LOUISVILLE - SOUTHERN INDIANA OHIO RIVER BRIDGES PROJECT

Initial Financial Plan

July 2012

Submitted to:
Federal Highway Administration

Submitted by:
Kentucky Transportation Cabinet
Indiana Department of Transportation

In conjunction with:
Louisville and Southern Indiana Bridges Authority
Indiana Finance Authority
Kentucky Public Transportation Infrastructure Authority

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INTRODUCTION

This document presents the Initial Financial Plan (IFP or Plan) for the Louisville-Southern Indiana Ohio River Bridges Project (the Project or the Ohio River Bridges Project). This Plan includes the current schedule for delivering the Project, current cost estimates and expenditure data through State Fiscal Year (SFY) 2012 (estimated), and the latest financial analyses developed for the Project.

PROJECT OVERVIEW

The Louisville-Southern Indiana Ohio River Bridges Project is a construction and reconstruction project being undertaken to address long-term cross-river transportation needs in the Louisville metropolitan area (LMA). The Project has been developed over more than 40 years in recognition of the need to improve cross-river mobility between Jefferson County, Kentucky and Clark County, Indiana (see Figure ES-1). In September 2003, the Federal Highway Administration (FHWA) issued a Record of Decision (ROD) that identified the preferred alternative in the Final Environmental Impact Statement (FEIS) as two new Ohio River bridge crossings, connected approaches, and the reconstruction of the Kennedy Interchange.

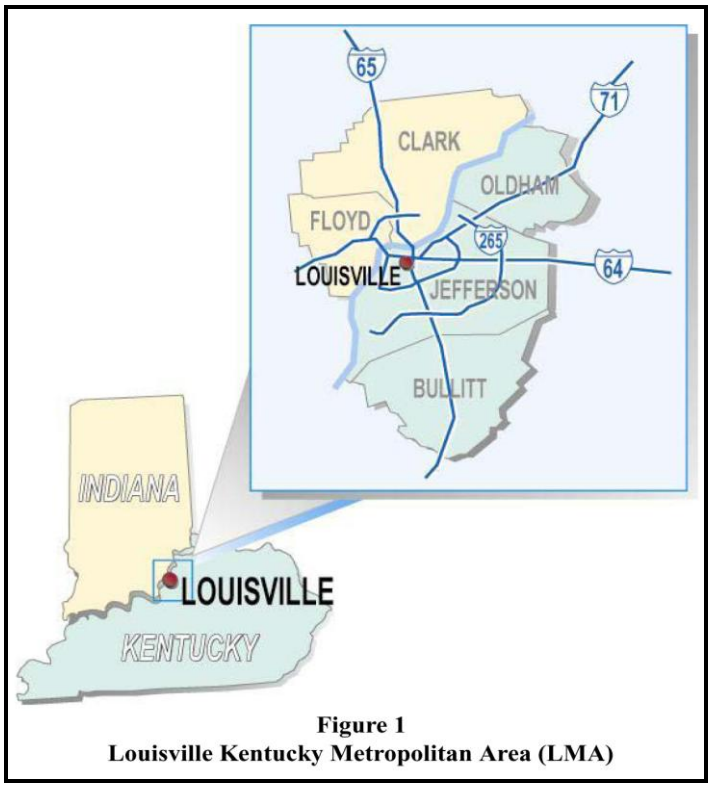

Figure ES-1. Louisville Kentucky Metropolitan Area

The 2012 Supplemental Environmental Impact Statement (SEIS) modified the preferred alternative to introduce tolling to the Project and to achieve more than $1.5 billion in project cost savings, yet still includes the two new Ohio River bridge crossings, connected approaches, and the reconstruction of the Kennedy Interchange. On June 20, 2012, FHWA issued a revised ROD, approving the Modified Selected Alternative approach. This IFP is prepared in support of this modified approach.

PROJECT SPONSORS

The Commonwealth of Kentucky and the State of Indiana are collectively the Project Sponsors for the Ohio River Bridges Project. In furtherance of this partnership, the Governors of Kentucky and Indiana recently announced that each state would take the lead in financing and overseeing construction of one half of the Project, with Kentucky responsible for financing and constructing the Downtown Crossing, and Indiana responsible for financing and constructing the East End Crossing, as described further below.

PROJECT DETAIL

For procurement purposes, the Project is being implemented as two components, the Downtown Crossing and the East End Crossing, as described below. The sections that comprise the Crossings are shown in Figure ES.2:

Figure ES-2. Project Section Map

<u>Downtown Crossing</u> – to be funded, procured, and constructed using Kentucky Transportation Cabinet (KYTC) and Kentucky Public Transportation Infrastructure Authority (KPTIA) processes, and including the following subcomponents:

- **Kennedy Interchange (Section 1) –** reconstructing the Kennedy Interchange in downtown Louisville, at the convergence of I-64, I-65 and I-71.
- **Downtown Bridge (Section 2) –** a new Ohio River bridge located adjacent to and east of the existing I-65 Kennedy Bridge, providing six northbound I-65 lanes**.** The existing John F. Kennedy Bridge will be converted to carry southbound I-65 traffic only.

- **Indiana Downtown Approach (Section 3)** – approximately one mile of reconfigured I-65 and associated ramps north of the Ohio River Downtown Bridges, and including new and improved access to Clarksville and Jeffersonville, Indiana via Court Avenue, 6th Street and 10th Street.

East End Crossing – to be funded, procured, and constructed using Indiana Department of Transportation (INDOT) and Indiana Finance Authority (IFA) processes, and including the following subcomponents:

- **East End Kentucky Approach (Section 4) –** approximately four miles of reconstruction and new terrain road on KY 841, including reconstruction of the half diamond interchange at US 42 and KY 841, twin two-lane tunnels under the historic Drumanard property, and a four-lane approach to the new East End Bridge.
- **East End Bridge (Section 5) –** a new four-lane Ohio River bridge with a pedestrian walkway/bikeway that connects the East End Kentucky Approach section with the East End Indiana Approach section.
- **East End Indiana Approach (Section 6) –** construction of a new roadway from the existing SR 265/SR 62/Port Road Interchange to the new East End River Bridge and reconstruction of the SR 62/Port Rd/SR 265 Interchange which provides access to the Indiana Port Authority on the Ohio River and the River Ridge Commerce Center on SR 62.

PROJECT IMPLEMENTATION STATUS

Both Kentucky and Indiana (the states) are fully committed to delivering the Project, as evidenced by the following actions that have occurred over the last several years:

- In January 2011, Kentucky Governor Steve Beshear, Indiana Governor Mitch Daniels, and Louisville Mayor Greg Fisher announced plans to explore design options to reduce the cost of the Project and speed construction.
- Over the course of 2011, the Louisville and Southern Indiana Bridges Authority (the Bridges Authority) evaluated various alternative delivery options for the Project and, at its October 2011 meeting, identified two options as the most viable: (i) one involving a design-build construction approach, financed with tax-exempt toll revenue bonds and combined with a separate operations and maintenance contract following construction, and (ii) another involving an availability payment concession model.
- On December 29, 2011, the two governors and the Bridges Authority announced that the states would use both of the preferred delivery options identified by the Bridges Authority. Kentucky will utilize a design-build contracting approach for procurement of the Downtown Crossing, whereas Indiana will utilize an availability payment concession approach to deliver the East End Crossing.
- In February 2012, a cost review was completed in conjunction with FHWA, which resulted in a reduced total Project cost of $2.6 billion – a savings of $1.5 billion from previous estimates.
- On March 5, 2012, the governors signed a memorandum of understanding commemorating their agreement regarding the roles and responsibilities of each state in delivering the Project. The same day, both the Bridges Authority and the Kentucky

Public Transportation Infrastructure Authority unanimously approved the financial plan for the Project.

- On March 8, 2012, KYTC issued a Request for Qualifications (RFQ) to teams interested in providing design-build services for the Downtown Crossing and on March 9, 2012, IFA and INDOT issued an RFQ for a concessionaire to design, build, and finance the East End Crossing and operate and maintain portions thereof.
- On April 23, 2012, KYTC and IFA and INDOT issued their short list of teams who would be invited to propose on the Downtown Crossing and East End Crossing project components.
- On May 1, 2012, KYTC issued a draft RFP to the three short- listed teams for the Downtown Crossing.
- On May 2, 2012, IFA and INDOT issued a draft RFP to the four short-listed teams for the East End Crossing.
- On June 20, 2012, FHWA issued a revised ROD, approving the Modified Selected Alternative approach.
- On July 19, 2012, FHWA accepted the Section 129 Toll Agreement for the Project and an agreement will be entered into among the states and FHWA.

The states anticipate entering into contractual agreements for construction during the final quarter of calendar year 2012.

OVERVIEW OF THE INITIAL FINANCIAL PLAN

This IFP reflects the planned funding and finance strategy by which the Project's currently estimated $2.6 billion cost (in year-of-expenditure dollars) will be funded through a combination of conventional state and federal transportation program funds and toll-based Project revenues. In the case of Kentucky's planned design-build contracting approach for the Downtown Crossing, these funding sources will be leveraged to provide the necessary up-front capital for construction through a combination of Kentucky's state funding commitments, toll revenue bonds, and grant anticipation revenue vehicle (GARVEE) bonds. In the case of Indiana's intended availability payment concession approach for the East End Crossing, private sector financing, including private equity and debt, will be secured by the concessionaire to support its obligations, and the payments under the concession agreement will be met by Indiana's commitments of state and federal funding and its share of the toll-based revenues from the Project. Federal discretionary program funds also will continue to be utilized to fund the Project to the extent additional discretionary funds become available and obtained by the states. As of the end of SFY2012, the states will have expended approximately $300 million collectively for the Project.

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

- Ensuring that cost sharing arrangements are equitable and the states' financial obligations to the Project are manageable;

- Ensuring that the Project delivers value to the states, taxpayers, project partners, and end users through appropriate toll rates and the lowest feasible Project cost;
- Seeking private sector innovation and efficiencies and encouraging design solutions that respond to environmental concerns, permits, and commitments in the Record of Decision;
- Developing the Project in a safe manner that supports congestion management and economic growth for the region;
- Ensuring the Project is constructed within a time period that meets or exceeds final completion target dates;
- Transparently engaging the public and minimizing disruptions to existing traffic, local businesses, and local communities; and
- Delivering a Project that is a self-sustaining, integrated cross-river mobility solution for future generations.

It is anticipated that the alternative delivery methods selected by the states have the strong potential of further reducing Project costs and enhancing the overall Project finance strategy. Such cost savings will be reflected in future updates to the Financial Plan.

INITIAL FINANCIAL PLAN ORGANIZATION

This document demonstrates the states' commitment to completing the Ohio River Bridges Project and to sound financial planning, as required by Section 106 of Title 23 and modified by Section 1305 (b) of the Transportation Equity Act for the 21st Century (TEA-21) and Section 1904 of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). This document addresses the following requirements:

- **Chapter 1. Introduction** – This chapter provides an overview of the Project by section, describes the management plan, and provides a history of the Project to date, including a review of the status of all ongoing activities.
- **Chapter 2. Project Cost Estimate** – This chapter provides a detailed estimate of Project costs. It also summarizes the costs incurred to date and provides detail on key cost-related assumptions.
- **Chapter 3. Implementation Plan** – This chapter provides information on the planned schedule for completing the Project, including information regarding the assignment of responsibilities and a summary of the necessary permits and approvals. This chapter also addresses the planned project delivery methods.
- **Chapter 4. Financing and Revenue** – This chapter describes the plan of finance for the Project, including both the sources of funds and financing methods. This chapter also includes a discussion of factors that may affect the availability of funding or financing for the Project.
- **Chapter 5. Project Cash Flow** – This chapter provides an annual construction cash flow schedule for the Project and an overview of the planned sources and uses of funds. This chapter also addresses the estimated long-term operations and maintenance costs of the Project and how these costs will be managed.

- **Chapter 6. Risk Identification and Other Factors** – This chapter identifies anticipated risks that could affect the Project and, in particular, the Financial Plan for the Project. This chapter also provides mitigation strategies to manage such risks and addresses the anticipated impact of the Project on each state's transportation program, budgets, and other projects.

The effective date for this IFP is June 30, 2012. The effective date for future annual updates to the IFP will be June 30 each year. Future annual updates will be submitted to FHWA for approval within 90 days of the effective date, or by September 30 each year.

Chapter 1. Introduction

INTRODUCTION

This document presents the Initial Financial Plan (IFP) for the Louisville-Southern Indiana Ohio River Bridges Project (the Project or the Ohio River Bridges Project), including current cost estimates, expenditure data through State Fiscal Year (SFY) 2012 (estimated), the current schedule for delivering the Project, and the financial analyses developed for the Project. This IFP has been prepared generally in accordance with FHWA's Financial Plans Guidance.

PROJECT OVERVIEW

The Louisville-Southern Indiana Ohio River Bridges Project is a construction and reconstruction project being undertaken to address long-term cross-river transportation needs in the Louisville metropolitan area (LMA). The Project was developed over more than a 40-year period (see *Project History* below), in recognition of the need to improve cross-river mobility between Jefferson County, Kentucky and Clark County, Indiana (*see Figure 1-1)*. In September 2003, FHWA issued a Record of Decision (ROD) confirming the selected alternative identified in the Final Environmental Impact Statement (FEIS) consisting of two new Ohio River bridge crossings and the reconstruction of the Kennedy Interchange.

Figure 1-1. Louisville Kentucky Metropolitan Area

The 2012 Supplemental Environmental Impact Statement (SEIS) modified the preferred alternative to introduce tolling to the Project and achieve more than $1.5 billion in project cost savings, yet still includes the two new Ohio River bridge crossings, connected approaches, and the reconstruction of the Kennedy Interchange. On June 20, 2012, FHWA issued a revised ROD, approving the Modified Selected Alternative approach.

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The Commonwealth of Kentucky and the State of Indiana are collectively the Project Sponsors for the Ohio River Bridges Project. In furtherance of this partnership, the Governors of Kentucky and Indiana recently announced that each state would take the lead in financing and overseeing construction of one half of the Project, with Kentucky responsible for financing and constructing the Downtown Crossing, and Indiana responsible for financing and constructing the East End Crossing, as described further below.

PROJECT DETAIL

For procurement purposes, the Project is being implemented in two components, the Downtown Crossing and the East End Crossing, as described below (the sections that comprise the Crossings are shown in Figure 1-2):

- **Downtown Crossing** – to be funded, procured, and constructed using Kentucky Transportation Cabinet (KYTC) and Kentucky Public Transportation Infrastructure Authority (KPTIA) processes.

- **East End Crossing** – to be funded, procured, and constructed using Indiana Department of Transportation (INDOT) and Indiana Finance Authority (IFA) processes.

Figure 1-2. Project Section Map

Downtown Crossing – Key aspects of the Downtown Crossing component of the Project are described further below.

<u>The Kennedy Interchange (Section 1)</u> – The Kennedy Interchange operates interdependently with the Kennedy Bridge and is the convergence of Interstates 64, 65, and 71 in downtown Louisville, commonly known as "Spaghetti Junction." The modernization of the interchange will be designed to eliminate dangerous weaves, provide sufficient capacity to meet the rush hour

demands, add emergency pull-off areas and soften the curves throughout the interchange to improve safety and meet drivers' expectations. Its improvements include:

- Reconfiguration of I-64, I-65, and I-71 movements to the additional lanes provided by the new northbound I-65 Downtown Bridge and the rehabilitated (for southbound I-65) existing Kennedy Bridge;
- Elimination of the current traffic weaving movements from I-64 westbound and I-71 southbound to I-65;
- Elimination of the current traffic weaving movements from I-65 to I-64 eastbound and I-71 northbound;
- Introduction of "Collector-Distributor (CD) Road" systems on I-65 between I-64 and the Liberty Street interchange;
- Reconstruction of all bridges in the interchange; and
- Introduction of a "Flyover Ramp" for the Story Avenue entrance ramp movement to I-65.

The Downtown Bridge (Section 2) – The new Downtown Bridge crossing of I-65 between downtown Louisville, Kentucky and Jeffersonville, Indiana will be configured to carry northbound I-65 traffic across the river. The newly constructed bridge will extend from the northern end of the Kennedy Interchange from the south in Kentucky to the newly constructed approach spans in Indiana. The new main structure will be a three tower cable-stayed bridge.

The new bridge and approach structures will cross both Waterfront Park in Kentucky and Riverfront Park in Indiana and, on the latter side, will be adjacent to the Old Jeffersonville Historic District. This new northbound structure will be located just upstream and nearly parallel to the existing Kennedy Bridge and will carry six 12-foot lanes and two 12-foot shoulders. Northbound approach spans will flank both sides of the main cable-stayed bridge. To the south, the cable-stayed bridge connects with new approach spans that are a part of the new Kennedy Interchange. To the north, approach spans will be constructed over the river flood wall and local streets in Jeffersonville.

The Downtown Bridge will revitalize downtown Louisville and alleviate what is fast-becoming a drain on the economic vitality of the Louisville-Southern Indiana region and a barrier to Interstate travel.

