

2021-22 Budget Update

July 15, 2021, Board Meeting, Agenda Item #2

Chief Financial Officer Brian Annis



BASELINE AND FISCAL YEAR 2021-2022 BUDGET

Budget Update:

- Board Policy HSRA11-001 directs Board approval of the budget
- Budget adoption will include:
 - The 2021 Program Baseline Budget - the revised multi-year budget; and
 - The 2021-22 Fiscal Year Budget.

Since the Legislature deferred budget action on proposals related to High-Speed Rail, this item is presented as an information item, and staff will return to the Board when the budget is finalized before the Legislature adjourns on September 10th



STATUS OF LEGISLATIVE BUDGET APPROPRIATIONS

Status of Legislative Actions:

- The Legislature appropriated \$73.6 million for the Authority's State Operations budget for 2021-22, but deferred action on all budget change proposals. The Legislature also approved a statutory extension of NEPA Assignment for rail to January 1, 2025.
- The Authority has a continuous appropriation of Cap-and-Trade funds that allows expenditure of future auction proceeds as those are received.
- The Legislature deferred action on a new \$4.2 billion Proposition 1A budget appropriation for construction and project development. The Governor's May Revision Budget has requested this funding as part of a comprehensive transportation investment package, and both sets of investments are on hold pending a negotiated budget package.



CURRENT PROGRAM BASELINE COST SUMMARY

| Item | Program Baseline – June 2020 (\$ in billions) | Notes |
|--|--|---|
| Central Valley Segment (CVS) including Track and Systems | 12.366 | CVS defined as 119 miles from Madera to Poplar Avenue, including contingencies for each construction package, includes ROD cost for CVS |
| Phase 1 Environmental (ROD) Balance | 0.841 | ROD balance for Phase I San Francisco to Los Angeles / Anaheim segments excluding CVS |
| Bookends/Early Investments | 1.298 | Includes Caltrain Electrification, San Mateo Grade Separations, Rosecrans/Marquardt Grade Separation and LinkUS |
| Other Funded Scope | 1.108 | Remaining Program-wide Support, Contingency, Interim Use, Project Reserve, historical Phase 2 expenditures |
| Bakersfield/Merced Extensions | 0.023 | Pre-construction activities: examples include preliminary engineering, right-of-way mapping, and design advancement |
| Total | 15.636 | |

- **Baseline dollars are in Year of Expenditure.**
- **Values have been rounded to the nearest million. Totals may differ due to rounding.**



UPDATED PROGRAM BASELINE COST SUMMARY

| Item | Program Baseline July 2021 (\$ in billions) | Notes |
|--|---|---|
| Program Baseline June 2020 | 15.636 | Existing Baseline Budget including contingencies |
| Baseline Augmentations for Cost Changes and Additional Contingency for Current Scope | 1.283 | <p>Net cost changes of \$445M due to COVID-19, scope changes by local jurisdictions/stakeholders, and revised cost estimates: \$600M for CVS and -\$155M for other cost changes</p> <p>Additional contingency of \$838M due to risks that could affect both schedule and costs: \$809M for CVS and \$29M for other work</p> |
| Subtotal | 16.919 | |
| Enhanced Scope to advance Merced to Bakersfield | 0.155 | To advance design work for the Merced and Bakersfield extensions and the Merced, Fresno, Kings/Tulare and Bakersfield stations |
| Enhanced Scope Trainsets | 0.389 | Trainsets to initially test and certify the system and to subsequently be used for early interim service |
| Enhanced Scope Program Wide Support | 0.787 | Support for all aspects of the program starting in 2022-23 including design work, civil contract completion, track and systems, and trainsets |
| Total | 18.250 | |



UPDATES TO BASELINE SINCE FINAL BUSINESS PLAN

- **The total proposed Program Baseline Budget is unchanged from the Business Plan; however, updates in detail have been made for the following:**
 - Updates for actuals (through the end of January 2021, updated from September 2020), includes executed change orders
 - Updates to estimates of Potential Change Orders (PCOs)/Trends
 - Corrections, such as Right-of-Way assignment to Construction Package
 - Re-allocation of CVS Balance into specific cost categories



