June 1, 2020

California High-Speed Rail Authority
Attn: Draft 2020 Business Plan
770 L Street, Suite 620 MS-1
Sacramento, CA 95814

Dear Board Members of the California High-Speed Rail Authority,

I read with interest the entirety of the 166-page fantasy-fiction piece that was submitted under the equally creative title of Draft 2020 "Business Plan." If you intended the Draft Business Plan ("DPB") to be a propaganda piece to convince readers that this project is still, as CEO Brian Kelly repeatedly insists, "worth doing," then I would give you an "A". The sheer volume of spin, misleading statements, revisionist history, and willful avoidance of facts included to justify the continued existence of your organization is impressive. But as a taxpayer who is forced to fund this project, I would have liked to have read a document presented to the legislature that was at least slightly based in reality.

Our legislators should be afforded the benefit of the truth so that they may make decisions accordingly. I would like to point out just a few of the ways in which the DBP is out of alignment (yes, that is an HSR pun) with reality.

1. **Not-So Clean Transportation in the Era of Climate Change**. On page 11, the DBP states that "*California high-speed rail is the backbone of the State Rail Plan and is central to the state's climate policies*." If this is the case, then we're really in trouble. When CEO Kelly states that high-speed rail will "*combat the effects of climate change*," I am not sure whether this is a genuine ignorance of the facts or whether it's just spin. The reality of the situation is that CHSRA's data on offsetting greenhouse gas emissions has always intentionally omitted the emissions that are a byproduct of construction of the project. The reality is that more GHG will be generated during the construction phase than will ever be recouped during operation. The reality is that this is not a "green" project. If you've not read the policy studies published on California High-Speed Rail by the Reason Foundation, I would suggest doing so in order to get an independent analysis of the actual environmental impacts of this project.

2. **Not-So Organized Reform**. Chapter 2 focuses on convincing readers that CHSRA's "*organizational realignment*" has improved its output. What the DBP fails to mention is that the changes implemented and improvements documented over the last two years that are delineated in this chapter were not voluntary; they were mandated by the scathing State Audit that was published in November 2018. This chapter includes a lot of corporate speak – for example, that a "*key activity*" of CHSRA over the last two years was "*eliminating the silos between functional and project delivery teams*." The reality is that the CHSRA has spent the last 20 years trying to learn how to operate, to the point where it's touted as a success in the DBP that its teams are now actually communicating with each other for the first time. Page 35 explains that the "*behind-the-scenes work will allow us to open construction sites more quickly*." According to Page 25, between 2006 and 2019, CHSRA has "invested" $5.7 billion in planning. The reality is that CHSRA has spent 13 years and $5.7 B in "*behind-the-scenes work*," and has not a single inch of track laid to show for it. The reality is that if CHSRA was an actual business in the open market instead of a government-funded pet project, it would have gone out of business years ago.

3. **The San Gabriel Mountains.** On page 68, CHSRA explains that it has learned lessons from the [disaster it created in the] Central Valley and therefore will do more scope work ahead of issuing construction contracts. The paragraph goes on to say that, "*These efforts can include Geotechnical Investigations,*" as though this is a novel new idea. Specifically, *"In the Pacheco Pass in Northern California and in the Tehachapi and San Gabriel Mountains in Southern*

California, we will need to complete several years of geotechnical investigations to develop a geotechnical baseline report that will provide potential bidders with a better understanding of what they will be facing in trying to build tunnels and other major structures in those mountainous regions." There are several problems with this statement. First, for those few of us who read the 2018 Business Plan, this language is surprisingly similar. The reality is that in the two years that have transpired since it made the same statement, CHSRA has made no progress toward figuring out if/how it can engineer the most technically challenging portion of the route. The reality is that CHSRA has swept under the rug its own 2017 report entitled "*Draft Geotechnical Tunnel Feasibility Evaluation for High-Speed Rail Tunnels Beneath the Angeles National Forest*," which concluded that there exist "*significant design and construction challenges*" which are likely to make tunneling technically infeasible and/or cost prohibitive.

With respect to the mountains, a bit more detail is provided on page 93: "*We will also continue the ongoing groundwater monitoring through the San Gabriel Mountains. This work is being done to develop a multi-year analysis of variations in groundwater conditions along the HSR alignment. This will be used to support approval from the US Forest Service to start construction when funding becomes available*." This is one of only two mentions of the U.S. Forest Service in the entire document, which is interesting considering the critical role that the USFS plays in the success – or failure – of the project overall. For the Palmdale to Burbank Project Section, CHSRA has continued to refuse to include any alignment for consideration that does NOT go through the Angeles National Forest. The reality is that there is no evidence to suggest that the USFS will issue a Special Use Permit to allow for the train and its ancillary construction to cross ANF borders. By not including and studying a non-Forest alignment, CHSRA has left the State with no backup plan whatsoever if the USFS denies a permit. If this happens, the reality is that the vision of connecting San Francisco to Los Angeles will not occur, and, furthermore, the state's largest population center will be excluded from the project entirely.

4. **Costs**. The table on page 106 demonstrates that the Palmdale to Burbank Project Section is the second-most expensive project section, with a cost estimate range of $13 billion to $25 billion. Given that CHSRA admitted earlier in this document that it does not even have a "baseline" understanding of what it will take to get through the San Gabriel Mountains, how can it possibly present a reasonable, let alone accurate, cost estimate for this project section?

   Looking to the future, CHSRA's suggestions on how to "close the gaps" in its funding are worrisome. It relies too much on Cap & Trade funding, to the point where it actually suggests securing financing against future Cap & Trade monies. On page 122, CHSRA suggests that it will monetize positive cash flow from a yet-to-be-completed project section and secure private investor financing from the promise of future net operating cash flows. The reality is that the future financing prospects presented are a house of cards constructed with the sole purpose of justifying the completion of just enough track to continue the mantra that "we've spent enough money so far, we may as well finish the rest".