The existing I-65 Kennedy Bridge will be re-decked and will have structural improvements made to it. The existing Indiana bridge approaches to the Kennedy Bridge will be replaced. The Kennedy Bridge will be reconfigured to serve southbound traffic and carry six 12-foot travel lanes and two 9.5-foot shoulders. The reconfigured deck of the Kennedy Bridge will tie into the newly-constructed Kennedy Interchange to the south.

The Indiana Approach to the Downtown Bridge (Section 3) – Changes to I-65 in southern Indiana will include reconstruction of the facility to accept the additional capacity provided by the

new Downtown Bridge, modernizing a collector-distributor road system to improve ingress and egress from Clarksville and Jeffersonville, Indiana, and improving connections between these two communities that have been separated since the Interstate was originally built through this area. Thus, the Indiana approaches to the Downtown Bridge include the realignment and widening of southbound I-65 to the current Kennedy Bridge and the construction of a new segment of northbound I-65 from the new Downtown Bridge. The Indiana approach improvements extend from West Market Street northward to approximately 1,250 feet north of Stansifer Avenue / West 14th Street. In addition to the improvements for I-65, improved local access is provided to the City of Jeffersonville and the Town of Clarksville.

In addition, I-65 will be expanded from the existing three lane configuration to four lanes in both the northbound and southbound directions. A new elevated ramp system will connect US 31 at the Clark Memorial (2nd Street) Bridge with I-65, eliminating the at-grade crossing at Court Avenue. Additional access for Clarksville and Jeffersonville will be provided with the opening of 6th Street / South Clark Boulevard under I-65 and added ramps. The collector-distributor ramp system and interchanges with I-65 at Court Avenue, 10th Street and Stansifer Avenue/West 14th Street will also be reconstructed for added capacity and safety.

East End Crossing – Key aspects of the East End Crossing are described further below.

The Kentucky Approach to the East End Bridge (Section 4) – The Kentucky approach includes a four-lane reconstruction and extension of KY 841 from I-71 to the new Ohio River East End Bridge, two lanes in each direction, for a distance of approximately 3.4 miles. This includes reconstruction of the two-lane section of KY 841 between I-71 and US 42 to four lanes, an approximately 2,000-foot long tunnel beneath US 42 and the historic Drumanard Estate, with two tunnel bores, each carrying two lanes with shoulders, one for northbound, one for southbound, and then continuing with four-lanes continuing northwesterly across Harrods Creek, River Road and Transylvania Beach Road to the proposed East End Bridge.

The East End Bridge will provide critical transportation choices, reduce travel times and distances, and ensure cross-river mobility for local residents and through-travelers alike.

East End Bridge (Section 5) – The East End Bridge section is comprised of construction of an approximately 2,500 foot long 4-lane bridge (which can accommodate 6 lanes) over the Ohio River with a 13-foot wide pedestrian and bicycle pathway on the southwesterly side of the bridge.

The Indiana Approach to the East End Bridge (Section 6) – The Indiana approach comprises a four-lane extension of SR 265 from SR 62 to the new East End Bridge, two lanes in each direction, a distance of approximately 4.1 miles. This includes reconstruction of the SR 265/SR 62/Port Road interchange and construction of a full-diamond interchange at an extension of Old Salem Road.

PROJECT HISTORY

The inception of the Ohio River Bridges Project occurred nearly 50 years ago as part of the development of a regional transportation planning process. Below is a chronology of major Project milestones.

- **1963**

  The transportation planning process began in 1963 when the states of Indiana and Kentucky, together with the local communities, established a cooperative transportation planning program and a metropolitan planning organization (MPO) known as the Kentuckiana Regional Planning and Development Agency (KIPDA). That early program resulted in the LMA's first transportation plan in 1969.

- **1969**

  The recommendations of the first long-range plan in 1969 included "extension of I-265 through Clark County [Indiana] with a crossing of the Ohio River at Utica [as] an extremely important addition to the freeway system." This extension would have connected with the then-proposed I-265/KY 841 near U.S. 42 in eastern Jefferson County, Kentucky.

- **1978**

  The next long-range transportation plan, completed in 1978, again called for the extension of I-265 from I-65 in Indiana to the terminus of I-265/KY 841 at U.S. 42 in Kentucky and included a bridge over the Ohio River.

- **1991 – 1994**

  Between 1991 and 1994, KYTC and INDOT sponsored the Metropolitan Louisville Ohio River Bridge Study. This study investigated the need for a new Ohio River bridge in the LMA and evaluated four potential corridors for construction of such a bridge. The third long-range transportation plan for the LMA was prepared by KIPDA in 1993. This plan again recommended an extension of I-265 between I-65 in Indiana and I-265/KY 841 in Kentucky with a new Ohio River bridge. (An extension of I-265 has been constructed from I-65 to SR 62 in southeastern Clark County, Indiana. That extension, which has been designated SR 265, ends short of an Ohio River crossing.) In 1993, KIPDA also recommended improvements to the complex Kennedy Interchange in downtown Louisville to alleviate congestion and safety problems. Known locally as "Spaghetti Junction," the Kennedy Interchange is the convergence of three interstate highways — I-64, I-65, and I-71 — and is located on the southern bank of the Ohio River at the base of the Kennedy Bridge, which carries I-65 across the Ohio River.

- **1995**

  Based on results of the Metropolitan Louisville Ohio River Bridge Study and over 25 years of local transportation planning, KIPDA initiated a Major Investment Study in 1995 to "address the problem of current and future travel mobility across the Ohio River between Kentucky and Indiana in the Louisville region." The Ohio River Major Investment Study (ORMIS) evaluated a wide range of transportation improvements that might address cross-river mobility needs, including light rail transit, multiple new

highway bridge corridors, reconstruction of the Kennedy Interchange, travel demand management strategies, transportation system management measures, and enhanced bus service.

- **1996**

  The KIPDA's Transportation Policy Committee unanimously endorsed the recommendation of the ORMIS Committee for a preferred investment strategy incorporating the following four elements:

  - A "two-bridge solution;"
  - Bus-oriented transit improvements;
  - Short-term traffic operational improvements; and
  - A regional financial summit to deal with funding needs.

  The "two-bridge solution" included: building a new bridge parallel to the Kennedy Bridge (I-65) between downtown Louisville and Jeffersonville, Indiana; reconstructing the Kennedy Interchange adjacent to the Kennedy Bridge; and building another new bridge approximately eight miles east of the Kennedy Bridge, connecting KY 841/I-265 (Gene Snyder Freeway) in eastern Jefferson County, Kentucky, with S.R. 265 at S.R. 62 in southeastern Clark County, Indiana.

- **1997 – 1998**

  Based on the ORMIS recommendations and the KIPDA long-range transportation plan, INDOT and KYTC agreed in December 1997 to jointly pursue needed improvements to cross-river mobility between Jefferson County, Kentucky and Clark County, Indiana. The Federal Highway Administration issued a Notice of Intent in the Federal Register on March 27, 1998 indicating that FHWA, in cooperation with INDOT and KYTC, would prepare an EIS to evaluate alternatives for improving cross-river mobility between Jefferson and Clark Counties, including the ORMIS recommendation.

- **2003**

  The Federal Highway Administration issued a Record of Decision selecting the preferred alternative as a Two Bridges/Highway Alternative, with the specific elements selected in the Far East and Downtown corridors, as well as the Kennedy Interchange Reconstruction option.

- **2008**

  The Federal Highway Administration approved an Initial Financial Plan for the Project based on its configuration at the time. The states also submitted a Project Management Plan for approval by FHWA.

- **2010**

  The Bridges Authority was established pursuant to Kentucky Revised Statutes Section 175B.030. Indiana Governor Mitch Daniels issued an Executive Order in December 2009 authorizing Indiana's participation in the Authority, and its formation was ratified by the Kentucky General Assembly in late March 2010, as required by the enabling statute.

- **2011**

  On January 2011, Kentucky Governor Steve Beshear, Indiana Governor Mitch Daniels, and Louisville Mayor Greg Fisher announced plans to explore design options to reduce the cost of the Project and speed construction.

  Over the course of 2011, the Bridges Authority evaluated various alternative delivery options for the Project and, at its October 2011 meeting, identified two options as the most viable: (i) one involving a design-build construction approach, financed with tax-exempt toll revenue bonds and combined with a separate operations and maintenance contract following construction, and (ii) another involving an availability payment concession model.

  On December 29, 2011, the two governors and the Bridges Authority announced that, under an agreement in principle reached among them, the states would use both of the preferred delivery options identified by the Bridges Authority. Under this approach, each state would take the lead in financing and overseeing construction of one half of the Project, with Kentucky being responsible for financing and constructing the Downtown portion, and Indiana being responsible for financing and constructing the East End portion. The accelerated schedules associated with these options are expected to result in additional substantial cost savings for the Project.

- **2012**

  In February 2012, a cost review was completed in conjunction with FHWA, which resulted in a reduced total Project cost of $2.6 billion – a savings of $1.5 billion from previous estimates.

  On March 5, 2012, the governors signed a memorandum of understanding commemorating their agreement regarding the roles and responsibilities of each state in delivering the Project. The same day, both the Bridges Authority and the Kentucky Public Transportation Infrastructure Authority unanimously approved the financial plan for the Project.

  On March 8, 2012, KYTC issued a Request for Qualifications (RFQ) to teams interested in providing design-build services for the Downtown Crossing and on March 9, 2012, INDOT and IFA issued an RFQ for a concessionaire to design, build, and finance the East End Crossing and operate portions thereof.

  On May 1, 2012, KYTC issued a draft RFP to the three short-listed teams for the Downtown Crossing and on May 2, 2012, IFA and INDOT issued a draft RFP to the four short-listed teams for the East End Crossing.

  On June 20, 2012, FHWA issued a revised ROD, approving the Modified Selected Alternative approach.

  On July 19, 2012, FHWA accepted the Section 129 Toll Agreement for the Project and an agreement will be entered into among the states and FHWA.

PROJECT MANAGEMENT AND OVERSIGHT

The Commonwealth of Kentucky and the State of Indiana are collectively the Project Sponsors for the Ohio River Bridges Project. Working closely together, the states intend to implement the Project through the Kentucky Transportation Cabinet and the Kentucky Public Transportation Infrastructure Authority with respect to the Downtown Crossing and the Indiana Department of Transportation and the Indiana Finance Authority with respect to the East End Crossing. Following is additional detail on the roles and responsibilities of various parties.

- **Bi-State Management Team**

  Overall project management is performed by the Bi-State Management Team (BSMT), comprised of representatives from KYTC, INDOT, and FHWA as a non-voting, ex-officio member.

- **Joint Board**

  The Joint Board acts as the appeal authority for conflict resolution for the Bi-State Management Team. Members include the Secretary of the Kentucky Transportation Cabinet, the Chairman of KPTIA, the Commissioner of the Indiana Department of Transportation, and the Public Finance Director of IFA.

- **KYTC and KPTIA**

  KYTC and KPTIA, supported by their Technical Team (described below) will be responsible for all aspects of the Downtown Crossing contract(s). KYTC will also provide a liaison and advisory support to INDOT and IFA for their successful completion of the East End Crossing contract(s).

- **INDOT and IFA**

  INDOT and IFA, supported by their Technical Team (described below), will be responsible for all aspects of the East End Crossing contract(s). INDOT will also provide a liaison and advisory support to KYTC for its successful completion of the Downtown Crossing contract(s).

- **General Engineering Consultant**

  The General Engineering Consultant (GEC) acts on behalf of the BSMT, as directed.

- **Technical Teams**

  Each state will procure consultant Technical Teams to assist their staff with contract administration and oversight of their respective alternative delivery contracts. The Technical Teams will supplement and assist state personnel with design review, contract administration, construction inspection, and quality control and quality assurance activities. Each state may appoint a representative to serve on the other state's Technical Team in order to assist in the review and development of those portions of the Project (Sections 3 and 4) that are to be constructed within the jurisdiction of the appointing state.

- **Downtown Crossing Design-Builder**

  KYTC issued a draft RFP in May 2012 for a design-build team to design and construct the Downtown Crossing portion of the Project. The state anticipates having this team selected during the final quarter of calendar year 2012.

- **East End Crossing Developer**

  IFA and INDOT issued a draft RFP in May 2012 for a developer to design, construct, and finance the East End Crossing, and operate and maintain portions thereof. IFA and INDOT have elected to let a separate design-build contract for the Salem Road alignment.

- **Toll System Integrator**

  Kentucky and Indiana will jointly contract with a Toll System Integrator /Operator to design, develop, integrate, deliver, install, and test the electronic toll collection system for the Downtown Crossing and the East End Crossing and following completion, to operate, maintain, repair and manage the electronic toll collection system for the Downtown Crossing and the East End Crossing.

- **Section Design Consultants**

  Six Section Design Consultants (SDCs) were responsible for preliminary design, right of way, and utility engineering, including plan development, environmental investigations, preliminary permitting, and environmental mitigation required by the ROD. The SDCs were selected after issuance of the original ROD in 2004 and worked up to the start of the procurement process for the two major alternative delivery contracts. Four of the six SDCs continue to provide assistance in support of the procurements and will complete their work when the procurements are completed.

- **Standing Advisory Teams**

  There are several standing advisory teams with specific historical and environmental functions that also serve as information outlets. These include: a Bi-State Historic Consultation Team, two Historic Preservation Advisory Teams, four Area Advisory Teams, and a Regional Advisory Committee. These advisory teams have varying duties which include providing recommendations to the BSMT during development of contract provisions regarding design of the Project; providing feedback on plans with the specific needs of their communities in mind as well as the region at large.

- **Louisville and Southern Indiana Bridges Authority**

  The Bridges Authority will continue to satisfy any obligations it has with respect to the Project pursuant to Kentucky Revised Statutes Section 175B and any responsibilities it may have under the Bi-State Development Agreement.

Chapter 2. Project Cost Estimate

INTRODUCTION

This chapter provides a detailed description of Project cost elements and 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.

CURRENT COST ESTIMATES

The current total estimated cost for the Project is $2.584 billion, based on projected year-of-expenditure dollars (i.e., on a cash flow basis in nominal terms). This cost estimate: (i) reflects updated estimates prepared in early 2012 by the Project Sponsors and (ii) includes the most current project phasing and anticipated schedule.

The current cost estimate of $2.584 billion is significantly lower than the previous official cost estimate of $4.083 billion. The variance is attributable to a number of factors, including:

- Rebuilding the downtown Kennedy Interchange in place rather than moving it to the south – estimated $800 million savings;
- Eliminating flyover ramps and making other design changes on the Indiana interstate approach to the newly expanded I-65 bridges – estimated $215 million savings; and
- Reducing the East End Bridge, roadway and tunnel from six to four lanes – estimated $174 million savings.

Table 2-1 provides an overview of Project costs, broken down by project component and section. The estimates are presented in year-of-expenditure dollars and incorporate reasonable inflation estimates, as described further below.

Table 2-1. Project Cost Estimate – by Project Component and Section

Total Project Costs in Year of Expenditure Dollars (in millions)	
	Total Cost
Downtown Crossing	
Section 1 - Kennedy Interchange	$659.8
Section 2 - Downtown Bridge	357.8
Section 3 - Downtown Indiana Approach	197.7
Kentucky Other Costs (2)	92.3
Total Downtown Crossing	**1,307.6**
East End Crossing	
Section 4 - Kentucky East End Approach	737.6
Section 5 - East End Bridge	284.4
Section 6 - Indiana East End Approach	196.1
Indiana Other Costs (2)	58.2
Total East End Crossing	**1,276.2**
PROJECT TOTAL	**$2,583.9**

(1) Totals may not sum due to rounding.

(2) Other Costs include project-wide costs that are not specific to individual project sections and include such costs as those incurred for historic mitigation and enhancements (not tied to any particular section), project development, general engineering and other professional fees and administrative expenses. Kentucky's share of project-wide costs is shown as part of the Downtown Crossing expenditure and Indiana's share of project-wide costs is shown as part of the East End Crossing expenditure.

INFLATION ASSUMPTIONS AND COST ESTIMATING METHODOLOGY

Inflation Assumptions

For the purpose of this Initial Financial Plan, the following inflation assumptions have been applied:

Project Year Inflation Rate[1]
2012 Calendar Year: 0%
2013 Calendar Year: 2.5%
2014 Calendar Year: 4.0%
2015 Calendar Year: 4.0%
2016 Calendar Year & after: 2.5%

These assumptions are based on models prepared by INDOT, relying on reports and information provided by Global Insights, an economic forecast research organization. KYTC has concurred with these assumptions.

[1] These inflation rates reflect calendar year rates that were then applied on a prorated basis to monthly expenditure forecasts.

Cost Estimating Methodology

Current cost estimates have been developed by the General Engineering Consultant, in conjunction with the BSMT and FHWA. The cost estimates were developed by breaking down the Project into the six major sections plus an "Other Costs" category and, further, into nine major elements. The methodology for each element is further described below.

