



INDIANA DEPARTMENT OF TRANSPORTATION

100 North Senate Avenue
Room N758
Indianapolis, Indiana 46204

PHONE: (317) 232-5525
FAX: (317) 234-8365

Eric Holcomb, Governor
Joe McGuinness,
Commissioner

October 11th, 2019

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

Subject: I-65 / I-70 North Split Project Initial Financial Plan Letter of Certification

Dear Ms. Sosa:

The Indiana Department of Transportation has developed a comprehensive Initial Financial Plan for the I-65 / I-70 North Split Project in accordance with the requirements of 23 U.S.C. §106 and the Financial Plan guidance issued by the Federal Highway Administration. The plan provides detailed cost estimates to complete the project and the estimates of financial resources to be utilized to fund the project.

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

The Indiana Department of Transportation believes the Initial Financial Plan provides an accurate basis upon which to schedule and fund the I-65 / I-70 North Split Project, and commits to provide Annual Updates according to the schedule outlined in the Initial Financial Plan.

To the best of our knowledge and belief, the Initial Financial Plan as submitted herewith, fairly and accurately presents the financial position of the I-65 / I-70 North Split Project, cash flows, and expected conditions for the project's life cycle. The financial forecasts in the Initial Financial Plan are based on our judgment of the expected project conditions and our expected course of action. We believe that the assumptions underlying the Initial Financial Plan are reasonable and appropriate. Further, we have made available all significant information that we believe is relevant to the Initial Financial Plan and, to the best of our knowledge and belief, the documents and records supporting the assumptions are appropriate.

Sincerely,

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



I-65 / I-70 North Split Project

2019 Initial Financial Plan*

*Project cost estimates and completion schedules reflect information available as of May 31, 2019.

Submitted to:
**Federal Highway
Administration**

Submitted by:
Indiana Department of Transportation



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CHAPTER 1. PROJECT DESCRIPTION

INTRODUCTION

This document presents the Initial Financial Plan (IFP) for the I-65 / I-70 North Split Project (the Project), including current cost estimates, expenditure data through the effective date of May 31, 2019, the current schedule for delivering the Project, and the financial analyses developed for the Project. This IFP has been prepared generally in accordance with Federal Highway Administration's (FHWA) Financial Plans Guidance.

PROJECT OVERVIEW

The Project is located in the northeast corner of downtown Indianapolis, Indiana, at the north junction of I-65 and I-70. Three legs of the interstate system serving the Indianapolis urban area join at the I-65/I-70 North Split interchange. As a result, the North Split is the second-most heavily-traveled interchange in the SOI, accommodating about 214,000 vehicles per day.

The Project incorporates complete reconstruction of the interchange infrastructure including pavement and bridges on both mainline interstates and all ramps. The number of lanes varies by location within the interchange. The Project length along I-65 is 1.74 miles and the Project length along I-70 is 1.90 miles. Environmental determination will be completed by the Indiana Department of Transportation (INDOT) in 2020 when final design work is completed.

PROJECT SPONSOR

The INDOT is the Project Sponsor for the Project. The Project will be procured and managed by INDOT.

PROJECT DETAIL

The Project area is centered on the I-65 and I-70 north junction interchange in downtown Indianapolis (see Figure 1-1). The layout and condition of connecting roadways were considered in defining the Project area limits. To the west, the project area begins at the I-65 overpass of Alabama Street. The large bridge spanning multiple streets to the west from that point was recently rehabilitated and may be reconstructed in a future project. The Project includes the ramps on each side of I-65 ending at Meridian Street to provide local access both north and south. The Project extends through the interchange and then east and south. To the east, the Project area extends to the I-70 overpass of Commerce Avenue, where reconstruction was performed in 2007. South of the interchange, the Project extends to the south end of the I-65 / I-70 interchange to just south of Washington Street and includes improvements for a series of deteriorated bridges.

The purpose of the Project is to rehabilitate and improve the existing interstate facilities within the North Split project area. The Project must meet the following transportation needs:

- Correct existing bridge deficiencies;
- Correct deteriorated pavement conditions;
- Improve interchange operations;
- Reduce traffic congestion; and
- Improve safety.

To meet these needs, the Project will construct new bridges and pavement within the Project area and reconstruct and realign mainline and ramp movements. The Project will address operations by

eliminating weaving movements and reducing curvature on mainline and ramps. The Project will reduce traffic congestion by improving interstate level of service and reducing system delay. The Project will improve safety by reducing conflict points and improving substandard roadway features, including; meeting design requirements for roadway curvature, increasing shoulder width, and improving horizontal sight distance. Figure 1-1 below illustrates the general location and length of the Project.

Figure 1-1. North Split Map



PROJECT DELIVERY APPROACH

INDOT is utilizing a Design-Build Best-Value (DBBV) procurement model for this project. Under this procurement type, INDOT issues a Request for Qualifications (RFQ), seeking qualified and interested design-build (DB) contractors to build the Project. Proposer teams will be shortlisted based on evaluation of their Statement of Qualifications (SOQ), essentially a response to the RFQ, and will compete for the Project. The Preferred Proposer, the selected DB contractor, will be selected based on combination of a technical proposal score and price proposal score. The Preferred Proposer will complete the work for a lump sum amount. INDOT will own, operate, and maintain the facility after final acceptance as described in the Public-Private Agreement (PPA). This facility is and will remain a non-tolled roadway.

