



Louisville-Southern Indiana Ohio River Bridges Project

Financial Plan

pursuant to

Kentucky Revised Statutes § 175B.030(6)

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Submitted to:

Kentucky Public Transportation Infrastructure Authority

Submitted by:

Louisville and Southern Indiana Bridges Authority



In coordination with:

Kentucky Transportation Cabinet
Indiana Department of Transportation
Kentucky Finance and Administration Cabinet's
Office of Financial Management
Indiana Finance Authority

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Cross-Reference Table to KRS 175B.030(6) Requirements

The table below indicates sections of this Financial Plan that correspond to the requirements of Kentucky Revised Statutes 175B.030(6):

KRS § 175B.030(6) Requirement	Financial Plan Section(s)
<ul style="list-style-type: none"> • The financing and construction parameters of the project 	<ul style="list-style-type: none"> • Project Description • Bi-State Development Agreement • Project Delivery Plan • Plan of Finance
<ul style="list-style-type: none"> • A timeline for construction of the project, including financing requirements throughout the construction of the project 	<ul style="list-style-type: none"> • Project Timeline • Plan of Finance, Section B (Project Funding and Financing)
<ul style="list-style-type: none"> • The amount and duration of per-vehicle tolls 	<ul style="list-style-type: none"> • Plan of Finance, Section B (Project Funding and Financing), Paragraph B.3 (Alternative Funding—Toll-Based Funding and Financing Sources)
<ul style="list-style-type: none"> • State funding commitments 	<ul style="list-style-type: none"> • Plan of Finance, Section B (Project Funding and Financing), Paragraph B.2 (Conventional Funding—Traditional State and Federal Sources)
<ul style="list-style-type: none"> • Other sources of funds and expected amounts 	<ul style="list-style-type: none"> • Plan of Finance, Section B (Project Funding and Financing)
<ul style="list-style-type: none"> • Other provisions relating to the construction and financing of the project 	<ul style="list-style-type: none"> • Project Description • Bi-State Development Agreement • Project Delivery Plan • Plan of Finance

BACKGROUND AND OVERVIEW

Introduction

This Financial Plan for the Louisville-Southern Indiana Ohio River Bridges Project (the Project) has been prepared and is being submitted for approval in accordance with the requirements of Kentucky Revised Statutes (KRS) § 175B.030(6).

An Initial Financial Plan (IFP) for the Project was approved by the Federal Highway Administration (FHWA) in January 2008. In December 2010, an updated financial plan (IFP Update) was endorsed by the Louisville and Southern Indiana Bridges Authority (the Bridges Authority) and the Kentucky Public Transportation Infrastructure Authority (KPTIA). The Bridges Authority and KPTIA, in conjunction with the Kentucky Transportation Cabinet (KYTC) and the Indiana Department of Transportation (INDOT), then submitted the IFP Update to FHWA on December 17, 2010, in order to fulfill the requirement set forth in Section 4 of 2010 Kentucky House Bill 4 (enacted by the Kentucky General Assembly at its Extraordinary Session of 2010). Both the IFP and the IFP Update were prepared in accordance with the requirements of 23 United States Code 106(h), as amended by Section 1904(a)(2) of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy For Users (SAFETEA-LU) and FHWA's January 2007 Major Project Financial Plans Guidance (collectively, the Federal Requirements).

This document is solely intended to meet the requirements of KRS 175B.030(6), so that a development agreement may be entered into by all necessary parties in order to advance the Project to the delivery stage as contemplated by KRS Chapter 175B and Indiana Executive Order 09-11. In order to commence construction on the Project, a further update to the IFP, consistent with this Financial Plan, will be prepared and submitted to FHWA in accordance with the Federal Requirements.

Project Overview

The Ohio River Bridges Project is a construction, reconstruction and rehabilitation project that is vital in addressing cross-river transportation needs in the greater Louisville-Southern Indiana region.

The Project will provide two new bridges across the Ohio River and connecting roadways. It involves three major components: (1) the construction of a new Ohio River bridge (carrying I-65) immediately upstream of the existing Kennedy Bridge (also carrying I-65) as well as improved and expanded approach roadways in Kentucky and Indiana; (2) the modernization of the Kennedy Interchange in Kentucky; and (3) a new Ohio River bridge in the eastern portion of the Louisville Metropolitan Area (LMA), connecting I-265/KY 841 (Gene Snyder Freeway) in Kentucky with S.R. 265 (Lee Hamilton Highway) in Indiana, including approach roadways in Kentucky and Indiana. The Project also features several multi-modal improvements to increase transportation choices for area residents, including enhanced bus service and pedestrian and bicycle trails and pathways. Finally, the Project will involve tolling the I-65 bridges (existing and new) and the new East End bridge.

The Project will provide additional capacity, improve transportation efficiency and reliability, expand travel choices, and deliver urgently needed performance and safety enhancements to existing infrastructure. These needs are highlighted by the fact that the American Transportation Research Institute ranked the Kennedy Interchange as the 11th most congested interchange in the nation. Additionally, the Kennedy Interchange and Kennedy Bridge have historically experienced crash rates significantly higher than the statewide averages for both Kentucky and Indiana (based on data for the period 2005-2009).

