INDIANA DEPARTMENT OF TRANSPORTATION

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Mike Braun, Governor
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February 21, 2025

Michelle Herrell
Division Administrator
FHWA Indiana Division
575 N Pennsylvania St., Room 254
Indianapolis, IN 46204

Subject: I-80/94 Flex Road Project Initial Financial Plan Letter of Certification

Dear Ms. Herrell:

The Indiana Department of Transportation has developed a comprehensive Initial Financial Plan for the I-80/94 Flex Road Project in accordance with the requirements of 23 U.S.C. §106 and the Financial Plan guidance issued by the Federal Highway Administration 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-80/94 Flex Road Project, cash flows, and expected conditions for the project's life cycle. The cost data in the Financial Plan provide an accurate accounting of costs incurred to date. The financial forecasts are based on engineer's estimates, expected construction cost escalation factors, our judgment of the expected project conditions, and our expected course of action. Estimates of financial resources rely upon assumptions regarding future economic conditions and demographic variables and represent realistic estimates of the resources available to fund the project as described.

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,

Joseph Gustin
CFO, Deputy Commissioner of Finance
Indiana Department of Transportation

I-80/94 Flex Road (Borman Expressway)

Initial Financial Plan

January 2025*

*Project cost estimates and completion schedules reflect information available as of January 31, 2025.

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 Interstate (I) 80/94 Flex Road (Borman Expressway) in Cook County, Illinois (IL) and Lake County, Indiana (IN) (the Project), including current cost estimates, expenditure data through the effective date of January 31, 2025, the current schedule for delivering the Project, and the financial analyses developed for the Project. This IFP has been prepared generally in accordance with the Federal Highway Administration (FHWA) Financial Plans Guidance.

PROJECT OVERVIEW

The Project is expected to improve traffic flow and safety along Indiana's busiest interstate corridor. The Project spans the I-80/I-94 Corridor (Borman Expressway) from I-65 in Indiana to the east to IL 394 to the west. The Project is expected to implement innovative strategies to help reduce travel time, increase travel time reliability, and improve safety.

PROJECT SPONSOR

The Indiana Department of Transportation (INDOT) is the Project Sponsor for the Project. The Project will be procured and managed by INDOT. The Project is located in Cook County, IL and Lake Count, IN.

PROJECT DETAIL

The Project will implement integrated active traffic management (ATM) and intelligent transportation system (ITS) solutions, including improved digital message signs (DMS), variable speed limits, dynamic lane control, dynamic shoulder lanes, queue warning, and ramp metering throughout the Project corridor. Other improvements include installation of redundant fiber throughout the corridor, modifying the I-65 and Broadway interchanges with I-80/I-94, concrete pavement restoration, installation of gantry structures over I-80/I-94, and drainage improvements throughout the Project corridor as needed.

The Project will be delivered in two phases:

- Phase 1: from the IL 394 interchange in Illinois to I-65 in Indiana, approximately 14.7 miles. The National Environmental Policy Act (NEPA) decision for this Phase was in January 2025 under the Categorical Exclusion (CE) 1 type.
    - Advance Preservation Work
        - Installation of new fiber backbone along the corridor.
        - Installation of new handholes and vaults, in preparation for TSMO work below.
- Phase 2: from the IL 394 interchange in Illinois to I-65 in Indiana, approximately 14.7 miles . The NEPA decision for this Phase is in process as a CE-4 type and is anticipated to be completed in June 2025. This must be approved before construction funding with FHWA can be authorized.
    - Contract Concrete Pavement Restoration (from the IL/IN state line to State Route (SR) 912 including the interchange, approximately 4.5 miles)

- Full and partial-depth patching of mainline and ramps.

- Transportation Systems Management and Operations (TSMO)
  - Installation of approximately 70 new overhead sign gantries, with Dynamic Message Signs (DMS).
  - Minor widening of corridor near the Broadway interchange and EB exit ramp to I-65 SB.
  - New static signing for EB lane drop, east of I-65.
  - Restriping of entire corridor to include a part-time shoulder lane.
  - Installation of ramp metering facilities on several entrance ramps.
  - Reconfiguration of the Broadway interchange – Removal of existing NB-EB diagonal ramp and combining with SB-EB loop ramp.

