



**CALIFORNIA**  
**High-Speed Rail Authority**

# **2022 Proposition 1A Funding Plan**

*PURSUANT TO STREETS AND HIGHWAYS CODE SECTION 2704.08(d)(1)*

**&**

# **Independent Consultant Report**

*PURSUANT TO STREETS AND HIGHWAYS CODE SECTION 2704.08(d)(2)*

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**CALIFORNIA**  
High-Speed Rail Authority

# Agenda

1. Overview
2. Funding Plan
3. Independent Consultant Report
4. Recommended Actions
5. Questions

# Proposition 1A Requirements

## Proposition 1A requires multiple steps to access bonds funds:

1. The Authority must provide an initial Funding Plan (also called a “part c” Funding Plan”) to the Board and Legislature prior to requesting an appropriation – this was completed in February 2021.
2. The Legislature appropriates the bond funds – this was completed in June 2022 through AB 180 that appropriated \$4.2 billion in bond funds.
3. The Authority presents a final Funding Plan (also called a “part d” Funding Plan) to the Board and the Legislature prior to committing any proceeds of the appropriated bonds. The Funding Plan must be accompanied by an independent consultant report. If the Board approves this item today, the Funding Plan will be provided to the Legislature and the Director of Finance with final approval confirmed by the Director of Finance after a 60-day review.

# Updates Since the 2021 Funding Plan

## This 2022 Funding Plan includes updates since February 2021:

- In June 2021, the Biden Administration fully restored the FY 2010 grant of \$929 million.
- In November 2021, Congress passed and President Biden signed the Bipartisan Infrastructure Law, from which the Authority is targeting \$8 billion in new grants.
- In December 2021, the Board adopted an Expenditure Authorization to augment Baseline Program Funding to \$17.9 billion.
- In April 2022, the Board approved the 2022 Business Plan.
- In June 2022, the Legislature appropriated the remaining \$4.2 billion in Prop 1A funds.
- In November 2021 and August 2022, the federal government awarded the Authority a total of \$49 million through two RAISE grants.

# Updates Since the 2021 Funding Plan

**This 2022 Funding Plan also includes updates since February 2021:**

- Cap-and-Trade auction revenues have fully rebounded from COVID, bringing to the Authority about \$1.5 billion since February 2021.
- Inflation has spiked to 40-year highs in the US and globally, increasing costs for infrastructure projects, including this project.
- The High-Speed Rail Project has advanced in the Central Valley and beyond
  - » Civil work is advancing, with CP 4 substantial completion expected early next year
  - » Track and Systems contract bids are expected next month
  - » The Board approved new design contracts for Merced and Bakersfield extensions
  - » Environmental Clearance is completed from San Francisco to Palmdale in Los Angeles County
  - » The Notice of Proposed Award (NOPA) for the design of four Central Valley Stations was released on September 7, 2022, and the contract award will be before the Board for its consideration in October

