



**CALIFORNIA
HIGH-SPEED RAIL
AUTHORITY**

Date: October 27, 2011

To: Chairman Umberg and Board Members

From: Roelof van Ark, Chief Executive Officer

Re: **November 3, 2011 Agenda Item #4- Usable Segments / Funding Plan – Prop 1a:**
Approval of funding plan(s) for submission pursuant to Streets and Highways Code section 2704.08, subdivision (c)

Discussion:

The California High Speed Rail Authority (“Authority”) has been awarded approximately \$3.3 billion in federal funding under the American Recovery and Reinvestment Act of 2009 (“ARRA”), the Passenger Rail Investment and Improvement Act of 2008 (“PRIIA”) and the Consolidated Appropriations Act of 2010. These federal funds require matching funds, which the Authority has previously determined should be provided primarily from proceeds of the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century (“Proposition 1A” or “the Bond Act”).

The Bond Act is codified in Streets and Highways Code Section (S&H) 2704 et seq. S&H 2704.08, subdivision (c)(1) requires that, “[n]o later than 90 days prior to the submittal to the Legislature and the Governor of the initial request for appropriation of proceeds of bonds authorized by this chapter for any eligible capital costs on each corridor, or usable segment thereof, identified in subdivision (b) of Section 2704.04, other than costs described in subdivision (g), the authority shall have approved and submitted to the Director of Finance, the peer review group established pursuant to Section 185035 of the Public Utilities Code, and the policy committees with jurisdiction over transportation matters and the fiscal committees in both houses of the Legislature, a detailed funding plan for that corridor or a usable segment thereof.”

The Authority needs to approve a Funding Plan in satisfaction of the above-referenced requirement.

Background:

If the accompanying action for selection of usable segment(s) for construction pursuant to Streets and Highways Code section 2704.08, subdivision (f) is approved by the Authority, these two Usable Segments will be the subject of the Funding Plan.

The attached form of a Funding Plan has been prepared for the Authority's consideration in anticipation of approval of these two Usable Segments.

The attached form of a Funding Plan presumes that the Authority's initial request for appropriation of proceeds of bonds authorized by the Bond Act for the initial Useable Segment will be in the amount of \$2.684 billion, which is the amount needed to supplement \$3.316 billion in federal funds awarded for use on the Initial Construction Section ("ICS"). The combined funding of \$6.0 billion represents the full amount of funding believed to be needed to complete the Initial Construction Section.

Although the Authority would not yet be requesting the full amount of bond proceeds to complete the Usable Segments at this time, the attached form of Funding Plan nonetheless provides information for these Usable Segments required by S&H section 2704.08, subdivision (c).

The attached form of the Funding Plan includes the following topics pursuant to S&H 2704.08, subdivision (c) which requires identification or certification:

Identification Topics

- A. The Usable Segment: *Identification of the corridor, or usable segment thereof, in which the authority is proposing to invest bond proceeds*
- B. Lease or Franchise Agreements: *Description of the expected terms and conditions associated with any lease agreement or franchise agreement proposed to be entered into by the authority and any other party for the construction or operation of passenger train service along the corridor or usable segment thereof*
- C. Capital / Construction Costs: *Presentation of the estimated full cost of constructing the corridor or usable segment thereof, including an estimate of cost escalation during construction and appropriate reserves for contingencies*
- D. Sources of Funds: *Presentation of the sources of all funds to be invested in the corridor, or usable segment thereof, and the anticipated time of receipt of those funds based on expected commitments, authorizations, agreements, allocations, or other means.*
- E. Projected Ridership and Operating Revenue Estimates: *Presentation of the projected ridership and operating revenue estimate based on projected high-speed passenger train operations on the corridor or usable segment*
- F. Known or Foreseeable Risks: *Presentation of all known or foreseeable risks associated with the construction and operation of high-speed passenger train service along the corridor or usable segment thereof and the process and actions the authority will undertake to manage those risks.*

Certification Topics

- G. Construction of these Usable Segments, and the Initial Construction Section within them, can be completed as proposed by the Authority.
- H. Upon completion of each Usable Segment, such segment would be suitable and ready for high-speed train operation.

- I. Upon completion of each Usable Segment, one or more passenger service providers can begin using the tracks or stations for passenger train service.
- J. The planned passenger service by the Authority for the Usable Segments will not require a local, state, or federal operating subsidy.
- K. In connection with the Initial Construction Section, the Authority will have, prior to expending Bond Act proceeds requested in connection with this Funding Plan, completed all necessary project level environmental clearances necessary to proceed to construction.