Table 2-2. Cost Estimating Methodology

Cost Elements
Engineering and Design
Preliminary and final engineering design services. Final engineering will be part of the alternative delivery contracts for the Downtown and East End Crossings. Engineering and design cost estimates are currently estimated at 7.5% of the construction cost estimate.
Design Program Management
Cost to each state for services of the GEC during the design phase and miscellaneous departmental program management costs. This element is subdivided into two components: Design Program Management INDOT and Design Program Management KYTC to cover each state's share of the GEC costs. Program Management estimates are based on currently negotiated contracts and estimates that cover the currently planned Project schedule.
Construction Administration and Inspection
All construction and program management, administration, and inspection activities during the construction phase of the Project. Construction Administration and Inspection costs are estimated at 8% of the construction cost estimate.
Construction
Estimated cost of construction. Construction estimates reflect current prices inflated for year of expenditure utilizing two large alternative delivery contracts, with several smaller specialty contracts throughout the construction period.
Construction Contingency
Contingency to cover additional construction services in the event unforeseen circumstances arise that result in additional cost. Construction contingency estimates are based on the level of engineering undertaken to date for each Project section. Contingency factors have been developed based on the 2012 FHWA Cost Estimate Review 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 from the 2012 FHWA Cost Estimate Review.
Utilities
All public and private project-related utility relocation and new utility construction. Costs include those related to telephone, electric, gas, fiber optics, water, sewer, TV cable, and storm drainage and are based on the most up-to-date cost information available.
Right of Way Acquisition
Appraisals, administration, management, and acquisition of required right of way. Costs include completed and anticipated right of way acquisition and are based on the most up-to-date market information available.

Cost Elements
Enhancements
Various Project-related commitments as identified in the Record of Decision. This includes fixed dollar commitments made for a Minority Historic Rehabilitation Craftsman Training Program, Rehabilitation of Trolley Barn Buildings in West Louisville, enhanced bus service, and various other NEPA commitments.
Historic Mitigation
Implementation of mitigation of sensitive historic properties. This includes costs for such items as the acquisition and renovation of the Spring Street Freight House in Indiana and the acquisition and rehabilitation of Rosewell in Kentucky.

Figure 2-1 provides a summary breakdown of Project costs by element, in year-of-expenditure dollars.

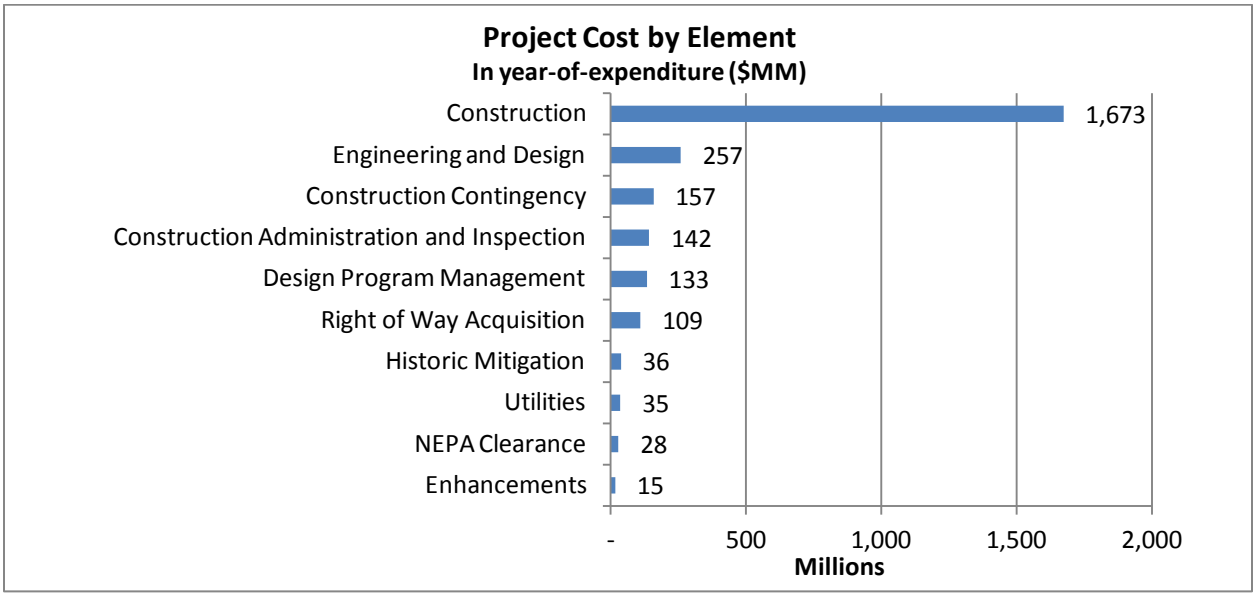


Figure 2-1. Project Cost by Element[2]

Tables 2-3a and 2-3b show the breakdown of costs for the Project annually by Project component and section and by state, respectively. Going forward, Kentucky will be responsible for the costs associated with the Downtown Crossing (Sections 1, 2 and 3) and Indiana for the costs of the East End Crossing (Sections 4, 5 and 6). Kentucky will continue to pay for Right of Way for Section 4 and Indiana will continue to pay for Right of Way for Section 3. Prior to July 2012, however, Project costs were generally allocated so that Kentucky was responsible for Sections 1 and 4, Indiana was responsible for Sections 3 and 6, and the states split equally the cost of Sections 2 and 5. Therefore, Kentucky's total expenditures will not equal the total cost of the Downtown Crossing and Indiana's total expenditures will not equal the total cost of the East End Crossing.

[2] Of the approximately $27.5 million shown expended for NEPA Clearance, $22.2 million was for the original EIS and $5.3 million was for the SEIS.

Table 2-3a. Project Budget by Project Component and Section
(Year-of-Expenditure $, millions)

Detailed Budget ($YOE)	Total	Thru 2010	2011	2012	2013	2014	2015	2016	2017	2018
Downtown Crossing										
Section 1	659,805,677	54,389,977	10,598,674	19,208,670	37,313,792	116,588,291	103,946,794	104,799,312	105,165,515	107,794,652
Section 2	357,759,234	12,974,022	47,659	1,236,056	11,549,874	83,500,623	76,619,010	78,519,785	86,235,885	7,076,320
Section 3	197,742,319	1,176,575	1,058,206	1,031,794	14,976,108	18,467,325	52,273,151	53,708,227	55,050,933	0
Other Costs	92,284,595	50,304,264	4,902,764	7,983,064	9,112,500	4,181,625	4,348,890	4,490,229	4,602,485	2,358,773
Subtotal	**1,307,591,825**	**118,844,838**	**16,607,303**	**29,459,584**	**72,952,274**	**222,737,864**	**237,187,845**	**241,517,553**	**251,054,818**	**117,229,745**
East End Crossing										
Section 4	737,571,724	24,203,118	15,680,828	16,788,767	31,457,257	175,184,458	160,378,234	155,002,005	158,877,057	0
Section 5	284,393,125	12,794,456	2,813,469	2,424,770	9,343,597	64,674,713	58,916,154	65,321,158	68,104,808	0
Section 6	196,058,561	17,588,124	3,294,844	4,909,769	7,682,432	7,409,408	51,308,112	51,291,789	52,574,083	0
Other Costs	58,239,599	19,554,036	3,392,537	5,115,756	10,195,268	4,181,625	4,348,890	4,490,229	4,602,485	2,358,773
Subtotal	**1,276,263,009**	**74,139,734**	**25,181,678**	**29,239,062**	**58,678,554**	**251,450,204**	**274,951,390**	**276,105,181**	**284,158,433**	**2,358,773**
TOTAL	**2,583,854,834**	**192,984,572**	**41,788,981**	**58,698,646**	**131,630,829**	**474,188,068**	**512,139,235**	**517,622,734**	**535,213,250**	**119,588,519**

Table 2-3b. Project Budget by State
(Year-of-Expenditure $, millions)

Detailed Budget ($YOE)	Total	Thru 2010	2011	2012	2013	2014	2015	2016	2017	2018
Full Project										
Kentucky	1,352,306,585	141,781,598	32,612,830	45,810,914	71,363,912	213,747,370	237,187,845	241,517,553	251,054,818	117,229,745
Indiana	1,231,548,248	51,202,974	9,176,151	12,887,732	60,266,916	260,440,698	274,951,390	276,105,181	284,158,433	2,358,773
TOTAL	**2,583,854,833**	**192,984,572**	**41,788,981**	**58,698,646**	**131,630,828**	**474,188,068**	**512,139,235**	**517,622,734**	**535,213,251**	**119,588,518**

PROJECT EXPENDITURES

As shown in Table 2-4, approximately $293.5 million is estimated to have been expended on the Project through the end of SFY 2012.

Table 2-4. Total Expenditures to Date by State Fiscal Year
(Year-of-Expenditure $, in millions)

SFY	KY	IN	Total
1998 - 2003	11.1	11.1	22.2
2004	1.0	0.6	1.6
2005	15.1	4.1	19.2
2006	29.3	7.3	36.6
2007	31.1	8.4	39.5
2008	18.7	5.6	24.3
2009	18.1	7.9	26.0
2010	17.4	6.1	23.5
2011	32.6	9.2	41.8
2012	45.8	12.9	58.7
TOTAL	**220.2**	**73.3**	**293.5**

**Numbers may not sum due to rounding.*

Table 2-5 provides a summary of the projected future expenditures for the Project, by state fiscal year and based on the current year-of-expenditure estimates.

Table 2-5. Projected Future Expenditures by State Fiscal Year
(Year-of-Expenditure $, in millions)

SFY	KY	IN	Total
2013	71.4	60.3	131.6
2014	213.7	260.4	474.2
2015	237.2	275.0	512.1
2016	241.5	276.1	517.6
2017	251.1	284.2	535.2
2018	117.2	2.4	119.6
TOTAL	**1,132.1**	**1,158.3**	**2,290.4**

Figures 2-2 and 2-3 show historic and future Project expenditures by section.

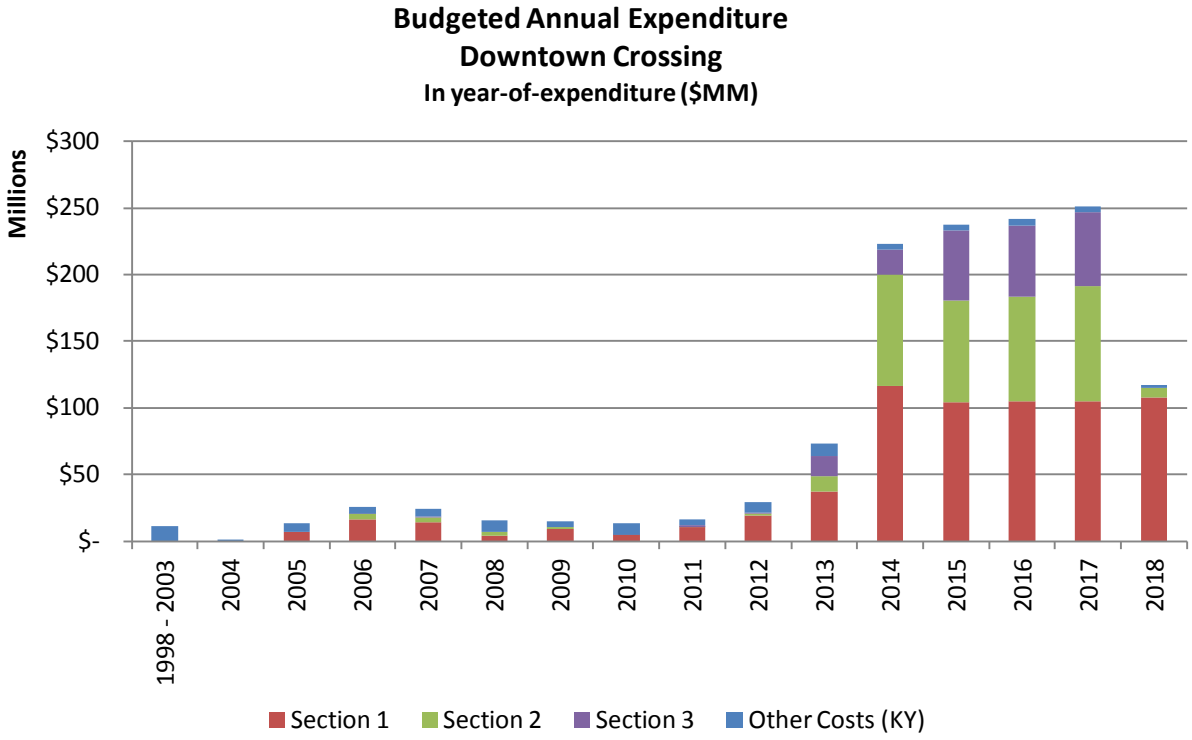


Figure 2-2. Annual Expenditures – Downtown Crossing

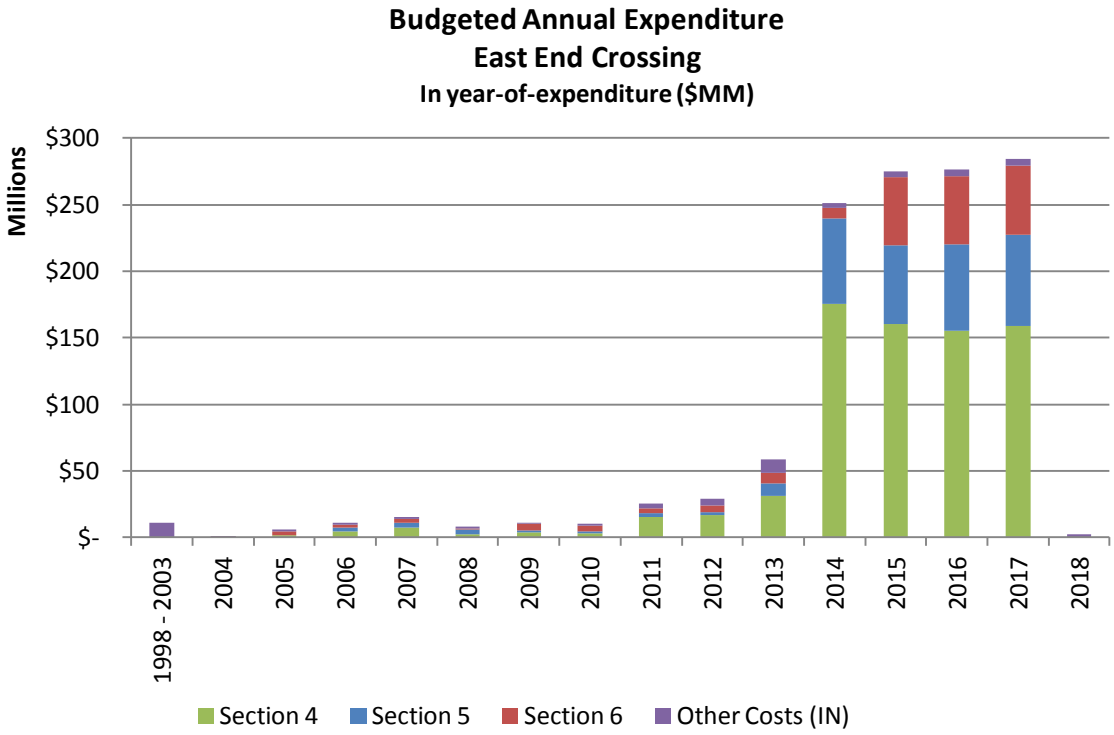


Figure 2-3. Annual Expenditures – East End Crossing

Figures 2-4a and 2-4b provide a comparison of budgeted annual expenditures by Crossing and Section and actual expenditures to date for Downtown and East End, respectively.