Best-value determination of proposals received from short-listed proposers will be based on a Total Proposal Score using a 100-point scale. The Price Score will represent up to 70 points of the total score; the Technical Proposal score will represent up to 30 points of the total score. The determination of apparent highest ranked proposal will be based on the highest total proposal score computed as follows:

$$\text{Total Proposal Score} = \text{Price Score (maximum 70 points available)} + \text{Technical Proposal Score (maximum 30 points available)}$$

$$\text{Technical Proposal Score} = \text{Schedule Score} + \text{DB Plan Score} + \text{Project Management Plan Score}$$

The Price Score is based on the proposed price to complete the Project. The Technical Proposal Score is based on evaluation and review of three components; the proposer's Schedule Score (for overall duration and for closure durations of specific movements) (50% of technical proposal score), the proposer's DB Plan (30%) and the proposer's Project Management Plan (20%).

PROJECT HISTORY

A full discussion of the project history can be found on the Project website found on the internet at <https://northsplit.com/> and specifically in the [Alternative Screening Analysis Report](#). Based on this analysis, the environmental study of the Project advanced and the scope of the project is defined in the National Environmental Policy Act (NEPA) process to address the immediate needs of the interchange.

PROJECT IMPLEMENTATION – MANAGEMENT AND OVERSIGHT

INDOT is the Project Sponsor for the Project and is managing and delivering the Project for the State of Indiana (SOI). The following is additional detail on the roles and responsibilities of various parties.

- **INDOT** will be responsible for all aspects of the Project, and is supported by their technical team (described below).
- **Legal Advisor** will supplement and assist state personnel with short-listing potential design-builders, contract language, and contract negotiations and will work under the direction of INDOT. The contract is known as the PPA.
- **Technical Advisor** will supplement and assist state personnel with technical provisions, design review, contract administration, construction inspection, and quality control and quality assurance activities and will work under the direction of INDOT.
- **Preferred Proposer** will design and construct the Project under the direction of INDOT. INDOT will issue a final Request for Proposals (RFP) in the fall of 2019 and will receive proposals and select the Preferred Proposer in the spring of 2020.

CHAPTER 2. PROJECT SCHEDULE

INTRODUCTION

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

PROJECT SCHEDULE OVERVIEW

The current Project schedule is based on delivery of the Project under a DBBV procurement model. Substantial completion of the Project is expected by November 2022 with final acceptance in May 2023 as shown in Table 2-1 below. Environmental study and Preliminary Design began in 2017 and continue through procurement.

Table 2-1. Project Schedule Overview

State Fiscal Year	2019 and Prior	2020	2021	2022	2023
Environmental	IFP				
Preliminary Design	IFP				
Final Design			IFP		
Utilities Relocation		IFP			
Construction			IFP		

INDOT anticipates awarding a construction contract in May 2020 as shown in the procurement schedule in the Project Delivery discussion below (see Table 2-2). The environmental document is anticipated to be received in September 2020. The level of completed design by the time the Final RFP will be issued in October 2019 is approximately 25%. The Project does not require right-of-way (RW) acquisitions. Table 2-2 provides the current procurement schedule for the Project.

PROJECT DELIVERY

INDOT has evaluated various alternative contracting methods permitted under current Indiana law. Such alternative delivery models are expected to enhance the feasibility of the Project through accelerated project delivery; avoidance of inflation costs; and the transfer of various risks to the private sector, such as construction risk. As a result, the Project is being procured as a DBBV. Table 2-2 provides the current procurement schedule for each component.

Table 2-2. Procurement Schedule

Scheduled Item	IFP
Issue RFQ	4/4/2019
SOQ Due Date	5/17/2019
Announcement of Short-listed Proposers	6/12/2019
Circulate Draft of RFP to Short-listed Proposers	7/17/2019
Issue Final RFP to Proposers	10/11/2019
Proposal Due Date	3/10/2020
Announce Preferred Proposer	4/6/2020
Award and Execution of PPA (Commercial Close)	5/26/2020
Substantial Completion	11/15/2022
Contract Completion	5/30/2023

