



CALIFORNIA
High-Speed Rail Authority

Draft 2018 Business Plan

Brian P. Kelly, Chief Executive Officer

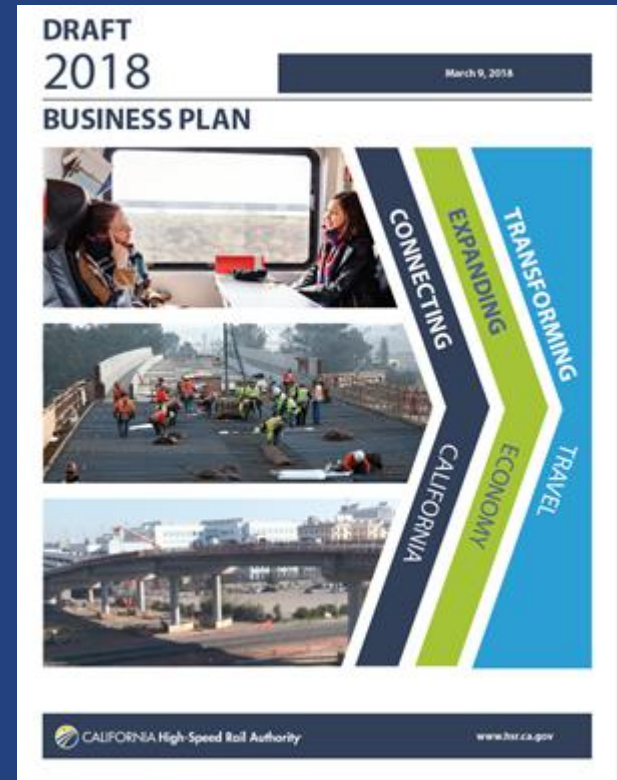
Draft 2018 Business Plan

Tuesday, March 20, 2018



DRAFT 2018 BUSINESS PLAN

- Required by PUC Section 185033
- Represents status of program at this point in time
- Summarizes approach to implementing the system
- Includes:
 - » Updated capital cost and other estimates
 - » Updated ridership and revenue forecasts
 - » Summary of progress over last two years
 - » Review of our current challenges and how we are addressing them
- Due to Legislature on June 1



REITERATES OUR COMMITMENTS

- **Deliver Phase 1 System approved by voters in Proposition 1A:**
 - » San Francisco/Merced to Los Angeles/Anaheim
- **Deliver Silicon Valley to Central Valley Line as soon as possible:**
 - » San Francisco to Bakersfield
 - » Merced remains high priority
- **Continue planning for Phase 2 extensions:**
 - » Merced to Sacramento
 - » Los Angeles to San Diego via the Inland Empire
- **Work with our valued partners to advance modern, integrated statewide rail network**

OFFERS CANDID DISCUSSION OF OUR CHALLENGES

- We are implementing a series of complex, integrated megaprojects
- We face the same challenges that international projects of similar magnitude and complexity have successfully addressed
- **Draft business plan shows:**
 - » Our cost estimates have increased
 - » We need greater certainty on funding
 - » Our delivery schedule has been extended
- **Draft Business Plan identifies challenges and provides strategies to manage them**

REVISED COST ESTIMATES AND NEW APPROACH

- **83 percent of higher Phase 1 costs driven by:**
 - » Previously identified Central Valley construction delays
 - » Inflation from schedule delays
 - » Establishing higher contingency that better reflect risk and uncertainty
- **New baseline estimates:**
 - » Central Valley estimate at completion – \$10.6 billion – by 2022
 - » Silicon Valley to Central Valley Line – \$29.5 billion – by 2029
 - \$1.9 billion of this is for extensions to San Francisco and Bakersfield
 - » Phase 1 – \$77.3 billion – by 2033
- **New approach – apply ranges based on stage of project development**

