



BRENT SPENCE BRIDGE CORRIDOR

Moving the Economy,
Creating Jobs

BRENT SPENCE BRIDGE
REPLACEMENT/REHABILITATION PROJECT

INITIAL FINANCIAL PLAN

PROJECT IDENTIFIER(S): HAM-71/75-0.00/0.22, PID 75119
HAM-71-0.00, PID 89077
HAM-75-0.22, PID 89068
Kentucky Project Item No. 6-17

DECEMBER 31, 2013

Submitted to: Federal Highway Administration

Submitted by: Ohio Department of Transportation
Kentucky Transportation Cabinet



TABLE OF CONTENTS

SUMMARY iii

 PROJECT OVERVIEW iii

 PROJECT MANAGEMENT AND OVERSIGHT iii

 PROJECT HISTORY iii

 OVERVIEW OF THE INITIAL FINANCIAL PLAN iv

 INITIAL FINANCIAL PLAN ORGANIZATION iv

INTRODUCTION..... 1

 PROJECT SPONSORS 1

 PROJECT DESCRIPTION 1

 PROJECT HISTORY 3

 PROJECT MANAGEMENT AND OVERSIGHT 4

CHAPTER 1. PROJECT COST ESTIMATE.....5

 1.1 CURRENT COST ESTIMATE 5

 1.2 COST ESTIMATING METHODOLOGY 7

 1.3 INFLATION ASSUMPTIONS 8

 1.4 EXPENDITURES TO DATE AND COST TO COMPLETE 8

 1.5 FINANCING AND INTEREST COSTS 8

 1.6 OPERATIONS AND MAINTENANCE COSTS 9

CHAPTER 2. IMPLEMENTATION PLAN.....11

 2.1 PROJECT DELIVERY APPROACH 11

 2.2 PROJECT SCHEDULE 11

 2.3 CURRENT PROJECT STATUS..... 12

CHAPTER 3. PROJECT FUNDING13

 3.1 FINANCIAL PLAN APPROACH 13

 3.2 PROJECT FUNDING 14

CHAPTER 4. PROJECT CASH FLOW.....17

 4.1 PROJECT EXPENDITURE DETAIL..... 17

 4.3 CASH MANAGEMENT TECHNIQUES 19

CHAPTER 5. RISK IDENTIFICATION AND OTHER FACTORS.....20

 5.1 REQUIRED LEGISLATIVE AND OTHER ACTIONS..... 20

 5.2 PROJECT COST RISKS AND MITIGATION STRATEGIES 21

 5.3 PROJECT SCHEDULE RISKS AND MITIGATION STRATEGIES..... 22

 5.4 FINANCING AND REVENUE RISKS AND MITIGATION STRATEGIES 24

 5.5 PROCUREMENT RISKS AND MITIGATION STRATEGIES 25

 5.6 IMPACT ON STATEWIDE TRANSPORTATION PROGRAMS..... 25

 5.7 FUTURE UPDATES..... 26

LIST OF TABLES AND FIGURES

Figure Intro-1. Brent Spence Bridge Study Area..... 2

Table 1-1. Brent Spence Bridge Project Cost Estimate (in year-of-expenditure dollars)..... 5

Figure 1-1. Brent Spence Bridge Project Costs by Element (in year-of-expenditure dollars) 6

Table 1-2. Brent Spence Bridge Project Costs by Element (in year-of-expenditure dollars) 6

Table 1-3. Cost Estimating Methodology 7

Table 1-4. Cost to Complete (Expenditures to Date and Projected Future Expenditures by State Fiscal Year).. 8

Table 1-5. Brent Spence Bridge Operations and Maintenance Costs (\$ in millions)..... 9

Figure 2-1. Project Schedule 12

Table 2-1. Current Activities and Status..... 12

Table 3-1. Brent Spence Bridge Project Funding by Source and State Fiscal Year 16

Figure 4-1. Illustrative Sources and Uses of Funds During Construction 17

Table 4-1. Project Outlays by Segment (in year-of-expenditure dollars) 18

Table 4-2. Project Outlays by State (in year-of-expenditure dollars) 18

Table 5-1. Required Legislative and Other Governmental Actions – Risks and Mitigation Strategies..... 20

Table 5-2. Project Cost – Risks and Mitigation Strategies..... 21

Table 5-3. Project Schedule – Risks and Mitigation Strategies 22

Table 5-4. Financing and Revenue – Risks and Mitigation Strategies..... 24

Table 5-5. Procurement – Risks and Mitigation Strategies..... 25

SUMMARY

This document presents the Initial Financial Plan (IFP or Financial Plan) for the Brent Spence Bridge Replacement/Rehabilitation Project (the Project). This Financial Plan includes the current schedule for delivering the Project, current cost estimates and expenditure data through State Fiscal Year (SFY) 2013, and the latest financial analyses developed for the Project, including consideration of the potential role for a public-private partnership (P3) approach.

PROJECT OVERVIEW

The Brent Spence Bridge Replacement/Rehabilitation Project includes improvements to a 7.8-mile corridor of Interstate 75 (I-75) within the State of Ohio and the Commonwealth of Kentucky that includes the existing Brent Spence Bridge over the Ohio River. The purpose of the Project is to improve the operational characteristics within the I-75 corridor for both local and through traffic. Specific objectives for the Project are to:

- Improve traffic flow and level of service;
- Improve safety;
- Correct geometric deficiencies; and
- Maintain connections to key regional and national transportation corridors.

PROJECT MANAGEMENT AND OVERSIGHT

The State of Ohio, acting through the Ohio Department of Transportation (ODOT), and the Commonwealth of Kentucky, acting through the Kentucky Transportation Cabinet (KYTC), are collectively the project sponsors for the Project, with ODOT serving as the designated lead agency. The states are operating under a bi-state agreement, the third supplement to which was entered into on December 12, 2012 which establishes the roles and responsibilities of each state and calls for the creation of a Bi-state Management Team (BSMT) to jointly oversee the Project.

PROJECT HISTORY

The Project has been under consideration and development since 2000, with recent milestones as highlighted below:

2011 *Bridge Type Selection Report* completed (March 2011)



- Preferred Alternative Verification Report* completed (May 2011)
- 2012 *Environmental Assessment (EA)* approved for public availability (March 2012)
Finding of No Significant Impact (FONSI) received (August 2012)
- 2013 *Options Analysis* study recommendations reviewed and action plans finalized
Right-of-way acquisition process initiated in Ohio

The states anticipate the Project to be complete and open to traffic by SFY 2020.

OVERVIEW OF THE INITIAL FINANCIAL PLAN

The current total project cost estimate for the Project is \$2.63 billion (in year-of-expenditure dollars). This estimate is exclusive of interest and financing costs and operations and maintenance (O&M) costs. With preliminary estimates of financing and interest costs, the estimated total upfront funding that will need to be raised for the Project is \$3.57 billion.