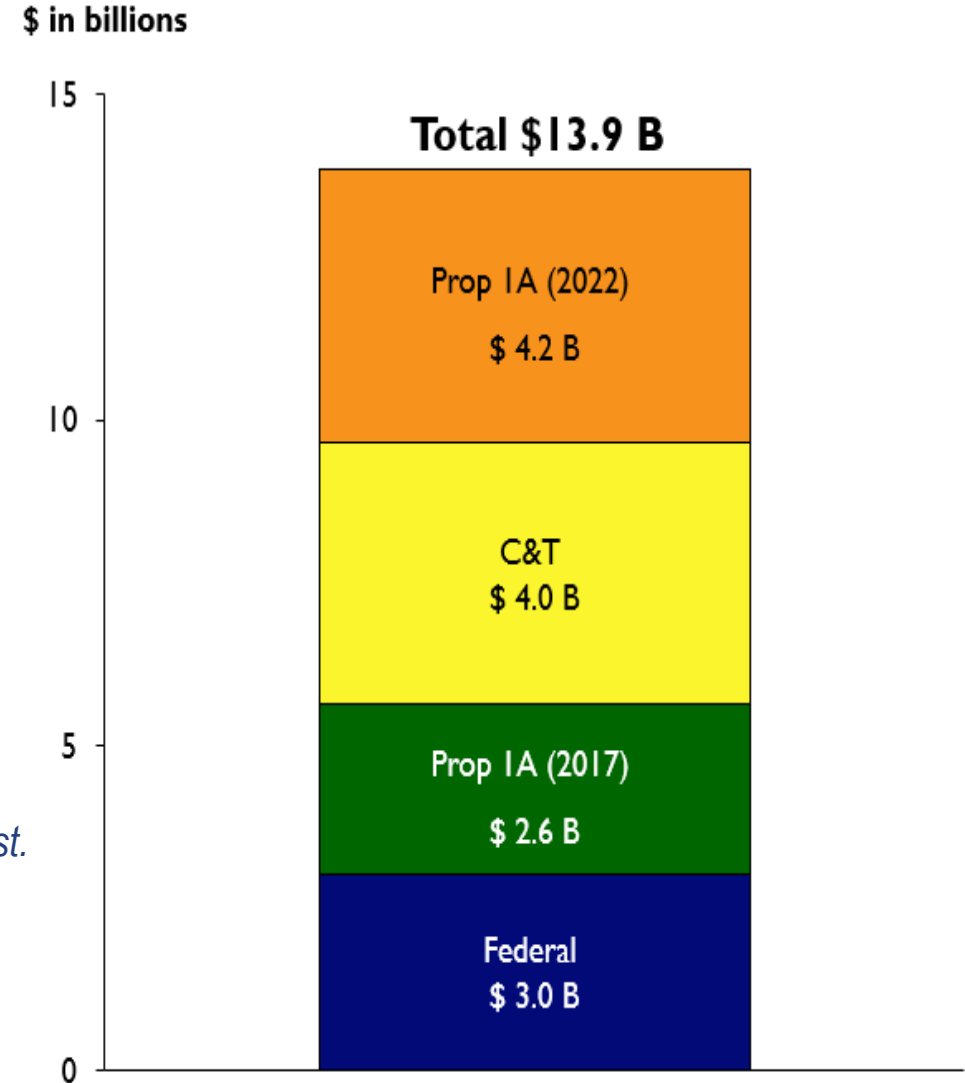
## 2. Funding Plan

# Funding Plan Summary

This Funding Plan scope is construction of the 119-miles segment in the Central Valley. The total baseline project budget for the Central Valley Segment is \$13.9 billion, which is consistent with the 2022 Business Plan. Costs will be re-estimated for the 2023 Project Update report as required by SB 198.

### Notes:

- (1) *The Authority's total available funding is higher than the current CVS total cost. Additional Cap-and-Trade funds are available to mitigate future cost inflation risks.*
- (2) *Totals may not sum due to rounding.*



