Kentucky Transportation Cabinet
Indiana Department of Transportation

Louisville - Southern Indiana Ohio River Bridges Project
2015 Financial Plan Annual Update
Letter of Certification

The Kentucky Transportation Cabinet (KYTC) and the Indiana Department of Transportation (INDOT) present this Financial Plan Annual Update for the Louisville-Southern Indiana Ohio River Bridges Project (the Project) in accordance with the requirements of Section 106(h) of Title 23, as amended by Section 1904(a)(2) 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 Annual Update conforms to the requirements set out in Federal Highway Administration (FHWA) December 2014 *Major Project Financial Plan Guidance*.

This 2015 Financial Plan Annual Update provides the schedule for delivering the Project, plus cost estimates and expenditure data through State Fiscal Year (SFY) 2015 (June 30, 2015), and financial analyses developed for the Project as of that date. The cost data in this Financial Plan Annual Update provides an accurate accounting of costs incurred through the reporting period and includes an estimate of future costs based on engineers' estimates and reasonable estimates of construction-related inflation factors available at the time. The estimates of financial resources to fund the Project also represent an accurate accounting of funds expended through the reporting period and best information and reasonable assumptions for future resources that were available.

To the best of our knowledge and belief, the Financial Plan Annual Update, as submitted herewith, is based on sound underlying assumptions that fairly and accurately present the financial position of the Project, cash flows, and expected conditions for the Project's life cycle as of this reporting period. This Financial Plan Annual Update is our reasonable best effort at providing an accurate basis upon which to schedule and fund the Project. We have made available all significant information that is relevant to the Financial Plan for the Project and, to the best of our knowledge and belief, the inputs and assumptions derived from these documents and records are appropriate.

As stated in the Initial Financial Plan and the 2013 and 2014 Financial Plan Annual Updates, the states continue the commitment to fully fund the Ohio River Bridges Project through completion.

Respectfully Submitted:

Michael W. Hancock Date
Secretary
Kentucky Transportation Cabinet

Brandye Hendrickson 11/18/15
Brandye Hendrickson Date
Commissioner
Indiana Department of Transportation

U.S. Department of Transportation
Federal Highway Administration

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January 7, 2016

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100 North Senate Avenue
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Mr. Michael W. Hancock
Secretary
Kentucky Transportation Cabinet
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Dear Commissioner Hendrickson and Secretary Hancock:

The Federal Highway Administration (FHWA), Indiana and Kentucky Divisions, in conjunction with the FHWA Major Projects Team, have reviewed the September 2015 updated financial plan for the Ohio River Bridges Project. Based upon our review, the updated financial plan adequately meets the anticipated Project costs. Therefore, the updated 2015 finance plan is approved.

As a reminder, Section 1904(a) (3) 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), requires an updated financial plan to be submitted to the FHWA Indiana and Kentucky Divisions annually for review and approval for projects with an estimated cost of $500 million or more. The financial plan is to be updated as of June 30. The annual update shall be submitted no later than 90 days after June 30 to permit adequate review time and approval. The submission of updated finance plan will continue until all construction has been completed on the project.

The Indiana and Kentucky Divisions will continue to work with your staff to streamline the update and approval process for the annual finance plan submittals while maintaining the integrity of the information provided. Should you have any questions or need additional information, please contact Mr. Jeff Schmidt at (601) 572-1098 or via email at jefffrey.schmidt@dot.gov.

Sincerely,

Richard J. Marquis
Indiana Division Administrator

Thomas L. Nelson, Jr.
Kentucky Division Administrator

cc:
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Jermaine Hannon, FHWA-IN
Robert Dirks, FHWA-IN
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Final (Nov. 18, 2015)

LOUISVILLE - SOUTHERN INDIANA OHIO RIVER BRIDGES PROJECT

Financial Plan – 2015 Annual Update

September 2015

Submitted to:
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 2015 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), as prepared by the Kentucky Transportation Cabinet and the Indiana Department of Transportation. This Annual Update includes the updated schedule for delivering the Project, cost estimates and expenditure data through State Fiscal Year (SFY) 2015, and updates to the project delivery and financing status for the Project.

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.

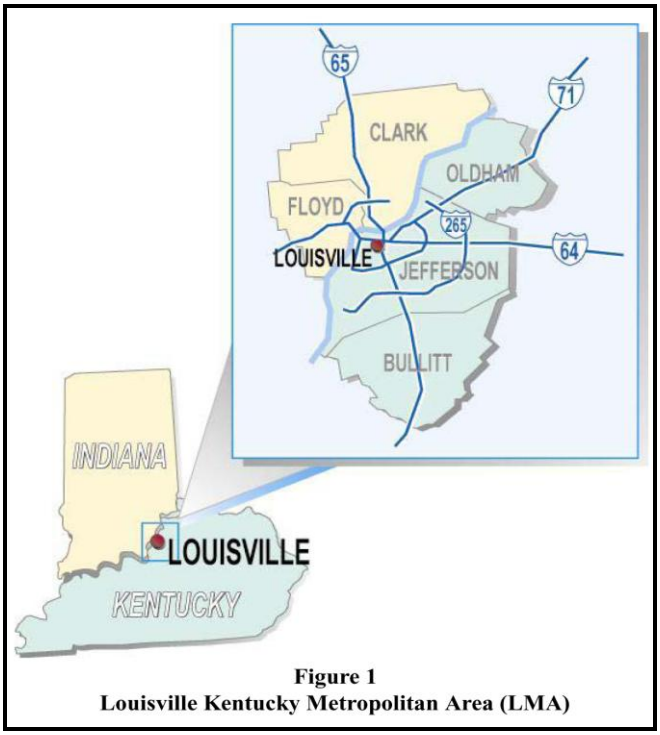


Figure ES-1. Louisville Kentucky Metropolitan Area

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 (RROD), 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

<u>Downtown Crossing</u> – being 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 – being 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 265/SR 62/Port Road Interchange which provides access to the Ports of Indiana-Jeffersonville on the Ohio River and the River Ridge Commerce Center on SR 62.

PROJECT IMPLEMENTATION STATUS

The Project is in the full implementation stage, as evidenced by the following actions:

- 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 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 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 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, notice to proceed was issued to Walsh for the Downtown Crossing.
- 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, WVB reached Financial Close on the East End Crossing.
- In July 2013, the Kentucky Asset Liability Commission issued $236 million in grant anticipation revenue vehicles (GARVEEs) bonds.
- On September 5, 2013, the Joint Board confirmed and ratified the selection of Computer Aid, Inc (CAI) as oversight advisor to oversee the work of a toll system integrator and toll operator.
- On September 11, 2013, the Kentucky-Indiana Tolling Body approved initial toll rates for both Crossings.
- On December 12, 2013, KPTIA closed on a $452.2 million loan with the US Department of Transportation (US DOT) through the Transportation Infrastructure Finance and Innovation Act (TIFIA) program.
- On December 20, 2013, KPTIA closed approximately $275.67 million in toll revenue bonds and $452.2 million in bond anticipation notes (BANs) to complete the LSIORB

financing. The BANs will be retired on or before July 1, 2017 when the TIFIA loan proceeds will be drawn.

- On January 27, 2014, Kapsch Trafficom USA was selected by the Joint Board and subsequently awarded a contract through INDOT to provide the services of the electronic toll collection (ETC) contractor.
- On August 20, 2014, the Joint Board confirmed and ratified the selection of New West to provide marketing, branding, and communications services related to an all-electronic tolling system.
- On March 12, 2015, the Joint Board approved the selection and associated contract award of Kapsch as Toll Service Provider.
- On April 15, 2015, IFA entered into a TIFIA Loan Agreement with US DOT in the amount of $162 million to be used to finance future milestone payments.
- On June 9, 2015, the Joint Board appointed Parsons Transportation Group as the interim Toll Services Advisor, replacing eTrans KY, Inc. in this role.

OVERVIEW OF FINANCIAL PLAN UPDATE

This Annual Financial Plan Update reflects the planned funding and finance strategy by which the Project's currently estimated $2.323 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 are being leveraged to provide the necessary capital for construction through a combination of Kentucky's commitment of state and federal funding, toll revenue bonds, financing via the TIFIA program, 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, including financing via a TIFIA loan, and its share of the toll-based revenues from the Project. As of the end of SFY2015 (June 30, 2015), the states expended approximately $1.720 billion 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 the 2013 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 as of SFY 2015 and provides detail on key cost-related assumptions.
- **Chapter 3. Implementation Plan** – This chapter provides information on the schedule for completing the Project, including information regarding the assignment of responsibilities and a summary of the 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 and the 2014 Annual Update 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 2014 Financial Plan Annual Update.
- **Chapter 11**. **Significant Cost Increases** – This chapter reviews significant cost increases for the Project since the 2014 Financial Plan Annual Update.

The effective date for the primary cost and funding information in this Annual Update is June 30, 2015. Future annual updates will continue to 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 2015 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), as prepared by the Kentucky Transportation Cabinet and the Indiana Department of Transportation This Annual Update includes the updated schedule for delivering the Project, cost estimates and expenditure data through State Fiscal Year (SFY) 2015 (June 30, 2015), and updates to the project delivery and financing status for the Project. This Annual Update has been prepared generally in accordance with FHWA's Financial Plans Guidance, including the January 2007 Financial Plans Guidance, as updated December 18, 2014.

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** – being funded, procured, and constructed using Kentucky Transportation Cabinet (KYTC) and Kentucky Public Transportation Infrastructure Authority (KPTIA) processes.

- **East End Crossing** – being 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.

<u>The Kennedy Interchange (Section 1)</u> – 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 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.

<u>The Downtown Bridge (Section 2)</u> – 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 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.

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.

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 the most 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 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 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 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, WVB reached Financial Close 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 $236 million in grant anticipation revenue vehicles (GARVEEs) bonds for the Project.

On September 5, 2013, the Joint Board confirmed and ratified the selection of Computer Aid, Inc (CAI) as oversight advisor to oversee the work of a toll system integrator and toll operator.

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

On December 12, 2013, KPTIA closed on a $452.2 million loan with the US Department of Transportation (US DOT) through the TIFIA program.

On December 20, 2013, KPTIA closed approximately $275.67 million in toll revenue bonds and $452.2 million in bond anticipation notes (BANs) to complete the LSIORB financing. The BANs will be retired on or before July 1, 2017 when the TIFIA loan proceeds will be drawn.

- **2014**

  On January 27, 2014, Kapsch Trafficom USA was selected by the Joint Board and subsequently awarded a contract through INDOT to provide the services of the electronic toll collection (ETC) contractor.

  On August 20, 2014, the Joint Board confirmed and ratified the selection of New West to provide marketing, branding, and communications services related to an all-electronic tolling system.

- **2015**

  On March 12, 2015, the Joint Board approved the selection and associated contract award of Kapsch as Toll Service Provider.

  On April 15, 2015, IFA entered into a TIFIA Loan Agreement with US DOT in the amount of $162 million to be used to fund future milestone payments.

  On June 9, 2015, the Joint Board appointed Parsons Transportation Group as the interim Toll Services Advisor, replacing eTrans KY, Inc. in this role.

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 are implementing 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) serves 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.

- **Tolling Body**

  The Tolling Body is responsible for developing tolling policies that will be the basis for determining future toll rates. The Tolling Body consists of the members of the Joint Board, plus one additional representative from IFA and one additional representative of KPTIA.

- **Toll System Integrator**

  The bi-state Joint Board selected, through a procurement of the Indiana Finance Authority, Kapsch Trafficom to serve as the Toll System Provider to design, develop, integrate, deliver, install, test, operate, maintain, repair, and manage the all-electronic toll collection system. Kapsch was provided a Notice to Proceed in May of 2015, and is currently working with the states to develop the Business Rules that will govern the system's day to day operations. Parsons Transportation Group is assisting the Joint Board in overseeing Kapsch as Interim Toll System Advisor through INDOT's East End Crossing Technical Team contract. Through a contract with KYTC, the Joint Board is receiving communications and public outreach support.