The Project is presently being considered for delivery using a design-build-finance-operate-maintain (DBFOM) approach via an availability payment (AP) form of a public-private partnership to construct, operate, and maintain the Project. Funding for the Project is expected to be derived primarily from Project tolling, with financial support for development activities provided by both states. Toll revenues are expected to be leveraged through a combination of capital market financing and, to the extent available, the Transportation Infrastructure Finance and Innovation Act (TIFIA) federal financing program.

INITIAL FINANCIAL PLAN ORGANIZATION

This document demonstrates the states' commitment to completing the Project and to sound financial planning, as required by Section 106(h) of Title 23, as amended by Section 1904(a)(2) of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) and further amended by Section 1503(a)(4) of Moving Ahead for Progress in the 21st Century (MAP-21). This document addresses the following elements:

- **Introduction** – provides an overview of the Project by section, describes the management plan, and provides a history of the Project to date, including a review of the status of all ongoing activities.
- **Chapter 1. Project Cost Estimate** – provides a detailed estimate of Project costs, summarizes the costs incurred to date, and provides detail on key cost-related assumptions.
- **Chapter 2. Implementation Plan** – offers information on the planned delivery method and schedule for completing the Project, including information regarding the assignment of responsibilities and a summary of the necessary permits and approvals.
- **Chapter 3. Project Funding** – describes the Project's plan of finance, including the anticipated sources of funds and financing methods.

- **Chapter 4. Project Cash Flow** – provides an annual construction cash flow schedule and an overview of the planned sources and uses of funds as well as addressing the states plans for utilizing various cash management techniques.
- **Chapter 5. Risk Identification and Other Factors** – identifies anticipated risks that could affect the Project, particularly the Financial Plan and reviews mitigation strategies to manage such risks; also addresses the anticipated financial impact of the Project on each state’s transportation program.

The effective date for expenditure information in this IFP is June 30, 2013. The effective date for future annual updates will be June 30 each year. Annual updates will be submitted to FHWA for approval within 90 days of the effective date, or by September 30 each year.

INTRODUCTION

This document presents the Initial Financial Plan (IFP or Financial Plan) for the Brent Spence Bridge Replacement/Rehabilitation Project (the Project), including current cost estimates, expenditure data through State Fiscal Year (SFY) 2013, the current schedule for delivering the Project, and the financial analyses developed for the Project, including the potential role for a public-private partnership approach (P3). This IFP has been prepared generally in accordance with FHWA's Interim Major Project Financial Plan Guidance dated September 24, 2012 and in accordance with 23 USC §106(h)(3)(C), MAP-21 §1503(a)(4)(B).



PROJECT SPONSORS

The State of Ohio, acting through the Ohio Department of Transportation (ODOT), and the Commonwealth of Kentucky, acting through the Kentucky Transportation Cabinet (KYTC), are collectively the project sponsors for the Brent Spence Bridge Replacement/Rehabilitation Project.

PROJECT DESCRIPTION

ODOT and KYTC plan to improve a 7.8-mile corridor of Interstate 75 (I-75) within the State of Ohio (state line mile 2.7) and the Commonwealth of Kentucky (state line mile 186.7). The southern limit of the Project is 5,000 feet south of the midpoint of the Dixie Highway Interchange on I-71/I-75 in Fort Wright, south of Covington, Kentucky. The northern limit of the Project is 1,500 feet north of the midpoint of the Western Hills Viaduct Interchange on I-75 in Cincinnati, Ohio. The eastern and western limits of the study area generally follow the existing alignment of I-75 (see Figure 1).

Within the Greater Cincinnati/Northern Kentucky region, I-75 is a major thoroughfare for local and regional mobility. The I-75 corridor also is a major north-south transportation corridor, one of the busiest freight movement (trucking) routes, and an important link for the local, regional, and national economies.

Locally, I-75 connects to I-71, I-74, and US Route 50. The Brent Spence Bridge provides an Interstate connection over the Ohio River and carries both I-71 and I-75 traffic. The bridge also facilitates local travel by providing access to downtown Cincinnati (Hamilton County), Ohio and Covington (Kenton County), Kentucky. Safety, congestion, and geometric problems exist on the current structure and its approaches. The Brent Spence Bridge, which opened to traffic in 1963, was designed to carry 80,000 vehicles per day. Currently, approximately 160,000 vehicles per day use the bridge and traffic volumes have been projected to increase to over 230,000 vehicles per day by 2035 based on a non-tolled scenario completed during the Project's Preliminary Engineering phase.

The purpose of the Project is to improve the operational characteristics within the I-75 corridor for both local and through traffic. Specific objectives are to:

- Improve traffic flow and level of service;
- Improve safety;
- Correct geometric deficiencies; and
- Maintain connections to key regional and national transportation corridors.

Figure Intro-1. Brent Spence Bridge Study Area



The Project consists of the following three project segments:

Kentucky Approach

The Kentucky approach consists of the reconstruction of the Kyles Lane and Dixie Highway interchanges and the construction of a collector-distributor system to access the Covington local connections. In addition to the interchange reconstruction, additional capacity is being constructed on the interstate mainline. Project limits begin at the southern terminus of the Dixie Highway Interchange and extends to the Brent Spence Bridge for a total of length of approximately 4.2 miles.

Ohio Approach

The Ohio approach consists of reconstruction of the I-71/I-75/US-50 interchange as well as capacity improvements on I-75 from the Ohio/Kentucky state line through the Western Hills Viaduct interchange. The Western Hills Viaduct interchange reconstruction is also part of the Ohio approach segment.

River Bridges

The river bridges segment consists of construction of a new Ohio River crossing and the major rehabilitation to the existing Brent Spence Bridge. The new Ohio River Bridge and the rehabilitated Brent Spence Bridge will provide additional capacity in the corridor. The new parallel structure immediately adjacent to the existing Brent Spence Bridge will be a double deck configuration and will carry I-75 southbound (SB) and I-71 SB on the upper deck. The lower deck will carry I-75 northbound (NB) and local traffic SB via a CD segment. The existing Brent Spence Bridge will be rehabilitated and reconfigured to carry I-71 NB traffic on the upper deck and local traffic NB via a CD segment on the lower deck.

