



# OHIO DEPARTMENT OF TRANSPORTATION

CENTRAL OFFICE • 1980 WEST BROAD STREET • COLUMBUS, OH 43223

TED STRICKLAND, GOVERNOR • JOLENE M. MOLITORIS, DIRECTOR

September 8, 2010

Ms. Laurie Leffler  
Administrator  
Ohio Division Office  
Federal Highway Administration  
200 North High Street  
Columbus, OH 43215

RE: 2010 Financial Management Plan Update – Montgomery IR 75 Reconstruction Project

Dear Ms. Leffler:

Enclosed for your review is the 2010 Financial Management Plan Update for the Montgomery IR 75 Reconstruction Project, accompanied by the Letter of Certification signed by Ohio Department of Transportation Director Jolene M. Molitoris. The plan update complies with the requirements in Section 106 of Title 23, Section 1904 (a)(2) of SAFETEA-LU, and FHWA Financial Plan Guidance issued on January 27, 2006.

Please contact Jennifer Townley, Administrator, Office of Systems Planning and Program Management, at 614-466-7493 if you have any questions.

Respectfully,

A handwritten signature in black ink that reads "Kelly Brooker Scocco".

Kelly Brooker Scocco  
Deputy Director  
Division of Transportation System Development

KBS:jkw

Enclosures



**Montgomery IR 75 Reconstruction Project  
2010 Financial Plan Update**

**LETTER OF CERTIFICATION**

The Ohio Department of Transportation has developed the 2010 Financial Plan Update for the Montgomery IR 75 Reconstruction Project in accordance with the requirements of Section 106, Title 23, and the Financial Plan Guidance issued by the Federal Highway Administration. The update provides current detailed cost estimates to complete the project and estimates of financial resources to be utilized to fully finance the project.

The cost data in the 2010 Financial Plan Update provides an accurate accounting of costs incurred to date and includes a reasonable 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 reasonable estimates of available resources to fully fund the project.

The 2010 Financial Plan Update is a living document. The Ohio Department of Transportation believes it provides an accurate basis upon which to schedule and fund the completion of the Montgomery IR 75 Reconstruction Project. The Department will continue to review and update the Financial Plan on an annual basis until the project is complete.

To the best of our knowledge, the 2010 Financial Plan Update as herein submitted, fairly and accurately presents the current financial position of the Montgomery IR 75 Reconstruction Project, including cash flows and expected conditions for the remainder of the project's life cycle. The financial forecasts in the 2010 Financial Plan Update are based on ODOT's judgment of the expected project conditions and the Department's expected course of action. The Department believes that the assumptions which underlie the 2010 Financial Plan Update are reasonable and appropriate. Further, the Department has made available all significant information relevant to the 2009 Financial Plan Update. To the best of our knowledge, the documents and records supporting the assumptions are appropriate.

*Jolene M. Molitoris /KBS*  
Director  
Ohio Department of Transportation

*9/9/10*  
Date



# OHIO DEPARTMENT OF TRANSPORTATION

CENTRAL OFFICE • 1980 WEST BROAD STREET • COLUMBUS, OH 43223

TED STRICKLAND, GOVERNOR • JOLENE M. MOLITORIS, DIRECTOR

September 8, 2010

Ms. Laurie Leffler  
Administrator  
Ohio Division Office  
Federal Highway Administration  
200 North High Street  
Columbus, OH 43215

RE: 2010 Financial Management Plan Update – Montgomery IR 75 Reconstruction Project

Dear Ms. Leffler:

Enclosed for your review is the 2010 Financial Management Plan Update for the Montgomery IR 75 Reconstruction Project, accompanied by the Letter of Certification signed by Ohio Department of Transportation Director Jolene M. Molitoris. The plan update complies with the requirements in Section 106 of Title 23, Section 1904 (a)(2) of SAFETEA-LU, and FHWA Financial Plan Guidance issued on January 27, 2006.

Please contact Jennifer Townley, Administrator, Office of Systems Planning and Program Management, at 614-466-7493 if you have any questions.

Respectfully,

A handwritten signature in black ink that reads "Kelly Brooker Scocco".

Kelly Brooker Scocco  
Deputy Director  
Division of Transportation System Development

KBS:jkw

Enclosures



**Montgomery IR 75 Reconstruction Project  
2010 Financial Plan Update**

**LETTER OF CERTIFICATION**

The Ohio Department of Transportation has developed the 2010 Financial Plan Update for the Montgomery IR 75 Reconstruction Project in accordance with the requirements of Section 106, Title 23, and the Financial Plan Guidance issued by the Federal Highway Administration. The update provides current detailed cost estimates to complete the project and estimates of financial resources to be utilized to fully finance the project.

The cost data in the 2010 Financial Plan Update provides an accurate accounting of costs incurred to date and includes a reasonable 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 reasonable estimates of available resources to fully fund the project.

The 2010 Financial Plan Update is a living document. The Ohio Department of Transportation believes it provides an accurate basis upon which to schedule and fund the completion of the Montgomery IR 75 Reconstruction Project. The Department will continue to review and update the Financial Plan on an annual basis until the project is complete.

To the best of our knowledge, the 2010 Financial Plan Update as herein submitted, fairly and accurately presents the current financial position of the Montgomery IR 75 Reconstruction Project, including cash flows and expected conditions for the remainder of the project's life cycle. The financial forecasts in the 2010 Financial Plan Update are based on ODOT's judgment of the expected project conditions and the Department's expected course of action. The Department believes that the assumptions which underlie the 2010 Financial Plan Update are reasonable and appropriate. Further, the Department has made available all significant information relevant to the 2009 Financial Plan Update. To the best of our knowledge, the documents and records supporting the assumptions are appropriate.

*Jolene M. Molitoris /KBS*  
Director  
Ohio Department of Transportation

*9/9/10*  
Date

# MONTGOMERY IR 75 RECONSTRUCTION PROJECT

## 2010 FINANCIAL PLAN UPDATE



**MOT IR 75 - Planning/PE (PID 22357)**  
**MOT IR 75-13.11 – PHASE 1A (PID 75297)**  
**MOT IR 75-11.01 - PHASE 1B (PID 77245)**  
**MOT IR 75-12.00 – PHASE 2 (PID 77247)**  
**MOT IR 75/SR 48 - Demolition (PID 81817)**  
**MOT IR 75 – Kettering Fields (PID 79222)**  
**MOT IR 75 – ITS Early Deployment (PID 82712)**

June 30, 2010

**OHIO DEPARTMENT OF TRANSPORTATION  
2009 FINANCIAL PLAN UPDATE  
MONTGOMERY IR 75 RECONSTRUCTION PROJECT**

**TABLE OF CONTENTS**

Introduction .....	1
Update Project Description.....	1
Chapter 1: Updated Project Cost Estimate.....	3
Chapter 2: Updated Project Implementation Plan .....	9
Chapter 3: Updated Project Funding .....	11
Updated Project Funding Overview.....	11
Major New Construction Program (TRAC) .....	12
ODOT Controlled Funds .....	13
Updated Bond Debt Service Obligations.....	13
Funding Plan Comparison .....	14
Chapter 4: Updated Cash Flow.....	16
Updated Revenue and Cost Analysis .....	16
Updated Sources and Uses of Funds.....	17
Chapter 5: Risk Identification and Mitigation Factors .....	18
Project Risks .....	18
Project Cost Reduction Opportunities .....	19
Chapter 6: Cost and Revenue History .....	20
Cost History .....	20
Revenue History .....	20
Chapter 7: Cost and Revenue Trends.....	23
Cost Trends .....	21
Revenue Trends .....	21
Chapter 8: Summary of Significant Cost Reductions.....	21
Chapter 9: Summary of Significant Cost Increases.....	21