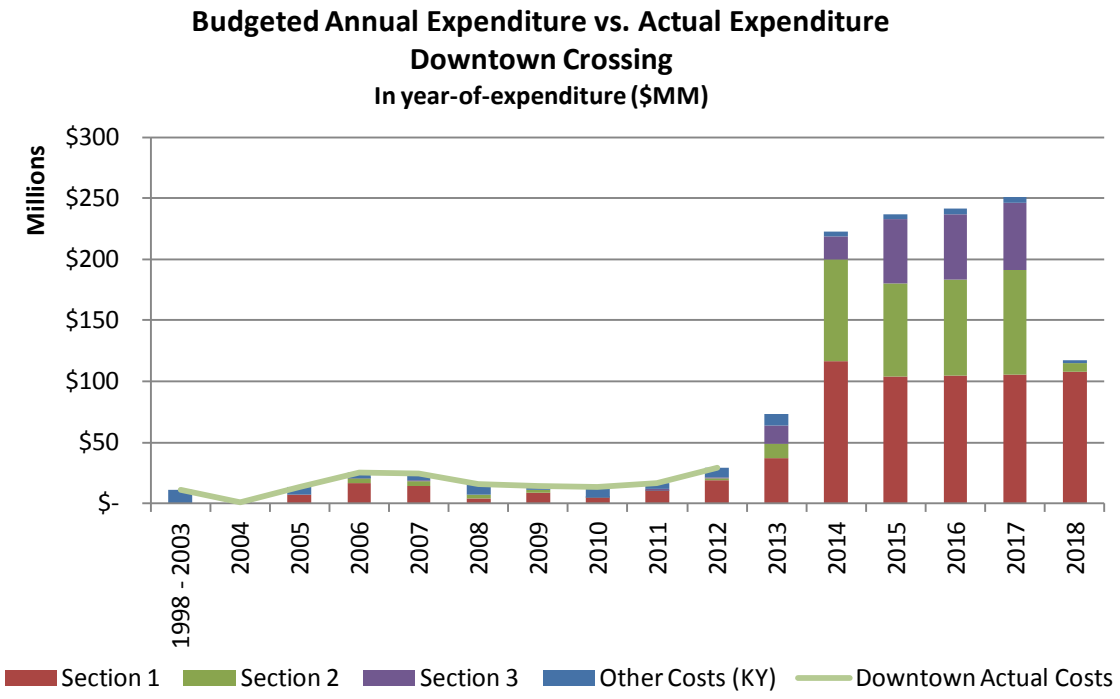


Figure 2-4a. Budgeted Annual Expenditure vs. Actual Expenditure

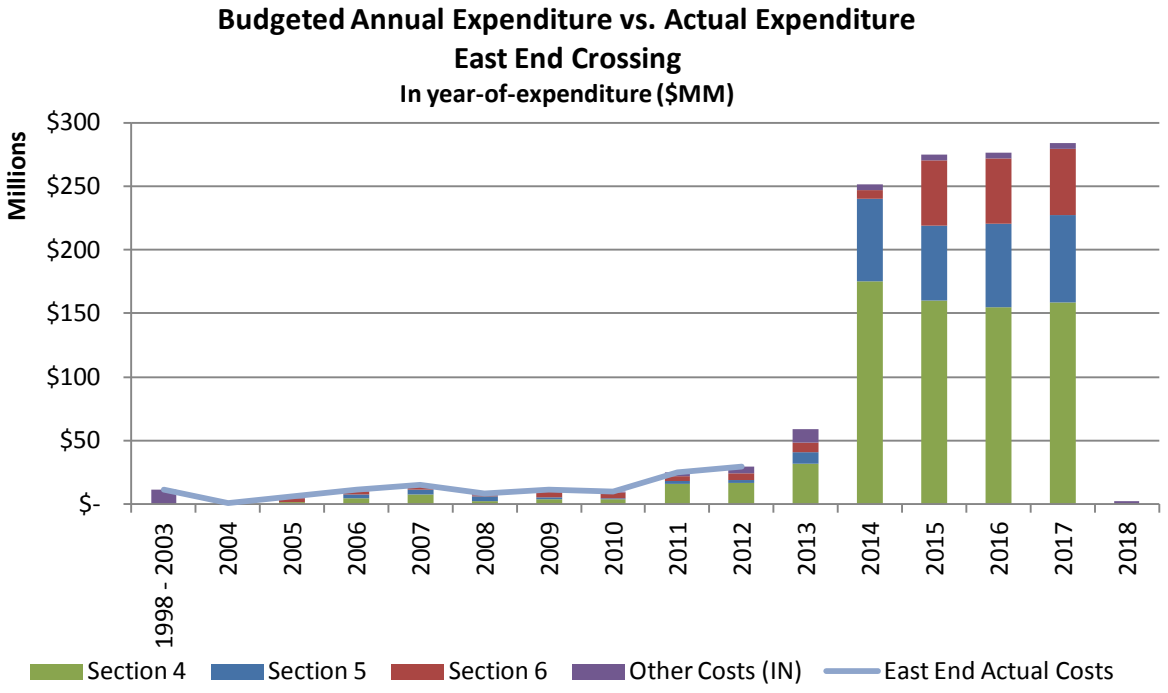


Figure 2-4b. Budgeted Annual Expenditure vs. Actual Expenditure

Chapter 3. Implementation Plan

INTRODUCTION

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

PROJECT SCHEDULE OVERVIEW

The current Project schedule is based on delivery of the Downtown Crossing under a design-build contract and the East End Crossing under an availability payment concession. The Project is expected to be complete by the end of SFY 2018 (*see Figure 3-1 and Table 3-1*). The East End Crossing is expected to reach final acceptance in June 2017 and the Downtown Crossing is expected to reach final acceptance in June 2018.

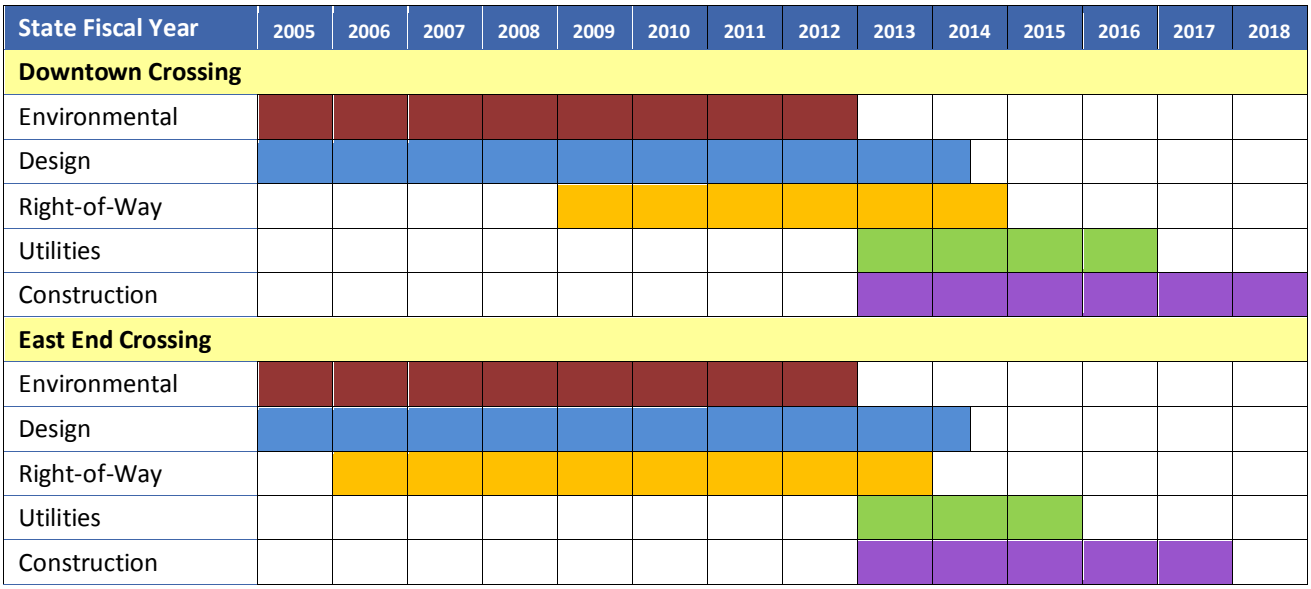


Figure 3-1. Project Schedule Overview

The Project Sponsors anticipate awarding construction contracts for both the Downtown Crossing and the East End Crossing in the last quarter of Calendar Year 2012, as shown in the procurement schedules in the Project Delivery discussion below. Table 3-1 shows the current status of each section of the Project.

Table 3-1. Current Activities and Status

Project Section	Current Activities	Approximate Status[1]	Estimated Construction Start Date (SFY)[1]	Estimated Open to Traffic Date (SFY)[1]
Section 1 – Kennedy Interchange	Design phase ROW phase	30% complete 10% complete	2013	2018
Section 2 – Downtown Bridge	Design phase	30% complete	2013	2018
Section 3 – Downtown Indiana Approach	Design phase ROW phase	30% complete 0% complete	2013	2018
Section 4 – East End Kentucky Approach	Design phase ROW phase	30% complete 85% complete	2013	2017
Section 5 – East End Bridge	Design phase	30% complete	2013	2017
Section 6 – East End Indiana Approach	Design phase ROW phase	30% complete 60% complete	2013	2017

(1) Based on state fiscal years ending June 30.

PROJECT DELIVERY

The Project Sponsors have evaluated various alternative contracting methods permitted under current Indiana and Kentucky law. Such alternative delivery models are expected to enhance the feasibility of the Project through accelerated project delivery; avoidance of inflation costs; the infusion of additional sources of financing; and the transfer of various risks to the private sector, such as construction risk, and/or long-term operating and maintenance risks. As a result, the Downtown Crossing is being procured under a design-build contract and the East End Crossing is being procured as an availability payment concession. Figure 3-2 provides the current procurement schedules for each component.

Downtown Crossing Procurement Schedule

Dates	Scheduled Item
March 8, 2012	Final RFQ issued
April 2, 2012	Statement of Qualifications (SOQ) due
May 1, 2012	Announcement of "short list" of three DBTs and provision of draft RFP
May 1 - Aug. 10, 2012	Innovative Technical Concepts (ITC) accepted from three DBTs
Aug. 3, 2012	Final RFP
October 1, 2012	Technical Proposals due
Oct. 1 – Nov. 1, 2012	KYTC's Technical Proposal Advisory Committee reviews Technical Proposal
Nov. 1 – Nov. 15, 2012	KYTC Scoring Committee to review and score Technical Proposals; scores provided to the Awards Committee
Nov. 15, 2012	Price Proposals due
Nov. 2012	KYTC to announce Apparent Best Value Design Build Team

East End Crossing Procurement Schedule

Dates	Scheduled Item
March 9, 2012	RFQ issued
April 9, 2012	Statement of Qualifications (SOQ) due
April 23, 2012	Short-listed proposers announced
May 2, 2012	Draft RFP circulated to short-listed proposers
July 31, 2012	Final RFP issued
October 26, 2012	Proposals due
December 2012	Award and execution of PPA

Figure 3-2. Procurement Schedules

PERMITS AND APPROVALS

On September 6, 2003, the Federal Highway Administration issued a Record of Decision selecting the preferred alternative as a Two Bridges/Highway Alternative, with the specific elements selected in the Far East and Downtown corridors, as well as the Kennedy Interchange Reconstruction option.

On November 10, 2011, a Supplemental Draft Environmental Impact Statement was approved by FHWA, KYTC, and INDOT. The Supplemental Final Environmental Impact Statement (SFEIS) was signed on April 20, 2012 and the Revised ROD was signed on June 20, 2012. All permitting activity will be carried out in accordance with the SFEIS and Revised ROD.

The RFPs for final design and construction will include provisions to ensure compliance with all NEPA commitments that are included in the SFEIS, the Revised ROD, and the Section 106 First Amended MOA. The states will apply for several permits with key federal regulatory agencies. The private design-builders will apply for a number of other necessary local and state agency permits. The permits and notifications required by the SFEIS are outlined in Table 3-2.

Table 3-2. Required Permits or Notifications

Agency	Permit/Notification[1]
U.S. Army Corps of Engineers	Section 404 Permit for Discharge of Dredged or Fill Material into Waters of the United States
U.S. Army Corps of Engineers	Section 10 Construction, Dumping and Dredging Permit
U.S. Coast Guard	Section 9 Bridge Permit
Federal Aviation Administration	Tall Structure Permit FAA Form 7460-1 Notice of Proposed Construction or Alteration for a crane and for a bridge
Kentucky Airport Zoning Commission	Lighting required for top of structures of Ohio River
Kentucky Natural Resources and Environmental Protection Cabinet, Division of Water and Louisville Metropolitan Sewer District	Floodplain Construction Permit
Kentucky Natural Resources and Environmental Protection Cabinet, Division of Water	Section 401 Water Quality Certification

Agency	Permit/Notification[1]
Kentucky Natural Resources and Environmental Protection Cabinet, Division of Water	Rule 5 National Pollution Discharge Elimination System
Indiana Department of Environmental Management	Section 401 Water Quality Certification
Indiana Department of Environmental Management	Rule 5 National Pollution Discharge Elimination System
Indiana Department of Natural Resources	Construction in a Floodway Permit
United States Fish and Wildlife Service	Federal Permit for Eagle Take to Protect an Interest in a Particular Locality
City of Jeffersonville	Local NPDES Permits – for Construction Stormwater and for Post Construction Stormwater
Louisville Metropolitan Sewer District	Erosion and Sediment Control Plan
Kentucky Division of Waste Management	Risk Management Plan (HAZMAT/Contamination)
Kentucky Division of Waste Management	Pollution Discharge Elimination System
Kentucky Airport Zoning Commission	Aviation Lighting Permits (TC-56-50e) Application for Permit to Construct or Alter a Structure – for a crane and for a bridge

(1) Note: not all permits/notifications apply to all sections of the Project.

In 2010, the Bridges Authority and the Bi-State Management Team worked with the area's Metropolitan Planning Organization (MPO) and FHWA on a financial demonstration document for the Project in connection with the update of the MPO's long-range Metropolitan Transportation Plan (MTP). The plan was approved by the MPO's Transportation Policy Committee in October 2010 and subsequently approved by FHWA in November 2010. These actions allowed the Project to be retained as an active, fiscally-constrained project within the MTP. In October 2011, the third amendment of the MTP was approved. That amendment included project changes to align the MTP with the Modified Selected Alternative project scope and description, with the cost savings and tolling assumptions that were reflected in the SDEIS published in November 2011, and that are consistent with this IFP document.

Chapter 4. Financing and Revenues

INTRODUCTION

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

FINANCIAL PLAN OVERVIEW

This Initial Financial Plan reflects the planned funding and finance strategy by which the Project's currently estimated $2.6 billion cost (in year-of-expenditure dollars) will be funded through a combination of conventional state and federal transportation program funds and toll-based Project revenues. In the case of Kentucky's planned design-build contracting approach for the Downtown Crossing, these funding sources will be leveraged to provide the necessary up-front capital for construction through a combination of Kentucky's federal-aid funding commitments, toll revenue bonds, and grant anticipation revenue vehicle (GARVEE) bonds. In the case of Indiana's intended availability payment concession approach for the East End Crossing, private sector financing, including private equity and debt, will be secured by the concessionaire to support its obligations, and the payments under the concession agreement will be met by Indiana's commitments of state and federal funding and its share of the toll-based revenues from the Project. Federal discretionary program funds also will continue to be utilized to fund the Project to the extent additional discretionary funds become available and obtained by the states. As of the end of state fiscal year 2012, the states will have expended an estimated $293.5 million ($220.2 million by Kentucky and $73.3 million by Indiana) for the Project.

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

- Ensuring that cost sharing arrangements are equitable and the states' financial obligations to the Project are manageable;
- Ensuring that the Project delivers value to the states, taxpayers, project partners, and end users through appropriate toll rates and the lowest feasible Project cost;
- Seeking private sector innovation and efficiencies and encouraging design solutions that respond to environmental concerns, permits, and commitments in the ROD;
- Developing the Project in a safe manner that supports congestion management and economic growth for the region;
- Ensuring the Project is constructed within a time period that meets or exceeds final completion target dates;
- Transparently engaging the public and minimizing disruptions to existing traffic, local businesses, and local communities; and

- Delivering a Project that is a self-sustaining, integrated cross-river mobility solution for future generations.

The alternative delivery methods selected by the states have the strong potential of further reducing Project costs and enhancing the overall Project finance strategy. Such cost savings will be reflected in future updates to the Financial Plan.

PROCUREMENT APPROACH AND FINANCING

The Downtown Crossing and East End Crossing will be procured using two different methods of delivery and financing, as described below.

Downtown Crossing

Kentucky is in the process of procuring a design-builder to design and construct the Downtown Crossing. On May 1, 2012, KYTC issued a draft RFP to three short-listed teams. The Final RFP will be released in August 2012 and the Apparent Best Value Design Build Team will be selected in November 2012.

Payments to the selected design-builder for the Downtown Crossing will be financed by KYTC and KPTIA using a combination of direct funding from the KYTC Highway Plan, KYTC GARVEE bond proceeds, and toll revenue bond proceeds, as described further below.

East End Crossing

Indiana will procure a concessionaire to design, build, finance, as well as operate and maintain portions of, the East End Crossing under an availability payment structure and based upon an agreed upon Public-Private Partnership Agreement (PPA). On May 2, 2012, IFA and INDOT issued a draft RFP to four short-listed teams. The Final RFP will be issued in July 2012 and award and execution of the PPA will be in December 2012.

Milestone Payments will be made to the selected concessionaire for the completion of specific portions of the East End Crossing during the construction phase. Availability Payments will then be made throughout the operations phase of the project. Such payments will be reduced in the event that the East End Crossing is not available for a period of time or is not being operated in a prescribed manner. The IFA will be contractually obligated to make these payments and will enter into a Project Trust Agreement with a Project Trustee which will manage and dispense funds accordingly. To give effect to this arrangement, the IFA will enter into a Milestone Agreement with INDOT to receive $54 million in Milestone Payments on an annual basis from 2013 to 2020. Likewise, the IFA will enter into a Use Agreement with INDOT to receive payments equal to anticipated Availability Payments as defined in the PPA. Availability Payments will not be payable until after Substantial Completion.