CHAPTER 3. PROJECT COSTS

INTRODUCTION

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

COST ESTIMATES

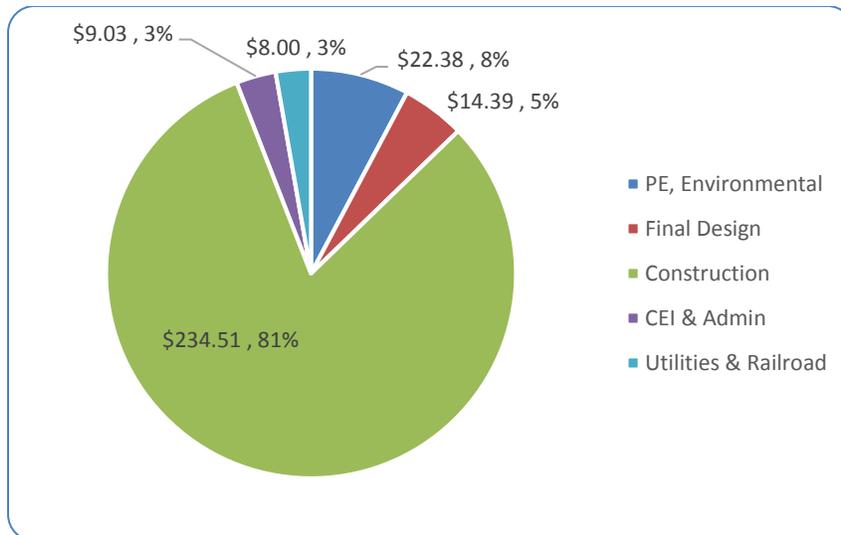
The total estimated cost for the Project is \$288.30 million in year of expenditure (YOE) dollars. This cost estimate includes the most current project phasing and anticipated schedule. Table 3-1 below provides an overview of Project costs, broken down by project component. The estimates are presented in year-of-expenditure dollars and incorporate industry standard inflation multipliers, as described further below.

Table 3-1. Project Cost Estimate by Activity (YOE \$ millions)

Activity	Initial Total Cost
PE, Environmental	\$ 22.38
Final Design	\$ 14.39
Construction	\$ 234.51
CEI & Admin	\$ 9.03
Utilities & Railroad	\$ 8.00
Project Total	\$ 288.30

Figure 3-1 illustrates the cost by project component and its respective share of the total Project cost. As indicated, construction accounts for 81% of the Project costs while engineering, environmental and final design account for 13%. CEI and utilities relocations each account for 3%, and a minor amount of the costs attributed to railroad engineering at 0.000585%.

Figure 3-1. Project Cost Estimate by Activity (YOE \$ millions)



INFLATION ASSUMPTIONS

The inflation assumptions have been applied at three percent (3%) per year. These inflation rates reflect calendar year rates that were applied on a prorated basis to monthly expenditure forecasts.

COST ESTIMATING METHODOLOGY

Initial cost estimates were developed by consultant in conjunction with INDOT and FHWA. The cost estimates were developed by breaking down the Project into eight major cost categories and, further, into two primary construction segments broken out by four phases. The methodology is further described below in Table 3-2.

Table 3-2. Cost Estimating Methodology

Cost Elements
Engineering and Design
<i>Preliminary and final engineering design services.</i>
Final engineering will be part of the alternative delivery contracts for North Split. Engineering and design cost estimates are currently estimated at 8.0% of the construction cost estimate.
Design Program Management
<i>Cost to state for services of the GEC during the design phase and miscellaneous departmental program management costs.</i>
Program Management estimates are based on currently negotiated contracts and estimates that cover the currently planned Project schedule.
Construction Administration and Inspection
<i>All construction and program management, administration, and inspection activities during the construction phase of the Project.</i>
Construction Administration and Inspection costs are estimated at 10% of the construction cost estimate.
Construction
<i>Estimated cost of construction.</i>
Construction estimates reflect current industry practices and procedures of cost build up reflective of a large alternative delivery contract. The estimate is inclusive of all labor, materials, equipment, general conditions, escalations, and contractor construction risk.
Construction Contingency
<i>Contingency to cover additional construction services in the event unforeseen circumstances arise that result in additional cost.</i>
Construction contingency estimates are based on the level of engineering undertaken to date for the Project. Contingency factors have been developed based on the cost estimates that assessed the likelihood and potential cost of various major project risk items. Contingency cost has been carried based upon the level of each risk to the project [high, medium, low] and a prorated value of each risk item is added to contingency.
Utilities & Railroads
<i>All public and private project-related utility and railroad relocation and new construction.</i>
Costs include those related to telephone, electric, gas, fiber optics, water, sewer, TV cable, storm drainage, and railroads and are based on the most up-to-date cost information available.
Right of Way Acquisition
<i>Appraisals, administration, management, and acquisition of required right of way.</i>
Costs include completed and anticipated right of way acquisition and are based on the most up-to-date market information available.
Enhancements
<i>Various Project-related commitments as identified in the environmental study.</i>
This includes fixed dollar commitments made for various National Environmental Protection Act (NEPA) commitments.
Mitigation
<i>Implementation of mitigation of sensitive impacts.</i>
This includes costs for such items as education for the historic districts, wetland, stream and forest creation and preservation.

PROJECT EXPENDITURES

Table 3-3 shows the breakdown of costs for the Project annually by component and SFY, respectively. As shown, approximately \$9.07 million has been expended on the Project through the end of May 31, 2019. Expenditures in future years are summarized in the table and described herein.

Approximately \$17.30 million is anticipated to be expended in SFY20. As the DBBV procurement ends, expenditures will end for environmental and final design services and will begin for the construction phase, including; utility and railroad, design oversight, and construction engineering and inspection (CEI). Approximately \$72.35 million is anticipated to be expended in SFY21, \$162.49 million in SFY22, and \$27.08 million in SFY23. Construction accounts for the majority of this expenditure, and the remainder is CEI and administrative costs.

