



# INDIANA DEPARTMENT OF TRANSPORTATION

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**Eric Holcomb, Governor**  
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July 6<sup>th</sup>, 2021

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

Subject: I-70 Rehabilitation & Modernization Project Initial Financial Plan Letter of Certification

Dear Mr. Hannon:

The Indiana Department of Transportation has developed a comprehensive Initial Financial Plan for the I-70 Rehabilitation and Modernization 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-70 Rehabilitation and Modernization 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-70 Rehabilitation and Modernization 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,

A handwritten signature in black ink, appearing to read "Mike Smith".

Mike Smith  
CFO, Deputy Commissioner of Finance  
Indiana Department of Transportation



## **I-70 Rehabilitation and Modernization**

# Initial Financial Plan

**June 2021\***

\*Project cost estimates and completion schedules reflect information available as of June 30, 2021.

Submitted to:  
**Federal Highway Administration**

Submitted by:  
**Indiana Department of  
Transportation**



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## **EXECUTIVE SUMMARY**

The Project will widen Interstate 70 from two to three lanes in each direction, replace failing pavement along approximately five miles of westbound lanes and rehabilitate deficient pavement along another approximately five miles of eastbound and westbound lanes within an approximate ten-mile stretch of Interstate 70. Additionally, the eastbound lane drop, and westbound lane add at Mount Comfort Road will be reconfigured.

This Project will add capacity and modernize the existing roadway features to incorporate current design standards for a safer lane drop and addition. With the current section of roadway at the end of its useful life, this project will bring the pavement into a state of good repair. It is expected to help reduce travel time and improve the efficient movement of freight. The Project will also increase connectivity and access to Indianapolis, giving commuters more options for travel, including the utilization of downtown bus lines that connect to the Mount Comfort corridor.

## CHAPTER 1. PROJECT DESCRIPTION

### INTRODUCTION

*This document presents the Initial Financial Plan (IFP) for Interstate 70 (I-70) Rehabilitation and Modernization (the Project), including current cost estimates, expenditure data through the effective date of June 30<sup>th</sup>, 2021, 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-70 from 1.1 miles west of Mount (Mt.) Comfort Road to 1.3 miles east of State Road (SR) 9 near County Road (CR) N 300 E / N Blue Road in Hancock County thru the addition of travel lanes, updates to interchange merge and diverge areas. The project includes added travel lanes, interchange modernizations, pavement reconstruction and rehabilitation, bridge replacement and rehabilitation, new signs, lighting, and ITS components and 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 Hancock County, IN.

### PROJECT DETAIL

Added Travel Lanes – includes the construction of an additional travel lanes in each direction for approximately 10 miles, from 1.1 miles west of Mt. Comfort Road to 1.3 miles east of SR 9.

Interchange Modernizations – Improvements at Mt. Comfort Road include reconfiguring the I-70 westbound on-ramp from an added lane to a parallel ramp, reconfiguring the eastbound exit lane from a lane drop to a two-lane taper type exit. Improvements at SR 9 include ramp entrance and exit terminals updated to current standards.