- **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 cost estimates in year-of-expenditure dollars for each element. This chapter also summarizes the costs incurred 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. Estimated costs and expenditures presented in this chapter are current as of State Fiscal Year 2015 (June 30, 2015).

CURRENT COST ESTIMATES

The total estimated cost for the Project is $2.323 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 schedule.

Table 2-1 provides an overview of Project costs, broken down by project component and section and comparing the 2012 IFP with the 2013, 2014, and 2015 Annual Updates. 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. The cost estimate of $2.323 billion is just slightly lower than the prior year's official cost estimate as presented in the 2014 Annual Update of $2.324 billion. The aggregate difference is less than $1 million but reflects more significant changes between planned and actual expenses in several cost categories, as described further below. .

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**	**2014 Update**	**2015 Update**	**Change from 2014**	**Change from IFP**
Downtown Crossing						
Section 1 - Kennedy Interchange	659.8	586.4	612.5	614.8	2.3	(45.0)
Section 2 - Downtown Bridge	357.8	323.2	308.2	312.8	4.5	(45.0)
Section 3 - Downtown IN Approach	197.7	182.9	172.3	175.5	3.1	(22.2)
Kentucky Other Costs	92.3	176.2	172.7	169.1	(3.6)	76.8
Total Downtown Crossing	**1,307.6**	**1,268.7**	**1,265.8**	**1,272.1**	**6.4**	**(35.5)**
East End Crossing						
Section 4 - KY East End Approach	737.6	500.7	511.1	483.7	(27.4)	(253.9)
Section 5 - East End Bridge	284.4	247.5	222.6	241.7	19.1	(42.7)
Section 6 - IN East End Approach	196.1	218.7	224.3	226.4	2.1	30.3
Indiana Other Costs	58.2	108.7	99.8	99.0	(0.8)	40.8
Total East End Crossing	**1,276.3**	**1,075.7**	**1,057.8**	**1,050.8**	**(7.0)**	**(225.5)**
PROJECT TOTAL	**2,583.9**	**2,344.4**	**2,323.6**	**2,323.0**	**(0.7)**	**(260.9)**

(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.

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
Preliminary and final engineering design services. 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
Cost to each state for services of the GEC during the design phase and miscellaneous departmental program management costs. 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
All construction and program management, administration, and inspection activities during the construction phase of the Project. 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
Estimated cost of construction. Construction estimates reflect bid prices utilizing two large alternative delivery contracts, with several smaller specialty contracts throughout the construction period.
Construction Contingency
Contingency to cover additional construction services in the event unforeseen circumstances arise that result in additional cost. 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
All public and private project-related utility relocation and new utility construction. 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.
Right of Way Acquisition
Appraisals, administration, management, and acquisition of required right of way. All of the right-of-way required for the Project has been acquired.

Cost Elements
Enhancements
Various Project-related commitments as identified in the Record of Decision. 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
Implementation of mitigation of sensitive historic properties. 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 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 with the 2013, 2014, and 2015 Financial Plan Updates.

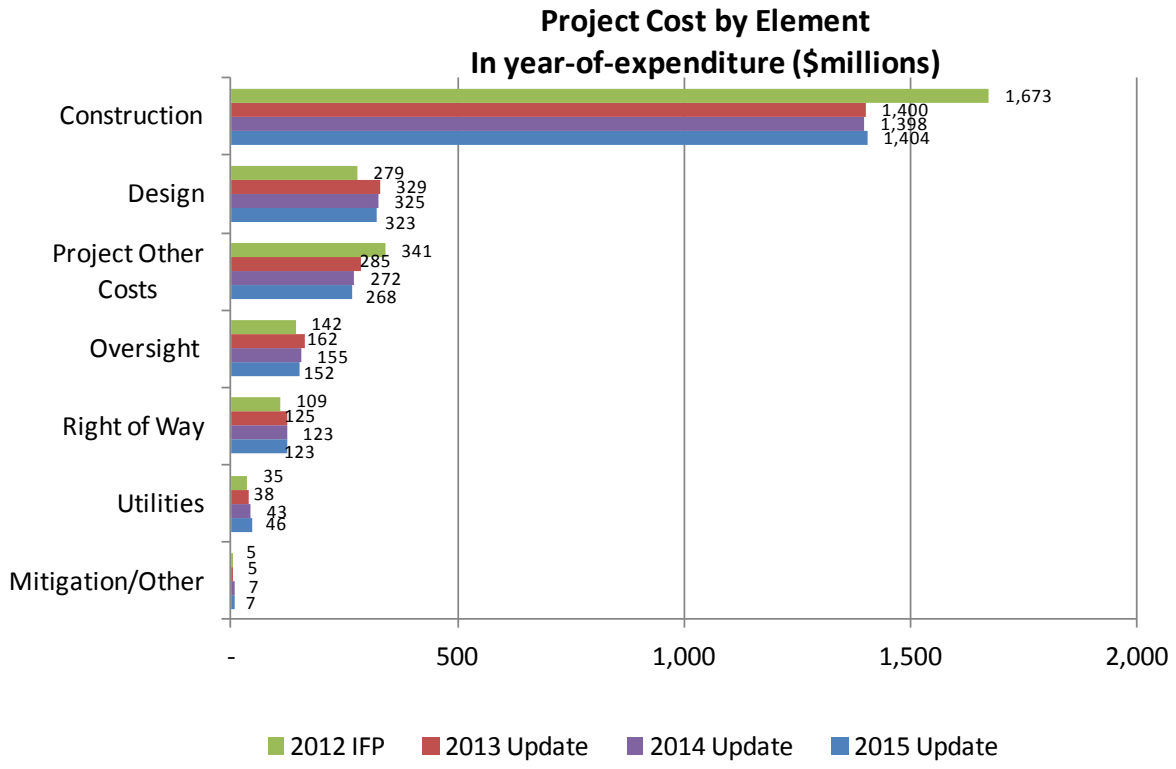


Figure 2-1. Project Cost by Element (exclusive of financing and interest costs)

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.

Kentucky is 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). However, Kentucky continues to pay for right of way for Section 4 and Indiana for right of way for Section 3. Prior to July 2012, 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 $)

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	70,718,227	146,495,199	157,073,827	126,793,045	40,779,186	-	614,785,440
Section 2	12,974,022	47,659	1,236,056	43,813,166	90,898,838	98,430,214	47,545,619	17,832,953	-	312,778,525
Section 3	1,177,461	1,621,824	2,426,272	37,352,593	54,825,180	49,454,479	25,144,424	3,481,095	-	175,483,328
Kentucky Other Costs	50,304,264	4,902,764	7,983,064	35,880,869	23,927,851	2,141,416	18,614,526	17,344,486	8,000,000	169,099,241
Subtotal – Downtown	**118,845,724**	**17,170,921**	**19,582,697**	**187,764,855**	**316,147,069**	**307,099,935**	**218,097,615**	**79,437,720**	**8,000,000**	**1,272,146,534**
East End Crossing										
Section 4	24,203,119	15,680,827	13,456,048	68,285,247	114,098,027	110,295,418	91,252,539	46,393,389	-	483,664,614
Section 5	12,794,456	2,813,469	2,424,770	29,399,732	52,649,193	59,919,004	51,778,746	29,946,449	-	241,725,818
Section 6	17,600,591	3,294,844	2,568,909	29,764,581	52,957,264	71,443,464	44,516,029	4,277,755	-	226,423,437
Indiana Other Costs	19,520,365	2,828,919	7,172,322	30,812,248	4,623,861	4,733,955	20,350,000	5,950,000	3,000,000	98,991,670
Subtotal – East End	**74,118,530**	**24,618,059**	**25,622,049**	**158,261,808**	**224,328,344**	**246,391,842**	**207,897,314**	**86,567,593**	**3,000,000**	**1,050,805,539**
TOTAL	**192,964,254**	**41,788,980**	**45,204,746**	**346,026,663**	**540,475,413**	**553,491,777**	**425,994,929**	**166,005,313**	**11,000,000**	**2,322,952,073**

Table 2-3b. Project Budget by State

(Year-of-Expenditure $)

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	184,198,955	314,712,459	307,099,935	218,097,615	79,437,720	8,000,000	1,317,147,941
Indiana	51,182,656	9,176,151	13,997,916	161,827,708	225,762,954	246,391,842	207,897,314	86,567,593	3,000,000	1,005,804,132
Total	**192,964,254**	**41,788,980**	**45,204,746**	**346,026,663**	**540,475,413**	**553,491,777**	**425,994,929**	**166,005,313**	**11,000,000**	**2,322,952,073**

PROJECT EXPENDITURES

As shown in Table 2-4, approximately $1.720 billion was expended on the Project through the end of SFY 2015. In aggregate, the 2015 Update shows $103.7 million less being expended through SFY 2015 than the 2014 Update.

Table 2-5 provides a summary of the projected future expenditures for the Project, by state fiscal year and based on the year-of-expenditure estimates as of SFY 2015. It also provides a comparison with the 2012 IFP and 2014 Updates.

Table 2-4. Total Expenditures to Date by State Fiscal Year

(Year-of-Expenditure $, in millions)

SFY	Kentucky					Indiana					Total				
	IFP	2014	2015	Change from 2014	Change from IFP	IFP	2014	2015	Change from 2014	Change from IFP	IFP	2014	2015	Change from 2014	Change from IFP
1998 - 2003	11.1	11.1	11.1	-	(0.0)	11.1	11.1	11.1	-	-	22.2	22.2	22.2	(0.0)	(0.0)
2004	1.0	1.0	1.0	-	(0.0)	0.6	0.6	0.6	-	-	1.6	1.6	1.6	(0.0)	(0.0)
2005	15.1	15.1	15.1	-	0.0	4.1	4.1	4.1	-	-	19.2	19.2	19.2	0.0	0.0
2006	29.3	29.3	29.3	-	0.0	7.3	7.3	7.3	-	-	36.6	36.6	36.6	0.0	0.0
2007	31.1	31.1	31.1	-	0.0	8.4	8.4	8.4	-	-	39.5	39.5	39.5	0.0	0.0
2008	18.7	18.7	18.7	-	(0.0)	5.6	5.6	5.6	-	-	24.3	24.3	24.3	(0.0)	(0.0)
2009	18.1	18.1	18.1	-	0.0	7.9	7.9	7.9	-	-	26.0	26.0	26.0	0.0	0.0
2010	17.4	17.4	17.4	-	(0.0)	6.1	6.1	6.1	-	-	23.5	23.5	23.5	(0.0)	(0.0)
2011	32.6	32.6	32.6	-	0.0	9.2	9.2	9.2	-	(0.0)	41.8	41.8	41.8	-	(0.0)
2012	45.8	31.2	31.2	-	(14.6)	12.9	14.0	14.0	-	1.1	58.7	45.2	45.2	-	(13.5)
2013	71.4	184.2	184.2	-	112.8	60.3	161.8	161.8	-	101.5	131.7	346.0	346.0	-	214.3
2014	213.7	314.7	314.7	-	101.0	260.4	225.8	225.8	-	(34.6)	474.1	540.5	540.5	-	66.4
2015	237.2	322.7	307.1	(15.6)	69.9	260.4	334.5	246.4	(88.1)	(14.0)	497.6	657.2	553.5	(103.7)	55.9
TOTAL	**742.5**	**1,027.2**	**1,011.6**	**(15.6)**	**269.1**	**654.3**	**796.4**	**708.3**	**(88.1)**	**54.0**	**1,396.8**	**1,823.6**	**1,719.9**	**(103.7)**	**323.1**

