



# INDIANA DEPARTMENT OF TRANSPORTATION

100 North Senate Avenue  
Room N758  
Indianapolis, Indiana 46204

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

**Eric Holcomb, Governor**  
**Michael Smith, Commissioner**

April 25<sup>th</sup>, 2023

Jermaine Hannon  
Division Administrator  
FHWA Indiana Division  
575 N Pennsylvania St., Room 254  
Indianapolis, IN 46204

Subject: I-65 Added Travel Lanes Clark & Scott Counties Initial Financial Plan Letter of Certification

Dear Mr. Hannon:

The Indiana Department of Transportation has developed a comprehensive Initial Financial Plan for the I-65 Added Travel Lanes Clark & Scott Counties 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 Added Travel Lanes Clark & Scott Counties 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 Added Travel Lanes Clark & Scott Counties 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,

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



**INDIANA DEPARTMENT OF TRANSPORTATION**

# **I-65 Added Travel Lanes Clark & Scott Counties**

## **Initial Financial Plan**

**January 2023\***

\*Project cost estimates and completion schedules reflect information available as of January 31, 2023.

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 65 (I-65) Added Travel Lanes Clark and Scott Counties (the Project), including current cost estimates, expenditure data through the effective date of January 31, 2023, 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's (FHWA's) Financial Plans Guidance.*

## PROJECT OVERVIEW

The Project will increase the capacity of I-65 from 0.5 mile north of Blue Lick Road to 0.5 mile south of SR 56 in Clark and Scott Counties, Indiana through the construction of an added travel lane in both the northbound and southbound directions. This Project includes added travel lanes, interchange modifications, pavement reconstruction and rehabilitation, bridge rehabilitation and widening, new signage, new ITS facilities, and new drainage as described below.

## PROJECT SPONSOR

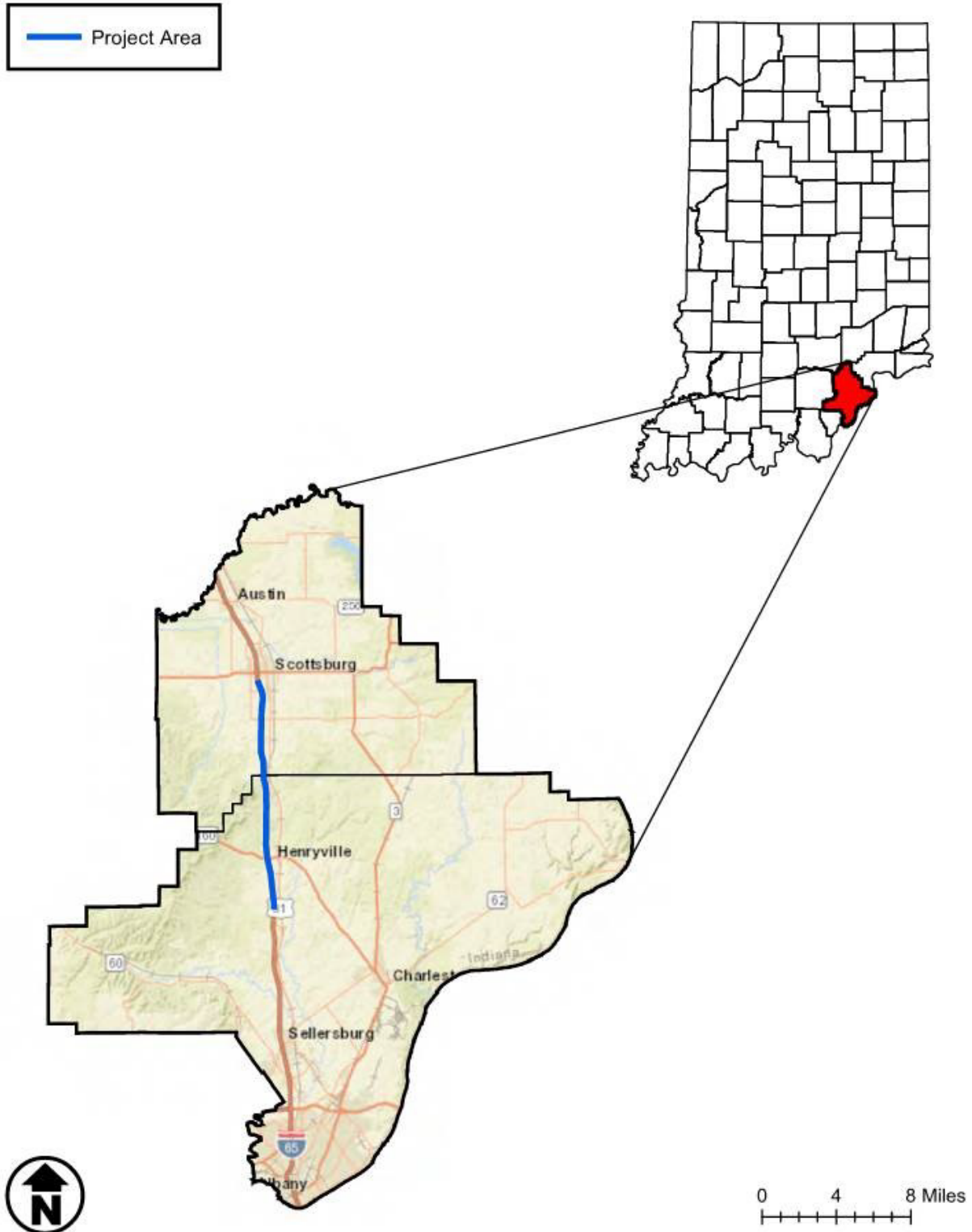
The Indiana Department of Transportation (INDOT) is the Project Sponsor for the Project. The Project will be procured and managed by the INDOT. The Project is located in Clark and Scott County, IN.

