INDIANA DEPARTMENT OF TRANSPORTATION

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Eric Holcomb, Governor
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August 28, 2017

Mayela Sosa
Division Administrator
FHWA Indiana Division
575 N Pennsylvania St., Room 254
Indianapolis, IN 46204

Subject: I-65 Southeast: Seymour to Columbus Project Financial Plan Letter of Certification

Dear Mrs. Sosa:

The Indiana Department of Transportation has developed a comprehensive Financial Plan for the I-65 Southeast: Seymour to Columbus Project in accordance with the requirements of title 23, United States Code, section 106 and the Financial Plan guidance issued by the Federal Highway Administration. The plan provides detailed cost estimates to complete the project and the estimates of financial resources to be utilized to fully fund the project.

The cost data in the Financial Plan provide an accurate accounting of costs incurred to date and include a realistic estimate of future costs based on engineer's estimates and expected construction cost escalation factors. While the estimates of financial resources rely upon assumptions regarding future economic conditions and demographic variables, they represent realistic estimates of resources available to fund the project as described.

The Indiana Department of Transportation believes the Financial Plan provides an accurate basis upon which to schedule and fund the I-65 Southeast: Seymour to Columbus Project, and commits to provide Annual Updates according to the schedule outlined in the Initial Financial Plan.

To the best of our knowledge and belief, the Financial Plan as submitted herewith, fairly and accurately presents the financial position of the I-65 Southeast: Seymour to Columbus Project, cash flows, and expected conditions for the project's life cycle. The financial forecasts in the Financial Plan are based on our judgment of the expected project conditions and our expected course of action. We believe that the assumptions underlying the Financial Plan are reasonable and appropriate. Further, we have made available all significant information that we believe is relevant to the Financial Plan and, to the best of our knowledge and belief, the documents and records supporting the assumptions are appropriate.

Sincerely,

Daniel L. Brassard
Indiana Department of Transportation
CFO, Deputy Commissioner - Finance

I-65 Southeast: Seymour to Columbus

Project Initial Financial Plan

August 2017*

* Project cost estimates and completion schedules reflect information available as of June 30, 2017.

Submitted to:
Federal Highway Administration

Submitted by:
Indiana Department of Transportation

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LIST OF EXHIBITS

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CHAPTER 1. PROJECT DESCRIPTION

INTRODUCTION

This document presents the Initial Financial Plan (IFP) for Interstate (I)-65 Southeast from Seymour to Columbus (the Project), including current cost estimates, expenditure data through State Fiscal Year (SFY) 2017, the current schedule for delivering the Project, and the financial analyses developed for the Project. This IFP has been prepared generally in accordance with Federal Highway Administration (FHWA)'s Financial Plans Guidance.

PROJECT OVERVIEW

The I-65 Southeast project extends approximately 17.5 miles and includes about 14 miles of pavement replacement and added travel lanes along I-65 in Jackson and Bartholomew counties. Roughly 3.5 miles will be resurfaced with the bridges over Denios Creek rehabilitated. It is estimated that the Indiana Department of Transportation (INDOT) and the Preferred Proposer will complete the I-65 Southeast Categorical Exclusion (CE)-4 environmental document in October 2017 when the final design work is completed. INDOT will utilize the Design-Build Best Value (DBBV) procurement process to quickly and efficiently expand capacity and safety to this facility.