PROJECT HISTORY

The Project has been under consideration and development since 2000, with key milestones as highlighted below:

- 2000 Ohio-Kentucky-Indiana Regional Council of Governments (OKI) and the Miami Valley Regional Planning Commission (MVRPC) via a partnership with ODOT and KYTC undertook a Major Investment Study (MIS) of the I-75 corridor, *North-South Transportation Initiative* (completed February 2004)
- 2003 KYTC initiated an engineering feasibility study to investigate bridge replacement options, *Feasibility and Constructability Study of the Replacement/Rehabilitation of the Brent Spence Bridge* (completed May 2005)
- 2005 Preliminary Engineering / NEPA activities started (June 2005)
- 2006 *Planning Study* completed (September 2006)
- 2009 *Conceptual Alternatives Study* completed (April 2009)
- 2011 *Bridge Type Selection Report* completed (March 2011)
Preferred Alternative Verification Report completed (May 2011)
- 2012 *Environmental Assessment (EA)* approved for public availability (March 2012)
Finding of No Significant Impact (FONSI) received (August 2012)

Options Analysis study initiated (December 2012)

2013 *Options Analysis study* recommendations reviewed and action plans finalized
Right-of-way acquisition process initiated in Ohio

PROJECT MANAGEMENT AND OVERSIGHT

The Project will be overseen jointly by ODOT and KYTC, with ODOT as the designated lead agency. The states are operating under a bi-state agreement, the third supplement to which was entered into on December 12, 2012 which establishes the roles and responsibilities of each state and calls for the creation of a Bi-state Management Team (BSMT) to jointly oversee the Project. This agreement will be updated periodically as the Project progresses through the development phases and project delivery and financing plans are more fully established and mutual agreement is reached regarding the responsibilities of each state.



CHAPTER 1. PROJECT COST ESTIMATE

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 and cost to complete for the Project and provides detail on key cost-related assumptions.

1.1 CURRENT COST ESTIMATE

The current total project cost estimate for the Brent Spence Bridge Replacement/Rehabilitation Project is \$2.63 billion (in year-of-expenditure dollars), as shown in Table 1-1. This estimate is exclusive of interest and financing costs and operations and maintenance (O&M) costs, which are addressed separately (see discussion below). With preliminary estimates of financing and interest costs, the estimated total upfront funding that will need to be raised for the Project is \$3.57 billion, as discussed further below (also see Chapters 3 and 4 for additional information on the preliminary plan of finance).

Table 1-1. Brent Spence Bridge Project Cost Estimate (in year-of-expenditure dollars)

Project Segment	Total Cost (1)
Kentucky Approach	630.5
River Bridges	707.6
Ohio Approach	1,007.4
Other Costs	
Preliminary Engineering/ Design/ Construction Engineering Inspection	270.6
Toll System	13.5
Oversight	2.3
Total Costs (2)	2,631.9

(1) Project costs do not include financing and interest costs.

(2) Total may not sum due to rounding.

The current cost estimate differs from the cost estimate resulting from the Cost Estimate Review (CER) conducted by the Federal Highway Administration (FHWA) and the two states in March 2012. The cost estimate resulting from the CER was forecasted to be between \$2.471 billion and \$2.884 billion. The CER also identified a forecasted cost of \$2.765 billion as the 70 percent confidence level cost (in year-of-expenditure dollars). The primary causes for differences between that cost estimate and the current estimate are changes in the project configuration, which are the result of a Practical Design and Value Engineering Workshop conducted with representatives from ODOT, KYTC, and FHWA in October 2012. The primary objective of the workshop was to produce alternative technical concepts to the preferred Alternative I. The result was development of an alternative approach, referred to as Alternative Ia, with the following primary changes:

- Reduction in main span pier spacing from 1,000 feet to 870 feet (approval received from the Coast Guard in January 2013);

- Use of network (instead of inclined) tied arch bridges for navigation span only; and
- Reduced shoulders, from 14 feet to 8 feet.

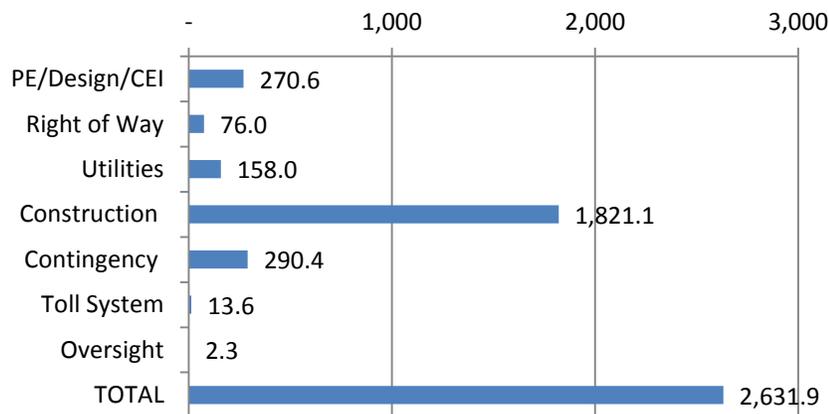
There also have been changes to inflation assumptions and other cost factors since the CER, which are reviewed further below.

Table 1-2 and Figure 1-1 provide a breakdown of Project costs by element, in year-of-expenditure dollars.

Table 1-2. Brent Spence Bridge Project Costs by Element (in year-of-expenditure dollars)

Cost Element	Cost
Preliminary Engineering/ Design / Construction Engineering Inspection	270.6
Right of Way	76.0
Utilities	158.0
Construction	1,821.1
Contingency	290.4
Toll System	13.5
Oversight	2.3
TOTAL	2,631.9

Figure 1-1. Brent Spence Bridge Project Costs by Element (in year-of-expenditure dollars)



1.2 COST ESTIMATING METHODOLOGY

Table 1-3 provides a summary of the cost estimating methodology for each of the primary project elements.

Table 1-3. Cost Estimating Methodology

Cost Element	Cost Estimate Inputs/Methodology
Preliminary Engineering/ Design/ Construction Engineering Inspection	<i>Project development costs to be borne by both states.</i> Costs include costs to conduct preliminary engineering and design activities prior to the P3 procurement as well as construction engineering inspection during the course of construction. Final engineering will be part of the alternative delivery contracts for the Brent Spence Bridge and both approaches.
Utilities	<i>All public and private project-related utility relocation and new utility construction.</i> Costs include those related to telephone, electric, gas, fiber optics, water, and sewer, and are based on the most up-to-date cost information available.
Right of Way Acquisition	<i>Appraisals, administration, management, and acquisition of required right of way.</i> Costs include completed and anticipated right of way acquisition and are based on the most up-to-date market information available.
Construction	<i>Estimated cost of construction.</i> Current estimated costs to construct new bridge across Ohio River, rehabilitate existing bridge, and redesign approaches in both Ohio and Kentucky, based on 2012 FHWA Cost Estimate Review and subsequent project development changes.
Contingency	<i>Contingency to cover additional costs associated with the current level of design and to address unforeseen circumstances that could result in additional cost.</i> Current contingency is 17% of the estimated construction and utility costs (on a net present value basis), consistent with ODOT Division of Estimating practices for a project of approximately 30% design completion. Contingency factors have been reviewed and adjusted based on the 2012 FHWA Cost Estimate Review that assessed the likelihood and potential cost of various major project risk items using a monte-carlo simulation to evaluate the overall potential cost impact.
Toll System Costs	<i>Toll collection and enforcement capital costs.</i> Capital costs for the toll system include the cost for equipment and necessary infrastructure located on the roadside, in the pavement, or over the roadway to detect vehicles and electronically gather information for payment collection. Other capital costs included the cost of all associated systems, software and offsite components to process the tolls collected.
Oversight	<i>Oversight costs borne by the states.</i> Includes technical, legal, and financial contractual services, and internal labor.