The attached form of Funding Plan incorporates by reference the detailed information provided in the draft 2012 Business Plan dated November 1, 2011, shown as Attachment A to the Funding Plan. This approach will provide readers of this Funding Plan the full benefit of the details provided in the draft 2012 Business Plan that are relevant to the current Funding Plan, without any confusion that might be created by summaries or inadvertent omissions.

Recommendations:

Staff recommends that the Authority adopt Resolution HSRA 11-23 – stating the following:

The Authority hereby approves the funding plan presented at this meeting and relating to each Usable Segment. The Authority hereby authorizes and directs the Executive Director to submit the funding plan to the recipients set forth in Streets and Highways Code section 2704.08, subdivision (c).

Appendix/Attachments:

Form of Funding Plan, which, upon submission, will include as Attachment A the Draft 2012 Business Plan

Resolution HSRA 11-23 –Resolution Approving Funding Plan for Submission Pursuant to Streets and Highways Code Section 2704.08, Subdivision (c)



**CALIFORNIA
HIGH-SPEED RAIL
AUTHORITY**

California High-Speed Rail Authority

Funding Plan

[November 3, 2011]

** Submitted pursuant to Streets and Highways Code section 2704.08, subdivision (c)*

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Attachment A – Draft 2012 Business Plan dated November 1, 2011

Introduction

The “Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century” (the Bond Act) is codified in Streets and Highways Code Section (S&H) 2704 et seq. S&H 2704.08, subdivision (c)(1) requires that, [n]o later than 90 days prior to the submittal to the Legislature and the Governor of the initial request for appropriation of proceeds of bonds authorized by this chapter for any eligible capital costs on each corridor, or usable segment thereof, identified in subdivision (b) of Section 2704.04, other than costs described in subdivision (g), the authority shall have approved and submitted to the Director of Finance, the peer review group established pursuant to Section 185035 of the Public Utilities Code, and the policy committees with jurisdiction over transportation matters and the fiscal committees in both houses of the Legislature, a detailed funding plan for that corridor or a usable segment thereof.

The Authority is submitting this Funding Plan in satisfaction of the above-referenced requirement. The Authority proposes to invest bond proceeds in a Usable Segment, as described in this Funding Plan under the section entitled “A. The Usable Segment.” Two Usable Segments are the subject of this Funding Plan. The Authority has selected for construction, in accordance with S&H 2704.08, subdivision (f), these two Usable Segments. A decision will be made in the future as to which of the two segments will be constructed first. The two segments presented have an overlapping sub-segment, namely the section from Merced to Bakersfield, so figures presented in this funding plan should not be added. Each of the two Useable Segments are identical to the associated Initial Operating Sections defined in the draft 2012 Business Plan Each Useable Segment includes a portion of the high-speed train system defined in the 2012 Business Plan as the Initial Construction Section.

This Funding Plan incorporates by reference the detailed information provided in the attached draft 2012 Business Plan dated November 1, 2011. The Authority wants to provide readers of this Funding Plan the full benefit of the details provided in the draft 2012 Business Plan that are relevant to the current Funding Plan, without any confusion that might be created by summaries or inadvertent omissions.

The Authority’s initial request for appropriation of proceeds of bonds authorized by the Bond Act for the initial Useable Segment will be in the amount of \$2.684 billion, which is the amount needed to supplement \$3.316 billion in federal funds awarded for use on the Initial Construction Section. The combined funding of \$6.0 billion represents the full amount of funding the Authority believes is needed to complete the Initial Construction Section.

Although the Authority is not yet requesting the full amount of bond proceeds to complete the Usable Segments at this time, this Funding Plan nonetheless provides information for these Usable Segments required by S&H section 2704.08, subdivision (c).

A. The Usable Segment

Streets and Highways Code section 2704.08, subdivision (c)(2)(A) requires identification of the corridor, or usable segment thereof, in which the authority is proposing to invest bond proceeds.

As described in the attached draft 2012 Business Plan, the Authority is advancing a detailed phasing plan that contains two options for its Initial Operating Section (the IOS). The selected IOS will become the initial Usable Segment in which the Authority is proposing to invest bond proceeds. The other Usable Segment would follow thereafter, as described in the 2012 Business Plan in **Chapter 2, A Phased Implementation Strategy: Linking Northern and Southern California**. This document is a Funding Plan for both.

Initial Operating Section – North (IOS North or IOS-N) (Central Valley to Bay Area).

