

## Finance & Audit Committee Meeting



# California High-Speed Rail: Third Party Financial Report

## Third Party Agreements

May 2016

## **Third Party Financial Report – Third Party Agreements Definition**

---

- ▶ Third Party Agreements are agreements that enable the design and construction of the CA High-Speed Rail System. These agreements are for the relocation, modification, reconstruction, and/or protection of utilities, railroad facilities, irrigations facilities, and roadways that are in physical conflict with the proposed alignment.

## **Third Party Financial Report - Agenda**

---

- Executive Summary
- Current Program Status
- Third Party Work Risk Assessment Overlay
- Budget Impacts
- Moving forward

## Third Party Financial Report – Executive Summary

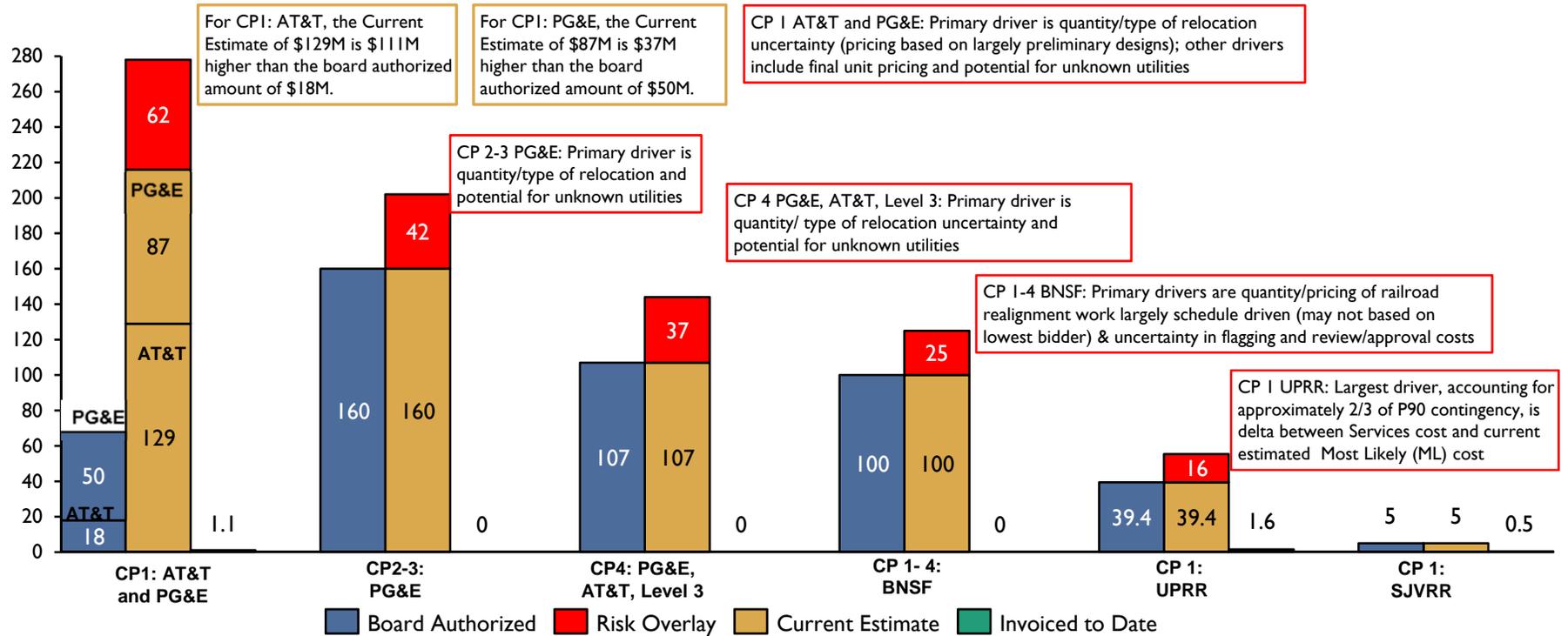
---

- ▶ The Third Party Team has completed a comprehensive review and update of Third Party Agreements and budgets for CP 1 thru 4.
  - Reviewed past estimates
  - Validated or adjusted all estimates
  - Reviewed existing Third Party processes and practices
  - Assessed risks and determined risk overlays
  - Initiated guidance for the implementation of best practices
  - Assessed budget status

# AT&T, PG&E, Level 3, & RR

## Board Authorized, Current Estimate and Invoiced Amounts

**Board Authorized, Current Estimate, Invoiced and Risk Overlay Amounts**  
(in millions \$)



**Notes:**

- Third Party Agreements are agreements that enable the design and construction of the CA High-Speed Rail System. These agreements are for the relocation, modification, reconstruction, and/or protection of utilities, rail road facilities, irrigations facilities, and roadways that are in physical conflict with the proposed alignment.
- As the project progresses, HSR will be in a better position to quantify the utility estimates.
- Current estimates for CPI are due to a better understanding of utility impacts as part of physical ground and underground surveys required for design.
- Current estimates for CP2-3 and CP4 are based on most current information available and have not be verified by physical ground and underground surveys required for design.
- Policies and procedures have been implemented to improve the information being gathered, including the timing of data collection and the standardization of estimating practices.
- All base estimates do not include contingency. See risk overlay for added contingency (risk overlay amounts are based on 90% confidence level).
- Amounts shown for each third party are inclusive of funds shown in both the project budget and Third Party budget line items.

## Third Party Financial Report – Budget Summary

Description	2016 Business Plan Budget (\$ Millions)
Third Party Budget	\$556
Third Party Contingency for CP 1 through CP 4	\$261
<b>Total for CP 1 through CP 4 Budget</b>	<b>\$817</b>

Description	Current Estimate (\$ Millions)
Third Party Cost	\$627
Risk Overlay for Contingency	\$182
<b>Total Estimated Cost</b>	<b>\$809</b>

**Current Estimated Costs are within Budget**

# Third Party Financial Report – Moving Forward

---

## What has been implemented

- ▶ Dedicated utility relocation estimator
- ▶ Outside independent expertise
- ▶ Strengthened project management
- ▶ Close coordination between the rail delivery team and the third party group
- ▶ Budgets are allocated to the respective projects

## Pending Approval

- ▶ Third Party agreements policy
- ▶ Financial management policy process
- ▶ Programming, financial and change management guidelines

## Still in development

- ▶ Utility team that will perform a more robust level of investigation of potentially impacted utilities during the preliminary design phase
- ▶ Uniform application of Third Party utility management from advance planning to construction management
- ▶ Performance metrics for reporting that provides early indicators for budget management

## **Third Party Financial Report – Summary**

---

- ▶ Dedicated Third Party Team
- ▶ Cost Assessment and Tracking
- ▶ Comprehensive Risk Analysis
- ▶ Budget Conformance