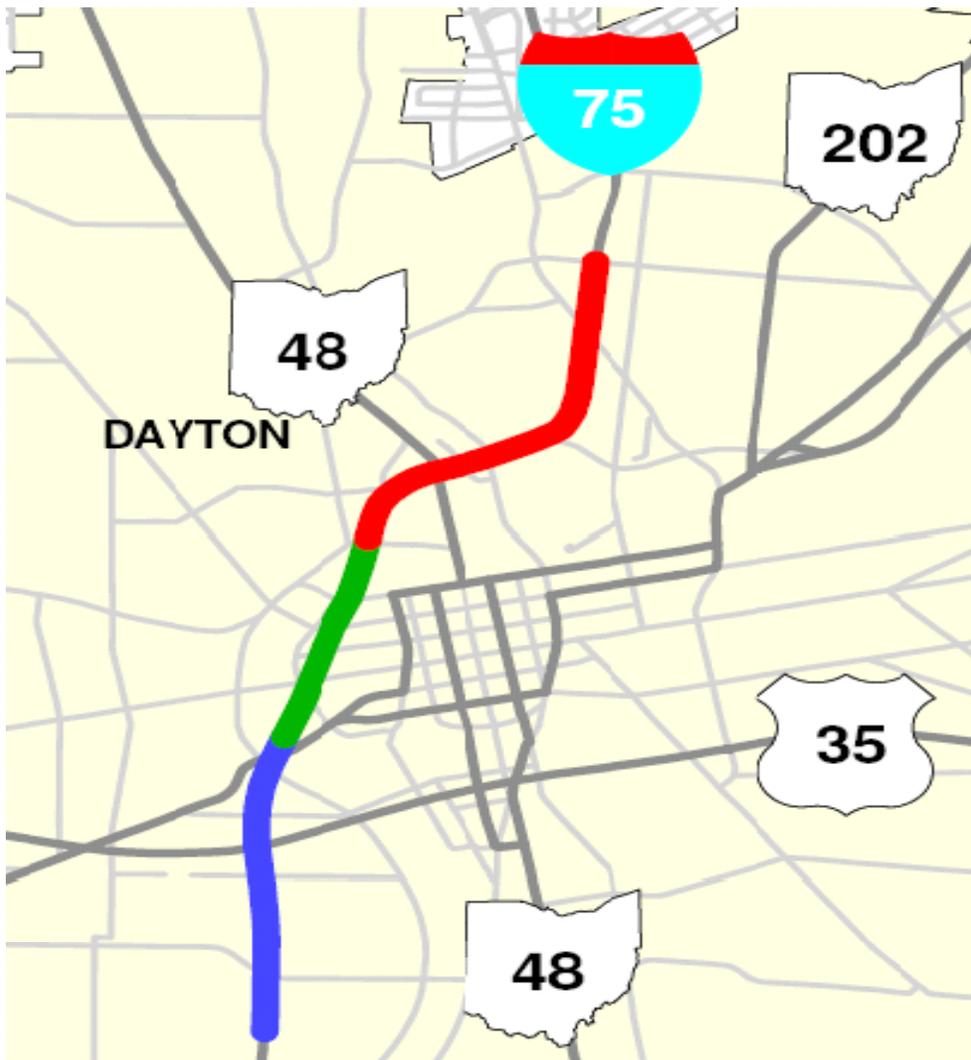
## INTRODUCTION

This document represents the third annual update to the 2007 Financial Management Plan (FMP) for the Montgomery IR 75 Reconstruction project. It was developed in compliance with Section 106 of Title 23, Section 1904 (a)(2) of SAFETEA-LU, and FHWA Financial Plan Guidance. The information provided herein is current through June 30, 2010.

### *Updated Project Description*

The Montgomery IR 75 Reconstruction Project provides three continuous through lanes on Interstate 75 in both directions through downtown Dayton; increases spacing between ramps; and removes geometric deficiencies throughout the corridor. The project begins at the six lane section south of US 35 and connects to the six lane section north of SR 4. Construction is being completed in three phases, identified as Phase 1A, Phase 1B and Phase 2. On the map below, Phase 1A is highlighted in red, Phase 1B in blue and Phase 2 in green.

Figure 1: Montgomery IR 75 Reconstruction Project Limits



The construction segments on the north and south ends of the project are identified as Phase 1A and Phase 1B, respectively, because once they are completed, I-75 will consist of 3 continuous through lanes in each direction through downtown Dayton. Additional detail for each project phase follows.

#### Phase 1A: IR 75/SR 4 Interchange

This phase improves the northbound curve on IR 75 at SR 4 by reducing the sharp 90 degree angle to a softer curve with a design speed of 60 miles per hour (MPH). Existing through lanes are being relocated and widened and one lane is being added in each direction. A new bridge is being constructed over the Great Miami River north of downtown. The existing IR 75 northbound lanes crossing the river are being reconstructed as ramps. The entrance and exit ramps at Main Street (SR 48) are being improved, which requires Main Street to be widened approximately 1000 feet in both directions from the interchange. Access to Main Street is also being provided from southbound SR 4. The Grand Avenue ramps are being combined with the improved Main Street ramps. Auxiliary lanes adjacent to the SR 4 interchange are being provided to facilitate improved traffic operations.

#### Phase 1B: IR 75/US 35 Interchange

This phase modifies the US 35 interchange to provide three continuous lanes of travel in each direction on IR 75. As part of the modification, the IR 75 mainline is undergoing a minor horizontal realignment. The realignment involves structures over two railroad tracks which will require extensive coordination with the railroad companies. To accommodate the additional lanes on IR-75, the partial interchange at Albany Street is being removed.

#### Phase 2: IR 75 Downtown Dayton Central Interchange

This phase will reconstruct IR 75 between Phase 1A and Phase 1B from Fifth Street to Riverview Avenue and replace various left-side and right-side ramps with a single, centrally located interchange for downtown that will provide access to First Street, Third Street, Salem Avenue, Second Street and Monument Avenue. Three through travel lanes will be constructed on IR 75 in each direction plus additional lanes designated for entrances and exits. New bridges will be constructed over the Great Miami River north and south of downtown to accommodate the additional lanes.

## CHAPTER 1: UPDATED PROJECT COST ESTIMATE

Project costs in this document are presented in Year of Expenditure (YOE) dollars. YOE dollars are equal to current dollars inflated to the mid point of construction for each phase of the project. The current YOE cost estimate to complete the project is \$550.04 million. It includes a base estimate of \$514.67 million, plus a construction contingency of \$35.37 million. The construction contingency is added to the base estimate to account for project risks identified during the April 2008 Project Cost Estimate Review (CER) conducted by FHWA. Additional discussion of the construction contingency follows later in this chapter and in *Chapter 5: Risk Identification and Mitigation*.

The cost estimate continues to drop, from \$673.27 million in the initial 2007 FMP, from \$595.19 million in the 2008 FMP Update, and from \$579.19 million in the 2009 FMP Update. The total \$123.23 million cost estimate reduction is due to 1) a simplified design in Phase 2 for the central interchange; 2) adjustments following the April 2008 CER; and 3) lower inflation projections.

A history of the project cost adjustments is provided below by PID.

### IR 75 Downtown Dayton Sub-Corridor Study (PID 22357)

The sub-corridor study was conducted as part of the larger *North-South Transportation Initiative (NSTI)* that was completed in February 2004 by OKI and MVRPC. Costs have not changed from the initial 2007 FMP, as reflected in Table 1a.

Table 1a: Montgomery IR 75 Reconstruction (PID 22357) – IR 75 Corridor Study

Activity	Initial Plan	2008 Update	2009 Update	2010 Update	(1) ▼/▲(\$)	(2) ▼/▲(\$)
PE/Design	\$1,749,242	\$1,749,242	\$1,749,242	\$1,749,242	\$0	\$0

(1) Cumulative Change from Initial FMP to 2010 FMP Update

(2) Annual Change from 2009 FMP Update to 2010 FMP Update

### MOT IR 75/SR 48 – Property Demolition (PID 81817)

Clear residential and commercial structures from property acquired for Phase 1A and Phase 1B. Work was completed prior to the 2008 FMP Update. This PID and costs were not included in the initial FMP. Costs remain unchanged since they were added in the 2008 FMP Update, as reflected in Table 1b.

Table 1b: MOT IR 75/SR 48 - Property Demolition (PID 81817)

Activity	Initial Plan	2008 Update	2009 Update	2010 Update	(1) ▼/▲(\$)	(2) ▼/▲(\$)
Construction	\$0	\$878,373	\$878,373	\$878,373	\$878,373	\$0

(1) Cumulative Change from Initial FMP to 2010 FMP Update

(2) Annual Change from 2009 FMP Update to 2010 FMP Update

MOT IR 75 – Kettering Fields (PID 79222)

ODOT acquired land from the City of Dayton to construct a new ramp from SB IR-75 to Main Street (SR 48) and NB SR 4. The land included 2 baseball diamonds. The NEPA document required that lights be installed on the remaining diamonds at the park to allow for nighttime play to mitigate the loss of the diamonds. This PID and costs were not included in the initial FMP. All work is complete. Costs remain unchanged since they were added in the 2008 FMP Update, as reflected in Table 1c.

Table 1c: MOT IR 75 - Kettering Fields (PID 79222)

Activity	Initial Plan	2008 Update	2009 Update	2010 Update	(1)▼/▲(\$)	(2)▼/▲(\$)
PE/Design	\$0	\$20,794	\$20,794	\$20,794	\$20,794	\$0
Construction	\$0	\$482,375	\$482,375	\$482,375	\$482,375	\$0
Total	\$0	\$503,169	\$503,169	\$503,169	\$503,169	\$0

- (1) Cumulative Change from Initial FMP to 2010 FMP Update
- (2) Annual Change from 2009 FMP Update to 2010 FMP Update

MOT IR 75 – ITS Early Deployment (PID 82712)

Dynamic Message Signs, Highway Advisory Radio and cameras were placed throughout the project zone to provide advanced traveler information to motorists and the general public during construction. The ITS components are permanent installations as part of the regional ITS deployment for the region. This PID and costs were not included in the initial FMP. All work is complete. A cost increase of \$3,275 is reported for 2010, as reflected in Table 1d, to reflect an adjustment to previously under reported costs.

