



I-69 Section 5: Bloomington to Martinsville

# Project Financial Plan 2014 Update

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**Federal Highway  
Administration**



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Transportation**



In conjunction with:  
**Indiana Finance Authority**



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# Chapter 1. Introduction

## INTRODUCTION

*This document presents the 2014 Annual Update to the Initial Financial Plan (IFP) for Section 5 of the I-69 Project (the Project or the I-69 Project), including current cost estimates, expenditure data through State Fiscal Year (SFY) 2014, the current schedule for delivering the Project, and the financial analyses developed for the Project. This Financial Plan Update (FPU) has been prepared generally in accordance with FHWA's Financial Plans Guidance.*

## 2014 FINANCIAL PLAN UPDATE

The purpose of this 2014 Financial Plan Update is to provide the annual updated summary of estimated costs and revenues for the I-69 Section 5 project from Bloomington to Martinsville, IN 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) and further amended by Section 1503(a)(4) of Moving Ahead for Progress in the 21st Century (MAP-21). Costs associated with the 2014 Financial Plan Update are as of June 30, 2014.

## PROJECT OVERVIEW

The I-69 Evansville to Indianapolis corridor received a Tier 1 Record of Decision in 2004 which divided the 142 mile corridor into six sections of independent utility. Section 5 of the I-69 corridor follows SR 37 extending from southwest of Bloomington near Victor Pike to SR 39, south of Martinsville, Indiana. I-69 Section 5 (the Project) utilizes SR 37, currently a partially access controlled four-lane divided highway, to be improved to a fully access controlled freeway. The Indiana Department of Transportation (INDOT) prepared and the Federal Highway Administration (FHWA) approved the I-69 Section 5 Tier 2 Final Environmental Impact Statement (FEIS) and the Record of Decision selecting refined preferred alternative 8 for the Project. Refined preferred alternative 8 provides for construction of an urban six-lane section from the southern terminus of the Project, south of the Fullerton Pike interchange, to the Sample Road Interchange. I-69 north of Sample Road Interchange will follow a rural 4-lane section to the northern project terminus.

## PROJECT SPONSOR

The State of Indiana is the Project Sponsor for Section 5 of the I-69 Project. The project will be procured and managed by a partnership between the Indiana Finance Authority (IFA) and the Indiana Department of Transportation (INDOT).

## PROJECT DETAIL

The Project begins at State Road 37 in Bloomington, IN and extends north approximately 21 miles to SR 39 in Martinsville, IN. The Project extends through Monroe and Morgan Counties, Indiana, with the majority of the Project being in Monroe County. The purpose of the Project, as well as the broader I-69 project, is to strengthen the transportation network in the State, support economic development in the region and complete the portion of the broader I-69 project between Evansville and Indianapolis.

## PROJECT APPROACH

INDOT plans to develop I-69 Section 5 as a Public-Private Partnership (P3) project. The project sponsors (IFA and INDOT) will solicit proposals for the design, build, finance, operation and maintenance of the Project.

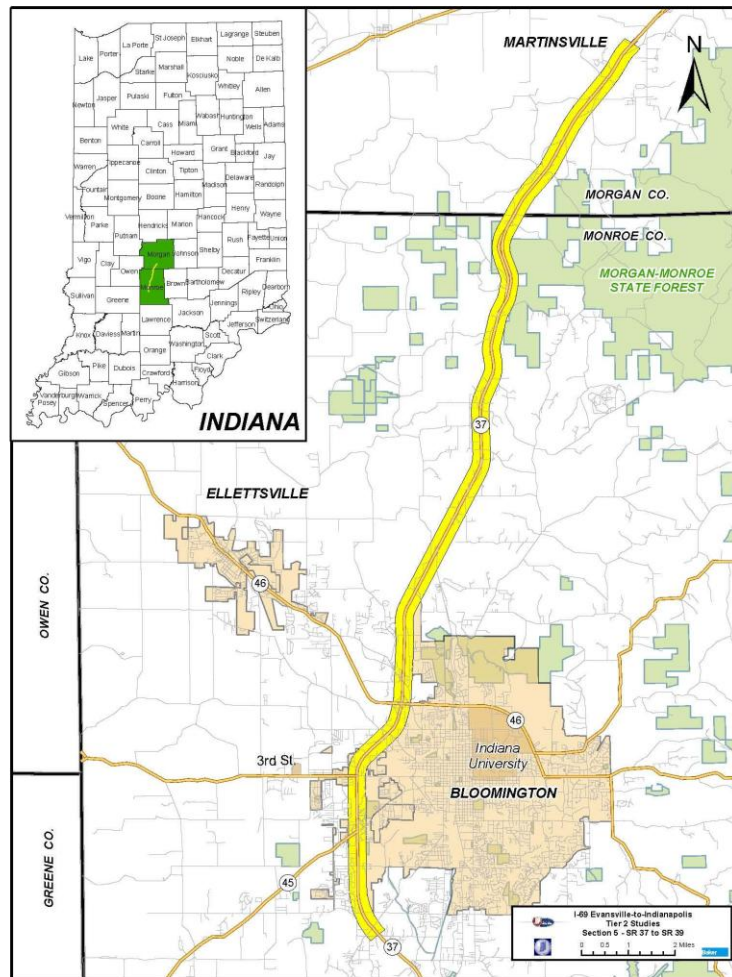


Figure 1-1 IFP. I-69 Section 5 Corridor Map

On April 8, 2014, IFA entered into a Public-Private Agreement with the I-69 Development Partners (the “Section 5 Developer”) for the design, build, finance, operation, and maintenance of the project. On July 23, 2014, IFA and the Section 5 Developer achieved financial close. This update includes the costs as bid by the Developer.

## PROJECT HISTORY

Briefly, SIU 3 of the National Corridor is the Evansville to Indianapolis project in Indiana. In March 2004, the Federal Highway Administration (FHWA) issued a Tier 1 Record of Decision (ROD) for

the Evansville to Indianapolis section of I-69. The Tier 1 ROD selected a “corridor” - that is, a band generally 2,000 feet in width, but narrower in some places and broader in others - for I-69 between Evansville and Indianapolis. In addition, the Tier 1 ROD divided the Evansville to Indianapolis project into six separate sections for more detailed Tier 2 studies. Sections 1-3 are constructed and open to traffic. Section 4 located from US 231 to SR 37 south of Bloomington is currently under construction. Section 5 has received its FEIS and Record of Decision. Section 6 from south of Martinsville to Indianapolis is undergoing environmental studies. Section 5 is the second section from the north; it extends from SR 37 southwest of Bloomington to SR 39 in Martinsville. This financial plan focuses on Section 5.

A full discussion of the Project History can be found in the Draft EIS or the FEIS, found on the internet at this address <http://www.i69indyevn.org/>.

## **PROJECT IMPLEMENTATION - MANAGEMENT AND OVERSIGHT**

The State of Indiana is the Project Sponsor for the Project and intends to manage and deliver the project jointly between the Indiana Department of Transportation (INDOT) and the Indiana Finance Authority (IFA). The following is additional detail on the roles and responsibilities of various parties.

- **INDOT and IFA**  
INDOT and IFA, supported by their Technical Team (described below), will be responsible for all aspects of the I-69 Section 5 contract.
- **Chief Legal Advisor**  
The Chief Legal Advisor will supplement and assist state personnel with short listing of potential developers, contract language, and contract negotiations and will work under the direction of IFA. The contract is known as the Public-Private Agreement (PPA).
- **Technical Procurement Advisor**  
The Technical Procurement Advisor will supplement and assist state personnel with technical provisions, design review, contract administration, construction inspection, and quality control and quality assurance activities and will work under the direction of INDOT.
- **P3 Financial Advisor**  
The Public-Private Partnership (P3) Financial Advisor will supplement and assist state personnel with financial issues associated with Developer selection, financing, cash flow, and project financial close.
- **Section 5 Developer**  
IFA and INDOT issued a final Request For Proposals (RFP) in October 2013 for a developer to design, construct, and finance Section 5 of the I-69 Project, and operate and maintain portions thereof.

### **2014 FINANCIAL PLAN UPDATE**

IFA and INDOT selected I-69 Development Partners, a consortium consisting of Isolux Infrastructure and Infra-PSP, as the preferred proposer and entered into a Public-Private Agreement on April 8, 2014 for the design, build, finance, operations, and maintenance of the project.

- **Standing Advisory Teams**  
There are several standing advisory teams with specific historical and environmental functions

that also serve as information outlets. These advisory teams have varying duties which include providing recommendations during development of contract provisions regarding design of the Project; providing feedback on plans with the specific needs of the communities in mind as well as the region at large.

## 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.*

### INITIAL FINANCIAL PLAN

### COST ESTIMATES

The Initial Financial Plan (IFP) total estimated cost for the Project is \$406.7\* million, based on 2012 dollar estimates included within the August 2013 Cost Estimate Review. This cost estimate reflects updated estimates prepared in 2013 by the Cost Estimate Review process,

- (ii) includes the most current project phasing and anticipated schedule, and
- (iii) and is updated for actual expenditures incurred by INDOT in FY2013

The Draft EIS provided a wide range of alternatives with varying cost estimates. Using Refined Preferred Alternative 8 and Minimal Impact Design Criteria, the costs for the project have been reduced. Further cost savings are anticipated as the procurement proceeds.

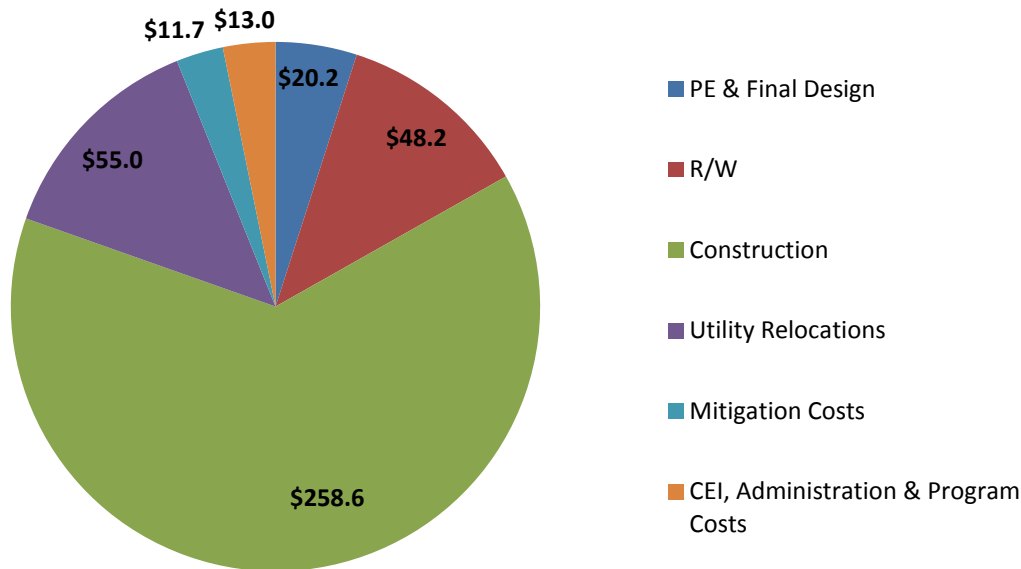
Table 2-1 provides an overview of Project costs, broken down by project component and section. The estimates are presented in year-of-expenditure dollars and incorporate reasonable inflation estimates, as described further below.

