

2021-22 Budget Request

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Chief Financial Officer
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SUMMARY

The Legislature deferred budget action until next January on the Governor's budget request for new Proposition 1A funding for capital outlay. This requires the Authority to reduce its planned \$3.221 billion 2021-22 capital expenditure budget to match available cash resources. The Legislature did augment the administrative budget.

The current cash resources through July as reported in the Finance and Audit Committee is \$1.979 billion.

In accordance with existing Board Policy HSRA11-001, which directs Board approval of the budget, Staff recommends Board approval of:

- FY2021-22 Capital Budget of \$2.313 billion
- FY2021-22 Administrative Budget of \$91.1 million



METHODOLOGY

Methodology for 2021-22 Capital Outlay Budget:

- Staff made updates since the July Board presentation to account for actual revenues and expenditures since then.
 - August Cap-and-Trade revenues were \$127 million above forecast
 - Cash expenditures through July were \$201 million below forecast
- Establish a Prudent Cash Reserve of \$300 million to account for uncertainty in future Cap-and-Trade revenue. (The remaining three auctions this fiscal year are budgeted to conservatively assume the auction floor price and full sale of allowances)
- Expenditures for a future track and systems contract and future Merced and Bakersfield extension design contracts are deferred to July 2022, reducing planned 2021-22 expenditures by \$300 million. Note, these new contracts must be approved by separate board action.



METHODOLOGY

Methodology Continued:

- Reduced planned expenditures on two construction packages and other capital activities to maintain a prudent cash reserve of \$300 million through June 2022.
 - Specifically, reduced the budgeted expenditure by an additional \$407 million to maintain a prudent cash reserve

Implementation:

- The budget will be monitored closely and reported monthly at Finance and Audit Committee meetings
- Work will continue to progress without delay of activity; however, if expenditures or revenue trend in a direction that would reduce the prudent cash balance below \$300 million, Staff will report to the Board with additional recommended budget actions.



SUMMARY 2021-22 BUDGET REDUCTIONS

The below table summarizes the various budget adjustments that reduce expenditures by approximately \$908 million to result in a \$300 million cash reserve.

FY 21-22 Budget (\$ Millions)

Portfolio/Program/Project	July Budget	September Budget Update	Change
Environmental (Record of Decision)	\$ 69	\$62	\$(7)
Merced/Bakersfield Design Advancement	\$101	\$1	\$(100)
Construction Package 1 (Including SR99)	\$1,088	\$815	\$(273)
Construction Package 2-3	\$1,027	\$706	\$(321)
Construction Package 4	\$388	\$388	-
Central Valley Segment Rail	\$199	-	\$(199)
Program Wide	\$265	\$257	\$(8)
Bookend Projects	\$83	\$83	-
Total	\$3,220	\$2,312	\$(908)