Project Description

The Ohio River Bridges Project is comprised of six sections that form three distinct elements:

- (A) modernization of the Kennedy Interchange where I-64, I-65 and I-71 converge on the south side of the Kennedy Bridge in downtown Louisville (#1),
- (B) a new Downtown Bridge just east of the existing Kennedy Bridge (I-65) (#2), along with the widening of the I-65 approach in Indiana (#3), and
- (C) a new East End Bridge (#5) located about eight miles from downtown Louisville connecting the Gene Snyder Freeway (KY 841) to the Lee Hamilton Highway (S.R. 265), along with approaches in Kentucky (#4) and Indiana (#6). This element of the Project will complete the I-265 corridor.



A. Kennedy Interchange

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 occur in its existing location by eliminating dangerous weaves, providing sufficient capacity to meet the rush hour demands, adding emergency pull-off areas and softening the curves throughout the interchange to improve safety and meet drivers’ expectations. Additional features of this element of the Project are described below under “Project Delivery Plan—The Downtown Crossing.”

B. Downtown Bridge

The proposed new Downtown Bridge will span the Ohio River immediately upstream, or east, of the existing Kennedy Bridge and will carry northbound I-65 traffic from the Kennedy Interchange across the

river to Southern Indiana. The existing Kennedy Bridge, which currently carries all I-65 traffic between the Kennedy Interchange and Southern Indiana, will be renovated to carry southbound traffic only. The new northbound bridge design will be a dual three-tower, cable-stayed bridge. The design for this bridge was selected by the Ohio River Bridges Project's Executive Bridge Type Selection Committee in 2008 after extensive community involvement. The design includes six 12-foot travel lanes, with 12-foot shoulders on each side of the bridge to serve northbound traffic. The existing Kennedy Bridge will be re-decked and will include six 12-foot travel lanes, with 10-foot shoulders on each side of the bridge to serve southbound traffic. Additional features of the Downtown Bridge and its approaches are described below under "Project Delivery Plan—The Downtown Crossing."

C. East End Bridge

The proposed new East End Bridge will cross the Ohio River just north of Harrods Creek on the Kentucky side, connecting to the S.R. 265 extension just north of Utica on the Indiana side. The bridge will link the Gene Snyder Freeway in Kentucky to the Lee Hamilton Highway in Indiana, completing the I-265 loop around the Louisville-Southern Indiana metropolitan area. While no decision has been made as to any future interstate classification, this section is referred to as the "I-265 loop" within this document. The new bridge design, selected by the Project's Executive Bridge Type Selection Committee in 2008 through the same public process as the new Downtown Bridge, is also a cable-stayed bridge. It features two single towers between the roadways, with stay cables in the roadway median. The Kentucky approach to the East End Bridge includes a tunnel under the historic Drumanard Estate. The major structures of the East End Crossing will be designed for and constructed to a width sufficient to allow the roadway to be re-stripped to six lanes (three lanes in each direction) when the future traffic need dictates. Additional features of the East End Bridge and its approaches are described below under "Project Delivery Plan—The East End Crossing."

D. Multi-Modal Features

The Project will incorporate and feature several multi-modal improvements to increase transportation choices for area residents, including enhanced bus service and pedestrian and bicycle trails and pathways. Enhanced bus service could include additional park-and-ride facilities, express/shuttle service during construction, new and improved bus stops, and Intelligent Transportation System (ITS) elements that will provide real-time information about bus operations.

Pedestrian and bicycle cross-river access will be provided on the East End Bridge, and multi-use paths will connect waterfront parks and designated bicycle routes on both sides of the river Downtown and on the East End. For example, the new pedways and paths created by the Project will be incorporated into the "Louisville Loop," a 100-mile trail system under development that will encircle the metro area and link existing and new parks and neighborhoods to civic attractions, transportation alternatives and

recreation opportunities—all to fulfill a mission of connecting people to a greener, healthier community.¹

Project History, Project Development and Environmental Review Status

A. Project History

The inception of the Ohio River Bridges Project occurred over 40 years ago as part of the development of a regional transportation planning process. Details on the historical background of the Project can be found in the IFP Update.² Below is a chronology of major Project milestones that have shaped the current parameters of the Project.

§ 1996

The Transportation Policy Committee of the area's Metropolitan Planning Organization (MPO) considered the results of an Ohio River Major Investment Study (ORMIS) that had been commissioned to "address the problem of current and future travel mobility across the Ohio River between Kentucky and Indiana in the Louisville region." The Transportation Policy Committee unanimously endorsed the ORMIS recommendations for a preferred investment strategy based upon, among other things, a "two-bridge solution." This 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 MPO's long-range transportation plan, INDOT and KYTC agreed in December 1997 to pursue needed improvements to cross-river mobility between Jefferson County, Kentucky and Clark County, Indiana on a joint basis. FHWA 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 Environmental Impact Statement to evaluate alternatives for improving cross-river mobility between Jefferson and Clark Counties, including the ORMIS recommendation.