FIGURE 1-1. PROJECT MAP

PROJECT DELIVERY APPROACH

INDOT is utilizing the Construction Manager/General Contractor (CM/GC) qualifications-based procurement process. Under this procurement method, the CM/GC Contractor is procured separately from the professional services consultant (designer) retained for the Project, before completion of the design. Prominently within the preconstruction services is the CM/GC Contractor's iterative sharing of cost and pricing information with INDOT and its designer to facilitate price discussions and to help ensure INDOT is receiving a fair price for the construction services to deliver the project as designed. INDOT will utilize an Independent Cost Estimator ("ICE") to evaluate the CM/GC Contractor's "Cost Model" and "Pricing Milestone Estimates" ("PME"). If INDOT is satisfied with the performance of the CM/GC Contractor, its approach to building the Project, and the price, then INDOT will award the construction of the Project through execution of the "Construction Phase Amendment" with the CM/GC Contractor,

capturing the price and finalizing other terms and conditions for project delivery. If INDOT is not satisfied, they will have the right to terminate the agreement with the CM/GC Contractor (depending on the circumstances, either for convenience, failure to agreement upon Construction Phase terms, or CM/GC Contractor default).

PROJECT HISTORY

A discussion of the project history, alternatives analysis, and public involvement can be found on the Project website found t at https://indianaflexroad.com/.

PROJECT IMPLEMENTATION – MANAGEMENT AND OVERSIGHT

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

- **INDOT,** supported by their Design Consultant (described below), will be responsible for all aspects of the Project.
- **Design Consultant** will supplement and assist INDOT personnel with technical design, shop drawing review, requests for information (RFIs), and Change Order Requests. The Design Consultant will work under the direction of INDOT.
- **Construction Services Consultant** will supplement and assist INDOT personnel with construction documents and plan review, contract administration, construction inspection, and quality control and quality assurance activities. The Construction Services Consultant will work under the direction of INDOT.
- **CM/GC Contractor** will supplement and assist INDOT with preconstruction services (i.e., consulting to provide information to the Department and its designer regarding the impact of the design on the construction of the Project, to include among other things, scheduling impacts, work sequencing impacts, cost engineering, constructability, cost estimating, and risk identification). INDOT published a Request for Proposal (RFP) on November 15, 2024, and will identify the Successful Proposer at the Bid Letting on February 25, 2025. Contract Execution and Notice to Proceed is anticipated in March and April 2025.

CHAPTER 2. PROJECT SCHEDULE

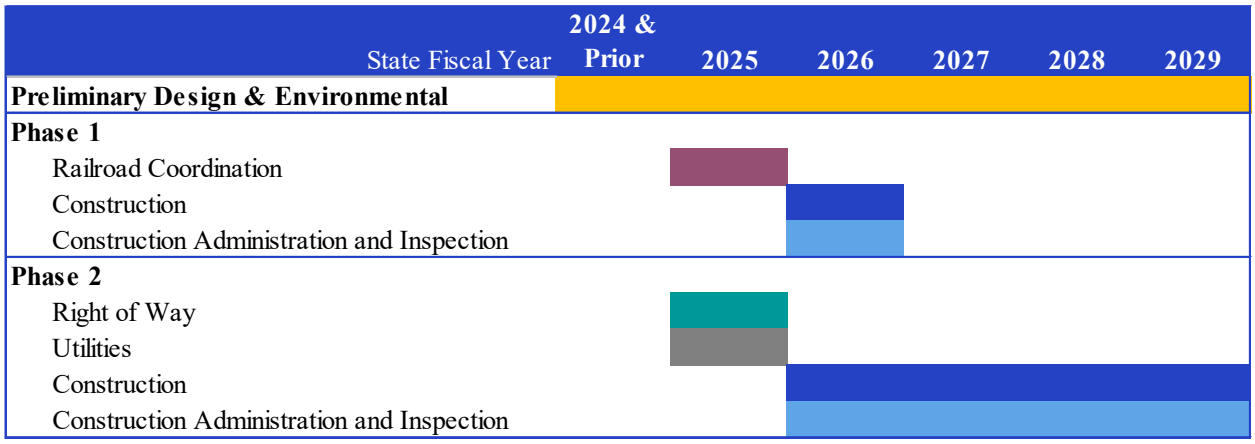
INTRODUCTION

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 Project is currently comprised of a two construction phases. As shown in Table 2-1 below, although the environmental work is still ongoing, Preliminary Engineering (PE) and Design work will continue beyond the Construction letting, as Final Design will be part of the CM/GC construction contract. The Project construction will allow for substantial completion in the second quarter of State Fiscal Year (SFY) 2029, by December 31, 2028.