1.3 INFLATION ASSUMPTIONS

For the purposes of this IFP, the project sponsors have applied an inflation rate of 2.70 percent, which represents the 10-year moving average of the Consumer Price Index (CPI) for the region. This rate is lower than that applied in the FHWA CER process, reflecting the anticipated impact of market conditions and the competitive environment for projects of the scale of the Brent Spence Bridge Replacement/Rehabilitation Project, as evidenced by recent experience on other major river crossings in the area. Inflation assumptions will continue to be reviewed and adjusted as the Project proceeds through the development phases.

1.4 EXPENDITURES TO DATE AND COST TO COMPLETE

ODOT and KYTC have incurred approximately \$89 million of costs to date (expended and encumbered funds). This consists of approximately \$39.3 million for preliminary engineering and design and \$49.6 million for right of way and utilities. This leaves a cost to complete estimate of approximately \$2.54 billion (see Table 1.4 for each state's expenditures to date and anticipated costs to complete the Project, exclusive of financing and interest costs). Future costs for the River Bridges segment are allocated between the states based on lane miles within each state (roughly 80 percent Kentucky, 20 percent Ohio). In addition, each state is anticipated to be directly responsible for the costs for each of the two approach segments.

Table 1-4. Cost to Complete (Expenditures to Date and Projected Future Expenditures by State Fiscal Year)

SFY	KY	OH	Total
Thru 2013	20.9	68.1	89.0
Total Cost to Date	20.9	68.1	89.0
2014	28.8	47.6	76.4
2015	20.2	34.9	55.1
2016	115.2	149.8	265.0
2017	277.6	235.4	513.0
2018	317.6	246.3	563.9
2019	291.0	246.6	537.6
2020	284.9	247.1	531.9
Total Cost to Complete	1,335.2	1,207.7	2,542.9
Grand Total Project Costs	1,356.1	1,275.8	2,631.9

1.5 FINANCING AND INTEREST COSTS

At this time, financing and interest costs are under development and refinement as part of the development of the overall financing strategy for the Project. Current estimates of the financing and interest costs during the construction period (i.e., before toll revenues are available) equal \$937 million. This estimate includes interest costs during the construction period, issuance costs, and funding of necessary reserve funds to facilitate the plan of finance. The estimate is based on the currently anticipated financing structure for the Project, feedback from industry participants, prevailing market rates, and recent comparable market activity. Future annual

updates to this IFP will include further refinement of financing and interest cost estimates (see Chapter 3 for a discussion of the financing approaches under consideration).

1.6 OPERATIONS AND MAINTENANCE COSTS

At this point in time, ODOT and KYTC have developed preliminary estimates of operations and maintenance (O&M) costs, including routine roadway O&M costs related to the bridge and roadways as well as related to anticipated tolling operations. These costs are preliminary in nature and will be further updated as project delivery plans become more certain. Further, given the competitive procurement process that is anticipated for the Project, and to protect the bid process, only high-level information is provided.

The estimates provided in Table 1-6 reflect those developed in the Options Analysis. Routine O&M costs were established based on historical expenses within the project corridor applied to the proposed project configuration. O&M cost estimates are based on historic O&M costs for the interstate routes in the project area and the existing Brent Spence Bridge, as provided by ODOT. These costs were distributed into costs per highway lane mile, and then summarized for both approaches and the river bridges.

The tolling O&M component was derived using standard industry assumptions for similar facilities. Toll collection assumes the customer will either use a registered transponder to pay the toll or a photo of the vehicle's license plate will be captured for processing and enforcement. Maintenance costs include the annual routine maintenance of the toll system and recurring life cycle replacement costs. Operations costs include the costs to collect the tolls through offsite account management operations. The states have not yet established a toll policy. Therefore, this analysis includes certain assumptions, which are based on industry precedent. Such assumptions will be refined based on inputs from the states as legislation and policies are formulated.

Table 1-5. Brent Spence Bridge Operations and Maintenance Costs (\$ in millions)

ROADWAY AND BRIDGES O&M COSTS	FIRST YEAR COSTS (YOE)	TOTAL COSTS (YOE)	TOTAL COSTS (PV) (2)
O&M Cost #1 - KY Approach	0.2	20.0	4.6
O&M Cost #2 - OH Approach	0.3	28.2	6.4
O&M Cost #3 – River Bridges	0.1	6.3	1.4
O&M Cost #4 - Customer Service Center	0.6	917.8	176.8
O&M Cost #5 - Video Processing Center	11.7	1,298.2	271.9
O&M Cost #6 - Routine Maintenance	3.0	37.8	8.6
Total Operations & Maintenance (1)	16.1	2,308.3	469.8
Lifecycle Cost #1 – KY Approach	—	485.2	63.1

ROADWAY AND BRIDGES O&M COSTS	FIRST YEAR COSTS (YOE)	TOTAL COSTS (YOE)	TOTAL COSTS (PV) (2)
Lifecycle Cost #2 – OH Approach	—	602.9	85.3
Lifecycle Cost #3 – River Bridges	—	718.3	60.4
Lifecycle Cost #4 - Equipment Replacement	—	168.2	31.6
Total Lifecycle Costs (1)	—	1,974.7	240.4
Total (1)	16.1	4,282.9	710.3

(1) Totals may not sum due to rounding.

(2) A discount rate of 5% is used as a proxy for the states' long term cost of capital.

CHAPTER 2. IMPLEMENTATION PLAN

This chapter provides information on the planned delivery approach and implementation schedule for the Project. It also provides a summary of the environmental review process and necessary permits and approvals.

2.1 PROJECT DELIVERY APPROACH

The Brent Spence Bridge Replacement/Rehabilitation Project is presently being considered for delivery using a design-build-finance-operate-maintain (DBFOM) approach via an availability payment (AP) form of a public-private partnership to construct, operate, and maintain the Project. This approach involves a private sector partner assuming responsibility for design, construction, financing, operation, and maintenance of the Project over a specified period of time (e.g.; 35 years). In this delivery model, the public sector will compensate the private partner using a series of availability payments (and, likely, upfront milestone payments), on the condition that the facility is available and meets agreed-upon performance standards. The states currently anticipate that certain sections of the Project may be maintained by KYTC outside of the DBFOM concession in order to facilitate governmental purpose tax-exempt financing. The financial aspects of the planned approach are discussed further in Chapter 3.

