



**California High-Speed Rail:
Financial Reports Executive Summary**

August 2016

Executive Summary for August-2016

Accounts Payable Aging Report

	Prior Year Aug-2015	Current Year July-2016	Current Year Aug-2016
Total Aged Invoices (\$ millions)	\$5.6	\$0	\$0
Forecast Balance Pending FRA Approval	\$0	\$0	\$0

- ▶ Overall expenditures have increased significantly from the previous year. Last year's expenditures for Year To Date (YTD) Aug-2015 were \$353M (\$25M for Administrative Budget and \$328M for Capital Outlay Budget). Expenditures for current year YTD Aug-2016 are \$968M (\$32M for Administrative Budget and \$936M for Capital Outlay Budget).
- ▶ Ten of the last twelve months have had \$0 in aging balance . May-16 had one invoice for \$1.7M, and June-16 had one invoice for \$5.7M

Issue: None

Cash Management Report

(\$ millions)	Prior Year Aug-2015	Current Year July-2016	Current Year Aug-2016
Prop IA Bond Fund Ending Cash Balance	\$46	\$33	\$16
Cap and Trade Ending Cash Balance	\$406	\$637	\$772

- ▶ Bond sales for Proposition IA occur in Spring and Fall. HSR received \$56M from the April-2016 bond sale and \$45M from the April-2015 bond sale. The low burn rate for Proposition IA cash is due to a focus on spending Federal Funds first for Project Development. Uses of Proposition IA includes the Administrative Budget and Project Development costs not eligible for Federal Funds such as Phase II and Federal entities.
- ▶ Prop IA cash balance is \$16M for the Aug-2016 report, compared to \$33M for the July-2016 report. Commercial paper was issued on April 6, 2016 for \$10M. Proposition IA cash needs can be met by commercial paper, which is issued by the State Treasurer's Office (STO) the last week of each month. The requesting agency must request commercial paper from STO at least one week before that last week.
- ▶ The July-2016 Cap and Trade cash balance was \$637M. The August-2016 Cap and Trade cash balance of \$772M reflects \$52M in expenditures, \$185M in reimbursements from FRA, and \$3M from the May-2016 sale of credits.
- ▶ Cap and Trade proceeds from the last four auctions total \$457M (Aug-15: \$161M, Nov-15: \$164M, Feb-16: \$129M, May-16: \$3M).

Issue: The Authority has received approval on an increase in the ARRA funding available for project development costs. As a result it is anticipated that there will be fewer Prop IA project development expenditures in the near term as the program focuses on ARRA expenditures. Furthermore, \$31M in Prop IA project development expenditures are being reallocated to ARRA, which will increase Prop IA funds by \$31M by September-2016.

Executive Summary for August-2016

Executive Budget Summary

	Prior Year	Current Year	Current Year
	Aug-2015	July-2016	Aug-2016
Monthly Expenditures (\$ thousands)	\$2,620	\$2,964	\$4,711
Percentage of Budget Expended Year to Date (YTD)	81%	66%	78%
Percentage of Personal Services Budget Expended YTD	92%	75%	82%
Total Positions Authorized	209	220	220
Vacancy Rate	22.7%	14.1%	13.2%

- ▶ For YTD Aug-2016, 78% of the Administrative Budget (Personal Services Budget plus Operating Expenses and Equipment Budget) has been expended with 100% of the Fiscal Year completed, compared to 66% the previous month. This is lower than the previous year's 81% due to a lag in submitted invoices for Interagency work and the timing of budget increases for new positions.
 - ▶ The percentage of Personal Services Budget Expended is 82% for Year to Date (YTD) Aug-2016, lower than the 92% for prior year YTD Aug-2015 since the budget increased at a faster rate than expenditures between years due to the methodology of adding budget for new positions.
 - ▶ The Personal Services budget for FY 15/16 includes budget for 220 positions (174 + 35 + 10 + 1 positions full year). The Personal Services budget for FY 14/15 included budget for 182.8 positions (174 + 8.8 equivalent positions due to mid year implementation), although the Authority recognized the full, newly established 35 positions in the position count (174 + 35 = 209) in FY 14/15.
 - ▶ Vacancy rate history:
 - ▶ Aug-2015 vacancy rate was 22.7% (47.5 vacant positions out of 209 total positions). The 22.7% vacancy rate was due to 35 new positions added in March-2015. (Prior to the new positions, February-2015 vacancy rate was 14.9%).
 - ▶ Aug-2016 vacancy rate is 13.2% (29 vacant positions out of 220 total positions); all new positions have been filled.
 - ▶ July-2016 vacancy rate is 14.1% (31 vacant positions out of 220 total positions); all new positions have been filled.
 - ▶ The statewide vacancy rate is 13.6%.
- Issue:** The Administrative budget is at 78% of budget expended with 100% of the Fiscal Year completed due to a lag in submitted invoices for Interagency work and the timing of budget increases for new positions.
- ▶ Monthly expenditures increased approximately \$1.7M, from \$3.0M in July-2016 to \$4.7M in Aug-2016, primarily due to a \$950k increase in interagency billing (from \$99k to \$1.05M) and a \$669k increase in expenditures (primarily rent, external contracts, consolidated data centers, and data processing) for fiscal year-end.