## PROJECT DETAIL

- Added Travel Lanes – includes the construction of one additional travel lane within the existing median in each direction for approximately 11.8 miles, from 0.5 miles north of Blue Lick Road to 2.2 miles south of SR 56.
- Pavement Reconstruction and Rehabilitation – includes the complete reconstruction of I-65 northbound and southbound travel lanes and shoulders for approximately 1.7 miles from 2.2 miles south of SR 56 to 0.5 miles south of SR 56; rehabilitation of the SR 160 ramps with pavement patching and a mill & overlay.
- Bridge Rehabilitation and Widening – includes the superstructure replacement of the County Line Road bridge over I-65; the superstructure replacement and widening of the I-65 bridges over Blue Lick Creek, Caney Fork, and Pigeon Roost Creek; the widening of the I-65 bridge over Brownstown Road.
- Signing – includes new and replacement roadside and overhead guide signs along the corridor; installation of three concrete median mounted overhead cantilever signs at the north limits of the added travel lanes.
- ITS Facilities – includes the removal of an existing Automatic Traffic Recorder (ATR) Station approximately 1.7 miles south of SR 160; the reconstruction of an existing ATR Station approximately 0.5 miles north of SR 160.
- Drainage – includes the construction of a storm sewer located in the median with in-line pipe detention along the outside shoulder; replacement of seven large culverts; replacement of thirty-two small structures; regrading of ditches on the outside of the roadway adjacent to reconstruction of the existing roadway as necessary for storm sewer outlets.
- Interchange Modifications – includes the reconstruction of gores and

acceleration/deceleration lanes to meet current design standards at both the SR 160 interchange and northbound rest area: the extension of the acceleration lane from the northbound rest area to better merge trucks into mainline traffic.

**FIGURE 1-1. PROJECT MAP OVERVIEW**



## **PROJECT DELIVERY APPROACH**

INDOT is utilizing the Design-Bid-Build (DBB), alternative procurement process to expand capacity and safety to the facility. Under this procurement process, INDOT engages and manages a design consultant to produce design plans and supporting documents for construction. INDOT posts a Request for Proposal (RFP), to which qualified contractors may submit a sealed bid to construct the Project. INDOT will open the bids and let the contract to the lowest qualified bidder (Successful Proposer).