**Numbers may not sum due to rounding.*

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

Table 2-5. Projected Future Expenditures by State Fiscal Year

(Year-of-Expenditure $, in millions)

SFY	Kentucky					Indiana					Total				
	IFP	2014	2015	Change from 2014	Change from IFP	IFP	2014	2015	Change from 2014	Change from IFP	IFP	2014	2015	Change from 2014	Change from IFP
2016	241.5	203.5	218.1	14.6	(23.4)	276.1	176.6	207.9	31.3	(68.2)	517.6	380.2	426.0	45.8	(91.6)
2017	251.1	72.0	79.4	7.4	(171.7)	284.2	36.7	86.6	49.8	(197.6)	535.3	108.8	166.0	57.2	(369.3)
2018	117.2	8.0	8.0	-	(109.2)	2.4	3.0	3.0	-	0.6	119.6	11.0	11.0	-	(108.6)
TOTAL	**609.8**	**283.5**	**305.5**	**22.0**	**(304.3)**	**562.7**	**216.4**	**297.5**	**81.1**	**(265.2)**	**1,172.5**	499.9	**603.0**	**103.1**	**(569.5)**

**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.

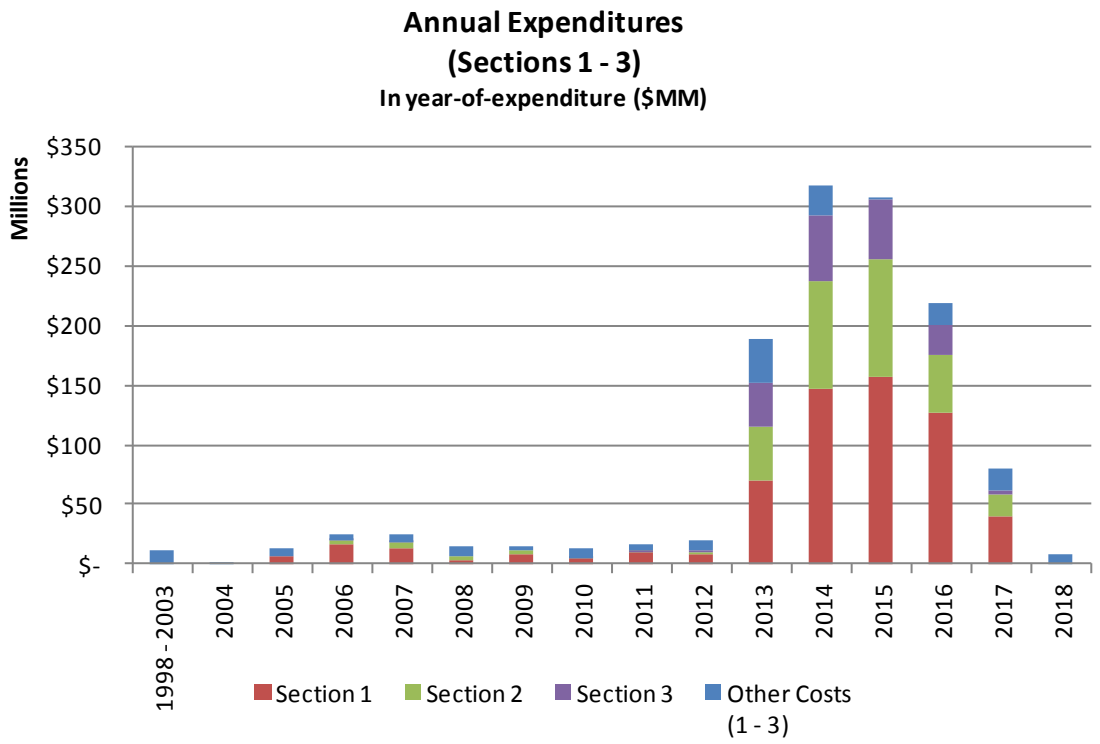


Figure 2-2. Annual Expenditures – Downtown Crossing

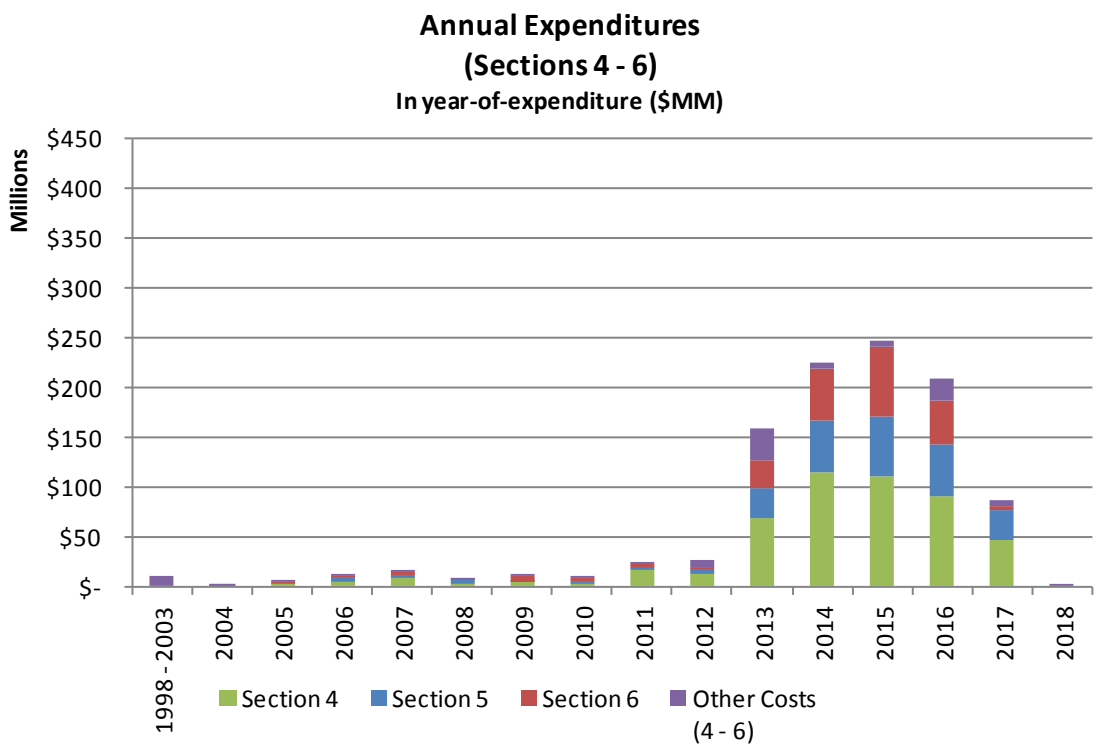


Figure 2-3. Annual Expenditures – East End Crossing

Figures 2-4a and 2-4b provide a comparison of budgeted annual expenditures by Crossing and Section and actual expenditures as of June 30, 2015 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 as of the 2013 Annual Update. Subsequent updates use these costs as the baseline for comparison.

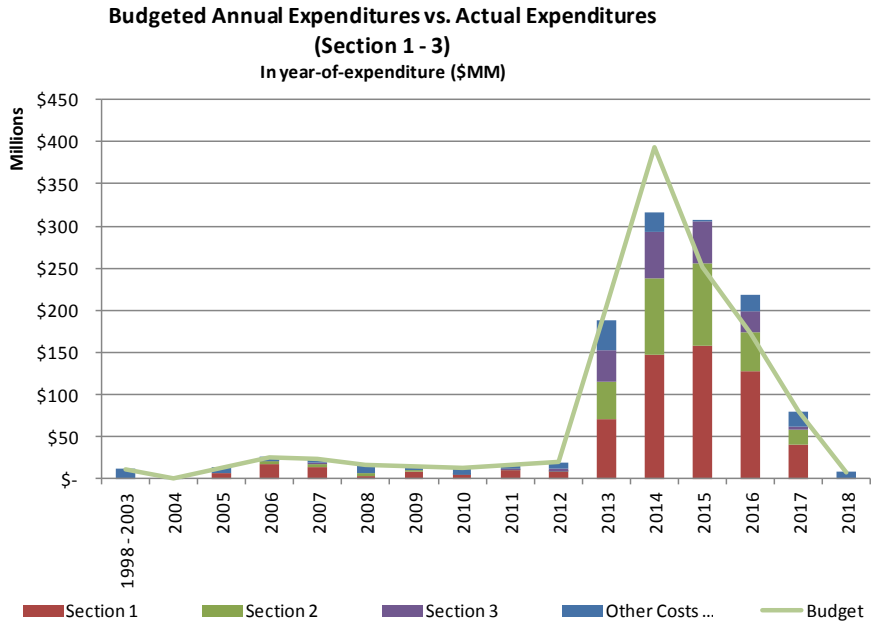


Figure 2-4a. Budgeted Annual Expenditure vs. Actual Expenditure, Downtown Crossing

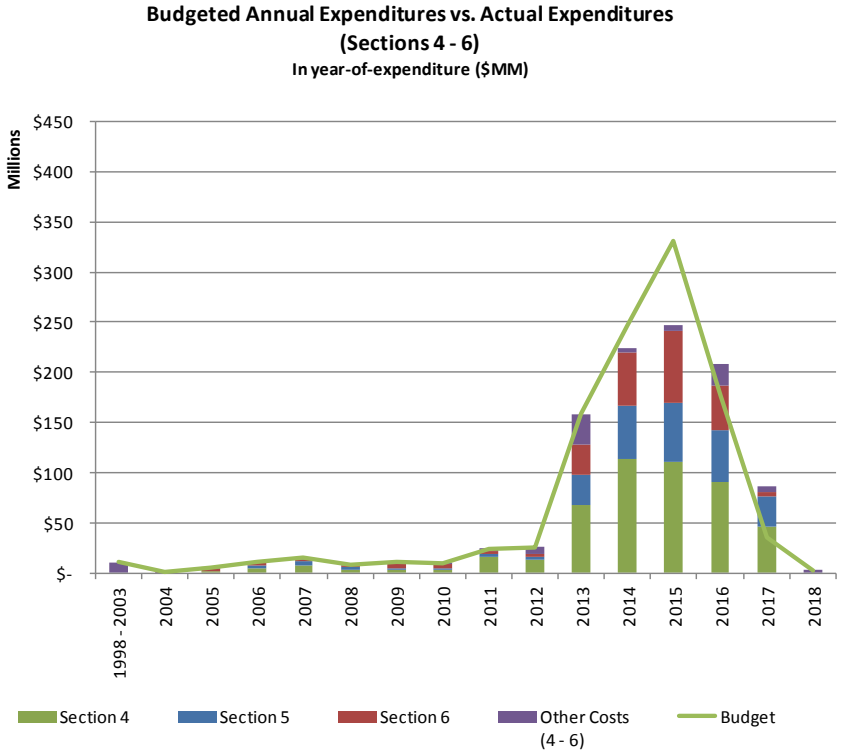


Figure 2-4b. Budgeted Annual Expenditure vs. Actual Expenditure, East End Crossing

