INDIANA DEPARTMENT OF TRANSPORTATION

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Eric Holcomb, Governor
Michael Smith, Commissioner

October 31st, 2023

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

Subject: Lloyd Expressway Project Initial Financial Plan Letter of Certification

Dear Mr. Hannon:

The Indiana Department of Transportation has developed a comprehensive Initial Financial Plan for the Lloyd Expressway Project in accordance with the requirements of 23 U.S.C. §106 and the Financial Plan guidance issued by the Federal Highway Administration. The plan provides detailed cost estimates to complete the project and the estimates of financial resources to be utilized to fund the project.

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

The Indiana Department of Transportation believes the Initial Financial Plan provides an accurate basis upon which to schedule and fund the Lloyd Expressway Project and commits to provide Annual Updates according to the schedule outlined in the Initial Financial Plan.

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

Sincerely,

Joseph Gustin
CFO, Deputy Commissioner – Finance
Indiana Department of Transportation

Lloyd Expressway Project

Initial Financial Plan

July 2023*

*Project cost estimates and completion schedules reflect information available as of July 31, 2023.

Submitted to:
Federal Highway Administration

Submitted by:
Indiana Department of Transportation

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CHAPTER 1. PROJECT DESCRIPTION

INTRODUCTION

This document presents the Initial Financial Plan (IFP) for State Route 62/Lloyd Expressway (SR62) in Vanderburgh County (the Project), including current cost estimates, expenditure data through the effective date of July 31,2023, the current schedule for delivering the Project, and the financial analyses developed for the Project. This IFP has been prepared generally in accordance with Federal Highway's (FHWA's) Financial Plans Guidance.

PROJECT OVERVIEW

The Project includes more than a dozen improvement projects along the Lloyd Expressway and extends from Posey County Line Road to Wabash Avenue in Vanderburgh County to make the Lloyd Expressway more efficient and safer for motorists, freight, and pedestrians to navigate. The Project includes intersections improvements and interchange modification, pavement reconstruction, bridges replacements, signing, lighting, and drainage replacements and upgrades as described below.

PROJECT SPONSOR

The Indiana Department of Transportation (INDOT) is the Project Sponsor for the Project. The Project will be procured and managed by the INDOT.

PROJECT DETAIL

Contract 1 – includes Lloyd Expressway pavement replacement from Posey County Line Road to Ingle Avenue; four bridge replacements over CSX railroad, Tekoppel Avenue, Carpenter Creek, and a pedestrian bridge over SR-62 just east of South Lemcke Avenue; and five intersection improvements at Boehne Camp Road, Red Bank Road, Schutte Road, Rosenberger Avenue, and McDowell Road; and lastly an interchange modification at Barker Avenue.

Contract 2 – includes Lloyd Expressway pavement replacement from Ingle Avenue to Wabash Avenue; and two intersection improvements at St. Joseph Avenue and Wabash Avenue.