A combination of state and federal funds will be used to make Milestone Payments for construction while toll revenues, in combination with state and federal funds, will be used to make Availability Payments, as described further below. It is anticipated that the concessionaire will utilize a combination of debt and equity to finance initial construction prior to payment by the state via the Milestone and Availability Payment structure.

STATE TRANSPORTATION AND FEDERAL-AID FORMULA FUNDING

Both Kentucky and Indiana have historically used federal-aid resources for the Project and have committed specific funding from their respective near-term federal-aid highway funding programs, as described further below.

Federal-aid formula funds provided to the Project have been and will continue to be matched by a combination of state road funds and toll credits (credits unrelated to the Project) in Kentucky and by state funds in Indiana. Both states have a demonstrated track record of meeting their state match obligations with a variety of state funding sources, including state-imposed fuel taxes and a variety of transportation-related fees.

Based on expectations regarding the availability of federal funding, as well as expectations regarding the availability of corresponding state transportation funds, an estimated $1.3 billion of federal-aid highway formula and state transportation funds is reasonably expected to be available to the Project (*see Table 4-1*). This includes $293.5 million of federal and state funds estimated to have been expended through state fiscal year 2012.

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

Detailed Budget ($YOE)	Thru 2012	2013	2014	2015	2016	2017	2018	Total
Kentucky								
Federal Formula Funding[3]	103,100	50,000	50,000	50,000	50,000	50,000	50,000	403,100
GARVEE Bond Proceeds	100,000	337	172,347	63,316	0	0	0	336,000
Federal Discretionary Funding[4]	76,300	0	0	0	0	0	0	76,300
Total	**279,400**	**50,337**	**222,347**	**113,316**	**50,000**	**50,000**	**50,000**	**815,400**
Indiana								
State Funding	15,724	24,365	24,941	18,709	16,498	16,861	10,800	127,898
Federal Formula Funding	26,885	57,600	66,800	74,835	65,993	67,443	43,200	402,756
Federal Discretionary Funding[5]	31,500	7,900	0	0	0	0	0	39,400
Total	**74,109**	**89,865**	**91,741**	**93,544**	**82,491**	**84,304**	**54,000**	**570,054**

[3] Kentucky's state match is being provided via toll credits. Interstate Maintenance (IM) funds have a $15 million requirement; National Highway System (NH) funds have a $30 million requirement, for a total match of $45 million in toll credits.
[4] KY federal discretionary funding includes $21.6 million from TEA-21, $34.2 million from SAFETEA-LU, and $20.5 million of Direct Earmarks.
[5] IN federal discretionary funding includes $13.4 million from TEA-21, $22.4 million from SAFETEA-LU, and $3.6 million of Direct Earmarks.

Kentucky

Through the Six-Year Highway Plan, Kentucky has planned $536 million in future federal funds to be used on the Project. This total includes $300 million in traditional federal funds ($50 million per year for six years beginning with state fiscal year 2013), with an equal share coming from the current Interstate Maintenance and National Highway System funding categories. The remaining $236 million in federal funding will be provided via previously authorized but unissued GARVEE bonds. This is in addition to already expended funds of $220.2 million of $279.4 million authorized by the end of SFY2012, leaving $59.2 million to apply with the future $536 million. The commitment of specific categories of federal funding is subject to future action by the Kentucky General Assembly, and the recently authorized federal surface transportation program, "Moving Ahead for Progress in the 21st Century" (MAP-21).

Designated funding amounts are reflected in the Commonwealth's biennial budget (committed for the first two years of funding) and in the Six-Year Highway Plan (subject to appropriation for the remaining four years). Kentucky's funding participation is also reflected in the fiscally-constrained Statewide Transportation Improvement Program (STIP) and the FY 2011 – 2015 Transportation Improvement Program (TIP) for the metropolitan region.

The Transportation Cabinet budget for the biennium is prepared in accordance with Chapter 48 of the Kentucky Revised Statutes and is based on two-year projections made in light of long-range program requirements and revenue estimates. The biennial budget request is prepared by the Transportation Cabinet and presented to the Governor for submission to the Kentucky General Assembly. The General Assembly is required by the Kentucky Constitution to adopt measures providing for the state's revenues and appropriations for each fiscal year. The Governor is required by law to submit a biennial State Budget (the "State Budget") to the General Assembly during the legislative session held in each even numbered year. State Budgets have generally been adopted by the General Assembly during those legislative sessions, which end in mid April, to be effective upon the Governor's signature for appropriations commencing for a two year period beginning the following July 1.

Indiana

To support the East End Crossing procurement, INDOT has committed a total of $570 million in federal and conventional state funds through 2018. This includes six payments of $54 million per year to support Milestone Payments, additional INDOT construction period costs of $172.7 million, and $73.3 million of previously expended funds. INDOT has committed an additional two amounts of $54 million for payment toward Milestone Payments, totaling $108 million, which are not included in the $570 million. A total of $162 million, including $54 million in 2018 and the additional $108 million, extends beyond the anticipated construction period for the East End Crossing and is included in the $713 million of financed funding shown in Table 5-3.

Upon the developer achieving substantial completion of the East End Crossing, to the extent that the Crossing is open and available for service, availability payments will commence. These payments will be funded through biennial State appropriations. Toll revenues generated from the Project will be applied to offset the State's annual obligations. It is anticipated that future funds will come from the Interstate Maintenance and National Highway System funding categories, although the commitment of specific funding categories of federal funding is subject to adjustment based on the recently authorized federal surface transportation program, MAP-21, and the related funding categories.

Milestone/Availability Payments

With regard to the Indiana budgeting process, the fiscal year commences on July 1 and ends on June 30 of the following calendar year. The State operates under a biennial budget for the two consecutive fiscal years ending on June 30 of an odd numbered year. On or before the first day of September in each even numbered year, all State agencies (including INDOT) submit budget requests to the State Budget Agency. The State Budget Agency then conducts an internal review of each request. In the fall of each even numbered year, the State Budget Committee (comprised of the State Budget Director and four members of the General Assembly) begins hearings on the budget requests. After presentations by the requesting State agency and the State Budget Agency, the State Budget Committee makes budget recommendations to the Governor. These budgets then become appropriations when the budget is passed by the Legislature, and then signed into law by the Governor.

As it relates to the East End Crossing, on or before the first day of August of each even numbered year, the IFA will prepare and provide to INDOT an annual Milestone Payment budget forecast and deliver a copy for the ensuing two fiscal years which shall set forth the amount of a Milestone Payment of $54 million per year. Upon substantial completion of the East End Crossing, on or before the first day of August of each even numbered year, the IFA will prepare and provide to INDOT an annual budget forecast and deliver a copy for the ensuing two fiscal years which details the Maximum Availability Payment for both fiscal years, the estimated tolling O&M expenses, the estimated funds required to be deposited under the Project Trust Agreement, and the amounts of funds to be appropriated to INDOT to meet Use Payment Requirements.

Indiana's plan for making these payments will be to use its biennium appropriations for Availability Payments. These payments would be made by INDOT to IFA based on the budget IFA will present to INDOT. These payments are made on an annual basis prior to August 1 of the current fiscal year.

The IFA will work with the Project Trustee, evaluate the available tolling revenues, determine whether there is a shortfall or excess in those funds, and use the appropriation from INDOT to make up any shortfall. The balance would be returned to INDOT. If the tolling revenues exceed the Availability Payment budget, INDOT would be returned the appropriation amount. INDOT and IFA are using the biennium appropriations for Availability Payments to show that Indiana is budgeting these appropriations out of INDOT's Capital Program. INDOT estimates that these payments will be approximately 5-8% of the State's capital program (see further discussion below and Table 4-4 for additional information).

Availability Payments will be payable by INDOT solely from appropriations from the General Assembly of the State to INDOT for such Biennium. In addition to being reflected in internal budget and financial control systems, all anticipated funding amounts are reflected in the fiscally-constrained Statewide Transportation Improvement Program (STIP) and the FY 2011 – 2015 Transportation Improvement Program (TIP) for the metropolitan region.

Federal Discretionary Funding

In addition to Federal-aid formula funds, Kentucky and Indiana have previously secured $116 million in discretionary funding from the Federal Highway Trust Fund and General Appropriations for the Project. This includes $24 million in direct federal appropriations and $92

million through High Priority Project funding designations under TEA-21 ("Transportation Equity Act for the 21st Century") and SAFETEA-LU ("Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users"). The $116 million of discretionary funds received for the Project have been expended on major investment and environmental studies, design and engineering costs, right of way acquisition, and oversight and project management, and are included in the figures above. .

PROJECT REVENUES

Both states have had successful histories of using alternative funding sources, including tolling, for the development of their road infrastructures.[6] Further, both states have the requisite legislative authority to impose tolls on the Project. Specifically, Kentucky Revised Statutes Section 175B.030 provides tolling authority for the Project, and the Indiana General Assembly amended its tolling and public-private partnership statutes in 2010 to expressly permit both tolling and public-private partnerships to be utilized in delivering the Project.[7] The planned approach is to enter into Tolling Agreement(s) with the Federal Highway Administration, as provided for under Title 23 United States Code, Section 129.

Traffic forecasting work on the Project has been performed by the Bi-State Management Team's traffic and revenue consultants using a time-of-day travel demand model that was developed in connection with the Project. The initial traffic and revenue work began in the 2005/2006 time period and included a Level 1 study using the KIPDA Daily Regional Travel Demand Model and assumed the FEIS Preferred Alternative. This was followed in 2007 with a Level 2 study again using the KIPDA Daily Model and FEIS Preferred Alternative. This study was updated in 2010 and is reflected in a December 2010 report. Subsequent to the 2010 report an extensive effort was undertaken to create a time of day model suitable for use in an investment grade traffic and revenue study.

In order to prepare for future development of an Investment Grade Traffic and Revenue Study, a new Project TOD Model was created for the entire KIPDA area. In addition to developing a TOD Model, additional data were collected and used to support the model validation process. Using the LSIORB TOD Model, a complete set of 2030 traffic forecasts were developed, used in the SEIS process and documented in a LSIORB Traffic Forecasting Report.

Work has continued beyond the SEIS for the purpose of further analyzing project delivery methods. For this process, the LSIORB Project TOD Model was converted to operate on modeling platforms used by CDM Smith. Key assumptions of this process include:

- **Tolled facilities and timing** – Traffic and revenue forecasts are based on a single scenario: tolling each of the East End Bridge and the new Downtown (I-65) Bridge, in each case as soon as it is open to traffic, and tolling the existing Kennedy Bridge upon the earliest of: completion of the new Downtown Bridge, completion of the new East End Bridge, or June 30, 2018. Tolls will be implemented according to a tolling policy that will be based on the exclusive use of high speed, all-electronic non-stop tolling. The

[6] Kentucky, for example, built a system of approximately 680 miles of full-access controlled parkways using bonding with debt service supported by a mix of state road funds and tolling. Indiana maintained the 157-mile Indiana Toll Road connecting the Chicago Skyway with the Ohio Turnpike for fifty years, using the proceeds of toll-revenue bonds for necessary expansion and maintenance projects. In 2006, Indiana completed a very successful public-private partnership transaction involving the Toll Road. These experiences will be brought to bear to move the Ohio River Bridges Project to construction.

[7] *See* Indiana Senate Enrolled Act No. 382 (2010).

Downtown Crossing is eligible as a tolled Interstate facility subject to Toll Agreement requirements pursuant to 23 U.S.C. Section 129(a)(1)(c). To allow for the use of federal funds on the East End Crossing, Section 129(a)(1)(a) eligibility for non-Interstate facilities will be utilized.

- **Toll rates –** Toll rates used for the current traffic and revenue forecasts are based on a methodology similar to the one used for the Supplemental Environmental Impact Statement process, in that they rely on a three-tiered vehicle classification system that assumes different rates for passenger cars, light trucks, and heavy trucks. For purposes of traffic and revenue projections that have formed the basis of procurement planning, the states have used a basic toll schedule of $2.00, $5.00, and $10.00 for the three vehicle categories. In addition, however, the states' traffic and revenue projections have incorporated the objective of establishing a targeted toll rate of $1.00 for "frequent users" in the passenger car category. Any "frequent user" discount program, when implemented, will likely be based on a transponder (or subsequent technology) and volume discount model that has been used by other toll facilities around the country.
- **Toll duration** – This financial plan assumes that tolls will remain in place on the Project facilities until the last to occur of (i) the payment in full of all outstanding indebtedness under any toll revenue bonds issued for the purpose of financing, constructing, operating, or maintaining the Project or any portion thereof, (ii) the termination or expiration of any availability payment concession agreement entered into in connection with the Project or any portion thereof, and (iii) the establishment by the states of reserves sufficient to provide for the rebuilding, expansion, or maintenance of the Project facilities following the events described in clauses (i) and (ii) above.
- **Other toll collection assumptions** – Projected toll revenue estimates include reduction factors for potentially lost toll revenue resulting from non-collection. In addition, administrative costs to collect tolls have been deducted from the net toll revenue estimates.

Table 4-2 shows the estimated toll revenue for each of the Crossings and the total Project based on the analysis described above. This incorporates the agreed-upon 50-50 sharing of toll revenues generated on the entire Project, including both Downtown and East End Crossings.

Table 4-2. Estimated Toll Revenue – Ohio River Bridges Project
($, in millions)

Ohio River Bridges Project Toll Revenue Summary[8] Through 2058 ($ Millions)								
Downtown Crossing			East End Crossing			Total		
Gross Revenue	Toll O&M	Net Revenue	Gross Revenue	Toll O&M	Net Revenue	Gross Revenue	Toll O&M	Net Revenue
$7,182.9	$926.7	$6,256.2	$2,971.8	$393.7	$2,578.1	$10,154.7	$1,320.4	$8,834.3

As described further below, toll revenues will be leveraged in connection with the anticipated financing approaches, including, as applicable: toll revenue bonds; private activity bonds (PABs); commercial bank or bond financing; and/or equity investment.

[8] Simple sum of year-of-receipt dollars; toll rates in 2012 dollars and escalated 2.5% per year thereafter.

FINANCING STRATEGY

The final financing strategy, or combination of financing approaches, will depend on market circumstances at the time. The states, however, have developed preliminary financing plans that are a function of the delivery method that each state will use in order to carry out its portion of Project delivery and currently available financing mechanisms. To the extent that additional financing approaches become available, including but not limited federally-supported borrowing through the Transportation Infrastructure Finance and Innovation Act (TIFIA) program, such financing would further benefit the finance plan for the Project and be incorporated at that date.

Kentucky

Under the design-build and separate operate-maintain structure that Kentucky plans to use, the Downtown Crossing is expected to be financed with some combination of funding commitments from Kentucky, governmental purpose tax-exempt debt in the form of GARVEE bonds backed by future federal funds, and toll revenue financing backed by Kentucky's share of toll revenues from the Project.

In addition to previously committed KYTC funds, as noted above, $300 million from Kentucky's federal-aid program (committed through Kentucky's Highway Plan) and $236 million GARVEE Bonds are anticipated to be available starting FY2013. The $300 million federal funds will be spent evenly from FY2013 to FY2018, while the $236 million GARVEE Bonds will be used to pay construction costs from FY2013 to FY2015. Interest on GARVEE Bonds incurred prior to project opening may be covered within the $50 million per year federal funds. Federal-aid funds will not be used to pay financing and interest costs associated with the sale of toll revenue bonds.

These "traditional" highway funding sources will then be compared to the overall project construction, operating, and maintenance costs with any residual costs expected to be paid by Kentucky's share of toll revenues. Bond anticipation notes (BANs) are anticipated to be issued followed by long term toll revenue bonds with limited and contingent credit support provided by KYTC and the state Road Fund in order to significantly reduce financing costs. While it is not anticipated that the sale of toll revenue bonds will be needed until FY2015 or thereafter, KRS 175B authorizes KPTIA to sell these bonds to cover project expenditures as needed.

The Kentucky Transportation Cabinet will provide a limited backstop to mitigate toll revenue risk related to the Kentucky share of the toll collections. For the duration of Project tolling, the Cabinet will include language in the biennial budget request to provide the flexibility to initiate a loan from the state Road Fund to the Project sufficient to cover any shortfall in toll collections. Such a loan would be repaid in full to the state Road Fund, with interest. The General Assembly may include, modify, or strike the flexibility language requested by the Cabinet from the appropriations bill before passage.

The state Road Fund is a dedicated fund established under Section 230 of the Constitution of the Commonwealth of Kentucky. Section 230 states in part that:

> *No money derived from the excise or license taxation relating to gasoline and other motor fuels, and no monies derived from fees, excise or license taxation relating to registration, operation, or use of vehicles on public highways shall be expended for other than the cost of administration, statutory refunds and adjustments, payment of highway*

obligations, costs for construction, reconstruction, rights-of-way, maintenance and repair of public highways and bridges, and expense of enforcing state traffic and motor vehicle laws.

Table 4-3 shows a brief history of Road Fund revenues that would have been available in previous fiscal years to make a loan to the Project, should the need have arisen. This table does not include revenues deposited into the Road Fund which would have been unavailable for a Project loan due to statutory restrictions on their use.