Table 3-3. Project Cost Estimate by Fiscal Year (YOES\$ millions)

Component / State Fiscal Year	2019 & Prior	2020	2021	2022	2023	Total
PE, Environmental	\$ 9.07	\$ 7.00	\$ 4.70	\$ 1.00	\$ 0.60	\$ 22.38
Final Design	\$ -	\$ 4.80	\$ 9.59	\$ -	\$ -	\$ 14.39
Construction	\$ -	\$ -	\$ 53.50	\$ 155.51	\$ 25.50	\$ 234.51
CEI, Admin & Prog Costs	\$ -	\$ -	\$ 2.06	\$ 5.99	\$ 0.98	\$ 9.03
Utility & Railroad Relocations	\$ 0.00	\$ 5.50	\$ 2.50	\$ -	\$ -	\$ 8.00
Total Costs	\$ 9.08	\$ 17.30	\$ 72.35	\$ 162.49	\$ 27.08	\$ 288.30

CHAPTER 4. PROJECT FUNDS

INTRODUCTION

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

FINANCIAL PLAN OVERVIEW

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

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

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

The alternative delivery method selected by Indiana has the potential of providing private sector innovation, efficiencies, and best value to taxpayers. Importantly, INDOT, together with their advisory team, have developed a pro forma financial plan that provides a certain view of how a DB contractor may deliver this Project. Ultimately the financial plan will reflect what the Preferred Proposer proposes based on its view of the Project.

PROCUREMENT APPROACH AND FINANCING

The Project will be procured using a DBBV procurement model through a PPA. Under this model, INDOT will make progress payments to a Preferred Proposer as consideration for the contractor designing and constructing a facility in accordance with the performance standards set forth in the PPA, which upon release in October 2019, will be made viewable at the [Project website](#).

On April 4, 2019, INDOT issued a RFQ for the Project. In response to the RFQ, SOQs were received on May 17, 2019. Shortly thereafter, a draft RFP was issued to the shortlisted proposers on July 17, 2019. The final RFP will be issued in October 2019, with award and execution of the PPA anticipated to occur in May 2020. The responses to the RFP for the Project will include a detailed project development plan.

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

STATE TRANSPORTATION AND FEDERAL-AID FORMULA FUNDING

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

Based on expectations regarding the availability of federal funding, as well as expectations regarding the availability of corresponding state transportation funds, an estimated \$288.30 million of federal-aid highway formula and state transportation funds is reasonably expected to be available to the Project (see Table 4-1). The Project costs of \$288.30 million is 3.2% of INDOT’s capital program with 6.6% utilization of NHPP funds and 0.02% of Surface Transportation Block Grant Program. This includes \$9.08 million of federal and state funds expended through SFY19. The funding is estimated to be split between federal-aid funds and state funds is 83.17% and 16.83% respectively.

Table 4-1. Federal and State Funding (in \$ millions)

Fund Type / State Fiscal Year	2019 & Prior	2020	2021	2022	2023	Total
Federal						
Surface Transportation Block Grant Program	\$ 3.84	\$ -	\$ -	\$ -	\$ -	\$ 3.84
National Highway Performance Program	\$ 3.80	\$ 12.95	\$ 98.47	\$120.71	\$ -	\$ 235.93
Subtotal, Federal Funds	\$ 7.64	\$ 12.95	\$ 98.47	\$120.71	\$ -	\$ 239.77
State						
State Highway Fund	\$ 1.44	\$ 16.44	\$ 15.64	\$ 14.41	\$ 0.60	\$ 48.53
Subtotal, State Funds	\$ 1.44	\$ 16.44	\$ 15.64	\$ 14.41	\$ 0.60	\$ 48.53
Total	\$ 9.08	\$ 29.39	\$114.11	\$135.12	\$ 0.60	\$ 288.30

It is anticipated that future funds will come from the NHPP funding category, although the commitment of specific funding categories of federal funding is subject to adjustment based on the availability of more restricted categories.

PROGRESS PAYMENTS

The progress payments will be funded with a combination of state and federal funds appropriated by INDOT. In addition to being reflected in INDOT’s internal budget and financial control systems, all anticipated funding amounts are reflected in the fiscally-constrained 2020-2024 Statewide Transportation Improvement Program ([STIP](#)), as well as the 2020-2023 Indianapolis MPO Indiana Regional Transportation Improvement Plan ([IRTIP](#)).

FEDERAL DISCRETIONARY FUNDING

The Project has not utilized any funding outside of federal-aid formulary and state transportation funds to date. The use of discretionary funding in future periods remains a possibility but no plans to do so as of this IFP.

SPECIAL FUNDING TECHNIQUES

INDOT is prepared to mitigate unanticipated changes in expected funding. Strategies to mitigate changes include, but are not limited to; acquisition of additional funds, modify other project’s timelines to manage cash flows. Special funding techniques are discussed in Chapter 6 as the techniques are utilized to address cash flows while projects concurrently advance.

CHAPTER 5. FINANCING ISSUES

INTRODUCTION

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

FINANCING STRATEGY

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

CHAPTER 6. CASH FLOW

INTRODUCTION

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

ESTIMATED SOURCES AND USES OF FUNDING

An indicative summary of the sources and uses of funds is shown in Table 6-1. This summary reflects INDOT’s view of the funding structure based on the Project’s economics. Sources of funds for the Project are currently fully funded through public funds. The following sources of funds will fund construction and other development costs.