UPDATES TO BASELINE SINCE FINAL BUSINESS PLAN

Cost Changes for Existing Scope and Additional Contingency (\$ in Millions)

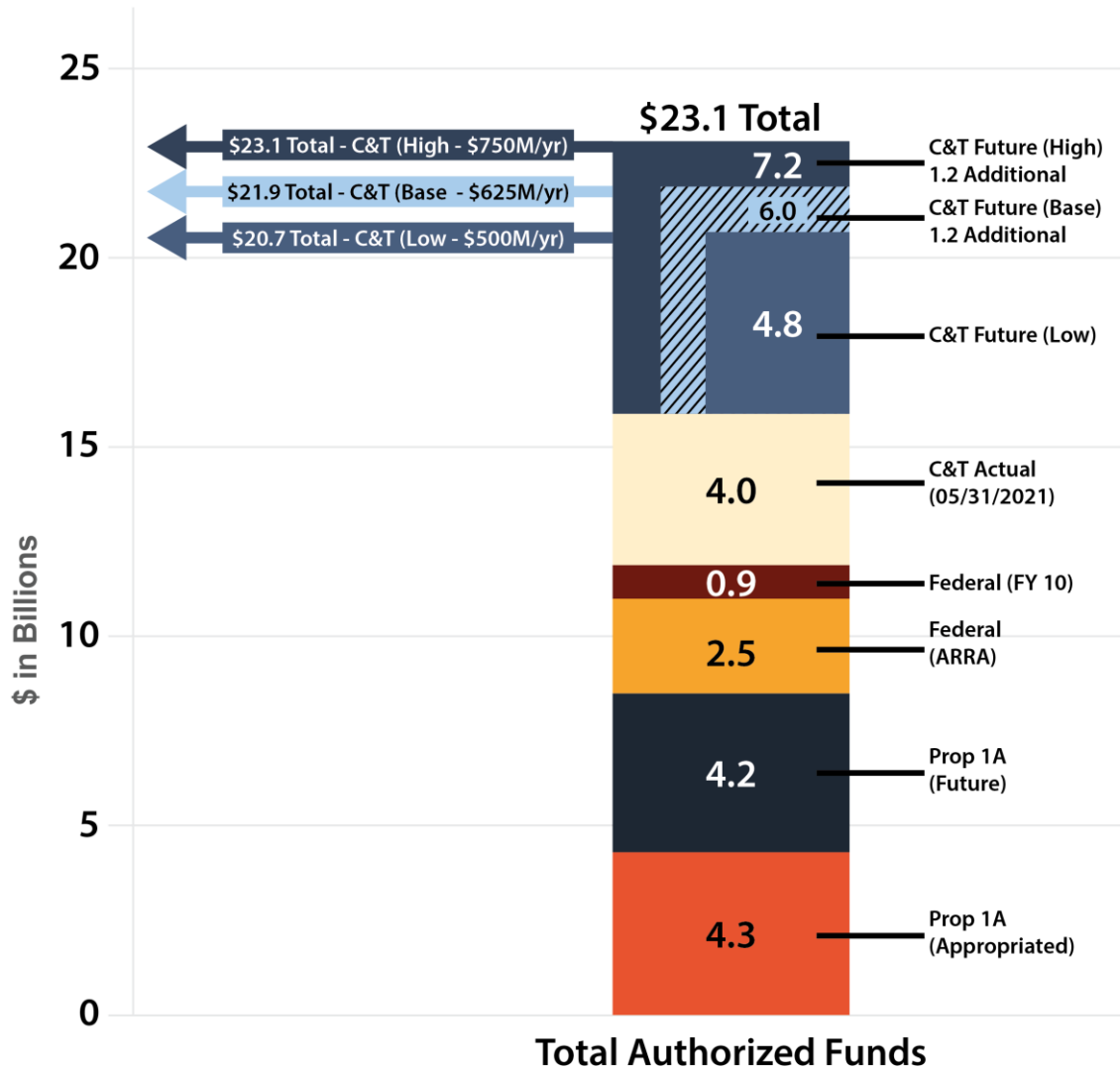
| Category | 2020 Business Plan | | | 2021 Update | | | Change |
|---|--------------------|-------------------|--------------------|-------------|-------------------|--------------|------------|
| | Cost Change | Total Contingency | 2020 Business Plan | Cost Change | Total Contingency | Total Budget | |
| Rev1 Baseline Budget | | | 15,636 | | | 15,636 | |
| CP1 | 294 | 348 | 642 | 315 | 317 | 632 | (10) |
| CP2-3 | 44 | 419 | 462 | 295 | 250 | 545 | 83 |
| CP4 | (24) | 92 | 68 | (29) | 93 | 63 | (5) |
| ROW for CP1-4 | 156 | 82 | 238 | 128 | 82 | 210 | (28) |
| Net other adjustments (Program support, stations, and other costs) | (140) | 101 | (39) | (108) | 66 | (42) | (3) |
| Subtotal - Central Valley Cost Changes | 330 | 1,041 | 1,371 | 600 | 809 | 1,409 | 38 |
| Other Changes | (136) | 49 | (87) | (155) | 29 | (126) | (38) |
| Total Cost Changes | 193 | 1,090 | 1,283 | 445 | 838 | 1,283 | (0) |
| Adjusted Baseline | | | 16,919 | | | 16,919 | (0) |