CAP AND TRADE

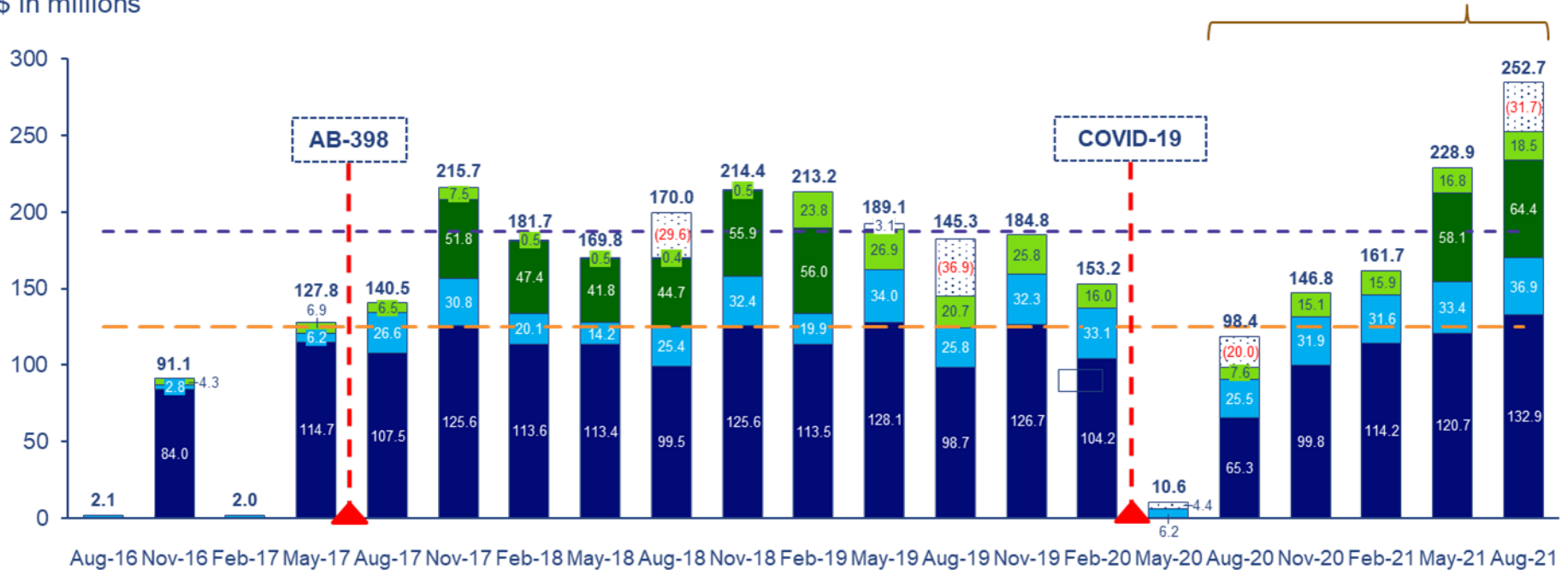
Due to the deferral of new Proposition 1A funds, Cap-and-Trade revenue becomes more central for cashflow. Recent trends are strong but past volatility suggests a need to establish a prudent cash reserve.



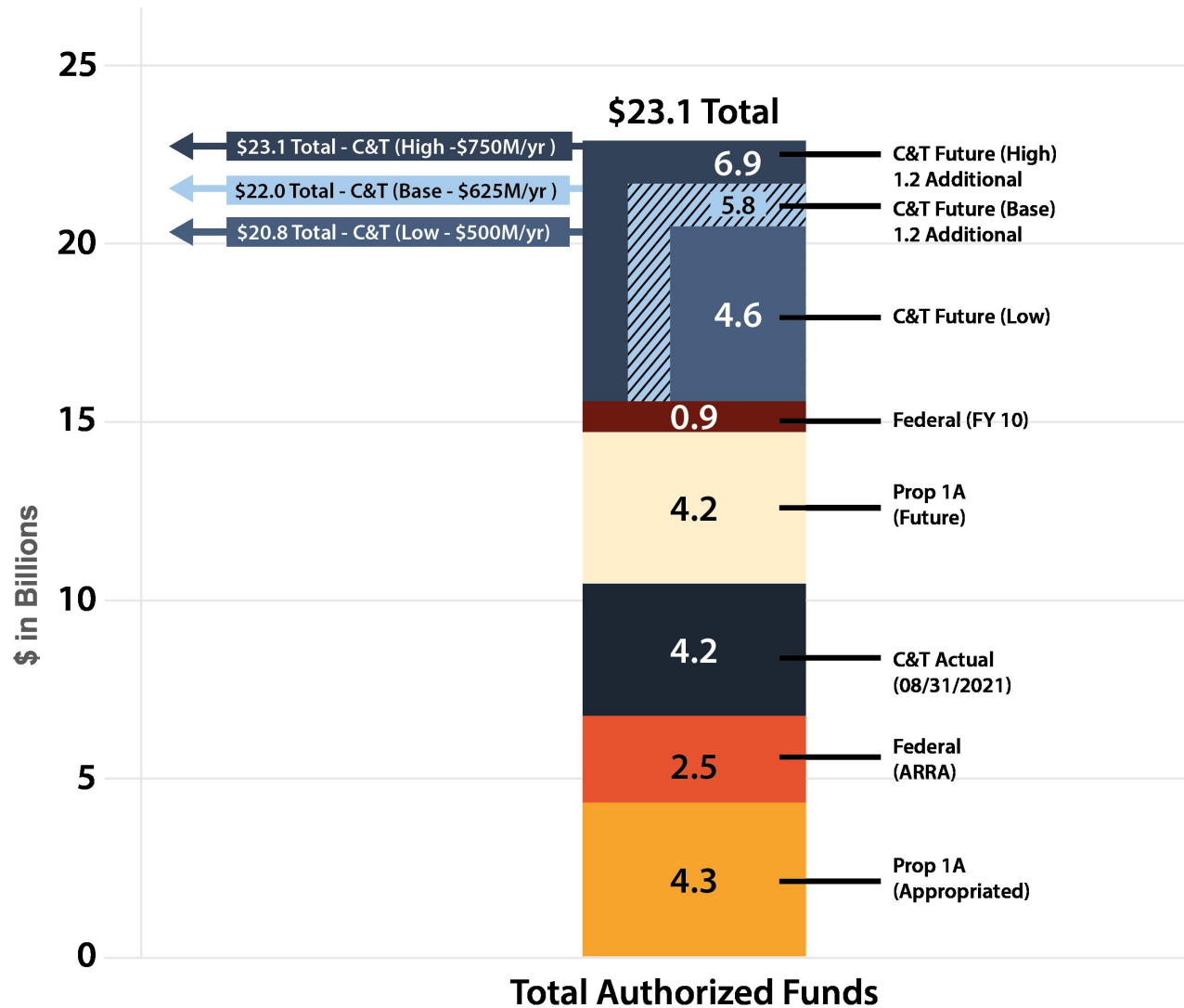
*Resold allowances are unsold allowances in previous auctions that are re-offered and sold in future auctions.