In September 2013, ODOT and KYTC completed an Options Analysis to assess the quantitative and qualitative merits of various alternative project delivery approaches. Through that effort, the states explored whether alternative delivery options are appropriate for the Project, while still obtaining the overall project goals of 1) improving traffic flow and the level of service, 2) improving safety, 3) correcting geometric deficiencies, and 4) maintaining connections to key regional and national transportation corridors.

The consideration of alternative approaches is necessitated at least in part by the limited availability of federal funding currently and anticipated in the future. At existing funding levels, constructing the Project would absorb both states' entire major new funding capacity for several years. Therefore, alternative delivery and funding options, including tolling, are necessary to ensure the Project is built in the foreseeable future.

The Options Analysis initially considered four primary delivery alternatives: 1) design-bid-build; 2) design-build; 3) availability payment concession; and 4) toll revenue concession. For both qualitative and quantitative reasons, ODOT and KYTC chose to eliminate the design-bid-build alternative in favor of the cost and schedule benefits proven to be available through either a design-build or DBFOM delivery model. Similarly, following a market sounding exercise suggesting little market appetite as well as a high level quantitative analysis suggesting that toll revenues would not generate sufficient equity return to make a toll concession attractive to industry without a significant public subsidy, the full toll revenue concession alternative was eliminated. Thereafter, much of the focus has been on the DBFOM/availability payment concession as the potential delivery approach.

2.2 PROJECT SCHEDULE

Resulting from the FHWA CER process and associated adjustments to the project schedule, the Project is now anticipated to be complete by SFY 2020 (see Figure 2-1).

Figure 2-1. Project Schedule

State Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020
Environmental	[Orange bar]							
Preliminary Engineering/Design	[Green bar]							
Right-of-Way Acquisition	[Purple bar]							
Utilities	[Teal bar]							
Construction				[Red bar]				

2.3 CURRENT PROJECT STATUS

Table 2-1 provides the current status of key activities for the Project.

Table 2-1. Current Activities and Status

Project Section	Current Activities	Approximate Status
Overall Project	<ul style="list-style-type: none"> Environmental 	100% (update anticipated)
Kentucky Approach	<ul style="list-style-type: none"> Preliminary Engineering ROW Acquisition Utilities 	30% 0% 0%
Ohio Approach	<ul style="list-style-type: none"> Preliminary Engineering ROW Acquisition Utilities 	30% 40% 10%
Bridge Structures	<ul style="list-style-type: none"> Preliminary Engineering 	30%

NEPA Status

The Project received a Finding of No Significant Impact (FONSI) on August 9, 2012. The NEPA document, however, must be updated due to changes resulting from the selection of the preferred alternative, including the introduction of tolling. The Project is currently in an initial period of environmental due diligence focused on toll traffic diversion and operations, environmental justice outreach, public information meetings and agency coordination to understand the appropriate analysis methodologies and level of ultimate environmental clearances required. These early efforts will be used to establish the detailed environmental analyses which will commence in June-July of 2014.

Anticipated Permits

Provided below is a list of environmental permits that the project sponsors anticipate obtaining:

- Water Quality Certification through Ohio Environmental Protection Agency and Kentucky Division of Water
- United States Army Corp of Engineers Section 404 Permit
- United States Coast Guard Section 9 Permit
- Kentucky and Ohio National Pollutant Discharge Elimination System Construction Stormwater Permits

There are no significant permitting issues or concerns at this time.

CHAPTER 3. PROJECT FUNDING

This chapter discusses the financial plan for the Project. Specifically, it presents the funding required to complete the Project, including state transportation and federal-aid formula funds, federal discretionary funds, and Project revenues (i.e., tolling).

3.1 FINANCIAL PLAN APPROACH

The Brent Spence Bridge Replacement/Rehabilitation Project is presently being considered for delivery using a design-build-finance-operate-maintain (DBFOM) approach via an availability payment (AP) form of a public-private partnership (P3), as discussed in Chapter 2. In addition to compensating the private partner with a series of availability payments, the project sponsors also likely will make a series of milestone payments to the private partner. These milestone payments would be made during construction, and paid to the private partner upon completion of a significant milestone within the Project. Examples of such milestones might be completing the river bridge's pier foundations, main span towers, main span superstructure, and/or reaching substantial completion.

Under this approach, the Project's financing would most likely include 1) a series of milestone payments, currently anticipated to be funded by the sale of non-recourse toll revenue bonds and/or a loan to the states from the Transportation Infrastructure Finance and Innovation Act (TIFIA) program, 2) debt financing raised on behalf of the P3 concession to advance funding to be provided by the availability payments, and 3) private equity invested by a P3 developer to cover capital construction costs not covered by the milestone payments. Upon construction completion, toll revenue collected on the Project would be utilized to pay back the non-recourse toll revenue bonds and/or TIFIA loan while an availability payment to the P3 developer would cover the concession's debt service and equity returns. The AP also covers the developer's obligation to perform certain operations and maintenance functions. In this approach, if toll revenues fall short of the AP, both Ohio and Kentucky would be responsible for subsidizing toll revenues to cover the gap of the contractual obligation with the developer. The states currently anticipate that certain sections of the Project may be maintained by KYTC outside of the DBFOM concession in order to facilitate governmental purpose tax-exempt financing. With this P3 approach, Kentucky also would need to enact P3 legislation sufficient to accommodate and enable the Brent Spence Bridge Project.

It is presently being assumed that the Project will be able to obtain TIFIA credit assistance in a manner comparable to recent precedent transactions, such as for the Kentucky Downtown Crossing Project (\$452 million), Goethals Bridge (\$474 million) and Tappan Zee Bridge (\$1.6 billion). To the extent that TIFIA is not available to the Project, alternative capital market options will be considered.

The sources of funds for direct state expenditures and for each state's share of the anticipated availability and milestone payments as well as debt repayment on the anticipated toll revenue bond/TIFIA financing are expected to be secured through a combination of federal formula and discretionary funding, state funds, and toll revenues derived from the Project.

3.2 PROJECT FUNDING

CONVENTIONAL STATE TRANSPORTATION AND FEDERAL-AID FUNDING

State and federal funding will be used primarily for upfront development costs incurred prior to selection of a developer for the Project, including such items as preliminary engineering and design, right of way acquisition, and utilities.

Kentucky

The Kentucky State Transportation Improvement Program (STIP) for FY2013-FY2016, dated August 2012, includes the Project as a 'Major Project.' The STIP includes the following funds for the Project in SFY 2013:

- \$22,260,437 in High Priority Project (HPP) funds for bridge replacement transportation improvements
- \$6,520,000 in State Bonds 2010 (SB2) funds for relocation

Through SFY 2013, Kentucky has expended or encumbered approximately \$20.9 million for the Project. KYTC's recommended Highway Plan for the period 2014-2020 includes \$60 million in federal and state funding for the Project in the first two years, which will represent committed funds for the Project once enacted. The recommended Highway Plan also includes designation of "Innovative Financing/Toll Revenue Bonds" to enable the planned financing approach for the Project (see summary of Kentucky funding sources in Table 3-1).

