

# FROM THE CEO

**“In the middle of difficulty lies opportunity.”**

– Albert Einstein

Just 10 months ago, the California High-Speed Rail Authority (Authority) submitted to the Legislature its 2020 Business Plan.

That’s right, the 2020 Business Plan was submitted on April 12, 2021, a full year after its original due date—another impact of the COVID-19 global pandemic. Similarly, over the course of the last two years, we have extended public comment periods in our environmental review process to accommodate requests for more time to review documents in the COVID-19 world. Like many other agencies, we have held “virtual” board meetings for nearly two years. And today, more than 90 percent of our staff are teleworking, at least part-time. COVID-19 has impacted how we function, but it has not stopped us from advancing the nation’s first electrified high-speed rail project right here in California.

In fact, no state is advancing high-speed rail at the pace California is. California is leading again, building world-class infrastructure that will foster economic prosperity and opportunity, spur job growth and combat climate change. That is something that should not be lost on policymakers—and the opportunity to expand that leadership is upon us.

This 2022 Draft Business Plan is an update on what has occurred over the last ten months affecting our program—progress and opportunities—and management’s recommendations to our Board of Directors on how to manage those issues and move forward transparently. This Draft 2022 Business Plan now enters a 60-day public review period. The Board will review management’s summary and recommendations, take public input, hear from policymakers, and craft a final 2022 Business Plan to be adopted and submitted to the Legislature by May 1, 2022.

## Program Progress

There are three key areas where the Authority is making meaningful progress—construction activities, right-of-way acquisitions and environmental review.

### Construction

Chapter 2 of this Draft Plan outlines important areas of progress we are making in the field. In the last three years, we have advanced design from 30% to nearly 100%, increased the number of structures that are either under construction or completed from 19 to 66, and increased the miles of guideway opened for work from 47 miles to 86 miles. Daily construction jobs have tripled between 2018 and today. We are making meaningful progress to complete the first 119 miles of the system, the largest stretch of rail construction anywhere in the country

We have also been very transparent about the challenges associated with executing construction contracts before all the scope was defined and sufficient pre-construction activities were completed. Between 2015 and 2018, after the contracts were awarded, a number of scope changes were made, some of which were driven

by litigation. Other changes were made to address third-party permitting and approval agencies' requirements, responding to concerns of cities and counties, utilities, freight railroads, and irrigation districts. As we noted in the 2020 Business Plan, we are working daily to get all the project scope fully defined and into the contracts so we can continue to perfect construction schedules.

## Right-of-Way

Right-of-way acquisition has been a long-reported challenge for the Authority. This, too, is largely the byproduct of entering construction contracts out of sequence (i.e., before the right-of-way is more fully in hand). Early in 2021, we took steps to improve our performance in this area, and the results have been promising.

Specifically, in April, we brought in new leadership to head our right-of-way division; we adopted a more conservative and achievable acquisition schedule; we established 30-, 60-, and 90-day goals; we improved the line of communication between the field and the right-of-way division; and we began mapping and tracking right-of-way status more comprehensively.

The results of these changes have been outstanding. Parcel acquisitions are being completed on a steadier pace each month. The division is now delivering parcels ahead of the revised schedule. As of this writing, 2,067 parcels have been delivered to the construction contractors. For the first time in the program's history, we have met the 90% threshold for number of parcels delivered versus total needed.

## Environmental Review

For 5 years, between 2014 and 2019, the Authority did not certify an environmental document beyond that required to begin construction on the 119-mile segment in the Central Valley. Since 2018, the Authority has been focused and driven on completing the environmental work for the entire Phase 1 system connecting San Francisco to Los Angeles/Anaheim. Completing this work is necessary for two fundamental reasons: (1) it is a requirement of the federal funding grant the Authority has with the Federal Railroad Administration (FRA); and (2) it allows the Authority to define the entire Phase 1 system, advance design of all segments, reduce risks, account for all necessary preconstruction work, refine costs, and mitigate impacts, providing important clarity for the communities through which the system travels.

Today, we have environmentally cleared approximately 300 miles, and by July 2022 the Authority is intending to have cleared some 430 miles of the 500-mile Phase 1 system. Achieving these milestones is an essential step in the Authority's strategy to advance the entire statewide program and be competitive for new federal funding opportunities, further described below.

Completing the environmental review process involves years of design and interacting with communities, federal and state regulatory agencies, private entities, and local governments. Through this process, project impacts requiring mitigation—environmental justice community impacts, local government impacts, natural

resources impacts, private property impacts, etc.— are identified for mitigation. These mitigations sometimes require project design changes or other community investments or project changes to offset those impacts. They come with a cost.