Table 1d: MOT IR 75 – ITS Early Deployment (PID 82712)

Activity	Initial Plan	2008 Update	2009 Update	2010 Update	(1)▼/▲(\$)	(2)▼/▲(\$)
PE/Design	\$0	\$219,038	\$219,038	\$219,038	\$219,038	\$0
Construction	\$0	\$1,955,217	\$1,955,217	\$1,955,217	\$1,958,492	\$3,275
Total	\$0	\$2,174,255	\$2,174,255	\$2,174,255	\$2,177,530	\$3,275

- (1) Cumulative Change from Initial FMP to 2010 FMP Update
- (2) Annual Change from 2009 FMP Update to 2010 FMP Update

Phase 1A: IR 75/SR 4 Interchange

The total estimated cost to complete Phase 1A has decreased \$24.81 million from the initial FMP, but increased \$1.51 million from the 2009 FMP Update, as reflected in Table 1e. The decrease from the initial FMP to the 2008 FMP Update was primarily due to a lower bid award than ODOT anticipated. ODOT’s final pre-bid estimate was \$127.11 million. The successful bid was 4.12% below ODOT’s estimate at \$121.87 million. ODOT analyzed the bids and determined that the lower bid was due to the following three factors: 1) Contractors used inflation rates below ODOT’s rates to estimate the cost of materials, 2) the winning bidder was already in the Dayton area working on other projects, reducing mobilization costs, and 3) bidders assumed that the contractor for Phase 1A would have an advantage in bidding for Phase 1B and Phase 2 by being on site when those projects were awarded.

The decrease in construction costs were partially offset by a \$3.91 million increase in right-of-way (RW) costs. The increased RW costs were attributable to mitigated or court ordered compensation awards to property owners who rejected ODOT’s initial purchase offers, compensation to commercial property owners along SR 48 for reduced access which was not initially considered, and the escalation of property values over an elapsed period of three years from the time ODOT estimated the property values to reaching final settlements with property owners.

The \$1.51 million increase from the 2009 FMP Update represents the cumulative amount of several small contract change orders which are normal and expected on a complex project of this magnitude. Total contract orders to date for Phase 1A equal \$1.88 million, or approximately 1.54% of the original \$121.87 million bid award.

Table 1e: Montgomery IR 75 Reconstruction - Phase 1A (PID 75927) – IR 75/SR 4 Interchange

Activity	Initial Plan	2008 Update	2009 Update	2010 Update	(1) ▼ /▲ (\$)	(2) ▼/▲ (\$)
PE/Design	\$12,332,025	\$12,208,339	\$12,236,634	\$12,236,634	(\$95,391)	\$0
RW/Utilities	\$6,578,862	\$10,468,565	\$10,378,936	\$10,378,936	\$3,800,074	\$0
Construction	\$148,086,348	\$121,873,847	\$122,357,031	\$123,865,749	(\$24,220,599)	\$1,508,718
CE	\$14,820,085	\$12,187,384	\$12,287,384	\$12,287,384	(\$2,532,701)	\$0
Total	\$181,817,320	\$156,738,135	\$157,259,985	\$158,768,703	(\$23,048,617)	\$1,508,718

(1) Cumulative Change from Initial FMP to 2010 FMP Update

(2) Annual Change from 2009 FMP Update to 2010 FMP Update

Phase 1B: IR 75/US 35 Interchange

The total estimated cost to complete Phase 1B has decreased \$18.73 million from the initial FMP and \$31.39 million from the 2009 FMP Update, as shown in Table 1f. In the 2008 FMP Update the cost estimate for Phase 1 B increased \$19.20 million. The increase was due to an underestimate of PE/Design costs and the impact of two additional years of inflation on construction. One year of delay was added by ODOT’s decision to begin construction in January 2010 instead of January 2009 for budgetary reasons. Another year of delay was added when the duration of construction was extended from two to three years after ODOT determined that it would need to maintain three lanes of through traffic instead of two in the project work area to maintain access to local streets and the US 35 interchange during construction. Non construction costs have changed only minimally since the 2008 FMP Update; however, the construction cost estimate has steadily declined. The predominant reason for the lower construction cost estimate from the 2008 FMP Update to the 2009 FMP Update was lower inflation projections. In the 2009 FMP Update ODOT’s compounded growth rate for inflation from July 1, 2009 to the July 1, 2011 mid point of construction for Phase 1 B was 7.1%, which was just barely more than 50% of the 13.4% growth rate projected in the 2008 FMP Update over the same period.

The \$28.65 million reduction in the construction cost estimate from the 2009 FMP is based on actual contract award. The construction estimate in the 2009 FMP Update was \$86.25 million. In November 2009 ODOT revised the pre-bid estimate to \$71.60 million to reflect then current market conditions for construction commodities and labor. The contract was awarded in December 2009 for \$57.59 million, or 19.57% below ODOT’s most recent estimate.

The Department attributes the difference between the latest pre-bid estimate and contract award to two interrelated factors: 1) ODOT’s cost estimating procedures are very conservative and tend to overestimate construction costs, especially when the economy is unstable, and 2) current volatile economic conditions have created an aggressive and competitive environment for contractors who must submit lower bids to obtain work.

Table 1f: Montgomery IR 75 Reconstruction – Phase 1B (PID 77245) – IR 75/US 35 Interchange

Activity	Initial Plan	2008 Update	2009 Update	2010 Update	(1) ▼ /▲ (\$)	(2) ▼ /▲ (\$)
PE/Design	\$2,903,179	\$5,273,941	\$5,667,414	\$5,676,045	\$2,772,866	\$8,631
RW/Utilities	\$1,061,000	\$1,060,960	\$1,062,395	\$1,062,395	\$1,395	0
RR Reimb	\$500,000	\$500,000	\$816,953	\$816,953	\$316,953	\$0
Construction	\$77,543,481	\$92,839,613	\$86,245,698	\$57,591,729	(\$19,951,752)	(\$28,653,969)
CE	\$7,754,348	\$9,283,961	\$8,624,570	\$5,880,876	(\$1,873,472)	(\$2,743,694)
Total	\$89,762,008	\$108,958,475	\$102,417,030	\$71,027,999	(\$18,734,009)	(\$31,389,031)

(1) Cumulative Change from Initial FMP to 2010 FMP Update

(2) Annual Change from 2009 FMP Update to 2010 FMP Update

Phase 2: Downtown Dayton Central Interchange

The total estimated cost to complete Phase 2 has decreased \$120.37 million from the initial FMP, but has increased \$16.17 million from the 2009 FMP Update, as shown in Table 1g. In the initial FMP, Phase 2 costs were based on rough planning level design estimates. In the 2008 Update, the cost estimate for construction, including CE, decreased \$132.25 million because a redesign for the central interchange simplified some complex ramp configurations, eliminated some construction issues and reduced the size of the construction footprint. In the 2009 FMP Update, the cost estimate was further reduced by \$4.29 million due to lower inflation projections. The net \$16.17 million increase from the 2009 FMP reflects a small decrease in design costs and increases in construction and CE costs which are attributed primarily to refined quantity and price estimates as the project advanced to more detailed stages of design.

Table 1g: Montgomery IR 75 Reconstruction – Phase 2 (PID 77247) – Central Interchange

Activity	Initial Plan	2008 Update	2009 Update	2010 Update	(1) ▼ /▲ (\$)	(2) ▼ /▲ (\$)
PE/Design	\$18,438,492	\$18,191,971	\$18,348,866	\$18,162,736	(\$275,756)	(\$186,130)
RW/Utilities	\$2,001,000	\$2,001,000	\$2,001,000	\$2,001,000	\$0	\$0
Construction	\$345,000,000	\$225,000,000	\$220,952,179	\$235,785,034	(\$109,214,966)	\$14,832,855
CE	\$34,500,000	\$22,500,000	\$22,095,219	\$23,618,503	(\$10,881,497)	\$1,523,284
Total	\$399,939,492	\$267,692,971	\$263,396,264	\$279,567,274	(\$120,372,218)	\$16,171,010

(1) Cumulative Change from Initial FMP to 2010 FMP Update

(2) Annual Change from 2009 FMP Update to 2010 FMP Update

Total Project – All Phases

Table 1h provides a snapshot of the cumulative effect of the various cost adjustments noted above on the total project from the initial FMP and 2009 FMP Update. The respective adjustments from the initial FMP and 2009 FMP Update include adjustments in base cost estimates and decreases in construction contingencies.

The justifications for the modified base cost estimates have already been discussed. Modifications to base construction cost estimates, however, also lower construction contingency allowances. The construction contingency allowance is equal to 15% of total unbid construction cost estimates. The construction contingency is intended to cover potential cost increases due to design and/or scope modifications; and to a lesser extent, provide a buffer against higher costs due to inflation spikes, delays in the construction schedule, price adjustments, material availability, contractor incentives, change orders and other unknown events. The construction contingencies for the 2008 and 2009 FMP Updates were equal to 15% of the total construction cost estimates to complete both Phase 1B and Phase 2. Phase 1 B has now been awarded, so the construction contingency is reduced to equal 15% of the construction cost estimate of Phase 2 only.

