,197	7%	Oversight & Design	\$201,276	15%
IN State and Federal Funding - Milestone Payments	\$392,000	29%	Right of Way	\$66,223	5%
IN State and Federal Funding – Other	\$220,299	16%	Utilities	\$24,563	2%
Milestone PABs (Series B)	\$18,944	1%	Construction	\$673,646	50%
Long Term PABs (Series A)	\$488,912	37%	Mitigation/Other	\$1,225	0%
Developer Risk Capital	\$78,145	6%	Financing & Interest*	\$261,836	20%
Relief Events Reserve Account	\$45,000	3%	Tolling & Other**	\$108,727	8%
Total Sources	\$1,337,495	100.00%	Total Uses	\$1,337,495	100.00%

*Includes Relief Event Reserve Account Funding.

**Includes Toll System Costs and Project-Wide Oversight Costs.

East End Crossing Sources of Funds



East End Crossing Uses of Funds

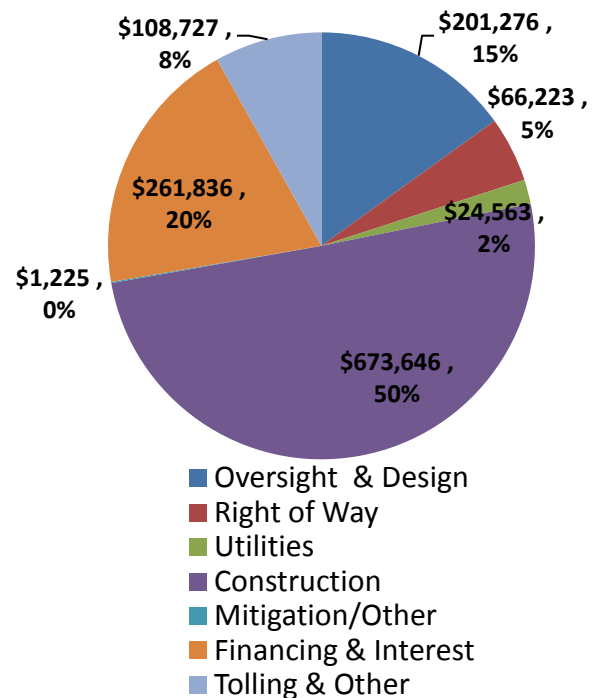


Figure 5-1b Estimated East End Crossing Sources and Uses of Funds Through Construction

Ohio River Bridges Project Sources and Uses of Funds

Sources of Funds Through Construction (\$000)			Uses of Funds Through Construction (\$000)		
Source	Nominal \$	% of Total	Use	Nominal \$	% of Total
KY State and Federal Funding	\$429,540	15%	Oversight & Design	\$491,364	17%
KY GARVEE Bonds	\$337,302	12%	Right of Way	\$124,523	4%
IN State and Federal Funding	\$645,190	23%	Utilities	\$37,938	1%
Private Activity Bonds	\$507,856	18%	Construction	\$1,400,299	50%
Developer Risk Capital	\$78,145	3%	Mitigation/Other	\$5,297	0%
KY Toll Revenue Bonds	\$296,538	10%	Financing & Interest Costs	\$481,288	17%
KY BANs	\$486,072	17%	Tolling & Other	\$284,933	10%
Relief Events Reserve Account	\$45,000	2%			
Total Sources	\$2,825,643	100.00%	Total Uses	\$2,825,643	100.00%

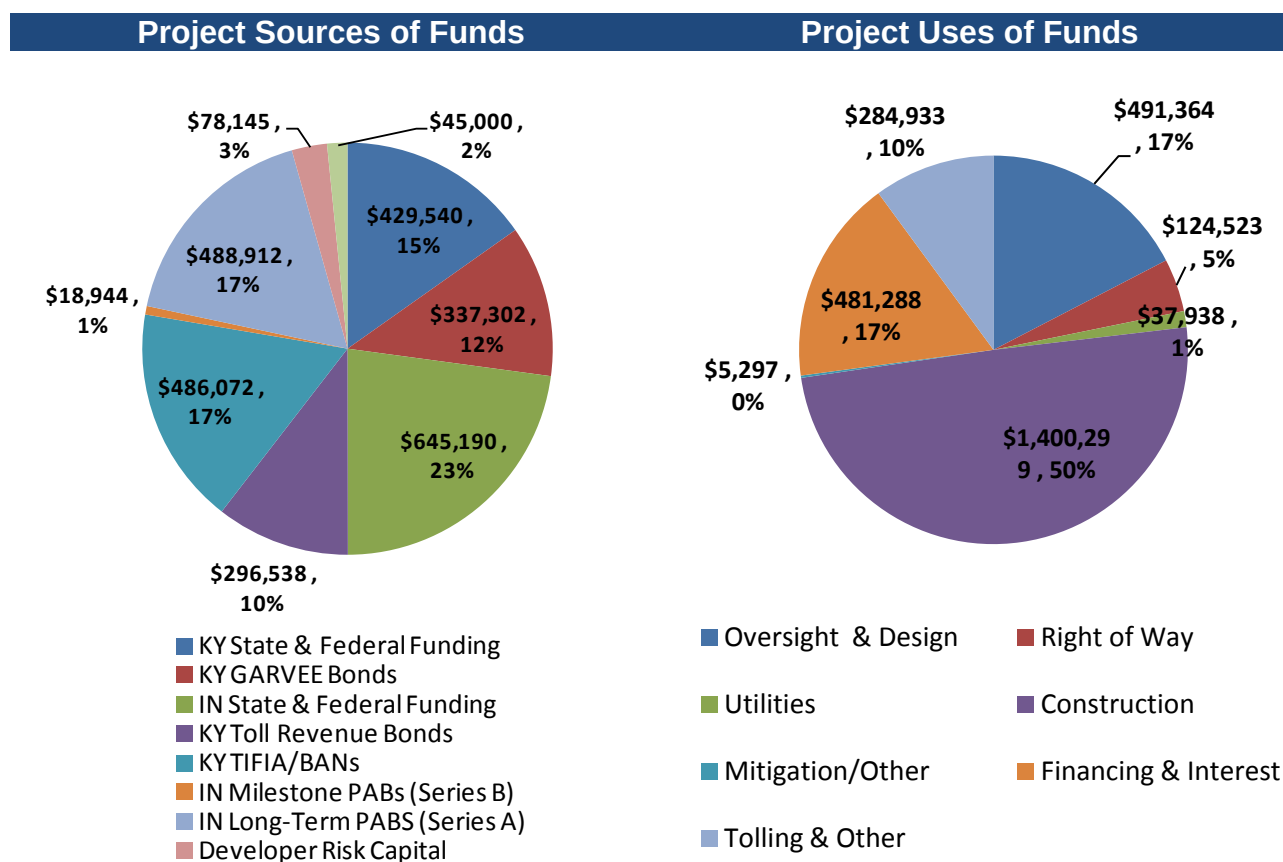


Figure 5-1c. Estimated Project Sources and Uses of Funds Through Construction

The tables below summarize the anticipated annual cash outlays for the Project – by Crossing and by State – based on delivery under an availability payment concession structure for the East End Crossing and a design-build delivery model for the Downtown Crossing. Short-term shortfalls are addressed through available cash management techniques, including internal borrowing. Specifically, short-term shortfalls in 2013 for Kentucky are addressed through internal borrowing from the Kentucky Road Fund. Prior year shortfalls for the Downtown Crossing represent minor adjustments in final costs based on SFY 2012 year-end close as it relates to portions of the Project funded by Indiana. These costs were covered with internal borrowing by Indiana. . Additional adjustments for prior year costs from the 2012 IFP represent final adjustments based on year-end close procedures in both states as well as a review of eligible costs as it relates to federal funding. As noted previously, adjustments between the 2012 IFP and the current Financial Plan as it relates to future year costs are the result of accelerated construction schedules based on final bids and contracts. In the case of the Downtown Crossing, Federal aid funds are not being used to pay debt service with respect to toll revenue bonds.