## **PROJECT HISTORY**

A discussion of the project history, alternatives analysis, and public involvement can be found on the Project website found on the internet at <https://www.in.gov/indot/about-indot/central-office/welcome-to-the-seymour-district/i-65-added-travel-lanes-in-clark-and-scott-counties/>.

## **PROJECT IMPLEMENTATION – MANAGEMENT AND OVERSIGHT**

INDOT 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 will be responsible for all aspects of the Project.
- Design consultant – will supplement and assist INDOT personnel with technical design, shop drawing review, request for information (RFI), 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 document and plan review, contract administration, construction inspection, and quality control and assurance activities. The construction services consultant will work under the direction of INDOT.
- Successful Proposer – INDOT intends to publish a RFP for construction and will identify the successful proposer at the Bid Letting on 9/13/2023.

## 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 single DBB construction contract. As shown in Table 2-1 below, the environmental and final engineering phases of work were completed by the end of June 2023. The Project construction will allow for final completion in the fourth quarter of State Fiscal Year (SFY) 2026, by June 1, 2026.

**TABLE 2-1. PROJECT SCHEDULE OVERVIEW**

Phase / SFY	2022 & Prior	2023	2024	2025	2026
PE / Design	IFP				
Environmental	IFP				
Construction			IFP		
Utilities			IFP		

### PROCUREMENT SCHEDULE

The INDOT anticipates awarding a construction contract in September 2023 as shown in the procurement schedule below (see Table 2-2). The Project does not require permanent RW acquisitions within the project limits. Further, utility relocations associated with this Project are anticipated to be cleared within the construction timeframe allotted. Table 2-2 provides the current procurement schedule for the Project.

**TABLE 2-2. PROCUREMENT SCHEDULE**

Schedule Item	Date
Consultant Notice to Proceed	3/6/2020
Engineer's Report	1/31/2019
Stage 1 Plans	10/30/2020
Preliminary Field Check	5/5/2021
Stage 2 Plans	12/1/2021
Final Field Check	10/24/2022
Stage 3 Plans	12/22/2022
Final Tracings	5/22/2023
Ready for Contracts	6/21/2023
Letting	9/13/2023
Contract Completion	6/1/2026

### PERMITS AND APPROVALS

The CE-4 was completed in January 2023. All permitting activity will be carried out in accordance with the CE-4. The RFP for construction includes provisions to ensure compliance with all NEPA commitments. The INDOT has applied for permits with key federal regulatory



agencies. The permits and notifications that may be required by the CE-4 are outlined in Table 2-3 below.

**TABLE 2-3. REQUIRED PERMITS AND NOTIFICATIONS**

Agency	Permit / Notification	Responsibility
U.S. Army Corps of Engineers	Section 404 Permit for Discharge of Dredged for Fill Material into Waters of the United States	INDOT
Indiana Department of Environmental Management	Section 401 Water Quality Certification	INDOT
Indiana Department of Environmental Management	Construction Stormwater General Permit	INDOT

## 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 \$275.84 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 below provides an overview of costs, broken down by activity. The cost estimate was developed as part of final design.

**TABLE 3-1. PROJECT COST ESTIMATE BY ACTIVITY (IN \$ MILLIONS)**

Phase	Amount
PE /Design	\$ 9.76
Construction	\$ 264.32
CEI	\$ 1.65
Utilities	\$ 0.11
<b>Project Total</b>	<b>\$ 275.84</b>

### 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 activities. The methodology for each element is further described below in Table 3-2.

**TABLE 3-2. COST ESTIMATING METHODOLOGY**

Cost Elements
<b>Engineering and Design</b>
<i>Preliminary and final engineering design services.</i>
Preliminary engineering and final design are not part of the DBB contract. These services were previously provided by consultants from competitive bids. Engineering and design cost estimates are currently estimated at 3.7% of the construction cost estimate.
<b>Design Program Management</b>
<i>Cost to state for services of the General Engineering Consultant (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.
<b>Construction Administration and Inspection</b>
<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 0.02% of the construction cost estimate.
<b>Construction</b>
<i>Estimated cost of construction.</i>
Construction estimates reflect current prices inflated for YOE utilizing a large DBB contract model.
<b>Construction Contingency</b>

**Cost Elements**

*Contingency to cover additional construction services in the event unforeseen circumstances arise that result in additional cost.*

Construction contingency estimates are based on the level of engineering undertaken to date for the Project. Contingency factors have been developed based on the cost estimates that assessed the likelihood and potential cost of various major project risk items to evaluate the overall potential cost impact.