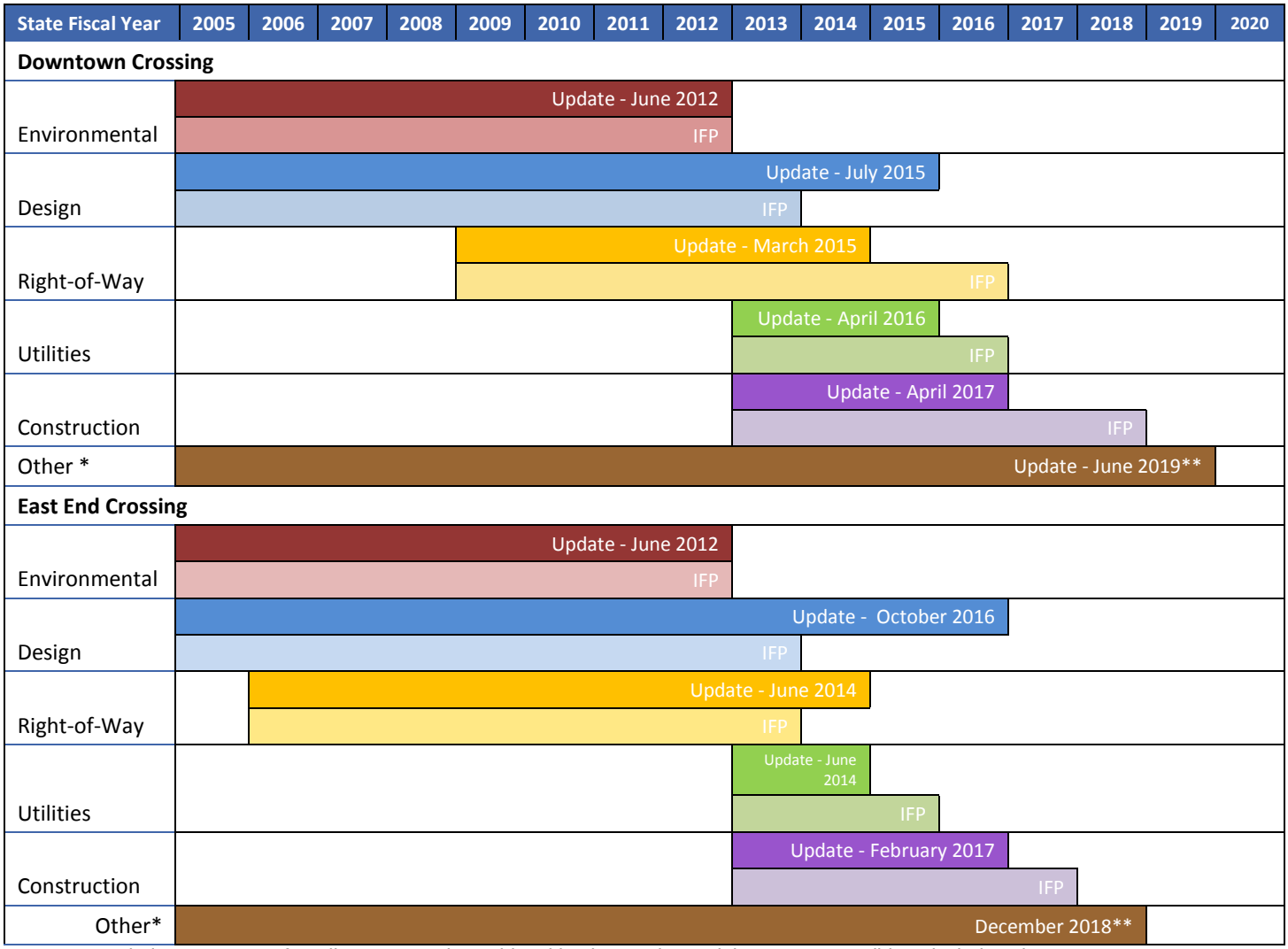
Chapter 3. Implementation Plan

Introduction

This chapter provides information on the 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 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.



**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 status of each section of the Project. Construction has commenced and the estimated dates for being open to traffic remain unchanged from the 2013 Update.

Table 3-1. Current Activities and Status

Project Section	Activities	Approximate Status	Estimated Construction Start Date				Estimated Open to Traffic Date			
			2012 IFP	2013 Update	2014 Update	2015 Update	2012 IFP	2013 Update	2014 Update	2015 Update
Section 1 – Kennedy Interchange	Design phase ROW phase Utilities Construction	100% 100% 89% 65%	July 2013	July 2013	July 2013 (actual)	July 2013 (actual)	Dec 2018	Dec 2016	Dec 2016	Dec 2016
Section 2 – Downtown Bridge	Design phase Construction	100% 77%	July 2013	July 2013	July 2013 (actual)	July 2013 (actual)	Dec 2018	Dec 2016	Dec 2016	Dec 2016
Section 3 – Downtown Indiana Approach	Design phase ROW phase Utilities Construction	100% 100% 100% 79%	July 2013	July 2013	July 2013 (actual)	July 2013 (actual)	Dec 2017	Dec 2016	Dec 2016	Dec 2016
Section 4 – East End Kentucky Approach	Design phase ROW phase Construction	98% 100% 49%	Jun 2013	Jun 2013	Jun 2013 (actual)	Jun 2013 (actual)	Dec 2017	Oct 2016	Oct 2016	Oct 2016
Section 5 – East End Bridge	Design phase Construction	99% 39%	Jun 2013	Jun 2013	Jun 2013 (actual)	Jun 2013 (actual)	Dec 2017	Oct 2016	Oct 2016	Oct 2016
Section 6 – East End Indiana Approach	Design phase ROW phase Construction	99% 100% 64%	Jun 2013	Jun 2013	Jun 2013 (actual)	Jun 2013 (actual)	Dec 2017	Oct 2016	Oct 2016	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
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. 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, Louisville MSD)	N/A	N/A	N/A	N/A	N/A	N/A
Stream Construction Permit (KDOW)	N/A	N/A	N/A	✓	✓	N/A
Construction in a Floodway Permit (IDNR)	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 (Rule 5, Stormwater) (IDEM)	contractor	contractor	contractor	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)	✓	pending update	N/A	✓	✓	N/A
Section 402 NPDES Permit for Permanent Storm Drainage (KDOW)	N/A	N/A	N/A	under review	under review	N/A
Section 404 – Discharge of Dredged or Fill Material (USACOE)	✓	✓	✓	✓	✓	✓
Section 9 Bridges or Causeways Permit (USCG)	N/A	✓	N/A	✓	✓	N/A
Section 10 of Rivers and Harbors Act for Work in Navigable Waters – Bridge Permit (USACE)	N/A	N/A	✓	N/A	N/A	N/A
Tall Structure Permits/Determinations (FAA)	N/A	✓	✓	N/A	✓	✓
Conditional Letter of Map Revisions (FEMA/Louisville MSD/IDNR)	✓	pending update	N/A	pending update	pending update	N/A
Erosion and Sediment Control Plan (Louisville MSD)	contractor	contractor	N/A	contractor	contractor	N/A

Required Permits or Notifications						
Permit Description (Agency)	Design Section					
	1	2	3	4	5	6
Risk Management Plan (KDOWM)	contractor	contractor	N/A	contractor	N/A	N/A
Indiana Navigable Waterways Act (IDEM)	N/A	✓	N/A	N/A	✓	N/A
Aviation Lighting Determination (Bridge Tower & Temporary Crane) (KAZC)	N/A	✓	N/A	N/A	✓	N/A
Indiana Bat Conservation MOA (USFW)	N/A	N/A	N/A	✓	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 2014 Annual Update was prepared. Specifically, it presents the 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 planned funding and finance strategy by which the Project's estimated $2.323 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 are being 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 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, has been secured by the Developer to support its obligations, and the payments under the P3 agreement are being met by Indiana's commitments of state and federal funding, including financing via a TIFIA loan, and its share of the toll-based revenues from the Project. As of the end of SFY2015 (June 30, 2015), the states expended approximately $1.720 billion 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 ROD;
- Developing the Project in a safe manner that supports congestion management and economic growth for the region;
- Ensuring the Project is constructed within a time period that meets or 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.

On December 12, 2013, KPTIA closed on a $452.2 million loan with the US Department of Transportation (US DOT) through the TIFIA program. On December 20, 2013, KPTIA closed approximately $275.670 million in toll revenue bonds and $452.2 million in bond anticipation notes (BANs) to complete the LSIORB financing. The BANs will be retired on or before July 1, 2017 when the TIFIA loan proceeds will be drawn.

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 received, or expects to receive, pursuant to a milestone agreement with INDOT a total of $230 million to fund Milestone Payments as follows: $44 million in FY2013, $54 million in FY2014, $54 million in FY2015, $24 million in FY2016, and $54 million in FY2017. The balance of Milestone Payments will be funded by draws under the TIFIA Loan Agreement in an amount not to exceed $162 million. Likewise, IFA has entered into a Use Agreement with INDOT to receive payments at least equal to anticipated MAP as defined in the PPA.

INDOT will use a combination of state and federal funds, including draws under the TIFIA Loan Agreement, to fund the Milestone Payments owed by IFA to the Developer 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 $1,424.8 million of federal-aid highway formula and state transportation funds is reasonably expected to be available to the Project as well as $115.7 million in federal discretionary funds, discussed further below (*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. Increases in Indiana's state funding between the 2014 Update and the 2015 Update relate primarily to changes in the funding for the Relief Event and State Milestone Payment, including the application of TIFIA loan draws planned in 2017. This results in changes across funding categories, particularly between federal and state funding. Together, these adjustments result in an overall increase of federal and state funding of $21.6 million.

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

Detailed Budget (YOE $, thousands)	Financial Plan Year	Thru 2012	2013	2014	2015	2016	2017	2018	Total
Kentucky									
KYTC State Highway Plan Funding*	2014	20,620	11,271	10,070	10,289	9,449	8,922	10,000	**80,620**
	2015	20,620	11,271	10,070	10,289	9,449	8,922	10,000	**80,620**
	Difference	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
KYTC Federal Highway Plan Funding*	2014	82,480	45,083	40,278	41,156	37,796	35,686	40,000	**322,480**
	2015	82,480	45,083	40,278	41,156	37,796	35,686	40,000	**322,480**
	Difference	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
KYTC GARVEEs	2014	100,000	-	237,302	-	-	-	-	**337,302**
	2015	100,000	-	237,302	-	-	-	-	**337,302**
	Difference	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Federal Discretionary Funding	2014	76,300	-	-	-	-	-	-	**76,300**
	2015	76,300	-	-	-	-	-	-	**76,300**
	Difference	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**2014**	279,400	56,353	287,650	51,445	47,245	44,608	50,000	816,702
	2015	279,400	56,353	287,650	51,445	47,245	44,608	50,000	816,702
	Difference	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Indiana									
State Funding**	2014	15,757	26,274	31,346	10,000	10,145	10,145	1,000	**104,667**
	2015	15,757	35,274	40,346	30,336	22,885	189,732	1,000	**335,329**
	Difference	**0**	**9,000**	**9,000**	**20,336**	**12,740**	**179,587**	**-**	**230,663**
Federal Formula Funding	2014	31,185	91,488	51,115	76,383	75,880	232,100	-	**558,150**
	2015	31,185	91,488	51,115	62,593	52,515	58,218	2,000	**349,114**
	Difference	**0**	**0**	**-**	**(13,790)**	**(23,365)**	**(173,882)**	**2,000**	**(209,036)**
Federal Discretionary Funding	2014	27,200	1,200	10,980	-	-	-	-	**39,380**
	2015	27,200	1,200	10,980	-	-	-	-	**39,380**
	Difference	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**2014**	74,142	118,962	93,440	86,383	86,025	242,245	1,000	702,197
	2015	74,142	127,962	102,440	92,929	75,400	247,950	3,000	723,823
	Difference	**0**	**9,000**	**9,000**	**6,546**	**(10,625)**	**5,705**	**2,000**	**21,626**

*$50 million in Highway Plan (federal and state) dollars are planned for SFY 2018 and available as a contingency amount.

**Includes funding for Relief Event Allowance Account. Also includes $162 million TIFIA loan proceeds in SFY 2017.

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 $723.8 million in federal and conventional state funds, including a $162 million TIFIA loan, to be repaid with state highway funds. The term of the TIFIA Loan is 15 years, beginning in March 2017. The INDOT commitment includes $230 million to be used by IFA to pay Milestone Payments. The Milestone Payments 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 5-3 as $25 million in FY2015, $151 million in FY2016, and $216 million in FY2017, based on prescribed schedule for funding of the payments under the PPA. The corresponding expenditures are included in Table 5-3 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.