We commit to these mitigations in alignment with our Board’s policy to improve the communities through which our system travels. The Authority’s policy and practice is to complete the environmental work and update the cost estimates once that work is done. The costs are affected because we have better defined the project scope with community and stakeholder input. The project has gained more favor in the communities it impacts because we have committed to certain mitigations that are important to them. In Chapter 5, we detail some specific mitigations we have made in two recently cleared sections and update our cost estimates accordingly.

## Opportunities

As Chapter 1 of this report lays out, there has been significant progress and new opportunities to report. The most significant development since the 2020 Business Plan is the re-emergence of the federal government as a funding partner to build the right kind of transportation infrastructure in this era of climate change. The end of 2021 saw the enactment of the “Bipartisan Infrastructure Law,” and this year, Congress will consider the “Build Back Better” bill, both of which provide billions of dollars in federal funding for passenger rail projects, including high-speed rail. In addition, in the first year of the Biden Administration, the Authority received nearly a billion dollars back to the program that the previous administration proposed to rescind, and in November 2021, we

received a federal RAISE grant of \$24 million to advance construction in the City of Wasco.

Coupled with this new federal funding, Governor Newsom has proposed in his FY 2022-23 Budget a \$15 billion program of investments in transportation infrastructure statewide, including investments in high-speed rail, local and regional transit projects, bicycle, pedestrian and highway safety projects, new grade separations, and investments in the state’s trade corridors to relieve long-festering supply chain problems. At the Authority, we see a tremendous opportunity for the state to develop a federal-state funding program that will enable us to:

- Deliver a *two-track* initial operating segment connecting Merced, Fresno and Bakersfield;
- Invest statewide to advance engineering and design work as every project section is environmentally cleared;
- Make targeted statewide investments in shared corridors that provide immediate benefits to existing operators and prepare these corridors for statewide high-speed rail service; and
- Advance a longer-term funding strategy to extend high-speed rail beyond the Central Valley as soon as possible.

## Forging an Agreement on Proposition 1A Funds

The Governor's more robust transportation investment budget proposal this year includes the appropriation of the remaining \$4.2 billion in Proposition 1A bond funds to the Authority for purposes of completing our construction work in the Central Valley. As discussed in Chapter 3, the bond funds are the appropriate funds to use to complete that work because they are already approved for that purpose and using them there would allow us to preserve more flexible Cap-and-Trade funds to leverage federal funding for other program purposes and to invest more nimbly as the program progresses and opportunities to match federal funds arise.

While there has been a lot of focus on the differences between our approach to advancing high-speed rail in California and that proposed by some in the Legislature, there should be no question that the availability of new federal and state funding presents an opportunity to close that divide and agree on investments that allow statewide high-speed rail to move forward in tandem with other high-priority regional projects. We see areas of agreement with some of the ideas and concepts promoted by legislators. For example:

- The 119-mile segment in the Valley now under construction is not an ideal operating segment. Extending past the orchards and into the cities of the Central Valley—Merced, Fresno and Bakersfield—where connections will be made to current and future operators, makes the most sense;
- Developing a single station in downtown Merced (rather than two) is the best way to maximize rail/transit connectivity;

- Advanced design work should commence in segments where the environmental clearances are completed, including in Northern and Southern California;
- Proposed investment of General Fund dollars can assist with projects statewide, including projects with mutual or joint benefits for local or regional projects and the state-sponsored high-speed rail project;
- In the short-term, right-of-way acquisition should primarily be focused on the Central Valley segment connecting Merced, Fresno and Bakersfield; and
- The Link Union Station project should move forward as expeditiously as possible.

Our proposal to advance the project is consistent with these priorities. The fundamental disagreement appears to come down to the question of when to electrify the assets we are constructing. The Authority proposes to electrify the system for true high-speed rail service as soon as possible along the corridor connecting the cities of the Central Valley. Our peer-reviewed analysis shows this approach provides the greatest ridership, travel time, environmental, and revenue benefits at the soonest possible time.

This approach also acknowledges that we have a constrained budget—enough to get a high-speed rail corridor started in the Central Valley, but not yet enough to extend it to the Bay Area and Southern California. For us, this is the first operating segment of electrified high-speed rail, but certainly not the last. As we advance corridors outside of the Central Valley and pursue funding for project expansion, a useful operating segment—the first in the nation—will be providing benefits to Californians who live and travel through the Valley where construction began.

Our mutual goals are to build a modern, sustainable transportation infrastructure and create an equitable clean energy future in California. The Authority looks forward to working with all those that share a genuine interest in developing an electrified high-speed rail system connecting San Francisco and Los Angeles/Anaheim through the communities of the Central Valley, just as the voters approved. We are making important progress to

advance the project in the Central Valley, the Bay Area and Southern California. With new federal and state funding available to bridge differences and advance clean, safe and well-connected passenger rail services, the opportunity is now to further California's leadership in building the transportation infrastructure of tomorrow. Let's seize this moment and get on with the work ahead.



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