¹ The state sponsors, KYTC and INDOT, are advancing the Project concurrently with the "Big Four" bridge project, which is adjacent to (and just upstream from) the Kennedy Bridge. The Big Four project involves the conversion of an abandoned six-span railroad truss bridge into a pedestrian and bicycle path that will, in turn, become part of this network of pedways and paths linking the greater Louisville-Southern Indiana metropolitan area.

² The IFP Update is available at this link: http://www.kyinbridges.com/pdfs/IFP-Update_FINAL_12.17.pdf.

§ 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 (collectively, the FEIS Selected Alternative). More than twenty-four options were evaluated before the FEIS Selected Alternative was chosen to define the parameters of the Project. For pre-development purposes, the Project was divided at this time into the six sections identified above under "Project Description."

§ 2008

The Federal Highway Administration approved the Initial Financial Plan for the Project. The state sponsors also submitted a Project Management Plan for approval that was acknowledged and approved by FHWA on December 8, 2008.

§ 2010

The Bridges Authority and KPTIA were established pursuant to KRS Chapter 175B. Indiana Governor Mitch Daniels issued an Executive Order in December 2009 authorizing Indiana's participation in the Bridges Authority and appointing seven Hoosiers to serve alongside the Kentucky members appointed by Kentucky Governor Steve Beshear and former Louisville Mayor Jerry Abramson. The Bridges Authority's formation was ratified by the Kentucky General Assembly in late March 2010, as required by the enabling statute.

The Bridges Authority's primary task since its formation has been to explore alternatives to finance and construct the Project and to develop a plan that will set forth the financing and construction parameters once they have been determined. The Bridges Authority held its first meeting in February 2010 and operates in coordination with, but separately from, the Project's Bi-State Management Team, which is described in "Project Development Oversight and Management" below. In this capacity, the Bridges Authority supported and facilitated efforts related to the completion of the IFP Update as well as the update of the MPO's Metropolitan Transportation Plan in 2010, described further below under "Metropolitan Transportation Plan Status." In the course of these activities, it was officially determined that tolling would be necessary in order to provide an alternative source of funding for the Project.

§ 2011

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. These included:

- § modernizing the Kennedy Interchange in place rather than moving it to the south;
- § removing the pedestrian/bikeway from the new Downtown Bridge design;
- § eliminating flyover ramps and making other design changes on the Indiana interstate

approach to the newly expanded I 65 bridges; and

- § reducing the East End Bridge, roadway and tunnel from six to four lanes initially, since updated traffic forecasts do not warrant six lanes through 2030, but still preserving the ability to accommodate future expansion by designing and constructing the major structures of the East End Crossing to a width sufficient to allow the roadway to be re-striped to six lanes (three lanes in each direction) when the traffic need dictates.

The design options have resulted in a substantially reduced cost while still addressing the purpose and need of the Project. The resulting Draft Supplemental Environmental Impact Statement (DSEIS), which compares the original FEIS Selected Alternative to a “Modified Selected Alternative” that incorporates these design options as well as tolling into the Project, was approved by the FHWA on November 10, 2011. See additional information on the environmental process under “Environmental Review Status” below.

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. The Bridges Authority then worked with the states toward building a consensus on the preferred project delivery approach.

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, which is more particularly described in the Term Sheet attached to this Financial Plan, 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.

B. Project Development Oversight and Management

In 1993, the Commonwealth of Kentucky, acting through KYTC, and the State of Indiana, acting through INDOT, agreed to pursue jointly the needed improvements to cross-river mobility within the Louisville metropolitan area. This joint pursuit was “codified” in a series of formal agreements, including a 1997 Memorandum of Agreement for preparation of the Environmental Impact Documents and Preliminary Bridge Study Report and a 2004 Memorandum of Agreement for design and construction of the two bridges and approaches (commonly referred to as the Bi-State Management Agreement). In accordance with the Bi-State Management Agreement, the states formed the Bi-State Management Team (BSMT) to manage the Project. Representatives from KYTC and INDOT comprise the BSMT, along with a non-voting, ex-officio member from FHWA. The BSMT has retained a General Engineering Consultant,

Community Transportation Solutions (CTS), to execute selected program management services on its behalf.³

In 2004-2005, KYTC and INDOT hired six section design teams to oversee and develop each of the six sections of the Project under the supervision of CTS. Since then, preliminary engineering, environmental mitigation, right of way acquisition, and utility coordination have occurred to various degrees on the six sections under the 2003 Record of Decision. CTS and the six section design teams have provided periodic construction cost estimates for each section as Project planning has progressed. In the process of evaluating the Modified Selected Alternative in the Supplemental Environmental Impact Statement process in 2011, only engineering work sufficient to describe the environmental impacts associated with the proposed modifications has occurred.