MOVING FORWARD WITH FUNDING UNCERTAINTY

- **Delivering program involves major procurements/long lead times:**
 - » Currently operating on pay-as-you-go approach to funding
 - » 2016 Business Plan assumed financing against Cap-and-Trade
 - » Draft 2018 Plan is consistent with that assumption
- **Important progress since 2016 – AB 398 extended program to 2030**
- **Over next two years:**
 - » Continue to advance system with current and committed funding
 - » Explore options to create investment-grade financing
- **New approach – show funding in ranges**

CHALLENGES COMPEL A NEW WAY OF DOING BUSINESS – OUR GOALS REMAIN THE SAME

- **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**

OUR PROPOSED PATH FORWARD

- **Meet commitments to our federal funding partner**
- **Extend Silicon Valley to Central Valley Line to San Francisco and Bakersfield**
- **Deliver 224 miles of high-speed-rail-ready infrastructure for passenger service by 2027**
- **Isolate tunnels in Pacheco Pass as final piece to complete Silicon Valley to Central Valley service**
- **Continue early bookend investments in Southern and Northern California**
- **Complete Phase 1 system**

MEET COMMITMENTS TO FEDERAL PARTNER

By 2022:

- Complete 119-mile construction in Central Valley
- Complete environmental reviews for entire Phase 1 system



Cedar Viaduct



Fresno Trench & State Route 180 Passageway

PHASED SILICON VALLEY TO CENTRAL VALLEY LINE

- 119-mile Madera to Poplar Avenue by 2022
- 224 miles of high-speed rail ready infrastructure on two lines:
 - Central Valley
 - San Francisco/San José to Gilroy
 - Initiate service/testing by 2026/2027
- Isolate Pacheco Pass tunnels:
 - Early works to de-risk
 - Engage expertise on design
 - Explore funding strategy
- Merced remains high priority
- Full service by 2029



BURBANK – LA – ANAHEIM BOOKEND INVESTMENTS

- **45-mile corridor with statewide significance:**
 - » Critical to regional mobility
 - » Vital for freight/goods movement
- **Investing \$500 million in bookend funds as full partner in this shared corridor:**
 - » \$76 million – Rosecrans/Marquardt Grade Separation Project
 - » Remaining \$423 million to Los Angeles Union Station (Link US Project)
 - » \$18 million already approved for Link US for engineering/design



BUILDING BLOCKS TO COMPLETE PHASE 1

- **Complete Central Valley Segment**
- **Complete all Phase 1 environmental reviews**
- **Fund bookend projects – early regional benefits/foundation for future high-speed rail**
- **Deliver Silicon Valley to Central Valley Line in “smaller bites”:**
 - » Early initial service for early mobility and environmental benefits
 - » When complete, a commercially viable line that can be monetized
- **Secure funding/financing for completing Phase 1, including:**
 - » Monetization proceeds from Silicon Valley to Central Valley
 - » Federal grants and loans
 - » Private investment

DOING BUSINESS DIFFERENTLY

- **The Authority moved to construction before risks were realized and full costs were understood at the time of contract award for the Central Valley segment:**
 - » This practice will not be repeated on future construction contracts
 - » Right-of-way procurement, third-party agreements, utility relocations and railroad agreements will be known, completed and incorporated prior to future contract awards
- **The Authority must complete its transformation from a planning organization to a project-delivery organization:**
 - » This transformation is well underway with the addition of a Chief Operating Officer and Project Delivery Manager with extensive project delivery experience
 - » Other positions—Director of Real Property and Director of Risk Assessment—will be filled soon
 - » Organizational changes to provide more project delivery support from headquarters to the field are in development now

DOING BUSINESS DIFFERENTLY

- **The Authority must adopt a new Baseline budget against which it can manage scope, schedule and cost:**
 - » Once the Baseline is adopted, the Authority must use dashboards to show the public and policymakers how the project is progressing in real time
- **The Authority must change the way it estimates out-year project costs to the public and policymakers:**
 - » Megaprojects have long-term costs that can only be accurately estimated once design is advanced and environmental work is completed. Until those things are done, costs should be described in ranges
- **Given cost revisions, the Authority must deliver the Silicon Valley to Central Valley segment in “smaller bites”:**
 - » Completing the 119-mile segment in the Central Valley is priority #1
 - » Preparing a test track and investing in electrification in the Central Valley and the Peninsula will provide interim benefits and may allow high-speed trains in operations by 2026-2027