Table 5-1. Annual Expenditures by Crossing, Section, and Element

Table 5-1 has been removed.
The information previously presented in this table is now repetitive of information provided in
Tables 5-2 and 5-3.

Table 5-2. Downtown Crossing Cash Flows

Detailed Budget (\$YOE)	Thru 2010	2011	2012	2013	2014	2015	2016	2017	2018/2019	Total
DOWNTOWN CROSSING										
Carry Forward		(886)	(564,504)	68,507,042	(75,839,900)	1,907,230	2,192,133	1,292,133	8,000,000	5,493,248
KY State and Federal Funding (incl	111,181,252	15,525,268	87,004,420	40,220,811	283,214,344	47,845,375	43,645,375	44,007,931	-	672,644,776
IN State and Federal Funding	7,663,586	1,082,036	1,649,822	20,443,997	2,052,200	-	-	-	-	32,891,641
KY Toll Revenue Bonds	-	-	-	-	285,194,182	11,343,980	-	-	-	296,538,162
KY TIFIA/BANs	-	-	-	-	95,120,281	203,464,963	138,920,164	48,566,873	-	486,072,281
Revenue Total	118,844,838	16,607,303	88,654,242	60,664,808	665,581,007	262,654,318	182,565,539	92,574,804	-	1,488,146,859
Section 1										
Oversight	-	-	-	(2,250,828)	(13,504,969)	(13,504,969)	(13,403,560)	(2,250,828)	-	(44,915,154)
Design	(48,530,192)	(6,399,118)	(6,691,055)	(23,629,060)	(38,563,630)	(1,487,791)	-	-	-	(125,300,847)
Right of Way	(5,859,785)	(4,199,556)	(1,246,250)	(13,005,187)	(9,078,702)	(3,500,000)	-	-	-	(36,889,480)
Utilities	-	-	-	(98,536)	(5,330,285)	(630,242)	(1,203,352)	-	-	(7,262,415)
Construction	-	-	-	(41,118,030)	(125,831,947)	(102,884,063)	(66,409,788)	(32,747,876)	-	(368,991,704)
Mitigation/Other	-	-	-	(1,000,000)	(1,000,000)	(500,000)	(250,000)	(250,000)	-	(3,000,000)
Section 2										
Oversight	-	-	-	(1,428,796)	(8,572,773)	(8,572,773)	(8,706,639)	(1,428,796)	-	(28,709,777)
Design	(12,974,022)	(47,659)	(1,236,056)	(16,588,568)	(18,338,607)	(541,582)	-	-	-	(49,726,493)
Construction	-	-	-	(24,574,566)	(89,401,096)	(66,112,342)	(43,919,915)	(20,787,913)	-	(244,795,831)
Mitigation/Other	-	-	-	-	-	-	-	-	-	-
Section 3										
Oversight	-	-	-	(720,376)	(4,322,257)	(4,322,257)	(4,289,801)	(720,376)	-	(14,375,069)
Design	(864,575)	(1,058,206)	(2,401,272)	(9,884,399)	(12,654,100)	(197,879)	-	-	-	(27,060,431)
Right of Way	(312,886)	-	-	(19,098,322)	(2,000,000)	-	-	-	-	(21,411,208)
Utilities	-	-	-	(662,759)	(3,965,697)	(1,484,096)	-	-	-	(6,112,551)
Construction	-	-	-	(11,068,417)	(37,753,066)	(31,923,884)	(21,639,546)	(10,480,938)	-	(112,865,852)
Mitigation/Other	-	(563,618)	(25,000)	(483,905)	-	-	-	-	-	(1,072,523)
Kentucky Other Costs										
Other Costs	(50,304,264)	(4,902,764)	(7,983,064)	(39,400,000)	(21,927,851)	(10,362,161)	(6,297,563)	(5,027,522)	(8,000,000)	(154,205,189)
Toll System	-	-	-	-	(2,000,000)	(6,000,000)	(7,000,000)	(7,000,000)	-	(22,000,000)
Interest During Construction	-	-	-	-	(137,271,987)	(10,345,375)	(10,345,375)	(5,172,688)	-	(163,135,425)
Financing and Reserve Costs	-	-	-	-	(56,316,909)	-	-	-	-	(56,316,909)
Expenditure Total	(118,845,724)	(17,170,921)	(19,582,697)	(205,011,749)	(587,833,877)	(262,369,415)	(183,465,539)	(85,866,937)	(8,000,000)	(1,488,146,859)
Net Cash Flow	(886)	(564,504)	68,507,042	(75,839,900)	1,907,230	2,192,133	1,292,133	8,000,000	0	0

Table 5-3. East End Crossing Cash Flows

Detailed Budget (\$YOE)	Thru 2010	2011	2012	2013	2014	2015	2016	2017	2018/2019	Total
EAST END CROSSING										
Carry Forward		13,320,646	9,907,362	5,216,831	593,288,580	359,547,828	39,123,828	11,828	2,000,000	1,022,416,904
KY State and Federal Funding	33,102,363	17,334,815	15,392,011	16,132,422	4,435,742	3,600,000	3,600,000	600,000	-	94,197,352
IN State and Federal Funding-Milest	-	-	-	-	-	25,000,000	151,000,000	216,000,000	-	392,000,000
IN State and Federal Funding-Other	54,336,814	3,869,960	5,539,508	45,518,491	47,734,139	22,000,000	23,025,000	17,274,000	1,000,000	220,297,911
Milestone PABs (Series B)	-	-	-	213,438,550	-	-	-	(194,495,000)	-	18,943,550
Long Term PABs (Series A)	-	-	-	488,911,750	-	-	-	-	-	488,911,750
Developer Risk Capital	-	-	-	52,096,344	-	-	-	26,048,172	-	78,144,515
Relief Events Reserve Account	-	-	-	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	-	45,000,000
Revenue Total	87,439,176	21,204,775	20,931,519	825,097,557	61,169,881	59,600,000	186,625,000	74,427,172	1,000,000	1,337,495,079
Section 4										
Oversight	-	-	-	(3,144,094)	(16,337,643)	(13,851,000)	(12,524,400)	(3,795,900)	-	(49,653,037)
Design	(17,982,349)	(2,515,015)	(3,094,062)	(5,068,155)	(17,876,274)	(3,962,838)	(2,954,623)	(485,708)	-	(53,939,025)
Right of Way	(6,146,219)	(13,148,778)	(9,189,962)	(15,532,422)	(835,742)	-	-	-	-	(44,853,123)
Utilities	-	(17,035)	(22,024)	(243,173)	(11,478,099)	(384,885)	(633,391)	(44,068)	-	(12,822,675)
Construction	-	-	-	(44,297,403)	(77,206,922)	(138,361,099)	(71,840,547)	(6,544,535)	-	(338,250,507)
Mitigation/Other	(74,550)	-	(1,150,000)	-	-	-	-	-	-	(1,224,550)
Section 5										
Oversight	-	-	-	(1,037,889)	(5,196,451)	(4,182,000)	(3,640,800)	(1,303,800)	-	(15,360,940)
Design	(12,794,456)	(2,813,469)	(2,424,770)	(5,151,222)	(14,209,506)	(6,452,266)	(4,124,301)	(907,702)	-	(48,877,691)
Construction	-	-	-	(23,210,621)	(26,181,018)	(76,820,618)	(48,705,455)	(8,374,516)	-	(183,292,227)
Mitigation/Other	-	-	-	-	-	-	-	-	-	-
Section 6										
Oversight	-	-	-	(637,078)	(3,189,692)	(2,567,000)	(2,234,800)	(800,300)	-	(9,428,870)
Design	(6,243,232)	(2,237,896)	(2,265,137)	(2,322,434)	(8,440,914)	(1,123,019)	(1,110,321)	(273,800)	-	(24,016,753)
Right of Way	(11,323,688)	(1,056,948)	(303,772)	(6,685,213)	(2,000,000)	-	-	-	-	(21,369,621)
Utilities	-	-	-	(99,733)	(9,956,400)	(700,247)	(926,738)	(57,390)	-	(11,740,508)
Construction	(33,671)	-	-	(20,020,123)	(38,562,458)	(74,221,028)	(17,223,624)	(2,042,281)	-	(152,103,184)
Mitigation/Other	-	-	-	-	-	-	-	-	-	-
Indiana Other Costs										
Other Costs	(19,520,365)	(2,828,919)	(7,172,322)	(30,812,248)	(12,943,514)	(3,000,000)	(3,725,000)	(3,725,000)	(3,000,000)	(86,727,368)
Toll System	-	-	-	-	(2,000,000)	(6,000,000)	(7,000,000)	(7,000,000)	-	(22,000,000)
Interest During Construction	-	-	-	(8,813,000)	(34,116,000)	(34,116,000)	(34,116,000)	(17,058,000)	-	(128,219,000)
Financing and Reserve Costs	-	-	-	(69,951,000)	(14,380,000)	(14,282,000)	(14,977,000)	(20,026,000)	-	(133,616,000)
Expenditure Total	(74,118,530)	(24,618,059)	(25,622,049)	(237,025,808)	(294,910,633)	(380,024,000)	(225,737,000)	(72,439,000)	(3,000,000)	(1,337,495,079)
Net Cash Flow	13,320,646	9,907,362	5,216,831	593,288,580	359,547,828	39,123,828	11,828	2,000,000	(0)	(0)