Please note that ODOT’s base estimate includes internal built-in contingencies that are not reflected as a separate line item in the project budget. The 15% construction contingency identified in Table 1h is a separate contingency that is added to ODOT’s internal contingency to account for project risks identified during the April 2008 Project Cost Estimate Review (CER) conducted by FHWA, as listed in the preceding paragraph.

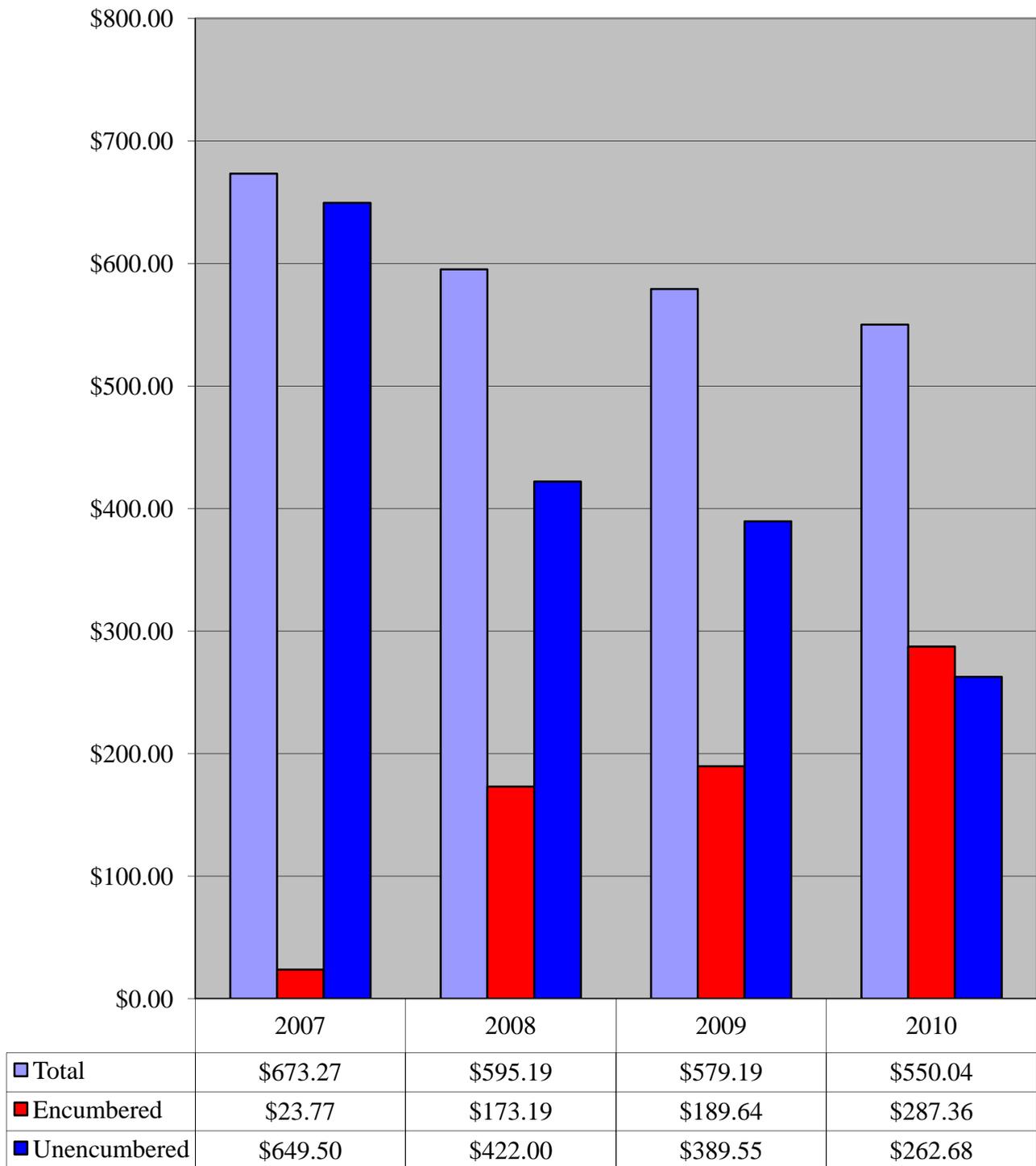
Table 1h: Montgomery IR 75 Reconstruction – Total Project (All Phases)

Activity	Initial Plan	2008 Update	2009 Update	2010 Update	(1) ▼ /▲ (\$)	(2) ▼ /▲ (\$)
PE/Design	\$35,422,938	\$37,662,326	\$38,241,989	\$38,064,490	\$2,641,552	(\$177,499)
RW/Utilities	\$9,640,862	\$13,529,525	\$13,441,331	\$13,441,331	\$3,800,469	\$0
Construction	\$571,129,829	\$443,252,017	\$433,390,113	\$421,080,992	(\$150,048,837)	(\$12,309,121)
CE	\$57,074,433	\$44,248,753	\$43,304,886	\$42,084,476	(\$14,989,957)	(\$1,220,410)
Sub-Total	\$673,268,062	\$538,692,621	\$528,378,319	\$514,671,290	(\$158,596,772)	(\$13,707,029)
<b>Contingency</b>						
15% of Phase 2 (CO + CE)		\$56,497,417	\$50,810,193	\$35,367,755	(\$17,586,886)	(\$15,442,438)
<b>TOTAL COST ESTIMATE</b>		\$595,190,038	\$579,188,512	\$550,039,044	(\$123,229,018)	(\$29,149,468)

- (1) Cumulative Change from Initial FMP to 2010 FMP Update
- (2) Annual Change from 2009 FMP Update to 2010 FMP Update

In Exhibit 1, the current project cost estimate is compared to the cost estimates from the 2007 FMP and the annual FMP Updates. The amounts encumbered for project expenditures to date and amounts remaining unencumbered for the respective reporting periods are also shown.

Exhibit 1: Montgomery IR 75 Reconstruction Project – 2007, 2008, 2009 and 2010 Cost Estimates



## **CHAPTER 2: UPDATED IMPLEMENTATION PLAN**

The Corridor Study (PID 22357), Demolition (PID 77247), Kettering Fields (PID 79222) and ITS Early Deployment Project (PID 82712) are complete. The status of the Phase 1A, Phase 1B and Phase 2 major construction projects is discussed below.

### Phase 1A (PID 75927) – IR 75/SR 4

The completion date for construction has been moved from July 2011 in the 2009 FMP Update to September 2011. Project delays have been partially offset with maintenance of traffic adjustments and work acceleration to keep the project on track. Construction was initiated in October 2007, is approximately 80% complete.

### Phase 1B – IR 75 lane addition at US 35 interchange (PID 77245)

Construction was initiated in January 2010 and the current schedule has it continuing to August 2013. A plan addendum moved the completion date from November 2012 as stated in the 2009 FMP Update. The addendum was necessary to address utility issues on railroad right-of-way. ODOT will attempt to accelerate some work to offset the utility delay. The target completion date will be June 2013 after acceleration. Construction will be concurrent with Phase 1A until September 2011. There have been no issues to date with the concurrent construction contracts

### Phase 2 – Downtown Dayton Central Interchange (PID 77247)

The construction schedule is unchanged from the 2009 FMP Update. Work continues to advance through detailed design to construction. Design was initiated in 2006 and is scheduled for completion in January 2012. Design was originally scheduled to be completed in September 2009 but was extended to accommodate additional design work on the central interchange. ODOT's original conceptual design for Phase 2 included a complicated series of loop ramps that were designed to maintain direct access to most of the local downtown streets from I-75. In 2007, after consulting with the City of Dayton, the Department decided to forego the initial design for a smaller design with simplified ramp geometry that would eliminate the loop ramps without sacrificing local access.

The delay in completing project design did not impact the project construction schedule. Phase 2 is tentatively scheduled to begin construction in November 2012 under a three year schedule that will conclude in November 2015. Due to the movement of the completion date for Phase 1B, Phase 2 will be under construction concurrent with Phase 1B from November 2012 to June 2013. ODOT does not foresee any issues with the concurrent work schedules at this time.

An updated schedule for Phase 1A, Phase 1B and Phase 2 is provided in the Table 2. An updated project timeline is displayed in Exhibit 2a. The status of each element is based on the projected completion dates established in the original 2007 FMP. Please note that information in Table 2 and Exhibit 2a is reported on a July 1 – June 30 state fiscal year basis match the reporting period for the financial data.