C. Environmental Review Status

FHWA issued a Record of Decision in September of 2003, officially approving the construction of the Project as defined by the FEIS Selected Alternative, including two new Ohio River bridges and the reconfiguration of the Kennedy Interchange. On February 15th, 2011, FHWA issued a Notice of Intent to prepare a Supplemental Environmental Impact Statement that would consider the impacts associated with cost saving modifications and the additional feature of tolling the Project. All necessary agency coordination and public involvement actions, including public meetings held in June and December 2011, were completed in the course of the SEIS process. A Supplemental Draft Environmental Impact Statement (SDEIS) was approved by FHWA on November 10, 2011. It is expected that a Supplemental Final Environmental Impact Statement, followed by an amended Record of Decision, will be approved in the Spring of 2012.

D. Metropolitan Transportation Plan Status

In 2010, the Bridges Authority worked with the Bi-State Management Team, the 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), Horizon 2030. 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 and avoided a plan lapse, thereby preserving all federally-funded projects covered by the MTP. In October 2011, an updated Horizon 2030 MTP was adopted by the MPO's Transportation Policy Committee, and in November 2011, the updated Horizon 2030 MTP once again received federal approval.⁴ The MTP included the Modified Selected Alternative, with the cost savings and tolling assumptions that were reflected in the SDEIS published in November 2011.

³ It is anticipated that the Bi-State Management Agreement will be amended or superseded by the Bi-State Development Agreement discussed below under "Project Implementation and Finance Plan."

⁴ A copy of the MTP is available at this link: <http://www.kipda.org/Transportation/MPO/LRP.aspx>.

PROJECT IMPLEMENTATION AND FINANCE PLAN

Bi-State Development Agreement

KRS § 175B.030(7)(a) contemplates that, upon the approval of this Financial Plan by KPTIA, a development agreement may be entered into in order to facilitate the Project's implementation. Specifically, this paragraph 7(a) provides, in relevant part, for entering into a development agreement for the purpose of:

“establishing the terms and conditions under which a project will be undertaken and the duties, responsibilities, powers, and authorities of the parties to the agreement. The development agreement shall, at a minimum . . . [i]nclude the relevant provisions from the financial plan . . . and . . . provisions detailing the duties, responsibilities, and obligations of each party in relation to the financing, development, operation, and maintenance of the project, and the servicing and retirement of all bonds.”

In light of this statutory provision, the Bridge's Authority's project delivery plan has long contemplated that all applicable agencies in the two states involved in the financing and construction of the Project will enter into such a development agreement for the purpose of providing the terms and conditions of its procurement and implementation.

As described above under “Project History—2011,” the two Governors and the Bridges Authority have agreed in principle on a project delivery approach whereby 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. In order to plan for the completion of the development agreement that will govern this approach to project delivery, the two states have negotiated the attached term sheet (Term Sheet) in order to describe the basic terms, roles and responsibilities for the procurement, revenue sharing, financing, construction, tolling, operation and maintenance aspects of the Project. The Term Sheet is incorporated herein and made a part of this Financial Plan by reference, and it will form the basis for the eventual development agreement among the agencies involved in financing and constructing the Project.

In describing the Project's dual procurement structure, the Term Sheet allocates responsibility to each state for delivering a roughly one-half portion of the Project. For this purpose, Kentucky's portion is referred to as the “Downtown Crossing” of the Project, and Indiana's portion is referred to as the “East End Crossing.”

Project Delivery Plan

A. The Downtown Crossing (Sections 1, 2 and 3)

The Downtown Crossing includes the reconstruction and operational improvements to the interchange junctures of I-65, I-64, and I-71; the southern approaches to a new Ohio River Bridge; the construction of a new I-65 Ohio River Bridge; the reconfiguration and rehabilitation of the existing I-65 Kennedy Bridge; and the Indiana northern approaches to the bridges with the various local egresses and ingresses to I-65. The juncture of Interstates 64, 65 and 71 in downtown Louisville is locally known as the "Kennedy Interchange" and/or "Spaghetti Junction." It includes the approaches to the new Downtown Bridge and the adjacent existing Kennedy Bridge. Limits of work on the affected interstates are: I-64 from near the Preston Street overpass eastward to near the Story Avenue Interchange, I-65 from the Liberty Street interchange northward to the south end of the Ohio River Bridges approach spans, and I-71 from the junction with I-64 northward to the former railroad bridge between Beargrass Creek and Edith Avenue. The Downtown Crossing calls for a reconfiguration and rebuilding of the Kennedy Interchange in-place, which will include several improvements both in and approaching the interchange. These 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;
- The elimination of the current traffic weaving movements from I-64 westbound and I-71 southbound to I-65;
- The 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 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 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.



Changes to I-65 in southern Indiana will include widening 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.

As indicated above and as more particularly described in the Term Sheet, Kentucky will take the lead in financing and constructing the Downtown Crossing of the Project.