Table 5-4. Annual Expenditures by State

Detailed Budget (\$YOE)	Thru 2010	2011	2012	2013	2014	2015	2016	2017	2018/2019	Total
Kentucky										
Oversight	-	-	-	4,400,000	26,400,000	26,400,000	26,400,000	4,400,000	-	88,000,000
Design	79,396,780	10,344,697	11,615,530	50,102,027	69,556,337	2,227,252	-	-	-	223,242,623
Right of Way	12,006,004	17,348,333	10,436,212	28,537,609	9,914,444	3,500,000	-	-	-	81,742,602
Utilities	-	17,035	22,024	761,295	9,295,981	2,114,338	1,203,352	-	-	13,414,025
Construction	-	-	-	76,761,013	252,986,109	200,920,289	131,969,249	64,016,727	-	726,653,388
Mitigation/Other	74,550	-	1,150,000	1,483,905	1,000,000	500,000	250,000	250,000	-	4,708,455
Kentucky Other Costs	50,304,264	4,902,764	7,983,064	39,400,000	217,516,747	26,707,536	23,642,938	17,200,210	8,000,000	395,657,523
SUBTOTAL - KENTUCKY	141,781,599	32,612,829	31,206,830	201,445,849	586,669,619	262,369,415	183,465,539	85,866,937	8,000,000	1,533,418,617
Indiana										
Oversight	-	-	-	4,819,061	24,723,786	20,600,000	18,400,000	5,900,000	-	74,442,847
Design	19,992,046	4,726,666	6,496,822	12,541,811	40,526,695	11,538,123	8,189,245	1,667,211	-	105,678,617
Right of Way	11,636,574	1,056,948	303,772	25,783,535	4,000,000	-	-	-	-	42,780,829
Utilities	-	-	-	342,906	21,434,499	1,085,133	1,560,128	101,458	-	24,524,124
Construction	33,671	-	-	87,528,147	141,950,398	289,402,744	137,769,627	16,961,332	-	673,645,918
Mitigation/Other	-	563,618	25,000	-	-	-	-	-	-	588,618
Indiana Other Costs	19,520,365	2,828,919	7,172,322	109,576,248	63,439,514	57,398,000	59,818,000	47,809,000	3,000,000	370,562,368
SUBTOTAL - INDIANA	51,182,656	9,176,151	13,997,916	240,591,708	296,074,891	380,024,000	225,737,000	72,439,000	3,000,000	1,292,223,321
PROJECT TOTAL	192,964,254	41,788,980	45,204,746	442,037,557	882,744,510	642,393,415	409,202,539	158,305,937	11,000,000	2,825,641,938

The charts below illustrate the breakdown of annual expenditures for the Project both by Section (Figure 5-2) and by State (Figure 5-3).

