



94 NORTH-SOUTH **FREEWAY PROJECT**

SFY 2011 Update to the Financial Plan
Wisconsin Department of Transportation

Revised September 28, 2011

Sample



Wisconsin Department of Transportation

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September 28, 2011

The Wisconsin Department of Transportation has developed the State Fiscal Year (SFY) 2011 annual update to the Financial Plan for the I-94 North-South Freeway Project in accordance with the requirements of Section 106, Title 23, and the financial plan guidance issued by the Federal Highway Administration (FHWA). This plan provides detailed cost estimates to complete the project and estimates of financial resources to be utilized to finance the project fully.

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

The Financial Plan is a living document. It provides an accurate basis upon which to schedule and fund the I-94 North-South Freeway Project. The Department will review and update the Financial Plan on an annual basis.

To the best of our knowledge and belief, the SFY 2011 annual update to the Financial Plan as herein submitted, fairly and accurately presents the financial position of the I-94 North-South Freeway Project, as of June 30, 2011, including cash flows and expected conditions for the project's life cycle. The financial forecasts in the Financial Plan are based on our judgment of the expected project conditions and our expected course of action. We believe that the assumptions underlying the Financial Plan are reasonable and appropriate. Further, we have reviewed all significant information that we believe is relevant to the Financial Plan, and we are satisfied that the documents and records supporting the assumptions are appropriate.

Respectfully submitted,

A handwritten signature in black ink that reads "Mark Gottlieb".

Mark Gottlieb, P.E.
Secretary

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Executive summary

The I-94 North-South Freeway in Kenosha, Racine and Milwaukee counties plays a key role in the state's economy. This 35-mile corridor was initially constructed in the late 1950s and early 1960s. Most of the corridor has been resurfaced three times. Reconstruction is needed to address safety, congestion and long-term pavement needs. With a total cost of approximately [REDACTED], the project reconstructs the freeway from a six-lane divided freeway to an eight-lane divided freeway beginning in 2009 and ending in 2021.

Engineering and environmental studies were completed in 1996 and updated as needed for the reconstruction of 12 interchanges within the I-94 North-South Freeway in Kenosha and Racine counties. As part of the reconstruction project, "scissor" ramps will be removed, frontage roads relocated, and other improvements will be made to address geometric, physical and operational deficiencies of the existing interchanges. Construction on the interchanges began in 2009.

In 2006, the Department began the required environmental study of the 35-mile mainline I-94 North-South Freeway including the interchanges in Milwaukee County. FHWA approved the Record of Decision on May 30, 2008, which supported the reconstruction of the I-94 North-South Freeway to an eight-lane freeway with design and safety improvements. Reconstruction work in Milwaukee County began in 2009. In SFY 2011, the Department modified the schedule for the project moving the completion date to December 2021 in order to address more pressing priorities on the southeast Wisconsin freeway system such as the Zoo Interchange. Even with the change in the completion date, the estimated cost remains at [REDACTED] largely because actual costs and inflation have been less than originally estimated.

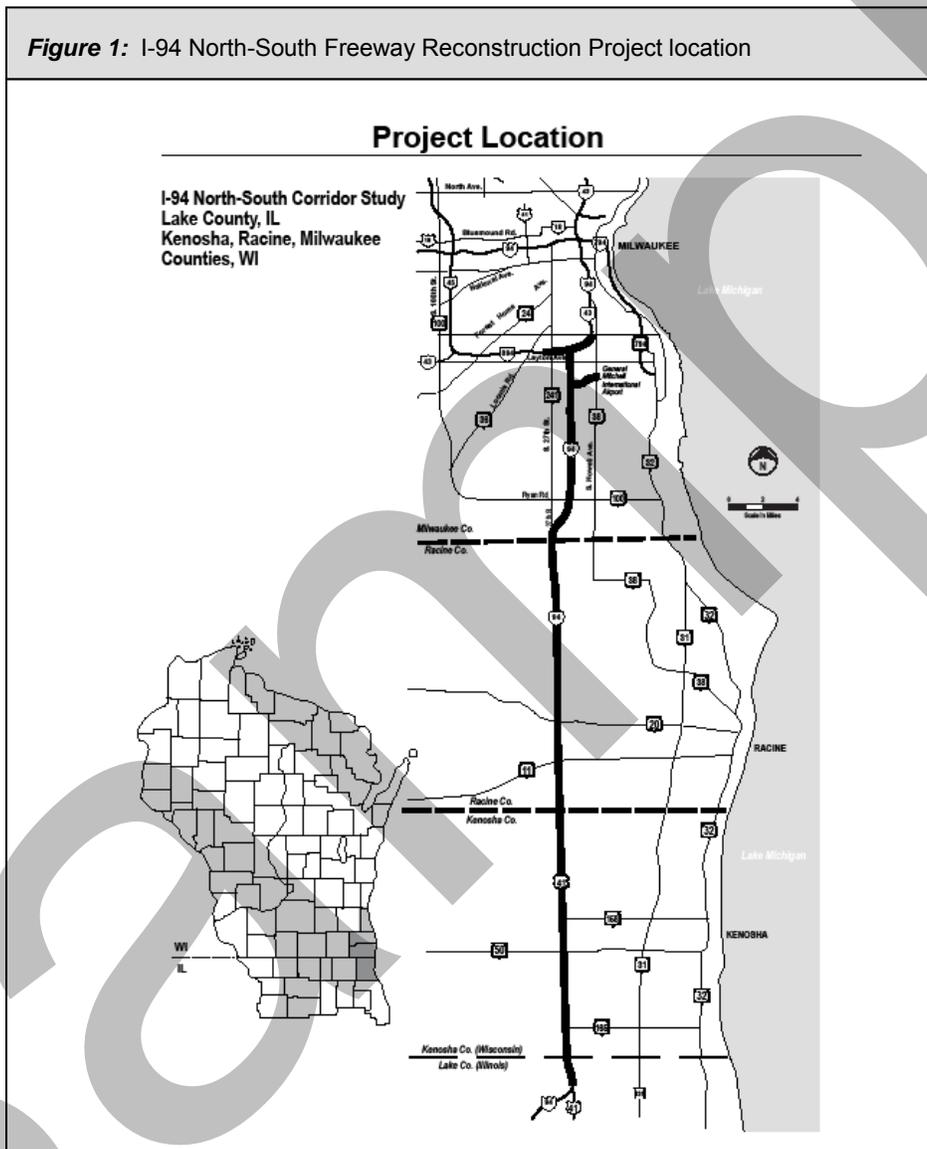
The project has been included in the Statewide Transportation Improvement Program as appropriate. The project will be financed through a combination of federal and state funds. The Department has identified sufficient funding for the project through the end of SFY 2013. The Wisconsin Constitution prevents the current legislature from committing future legislatures to a particular course of action; therefore, the specific source of funds for completing the reconstruction of the I-94 North-South Freeway cannot be identified at this time. The Governor and Legislature will decide on a biennial basis through the state budget process the most appropriate funding sources for completing the project.