This Usable Segment consists of the portion of the corridor defined as Phase 1 in the Bond Act between and including a Bakersfield station and a San Jose station. It would run approximately 290 miles from a Bakersfield station in the South to a San Jose station in the North, through four additional stations including Gilroy, Merced, Fresno, and Kings/Tulare. The six planned stations also provide vital connections with other rail and transit services throughout the State. This Usable Segment is described in the draft 2012 Business Plan as the IOS-North.

Initial Operating Section – South (IOS South or IOS-S) (Central Valley to Los Angeles Basin).

This Usable Segment consists of the portion of the corridor defined as Phase 1 in the Bond Act between and including a Merced station and a San Fernando Valley station. It would run approximately 300 miles from a Merced station in the North to a San Fernando Valley station in the South, with four additional stations including Fresno, Kings/Tulare, Bakersfield, and Palmdale. The six planned stations also provide vital connections with other rail and transit services throughout the State. This Usable Segment is described in the draft 2012 Business Plan as the IOS South.

The future appropriation for \$2.684 billion in proceeds of bonds authorized under Proposition 1A is proposed to be invested in the portion of each Usable Segment described in the draft 2012 Business Plan as the Initial Construction Section (the ICS). The ICS is proposed to cover a distance of approximately 130 miles of new high-speed rail alignment from just north of Bakersfield at the southern end to north of Fresno at the northern end. The ICS includes the Fresno and Kings/Tulare stations. The ICS is included in both the IOS North Usable Segment and the IOS South Usable Segment.

Regardless of which of these IOS options is selected in completing the initial Usable Segment, the ICS must be completed as a first step toward completion of these Usable Segments.

See the attached draft 2012 Business Plan for additional information about the IOS North, the IOS South and the Initial Construction Section for which the Authority is requesting an appropriation of bond proceeds as described in this Funding Plan. In particular, see Chapter 2, A Phased Implementation Strategy: Linking Northern and Southern California.

B. Lease or Franchise Agreements

Streets and Highways Code section 2704.08, subdivision (c)(2)(B) requires a description of the expected terms and conditions associated with any lease agreement or franchise agreement proposed to be entered into by the authority and any other party for the construction or operation of passenger train service along the corridor or usable segment thereof.

The attached draft 2012 Business Plan describes the Authority's planned business model and the anticipated roles of various parties in the development of the System, including for the IOS North Usable Segment and IOS South Usable Segment that are the subject of this Funding Plan. ***See Chapter 5, Business Model.***

There will be numerous agreements associated with completion of these Usable Segments, which agreements may include one or more lease agreements or franchise agreements of the types referenced in S&H 2704.08, subdivision (c)(2)(B). However, no such lease or franchise agreements are being proposed to be entered into by the Authority at this time.

The Initial Construction Section is anticipated to be developed using one or more design-build contracts (the DB Contracts). The terms of the DB Contracts and any other necessary contracts for the ICS have been developed as part of the procurement process, commencing with a planned release of a request for qualifications in October/November 2011. No lease or franchise agreement is anticipated for the Initial Construction Section.

Furthermore, as discussed in Chapter 2 and Chapter 5 of the attached draft 2012 Business Plan, the Authority does not plan to operate high-speed service along the ICS. Such service will only occur upon completion of the Initial Operating Section that will serve as the initial Usable Segment. At that time the Authority intends to enter into franchise, operating or lease agreements with private operators to operate the system. ***See Chapter 2, A Phased Implementation Strategy, and Chapter 5, Business Model.***

Although not proposed at this time, the Authority is exploring the potential to allow Amtrak to operate its passenger train service on an interim basis, using the Authority's ICS. There would be an agreement required with this approach. Discussions with Amtrak have taken place and a general letter of support has been received dated October 8, 2010. However, any final decision regarding such potential interim Amtrak service would be made in the future and therefore is not applicable at the time of this Funding Plan. This alternative is further discussed in Chapter 2 of the draft 2012 Business Plan.

C. Capital / Construction Cost

Streets and Highways Code section 2704.08, subdivision (c)(2)(C) requires presentation of the estimated full cost of constructing the corridor or usable segment thereof, including an estimate of cost escalation during construction and appropriate reserves for contingencies.