Executive Summary for August-2016

Capital Outlay Budget Summary

	Prior Year Aug-2015	Current Year July-2016	Current Year Aug-2016
Budget (Fiscal Year) (\$ millions)	\$479	\$1,875	\$1,875
Monthly Expenditures (\$ millions)	\$55	\$151	\$175
Percentage of Budget Expended Year to Date	68%	41%	50%

- ▶ Capital Outlay expenditures were \$175M for Aug-2016 which included Project Development (\$20M), Right of Way (\$33M), Design Build Contract Work (\$110M), Third Party Contract Work (\$2M), Program Management and other expenses (\$10M). The current Capital Outlay budget for FY 2015-16 is \$1.875B, compared to the \$479M budget for FY 2014-15.

Issue: At 100% of the Fiscal Year complete, HSR is at 50% of Capital Outlay Budget expended. Delays in ROW impacted construction schedules. Mitigation measures are in place to prioritize critical parcels required for major construction work. As a result, spending is accelerating due to the ongoing acquisition of Right of Way and as construction continues to increase.

Total Project Expenditures with Forecasts

Program Total by Fund Type	2006-2016
State Funds ¹	\$705
Federal Funds ²	\$1,342
TOTAL	\$2,047

(\$ millions)

State Match to ARRA (Federal Funds)	
FY2010 - FY2013 ³	\$102
FY2014 - FY2015 ⁵	\$171
FY2015-FY2016	\$6
TOTAL (to date) ⁴	\$280

(\$ millions)

State Match Liability	
Federal Funds	\$1,342
State Match to ARRA	\$280
Tapered Federal Funds ⁶	\$1,062

(\$ millions)

- ▶ ¹ Prop IA, Public Transportation Account (PTA), State Highway, Cap and Trade funds; ² Federal funds since FY 2010-11; ³ State paid amount as of FY 2013-14; ⁴ State-match to ARRA funds; ⁵ The State Match to ARRA total for FY2014-15; ⁶ Tapered Federal Funds is the amount that the state will expend to meet the Federal requirements. This will be satisfied with Proposition IA and Cap and Trade expenditures.
- ▶ The Federal Funds total for Aug-2016 is \$1.342B, an increase of \$70M from the \$1.272B for July-2016. As a result, Tapered Federal Funds increased from \$992M in July-2016 to \$1.062M in Aug-2016.
- ▶ **Issue:** The ARRA Grant expires 9/30/2017. 53% of the ARRA grant (\$1.34B of \$2.55B total) has been approved and paid by FRA.
 - ▶ An additional 12% (\$309M of \$2.55B total) is pending FRA approval, accruals, and Work In Progress. A total of 65% (\$1.651B of \$2.55B) of the ARRA grant has been paid, pending, accruals, or Work in Progress.

Executive Summary for August-2016

Contracts and Expenditures Report

	Prior Year	Current Year	Current Year
	Aug-2015	July-2016	Aug-2016
Number of Contracts	211	278	279
Total Value of Contracts (\$ millions)	\$4,573	\$4,611	\$4,633
Small Business Utilization Rate	20.6%	19.0%	15.7%

- ▶ The Authority has a small business utilization goal of 30% per the Small and Disadvantaged Business Enterprise Policy from August-2012. All subsequent eligible contracts and amendments include the small business goal. Exempt contracts such as third party utilities, interagency agreements, governmental entities and leveraged procurements are excluded. The percentage represents the total dollar amount that went to small business by vendor divided by the total invoices. Small business utilization percentages reflect invoices received to date.
- ▶ The Small Business Utilization Rate was 16.19% in Feb-2015, which was the start of Small Business Utilization Rate reporting.

Issue: The Small Business Utilization Rate decreased from 19.0% from the July-2016 report to 15.7% for the Aug-2016 report. The small business utilization decreased due to the expiration of several contracts (i.e Financial Advisor and expert witness). Over time, the small business utilization rate is expected to increase as construction activity progresses.

Projects & Initiatives Report

	Prior Year	Current Month	Current Month
	Aug-2015	July-2016	Aug-2016
■ Satisfactory	5	13	14
◆ Caution	1	18	17
● Escalate	-	0	0
★ On hold	1	1	1
Total	7	32	32

Issues: Project “Asset Management System – Maximo” timeline is upgraded from Caution to Satisfactory as it is now hitting interim schedule milestones.

- ▶ Project “Hiring and Staffing” has been updated to reflect six new Audit positions and the hiring schedule for FY 16-17.
- ▶ PMIS – Enterprise Document Management System (EDMS) go-live date has been updated from 7/1/16 to 10/3/16.