



CALIFORNIA HIGH-SPEED RAIL BRIEFING: FEBRUARY 17, 2022, BOARD MEETING AGENDA ITEM #6

TO: Chairman Richards and Board Members
FROM: Brian Kelly, Chief Executive Officer
DATE: February 17, 2022
RE: Draft 2022 Business Plan for Public Review and Comment

Summary

As required by Public Utilities Code Section 185033, the California High-Speed Rail Authority (Authority) is required to prepare, publish, adopt and submit an updated Business Plan to the Legislature on May 1 of every even year. Statute dictates that at least 60 days prior to submittal to the Legislature, the Draft Business Plan be released for public review and comment.

The Draft 2022 Business Plan was issued on February 8, 2022, by posting it on the Authority's website, thus opening the public comment period. The 60-day public comment period will run through April 11, 2022. Staff intends to present the plan and comments received from the public to the Board of Directors prior to Board action, scheduled for the April 20/21, 2022 Board meeting.

Background

The Authority has produced business plans since 2012. All business plans provide a snapshot in time of the most current information about the high-speed rail program at the time of adoption. In requiring an updated plan every two years, the Legislature envisioned that these plans would reflect updated forecasts and estimates, decisions that have been made and changes that have occurred since the prior business plan. This has been the case with the Authority's previous plans and remains so with the Draft 2022 Business Plan.

The 2012 Business Plan served as a foundational document for how the system would be implemented. Specifically, it laid out the concept of delivering the Phase 1 system, from San Francisco to Los Angeles/Anaheim, in a series of phases and through a "blended" strategy where high-speed rail is developed in concert with other state, regional and local rail investments, as part of a broader statewide rail modernization program.

The 2014 Business Plan built on and updated the 2012 Business Plan, incorporating feedback from external reviewers, including the United States Government Accountability Office's recommendation that risk analysis be applied to the Authority's forecasts.

The 2016 Business Plan outlined an initial operating line between the Silicon Valley (San Jose) and the Central Valley (Poplar Avenue, north of Bakersfield). It identified Bakersfield, Merced and initial service into San Francisco as high priority extensions. In addition, it reiterated the Authority's commitment to make strategic, concurrent investments in Northern and Southern California.

The 2018 Business Plan introduced showing the capital cost estimates in ranges based on the status of design. It clarified that greater funding certainty is needed to deliver the initial Silicon Valley to Central Valley Line. The plan outlined three principles to guide decision-making:

- Initiate high-speed rail service in California as soon as possible.
- Make strategic, concurrent investments that will be linked over time and provide mobility, economic and environmental benefits at the earliest possible time.
- Position ourselves to construct additional segments as funding becomes available.

The 2018 Business Plan also recommended that the system be delivered through a “building block” approach and that options for interim service in the Central Valley be evaluated. Three studies were conducted, two by the Authority’s Early Train Operator (ETO), one of which was presented in the Authority’s 2019 Project Update Report, supporting interim service in the corridor linking Merced, Fresno and Bakersfield. The third study was conducted by the Authority’s Financial Advisor, KPMG.

The 2020 Business Plan, adopted in March 2021, summarized the conclusions and recommendations of the three studies and in the Final 2020 Business Plan the Authority recommended advancing the Merced to Bakersfield corridor as the first building block for high-speed rail service. The importance of advancing design work statewide as environmental clearances are achieved through action by the Board of Directors on Records of Decision was also emphasized. The 2020 plan also described steps the Authority was taking to better manage risk, including increasing risk contingency in the Program Baseline budget; establishing an Enterprise Risk Management Program; and implementing a Staged Project Delivery program.

Prior Board Action

In March 2021, via Resolution #20-02, adopted the 2020 Business Plan.

Discussion

Due to the multiple impacts of the COVID-19 pandemic, the 2020 Business Plan was submitted to the Legislature on April 12, 2021. Given that it was submitted just 10 months ago, the Draft 2022 Business Plan is designed to provide an update on what has occurred since then, including progress and opportunities, as well management’s recommendations to the Board of Directors on how to manage those issues and move forward transparently. The 2022 Business Plan has been designed to serve as a bridge between the 2020 Business Plan and the 2023 Project Update Report which is to be submitted to the Legislature by March 1, 2023.