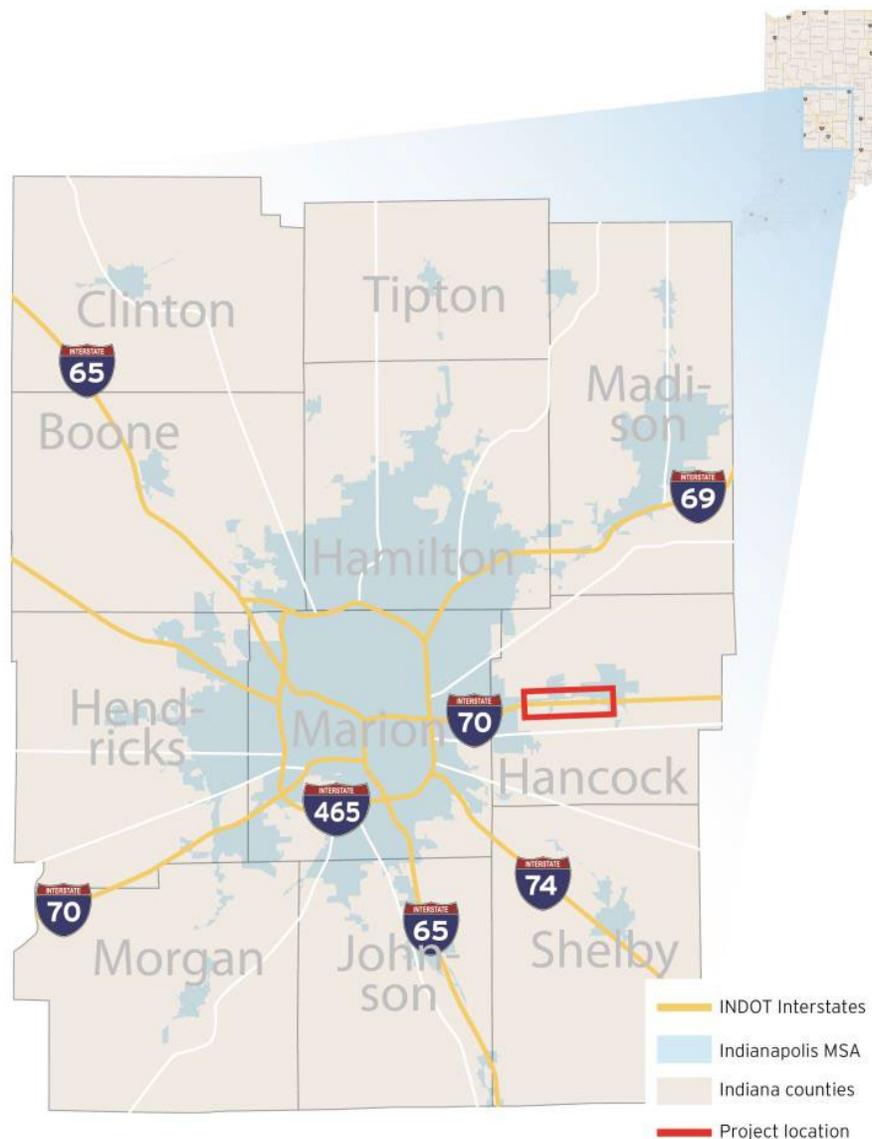
Pavement Rehabilitation and Reconstruction – includes the complete reconstruction of westbound I-70 from Mt. Comfort Road to Sugar Creek; 2 inch mill and resurface of existing westbound lanes from Sugar Creek to SR 9 which replaces the functional 4 inch mill and resurface due to pavement conditions being better than expected; complete reconstruction of the eastbound and westbound driving lane and outside shoulder of I-70 between CR 700 W and Mt. Comfort Road; complete reconstruction of the eastbound I-70 driving lane and outside shoulder between Mt. Comfort Rd to 1.23 miles east of Mt. Comfort Rd; complete reconstruction of eastbound and westbound I-70 from SR 9 to CR 300/Blue Rd; Patching of I-70 as needed.

Bridge Replacement and Rehabilitation – includes the widening of eastbound and westbound bridges over Buck Creek, Sugar Creek, and Brandywine Creek; rigid overlay of existing lanes on eastbound I-70 over Buck Creek; rigid overlay on eastbound and westbound I-70 over Sugar Creek; replacement of CR 700 W Bridge over I-70 to accommodate the Mt. Comfort Road interchange ramp realignments.

Signing, Lighting, and ITS – includes new signing along the corridor between CR 700 W and CR 300/Blue Rd; new high mast and conventional lighting at SR 9; retrofit of existing high mast and conventional lighting with LED luminaires at Mt. Comfort interchange; added conventional lighting at the lengthened on and off ramps at Mt. Comfort Road; relocating the ITS tower from the northeast quadrant of CR 700 and I-70 to the southeast quadrant due to impacts of extending the ramp lane drop from westbound Mt. Comfort Road interchange entrance ramp; ITS fiber will be extended from Mt. Comfort Road to CR 300 / Blue Rd.

Drainage – includes the construction of a storm sewer located in the median; replacement of four (4) small structures; regrading of ditches on the outside of the roadway adjacent to reconstruction of the existing roadway to accept the new underdrain outlets.

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



From an environmental standpoint this project strictly follows the NEPA documentation process and guidelines. A NEPA Final decision has been achieved as of the preparation of this IFP. The

Categorical Exclusion-4 was approved in May 2021.

**FIGURE 1-2. PROJECT MAP DETAIL**



### **PROJECT DELIVERY APPROACH**

The 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 design and construction risk. As a result, INDOT is utilizing a design build (DB) procurement model for this project. Proposer teams competed for the project focusing on a fixed scope procurement. Proposer teams submitted technical proposals that were scored. Technical Proposals were scored before any Cost Proposal was opened. The Technical Proposal submittal score was based on the total proposal score using a 100-point scale. The scope score represented up to 70 points of the total score; the project schedule score represented up to 10 points of the total score; and the traffic control plan score represented up to 20 points of the total score.