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Introduction

The I-94 North-South Freeway in Kenosha, Racine and Milwaukee counties shown in **Figure 1** was initially constructed in the late 1950s and early 1960s. Most of the corridor has been resurfaced three times. Reconstruction is needed to address the safety, congestion and long-term pavement needs.



The Southeastern Wisconsin Regional Planning Commission (SEWRPC) studied southeast Wisconsin's freeway system from 2000 to 2003, and recommended full reconstruction of the I-94 North-South Freeway between 2009 and 2015.

Engineering and environmental studies were completed in 1996 for the reconstruction of 12 interchanges within the I-94 North-South freeway corridor in Kenosha and Racine counties. These studies produced functional plans and an Environmental Assessment. The EA details upgrades of the interchanges including removal of “scissor” ramps, relocating frontage roads and adding access roads along the frontage roads to meet the planned development and expected new traffic demands and to address the geometric, physical and operational deficiencies of the existing interchanges.

Preliminary design of the I-94 North-South Freeway interchanges in Kenosha and Racine counties began in 2003 for the State Trunk Highway (STH) 50 interchange, and 2005 for the remaining interchanges in these counties. The Department anticipates final design will be substantially complete by January 2012. Construction began in 2009 and ends in 2021.

In 2006, an Environmental Impact Statement (EIS) process was begun for the 35-mile mainline I-94 North-South Freeway, with the south limits at the USH 41/I-94 interchange in Lake County, Illinois, north limits at the Howard Avenue interchange in Milwaukee County, west limits at 35th Street along I-894, and the east limits at Howell Avenue along the Airport Spur (STH 119), all in Wisconsin. The Record of Decision was approved on May 30, 2008. Preliminary and final design will be completed for those projects detailed in the EIS in 2009 to 2012. Although the study area extends slightly into Illinois, the state of Wisconsin will not provide funding for any improvements identified in the state of Illinois. The state of Illinois shall reimburse the state of Wisconsin for the improvements needed in Illinois to ensure appropriate route continuity of I-94 in Illinois with respect to the project.

The primary purpose of the project is to reconstruct the I-94 North-South Freeway in Kenosha, Racine and Milwaukee counties, from a six-lane divided freeway to an eight-lane divided freeway.

Figure 2 provides a more detailed map of the corridor. A collector-distributor roadway system is proposed for the freeway from College Avenue north through the Mitchell Interchange in Milwaukee County.

Figure 2: Detailed map of the I-94 North-South Freeway



Source: Wisconsin Department of Transportation

Additional work includes the reconstruction of:

- Interchanges and crossroads at County Trunk Highway (CTH) C, STH 50, STH 158, STH 142/CTH S, CTH E and CTH KR in Kenosha County
- Interchanges and cross-roads at STH 11, STH 20, CTH K, CTH G and 7-Mile Road in Racine County
- Interchanges and cross-roads at Ryan Road (STH 100), Drexel Avenue, Rawson Avenue (CTH BB), College Avenue (CTH ZZ), the Airport Spur (STH 119), Layton Avenue (CTH Y), the Mitchell Interchange and 27th Street (STH 241)/I-894 in Milwaukee County

Included in the project is the separation and reconstruction of the frontage road system at the above-mentioned interchanges in Kenosha and Racine counties, and the reconstruction of the remaining frontage road system adjacent to the freeway in Kenosha and Racine counties.

The interchange at South 27th Street (STH 241) at the Racine County border in Milwaukee County will be reconstructed to a full interchange at a new location just north of the existing interchange location. This new interchange is called the Elm Road interchange, as the crossroad will be an extension of Elm Road in Milwaukee County.

The construction of an interchange at Drexel Avenue was initially approved by the FHWA on December 10, 2007. Final approval was obtained with the Record of Decision on May 30, 2008. The design of the interchange was put on hold until local cost share agreements could be worked out between the Wisconsin Department of Transportation, the City of Oak Creek and others. This agreement was obtained in 2010 and the Drexel Avenue interchange is scheduled to be constructed in 2012.

The need for the project stems from the system's deteriorated roadway, high crash rate, and obsolete design. The proposed action will address substandard characteristics of the freeway system. Along the freeway in Kenosha and Racine counties, the ramps and frontage roads merge together in a "scissor" style where high-speed ramp traffic merges with lower-speed frontage road traffic. These "scissor" ramps will be removed and the frontage roads relocated away from the ramps. In Milwaukee County, interchanges will be reconstructed to current standards to improve traffic flow on the local roadways. Also, the Mitchell Interchange will be reconstructed to remove left-hand ramp movements, improve horizontal and vertical sight distance and update the interchange to current standards.

The design of the freeway system is functionally deficient in many areas. This deficiency affects safety and congestion. The horizontal and vertical alignment is deficient in several locations, and, as a result, driver sight distance is below standards. Several overpasses and bridges have substandard vertical clearance.

Major milestones since the SFY 2010 Financial Plan Update:

July 2010	Let for construction in Milwaukee County – Mitchell Interchange and Interstate 94 from College Avenue to Howard Avenue (2-year project).
December 2010	Open to traffic in Milwaukee County – Collector/Distributor Roadways and Layton Avenue Interchange (South half).
February/March 2011	Lets for construction in Milwaukee County – College to Layton retaining wall staining & landscaping (multiple lets).
February 2011	Let for construction in Kenosha County – STH 158 to CTH E East Frontage Road.
March 2011	Let for construction in Kenosha County – CTH E to CTH KR East/West Frontage Roads.
March 2011	Let for construction in Kenosha County – Russell Rd to Illinois State Line NB & SB mainline.
March 2011	Let for construction in Racine County – STH 20 East/West Frontage Roads.
May 2011	Let for construction in Kenosha County – CTH C to STH 50 West Frontage Road.
July 2011	Let for construction in Kenosha County – STH 50/158 IC NB & SB mainline including STH 158 cross road (3 year project).

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I Current cost estimate

Cost estimate by cost element and construction contract

The Design, Real Estate, Utilities and Railroads, Traffic Mitigation, and Construction cost estimates are broken out below. These estimates, similar to the construction cost estimates discussed in the next section, are updated every four months. The total cost of the I-94 North-South Freeway Project remains at [REDACTED] with an expected completion date of December 2021. The dollar amounts in **Table 1** are shown in millions of year-of-expenditure dollars.

Table 1: Cost estimate by cost element (in millions)

Design	[REDACTED]
Real Estate	[REDACTED]
Utilities/Railroads	[REDACTED]
Traffic Mitigation	[REDACTED]
Construction Costs	[REDACTED]
Totals	[REDACTED]

Cost estimating methodology

As a multi-year construction effort, the cost estimating methodology must account for the possibility of changes in the cost of the materials and labor needed to complete the project, particularly since the completion date for the project has been extended from 2016 to 2021. As a result, the cost estimating methodology assumes the following:

Escalation in the price of commodities such as steel and petroleum products was researched and accounted for in the estimates by using adjusted higher unit costs in the later years of the project. Inflation specific to the national economy as a whole was set at three percent through 2014 and four percent in subsequent years.

The project utilizes a Design-Bid-Build process. Let savings have been realized as a result of general market competition and overall economic conditions.