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

	IFP	% of Total
Sources		
IN State & Federal Funding - Formulary	\$ 288.30	100%
IN State & Federal Funding - Discretionary	\$ -	0%
Source of Funds Subtotal	\$ 288.30	100%
Uses		
PE, Environmental	\$ 22.38	8%
Final Design	\$ 14.4	5%
Construction Costs	\$ 234.51	81%
CEI, Admin & Program Costs	\$ 9.03	3%
Utility & Railroad Relocations	\$ 8.00	3%
Expenditures Subtotal	\$ 288.30	100%

CASH MANAGEMENT TECHNIQUES

For Project funding expected to be contributed from state and federal sources, INDOT intends to utilize available cash management techniques, including but not limited to AC and Tapered Match (TM), to manage the timing of cash needs against the availability of federal and state funds. These techniques provide INDOT authority to “concurrently advance projects” utilizing the federally accepted practice of AC. Current year expenditures will be converted to limitation obligation while future year expenditure estimates will remain under AC. This practice will continue throughout the life of the project. At no time will Indiana’s AC exceed Indiana’s future federal estimates. Indiana also will utilize TM provisions to manage the timing of federal and state expenditures for the Project.

Table 6-2 below provides the AC conversion status for Indiana updated through May 31, 2019. As shown, the Project currently has no authorized AC funds with \$4.2 million converted to federal funds to date.

Table 6-2. Advanced Construction Funding Status (in \$ millions)

State Fiscal Year	Total Federal Funding Amounts	Amount AC'd to Date	Amount Converted to Date	Amount Remaining in AC
2019	\$ 22.20	\$ 4.20	\$ 4.20	\$ -

FINANCING COSTS

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

PROJECTED CASH FLOWS

Future plans will include a table summarizing the prior, current, and anticipated total, annual cash outlays for the Project. Table 6-3 below presents the anticipated cash flows of the Project. More specific cash flow schedules will continue to be developed as the Project progresses towards Substantial Completion.

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

Revenue	2019 & Prior	2020	2021	2022	2023
Carry Forward	\$ -	\$ -	\$ 12.09	\$ 41.76	\$ 27.08
INDOT Funding	\$ 9.08	\$ 29.39	\$ 102.02	\$ 147.81	\$ -
Revenue Subtotal	\$ 9.08	\$ 29.39	\$ 114.11	\$ 189.58	\$ 27.08
Expenditures					
PE, Environmental	\$ 9.07	\$ 7.00	\$ 4.70	\$ 1.00	\$ 0.60
Final Design	\$ -	\$ 4.80	\$ 9.59	\$ -	\$ -
Construction	\$ -	\$ -	\$ 53.50	\$ 155.51	\$ 25.50
CEI, Admin, Prgm	\$ -	\$ -	\$ 2.06	\$ 5.99	\$ 0.98
Utilities/Railroads	\$ 0.00	\$ 5.50	\$ 2.50	\$ -	\$ -
Expenditures Subtotal	\$ 9.08	\$ 17.30	\$ 72.35	\$ 162.49	\$ 27.08
Net Cash Flow	\$ -	\$ 12.09	\$ 41.76	\$ 27.08	\$ -

As shown above in Table 6-3, INDOT has expended \$9.08 million through SFY19 on the Project. The remaining project costs of \$279.23 million are anticipated to be fully obligated by SFY22 and expended through SFY23 with the majority of preliminary engineering, final design and railroad engineering in SFY20. Construction and CEI are expected to extend from SFY21 through SFY23 as presented.

CHAPTER 7. PUBLIC-PRIVATE PARTNERSHIP (P3) ASSESSMENT

INTRODUCTION

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

P3 ASSESSMENT

INDOT has evaluated alternative contracting methods permitted under current Indiana law. Such alternative delivery models are expected to enhance the feasibility of the project through accelerated project delivery; construction cost certainty; and the transfer of various risks to the private sector, such as design and construction risk. As a result, the project is being procured as a P3 using a DBBV delivery method. Due to Indiana laws on transportation procurement, any procurement method that does not award to a lowest bid is managed by the Major Project Delivery Department under the Major Projects Division.

LEGISLATIVE AUTHORITY

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

INDIANA'S P3 MANAGEMENT STRUCTURE

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

INDOT has an established [P3 Program](#) that resides within the [Major Project Delivery](#) Department under the [Major Projects](#) Division. Both the P3 Program and the Major Project Delivery Department are responsible for delivering and overseeing P3s at INDOT.