**PROJECT EXPENDITURES**

Table 3-3 shows the breakdown of costs for the Project annually by activity and SFY, respectively. As shown, approximately \$5.69 million has been expended on the Project through the end of SFY22. Anticipated expenditures in future years are summarized in the table as well. In addition, approximately \$270.14 million more is anticipated to be obligated through SFY26. Construction accounts for most at \$264.32 million. The remainder of the anticipated expenditures are for CEI and utilities coordination and/or relocations.

SFY22 and prior represent actual expenditures. SFY23 includes actual expenditures, prior obligations not expended (encumbered balances that carry forward for use), and any funds not yet obligated. SFY24 through SFY26 represent estimated expenditures.

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

Phase / SFY	2022 & Prior	2023	2024	2025	2026	Total
PE/ Design	\$ 5.69	\$4.06	\$ -	\$ -	\$ -	\$ 9.76
Construction	\$ -	\$ -	\$ 110.16	\$ 128.16	\$ 26.00	\$ 264.32
CEI	\$ -	\$ -	\$ 0.90	\$ 0.70	\$ 0.05	\$ 1.65
Utilities	\$ -	\$ -	\$ 0.05	\$ 0.06		\$ 0.11
Project Total	\$ 5.69	\$4.06	\$ 111.11	\$ 128.92	\$ 26.05	\$ 275.84

## 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 funds. 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 that the Project delivers value to Indiana, taxpayers, project partners, and end users through the lowest feasible Project cost,
- seeking private sector innovation and efficiencies and encouraging design solutions that respond to environmental concerns, permits, and commitments in the CE-4,
- 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 DBB delivery method selected by Indiana has the potential of providing private sector innovation, efficiencies, and cost effectiveness with the best value to taxpayers. INDOT has developed a pro forma financial plan that provides a certain view of how a contractor may deliver this Project.

### PROCUREMENT APPROACH AND FINANCING

The Project will be procured using a DBB 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 Scope of Services.

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 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 \(NHPP\)](#).

### STATE TRANSPORTATION AND FEDERAL-AID FORMULA FUNDING

NHPP funds combined with state funding from gas and wheel taxes will be used to fully fund the project. The Federal to non-Federal funds ratio of 83.9 to 16.1 percent as of the IFP is anticipated as described below in Table 4-1. The split is the result of prior preliminary engineering/design

expenditures funded with 100% state funds. The current funding amounts do not include any funds authorized under Advanced Construction (AC), which are not considered Federal funds until converted to Federal. 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 \$275.84 million of federal-aid highway formula and state transportation funds is reasonably expected to be available to the Project (see Table 4-1). This includes \$9.67 million of State funds obligated through SFY23. Any funds authorized with FHWA under AC are shown as State funds until they are converted to obligation limitation. The Project has not had any funds authorized under AC to date.

SFY22 and prior represent actual obligations from programmed funds. SFY23 includes actual obligations and any funds programmed, not yet obligated. SFY24 and SFY25 are programmed funds for future obligation.

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

Fund Type / SFY	2022 & Prior	2023	2024	2025	Total
<b>Federal</b>					
NHPP	\$ 0.09	\$ -	\$ 116.82	\$ 114.58	\$ 231.49
Subtotal, Federal	\$ 0.09	\$ -	\$ 116.82	\$ 114.58	\$ 231.49
<b>State</b>					
State Highway	\$ 9.64	\$ 0.03	\$ 17.10	\$ 17.58	\$ 44.35
Subtotal, State	\$ 9.64	\$ 0.03	\$ 17.10	\$ 17.58	\$ 44.35
<b>Total Funds</b>	<b>\$ 9.72</b>	<b>\$ 0.03</b>	<b>\$ 133.92</b>	<b>\$ 132.16</b>	<b>\$ 275.84</b>

**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 [2022-2026 Statewide Transportation Improvement Program \(STIP\)](#), as well as the [2020-2025 Kentuckiana Regional Planning & Development Agency \(KIPDA\) Transportation Improvement Plan \(TIP\)](#).