Table 4-2. 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	102.7	386.1
KY AC	398.8	201.0	60.0	141.0
IN AC	388.5	432.7	219.7	213.0

[1]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.[1] 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.[2] 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 continued beyond the SEIS in a Traffic and Revenue Study completed by Steer Davies Gleave (SDG) in August 2013, which was developed as follows:

[1] 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.

[2] *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 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. These estimates are based on an investment-grade Traffic & Revenue Study for the Project.

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
2014	6,397	594	5,803	3,198	297	2,902	9,595	890	8,705

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 2015, IFA entered into a TIFIA loan agreement to support the project financing. In the case of the Downtown Crossing, the Project's financial structure is finalized. On December 12, 2013, KPTIA closed on a $452.2 million loan with the US DOT through the TIFIA program. On December 20, 2013, KPTIA closed approximately $275.67 million in toll revenue bonds and $452.2 million in BANs. The BANs will be retired on or before July 1, 2017 when the TIFIA loan proceeds are drawn. GARVEE financing also has been completed for the Project. 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 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 will use $275.67 million in Toll Revenue Bonds during 2013-2014, $237.3 million in GARVEE bonds issued in 2013, $452.2 million in TIFIA 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 2013 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 a Tolling O&M Reserve Fund, a General O&M Reserve Fund, and a M&R Reserve Fund. 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 ($677 million in par amount) 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 has been funded at $9 million per year, which will continue through 2017, resulting in a total of $45 million of funds in the Allowance Account. This funding is included in Table 4-1 and reflected 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 Annual 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.

Chapter 5. Project Cash Flow

INTRODUCTION

This chapter provides an annual construction cash flow schedule for the Project and an 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 utilizing and the availability payment concession structure that Indiana is using. These charts reflect construction-related costs, exclusive of ongoing operations and maintenance costs addressed later in this section, and include financing related costs as well. The total sources and uses of funds of $2.80 billion is greater than the costs specified in Chapter 2 of $2.323 billion to reflect interest and other financing-related costs. Updates to the sources and uses for each state are consistent with the changes in costs and funding discussed previously in Chapter 2 and Chapter 4 of this Financial Plan Update. Changes from the 2014 Financial Plan Update also reflect the TIFIA loan closing for Indiana. These differences are described further in Chapter 8.

Downtown Crossing Sources and Uses of Funds

Sources of Funds During Construction ($000)		
Source	**Nominal $**	**% of Total**
KY State & Federal Funding	$341,508	23%
KY GARVEE Bonds	$337,302	23%
IN State & Federal Funding	$33,698	2%
KY Toll Revenue Bonds	$271,730	18%
KY TIFIA/BANs	$493,606	33%
Total Sources	**$1,477,844**	**100.00%**

Uses of Funds During Construction ($000)		
Use	**Nominal $**	**% of Total**
Oversight & Design	$289,545	20%
Right of Way	$58,681	4%
Utilities	$13,139	1%
Construction	$737,306	50%
Mitigation/Other	$4,376	0%
Financing & Interest	$205,697	14%
Tolling & Other	$169,099	11%
Total Uses	**$1,477,844**	**100.00%**

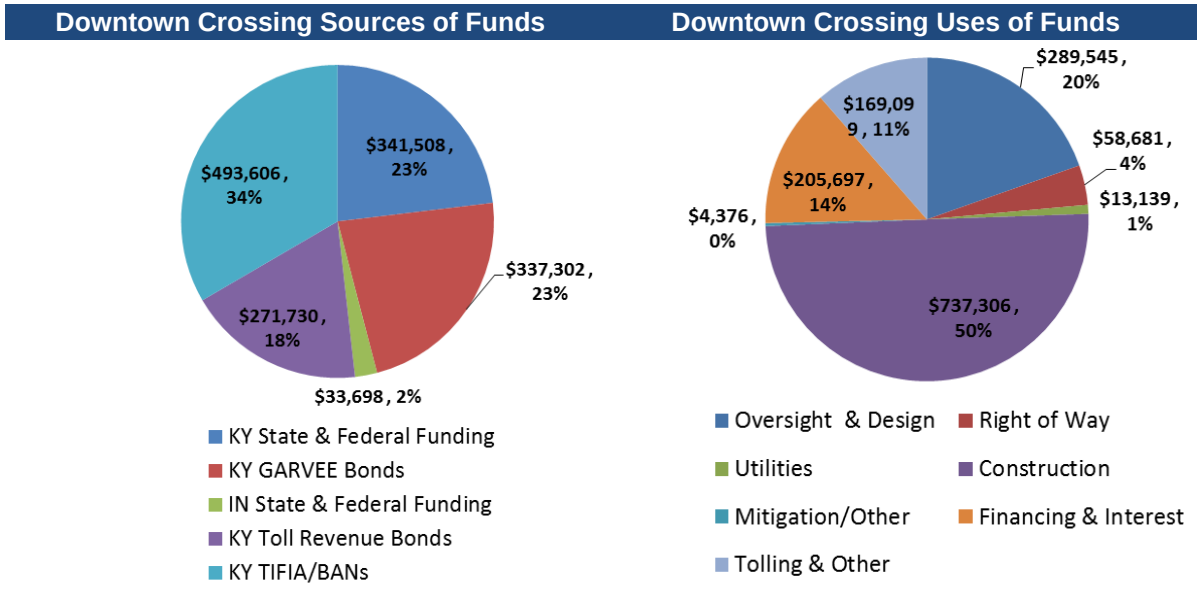


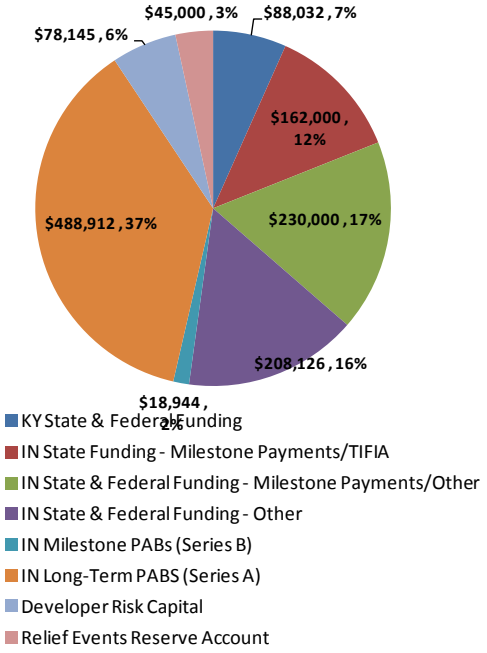
Figure 5-1a Estimated Downtown Crossing Sources and Uses of Funds Through Construction

East End Crossing Sources and Uses of Funds

Sources of Funds During Construction ($000)		
Source	**Nominal $**	**% of Total**
KY State & Federal Funding	$88,032	7%
IN State Funding - Milestone Payments/TIFIA	$162,000	12%
IN State & Federal Funding - Milestone Payments/Other	$230,000	17%
IN State & Federal Funding - Other	$208,126	16%
IN Milestone PABs (Series B)	$18,944	1%
IN Long-Term PABS (Series A)	$488,912	37%
Developer Risk Capital	$78,145	6%
Relief Events Reserve Account	$45,000	3%
Total Sources	**$1,319,158**	**100.00%**

Uses of Funds During Construction ($000)		
Use	**Nominal $**	**% of Total**
Oversight & Design	$184,761	14%
Right of Way	$64,741	5%
Utilities	$32,958	2%
Construction	$666,867	51%
Mitigation/Other	$2,487	0%
Financing & Interest	$268,352	20%
Tolling & Other	$98,992	8%
Total Uses	**$1,319,158**	**100.00%**

East End Crossing Sources of Funds



East End Crossing Uses of Funds

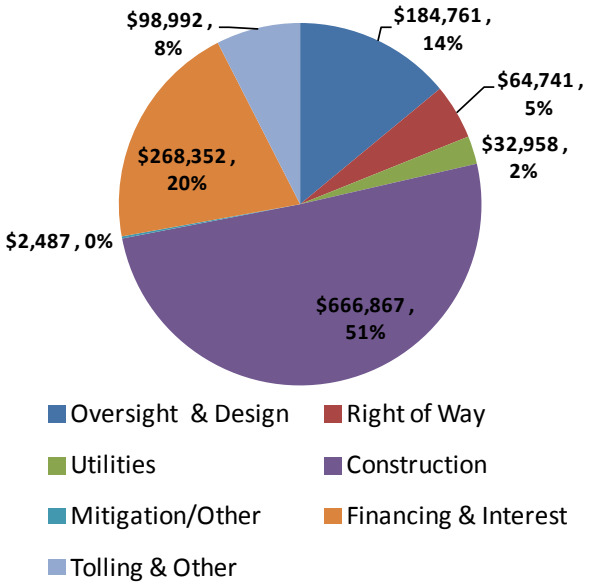


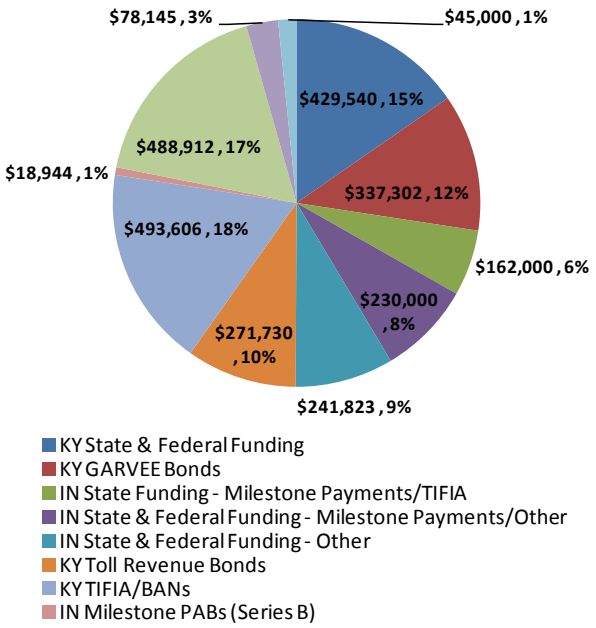
Figure 5-1b Estimated East End Crossing Sources and Uses of Funds Through Construction

Ohio River Bridges Project Sources and Uses of Funds

Sources of Funds During Construction ($000)		
Source	**Nominal $**	**% of Total**
KY State & Federal Funding	$429,540	15%
KY GARVEE Bonds	$337,302	12%
IN State Funding - Milestone Payments/TIFIA	$162,000	6%
IN State & Federal Funding - Milestone	$230,000	8%
IN State & Federal Funding - Other	$241,823	9%
KY Toll Revenue Bonds	$271,730	10%
KY TIFIA/BANs	$493,606	18%
IN Milestone PABs (Series B)	$18,944	1%
IN Long-Term PABS (Series A)	$488,912	17%
Developer Risk Capital	$78,145	3%
Relief Events Reserve Account	$45,000	2%
Total Sources	**$2,797,001**	**100.00%**

Uses of Funds During Construction ($000)		
Use	**Nominal $**	**% of Total**
Oversight & Design	$474,306	17%
Right of Way	$123,422	4%
Utilities	$46,097	2%
Construction	$1,404,173	50%
Mitigation/Other	$6,863	0%
Financing & Interest	$474,049	17%
Tolling & Other	$268,091	10%
Total Uses	**$2,797,001**	**100.00%**