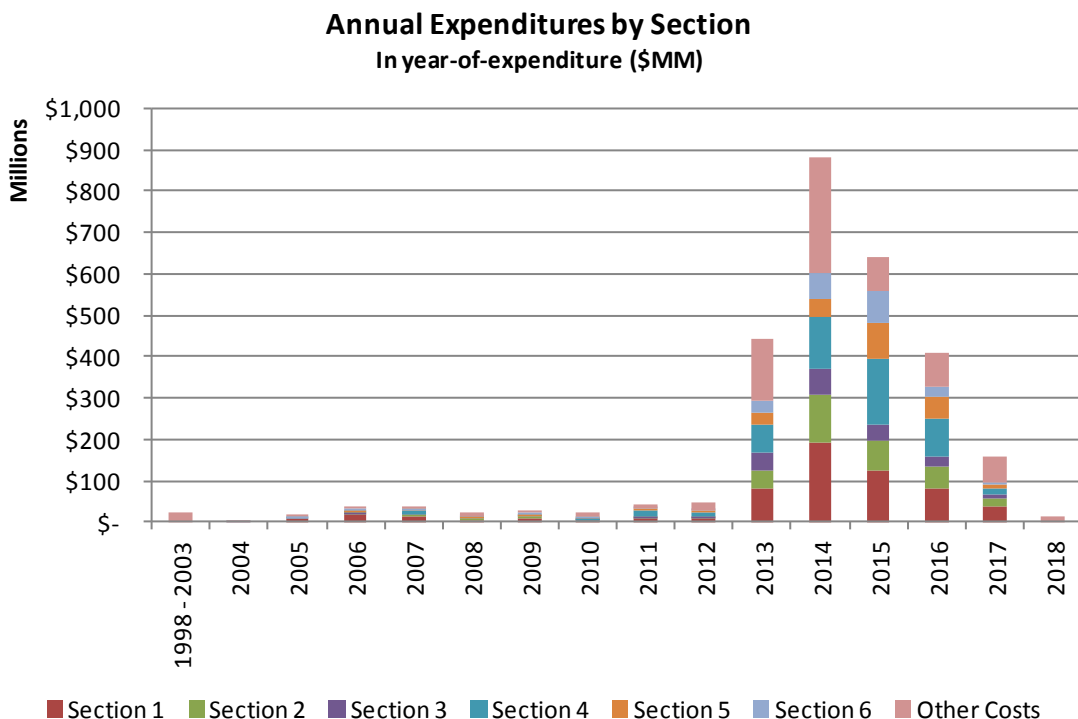


Figure 5-2. Total Estimated Project Annual Outlays by Section

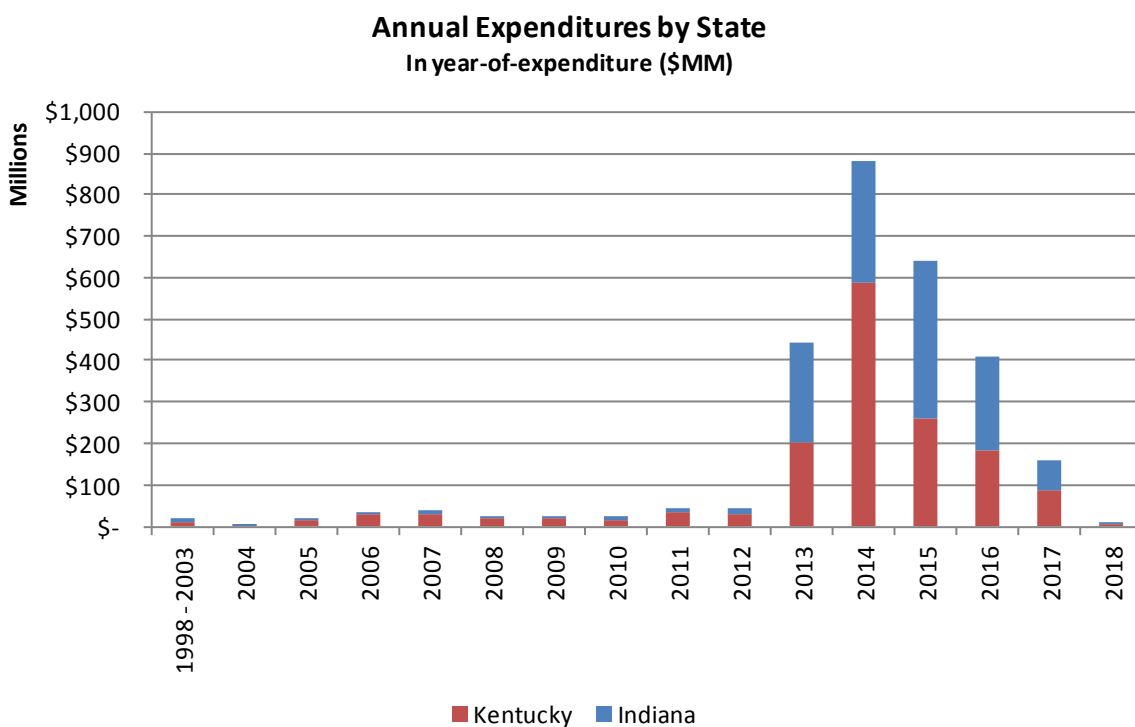


Figure 5-3. Total Estimated Project Annual Outlays by State

CASH MANAGEMENT TECHNIQUES

For Project funding expected to be contributed from state and federal sources, the states intend 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 Secretary of KYTC has the authority to “concurrently advance projects in the Biennial Highway Construction Plan by employing management techniques that maximize the Cabinet’s ability to contract for and effectively administer the project work.” All state revenues flowing through Kentucky’s Road Fund are subject to the cash management principles outlined in KYTC’s “Cash Management Spending Plan” (dated September 29, 2003). The Spending Plan also established a legislatively-mandated safeguard directing that KYTC not draw Road Fund cash balances below \$100 million without the approval of the State Finance and Administration Cabinet. Indiana has similar capabilities and provisions. Kentucky also intends to utilize GARVEE debt financing and BANs to manage the cash flow needs of the Project.

The Indiana Department of Transportation 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 any funding that is provided from bond proceeds, appropriate oversight mechanisms will be put in place through the requirements of the legal documents. These will include controls over disbursement of proceeds for construction and annual reporting requirements.

FINANCING COSTS

The East End Crossing has financing costs as they relate to both WVB and the State of Indiana. These financing costs are as follows:

- **WVB Financing Costs:** Financing costs for WVB total \$81.2 million during construction and encompass costs for Agent & Security Trustees, Rating Agencies Fees, Conduit Fees, Underwriter Fees, funding the Debt Service Reserve Fund (DSRF), Trustee Expenses, and Working Capital Costs.
- **Indiana Financing Costs:** Financing costs for Indiana during construction are anticipated to be approximately \$5 million, which are associated with costs to bond future INDOT appropriations in order to cover IFA’s milestone payment obligations.

Kentucky will bear financing costs associated with the GARVEE debt issuance for the Project as well as issuance costs for the toll revenue bonds and TIFIA/BAN financing. The Six-Year Highway Plan currently has \$2.2 million programmed from Interstate Maintenance (IM) and \$2.2 million from National Highway System (NH) funding for debt service on the previously issued

\$100 million GARVEEs. KYTC and KPTIA intend to fund additional interest costs from the GARVEE bond proceeds of the 2013 issuance. GARVEE payments are subject to biennial appropriations of federal-aid highway funds, with no state Road Funds used for the payment of these obligations. The Transportation Cabinet covenants to include appropriations sufficient to make debt service payments solely from federal funds in subsequent appropriation bills and manages the debt according to an additional bonds test which specifies that federal funds available must be not less than 400 percent of the Maximum Annual Debt Service for each future fiscal year.

OPERATIONS AND MAINTENANCE COSTS

The Project Sponsors understand that the financial plan must account for reasonably anticipated operations and maintenance costs. These costs include routine operations and maintenance expenditures, major maintenance requirements (“lifecycle costs”), and toll operations costs. Representative annual operations and maintenance cost estimates are highlighted below, as supplied by WVB for the East-End Crossing and KYTC for the Downtown Crossing. These estimates will continue to be refined as the project proceeds toward Operations.

Table 5-5. Projected Operations and Maintenance Costs (\$, in millions)

Year Of Expenditure	Downtown Crossing		East End Crossing	
	O&M Costs	Lifecycle Costs	O&M Costs	Lifecycle Costs
2017	1,915,587	455,480	1,418,899	-
2018	4,334,702	964,604	2,161,496	-
2019	4,975,351	832,405	1,839,543	86,718
2020	5,161,831	982,971	2,003,254	681,359
2021	5,293,995	1,277,430	2,496,236	371,973
2022	5,428,726	1,848,490	2,521,422	116,733
2023	5,564,827	1,849,964	2,606,183	47,860
2024	5,703,556	2,293,291	2,488,972	1,155,202
2025	5,846,546	4,138,999	2,268,983	748,478
2026	5,992,298	3,726,066	3,123,370	308,722
2027	6,305,943	7,028,918	3,023,578	144,920
2028	6,459,074	6,723,746	3,366,427	959,863
2029	6,453,493	3,111,458	3,070,951	513,826
2030	6,614,376	41,147,601	2,998,527	102,354
2031	6,780,201	43,416,001	3,175,733	1,719,621
2032	6,949,229	8,310,982	3,019,596	3,624,446
2033	7,123,449	3,967,892	3,286,679	6,202,499
2034	7,301,033	8,040,867	4,307,684	2,680,650
2035	7,484,073	14,468,479	3,691,054	2,106,252
2036	7,670,648	14,314,068	4,570,326	2,292,234
2037	8,072,141	24,380,413	3,360,228	823,118
2038	8,268,161	27,777,439	3,548,113	124,008