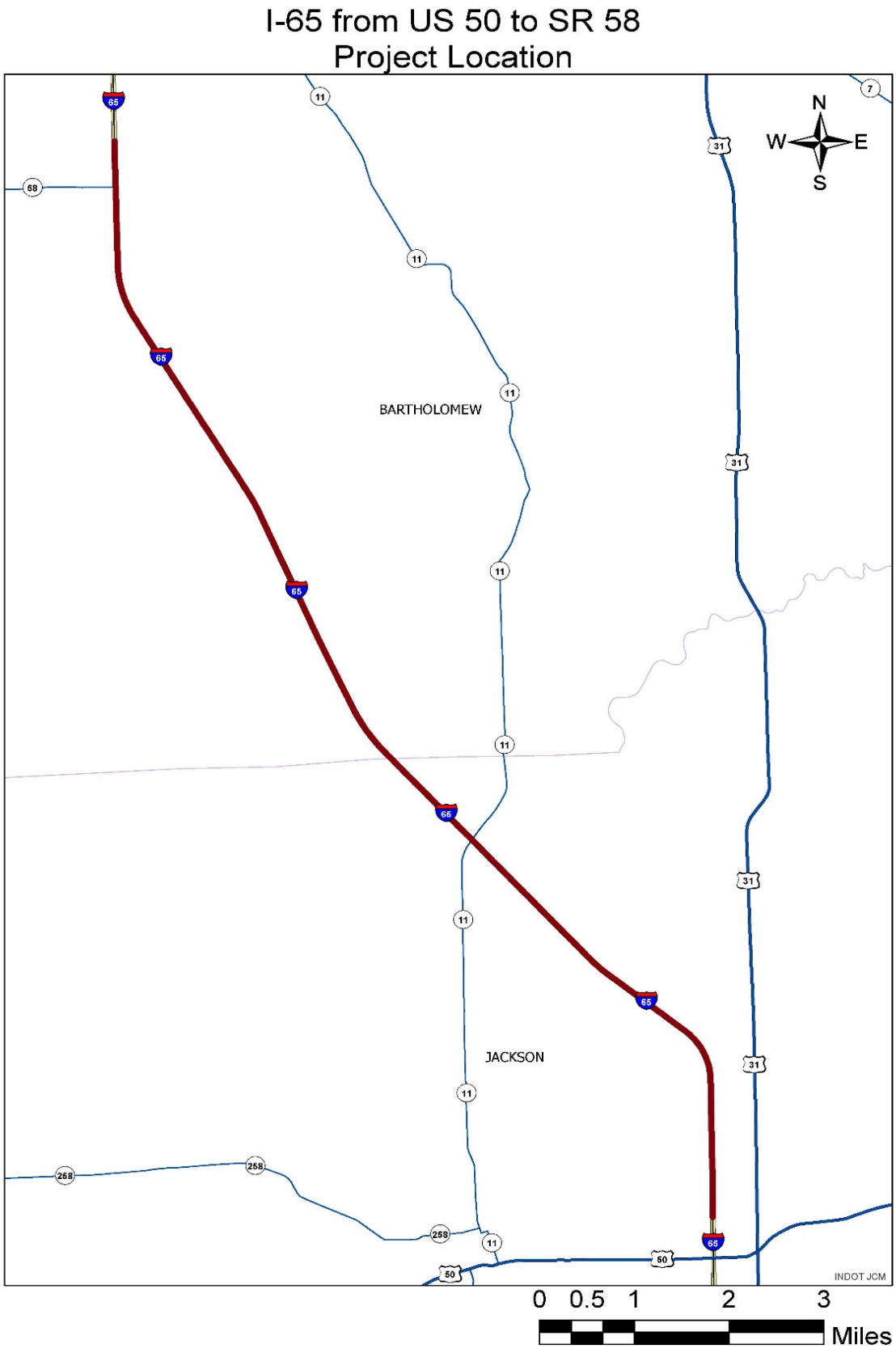
PROJECT SPONSOR

The Indiana Department of Transportation (INDOT) is the Project Sponsor for the Project. The Project will be procured and managed by the INDOT. The Project extends through Jackson and Bartholomew Counties, IN.

PROJECT DETAIL

The Project begins at just north of SR 50 in Seymour, IN and extends north approximately 14 miles to just north of SR 58 in Columbus, IN with pavement replacement and added travel lanes for a total of 6 lanes, 3 lanes in both the north and southbound directions, with approximately 3.5 miles of resurfacing from just north of SR 58 to just south of SR 46 in Columbus, IN. The purpose of the Project is to add capacity and increase safety to this facility to accommodate the anticipated increase in the volume of freight. The mainline interstate bridges will be widened and/or rehabilitated. In addition, the outside and inside shoulders will be widened. All of the local overhead bridges and the bridges over Denios Creek will be rehabilitated as well. This northern 3.5 mile section will remain a 4 lane interstate with 2 lanes in each direction. Figure 1-1 below illustrates the general location and length of the Project.

Figure 1-1. I-65 Southeast Corridor Map



PROJECT DELIVERY APPROACH

The INDOT has evaluated various alternative contracting methods permitted under current Indiana law. Such alternative delivery models are expected to enhance the feasibility of the Project through accelerated project delivery; avoidance of inflation costs; and the transfer of various risks to the private sector, such as design and construction risk. As a result, INDOT is utilizing a DBBV procurement model for this project. Three short-listed proposer teams were identified and competed for the project focusing on a fixed price, variable scope procurement. The Preferred Proposer, the selected design-builder contractor, was selected based on a technical proposal score and price proposal score based on the number of scope packages selected. The Preferred Proposer will complete the work for a lump sum amount. INDOT will own, operate, and maintain the facility after final acceptance as described in the Public-Private Agreement (PPA). This facility is and will remain a non-tolled roadway.

All proposals received from short-listed bidders were required to be deemed responsive by INDOT and be priced at or below $143 million. The best value determination was based on the total proposal score using a 100+ point scale. The scope score represented up to 50 points of the total score; the technical proposal score represented up to 50 points of the total score; and the price score represented additional points based on a price proposal for the entire scope of the Project (up to and including all defined scope packages) for $143 Million. The determination of apparent highest ranked proposal was based on the highest total proposal score computed as follows:

Total Proposal Score = Scope Score (maximum 50 points available) + Technical Proposal Score (maximum 50 points available) + Price Score (maximum 2.5 points available)

The scope score was based on the bidder proposing one of several roadway and bridge scope alternatives. The size of each scope package was directly proportional to its respective score, with the base minimal scope being equivalent to a scope score of 0 and the largest possible scope package reflecting a scope score of 50.

The technical proposal score was based on review of the proposer's Preliminary Project Management Plan (PMP) (25% of technical proposal score) and the proposer's preliminary design-build plan (75% of technical proposal score).

The price score was based on a proposed price below $143 million for the entire scope of the project. For each $500,000 less than $143 million, the proposer shall receive 0.25 points. The maximum allowable price points were 2.5 points, equivalent to $5 million.

PROJECT HISTORY

A full discussion of the project history can be found in the Request for Proposal (RFP) documents, found on the internet at http://www.in.gov/dot/div/contracts/65se/65SE.htm.