**Table 2-1 IFP Project Cost Estimate – by Project Phase**

<b>Total Project Costs in Year of Expenditure Dollars (in \$ millions)</b>	
<b>I-69 Section 5</b>	<b>Total Cost</b>
PE & Final Design	\$20.2
Right of Way	48.25
Construction	258.6
Utility Relocations	55.0*
Mitigation Costs	11.7
CEI, Administration & Program Costs	13.0
<b>PROJECT TOTAL</b>	<b>\$406.7</b>

\*Utility Costs revised January 2014 to reflect utility company estimates





**Figure 2-1 IFP. Project Cost Estimate – by Project Phase**

**2014 FINANCIAL PLAN UPDATE**

The Initial Financial Plan estimate was based on the Draft EIS Refined Preferred Alternative 8 and Minimal Impact Design Criteria. The current total estimated cost for the Project is \$465.8\* million, based on 2014 dollar estimate. This cost estimate:

- (i) reflects updated costs reflected as part of the Section 5 Developer’s bid
- (ii) includes the most current project phasing and anticipated schedule,
- (iii) includes updated actual expenditures incurred by INDOT in FY2014
- (iv) adds and updates anticipated expenditures yet to be incurred by INDOT

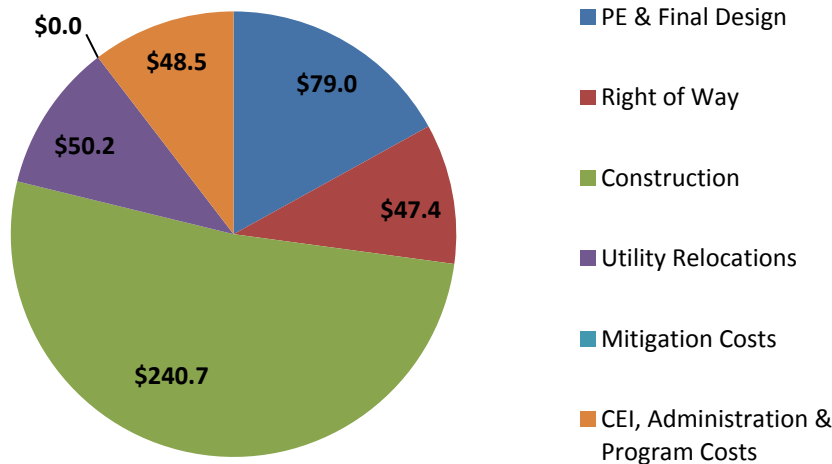
Table 2-1-2014 FPU provides an overview of Project costs, broken down by project component and section. The estimates are presented in year-of-expenditure dollars.

**Table 2-1-2014 FPU. Project Cost Estimate – by Project Phase (in \$ millions)**

	Initial	Post Bid Cost	Items Not in	Updated
I-69 Section 5	Total Cost	Comparison <sup>1</sup>	Orig. Est <sup>2, 3, &amp; 4</sup>	Total Cost <sup>5</sup>
PE & Final Design	\$ 20.2	\$ 20.2	\$ 58.8	\$ 79.0
Right of Way	\$ 48.3	\$ 47.4	\$ -	\$ 47.4
Construction	\$ 258.6	\$ 237.7	\$ 3.0	\$ 240.7
Utility Relocations	\$ 55.0	\$ 50.2	\$ -	\$ 50.2
Mitigation Costs	\$ 11.7	\$ -	\$ -	\$ -
CEI, Administration & Program Costs	\$ 13.0	\$ 10.8	\$ 37.7	\$ 48.5
<b>PROJECT TOTAL</b>	<b>\$ 406.7</b>	<b>\$ 366.3</b>	<b>\$ 99.5</b>	<b>\$ 465.8</b>

1. ROW and Utility estimates are based on current INDOT expenditures, estimates, and bid prices. The bid prices for the construction cost were much lower than predicted (this figure also includes mitigation - included separate in Initial estimate - and Bridge 161 - not part of the Initial Financial Plan construction estimate). The post bid cost comparison is provided to compare bid and relevant current expenditures against the initial estimate.

2. Original PE estimates only included contracted work at the time of the Initial Financial Plan and did not include \$31.8M in procurement, design oversight, and mitigation design, plus \$27M for contractor final design.
3. \$3.0M in potential change orders was not included in the Initial Financial Plan.
4. \$29.6M as part of the Developer's bid for Bid Contract Administration, Public Involvement and Project Management were not estimated during the Initial Financial Plan. The Initial Financial Plan also did not include \$8.1M in construction oversight and CEI for demo, clearing and Bridge 161 replacement.
5. The Updated Total Cost represents the current estimate combining current INDOT expenditures, Developer Bid costs, and adds the items that were not evaluated as part of the Initial Financial Plan.



**Figure 2-1-2014 FPU. Project Cost Estimate – by Project Phase**

## **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**

2014: 2.5%

2015: 2.5%

2016: 2.5%

2017 & after: 2.5%

These inflation rates reflect calendar year rates that were then applied on a prorated basis to monthly expenditure forecasts. These assumptions are based on the Cost Estimate Review.

### **2014 FINANCIAL PLAN UPDATE**

The bid from the Section 5 Developer is a fixed-price bid and, therefore, inflation rates were not applied to the costs associated with activities that the Section 5 Developer will perform.

### **COST ESTIMATING METHODOLOGY**

Initial cost estimates have been developed by the General Engineering Consultant, in conjunction

with INDOT 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 IFP. Cost Estimating Methodology**

<b>Cost Elements</b>
<b>Engineering and Design</b>
<i>Preliminary and final engineering design services.</i>
Final engineering will be part of the alternative delivery contracts for the I-69 Section 5. Engineering and design cost estimates are currently estimated at 7.5% of the construction cost estimate.
<b>Design Program Management</b>
<i>Cost to state for services of the GEC during the design phase and miscellaneous departmental program management costs.</i>
Program Management estimates are based on currently negotiated contracts and estimates that cover the currently planned Project schedule.
<b>Construction Administration and Inspection</b>
<i>All construction and program management, administration, and inspection activities during the construction phase of the Project.</i>
Construction Administration and Inspection costs are estimated at 5% of the construction cost estimate.
<b>Construction</b>
<i>Estimated cost of construction.</i>
Construction estimates reflect current prices inflated for year of expenditure utilizing a large alternative delivery contract.
<b>Construction Contingency</b>
<i>Contingency to cover additional construction services in the event unforeseen circumstances arise that result in additional cost.</i>
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 August 2013 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 August 2013 FHWA Cost Estimate Review.
<b>Utilities</b>
<i>All public and private project-related utility relocation and new utility construction.</i>
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.
<b>Right of Way Acquisition</b>
<i>Appraisals, administration, management, and acquisition of required right of way.</i>
Costs include completed and anticipated right of way acquisition and are based on the most up-to-date market information available.
<b>Enhancements</b>
<i>Various Project-related commitments as identified in the Record of Decision.</i>
This includes fixed dollar commitments made for mitigation for impacts to a 4f facility (as agreed to by the jurisdictional authority) and various other NEPA commitments.
<b>Mitigation</b>
<i>Implementation of mitigation of sensitive impacts.</i>
This includes costs for such items education for the historic landscape districts associated with the limestone industry, wetland, stream and forest creation and preservation.

## 2014 FINANCIAL PLAN UPDATE

Financial Plan Update cost estimates for the remaining activities have been developed as a combination of expended INDOT funds as of the end of FY2014, components of the Section 5 Developer’s bid, and expected distribution of remaining design oversight, construction oversight and construction funds.

**Table 2-2-2014 FPU. Cost Estimating Methodology**

<b>Cost Elements</b>
<b>Engineering and Design</b>
<i>Preliminary and final engineering design services.</i>
Engineering estimate is based on the currently contracted work for the alternative delivery contracts for the I-69 Section 5; the estimated effort for design and construction oversight and the Developer’s bid for final design.
<b>Construction Administration and Inspection</b>
<i>All construction and program management, administration, and inspection activities during the construction phase of the Project.</i>
Construction Inspection costs was included as part of the Section 5 Developer’s bid. Additional administration costs covering design and construction management, O&M during construction, and public involvement were also part of the Section 5 Developer’s bid.
<b>Construction</b>
<i>Estimated cost of construction.</i>
Construction costs include bid prices for the INDOT let clearing, demolition, Morgan County Bridge 161 replacement (an unexpected project expense), and mitigation as well as the Section 5 Developer’s bid price for construction in the year of expenditure based on current project baseline schedule. The bid price for project contingency is also included as well as a \$3M contingency for possible change orders.
<b>Utilities</b>
<i>All public and private project-related utility relocation and new utility construction.</i>
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 for the utilities moved by INDOT (Type 1) and the utility relocations bid by the Developer (Types 2 and 3).
<b>Right of Way Acquisition</b>
<i>Appraisals, administration, management, and acquisition of required right of way.</i>
Costs include completed and anticipated right of way acquisition and condemnation expenses and are based on the most up-to-date market information available at the end of FY 2014. Tables 2-3 show the breakdown of costs for the Project annually by Project component and section, respectively.

**Table 2-3 IFP. Project Budget by Phase, By Fiscal Year**

Detailed Budget (YOE, in \$millions)	2013 & Prior*	2014	2015	2016	2017	Total
PE & Final Design	14.3	5.9				20.2
Right of Way	0.7	12.6	34.9			48.2
Construction	0.1		51.7	103.4	103.4	258.6
Utility Relocations		5.8	34.2	15.0		55.0
Mitigation Costs		5.8	5.9			11.7
CEI, Admin, Program			2.6	5.2	5.2	13.0
<b>TOTAL</b>	<b>15.1</b>	<b>30.1</b>	<b>129.3</b>	<b>123.6</b>	<b>108.6</b>	<b>406.7</b>

\* Represents actual costs incurred to date through FY2013

**2014 FINANCIAL PLAN UPDATE**

Tables 2-3-2014 FPU show the breakdown of costs for the Project annually by Project component and section, respectively.