Table 4-3. Non-Statutorily Dedicated Road Fund Revenues Available for Appropriation
(In thousands)

Total Available Road Fund Revenues	2007	2008	2009	2010	2011
Taxes:					
Vehicle Usage	411,185	405,846	336,365	332,738	408,849
Motor Fuels	323,206	344,276	351,545	368,898	381,540
Weight Distance	86,978	86,206	76,877	72,306	75,610
Truck Licenses and Fees	72,006	57,300	64,437	61,050	64,957
Passenger Vehicle Licenses and Fees	36,735	46,038	43,715	44,058	44,299
Other Receipts	20,797	20,942	19,175	17,702	19,548
Vehicle Operating Licenses	16,233	15,843	15,848	16,046	15,710
Interest Income	16,055	19,461	10,662	3,634	1,995
Total Available Road Fund Revenues	**983,195**	**995,912**	**918,624**	**916,432**	**1,012,508**

Indiana

Under the availability payment concession structure being implemented by Indiana, the East End Crossing is expected to be financed with a combination of funding commitments from Indiana as well as debt and equity financing secured by the private concessionaire tasked with the design, construction, operation, and maintenance of the East End Crossing, or portions thereof. Concessionaire financing is expected to include some combination of private activity bonds, commercial bank financing, and equity. Under the planned approach, Indiana's conventional funding commitments will be used to make Milestone Payments during construction, and thereafter the concessionaire will be compensated through a stream of Availability Payments, as described earlier.

Table 4.4 provides a summary of the estimated construction portion of the financed elements of the East End Crossing. It shows the estimated $713 million in financed construction costs and the anticipated toll revenues to be utilized by the State to help meet the total Availability Payment requirement as part of the State's appropriation process. As shown in the table, the anticipated toll revenues are in excess of the direct construction costs. The final Availability Payment structure will be developed as part of the upcoming procurement process and this financing plan revised accordingly.

Table 4-4. East End Crossing Annual Appropriation Example

East End Crossing (Thousands)	
Total Costs	$1,276,263
Indiana Funding	$490,319
Kentucky Funding	$72,808
Project Financing[9]	$713,136

Annual Appropriation Example (Thousands)	Total	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023-2052
Annual Project Financing Repayment (YOE)	$713,136	$20,375	$20,375	$20,375	$20,375	$20,375	$611,259
Tolling Revenue Contribution (YOE)	$3,766,454	41,337	43,714	46,184	48,864	51,650	3,534,706
Net Appropriation Requirement		$0	$0	$0	$0	$0	$0
Projected Indiana Capital Program (YOE)		$700,000	$700,000	$700,000	$700,000	$700,000	$21,000,000
Federal		$560,000	$560,000	$560,000	$560,000	$560,000	$16,800,000
State		$140,000	$140,000	$140,000	$140,000	$140,000	$4,200,000

ASSUMPTIONS, RISKS, AND MITIGATIONS

The funding available for the Project will be subject to risks that cannot be fully known at this time. The following is a summary of potential risks that may affect the financing of the Project and the Project Sponsors' assessment of mitigating factors:

1) *Availability of state and federal revenue sources beyond those currently committed to the Project*: The states have demonstrated a strong commitment to ensuring the Project is delivered. This commitment is demonstrated through the investment of funds to date as well as the authorization of GARVEE bonds for the Project by the Kentucky General Assembly. The states believe that it is reasonable to assume that future state and federal funds will be made available to fund the Project as detailed in this Initial Financial Plan.

2) *Whether toll revenues will meet projections*: The Project Sponsors have developed traffic and revenue forecasts under a variety of tolling scenarios. While risk inherently exists in traffic and revenue forecasts, the rigor employed in developing an investment-grade traffic and revenue report and the sensitivity testing performed on these estimates will help to ensure Project financing is based on reasonable toll revenue estimates. Rate covenants on Kentucky's planned toll revenue-backed debt, as well as rate covenants expected to be reflected in the toll policy, also will serve to ensure adequate toll revenues are received to meet debt service, availability payments and other obligations of the states.

3) *Access to the capital markets for bonding of toll revenues*: The disruption in the capital markets in 2008 has made access to the market more difficult for low investment-grade credits, including start-up toll projects. However, based on recent

[9] Reflects financed construction costs and does not include financing costs or operations and maintenance costs.

successful transactions for projects similar to the Project, the Project Sponsors believe there is a market for new user-fee supported projects. The Project Sponsors will continue to monitor the market and update the financial plan as appropriate.

4) *Availability of a TIFIA loan*: A TIFIA loan or similar federal credit instrument would provide a flexible, cost-effective funding mechanism for the Project. The current financial plan does not assume TIFIA availability; however, to the extent such financing is available to the Project it will help to mitigate financing risks including potential investor reliance on state appropriation backstops of financial obligations, ensure certainty, and lower the overall Project cost.

Chapter 5. Project 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. This chapter also addresses the estimated long-term operations and maintenance costs of the Project and how these costs will be met.

ESTIMATED SOURCES AND USES OF FUNDING

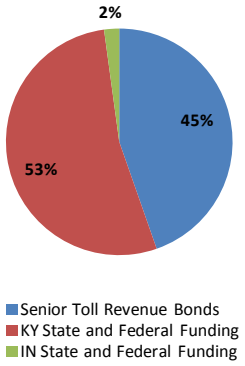
The estimated sources and uses of funds shown in the figure below are based on the design-build and separate operate-maintain structure that Kentucky is pursuing and the availability payment concession structure that Indiana plans to utilize. These charts reflect construction-related costs on a going-forward basis, exclusive of ongoing operations and maintenance costs addressed later in this section, and are based on preliminary finance plans. Additional financial detail will be developed as the finance plans are implemented for each component and included in future updates to the Financial Plan.

Downtown Crossing Indicative Sources and Uses of Funds[10]*

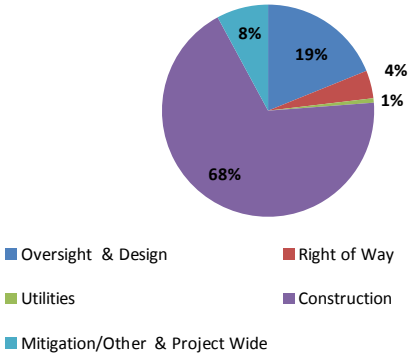
Sources of Funds Through Construction ($000)		
Source	**Nominal $**	**% of Total**
Senior Toll Revenue Bonds	$583,674	45%
KY State and Federal Funding	$695,824	53%
IN State and Federal Funding	$28,093	2%
Total Sources	**$1,307,592**	**100.00%**

Uses of Funds Through Construction ($000)		
Use	**Nominal $**	**% of Total**
Oversight & Design	$246,813	19%
Right of Way	$55,531	4%
Utilities	$8,860	1%
Construction	$893,321	68%
Mitigation/Other & Project Wide	$103,066	8%
Total Uses	**$1,307,592**	**100.00%**

Downtown Crossing Sources of Funds*



Downtown Crossing Uses of Funds*



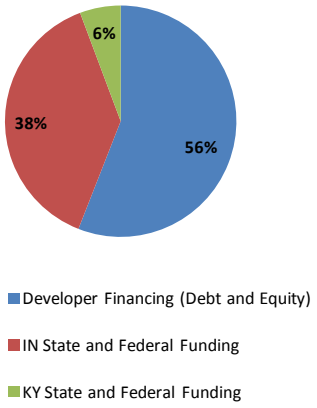
[10] An additional $46.8 million of funding (included in Table 4-1) may be used to reduce borrowing needs on the Downtown Crossing or to make interest payments on GARVEE authorizations.

East End Crossing Indicative Sources and Uses of Funds[11]*

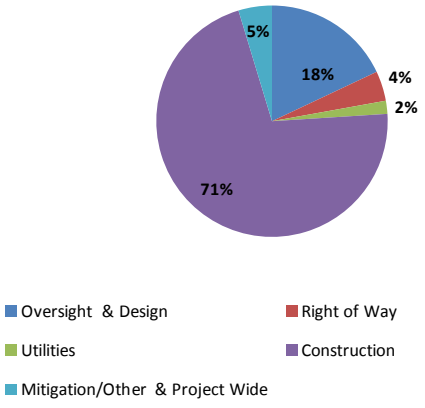
Sources of Funds Through Construction ($000)		
Source	**Nominal $**	**% of Total**
Project Financing	$713,136	56%
IN State and Federal Funding	$490,319	38%
KY State and Federal Funding	$72,808	6%
Total Sources	**$1,276,263**	**100.0%**

Uses of Funds Through Construction ($000)		
Use	**Nominal $**	**% of Total**
Oversight & Design	$229,559	18%
Right of Way	$53,301	4%
Utilities	$23,332	2%
Construction	$910,288	71%
Mitigation/Other & Project Wide	$59,783	5%
Total Uses	**$1,276,263**	**100.0%**

East End Crossing Sources of Funds*



East End Crossing Uses of Funds*

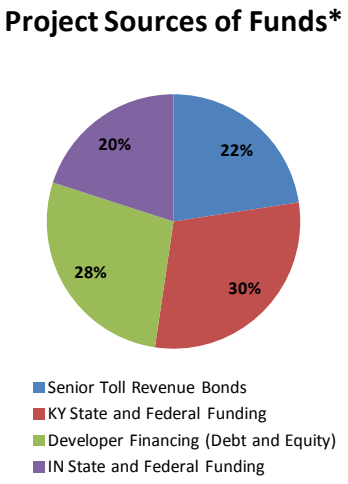


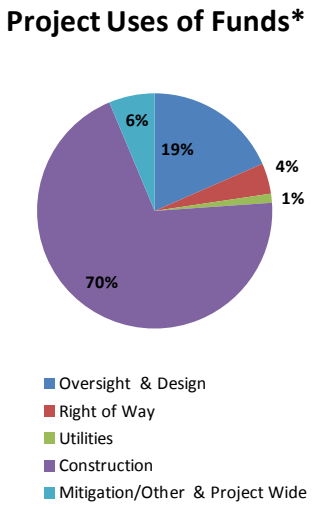
[11] Indiana State and Federal Funding contributions will include $54 million per year for eight years, for a total of $432 million. Some of these contributions extend beyond the anticipated five-year construction period. The contributions after construction completion may be used to secure notes which would fund construction period Milestone Payments and are included as part of Project Financing for illustrative purposes. All of these funds are in addition to previously expended funds of $73.3 million.

Ohio River Bridges Project Indicative Sources and Uses of Funds*

Sources of Funds Through Construction ($000)		
Source	**Nominal $**	**% of Total**
DT Senior Toll Revenue Bonds	$583,674	22%
KY State and Federal Funding	$768,633	30%
EE Project Financing	$713,136	28%
Indiana State and Federal Funding	$518,412	20%
Total Sources	**$2,583,855**	**100.00%**

Uses of Funds Through Construction ($000)		
Use	**Nominal $**	**% of Total**
Oversight & Design	$476,372	19%
Right of Way	$108,831	4%
Utilities	$32,192	1%
Construction	$1,803,609	70%
Mitigation/Other & Project Wide	$162,849	6%
Total Uses	**$2,583,855**	**100.00%**





Sources and uses of funds are shown net of financing costs.

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

The tables below summarize the anticipated annual cash outlays for the Project based on delivery under an availability payment concession structure for the East End Crossing and a design-build delivery model for the Downtown Crossing. These charts do not reflect the cash flow timing effects of the various financing mechanisms but rather the underlying Project expenditures. More specific cash flow schedules will continue to be developed as the Project progresses towards construction and the exact financing models are known. In the case of the Downtown Crossing, Federal Aid Funds are not being used to pay Debt Service with respect to Toll Revenue Bonds.

Table 5-1. Annual Expenditures by Crossing, Section, and Element

($YOE)	Thru 2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
DOWNTOWN CROSSING										
Section 1										
Oversight	-	-	-	2,752,512	9,662,692	10,049,200	10,375,799	10,635,194	10,901,074	54,376,472
Design	48,530,192	6,399,118	6,691,055	15,482,878	15,986,072	-	-	-	-	93,089,316
Right of Way	5,859,785	4,199,556	12,517,615	14,943,605	-	-	-	-	-	37,520,561
Utilities	-	-	-	1,983,234	2,047,689	2,129,597	2,198,809	-	-	8,359,330
Construction	-	-	-	-	85,363,592	88,778,135	91,663,425	93,955,010	96,303,885	456,064,047
Mitigation/Other	-	-	-	2,151,563	3,528,246	2,989,862	561,279	575,311	589,693	10,395,953
Section 2										
Oversight	-	-	-	2,030,747	7,338,612	7,632,157	7,880,202	8,077,207	1,179,387	34,138,311
Design	12,974,022	47,659	1,236,056	9,519,127	10,377,337	570,792	-	-	-	34,724,991
Construction	-	-	-	-	65,784,674	68,416,061	70,639,583	78,158,678	5,896,933	288,895,930
Mitigation/Other	-	-	-	-	-	-	-	-	-	-
Section 3										
Oversight	-	-	-	1,068,794	3,862,353	4,016,847	4,147,394	4,251,079	-	17,346,466
Design	864,575	1,058,206	1,031,794	5,009,970	5,172,794	-	-	-	-	13,137,338
Right of Way	312,000	-	-	8,707,500	8,990,494	-	-	-	-	18,009,994
Utilities	-	-	-	-	245,670	255,497	-	-	-	501,168
Construction	-	-	-	-	-	48,000,807	49,560,833	50,799,854	-	148,361,494
Mitigation/Other	-	-	-	189,844	196,014	-	-	-	-	385,857
Project Wide										
Downtown Crossing	50,304,264	4,902,764	7,983,064	9,112,500	4,181,625	4,348,890	4,490,229	4,602,485	2,358,773	92,284,595
SUBTOTAL – DOWNTOWN	**118,844,838**	**16,607,303**	**29,459,584**	**72,952,274**	**222,737,864**	**237,187,845**	**241,517,553**	**251,054,818**	**117,229,745**	**1,307,591,823**
EAST END CROSSING										
Section 4										
Oversight	-	-	-	4,023,719	14,540,715	15,122,344	15,613,820	16,004,166	-	65,304,764
Design	17,982,349	2,515,015	7,132,728	19,555,025	20,190,563	-	-	-	-	67,375,681
Right of Way	6,146,219	13,148,778	9,656,039	7,119,138	-	-	-	-	-	36,070,173
Utilities	-	17,035	-	-	9,860,794	10,255,226	-	-	-	20,133,056
Construction - Roadway	-	-	-	-	73,803,934	76,756,091	79,250,664	81,231,931	-	311,042,620
Construction-Tunnel	74,550	-	-	-	56,004,397	58,244,573	60,137,521	61,640,960	-	236,102,001
Mitigation/Other	-	-	-	759,375	784,055	-	-	-	-	1,543,430
Section 5										
Oversight	-	-	-	1,571,621	5,679,447	5,906,625	6,098,590	7,401,676	-	26,657,960
Design	12,794,456	2,813,469	2,424,770	7,771,976	8,024,565	-	-	-	-	33,829,235
Construction	-	-	-	-	50,970,701	53,009,529	59,222,568	60,703,132	-	223,905,930
Mitigation/Other	-	-	-	-	-	-	-	-	-	-
Section 6										
Oversight	-	-	-	994,713	1,027,042	4,628,534	4,778,961	4,898,435	-	16,327,685
Design	6,243,232	2,237,896	2,105,997	4,662,719	4,814,257	-	-	-	-	20,064,101
Right of Way	11,344,892	1,056,948	2,803,772	2,025,000	-	-	-	-	-	17,230,612
Utilities	-	-	-	-	1,568,109	1,630,834	-	-	-	3,198,943
Construction	-	-	-	-	-	45,048,744	46,512,828	47,675,648	-	139,237,220
Mitigation/Other	-	-	-	-	-	-	-	-	-	-
Project Wide										
East End Crossing	19,554,036	3,392,537	5,115,756	10,195,268	4,181,625	4,348,890	4,490,229	4,602,485	2,358,773	58,239,599
SUBTOTAL – EAST END	**74,139,734**	**25,181,678**	**29,239,062**	**58,678,554**	**251,450,204**	**274,951,390**	**276,105,181**	**284,158,433**	**2,358,773**	**1,276,263,010**
PROJECT TOTAL	**192,984,572**	**41,788,981**	**58,698,646**	**131,630,829**	**474,188,068**	**512,139,235**	**517,622,734**	**535,213,250**	**119,588,519**	**2,583,854,833**