Design

The design budget has been increased by \$ [REDACTED] to reflect the added design work needed to accommodate the change in the estimated completion date for the overall project. The Department anticipates the design effort for the project will be

substantially complete by January 2012. Because several years of construction activity remain, additional design work may be needed to update existing plans to reflect specifications when the project will actually be let. As a result, the total estimated design budget has been modified.

Real Estate

The actual cost of real estate for the project has been within the estimates developed for the project. The Department anticipates acquisition of all needed parcels for the project will be complete by the fall of 2014. A litigation reserve has been established and will be reduced as parcel acquisitions are completed.

Utility and Railroads

The actual cost of Utility and Railroad related work has been within the estimates developed for the project. At this time, the estimated cost remains sufficient to complete the remaining work as a result of the extended completion date for the project. Cost savings have been realized for some of the utility work required as a result of actual utility locations falling outside the project limits as final plat efforts are completed.

Traffic Mitigation

The traffic mitigation budget has been increased by \$ [REDACTED] to reflect the added work needed to accommodate the change in the estimated completion date for the overall project.

Construction and Construction Management

The estimated cost of construction engineering and construction management is estimated as a percentage of construction costs. Based upon experience from other large projects, construction management is estimated to be eleven percent of construction costs. Approximately seven percent of the total estimated construction costs have been included as a contingency for unforeseen field conditions, contractor claims and changes, changes requested by the Department and any other additions to the original contract amount.

Actual construction cost estimates are prepared with the development of the final PS&E documents by the design teams. With the bid let, the Department obtains the proposed cost from the contractor. These actual costs are used to revise the total construction cost estimate. Cost estimates for work proposed in the outlying years are updated every four months.

II Implementation plan

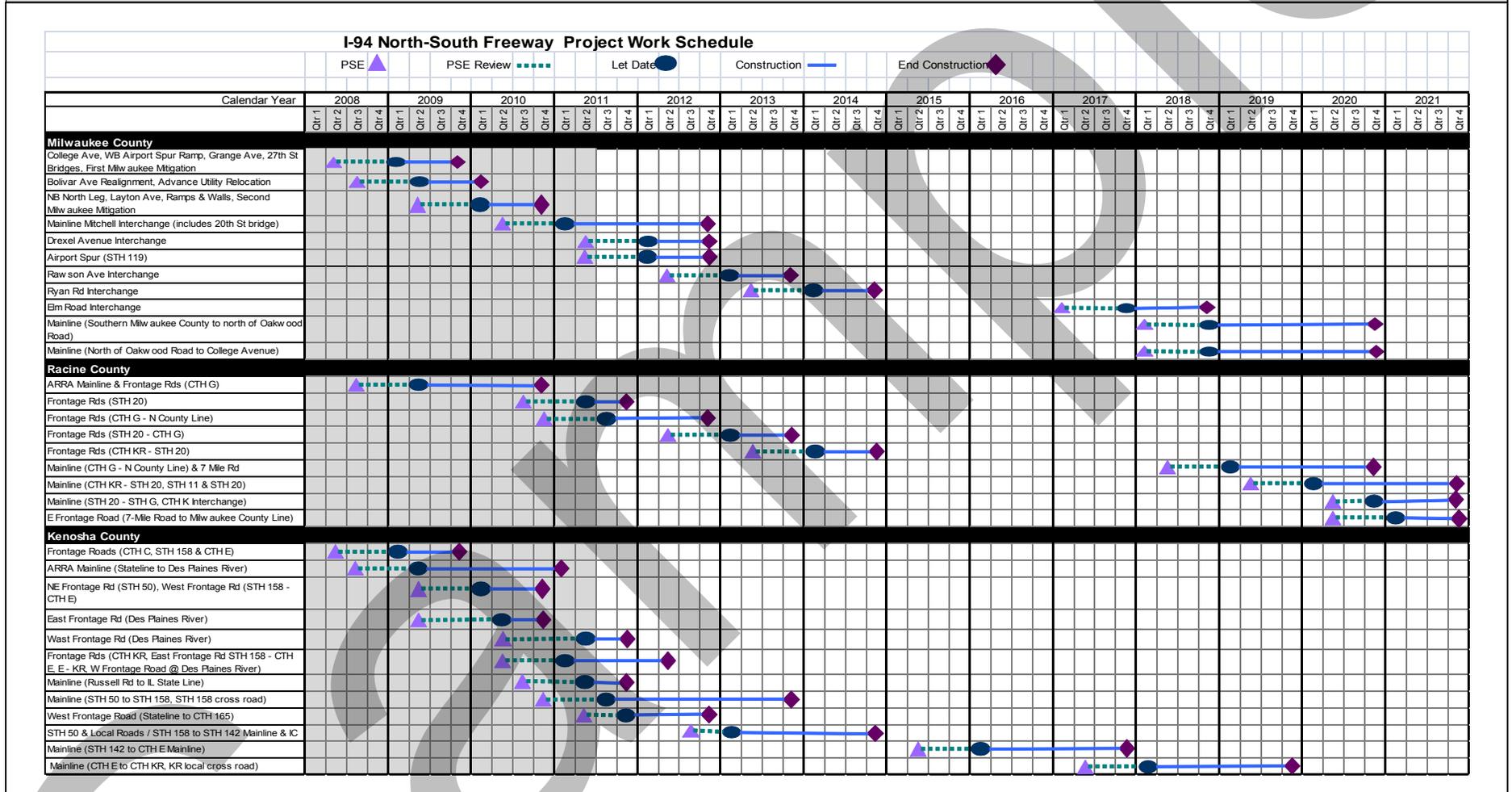
Proposed contract packaging and scheduling

The schedule for construction activities drives the contract packaging through completion of the project. Construction activities began in 2008 with the relocation of a stream and will conclude with work in Racine County in 2021. The overall completion date of the project has been changed from December 2016 to December 2021.

Table 2 reflects the current work plan for the project. **Table 3** reflects the highway segments with a revised completion date as a result of the decision to extend the completion date of the overall project from December 2016 to December 2021. Limited construction activity is planned between 2015 and 2017 in order to accommodate anticipated work on the Zoo Interchange.

More details regarding the proposed construction phasing of the project can be found on pages 14-16.