Notes –

- The above numbers highlighted yellow are from Table 5.1 in the Final Business Plan
- The above figures do not include:
 - 1) Unallocated Contingency and Reserves: \$574M
 - 2) CVS Rail Contingency, which will be established at contract award



REVIEW OF PROGRAM BASELINE FUNDING



CAPITAL OUTLAY AND EXPENDITURES REPORT

Fiscal Year 2021-2022

| Capital Outlay Budget (\$ in millions) - FISCAL YEAR 2021-2022 PROGRAM BUDGET | | | | | | |
|---|---------------------|---|---------------------|--------------------------------------|-------------------------------------|--|
| | FY2020-21 Budget | FY2020-21 YTD Expenditures as of May 2021 | FY2021-22 Budget | FY20-21 to FY21-22 Budget | | |
| | | | | \$ Change increase/ (decrease) | % Change increase/ (decrease) | |
| | | | | (C-A) | (C-A)/A | |
| | A | B | C | | | |
| Bond Fund (Prop 1A) - Project Dev. Phase I | \$ 9 | \$ 1 | \$ 68 | \$ 59 | 634.5% | |
| Federal Trust Fund (Brownfields) - Project Dev | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 60.5% | |
| Cap and Trade - Project Dev | \$ 135 | \$ 49 | \$ 189 | \$ 53 | 39.4% | |
| PROJECT DEVELOPMENT SUBTOTAL | \$ 145 | \$ 50 | \$ 257 | \$ 112 | 77.5% | |
| Bond Fund (Prop 1A) - Construction | \$ 33 | \$ 79 | \$ 1,974 | \$ 1,941 | 5,891.0% | |
| Cap and Trade - Construction | \$ 2,376 | \$ 855 | \$ 906 | \$ (1,470) | (61.9%) | |
| CONSTRUCTION SUBTOTAL | \$ 2,409 | \$ 934 | \$ 2,881 | \$ 472 | 19.6% | |
| Bond Fund (Prop 1A) - Bookends (Local Assistance) | \$ 331 | \$ 21 | \$ 79 | \$ (252) | (76.2%) | |
| Cap and Trade - Bookends (Local Assistance) | \$ 18 | \$ 18 | \$ 4 | \$ (14) | (79.0%) | |
| BOOKEND PROJECTS SUBTOTAL | \$ 349 | \$ 39 | \$ 83 | \$ (267) | (76.3%) | |
| Budget | \$ 2,903 | \$ 1,023 | \$ 3,221 | \$ 317 | 10.9% | |