Table 2: Updated Project Milestone Schedules for Phase 1A, Phase 1B and Phase 2

Milestone	Phase 1A	Phase 1B	Phase 2
NEPA Completed	September 23, 2004	September 23, 2004	September 23, 2004
Final Design Completed	February 26, 2007	July 10, 2009	December 1, 2011
ROW Completed	April 2, 2007	June 29, 2009	January 20, 2012
Construction Contract Awarded	October 4, 2007	December 12, 2009	October 1, 2012
Begin Construction	October 19, 2007	January 1, 2010	November 1, 2012
End Construction	September 22, 2011	June 15, 2013	November 1, 2015

Exhibit 2: Update Project Timeline

Phase 1A - IR 75/SR 4 Interchange (PID 75927)

PROJECT PHASE	2004	2005	2006	2007	2008	2009	2010	2011	2012
PE									
PROJECT DESIGN									
ROW PURCHASED									
CONSTRUCTION									

Phase 1B - IR 75/US 35 interchange (PID 77245)

PROJECT PHASE	2006	2007	2008	2009	2010	2011	2012	2013
PE								
PROJECT DESIGN								
ROW PURCHASED								
CONSTRUCTION								

Phase 2 – Downtown Dayton Central Interchange (PID 77247)

PROJECT PHASE	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
PE										
PROJECT DESIGN										
ROW PURCHASED										
CONSTRUCTION										

Time Delayed From Start	Completed On Schedule	Completed Behind Schedule	To Be Completed On Schedule	To Be Completed Behind Schedule

## CHAPTER 3: UPDATED PROJECT FUNDING

### *Updated Project Funding Overview*

ODOT is financing the project with federal and state funds, plus bond revenue. Local funds totaling \$132,375 financed part of the Corridor Study (PID 22357); however, this amount is less than 0.03% of the current total project cost estimate, so no further discussion of local funding will be provided.

ODOT determines the financial make-up for a project on year-to-year basis, as determined by a number of factors, including 1) the availability and allocation of resources - state motor fuel taxes, federal revenue, bond proceeds and other revenue; 2) economic and market conditions – inflation, materials costs and labor rates; and 3) issues specific to a project – bid amount, change orders, and contract modifications. Variations in any of these factors may affect the funding structure and/or cost of a particular project from year to year. The updated funding plan for the project is based on a set of assumptions, with consideration given to the risks and opportunities present in each of the factors mentioned above, which may or may not prove to be accurate.

All funds required to complete Phase 1A and Phase 1B have been encumbered, except for any amounts that may be needed for potential contract change orders. All funds required to complete Phase 2 design and right-of-way have been secured and committed in the current state fiscal year (SFY 2011). ODOT is committed to funding construction for Phase 2 in SFY 2013, however, that timeframe extends beyond current federal transportation funding legislation, which is provided through an extension of SAFETEA-LU, and expires on September 30, 2010 and state funding legislation, which is provided under Ohio House Bill 2 enacted by the 128<sup>th</sup> General Assembly of the State of Ohio, which will expire on June 30, 2011. Phase 2 construction also extends beyond the timeframe of Ohio's current Statewide Transportation Improvement Program (STIP) and the Miami Valley Regional Planning Commission (MVRPC) Transportation Improvement Program (TIP), both of which also expire on June 30, 2011. The financial commitments discussed in this FMP need to be understood in the proper context. They are based on projected federal and state transportation revenue receipts from yet to be enacted future transportation funding legislation that are founded on historical allocations.

Construction funding for Phase 2 is included in the current Miami Valley Regional Planning Commission (MVRPC) 2030 Long Range Plan (LRP) fiscally constrained project list. Language on page 13 of the LRP states that *“Only historical and clearly dependable funding source assumptions have been made....., the Plan meets the SAFETEA-LU mandated fiscal constraint requirement with costs and revenues in year of expenditure dollars.”* Including Phase 2 construction funding in the 2030 LRP meets the metropolitan planning regulations in Title 23, USC, Section 134 (i)(2)(C) for fiscal constraint, which require only that the MPO identify resources from public and private sources that are *“reasonably expected to be made available to carry out the plan.”* Phase 2 and all required funding needed beyond July 1, 2011 will be included in the next STIP/TIP which will cover SFY 2012-SFY 2015.

The current financial plan for the project is based on the latest \$550.04 million cost estimate and includes \$452.79 million in federal funds and \$97.12 million in state funds. The federal share consists of \$288.74 million in direct cash contributions and \$164.05 million in bond revenue, including \$152.60 million in GARVEE bonds. Financing a portion of the project with bond revenue allows ODOT to reduce its upfront cash contribution. The Department, however, will have to set aside additional funding to cover future bond debt service obligations, which will be discussed later in this chapter.

Federal direct contributions consist of \$38.38 million controlled by ODOT and \$250.36 million awarded by the Transportation Review Advisory Council (TRAC). The TRAC also awarded the \$164.05 million in bond revenue for a total federal award of \$414.41 million. Federal funds awarded by the TRAC include \$216.92 million for Phase 2 construction in SFY 2013. ODOT controlled federal funds also include \$18.89 million for construction engineering in SFY 2013.

State funds committed to the project equal \$97.12 million, including \$88.18 million awarded by the TRAC and \$8.94 million controlled by ODOT. State funds awarded by the TRAC include \$54.23 million for Phase 2 construction in SFY 2013. The ODOT controlled state share also includes \$4.72 million for construction engineering in SFY 2013.

Funds awarded by the TRAC are provided through ODOT’s Major New Construction Program. Additional detail on the TRAC and the Major New Construction Program follows.

***Major New Construction Program (TRAC)***

The Montgomery IR 75 Reconstruction Project focuses on system preservation by replacing an urban interstate that is more than 50 years old with numerous bridge and geometric deficiencies. However, because the project includes added lanes it is defined as a “Major New Capacity Project” under ODOT guidelines, which means it is funded at the discretion of the Transportation Review Advisory Committee (TRAC). The TRAC is an independent body created in 1997 by the Ohio General Assembly which operates outside the purview of ODOT that has the responsibility to administer Ohio’s Major New Transportation Construction Program. The TRAC is not a funding agency. Its primary responsibilities are to establish funding priorities for the Major New Construction Program and select projects for funding. Funds awarded by the TRAC are derived annually from ODOT’s budget after the Director certifies that sufficient funds have been committed by the Department to meet Ohio’s transportation system preservation needs. Once TRAC funding is awarded, ODOT is responsible for project development and delivery.

The \$250.36 million in direct federal contributions and \$164.05 million in bond revenue awarded by the TRAC has been used to fund all aspects of the project, from planning to construction. The \$88.18 million in state funds awarded by the TRAC is generated through the Ohio Motor Fuel Tax. The federal revenue is derived from the following programs:

**TRAC Awarded Federal Transportation Program Revenues:**

National Highway System (NHS):	\$ 224,673,810
Interstate Maintenance (IM):	\$ 20,867,992
Senate Section 117 Hi Priority	\$ 4,540,990
STP – Enhancement	\$ 280,000
<u>Bonds</u>	<u>\$ 164,050,230</u>
<b>TOTAL</b>	<b>\$ 414,413,022</b>

Federal revenue will be used for bond debt service. Exact program sources have not been determined, but are likely to be consistent with the existing funding mix.

***ODOT Controlled Funds***

ODOT has committed \$46.61 million under its control to add to the funds awarded by the TRAC. ODOT controlled funds consist of \$38.38 million in federal funds and \$8.23 million in state funds. These funds have been committed to finance planning and preliminary engineering, project design, right-of-way and construction. State funds controlled by ODOT are generated through the Ohio Motor Fuel Tax. The federal revenue is derived from the following programs:

ODOT Controlled Federal Transportation Program Revenues:

National Highway System (NHS):	\$ 22,278,519
Interstate Maintenance (IM):	\$ 14,592,020
Surface Transportation Program (STP)	\$ 1,137,134
<u>Safety</u>	<u>\$ 368,834</u>
TOTAL	\$ 38,376,507

***Updated Bond Debt Service Obligations***

Bonds revenue is being used to help finance Phase 1A and Phase 1B. The bond issue applied to Phase 1A was placed in the fall of 2006, with a 10-year repayment schedule consisting of level principal payments plus interest. Details of the debt service schedule for Phase 1A are shown in Table 3a. The bond issue applied to Phase 1B was placed in the fall of 2009, with a 10-year repayment schedule consisting of level principal payments plus interest. Details of the debt service schedule for Phase 1B are shown in Table 3b.

Table 3a: Montgomery IR 75 Reconstruction Project – Phase 1A - Debt Service Schedule

Date	Principal	Interest	Total	Balance
				118,327,912
July 1, 2007	\$11,832,791	\$3,461,091	\$15,293,883	\$106,495,121
July 1, 2008	\$11,832,791	\$4,153,310	\$15,986,101	\$94,662,330
July 1, 2009	\$11,832,791	\$3,691,831	\$15,524,622	\$82,829,538
July 1, 2010	\$11,832,791	\$3,230,352	\$15,063,143	\$70,996,747
July 1, 2011	\$11,832,791	\$2,768,873	\$14,601,664	\$59,163,956
July 1, 2012	\$11,832,791	\$2,307,394	\$14,140,186	\$47,331,165
July 1, 2013	\$11,832,791	\$1,845,915	\$13,678,707	\$35,498,374
July 1, 2014	\$11,832,791	\$1,384,437	\$13,217,228	\$23,665,582
July 1, 2015	\$11,832,791	\$922,958	\$12,755,749	\$11,832,791
July 1, 2016	<u>\$11,832,791</u>	<u>\$461,479</u>	<u>\$12,294,270</u>	\$0
	\$118,327,912	\$24,227,640	\$142,555,552	

Loan Date:	09/01/06
Principal:	\$117,272,460
Interest Rate:	3.90%
Structure:	Level
Term:	10 Years
Issue Rate:	0.90%
Issue Cost:	\$1,055,452