**FEDERAL DISCRETIONARY FUNDING**

The Project has not utilized funding outside of federal-aid formulary and state transportation funds appropriated to INDOT to date.

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## CHAPTER 5. FINANCING ISSUES

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### **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 aid and state transportation 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

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. The following sources of funds will fund construction and other development costs.

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

	Amount
<b>Source of Funds</b>	
IN Fed. & State Formulary	\$ 275.84
Source of Funds Subtotal	\$ 275.84
<b>Use of Funds</b>	
Design & Construction	\$ 274.19
CEI	\$ 1.65
Uses of Funds Subtotal	\$ 275.84

### 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. At no time will Indiana's AC exceed Indiana's future federal estimates.

Table 6-2 is reserved for AC status on the Project which currently is not utilizing the AC technique.

**TABLE 6-2. ADVANCED CONSTRUCTION FUNDING STATUS (IN \$ MILLIONS)**

[Reserved]

### PROJECTED CASH FLOWS

Table 6-3 summarizes the prior, current, and anticipated total, annual cash outlays for the Project and does not reflect the cash flow timing effects of the various financing mechanisms but rather the underlying total Project expenditures.

The cash flows table is formed from the information in Table 3-3 and 4-1. The funding from Table 4-1 is populated in the Revenues section while the expenditure information is from Table 3-3 in the expenditures section. The difference between each SFY funding and expenditures becomes a carryover amount to the subsequent SFY. As Table 6-3 illustrates, it is anticipated

that the Project will have obligated funding to carry over into SFY25 and SFY26 as the Project nears completion.

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

Revenues	2022 & Prior	2023	2024	2025	2026	Total
Carry Forward		\$ 4.03	\$ -	\$ 22.81	\$ 26.05	
INDOT Funding	\$ 9.72	\$ 0.03	\$ 133.92	\$ 132.16	\$ -	<b>\$ 275.84</b>
<b>Total Revenue Available</b>	<b>\$ 9.72</b>	<b>\$ 4.06</b>	<b>\$ 133.92</b>	<b>\$ 154.97</b>	<b>\$ 26.05</b>	
<b>Expenditures</b>						
PE / Design	\$ 5.69	\$ 4.06	\$ -	\$ -	\$ -	<b>\$ 9.76</b>
Construction	\$ -	\$ -	\$ 110.16	\$ 128.16	\$ 26.00	<b>\$ 264.32</b>
CEI	\$ -	\$ -	\$ 0.90	\$ 0.70	\$ 0.05	<b>\$ 1.65</b>
Utilities	\$ -	\$ -	\$ 0.05	\$ 0.06	\$ -	<b>\$ 0.11</b>
Expenditures Subtotal	<b>\$ 5.69</b>	<b>\$ 4.06</b>	<b>\$ 111.11</b>	<b>\$ 128.92</b>	<b>\$ 26.05</b>	<b>\$ 275.84</b>
Net Cash Flow	<b>\$ 4.03</b>	<b>\$ -</b>	<b>\$ 22.81</b>	<b>\$ 26.05</b>	<b>\$ -</b>	



## 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

The 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 DBB delivery method. While not a P3 procurement, the DBB project will be managed administratively the same.

### LEGISLATIVE AUTHORITY

The P3 Program operates within the general legal framework set forth in the Indiana Code (IC). The 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, where it is appropriate, its appropriations towards a project. 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. The INDOT will be the procuring agency and will be responsible for the technical aspects of the procurement. INDOT has an established P3 Department that resides within the [Major Projects Delivery Division](#). Both the P3 Department and the Major Projects Delivery Division are responsible for delivering and overseeing P3s at INDOT.