B. The East End Crossing (Sections 4, 5 and 6)

The proposed new East End Bridge will cross the Ohio River just north of Harrods Creek on the Kentucky side, connecting to just north of Utica on the Indiana side. The new bridge will link the Gene Snyder Freeway in Kentucky to the Lee Hamilton Highway in Indiana, completing the I-265 loop around the Louisville-Southern Indiana metropolitan area. While no decision has been made as to any future interstate classification, this section is referred to as the “I-265 loop” within this document. The new

bridge design, selected by the Project's Executive Bridge Type Selection Committee in 2008 through the same public process as the new Downtown Bridge, is also a cable-stayed bridge. It features two single towers between the roadways, with stay cables in the roadway median. It includes:

- Two 12-foot travel lanes in each direction, with 12-foot wide outside shoulders, and 8-foot to 12-foot wide inside shoulders that narrow at the towers; and
- A 13-foot pedestrian/bicycle path along the downstream (west) side of the bridge.

The 3.4 mile long approach to the new East End Bridge on the Kentucky side will reconstruct and widen 1.9 miles of existing KY 841 (Gene Snyder Freeway) to four lanes from I-71 to U.S. 42, where it currently ends, and extend 1.4 miles to the new East End Bridge. This section has several distinctive features, including:

- A tunnel under U.S. 42 and the historic Drumanard Estate, which, along with other major structures of the East End Crossing, will be designed for and constructed to a width sufficient to allow the roadway to be restriped to six lanes (three lanes in each direction) when the future traffic need dictates; and
- A multi-use pathway near the Ohio River Terrace Character Area between River Road and the new East End Bridge.

The 4.1 mile long Indiana approach to the new East End Bridge will carry four lanes (two northbound and two southbound) and will extend S.R. 265 (Lee Hamilton Highway) from its current terminus at S.R. 62 to the Ohio River and the new East End Bridge.

The interchange between S.R. 265 and S.R. 62 will be reconfigured as a "diverging diamond," an innovative design concept of which only a few are currently in existence or planned in the U.S. The diverging diamond is a cost-saving design that results in a smaller footprint and allows the use of the existing overpass bridges. The design also improves driver safety, by creating more "green-light time" to allow traffic to flow through the interchange more quickly and smoothly, and by reducing the number of "conflict points" (places where traffic crosses or merges) to twelve points, in contrast to a conventional diamond interchange, which has thirty such conflict points.



As indicated above and as more particularly described in the Term Sheet, Indiana will take the lead in financing and constructing the East End Crossing portion of the Project.

Project Timeline

Based on the planned approach to project delivery described above, the Project is expected to be completed by the end of state fiscal year 2018 (see Timetable below), with the East End improvements expected to be complete and open to traffic in state fiscal year 2017 and the Downtown improvements expected to be complete and open to traffic in the fiscal year thereafter. Within this timeframe, once the new Downtown Bridge is open, northbound traffic will be shifted from the existing I-65 Kennedy Bridge, which will then undergo the necessary modifications to accommodate southbound traffic only. Given the complexity of the Downtown improvements, coordination of design and construction sequencing among the various sections will be critical.

Before the states had agreed in principle to procure the Project based on the alternative project delivery methods identified by the Bridges Authority and described in the Term Sheet, the Project had proceeded on the basis of a traditional design-bid-build delivery approach. The new procurement approach is expected to result in significant compression of the original construction schedule contemplated in the 2008 Initial Financial Plan (IFP) and the 2010 update to the Initial Financial Plan (IFP Update). The following table shows the revised Project timetable based on the project delivery methods described in the Term Sheet.

Ohio River Bridges Project Timetable (Dual Procurement Approach)

State Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Downtown Crossing														
Design														
Right of Way														
Utilities														
Construction														
East End Crossing														
Design														
Right of Way														
Utilities														
Construction														

The sources and amounts of funding that will be required during construction of each portion of the Project are more particularly defined below under “Plan of Finance—Project Funding and Financing” and in the relevant Appendices to the Term Sheet.

Plan of Finance

The plan of finance for the Project is based on the cost, funding and financing elements described below, together with those described in the Term Sheet.

A. Project Cost Estimate

In January 2012, FHWA, in consultation with KYTC and INDOT, performed a cost estimate review of the Project. The following cost estimate information was derived from that process.

Total Project Costs in Year of Expenditure Dollars (in millions)	
Project Segment	Total Cost
Section 1 - Kennedy Interchange	\$659.8
Section 2 - Downtown River Bridge	\$357.8
Section 3 - Downtown IN Approach	\$197.7
Section 4 - KY East End Approach	\$737.6
Section 5 - East End River Bridge	\$284.4
Section 6 - IN East End Approach	\$196.1
Project Wide Costs	\$150.5
TOTAL	\$2,583.9

1. Downtown Crossing Cost. The Commonwealth of Kentucky is taking the lead on the Downtown Crossing of the Project. In combination with Kentucky's project-wide expenses, the costs of this portion of the Project in year of expenditure dollars derived from the FHWA cost estimate review are:

Downtown Crossing in Year of Expenditure Dollars (in millions)	
Project Segment	Total Cost
Section 1 - Kennedy Interchange	\$659.8
Section 2 - Downtown River Bridge	\$357.8
Section 3 - Downtown IN Approach	\$197.7
KY Project Wide Costs	\$92.3
TOTAL	\$1,307.6

2. East End Crossing Cost. The State of Indiana is taking the lead on the East End Crossing of the Project. In combination with Indiana’s project-wide expenses, the costs of this portion of the Project in year of expenditure dollars derived from the FHWA cost estimate review are:

East End Crossing in Year of Expenditure Dollars (in millions)	
Project Segment	Total Cost
Section 4 - KY East End Approach	\$737.6
Section 5 - East End River Bridge	\$284.4
Section 6 - IN East End Approach	\$196.1
IN Project Wide Costs	\$58.2
TOTAL	\$1,276.3

B. Project Funding and Financing

1. Overview.

The strong commitment of Indiana and Kentucky to the Project has been evidenced by their continued funding for the Project on a pay-as-you-go basis since the Project’s inception, as well as by the states’ continued cooperation through the Bi-State Management Agreement (as supplemented by the formation and current work of the Bridges Authority in tandem with KYTC and INDOT). At the end of state fiscal year 2012, the states will have expended \$293.4 million (\$220.4 million by Kentucky and \$73.0 million by Indiana) for the Project.

The current financial strategy anticipates that the Project will be funded by a combination of conventional state and federal transportation program funds and toll-based Project revenues. In the case of Kentucky’s design-build contracting approach, 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 GARVEE bonds. In the case of Indiana’s intended availability payment concession approach, private sector financing, including private equity and debt, will be secured by the concessionaire to support its obligations to deliver the East End Crossing, and the payments under the concession agreement will be supported by Indiana’s funding commitments and its share of the toll-based revenues from the Project. The alternative delivery methods selected by the states have the strong potential of further reducing Project costs and enhancing the overall Project finance strategy. Federal discretionary program funds may also continue to be utilized by the Project to the extent additional discretionary funds become available and are obtained by the states.

2. Conventional Funding—Traditional State and Federal Sources.

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

Federal-aid Formula and State Funds. 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.

The states and the Authority have reasonable expectations for a reauthorized federal surface transportation program at levels that are commensurate with current funding levels. Based on those expectations, as well as reasonable 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. This includes \$293.4 million estimated to be expended through state fiscal year 2012.

The conventional funding commitments to the Project from each state are further described in the Term Sheet and the relevant Appendices thereto, and summarized in the table below. To support the financing and construction of the Downtown Crossing, Kentucky will provide \$50 million per year for six years beginning with state fiscal year 2013 (subject to General Assembly appropriations), as well as the proceeds of an estimated \$236 million of previously authorized GARVEE bonds, for a total of \$536 million in addition to already expended funds of \$220.4 million (including \$69 million of a previously issued \$100 million GARVEE bond issuance) and previously committed funds of \$31 million.⁵ To support the East End Crossing procurement, Indiana has committed \$54 million per year for eight years, commencing in state fiscal year 2013, for a total of \$432 million, in addition to already expended funds of \$73 million. Indiana will provide additional funds required to supplement its share of toll revenues in the event tolls are insufficient to cover its obligations under its planned concession agreement.

Ohio River Bridges Federal and State Conventional Funding
(by State, including Federal Formula and Discretionary Funds)

State	Expended to Date (estimated as of SFY 2012)	Anticipated (SFY 2013 and thereafter)	Total
Kentucky	\$220.4	\$567.0 ⁶	\$787.4
Indiana	73.0	432.0	505.0
Total	\$293.4	\$999.0	\$1,292.4

⁵ This \$31 million is the remainder of the \$100 million already issued but unexpended GARVEE bond proceeds.

⁶ Includes \$236 million in GARVEE bond proceeds, \$31 million in previously issued but unexpended GARVEE bond proceeds, and \$300 million in future Road Funds (subject to appropriation).

Federal Discretionary Funds. 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”)⁷. Based on the importance of the Project to national freight movements and the national economy, it is anticipated that additional federal discretionary funds may become available to the Project, and the states will continue to identify and, as appropriate, pursue them. This may include funds made available under subsequent phases of the TIGER discretionary grant program and other federal discretionary funding programs made available through reauthorization of the federal surface transportation program.