**Table 2-3-2014 FPU. Project Budget by Phase, By Fiscal Year (YOE, in \$millions)**

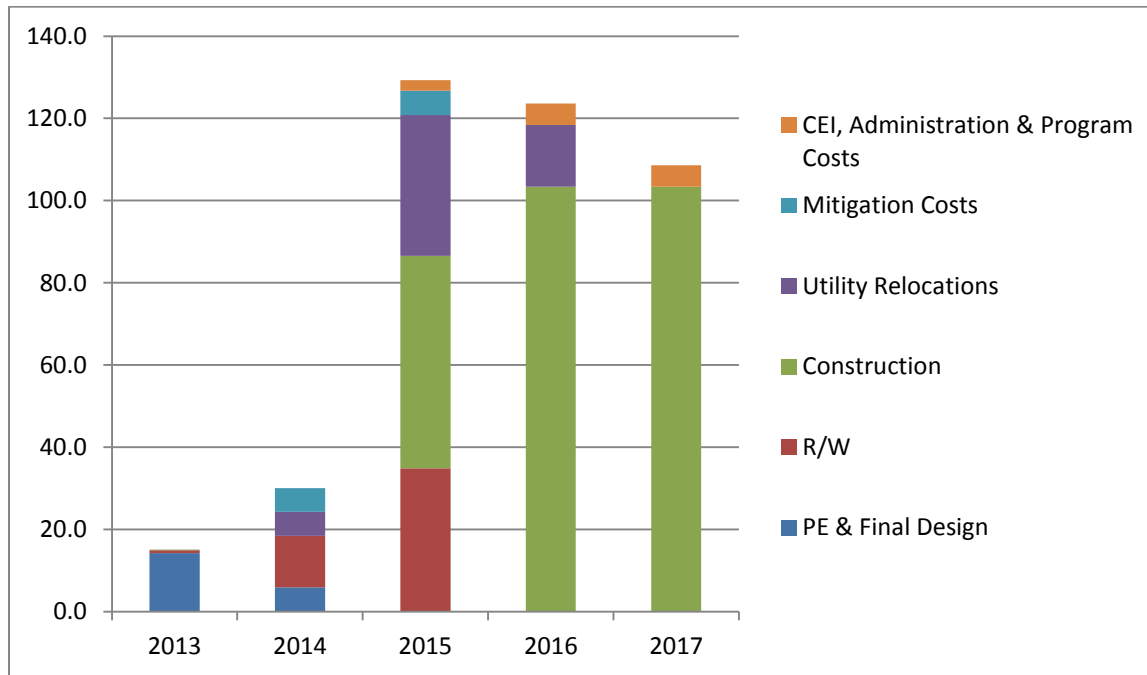
COSTS / FISCAL YEAR	2013 & Prior	2014	2015	2016	2017	Total
PE, Environmental, and Final Design	\$ 14.3	\$ 23.5	\$ 20.8	\$ 15.3	\$ 5.1	\$ 79.0
Right of Way	\$ 0.7	\$ 27.7	\$ 19.0	\$ -	\$ -	\$ 47.4
Construction	\$ 0.1	\$ 1.8	\$ 44.8	\$ 102.5	\$ 91.5	\$ 240.7
Utility and Railroad Relocations	\$ -	\$ 0.7	\$ 30.5	\$ 19.0	\$ -	\$ 50.2
CEI, Administration, and Program Costs	\$ -	\$ -	\$ 12.9	\$ 23.3	\$ 12.3	\$ 48.5
Total, Costs	\$ 15.1	\$ 53.7	\$ 128.0	\$ 160.1	\$ 108.9	\$ 465.8

**PROJECT EXPENDITURES**

As shown in Table 2-3 FPU, approximately \$68.8 million has been expended on the Project through the end of SFY 2014. Expenditures in future years are summarized in the table as well. FY2015-FY2017 expenditures shown are estimated project costs.

**Table 2-4 IFP. I-69 Section 5 Expenditures by State Fiscal Year**

SFY, YOE (in \$millions)	Total
2013 & prior	15.1
2014	30.1
2015	129.3
2016	123.6
2017	108.6
<b>TOTAL</b>	<b>406.7</b>



**Figure 2-2 IFP. I-69 Section 5 Expenditures by State Fiscal Year**

Note that this does not include O&M costs.

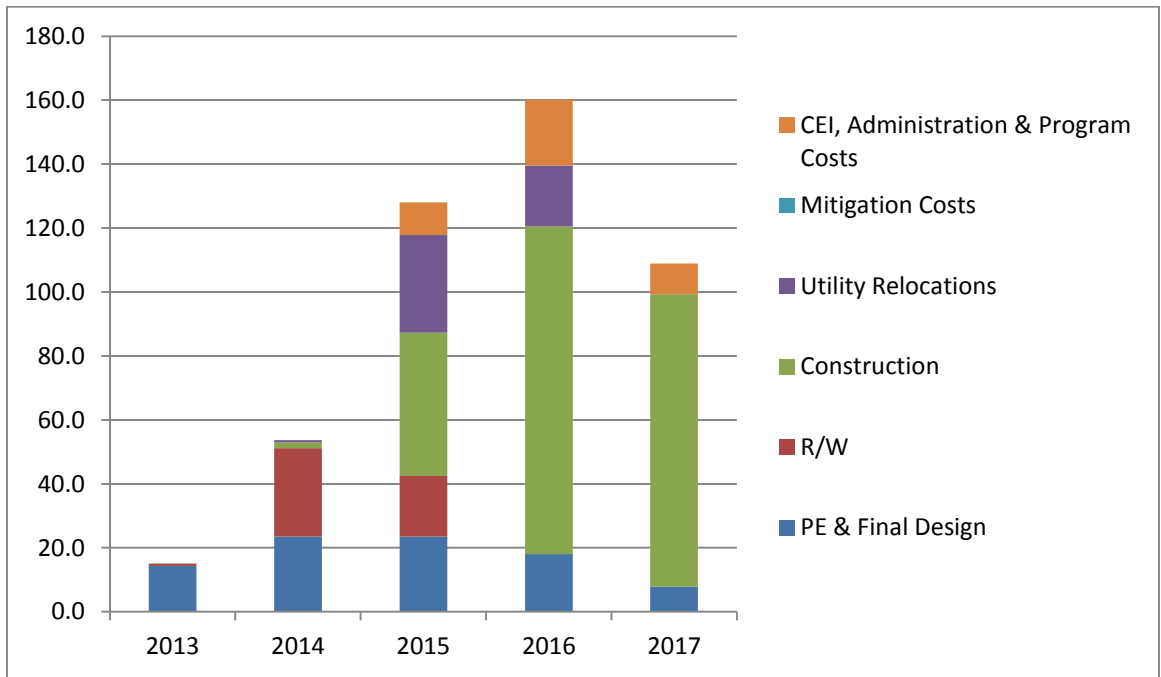
#### 2014 FINANCIAL PLAN UPDATE

As shown in Table 2-4-2014 FPU below, approximately \$68.8 million is estimated to have been expended on the Project through the end of SFY 2014. Expenditures in future years are summarized in the table as well.

FY2015- FY2017 expenditures shown are estimated project costs. These future period expenditures consist primarily of construction activities with a total project cost through construction estimated at \$465.8 million.

**Table 2-4-2014 FPU. I-69 Section 5 Expenditures by State Fiscal Year**

SFY, YOY (in \$millions)	Total
2013 & prior	15.1
2014	53.7
2015	128.0
2016	160.1
2017	108.9
<b>TOTAL</b>	<b>465.8</b>



**Figure 2-2-2014 FPU. I-69 Section 5 Expenditures by State Fiscal Year**

Note that this does not include O & M costs

# 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 Project under an availability payment concession. The Project is expected to be complete by the fall of 2016 (see Figure 3-1 and Figure 3-2).

YEAR	2012 and prior	2013	2014	2015	2016
<b>I-69 Section 5</b>					
Environmental					
Prelim Design					
Final Design					
Right-of-Way					
Utilities Relocation					
Construction					

**Figure 3-1 IFP. Project Schedule Overview**

The State of Indiana, in the IFP, anticipated awarding a construction contract in the spring of Calendar Year 2014, as shown in the procurement schedules in the Project Delivery discussion below. The Record of Decision was received in August 2013, and the level of completed design by the Final RFP is approximately 10% complete. ROW acquisition will be initiated during the summer of 2013 and will be completed on or before July 2015 with a parcel acquisition schedule included in the Final RFP.

## 2014 FINANCIAL PLAN UPDATE

The current Project schedule is based on delivery of the Project under an availability payment concession. The Project is expected to be complete by the fall of 2016 (see Figure 3-1-2014 FPU and Figure 3-2-2014 FPU).



YEAR	2012 and prior	2013	2014	2015	2016
<b>I-69 Section 5</b>					
Environmental					
Prelim Design					
Final Design					
Right-of-Way					
Utilities Relocation					
Construction					

**Figure 3-1-2014 FPU. Project Schedule Overview**

The Public-Private Agreement was awarded in the spring of Calendar Year 2014, as shown in the procurement schedules in the Project Delivery discussion below. The Record of Decision was received in August 2013. Final Design was initiated during the procurement phase of the project and the level of design by the time the Final Request for Proposal was issued in January 15, 2014 was approximately 10% complete. Design continues to be advanced with the Section 5 Developer commencing design in June 2014. Currently, design is estimated to be complete by summer of 2015. ROW acquisition was initiated by INDOT during the summer of 2013 and is estimated to be complete on or before July 2015.

**PROJECT DELIVERY**

The State of Indiana has evaluated various alternative contracting methods permitted under current Indiana law. Such alternative delivery models are expected to enhance the feasibility of the Project through accelerated project delivery; avoidance of inflation costs; 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, Section 5 of the I-69 Project is being procured as an availability payment concession. Figure 3-2 provides the current procurement schedules for each component.

## Procurement Schedule

Scheduled Item	Dates
Issue Request for Qualifications	5/23/2013
SOQ Due Date	7/9/2013
Anticipated Announcement of Short-listed Proposers	7/30/2013
Circulate Draft of RFP to Short-listed Proposals	7/1/2013
Issue final RFP	10/15/2013
Proposal Due Date	1/21/2014
Award and execution of PPA (Commercial Close)	3/1/2014
Financial Close	6/1/2014
Substantial Completion	10/31/2016

Figure 3-2 IFP. Procurement Schedule

### 2014 FINANCIAL PLAN UPDATE

The project procurement schedule was executed according to schedule through the proposal due date. Execution of the Public-Private Agreement (i.e., commercial close) occurred on April 8, 2014 and financial close occurred on July 23, 2014. Substantial Completion is scheduled for October 31, 2016.