Year Of Expenditure	Downtown Crossing		East End Crossing	
	O&M Costs	Lifecycle Costs	O&M Costs	Lifecycle Costs
2039	8,261,016	10,018,975	3,931,883	56,060
2040	8,466,960	9,433,012	4,815,766	1,962,152
2041	8,679,230	7,185,185	4,889,554	1,739,552
2042	8,895,600	9,255,892	4,301,965	421,426
2043	9,118,616	8,637,321	4,035,064	305,868
2044	9,345,940	6,554,805	4,338,931	1,421,674
2045	9,580,246	9,886,258	4,707,924	1,277,540
2046	9,819,078	11,404,284	6,921,166	7,861,223
2047	10,333,022	16,066,382	5,928,210	5,479,792
2048	10,583,945	10,814,751	5,242,859	7,228,581
2049	10,574,799	7,016,951	4,849,602	5,834,502
2050	10,838,425	10,475,513	6,808,890	9,926,803
2051	11,110,149	13,282,810	7,191,241	5,670,512
2052	11,387,120	15,904,127	2,651,047	642,596
2053	11,672,600	10,059,074	134,961,355	74,639,116
2054	11,963,593	57,100,056	-	-
2055	12,263,525	108,408,619	-	-
2056	12,569,250	114,999,142	-	-
2057	13,227,142	131,496,444	-	-
2058	13,548,345	134,605,268	-	-
2059	13,536,637	66,332,285	-	-
2060	13,997,771	22,468,491	-	-
2061	14,472,362	2,320,755	-	-
2062	14,833,170	4,222,611	-	-
2063	15,205,025	4,258,573	-	-
2064	15,954,108	8,898,974	-	-
2065	16,724,048	16,214,695	-	-
2066	17,145,837	15,888,584	-	-
2067	18,022,661	52,303,219	-	-
2068	18,464,569	52,720,943	-	-
Total	506,294,035	1,169,291,563	269,922,711	149,278,233

CHAPTER 6. Risk Identification and Other Factors

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 Revenue, and Long-term Operations and Maintenance. Significant consideration has been given to identifying risks and potential mitigation measures, and this chapter outlines these factors and provides updates to those presented in the IFP. Additionally, this chapter addresses the impact of each state's financial contribution to the Project on their respective statewide transportation programs.

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 Cost Estimate Review document prepared by the states and the Federal Highway Administration in 2012 as well as the Project Management Plan for the Project.

Table 6-1. Project Cost – Risks and Mitigation Strategies

Risk	Mitigation Strategy
Inflation	
Highway construction inflation has been very volatile over the past several years and could significantly increase the cost of the Project.	The states have entered into design-build and availability payment P3 agreements for the vast majority of their respective project components, transferring most of the risk to the private sector design-builder or developer. Reasonable inflationary assumptions based on recent and historical trends in construction inflation have been included in all remaining cost estimates.
Contingency	
The amount of contingency factored into Project cost estimates may be insufficient to cover unexpected costs or cost increases.	The design-build and availability payment concession structures transfer much of this risk from the public to the private sector design-builder or developer.
Cost Overruns During Construction	
Cost overruns after start of construction could result in insufficient upfront funds to complete the Project.	A design-build or availability payment concession structure (with guaranteed maximum price contracts) helps transfer much of this risk from the public to the private sector design-builder or developer.

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 Sponsors to deliver the Project on a timely basis.

Table 6-2. Project Schedule – Risks and Mitigation Strategies

Risk	Mitigation Strategy
NEPA 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.	On January 4, 2013, INDOT and KYTC reached a settlement agreement with the National Trust for Historic Preservation and River Fields, Inc. – agreeing to dismiss a lawsuit in exchange for additional commitments to historic preservation and public involvement. On July 17, 2013, the courts dismissed an additional suit that had been brought by the Coalition for the Advancement of Regional Transportation (CART). This concluded all open litigation against the Project to date. To mitigate the potential impacts of any future litigation that could cause schedule delays and cost escalation, risk and mitigation measures were addressed in the Environmental Impact Statement (EIS). The BSMT intends to adhere to the recommendations outlined in the EIS.
Permits and Approvals	
Delays in the receipt of permits and approvals may delay the start of construction.	NEPA has been approved and all significant permits have been received or are in process. Subsequent responsibility for permit revisions resulting from revisions, updates based on time limitations, and local permits associated with specific construction activities will be transferred to the developers for both the Downtown Crossing and East End Crossing and are addressed directly in the relevant contract documents.
ROW Acquisition	
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.	All rights of way have been purchased or rights-of-entry received for the Project.

Risk	Mitigation Strategy
Unanticipated Site Conditions	
As materials are exposed, unanticipated geotechnical concerns for the construction of the tunnel, in particular, and for other subsurface construction of other structures could be identified that may delay the schedule or increase costs.	Extensive analysis was undertaken as part of the FEIS process. The Developers were responsible for doing a reasonable and prudent site investigation before making their proposal. The failure of the Developer to perform its own testing, or to make themselves aware of already existing subsurface information, shall preclude the Developer from presenting any claim for conditions that such preparation and measures might have revealed, or that might have been reasonably anticipated after such reviews. The Developer was specifically instructed that geotechnical and environmental reports on contamination regarding site conditions were provided for information only and would not serve as a basis for any claims. Additionally, geotechnical investigations are ongoing on several sections of the Project and 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.	Design-build and availability payment concessionP3concessionP3 structures help transfer much of this risk from the public to the private sector design-builder or concessionaire. The State Transportation Authorities (STA) are not liable to the Developer for any claims, costs, losses, damages, or time extensions sustained by the Developer as a result of his own actions. Time extensions and potential change orders are permitted only if it is shown to be the sole fault of the STA or its contactors associated with the project oversight and that it, affects the critical path schedule and cannot be mitigated through the use of manpower and equipment in other aspects of the project.

FINANCING AND REVENUE RISKS AND MITIGATION STRATEGIES

The following risks may negatively affect the Project Sponsors' 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 6-3. Financing and Revenue – Risks and Mitigation Strategies

Risk	Mitigation Strategy
Availability of State and Federal Funding	
The states have identified and committed various levels of conventional funding for the Project within the timeframe of their budget planning cycles. Funding beyond this period is subject to appropriation risk.	Within procedural limitations, the states have demonstrated a strong commitment to ensuring that the Project is delivered given the investment of funds to date and issuance of GARVEE bonds by the Commonwealth of Kentucky. Kentucky has included the Project in its current biennial budget and subsequent 4-year Highway Plan at the funding levels reflected in this financial plan document. Indiana has included the Project in INDOT's internal budgeting and financial control systems at the requisite funding levels. On a bi-annual basis, IFA will provide INDOT an annual budget which details the amount of funds to be appropriated to INDOT to meet annual payment requirements. In addition, all anticipated funding amounts will be reflected in Indiana's fiscally-constrained Statewide Transportation Improvement Program (STIP) and the FY 2011 – 2015 Transportation Improvement Program (TIP) for the metropolitan region.
Toll Revenue Risk	
Toll revenues could be less than projected, which could jeopardize the ability for Project debt to be repaid and for sufficient funds to be available for long-term operations and maintenance.	While uncertainty inherently exists in traffic and revenue forecasts, a series of investment-grade traffic and revenue reports and sensitivity analyses have been performed. These reports help ensure financing is based on the most realistic and reasonable toll revenue estimates. Initial toll rates have been approved by the Joint Tolling Body of the states. Kentucky's financial plan includes two separate debt service reserve funds for toll revenue bonds and for the TIFIA loan to help address potential revenue shortfall. Indiana will provide any additional funds required to supplement its share of toll revenues from conventional federal and state funding.