## 2. Funding Plan

# Funding Plan Requirements

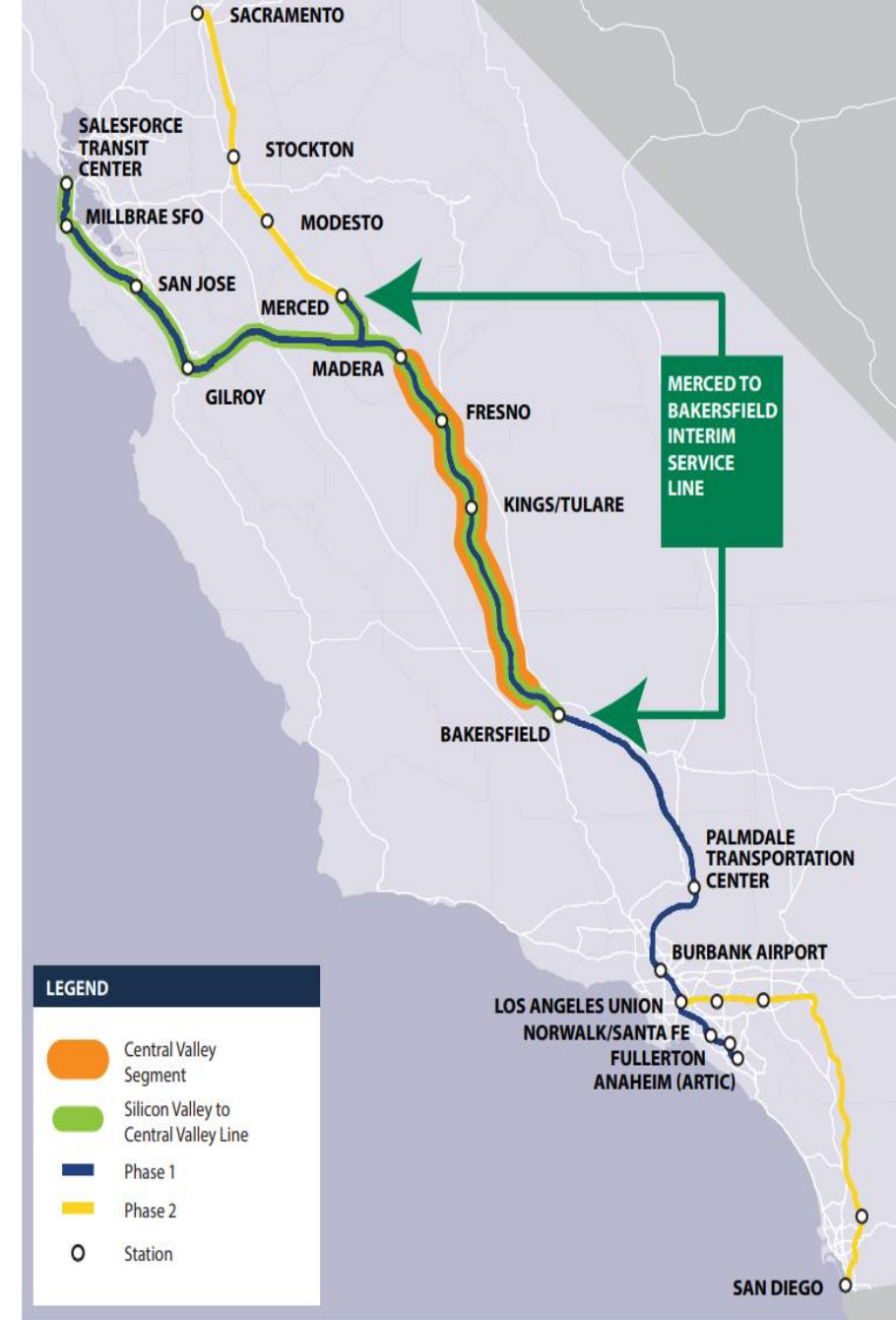
Pursuant to the requirements of S&H Code Section 2704.08(d)(1), the Authority has prepared a funding plan that describes the following:

- A. Central Valley Usable Segment;
- B. Sources of funding and anticipated time of receipt;
- C. Projected ridership and operating revenue;
- D. Construction cost projection;
- E. Material changes since the funding plan previously submitted under S&H Code Section 2704.08(c); and
- F. Terms and conditions of agreements.

## 2. Funding Plan

# A. Usable Segment

- The Authority proposes to direct the remaining \$4.2 billion to fund on-going construction work on the **Central Valley Segment** on the 119-mile segment between Madera to Poplar Avenue, north of Bakersfield.
- This Usable Segment is part of the future **Merced to Bakersfield Interim High-Speed Service** .