PROJECT IMPLEMENTATION – MANAGEMENT AND OVERSIGHT

The INDOT is the Project Sponsor for the Project and is managing and delivering the project with INDOT. The following is additional detail on the roles and responsibilities of various parties.

- **INDOT** supported by their technical team (described below), will be responsible for all aspects of the I-65 Southeast contract.

- **Legal Advisor** will supplement and assist state personnel with short listing of potential design-builders, contract language, and contract negotiations and will work under the direction of INDOT. The contract is known as the PPA.

- **Technical 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.

- **Preferred Proposer** - INDOT issued a final RFP in December 2016 for a design-build contractor to design and construct the Project.

CHAPTER 2. PROJECT SCHEDULE

INTRODUCTION

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

PROJECT SCHEDULE OVERVIEW

The current Project schedule is based on delivery of the Project under a DBBV procurement model. Substantial completion of the Project is expected to be complete by August 2020 with final acceptance in May 2021 as shown in Table 2-1 below.

Table 2-1. Project Schedule Overview

Phase	2017 and Prior	2018	2019	2020	2021
Environmental					
Preliminary Design					
Final Design					
Right-of-Way					
Railroad Preliminary Engineering					
Construction					

The INDOT anticipates awarding a construction contract in July 2017 as shown in the procurement schedule in the Project Delivery discussion below (see Table 2-2). The environmental document CE-4 is anticipated to be received in October 2017, and the level of completed design by the time the Final RFP was issued was approximately 15%. Right-of-way (RW) acquisition was initiated during December 2016 and will be completed on or before July 2017. The Project does not require permanent RW acquisitions within the project limits. Permanent property acquisition will be required outside of the project limits to mitigate environmental impacts. Table 2-2 provides the current procurement schedule for the Project.

PROCUREMENT SCHEDULE

Table 2-2. Procurement Schedule

Scheduled Item	Date
Issue Request for Qualifications	6/9/2016
SOQ Due Date	7/12/2016
Anticipated Announcement of Short-listed Proposers	7/29/2016
Circulate Draft of RFP to Short-listed Proposers	10/5/2016
Issue final RFP	12/28/2016
Proposal Due Date	4/27/2017
Announce Preferred Proposer	5/22/2017
Award and execution of PPA (Commercial Close)	7/14/2017
Substantial Completion	8/17/2020
Contract Completion	5/30/2021

CHAPTER 3. PROJECT COSTS

INTRODUCTION

This chapter provides a detailed description of Project cost elements and current cost estimates in year-of-expenditure dollars for each element. This chapter also summarizes the costs incurred to date since the original Notice of Intent was published in the Federal Register and provides detail on key cost-related assumptions.

COST ESTIMATES

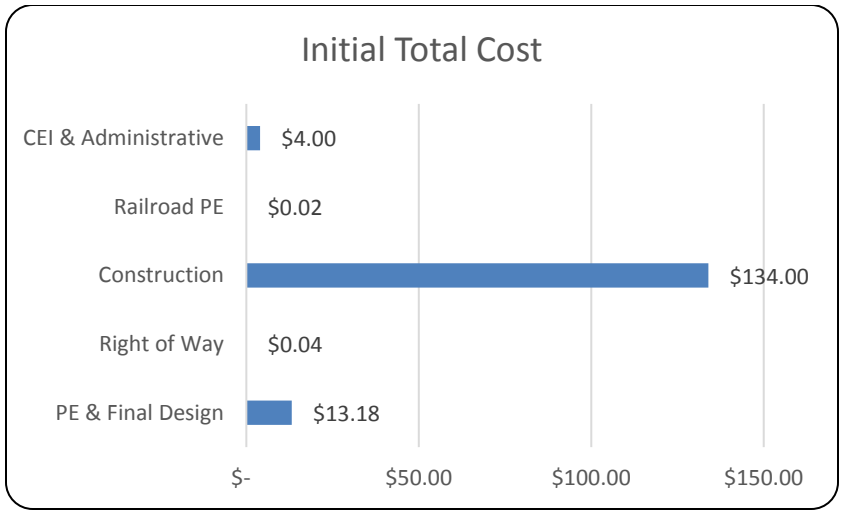
The total estimated cost for the Project is $151.23 million in year of expenditure (YOE) dollars. This cost estimate includes the most current project phasing and anticipated schedule. Table 3-1 below provides an overview of Project costs, broken down by project component. The Preferred Proposer's proposal includes preliminary engineering, final design, and construction totaling the $143 million bid. This is further broken down into $9 million for preliminary engineering/final design and $134 million for final construction.

Table 3-1. Project Cost Estimate by Phase

Phase	Total Cost
PE & Final Design	$ 13.18
Right of Way	$ 0.04
Construction	$ 134.00
Railroad PE	$ 0.02
CEI & Administrative	$ 4.00
Project Total*	**$ 151.23**

* Totals may not add exactly due to rounding of the hundredths.

Figure 3-1. Project Cost Estimate by Phase



COST ESTIMATING METHODOLOGY

Initial cost estimates were developed by consultant Beam, Longest, and Neff (BLN), in conjunction with INDOT and FHWA. The cost estimates were developed by breaking down the Project into 20 scopes. The methodology for each element is further described below in Table 3-2.