3. Alternative Funding—Toll-Based Funding and Financing Sources.

The states’ two Governors and the Mayor of Louisville tasked the Bridges Authority with investigating all options in developing a financial plan that would deliver the Project in the most rapid and cost-effective manner possible. As it has pursued this approach, the Bridges Authority has been mindful of the fact that both states have had successful histories of using alternative funding sources, including tolling, for the development of their road infrastructures.⁸

Traffic forecasting work on the Project has been performed by the Bi-State Management Team’s traffic and revenue consultants at CDM Smith (formerly Wilbur Smith Associates) using a time-of-day travel demand model that was developed in connection with the Project. Key assumptions include:

- Tolloed 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 of the existing Kennedy Bridge upon the earlier of: completion of the new Downtown Bridge or completion of the new East End Bridge. The Downtown Bridges are eligible as tollod Interstate facilities subject to Toll Agreement requirements pursuant to 23 U.S.C. Section 129. To the extent federal funds are utilized for construction of the East End Bridge as a non-Interstate facility, a Section 129 Toll Agreement would be applicable and

⁷ These amounts are partially included in the expenditures to date figures described above under “Federal-aid Formula and State Funds”

⁸ Both Kentucky and Indiana have successful histories of using a range of alternative funding sources and financing techniques for the development of their transportation infrastructure. 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, periodically using the proceeds of toll-revenue bonds for necessary expansion and maintenance projects. In 2006, Indiana completed a very successful public-private partnership transaction with a private concessionaire involving the Toll Road. These experiences will be brought to bear to move the Ohio River Bridges Project to construction.

required for that facility as well. The states and the Bridges Authority continue to be in dialogue with FHWA concerning tolling eligibility and expect resolution of this issue following the completion of the Supplemental Environmental Impact Statement process and the issuance of an amended Record of Decision.⁹

- Toll rates – The toll rates used for the 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.

Under this methodology, a “passenger car” is a sedan, coupe, station wagon, SUV, pickup or van with the primary purpose of carrying passengers.¹⁰ Included in the “light truck” category is any bus or single unit truck (i.e., a local delivery truck) with at least six tires. A “heavy truck” is any vehicle with three or more axles and two or more units, which includes the typical tractor trailer or larger vehicle.

For purposes of their traffic and revenue projections that have formed the basis of their procurement planning (as reflected in the Term Sheet), 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 Bridges Authority’s objective of establishing a targeted toll rate of \$1.00 for “frequent users” in the passenger car category.¹¹ The states will continue to explore the potential of having a “frequent user” category in the truck classifications, as well, as work progresses toward the development of a formal tolling policy. Any “frequent user” discount program, when implemented, will likely be based on the transponder-and-volume discount model that has been used by other toll facilities around the country. Such a program provides a certain percentage discount for any user that pays via a transponder, with the size of the discount increasing (up to a certain maximum percentage) for each additional trip for which payment is made through the transponder. The general approach to the development of a formal toll policy is further described in Appendix C to the Term Sheet.¹²

⁹ The Bridges Authority and the state sponsors formally began the process of exploring tolling and pricing authorization for the Project with the submission of a letter of interest to FHWA’s Office of Innovative Program Delivery on May 27, 2010.

¹⁰ Note that this category also includes motorcycles.

¹¹ The Bridges Authority formally targeted a frequent user rate in the \$1.00 range as a tolling policy objective at its December 9, 2010 meeting.

¹² As described in the Term Sheet, the relevant transportation and financing agencies from both states (which will be identified in the eventual bi-state development agreement) will be responsible for establishing, maintaining and adjusting toll policy for both the Downtown and East End facilities, including toll setting. They will perform this role in accordance with an agreed upon framework established prior to initiating procurement of the Project. It should be noted that the ultimate toll rates for the Project facilities will not be officially established until the procurement processes have been completed and the final Project costs are known.

- Toll duration – This Financial Plan and the transactions contemplated by the Term Sheet assume 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.

As described further below under “Financing,” toll revenues will be leveraged in connection with the anticipated financing approaches, including, as applicable: federally-supported borrowing through the TIFIA program and any successor federal credit programs; toll revenue bonds, including private activity bonds (“PABs”) as part of a public-private partnership approach; commercial bank financing; and/or equity investment. The state sponsors and the Bridges Authority have sought TIFIA eligibility for the Project on a recurring basis, including through annual TIFIA letters of interest (most recently via a letter of interest for fiscal year 2012 submitted in December 2011) and through TIGER discretionary grant applications (filed in the TIGER II and TIGER III rounds, and to be filed in the TIGER IV round in March 2012). The final combination of financing approaches will depend on market circumstances at the time.

4. Financing.

The financing mechanisms to be employed in the Project are a function of the delivery method that each state will use in order to carry out its procurement. For example, under the Design-Build and Operate-Maintain structure that Kentucky plans to use, the Downtown Crossing will be financed with a combination of funding commitments from Kentucky (as described above) and governmental purpose tax-exempt debt in the form of toll revenue bonds backed by Kentucky's share of tolling revenues from the Project.

Under the Availability Payment Concession structure that Indiana plans to use, the East End Crossing will be financed with a combination of funding commitments from Indiana (as described above) as well as debt and equity financing secured by the private sector concessionaire tasked with the design, construction and maintenance obligations. (In the latter case, Indiana funding commitments from conventional sources will be used to make milestone payments during construction, and thereafter the concessionaire will be compensated through a stream of “availability payments” based on keeping the East End portion of the Project operational based on specified performance criteria. Indiana will use its share of tolling revenues from the Project to make the required availability payments.)