FINAL FY 2021-22 BUDGET IS CONTINGENT ON LEGISLATIVE ACTION

- The Authority's FY 2021-2022 Capital Budget assumes the Legislature appropriates the remaining Proposition 1A funds -- expenditure of these funds is contingent on the Legislature's budget approval.
- The additional Proposition 1A funds are assumed to be available starting in November 2021 and would be the primary revenue source for the remainder of the fiscal year.
- If Prop 1A funds are not available in November, Cap-and-Trade cash balance would be utilized; however, with current revenue and expenditure estimates, the Cap-and-Trade cash balances would be exhausted in February or March.
- If the Legislature does not appropriate the remaining Proposition 1A funds, staff will present a revised budget in September that would:
 - Update revenues and expenditures
 - Propose slowdowns in contract work, deferral of new contract execution, shut down of worksites and other measures, as necessary.



ADMINISTRATIVE BUDGET

Summary by Office

| Administrative Budget (\$ in millions) - FISCAL YEAR 2021-2022 BUDGET | | | | | |
|---|---------------------|---|---------------------|--------------------------------------|-------------------------------------|
| | FY2020-21 Budget | FY2020-21 YTD Expenditures as of May 2021 | FY2021-22 Budget | FY20-21 to FY21-22 Budget | |
| | | | | \$ Change increase/ (decrease) | % Change increase/ (decrease) |
| | A | B | C | (C - A) | (C - A)/A |
| Executive Office | \$ 2.1 | \$ 1.6 | \$ 2.2 | \$ 0.2 | 7.7% |
| Administration Office | \$ 8.5 | \$ 5.7 | \$ 8.9 | \$ 0.4 | 4.4% |
| Strategic Communications Office | \$ 1.8 | \$ 1.2 | \$ 1.9 | \$ 0.1 | 6.5% |
| Financial Office | \$ 8.1 | \$ 5.0 | \$ 8.6 | \$ 0.4 | 5.3% |
| Legal Office | \$ 3.3 | \$ 2.3 | \$ 3.4 | \$ 0.1 | 4.0% |
| Program Delivery Office | \$ 34.5 | \$ 19.8 | \$ 33.6 | \$ (1.0) | (2.8%) |
| Audit Office | \$ 1.7 | \$ 1.4 | \$ 1.8 | \$ 0.1 | 6.3% |
| Legislative Office | \$ 0.7 | \$ 0.6 | \$ 0.7 | \$ (0.0) | (5.3%) |
| Information Technology Office | \$ 12.4 | \$ 5.8 | \$ 12.6 | \$ 0.2 | 2.0% |
| Budget | \$ 73.0 | \$ 43.4 | \$ 73.6 | \$ 0.6 | 0.8% |
| POSITIONS | 356 | | 356 | 0 | 0.0% |



CONCLUDING REMARKS

Staff will return to the Board for budget approval after final action by the Legislature on the 2021-22 budget, which should occur no later than September 10th. In the meantime, staff will manage the budget as follows:

- **Program Baseline Budget**

- Staff will manage within the overall “Rev 1” contingency, with some shifts among contingency categories to advance work in the Central Valley without incurring delay.

- **2021-22 State Operation Budget**

- The Authority will utilize the \$73.6 million state operations budget appropriated by the Legislature, and augment that amount later if the Legislature approves the Budget Change Proposals that are deferred.

- **2021-22 Capital Outlay Budget**

- Staff will continue to report revenue and expenditure information monthly against the current estimate of \$3.2 billion in expenditures. If the additional Prop 1A funds are not appropriated by the Legislature in the coming months, measures to slow expenditures would be needed to maintain a positive cash balance.



THANK YOU

Comments and Questions



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