**Technical Proposal Score = Scope Score (maximum 70 points available) + Project Schedule Score (maximum 10 points available) + Traffic Control Plan Score (maximum 20 points available)**

Scores were based on the proposer's adherence to the Scope of Services and demonstration of a thorough understanding of the Scope of Work and Contract Documents. Technical proposals which received a score of less than 80 were not considered for further evaluation and the proposer's cost proposal was not opened.

The Preferred Proposer, the selected design-builder contractor, was selected based on a technical proposal score of at least 80 and a low bid price proposal. The Preferred Proposer will complete the work for a lump sum amount. INDOT will own, operate, and maintain the facility after final acceptance. This facility is and will remain a non-tolled roadway.

## 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 DB construction contract. As shown in Table 2-1 below, the environmental and preliminary engineering phases of work were completed by the end of SFY21, June 30, 2021. The Project construction will allow for final completion in the second quarter of State Fiscal Year (SFY) 2024, by November 30, 2023.

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

Phase / State Fiscal Year	2021 & Prior	2022	2023	2024
Environmental	IFP			
Preliminary Design	IFP			
Final Design		IFP		
Construction		IFP		

### PROCUREMENT SCHEDULE

The INDOT anticipates awarding a construction contract in September 2021 as shown in the procurement schedule below (see Table 2-2). The Project does not require permanent RW acquisitions within the project limits. Further, there are no utility or railroad relocations associated with this Project. Table 2-2 provides the current procurement schedule for the Project.

**TABLE 2-2. PROCUREMENT SCHEDULE**

Schedule Item	IFP Date
Project Advertisement	7/14/2021
Pre-Bid Meeting	7/21/2021
Field Checks	7/21/2021
Proposed Design Firms & Potential Conflicts of Interest Submittal Due	7/23/2021
Design Alternate Meetings	8/13/2021
Design Alternate Proposals Due	8/16/2021
Submittal of Technical Proposals	9/3/2021
Submittal of Cost Proposals/Bid Letting	9/15/2021
Substantial Completion	11/30/2023
Contract Completion Date	12/31/2023

## 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 \$110.18 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 Project costs, broken down by project component. The Design-Build Contractor (DBC) construction cost will include final design and permitting. The cost estimate was developed as part of the NEPA process along with a 30% design reference set of plans. Construction engineering and inspection services (CEI) are anticipated be at 0.5% of construction and final design costs.

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

Phase	Initial Total Cost
Preliminary Engineering	\$ 3.44
Final Design	\$ 2.28
Construction	\$ 103.93
CEI & Administrative	\$ 0.53
<b>Project Total</b>	<b>\$ 110.18</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
<p><b>Engineering and Design</b></p> <p><i>Preliminary and final engineering design services.</i></p> <p>Final engineering will be part of the DB contract. Engineering and design cost estimates are currently estimated at 5% of the construction cost estimate.</p>
<p><b>Design Program Management</b></p> <p><i>Cost to state for services of the General Engineering Consultant (GEC) during the design phase and miscellaneous departmental program management costs.</i></p> <p>Program Management estimates are based on currently negotiated contracts and estimates that cover the currently planned Project schedule.</p>
<p><b>Construction Administration and Inspection</b></p>

## Cost Elements

All construction and program management, administration, and inspection activities during the construction phase of the Project.

Construction Administration and Inspection costs are estimated at 0.5% of the construction cost estimate.

### Construction

Estimated cost of construction.

Construction estimates reflect current prices inflated for YOY utilizing a large DB 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 developed based on the cost estimates that assessed the likelihood and potential cost of various major project risk items using a monte-carlo simulation to evaluate the overall potential cost impact. Contingencies have been adjusted to match the recommended 70th percentile cost estimate.

### Enhancements

Various Project-related commitments as identified in the CE-4.

This includes fixed dollar commitments made for various NEPA commitments.

## PROJECT EXPENDITURES

Table 3-3 shows the breakdown of costs for the Project annually by activity and SFY, respectively. As shown, approximately \$2.75 million has been expended on the Project through the end of SFY21. Anticipated expenditures in future years are summarized in the table as well. In addition, approximately \$107.42 million more is anticipated to be obligated through SFY22. Construction accounts for most at \$103.93 million. The remainder of the anticipated expenditures are for final design, CEI.