WHY HIGH-SPEED RAIL – ECONOMIC GROWTH

As of 2017:

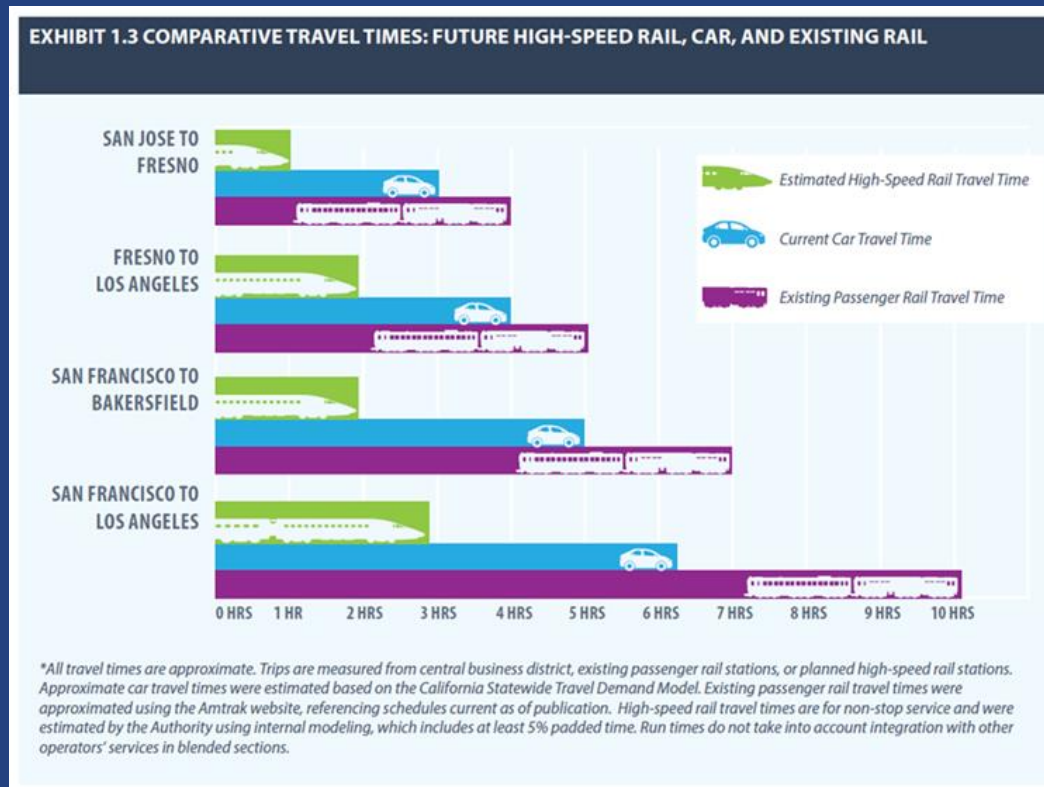
- **Thousands of people put to work on good-paying jobs**
- **Hundreds of businesses helping deliver the system**
- **\$5 billion in economic impacts have rippled through the state**

Moving forward:

- **Vital new linkages between our economic centers**
- **New job opportunities and supporting jobs-housing balance**
- **Collaboration between innovation clusters and higher education**
- **Sustaining economic competitiveness in 21st century**