TABLE 2-1. PROJECT SCHEDULE OVERVIEW



PROCUREMENT SCHEDULE

The INDOT will award a CM/GC contract in March 2025, as shown in the procurement schedule (see Table 2-2). The Project does require permanent right of way (RW) acquisitions within the project limits. Further, utility relocations associated with this Project will continue to be coordinated during the preconstruction services of the CM/GC contract. Table 2-2 provides the current procurement schedule for the Project.

TABLE 2-2. PROCUREMENT SCHEDULE

Schedule Item	Phase I	Phase II
PE Consultant NTP	11/2020	11/2020
Engineer's Report	3/2022	3/2022
Issue RFP for CMGC Contractor	11/2024	11/2024
CMGC Contract Execution	3/2025	3/2025
CN Funds Obligation	7/2025	11/2025
Guaranteed Maximum Price	7/2025	12/2025
Commencement of CN	8/2025	1/2026

Schedule Item	Phase I	Phase II
Substantial Completion	4/2026	12/2028
Final Acceptance	6/2029	6/2029

PERMITS AND APPROVALS

The environmental clearance was received in January 2025 for Phase I and anticipated for Phase II in June 2025. INDOT intends for the permitting to be complete before the commencement of construction for Phase I.

TABLE 2-3. REQUIRED PERMITS AND NOTIFICATIONS

Agency	Permit/Notification	Responsibility	Status
U.S. Army Corps of Engineers	Section 404 Permit for Discharge of Dredged or Fill Material into Waters of the United States	INDOT	Submitted to INDOT 1/31/2025, await comments, anticipated submittal to USACE 3/1/2025 (with priority status), anticipated USACE approval 7/1/2025
Indiana Department of Environmental Management	Isolated wetland permit	INDOT	TBD
Indiana Department of Environmental Management	Section 401 Water Quality Certification	INDOT	Submitted to INDOT 1/31/2025, await comments, anticipated submittal to IDEM 3/1/2025 (with priority status), anticipated IDEM approval 7/1/2025
Indiana Department of Environmental Management	Construction Stormwater General Permit	INDOT	Anticipated submittal to INDOT 2/9/2025, anticipated submittal to IDEM 4/9/2025, anticipated IDEM approval 5/21/2025
Indiana Department of Natural Resources	Construction in a Floodway Permit	INDOT	TBD
Federal Aviation Administration	7460-1 Notice of Proposed Construction or Alteration	CMGC	TBD
U.S. Army Corps of Engineers	Section 408 Levee Permit	INDOT	Analysis documentation submitted to INDOT 1/31/2025 await comments, anticipated submittal to USACE 3/1/2025, TBD

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 $300.87 million in year of expenditure (YOE) dollars. Unless otherwise stated in this financial plan, all monies are shown in YOE. This cost estimate includes the most current project phasing and anticipated schedule. Table 3-1 provides an overview of costs, broken down by work phase.

TABLE 3-1. PROJECT COST ESTIMATE BY PHASE (IN $ MILLIONS)

	Prelim. Design/ NEPA	Phase 1	Phase 2	Total
Preliminary Design & Environmental	$20.66	-	-	**$20.66**
Railroad Coordination	-	$0.10	-	**$0.10**
Right of Way	-	-	$0.40	**$0.40**
Utilities	-	-	$0.40	**$0.40**
Construction	-	$8.79	$238.36	**$247.15**
Construction Administration and Inspection	-	$0.90	$31.26	**$32.15**
Total	**$20.66**	**$9.79**	**$270.42**	**$300.87**

COST ESTIMATING METHODOLOGY

Initial cost estimates were developed by the Design Consultant in conjunction with INDOT and FHWA. The cost estimates were developed by breaking down the Project into elements. The methodology for each element is further described below in Table 3-2.