Table 3b: Montgomery IR 75 Reconstruction Project – Phase 1B - Debt Service Schedule

Date	Principal	Interest	Total	Balance
				\$47,198,770
July 1, 2010	\$4,719,877	\$1,380,564	\$6,100,441	\$42,478,893
July 1, 2011	\$4,719,877	\$1,656,677	\$6,376,554	\$37,759,016
July 1, 2012	\$4,719,877	\$1,472,602	\$6,192,479	\$33,039,139
July 1, 2013	\$4,719,877	\$1,288,526	\$6,008,403	\$28,319,262
July 1, 2014	\$4,719,877	\$1,104,451	\$5,824,328	\$23,599,385
July 1, 2015	\$4,719,877	\$920,376	\$5,640,253	\$18,879,508
July 1, 2016	\$4,719,877	\$736,301	\$5,456,178	\$14,159,631
July 1, 2017	\$4,719,877	\$552,226	\$5,272,103	\$9,439,754
July 1, 2018	\$4,719,877	\$368,150	\$5,088,027	\$4,719,877
July 1, 2019	<u>\$4,719,877</u>	<u>\$184,075</u>	<u>\$4,903,952</u>	\$0
	\$47,198,770	\$9,663,948	\$56,862,718	

Loan Date:	09/01/09
Principal:	\$46,770,770
Interest Rate:	3.90%
Structure:	Level
Term:	10 Years
Issue Rate:	0.90%
Issue Cost:	\$421,000

Total bond interest and issue costs for the project are approximately \$37.73 million. The updated project cost estimate in *Chapter 1: Current Project Cost Estimate* does not include the cost of debt service. ODOT does not treat debt service as a project specific cost. The decision to issue bonds is based on an assessment of statewide needs and resources, without consideration to individual projects. ODOT’s decision to use bond financing is made at the program level. The application of bonds to an individual project is therefore considered a general cost of conducting business rather than a project specific cost.

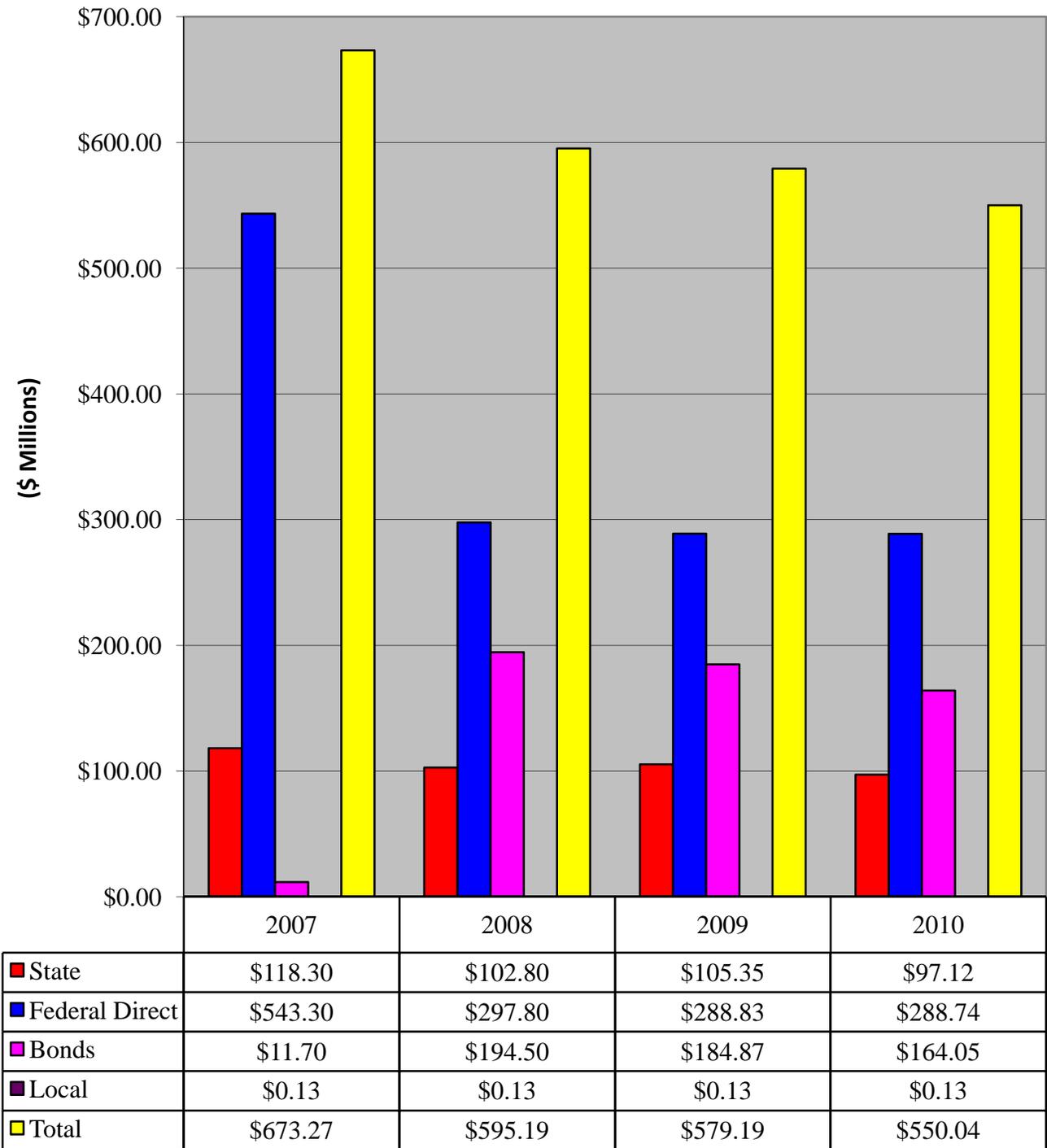
***Funding Plan Comparison***

A comparison of the project financing plans from the initial 2007 FMP and annual FMP Updates is provided in Table 3c and Exhibit 3. The comparison is useful in that it shows both the downward trend in the project cost estimate from the initial FMP and highlights ODOT’s evolving strategy for financing the project.

Table 3c: Project Funding – 2007 FMP, 2008 FMP Update and 2009 FMP Update (\$M)

Funding Source	Initial 2007 FMP	2008 FMP Update	2009 FMP Update	2010 FMP Update
Federal Direct	\$543.3	\$297.8	\$288.8	\$288.7
Bonds	\$11.7	\$194.5	\$184.9	\$164.1
State Direct	\$118.3	\$102.8	\$105.4	\$97.1
Local	\$0.1	\$0.1	\$0.1	\$0.1
TOTAL FUNDING	\$673.4	\$595.2	\$579.2	\$550.0

Exhibit 3: Montgomery IR 75 Reconstruction Project – Funding Comparison, 2007 vs. 2008



## CHAPTER 4: UPDATED CASH FLOW

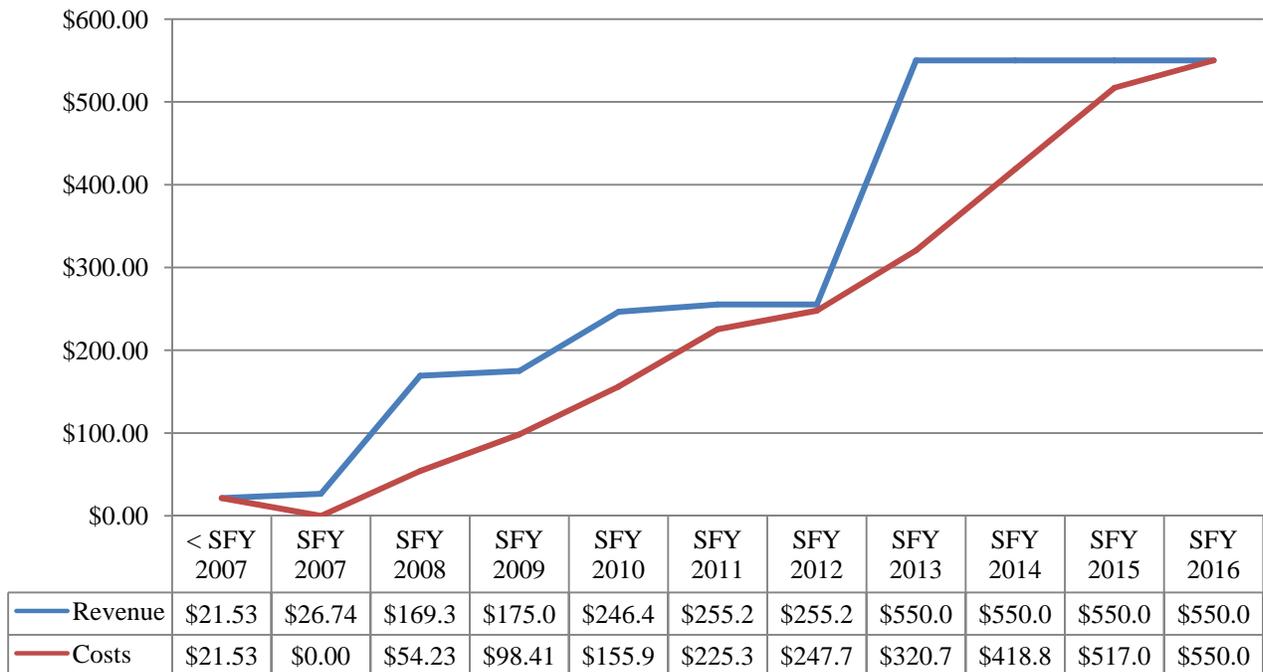
### Updated Revenue and Cost Analysis

ODOT's practice of encumbering all funds required for construction before construction begins ensures adequate cash flow to meet project expenditures when they are incurred. Cash flow projections are based on the current project schedule. All funds required to complete Phase 1A and Phase 1B have been encumbered except for any amounts that may be needed for future contract change orders. Funds required for Phase 2 are committed and will be encumbered up front once the construction contract is awarded. Current estimates of project cash flows are shown in Table 4 and Exhibit 4a.