### P3 ASSESSMENT

The project sponsors have evaluated alternative contracting methods permitted under current Indiana law. Such alternative delivery models are expected to enhance the feasibility of the project through accelerated project delivery; construction cost certainty; 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 project was procured as availability payment P3s.

### INTERNAL P3 STRUCTURE

#### LEGISLATIVE AUTHORITY

The P3 Program operates within the general legal framework set forth in the Indiana Code (“IC”). Both INDOT and the IFA have been granted legislative authority to procure P3 projects. The statutes providing authorization to procure P3 projects are IC 8-15.5 for the IFA and IC 8-15.7 for INDOT. Indiana has organized its P3 program around the joint capabilities of IFA/INDOT. IFA will lead the procurement on most projects. INDOT will be responsible for the technical aspects of P3 projects and will commit, where it is appropriate, its appropriations towards a project. The IFA will oversee the financial terms of P3 procurement. The IFA must be involved in projects that are financed through bonds, debt and loans. The relevant statutes permit both tolled and non-tolled transportation projects and allow for the development, financing, and operation of P3 projects.

#### INDIANA’S P3 MANAGEMENT STRUCTURE

Indiana has established itself as a national leader in leveraging private sector capital and innovation to finance, construct and maintain major transportation infrastructure projects. Indiana has organized its P3 Program as a partnership between the Indiana Department of Transportation

(INDOT) and the Indiana Finance Authority (IFA). The partnership allows the State to leverage the core competencies and unique capabilities of each agency. The IFA will be the procuring agency for P3 projects. INDOT will work closely with IFA and will be responsible for the technical aspects of the procurement.

IFA's primary mission is to oversee State-related debt issuances and provide efficient, effective financing solutions to facilitate state, local government and business investments in the State. As the entity responsible for the planning and development of the transportation system in the State, INDOT will work closely with IFA to assist with the procurement of projects and oversee the work of the developers involved in all technical aspects of the project. INDOT's procurement role is to assist the IFA in all technical aspects.

INDOT has an established Public-Private Partnership Department that resides within the Innovative Project Delivery Program. Both the Public-Private Partnership Department and the Innovative Project Delivery Program are responsible for delivering and overseeing public-private partnerships at INDOT.

## **BENEFITS COMPARISON**

### **BENEFITS**

The I-69 Section 5 project was procured under a P3 design, build, finance, operate, maintain model with availability payments. While P3s are not suitable for all projects, there are a few main benefits to P3s of all sizes and complexities. Using innovative project delivery models, such as P3s, to deliver and operate infrastructure projects have many benefits for INDOT including:

***Advancement of projects:*** Private sector investment and its ability to provide upfront financing for projects enabled the project to advance quicker than on a pay-as-you-go basis.

***Accelerated project delivery:*** An integrated consortium of qualified firms working concurrently on the design and construction of the project can accelerate project delivery. This process typically results in efficiencies and synergies for a more streamlined, accelerated delivery process.

***Cost certainty and predictability:*** INDOT's cost for the project was locked in at financial close and is only subject to variation for inflation. This provides more cost certainty when compared to traditional delivery. INDOT is able to better budget and allocate funding for other projects with the confidence that costs are less likely to increase.

***Whole lifecycle approach to construction and maintenance:*** Due to the integration of construction and long-term maintenance responsibilities, the Developer is incentivized to design and build a facility that will have the lowest whole-of-life cost while adhering to the performance standards of the PPA. Under a P3 delivery model, asset management practices are incorporated from project inception to hand back to optimize asset health and financial obligations over the course of the asset lifecycle. Under a traditional delivery model, such as design-bid-build, design, construction and maintenance are rarely integrated and are not performed by the same entity during the asset lifecycle. This can cause a disconnect between design and whole-of-life cost which can result in increased maintenance costs over the asset's life.

***Private sector innovation:*** Innovative project delivery can be structured for multiple facets of the project to be coordinated and managed under a single entity and to enhance collaboration between the design, construction and O&M managers in the development of the project bid. The exchange of ideas between these parties can result in significant value engineering efficiencies and can help to avoid technical issues. Private entities are typically experienced in the design, construction, and

O&M of similar projects and are incentivized to use these efficiencies and economies of scale to achieve lower costs.

**Performance-based incentives:** Financial incentives imposed by the contract structure, which include withholding a portion of payment to the Developer until the project has been constructed to the established standards and are sufficiently available for public use, act as a powerful motivator toward on-time completion and project delivery. In addition, the PPA utilizes an available payment mechanism which is structured such that INDOT makes deductions to the availability payments if the asset is not maintained in accordance with the predefined standards.

**Improved accountability:** One party, the Developer, is responsible for project delivery and operation regardless of the number of subcontractors. If the project is not delivered according to the contractual requirements, then the Developer is responsible. In addition, in P3 models that utilize private finance, the financiers act as an additional layer of oversight. They are especially concerned about the performance of the project since repayment of their capital is at-risk in the event of non-performance.

## DISADVANTAGES

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

**Longer procurement timeline:** Innovative project delivery, such as P3s, requires extensive upfront negotiations of the PPA. The PPA governs rights and obligations associated with the asset for the length of the contract. As a result, the procurement timeline can take longer for innovative project delivery when compared to traditional delivery.

**Higher Transaction Costs:** Under innovative project delivery that includes financing, there are generally higher transaction costs borne by both public and the private sector due to value engineering, alternative technical concepts, and extensive negotiations. These costs result from the same factors that drive the efficiency gains. Increased upfront due diligence is required by all parties during the procurement phase.

**Paying a risk premium to transfer unknown risks upfront:** The P3 delivery model transferred many risks associated with project delivery to the private sector. This was done through long-term performance based agreements that lock-in project costs, both construction and operations, at commercial or financial close. Given the long-term nature of these contracts, not all risks are fully known at the outset. Therefore, a private entity may build a “risk premium” into their proposal. Not unlike the purchase of insurance, this investment is made to help lock-in costs and mitigate exposure to certain risks for the public sponsor. These costs can be mitigated in part by robust competition between bidders.

## RISK ALLOCATION ANALYSIS

INDOT employs a two-step screening process when assessing whether a project should be delivered using an innovative delivery model, such as P3. During the initial project screening phase, INDOT reviewed available project information and data and assessed the project against a set of screening criteria to determine the feasibility of delivering a proposed project via the P3 delivery method. The table below summarizes criteria examined during the initial project screening phase. The primary screening criteria are merely a guide for assessment. A project that does not meet some or all of the primary screening criteria may still advance to a secondary screening based on other considerations. Other unique characteristics of the project may require assessment of additional considerations. Initial screening criteria are provided below in Figure 3-3.

High Level Project Screening Criteria	
<b>Project Complexity</b>	Is the project sufficiently complex in terms of technical and/or financial requirements to effectively leverage private sector innovation and expertise?
<b>Accelerating Project Development</b>	If the required public funding is not currently available for the project, could using a P3 delivery method accelerate the delivery of the project?
<b>Transportation Priorities</b>	Is the project consistent with overall transportation objectives of the State? Does the project adequately address transportation needs?
<b>Project Efficiencies</b>	Would the P3 delivery method help foster efficiencies through the most appropriate transfer of risk over the project life-cycle? Is there an opportunity to bundle projects or create economies of scale?
<b>Ability to Transfer Risk</b>	Would the P3 delivery method help transfer project risks and potential future responsibilities to the private sector on a long-term basis?
<b>Funding Requirement</b>	Does the project have revenue generation potential to partially offset the public funding requirement if necessary? Could a public agency pay for the project over time, such as through an availability payment, as opposed to paying for its entire costs up front?
<b>Ability to Raise Capital</b>	Would doing the project as a P3 help free up funds or leverage existing sources of funds for other transportation priorities with the State?

Figure 3-3 FPU. INDOT P3 Screening Criteria - Step One

Projects that proceed to the second screening step undergo a detailed screening. The objective of the detail level project screening is to further assess delivering the project as a P3, examine in greater detail the current status of the project, and identify potential risk elements. In addition, the detail level project screening criteria evaluates the desirability and feasibility of delivering projects utilizing the P3 delivery method. The desirability evaluation includes factors such as effects on the public, market demand, and stakeholder support. The feasibility evaluation includes factors such as technical feasibility, financial feasibility, financial structure, and legal feasibility. INDOT will also begin to assess a timeline for achieving environmental approvals based on specific project criteria during this screening step. Detail level screening criteria are provided below in Figure 3-4.

Detail Project Screening Criteria	
<b>Public Need</b>	Does the project address the needs of the local, regional and state transportation plans, such as congestion relief, safety, new capacity, preservation of existing assets? Does the project support improving safety, reducing congestion, increasing capacity, providing accessibility, improving air quality, improving pedestrian biking facilities, and/or enhancing economic efficiency?
<b>Public Benefits</b>	Will this project bring a transportation benefit to the community, the

Detail Project Screening Criteria	
	<p>region, and/or the state?</p> <p>Does the project help achieve performance, safety, mobility or transportation demand management goals?</p> <p>Does this project enhance adjacent transportation facilities or other modes?</p>
<b>Economic Development</b>	<p>Will the project enhance the State's economic development efforts?</p> <p>Is the project critical to attracting or maintaining competitive industries and businesses to the region, consistent with stated objectives?</p>
<b>Market Demand</b>	<p>Does sufficient market appetite exist for the project?</p> <p>Are there ways to address industry concerns?</p>
<b>Stakeholder Support</b>	<p>What is the extent of support or opposition for the project? Does the proposed project demonstrate an understanding of the national and regional transportation issues and needs, as well as the impacts this project may have on those needs?</p> <p>What strategies are proposed to involve local, state and/or federal officials in developing this project?</p> <p>Has the project received approval in applicable local and/or regional plans and programs?</p> <p>Is the project consistent with federal agency programs or grants on transportation (FHWA, FTA, MARAD, FAA, FRA, etc.)?</p>
<b>Legislative Considerations</b>	<p>Are there any legislative considerations that need to be taken into account such as tolling, user charges, or use of public funds?</p>
<b>Technical Feasibility</b>	<p>Is the project described in sufficient detail to determine the type and size of the project, the location of the project, proposed interconnections with other transportation facilities, the communities that may be affected and alternatives that may need evaluation?</p> <p>Is the proposed schedule for project completion clearly outlined and feasible?</p> <p>Does the proposed design appear to be technically sound and consistent with the appropriate state and federal standards?</p> <p>Is the project consistent with applicable state and federal environmental statutes and regulations?</p> <p>Does the project identify the required permits and regulatory approvals and a reasonable plan and schedule for obtaining them?</p> <p>Does the project set forth the method by which utility relocations required for the transportation facility will be secured and by whom?</p>
<b>Financial Feasibility</b>	<p>Are there public funds required and, if so, are the State's financial responsibilities clearly stated?</p> <p>Is the preliminary financial plan feasible in that the sources of funding and financing can reasonably be expected to be obtained?</p>
<b>Legal/Legislative Feasibility</b>	<p>Is legislation needed to complete the project?</p>

Detail Project Screening Criteria	
<b>Project Risks</b>	<p>Are there any particular risks unique to the projects that have not been outlined above that could impair project viability?</p> <p>Are there any project risks proposed to be transferred to INDOT that are likely to be unacceptable?</p>
<b>Term</b>	<p>Does the project include a reasonable term of concession for proposed operation and maintenance?</p> <p>Is the proposed term consistent with market demand, providing a best value solution for the State?</p> <p>Is the proposed term optimal for a whole-of-life approach?</p>

**Figure 3-4 FPU. INDOT P3 Screening Criteria - Step Two**

The I-69 Section 5 project was identified as a potential candidate for P3 delivery and underwent the standard INDOT screening process identified above. This included a high level screen, detailed level screen and financial feasibility analysis. After consideration of both the qualitative and quantitative results of the analyses, the Department identified the availability payment design-build-finance-operate-maintain model as the preferred delivery model and proceeded with procuring the project on that basis.

