

Risk Management Process – Any Benefits?

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The Pain

- Congress Questioned FTA's Oversight and Management of Federally Funded Capital Projects because these Major Capital Projects have Experienced Cost Overruns and Delayed Revenue Service.
- FTA has Replied to Congress' Question by Utilizing a Risk Informed Management Process

The Focus

- What is FTA's Objective in Implementing a Risk Informed Management Approach?
- How have Transit Agencies Adjusted to Ensure Project Implementation?
- What are the Benefits to the Federal Government and to the Transit Industry?

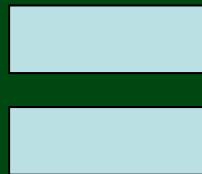
Project Milestones

- FTA's Oversight Process has Defined the Following Project Milestones:
 - Entry into Preliminary Engineering
 - Entry into Final Design
 - Readiness for a Full Funding Grant Agreement
 - 20% Constructed
 - 50% Constructed
 - 75% Constructed
 - 90% Constructed
 - Revenue Service



FTA's Objective for Risk Informed Project Oversight

- Project Success = Proper Planning, Project Controls, Timely Execution, Effective Management, Risk Management



A Biography For Successful Projects

- All Federally Funded Major Capital Projects require a Project Management Plan (PMP)
 - The PMP needs the RCMP.



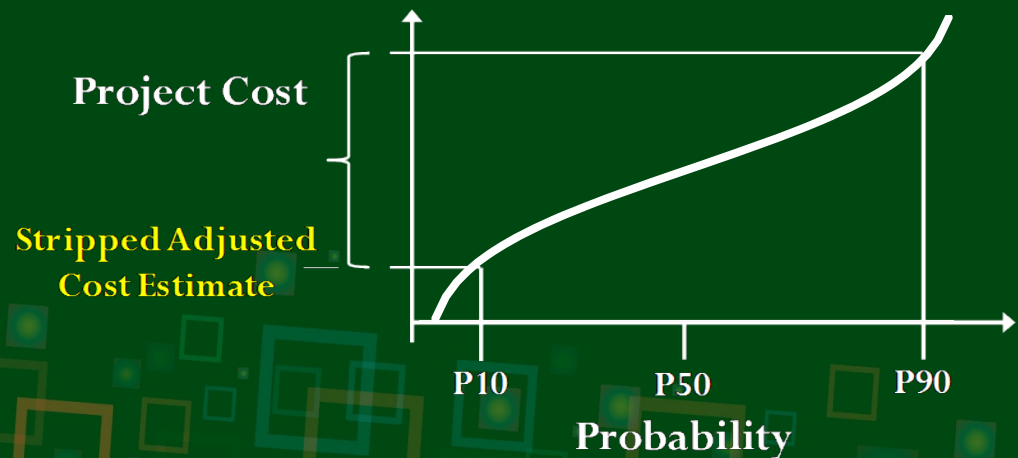
A Biography For Successful Projects

- All Federally Funded Major Capital Projects require a Project Management Plan (PMP)
 - The PMP needs a Risk and Contingency Management Plan (RCMP)
 - The RCMP addresses: Risk Identification, Risk Analysis, Risk Mitigation, Risk Monitoring

Evaluate Project Scope, Cost, Schedule and, Technical Capacity and Capability

Refinements to the Risk Modeling Process

- After many Trials and Errors, FTA has Implemented the Beta Range Factor (BRF) Cost Model
- Base Cost Estimate (minus ALL contingencies) = 10% Probability Value (P10)
- BRF times the (P10) = 90% Probability Value (P90)



Study the Past to Better Manage the Future

- TCRP G-07 (Managing Capital Costs of Major Federally Funded Public Transportation Projects) Provided the Raw Data on 28 Transit Projects. FTA Established a Set of Values into the Following Project Milestones:
 - Entry into Preliminary Engineering - 30%
 - Entry into Final Design - 20%
 - Readiness for FFGA - 15%
 - 90-100% Contracted - 10%
 - 50% Constructed - 5%
 - Revenue Service - 1-3%

Implementation of Risk Informed Management

- Desired Outcome - Reasonable Project Budget and Revenue Operations Date
- Risk Identification – Develop a Risk Register
- Risk Analysis – Cost and Schedule Models to Ascertain appropriate levels of Contingency
- Risk Mitigation – Prepare a RCMP to include Pre-Determined “Recovery” Strategies
- Risk Monitoring – Utilize Risk Register including “Top 10 Risks” for Senior Management Oversight

Transit Agency Adjustments to Better Manage Their Projects

- Risk Management Assessments Indicated Inexperienced Project Management and External Forces were Relevant Risks
 - Agency Organization
 - Technical Capacity and Capability
 - Contract Delivery Methods
 - Staffing Needs
 - Management Plan Development

Process Details

Plan

More Planning
and More Planning

- Strong Project Management
- Defined Scope of Work
- Sufficient Budget – Reasonable Schedule – Adequate Contingency to Handle Risks

What are the Benefits to FTA and the Transit Industry?

FTA

- Held Agencies to a Higher Level of Accountability
- Increasing Number of Projects are Completing within Budget and Schedule

Transit Industry

- Fresh "Set of Eyes" to Review Scope, Budget, and Schedule
- More Proactive in Managing their Projects

Summary – Risk Informed Management

- Better defined Project Scopes
- More Robust Budgets
- Realistic Project Schedules
- Identification of Cost and Schedule Risk Drivers
- Adequate Cash Reserves to Address Changes
- Proactive Management with Sufficient Staff and Procedures

Challenged by Congress

RESULT

POSITIVE CHANGES by FTA and
TRANSIT INDUSTRY

ACTION

Risk Informed Management
Implemented Risk Management
Program Adds Value

Questions???

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