Table 4: Updated Project Cash Flow Analysis (\$Millions)

COMMITTED REVENUE	< 2007	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
FEDERAL	\$16.91	\$0.47	\$122.71	\$3.06	\$67.92	\$5.91	\$0.00	\$235.82	\$0.00	\$0.00	\$0.00
STATE	\$4.49	\$4.74	\$19.90	\$2.61	\$3.55	\$2.88	\$0.00	\$58.95	\$0.00	\$0.00	\$0.00
LOCAL	\$0.13	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL	\$21.53	\$5.21	\$142.61	\$5.67	\$71.47	\$8.79	\$0.00	\$294.77	\$0.00	\$0.00	\$0.00
CARRYOVER	\$0.00	\$0.00	\$0.00	\$115.12	\$76.61	\$90.54	\$29.90	\$7.49	\$229.33	\$131.17	\$33.01
AVAILABLE	\$21.53	\$5.21	\$142.61	\$120.78	\$148.08	\$99.33	\$29.90	\$302.26	\$229.33	\$131.17	\$33.01
EXPENDITURES	\$21.53	\$5.21	\$27.49	\$44.18	\$57.54	\$69.43	\$22.41	\$72.93	\$98.16	\$98.16	\$33.01
BALANCE	\$0.00	\$0.00	\$115.12	\$76.61	\$90.54	\$29.90	\$7.49	\$229.33	\$131.17	\$33.01	\$0.00

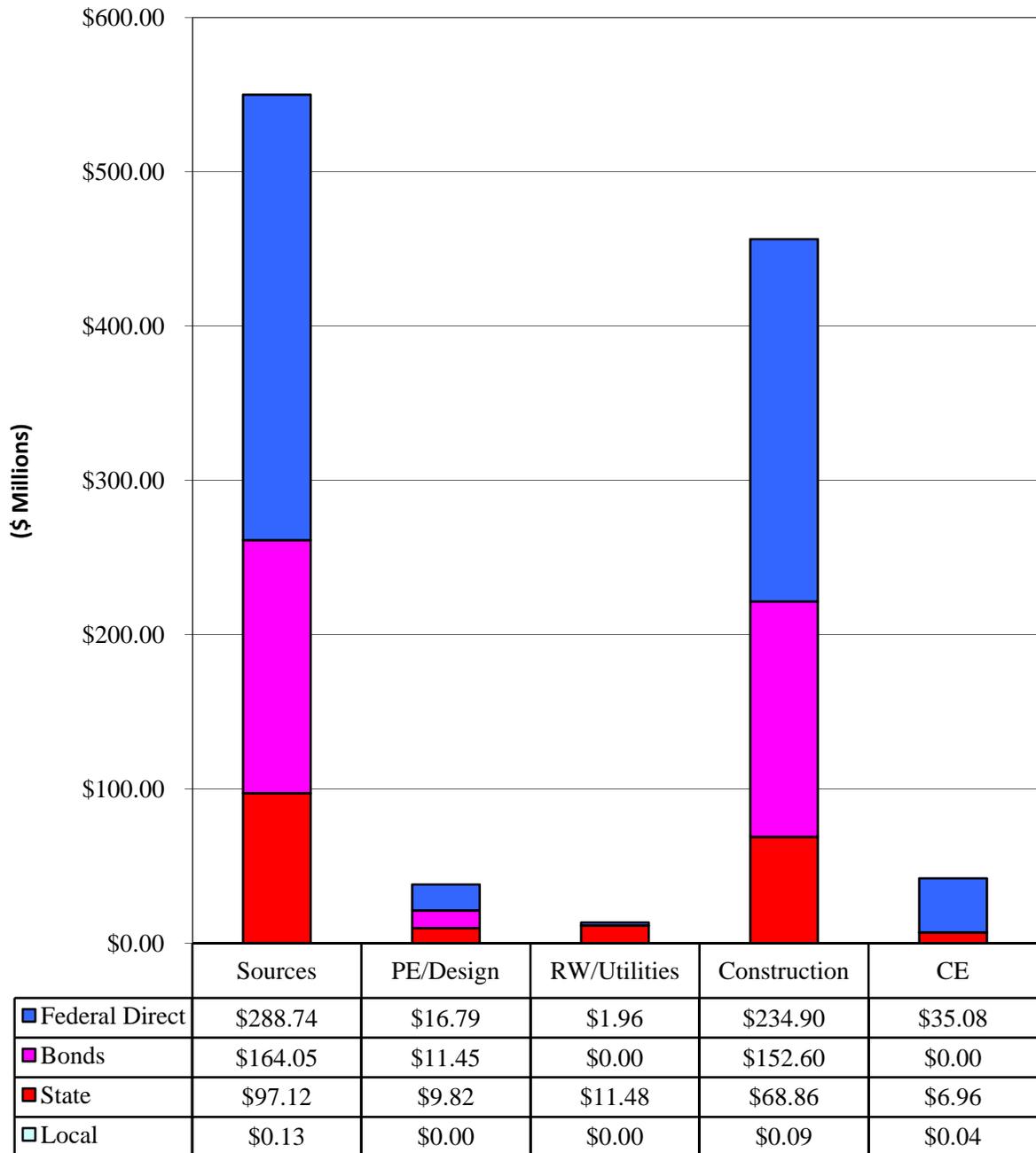
Exhibit 4a: Updated Project Cumulative Cash Flow Analysis (\$Millions)



## Updated Sources and Uses of Funds

Funding sources and uses have changed significantly from the original 2007 FMP, but only moderately from the 2009 FMP Update, as discussed previously in *Chapter 3: Project Funding*. The updated plan calls for an overall decrease in funding to match the reduced project cost estimate. The current plan for project resource allocation is depicted in Exhibit 4b. An expanded discussion regarding ODOT resource management is provided in *Chapter 6: Cost and Revenue History*.

Exhibit 4b: Updated Project Sources and Uses of Funds (\$ Millions)



## CHAPTER 5: RISK IDENTIFICATION AND MITIGATION

### *Project Risks*

The risk to Phase 1A and Phase 1B is minimal and limited primarily to contract change orders and construction schedule delays. With regard to the risk posed by change orders, the total amount accumulated to date is \$1.88 million that is attributable to Phase 1A on a bid award \$121.87 million. Phase 1 is approximately 80% complete, so a significant risk from additional change orders is highly unlikely. Phase 1B has been under construction for only about six months and no change orders have been processed to date. Should additional funds be needed for change orders, which are likely on a project of this magnitude, ODOT has the flexibility to provide the additional funds needed without jeopardizing other programs or projects. With regard to the risk posed by adverse weather, mitigation has been addressed by incorporating allowances for weather related delays into the construction schedules for both Phase 1A and Phase 1B based on normal conditions for the area.

The primary risks associated with Phase 2, are cost increases due to design modifications and schedule slippage; and a potential funding shortfall if funding in new federal transportation legislation is significantly less than SAFTEA-LU. ODOT's strategies for addressing these risks are discussed below.

### Risks Due to Design Modifications and Schedule Slippage

ODOT has attempted to mitigate these risks by adding a 15% construction contingency to the already inflated YOE cost estimate. The base construction cost estimate for Phase 2 in YOE dollars is \$235.79 million, plus CE costs of \$23.62 million. However, for the current financial plan, a 15% contingency equal to \$35.37 million for construction has been added to the base estimate. The inflated cost estimate for Phase 2 with the \$35.37 million contingency sufficiently mitigates the funding risks associated with potential design modifications and schedule slippage since project funding commitments are based on the higher amount. In addition, in keeping with standard practice, ODOT has included CE costs equal to approximately 10% of the construction estimate in the budget. Historically, however, ODOT's CE costs on large scale projects have been about 6% of actual construction costs. Should actual CE costs be in line with historical levels, funding committed for CE based on the 10% estimate provides flexibility to cover unexpected construction costs if necessary.