## MARKET CONDITIONS

Private activity bonds (“PABs”), milestone payments and private equity were used to fund the Developer’s expected expenditures during construction. The total PABS issuance was \$244 million and was comprised of a single short-term serial bond maturing March 1, 2017 and several term bonds with maturities ranging from September 1, 2027-September 2046. Yields on the term bonds range from 3.98% to 5%. The bonds have an average life of 22 years. The average issue price was 5% below the Developer’s initial forecast as a result of the high demand in the market, with the issuance being oversubscribed by more than 4.5 times. As a result of high demand in the market and the application of the interest rate risk sharing mechanism, the final base maximum availability payment decreased by approximately \$1.5 million per year.

The ratings agencies S&P and Fitch have rated the issue as investment grade (Standard & Poor’s rated the bonds BBB-, with a stable outlook, while Fitch Ratings gave it a BBB, also with a stable outlook). Citigroup Global Markets and Jefferies acted as underwriters of the issue. In addition to the PABs, the project’s funding sources include \$40.4 million of equity and milestone payments from the INDOT/IFA of \$80 million.

The amount, rates and terms of financing were executed at financial close and remained fixed for the life of the project. Financial close was achieved on July 23, 2014.

## PERMITS AND APPROVALS

The Federal Highway Administration issued a Record of Decision selecting the preferred alternative as Refined Preferred Alternative 8 in August 2013. All permitting activity will be carried out in accordance with the FEIS and ROD.

The RFP for final design and construction includes provisions to ensure compliance with all NEPA commitments that are included in the FEIS, the ROD, the Section 106 First Amended MOA and the karst MOA. The State of Indiana will apply for permits with key federal regulatory agencies. The private design-builders will apply for a number of other necessary local, state and federal permits.

The permits and notifications required by the FEIS are outlined in Table 3-1.

**Table 3-1 IFP. Required Permits or Notifications**

Agency	Permit/Notification <sup>(1)</sup>
U.S. Army Corps of Engineers	Section 404 Permit for Discharge of Dredged or Fill Material into Waters of the United States
Federal Aviation Administration	Tall Structure Permit FAA Form 7460-1 Notice of Proposed Construction or Alteration for a crane
Indiana Department of Environmental Management	Isolated wetland permit
United States Environmental Protection Agency	Class 5 Injection Well Permit
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

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

**2014 FINANCIAL PLAN UPDATE**

No change in permit requirements since the Initial Financial Plan submission.



## 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, and federal discretionary fund. A discussion of risks associated with funding availability also is included.*

### FINANCIAL PLAN OVERVIEW

This financing plan may differ slightly from the Cost Estimate Review given differing terms that IFA/INDOT believe a developer will achieve vis-à-vis current approaches in the Public-Private Partnership market; however, the discrepancies overall are not material and are ultimately based on the same forecasts developed by INDOT and INDOT's technical advisor for the Project.

This Initial Financial Plan reflects the planned funding and finance strategy by which the Project will be financed through a combination of private equity and debt which will be repaid through a combination of conventional state and federal transportation program funds.

Notwithstanding the capital structure articulated in this pro-forma finance plan, any future finance plan for the Project could include a number of financing instruments, including private sector equity, and a combination of debt securities including senior taxable debt, tax-exempt Private Activity Bonds (PABs), subordinated debt and / or privately placed restricted securities. Implicit in this finance plan is the assumption that senior debt will achieve an 'Investment Grade' rating.

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

- Ensuring Indiana's financial obligations to the Project are manageable;
- Ensuring that the Project delivers value to Indiana, taxpayers, project partners, and end users through the lowest feasible Project cost;
- Seeking private sector innovation and efficiencies and encouraging design solutions that respond to environmental concerns, permits, and commitments in the FEIS/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; and
- Transparently engaging the public and minimizing disruptions to existing traffic, local businesses, and local communities.

The alternative delivery method selected by Indiana has the 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. Importantly, INDOT and IFA, together with their financial advisor and technical advisor, have developed a pro forma financial plan that provides a certain

view of how a private developer may deliver and finance this Project. Ultimately the financial plan will reflect what the preferred developer will propose based on their respective view, as well as their lender and/or underwriter's view, of the Project.

## **2014 FINANCIAL PLAN UPDATE**

This Annual Update to the Financial Plan reflects the planned funding and finance strategy by which the Project's costs will be funded through a combination of conventional state and federal transportation program funds. Private sector financing, including private equity and debt, has been secured by the Developer to support its obligations during the construction period, and the payments under the Public-Private Agreement are being funded through state and federal funding.

## **PROCUREMENT APPROACH AND FINANCING**

The Project will be procured using an availability payment design-build-finance-operate-maintain (DBFOM) procurement model through a Public Private Agreement (PPA). Under this model, IFA will make a series of "availability payments" to a developer as consideration for the developer designing and constructing a facility and, following substantial completion thereof, keeping the facility open and available to users in accordance with the performance standards set in the PPA over a 35 year operating period. In addition, IFA will contribute milestone payments of up to \$60 million in the aggregate, during the construction period, subject to final Project terms.

The finance plan for the Project will reflect a typical P3 project financing whereby the cash flows payable to the developer will secure the senior lien obligations and provide a return for the private sector equity investment.

On May 23, 2013, IFA and INDOT issued a Request for Qualifications (RFQ) for the Project. In response to the RFQ, Statements of Qualifications (SOQs) were received on July 9, 2013. Shortly thereafter, a draft Request for Proposals (RFP) was issued to the shortlisted proposers. The final RFP was issued in October 2013 and award and execution of the PPA will be in March 2014.

The responses to the Request for Proposals for the Project will include a detailed project development plan as well as a finance plan. In preparing their proposals, proposers will be making their own evaluations of the economics of the Project while developing a responsive financing approach. IFA and its advisors have performed a preliminary analysis of the suitability of Private Activity Bonds (PABs) for the Project and have concluded that it is likely proposers may wish to include PABs as a source of financing in their finance plans. To this end, IFA sought and USDOT has provided a preliminary allocation of \$400 million in PABs that may be, but is not obligated to be, used by a developer in its financing plan.

A combination of state and federal funds will be used to make Milestone Payments and availability payments. INDOT and IFA will budget for availability payments using INDOT and IFA's state appropriation determined by the Indiana General Assembly. The sources of federal funds used to support the availability payments are anticipated to be from the National Highway Performance Program (NHPP). It is anticipated that the developer will utilize a combination of debt and equity to finance initial construction prior to receipt of the Milestone Payments and APs from the IFA. The Initial Financial Plan was developed based on recent market precedent and current market conditions. The plan was developed on a pro-forma basis in advance of the selection of a developer. Upon selection of a developer, the developer's plan of finance will be used to finalize the financial structure for the Project which may include tax-exempt PABs, taxable bond debt or taxable bank debt, in addition to developer equity.

At this stage, the Initial Plan of Finance was based on tax exempt Private Activity Bonds and a contribution of public funds by IFA together with developer equity.

## **2014 FINANCIAL PLAN UPDATE**

On May 23, 2013, IFA and INDOT issued a Request for Qualifications (RFQ) for the Project. In response to the RFQ, Statements of Qualifications (SOQs) were received on July 9, 2013. Shortly thereafter, a draft Request for Proposals (RFP) was issued to the shortlisted proposers. The final RFP was issued in October 2013. On April 8, 2014, IFA entered into a Public-Private Agreement with the Section 5 Developer. The Section 5 Developer will be responsible for the design, build, finance, as well as operations and maintenance of the Project. The Section 5 Developer will be compensated by IFA and INDOT via milestone payments and periodic availability payments. On July 23, 2014, IFA and the Section 5 Developer achieved Financial Close.

To finance design and construction of the Project, the Section 5 Developer sold \$243.8 million of Private Activity Bonds (PABs) and provided \$40.5 million in equity investment. IFA will make five Milestone Payments totaling \$80 million to the Section 5 Developer upon the achievement of certain construction (three payments) and utilities (two payments), as specified in the Public-Private Agreement. This represents an additional \$20 million in milestone payments compared to the IFP. Upon achievement of substantial completion of construction (as defined in the Public-Private Agreement), IFA will commence making periodic availability payments if certain operating metrics are achieved by the Section 5 Developer. The operating period is 35 years under the Public-Private Agreement. The Maximum Availability Payment (MAP) in FY 2018, the first full fiscal year of operations of \$21.9M may be adjusted, as specified in the Public-Private Agreement, for changes in inflation and the Section 5 Developer's performance during the operating period. IFA is contractually obligated to make milestone and availability payments and has entered into a Milestone Agreement and Use Agreement with INDOT. Under these agreements, INDOT is contractually obligated to make the milestone and availability payments owed to the Section 5 Developer to IFA.

INDOT will use a combination of state and federal funds to fund the milestone and availability payments, as described further below.

## **STATE TRANSPORTATION AND FEDERAL-AID FORMULA FUNDING**

Indiana has historically used federal-aid resources for the Project and has 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 funds. Indiana has a demonstrated track record of meeting their state match obligations with a variety of state funding sources, including state-imposed fuel taxes and a variety of transportation-related fees.

Based on expectations regarding the availability of federal funding, as well as expectations regarding the availability of corresponding state transportation funds in the IFP, an estimated \$406.7 million of federal-aid highway formula and state transportation funds is reasonably expected to be available to the Project (see Table 4-1 IFP). This includes \$15.1 million of federal and state funds estimated to have been expended through state fiscal year 2013.