Table 5-2. Downtown Crossing Cash Flows

($YOE)	Thru 2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Funding										
Amount Carried Forward				52,075,520	38,167,746	46,767,376	46,767,376	46,767,376	46,767,376	
KY State and Federal Funding (including GARVEEs)[12]	111,181,252	15,525,268	87,004,420	50,337,000	222,347,000	113,316,000	50,000,000	50,000,000	50,000,000	749,710,940
IN State and Federal Funding	7,663,586	1,082,036	1,649,822	8,707,500	8,990,494	-	-	-	-	28,093,438
Toll Revenue BANs and Bonds	-	-	-	-	-	123,871,845	191,517,553	201,054,818	67,229,745	583,673,961
Expenditures										
Section 1										
Oversight	-	-	-	(2,752,512)	(9,662,692)	(10,049,200)	(10,375,799)	(10,635,194)	(10,901,074)	(54,376,471)
Design	(48,530,192)	(6,399,118)	(6,691,055)	(15,482,878)	(15,986,072)	-	-	-	-	(93,089,315)
Right of Way	(5,859,785)	(4,199,556)	(12,517,615)	(14,943,605)	-	-	-	-	-	(37,520,561)
Utilities	-	-	-	(1,983,234)	(2,047,689)	(2,129,597)	(2,198,809)	-	-	(8,359,329)
Construction	-	-	-	-	(85,363,592)	(88,778,135)	(91,663,425)	(93,955,010)	(96,303,885)	(456,064,047)
Mitigation/Other	-	-	-	(2,151,563)	(3,528,246)	(2,989,862)	(561,279)	(575,311)	(589,693)	(10,395,954)
Section 2										
Oversight	-	-	-	(2,030,747)	(7,338,612)	(7,632,157)	(7,880,202)	(8,077,207)	(1,179,387)	(34,138,312)
Design	(12,974,022)	(47,659)	(1,236,056)	(9,519,127)	(10,377,337)	(570,792)	-	-	-	(34,724,993)
Construction	-	-	-	-	(65,784,674)	(68,416,061)	(70,639,583)	(78,158,678)	(5,896,933)	(288,895,929)
Mitigation/Other	-	-	-	-	-	-	-	-	-	
Section 3										
Oversight	-	-	-	(1,068,794)	(3,862,353)	(4,016,847)	(4,147,394)	(4,251,079)	-	(17,346,467)
Design	(864,575)	(1,058,206)	(1,031,794)	(5,009,970)	(5,172,794)	-	-	-	-	(13,137,339)
Right of Way	(312,000)	-	-	(8,707,500)	(8,990,494)	-	-	-	-	(18,009,994)
Utilities	-	-	-	-	(245,670)	(255,497)	-	-	-	(501,167)
Construction	-	-	-	-	-	(48,000,807)	(49,560,833)	(50,799,854)	-	(148,361,494)
Mitigation/Other	-	-	-	(189,844)	(196,014)	-	-	-	-	(385,858)
Project Wide										
Downtown Crossing	(50,304,264)	(4,902,764)	(7,983,064)	(9,112,500)	(4,181,625)	(4,348,890)	(4,490,229)	(4,602,485)	(2,358,773)	(92,284,594)
Expenditure Total	**(118,844,838)**	**(16,607,303)**	**(29,459,584)**	**(72,952,274)**	**(222,737,864)**	**(237,187,845)**	**(241,517,553)**	**(251,054,818)**	**(117,229,745)**	**(1,307,591,824)**
Net Cash Flow	**0**	**0**	**59,194,658**	**38,167,746**	**46,767,376**	**46,767,376**	**46,767,376**	**46,767,376**	**46,767,376**	

[12] A portion of State and Federal funds available in excess of expenditures in certain years is carried forward to meet expenditures in subsequent years. Approximately $46.8 million of additional funding is available as demonstrated in Table 4-1, after reducing for the amount applied to the East End Crossing in 2013. These funds may be used to reduce borrowing needs on the Downtown Crossing or to make interest payments on GARVEE authorizations.

Table 5-3. East End Crossing Cash Flows

($YOE)	Thru 2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Funding										
Carry Forward		841,750	841,750	841,750	30,439,616					
IN State and Federal Funding (Milestone Payments)	-	-	-	54,000,000	54,000,000	54,000,000	54,000,000	54,000,000		270,000,000
IN State and Federal Funding (Other)	44,381,138	8,094,116	11,237,910	27,157,282	28,750,604	39,543,563	28,491,371	30,304,277	2,358,773[13]	220,319,034
KY State and Federal Funding	30,600,346	17,087,563	18,001,152	7,119,138	-	-	-	-	-	72,808,199
Project Financing[12]	-	-	-	-	138,259,983	181,407,827	193,613,810	199,854,156	-	713,135,776
Expenditures										
Section 4										
Oversight	-	-	-	(4,023,719)	(14,540,715)	(15,122,344)	(15,613,820)	(16,004,166)	-	(65,304,764)
Design	(17,982,349)	(2,515,015)	(7,132,728)	(19,555,025)	(20,190,563)	-	-	-	-	(67,375,680)
Right of Way	(6,146,219)	(13,148,778)	(9,656,039)	(7,119,138)	-	-	-	-	-	(36,070,174)
Utilities	-	(17,035)	-	-	(9,860,794)	(10,255,226)	-	-	-	(20,133,055)
Construction - Roadway	-	-	-	-	(73,803,934)	(76,756,091)	(79,250,664)	(81,231,931)	-	311,042,620)
Construction-Tunnel	(74,550)	-	-	-	(56,004,397)	(58,244,573)	(60,137,521)	(61,640,960)	-	(236,102,001)
Mitigation/Other	-	-	-	(759,375)	(784,055)	-	-	-	-	(1,543,430)
Section 5										
Oversight	-	-	-	(1,571,621)	(5,679,447)	(5,906,625)	(6,098,590)	(7,401,676)	-	(26,657,959)
Design	(12,794,456)	(2,813,469)	(2,424,770)	(7,771,976)	(8,024,565)	-	-	-	-	(33,829,236)
Construction	-	-	-	-	(50,970,701)	(53,009,529)	(59,222,568)	(60,703,132)	-	(223,905,930)
Mitigation/Other	-	-	-	-	-	-	-	-	-	-
Section 6										
Oversight	-	-	-	(994,713)	(1,027,042)	(4,628,534)	(4,778,961)	(4,898,435)	-	(16,327,685)
Design	(6,243,232)	(2,237,896)	(2,105,997)	(4,662,719)	(4,814,257)	-	-	-	-	(20,064,101)
Right of Way	(11,344,892)	(1,056,948)	(2,803,772)	(2,025,000)	-	-	-	-	-	(17,230,612)
Utilities	-	-	-	-	(1,568,109)	(1,630,834)	-	-	-	(3,198,943)
Construction	-	-	-	-	-	(45,048,744)	(46,512,828)	(47,675,648)	-	(139,237,220)
Mitigation/Other	-	-	-	-	-	-	-	-	-	-
Project Wide										
East End Crossing	(19,554,036)	(3,392,537)	(5,115,756)	(10,195,268)	(4,181,625)	(4,348,890)	(4,490,229)	(4,602,485)	(2,358,773)	(58,239,599)
Expenditure Total	**(74,139,734)**	**(25,181,678)**	**(29,239,062)**	**(58,678,554)**	**(251,450,204)**	**(274,951,390)**	**(276,105,181)**	**(284,158,433)**	**(2,358,773)**	**(1,276,263,009)**
Net Cash Flow	**841,750**	**841,750**	**841,750**	**30,439,616**	**0**	**0**	**0**	**0**	**0**	**0**

[12] Project Financing includes anticipated debt and equity to be raised by the Developer; in addition, these amounts reflect a potential interim IFA financing to advance $54 million per year of State and Federal funding for three years, expected after construction completion. Sources and uses of funds are shown net of financing costs.

[13] Reflects additional IN State/Federal Funding for project-wide cost.

Table 5-4. Annual Expenditures by State

($YOE)	Thru 2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Kentucky										
Oversight	-	-	-	5,852,053	20,863,657	21,698,204	22,403,395	22,963,480	12,080,461	105,861,250
Design	79,396,780	10,344,697	15,654,196	30,011,975	31,536,203	570,792	-	-	-	167,514,643
Right of Way	12,006,004	17,348,334	22,173,654	22,062,743	-	-	-	-	-	73,590,735
Utilities	-	17,035	-	1,983,234	2,293,359	2,385,094	2,198,809	-	-	8,877,531
Construction	74,550	-	-	-	151,148,266	205,195,003	211,863,841	222,913,542	102,200,818	893,396,020
Mitigation/Other	-	-	-	2,341,407	3,724,260	2,989,862	561,279	575,311	589,693	10,781,812
Other Costs	50,304,264	4,902,764	7,983,064	9,112,500	4,181,625	4,348,890	4,490,229	4,602,485	2,358,773	92,284,595
SUBTOTAL	**141,781,598**	**32,612,830**	**45,810,914**	**71,363,912**	**213,747,370**	**237,187,845**	**241,517,553**	**251,054,818**	**117,229,745**	**1,352,306,586**
Indiana										
Oversight	-	-	-	6,590,053	21,247,204	25,657,503	26,491,371	28,304,277	-	108,290,408
Design	19,992,046	4,726,666	4,968,204	31,989,720	33,029,385	-	-	-	-	94,706,021
Right of Way	11,656,892	1,056,948	2,803,772	10,732,500	8,990,494	-	-	-	-	35,240,606
Utilities	-	-	-	-	11,428,903	11,886,060	-	-	-	23,314,963
Construction	-	-	-	-	180,779,032	233,058,937	245,123,581	251,251,671	-	910,213,221
Mitigation/Other	-	-	-	759,375	784,055	-	-	-	-	1,543,430
Other Costs	19,554,036	3,392,537	5,115,756	10,195,268	4,181,625	4,348,890	4,490,229	4,602,485	2,358,773	58,239,598
SUBTOTAL	**51,202,974**	**9,176,151**	**12,887,732**	**60,266,916**	**260,440,698**	**274,951,390**	**276,105,181**	**284,158,433**	**2,358,773**	**1,231,548,247**
TOTAL	**192,984,572**	**41,788,981**	**58,698,646**	**131,630,828**	**474,188,068**	**512,139,235**	**517,622,734**	**535,213,251**	**119,588,518**	**2,583,854,833**

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

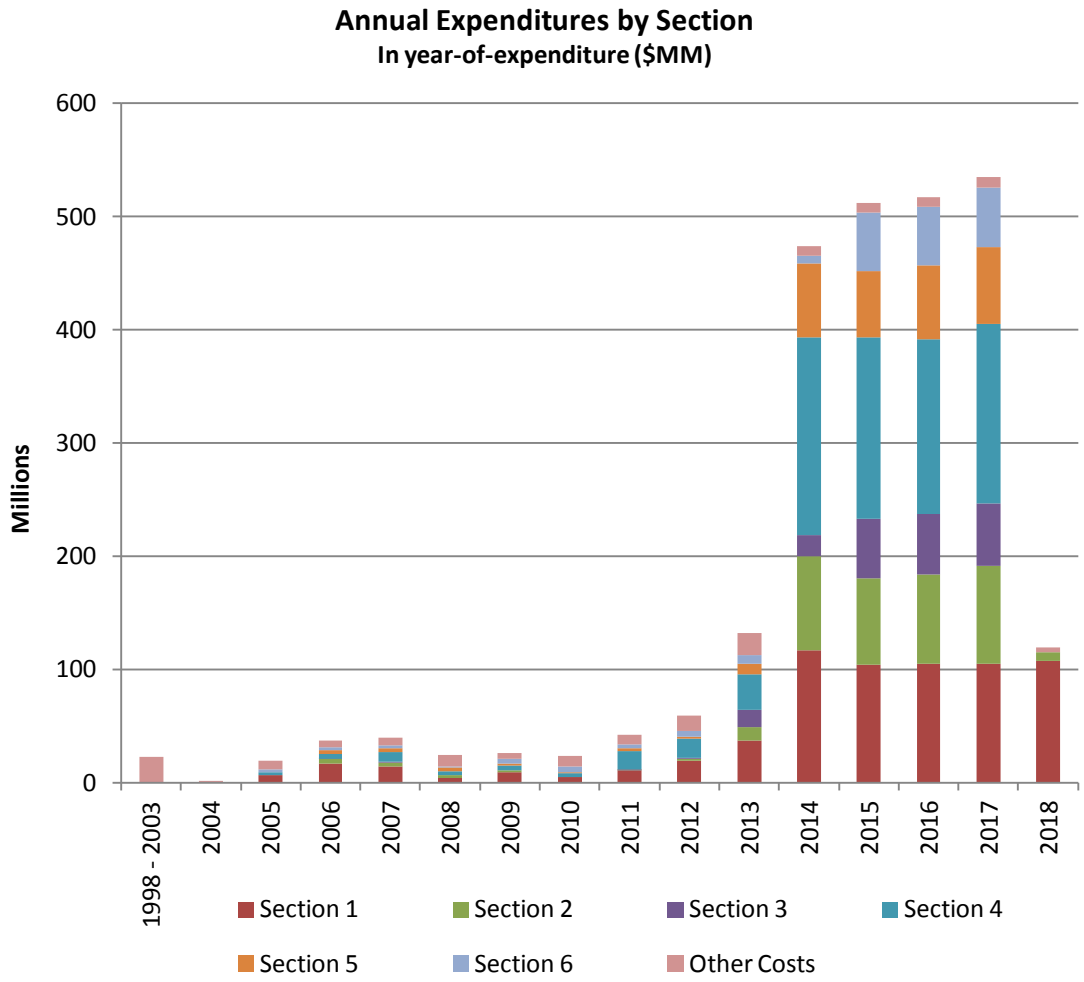


Figure 5-2. Total Estimated Project Annual Outlays by Section

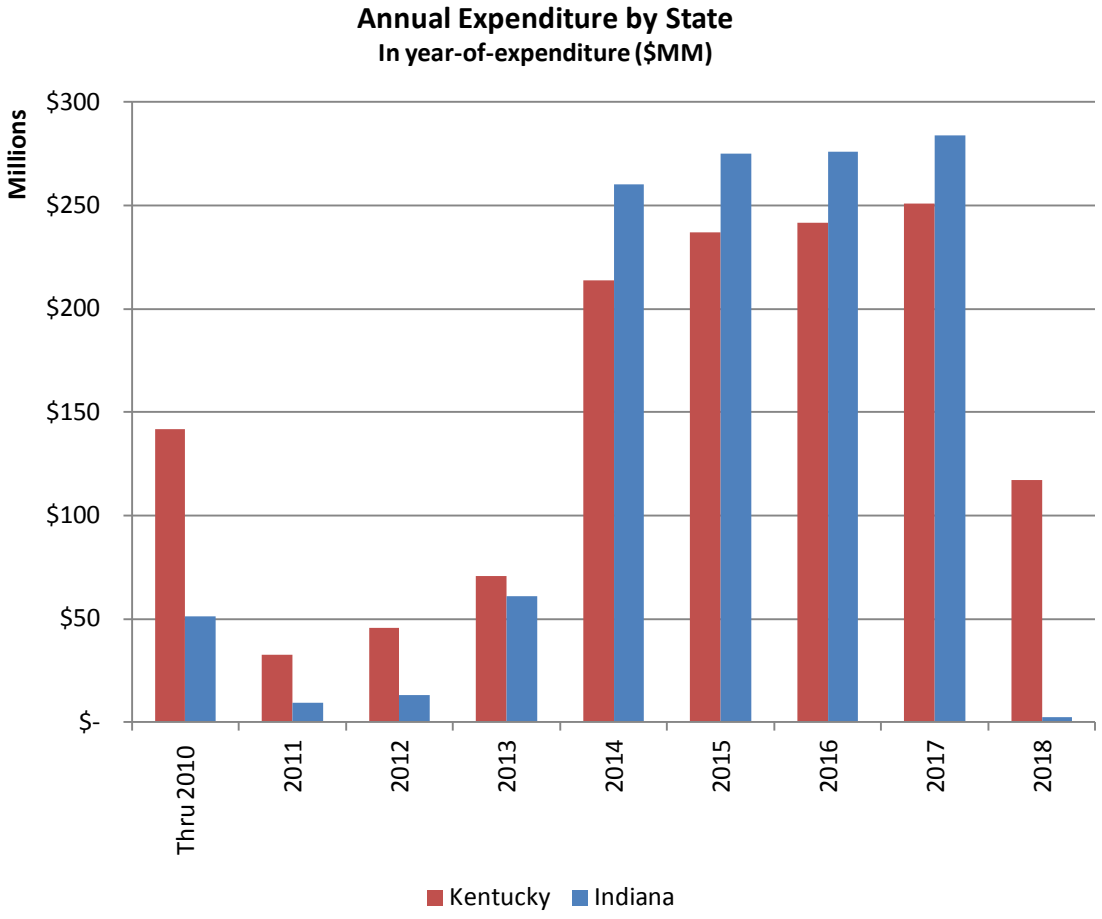


Figure 5-3. Total Estimated Project Annual Outlays by State

CASH MANAGEMENT TECHNIQUES

For Project funding expected to be contributed from state and federal sources, the states intend to utilize available cash management techniques, including but not limited to Advance Construction, to manage the timing of cash needs against the availability of federal and state funds[14]. For example, the Secretary of KYTC has the authority to "concurrently advance projects in the Biennial Highway Construction Plan by employing management techniques that maximize the Cabinet's ability to contract for and effectively administer the project work." All state revenues flowing through Kentucky's Road Fund are subject to the cash management principles outlined in KYTC's "Cash Management Spending Plan" (dated September 29, 2003). The Spending Plan also established a legislatively-mandated safeguard directing that KYTC not draw Road Fund cash balances below $100 million without the approval of the State Finance and Administration Cabinet. Indiana has similar capabilities and provisions. Kentucky also intends to utilize GARVEE debt financing to manage the cash flow needs of the Project, including unexpended GARVEE proceeds of a prior debt issue as well as authorized but unissued amounts.