Table 2: I-94 North-South Freeway Project work plan



Source: Wisconsin Department of Transportation

Table 3: Segments with a completion date change between financial plan updates

	SFY 2010 UPDATE		SFY 2011 UPDATE	
	Calendar QTR	Calendar YR	Calendar QTR	Calendar YR
Milwaukee County				
Airport Spur (STH 119)	4th	2015	4th	2012
Elm Road Interchange	4th	2012	4th	2018
Mainline (Southern Milwaukee County to north of Oakwood Road)	4th	2014	4th	2020
Mainline (North of Oakwood Road to College Avenue)	4th	2014	4th	2020
Racine County				
Frontage Rds (STH 20 - CTH G)	4th	2012	4th	2013
Frontage Rds (CTH KR – STH 20)	4th	2012	4th	2014
Mainline (CTH G – N County Line) & 7 Mile Rd	4th	2013	4th	2020
Mainline (CTH KR – STH 20, STH 11 & STH 20)	4th	2016	4th	2021
Mainline (STH 20 – CTH G, CTH K Interchange)	4th	2015	4th	2021
E Frontage Road (7 Mile Road to Milwaukee County Line)	4th	2015	4th	2021
Kenosha County				
West Frontage Rd (Des Plaines River)	4th	2010	4th	2011
Frontage Rds (CTH KR, East Frontage Rd STH 158 – CTH E, E – KR, W Frontage Road @ Des Plaines River)	4th	2011	2nd	2012
West Frontage Road (Stateline to STH 165)	4th	2011	4th	2012
STH 50 and Local Roads/Mainline and Interchange (STH 158 to STH 142)	4th	2013	4th	2014
Mainline (STH 142 to CTH E Mainline)	4th	2012	4th	2017
Mainline (CTH E to CTH KR, KR local cross road)	4th	2014	4th	2019

Source: Wisconsin Department of Transportation

Construction Phasing			
Yr.	Milwaukee County	Racine County	Kenosha County
2008	<ul style="list-style-type: none"> Traffic management improvements at various locations 	<ul style="list-style-type: none"> Stream relocation at CTH G 	<ul style="list-style-type: none"> No activity
2009	<ul style="list-style-type: none"> College Avenue Interchange Westbound STH 119 on/off ramps at the Airport Spur West Grange Avenue structure over the I-94 freeway Structures at the I-894/I-43/STH 241 (27th Street) Interchange Layton Avenue/STH 241 (27th Street) intersection 	<ul style="list-style-type: none"> Construct the CTH G overpass, frontage roads and crossroad 	<ul style="list-style-type: none"> Separate the frontage roads from the ramps at CTH C, STH 158 and CTH E Stream relocation at CTH KR Construct the southbound lanes from the Illinois State line to STH 50 including the structures/ramps at CTH C
2010	<ul style="list-style-type: none"> Preliminary off-site work for the core Mitchell Interchange work Layton Avenue Interchange West and east collector/distributor roadway system and work at the Plainfield Curve structure over the railroad/13th Street Eastbound STH 119 on/off ramps at the Airport Spur 	<ul style="list-style-type: none"> Complete the CTH G interchange 	<ul style="list-style-type: none"> Construct the northbound lanes from the Illinois State line to STH 50 including the structures/ramps at CTH C Construct the east frontage road at STH 50 and from CTH C to STH 50 Construct the west frontage road from STH 158 to CTH E including separating the west frontage road from the ramps at STH 142
2011	<ul style="list-style-type: none"> Construct the 20th Street structure over I-894/I-43 Construct the tunnels for the west-to-north ramp and the south-to-west ramp in the Mitchell Interchange Construct the northbound mainline lanes from College Avenue through the Mitchell Interchange, including westbound I-894/southbound I-43 lanes to 35th Street, the westbound I-894/southbound I-43 ramps at the 27th Street Interchange and the northbound I-94 lanes to Howard Avenue through the Plainfield Curve 	<ul style="list-style-type: none"> Construct the East/West frontage roads at STH 20 interchange Begin reconstructing the frontage roads from CTH G north to the Milwaukee County line. 	<ul style="list-style-type: none"> Construct the east frontage roads from STH 158 to CTH E and the east and west frontage roads from CTH E to CTH KR including separating the frontage roads from the ramps at CTH KR Construct the northbound and southbound lanes in Illinois from Russell Road to the Wisconsin state line Begin constructing the southbound lanes through the STH 50 and STH 158 interchanges Construct the west frontage road from CTH C to STH 50 (Des Plaines River Bridge)

Construction Phasing

Yr.	Milwaukee County	Racine County	Kenosha County
2012	<ul style="list-style-type: none"> Construct the southbound I-94 lanes from Howard Avenue to College Avenue and the eastbound I-894/northbound I-43 lanes from 35th Street to the Mitchell Interchange Reconstruct the Airport Spur Construct the Drexel Avenue interchange Complete constructing the Mitchell interchange and associated structures Complete the Ryan Road stream relocation 	<ul style="list-style-type: none"> Complete the reconstruction of the East/West frontage roads from CTH G to the Racine/Milwaukee county line including separating the frontage roads/ramps at 7 Mile Road. 	<ul style="list-style-type: none"> Construct the West frontage road from the State Line to STH 165 Complete the East/West frontage roads from CTH E to CTH KR Complete constructing the southbound lanes through the STH 50 and STH 158 interchanges
2013	<ul style="list-style-type: none"> Reconstruct the Rawson Avenue interchange Construct Ryan Road interchange ramp structures 	<ul style="list-style-type: none"> Reconstruct the frontage roads from STH 20 to CTH G including the separation of the ramps at CTH K STH 11 interchange grading for Frontage Roads 	<ul style="list-style-type: none"> Construct side roads at STH 50, temporary widening along STH 50 and mainline construct of STH 50 Construct STH 158 northbound mainline and IC ramps at STH 142 Construct STH 158 IC and local roads
2014	<ul style="list-style-type: none"> Reconstruct the Ryan Road interchange 	<ul style="list-style-type: none"> Construct the East/West frontage roads from CTH KR to STH 20 including the new frontage roads at STH 11 	<ul style="list-style-type: none"> Reconstruct STH 50 to a six lane divided facility Construct STH 142 interchange southbound and STH 142 access road
2015	<ul style="list-style-type: none"> No new activity 	<ul style="list-style-type: none"> No new activity 	<ul style="list-style-type: none"> No new activity
2016	<ul style="list-style-type: none"> No new activity 	<ul style="list-style-type: none"> No new activity 	<ul style="list-style-type: none"> Construct the northbound mainline lanes from STH 142 to CTH E and CTH E interchange
2017	<ul style="list-style-type: none"> No new activity 	<ul style="list-style-type: none"> No new activity 	<ul style="list-style-type: none"> Construct the southbound mainline lanes form CTH E to STH 142
2018	<ul style="list-style-type: none"> Construct Elm Road Interchange and southbound mainline and portions of the northbound mainline 	<ul style="list-style-type: none"> No new activity 	<ul style="list-style-type: none"> Construct the northbound from CTH E to CTH KR including structures and ramps at CTH E and CTH KR