**Table 4-1 IFP. I-69 Section 5 Federal and State Conventional Funding (in \$millions)**

Detailed Budget (\$YOE)	Thru 2013	2014	2015	2016	2017	Total
State Funding	\$ 3.6	\$ 6.0	\$ 25.9	\$ 24.7	\$ 21.7	\$ 81.9
Federal Formula Funding	\$ 8.7	\$ 24.1	\$ 103.4	\$ 98.9	\$ 86.9	\$ 322.0
Federal Discretionary Funding	\$ 2.8					\$ 2.8
<b>Total</b>	<b>\$ 15.1</b>	<b>\$ 30.1</b>	<b>\$ 129.3</b>	<b>\$ 123.6</b>	<b>\$ 108.6</b>	<b>\$ 406.7</b>

To support the I-69 Section 5 procurement, INDOT intends to commit a total of \$60 million in federal and conventional state funds through state fiscal year 2017 from the IFP, Table 4-1 IFP above. This includes three anticipated payments totaling \$60 million to fund the Milestone Payments. In addition, INDOT intends to commit \$48.2 million for right of way and \$11.7 million for environmental mitigation.

It is anticipated that future funds will come from the National Highway Performance Program funding category, 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.

**2014 FINANCIAL PLAN UPDATE**

Federal-aid formula funds provided to the Project have been and will continue to be matched by a combination of state funds.

Based on expectations regarding the availability of federal funding, as well as expectations regarding the availability of corresponding state transportation funds, an estimated \$465.8 million of federal-aid highway formula and state transportation funds is reasonably expected to be available to the Project (see Table 4-1-2014 FPU). This includes \$68.8 million of federal and state funds estimated to have been expended through state fiscal year 2014.

**Table 4-1-2014 FPU. I-69 Section 5 Federal and State Conventional Funding (in \$millions)**

FUND TYPE / FISCAL YEAR	2013 & Prior	2014	2015	2016	2017	Total
<b>Federal</b>						
National Highway System (NHS)	\$ 8.4	\$ 3.6	\$ -	\$ -	\$ -	\$ 12.0
Earmark/Demostration/High Priority Funds	\$ 2.8	\$ 0.7	\$ -	\$ -	\$ -	\$ 3.5
Surface Transportation Program (STP)	\$ 0.0	\$ 8.0	\$ 0.1	\$ -	\$ -	\$ 8.1
National Highway Performance Program	\$ 0.2	\$ 29.1	\$ 102.1	\$ 132.1	\$ 87.1	\$ 350.8
<b>Subtotal, Federal Funds</b>	<b>\$ 11.5</b>	<b>\$ 41.4</b>	<b>\$ 102.2</b>	<b>\$ 132.1</b>	<b>\$ 87.1</b>	<b>\$ 374.4</b>
<b>State</b>						
State Highway Fund	\$ 3.3	\$ 12.3	\$ 25.8	\$ 28.0	\$ 21.8	\$ 91.1
Indiana Toll Road Lease Proceeds	\$ 0.4	\$ -	\$ -	\$ -	\$ -	\$ 0.4
<b>Subtotal, State Funds</b>	<b>\$ 3.6</b>	<b>\$ 12.3</b>	<b>\$ 25.8</b>	<b>\$ 28.0</b>	<b>\$ 21.8</b>	<b>\$ 91.4</b>
<b>Total</b>	<b>\$ 15.1</b>	<b>\$ 53.7</b>	<b>\$ 128.0</b>	<b>\$ 160.1</b>	<b>\$ 108.9</b>	<b>\$ 465.8</b>

To support the I-69 Section 5 procurement, INDOT intends to commit a total of \$80 million in federal and conventional state funds through state fiscal year 2017. This includes three anticipated payments totaling \$60 million to fund the Construction Milestone Payments and an additional \$20

million to offset unavoidable utility relocations. In addition, INDOT intends to commit about \$52 million for engineering and design, \$48 million for right of way, \$36 million for utility relocations, and about \$17 million for environmental mitigation. The developer partners intend to commit a total of \$233 million to fund the project through construction completion as shown below in Table 4-1a.

**Table 4-1a FPU. I-69 Section 5 Public and Private Funding (in \$millions)**

Phase / Funding Source	INDOT	Developer	Total
PE, Environmental, and Final Design	\$ 52.0	\$ 27.0	\$ 79.0
Right of Way	\$ 47.4	\$ -	\$ 47.4
Construction	\$ 17.3	\$ 191.9	\$ 209.2
Milestone Payments	\$ 80.0	\$ -	\$ 80.0
Utilities and Railroad	\$ 36.2	\$ 14.0	\$ 50.2
<b>Total</b>	<b>\$ 232.9</b>	<b>\$ 232.9</b>	<b>\$ 465.8</b>

It is anticipated that future funds will come from the National Highway Performance Program funding category, 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. The remainder of the project costs is covered by the developer.

The table below provides the Advanced Construction conversion status for Indiana.

**Table 4-2 FPU. Advanced Construction Conversion Status/Schedule (in \$millions)**

	Total Federal Funding Amounts (through FY17)	Amount AC'd to Date	Amount Converted to Date	Amount Remaining in AC
<b>INDOT AC Authorizations</b>	\$ 332.5	\$ 249.6	\$ 29.6	\$ 220.0

## **MILESTONE / AVAILABILITY PAYMENTS**

Upon the developer achieving substantial completion of I-69 Section 5, to the extent that the road is open and available for service, availability payments will commence. The availability payments will be funded with a combination of state and federal funds appropriated by INDOT on a biennial basis, as described in further detail below. Availability payments will commence upon achievement of substantial completion and continue during operations. Availability payments will be unitary and fixed payments subject to an adjustment for inflation based on a predetermined index. Should the Project not be available for a period of time or not operated in the manner prescribed in the PPA, then all or a portion of an availability payment may be withheld.

IFA also intends to make a series of Milestone Payments to the developer upon completion of certain construction milestones. It is anticipated that the Milestone Payments will be funded with a combination of state and federal funds appropriated by INDOT on a biennial basis, as discussed in further detail below.

In order to fund the Milestone Payments and APs, IFA intends to enter into a master agreement and use agreement with INDOT under which INDOT will agree to fund milestone and availability

payments as part of its budget. In addition to being reflected in INDOT & IFA's internal budget and financial control systems, all anticipated funding amounts are reflected in the fiscally-constrained 2014-2017 Statewide Transportation Improvement Program (STIP), as well as the Bloomington/Monroe County Metropolitan Planning Organization (MPO) 2014-2017 Transportation Improvement Program (TIP).

## **2014 FINANCIAL PLAN UPDATE**

The IFA has entered into an agreement (the "Milestone Agreement") with the INDOT, pursuant to which INDOT will agree to make payments to IFA in an amount at least equal to the Milestone Payments owed by IFA under the Project Agreement. The Milestone Payments are limited obligations of IFA, payable solely from the amounts payable by the Department as provided in the Milestone Agreement or as otherwise appropriated by the General Assembly to IFA for this purpose as described herein for this purpose.

In the Milestone Agreement, INDOT covenants that it will do all things lawfully within its power to obtain and maintain funds from which to meet its payment obligations to IFA under the Milestone Agreement, including, but not limited to, requesting an appropriation in an amount sufficient to meet its payment obligations to IFA under the Milestone Agreement in writing submitted to the General Assembly at a time sufficiently in advance of the date for payment thereof so that an appropriation may be made from the General Assembly in the normal State budgetary process, using its bona fide best efforts to have such request approved, and exhausting all available reviews and appeals if such request is not approved. In addition and notwithstanding a non-renewal or termination of the Milestone Agreement, IFA covenants that it will do all things lawfully within its power to obtain and maintain funds from which to meet its Milestone Payment obligations owed to the Section 5 Developer under the Public-Private Agreement.

Indiana's plan for making these payments will be to use its biennial appropriations to INDOT for availability payments. Payments will be made by INDOT to IFA based on the budget IFA will present to INDOT. These payments will be made on an annual basis prior to August 1 of the current fiscal year. Availability payments will be funded by INDOT from appropriations from the General Assembly of the State to INDOT for such biennium. In addition to being reflected in INDOT & IFA's internal budget and financial control systems, all anticipated funding amounts are reflected in the fiscally-constrained 2014-2017 Statewide Transportation Improvement Program (STIP), as well as the Bloomington/Monroe County Metropolitan Planning Organization (MPO) 2014-2017 Transportation Improvement Program (TIP).

## **FEDERAL DISCRETIONARY FUNDING**

In addition to Federal-aid formula funds, Indiana has previously secured \$2,761,101.09 in discretionary funding from the Federal Highway Trust Fund and General Appropriations as earmarks for the Project. The 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. Please refer to the Project Addendum for the proposed FHWA participation rates with regards to Project funding.

## **FINANCING STRATEGY**

The final financing strategy, or combination of financing approaches, will depend on market circumstances at the time of financial close and the finance plan of the developer that is ultimately selected to develop the Project. IFA and INDOT, however, have developed preliminary financing

plans based on currently available project data and market circumstances. To the extent that additional data becomes available or market circumstances change, the financial plan will be updated to account for these changes.

As discussed above, the Project is expected to be financed by a developer with a combination of private activity bonds or commercial bank financing, and developer equity. Under the planned funding approach, the IFA will make Milestone Payments during construction and APs during the operations period of the Project.

## 2014 FINANCIAL PLAN UPDATE

This update to the financing strategy for the Project is based on the Section 5 Developer’s financing strategy as executed at financial close. The Section 5 Developer financed the capital costs of the Project through a Private Activity Bonds and equity investment, as described in detail below. In the event financing plans were to change, such updates will be incorporated into the Project’s subsequent Financial Plan Update.

The Section 5 Developer financed the capital cost of the Project using a combination of Private Activity Bonds (“PABs”) and equity investment, secured by the milestone and availability payments to be paid by IFA under the Public-Private Agreement. The Section 5 Developer has invested \$40.5 million of equity investment and raised \$244 million of debt financing through the issuance of PABs. The structure of the PABs is detailed below.

**Table 4-4 FPU. Private Activity Bond Structure for I-69 Section 5**

MATURITY	PRINCIPAL	COUPON	YIELDS
2017	\$3,530,000	4.0%	1.50%
2025	\$6,175,000	5.25%	3.98%
2026	\$5,405,000	5.25%	4.08%
2027	\$6,150,000	5.25%	4.17%
2028	\$6,980,000	5.25%	4.25%
2029	\$7,800,000	5.25%	4.33%
2034	\$52,745,000	5.25%	4.67%
2040	\$78,245,000	5.25%	4.86%
2046	\$76,815,000	5.00%	5.0%
<b>TOTAL</b>	<b>\$243,845,000</b>		

The Financial Plan distinguishes that two types of PABs were issued by I-69 Development Partners. The 2017 maturity is a serial bond. The other PABs are term bonds and have longer tenors – with maturities in 2025, 2026, 2027, 2028, 2029, 2034, 2040 and 2046.