Risk	Mitigation Strategy
Toll Collection Risk	
Toll revenues could be less than forecasted if toll collection mechanisms are inadequate or ETC equipment deficiencies result in the inability to identify users of the Project.	A toll system developer and operator will be procured for both crossings to ensure that the most reliable electronic tolling equipment is utilized and all steps are taken to minimize toll evasion. The toll revenue forecasts include an estimate of “leakage”, i.e. an amount of revenues lost due to transactions for which the license plates cannot be read or the toll proves otherwise uncollectible.
Capital Market Access	
Capital market volatility could limit access to future financing and/or increase financing costs for the Downtown Crossing when attempting to issue future GARVEE and/or Toll Revenue Bonds.	All GARVEE debt has been issued for the Project. Utilizing Bond Anticipation Notes that are to be retired by a TIFIA loan is expected to lower financing costs.
Availability of Federal Financing Tools	
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.	In the event that Kentucky is unsuccessful in securing federal TIFIA assistance, the state must ensure the viability of the finance plan without such assistance. Given where the Project is in the process of discussions with the TIFIA Joint Program Office and having been invited to submit a formal application (submitted in September 2013) and approved to receive a loan (November 2013), project sponsors are confident of being ultimately successful. Should there, however, be any issues with securing TIFIA financing at the levels planned, the state is confident that a commercially viable financial plan can be put into place, albeit at higher costs. The State has contingency funds available to address this potential outcome.
Uncertainty surrounding the availability of federal highway funding could limit access to future discretionary funding (e.g. TIGER).	The Project financial plan does not rely on additional federal discretionary funds beyond those already committed to the Project. The states will continue to identify and, as appropriate, pursue additional federal discretionary funds that may become available to the Project. This may include funds made available under subsequent phases of the Transportation Investment Generating Economic Recovery (TIGER) discretionary grant program and other federal discretionary funds made available through the recent authorization of the federal surface transportation program, MAP-21.

PROCUREMENT RISKS AND MITIGATION STRATEGIES

The following risks may affect the Project Sponsors' ability to implement the Project due to risks associated with the procurement of the Downtown Crossing under a design-build contract and the East End Crossing as an Availability Payment concession.

Table 6-4. Procurement – Risks and Mitigation Strategies

Risk	Mitigation Strategy
Delay in Procurement	
One of the Crossings suffers a delay in completion, resulting in lower than expected revenue across the Project.	A Bi-state Development Agreement has been entered into that address the risks associated with a delay in completion of one of the Crossings. The Agreement establishes that tolling operations shall commence when either the New Downtown Crossing Bridge or the East End Crossing is sufficiently complete to be open to traffic or by June 30, 2018, whichever is earlier. Should any of the planned work be canceled or materially delayed for either Crossing, the states' parties shall use their best efforts and work together in good faith to identify and implement appropriate measures to ensure that construction of the entire Project will be completes as contemplated in the RROD.
The states do not receive affordable bids or are not able to reach commercial or financial close on their respective procurements.	Each state has entered into binding agreements with the design-builder and P3 developer for the Project.

IMPACT ON STATEWIDE TRANSPORTATION PROGRAMS

Both states have 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 Sponsors believe that the federal-aid highway formula, federal discretionary, and state transportation funds identified in this Financial Plan Update are reasonably expected to be available, and without adverse impacts on either state's overall transportation programs or other funding commitments.

Kentucky will continue to make specific funding commitments to the Project based on the State's standard two-year budget procedures and in accordance with the state's Highway Plan. The Six-Year Highway Plan ensures that funding for the Project is fully considered in the context of any potential impact on other projects in the state's transportation program. Kentucky has designed its portion of the Project financing to minimize impacts on other transportation needs around the Commonwealth. Based on Kentucky's Six-Year Plan, the planned \$50 million in annual funding represents approximately 8 percent of Kentucky's overall federal program and just over 5 percent of the Commonwealth's total program. Kentucky's funding participation is also reflected in the fiscally-constrained Statewide Transportation Improvement Program (STIP) and the FY 2011 – 2015 Transportation Improvement Program (TIP) for the metropolitan region.

Indiana has provided for substantial funding for the Project through a combination of state and federal funding, including but not limited to the State's *Major Moves* Transportation Program. Indiana will continue to make specific financial commitments to the Project based on its standard budget procedures and in accordance with the State's Transportation Plan, which takes into account the needs of the overall transportation program and other projects throughout the State. INDOT and IFA are using the biennial appropriations for Availability Payments to show that Indiana is budgeting these appropriations out of INDOT's Capital Program. INDOT estimates that these future payments will be 5-8 percent of its capital program. To date, funding for the Project has been 2-3 percent of the Interstate Maintenance and National Highway System funding categories and approximately 6 percent of state funding. In addition to being reflected in internal budget and financial control systems, all anticipated funding amounts are reflected in the fiscally-constrained Statewide Transportation Improvement Program (STIP) and the FY 2011 – 2015 Transportation Improvement Program (TIP) for the metropolitan region.

Chapter 7. Cost & Revenue History

INTRODUCTION

Since the approval of the Initial Financial Plan, the revenue sources and project scope have changed significantly, as described in this Annual Update and summarized in this chapter.

COST & SCHEDULE HISTORY

Table 7-1 and Figure 7-1 provide the updated cost and schedule for the Project, as reflected in this Financial Plan Update and compared to the 2012 IFP.

2013 Financial Plan Update Discussion: As shown, Project costs have been reduced by approximately \$239.5 million. This reflects final bids for the Project and an accelerated construction timetable for both Crossings.

Table 7-1. Project Cost History
(exclusive of financing and interest costs during construction)

Total Project Costs in Year of Expenditure Dollars (in millions)			
Project Segment	2012 IFP	2013 Update	Difference
Downtown Crossing			
Section 1 - Kennedy Interchange	659.8	586.4	(73.4)
Section 2 - Downtown Bridge	357.8	323.2	(34.5)
Section 3 - Downtown IN Approach	197.7	182.9	(14.8)
Kentucky Other Costs	92.3	176.2	83.9
Total Downtown Crossing	1,307.6	1,268.7	(38.9)
East End Crossing			
Section 4 - KY East End Approach	737.6	500.7	(236.8)
Section 5 - East End Bridge	284.4	247.5	(36.9)
Section 6 - IN East End Approach	196.1	218.7	22.6
Indiana Other Costs	58.2	108.7	50.5
Total East End Crossing	1,276.3	1,075.7	(200.6)
PROJECT TOTAL	2,583.9	2,344.4	(239.5)

