

BRIEFING: APRIL 17, 2018, BOARD MEETING AGENDA ITEM #5

TO: Chairman Richard and Board Members

FROM: Brian Kelly, Chief Executive Officer

DATE: April 17, 2018

RE: Report on the Draft 2018 Business Plan and Summary of Comments Received To Date

Background

The California High-Speed Rail Authority (Authority) is required by Public Utilities Code Section 185033 to prepare, publish, adopt, and submit an updated Business Plan to the Legislature on May 1. Statute also dictates that, at least 60 days prior to submittal to the Legislature, the Authority must publish a draft Business Plan for public review and comment.

In a letter to California Senate and Assembly leaders, Dan Richard, Chair of the California High-Speed Rail Authority Board of Directors, requested that the publication of the Draft and Final Business Plans be extended by 30 days to March 9 and June 1 respectively. This delay was recommended by the Legislative Peer Review Group due to the recent engagement of the Early Train Operator and the recent appointments of a new Chief Executive Officer and Chief Operating Officer in February 2018. The extension allowed time to incorporate input by the Early Train Operator and to afford new executive team members reasonable time to assess and shape the plan we will be charged with implementing.

The Draft 2018 Business Plan was issued on March 9, 2018, by posting it on the Authority's website, opening the public comment period. The 60-day comment period runs through May 7, 2018. Staff intends to present the plan and the comments received from the public to the Board for approval at the May meeting.

At its March 20, 2018 meeting, the Board was presented with an overview of the Draft 2018 Business Plan and public comments were taken at that meeting. A presentation will also be made at this April 17 Board meeting in Los Angeles where the public will again have an opportunity to make comments on the draft plan. The Board will be provided copies of all comments on the draft plan.

On April 2, staff discussed the details of the draft plan at a hearing of the Assembly Committee on Transportation. Also participating in this hearing were representatives of the Legislative Analyst's Office, the California High-Speed Rail Peer Review Group, the Southern California Association of Governments and Caltrain. On April 3, staff discussed the details of the draft plan at a Joint Hearing of the Senate Transportation and Housing Committee and the Senate Budget and Fiscal Review Subcommittee #2 on Resources, Environmental Protection, Energy and Transportation. Also, participating in the hearing were a representative of the Fresno Regional Workforce Development Board, the California High-Speed Rail Peer Review Group, the Legislative Analyst's Office, Caltrain, Metrolink, and the Los Angeles Metropolitan Transportation Authority.

Previous Business Plans

In April 2016, the Authority adopted a 2016 Business Plan, which built on and updated the 2014 Business Plan to implement the requirements of SB 1029. The 2016 Business Plan set a new direction for implementing the system, making the Authority's intent to deliver an initial line between the Silicon Valley (San José) and the Central Valley (Poplar Avenue, north of Bakersfield). It identified Bakersfield, Merced and initial service into San Francisco as high priority extensions to the initial operating line. In addition, it reiterated the Authority's commitment to make strategic, concurrent investments in Northern and Southern California in the Caltrain and Burbank to Anaheim corridors respectively.

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

The Authority's 2012 Business Plan served as a foundational document for how the system will be implemented. Specifically, it laid out the concept of delivering the Phase 1 system in a series of phases and through a "blended" strategy where high-speed rail in concert with other state, regional and local rail investments, as part of a broader statewide rail modernization program.

All of the Authority's previous Business Plans provided a snapshot in time of the most current information at the time of adoption. In requiring an updated plan every two years, the Legislature envisioned that these plans would adapt to changing circumstances and evolve over time. This has been the case with the Authority's previous plans and remains so with the Draft 2018 Business Plan.

Discussion

The Draft 2018 Business Plan remains focused on three key principles and objectives identified in the 2016 Business Plan:

- Initiate high-speed rail service in California as soon as possible.
- Make strategic, concurrent investments that will be linked together 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 Draft 2018 Business Plan presents a vision for implementing high-speed rail in California which involves implementing a series of highly complex, integrated megaprojects in the face of challenges that projects around the world of similar magnitude have faced and successfully addressed. These challenges relate primarily to cost, schedule, funding and project management.

In this draft plan, we show that our cost estimates have increased and we need greater certainty on funding in order to fully deliver the initial Silicon Valley to Central Valley Line. It acknowledges the project's challenges and presents a strategy to confront and manage these and future challenges as we work to deliver the project. It reflects the Authority's commitment to apply lessons learned and make the organizational improvements necessary to deliver this system. It also underscores the goal to initiate high-speed rail service between the Silicon Valley and the Central Valley as soon as possible, while completing environmental work and making important investments in Southern California.