The financing mechanisms are described further in Appendix A and Appendix B to the Term Sheet, and summarized in the charts below.

As more particularly described in the Term Sheet, the states will jointly seek opportunities for federal TIFIA funding. In doing so, the states recognize the expected limited availability of TIFIA funding for the Project, and they may adjust their agreed upon revenue sharing arrangement to take into consideration the final allocation of TIFIA to either or both of the Downtown Crossing procurement and the East End Crossing procurement. As noted above, the states will pursue the next opportunity for TIFIA funding in

March 2012 in the form of applying for the TIGER TIFIA Payments program under the TIGER IV discretionary grant round, and they will also pursue an application for TIFIA if invited to do so by the U.S. Department of Transportation on the basis of the TIFIA letter of interest submitted for the Project in December 2011 in respect of fiscal year 2012.

Downtown Bridge Crossing Finance Plan Summary – Indicative Sources and Uses of Funds¹³

Sources of Funds During Construction (\$000)			Uses of Funds During Construction (\$000)		
Source	Nominal \$	% of Total	Use	Nominal \$	% of Total
Toll Revenue Bond Proceeds	\$731,432	58.0%	Construction/Financing	(\$1,267,432)	100.0%
KYTC Highway Plan	300,000	24.0%	Costs		
KYTC GARVEE Bond Proceeds	236,000	19.0%			
Total Sources	\$1,267,432	100.0%	Total Uses	(\$1,267,432)	100.0%

East End Crossing Finance Plan Summary – Indicative Sources and Uses of Funds¹⁴

Sources of Funds During Construction (\$000)			Uses of Funds During Construction (\$000)		
Source	Nominal \$	% of Total	Use	Nominal \$	% of Total
Debt	\$768,595	58.1%	Construction/Financing	(\$1,322,870)	100.0%
Equity	284,275	21.5%	Costs		
Indiana Appropriation Funds	270,000	20.4%			
Total Sources	\$1,322,870	100.0%	Total Uses	(\$1,322,870)	100.0%

C. Path to Implementation

The following sequence of events is anticipated following the approval of this Financial Plan by the Bridges Authority, in accordance with the provisions of KRS 175B and the arrangements and plans that have been made by the states:

1. The Financial Plan will be submitted to KPTIA for approval.
2. The Kentucky General Assembly will take action on House Bill 266 and House Bill 267 as relates to the Project. House Bill 266 of the 2012 Regular Session of the Kentucky General Assembly, filed January 17, 2012, is an Act relating to appropriations providing financing and conditions for the operations, maintenance, support, and functioning of the Transportation Cabinet of the Commonwealth. Part 1 of the bill (Operating Budget), Section 4 relating to the Highways Budget Unit provides that the Transportation Cabinet is authorized to utilize a design-build

¹³ Excludes previously expended funds of \$220.4 million and budgeted but unexpended funds of \$31.0 million.

¹⁴ Indiana appropriation funds reflects \$54 million per year for five-year construction period. Upon project completion additional public funds will be contributed to Availability Payment obligations; excludes previously expended funds of \$73.0 million.

procurement model for the Louisville Southern Indiana Ohio River Bridges Project using a qualifications-based bidding process within the provisions of KRS Chapter 176. House Bill 267 of the 2012 Regular Session was filed on January 17, 2012 and is an Act relating to road projects (i.e., Kentucky Highway Plan). The bill includes funding for the LSIORB Project as described in this Project Financial Plan and Term Sheet. Both bills are currently being reviewed by the Kentucky House of Representatives.

3. The states and their relevant agencies will negotiate, execute and deliver the development agreement, in part based on the provisions outlined in the Term Sheet.
4. The states will continue to work with FHWA to complete the necessary actions under the Supplemental Environmental Impact Statement process, with an amended Record of Decision expected to be issued in the Spring of 2012.
5. The states will also work with FHWA to secure tolling approval via Section 129 Toll Agreements in compliance with 23 U.S.C. § 129 and applicable regulations and guidance related hereto.
6. KYTC will continue to advance the procurement process for the Downtown Crossing, which commenced with the issuance of a draft Request for Qualifications on February 23, 2012 and a pre-bid meeting on March 1, 2012. Key future milestones in this process include the Submission of Qualifications by bidders in early April, short-listing of three design-build teams by mid-April, the receipt of technical proposals by early August, the receipt of price proposals by mid-October, and the award of the contract for the Downtown Crossing by the end of October 2012.
7. The Indiana Finance Authority, in conjunction with INDOT, will continue to advance the procurement process for the East End Crossing, which has been positioned with the hosting of an Industry Day on March 2, 2012. A Request for Qualifications is expected to be issued on or about March 9, 2012 with responses from interested bid teams to be due on April 9, 2012. Key milestones in the process thereafter include the short-listing of bid teams by the third week of April, the issuance of a Request for Proposals by early May, and the receipt of responses to the Request for Proposals by early November 2012. The IFA and INDOT expect to reach commercial close with the winning bidder by December 2012.