### BENEFITS – DISADVANTAGES COMPARISON

The Project is being procured using a DBB 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 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 innovative project delivery, there are also disadvantages that should be considered, including:

- **Longer procurement timeline:** Innovative project delivery requires 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 innovative 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 costs, at commercial close. Given the nature of these contracts, not all risks are fully known at the outset. Therefore, a private entity may build a “risk premium” into their proposal. Not unlike the purchase of insurance, this investment is made to help lock-in costs and mitigate exposure to certain risks for the public sponsor. These costs can be mitigated in part by robust competition between proposers.

## RISK LOCATION 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 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	
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?

High Level Project Screening Criteria	
Transportation Priorities	Is the project consistent with overall transportation objectives of the State?
Project Efficiencies	Does the project adequately address transportation needs?
	Would the P3 delivery method help foster efficiencies through the most appropriate transfer of risk over the project life cycle?
Ability to Transfer Risk	Is there an opportunity to bundle projects or create economies of scale?
	Would the P3 delivery method help transfer project risks and potential future responsibilities to the private sector on a long-term basis?
Funding Requirement	Does the project have revenue generation potential to partially offset the public funding requirement if necessary?
	Could a public agency pay for the project over time, such as through an availability payment, as opposed to paying for its entire costs up front?
Ability to Raise Capital	Would doing the project as a P3 help free up funds or leverage existing sources of funds for other transportation priorities with the State?

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

**TABLE 7-2. INDOT P3 SCREENING CRITERIA – STEP TWO**

Detail Project Screening Criteria	
Public Need	Does the project address the needs of the local, regional, and state transportation plans, such as congestion relief, safety, new capacity, preservation of existing assets?
	Does the project support improving safety, reducing congestion, increasing capacity, providing accessibility, improving air quality, improving pedestrian biking facilities, and/or enhancing economic efficiency?
Public Benefits	Will this project bring a transportation benefit to the community, the region, and/or the state?
	Does the project help achieve performance, safety, mobility, or transportation demand management goals?
Economic Development	Does this project enhance adjacent transportation facilities or other modes?
	Will the project enhance the State's economic development efforts?
Market Demand	Is the project critical to attracting or maintaining competitive industries and businesses to the region, consistent with stated objectives?
	Does sufficient market appetite exist for the project? Are there ways to address industry concerns?
Stakeholder Support	What is the extent of support or opposition for the project? Does the proposed project demonstrate an understanding of the national and regional transportation issues and needs, as well as the impacts this project may have on those needs?
	What strategies are proposed to involve local, state and/or federal officials in developing this project?

Detail Project Screening Criteria	
	Has the project received approval in applicable local and/or regional plans and programs?
	Is the project consistent with federal agency programs or grants on transportation (FHWA, FTA, MARAD, FAA, FRA, etc.)?
Legislative Factors	Are there any legislative considerations that need to be considered such as tolling, user charges, or use of public funds?
	Is legislation needed to complete the project?
Technical Feasibility	Is the project described in sufficient detail to determine the type and size of the project, the location of the project, proposed interconnections with other transportation facilities, the communities that may be affected and alternatives that may need evaluation?
	Is the proposed schedule for project completion clearly outlined and feasible?
	Does the proposed design appear to be technically sound and consistent with the appropriate state and federal standards?
	Is the project consistent with applicable state and federal environmental statutes and regulations?
	Does the project identify the required permits and regulatory approvals and a reasonable plan and schedule for obtaining them?
	Does the project set forth the method by which utility relocations required for the transportation facility will be secured and by whom?
Financial Feasibility	Are there public funds required and, if so, are the State's financial responsibilities clearly stated?
	Is the preliminary financial plan feasible in that the sources of funding and financing can reasonably be expected to be obtained?
Project Risks	Are there any particular risks unique to the projects that have not been outlined above that could impair project viability?
	Are there any project risks proposed to be transferred to INDOT that are likely to be unacceptable?
Term	Does the project include a reasonable term of concession for proposed operation and maintenance?
	Is the proposed term consistent with market demand, providing a best value solution for the State?
	Is the proposed term optimal for a whole-of-life approach?