TABLE 3-2. COST ESTIMATING METHODOLOGY

Cost Elements
Engineering and Design
Preliminary and final engineering design services.
Engineering and design cost estimates are currently estimated at 7.4% of the construction cost estimate.
Design Program Management
Cost to state for services of the General Engineering Consultant (GEC) during the design phase and miscellaneous departmental program management 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 are estimated at 11.5% of the construction cost estimate.

Cost Elements
Construction
Estimated cost of construction.
Construction estimates reflect current prices inflated for YOE utilizing a CMGC contract model.
Construction Contingency
Contingency to cover additional construction services in the event unforeseen circumstances arise that result in additional cost.
Construction contingency estimates are based on the level of engineering undertaken to date for the Project. Contingency factors have been included based on the cost estimates developed for the overall potential cost impact.
Utilities & Railroads
All public and private project-related utility and railroad relocation and new construction.
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.
Enhancements
Various Project-related commitments as identified in the CE-1 and CE-4.
This includes fixed dollar commitments made for various National Environmental Protection Act (NEPA) commitments.

PROJECT EXPENDITURES

Table 3-3 shows the breakdown of costs for the Project annually by work phase and SFY. As shown, about $9.32 million has been expended through the end of SFY24. SFY25 is a combination of expenditures, obligations (encumbered funds), and programmed funds that are not yet obligated. SFY26 and forward are estimated expenditures.

TABLE 3-3. PROJECT COST ESTIMATE BY FISCAL YEAR (IN $ MILLIONS)

	2024 & Prior	2025	2026	2027	2028	2029	Total
Preliminary Design & Environmental	9.32	6.35	1.50	1.50	1.50	0.50	**20.66**
Phase 1							
Railroad Coordination	-	0.10	-	-	-	-	**0.10**
Construction	-	-	8.79	-	-	-	**8.79**
Construction Administration and Inspection	-	-	0.90	-	-	-	**0.90**
Phase 1	-	0.10	9.69	-	-	-	**9.79**
Phase 2							
Right of Way	-	0.40	-	-	-	-	**0.40**
Utilities	-	0.40	-	-	-	-	**0.40**
Construction	-	-	34.73	84.33	94.29	25.00	**238.36**
Construction Administration and Inspection	-	-	8.56	8.84	8.85	5.00	**31.26**
Phase 2	-	0.80	43.30	93.18	103.14	30.00	**270.42**
Total	**9.32**	**7.25**	**54.48**	**94.68**	**104.64**	**30.50**	**300.87**

CHAPTER 4. PROJECT FUNDS

INTRODUCTION

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

FINANCIAL PLAN OVERVIEW

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

The Indiana Department of Transportation 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 financial obligations to the Project are manageable,
- ensuring that the Project delivers value to 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 CE document,
- 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 CMGC delivery method selected by INDOT has the potential of providing private sector innovation, efficiencies, and cost effectiveness with the best value to taxpayers. INDOT has developed a pro-form financial plan that provides a certain view of how a contractor may deliver this Project.

Per the draft Agreement for Development, Procurement, and Construction of the I-80/94 Flex Road Project between the State of Indiana and the State of Illinois, Illinois Department of Transportation (IDOT) will fund approximately 11% of Project construction and inspection costs[1]. This percentage share reflects the anticipated cost of work to be completed within the state of Illinois and utilizes non-federal funds. Based on the current cost estimates presented in this plan, IDOT's contribution is estimated to be $29.44 million. If actual project costs are higher and IDOT's contribution exceeds $34 million, the Agreement will be amended to reflect the updated cost.

[1] The bi-state agreement between Indiana and Illinois is not yet executed.

Procurement Approach and Financing

The Project will be procured using a CMGC procurement model. Under this model, INDOT will make progress payments to a contractor as work is progressed constructing a facility in accordance with the performance standards set forth in the Construction Phase Agreement and Pricing Package Amendments.