## 2. Funding Plan

# B. Sources of Funds

<b>Funding Sources</b>	<b>Total</b>
ARRA - Construction	\$2,080
Proposition 1A - Construction (2017)	\$2,609
Proposition 1A - Construction (2022)	\$4,200
FY10	\$929
Cap-and-Trade (includes actuals thru May 22)	\$4,036
<b>TOTAL SOURCES - CAPITAL OUTLAY</b>	<b>\$13,855</b>

*Note: The Authority's total available funding is higher than CVS total cost. Additional Cap-and-Trade funds are available to mitigate future cost inflation risks.*

*Sources: Business Plan 2022; May 2022 Cap-and-Trade actuals; and June 2022 FCP, Funding Sources*

## 2. Funding Plan

# C. Projected Ridership & Operating Revenue

- The Authority does not plan to run stand-alone high-speed rail service on the 119-mile Central Valley Segment between Madera and Poplar Avenue.
- Instead, this segment is the first construction segment of early interim service between Merced and Bakersfield. It also will serve as the high-speed rail test track that will be necessary to test high-speed rolling stock before passenger service can begin.
- Ridership information is included from the Early Train Operator's projections of Merced to Bakersfield Service.

## 2. Funding Plan Information

# D. Construction Cost

Item	Total Budget
Construction Package 1 and State Route 99	\$5,133
Construction Package 2-3	\$3,836
Construction Package 4	\$1,208
CVS Track and Systems, Stations, and Support Facilities	\$2,362
Project-wide Support *	\$687
Interim Use / Project Reserve	\$208
Unallocated Contingency	\$420
<b>Total Uses**</b>	<b>\$13,855</b>

\* Central Valley Usable Segment Budget excludes planning costs, as they are appropriated separately from construction costs under Proposition 1A.

\*\*Cost figures are consistent with the 2022 Business Plan.

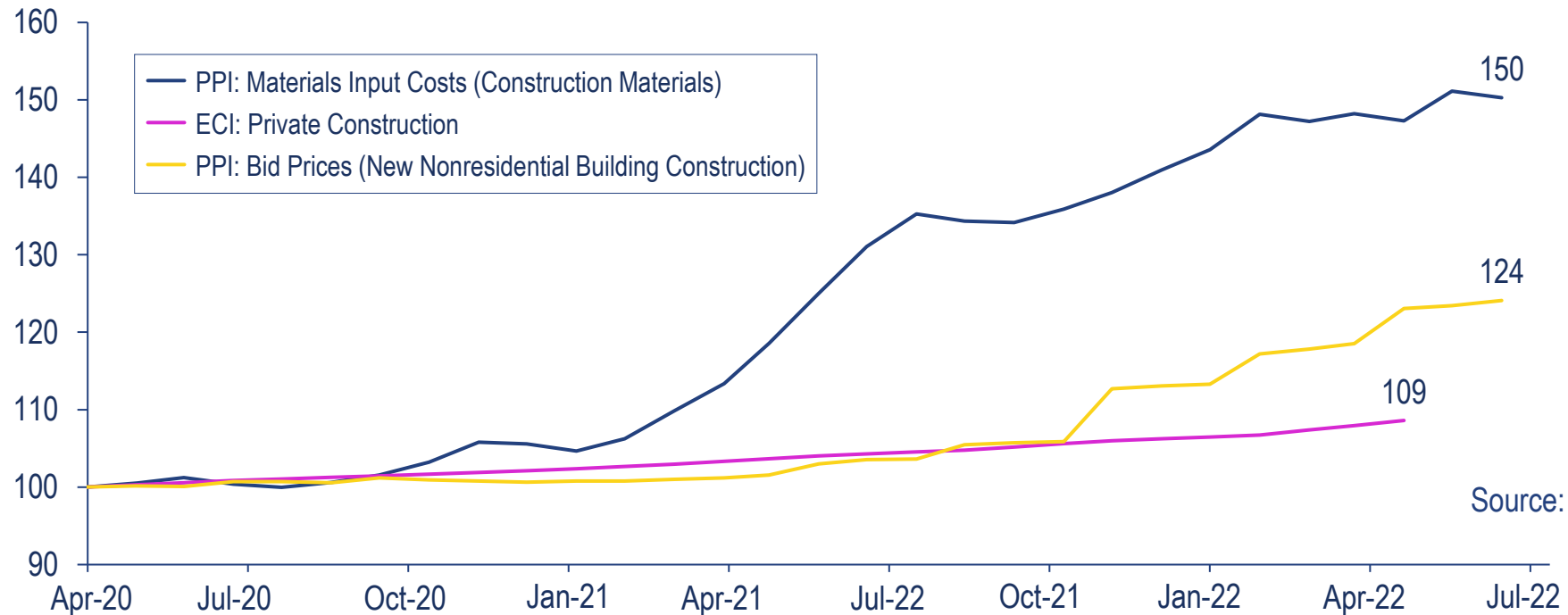
## 2. Funding Plan Information

# D. Construction Cost (Cont.)

As contractors start to pass on their rising materials and labor costs, new bid prices have accelerated since late last year