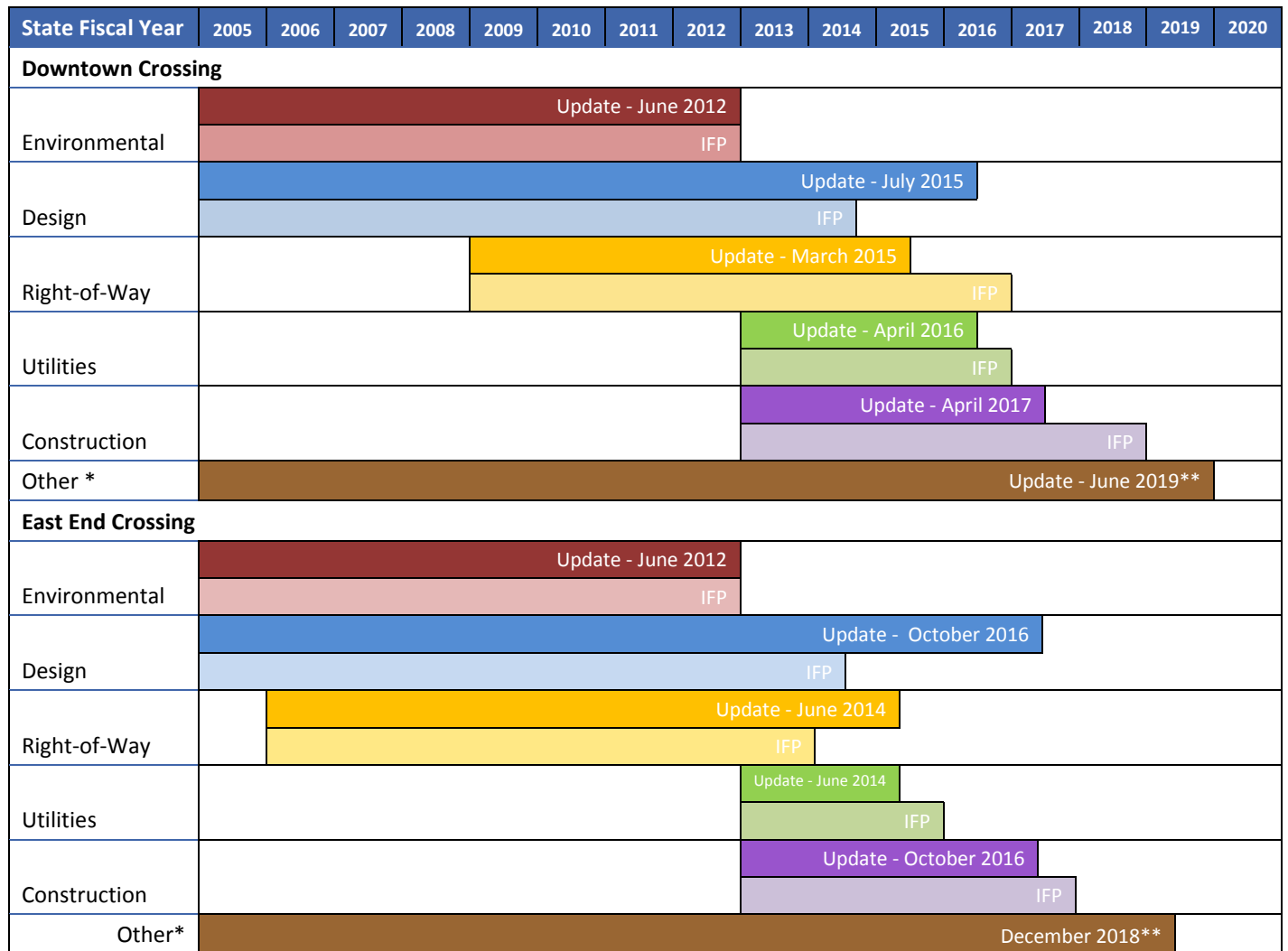


Figure 7-1. Project Schedule History

REVENUE & FUNDING HISTORY

Figure 7-2 provides the updated baseline sources of funds for the Project, as reflected in more detail in Chapters 4 and 5 of this Financial Plan Update.

2013 Financial Plan Update Discussion: Project revenues have been adjusted from the 2012 IFP to reflect reduced Project costs and to incorporate the updated and more detailed financing plans for both Crossings. This results in a higher total Project funding than reflected in the 2012 IFP, primarily due to the fact that the schedule is now inclusive of financing costs during construction and additional reserves for Indiana. As shown in Chapter 4 (see Table 4.1), Kentucky has additional funds planned to be available to address further financing contingencies as needed. The schedule below also reflects the adjustment for accounting for Indiana Milestone Payments. In the 2013 Financial Plan Update, these costs are accounted for along with other state funding whereas in the 2012 Initial Financial Plan, Milestone Payments were accounted for in the Developer financing line items.

Sources of Funds During Construction (Nominal, \$000)			
Source	2012 IFP	2013 Update	Difference
KY State & Federal Funding	\$432,633	\$429,540	(\$3,092)
KY GARVEE Bonds	\$336,000	\$337,302	\$1,302
IN State & Federal Funding	\$518,412	\$645,190	\$126,777
KY Toll Revenue Bonds	\$583,674	\$296,538	\$198,936
KY TIFIA/BANs		\$486,072	
IN Milestone PABs (Series B)	\$713,136	\$18,944	(\$127,136)
IN Long-Term PABS (Series A)		\$488,912	
Developer Risk Capital		\$78,145	
Relief Events Reserve Account	\$0	\$45,000	\$45,000
Total Sources	\$2,583,855	\$2,825,642	\$241,787

Figure 7-2. Project Funding Sources History

Chapter 8. Cost & Revenue Trends

INTRODUCTION

This chapter reviews cost and revenue trends for the Project on an annual basis.

CURRENT COST TRENDS

As shown in Chapter 2, the Project has realized a significant cost savings over the past year, due to the competitive nature of bids that were submitted for both Crossings.

The current cost estimate of \$2.34 billion is lower than the prior year's official cost estimate as presented in the IFP of \$2.58 billion. The variance is attributable to a number of factors, including:

- Walsh Construction's proposed completion of the Downtown Crossing 18 months ahead of schedule, and cost savings of approximately \$90 million compared to initial cost estimates.
- WVB's proposed completion of the East End Crossing nearly eight months ahead of schedule, and cost savings of approximately \$228 million compared to initial cost estimates.
- The inclusion of estimated costs for the toll collection system for both crossings.
- The finalization of negotiated contracts with the states' respective Technical Teams and the GEC provides actual contract dollars as opposed to estimated dollars for oversight and other services.
- The completion of right-of-way (ROW) acquisition provides actual ROW expenditures in place of previously estimated costs.

CURRENT REVENUE 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.

FUTURE IMPLICATIONS OF TRENDS

Following a significant adjustment between the 2012 IFP and this Financial Plan Update, the Project expects costs and revenues to remain stable such that current budgets are expected to be adequate.

ADJUSTMENTS IN FINANCIAL PLAN TO ACCOUNT FOR TRENDS

The present financial plan has been updated to reflect trends noted over the past year. If future trends should arise, the Project Sponsors are committed to identifying and acting on those trends in a timely manner and those trends will be reflected in the routine management reporting tools and meetings.

Chapter 9. Revenue Shortfall Mitigation

This Annual Update to the Financial Plan for the Project includes all necessary federal and state revenues to offset the anticipated expenditures through the end of the Project. Should shortfalls in revenue occur in the future, the Project Sponsors are committed to identifying and acting on the shortfall as described in Chapter 4 of this financial plan.

Chapter 10. Significant Cost Reductions

INTRODUCTION

This section identifies those individual budgets (by cost category for the purposes of this first annual update) that experienced a reduction in cost in excess of \$10 million relative to the estimates included in the IFP for the Project. Future annual updates will include additional detail once the Project is fully in the construction phase.

DOWNTOWN CROSSING

The table below compares the Initial Financial Plan Estimate for the Downtown Crossing with current estimates and lists causes for major reductions (see Chapter 11 for explanation of significant cost increases). Note that the Initial Financial Plan estimates were based on pre-bid internal cost estimates and the current estimates are based on actual bid prices. The design-build procurement produced a savings of approximately \$101 million in the Design, Utilities, and Construction elements of the Downtown Crossing. This was due in large part to the 18 month schedule savings presented by the winning Design Build Team. The accelerated schedule compresses original phasing concepts but shows a major time savings by placing bi-directional traffic on the new cable-stayed bridge during the re-decking of the existing Kennedy Bridge.