Although funding is provided in the budget for Phase 2 to cover cost increases due to these risks, especially risks associated with design modifications, ODOT will attempt to limit the impact of the risk associated with schedule slippage by delivering the project on time. ODOT's plans for delivering the project on schedule are detailed in the *Project Management Plan (PMP)*. The PMP states that, among other things, ODOT will keep the project on schedule through the following efforts:

- Monitor schedule milestones through its ELLIS Project Management System and Construction Management System (CMS).
- Conduct regularly scheduled monthly and quarterly project progress meetings throughout design and construction which focus on project scope, schedule and budget issues.
- Require regular schedule updates from consultants and contractors using Critical Path Management principles.

## Risks Due to a Funding Shortfall

The risk of a funding shortfall for Phase 2 stems from the possibility that financial commitments cannot be honored as scheduled because sufficient funding to ODOT will not be provided in future federal and state transportation legislation that will eventually replace SAFETEA-LU and Ohio HB 2, respectively. ODOT currently has no project specific mitigation plans in place to address a potential funding shortfall for Phase 2 in the future transportation legislation. ODOT will wait until legislation is enacted to assess the implications to the Department from a statewide perspective. ODOT will not initiate construction on Phase 2 until sufficient financing is in place to complete construction as determined by the actual bid award.

### ***Project Cost Reduction Opportunities***

The preceding discussion alluded to potential uncertainties and threats that could increase the cost of Phase 2. As part of this discussion, ODOT believes it is equally important to identify opportunities which could reduce the final project cost. The FHWA Financial Plan Guidance does not specifically address the issue of cost reduction opportunities; however, they were identified and discussed at length during the CER and factored into the updated cost estimate. The two most significant opportunities for cost reduction are identified below:

#### *Construction Engineering (CE)*

The cost estimate for Phase 2 includes construction engineering costs equal to 10% of the construction cost estimate. A sampling of recent large scale projects, however, shows that ODOT's construction engineering costs have actually ranged between 3.4% and 6.4%. The current construction engineering estimate for Phase 2 is \$23.62 million. Applying the highest historical rate of 6.4% to the total construction cost estimate of \$271.16 (\$235.79 million base cost + \$35.37 million contingency allowance) results in a CE estimate of \$17.35 million. ODOT, therefore, could potentially save approximately \$6.27 million in estimated CE costs if actual costs are closer to ODOT's historical average than the current estimate.

#### *Inflation Factors*

The updated cost estimate for Phase 2 is inflated to SFY 2014 YOY costs using very conservative inflation rates ranging between 3.0% and 5.0% annually. Recent trends indicate that circumstances may be favorable for inflation over the period covered by this update to be less than ODOT has projected. Lower inflation would reduce the final cost of the project below the Department's current estimate.

## **CHAPTER 6: COST AND REVENUE HISTORY**

### ***Cost History***

Actual construction expenditures for Phase 1A and Phase 1B are below estimate because both phases were awarded below estimate. The successful bids were awarded for \$121.87 million and \$57.59 million respectively, compared to FMP estimates of \$147.20 million and \$86.25 million. ODOT attributes the lower bid awards to competitive market forces in place which tempered inflation and kept construction costs lower than the Department initially projected. The construction savings are partially offset by increases in right-of-way costs due to mitigated and court ordered property settlements and higher design costs than initially estimated for Phase 2 due to the redesign of the central interchange.

The differences between the FMP estimates and bid awards for Phase 1A and Phase 1B implies that ODOT may have overestimated the impact of inflation on the project in the initial 2007 FMP. The rationale to support ODOT's initial inflation projections is discussed in below.

At the time the original 2007 financial plan was completed, ODOT was near the end of a three-year period from the beginning of SFY 2005 to the end of SFY 2007 where construction costs increased approximately 35.1% compared to a cumulative growth rate of 8.0% for the 5-year period between SFY 1999 and SFY 2004. Most of the dramatic increase was due to a surge in oil prices and volatility in construction commodities markets because of increasing demand for energy, steel and cement from emerging economies in China and India and rebuilding efforts along the U.S. Gulf Coast due to damage from Hurricanes Katrina and Rita. In response to the higher inflation ODOT significantly raised its cost escalation factors at the beginning of SFY 2007 to estimate future statewide construction costs, including the construction estimates for the Montgomery IR 75 Reconstruction Project. Project costs were adjusted by adding inflation contingencies to base project cost estimates. The Department believed this approach was prudent given that 1) there was political uncertainty and civil unrest in the middle east at the time that caused the price of oil to vary widely, and 2) the extent of the damage to the U.S. gulf coast from hurricanes Katrina and Rita was not fully known, so the impact on the availability and cost of construction materials was unclear. In retrospect, it appears that ODOT may have been overly cautious in guarding against these risks. The impact of ODOT's conservative fiscal approach is that funding was secured for the project based on the higher initial estimate, so fiscal risks to project completion were considerably reduced.

### ***Revenue History***

Project revenue has steadily decreased since the initial 2007 FMP, dropping from \$673.27 million to \$550.04 million to mirror the reduction in the project cost estimate. The project now relies on much higher bond financing than originally proposed, however, bond financing as well as all other revenue sources in the project budget have decreased every year since resources were first adjusted in the 2008 FMP Update.

## **CHAPTER 7: COST AND REVENUE TRENDS**

### ***Cost Trends***

ODOT has always used a very cautious and conservative approach to budget development. The Department will continue this philosophy to balance its future statewide program and project budgets. At the time the initial FMP was being prepared ODOT was experiencing double-digit inflation in statewide construction costs. In the past two years, however, inflation has slowed and has returned nearly to the 3% historical rates ODOT used prior to SFY 2007. To guard against the return of dramatic spikes in the cost of construction commodities due to worldwide economic and political uncertainties, ODOT will escalate project cost estimates statewide by 4% in SFY 2011 and 5% annually beginning in SFY 2012 and beyond.

### ***Revenue Trends***

Over the past few years state motor fuel tax revenue has remained level. ODOT expects this trend to continue. Even though people are expected to drive more, the Department does not expect any revenue growth because motorists will be driving more fuel efficient vehicles, resulting in no significant change in total fuel consumption. ODOT also does not expect any sizeable increase in federal revenue in coming years as future federal investment in Ohio is uncertain at best now that SAFETEA-LU has expired. In an effort to avoid overestimating statewide revenue, ODOT's approach will assume that state revenue will remain flat and federal revenue will grow at an annual rate of 1% over the next 6 to 10 years.

With its priority objectives to protect essential highway operations and basic roadway maintenance firmly entrenched, the combined affects of moderate projections for inflation and low projections for revenue growth results in a disproportionately negative affect on the availability of funds for new construction. Should revenue be higher than anticipated, inflation lower than projected, or a combination of both, ODOT will have a sufficient pipeline of projects in development which it can move forward as funds become available.

## **CHAPTER 8: SUMMARY OF SIGNIFICANT COST REDUCTIONS**

Project costs have been reduced from \$673.27 million in the initial 2007 FMP to the current estimate of \$550.04 million. This chapter is reserved for a discussion of changes in individual project elements that contributed at least \$10 million toward the total reduction. There are no individual project elements which meet the criteria. As a group, however, "Structures > 20' (bridges)" represent a cost reduction of more than \$100 million. The lower bridge costs are attributable to a reduction in the number of large and complex structures due to the simplified design of the central interchange in Phase 2. In addition, although it is not an identifiable project element, inflation is a major project cost influence and because it has been lower than anticipated, it has also made an enormous contribution to the total \$123.23 million reduction in the project cost estimate.

## **CHAPTER 9: SUMMARY OF SIGNIFICANT COST INCREASES**

This chapter is reserved for a discussion of changes in individual project elements that increased the cost of the project by at least \$10 million. There are no individual project elements which meet the criteria.



**Montgomery IR 75 Reconstruction Project  
2010 Financial Plan Update**

**LETTER OF CERTIFICATION**

The Ohio Department of Transportation has developed the 2010 Financial Plan Update for the Montgomery IR 75 Reconstruction Project in accordance with the requirements of Section 106, Title 23, and the Financial Plan Guidance issued by the Federal Highway Administration. The update provides current detailed cost estimates to complete the project and estimates of financial resources to be utilized to fully finance the project.

The cost data in the 2010 Financial Plan Update provides an accurate accounting of costs incurred to date and includes a reasonable 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 reasonable estimates of available resources to fully fund the project.

The 2010 Financial Plan Update is a living document. The Ohio Department of Transportation believes it provides an accurate basis upon which to schedule and fund the completion of the Montgomery IR 75 Reconstruction Project. The Department will continue to review and update the Financial Plan on an annual basis until the project is complete.

To the best of our knowledge, the 2010 Financial Plan Update as herein submitted, fairly and accurately presents the current financial position of the Montgomery IR 75 Reconstruction Project, including cash flows and expected conditions for the remainder of the project's life cycle. The financial forecasts in the 2010 Financial Plan Update are based on ODOT's judgment of the expected project conditions and the Department's expected course of action. The Department believes that the assumptions which underlie the 2010 Financial Plan Update are reasonable and appropriate. Further, the Department has made available all significant information relevant to the 2009 Financial Plan Update. To the best of our knowledge, the documents and records supporting the assumptions are appropriate.

---

Director  
Ohio Department of Transportation

---

Date