In order to implement the current planned approach, Kentucky will need to enact modifications or new pieces of legislation, including the ability to toll a project between the Commonwealth of Kentucky and the State of Ohio and the enactment of P3 legislation sufficient to accommodate and enable the Project.

Ohio

The Ohio 2014-2017 STIP Project listing as of November 1, 2013 includes funding for the Project consistent with funding designated through the State's Transportation Review Advisory Council (TRAC) process.

Through SFY 2013, Ohio has expended or encumbered \$68.1 million for the Project (excluding funds provided by Kentucky to Ohio for certain project elements). The State also has committed an additional \$82.5 million in federal and state funding in the 2014-2015 timeframe. The State also has designated toll-financed Project funds to facilitate the planned project financing approach (see Table 3-1).

The Ohio-Kentucky-Indiana Regional Council of Governments (OKI COG) TIP for FY2014-17 also includes line items for the Project.

PROJECT REVENUES/FINANCING

The project sponsors intend to employ a toll-revenue backed financing strategy for the Project, currently anticipated to utilize a combination of governmental-issued toll revenue bonds, TIFIA financing, and private activity bonds and equity provided by the selected private sector developer.

Both states have successful histories of using alternative funding sources, including tolling, for the development of their road infrastructure. For tolling to be used on the Brent Spence Bridge Replacement/Rehabilitation Project, legislative action will be required in Kentucky, as indicated above. Ohio has the requisite authority to toll the Project under O.R.C. 5531.11 – 5531.99 (Toll facilities) and O.R.C. 5501.70 – 5501.73 (P3Facility). It will, however, require a legislative amendment to allow video enforcement.

Initial traffic forecasting has been conducted in support of the Project feasibility analyses. The principal tool used in developing the forecast was the Ohio-Kentucky-Indiana Regional Council of Governments/Miami Valley Regional Planning Commission Travel Demand Model (OKI-TDM). The OKI-TDM also was supplemented with an Econometric Model of the corridor as well as a Toll Diversion Model which focuses on the choice of users between a tolled facility and un-tolled alternatives, and incorporates estimates of value of time. Based on these analyses, the project sponsors believe that sufficient toll revenues can be raised to support the financing of the Project. Further traffic and revenue forecasting and related financial model efforts are underway.

FUNDING SUMMARY

Table 3-1 provides a summary of the various funding sources anticipated to support the Project, by state fiscal year. As the project delivery and financing approach is refined, adjustments will be made in subsequent updates to this financial plan to reflect updated funding needs and timing.

Table 3-1. Brent Spence Bridge Replacement/Rehabilitation Project Funding by Source and State Fiscal Year

Detailed Budget (\$YOE)	Thru 2013	2014	2015	2016	2017	2018	2019	2020	Total
Kentucky - Conventional Funding – State									
State Bond Funds	-	6,500,000	-	-	-	-	-	-	6,500,000
State Matching Funds	240,000	-	-	-	-	-	-	-	240,000
Subtotal - Kentucky - State	240,000	6,500,000	-	-	-	-	-	-	6,740,000
Kentucky - Conventional Funding – Federal (1)									
Interstate Maintenance	-	-	12,500,000	-	-	-	-	-	12,500,000
National Highway Performance Program	-	-	18,700,000	-	-	-	-	-	18,700,000
High Priority	-	22,300,000	-	-	-	-	-	-	22,300,000
Discretionary	20,650,000	-	-	-	-	-	-	-	20,650,000
Subtotal - Kentucky - Federal	20,650,000	22,300,000	31,200,000	-	-	-	-	-	74,150,000
Total - Kentucky	20,890,000	28,800,000	31,200,000	-	-	-	-	-	80,890,000
Ohio - Conventional Funding - State (2)									
District Preservation	19,991	51,525	-	-	-	-	-	-	71,516
Major/New Construction	29,120,799	12,644,589	6,982,000	-	-	-	-	-	48,747,388
Subtotal - Ohio - State	29,140,790	12,696,114	6,982,000	-	-	-	-	-	48,818,904
Ohio - Conventional Funding – Federal									
Interstate Maintenance	29,360,677	-	-	-	-	-	-	-	29,360,677
National Highway Performance Program	-	34,119,132	27,928,000	-	-	-	-	-	62,047,132
High Priority	9,607,928	189,873	-	-	-	-	-	-	9,797,801
Discretionary	-	606,042	-	-	-	-	-	-	606,042
Subtotal - Ohio - Federal	38,968,605	34,915,047	27,928,000	-	-	-	-	-	101,811,652
Total - Ohio	68,109,395	47,611,161	34,910,000	-	-	-	-	-	150,630,556
Project Financing									
Toll-backed Project Financing (3)	-	-	-	1,208,519,827	507,196,720	556,390,909	538,335,288	532,655,405	3,343,098,149
Subtotal - Project Financing	-	-	-	1,208,519,827	507,196,720	556,390,909	538,335,288	532,655,405	3,343,098,149
Grand Total - Project Funding	88,999,395	76,411,161	66,110,000	1,208,519,827	507,196,720	556,390,909	538,335,288	532,655,405	3,574,618,705

(1) \$7.71 million of project funds have yet to be expended out of current project authorizations.

(2) Excludes payments from KYTC.

(3) Currently anticipated to include combination of governmental issued toll revenue bonds, TIFIA loan, private debt, and equity.

CHAPTER 4. PROJECT CASH FLOW

This chapter provides an illustrative sources and uses of funds for the Project as well as a preliminary annual cash expenditure schedule. Given the preliminary status of developing the detailed financing plan for the Project, more detailed sources and uses of funds and cash flow schedules will be provided in subsequent updates to the financial plan.

4.1 SOURCES AND USES OF FUNDS

The Brent Spence Bridge Replacement/Rehabilitation Project is currently anticipated to be funded primarily through Project revenues (i.e., from tolling), with upfront project development costs and ongoing oversight costs funded through a combination of state funding, and federal-aid formula and discretionary funding. As described more fully in Chapter 3, Figure 4-1 presents a preliminary illustrative sources and uses of funds through the construction period for the Project.

Figure 4.1. Illustrative Sources and Uses of Funds During Construction (1)

Sources of Funds During Construction (\$ millions)		Uses of Funds During Construction (\$ millions)	
Sources	Nominal \$	Uses	Nominal \$
Federal Funding	176.0	Right of Way	76.0
State Funding	55.6	Utilities	158.0
Project Financing	3,343.1	Construction	1,821.1
Total Sources	3,574.6	Contingency	290.4
		Other Costs	286.4
		Interest, Financing, and Reserve Costs During Construction	931.7
		Total Uses	3,563.6

(1) Difference between Sources and Uses represents mismatch with respect to states' designation of funding for certain costs in current plans; to be adjusted in future Financial Plan updates.