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

State Transportation and Federal-Aid Formula Funding

NHPP funds combined with state funding from gas and wheel taxes, along with funds from the Toll Lease Amendment Proceeds (TLAP) program, and IDOT financial contributions (described above) will be used to fully fund the Project. The Federal to non-Federal funds ratio of 62.1% to 37.9% is anticipated, as described below in Table 4-1. Any funding amounts authorized under Advanced Construction (AC) (see Chapter 6) are not considered Federal funds until converted to Federal. Indiana has a demonstrated track record of meeting its state match obligations with a variety of state funding sources, including state-imposed fuel taxes and a variety of transportation-related fees.

Federal Discretionary Funding

The Project has received a grant award from the National Infrastructure Project Assistance Program (MEGA). As Table 4-1 below illustrates, $127.48 million is allotted to this Project for Construction (CN).

An estimated $300.87 million of federal-aid highway formula, state transportation, and other federal funds are reasonably expected to be available to the Project (see Table 4-1). This includes $14.06 million of funds obligated through SFY24. Any funds authorized with FHWA under Advance Construction (AC) authority are shown as State funds until they are converted to obligation limitation. Currently, this amount is $0.00 million (see Table 6-2).

TABLE 4-1. FEDERAL AND STATE FUNDING (IN $ MILLIONS)

	2024 & Prior	2025	2026	2027	2028	2029	Total
Preliminary Design & Environmental (Phase 1 & 2)							
Toll Road Lease Amendment Proceeds	13.96	-	-	-	-	-	**13.96**
Other INDOT Funds	0.10	6.60	-	-	-	-	**6.70**
Preliminary Design & Environmental Funds	14.06	6.60	-	-	-	-	**20.66**
Phase 1							
NHPP	-	-	5.48	-	-	-	**5.48**
INDOT Funds	-	0.10	2.27	-	-	-	**2.37**
IDOT Funds	-	-	1.94	-	-	-	**1.94**
Phase 1 Funds	-	0.10	9.69	-	-	-	**9.79**
Federal Funds	-	-	5.48	-	-	-	**5.48**
State Funds	-	0.10	4.21	-	-	-	**4.31**
Phase 2							
MEGA Grant	-	-	93.15	34.33	-	-	**127.48**
NHPP	-	-	11.59	6.27	35.44	-	**53.30**
Toll Road Lease Amendment Proceeds	-	-	24.60	-	-	-	**24.60**
Other INDOT Funds	-	0.80	19.46	1.57	15.71	-	**37.54**
IDOT Funds	-	-	27.50	-	-	-	**27.50**
Phase 2 Funds	-	0.80	176.30	42.18	51.14	-	**270.42**
Federal Funds	-	-	104.74	40.61	35.44	-	**180.78**
State Funds	-	0.80	71.56	1.57	15.71	-	**89.64**
Total Funds	**14.06**	**7.50**	**185.98**	**42.18**	**51.14**	**-**	**300.87**

	2024 & Prior	2025	2026	2027	2028	2029	Total
Federal Funds	-	-	110.22	40.61	35.44	-	**186.26**
Indiana Funds	14.06	7.50	46.33	1.57	15.71	-	**85.17**
Illinois Funds	-	-	29.44	-	-	-	**29.44**
State Funds	14.06	7.50	75.77	1.57	15.71	-	**114.61**
Total Funds	**14.06**	**7.50**	**185.98**	**42.18**	**51.14**	**-**	**300.87**

PROGRESS PAYMENTS

The progress payments will be funded with a combination of state and federal funds appropriated by INDOT and contributed by IDOT. In addition to being reflected in INDOT's internal budget and financial control systems, all anticipated funding amounts are reflected in the fiscally constrained 2024-2028 Statewide Transportation Improvement Program (STIP), as well as the 2024-2028 Northwestern Indiana Regional Planning Commission (NIRPC) Transportation Improvement Plan (TIP) for Indiana and the 2024-2027 STIP as well as the Chicago Metropolitan Agency for Planning (CMAP) TIP for Illinois.

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 federal grant, federal aid and state transportation funds allocated or 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 USES AND SOURCES OF FUNDING

A 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 anticipated to be fully funded through public funds contribution.