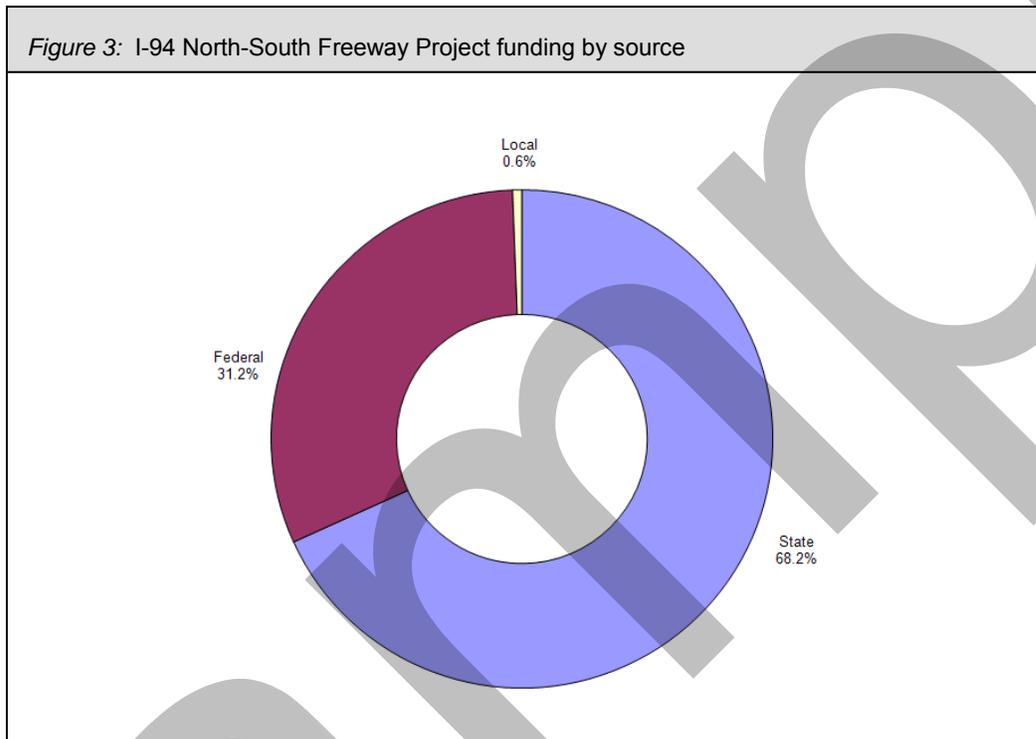
Construction Phasing

Yr.	Milwaukee County	Racine County	Kenosha County
2019	<ul style="list-style-type: none"> Construct the northbound I-94 lanes from Racine County line to College Avenue 	<ul style="list-style-type: none"> Construct the northbound mainline lanes from CTH G to Milwaukee county line 	<ul style="list-style-type: none"> Construct the southbound mainline lanes from CTH E to CTH KR
2020	<ul style="list-style-type: none"> Construct the southbound I-94 lanes from Ryan Rd interchange to Oakwood Rd 	<ul style="list-style-type: none"> Construct the northbound lanes from CTH KR to CTH K Construct southbound mainline from CTH G to county line 	<ul style="list-style-type: none"> No new activity
2021	<ul style="list-style-type: none"> No new activity 	<ul style="list-style-type: none"> Construct the northbound lanes from CTH KR to CTH K including the structures/ramps at STH 11 and STH 20 Construct the East frontage roads at 7 Mile Rd to Milwaukee County line Construct the southbound lanes from CTH K to CTH C and construct the ramps at CTH K 	<ul style="list-style-type: none"> No new activity

III Project financing and revenues

Overall financial plan

The reconstruction of I-94 in Milwaukee, Racine, and Kenosha counties will be funded through state and federal transportation program funding. As can be seen in **Figure 3** below, the total estimated project cost would be funded with 31.2 percent federal resources and 68.2 percent state resources as a well as a small amount of local funding.



Source: Wisconsin Department of Transportation

Federal funds

Federal funds are a key to the implementation of the I-94 North-South Freeway Project.

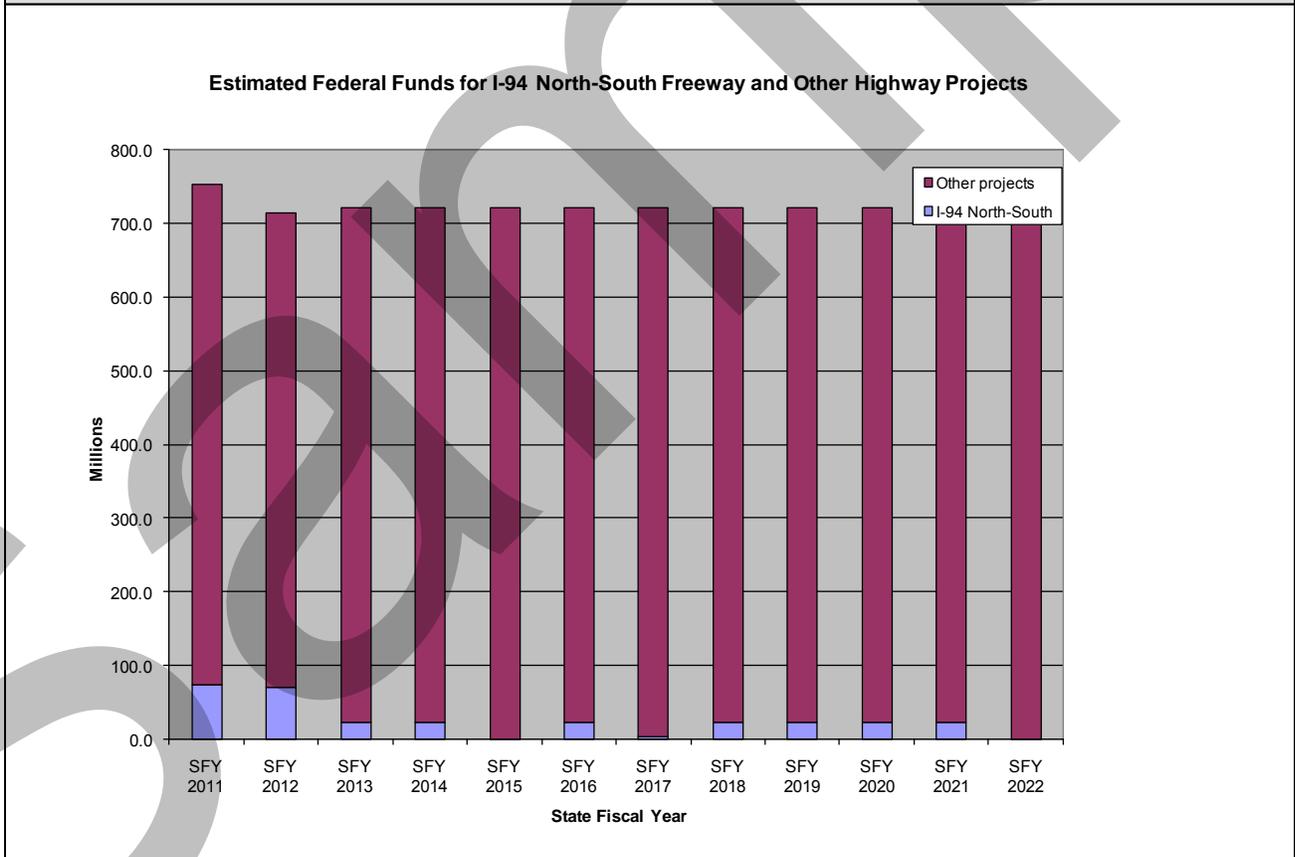
The Department expects to use federal funds in a variety of apportionment categories for the project such as Interstate Maintenance and National Highway System. The Safe, Accountable, Flexible, Efficient Transportation Equity Act, A Legacy for Users (SAFETEA-LU), P.L. 109-59, established the contract authority available to Wisconsin through the end of Federal Fiscal Year (FFY) 2009. Recent congressional action extended the contract authority level through March 31, 2012. The annual congressional appropriations process establishes the obligation limitation percentage each year, which limits how much of the contract authority may be obligated on highway projects for a given fiscal year. However, with the expiration of SAFETEA-LU the amount of federal funding available to Wisconsin became less certain.

