



May 31, 2012

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**California High-Speed Rail Authority
Responds to Peer Review Group Report
Welcomes Positive Evaluation of the Authority's Significant Progress
Pledges to Address Areas of Risk**

SACRAMENTO, Calif. – In a letter to California's Legislative leaders responding to a recent report by the High-Speed Rail Peer Review Group (PRG), California High-Speed Rail Authority Board Chair Dan Richard welcomed the PRG's positive evaluation of the Authority's significant progress and reaffirmed the Authority's commitment to working closely with the PRG and other independent analysts to improve plans for the nation's first high-speed rail system.

"We believe the PRG report, while fulfilling its responsibility to identify risk factors, reflects a generally positive view of the Revised Business Plan. We are pleased that the PRG finds the plan to be a more reasonable approach," wrote Richard. "The PRG input has been integral to producing a stronger plan for the implementation of this transformative program, and the Authority is committed to working constructively with its members and others to continue to refine and improve our work for the benefit of the people of California."

Richard further detailed the Authority's progress in hiring top management, including the announcement this week of the hiring of a new Chief Executive Officer, Jeff Morales. The Authority expects to be hiring a Chief Financial Officer and a Chief Risk Officer in the next month. In addition, the Authority has brought on twenty-three new staff to fill important positions in the areas of contract management, right-of-way acquisition, external affairs, information technology, and planning.

The full letter from Chair Richard is attached.

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May 31, 2012

The Honorable Darrell Steinberg
Senate President Pro Tempore
State Capitol, Room 205
Sacramento, CA 95814

The Honorable Bob Huff
Senate Republican Leader
State Capitol, Room 305
Sacramento, CA 95814

Board Members:

Dan Richard
Chairperson

Lynn Schenk
Vice-Chairperson

Thomas Richards
Vice-Chairperson

Robert Balgenorth

Russell Burns

Jim Hartnett

Michael Rossi

Thomas J. Umberg

The Honorable John A Pérez
Speaker of the Assembly
State Capitol, Room 219
Sacramento, CA 95814

The Honorable Connie Conway
Assembly Republican Leader
State Capitol, Room 3104
Sacramento, CA 95814

Dear Honorable Leaders:

I am writing to provide the California High-Speed Rail Authority's (CHSRA/the Authority) response to the May 18, 2012 report issued by the California High-Speed Rail Peer Review Group (PRG) on the Revised 2012 Business Plan. Over the past several months, the CHSRA has worked collaboratively with the PRG to assure effective communication and a mutual understanding of our plans and their concerns. We can say with confidence that we are largely in agreement with their identification of issues and we believe their recommendations are reasonable.

We believe the PRG report, while fulfilling its responsibility to identify risk factors, reflects a generally positive view of the Revised Business Plan. We are pleased that the PRG finds the plan to be a more reasonable approach. The PRG input has been integral to producing a stronger plan for the implementation of this transformative program, and the Authority is committed to working constructively with its members and others to continue to refine and improve our work for the benefit of the people of California.

Rather than going through the individual PRG comments in detail, I will focus on the key issues the report identified for consideration by the Legislature in making appropriations for the program.

First, with regard to the need for, "adequate management resources to effectively conduct a program of this magnitude," the Authority agrees with the PRG and has given this issue our full attention. As noted in past Legislative hearings, we are making significant progress at both the senior management and staff levels. In fact, the Authority Board recently announced the hiring of a Chief Executive Officer, Mr. Jeff Morales.

JERRY BROWN
GOVERNOR



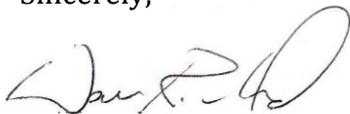
Furthermore, over the last eleven months, the Authority has brought on twenty-three new staff to fill important positions in the areas of contract management, right-of-way acquisition, external affairs, information technology, and planning. We expect to be hiring a Chief Financial Officer and Chief Risk Officer within the next month. In turn, a top priority for the new CEO will be to place the remaining key senior positions as quickly as possible. We accept the recommendation that the Legislature should have a plan for developing the key management resources and are preparing such a document.

Second, regarding, “the risks associated with the development of a high-speed rail system for California” and the PRG’s recommendation that, “any legislative action with respect to high-speed rail be based on a full knowledge of those risks,” we again agree and are continuing to work with the Legislature to demonstrate that the Authority is managing risks appropriately. Every project, and certainly every megaproject, faces risks similar to the ones facing the high-speed rail program. The Authority is using industry-standard processes for identifying and managing those risks as described in the Revised 2012 Business Plan (see chapter 8, Risk Identification and Mitigation). Authority staff has and will continue to oversee the risk management process, including the development and use of a comprehensive risk register, throughout the development of the high-speed rail program. As noted above, one of our priority hires is a dedicated risk manager whose sole responsibility will be to direct this process.

Third, the PRG recommended that the Authority be required to include refinements to the demand modeling, operations and maintenance modeling, and benefit-cost analysis in its 2014 Business Plan. Though we are confident that our current projections are reasonable, we concur with this recommendation and will continue to work both within the Authority and with external experts to update and fine-tune our modeling and analyses.

We appreciate the PRG’s recognition of the improvements in the Authority’s business planning and of the more collaborative and constructive approach the Authority has taken in working with the PRG. Without question, the PRG’s criticisms, observations, and recommendations have helped produce a significantly better plan for high-speed rail in California.

Sincerely,

A handwritten signature in black ink, appearing to read "Dan Richard", written in a cursive style.

Dan Richard
Chair, California High-Speed Rail Authority Board

cc: The Honorable Edmund G. Brown, Jr., Governor of California
The Honorable Mark DeSaulnier, Chair, Senate Transportation and
Housing Committee
The Honorable Bonnie Lowenthal, Chair, Assembly Transportation
Committee
The Honorable Joseph Simitian, Chair, Senate Budget Subcommittee
No. 2
The Honorable Rich Gordon, Chair, Assembly Budget Subcommittee
No. 3
The Honorable Alan Lowenthal, Chair, Senate Select Committee on
High-Speed Rail
Members, Senate Committee on Transportation and Housing
Members, Assembly Committee on Transportation
Members, Senate Budget Subcommittee No. 2
Members, Assembly Budget Subcommittee No. 3
Members, California High-Speed Rail Peer Review Group
Members, California High Speed Rail Authority Board