As presented in the attached draft 2012 Business Plan, the Authority has obtained updated estimates of costs to complete the System. **See Chapter 3, Capital Costs; Chapter 4, Business Planning Schedule; and Chapter 8, Funding and Financing.**

Exhibits C-1 and C-2 below present the estimated full cost of the Initial Construction Section and the incremental capital costs required to complete the IOS North Usable Segment and the IOS South Usable Segment, based on the Capital Cost Scenario 1 costs described in **Chapter 3, Capital Cost**. Exhibit C-1 presents the capital costs in 2010 dollars, and Exhibit C-2 presents the capital costs in year-of-expenditure dollars. The IOS North and IOS South figures should not be added, but should be seen as stand-alone values. They contain an overlapping sub-segment, namely the section from Merced to Bakersfield.

Except where noted, the figures in this Funding Plan are based on these Scenario 1 capital cost estimates. An alternative estimate of capital costs also has been presented in the draft 2012 Business Plan, reflecting the highest cost alignment options under consideration, and the associated environmental mitigation costs. This scenario also is described in the draft 2012 Business Plan as Capital Cost Scenario 2. **See Chapter 3, Capital Cost.**

The Capital Cost Scenario 1 year-of-expenditure figures in Exhibit C-2 are based on the phased delivery schedule described in **Chapter 4, Business Planning Schedule**. The Authority plans to commence construction activities for the ICS by late 2012. For purposes of presentation, these costs are combined with costs in 2013, the first full year in which construction would be underway.

Exhibit C-1: Cost to Construct Initial Usable Segment (2010 dollars in millions)

	ICS	IOS North	ICS	IOS South
Incremental capital cost by section	5,200	19,400	5,200	21,400
Cumulative capital cost ¹	5,200	24,600	5,200	26,600
Year of construction start ²	2013	2015	2013	2015
Year of construction end	2017	2021	2017	2021

¹ Cumulative figures may not foot due to independent rounding

² First full year of construction

Exhibit C-2: Cost to Construct Initial Usable Segment (year-of-expenditure dollars in millions)

	ICS	IOS North	ICS	IOS South
Incremental capital cost by section	6,000	24,700	6,000	27,200
Cumulative capital cost ¹	6,000	30,700	6,000	33,200
Year of construction start ²	2013	2015	2013	2015
Year of construction end	2017	2021	2017	2021

¹ Cumulative figures may not foot due to independent rounding

² First full year of construction

The above-referenced capital costs include both allocated contingencies and unallocated contingencies, as well as costs related to rolling stock and systems testing and commissioning before operations (pre-operating costs). Furthermore, the year-of-expenditure costs include escalation at a rate of 3 percent per annum, representing a long-term average annual rate of inflation.

The detailed breakdown of these projected costs by category of expenditure can be found in the draft 2012 Business Plan. **See Chapter 3, Capital Cost.**

D. Sources of Funds

Streets and Highways Code section 2704.08, subdivision (c)(2)(D) requires presentation of the sources of all funds to be invested in the corridor, or usable segment thereof, and the anticipated time of receipt of those funds based on expected commitments, authorizations, agreements, allocations, or other means.

As described in the attached draft 2012 Business Plan, the Authority intends to commence with the Initial Construction Section, to be completed between 2012 and 2017. All necessary funding sources for the ICS have been identified, with distribution subject to satisfaction of the various conditions associated with each of the following sources:

- ***State general obligation bonds authorized under the “Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century” (Bond Act) approved by California voters as Proposition 1A in 2008.*** This includes \$66.0 million for pre-construction period activities and \$2.618 billion for construction period activities. Total state bond funding to be applied to the ICS combines to \$2.684 billion.
- ***Federal grants authorized under the American Recovery and Reinvestment Act (ARRA) and under the “High-Speed Intercity Passenger Rail Program (HSIPR) for federal fiscal year 2010.*** This includes \$66.0 million for pre-construction period activities and \$3.25 billion for construction period activities. Total federal grants funding to be applied to the ICS combines to \$3.316 billion.

Exhibit D-1, below, presents the above-referenced sources of funds for the Initial Construction Section.

Exhibit D-1. Initial Construction Section Funding Sources¹

Funding Sources ¹ (\$ MM)	Amount	Subtotals
<i>Pre-construction² (e.g., planning, engineering, environmental clearance)</i>		
ARRA Pre-construction Funding	66.0	
- State matching funds	66.0	
<i>Total ARRA Pre-Construction</i>		<i>132.0</i>
<i>Construction</i>		
ARRA Construction Funding	2,321.0	
- State matching funds	2,258.0	
<i>Subtotal ARRA Construction</i>		<i>4,579.0</i>
FY 2010 Appropriations Construction Funding	929.0	
- State matching funds	360.0	
<i>Subtotal FY 2010 Construction Funding</i>		<i>1,289.0</i>
<i>Total Construction Funding</i>		<i>5,868.0</i>
<i>Total Initial Construction Section</i>		
<i>Total Pre-construction and Construction Periods</i>		<i>6,000.0</i>

¹ Figures are subject to rounding

² Pre-construction costs reflect estimated ICS share, excluding any station design costs

The timing of distribution and receipt of funds will coincide with the anticipated timing of construction discussed previously, with certain pre-construction activities already in process, and certain construction activities commencing for the ICS by late 2012 and continuing into 2017.