The financial plan makes a conservative assumption regarding the amount of federal formula funds received by Wisconsin. Wisconsin received ██████████ in federal funds in SFY 2010 and ██████████ in SFY 2011 which included ██████████ and ██████████, respectively, of redistribution funds. The plan assumes ██████████ in federal funds in SFY 2012 and ██████████ annually beginning in SFY 2013 with no additional redistribution funds assumed.

Uncertainty exists regarding the level of federal funding available to Wisconsin with the expiration of SAFETEA-LU. However given the importance of transportation to the nation's economy, it is likely there will be a resolution to infrastructure funding issues at the federal level. Recognizing all of these factors and with the information currently available, the Department assumes federal revenues will remain unchanged during the life of the project.

As can be seen in **Figure 4**, sufficient federal formula funds will be available for other highway projects. Planned funding for the project is consistent with Wisconsin's fiscally constrained State Transportation Improvement Program and the relevant Transportation Improvement Program.

Figure 4: Estimated federal funds for I-94 North-South Freeway Reconstruction Project and other highway projects



Source: Wisconsin Department of Transportation

State funds

The Governor and Legislature have demonstrated their commitment to the reconstruction of I-94 in Milwaukee, Racine and Kenosha counties through a number of actions.

The state biennial budget provides spending authority through the appropriation of state and federal funds as well general obligation bond authority for large reconstruction projects on the Southeastern Wisconsin freeway such as the I-94 North-South Freeway project. The funds appropriated for the Southeast Wisconsin Megaprojects program may only be used for projects with a cost of at least [REDACTED] on the freeway system; Wisconsin law does not establish statutory funding limits for each project. However, the Governor and Legislature through the budget process establish the intent of how the funds provided are to be spent in the biennium. As can be seen in **Table 4**, the most recent biennial budget 2011 Wisconsin Act 32, provided [REDACTED] in funding for the I-94 North-South Freeway Project.

The State of Wisconsin Building Commission issues debt on behalf of the state of Wisconsin as authorized by Wisconsin law. As of the end of SFY 11, [REDACTED] of the [REDACTED] authorized general obligation bonds for the I-94 North-South Freeway project have been issued. An appropriation from the state transportation fund pays the required debt service due for the bonds that have been issued for the project. As a general obligation bond, the state backs each bond with its full faith and credit meaning the state will take whatever steps are necessary to ensure repayment.

Table 4: Funding Provided for the I-94 North-South Freeway Project

Type	2011 Wisconsin Act 32 2011-13 Biennium
State and Federal Funds	[REDACTED]
Bond Funds	[REDACTED]
Total	[REDACTED]

Source: Wisconsin Department of Transportation

The Wisconsin Constitution prevents the current Legislature from committing future Legislatures to a particular course of action; therefore, the specific source of funds for completing the reconstruction of the I-94 North-South Freeway cannot be identified at this time.

The Department will evaluate options for the funding needed in SFY 2014 and SFY 2015 as part of its biennial budget request. The Department of Administration working on behalf of the Governor develops the budget bill, which will be introduced for legislative

consideration in February 2013. The Legislature will review and amend the proposed state budget bill during the spring of 2013 with the goal of completing its work so the Governor may sign a bill by June 30, 2013.

The Department may not spend funds without an appropriation established by state law. Wisconsin law provides for continuing base spending authority in its appropriations if the budget bill is not adopted by July 1. The base spending authority available in SFY 2014 for the I-94 North-South Freeway Project is approximately [REDACTED] annually, based on SFY 2013 amounts.

Key revenue assumption, risks and mitigation

Summary of key revenue assumptions, risks and mitigation			
Revenue Source	Assumption and Justification	Discussion/Potential Risk	Risk Mitigation
Federal Funds	Assumes limited increase in federal aid formula funding available to Wisconsin through annual appropriation process.	The project is scheduled for completion after the expiration of the most recent extension of SAFETEA-LU, March 31, 2012.	State funds will be used if federal funds are unavailable for the project.
State Funds	Assumes sufficient state funds available to complete the project. Wisconsin relies on fuel taxes and vehicle registration fees for transportation revenues. These two sources represent 98 percent of expected state transportation fund revenues in the next two state fiscal years.	The Department has noted the importance of completing the reconstruction of I-94 in Milwaukee, Racine and Kenosha counties in a timely fashion.	The Department will submit a budget request, which ensures funding will be available to complete the project within the announced schedule.

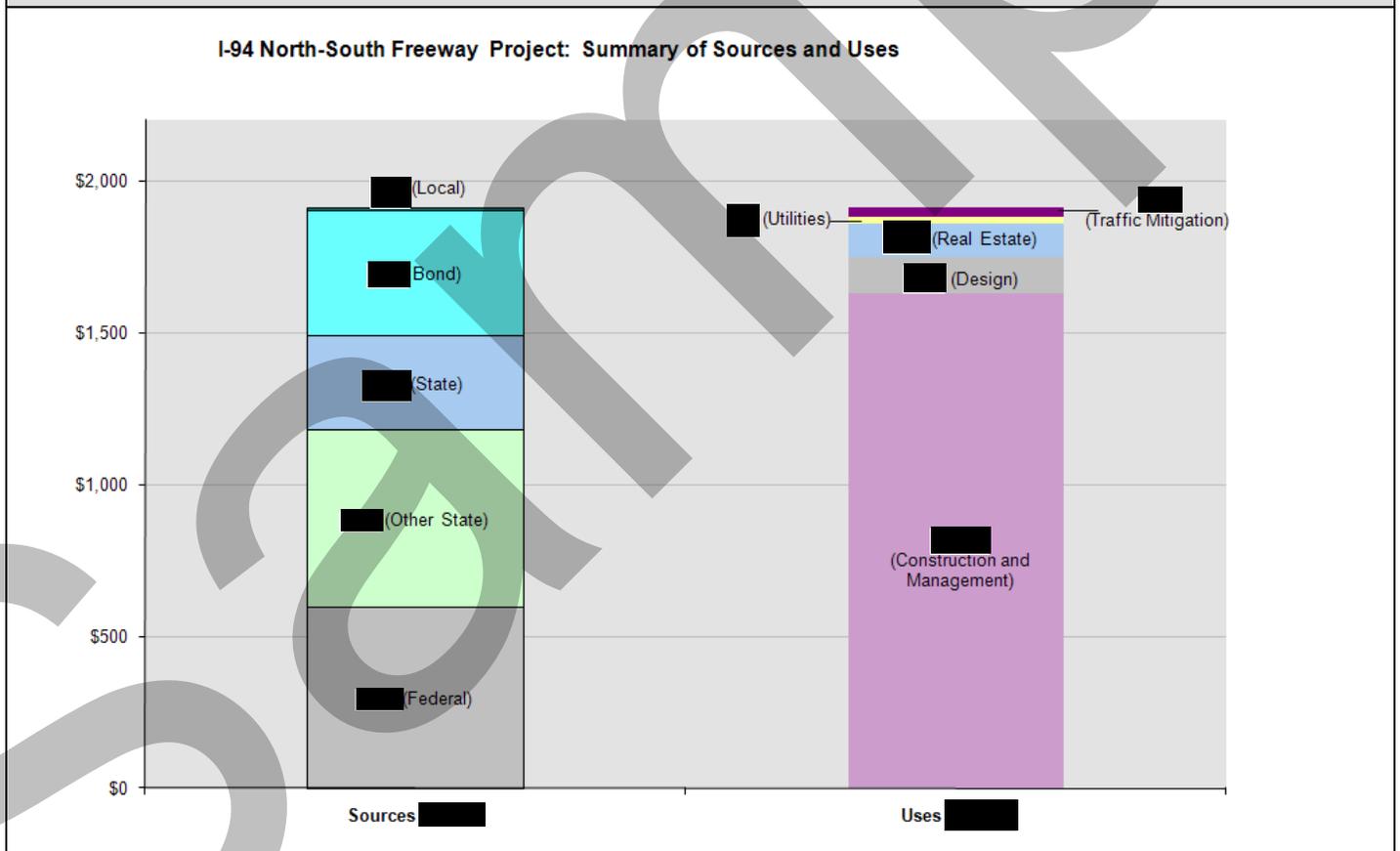
Source: Wisconsin Department of Transportation