[14] No Advance Construction has been utilized to date.

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

FINANCING COSTS

The sources and uses of funds shown above are presented as net of financing costs. The debt financed sources are shown as the net bond proceeds available, net of the financing costs; and the uses of funds do not include financing costs. The exact financing costs will be further known as the financings progress towards implementation and this section of the financial plan will be updated accordingly. Greater detail will be available once financial close is reached for the individual financings for each Crossing.

In particular, Indiana will fund the financing costs associated with the East End Crossing procurement through a combination of available toll revenues and state program funds. These financing costs will be an integrated component of the final Availability Payment structure and funded accordingly.

In addition, Kentucky will bear financing costs associated with the GARVEE debt issuance for the Project. The Six-Year Highway Plan currently has $2.2 million programmed from Interstate Maintenance (IM) and $2.2 million from National Highway System (NH) funding for debt service on the previously issued $100 million GARVEEs. Additionally, the Highway Plan directs $2.5 million each from IM and NH in FY 2012 and $5.05 million each from IM and NH in Fiscal Years 2013 through 2018 for the $236 million in authorized but unissued GARVEEs. GARVEE payments are subject to biennial appropriations of federal-aid highway funds, with no state Road Funds used for the payment of these obligations. The Transportation Cabinet covenants to include appropriations sufficient to make debt service payments solely from federal funds in subsequent appropriation bills and manages the debt according to an additional bonds test which specifies that federal funds available must be not less than 400% of the Maximum Annual Debt Service for each future fiscal year.

OPERATIONS AND MAINTENANCE COSTS

The Project Sponsors understand that the financial plan must account for reasonably anticipated operations and maintenance costs. These costs include routine operations and maintenance expenditures, major maintenance requirements, and toll operations costs. Representative annual operations and maintenance cost estimates (shown at five-year intervals for 40 years) are highlighted below. These estimates will continue to be refined and, in particular, will be part of the planned procurement for the East End Crossing, or significant portions thereof.

Table 5-5. Projected Operations and Maintenance Costs
($ 2012, in millions)

Operations and Maintenance Costs (Millions of $2012)			
Year	**Tolling O&M Costs**	**Roadway O&M Costs**	**Lifecycle Costs**
2022	$14.12	$9.36	$ 3.25
2027	$18.06	$9.88	$12.11
2032	$22.79	$9.36	$23.81
2037	$28.46	$9.88	$33.92
2042	$35.22	$9.36	$ 4.45
2047	$43.27	$9.88	$22.40

The O&M costs that are included in the financial plan were developed by the GEC for the Project using information provided by Indiana and Kentucky and other available project information. The primary estimating methodology used was mathematical scaling from other comparable projects and facilities. The physical aspects of comparable projects, relying on a ratio with specific restrictions of magnitude, were used to extrapolate a cost estimate. The Peace Bridge in Buffalo, New York was used for cost data, along with estimating methodology (but not cost data) from the Detroit River International Crossing (DRIC), was used for scaling purposes for O&M costs. This was chosen for similarities in cost, size and physical attributes, as well as being maintained by an independent agency. The resulting estimates were back checked against cost data from the Indiana Toll Road, Chicago Skyway, and Ontario area maintenance contracts. The Project Sponsors also have incorporated operating and maintenance standards for Sections 5 and 6 into the planned contract for the East End Crossing to ensure that those facilities covered by the East End Crossing procurement are maintained at appropriate levels by the private partner for the term of the contract. Payment reductions may be imposed on the private partner if these standards are not maintained, thus providing incentive for performance. Additionally, the contract includes quality standards that must be met for Sections 5 and 6 when those Sections are handed back to the Project Sponsors at the end of the concession term.. With respect to the Downtown Crossing, Kentucky plans to include a back-up pledge of state funds to meet operations and maintenance obligations if Project-generated funds are insufficient.

CHAPTER 6. Risk Identification and Other Factors

INTRODUCTION

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

PROJECT COST RISKS AND MITIGATION STRATEGIES

The following factors have been identified as possible reasons for cost overruns. Additional detail can be found in the Cost Estimate Review document prepared by the states and the Federal Highway Administration in 2012.

Table 6-1. Project Cost – Risks and Mitigation Strategies

Risk	Mitigation Strategy
Original Cost Estimates	
The risk that original cost estimates are lower than bids received.	Recent US design-build and public-private partnership experience indicates that competition may result in aggressive bids below the state sponsors' estimates. Should that prove not to be the case, however, both states will revise their financial plans accordingly, including the possible inclusion of additional state and federal funding and/or adjusted toll revenues. It is the expectation of the Project Sponsors that the planned dual procurement approach will help to accelerate project delivery and, in turn, reduce costs.
Inflation	
Highway construction inflation has been very volatile over the past several years and could significantly increase the cost of the Project.	Reasonable inflationary assumptions based on recent and historical trends in construction inflation have been included in current cost estimates. These estimates take into account current low commodity prices and relatively high unemployment rates which are expected to result in favorable contract pricing. Both a design-build and an availability payment concession structure, as contemplated by the states, helps transfer much of this risk from the public to the private sector design-builder or concessionaire.

Risk	Mitigation Strategy
Contingency	
The amount of contingency factored into Project cost estimates may be insufficient to cover unexpected costs or cost increases.	A design-build or availability payment concession structure helps transfer much of this risk from the public to the private sector design-builder or concessionaire.
Cost Overruns During Construction	
Cost overruns after start of construction could result in insufficient upfront funds to complete the Project.	A design-build or availability payment concession structure (with guaranteed maximum price contracts) helps transfer much of this risk from the public to the private sector design-builder or concessionaire.

PROJECT SCHEDULE RISKS AND MITIGATION STRATEGIES

The following risks have been identified as those that may affect Project schedule and, therefore, the ability of the Project Sponsors to deliver the Project on a timely basis.

Table 6-2. Project Schedule – Risks and Mitigation Strategies

Risk	Mitigation Strategy
NEPA Litigation	
Lawsuits filed within the statutory protest period may result in significant delays to the start of construction and expose the Project to additional inflationary costs.	To mitigate the potential impacts of future litigation that could cause schedule delays and cost escalation, risk and mitigation measures were addressed in the Environmental Impact Statement (EIS). The BSMT intends to adhere to the recommendations outlined in the EIS.
Permits and Approvals	
Delays in the receipt of permits and approvals may delay the start of construction.	The States have initiated activities necessary to secure all permits. Subsequent responsibility will be transferred to the proposers for both the Downtown Crossing and East End Crossing and will be addressed directly in the relevant contract documents. Both states have a track record of success in acquiring similar permits for river crossings.
ROW Acquisition	
A large number of ROW parcels will need to be acquired for the Project and variances in cost and time forecasts may impact both Project cost and schedule.	Both states have identified the potential properties to be acquired and are proceeding with acquisitions. Significant ROW has already been purchased. Thus, the Project Sponsors believe that the current budget and schedule for the remaining ROW acquisition is reasonable.

Risk	Mitigation Strategy
Unanticipated Site Conditions	
As materials are exposed, unanticipated geotechnical concerns for the construction of the tunnel, in particular, and for other subsurface construction of other structures could be identified that may delay the schedule or increase costs.	Extensive analysis was undertaken as part of the FEIS process. Additionally, geotechnical investigations are ongoing on several sections of the Project, and preliminary results do not indicate any significant problems.
Schedule Coordination	
Due to the size and complexity of the Project, poor project scheduling and coordination could delay the project schedule.	A design-build or availability payment concession structure helps transfer much of this risk from the public to the private sector design-builder or concessionaire.

Financing and Revenue Risks and Mitigation Strategies

The following risks may negatively affect the Project Sponsors' ability to finance the Project cost-effectively and operate and maintain the Project over time. For each risk, this table provides a summary of potential mitigation strategies.

Table 6-3. Financing and Revenue – Risks and Mitigation Strategies

Risk	Mitigation Strategy
Availability of State and Federal Funding	
The states have identified and committed various levels of conventional funding for the Project within the timeframe of their budget planning cycles. Funding beyond this period is subject to appropriation risk.	Within procedural limitations, the states have demonstrated a strong commitment to ensuring that the Project is delivered given the investment of funds to date and the authorization of GARVEE bonds for the Project by the Kentucky General Assembly. Kentucky has included the Project in its current biennial budget and subsequent 4-year Highway Plan at the funding levels reflected in this financial plan document. Indiana has included the Project in INDOT's internal budgeting and financial control systems at the requisite funding levels. On a bi-annual basis, the IFA will provide INDOT an annual budget which details the amount of funds to be appropriated to INDOT to meet annual payment requirements. In addition, all anticipated funding amounts will be reflected in Indiana's fiscally-constrained Statewide Transportation Improvement Program (STIP) and the FY 2011 – 2015 Transportation Improvement Program (TIP) for the metropolitan region.

Risk	Mitigation Strategy
Toll Revenue Risk	
Toll revenues could be less than projected, which could jeopardize the ability for Project debt to be repaid and for sufficient funds to be available for long-term operations and maintenance.	While uncertainty inherently exists surrounding traffic and revenue forecasts, the rigor of a planned investment-grade traffic and revenue report and the sensitivity testing that has been performed to date will help ensure financing is based on the most realistic and reasonable toll revenue estimates. Anticipated rate covenants for the planned financing for the Downtown Crossing as well as availability payment obligation covenants for the East End Crossing will further ensure adequate toll revenues are generated. As previously described, the Kentucky Transportation Cabinet has also implemented a limited backstop, which requests permission from the General Assembly for the issuance of a short-term loan from the state Road Fund to cover shortfalls in toll collections. In all cases, any loans would be repaid with interest. This form of backstop has been used to support other Commonwealth bond programs, and it has proven acceptable to both credit rating agencies and bond investors as sufficient to mitigate revenue risk. Indiana will provide additional funds required to supplement its share of toll revenues in the event tolls are insufficient to cover the State's obligations under its planned concession agreement. It is anticipated that future funds will come from the Interstate Maintenance and National Highway System funding categories, although the commitment of specific funding categories of federal funding is subject to adjustment based on the recently authorized federal surface transportation program, MAP-21, and the related funding categories.
Toll Collection Risk	
Toll revenues could be less than forecasted if toll collection mechanisms are inadequate or ETC equipment deficiencies result in the inability to identify users of the Project.	A toll system developer and operator will be procured for both crossings to ensure that the most reliable electronic tolling equipment is utilized and all steps are taken to minimize toll evasion. Additionally, the states will seek robust enforcement legislation. The toll revenue forecasts include an estimate of "leakage", i.e. an amount of revenues lost due to transactions for which the license plates cannot be read or the toll proves otherwise uncollectible.

Risk	Mitigation Strategy
Capital Market Access	
Capital market volatility could limit access to financing and/or increase financing costs.	Based on recent transactions, the Project Sponsors believe there is a market for new user fee-supported projects. The Project Sponsors will continue to monitor the market and update the finance plan as appropriate. With respect to the Downtown Crossing, the KYTC limited backstop described herein provides a credit enhancement. Therefore, the Project toll revenue bonds are expected to carry a higher credit rating which ensures market access and protects against market disruptions. In the case of the East End Crossing, the private sector will be responsible for providing financing. The private sector has a demonstrated track record of securing bank or capital market financings for availability payment concession projects..
Availability of Federal Financing Tools	
Uncertainty surrounding the availability of federal financing via the TIFIA program will have an impact on the risk level of the finance plan for the Project.	In the event that the Project Sponsors are unsuccessful in securing federal TIFIA assistance, the Project Sponsors must ensure the viability of the finance plan without such assistance. The current finance plan is not dependent on a TIFIA allocation, although such an allocation would lessen dependence on certain state financial backstops described herein.
Uncertainty surrounding the availability of federal highway funding could limit access to future discretionary funding (e.g. TIGER).	The states will continue to identify and, as appropriate, pursue additional federal discretionary funds that may become available to the Project. This may include funds made available under subsequent phases of the Transportation Investment Generating Economic Recovery (TIGER) discretionary grant program and other federal discretionary funds made available through the recent authorization of the federal surface transportation program, MAP-21.

PROCUREMENT RISKS AND MITIGATION STRATEGIES

The following risks may affect the Project Sponsors' ability to implement the Project due to risks associated with the procurement of the Downtown Crossing under a design-build contract and the East End Crossing as an Availability Payment concession.

Table 6-4. Procurement – Risks and Mitigation Strategies

Risk	Mitigation Strategy
Delay in Procurement	
One of the Crossings suffers a delay in completion, resulting in lower than expected revenue across the Project.	A bi-state agreement is being developed to address the risks associated with a delay in completion of one of the Crossings, which has the potential to affect the financing associated with the other Crossing.
The states do not receive affordable bids or are not able to reach commercial or financial close on their respective procurements.	A bi-state agreement is being developed to address the risks associated with either state not receiving affordable bids or not achieving commercial or financial close.

IMPACT ON STATEWIDE TRANSPORTATION PROGRAMS

Both states have made specific commitments to the completion of the Project. Based on expectations of federal funding availability, as well as expectations regarding the availability of corresponding state transportation funds, the Project Sponsors believe that the federal-aid highway formula, federal discretionary, and state transportation funds identified in this Initial Financial Plan are reasonably expected to be available, and without adverse impacts on either state's overall transportation programs or other funding commitments.

Kentucky will continue to make specific funding commitments to the Project based on the state's standard two-year budget procedures and in accordance with the state's Highway Plan. The Six-Year Highway Plan ensures that funding for the Project is fully considered in the context of any potential impact on other projects in the state's transportation program. Kentucky has designed its portion of the Project financing to minimize impacts on other transportation needs around the Commonwealth. Based on Kentucky's Six-Year Plan, the planned $50 million in annual funding (e.g., $25 million Interstate Maintenance and $25 million National Highway System funding) represents approximately 8% of Kentucky's overall federal program and just over 5% of the Commonwealth's total program. Kentucky also has planned for the debt service for GARVEE bond financing within its overall funding plans. Kentucky's funding participation is also reflected in the fiscally-constrained Statewide Transportation Improvement Program (STIP) and the FY 2011 – 2015 Transportation Improvement Program (TIP) for the metropolitan region.

Indiana has provided for substantial funding for the Project through a combination of state and federal funding, including but not limited to the State's *Major Moves* Transportation Program. Indiana will continue to make specific financial commitments to the Project based on its standard budget procedures and in accordance with the State's Transportation Plan, which takes into account the needs of the overall transportation program and other projects throughout the State. INDOT and IFA are using the biennium appropriations for Availability Payments to

show that Indiana is budgeting these appropriations out of INDOT's Capital Program. INDOT estimates that these future payments will be 5-8% of its capital program. To date, funding for the Project has been 2-3% of the Interstate Maintenance and National Highway System funding categories and approximately 6% of state funding. In addition to being reflected in internal budget and financial control systems, all anticipated funding amounts are reflected in the fiscally-constrained Statewide Transportation Improvement Program (STIP) and the FY 2011 – 2015 Transportation Improvement Program (TIP) for the metropolitan region.

FUTURE UPDATES

The effective date for this Initial Finance Plan is June 30, 2012. The effective date for future annual updates to the Initial Finance Plan will be June 30. Future annual updates will be submitted to FHWA for approval within 90 days of the effective date, or by September 30 each year.

Kentucky Transportation Cabinet
Indiana Department of Transportation

Louisville - Southern Indiana Ohio River Bridges Project
Initial Financial Plan
Letter of Certification

The Kentucky Transportation Cabinet (KYTC) and the Indiana Department of Transportation (INDOT) present this Initial Financial Plan (IFP) for the Louisville-Southern Indiana Ohio River Bridges Project (the Project) in accordance with the requirements of Section 106(h) of Title 23, as amended by Section 1904(a)(2) of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) and the Federal Highway Administration (FHWA) January 2007 *Financial Plans Guidance*.

This IFP provides the current schedule for delivering the Project, current cost estimates and expenditure data through State Fiscal Year (SFY) 2012 (estimated), and the latest financial analyses developed for the Project. The cost data in this IFP provide an accurate accounting of costs incurred to date and an estimate of future costs based on the best available engineers' estimates and reasonable estimates of construction-related inflation factors. The estimates of financial resources to fund the Project also represent an accurate accounting of funds expended to date and best available current information and reasonable assumptions for future resources. These estimates will be updated as new information becomes available and provided to FHWA in Annual Updates to this IFP.

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

[signature page follows]

Respectfully Submitted:

7/31/12

Michael W. Hancock Date
Secretary
Kentucky Transportation Cabinet

7-30.12

Michael B. Cline Date
Commissioner
Indiana Department of Transportation