Table 3-2. Cost Estimating Methodology

Cost Elements
Engineering and Design
Preliminary and final engineering design services.
Final engineering will be part of the DBBV contract for the I-65 Southeast Project. Engineering and design cost estimates are currently estimated at 8.7% of the construction cost estimate.
Design Program Management
Cost to state for services of the General Engineering Consultant (GEC) during the design phase and miscellaneous departmental program management costs.
Program Management estimates are based on currently negotiated contracts and estimates that cover the currently planned Project schedule.
Construction Administration and Inspection
All construction and program management, administration, and inspection activities during the construction phase of the Project.
Construction Administration and Inspection costs are estimated at 3% of the construction cost estimate.
Construction
Estimated cost of construction.
Construction estimates reflect current prices inflated for YOE utilizing a large DBBV contract model.
Construction Contingency
Contingency to cover additional construction services in the event unforeseen circumstances arise that result in additional cost.
Construction contingency estimates are based on the level of engineering undertaken to date for the Project. Contingency factors have been developed based on the cost estimates that assessed the likelihood and potential cost of various major project risk items using a monte-carlo simulation to evaluate the overall potential cost impact. Contingencies have been adjusted to match the recommended 70th percentile cost estimate.
Utilities & Railroads
All public and private project-related utility and railroad relocation and new construction.
Costs include those related to telephone, electric, gas, fiber optics, water, sewer, TV cable, storm drainage, and railroads and are based on the most up-to-date cost information available.
Right of Way Acquisition
Appraisals, administration, management, and acquisition of required right of way.
Costs include completed and anticipated right of way acquisition and are based on the most up-to-date market information available.
Enhancements
Various Project-related commitments as identified in the CE-4.
This includes fixed dollar commitments made for various National Environmental Protection Act (NEPA) commitments.
Mitigation
Implementation of mitigation of sensitive impacts.
This includes costs for such items education for the historic landscape districts associated with the limestone industry, wetland, stream and forest creation and preservation.

PROJECT EXPENDITURES

Table 3-3 shows the breakdown of costs for the Project annually by component and SFY, respectively. As shown, approximately $2.33 million has been expended on the Project through the end of SFY17. Expenditures in future years are summarized in the table as well. Approximately $148.9 million is anticipated to be expended in SFY18. Construction accounts for the majority of these expenses at $134 million. The remainder of the anticipated expenditures are for final design, railroad crossings, construction engineering and inspection (CEI) and right of way.

Table 3-3. Project Budget by Fiscal Year (in YOE $ millions)

Phase / Fiscal Year	2017 & Prior	2018	2019	2020	2021	Total*
PE, Environmental & Final Design	$ 2.30	$ 10.88	$ -	$ -	$ -	**$ 13.18**
Right of Way	$ 0.03	$ 0.01	$ -	$ -	$ -	**$ 0.04**
Construction	$ -	$ 29.48	$ 44.22	$ 36.18	$ 24.12	**$ 134.00**
Utility & Railroad Relocations	$ 0.01	$ 0.01	$ -	$ -	$ -	**$ 0.02**
CEI, Admin & Program Costs	$ -	$ 0.88	$ 1.32	$ 1.08	$ 0.72	**$ 4.00**
Total Costs*	**$ 2.33**	**$ 41.26**	**$ 45.54**	**$ 37.26**	**$ 24.84**	**$ 151.23**

* Totals may not add exactly due to rounding of the hundredths.

CHAPTER 4. PROJECT FUNDS

INTRODUCTION

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

FINANCIAL PLAN OVERVIEW

This IFP reflects the planned funding and finance strategy by which the Project will be financed through a combination of conventional state and federal transportation program funds.

The 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 CE-4,
- developing the Project in a safe manner that supports congestion management,
- ensuring the Project is constructed within a time period that meets or exceeds final completion target dates, and
- transparently engaging the public and minimizing disruptions to existing traffic, local businesses, and local communities.

The alternative delivery method selected by Indiana has the potential of providing private sector innovation, efficiencies, and best value to taxpayers. Importantly, INDOT, together with their advisory team, have developed a pro forma financial plan that provides a certain view of how a design-build contractor may deliver this Project. Ultimately the financial plan will reflect what the Preferred Proposer proposes based on its view of the Project.

PROCUREMENT APPROACH AND FINANCING

The Project was procured using a DBBV procurement model through a PPA. Under this model, INDOT will make progress payments to a Preferred Proposer as consideration for the contractor designing and constructing a facility in accordance with the performance standards set forth in the PPA viewable at http://www.in.gov/dot/div/contracts/65se/65SE.htm. On June 9th, 2016, INDOT issued a

RFQ for the Project. In response to the RFQ, SOQs were received on July 12th, 2016. Shortly thereafter, a draft RFP was issued to the shortlisted proposers. The final RFP was issued on December 28th, 2016, with award and execution of the PPA occurring in July 2017. The responses to the RFPs for the Project included a detailed project development plan.

A combination of state and federal funds will be used to make progress payments to the Preferred Proposer. INDOT will budget for these using INDOT's state appropriation determined by the Indiana General Assembly. The sources of federal funds used to support the payments are anticipated to be from the National Highway Performance Program (NHPP) and the National Highway Freight Program (NHFP).