TABLE 6-1. ESTIMATED PROJECT SOURCES AND USES OF FUNDS (IN $ MILLIONS)

	IFP	% of Total
Sources of Funds		
Federal		
MEGA	127.48	42.4%
NHPP	58.78	19.5%
Federal Funds	**186.26**	**61.9%**
State		
Indiana	85.17	28.3%
Illinois	29.44	9.8%
State Funds	**114.61**	**38.1%**
Sources of Funds	**300.87**	**100.0%**
Uses of Funds		
Preliminary Design & Environmental Expenditures	**20.66**	**6.9%**
Phase 1		
Railroad Coordination	0.10	
Construction	8.79	
Construction Administration and Inspection	0.90	
Phase 1 Expenditures	**9.79**	**3.3%**
Phase 2		
Right of Way	0.40	
Utilities	0.40	
Construction	238.36	
Construction Administration and Inspection	31.26	
Phase 2 Expenditures	**270.42**	**89.9%**
Uses of Funds	**300.87**	**100.0%**

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, 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 obligation limitation 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.

Table 6-2 below provides the AC conversion status for the Project through January 31, 2025. As shown, the Project currently has $0.00 million in authorized AC funds.

TABLE 6-2. ADVANCE CONSTRUCTION FUNDING STATUS (IN $ MILLIONS)

Funding Method	Amount AC'd to Date	Amount Converted to Date	Amount Remaining in AC
INDOT AC Authorizations	$ -	$ -	$ -

PROJECTED CASH FLOWS

Table 6-3 summarizes the prior, current, and anticipated total, annual cash outlays for the Project. The Revenues section is consistent with Table 4-1 and the Expenditures section with Table 3-3.

TABLE 6-3. CASH FLOWS (IN $ MILLIONS)

	2024 & Prior	2025	2026	2027	2028	2029	Total
Carry Forward		*4.74*	*5.00*	*136.50*	*84.00*	*30.50*	
Funding							
MEGA	-	-	93.15	34.33	-	-	127.48
NHPP	-	-	17.07	6.27	35.44	-	58.78
Indiana Funds	14.06	7.50	46.33	1.57	15.71	-	85.17
Illinois Funds	-	-	29.44	-	-	-	29.44
Total Funds	**14.06**	**7.50**	**185.98**	**42.18**	**51.14**	**-**	**300.87**
Expenditures							
Preliminary Design & Environmental	9.32	6.35	1.50	1.50	1.50	0.50	20.66
Railroad Coordination	-	0.10	-	-	-	-	0.10
Right of Way	-	0.40	-	-	-	-	0.40
Utilities	-	0.40	-	-	-	-	0.40
Construction	-	-	43.52	84.33	94.29	25.00	247.15
Construction Administration and Inspection	-	-	9.46	8.84	8.85	5.00	32.15
Total Expenditures	**9.32**	**7.25**	**54.48**	**94.68**	**104.64**	**30.50**	**300.87**
Net Cash Flow	*4.74*	*5.00*	*136.50*	*84.00*	*30.50*	*0.00*	

CHAPTER 7. ALTERNATIVE DELIVERY METHODS ASSESSMENT

INTRODUCTION

This chapter provides information on the process used to assess the appropriateness of an alternative delivery method, including Public-Private Partnership (P3) to deliver the Project.

ALTERNATIVE DELIVERY METHODS 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 using a CMGC delivery method.

LEGISLATIVE AUTHORITY

The Alternative Delivery Program operates within the general legal framework set forth in the Indiana Code (IC). INDOT has been granted legislative authority to procure Alternative Delivery projects in Indiana. The statute providing authorization to procure P3 and a variety of Design-Build[2] type (DB) projects is IC 8-15.7, and IC 8-23-9.5 for Progressive Design Build (PDB) and Construction Manger General Contractor (CMGC). Both PDB and CMGC are progressive delivery methods under the Alternative Delivery umbrella. INDOT will lead the procurement and will be responsible for the technical aspects of Alternative Delivery projects and will commit, where it is appropriate, its appropriations towards a project.

INDIANA'S ALTERNATIVE DELIVERY 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 Alternative Delivery Program that resides within the Major Projects Delivery Division. The Major Projects Delivery Division is responsible for delivering and overseeing alternative delivery projects at INDOT.

