

Expenditure Authorization Request

December 16, 2021, Board Meeting, Agenda Item #2

Chief Financial Officer Brian Annis



BACKGROUND AND REQUEST

- Existing Board Policy HSRA11-001, directs Board approval of the budget, which typically comes to the Board as an annual fiscal year budget and a multi-year Program Baseline Budget.
- At the September 2021 Board Meeting, the Board approved the 2021-22 fiscal year budget.
- While the 2020 Business Plan was approved by the Board in April 2021, staff have not brought the related Program Baseline Budget to the Board for approval due to ongoing budget discussions with the California Legislature.
- Budget resolution will likely affect scope and revenues.



BACKGROUND AND REQUEST CONTINUED

- Staff recommends the Board defer adoption of a new Program Baseline Budget until Legislative action occurs, and any resulting changes can be considered by the Board.
- With a deferred Program Baseline Budget adoption, staff recommends the Board approve an expenditure authorization plan now to allow important work to advance. This would include ongoing Central Valley construction, project development, and other specified new contracts to be procured.



BACKGROUND AND REQUEST CONTINUED

- Staff recommends a total expenditure authorization of \$17.937 billion, which would fund the following:
 - Construction of the 119 mile Central Valley segment, including track and systems
 - Completion of environmental record of decision for all Phase I segments
 - Reimbursements to local partners for existing bookend projects
 - Advancement of design on Merced and Bakersfield segments and funding for ongoing program wide support like the Rail Delivery Partner contract re-procurement, for which procurement approval is expected to come to the board in January.



CURRENT PROGRAM BASELINE COST SUMMARY

Item	Program Baseline – June 2020 (\$ in billions)	Notes
Central Valley Segment (CVS) including Track and Systems	12.366	CVS defined as 119 miles from Madera to Poplar Avenue, including contingencies for each construction package, includes ROD cost for CVS
Phase 1 Environmental (ROD) Balance	0.841	ROD balance for Phase 1 San Francisco to Los Angeles / Anaheim segments excluding CVS
Bookends/Early Investments	1.298	Includes Caltrain Electrification, San Mateo Grade Separations, Rosecrans/Marquardt Grade Separation and LinkUS
Other Funded Scope	1.108	Remaining Program-wide Support, Contingency, Interim Use, Project Reserve, historical Phase 2 expenditures
Bakersfield/Merced Extensions	0.023	Pre-construction activities: examples include preliminary engineering, right-of-way mapping, and design advancement
Total	15.636	

- **Baseline dollars are in Year of Expenditure.**
- **Values have been rounded to the nearest million. Totals may differ due to rounding.**



PROGRAM BASELINE PROPOSED IN THE 2020 BUSINESS PLAN

Item	Program Baseline 2020 Business Plan (\$ in billions)	Notes
Program Baseline June 2020	15.636	Existing Baseline Budget including contingencies
Baseline Augmentations for Cost Changes and Additional Contingency for Current Scope	1.283	Net cost changes due to COVID-19, scope changes required by local jurisdictions/stakeholders, and revised cost estimates as described in the 2020 Business Plan
Subtotal	16.919	
Enhanced Scope to advance Merced to Bakersfield	0.155	To advance design work for the Merced and Bakersfield extensions and the Merced, Fresno, Kings/Tulare and Bakersfield stations
Enhanced Scope Trainsets	0.389	Trainsets to initially test and certify the system and to subsequently be used for early interim service
Enhanced Scope Program Wide Support	0.787	Support for all aspects of the program including design work, civil contract completion, track and systems, and trainsets
Total	18.250	



RECOMMENDED UPDATES FOR THE EXPENDITURE AUTHORIZATION SINCE THE 2020 BUSINESS PLAN

- 1. Because the Legislature has deferred action on the Proposition 1A appropriation, recommend deferring funding for the following large future contract:**
 - Trainset Contract and related costs (-\$389M)
- 2. Reflect the recent award of a new federal RAISE grant of \$24 million for the Wasco State Route 46 Improvement Project (total project cost of \$76 million).**



RECOMMENDED UPDATES FOR THE EXPENDITURE AUTHORIZATION SINCE THE 2020 BUSINESS PLAN

3. Increase CP 4 by \$48 million for an updated risk assessment

This change maintains the contingency levels for CP 4 at the P70 level. There are no major commercial issues remaining, the scope is fully defined, and schedule risk is therefore reduced. The remaining risks are known third-party related issues and a mitigation plan is in place to address each issue with targeted management efforts.