Using the aforementioned standard INDOT screening process it was determined that the Project is not a strong candidate for a P3 procurement but is a strong candidate for DBB delivery. Table 7-3 below provides additional considerations to the Project using the DBB delivery model.

**TABLE 7-3. INDOT P3 PROJECT CONSIDERATIONS**

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

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

- The project is large and located in a high traffic volume area (with high truck traffic volume at about 40% of total traffic).
- An accelerated construction schedule would help to limit construction impacts to stakeholders and while addressing safety concerns during the construction period.
- Maintenance of traffic is a challenge; the multiple work types included in the project could benefit from a high level of multi-discipline coordination and integrated approach to construction sequencing.
- The project characteristics (size, high traffic volumes and truck traffic) are such that a performance-based contract would help to reduce the risk of change orders and cost overruns.
- The project size will be highly attractive to the region's larger players and is likely to attract a strong pool of proposers willing to bid under a DBB model.

Therefore, the INDOT identified the DBB 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. Aside from funding, other market conditions factor into the procurement method. The construction labor market conditions are currently saturated with several other major construction projects in the regional area. Two of these projects are P3/DBB projects which reduces the viability of another proposer entering the area. The current issues around supply chain disruptions presents a market condition to which proposers could view negatively in their schedule and bid.

## CHAPTER 8. RISK AND RESPONSE STRATEGIES

### INTRODUCTION

*This chapter addresses several important factors that could affect the Project and 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 MITIGATION STRATEGIES

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

**TABLE 8-1. PROJECT COST – RISKS AND RESPONSE STRATEGIES**

Risk	Mitigation Strategy	Likelihood of Occurrence	Impact of Occurrence
<b>Original Cost Estimates</b>			
The risk that original cost estimates are lower than bids received.	Recent letting of this project was not awarded due to the original cost estimate being lower than bids received, believed to be due to inflation in material costs. Those inflated costs have been considered. Should the bids be greater than the engineer’s estimate on the reletting, the state will revise its financial plans, accordingly, including additional state and federal funding. It is the expectation of the Project Sponsor that the planned procurement approach will help to accelerate project delivery and, in turn, reduce costs, which should help to maximize the scope delivered for the contract price.	Medium	Low
<b>Inflation</b>			
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 consider current low commodity prices and relatively high unemployment rates which are expected to result in favorable contract pricing.	Medium	Medium
<b>Cost Overruns During Construction</b>			
Cost overruns after start of construction could result in insufficient upfront funds to complete the project.	A DBB or progress payment concession structure helps transfer much of this risk from the public to the private sector successful proposer.	Medium	Low
<b>Materials Supply Chain</b>			

Risk	Mitigation Strategy	Likelihood of Occurrence	Impact of Occurrence
Supply chain disruptions could delay completion of the project or increase the cost of materials.	Some manufacturing was halted due to the COVID-19 health crisis while others experienced historical labor shortages. The affects have disrupted a number of industry supply chains for materials and as result prices are volatile, and receipt of goods are not time guaranteed. Longer than normal advertisement periods are scheduled for the letting. This will provide for longer planning and procurement lead times.	High	Medium