BENEFITS – DISADVANTAGES COMPARISON

The Project is being procured using a CMGC delivery model and will be managed by INDOT. While alternative delivery methods are not suitable for all projects, there are a few main benefits to alternative delivery projects of all sizes and complexities. Using alternative project delivery models to deliver infrastructure projects has 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.

[2] Design-Build alternative procurement method types include but not limited to Design-Bid-Build, Design-Build, Design-Build-Low-Bid, and Design-Build-Best-Value. If a component of finance, operate, or maintain is included in DB, is classified as a P3 alternative delivery method.

- **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 can better budget and allocate funding for other projects with the confidence that costs are less likely to increase.
- **Private sector innovation:** Alternative 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 design and construction in the development of the project bid. The exchange of ideas between these parties can result in significant value engineering efficiencies and can help to avoid technical issues. Private entities are typically experienced in the design and construction of similar projects and are incentivized to use these efficiencies and economies of scale to achieve lower costs.
- **Improved accountability:** One party, the Successful 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 Successful Proposer is responsible.

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

- **Longer procurement timeline:** Some alternative project delivery methods require extensive upfront negotiations of the contract. The contract governs rights and obligations associated with the asset for the length of the contract. As a result, the procurement timeline can take longer for alternative project delivery when compared to traditional delivery.
- **Paying a risk premium to transfer unknown risks upfront:** Some design-build alternative delivery methods transfer risks associated with project delivery to the private sector. This is done through performance-based agreements that lock-in project costs, at commercial close. Given the nature of these contracts, not all risks are fully known at the outset. Therefore, a private entity may build a "risk premium" into their proposal. Not unlike the purchase of insurance, this investment is made to help lock-in costs and mitigate exposure to certain risks for the public sponsor.

RISK ALLOCATION ANALYSIS

INDOT employs a one-step screening process when assessing whether a project should be delivered using an alternative delivery model. 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. The screening criteria are merely a guide for assessment. A project that does not meet some or all the screening criteria may still be selected for an alternative delivery method. Table 7-1 below summarizes criteria examined during the project screening phase.

TABLE 7-1. INDOT ALTERNATIVE DELIVERY METHOD SCREENING CRITERIA

Project Screening Criteria	
Project Complexity	Is the project sufficiently complex in terms of technical and/or financial requirements to effectively leverage private sector innovation and expertise?
Accelerating Project Development	If the required public funding is not currently available for the project, could using a P3 delivery method accelerate the delivery of the project?
Transportation Priorities	Is the project consistent with overall transportation objectives of the State? Is the project consistent with the objectives of the appropriate plans and/or programs?
	Does the project adequately address transportation needs?
Project Efficiencies	Would the P3, PDB, or CMGC delivery method help foster efficiencies through the most appropriate transfer of risk over the project life cycle?
	Is there an opportunity to bundle projects or create economies of scale?
Ability to Transfer Risk	Would DB delivery method help transfer project risks to the private sector?
	Would the P3 delivery method help transfer project risks and potential future responsibilities to the private sector on a long-term basis?
	Would the PDB or CMGC delivery method help transfer project risks to the private sector?
Funding Requirement	Does the project have revenue generation potential to partially offset the public funding requirement if necessary?
	Could a public agency pay for the project over time, such as through an availability payment, as opposed to paying for its entire costs up front?
	Is it necessary to offset a public funding requirement?
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?
Economic Development	Will the project enhance the State's economic development efforts?
	Is the project critical to attracting or maintaining competitive industries and businesses to the region, consistent with stated objectives?
Term	Does the project include a reasonable term of concession for proposed operation and maintenance?
	Is the proposed term consistent with market demand, providing a best value solution for the State?
	Is the proposed term optimal for a whole-of-life approach?

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. Aside from funding, other market conditions factor into the procurement method selection. The construction labor market conditions are currently saturated with several other major construction projects in the regional area to which proposers could view negatively in their schedule and bid.

CHAPTER 8. RISK AND RESPONSE STRATEGIES

INTRODUCTION

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

PROJECT COST RISKS AND MITIGATION STRATEGIES

The Project cost risk elements include cost estimates, inflation, cost overruns (change orders), maintenance of traffic (MOT), and work force availability. The CMGC procurement method will mitigate most of these risks prior to construction except MOT. This project is located in an urban area with limited shoulder and right-of-way access to get materials in and out as well as perform the construction work. The Project team will vet MOT options with the CMGC during pre-construction work and provide prescriptive land and shoulder width restrictions, as well as ramp closures to accommodate safe mobilization, demobilization, and MOT in the technical specifications.