4.2 PROJECT EXPENDITURE DETAIL

Tables 4-1 and 4-2 present the currently estimated expenditure detail for the Project, by project segment and by state, respectively. These schedules do not reflect the cash flow timing impact of the planned AP concession structure. Nor do they include costs during the Project's operations, including O&M costs and interest costs. The operational costs (discussed in Chapter 1) will be further specified in the subsequent update to this financial plan, following further refinement of the project delivery plan and associated costs. As described earlier, it is currently anticipated that a portion of the O&M costs will be funded directly by Kentucky outside of the AP concession structure.

Table 4-1. Project Outlays by Segment (in year-of-expenditure dollars, inclusive of financing/interest costs during construction)

Detailed Budget (\$YOE)	Thru 2013	2014	2015	2016	2017	2018	2019	2020	Total
Kentucky Approach	-	-	20,204,000	64,607,585	131,172,489	131,879,464	138,351,429	144,237,672	630,452,639
River Bridges	-	-	-	14,022,990	157,657,567	212,449,541	166,286,008	157,228,259	707,644,365
Ohio Approach	49,645,552	36,566,000	34,910,000	112,102,256	185,828,961	189,897,676	195,999,194	202,477,593	1,007,427,232
Other Costs (1)	39,353,843	39,845,161	-	759,160,080	95,088,837	86,391,990	102,528,568	95,729,969	1,218,098,447
Total	88,999,395	76,411,161	55,114,000	949,892,911	569,747,854	620,618,671	603,165,199	599,673,493	3,563,622,683

(1) Other Costs line item includes preliminary engineering, construction engineering inspection, and oversight costs; also includes financing, interest, and reserve costs during the construction period.

Table 4-2. Project Outlays by State (in year-of-expenditure dollars, inclusive of financing/interest costs during construction)

Detailed Budget (\$YOE)	Thru 2013	2014	2015	2016	2017	2018	2019	2020	Total
Kentucky	20,890,000	28,800,000	20,204,000	478,180,819	307,695,627	347,626,851	325,720,376	320,757,163	1,849,874,836
Ohio	68,109,395	47,611,161	34,910,000	471,712,092	262,052,228	272,991,819	277,444,823	278,916,330	1,713,747,847
Total	88,999,395	76,411,161	55,114,000	949,892,911	569,747,854	620,618,671	603,165,199	599,673,493	3,563,622,683

4.3 CASH MANAGEMENT TECHNIQUES

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

The Secretary of KYTC has the authority to concurrently advance projects in the Biennial Highway Construction Plan by employing management techniques that maximize the Cabinet's ability to contract for and effectively administer the project work. All state revenues flowing through Kentucky's Road Fund are subject to the cash management principles outlined in KYTC's Cash Management Spending Plan dated September 29, 2003. The Spending Plan also established a legislatively-mandated safeguard directing that KYTC not draw Road Fund cash balances below \$100 million without the approval of the State Finance and Administration Cabinet. KYTC also has the ability to borrow funds from with the Road Fund to meet short-term cash flow anomalies.

ODOT also utilizes AC for the management of fund appropriations and obligation limitation provided by FHWA. ODOT places most of its projects in AC at the time of authorization. There are some exceptions based on the expiration of funds and legislative requirements. The AC is placed into two groups. The first group is identified as short term. This group is used for projects in which the funding will be converted as project expenditures take place and are exhausted by the completion of the federally eligible activities. The second group is identified as long term. This group is used primarily for GARVEE bonds and MPO or CEAO State Infrastructure Bank loans that are utilized and managed by ODOT.

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

CHAPTER 5. RISK IDENTIFICATION AND OTHER FACTORS

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: Require Legislative and Other Actions, Project Cost, Project Schedule, Financing and Revenue, and Long-term Operations and Maintenance. Significant consideration has been given to identifying risks and potential mitigation measures, and this chapter outlines these factors. Additionally, this chapter addresses the impact of each state's financial contribution to the Project on their respective statewide transportation programs.

5.1 REQUIRED LEGISLATIVE AND OTHER ACTIONS

The following factors have been identified as those that may affect the Project's progression due to delays in obtaining required legislative and other governmental approvals.

Table 5-1. Required Legislative and Other Governmental Actions – Risks and Mitigation Strategies

Risk	Approach/Mitigation Strategy
Tolling	
The risk that authorization is not provided by the Kentucky General Assembly to toll the Project	KYTC is working to ensure that tolling authorization is secured to include projects between Kentucky and Ohio. It is anticipated that this will be addressed in the upcoming legislative session.
The risk that authorization for video enforcement in Ohio is not secured	ODOT is working to ensure that video enforcement authorization is secured. Alternative tolling structures will be considered as necessary.
The risk that the environmental process by which the environmental documents are reopened to include tolling is not successful or delayed	The states are proactively pursuing the necessary steps to achieve this important milestone, including working with FHWA as appropriate.
Public-Private Partnerships	
The risk that the Kentucky General Assembly does not provide the necessary P3 authority	KYTC is working to ensure that P3 authorization is secured. It is anticipated that this will be addressed in the upcoming legislative session. Alternative approaches continue to be considered as necessary.

5.2 PROJECT COST RISKS AND MITIGATION STRATEGIES

The following factors have been identified as possible reasons for cost overruns.

Table 5-2. Project Cost – Risks and Mitigation Strategies

Risk	Approach/Mitigation Strategy
Original Cost Estimates	
The risk that actual bids are higher than current cost estimates	Recent experience indicates that competition may result in aggressive bids below the state sponsors' estimates. Should that prove not to be the case, however, the states will revise the project financial plan accordingly, including the possible inclusion of additional state and federal funding and/or adjusted toll revenues.
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. An availability payment concession structure, as currently contemplated by the states, helps transfer much of this risk from the public to the private sector partner.
Contingency	
The amount of contingency factored into Project cost estimates may be insufficient to cover unexpected costs or cost increases	Contingency estimates are consistent with ODOT's standard estimating practices, which have proven to be successful in the past. Further, the contingency amounts have been reviewed through the FHWA Cost Estimate Review process and deemed to be sufficient. An availability payment concession structure, as currently contemplated, helps transfer much of this risk from the public to the private sector partner.
Contract Modifications	
Design specifications could be too prescriptive or contract specifications could be modified by the design team, construction team, or owner to address design and construction or O&M issues	An availability payment concession structure, as currently contemplated for a portion of the Project, helps transfer some of this risk from the public to the private sector partner. Any design changes will be carefully vetted for financial impact by the states as part of the procurement process.

