

**BRIEFING: MAY 15, 2018 BOARD MEETING AGENDA ITEM #2**

**TO:** Chairman Richard and Board Members

**FROM:** Brian P. Kelly, Chief Executive Officer

**DATE:** May 15, 2018

**RE:** Consider Adopting the 2018 Business Plan

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**Summary of Recommended Action**

The California High-Speed Rail Authority is required by Public Utilities Code Section 185033 to prepare, publish, adopt, and submit a biennial Business Plan to the Legislature on May 1. At least 60 days prior this submission, the Authority must publish a draft Business Plan for public review and comment.

In January 2018, in a letter to the California Senate and Assembly leaders, the Authority requested that the publication of the Draft and Final Business Plans be extended by 30 days to March 9 and June 1 respectively. The extension allowed time to incorporate input by the Early Train Operator and to afford new executive team members reasonable time to shape the plan we will be charged with implementing.

The Draft 2018 Business Plan was issued on March 9, 2018 thus opening the public comment period. A press release issued on that date, and information posted on the Authority's website, provided information on the various ways to comment on the Plan. Public hearings were held at the March 20 and April 17 Board meetings and comments have been received through a variety of means. The comment period closed on May 7, 2018. The Board has been provided a record all comments received and they have also been posted on the Authority's website.

Staff has prepared a Revised Draft 2018 Business Plan for the Board's consideration. The revised draft has been shaped and informed by the public comments. While some comments are properly addressed in the business plan, others have been, or will be, addressed through other means.

Staff has prepared two additional documents to help inform the Board's consideration on the adoption of a final 2018 Business Plan.

- The Staff Recommended Edits table lays out all proposed substantive edits (shown in the revised draft plan in bold orange text).
- The Errata Sheet reflects minor technical corrections such as punctuation, spelling and exhibit labeling (shown in red text).

At its May 15 meeting, the Board will hear any public comments on the proposed changes and edits. Staff will then incorporate the Board's direction and prepare a final 2018 Business Plan to be submitted to the Legislature on or before June 1, 2018.

## **Background**

The Board has received informational briefings on the Draft 2018 Business Plan from the Authority's Chief Executive Officer, and received public comment on the plan, at both the March 20 and April 17 Board meetings. In addition, comments were solicited and received through letters, the website and at four legislative hearings. The Authority has also engaged in a wide range of meetings with elected officials, public agencies, organizations and stakeholders and received comments and feedback from those discussions as well. The Board has been provided a record of all comments received during the 2018 Draft Business Plan comment period from March 9 through May 7, 2018.

### *Key Aspects of the Revised Draft 2018 Business Plan*

The Revised Draft 2018 Business Plan presents a vision for delivering high-speed rail in California. It remains focused on the 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 over time and provide mobility, economic and environmental benefits at the earliest possible time.
- Position ourselves to construct additional segments as funding becomes available.

Specifically, the Revised 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 has very strong commercial viability. Connecting Merced as part of this initial line remains a high priority.
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 and one in the Silicon Valley/Bay Area. 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 and the extension to Merced which comprise critical links 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 federal, state and private funding or financing to invest in the development of the high-speed rail system statewide.

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

The Revised Draft 2018 Business Plan discusses the challenges facing the high-speed rail program today. It outlines the new ways of doing business being put in place to address those challenges, including organizational improvements based on lessons learned to date that will enhance the Authority's capacity as a project delivery organization. The plan discusses the hard and valuable lessons from current construction contract experience in the Central Valley and how those experiences are being incorporated into future procurements and construction management practices. In addition, the plan discusses the actions being taken today to ensure that risks are identified early and mitigation strategies that are being pursued.

It shows that our cost estimates have increased and notes that, consistent with best practices, updates and refinements to our estimates will continue. It notes we need greater funding certainty to fully deliver the initial Silicon Valley to Central Valley Line. It acknowledges progress made in securing funding to date and discusses possible actions to going forward. It discusses a financing strategy that aligns the timing of Cap-and-Trade funds so that the project can be delivered in a manner that provides benefits to Californians at the earliest possible time.

### *Comments and Briefings*

As of May 10, 2018, over 500 comments had been received, all of which are included as an attachment ([link](#)) to this staff report along with a summary of the comments.

As noted, there were three legislative hearings where Legislators heard from the Authority, California State Transportation Agency, Legislative Analyst Office, the California High-Speed Rail Legislative Peer Review Group, regional agencies/stakeholders, and members of the public. The hearings were held before the:

- Assembly Transportation Committee: Hearing of the 2018 Draft Business Plan – April 2, 2018
- Joint Senate Transportation and Housing Committee/Senate Budget & Fiscal Review Subcommittee No. 2: Draft 2018 Business Plan Hearing – April 3, 2018
- Assembly Budget Committee No. 3 Resources and Transportation – April 11, 2018

The Authority also held briefings with individual legislators to provide updates on the Authority's review and seek comments on the draft plan.