4. Incorporate various adjustments for expired contracts and allocations among line items, which do not change the overall budget

Relative to the 2020 Business Plan, the above changes increase the Expenditure Authorization by \$75 million (\$27 million related to the RAISE Grant and \$48 million related to CP 4). With the exclusion of \$389 million for trainsets, the resulting request is \$17.937 billion.



FUTURE PROGRAM BASELINE BUDGET ADOPTION

The follow items will be monitored and brought back to the Board when the Program Baseline Budget is adopted, where warranted:

- Action by the California State Legislature on the Proposition 1A budget request, accommodating any changes to scope and revenue
- New grant awards to the Authority from the federal government
(The Authority recently submitted two grant applications to the Federal Railroad Administration: Fresno Historic Depot and Selma Workforce Training Center)
- Completion of CP 1 and CP 2-3 commercial settlements and other issues
- The receipt of bids for the Track and Systems contract
- Longer term, advancement through stage gates for new project segments

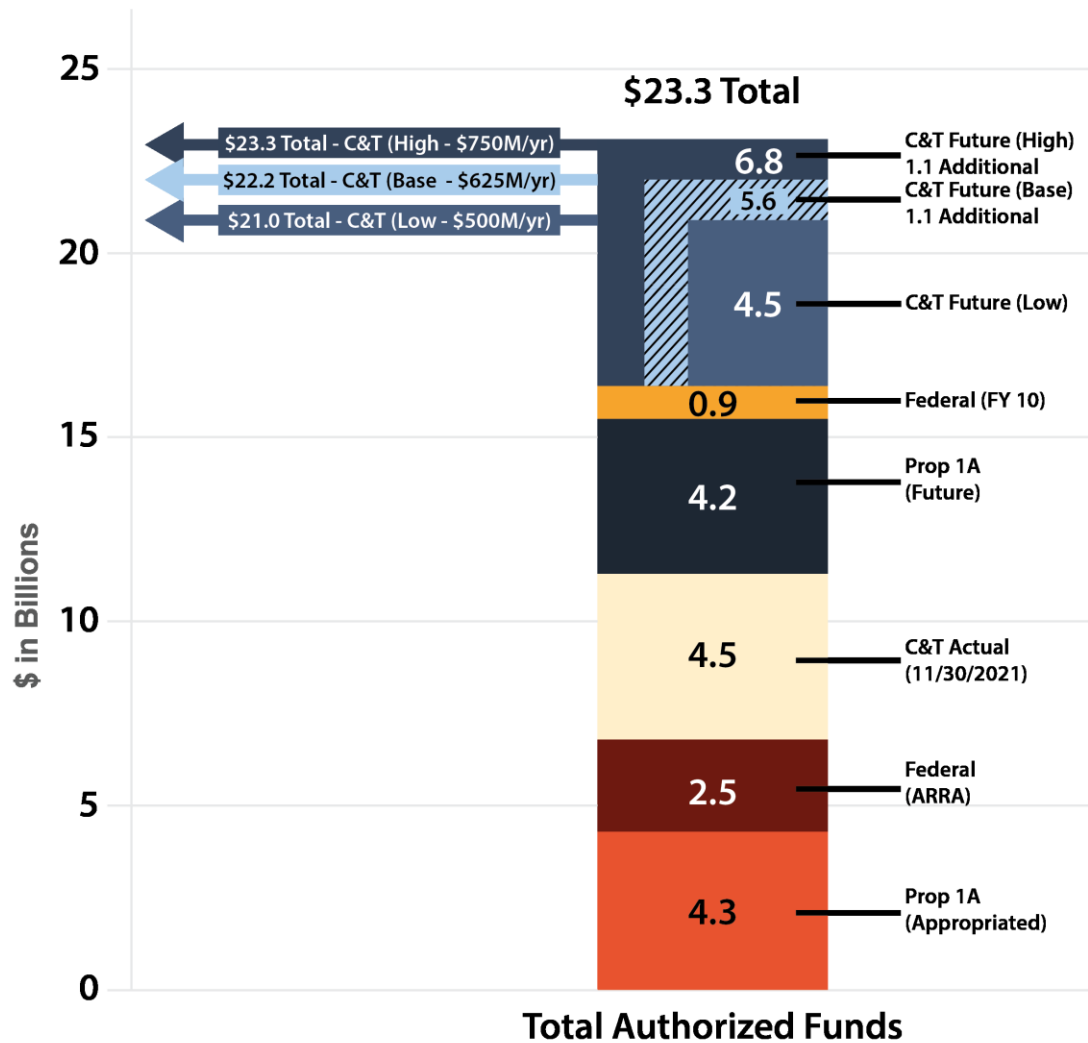


PROPOSED TOTAL EXPENDITURE AUTHORIZATION

Item	(\$ in billions)	Notes
Program Baseline June 2020	15.636	Existing Baseline Budget including contingencies
Baseline Augmentations for Cost Changes and Additional Contingency for Current Scope	1.283	Net cost changes to base scope generally consistent with adopted 2020 Business Plan. Additional adjustments to CP 4 to reflect updated risk for CP 4.
State Route 46 / New Federal RAISE Grant	0.076	With the new \$24 million federal grant awarded in November 2021, this project will be separately tracked.
Subtotal	16.994	
Enhanced Scope to advance Merced to Bakersfield	0.155	To advance design work for the Merced and Bakersfield extensions and the Merced, Fresno, Kings/Tulare and Bakersfield stations
Enhanced Scope Program Wide Support	0.787	Support for all aspects of the program starting in 2022-23. Primarily the re-procurement of Project Delivery Support contract. Other support includes ETO, legal, and financial contracts.