## PROJECT SCHEDULE RISKS AND MITIGATION STRATEGIES

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

**TABLE 8-2. PROJECT SCHEDULE – RISKS AND RESPONSE STRATEGIES**

Risk	Mitigation Strategy	Likelihood of Occurrence	Impact of Occurrence
<b>Litigation</b>			
Lawsuits filed within the statutory protest period may result in significant delays to the start of construction and expose the Project to additional inflationary costs.	To mitigate the potential impacts of future litigation that could cause schedule delays and cost escalation, INDOT intends to adhere to the conditions of each federal and local approvals received to construct the project.	Low	Medium
<b>Unanticipated Site Conditions</b>			
Unanticipated geotechnical conditions could be encountered, potentially delaying the schedule, or increasing costs.	Geotechnical investigations have been conducted on the Project, and preliminary results do not indicate any significant problems.	Medium	Low
<b>Hazardous Materials</b>			
Both known and unknown hazardous materials could delay the Project and/or lead to additional costs.	Investigations have been conducted on identified sites and preliminary results do not indicate any significant problems.	Low	Low
<b>Endangered Species</b>			
If endangered species (e.g., Indiana bat, Kirtland snake, mussels, etc.) are encountered, construction work may be disrupted, leading to schedule delays and/or additional costs.	Mitigation is an established process that minimizes delay with dedicated staffing to address surprise findings. Similar mitigation has been used on four previous corridor projects successfully to avoid construction delays.	Low	Low
<b>Schedule Coordination</b>			
Due to the size and complexity of the Project, poor project scheduling and coordination could delay the Project schedule.	A DBB or progress payment concession structure helps transfer much of this risk from the public to private sector DBB. The project team has held constructability reviews with the District and Central Office to maximize construction schedule.	Medium	High
<b>Maintenance of Traffic</b>			

Risk	Mitigation Strategy	Likelihood of Occurrence	Impact of Occurrence
Traffic impacts and loss of access could adversely affect communities / businesses, negatively impacting support for project.	A detailed maintenance of traffic (MOT) and traffic management plan (TMP) have been completed between the design team and INDOT. Temporary lane closures are required at the project onset to reconstruct existing shoulder pavement for use during MOT. The allowable length and duration of the lane closures have been minimized with incentives to reduce the duration even further. After shoulder reconstruction, no lane closures are anticipated for the remainder of the project.	Medium	Medium
<b>Project Start-up/Execution</b>			
Delays in mobilizing required resources at project kick-off could delay the project at inception, requiring the Contractor to perpetually play catch-up with their schedule.	INDOT Standards keep schedule risk predominantly with the Contractor. Vigilant oversight by the project team will help mitigate delay claims.	Medium	Medium

**FINANCING RISKS AND MITIGATION STRATEGIES**

Table 8-3 below discusses risks that may negatively affect the Project Sponsor’s ability to fund the Project cost effectively. For each risk, this table provides a summary of potential mitigation strategies.

**TABLE 8-3 FINANCING AND REVENUE – RISKS AND RESPONSE STRATEGIES**

Risk	Response Strategy	Likelihood of Occurrence	Impact of Occurrence
<b>Availability of State and Federal Funding</b>			
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

**PROCUREMENT RISKS AND STRATEGIES**

The risks shown below in Table 8-4 may affect the Project Sponsor’s ability to implement the Project due to risks associated with the procurement of the Project through a DBB procurement model.

**TABLE 8-4. PROCUREMENT – RISKS AND RESPONSE STRATEGIES**

Risk	Response Strategy	Likelihood of Occurrence	Impact of Occurrence
<b>Delay in Procurement</b>			



Risk	Response Strategy	Likelihood of Occurrence	Impact of Occurrence
The state does not receive affordable bids or are not able to reach commercial close in the procurement.	INDOT contracting procedures include contingencies and processes for readvertising and rescheduling letting of contracts.	Medium	Medium

### **IMPACT ON STATEWIDE TRANSPORTATION PROGRAM**

The State has made specific commitments to the completion of the Project. Based on expectations of federal funding availability, as well as expectations regarding the availability of corresponding state transportation funds, the Project Sponsor believes the federal-aid highway formula, federal discretionary, and state transportation funds identified in this IFP are reasonably expected to be available, and without adverse impacts on the State’s overall transportation program or other funding commitments. Indiana has provided funding for the Project through a combination of state and federal funding, including the Project in the State’s capital program. Indiana will continue to make specific financial commitments to the Project based on its standard budget procedures and in accordance with the [STIP](#), which considers the needs of the overall transportation program and other projects throughout the State. INDOT is using the biennium appropriations for progress payments showing that Indiana has allocated these appropriations out of INDOT’s Capital Program. INDOT estimates that these future payments will be 2.7% of its capital program. Funding for the Project from INDOT federal authorizations has been 8.9% 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 [KIPDA TIP](#).

## 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, 2023. Future updates will be submitted to FHWA by May 1<sup>st</sup> each subsequent year through substantial completion.