### **Prior Board Action**

No prior Board action has been taken on the Draft 2018 Business Plan.

## Discussion

This Revised Draft 2018 Business Plan is based on comments received during the 60-day public review period. Some comments requested clarification or additional information about the program or the draft plan. Some were opposed to the project and/or were critical of the draft plan. Others, including letters from some local jurisdictions (Merced, Anaheim, Bakersfield, San Jose) expressed support, willingness to continue working with the Authority on implementation issues and strong interest in linking their communities to a statewide high-speed rail system as soon as possible.

A number of comments were unrelated to the Draft 2018 Business Plan but focused on other issues including, for example, comments regarding alignments. These comments are being addressed through other means, namely through the public environmental process and future Board actions.

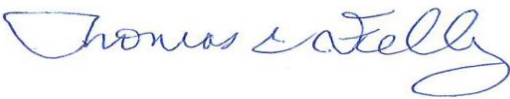
There were certain topics upon which more comments and questions were focused. To address these comments, additional information was included in the Revised Draft 2018 Business Plan to add clarity and more context. These comments generally fell into the following categories:

1. **Funding and Financing** – The Authority received a number of comments and questions, including from the Legislative Peer Review Group, regarding the need for additional funding to deliver the system and how the Authority’s funding needs might be addressed. Others sought more clarity on the timing of when financing would be required in order to deliver the Silicon Valley to Central Valley Line. The Revised Draft 2018 Business Plan expands on and provides more context around these questions.
2. **Early Train Operator** – In December 2017, the Authority signed a contract with DB Engineering & Consulting USA for Early Train Operator (ETO) services. In that capacity, the ETO is working to assist the Authority to help ensure that the system is designed to enhance its ultimate commercial value and profitability by providing input on a range of issues including procurements, station design and passenger operations. Several commenters wanted more information on the ETO’s role generally and others were interested in whether it had provided input on the Draft 2018 Business Plan. Language was added to reflect their involvement in the program including its role in developing early interim service and reviewing the Authority’s cost estimates.
3. **Merced** – The Authority received several comments urging that Merced be included in the Silicon Valley to Central Valley Line. Some emphasized the opportunity to provide strong connections to Altamont Corridor Express services and others focused on the existing travel demand for connections between Merced and the Silicon Valley/Bay Area. The Revised Draft 2018 Business Plan reiterates the commitment to Merced as a high priority, noting that funding for this connection must still be identified along with funding for the Pacheco Pass tunnels. It also notes that, as part of the Authority’s work to analyze and develop early interim services in the Central Valley, we will evaluate construction to Merced as part of an initial Central Valley line.
4. **San Francisco to Los Angeles Trip Times** – The Legislative Peer Review Group and others inquired about apparent changes in the three-stop scheduled trip time (i.e., which includes three interim stops in a trip between San Francisco and Los Angeles). Upon further review, the Authority determined that certain service assumptions were incorrect. These have now been corrected which necessitated revising the ridership and other related forecasts, the results of which are reflected in this Revised Draft 2018 Business Plan and related supporting technical documents.

5. **Tunneling** – Some comments asked how the Authority will draw upon international experience in designing and delivering its tunnels, including the Pacheco Pass tunnels in the initial Silicon Valley to Central Valley Line. Expanded discussion on our past and current engagement with international experts, as well as our plan to convene a blue-ribbon panel in the near future, is included in this revised draft plan.

**Legal Approval**

The Chief Counsel and legal staff have reviewed this document and proposed changes and have determined that they comply with all applicable Board policies and Authority regulations, and state and federal law.

<b>REVIEWER INFORMATION</b>	
Reviewer Name and Title: <b>Russell Fong, CFO</b>	Signature verifying budget analysis: <b>N/A</b>
Reviewer Name and Title: <b>Tom Fellenz, Chief Counsel</b>	Signature verifying legal analysis: 

**Recommendations**

Staff recommends that the Board, based on its review of all the comments received and staff presentations at Board meetings, deliberate and direct staff to make any final changes to be reflected in the 2018 Business Plan and approve that plan to be submitted to the Legislature on June 1, 2018.

**Attachments**

- Draft Resolution #HSRA 18-08
- Revised Draft 2018 Business Plan
- Staff Recommended Edits to the Draft 2018 Business Plan
- Business Plan Errata Sheet
- Draft 2018 Business Plan Comments (March 9 – May 7, 2018) ([link](#))