Indiana will make \$60 million of construction-related milestone payments and \$20 million in utility-related milestone payments to the Section 5 Developer upon achievement of specific milestones during construction. The availability payments will commence upon substantial completion of construction. Twenty percent of each availability payment will be adjusted based on the Consumer Price Index (CPI) to account for changes in inflation. Eighty percent of each availability payment will increase at a rate of 2.5 percent per year. Availability payments will be distributed on a monthly basis, insofar as the Section 5 Developer achieves the operating standards for the Project, as specified in the Public-Private Agreement. A snapshot of the growth of the availability payments has been captured in the table below, which begins in the first full year of operations and ends in the last full year of operations. For purposes of this snapshot, it is assumed that CPI increases by

2.5 percent per year such that the entire availability increases by 2.5 percent per year.

**Table 4-5 FPU. Availability Payment Growth**

Year (end June)	Availability Payments
2018	\$21,892,854
2023	\$24,769,754
2028	\$28,063,303
2033	\$31,663,708
2038	\$35,873,990
2043	\$40,558,127
2048	\$45,984,990
2051	\$49,452,691

## **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 Sponsor’s assessment of mitigating factors:

Availability of state and federal revenue sources beyond those currently committed to the Project: Indiana has demonstrated a strong commitment to ensuring the Project is delivered. This commitment is demonstrated through the investment \$15.1 million of funds to date on Section 5. Indiana believes 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.

Fixed availability payments: The Project will be procured using an AP DBFOM procurement model through a PPA. Under this model, IFA will make a series of annual fixed “availability payments” to a developer as consideration for the developer designing and constructing a facility. The availability payments will be a fixed price and escalated annually for inflation. Should the Project not be available for a period of time or not operated in the manner prescribed in the PPA, then all or a portion of an availability payment may be withheld. As a result, the risk of construction or operating cost increases transfers from INDOT to the private developer.



## 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.*

### ESTIMATED SOURCES AND USES OF FUNDING

An indicative summary of the sources and uses of funds is shown in the table below. This summary reflects IFA's view of the financing structure and IFA fully anticipates the developer will develop a plan of finance based on their respective view of the Project's economics.

Sources of funds for the Project is currently anticipated to be entirely financed through PABs, public funds contribution, private equity investment and interest earned on these proceeds. The preliminary financial structure for the Project includes two tranches of PABs – a short term tranche that will be repaid by the developer with milestone payments proceeds and a long term tranche that will be repaid by the developer with availability payment proceeds. The following sources of funds will fund construction and other development costs. The sizing of each facility will be subject to agreement by the developer and IFA. This approach is identical to IFA's indicative financial plan outlined in its application to USDOT for the \$400 million requested for the preliminary PABs allocation.

**Table 5-1 IFP. Estimated Project Sources and Uses of Funds through Construction**

Sources and Uses of Funds During Construction(\$ millions Year-of-Expenditure)		
<b>Sources of Funds</b>		
Equity	\$40.6	11.4%
PABs Financing	\$312.6	87.6%
Interest	\$3.6	1.0%
<b>Total</b>	<b>\$356.8</b>	<b>100%</b>
<b>Uses of Funds</b>		
Construction Costs	\$273.7	76.7%
Net Transfers to reserve accounts	\$29.0	8.1%
Financing costs – expensed	\$16.8	4.7%
Financing costs – capitalized	\$37.3	10.5%
<b>Total</b>	<b>\$356.8</b>	<b>100%</b>

Note: Sources and uses table does not include INDOT retained development costs and is reflective of the indicative developer bid on the Project.

### 2014 FINANCIAL PLAN UPDATE

The estimated sources and uses of funds shown in the figure below are based on the Section 5 Developer's final financial structure as at financial close.

**Table 5-1-2014 FPU. Estimated Project Sources and Uses of Funds through Construction**

Sources and Uses of Funds During Construction(\$ millions Year-of-Expenditure)		
<b>Sources of Funds</b>		
Milestone Payment	\$60	16%
Utilities Milestone Payment	\$20	5%
Bond Proceeds	\$252	68%
Equity	\$40	11%
Interest Income	\$0.7	0%
<b>Total</b>	<b>\$373</b>	<b>100%</b>
<b>Uses of Funds</b>		
Transaction Cost	\$9	2%
Construction Costs	\$307	82%
Construction Oversight	\$11	3%
Operations during Construction	\$8	2%
Lead Underwriter Fee	\$2	1%
Bond Interest	\$27	7%
DSRA Funding	\$6	2%
Bond Repayment	\$3	1%
<b>Total</b>	<b>\$373</b>	<b>100%</b>

Note: Sources and uses table does not include INDOT retained development costs and is reflective of the Developer financial model for the Project.

## CASH MANAGEMENT TECHNIQUES

For Project funding expected to be contributed from state and federal sources, the state intend to utilize available cash management techniques, including but not limited to Advance Construction and Tapered Match, to manage the timing of cash needs against the availability of federal and state funds.

The Indiana Department of Transportation also has the authority to “concurrently advance projects by employing management techniques that maximize the State’s ability to contract for and effectively administer the project work.” Indiana will advance the project utilizing the federally accepted practice of Advance Construction. Current year expenditures will be converted to limitation obligation while future year expenditure estimates will remain under Advance Construction. This practice will continue throughout the life of the project. At no time will Indiana’s Advance Construction exceed Indiana’s future federal estimates. Indiana also will utilize Tapered Match provisions to manage the timing of federal and state expenditures for the Project.

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

## 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 I-69 Section 5.

#### 2014 FINANCIAL PLAN UPDATE

Financing costs for the Section 5 Developer total \$16.8 million during construction and encompass transaction costs, underwriter fees, and funding of a debt service reserve account.

### OPERATIONS AND MAINTENANCE COSTS

Updates to the Financial Plan will account for reasonably anticipated operations and maintenance costs as part of the design, build, finance, operate and maintain award at financial close. These costs include routine operations and maintenance expenditures and major maintenance requirements.

The O&M cost estimates were developed by INDOT. 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. Under the provisions of the Public-Private Agreement (PPA), availability payment reductions may be imposed on the developer if operating and maintenance performance standards are not met. Additionally, the contract includes quality standards that must be met when the Project is handed back to the Project Sponsor at the end of the PPA term.

#### 2014 FINANCIAL PLAN UPDATE

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 (including project management and insurance), and major maintenance requirements (“lifecycle costs”). Representative annual operations and maintenance cost estimates are highlighted in the table below, based on the Section 5 Developer’s bid.

**Table 5-2 FPU. Projected Operations and Maintenance Costs (in \$millions, Fiscal Year End)**

	O&M Costs	Lifecycle Costs
2015	3.7	-
2016	3.3	-
2017	3.0	-
2018	3.1	0.0
2019	3.5	0.1
2020	4.0	0.2
2021	4.1	0.1
2022	4.2	0.2
2023	4.3	0.2
2024	4.4	0.1
2025	4.5	0.4
2026	4.7	0.8
2027	4.8	1.0
2028	4.9	0.9
2029	5.0	1.0

	O&M Costs	Lifecycle Costs
2030	5.1	3.1
2031	5.3	5.5
2032	5.4	6.0
2033	5.5	6.3
2034	5.7	4.7
2035	5.8	1.8
2036	6.0	0.9
2037	6.1	0.9
2038	6.3	0.6
2039	6.4	0.6
2040	6.6	0.7
2041	6.7	2.6
2042	6.9	4.6
2043	7.1	4.2
2044	7.3	4.8
2045	7.4	4.4
2046	7.6	8.9
2047	7.8	15.4
2048	8.0	15.7
2049	8.2	8.9
2050	8.4	1.5
2051	8.6	11.3
2052	3.2	7.3

## PROJECTED CASH FLOWS

Future plans will include a table summarizing the anticipated annual cash outlays for the Project. This table does 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 financial close and the exact financing structure is known. The table is not included in the initial plan to retain a competitive bidding nature of the public-private partnership but will be updated at financial close.

## 2014 FINANCIAL PLAN UPDATE

Table 5-3 FPU. Project Cash Flows

	Thru 2013	2014	2015	2016	2017	Total
<b>Revenue</b>						
Carry Forward	\$ 3.3	\$ 3.3	\$ (38.3)	\$ 67.3	\$ (27.0)	\$ 8.6
INDOT Funding – Milestones			\$ 10.0	\$ 30.0	\$ 20.0	\$ 60.0
INDOT Funding – Utility Milestones			\$ 5.0	\$ 15.0		\$ 20.0
INDOT Funding Other	\$ 15.1	\$ 12.1	\$ 12.8	\$ 14.2	\$ 90.1	\$ 144.3
Private Activity Bonds			\$ 251.8			\$ 251.8
Developer Equity			\$ 23.9	\$ 8.3	\$ 8.3	\$ 40.5
Interest Earned			\$ 0.4	\$ 0.2	\$ 0.1	\$ 0.7
<b>Total</b>	<b>\$ 18.4</b>	<b>\$ 15.4</b>	<b>\$ 265.6</b>	<b>\$ 135.0</b>	<b>\$ 91.5</b>	<b>\$ 525.9</b>
<b>Expenditures</b>						
<b>Non-Developer Expenditures</b>						
Design	\$ 14.3	\$ 23.5	\$ 9.5	\$ 4.7		\$ 52.0
ROW	\$ 0.7	\$ 27.7	\$ 19.0			\$ 47.4
Construction	\$ 0.1	\$ 1.8	\$ 9.5	\$ 0.5	\$ 9.0	\$ 20.9
Utilities		\$ 0.7	\$ 15.5	\$ -		\$ 16.2
CN Chg Order/Ctgy			\$ 1.0	\$ 1.0	\$ 1.0	\$ 8.3
CEI, Admin, Prgm	\$ 0.0		\$ 2.1	\$ 4.5	\$ 1.5	\$ 8.1
<b>Developer Expenditures</b>						
Construction	-		\$ 119.9	\$ 135.1	\$ 62.8	\$ 317.8
Other Costs			\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.3
Interest during Construction	-		\$ 7.6	\$ 12.6	\$ 6.3	\$ 26.5
Financing/Bond Repayment and Reserve Costs	-		\$ 10.4	\$ 0.2	\$ 9.8	\$ 20.4
O&M During Construction	-		\$ 3.7	\$ 3.3	\$ 1.0	\$ 8.0
<b>Total</b>	<b>\$ 15.1</b>	<b>\$ 53.7</b>	<b>\$ 198.3</b>	<b>\$ 162.0</b>	<b>\$ 91.5</b>	<b>\$ 525.9</b>
<b>Net Cash Flow</b>	<b>\$ 3.3</b>	<b>\$ (38.3)</b>	<b>\$ 67.3</b>	<b>\$ (27.0)</b>	<b>\$ -</b>	<b>\$ -</b>

## 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 Procurement. Significant consideration has been given to identifying risks and potential mitigation measures, and this chapter outlines these factors. Additionally, this chapter addresses the impact of the state's financial contribution to the Project on its respective statewide transportation program.*

### PROJECT COST RISKS AND MITIGATION STRATEGIES

The following factors have been identified as possible reasons for cost overruns. Additional detail can be found in the Cost Estimate Review document prepared by the Project Sponsor and the Federal Highway Administration in 2013. Utility estimates were revised in January 2014, and are subject to final roadway design. Plans for Utility relocation are not yet available and remain estimates.