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 in Table 4-1. 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, an estimated $151.23 million of federal-aid highway formula and state transportation funds is reasonably expected to be available to the Project (see Table 4-1). This includes $2.33 million of federal and state funds expended through SFY17.

Table 4-1. Federal and State Funding (in YOE $ millions)

Fund Type / Fiscal Year	2017 & Prior	2018	2019	2020	2021	Total*
Federal						
National Highway Perf Program	$ 1.59	$ 25.98	$ 36.43	$ 29.81	$ 19.87	**$ 113.69**
National Highway Freight Program	$ 0.02	$ 7.33	$ -	$ -	$ -	**$ 7.35**
NHPP Exempt - FAST	$ 0.05	$ 0.01	$ -	$ -	$ -	**$ 0.05**
Subtotal, Federal Funds*	**$ 1.66**	**$ 33.32**	**$ 36.43**	**$ 29.81**	**$ 19.87**	**$ 121.09**
State						
Other Counties (Lease Proceeds)	$ 0.49	$ 0.00	$ -	$ -	$ -	**$ 0.50**
State Funding (Future)	$ -	$ 7.94	$ 9.11	$ 7.45	$ 4.97	**$ 29.47**
State Funds	$ 0.18	$ -	$ -	$ -	$ -	**$ 0.18**
Subtotal, State Funds*	**$ 0.68**	**$ 7.94**	**$ 9.11**	**$ 7.45**	**$ 4.97**	**$ 30.15**
Grand Total*	**$ 2.33**	**$ 41.26**	**$ 45.54**	**$ 37.26**	**$ 24.84**	**$ 151.23**

* Totals may not add exactly due to rounding of the hundredths.

It is anticipated that future funds will come from the NHPP and NHFP funding

categories, although the commitment of specific funding categories of federal funding is subject to adjustment based on the recently authorized federal MAP-21, FAST Act, and the availability of more restricted categories, and funding categories associated with a new transportation program Act.

Table 4-2 below provides the Advanced Construction (AC) conversion status for Indiana updated through FY2017. As shown, the Project has $7.57 million in authorized AC funds with $0.24 million converted to federal funds to date.

Table 4-2. Advanced Construction Funding Status

Funding Method	Total Federal Funding Amounts	Amount AC'd to Date	Amount Converted to Date	Amount Remaining in AC
INDOT AC Authorizations*	$ 9.77	$ 7.57	$ 0.24	$ 7.32

* Totals may not add exactly due to rounding of the hundredths.

PROGRESS PAYMENTS

The progress 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.

In order to fund the progress payments, INDOT intends to enter into a PPA with E& B Paving, Inc., the Preferred Proposer, under which INDOT will agree to fund payment as part of its budget. In addition to being reflected in INDOT's internal budget and financial control systems, all anticipated funding amounts are reflected in the fiscally-constrained 2016-2019 Statewide Transportation Improvement Program (STIP), as well as the Columbus Area Metropolitan Planning Organization (CAMPO) 2016-2019 Transportation Improvement Program (TIP).

FEDERAL DISCRETIONARY FUNDING

The Project will not utilize funding outside of federal-aid formulary and state transportation funds appropriated to INDOT.

CHAPTER 5. FINANCING ISSUES

INTRODUCTION

This chapter discusses the specific costs associated with financing the Project, including the issuance costs, interest costs, and other aspects of borrowing funds for the Project.

FINANCING STRATEGY

The Project will not utilize funding outside of federal-aid and state transportation funds appropriated to INDOT. This plan eliminates issuance, interest, and borrowing costs.

CHAPTER 6. CASH FLOW

INTRODUCTION

This chapter provides an estimated annual construction cash flow schedule for the Project and an overview of the planned sources of funds.

ESTIMATED SOURCES AND USES OF FUNDING

An indicative summary of the sources and uses of funds is shown in Table 6-1. This summary reflects INDOT's view of the funding structure based on the Project's economics. Sources of funds for the Project are currently anticipated to be fully funded through public funds contribution. The following sources of funds will fund construction and other development costs.

Table 6-1. Estimated Project Sources and Uses of Funds

Source of Funds	IFP	% of Total
IN State & Federal Funding - Formulary	$ 151.2	100%
Source of Funds Subtotal	**$ 151.2**	**100%**
Uses of Funds		
Design and Construction Costs	$ 147.2	97%
Construction Oversight	$ 4.0	3%
Uses of Funds Subtotal	**$ 151.2**	**100%**

CASH MANAGEMENT TECHNIQUES

For Project funding expected to be contributed from state and federal sources, INDOT intends to utilize available cash management techniques, including but not limited to AC and Tapered Match (TM), to manage the timing of cash needs against the availability of federal and state funds. These techniques provide INDOT authority to "concurrently advance projects …." utilizing the federally accepted practice of AC. Current year expenditures will be converted to limitation obligation while future year expenditure estimates will remain under AC. This practice will continue throughout the life of the project. At no time will Indiana's AC exceed Indiana's future federal estimates. Indiana also will utilize TM provisions to manage the timing of federal and state expenditures for the Project.

FINANCING COSTS

The Project will not utilize funding outside of federal-aid and state transportation funds appropriated to INDOT as previously discussed in Chapter 5.