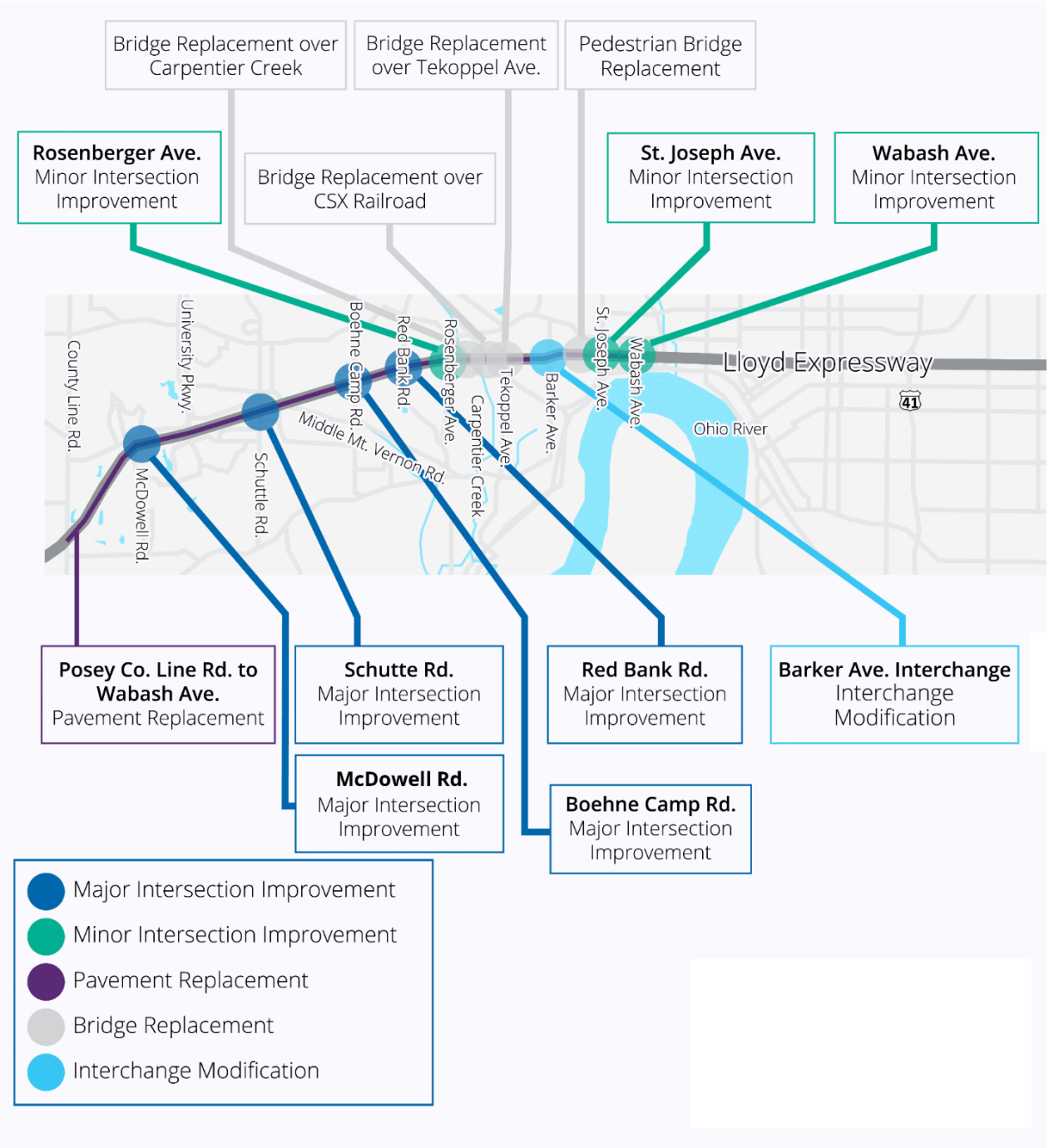
- Intersection Improvements – Improvements will be constructed at seven locations and include reduced conflict intersection, restricted crossing U-turn intersection, displaced left turn intersection, and hybrid treatments at the McDowell Road, Schutte Road, Boehne Camp Road, Red Bank Road, Rosenberger Avenue, St. Joseph Avenue, and Wabash Avenue.
- Interchange Modification – Modifications will be constructed at the Barker Avenue interchange. West bound to South bound off ramp will be removed in its current location and the West bound to North bound will be revised to allow a north and south bound movement from west bound Lloyd.
- Pavement Reconstruction – Includes the complete reconstruction of 6.4 miles of the Expressway from County Line Road to Wabash Avenue and consists of composite pavement.
- Bridge Replacements – Includes three vehicular bridges over Carpentier Creek, CSX Railroad, and Tekoppel Avenue. Includes one pedestrian bridge just east of S Lemcke Avenue.
- Signing & Lighting – Includes replacing/upgrading all signage, replacing traffic signal

facilities .

- Drainage – Includes replacing/upgrading all drainage facilities including replacing pipelining culverts, replacing depressed/raised median inlets, replacing storm sewers and curb inlets, and separating the storm sewer system from the combination sewer between Barker Ave and Wabash Ave. NEPA

The categorical exclusion (CE) 4 environmental document to comply with the National Environmental Policy Act (NEPA) is anticipated to be approved November 1, 2023. All permitting activity will be carried out in accordance with the CE-4.