Specifically, the Draft 2018 Business Plan lays out an implementation strategy that proposes to invest the funding that is available to us and to proceed as follows:

1. Meet our commitments to our federal partners by constructing the 119-mile Central Valley Segment and completing the environmental review for all project segments statewide (Merced/San Francisco-Los Angeles/Anaheim) by 2022.
2. Extend the Silicon Valley to Central Valley Line to run from San Francisco to Bakersfield, a line that generates the highest ridership and revenue and that has the very strong commercial viability.
3. On our path toward completing the Silicon Valley to Central Valley Line, invest funds to develop 224 miles of high-speed rail ready infrastructure on two lines, one in the Central Valley (Bakersfield to Madera) and one in the Silicon Valley/Bay Area (between Gilroy and San Jose/San Francisco). Doing this will provide early benefits by reducing travel times on existing passenger rail systems, expand clean electrified rail service, and prepare for testing and potential high-speed rail operations in these two corridors by 2026-27.
4. Complete project development work to refine the design, scope and cost for the Pacheco Pass tunnels that are the critical link between the Central Valley and the Silicon Valley. We will also conduct important early works, such as geotechnical analysis, to reduce uncertainty and further “de-risk” the construction of the tunnels. As we do so, we will engage private and public sector expertise to examine and refine design options, optimize operational efficiency and limit costs.
5. Invest remaining Proposition 1A bookend funds as a full partner in vital, high-priority projects in Southern California along the Burbank to Anaheim corridor that improve freight, local and regional passenger rail service, enhance transit connections, improve safety, and accommodate the introduction of high-speed rail service in Southern California. These include investments in the Rosecrans/Marquardt Grade Separation Project and the Los Angeles Union Station Development project.
6. Leverage state funding committed to the project to pursue additional private and federal funding or financing to invest in the development of the high-speed rail system statewide.

This implementation strategy is designed to provide early mobility and environmental benefits and to build upon the economic dividends that the investments we have already made are yielding for the state and its citizens.

The Draft Business Plan includes multiple, in-depth sections and technical supporting documents that lay out the Authority’s business model for delivering and operating the system; the planned implementation strategy described above; updated capital cost estimates and funding and financing status; forecasts for ridership/revenue and operating costs; and the risks that the program faces, along with the Authority’s strategies for managing and mitigating those risks.

Next Steps

The Draft 2018 Business Plan was released for a 60-day comment period on March 9, 2018. Comments may be made online, via USPS, and at the regularly scheduled board meetings in March and April 2018, which will

constitute the required public hearing on the Draft 2018 Business Plan. Comments received during the 60-day period prior to publication become a part of the public record associated with the Business Plan.

The Authority is providing the following options for submitting comments:

- Online comment form through the Draft 2018 Business Plan website at: http://hsr.ca.gov/About/Business_Plans/Draft_2018_Business_Plan_Comments.html By email at: 2018businessplancomments@hsr.ca.gov
- By U.S. mail to the Authority:
 - California High-Speed Rail Authority
 - Attn: Draft 2018 Business Plan
 - 770 L Street, Suite 620 MS-1, Sacramento, CA 95814
 - Voicemail comment at: (916) 384-9516
 - Provide public comment at a Board of Directors Meeting held on March 20 (Sacramento) and April 17 (Los Angeles).

All comments received will be provided to and summarized for the Board. After receipt of public comment, staff will present the 2018 Business Plan (with any recommended changes) to the Board for approval at the May Board meeting. Upon Board approval, and after incorporating the Board's direction, the Authority will prepare, publish and submit the final 2018 Business Plan to the California State Legislature on or before June 1.

Subsequent to submittal of the final 2018 Business Plan, staff will return to the Board at its June meeting to propose that the Board adopt the program delivery baseline and baseline budget included in the Business Plan and make necessary adjustments to existing contracts to align them with that baseline. This will include a Program Management Plan that addresses all facets of how the high-speed rail program will be managed, executed and controlled.

Recommendations

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

Attachments

- Draft 2018 Business Plan
http://hsr.ca.gov/About/Business_Plans/Draft_2018_Business_Plan.html
- Comments Received on the Draft 2018 Business Plan