PROJECTED CASH FLOWS

Future plans will include a table summarizing the prior, current, and anticipated total,

annual cash outlays for the Project. Table 6-2 below does not reflect the cash flow timing effects of the various financing mechanisms but rather the underlying total Project expenditures. More specific cash flow schedules will continue to be developed as the Project progresses towards Substantial Completion.

Table 6-2. Project Cash Flows (in YOE $ millions)

Revenue	Thru 2017	2018	2019	2020	2021	Total*
Carry Forward	$ -	$ -	$ -	$ -	$ -	$ -
INDOT Funding	$ 2.33	$ 41.26	$ 45.54	$ 37.26	$ 24.84	$ 151.23
Revenue Subtotal*	$ 2.33	$ 41.26	$ 45.54	$ 37.26	$ 24.84	$ 151.23
Expenditures						
Design	$ 2.30	$ 10.88	$ -	$ -	$ -	$ 13.18
ROW	$ 0.03	$ 0.01	$ -	$ -	$ -	$ 0.04
Construction	$ -	$ 29.48	$ 44.22	$ 36.18	$ 24.12	$ 134.00
Utilities/Railroads	$ 0.01	$ 0.01	$ -	$ -	$ -	$ 0.02
CEI, Admin, Prgm	$ -	$ 0.88	$ 1.32	$ 1.08	$ 0.72	$ 4.00
Expenditures Subtotal*	$ 2.33	$ 41.26	$ 45.54	$ 37.26	$ 24.84	$ 151.23
Net Cash Flow	$ -	$ -	$ -	$ -	$ -	$ -

* Totals may not add exactly due to rounding of the hundredths.

As shown above in Table 6-2, the INDOT has expended $2.33 million through SFY17 on the Project. The remaining project costs of $148.9 million are anticipated to be fully obligated in SFY18 and expended in future SFYs with the majority of preliminary engineering and final design in SFY18. Construction and CEI are expected to extend from SFY18 through SFY21 as shown above in Table 6-2.

CHAPTER 7. PUBLIC-PRIVATE PARTNERSHIP (P3) ASSESSMENT

INTRODUCTION

This chapter provides information on the process used to assess the appropriateness of a P3 to deliver the project.

P3 ASSESSMENT

The INDOT has evaluated alternative contracting methods permitted under current Indiana law. Such alternative delivery models are expected to enhance the feasibility of the project through accelerated project delivery; construction cost certainty; and the transfer of various risks to the private sector, such as design and construction risk. As a result, the project is being procured as a P3 using a DBBV delivery method.

LEGISLATIVE AUTHORITY

The P3 Program operates within the general legal framework set forth in the Indiana Code (IC). The INDOT has been granted legislative authority to procure P3 projects in Indiana. The statute providing authorization to procure P3 projects is IC 8-15.7. INDOT will lead the procurement and will be responsible for the technical aspects of P3 projects and will commit, where it is appropriate, its appropriations towards a project. The relevant statute allows for the development, financing, and operation of P3 projects.

INDIANA'S P3 MANAGEMENT STRUCTURE

Indiana has established itself as a national leader in using alternative delivery models to deliver major transportation infrastructure projects. The INDOT will be the procuring agency and will be responsible for the technical aspects of the procurement.

INDOT has an established P3 Department that resides within the Innovative Project Delivery Division. Both the P3 Department and the Innovative Project Delivery Division are responsible for delivering and overseeing P3s at INDOT.

BENEFITS – DISADVANTAGES COMPARISON

The Project is being procured using a DBBV delivery model and will be managed by INDOT. While P3s are not suitable for all projects, there are a few main benefits to P3s of all sizes and complexities. Using innovative project delivery models, such as P3s, to deliver and operate infrastructure projects have many benefits for INDOT including:

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

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

- **Private sector innovation:** Innovative project delivery can be structured for multiple facets of the project to be coordinated and managed under a single entity and to enhance collaboration between the design, and construction in the development of the project bid. The exchange of ideas between these parties can result in significant value engineering efficiencies and can help to avoid technical issues. Private entities are typically experienced in the design and construction of similar projects and are incentivized to use these efficiencies and economies of scale to achieve lower costs.

- **Performance-based incentives:** Financial incentives imposed by the contract structure, which include withholding a portion of payment to the 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.

- **Improved accountability:** One party, the Preferred Proposer, is responsible for project delivery and operation regardless of the number of subcontractors. If the project is not delivered according to the contractual requirements, then the Preferred Proposer is responsible.

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

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

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

RISK ALLOCATION ANALYSIS

INDOT employs a two-step screening process when assessing whether a project should

be delivered using an alternative delivery model. During the initial project screening phase, INDOT reviews available project information and data and assesses the project against a set of screening criteria to determine the feasibility of delivering a proposed project via an alternative delivery method. Table 7-1 below summarizes criteria examined during the initial project screening phase. The primary screening criteria are merely a guide for assessment. A project that does not meet some or all 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.