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

Risk	Mitigation Strategy
<b>Original Cost Estimates</b>	
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 sponsor's estimates. Should that prove not to be the case; however, the state will revise its financial plans accordingly, including the possible inclusion of additional state and federal funding. It is the expectation of the Project Sponsor that the planned procurement approach will help to accelerate project delivery and, in turn, reduce costs.
<b>Inflation</b>	
Highway construction inflation has been very volatile over the past several years and could significantly increase the cost of the Project.	Reasonable inflationary assumptions based on recent and historical trends in construction inflation have been included in current cost estimates. These estimates take into account current low commodity prices and relatively high unemployment rates which are expected to result in favorable contract pricing.  While petroleum prices have are an inflationary risk, both a design-build and an availability payment concession structure, as contemplated by the state, helps transfer much of this risk from the public to the private sector design-builder or concessionaire.
<b>Contingency</b>	
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.

## 2014 FINANCIAL PLAN UPDATE

The previously identified risk and mitigation strategies are still valid for the 2014 FPU, however, it should be noted that although the original cost estimates for the estimated items were not lower than actual bids received, the Initial Financial Plan did not estimate all of the programmatic costs for the project including procurement costs, design and construction oversight, public involvement, and the Developer’s administration costs. Scope additions, particularly the requirement to replace the historic Bridge 161 and the inclusion of O&M during Construction caused an increase in cost to the project.

## 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 Sponsor to deliver the Project on a timely basis.

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

Risk	Mitigation Strategy
<b>Litigation</b>	
Lawsuits filed within the statutory protest period may result in significant delays to the start of construction and expose the Project to additional inflationary costs.	To mitigate the potential impacts of future litigation that could cause schedule delays and cost escalation, risk and mitigation measures were addressed in the Environmental Impact Statement (EIS). INDOT intends to adhere to the recommendations outlined in the EIS and conditions of each federal approval received to construct the project.
<b>Permits and Approvals</b>	
Delays in the receipt of permits and approvals may delay the start of construction.	The state has initiated activities necessary to secure major permits. The developer will assume responsibility to obtain all other permit approvals. Compliance will be the developer’s responsibility and will be addressed directly in the relevant contract documents. The state has a track record of success in acquiring similar permits.
<b>ROW Acquisition</b>	
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.	The state has identified the potential properties to be acquired and is proceeding with acquisitions. Significant ROW has already been purchased, but acquisition will not be completed prior to contract award. A project ROW acquisition schedule will be maintained and updated throughout the process.
<b>Unanticipated Site Conditions</b>	

Unanticipated geotechnical conditions could be encountered, potentially delaying the schedule or increasing costs. Much of the Project includes Karst geology, with caves, sinkholes, and underground streams that are especially sensitive to groundwater pollution.	Extensive analysis was undertaken as part of the FEIS process. Additionally, geotechnical investigations have been conducted on the Project, and preliminary results do not indicate any significant problems.
<b>Endangered Species</b>	
If endangered species (e.g., Indiana bat, mussels, etc.) are encountered, construction work may be disrupted, leading to schedule delays and/or additional costs.	Mitigation is an established process that minimizes delay with dedicated staffing to address surprise findings. Similar mitigation has been used on four previous corridor projects successfully to avoid construction delays.
<b>Hazardous Materials</b>	
Both known and unknown hazardous materials could delay the Project and/or lead to additional costs.	Extensive analysis was undertaken as part of the FEIS process. Additionally, investigations have been conducted on identified sites and preliminary results do not indicate any significant problems.
<b>Schedule Coordination</b>	
Due to the size and complexity of the Project, poor project scheduling and coordination could delay the Project schedule.	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.
<b>Maintenance of Traffic</b>	
Traffic impacts and loss of access could adversely affect communities / businesses, negatively impacting support for project.	A detailed maintenance of traffic (MOT) plan will be required of the Developer. Commitments to the community will be included in the project requirements, such as no two streets cross the project shall be closed at the same time. Additional coordination with local projects and ongoing stakeholders is required as well.

## 2014 FINANCIAL PLAN UPDATE

The previously identified risk and mitigation strategies are still valid for the 2014 FPU. An additional risk has materialized through the initial stages of project execution:

**Table 6-2-2014 FPU. Project Schedule – Risks and Mitigation Strategies**

<b>Project Start-up/Execution</b>	
Delays in mobilizing required resources at project kick-off could delay the project at inception, requiring the Developer to perpetually play catch-up with their schedule.	Detailed requirements in the Technical Provisions and PPA define the Developer’s responsibilities and keep schedule risk predominantly with the Developer. Vigilant oversight by the project team will protect IFA/INDOT from unexpected delay claims.



## FINANCING RISKS AND MITIGATION STRATEGIES

The following risks may negatively affect the Project Sponsor’s 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 IFP. Financing and Revenue – Risks and Mitigation Strategies**

Risk	Mitigation Strategy
<b>Availability of State and Federal Funding</b>	
<p>The state has identified and committed various levels of conventional funding for the Project within the timeframe of its budget planning cycle. Funding beyond this period is subject to appropriation risk.</p>	<p>Within procedural limitations, the state has demonstrated a strong commitment to ensuring that the Project is delivered given the investment of funds to date. INDOT has included the Project in its internal budgeting and financial control systems at the requisite funding levels. On a biannual basis, the IFA will provide INDOT an annual budget which details the amount of funds to be appropriated by INDOT to meet annual payment requirements under the PPA. In addition, all anticipated funding amounts will be reflected in Indiana’s fiscally-constrained Statewide Transportation Improvement Program (STIP) and the FY 2014-2017 Transportation Improvement Program (TIP) for the metropolitan region.</p>
<b>Capital Market Access</b>	
<p>Capital market volatility could limit access to financing and/or increase financing costs.</p>	<p>The developer will be responsible for providing financing. The selected developer will have a demonstrated track record of securing capital market financings for availability payment concession projects. Commonly, developers include interest rate hedging interest to protect against variable rates over the long-term. Additionally, the PPA provides protection to the developer for changes in base interest rates prior to financial close, such that fluctuation in the capital markets does not adversely impact the successful financial close of the Project.</p>
<b>Availability of Federal Financing Tools</b>	
<p>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.</p>	<p>TIFIA assistance is not anticipated in this project. In the event that the Project Sponsor pursues and is unsuccessful in securing federal TIFIA assistance, the Project Sponsor 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 and federal funds described herein.</p>

<p>Uncertainty surrounding the availability of federal highway funding could limit access to future discretionary funding (e.g., TIGER).</p>	<p>The state 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.</p>
<p><b>Viability of Private Activity Bonds</b></p>	
<p>Potential difficulty in raising PAB financing in a timely manner could delay the project and/or increase costs.</p>	<p>Securing a PABs allocation decreases financing costs and, therefore, lessens the amount of federal and state funds required for the Project. In the event that the final PABS allocation is unsuccessful, the Project Sponsor must ensure the viability of the finance plan without such assistance. Alternative finance plans have been identified and include commercial bank debt or taxable bond debt.</p>

**2014 FINANCIAL PLAN UPDATE**

The previously identified risk and mitigation strategies for availability of state and federal financing are still valid for the 2014 FPU. The risks related to capital market access and viability of Private Activity Bonds has been fully mitigated. All planned debt has been issued for the Project. The risk related to the availability of federal financing tools is no longer applicable as federal financing tools were not utilized as part of the financial plan for the project. The Project financial plan does not rely on additional federal discretionary funds beyond those already committed to the Project.

**PROCUREMENT RISKS AND MITIGATION STRATEGIES**

The following risks may affect the Project Sponsor’s ability to implement the Project due to risks associated with the procurement of the I-69 Section 5 through an availability payment (AP) design-build-finance-operate-maintain (DBFOM) procurement model through a Public Private Agreement (PPA).

**Table 6-4 IFP. Procurement – Risks and Mitigation Strategies**

Risk	Mitigation Strategy
<p><b>Delay in Procurement</b></p>	
<p>The state does not receive affordable bids or are not able to reach commercial or financial close on the procurement.</p>	<p>An agreement is being developed to address the risks associated with not receiving affordable bids or not achieving commercial or financial close.</p>

**2014 FINANCIAL PLAN UPDATE**

This previously identified risk did not materialize during the procurement.

## **IMPACT ON STATEWIDE TRANSPORTATION PROGRAM**

The state has made specific commitments to the completion of the Project. Based on expectations of federal funding availability, as well as expectations regarding the availability of corresponding state transportation funds, the Project Sponsor believes the federal-aid highway formula, federal discretionary, and state transportation funds identified in this Initial Financial Plan are reasonably expected to be available, and without adverse impacts on the State's overall transportation program or other funding commitments.

Indiana has provided for substantial funding for the Project through a combination of state and federal funding, including the Project in the state's capital program. Indiana will continue to make specific financial commitments to the Project based on its standard budget procedures and in accordance with the 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 showing that Indiana is budgeting these appropriations out of INDOT's Capital Program. INDOT estimates that these future payments will be 19% of its capital program. To date, funding for the Project from INDOT federal authorizations (2013 and prior) has been 0.8% of the National Highway System Funds and 0.05% National Highway Performance Program. Approximately 0.01% of INDOT "Lease Proceeds" have been used for I-69 Section 5. In addition to being reflected in internal budget and financial control systems, all anticipated funding amounts are reflected in the 2014-2017 Statewide Transportation Improvement Program (STIP), as well as the Bloomington/Monroe County Metropolitan Planning Organization (MPO) 2014-2017 Transportation Improvement Program (TIP).

## **FUTURE UPDATES**

The effective date for this Financial Plan Update is February, 2015. The effective date for the Initial Finance Plan was August, 2013 revised for an updated Utility estimate in January, 2014. Future annual updates will be submitted to FHWA for approval within 90 days of the effective date, or by October 30 each year.

Through discussions with FHWA, the I-69 Section 5 Financial Plan Updates will be conducted in February of each year through construction.