BENEFITS – DISADVANTAGES COMPARISON

The Project is being procured using a DBBV delivery model and will be managed by INDOT. While P3s are not suitable for all projects, there are a few main benefits to P3s of all sizes and complexities. Using innovative project delivery models, such as P3s, to deliver and operate infrastructure projects have many benefits for INDOT including:

- **Accelerated project delivery:** An integrated consortium of qualified firms working concurrently on the design and construction of the project can accelerate project delivery. This process typically results in efficiencies and synergies for a more streamlined, accelerated delivery process.
- **Cost certainty and predictability:** INDOT's cost for the project is locked in at commercial close and is only subject to cost changes approved by INDOT. This provides more cost certainty when compared to traditional delivery. INDOT is able to better budget and allocate funding for other projects with the confidence that costs are less likely to increase.
- **Private sector innovation:** Innovative project delivery can be structured for multiple facets of the project to be coordinated and managed under a single entity and to enhance collaboration between the design and construction managers in the development of the project bid. The exchange of ideas

between these parties can result in significant value engineering efficiencies and can help to avoid technical issues. Private entities are typically experienced in the design and construction of similar projects and are incentivized to use these efficiencies and economies of scale to achieve lower costs.

- **Performance-based incentives:** Financial incentives imposed by the contract structure, which include withholding a portion of payment to the Preferred Proposer until the Project has been constructed to the established standards and is sufficiently available for public use, act as a powerful motivator toward on-time completion and project delivery.
- **Improved accountability:** One party, the Preferred Proposer, is responsible for project delivery and operation regardless of the number of subcontractors. If the project is not delivered according to the contractual requirements, then the Preferred Proposer is responsible.

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

- **Longer procurement timeline:** Innovative project delivery requires extensive upfront negotiations of the PPA. The PPA governs rights and obligations associated with the Project for the length of the contract. As a result, the procurement timeline can take longer for major project delivery when compared to traditional delivery.
- **Paying a risk premium to transfer unknown risks upfront:** The P3 delivery model transfers many risks associated with project delivery to the private sector. This is done through performance-based agreements that lock in project cost at commercial close. Given the nature of these contracts, not all risks are fully known at the outset. Therefore, a private entity may build a “risk premium” into their proposal. Not unlike the purchase of insurance, this investment is made to help lock-in costs and mitigate exposure to certain risks for the public sponsor. These costs can be mitigated in part by robust competition between bidders.

RISK ALLOCATION ANALYSIS

INDOT employs a two-step screening process when assessing whether a project should be delivered using an alternative delivery model. During the initial project screening phase, INDOT reviews available project information and data and assesses the project against a set of screening criteria to determine the feasibility of delivering a proposed project via an alternative delivery method. Table 7-1 below summarizes criteria examined during the initial project screening phase. The primary screening criteria are merely a guide for assessment. A project that does not meet some or all of the primary screening criteria may still advance to a secondary screening based on other considerations. Other unique characteristics of the project may require assessment of additional considerations.

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

High Level Project Screening Criteria		Rating
Project Complexity	Is the project sufficiently complex in terms of technical and/or financial requirements to effectively leverage private sector innovation and expertise?	High
Accelerating Project Development	If the required public funding is not currently available for the project, could using a P3 delivery method accelerate the delivery of the project?	Low
Transportation Priorities	Is the project consistent with overall transportation objectives of the State?	High
	Does the project adequately address transportation needs?	High
Project Efficiencies	Would the P3 delivery method help foster efficiencies through the most appropriate transfer of risk over the project life-cycle?	Medium
	Is there an opportunity to bundle projects or create economies of scale?	High

High Level Project Screening Criteria		Rating
Ability to Transfer Risk	Would the P3 delivery method help transfer project risks and potential future responsibilities to the private sector on a long-term basis?	Low
Funding Requirement	Does the project have revenue generation potential to partially offset the public funding requirement if necessary?	Low
	Could a public agency pay for the project over time, such as through an availability payment, as opposed to paying for its entire costs up front?	Low
Ability to Raise Capital	Would doing the project as a P3 help free up funds or leverage existing sources of funds for other transportation priorities with the State?	Medium

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

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

Detail Project Screening Criteria		Rating
Public Need	Does the project address the needs of the local, regional and state transportation plans, such as congestion relief, safety, new capacity, preservation of existing assets?	High
	Does the project support improving safety, reducing congestion, increasing capacity, providing accessibility, improving air quality, improving pedestrian biking facilities, and/or enhancing economic efficiency?	High
Public Benefits	Will this project bring a transportation benefit to the community, the region, and/or the state?	High
	Does the project help achieve performance, safety, mobility, or transportation demand management goals?	High
	Does this project enhance adjacent transportation facilities or other modes?	Low
Economic Development	Will the project enhance the State's economic development efforts?	Med
	Is the project critical to attracting or maintaining competitive industries and businesses to the region, consistent with stated objectives?	Med
Market Demand	Does sufficient market appetite exist for the project? Are there ways to address industry concerns?	High
Stakeholder Support	What is the extent of support or opposition for the project? Does the proposed project demonstrate an understanding of the national and regional transportation issues and needs, as well as the impacts this project may have on those needs?	Med
	What strategies are proposed to involve local, state and/or federal officials in developing this project?	Med
	Has the project received approval in applicable local and/or regional plans and programs?	High
	Is the project consistent with federal agency programs or grants on transportation (FHWA, FTA, MARAD, FAA, FRA, etc.)?	Low
Legislative Considerations	Are there any legislative considerations that need to be taken into account such as tolling, user charges, or use of public funds?	Low