FIGURE 1.1 PROJECT MAP OVERVIEW



PROJECT DELIVERY APPROACH

INDOT is utilizing the Design Bid Build (DBB) procurement model for this Project. Under this procurement process, INDOT engages and manages a design consultant to produce design plans and supporting document for construction. INDOT posts a Request for Proposal (RFP), to which qualified contractors may submit a sealed bid to construct the Project. INDOT will open the bids and let the contract to the lowest qualified bidder.

PROJECT HISTORY

A discussion of the project history, alternatives analysis, and public involvement can be found on the Project website found on the internet at https://thelloyd4u.com/.

PROJECT IMPLEMENTATION – MANAGEMENT AND OVERSIGHT

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

- INDOT – supported by their design consultant will be responsible for all aspects of the Project.
- Design consultant – will supplement and assist INDOT personnel with technical design, shop drawing review, request for information (RFI), and change order requests. The design consultant will work under the direction of INDOT.
- Construction services consultant – will supplement and assist INDOT personnel with construction document and plan review, contract administration, construction inspection, and quality control and assurance activities. The construction services consultant will work under the direction of INDOT.
- Successful Proposer – INDOT intends to publish an RFP for construction and will identify the successful proposer at the Bid Letting on 2/15/2024 for Contract 1 and 7/9/2025 for Contract 2.

CHAPTER 2. PROJECT SCHEDULE

INTRODUCTION

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

PROJECT SCHEDULE OVERVIEW

The Project is currently comprised of two DBB construction contracts. As shown in Table 2-1 below, the Project construction will allow for substantial completion of Contract 1 by November 2025 and Contract 2 November 2026. The Project construction will allow for final completion in May 2026 for Contract 1 and May 2027 for Contract 2. Table and figure years illustrated are State Fiscal Years (SFY) which are from July 1st through June 30th of the following calendar year (IE. SFY 2024 is July 1, 2023, through June 30, 2024).

TABLE 2-1. PROJECT SCHEDULE OVERVIEW

Phase / SFY	2023 & Prior	2024	2025	2026	2027	2028
PE / Environmental	IFP					
Final Design	IFP					
Right of Way	IFP					
Construction			IFP - Contract 1			
				IFP - Contract 2		
CEI, Admin			IFP			
Utilities & RR	IFP					

PROCUREMENT SCHEDULE

The INDOT anticipates awarding construction Contract 1 in February 2024 and Contract 2 July 2025 as shown in the procurement schedule below (see Table 2-2).

TABLE 2-2. PROCUREMENT SCHEDULE

Schedule Item	Contract 1	Contract 2
Project Advertisement	1/17/2024	6/11/2025
Field Checks	7/25/2023	8/29/2023
Submittal of Cost Proposals/Bid Letting	2/15/2024	7/9/2025
Substantial Completion	11/31/25	11/31/26
Contract Completion Date	5/1/2026	5/1/2027

PERMITS AND APPROVALS

The RFP for construction includes provisions to ensure compliance with all NEPA commitments. The INDOT has applied for permits with key federal regulatory agencies. The permits and notifications that may be required by the CE-4 are outlined in Table 2-3 below.

TABLE 2-3. REQUIRED PERMITS AND NOTIFICATIONS

Agency	Permit/Notification	Responsibility
U.S. Army Corps of Engineers	Section 404 Permit for Discharge of Dredged or Fill Material into Waters of the United States	INDOT

Agency	Permit/Notification	Responsibility
Indiana Department of Environmental Management	Section 401 Water Quality Certification	INDOT
Indiana Department of Environmental Management	Construction Stormwater General Permit	INDOT
Indiana Department of Natural Resources	Construction in a Floodway Permit	INDOT