Auction Proceeds Last 4 Quarters
 >w/ Resold Allowances = \$791.5M
 >w/o Resold Allowances = \$602.5M

\$ in millions



REVIEW OF TOTAL ESTIMATED PROGRAM FUNDING



Future federal funds would augment this total funding chart

(*Numbers may not foot due to rounding)



CAPITAL OUTLAY AND EXPENDITURES REPORT

Fiscal Year 2021-2022

Capital Outlay Budget (\$ in millions) - FY 2021-2022 BUDGET	
	Amount
Bond Fund (Prop 1A) - Project Dev. Phase I Federal Trust Fund (Brownfields) - Project Dev	
Cap and Trade - Project Dev	\$ 145
PROJECT DEVELOPMENT SUBTOTAL	\$ 145
Bond Fund (Prop 1A) - Construction	
Cap and Trade - Construction	\$ 2,085
CONSTRUCTION SUBTOTAL	\$ 2,085
Bond Fund (Prop 1A) - Bookends (Local Assistance)	\$ 79
Cap and Trade - Bookends (Local Assistance)	\$ 4
BOOKEND PROJECTS SUBTOTAL	\$ 83
Budget	\$ 2,313



ADMINISTRATIVE BUDGET

Summary by Office

Administrative Budget (\$ in millions) - FY 2021-2022 BUDGET	
	Amount
Executive Office	\$ 2.3
Administration Office	\$ 10.0
Strategic Communications Office	\$ 1.9
Financial Office	\$ 9.0
Legal Office	\$ 4.1
Program Delivery Office	\$ 41.4
Northern California Region Office*	\$ 1.2
Central Valley Region Office*	\$ 1.3
Southern California Region Office*	\$ 0.9
Audit Office	\$ 1.7
Legislative Office	\$ 0.7
Information Technology Office	\$ 16.6
Budget	\$ 91.1
POSITIONS	429



CONCLUDING REMARKS

In accordance with existing Board policies, Staff recommends Board approval of the modified 2021-22 budget as follows:

- **Budgets**

- FY2021-22 Capital Budget is \$2.313 billion
- FY2021-22 Administrative Budget is \$91.1 million (note, the Department of Finance may make minor adjustments to this budget for statewide compensation and other technical updates)



THANK YOU

Comments and Questions



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