IV Project cash flow

Wisconsin expects to have sufficient revenue available in order to complete the reconstruction of I-94 in Milwaukee, Racine, and Kenosha counties. The Wisconsin Legislature must provide spending authority for both the state and federal funds to be used for the project. **Figures 5, 6, and Table 5** assume the Legislature will provide the necessary authority to meet the expenditure needs identified.

Figure 5 presents the anticipated sources and uses of funds for the reconstruction of the I-94 North-South Freeway including state, federal and bond funding already approved for the project.

Figure 5: Anticipated sources and uses of funds for the I-94 North-South Freeway Project (millions in year-of-expenditure dollars)



Source: Wisconsin Department of Transportation

As noted in Section 3, the Governor and Legislature will decide on a biennial basis through the state budget process the most appropriate funding sources for completing the project. However, the “Other State” funding for the project is likely to be a combination of additional state and federal revenue as well as the approval of additional bonding for the project. For example, if the Legislature approved the same level of bonding for the project as was approved for the reconstruction of the Marquette Interchange, approximately [REDACTED] in additional bonding authority would be needed for the project, with the remaining costs to be paid with other state and federal funds.

Table 5 presents the history of anticipated funding for the project since the Initial Financial Plan as well as the change from SFY 2010 Financial Plan update. Because of the size and complexity of the project, changes in funding sources should be anticipated.

Table 5: Anticipated funding for the I-94 North-South Freeway Project by funding source (in millions)

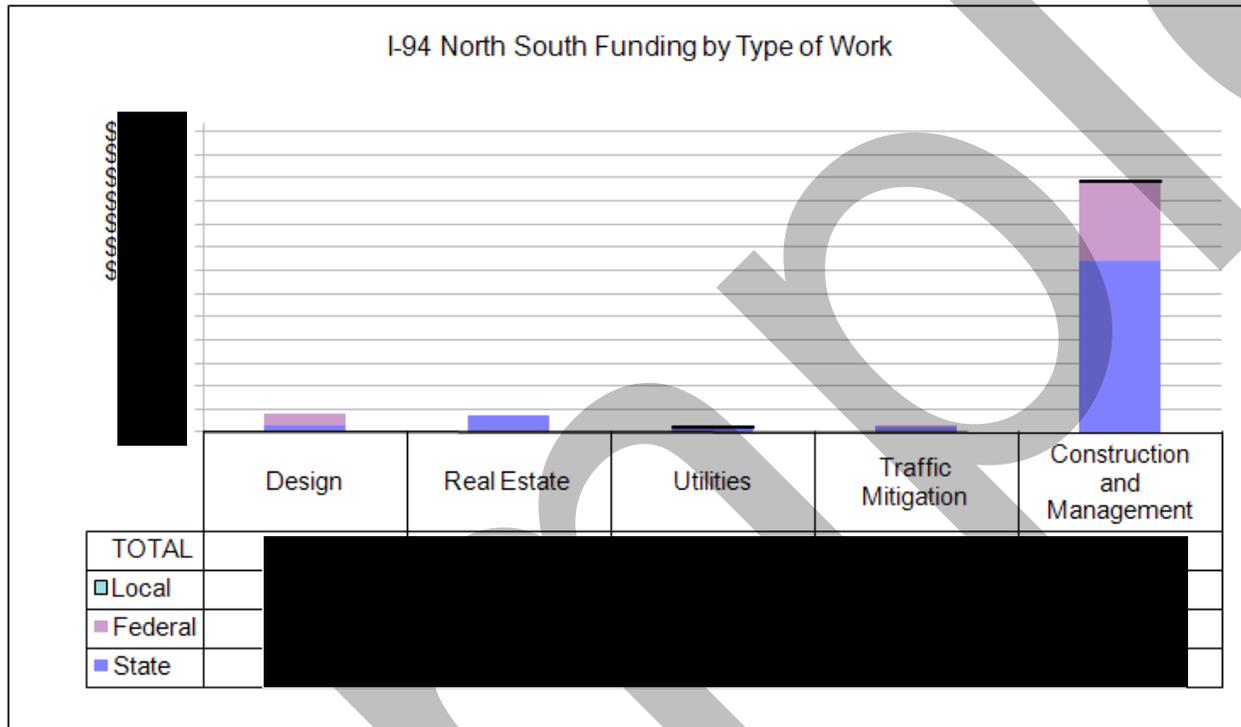
	Initial Financial Plan	SFY 2010	SFY 2011	Change from SFY 2010
Federal	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
State	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Bond	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other State	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Local	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: Wisconsin Department of Transportation

The state of Wisconsin adopts a state budget on a biennial cycle. Therefore, the anticipated funding sources will likely vary from year to year as the Governor and Legislature determine the funding level to be provided to the Department’s programs. In addition, Wisconsin law provides flexibility to the Department to determine the amount of federal or state resources to be applied to a particular project. As a result, these factors will affect the overall source of funds for the project.

Figure 6 identifies the anticipated funding for the I-94 North-South Freeway project by type of work as well as a projection regarding the source of funds for the work identified.

Figure 6: Anticipated funding for the I-94 North-South Freeway Project by type of work (in millions)



Source: Wisconsin Department of Transportation

Table 6 presents the cash flow estimate by state fiscal year.