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

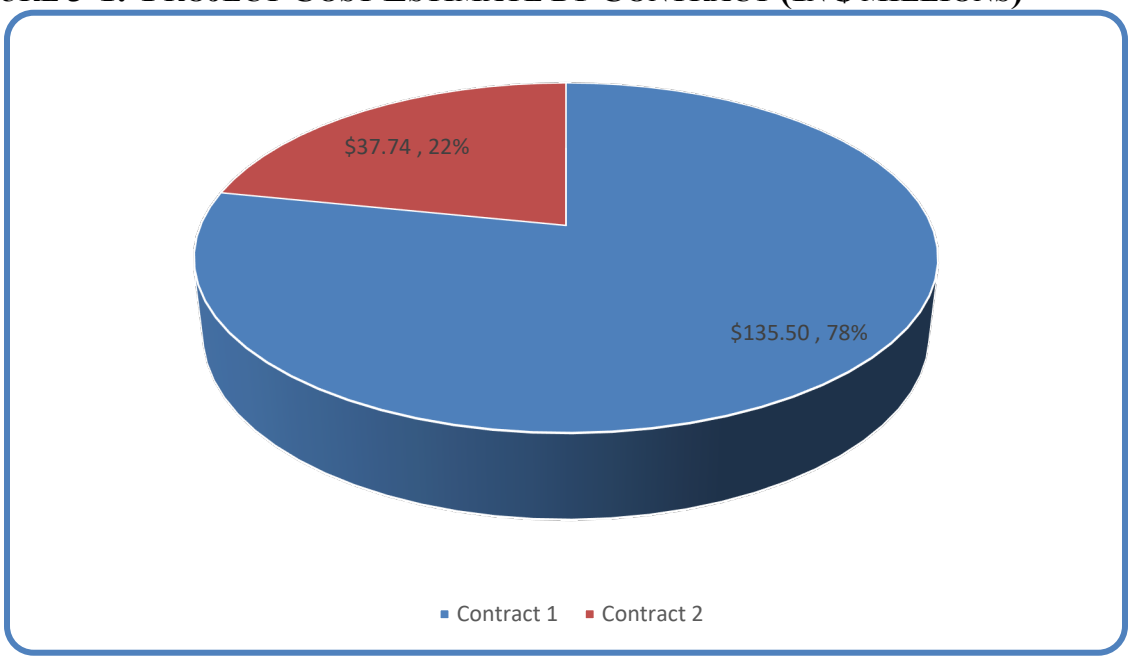
The total estimated cost for the Project is $173.24 million in year of expenditure (YOE) dollars. Unless otherwise stated in this financial plan, all monies/$ are shown in YOE. This cost estimate includes the most current project phasing and anticipated schedule. Table 3-1 below provides an overview of costs, broken down by work phase. The cost estimate was developed as part of final design.

TABLE 3-1. PROJECT COST ESTIMATE BY PHASE (IN $ MILLIONS)

Phase	Contract 1	Contract 2	Phase Total
PE / Environmental	$ 13.02	$ 0.03	**$ 13.05**
Right of Way	$ 1.48	$ -	**$ 1.48**
Construction	$ 117.44	$ 37.69	**$ 155.13**
CEI & Admin	$ 0.30	$ -	**$ 0.30**
Utilities & Railroad	$ 3.27	$ 0.02	**$ 3.29**
Contract Total	**$ 135.50**	**$ 37.74**	**$ 173.24**

Figure 3-1 illustrates the Project cost estimate by contract. As shown, Contract 1 is the largest with the majority of the Evansville urban area within the Contract limits/termini.

FIGURE 3-1. PROJECT COST ESTIMATE BY CONTRACT (IN $ MILLIONS)



Cost Estimating Methodology

Initial cost estimates were developed by consultant in conjunction with INDOT and FHWA. The cost estimates were developed by breaking down the Project into activities. The methodology for each element is further described below in Table 3-2.

Table 3-2. Cost Estimating Methodology

Cost Elements
Engineering and Design
Preliminary and final engineering design services.
Engineering and design cost estimates are currently estimated at 8.4% 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 0.12% of the construction cost estimate.
Construction
Estimated cost of construction.
Construction estimates reflect current prices inflated for YOE utilizing a DBB 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 to evaluate the overall potential cost impact.
Enhancements
Various Project-related commitments as identified in the anticipated CE-4.
This includes fixed dollar commitments made for various NEPA commitments.