Detail Project Screening Criteria		Rating
Technical Feasibility	Is the project described in sufficient detail to determine the type and size of the project, the location of the project, proposed interconnections with other transportation facilities, the communities that may be affected and alternatives that may need evaluation?	High
	Is the proposed schedule for project completion clearly outlined and feasible?	Med
	Does the proposed design appear to be technically sound and consistent with the appropriate state and federal standards?	High
	Is the project consistent with applicable state and federal environmental statutes and regulations?	Med
	Does the project identify the required permits and regulatory approvals and a reasonable plan and schedule for obtaining them?	High
	Does the project set forth the method by which utility relocations required for the transportation facility will be secured and by whom?	Med
Financial Feasibility	Are there public funds required and, if so, are the State's financial responsibilities clearly stated?	High
	Is the preliminary financial plan feasible in that the sources of funding and financing can reasonably be expected to be obtained?	High
Legal/Legislative Feasibility	Is legislation needed to complete the project?	Low
Project Risks	Are there any particular risks unique to the projects that have not been outlined above that could impair project viability?	Low
	Are there any project risks proposed to be transferred to INDOT that are likely to be unacceptable?	Low
Term	Does the project include a reasonable term of concession for proposed operation and maintenance?	N/A
	Is the proposed term consistent with market demand, providing a best value solution for the State?	N/A
	Is the proposed term optimal for a whole-of-life approach?	N/A

Using the aforementioned standard INDOT screening process, including the high-level screening, detailed level screening and financial feasibility analysis, it was determined the I-65/I-70 North Split Project is a strong candidate for P3 DBBV delivery. Table 7-3 below provides additional considerations to the Project using the DBBV delivery model.

Table 7-3. INDOT DBBV Project Considerations

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

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

- The project is large and is located in a high traffic volume area, as the second-busiest interchange in Indiana, seeing around 214,000 vehicles per day.
- An accelerated construction schedule would help to limit construction impacts to stakeholders and

while addressing safety concerns during the construction period.

- Traffic maintenance will be a challenge; coordinating the traffic including several interstate and local road closures could benefit from a high level of multi-discipline coordination and integrated approach to construction sequencing.
- The project characteristics (size, high traffic volumes and truck traffic) are such that a performance-based contract would help to reduce the risk of change orders and cost overruns.
- The project size will be highly attractive to regional and national contractors and designers and is likely to attract a strong pool of bidders willing to work under a DBBV model.

Therefore, INDOT identified the DBBV model as the preferred delivery model and proceeded with procuring the project on that basis.

MARKET CONDITIONS

The Project will not utilize funding outside of federal-aid and state transportation funds appropriated to INDOT as previously discussed in Chapter 5, therefore market conditions are not applicable to financing.

PERMITS AND APPROVALS

The FHWA approved the preferred alternative as Alternative 4C with refinements in July 2019 with the understanding the environmental study is not yet completed but is anticipated in September 2020. All permitting activity will be carried out in accordance with the environmental study.

The RFP for final design and construction includes provisions to ensure compliance with all NEPA commitments that will be included in the environmental study. INDOT will apply for permits with key federal regulatory agencies. The permits and notifications that may be required by the environmental study are outlined in Table 7-4 below.

Table 7-4. Required Permits and Notifications

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

CHAPTER 8. RISK AND RESPONSE STRATEGIES

INTRODUCTION

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

PROJECT COST RISKS AND RESPONSE STRATEGIES

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

Table 8-1. Project Cost – Risks and Response Strategies

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

PROJECT SCHEDULE RISKS AND RESPONSE STRATEGIES

The risks shown in Table 8-2 have been identified as those that may affect Project schedule and, therefore, ability of the Project Sponsor to deliver the Project in a timely basis.

Table 8-2. Project Schedule – Risks and Response Strategies

Risk	Response Strategy	Likelihood of Occurrence	Impact of Occurrence
Litigation			
Lawsuits filed within the statutory protest period may result in significant delays to the start of construction and expose the Project to additional inflationary costs.	To mitigate the potential impacts of future litigation that could cause schedule delays and cost escalation, risk and mitigation delays and measures are being addressed in the environmental study. INDOT intends to adhere to the recommendations outlined in the environmental study and conditions of each federal approval received to construct the project.	Medium	Medium
Permits and Approvals			
Delays in the receipt of permits and approvals may delay the start of construction.	The state has initiated activities necessary to secure major permits. The DB will assume responsibility to obtain all other permit approvals. Compliance will be the DB's responsibility and will be addressed directly in the relevant contract documents. The state has a track record of success in acquiring similar permits.	Low	Low
Unanticipated Site Conditions			
Unanticipated geotechnical conditions could be encountered, potentially delaying the schedule or increasing costs. The Project site may include "urban fill" in existing embankments, consisting of portions of buildings (e.g. bricks and concrete) removed in the original interstate construction. The Project site may also include in situ basement or foundation elements only partially removed during original interstate construction.	Extensive geotechnical investigations have been conducted on the Project. While preliminary results do not indicate significant problems, there is potential for urban fill and obstructions. The DB will be responsible to identify and resolve obstructions to the state's satisfaction per contractual requirements in the PPA.	Medium	Low
Endangered Species			
If endangered species (e.g., Indiana bat, mussels, etc.) are encountered, construction work may be disrupted, leading to schedule delays and/or additional costs.	Mitigation is an established process that minimizes delay with dedicated staffing to address surprise findings. Similar mitigation has been used on four previous corridor projects successfully to avoid construction delays.	Low	Low
Hazardous Materials			
Both known and unknown hazardous materials could delay the Project and/or lead to additional costs.	Extensive research and analysis is being undertaken as part of the environmental study process. Additionally, investigations are underway on identified sites.	Low	Medium
Schedule Coordination			