Upon identification of additional funding sources, the Authority intends to continue construction beyond the ICS to commence either the IOS North or the IOS South. For planning purposes, construction of the remainder of the IOS North or IOS South is estimated to be performed between 2015 and 2021 to reach completion of the initial Usable Segment. The anticipated timing of the identification of these additional funds for the initial Usable Segment would be not later than 2015 to enable procurement of construction-related services at that time. The timing of distribution and receipt of the funds then would correspond to the timing of anticipated expenditures.

The draft 2012 Business Plan discusses the potential future funding sources and the timing of the funding needs, to construct the Usable Segments. ***See Chapter 8, Funding and Financing.***

E. Projected Ridership and Operating Revenue Estimates

Streets and Highways Code section 2704.08, subdivision (c)(2)(E) requires presentation of the projected ridership and operating revenue estimate based on projected high-speed passenger train operations on the corridor or usable segment.

This Funding Plan incorporates by reference the projected ridership and related revenue estimates presented in the attached draft 2012 Business Plan. **See Chapter 6, Ridership Revenues, and Chapter 7, Operating and Maintenance Costs.** The chapter also includes sensitivity analysis, reflecting revenue estimates for high, medium and low scenarios for ridership.

Furthermore, this Funding Plan also incorporates by reference the information regarding the net operating profit (net revenues after operations and maintenance expenses) presented in the draft 2012 Business Plan. **See Chapter 8, Funding and Financing.** The chapter also includes sensitivity analysis, reflecting the net operating profit resulting from both revenue estimates and operating and maintenance cost estimates for high, medium and low scenarios for ridership.

The draft 2012 Business Plan uses as its “Planning Case” the “medium” scenario for ridership, revenues and associated operating and maintenance (O&M) costs. This Funding Plan adopts the same approach, and incorporates by reference the results of the financial analysis presented. Under the three revenue and O&M cost scenarios analyzed in Chapter 8 (planning case, high revenue and low revenue) there is a net operating profit commencing in the first year of operations under each scenario. This is a consistent finding across scenarios once an initial operating section is achieved. **See Chapter 8, Funding and Financing.**

Exhibits E-1, E-2, and E-3 present Revenues, O&M Costs, and Net Operating Profit, respectively for the two Usable Segments in year of expenditure dollars. As noted previously, IOS North and IOS South figures should not be added, but should be seen as stand-alone values.

Exhibit E-1. Revenues – Planning case (year of expenditure dollars in millions)

Revenues									
Usable Segment	Operating Year	2025	2030	2035	2040	2045	2050	2055	2060
IOS North	2022	759	1,074	1,277	1,514	1,804	2,145	2,549	3,018
IOS South	2022	1,002	1,422	1,691	2,005	2,389	2,840	3,375	3,996

Exhibit E-2. O&M Costs — Planning case (year of expenditure dollars in millions)

Usable Segment	Operating Year	2025	2030	2035	2040	2045	2050	2055	2060
IOS North	2022	474	643	808	988	1,193	1,362	1,456	1,751
IOS South	2022	539	713	927	1,132	1,362	1,548	1,683	1,953

Exhibit E-3. Net Operating Profit — Planning case (year of expenditure dollars in millions)

Usable Segment	Operating Year	2025	2030	2035	2040	2045	2050	2055	2060
IOS North	2022	285	431	469	526	612	783	1,094	1,268
IOS South	2022	464	710	764	873	1,027	1,292	1,693	2,043

F. Known or Foreseeable Risks

Streets and Highways Code section 2704.08, subdivision (c)(2)(F) requires presentation of all known or foreseeable risks associated with the construction and operation of high-speed passenger train service along the corridor or usable segment thereof and the process and actions the authority will undertake to manage those risks.