Project Expenditures

Table 3-3 shows the breakdown of costs for the Project annually by work phase and SFY. Approximately $8.17 million has been expended on the Project through the as of date, July 31, 2023. Anticipated expenditures in future years are summarized in the table as well. SFY23 and prior includes actual expenditures. SFY24 includes to date actual expenditures, prior obligations not yet expended (encumbered balances that carry forward for use – see carry over line in Table 6-3), and estimated expenditures of any funds not yet obligated that are programmed. SFY25 through SFY28 represent estimated expenditures.

Table 3-3. Project Cost Estimate by Fiscal Year (In $ Millions)

Phase	2023 & Prior	2024	2025	2026	2027	2028	Phase Total
PE / Environmental	$ 8.16	$ 2.35	$ 1.03	$ 1.00	$ 0.50	$ -	**$ 13.05**
Right of Way	$ 0.00	$ 1.47	$ -	$ -	$ -	$ -	**$ 1.48**
Construction	$ -	$ 24.25	$ 53.23	$ 43.23	$ 27.41	$ 7.00	**$ 155.13**
CEI & Admin	$ -	$ 0.06	$ 0.06	$ 0.06	$ 0.06	$ 0.06	**$ 0.30**
Utilities & Railroad	$ -	$ 2.06	$ 1.23	$ -	$ -	$ -	**$ 3.29**
Total	**$ 8.17**	**$ 30.20**	**$ 55.55**	**$ 44.29**	**$ 27.97**	**$ 7.06**	**$ 173.24**

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. INDOT has developed a financial plan that considers the state and federal transportation funding and identifies the current and future funding sources 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 conventional delivery method selected by Indiana provides a straightforward approach to using state and federal funding sources.

PROCUREMENT APPROACH AND FINANCING

The Project will be procured using a DBB procurement model. Under this model, INDOT will make progress payments to a design consultant and contractor separately as work is progressed for their respective scopes of work. INDOT will make other payments for right of way acquisition, utility relocations, and railroad coordination services as appropriate.

A combination of state and federal funds will be used to make progress payments to the contractor. INDOT will budget for these using INDOT's state appropriations 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 Surface Transportation Block Grant Program (STBGP).

STATE TRANSPORTATION AND FEDERAL-AID FORMULA FUNDING

NHPP funds combined with state funding from gas and wheel taxes will be used to fully fund the project. The Federal to non-Federal funds ratio of 73 to 27 percent as of the IFP is anticipated as described below in Table 4-1. Indiana has a demonstrated track record of meeting their state match obligations with a variety of state funding sources, including state-imposed fuel taxes and a variety of transportation-related fees.

Based on expectations regarding the availability of federal funding, as well as expectations regarding the availability of corresponding state transportation funds, an estimated $173.24 million of federal-aid highway formula and state transportation funds are reasonably expected to be available to the Project (see Table 4-1). This includes $12.03 million of federal and state funds obligated through SFY23. Any funds authorized with FHWA under Advanced Construction (AC) are shown as State funds until they are converted to obligation limitation, see Table 6-2.

SFY23 and prior represent actual obligations from programmed funds. SFY24 represent actual obligations and any funds programmed, not yet obligated. SFY25through 2029 are programmed funds for future obligation.

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

Fund Type	2023 & Prior	2024	2025	2026	2027	Total
Federal						
NHPP	$ 0.09	$ 61.25	$ 19.60	$ 18.59	$ 27.53	**$ 127.06**
STBGP	$ 0.24	$ -	$ -	$ -	$ -	**$ 0.24**
Federal Subtotal	$ 0.33	$ 61.25	$ 19.60	$ 18.59	$ 27.53	**$ 127.29**
State						
Highway Fund	$ 10.91	$ 17.82	$ 4.90	$ 4.65	$ 6.88	**$ 45.16**
Lease Proceeds	$ 0.79	$ -	$ -	$ -	$ -	**$ 0.79**
State Subtotal	$ 11.70	$ 17.82	$ 4.90	$ 4.65	$ 6.88	**$ 45.95**
Total	$ 12.03	$ 79.07	$ 24.49	$ 23.23	$ 34.41	**$ 173.24**

PROGRESS PAYMENTS

The progress payments will be funded with a combination of state and federal funds appropriated by INDOT. In addition to being reflected in INDOT's internal budget and financial control systems, all anticipated funding amounts are reflected in the fiscally constrained 2024-2028 Statewide Transportation Improvement Program (STIP) as well as the Evansville Metropolitan Planning Organization (EMPO) 2024-2028 Transportation Improvement Program (TIP).