Total	17.937	



REVIEW OF PROGRAM FUNDING: CAP AND TRADE REVENUE IS RISING



Includes the preliminary results of the November 2021 Cap and Trade Auction.

(*Numbers may not foot due to rounding)



CAPITAL OUTLAY AND EXPENDITURES REPORT

Capital Outlay (\$ in millions) - TOTAL PROGRAM EXPENDITURE AUTHORIZATION						
	Program Baseline as of June 2020	Program to Date Expenditures as of October 2021	Expenditure Authorization as of December 2021	\$ Change increase/ (decrease)	% Change increase/ (decrease)	
	A	B	C	(C-A)	(C-A) / A	
Bond Fund (Prop 1A) - Project Dev. Phase I	\$ 526	\$ 564	\$ 564	\$ 38	7.2%	
Bond Fund (Prop 1A) - Project Dev. Phase II	\$ 49	\$ 42	\$ 42	\$ (6)	(12.6%)	
Federal Trust Fund (ARRA) - Project Dev	\$ 487	\$ 466	\$ 466	\$ (22)	(4.5%)	
Federal Trust Fund (Brownfields) - Project Dev	\$ 1	\$ 0	\$ 1	\$ -	0.0%	
Cap and Trade - Project Dev	\$ 618	\$ 243	\$ 705	\$ 87	14.1%	
PROJECT DEVELOPMENT SUBTOTAL	\$ 1,681	\$ 1,316	\$ 1,778	\$ 98	5.8%	
Bond Fund (Prop 1A) - Construction	\$ 2,609	\$ 2,609	\$ 2,609	\$ -	0.0%	
Federal Trust Fund (ARRA/FY10) - Construction	\$ 2,988	\$ 2,080	\$ 3,009	\$ 21	0.7%	
Cap and Trade - Construction	\$ 7,059	\$ 2,052	\$ 9,218	\$ 2,159	30.6%	
Federal RAISE Grant - Construction			\$ 24	\$ 24	100.0%	
CONSTRUCTION SUBTOTAL	\$ 12,657	\$ 6,741	\$ 14,861	\$ 2,204	17.4%	
Local Assistance (Bookends)	\$ 1,298	\$ 496	\$ 1,298	\$ (0)	(0.0%)	
Expenditure Authorization	\$ 15,636	\$ 8,553	\$ 17,937	\$ 2,301	14.7%	



CONCLUDING REMARKS

In accordance with existing Board policies and consistent with the adopted 2020 Business Plan, Staff recommends Board approve an Expenditure Authorization as follows:

A total of \$17.937 billion, an increase of \$2.301 billion, consisting of \$1.359 billion to complete the 119-mile Central Valley Segment construction and environmental work, and \$942 million in Enhanced Scope to advance design on Merced and Bakersfield extensions and ongoing program wide support.



THANK YOU

Comments and Questions



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