The Draft 2022 Business Plan highlights three areas where the Authority is making progress—construction activities, right-of-way acquisition and environmental reviews. It describes the changes instituted in the right-of-way division, noting that the Authority has now acquired 90% of the parcels needed for construction in the Central Valley, and that two project sections have been environmentally cleared since the 2020 Business Plan.

The Draft Plan describes the potential for new federal and state funding opportunities, through the enactment of the federal “Bipartisan Infrastructure Law” in 2021 (and potentially the “Build Back Better” bill) which provides billions of dollars in federal funding for passenger rail projects, including high-speed rail. In addition, it notes that Governor Newsom has proposed, in his FY 2022-23 Budget, a \$15 billion program of investments in transportation infrastructure, including investments in high-speed rail (the remaining \$4.2 billion in Proposition 1A funds), local and regional transit projects and a range of other priorities.

The Draft 2022 Business Plan notes the December 2021 Board action to add \$2.3 billion to the previously approved \$15.6 billion Baseline Budget to advance work on specific activities—including advancing design on the extensions to Merced and Bakersfield—and that the Authority is deferring adoption of an updated Program Baseline Budget until action by the Legislature on appropriating the remaining Proposition 1A funds.

The Draft 2022 Business Plan includes updated cost estimates for the Bakersfield to Palmdale project section, which was environmentally cleared in 2021, and the Burbank to Los Angeles section which cleared in January 2022. These new estimates reflect scope changes made based on extensive interactions with stakeholders and reflects design refinements and mitigations to minimize impacts and optimize how the system travels through and serves communities and the environment. Because the 2020 Business Plan was submitted so recently, updates to the other forecasts and estimates have been deferred to the 2023 Project Update Report. This will include new ridership and revenue forecasts being prepared through a new, more detailed ridership forecasting model being developed in coordination with CalSTA and Caltrans.

Next Steps

The Draft 2022 Business Plan was released for a 60-day comment period on February 8, 2022. Comments may be made online, via mail, and at the regularly scheduled Board meetings in February and March, which will constitute the required public hearings on the Draft 2022 Business Plan. Comments will be accepted through the 60-day comment period ending on April 11, 2022.

The Authority is providing the following options for submitting comments:

- Online comment form through the Draft 2022 Business Plan website at: <https://hsr.ca.gov/about/high-speed-rail-business-plans/2022-business-plan>
- By email at: DraftBP2022@hsr.ca.gov
- By U.S. mail to the Authority:
California High-Speed Rail Authority
Attn: Draft 2022 Business Plan
770 L Street, Suite 1180, Sacramento, CA 95814
- Provide public comment via Zoom or telephone at a Board of Directors Meeting being held in February and March.

All comments received will be provided to and summarized for the Board of Directors. After receipt of public comment, staff will present a proposed final 2022 Business Plan, with any recommended changes, to the Board for consideration and approval at the April 20/21 Board of Directors meeting. Upon Board approval, and after incorporating the Board’s direction, the Authority will prepare, publish and submit the final 2022 Business Plan to the California State Legislature on or before May 1, 2020.

Legal Approval

The Draft 2022 Business Plan complies with the requirements of Public Utilities Code Section 185033.

Budget and Fiscal Impact

This is an informational item on the Authority’s Draft 2022 Business Plan, and by itself, does not have budget or fiscal impact.

REVIEWER INFORMATION	SIGNATURE
Reviewer Name and Title: Brian Annis Chief Financial Officer	Signature verifying budget analysis: Signed 2/08/2022
Reviewer Name and Title: Alicia Fowler Chief Counsel	Signature verifying legal analysis: Signed 2/08/22

Recommendations

This item is informational only; staff does not recommend any Board action at this time.

Attachments

Draft 2022 Business Plan