This Funding Plan incorporates by reference the risks and mitigation strategies presented in the attached draft 2012 Business Plan. **See Chapter 9, Risk Identification and Mitigation.**

The information presented therein includes the known or foreseeable risks associated with the Usable Segments, including the Initial Construction Section, that are the subject of this Funding Plan. The draft 2012 Business Plan identifies both program-level risks associated with revenue, ridership, approvals and other program-level matters, as well as the specific delivery risks associated with the ICS portion of an initial Usable Segment, in particular.

The categories of key risks identified in Chapter 9 include the following:

- Cost and Schedule
- Staffing and Organizational Structure
- Approvals
- Demand/Ridership and Revenues
- Funding
- Financing
- Right-of-Way
- Stakeholder Agreements, Interface and Integration

For each category, the draft 2012 Business Plan describes the risk and its potential impact, and presents a mitigation and management approach. It also describes fundamental risk mitigation principles, objectives for balanced risk transfer, and contracting strategies. Finally, it describes key elements of the Authority's Risk Management Plan. **See Chapter 9, Risk Identification and Mitigation**, for additional details on these topics.

G. Authority Certifications

Streets and Highways Code section 2704.08, subdivision (c)(2)(G) through subdivision (c)(2)(K) requires presentation of various certifications of the Authority regarding the corridor or usable segment thereof, as noted below:

(G) Construction of the corridor or usable segment thereof can be completed as proposed in the plan.

(H) The corridor or usable segment thereof would be suitable and ready for high-speed train operation.

(I) One or more passenger service providers can begin using the tracks or stations for passenger train service.

(J) The planned passenger service by the authority in the corridor or usable segment thereof will not require a local, state, or federal operating subsidy.

(K) The authority has completed all necessary project level environmental clearances necessary to proceed to construction.

Based on the various estimates, plans and other information presented in the attached draft 2012 Business Plan, which is incorporated by reference in this Funding Plan, the Authority certifies the following:

- **Construction of these Usable Segments, and the Initial Construction Section within them, can be completed as proposed by the Authority.**
 - *Furthermore, such Usable Segments will commence with the construction of the Initial Construction Section. The future completion of these Usable Segments can proceed thereafter on a phased basis, as described in detail the attached draft 2012 Business Plan.*

- **Upon completion of each Usable Segment, such segment would be suitable and ready for high-speed train operation.**
 - *Furthermore, such Usable Segments will be designed and constructed for the purpose of high-speed passenger rail service.*

- **Upon completion of each Usable Segment, one or more passenger service providers can begin using the tracks or stations for passenger train service.**
 - *Furthermore, in the case of each Usable Segment, it is the Authority’s intent to have high-speed passenger rail service operating such that there would be no need for other passenger service providers, such as Amtrak, to begin using the tracks or stations.*
 - *Nonetheless, it is the Authority’s belief that in the event it became necessary or advantageous, such other passenger service provider could use each Usable Segment (or a portion thereof) for passenger train service, subject to the satisfaction of appropriate conditions and agreements.*
 - *In addition, although the Authority does not presently plan to have any passenger service commence on the Initial Construction Section prior to completion of a Usable Segment, the Authority has planned that a passenger service provider could use the Initial Construction Section for passenger train service, should this at some future time seem advisable, subject to satisfaction of appropriate conditions and agreements.*

- **The planned passenger service by the Authority for the Usable Segments will not require a local, state, or federal operating subsidy.**
 - *Furthermore, each Usable Segment is projected to generate positive net operating profit (revenues less operations and maintenance expenses) commencing in the first year of operations.*

- **In connection with the Initial Construction Section¹, the Authority will have, prior to expending Bond Act proceeds requested in connection with this Funding Plan, completed all necessary project level environmental clearances necessary to proceed to construction.**
 - *Furthermore, in connection with the Initial Construction Section, the Authority already has completed the following necessary steps: The draft environmental impact reports / environmental impact statements for the Merced to Fresno and Fresno to Bakersfield segments were released for public comment on August 9, 2011. Public comment closed on October 13, 2011. The revised draft environmental impact reports / environmental impact statements for the Fresno to Bakersfield segment will be reissued in spring of 2012 for further public comment.*
 - *The following steps are scheduled to be completed before construction is to commence: The Record of Decision/Notice of Determination (ROD/NOD) is expected to be obtained for the Merced to Fresno segment by April 2012, and for the Fresno to Bakersfield section by November 2012.*

¹ The ICS is the only portion of the Usable Segments for which Bond Act proceeds for construction are requested in this Funding Plan.

Attachment A

Draft 2012 Business Plan dated November 1, 2011