Overall Project Sources of Funds



Overall Project Uses of Funds

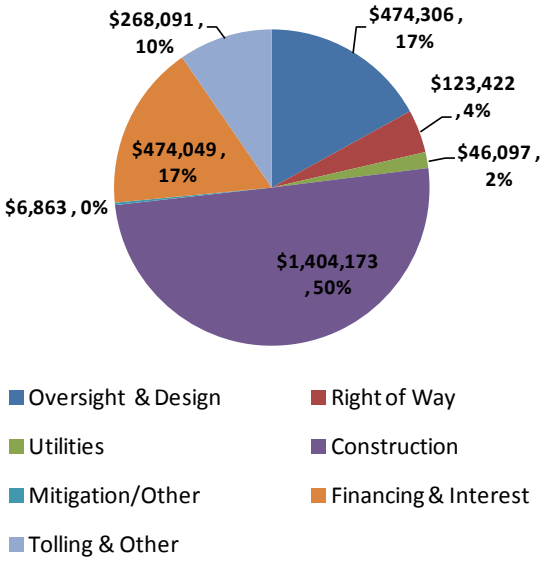


Figure 5-1c. Estimated Project Sources and Uses of Funds Through Construction

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 and 2016 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 2013 Financial Plan Update 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	(58,593,005)	46,327,526	38,714,143	5,813,389	8,000,000	108,203,705
KY State and Federal Funding (incl GARVEEs)	111,181,252	15,525,268	87,004,420	40,220,811	283,214,344	51,010,405	46,645,375	44,007,931	-	678,809,806
IN State and Federal Funding	7,663,586	1,082,036	1,649,822	20,443,997	2,665,204	193,108	-	-	-	33,697,752
KY Toll Revenue Bonds	-	-	-	-	106,189,990	95,074,123	54,735,821	15,729,652	-	271,729,586
KY TIFIA/BANs	-	-	-	-	208,831,715	163,554,291	94,161,040	27,059,436	-	493,606,482
Revenue Total	**118,844,838**	**16,607,303**	**88,654,242**	**60,664,808**	**600,901,253**	**309,831,927**	**195,542,236**	**86,797,019**	**-**	**1,477,843,626**
Section 1										
Oversight	-	-	-	(2,250,828)	(12,442,358)	(11,793,186)	(16,898,982)	(7,172,105)	-	(50,557,459)
Design	(48,530,192)	(6,399,118)	(6,691,055)	(19,845,454)	(32,667,962)	(6,486,584)	-	-	-	(120,620,365)
Right of Way	(5,859,785)	(4,199,556)	(1,246,250)	(13,005,187)	(5,542,893)	(4,838,388)	(2,197,421)	-	-	(36,889,480)
Utilities	-	-	-	(82,758)	(5,786,467)	(836,442)	(794,333)	-	-	(7,500,000)
Construction	-	-	-	(34,534,000)	(89,337,570)	(132,251,339)	(106,695,228)	(33,400,000)	-	(396,218,137)
Mitigation/Other	-	-	-	(1,000,000)	(717,950)	(867,888)	(207,081)	(207,081)	-	(3,000,000)
Section 2										
Oversight	-	-	-	(1,428,796)	(8,050,049)	(7,486,157)	(8,116,277)	(2,956,919)	-	(28,038,198)
Design	(12,974,022)	(47,659)	(1,236,056)	(17,080,721)	(16,437,179)	(3,179,191)	-	-	-	(50,954,827)
Construction	-	-	-	(25,303,649)	(66,411,610)	(87,764,866)	(39,429,341)	(14,876,034)	-	(233,785,500)
Mitigation/Other	-	-	-	-	-	-	-	-	-	-
Section 3										
Oversight	-	-	-	(720,376)	(4,614,358)	(3,774,402)	(4,993,353)	(1,466,883)	-	(15,569,373)
Design	(864,575)	(1,058,206)	(2,401,272)	(7,899,530)	(11,496,217)	(85,435)	-	-	-	(23,805,235)
Right of Way	(312,886)	-	-	(19,098,322)	(2,270,352)	(109,836)	-	-	-	(21,791,396)
Utilities	-	-	-	(516,960)	(5,035,842)	(86,250)	-	-	-	(5,639,052)
Construction	-	-	-	(8,633,500)	(31,104,958)	(45,398,555)	(20,151,072)	(2,014,212)	-	(107,302,296)
Mitigation/Other	-	(563,618)	(25,000)	(483,905)	(303,453)	-	-	-	-	(1,375,976)
Kentucky Other Costs										
Other Costs	(50,304,264)	(4,902,764)	(7,983,064)	(35,880,869)	(21,927,851)	(1,410,335)	(8,980,067)	(7,710,026)	(8,000,000)	(147,099,241)
Toll System	-	-	-	-	(2,000,000)	(731,081)	(9,634,459)	(9,634,459)	-	(22,000,000)
Interest During Construction	-	-	-	-	(123,887,211)	(10,345,375)	(10,345,375)	(5,172,688)	-	(149,750,649)
Financing and Reserve Costs	-	-	-	-	(55,946,442)	-	-	-	-	(55,946,442)
Expenditure Total	**(118,845,724)**	**(17,170,921)**	**(19,582,697)**	**(187,764,855)**	**(495,980,722)**	**(317,445,310)**	**(228,442,990)**	**(84,610,408)**	**(8,000,000)**	**(1,477,843,625)**
Net Cash Flow	**(886)**	**(564,504)**	**68,507,042**	**(58,593,005)**	**46,327,526**	**38,714,143**	**5,813,389**	**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	5,216,832	596,075,581	363,932,981	124,713,845	61,723,531	15,759,110	1,190,649,888
KY State and Federal Funding	33,102,363	17,334,815	15,392,011	16,132,422	4,435,742	434,970	600,000	600,000	-	88,032,322
IN State and Federal Funding-Milestone Payments/TIFIA	-	-	-	-	-	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	27,775,002	20,735,844	33,400,000	13,950,000	3,000,000	208,125,619
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	**87,439,177**	**21,204,774**	**20,931,519**	**825,097,557**	**41,210,744**	**55,170,814**	**194,000,000**	**71,103,172**	**3,000,000**	**1,319,157,756**
Section 4										
Oversight	-	-	-	(3,144,094)	(10,541,910)	(6,775,229)	(8,439,000)	(5,424,000)	-	(34,324,233)
Design	(17,982,349)	(2,515,015)	(3,094,062)	(5,068,155)	(17,924,072)	(6,675,524)	(741,443)	(811,744)	-	(54,812,365)
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)	(6,258,328)	(4,398,081)	(1,429,076)	(251,605)	-	(12,619,322)
Construction	-	-	-	(44,297,403)	(77,520,006)	(92,446,584)	(80,643,020)	(39,906,040)	-	(334,813,053)
Mitigation/Other	(74,550)	-	(1,150,000)	-	(1,017,968)	-	-	-	-	(2,242,518)
Section 5										
Oversight	-	-	-	(1,037,889)	(3,892,124)	(3,554,445)	(3,198,000)	(1,968,000)	-	(13,650,459)
Design	(12,794,456)	(2,813,469)	(2,424,770)	(5,151,222)	(13,451,831)	(6,984,886)	(2,860,180)	(869,726)	-	(47,350,539)
Construction	-	-	-	(23,210,621)	(35,305,237)	(49,379,673)	(45,720,566)	(27,108,723)	-	(180,724,820)
Mitigation/Other	-	-	-	-	-	-	-	-	-	-
Section 6										
Oversight	-	-	-	(637,078)	(3,030,043)	(2,787,372)	(1,963,000)	(1,208,000)	-	(9,625,492)
Design	(6,243,232)	(2,237,896)	(2,265,137)	(2,322,434)	(8,661,670)	(2,969,336)	(156,592)	(141,238)	-	(24,997,535)
Right of Way	(11,323,688)	(1,056,948)	(303,772)	(6,685,213)	(333,829)	(184,914)	-	-	-	(19,888,364)
Utilities	-	-	-	(99,733)	(14,426,260)	(4,802,792)	(1,009,521)	-	-	(20,338,306)
Construction	(33,671)	-	-	(20,020,123)	(26,260,991)	(60,699,051)	(41,386,916)	(2,928,517)	-	(151,329,268)
Mitigation/Other	-	-	-	-	(244,471)	-	-	-	-	(244,471)
Indiana Other Costs										
Other Costs	(19,520,365)	(2,828,919)	(7,172,322)	(30,812,248)	(4,006,611)	(3,803,913)	(10,150,000)	(3,250,000)	(3,000,000)	(84,544,378)
Toll System	-	-	-	-	(617,250)	(930,042)	(10,200,000)	(2,700,000)	-	(14,447,292)
Interest During Construction	-	-	-	(8,813,000)	(34,116,000)	(34,115,294)	(34,116,000)	(17,058,000)	-	(128,218,294)
Financing and Reserve Costs	-	-	-	(67,164,000)	(14,909,000)	(13,882,813)	(14,977,000)	(13,442,000)	(15,759,110)	(140,133,923)
Expenditure Total	**(74,118,530)**	**(24,618,059)**	**(25,622,049)**	**(234,238,808)**	**(273,353,344)**	**(294,389,949)**	**(256,990,314)**	**(117,067,593)**	**(18,759,110)**	**(1,319,157,756)**
Net Cash Flow	**13,320,646**	**9,907,362**	**5,216,832**	**596,075,581**	**363,932,981**	**124,713,845**	**61,723,531**	**15,759,110**	**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	25,106,765	23,053,745	30,008,612	11,595,907	-	94,165,030
Design	79,396,780	10,344,697	11,615,530	44,825,705	60,601,358	9,751,210	-	-	-	216,535,279
Right of Way	12,006,004	17,348,333	10,436,212	28,537,609	6,378,635	4,948,224	2,197,421	-	-	81,852,439
Utilities	-	17,035	22,024	599,718	10,822,309	922,692	794,333	-	-	13,178,111
Construction	-	-	-	68,471,149	186,854,138	265,414,760	166,275,640	50,290,246	-	737,305,933
Mitigation/Other	74,550	-	1,150,000	1,483,905	1,021,403	867,888	207,081	207,081	-	5,011,908
Kentucky Other Costs	50,304,264	4,902,764	7,983,064	35,880,869	203,761,504	12,486,791	28,959,901	22,517,174	8,000,000	374,796,332
SUBTOTAL - KENTUCKY	**141,781,599**	**32,612,829**	**31,206,830**	**184,198,955**	**494,546,112**	**317,445,310**	**228,442,990**	**84,610,408**	**8,000,000**	**1,522,845,032**
Indiana										
Oversight	-	-	-	4,819,061	17,464,077	13,117,046	13,600,000	8,600,000	-	57,600,184
Design	19,992,046	4,726,666	6,496,822	12,541,811	40,037,574	16,629,746	3,758,215	1,822,708	-	106,005,587
Right of Way	11,636,574	1,056,948	303,772	25,783,535	2,604,181	184,914	-	-	-	41,569,923
Utilities	-	-	-	342,906	20,684,588	9,200,873	2,438,597	251,605	-	32,918,569
Construction	33,671	-	-	87,528,147	139,086,234	202,525,308	167,750,502	69,943,280	-	666,867,142
Mitigation/Other	-	563,618	25,000	-	1,262,439	-	-	-	-	1,851,057
Indiana Other Costs	19,520,365	2,828,919	7,172,322	106,789,248	53,648,861	52,732,062	69,443,000	36,450,000	18,759,110	367,343,887
SUBTOTAL - INDIANA	**51,182,656**	**9,176,151**	**13,997,916**	**237,804,708**	**274,787,954**	**294,389,949**	**256,990,314**	**117,067,593**	**18,759,110**	**1,274,156,349**
PROJECT TOTAL	**192,964,254**	**41,788,980**	**45,204,746**	**422,003,663**	**769,334,066**	**611,835,259**	**485,433,304**	**201,678,001**	**26,759,110**	**2,797,001,381**