Risk	Approach/Mitigation Strategy
Cost Overruns During Construction	
Cost overruns after the start of construction could result in insufficient funds to complete the Project	An availability payment concession structure (with guaranteed maximum price contracts) transfers this risk from the public to the private sector partner.
Accidents	
Major accidents may occur during the construction period, requiring extensive work and/or cleanup efforts	An availability payment concession structure can be structured to transfer much of this risk from the public to the private sector partner

5.3 PROJECT SCHEDULE RISKS AND MITIGATION STRATEGIES

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

Table 5-3. Project Schedule – Risks and Mitigation Strategies

Risk	Approach/Mitigation Strategy
NEPA Litigation	
Lawsuits filed within the statutory protest period may result in delays to the start of construction and expose the Project to additional inflationary costs	To mitigate the potential impacts of future litigation that could cause schedule delays and cost escalation, risk and mitigation measures were addressed in the Environmental Assessment.
Permits and Approvals	
Delays in the receipt of permits and approvals may delay the start of construction	The states have initiated activities necessary to secure all permits. Subsequent responsibility will be transferred to the private sector partner and will be addressed directly in the relevant contract documents. The states have a track record of success in acquiring similar permits for river crossings.
ROW Acquisition	
The risk that ROW parcels are not acquired at the time and cost forecast, which may affect both Project cost and schedule	Both states have identified the potential properties to be acquired and Ohio has commenced acquisitions. Based on activities to date, the project sponsors believe that the current budget and schedule for the remaining ROW acquisition is reasonable.

Risk	Approach/Mitigation Strategy
Utilities Conflicts and Management	
The risk that the private partner may encounter utilities conflicts during delivery	The states plan to perform additional subsurface utility engineering at critical locations to ensure that utility locations are better known. Further, contractual arrangements can be structured to help mitigate utility risks.
Unanticipated Site Conditions	
As materials are exposed, unanticipated geotechnical concerns for the construction could be identified that may delay the schedule or increase costs. Additional rehabilitation also may be required for the existing bridge structure.	Extensive analysis was undertaken as part of the Environmental Assessment process. Additionally, geotechnical investigations are ongoing on several sections of the Project, and preliminary results do not indicate any significant problems.
Schedule Coordination	
Due to the size and complexity of the Project, poor project scheduling and coordination could delay the project schedule.	The states are working closely together to develop robust scheduling. An availability payment concession structure helps transfer much of this risk from the public to the private sector partner.
Specifications Not Delivered	
The risk that suppliers, contractors, or governmental agencies fail to perform adequate QA/QC, resulting in latent defects during operations	An availability payment concession structure helps transfer a significant portion of this risk from the public to the private sector partner.

5.4 FINANCING AND REVENUE RISKS AND MITIGATION STRATEGIES

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

Table 5-4. Financing and Revenue – Risks and Mitigation Strategies

Risk	Approach/Mitigation Strategy
Availability of State and Federal Funding	
<p>The states have identified and committed various levels of conventional state and federal funding to the Project within the timeframe of their budget planning cycles. Funding beyond this period is subject to appropriation risk</p>	<p>The planned funding approach for the Project, primarily through toll revenues, limits the extent of future year state and federal funding required to complete the Project.</p> <p>Within procedural limitations, the states have demonstrated their commitment to ensuring that the Project is delivered. Kentucky has included the Project in its 2014-2016 Biennial Highway Construction Plan request and 2016-2020 Highway Preconstruction Program Plan request. Ohio has designated the Project for potential construction funding through the State's TRAC process. In addition, funding amounts are reflected in Ohio's fiscally-constrained Statewide Transportation Improvement Program (STIP) and the Transportation Improvement Program (TIP) for the metropolitan region.</p>
Toll Revenue Risk	
<p>Toll revenues could be less than projected, which could jeopardize the ability for Project debt to be repaid and for sufficient funds to be available for long-term operations and maintenance</p>	<p>While uncertainty inherently exists surrounding traffic and revenue forecasts, the rigor of future investment-grade traffic and revenue studies and the sensitivity testing that has been performed to date will help ensure financing is based on the most realistic and reasonable toll revenue estimates. Anticipated rate covenants for the planned financing as well as availability payment obligation covenants will further ensure adequate toll revenues are generated.</p>
Toll Collection Risk	
<p>Toll revenues could be less than forecasted if toll collection mechanisms are inadequate or electronic toll collection equipment deficiencies result in the inability to identify users of the Project</p>	<p>A toll system developer and operator will be procured to ensure that the most reliable electronic tolling equipment is utilized and all steps are taken to minimize toll evasion. The toll revenue forecasts include an estimate of "leakage", i.e. an amount of revenues lost due to transactions for which the license plates cannot be read or the toll proves otherwise uncollectible.</p>

Risk	Approach/Mitigation Strategy
Availability of Federal Financing Tools	
Uncertainty surrounding the availability of federal financing via the TIFIA program will have an impact on the risk level of the finance plan for the Project	While extremely valuable to the Project and to minimizing the impact on other projects in the states' programs as well as toll rates, the current finance plan is not fully dependent on a TIFIA loan. If unsuccessful, the states would pursue alternative capital market financing at a higher cost.
Uncertainty surrounding access to private activity bond allocation for the Project	The states do not anticipate this being a significant risk at the present time. Failure to secure PAB financing, however, would have a significant impact on the Project's overall costs.

5.5 PROCUREMENT RISKS AND MITIGATION STRATEGIES

The following risks may affect the project sponsors' ability to implement the Project due to risks associated with the procurement under a P3 availability payment approach.

Table 5-5. Procurement – Risks and Mitigation Strategies

Risk	Approach/Mitigation Strategy
Delay in Procurement	
If the Project suffers a delay in the procurement schedule, costs would increase due to inflation and revenues would be delayed	The states are working diligently toward achieving the anticipated procurement schedule for the Project and will benefit from their recent experience on other similar projects.
The risk that the states do not receive affordable bids or are not able to reach commercial or financial close	The state have already conducted outreach with potential bidders and determined a strong appetite for the Project to exist.

5.6 IMPACT ON STATEWIDE TRANSPORTATION PROGRAMS

Based on expectations of federal funding availability, as well as expectations regarding the availability of corresponding state transportation funds, the project sponsors have developed a preliminary financial plan that minimizes the demand on these funding resources by utilizing revenues derived from the Project (i.e., tolls) for the majority of funding. Given the limited direct financial requirement being placed on the states' budgets, the states believe that the federal and state transportation funds identified in this IFP are reasonably expected to be available, and without adverse impacts on either state's overall transportation programs or other funding commitments.

5.7 FUTURE UPDATES

The effective date for financial data included in this IFP is June 30, 2013. The effective date for future annual updates to the IFP will be June 30. Future annual updates will be submitted to FHWA for approval within 90 days of the effective date, or by September 30 each year.