Table 7-1. INDOT P3 Screening Criteria – Step One

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

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

Table 7-2. INDOT P3 Screening Criteria – Step Two

Detail Project Screening Criteria	
Public Need	Does the project address the needs of the local, regional and state transportation plans, such as congestion relief, safety, new capacity, preservation of existing assets? Does the project support improving safety, reducing congestion, increasing capacity, providing accessibility, improving air quality, improving pedestrian biking facilities, and/or enhancing economic efficiency?
Public Benefits	Will this project bring a transportation benefit to the community, the region, and/or the state? Does the project help achieve performance, safety, mobility, or transportation demand management goals? Does this project enhance adjacent transportation facilities or other modes?
Economic Development	Will the project enhance the State's economic development efforts? Is the project critical to attracting or maintaining competitive industries and businesses to the region, consistent with stated objectives?
Market Demand	Does sufficient market appetite exist for the project? Are there ways to address industry concerns?
Stakeholder Support	What is the extent of support or opposition for the project? Does the proposed project demonstrate an understanding of the national and regional transportation issues and needs, as well as the impacts this project may have on those needs? What strategies are proposed to involve local, state and/or federal officials in developing this project? Has the project received approval in applicable local and/or regional plans and programs? Is the project consistent with federal agency programs or grants on transportation (FHWA, FTA, MARAD, FAA, FRA, etc.)?
Legislative Factors	Are there any legislative considerations that need to be taken into account such as tolling, user charges, or use of public funds? Is legislation needed to complete the project?
Technical Feasibility	Is the project described in sufficient detail to determine the type and size of the project, the location of the project, proposed interconnections with other transportation facilities, the communities that may be affected and alternatives that may need evaluation? Is the proposed schedule for project completion clearly outlined and feasible? Does the proposed design appear to be technically sound and consistent with the appropriate state and federal standards? Is the project consistent with applicable state and federal environmental statutes and regulations? Does the project identify the required permits and regulatory approvals and a reasonable plan and schedule for obtaining them? Does the project set forth the method by which utility relocations required for the transportation facility will be secured and by whom?
Financial Feasibility	Are there public funds required and, if so, are the State's financial responsibilities clearly stated? Is the preliminary financial plan feasible in that the sources of funding and financing can reasonably be expected to be obtained?
Project Risks	Are there any particular risks unique to the projects that have not been outlined above that could impair project viability? Are there any project risks proposed to be transferred to INDOT that are likely to be unacceptable?
Term	Does the project include a reasonable term of concession for proposed operation and maintenance? Is the proposed term consistent with market demand, providing a best value solution for the State? Is the proposed term optimal for a whole-of-life approach?

Using the aforementioned standard INDOT screening process, including the high level screening, detailed level screening and financial feasibility analysis, it was determined that the I-65 Southeast project is a strong candidate for P3 DBBV delivery. Table 7-3 below provides additional considerations to the Project using the DBBV delivery model.

Table 7-3. INDOT DBBV Project Considerations

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

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

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

Therefore, the INDOT identified the DBBV model as the preferred delivery model and proceeded with procuring the project on that basis.

Market Conditions

The Project will not utilize funding outside of federal-aid and state transportation funds appropriated to INDOT as previously discussed in Chapter 5.

Permits and Approvals

The FHWA approved the preferred alternative as Added Travel Lanes in December 2016 with refinements in March 2017 and the understanding that the CE-4 is not yet completed but will be by the Preferred Proposer in October 2017. All permitting activity will be carried out in accordance with the CE-4.
The RFP for final design and construction includes provisions to ensure compliance with

all NEPA commitments that will be included in the CE-4. The INDOT will apply for permits with key federal regulatory agencies. The permits and notifications that may be required by the CE-4 are outlined in Table 7-4 below.

Table 7-4. Required Permits and Notifications

Agency	Permit/Notification[1]	Responsibility
U.S. Army Corps of Engineers	Section 404 Permit for Discharge of Dredged or Fill Material into Waters of the United States	INDOT
Federal Aviation Administration	Tall Structure Permit FAA Form 7460-1 Notice of Proposed Construction or Alteration for a crane	DB
Indiana Department of Environmental Management	Isolated wetland permit	INDOT
Indiana Department of Environmental Management	Section 401 Water Quality Certification	INDOT
Indiana Department of Environmental Management	Rule 5 National Pollution Discharge Elimination System	DB
Indiana Department of Natural Resources	Construction in a Floodway Permit	INDOT

1. Not all permits/notifications apply to all sections of the Project.

CHAPTER 8. RISK AND RESPONSE STRATEGIES

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 shown in Table 8-1 have been identified as possible reasons for cost overruns.

Table 8-1. Project Cost – Risks and Mitigation Strategies

Risk	Mitigation Strategy
Original Cost Estimates	
The risk that original cost estimates are lower than bids received.	Recent US DB and P3 experience indicates that competition may result in aggressive bids below the state sponsor's estimates. Regardless, the DBBV RFP requires that all bids come in at or below $143 million. It is the expectation of the Project Sponsor that the planned DBBV procurement approach will help to accelerate project delivery and, in turn, reduce costs, which should help to maximize the scope delivered for the maximum $143 million contract price.
Inflation	
Highway construction inflation has been very volatile over the past several years and could significantly increase the cost of the Project.	Reasonable inflationary assumptions based on recent and historical trends in construction inflation have been included in current cost estimates. These estimates take into account current low commodity prices and relatively high unemployment rates which are expected to result in favorable contract pricing.
Contingency	
The amount of contingency factored into Project cost estimates may be insufficient to cover unexpected costs or cost increases.	While petroleum prices have an inflationary risk, both a DB and a progress payment concession structure, as contemplated by the state, helps transfer much of this risk from the public to the private sector design-builder.
Cost Overruns During Construction	
Cost overruns after start of construction could result in insufficient upfront funds to complete the project.	A DB or progress payment concession structure helps transfer much of this risk from the public to the private sector design-builder.