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

Phase / Fiscal Year	2021 & Prior	2022	Total*
Preliminary Engineering	\$ 2.75	\$ 0.69	\$ 3.44
Final Design	\$ -	\$ 2.28	\$ 2.28
Construction	\$ -	\$ 103.93	\$ 103.93
CEI, Admin & Program Costs	\$ -	\$ 0.53	\$ 0.53
<b>Total Costs*</b>	<b>\$ 2.75</b>	<b>\$ 107.42</b>	<b>\$ 110.18</b>

\* Totals may not add in the decimal places due to rounding.

## 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 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 DB delivery method selected by Indiana has the potential of providing private sector innovation, efficiencies, and best value to taxpayers. INDOT has developed a pro forma financial plan that provides a certain view of how a DBC 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 DB procurement model. 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 Scope of Services.

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 \(NHPP\)](#) and the [Better Utilizing Investments to Leverage Development Transportation Discretionary \(BUILD\)](#) grants funds.

## 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 61 to 39 percent is anticipated as described below in Table 4-1. 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 \$110.18 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 \$2.75 million of State funds expended through SFY21.

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

Fund Type / State Fiscal Year	2021 & Prior	2022	Total*
<b>Federal</b>			
NHPP	\$ -	\$ 44.33	\$ 44.33
BUILD Grants	\$ -	\$ 22.50	\$ 22.50
<b>Subtotal, Federal Funds</b>	<b>\$ -</b>	<b>\$ 66.83</b>	<b>\$ 66.83</b>
<b>State</b>			
State Funds	\$ 2.75	\$ 40.60	\$ 43.35
<b>Subtotal, State Funds</b>	<b>\$ 2.75</b>	<b>\$ 40.60</b>	<b>\$ 43.35</b>
<b>Grand Total*</b>	<b>\$ 2.75</b>	<b>\$ 107.42</b>	<b>\$ 110.18</b>

\* Totals may not add in the decimal places due to rounding.

## PROGRESS PAYMENTS

The progress payments will be funded with a combination of state and federal funds appropriated by INDOT on a biennial basis described below in further detail.

To fund the progress payments, INDOT will enter into a Public-Private Agreement (PPA) with the Preferred Proposer. Under the PPA, INDOT will agree to fund payment as part of its budget. In addition to being reflected in INDOT's internal budget and financial control systems, the original anticipated funding amount was reflected in the fiscally-constrained [2020-2024 Statewide Transportation Improvement Program \(STIP\)](#), as well as the [Indianapolis Metropolitan Planning Organization \(IMPO\) 2020-2023 Transportation Improvement Program \(TIP\)](#).

## FEDERAL DISCRETIONARY FUNDING

The Project has not utilized funding outside of federal-aid formulary and state transportation funds appropriated to INDOT to date. However, INDOT applied for \$25 million in BUILD grants funds and was awarded \$22.5 million (federal share). These funds will be matched with state highway transportation funds and utilized for the construction phase of work on the Project.

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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)**

Source of Funds	IFP	% of Total
IN State & Federal Formulary	\$ 85.18	77.3%
IN State & Federal Discretionary	\$ 25.00	22.7%
<b>Source of Funds Subtotal</b>	<b>\$ 110.18</b>	<b>100%</b>
<b>Uses of Funds</b>		
Design and Construction Costs	\$ 109.65	99.5%
Construction Oversight	\$ 0.53	0.5%
<b>Uses of Funds Subtotal</b>	<b>\$ 110.18</b>	<b>100%</b>

### 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 Advanced Construction (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.

### PROJECTED CASH FLOWS

Table 6-2 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.

**TABLE 6-2. CASH FLOWS (IN \$ MILLIONS)**

Revenues	2021 &				Total*
	Prior	2022	2023	2024	
Carry Forward	////	\$ 0.28	\$ 58.59	\$ 10.45	////
INDOT Funding	\$ 3.03	\$107.15	\$ -	\$ -	\$110.18
<b>Revenue Subtotal</b>	\$ 3.03	\$107.15	\$ -	\$ -	\$110.18
<b>Total Revenue Available*</b>	\$ 3.03	\$107.42	\$ 58.59	\$ 10.45	////
<b>Expenditures</b>					
Preliminary Engineering	\$ 2.75	\$ 0.69	\$ -	\$ -	\$ 3.44
Final Design	\$ -	\$ 1.14	\$ 1.14	\$ -	\$ 2.28
Construction	\$ -	\$ 46.77	\$ 46.77	\$ 10.39	\$103.93
CEI, Admin, Prgm	\$ -	\$ 0.24	\$ 0.24	\$ 0.05	\$ 0.53
<b>Expenditures Subtotal</b>	\$ 2.75	\$ 48.83	\$ 48.15	\$ 10.45	\$110.18
<b>Net Cash Flow*</b>	\$ 0.28	\$ 58.59	\$ 10.45	\$ -	////

\* Totals may not add in the decimal places due to rounding.