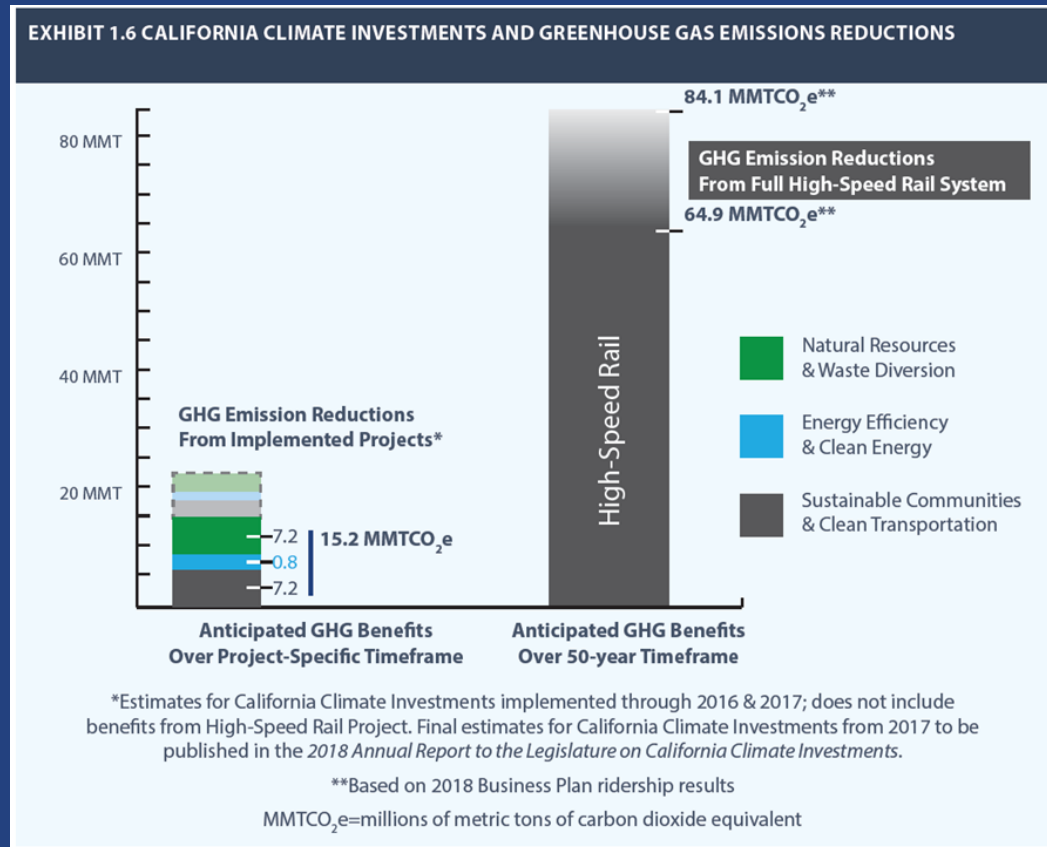
WHY HIGH-SPEED RAIL – GREATER MOBILITY

- Faster travel to and from the Central Valley – half the time it takes to drive
- New fast, convenient travel between Northern and Southern California
- Connections to state and regional passenger rail systems



WHY HIGH-SPEED RAIL – SUSTAINABILITY

- High-speed rail helps achieve California's environmental objectives



2018 DRAFT BUSINESS PLAN – SUBMITTING A COMMENT

- **60-day public comment period: March 9 through May 7**
- **Ways to comment:**
 - » Via our **online** comment form
 - » Via **email**: 2018businessplancomments@hsr.ca.gov
 - » **Voicemail** comment at 916-384-9516
 - » **Mail** your comment to:
 - California High-Speed Rail Authority
 - Attn: Draft 2018 Business Plan
 - 770 L Street, Suite 620, MS-1
 - Sacramento, CA 95814
 - » **Board of Directors meetings:**
 - March 20 – Sacramento
 - April 17 – Los Angeles

NEXT STEPS

- **Receive Comments:**
 - » March 20 Board Meeting in Sacramento
 - » April 17 Board meeting in Los Angeles
- **May 15 Board Meeting (San José):**
 - » Present Proposed Errata Sheet
 - » Present Proposed Responses to Public Comments
 - » Board to Direct Staff to Make Any Necessary Changes
 - » Proposed Board Adoption
- **June 1: Submit to Legislature**

THANK YOU

Brian Kelly, Chief Executive Officer

Headquarters

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