Risk	Response Strategy	Likelihood of Occurrence	Impact of Occurrence
Due to the size and complexity of the Project, poor project scheduling and coordination could delay the Project schedule.	The DB is required to develop and submit for review a start-up schedule per contract requirements, identifying early activities to avoid early risks. The DB is also required to develop and submit for review a full project schedule of all activities. These schedules transfer risk from the public to the DB. A DB or progress payment concession structure helps transfer much of this risk from the public to the private sector DB or concessionaire.	Low	Medium
Maintenance of Traffic			
Traffic impacts and loss of access could adversely affect communities / businesses, negatively impacting support for project.	A detailed maintenance of traffic (MOT) plan will be required of the DB. The DB is also required to develop a Traffic Management Plan (TMP) to coordinate traffic during construction with impacted entities and the public. The DB is also required to develop a Public Involvement Plan that provides regular updates on road closures and restrictions, develops an emergency notification system, includes public meetings during construction, and develops informational maps or exhibits. Commitments to the community will be included in the project requirements, such as bicycle route detour notifications, and avoiding closure of two adjacent cross streets at the same time. Additional coordination with local projects and ongoing stakeholders is also required.	High	Medium
Project Start-up/Execution			
Delays in mobilizing required resources at project kick-off could delay the project at inception, requiring the DB to perpetually play catch-up with their schedule.	Detailed requirements in the Technical Provisions and PPA define the DB's responsibilities and keep schedule risk predominantly with the DB. Vigilant oversight by the project team will protect INDOT from unexpected delay claims.	Low	Medium
Environmental Study Schedule			
Delays in the environmental study determination process and schedule could impact the start of construction activities.	Critical path items including development and review are prioritized to avoid delay.	Medium	Medium

FINANCING AND REVENUE RISKS AND RESPONSE STRATEGIES

The risks identified in Table 8-3 may negatively affect the Project Sponsor's ability to finance the Project cost-effectively. For each risk, the table provides a summary of potential mitigation strategies.

Table 8-3 Financing and Revenue – Risks and Response Strategies

Risk	Response Strategy	Likelihood of Occurrence	Impact of Occurrence
Availability of State and Federal Funding			

Risk	Response Strategy	Likelihood of Occurrence	Impact of Occurrence
The state has identified and committed various levels of conventional funding for the Project within the timeframe of its budget planning cycle. Funding beyond this period is subject to appropriation risk.	Within procedural limitations, the state has demonstrated a strong commitment to ensuring that the Project is delivered given the investment of funds to date. INDOT has included the Project in its internal budgeting and financial control systems at the requisite funding levels. In addition, all anticipated funding amounts are reflected in Indiana's fiscally-constrained STIP and the TIP for the metropolitan region.	Low	Medium
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 assistance is not anticipated in this project. In the event that the Project Sponsor pursues and is unsuccessful in securing federal TIFIA assistance, the Project Sponsor must ensure the viability of the finance plan without such assistance. The current finance plan is not dependent on a TIFIA allocation, although such an allocation would lessen dependence on certain state and federal funds described herein.	Low	Medium

PROCUREMENT RISKS AND RESPONSE STRATEGIES

The risks identified in Table 8-4 may affect the Project Sponsor's ability to implement the Project due to risks associated with procurement through a DBBV procurement model using a PPA.

Table 8-4. Procurement – Risks and Response Strategies

Risk	Response Strategy	Likelihood of Occurrence	Impact of Occurrence
Delay in Procurement			
The state does not receive affordable bids or are not able to reach commercial close in the procurement.	An agreement is being developed to address the risks associated with not receiving affordable bids or not achieving commercial close.	Medium	Medium

IMPACT ON STATEWIDE TRANSPORTATION PROGRAMS

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

Indiana has provided for substantial funding for the Project through a combination of state and federal funding, including the Project in the state's capital program. Indiana will continue to make specific financial commitments to the Project based on its standard budget procedures and in accordance with the [STIP](#), which takes into account the needs of the overall transportation program and other projects throughout the State. INDOT estimates these payments will be 3.2% of its capital program from SFY16 through SFY21. Funding for the Project is 6.6% of NHPP and 0.2% of STP of INDOT's FHWA apportionments from SFY16 through SFY21. In addition to being reflected in internal budget and financial control systems, all anticipated funding amounts are reflected in the fiscally-constrained [STIP](#) as well as the [IRTIP](#) for the metropolitan region.

CHAPTER 9. ANNUAL UPDATE CYCLE

INTRODUCTION

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

FUTURE UPDATES

The effective date for this IFP is May 31, 2019. The next FPAU will be submitted to FHWA by August 31, 2020.