FEDERAL DISCRETIONARY FUNDING

The Project has not utilized funding outside of federal-aid formulary and state transportation funds appropriated to INDOT to date. INDOT has applied for Infrastructure for Rebuilding America (INFRA) grant funds for this Project. If the grant application is successful INDOT will be able to construct the project in the way in which it will allow for consistent uninterrupted travel for the motoring public. Increasing safety through 20 years with intersection improvements and diminishing frequent disruptions due to patching needs as described below.

If FY23 INFRA funds are not received, the Project will be impacted in the following ways. The major pavement work will be removed in exchange for a series of frequent patching and resurfacing treatments resulting in frequent disruptions and an estimated $55 million in emergency patching over 20 years. The condition of the Project's bridges will continue to deteriorate ultimately resulting in load posting on the bridge over the CSX railroad whose condition is already in poor condition. Intersection improvements will be delayed until funding becomes available, resulting in a further diminishment of level of service beyond level E (unacceptable per INDOT design manual).

If FY 2023 INFRA funds are not secured; pavement condition, bridge structural integrity, and level of service will all continue to worsen. As a result, INDOT will be forced to implement emergency maintenance on the roadway and bridges until the project can be fully funded. This setback will postpone much needed traveler safety benefits and impose excessive traffic delays as a result of more frequent construction maintenance.

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

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

TABLE 6-1. ESTIMATED PROJECT SOURCES AND USES OF FUNDS (IN $ MILLIONS)

Sources & Uses of Funds	Amount
Sources of Funds	IFP
IN Federal & State Formulary	$ 173.24
Source of Funds Subtotal	$ 173.24
Uses of Funds	
Design & Construction	$ 172.94
CEI & Admin	$ 0.30
Uses of Funds Subtotal	$ 173.24

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, 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 obligation limitation while future year expenditure estimates will remain under AC. At no time will Indiana's AC exceed Indiana's future federal estimates. As shown in Table 6-2 below, the Project currently has $0.96 million of funding in AC.

TABLE 6-2. ADVANCED CONSTRUCTION FUNDING STATUS (IN $ MILLIONS)

State Fiscal Year	Amount AC'd to Date	Amount Converted to Date	Amount Remaining in AC
2023 & Prior	$ 1.06	$ 0.10	$ 0.96

PROJECTED CASH FLOWS

Table 6-3 summarizes the prior, current, and anticipated total, annual cash outlays for the Project and does not reflect the cash flow timing effects of the various financing mechanisms but rather the underlying total Project expenditures.

The cash flows table is formed from the information in Table 3-3 and 4-1. The funding from Table 4-1 is populated in the Revenues section while the expenditure information is from Table 3-3 in the expenditures section. The difference between each SFY funding and expenditures becomes a carryover amount to the subsequent SFY. As Table 6-3 illustrates, it is anticipated that the Project will have obligated funding to carry over into SFY28 as the Project nears

completion.

TABLE 6-3. CASH FLOWS (IN $ MILLIONS)