## 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 as a P3 using a DB delivery method.

### 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 DB 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 was 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.

- **Performance-based incentives:** Financial incentives imposed by the contract structure, which include withholding a portion of payment to the DBC until the project has been constructed to the established standards and are 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 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 bidders.

## 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?
Transportation Priorities	Is the project consistent with overall transportation objectives of the State?

High Level Project Screening	Criteria
	Does the project adequately address transportation needs?
Project Efficiencies	Would the P3 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 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?
	Does this project enhance adjacent transportation facilities or other modes?
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?
Market Demand	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 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 a strong candidate for P3 DB delivery. Table 7-3 below provides additional considerations to the Project using the DB delivery model.

**TABLE 7-3. REQUIRED PERMITS AND NOTIFICATIONS**

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 DBBV 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 bidders willing to bid under a DB model.

Therefore, the INDOT identified the DB 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.

## PERMITS AND APPROVALS

The CE-4 was completed in May 2021. All permitting activity will be carried out in accordance with the CE-4. The RFP for final design and construction includes provisions to ensure compliance with all NEPA commitments that will be included in the CE-4. The INDOT has applied for most permits with key federal regulatory agencies. The permits and notifications that may be required by the CE-4 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	INDOT
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 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
<b>Original Cost Estimates</b>	
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. Regardless, the DB RFP requires that all bids come in at or below \$106 million. It is the expectation of the Project Sponsor that the planned DB procurement approach will help to accelerate project delivery and, in turn, reduce costs, which should help to maximize the scope delivered for the maximum \$106 million contract price.
<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.
<b>Contingency</b>	
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 design-builder.
<b>Cost Overruns During Construction</b>	
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 design-builder.

### 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
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, INDOT intends to adhere to the conditions of each federal and local approvals received to construct the project.
<b>Permits and Approvals</b>	
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 design-builder will assume responsibility to obtain all other permit approvals. Compliance will be the design-builder's responsibility will be a contractual requirement in the PPA. The State has a track record of success in acquiring similar permits.
<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.
<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.
<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.
<b>Schedule Coordination</b>	
Due to the size and complexity of the Project, poor project scheduling and coordination could delay the Project schedule.	The guaranteed maximum price design-build contract structure helps transfer much of this risk from the public to the private sector design-builder.
<b>Maintenance of Traffic</b>	
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 design-builder. The Design-Build Contractor is required to prepare, submit, and follow through on a Public Involvement Plan that provides INDOT regular updates on road closures and restrictions, notification of emergency events, coordinating and staffing public meetings, and providing informational maps or displays, as needed.
<b>Project Start-up/Execution</b>	
Delays in mobilizing required resources at project kick-off could delay the project at inception, requiring the design-builder to perpetually play catch-up with their schedule.	Detailed requirements in the Technical Provisions and PPA define the design-builder's responsibilities and keep schedule risk predominantly with the design-builder. Vigilant oversight by the project team will protect INDOT from unexpected delay claims.

## 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	Mitigation Strategy
Availability of State and Federal Funding 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 will be reflected in Indiana’s fiscally constrained STIP and the TIP for the metropolitan region.

**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 DB procurement model utilizing a PPA.

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

Risk	Mitigation Strategy
Delay in Procurement The state does not receive compliant bids under the required \$106 million limit, are not able to select a preferred bidder, or cannot execute the contract.	The variable scope nature of the proposal process allows the State to mitigate the potential that proposers cannot meet the required contract limit. Further, the PPA requires a \$7.5 million proposal bond that will help to incentivize the preferred proposer to come to an agreement with INDOT.

**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 the 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 0.99% of its capital program. Funding for the Project from INDOT federal authorizations has been 1.97% 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 [Indianapolis Area MPO 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 June 30, 2021. Future updates will be submitted to FHWA by September 30 each year.