



BRIEFING: SEPTEMBER 19, 2017 BOARD MEETING AGENDA ITEM #7

TO: Chairman Richard and Board Members

FROM: Tom Fellenz, Interim Chief Executive Officer

DATE: September 19, 2017

RE: 2018 Business Plan Discussion

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 by May 1, 2018. 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.

This briefing is intended to provide board members with background information on the preparation and schedule for the production of the 2018 Business Plan. The briefing will also provide a history of previous business plans and an opportunity to ask questions.

Prior Board Action

In 2012, the Authority developed its 2012 Business Plan that for the first time laid out the concepts of developing the Phase 1 system in stages and building high-speed rail in concert with other state, regional and local rail investments, as part of a broader statewide rail modernization program. The 2012 Business Plan also established the “blended” approach to developing the high-speed rail system which involves the integration of high-speed trains with existing intercity and commuter/regional rail systems via coordinated infrastructure (the system) and scheduling, ticketing and other means (operations). Finally, the plan provided reliable estimates that could be used for decision making and served as the basis for the Legislature’s appropriation for the high-speed rail program contained in the Budget Act of 2012 (Senate Bill 1029).

In 2014, the Authority adopted its 2014 Business Plan which built on and updated the 2012 Business Plan, implementing the requirements of SB 1029. The 2014 Business Plan included updated estimates and forecasts that incorporated feedback from outside reviewers and incorporated extensive risk analysis. After the release of the 2014 Business Plan, the Legislature and Governor reaffirmed the state’s commitment to the program by approving an annual appropriation of 25% of the State’s Cap and Trade proceeds through the Greenhouse Gas Reduction Fund (SB 862).

In 2016, the Authority adopted the 2016 Business Plan which further built off the 2012 and 2014 Plans. The 2016 Business Plan was the first plan developed with the ongoing funding stream through the state's Greenhouse Gas Reduction Fund in place. With a long-term funding stream in place, for the first time the Authority was able to provide the public with a funding-constrained plan that laid out a concrete strategy for sequencing and implementing the Phase 1 system that will ultimately connect the San Francisco Bay Area to the Los Angeles Basin via the Central Valley with high-speed passenger rail service.

As demonstrated by the Authority's previous Business Plans, these documents provide a snapshot in time that presents the most current cost, funding, schedule, and implementation approach information at the time of adoption. By requiring an updated plan every two years, the Legislature envisioned that these plans would evolve over time, showing progress in implementing the system and reflecting changing circumstances.

Business Plans are required to be prepared every even year. The Authority is also required (SB 1029) to prepare and submit to the Legislature a Project Update Report every odd year which meets legislative requirements for reporting, supplementing the Business Plan.

Discussion

The 2018 Business Plan will summarize the progress made since publishing 2016 Business Plan, including the construction underway in the Central Valley, progress on Bookend and Connectivity projects in Southern and Northern California and other activities associated with implementing the high-speed rail program. It will present updated forecasts and estimates for ridership, revenue, capital and operating costs. In addition, the 2018 Business Plan will provide updates and refinements to the Authority's business model for delivering and operating the system; the planned implementation strategy; funding; risk-based breakeven analysis; and the risks that the program faces along with the Authority's strategies for managing and mitigating those risks.

Next Steps

Over the coming months, the Draft 2018 Business Plan will be prepared along with supporting technical documents. The Draft 2018 Business Plan is planned to be released for a 60-day public comment period in February 2018. The public and stakeholders will be able to offer comments through a variety of channels, including at the scheduled Authority Board meetings in March and April 2018, which will constitute the required public hearing for the Draft 2018 Business Plan. The Board will be provided with all of the public comments received and would be scheduled to provide direction to staff in preparing a Final 2018 Business Plan in April for submittal to the Legislature no later than May 1, 2018.

Attachments

– 2018 Business Plan Development Schedule