Table 10-1a. Significant Cost Reduction Summary – Downtown Crossing

DOWNTOWN CROSSING	Initial Financial Plan Estimate	Current Estimate (2013 Update)	Difference	Cause For Reduction
Section 1				
Oversight	54,376,471	44,915,154	(9,461,317)	
Design	93,089,315	125,300,847	32,211,532	
Right of Way	37,520,561	36,889,480	(631,081)	
Utilities	8,359,329	7,262,415	(1,096,914)	
Construction	456,064,047	368,991,704	(87,072,343)	Design-build bid and contract below engineer's estimate, due in some part to accelerated schedule
Mitigation/Other	10,395,954	3,000,000	(7,395,954)	
Section 1 Total	659,805,677	586,359,600	(73,446,077)	
Section 2				
Oversight	34,138,312	28,709,777	(5,428,535)	
Design	34,724,993	49,726,493	15,001,500	
Construction	288,895,929	244,795,831	(44,100,098)	Design-build bid and contract below engineer's estimate, due in some part to accelerated schedule
Mitigation/Other	-	-	-	
Section 2 Total	357,759,234	323,232,102	(34,527,132)	
Section 3				
Oversight	17,346,467	14,375,069	(2,971,398)	
Design	13,137,339	27,060,431	13,923,092	
Right of Way	18,009,994	21,411,208	3,401,214	
Utilities	501,167	6,112,551	5,611,384	

DOWNTOWN CROSSING	Initial Financial Plan Estimate	Current Estimate (2013 Update)	Difference	Cause For Reduction
Construction	148,361,494	112,865,852	(35,495,642)	Design-build bid and contract below engineer's estimate, due in some part to accelerated schedule
Mitigation/Other	385,858	1,072,523	(686,665)	
Section 3 Total	197,742,319	182,897,634	(14,844,685)	
Kentucky Other Costs				
Other Costs	92,284,594	176,205,189	(83,920,595)	
Downtown Crossing Total	1,307,591,824	1,268,694,525	38,897,299	

EAST END CROSSING

The tables below compare the Initial Financial Plan Estimate for the East End Crossing with current estimates and lists causes for major reductions or increases. Note that the Initial Financial Plan estimates were based on pre-bid internal cost estimates and the current estimates are based on actual bid prices. The P3 type contract and the market conditions, with four highly qualified and motivated teams, resulted in a net savings of \$228 million for the East End Crossing, with the largest savings being in Section 4, particularly in the cost of constructing the tunnel. Note that the winning bidder proposed to reduce the tunnel length by 14 percent, and reduced the distance between the tunnel bores and raised the roadway profile to save 500,000 cubic yards of rock excavation.

Table 10-1b. Significant Cost Reduction Summary – East End Crossing

EAST END CROSSING	Initial Plan Estimate	Current Estimate (2013 Update)	Difference	Cause For Reduction
Section 4				
Oversight	65,304,764	49,653,037	(15,651,727)	Schedule and P3 Contract Terms
Design	67,375,680	53,939,025	(13,436,655)	Bid line item allocation
Right of Way	36,070,174	44,853,123	8,782,949	
Utilities	20,133,055	12,822,675	(7,310,380)	
Construction	547,144,621	338,250,507	(208,894,114)	Lower tunnel and overall construction costs due to actual bid
Mitigation/Other	1,543,430	1,224,550	(318,880)	
Section 4 Total	737,571,724	500,742,917	(236,828,807)	
Section 5				
Oversight	26,657,959	15,360,940	(11,297,019)	Schedule and P3 Contract Terms
Design	33,829,236	48,877,691	15,048,455	
Construction	223,905,930	183,292,227	(40,613,703)	Overall lower construction costs due to actual bid
Mitigation/Other	-	-	-	
Section 5 Total	284,393,125	247,530,858	(36,862,267)	
Section 6				
Oversight	16,327,685	9,428,870	(6,898,815)	
Design	20,064,101	24,016,753	3,952,652	.
Right of Way	17,230,612	21,369,621	4,139,009	
Utilities	3,198,943	11,740,508	8,541,565	.

EAST END CROSSING	Initial Plan Estimate	Current Estimate (2013 Update)	Difference	Cause For Reduction
Construction	139,237,220	152,103,184	12,865,964	
Mitigation/Other	-	-	-	
Section 6 Total	196,058,561	218,658,936	22,600,375	
Indiana Other Costs				
Other Costs	58,239,599	108,727,368	(50,487,769)	
East End Crossing Total	1,276,263,009	1,075,660,079	200,602,930	

Chapter 11. Significant Cost Increases

INTRODUCTION

This section identifies those individual budgets (by cost category for this first annual update) that experienced an increase in cost in excess of \$10 million relative to the estimates included in the IFP for the Project. Future annual updates will include additional detail once the Project is fully in the construction phase.

DOWNTOWN CROSSING

Table 11-1a. Significant Cost Increase Summary – Downtown Crossing

DOWNTOWN CROSSING	Initial Plan Estimate	Current Estimate (2013 Update)	Difference	Cause For Increase
Section 1				
Oversight	54,376,471	44,915,154	(9,461,317)	
Design	93,089,315	125,300,847	32,211,532	Bid line item allocation
Right of Way	37,520,561	36,889,480	(631,081)	
Utilities	8,359,329	7,262,415	(1,096,914)	
Construction	456,064,047	368,991,704	(87,072,343)	
Mitigation/Other	10,395,954	3,000,000	(7,395,954)	
Section 1 Total	659,805,677	586,359,600	(73,446,077)	
Section 2				
Oversight	34,138,312	28,709,777	(5,428,535)	
Design	34,724,993	49,726,493	15,001,500	Bid line item allocation
Construction	288,895,929	244,795,831	(44,100,098)	
Mitigation/Other	-	-	-	
Section 2 Total	357,759,234	323,232,102	(34,527,132)	
Section 3				
Oversight	17,346,467	14,375,069	(2,971,398)	
Design	13,137,339	27,060,431	13,923,092	Bid line item allocation
Right of Way	18,009,994	21,411,208	3,401,214	
Utilities	501,167	6,112,551	5,611,384	
Construction	148,361,494	112,865,852	(35,495,642)	
Mitigation/Other	385,858	1,072,523	686,665	
Section 3 Total	197,742,319	182,897,634	(14,844,685)	
Kentucky Other Costs				
Other Costs	92,284,594	176,205,189	(83,920,595)	The current estimate includes Toll System Costs as well as financing and interest costs during construction. It also includes refined project-wide oversight costs.
Downtown Crossing Total	1,307,591,824	1,268,694,525	38,897,299	

EAST END CROSSING

Table 11-1b. Significant Cost Increase Summary – East End Crossing

EAST END CROSSING	Initial Plan Estimate	Current Estimate (2013 Update)	Difference	Cause For Increase
Section 4				
Oversight	65,304,764	49,653,037	(15,651,727)	
Design	67,375,680	53,939,025	(13,436,655)	
Right of Way	36,070,174	44,853,123	8,782,949	
Utilities	20,133,055	12,822,675	(7,310,380)	
Construction	547,144,621	338,250,507	(208,894,114)	
Mitigation/Other	1,543,430	1,224,550	(318,880)	
Section 4 Total	737,571,724	500,742,917	(236,828,807)	
Section 5				
Oversight	26,657,959	15,360,940	(11,297,019)	
Design	33,829,236	48,877,691	15,048,455	Bid line item allocation
Construction	223,905,930	183,292,227	(40,613,703)	
Mitigation/Other	-	-	-	
Section 5 Total	284,393,125	247,530,858	(36,862,267)	
Section 6				
Oversight	16,327,685	9,428,870	(6,898,815)	
Design	20,064,101	24,016,753	3,952,652	
Right of Way	17,230,612	21,369,621	4,139,009	
Utilities	3,198,943	11,740,508	8,541,565	
Construction	139,237,220	152,103,184	12,865,964	Bid line item allocation
Mitigation/Other	-	-	-	
Section 6 Total	196,058,561	218,658,936	22,600,375	
Indiana Other Costs				
Other Costs	58,239,599	108,727,368	(50,487,769)	Procurement process expenses, P3 contract administration, Toll System costs
East End Crossing Total	1,276,263,009	1,075,660,079	200,602,930	