PROJECT SCHEDULE RISKS AND RESPONSE STRATEGIES

The Project schedule risk elements include litigation, permits and approvals, unanticipated site conditions, schedule coordination, MOT, and Project startup/execution. The CMGC procurement method will lower the likelihood of risks involving litigation, permits and approvals. The risk element of unanticipated site conditions could be encountered, potentially delaying the schedule and/or increasing costs. Analyses will be undertaken as part of the environmental clearance process and mitigation incorporated in the NEPA. Due to the size and complexity of the Project, poor project scheduling and coordination could delay the Project schedule. A progress payment concession structure helps transfer much of this risk to the CMGC team and constructability reviews will be held to maximize the construction schedule. Lastly, the traffic impacts and loss of access could adversely affect the public, negatively impacting support for the Project. To help mitigate this risk, a detailed MOT plan and traffic management plan (TMP) will be developed and include commitments to the community.

FINANCING RISKS AND MITIGATION STRATEGIES

The Project financing risk element includes funds availability and is mitigated by funds being allocated to the Project. The Project sponsor has made commitment of various levels of conventional and discretionary funding. The Project is included in both states' internal budgeting and financial control systems at the requisite levels. Additionally, all funding will be reflected in each state's STIP and the metropolitan TIPs.

PROCUREMENT RISKS AND MITIGATION STRATEGIES

The Project procurement risk element includes delay in procurement and is primarily mitigated by the CMGC procurement method. The possibility that the Project Sponsor cannot reach

agreement on the GMP with the CMGC still exists, but the likelihood of occurrence is anticipated to be very low. INDOT contracting procedures include contingencies and processes for re-advertising and re-scheduling letting of contracts.

Table 8-5 illustrates the risk management strategies for progressive delivery projects. The risk register is an essential part of the progressive delivery process that is collaboratively developed during the preconstruction work phase. The risk register becomes a contractual element by incorporation into the pricing package. By the end of the preconstruction work phase, the risk register should describe all known provisional and department risks, define unit costs or other payment mechanisms for provisional sum items, and set forth requirements for payment of the risk register events.

TABLE 8-1. PROGRESSIVE DELIVERY RISK MANAGEMENT

Department Risks	Provisional Risks	Contractor Risks
Documented in the risk register	*Documented in the risk register*	*Risks may be documented in the risk register*
Risks fully allocated to the department.	Jointly managed by the contractor and department.	Risks fully allocated to the contractor.
Department must follow documented change order process for payment when an event triggers the risk.	Risk register includes requirements for verification of occurrence and costs, payment responsibility and processes, and provisional sums.	Costs included in the contractor's bid.
Department determines budget to cover potential change orders originating from the risk register.	Provisional sums can be capped or uncapped.	No payment made by the department for contractor accepted risks.
	Payment for costs beyond the provisional sum for risk register events with uncapped provisional sum requires documentation through change order.	All risks that are not documented in the risk register are contractor risks.
	Department determines budget to cover payment in excess of the provisional sums.	
	Unused provisional sums may also be shared. The sharing ration is established in the risk register.	

IMPACT ON STATEWIDE TRANSPORTATION PROGRAM

Indiana and Illinois (the States) have provided funding for the Project through a combination of state and federal funding, including the Project in the state's capital program. The States will continue to make specific financial commitments to the Project based on its standard budget procedures and in accordance with each STIP, which considers the needs of the overall transportation program and other projects. INDOT estimates that these future payments will be 2.5% of its capital program. Funding for the Project from INDOT federal authorizations is estimated to be 1.6% of the NHPP. In addition to being reflected in internal budget and financial control systems, all anticipated funding amounts are reflected in the STIP, as well as the TIP of the NIRPC MPO for Indiana and the STIP as well as the CMAP TIP for Illinois.

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 January 31, 2025. Future updates will be submitted to FHWA by April 30 each subsequent year through substantial completion.