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

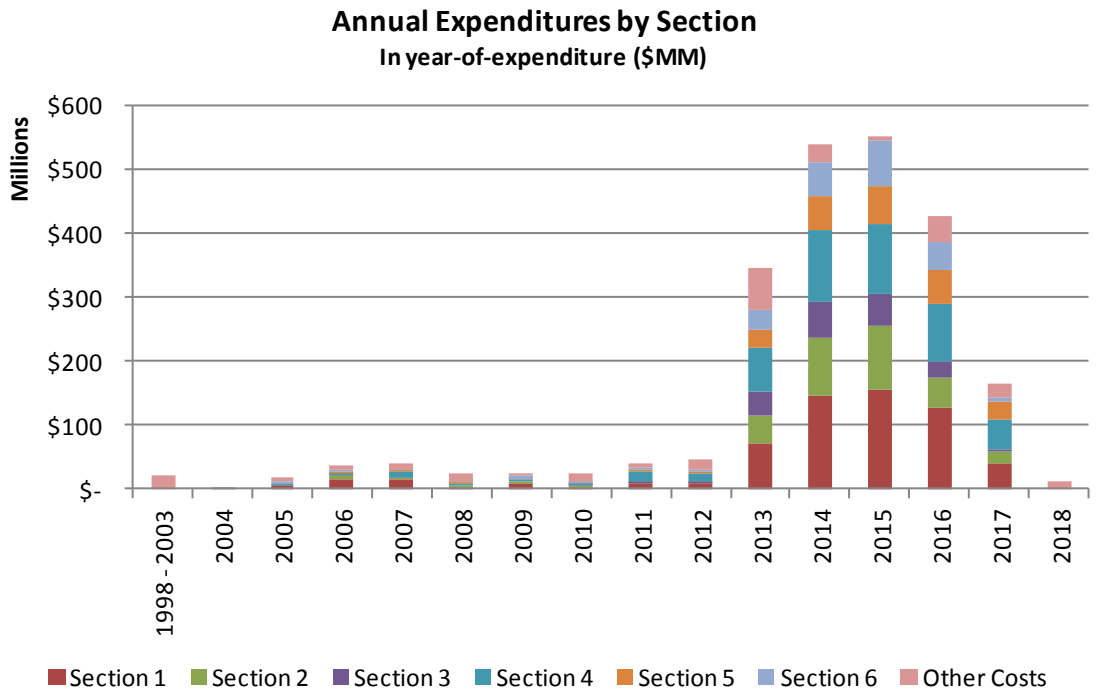


Figure 5-2. Total Estimated Project Annual Outlays by Section

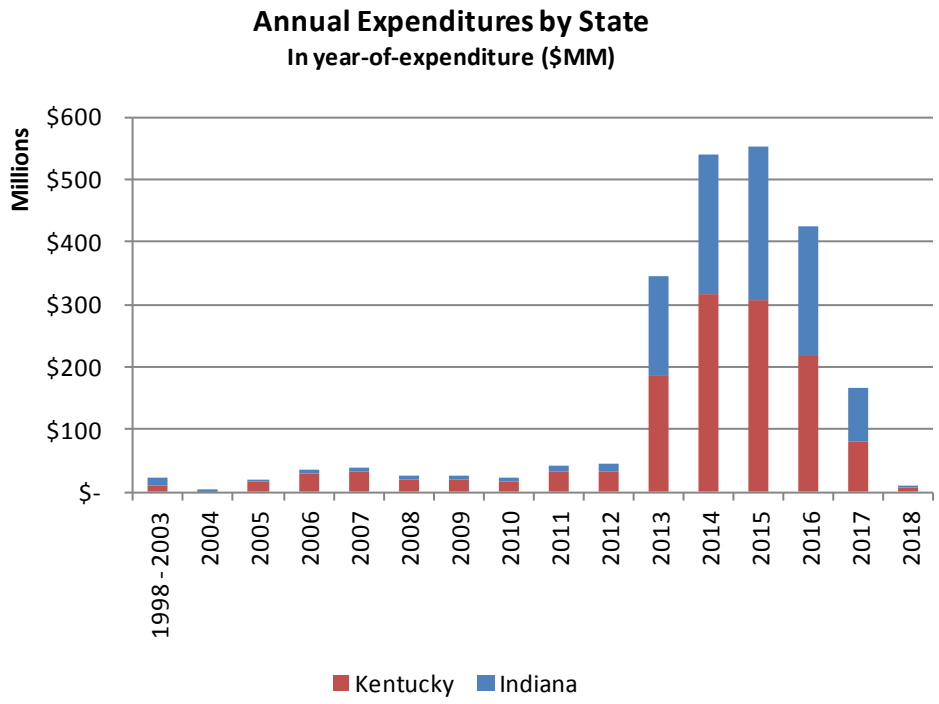


Figure 5-3. Total Estimated Project Annual Outlays by State

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

FINANCING COSTS

The 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 $2 million, which are associated with costs to enter into the TIFIA Loan Agreement to fund the balance of the Milestone Payments owed by IFA to the Developer.

Kentucky bears 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. 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 in Table 5.5, below, as supplied by WVB and Indiana DOT for the East End Crossing and KYTC for the Downtown Crossing. Table 5.5 includes updates from the 2013 Financial Plan Update to reflect adjusted estimates based on updated information regarding the Project's operations phase. These estimates will continue to be refined as the project proceeds toward Operations.

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

Year	Down Town 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	Down Town 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	-	-
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**	**134,961,355**	**74,639,116**

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	Status
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.	Limited to remaining direct state expenditures
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.	Limited exposure based on design-build and concession structures

Risk	Mitigation Strategy	Status
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.	Limited exposure based on design-build and concession structures

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	Status
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.	At this time, there is no ongoing litigation related to the Project. 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). CART subsequently appealed the decision and the appeal has been fully briefed as of the end of 2013. The Sixth Circuit Court of Appeals affirmed the decision of the lower court dismissing the case on August 7, 2014. CART has until November 5, 2014 to file a petition for certioriari with the Supreme Court of the United States if it intends to pursue its allegations further. If a petition for certioriari is filed, the Supreme Court has discretion not to grant it. 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.	No ongoing litigation

Risk	Mitigation Strategy	Status
Permits and Approvals		
Delays in the receipt of permits and approvals may delay the start of construction.	NEPA has been approved and all environmental permits have been received. 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.	All state permit obligations addressed. No known issues with respect to contractor permitting responsibilities.
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.	Closed.
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.	Risk management ongoing.

Risk	Mitigation Strategy	Status
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 P3 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.	Risk management ongoing.

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	Status
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.	Funding committed in accordance with state budgeting and appropriation procedures. Risk management ongoing.

Risk	Mitigation Strategy	Status
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 and are consistent with those rates anticipated in the previously described traffic and revenue reports. 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.	Updated traffic and revenue study anticipated in SFY 2017.
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.	The selection of a toll system developer and operator has been approved. This contract applies to both crossings to ensure that the most reliable electronic tolling equipment, back-office systems, customer service centers, and collection processes are utilized 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. State parties have procured the services of a marketing firm to assist with public outreach and education of the tolling systems and how they will operate. The goal of this effort is to maximize the number of accounts with pre-paid transponders distributed prior to commencement of tolls. This approach will minimize leakage and otherwise uncollectible tolls. Both states are investigating the feasibility of business interruption insurance coverage to minimize or eliminate the risk associated with temporary or long-term damage or failure of the toll collection systems.	Updated traffic and revenue study anticipated SFY 2017.
Capital Market Access		
Capital market volatility could limit access to future financing and/or increase financing costs.	This risk is fully mitigated. All planned debt has been issued for the Project.	Closed.

Risk	Mitigation Strategy	Status
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.	TIFIA financing has been secured for Kentucky's portion of the Project. The only remaining risk is that associated with meeting conditions precedent to draw on the TIFIA loan at the planned future date prior to BAN maturity. KYTC and KPTIA will remain diligent in ensuring all conditions are met and loan proceeds available on the intended schedule. TIFIA financing has been secured by IFA for a portion of the Milestone Payments owed to the Developer on the East End Crossing. The only remaining risk is that associated with meeting conditions precedent to draw on the TIFIA Loan Agreement at the planned future dates. IFA and INDOT will remain diligent in ensuring all conditions are met and loan proceeds available on the intended schedule.	Federal financing commitment secured; risk management ongoing as it relates to eligibility to draw on loan instruments.
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.	Closed.

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	Status
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 addresses 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 completed as contemplated in the ROD.	Risk management ongoing.
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.	Closed.

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 Interim 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, and addition of a TIFIA loan for up to $162 million of funding required for milestone payments. 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. 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 changed significantly, as described in the 2013 Annual Update. Minor additional changes are reflected in this 2015 Annual Update and described in this chapter.

COST & SCHEDULE HISTORY

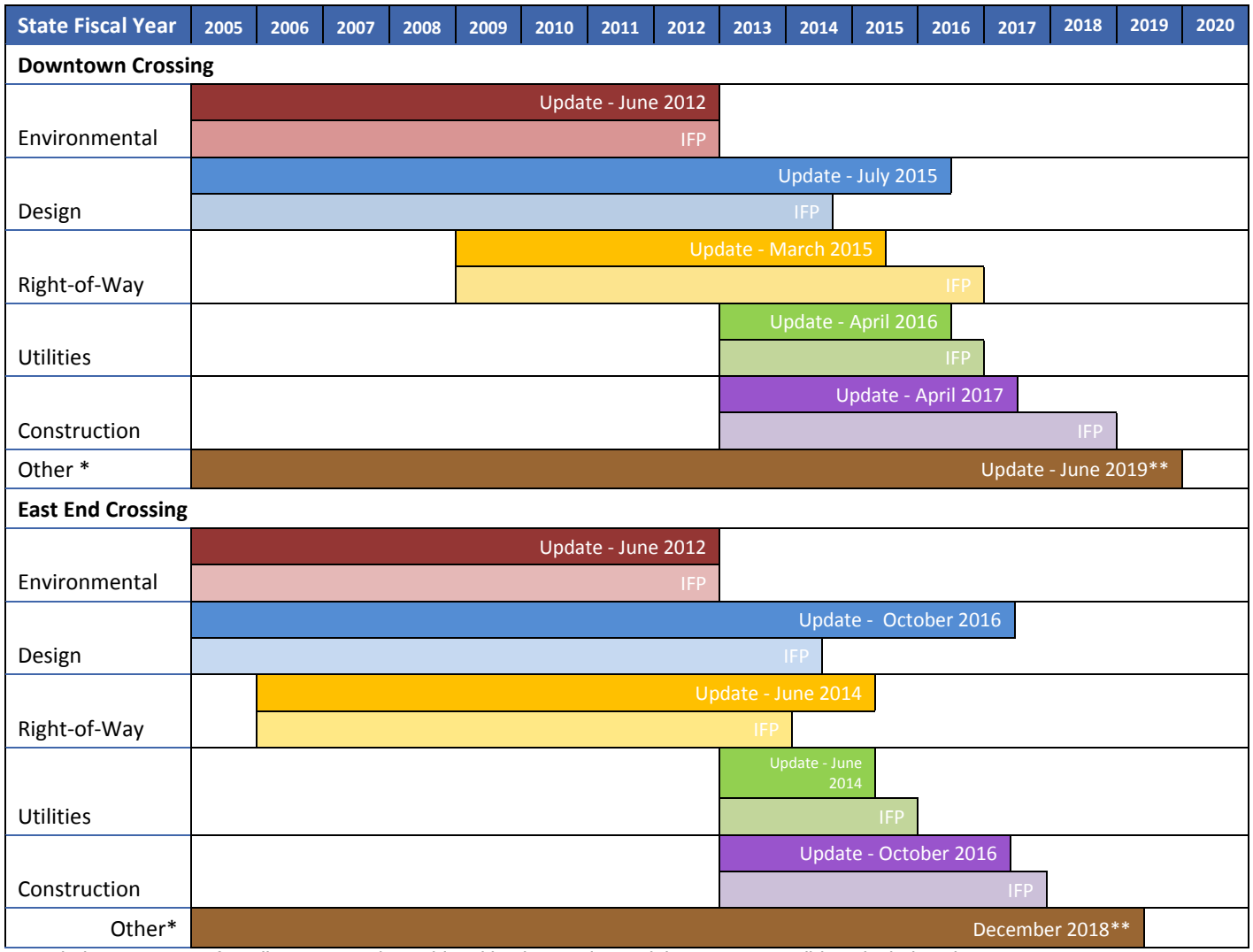
Table 7-1 and Figure 7-1 provide the updated cost and schedule for the Project and compared to the 2012 IFP and 2013 and 2014 Financial Plan Updates.