Index: Jan-20 = 100

### Producers Price Indices (PPI)\* and Employment Cost Index (ECI)\*\* - Construction



Source: <https://fred.stlouisfed.org>

\*Construction Input and Bid Prices index is developed based upon calculated producer price indexes (PPIs) posted monthly by the Bureau of Labor Statistics (BLS)

\*\*The Employment Cost Index (ECI) is a quarterly economic series published by the Bureau of Labor Statistics that details the growth of total employee compensation, including health insurance, retirement plans, and paid time off.

## 2. Funding Plan Information

# E. Material Changes

This section includes highlights of key material changes since submission of the Funding Plan in February 2021 pursuant to S&H Code Section 2704.08(c), which were mentioned in the introductory slides 4 and 5

## 2. Funding Plan Information

# F. Terms and Conditions of Agreements

The key terms and conditions of various types of significant agreements are summarized, including, but not limited to, the following:

- Federal Grant / Cooperative Agreements, including Amendments
- Environmental Authority MOU
- Regional Interagency Agreements and Memoranda
- Construction Agreements
- Other Agreements (e.g., third-party, early train operator, rail delivery partner)
- Proposed Future Agreements (e.g., track and systems, interim service)

### 3. Independent Consultant Report

# Independent Consultant Report Requirements

To satisfy additional requirements of S&H Code Section 2704.8(d)(2), the Authority contracted with Project Finance Advisory Limited (PFAL) to provide the Independent Consultant Report to address the following required topics:

- A. Constructability of the Central Valley Segment as proposed;
- B. Suitability and readiness of the segment for high-speed operation;
- C. Usability by one or more passenger service providers;
- D. Conclusion of no required operating subsidy for HSR service; and
- E. Assessment of risks and mitigation strategies.

### 3. Independent Consultant Report

# PFAL Key Findings

Below are summarized key findings of PFAL's Report pursuant to S&H Code Section 2704.8(d)(2):

- A. Constructability:** The segment can be constructed as set forth in the Plan, subject to the Authority implementing its ERM policies and plan to mitigate risks to ongoing and future construction, and successfully awarding, managing, and delivering the Track and Systems contract. The current cost and schedule metrics should be reevaluated with the 2023 Project Update to verify that adequate contingency is available to complete the Segment as currently planned.
- B. Suitability:** When completed as planned, the Segment will be suitable and ready for high-speed rail operations.
- C. Usability:** The Segment is expected to facilitate passenger train service through agreement with one or more regional providers.
- D. Subsidy:** The Authority does not contemplate HSR passenger train service in the Plan; other passenger rail service will not be managed by the Authority. Therefore, PFAL does not analyze the need for an operating subsidy as part of their report.
- E. Risk Assessment:** Risks are identified by the Authority and a comprehensive risk management program is in place and being finalized.



## Resolution for Board Actions

With approval of this item, Staff will continue to work with the Department of Finance and the Treasurer's Office to sell Proposition 1A bonds at the Fall 2022 bond sale expected in November, making these revenues available for expenditure by the Authority.

The resolution requests the Board to:

- **Approve** the Funding Plan that includes the additional Proposition 1A bond proceeds in the amount of \$4.2 billion for construction of the Central Valley Segment.
- **Approve** the associated Independent Consultant Report.
- **Authorize** the CEO to finalize and submit the Funding Plan and the Independent Consultant Report to the Director of Finance and the Chairperson of the Joint Legislative Budget Committee.

# Questions