Table 6: Cash flow estimate by State Fiscal Year (SFY)

	Estimated cash flow by SFY (in millions)												TOTAL
	SFY 2006- SFY 2011	SFY 2012	SFY 2013	SFY 2014	SFY 2015	SFY 2016	SFY 2017	SFY 2018	SFY 2019	SFY 2020	SFY 2021	SFY 2022	
State funds	████	████	████	████	████	████	████	████	████	████	████	████	████
Bond funds	████	████	██	████	████	████	████	████	████	████	████	████	████
Federal funds	████	████	████	████	████	████	████	████	████	████	████	████	████
Local funds	██	██	██	██	██	██	██	██	██	██	██	██	██
Other State Authority	██	██	██	██	██	██	██	██	████	████	████	██	████
Estimated Total Resources	████	████	████	████	████	████	████	████	████	████	████	████	████
Carryover from prior fiscal year	█	████	████	████	████	██	██	██	██	██	██	██	██
Estimated I-94 North-South Cost	████	████	████	████	████	████	██	████	████	████	████	██	████
Total available less cost	████	████	████	████	████	██	██	██	██	██	██	██	██

Source: Wisconsin Department of Transportation

Table 7 compares the actual and estimated costs from this annual update with the estimated cost of the project from the Initial Financial Plan. As the Department manages the multi-year construction effort, shifts in estimated costs between years can be expected as the Department balances individual project schedules with available resources to ensure the completion of the project within the original budget of [REDACTED]. Through the end of SFY 2011, a total of [REDACTED] has been spent on the project while the Initial Financial Plan anticipated a total of [REDACTED] would have been spent through the end of SFY 2011.

Table 7: Comparison between SFY 11 actual and estimated costs with initial financial plan cost estimate (in millions)

	Actual	Est	TOTAL										
	SFY 2006 thru 2011	SFY 2012	SFY 2013	SFY 2014	SFY 2015	SFY 2016	SFY 2017	SFY 2018	SFY 2019	SFY 2020	SFY 2021	SFY 2022	
SFY 11 Actual and Estimated Costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Estimated Cost from Initial Financial Plan	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Difference between Initial Financial Plan and SFY 11	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: Wisconsin Department of Transportation

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V Other factors

Wisconsin law

2011 Wisconsin Act 32 created the Southeast Wisconsin Freeway Megaprojects program for all projects on the southeast Wisconsin freeway systems expected to cost at least \$500 million such as the I-94 North-South Freeway project and the reconstruction of the Zoo Interchange in western Milwaukee County.

Special cost and schedule containment strategies

Cost and schedule control rests primarily with the I-94 North-South Freeway Project Team, specifically the managers and staff, who work closely with the design consultant through the weekly progress meetings to ensure that the project is on schedule and on budget. These individuals ensure that all the items on the issues list that require department action are assigned to the appropriate department staff.

Project and management staff review monthly progress reports for the project. The monthly progress report contains concise progress summaries with financial and schedule data and bullet point summaries detailing key milestones. Progress reports address potential cost increases, schedule delays with corresponding mitigation measures. In addition, cost estimates for the corridor are updated every four months.

The Department continues to monitor the cost and schedule of the project as outlined in previous financial plan updates.

Schedule for future annual updates

Records for the I-94 North-South Freeway Project are kept on a state fiscal year basis. The state fiscal year begins July 1 and ends June 30 while the federal fiscal year begins October 1 and ends September 30. The next annual update will be submitted by September 30, 2012, with information as of the end of June 2012.

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VI Cost history

Table 8 compares the estimated cost of the project from the initial financial plan with the current estimate of the cost to complete the project. Even with the revised completion date, the total estimated cost of the project remains at [REDACTED], because actual costs and inflation have been less than originally anticipated.

Table 8: Comparison of cost changes by category (in millions)

	Initial Financial Plan	SFY 2010	SFY 2011	Change SFY 2010 to SFY 2011
Design	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Real Estate	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Utilities/Railroads	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Traffic Mitigation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Construction Costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Totals	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: Wisconsin Department of Transportation

The design estimate increased by [REDACTED] to cover potential updates needed to existing construction plans as a result of the decision to extend the completion date of the project to 2021. Because several years of construction activity remain, project plans may need updating to reflect current specifications with let dates several years in the future.

The utility estimate decreased by [REDACTED] because some of the utility work included in the original scope and estimate as utility work has been included in construction let contracts, and the estimated cost of utility work has declined as plats and plans have been completed.

The traffic mitigation estimate was increased by [REDACTED] as a result of the decision to extend the completion date of the project.

The construction estimate decreased [REDACTED] because let costs have been less than originally estimated.

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VII Cost trends

In general, the project has experienced favorable pricing as a result of the current economic environment.

There are various reasons for reduced unit prices when comparing actual bids to the engineer's estimate, including the bidding of items at lower unit costs, such as sound walls, bar reinforcement steel and sign support steel. These unit prices reflect the nationwide trend of lower steel prices during the current recession. Additional reductions were found in items bid by sub-contractors and reflect the current job market and recession, and in base aggregate and concrete unit prices. The Department does not anticipate unit prices to decline on an ongoing basis.

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VIII Revenue shortfall mitigation

While state transportation revenues have increased at a slower pace than initially expected, the state continues to fund the project to meet the schedule as presented in the plan.

This plan has identified all necessary federal and state revenues needed to offset anticipated project expenditures.

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IX

Summary of significant cost reductions

During SFY 2011, no individual projects have experienced cost reductions of [REDACTED] or greater.

The Department has established a build-out budget for the project at [REDACTED] including a reserve for contingencies and unanticipated costs which are likely to arise over a multi-year construction schedule but cannot be specifically identified in advance. On a regular basis, the Department reviews and revises the cost estimate for the individual projects which are part of the effort to reconstruct the 35 mile corridor. While the Department has experienced let savings related to the project, a reduction in the total estimate cost has not been considered at this time because the Department still has significant construction activity remaining on the project and uncertainty exists regarding inflation rates for critical materials needed to complete the project.

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Summary of significant cost increases

The Department has identified one project with a significant cost increase when compared to its bid let cost. Project ID 1030-20-71, the collector/distributor roadway and the Layton Avenue Interchange project, had an original engineer's estimate of [REDACTED]. The project was let on January 20, 2010 with a contract cost of [REDACTED]. However, subsequent change orders have increased the estimated final cost of the project to [REDACTED]. Contract change orders have been necessary because of plan changes, unforeseen conditions, and minor omissions on the original plan set. However, the project is substantially complete and no additional significant cost increases are anticipated.

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Appendix A

Acronyms and abbreviations

CTH	County Trunk Highway
EA	Environmental Assessment
FEIS	Final Environmental Impact Statement
FFY	Federal Fiscal Year
FHWA	Federal Highway Administration
PS&E	Plans, Specifications & Estimates
SAFETEA-LU	Safe, Accountable, Flexible, Efficient Transportation Equity Act, A Legacy for Users
SE	Southeast
SEWRPC	Southeastern Wisconsin Regional Planning Commission
SFY	State Fiscal Year
STH	State Trunk Highway
STIP	Statewide Transportation Improvement Program
TEA-21	Transportation Equity Act for the 21st Century