Revenues	2023 & Prior	2024	2025	2026	2027	2028	Total
Carry Forward		$ 3.86	$ 52.74	$ 21.68	$ 0.62	$ 7.06	
INDOT Funding	$ 12.03	$ 79.07	$ 24.49	$ 23.23	$ 34.41	$ -	**$ 173.24**
Revenue Subtotal	**$ 12.03**	**$ 79.07**	**$ 24.49**	**$ 23.23**	**$ 34.41**	**$ -**	**$ 173.24**
Total Revenue Available	**$ 12.03**	**$ 82.94**	**$ 77.23**	**$ 44.91**	**$ 35.03**	**$ 7.06**	
Expenditures							
Preliminary Engineering	$ 8.16	$ 2.35	$ 1.03	$ 1.00	$ 0.50	$ -	**$ 13.05**
Right of Way	$ 0.00	$ 1.47	$ -	$ -	$ -	$ -	**$ 1.48**
Construction	$ -	$ 24.25	$ 53.23	$ 43.23	$ 27.41	$ 7.00	**$ 155.13**
CEI & Administrative	$ -	$ 0.06	$ 0.06	$ 0.06	$ 0.06	$ 0.06	**$ 0.30**
Utilities	$ -	$ 2.06	$ 1.23	$ -	$ -	$ -	**$ 3.29**
Expenditures Subtotal	**$ 8.17**	**$ 30.20**	**$ 55.55**	**$ 44.29**	**$ 27.97**	**$ 7.06**	**$ 173.24**
Net Cash Flow	**$ 3.86**	**$ 52.74**	**$ 21.68**	**$ 0.62**	**$ 7.06**	**$ -**	

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 using a DBB delivery method. While not a P3 procurement, the DBB project will be managed administratively the same.

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 Program that resides within the Major Projects Delivery Department. The Major Projects Delivery Department is responsible for delivering and overseeing P3s and alternative procurement projects at INDOT. This Project will be managed by the Vincennes District.

BENEFITS – DISADVANTAGES COMPARISON

The Project is being procured using a DBB 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 is 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.

- **Improved accountability:** One party, the Successful 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 Successful 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 contract. The contract 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 proposers.

Risk Location Analysis

INDOT employs a two-step screening process when assessing whether a project should be delivered using an alternative delivery model. During the initial project screening phase, INDOT reviews available project information and data and assesses the project against a set of screening criteria to determine the feasibility of delivering a proposed project via an alternative delivery method. Table 7-1 below summarizes criteria examined during the initial project screening phase. The primary screening criteria are merely a guide for assessment. A project that does not meet some or all the primary screening criteria may still advance to a secondary screening based on other considerations. Other unique characteristics of the project may require assessment of additional considerations.

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

High Level Project Screening Criteria	
Project Complexity	Is the project sufficiently complex in terms of technical and/or financial requirements to effectively leverage private sector innovation and expertise?
Accelerating Project Development	If the required public funding is not currently available for the project, could using a P3 delivery method accelerate the delivery of the project?
Transportation Priorities	Is the project consistent with overall transportation objectives of the State?
	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?

High Level Project Screening Criteria	
	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 considered such as tolling, user charges, or use of public funds?
	Is legislation needed to complete the project?

Detail Project Screening Criteria	
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 it was determined that the Project is not a strong candidate for a P3 procurement. Table 7-3 below provides additional considerations to the Project using the DBB delivery model.

TABLE 7-3. INDOT P3 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 DBB delivery for the following reasons:

- The project is large and located in a high traffic volume area (with freight and truck traffic volume at about 2.5% 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 in an urban area 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 proposers willing to bid under a DBB model.

Therefore, the INDOT identified the DBB model as the preferred procurement 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. Aside from funding, other market conditions factor into the procurement method. The construction labor market conditions are currently saturated with several other major construction projects in the regional area. Two of these projects are alternative procurement of design build low bid and design bid best value projects which reduces the viability of another proposer entering the area. The current issues around supply chain disruptions presents a market condition to which proposers could view negatively in their schedule and bid.

CHAPTER 8. RISK AND RESPONSE STRATEGIES

INTRODUCTION

This chapter addresses several important factors that could affect the Project and the financial plan for the Project. These risks fall under one or more of the following categories: Project Cost, Project Schedule, Financing, and Procurement. Significant consideration has been given to identifying risks and potential mitigation measures, and this chapter outlines these factors. Additionally, this chapter addresses the impact of the state's financial contribution to the Project on its respective statewide transportation program.

PROJECT COST RISKS AND MITIGATION STRATEGIES

The following factors shown in Table 8-1 have been identified as possible reasons for cost overruns/cost changes.