2015 Financial Plan Update Discussion: As shown, Project costs have been reduced by approximately $0.7 million since the 2014 Financial Plan Update. This reflects more substantial changes in several cost categories. These differences are further addressed in Chapter 10 and Chapter 11. The schedule remains unchanged from the 2014 Update.

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

Total Project Costs in Year of Expenditure Dollars (in millions)

Project Segment	2012 IFP	2013 Update	2014 Update	2015 Update	Change from 2014	Change from IFP
Downtown Crossing						
Section 1 - Kennedy Interchange	659.8	586.4	612.5	614.8	2.3	(45.0)
Section 2 - Downtown Bridge	357.8	323.2	308.2	312.8	4.5	(45.0)
Section 3 - Downtown IN Approach	197.7	182.9	172.3	175.5	3.1	(22.2)
Kentucky Other Costs	92.3	176.2	172.7	169.1	(3.6)	76.8
Total Downtown Crossing	**1,307.6**	**1,268.7**	**1,265.8**	**1,272.1**	**6.4**	**(35.5)**
East End Crossing						
Section 4 - KY East End Approach	737.6	500.7	511.1	483.7	(27.4)	(253.9)
Section 5 - East End Bridge	284.4	247.5	222.6	241.7	19.1	(42.7)
Section 6 - IN East End Approach	196.1	218.7	224.3	226.4	2.1	30.3
Indiana Other Costs	58.2	108.7	99.8	99.0	(0.8)	40.8
Total East End Crossing	**1,276.3**	**1,075.7**	**1,057.8**	**1,050.8**	**(7.0)**	**(225.5)**
PROJECT TOTAL	**2,583.9**	**2,344.4**	**2,323.6**	**2,323.0**	**(0.7)**	**(260.9)**



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

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.

2015 Financial Plan Update Discussion: Changes between the 2014 Update and 2015 Update are the result of the following:

- For Indiana, changes among federal and state funding categories, including the introduction of a $162 million TIFIA loan, to be repaid with state highway funds. Together, these adjustments result in an overall increase of $6.6 million.
- For Kentucky, there are no changes to the sources of funding for the Project between the 2014 and 2015 Updates.

Sources of Funds During Construction (Nominal, $000)			
Source	**2014 Update**	**2015 Update**	**Difference**
KY State & Federal Funding	$429,540	$429,540	($0)
KY GARVEE Bonds	$337,302	$337,302	$0
IN TIFIA	$0	$162,000	$162,000
IN State & Federal Funding (Other)	$627,226	$471,823	($155,403)
KY Toll Revenue Bonds	$271,730	$271,730	$0
KY TIFIA/BANs	$493,606	$493,606	$0
IN Milestone PABs (Series B)	$18,944	$18,944	$0
IN Long-Term PABS (Series A)	$488,912	$488,912	$0
Developer Risk Capital	$78,145	$78,145	$0
Relief Events Reserve Account	$45,000	$45,000	$0
Total Sources	**$2,790,404**	**$2,797,001**	**$6,597**

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 minor cost savings since the 2014 Financial Plan Update.

The cost estimate of $2.323 billion is approximately $0.7 million lower than the prior year's official cost estimate as presented in the 2014 Update of $2.324 billion. The small variance is attributable to variances between planned and actual expenses in several cost categories, described further in Chapters 10 and 11.

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

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

ADJUSTMENTS IN FINANCIAL PLAN TO ACCOUNT FOR TRENDS

The 2015 Financial Plan Update was updated to reflect trends noted over the preceding 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) that experienced a reduction in cost in excess of $10 million relative to the estimates included in the 2014 Financial Plan Update for the Project.

DOWNTOWN CROSSING

The table below compares the 2015 Financial Plan Update estimate for the Downtown Crossing with estimates as of the 2014 Financial Plan Update and lists causes for major reductions (see Chapter 11 for explanation of significant cost increases). As of this update, there are no significant (over $10 million) reductions in individual project element line items and there have been no change orders to date.

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

DOWNTOWN CROSSING	2014 Update	2015 Update	Difference	Cause For Reduction
Section 1				
Oversight	48,502,449	50,557,459	2,055,010	
Design	120,620,365	120,620,365	-	
Right of Way	36,889,480	36,889,480	-	
Utilities	7,500,000	7,500,000	-	
Construction	396,000,000	396,218,137	218,137	
Mitigation/Other	3,000,000	3,000,000	(0)	
Section 1 Total	**612,512,294**	**614,785,440**	**2,273,147**	
Section 2				
Oversight	25,983,188	28,038,198	2,055,010	
Design	49,257,736	50,954,827	1,697,091	
Construction	233,000,000	233,785,500	785,500	
Mitigation/Other	-	-	-	
Section 2 Total	**308,240,924**	**312,778,525**	**4,537,601**	

DOWNTOWN CROSSING	2014 Update	2015 Update	Difference	Cause For Reduction
Section 3				
Oversight	13,514,363	15,569,373	2,055,010	
Design	23,719,800	23,805,235	85,435	
Right of Way	21,681,560	21,791,396	109,836	
Utilities	5,557,422	5,639,052	81,630	
Construction	106,500,000	107,302,296	802,296	
Mitigation/Other	1,375,976	1,375,976	-	
Section 3 Total	**172,349,121**	**175,483,328**	**3,134,207**	
Kentucky Other Costs				
Other Costs	172,686,058	169,099,241	(3,586,818)	
Downtown Crossing Total	**1,265,788,397**	**1,272,146,534**	**6,358,137**	

EAST END CROSSING

The tables below compare the 2015 Financial Plan Update estimate for the East End Crossing with estimates as of the 2014 Annual Update and lists causes for major reductions (see Chapter 11 for explanation of significant cost increases). There have been no change orders to date.

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

EAST END CROSSING	2014 Update	2015 Update	Difference	Cause For Reduction
Section 4				
Oversight	43,857,304	34,324,233	(9,533,071)	
Design	56,695,961	54,812,365	(1,883,596)	
Right of Way	44,853,123	44,853,123	-	
Utilities	11,711,366	12,619,322	907,956	
Construction	351,722,061	334,813,053	(16,909,008)	Due to Developer's reallocation of general expenses and overhead costs[3]

[3] The net effect of Developer's reallocation is an increase of $4.53 M in construction costs.

EAST END CROSSING	2014 Update	2015 Update	Difference	Cause For Reduction
Mitigation/Other	2,242,518	2,242,518	-	
Section 4 Total	**511,082,333**	**483,664,614**	**(27,417,719)**	
Section 5				
Oversight	14,056,613	13,650,459	(406,155)	
Design	48,980,837	47,350,539	(1,630,298)	
Construction	159,587,089	180,724,820	21,137,731	
Mitigation/Other	-	-	-	
Section 5 Total	**222,624,539**	**241,725,818**	**19,101,279**	
Section 6				
Oversight	9,269,221	9,625,492	356,272	
Design	26,005,711	24,997,535	(1,008,176)	
Right of Way	19,703,450	19,888,364	184,914	
Utilities	18,067,820	20,338,306	2,270,487	
Construction	151,029,531	151,329,268	299,737	
Mitigation/Other	244,471	244,471	-	
Section 6 Total	**224,320,204**	**226,423,437**	**2,103,233**	
Indiana Other Costs				
Other Costs	99,790,465	98,991,670	(798,795)	
East End Crossing Total	**1,057,817,541**	**1,050,805,539**	**(7,012,002)**	

Chapter 11. Significant Cost Increases

INTRODUCTION

This section identifies those individual budgets (by cost category for this Interim Annual Update) that experienced an increase in cost in excess of $10 million as of the 2015 Annual Update relative to the estimates included in the 2014 Annual Update for the Project.

DOWNTOWN CROSSING

The table below compares the 2015 Financial Plan Update estimate for the Downtown Crossing with estimates as of the 2014 Financial Plan Update and lists causes for major increases (see Chapter 10 for explanation of significant cost increases). As of this update, there are no significant (over $10 million) increases in the project element costs and there have been no change orders to date.

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

DOWNTOWN CROSSING	2014 Update	2015 Update	Difference	Cause For Increase
Section 1				
Oversight	48,502,449	50,557,459	2,055,010	
Design	120,620,365	120,620,365	-	
Right of Way	36,889,480	36,889,480	-	
Utilities	7,500,000	7,500,000	-	
Construction	396,000,000	396,218,137	218,137	
Mitigation/Other	3,000,000	3,000,000	(0)	
Section 1 Total	**612,512,294**	**614,785,440**	**2,273,147**	
Section 2				
Oversight	25,983,188	28,038,198	2,055,010	
Design	49,257,736	50,954,827	1,697,091	
Construction	233,000,000	233,785,500	785,500	
Mitigation/Other	-	-	-	
Section 2 Total	**308,240,924**	**312,778,525**	**4,537,601**	

DOWNTOWN CROSSING	2014 Update	2015 Update	Difference	Cause For Increase
Section 3				
Oversight	13,514,363	15,569,373	2,055,010	
Design	23,719,800	23,805,235	85,435	
Right of Way	21,681,560	21,791,396	109,836	
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Mitigation/Other	1,375,976	1,375,976	-	
Section 3 Total	**172,349,121**	**175,483,328**	**3,134,207**	
Kentucky Other Costs				
Other Costs	172,686,058	169,099,241	(3,586,818)	
Downtown Crossing Total	**1,265,788,397**	**1,272,146,534**	**6,358,137**	

EAST END CROSSING

The tables below compare the 2015 Financial Plan Update estimate for the East End Crossing with estimates as of the 2014 Annual Update and lists causes for major increases (see Chapter 10 for explanation of significant cost decreases). There have been no change orders to date.

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

EAST END CROSSING	2014 Update	2015 Update	Difference	Cause For Increase
Section 4				
Oversight	43,857,304	34,324,233	(9,533,071)	
Design	56,695,961	54,812,365	(1,883,596)	
Right of Way	44,853,123	44,853,123	-	
Utilities	11,711,366	12,619,322	907,956	
Construction	351,722,061	334,813,053	(16,909,008)	.
Mitigation/Other	2,242,518	2,242,518	-	
Section 4 Total	**511,082,333**	**483,664,614**	**(27,417,719)**	
Section 5				

EAST END CROSSING	2014 Update	2015 Update	Difference	Cause For Increase
Oversight	14,056,613	13,650,459	(406,155)	
Design	48,980,837	47,350,539	(1,630,298)	
Construction	159,587,089	180,724,820	21,137,731	Due to Developer's reallocation of general expenses and overhead costs[4].
Mitigation/Other	-	-	-	
Section 5 Total	**222,624,539**	**241,725,818**	**19,101,279**	
Section 6				
Oversight	9,269,221	9,625,492	356,272	
Design	26,005,711	24,997,535	(1,008,176)	
Right of Way	19,703,450	19,888,364	184,914	
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Mitigation/Other	244,471	244,471	-	
Section 6 Total	**224,320,204**	**226,423,437**	**2,103,233**	
Indiana Other Costs				
Other Costs	99,790,465	98,991,670	(798,795)	
East End Crossing Total	**1,057,817,541**	**1,050,805,539**	**(7,012,002)**	

[4] The net effect of Developer's reallocation is an increase of $4.53 M in construction costs.