   The reality is that CHSRA's own incompetence and mismanagement jeopardized the biggest source of non-State funding of this project: the Federal grant money. The reality is that CHSRA has had over 10 years to secure financing and yet the majority of the project remains unfunded, and the only "investor" in this project has demanded its money back.

   CHSRA'S "Breakeven Analysis" included on pages 150 – 151 is equally worrisome. The breakeven analysis for 2033, "Opening Year" of Phase 1, includes a range that extends from -$255 million to +$1.6 billion. I realize that in a project that has ballooned over time, we tend to lose track of "millions" and "billions", to the point where the casual reader may gloss over what a huge range this really is. CHSRA also states that the "breakeven probability for the Phase 1 opening year is 83%". The reality is that CHSRA is not even certain that it will "break even" in 2033, 25 years after the passage of Prop 1A.

On page 115, the DBP cites the Peer Review Group's conclusion that "*The Authority can no longer be expected to deliver a project for which the proposed scope is not matched by adequate and reliable funding*." I feel as though CHSRA included this quote as a backwards justification to receive more funding. The reality is that the Peer Group underscores a conclusion that would seem to be self-evident at this point: CHSRA has failed to secure sufficient funding, and CHSRA cannot deliver this project.

In his foreward to the DBP, CEO Brian Kelly insists that "*now is not the time to turn back*." This way of thinking succumbs to the sunk cost fallacy that most Economics 101 students learn to overcome. According to Wikipedia, a sunk cost "*is a sum paid in the past that is <u>no longer relevant</u> to decisions about the future*." Instead of continuing to operate under this fallacy, we should instead be heeding the theory of prospective costs, which allows us to avoid future costs if action is taken.

5. **Relationship with the Federal Government**. On page 115, CHSRA states that, "*Going forward, we intend to work with the state, <u>federal government</u>, and private sector to identify additional funding and financing opportunities to deliver the full system*." CHSRA goes on to say on page 120 that, "*Because of California's importance to the national economy, it is reasonable and appropriate for the federal government to be a full partner with the state*." These are odd expectations to place on an entity that CHSRA is suing and with which it has been forced into mediation. The reality is that CHSRA is to blame for the strained, litigious relationship that it currently enjoys with the Federal Government, and specifically with the FRA. It is completely unrealistic and unreasonable for the CHSRA to continue to count on future funding from the Federal Government when the FRA has already terminated CHSRA's agreement and deobligated its grant money.

6. **Prop 1A**. The DBP makes numerous references to Prop 1A. What it fails to do is delineate the numerous ways in which CHSRA has failed to fulfill every key provision of the proposition with which it is legally required to comply. In summary, Prop 1A stipulated that the train:
   - Link San Francisco and Los Angeles, the state's two population centers
   - With a maximum travel time of 2 hours 40 minutes
   - While maintaining speeds of 220 mph

   While perhaps not mandated, it was also understood that the train would:
   - Cost $32 billion and
   - Be completed and operational by 2020

   The reality is that CHSRA has failed to achieve any of these goals. The current plan does not link the population centers of San Francisco and Los Angeles, but instead the Central Valley cities of Merced, Fresno, and Bakersfield. Even this minimal portion is not envisioned to be completed until 2029. Even if San Fran and LA were to be connected, it won't be in under 2 hours 40 minutes, because the train cannot sustain speeds of 220 mph. Page 61 of the DBP states that the highest speed attainable for the 44-mile Burbank to Anaheim Corridor is only 125 mph, while the highest speed attainable for the 77-mile NorCal Peninsula is a mere 110 mph – half the target speed. Current cost estimates for the project fall in the range between $63 billion and $98 billion, and those only increase the longer this project stagnates.

In the foreward to the DBP, CEO Brian Kelly maintains that HSR is "*worth doing*" and that "*now is not the time to turn back*." It is imperative that we evaluate these statements against the current situation. While I understand that the DBP was prepared before the COVID-19 pandemic, we must now make decisions based on the new reality, which is that the State of California is facing an economic depression, the likes of which have not been seen for a century.

In May, Governor Newsom presented a revised budget for the next fiscal year. In it, he cuts $19 billion from the budget that was presented in January in an attempt to close a $54 billion deficit that was created as a result of the pandemic. The revised budget cuts funding for public schools, environmental protection, and dramatically scales back programs that were planned pre-pandemic, when the State enjoyed a budget surplus.

In presenting the budget cuts, Newsom stated that California has to focus on its core values, which he delineated as:

1. Public education
2. Public health
3. Public safety
4. People hit hardest by COVID-19

Whether or not this project was ever "worth doing" is up for debate, but there should be no debate that it is no longer worth doing. The State of California does not NEED a train connecting Merced to Bakersfield. If there is any money left after the state fulfills the needs of the four priorities outlined by Newsom, I would suggest that what the state NEEDS to devote funds towards are: (1) water infrastructure projects, and (2) wildfire prevention measures and wildfire recovery.

In his world of fantasy fiction, Mr. Kelly maintains that "*now is not the time to turn back.*" The reality is that, if there was ever a time to turn back on this project, that time is now.

Sincerely,

Kelly E Decker

Kelly Erin Decker
Taxpayer of the State of California

11440 Moonhill Road
Kagel Canyon, California 91342
KellyErinDecker@aol.com

cc via email to:

Kathryn Barger, Los Angeles County Fifth District Supervisor
Anthony Portantino, 25th District California State Senator
Luz Rivas, 39th District California State Assemblymember
Jim Frazier, 11th District California State Assemblymember and Chair of the Transportation Committee
Jim Patterson, 23rd District California State Assemblymember