PROJECT SCHEDULE RISKS AND MITIGATION STRATEGIES

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

Table 8-2. Project Schedule – Risks and Mitigation Strategies

Risk	Mitigation Strategy
Litigation	
Lawsuits filed within the statutory protest period may result in significant delays to the start of construction and expose the Project to additional inflationary costs.	To mitigate the potential impacts of future litigation that could cause schedule delays and cost escalation, INDOT intends to adhere to the conditions of each federal and local approvals received to construct the project.
Permits and Approvals	
Delays in the receipt of permits and approvals may delay the start of construction.	The state has initiated activities necessary to secure major permits. The design-builder will assume responsibility to obtain all other permit approvals. Compliance will be the design-builder's responsibility will be a contractual requirement in the PPA. The State has a track record of success in acquiring similar permits.
Unanticipated Site Conditions	
Unanticipated geotechnical conditions could be encountered, potentially delaying the schedule or increasing costs.	Geotechnical investigations have been conducted on the Project, and preliminary results do not indicate any significant problems.
Endangered Species	
If endangered species (e.g., Indiana bat, Kirtland snake, mussels, etc.) are encountered, construction work may be disrupted, leading to schedule delays and/or additional costs.	Mitigation is an established process that minimizes delay with dedicated staffing to address surprise findings. Similar mitigation has been used on four previous corridor projects successfully to avoid construction delays.
Hazardous Materials	
Both known and unknown hazardous materials could delay the Project and/or lead to additional costs.	Investigations have been conducted on identified sites and preliminary results do not indicate any significant problems.
Schedule Coordination	
Due to the size and complexity of the Project, poor project scheduling and coordination could delay the Project schedule.	The guaranteed maximum price design-build contract structure helps transfer much of this risk from the public to the private sector design-builder.
Maintenance of Traffic	
Traffic impacts and loss of access could adversely affect communities / businesses, negatively impacting support for project.	A detailed maintenance of traffic (MOT) plan will be required of the design-builder. The Design-Build Contractor is required to prepare, submit, and follow through on a Public Involvement Plan that provides INDOT regular updates on road closures and restrictions, notification of emergency events, coordinating and staffing public meetings, and providing informational maps or displays, as needed.
Project Start-up/Execution	
Delays in mobilizing required resources at project kick-off could delay the project at inception, requiring the design-builder to perpetually play catch-up with their schedule.	Detailed requirements in the Technical Provisions and PPA define the design-builder's responsibilities and keep schedule risk predominantly with the design-builder. Vigilant oversight by the project team will protect INDOT from unexpected delay claims.

FINANCING RISKS AND MITIGATION STRATEGIES

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

Table 8-3 Financing and Revenue – Risks and Mitigation Strategies

Risk	Mitigation Strategy
Availability of State and Federal Funding	
The state has identified and committed various levels of conventional funding for the Project within the timeframe of its budget planning cycle. Funding beyond this period is subject to appropriation risk.	Within procedural limitations, the state has demonstrated a strong commitment to ensuring that the Project is delivered given the investment of funds to date. INDOT has included the Project in its internal budgeting and financial control systems at the requisite funding levels. In addition, all anticipated funding amounts will be reflected in Indiana's fiscally-constrained STIP and the TIP for the metropolitan region.

PROCUREMENT RISKS AND STRATEGIES

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

Table 8-4. Procurement – Risks and Mitigation Strategies

Risk	Mitigation Strategy
Delay in Procurement	
The state does not receive compliant bids under the required $143 million limit, are not able to select a preferred bidder, or cannot execute the contract.	The variable scope nature of the proposal process allows the State to mitigate the potential that proposers cannot meet the required contract limit. Further, the PPA requires a $7.5 million proposal bond that will help to incentivize the preferred proposer to come to an agreement with INDOT.

IMPACT ON STATEWIDE TRANSPORTATION PROGRAM

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

Indiana has provided funding for the Project through a combination of state and federal funding, including the Project in the State's capital program. Indiana will continue to make specific financial commitments to the Project based on its standard budget procedures and in accordance with the STIP, which takes into account the needs of the overall transportation program and other projects throughout the State. INDOT is using the biennium appropriations for progress payments showing that Indiana has allocated these appropriations out of INDOT's Capital Program. INDOT estimates that these future payments will be 9% of its capital program. Funding for the Project from INDOT federal authorizations has been 0.6% of the NHPP. In addition to being reflected in internal budget and financial control systems, all anticipated funding amounts are reflected in the STIP, as well as the Columbus Area MPO TIP.

CHAPTER 9. ANNUAL UPDATE CYCLE

INTRODUCTION

This chapter addresses the annual reporting period for the data reported in the Annual Update to the Financial Plan.

FUTURE UPDATES

The effective date for this IFP is June 30, 2017. Future updates will be submitted to FHWA by September 30 each year.