TABLE 8-1. PROJECT COST – RISKS AND RESPONSE STRATEGIES

Risk	Mitigation Strategy	Likelihood of Occurrence	Impact of Occurrence
Original Cost Estimates			
The risk that original cost estimates are lower than bids received.	Recent US DBB and P3 experience indicates that competition may result in aggressive bids below the state sponsor's estimates. Regardless, the DBB RFP requires that all bids come in at or below $156 million. It is the expectation of the Project Sponsor that the planned DBB procurement approach will help to accelerate project delivery and, in turn, reduce costs, which should help to maximize the scope delivered for the maximum $156 million contract price.	Low	Low
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 consider current low commodity prices and relatively high unemployment rates which are expected to result in favorable contract pricing. However, if INFRA grant funds are not received, and INDOT chooses to mitigate the risk by delaying the project improvements, the project will increase further due to inflation. INDOT's Inflation Calculator has forecasted the intersections will increase by more than $6 million by 2029. The Pavement Replacements are projected to increase by more than $18 million by 2029. If FY 2023 INFRA funds are not secured, in 2029 the total project costs would increase by over $28 million.	Medium	Medium
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 DBB 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.	High	Medium

Risk	Mitigation Strategy	Likelihood of Occurrence	Impact of Occurrence
Cost Overruns During Construction			
Cost overruns after start of construction could result in insufficient upfront funds to complete the project.	A DBB or progress payment concession structure helps transfer much of this risk from the public to the private sector design-builder.	Medium	Low
Materials Supply Chain			
Supply chain disruptions could delay completion of the project or increase the cost of materials.	Some manufacturing was halted due to the COVID-19 health crisis while others experienced historical labor shortages. The affects have disrupted a number of industry supply chains for materials and as result prices are volatile, and receipt of goods are not time guaranteed. Longer than normal advertisement periods are scheduled for the lettings as well as the Project broken into to sequenced contracts. This will provide for longer planning and procurement lead times.	High	Medium

PROJECT SCHEDULE RISKS AND MITIGATION STRATEGIES

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

TABLE 8-2. PROJECT SCHEDULE – RISKS AND RESPONSE STRATEGIES

Risk	Mitigation Strategy	Likelihood of Occurrence	Impact of Occurrence
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.	Low	High
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.	Medium	Low
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.	Low	Low

Risk	Mitigation Strategy	Likelihood of Occurrence	Impact of Occurrence
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.	Low	Medium
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.	Medium	High
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.	High	Medium
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.	Medium	High
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.	High	Medium
Materials Supply Chain			
Supply chain disruptions could delay completion of the project or increase the cost of materials.	Some manufacturing was halted due to the COVID-19 health crisis while others experienced historical labor shortages. The affects have disrupted a number of industry supply chains for materials and as result prices are volatile, and receipt of goods are not time guaranteed. Longer than normal advertisement periods are scheduled for the lettings as well as the Project broken into to sequenced contracts. This will provide for longer planning and procurement lead times.	High	Medium

FINANCING RISKS AND MITIGATION STRATEGIES

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

strategies.

TABLE 8-3 FINANCING AND REVENUE – RISKS AND RESPONSE STRATEGIES

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

PROCUREMENT RISKS AND STRATEGIES

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

TABLE 8-4. PROCUREMENT – RISKS AND RESPONSE STRATEGIES

Risk	Mitigation Strategy
Delay in Procurement	
The State does not receive affordable bids.	INDOT contracting procedures include contingencies and processes for re-advertising and re-scheduling letting of contracts.

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 IFP are reasonably expected to be available, and without adverse impacts on the State's overall transportation program or other funding commitments. Indiana has provided funding for the Project through a combination of state and federal funding, including the Project in the State's capital program. Indiana will continue to make specific financial commitments to the Project based on its standard budget procedures and in accordance with the STIP, which considers the needs of the overall transportation program and other projects throughout the State. INDOT is using the biennium appropriations for progress payments showing that Indiana has allocated these appropriations out of INDOT's Capital Program. INDOT estimates that these future payments will be 1.3% of its capital program. Funding for the Project from INDOT federal authorizations is estimated to be 3% of the NHPP and 0.01% of STBGP.

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 July 31, 2023. Future updates will be submitted to FHWA by October 31st each subsequent year through substantial completion.