



BRIEFING: APRIL 21, 2016 BOARD MEETING AGENDA ITEM #2

TO: Chairman Richard and Board Members

FROM: Jeff Morales, Chief Executive Officer

DATE: April 21, 2016

RE: Consider Adopting the 2016 Business Plan

Background

The California High-Speed Rail Authority is required by Public Utilities Code Section 185033 to prepare, publish, adopt, and submit its biennial Business Plan to the Legislature on May 1, 2016. At least 60 days prior this submission, the Authority must publish a draft Business Plan for public review and comment. Staff prepared and released a Draft 2016 Business Plan on February 18, 2016. A press release was issued on that date that included instructions for the public on how to comment on the Plan. The Draft 2016 Business Plan was also placed on the front page of the Authority's website.

Staff subsequently made presentations regarding the Draft 2016 Business Plan at the March 8 and April 12, 2016 Board meetings. Comments were solicited and received through letters, the website, and during the open public comment periods of both Board meetings, consistent with legal requirements for public hearing and comment featured in Public Utilities Code Section 185033. Some comments were supportive of the program and the Draft 2016 Business Plan, some sought clarification or additional information, and some were critical of the Plan. Some comments were either very general regarding the program, or did not relate specifically to the Draft 2016 Business Plan.

This staff report and its attachments include and consider public comments received between the public comment period of February 18 through April 18, 2016. Comments postmarked by April 18 but received after the April 21 Board meeting will also be posted on the website and distributed to the Board. The Board will also hear any public comments at the April 21 meeting. Staff will incorporate any later-identified technical corrections and edits into the final 2016 Business Plan before submitting it to the Legislature but would seek the Board's approval should any substantive policy issues be identified that require further Board direction.

Discussion

Key Aspects of the Draft 2016 Business Plan

The Draft 2016 Business Plan marks a transition from the Authority's previous Business Plans by presenting a funding-constrained proposal to move into high-speed passenger service as soon

as possible. The Draft Business Plan outlined a reduction in capital costs from \$67.6 billion to \$64.2 billion and laid out a path for the construction and operation of an initial line of the high-speed rail program, using existing committed funds, which will generate revenue once it opens for revenue service, within the next decade. The Draft Business Plan also summarized the progress made over the last two years and included updated available information regarding funding and financing, forecasted ridership and revenue and other estimates, and updated risk management information.

Significantly, the Authority highlighted three objectives to move the high-speed rail program forward. The first objective is to initiate high-speed rail passenger service as soon as possible in order to bring benefits to California and generate revenues to attract private sector participation. With existing funding and more than 100 miles of active construction in the Central Valley already underway, the Authority set forth a plan to complete the construction of a high-speed rail line between Silicon Valley and Central Valley by 2024, with passenger service operations beginning in 2025.

The second objective is to make strategic, concurrent investments throughout the system that will be linked together over time. Investments that connect state, regional and local rail systems will provide immediate mobility, environmental, economic and community benefits. For example, the Burbank to Anaheim corridor is of regional and statewide significance and is critical to supporting the economy of Southern California. The Draft 2016 Business Plan proposed to further collaborate with local partners to improve this corridor, including the highest priority grade separations in the state (e.g., Rosecrans Avenue/Marquardt Avenue), and improvements at Los Angeles Union Station that will have significant region-wide benefits. These and other investments identified in the Plan will increase overall transportation system capacity, improve safety in this highly-congested travel corridor, improve air quality and serve as building blocks for high-speed rail.

The third objective is to be prepared to construct additional segments as funding becomes available. This requires securing environmental approvals for the remaining sections of the Phase 1 system outside of the Central Valley. The Authority will continue to move forward with clearing all project sections between San Francisco and the Los Angeles/Anaheim area by 2017, while also advancing planning work on the Phase II segments.

Public Vetting and Discourse

At the March 8 and April 12 Board meeting, staff reports provided background information on the development and contents of the Draft 2016 Business Plan. Since the Draft Business Plan was released on February 18, staff has received and documented comments on the Draft Business Plan from stakeholders, other governmental agencies, and the public. The Board received comments at its March 8 and April 12 meetings and will receive comments at this (April 21) Board meeting. Public comments were also received by mail, email, voicemail and through the Authority's website.

As of April 19, 218 comments had been received, all of which are included as an attachment (link to website) to this staff report along with a summary of the comments. Of those comments, 35 have been submitted via the Authority's website, 64 have been submitted via email, 99 have been submitted through the U.S. Postal Service or other mail carrier, 4 have been

submitted via voicemail, and 16 were submitted via the Board of Directors meeting on March 8 and April 12, 2016.

In addition, the Authority has engaged in a wide range of meetings with elected officials, public agencies, organizations and stakeholders and received comment and feedback from those discussions as well. The comments received through this outreach have addressed a variety of topics.

The Draft 2016 Business Plan has also been the subject of three legislative hearings, where Legislators heard from the Authority, California State Transportation Agency, Legislative Analyst Office, Legislative Peer Review Group, regional agencies/stakeholders, and members of the public. The hearings were held before the:

- Assembly Transportation Committee (joined by members of the Select Committee on Rail Transportation) – March 28, 2016
- Senate Transportation and Housing Committee/Senate Budget Subcommittee 2 on Resources, Environmental Protection, Energy and Transportation – April 4, 2016
- Assembly Budget Subcommittee No. 3 on Resources and Transportation – April 6, 2016.

The Authority also held individual briefings with legislators to provide updates on the Authority's implementation plans and to explain the Draft Business Plan.

Significant Areas of Public Comment for Consideration

Throughout the public comment period, certain topics rose to the surface as both being widely commented upon and worthy of consideration in improving the Final Business Plan. These comments generally fell into two main categories: **Geographic** and **Subject Matter** and are discussed below. At the April 21 meeting, staff will review these issues, present options for the Board's consideration and deliberation, and seek guidance for addressing the issues in the final 2016 Business Plan.

Geographic Comments

These comments largely revolved around areas of the state that had been included in the 2014 Business Plan's Initial Operating Segment, but lie outside of the Silicon Valley to Central Valley line described in the Draft 2016 Business Plan. Representatives of these communities expressed varying levels of concern with potential delays in service to the communities, and sought commitments for both near-term and long-term rail investments and service levels in their regions. These comments specifically addressed four geographic areas: connections to Merced and the north San Joaquin Valley; the North of Bakersfield station location and plans for a connection to Bakersfield; early investments in the Burbank to Los Angeles/Anaheim corridor that can begin an incremental process that ultimately delivers high-speed rail service to Southern California; and, options for extending high-speed rail service north from San Jose to San Francisco.

1. Connections to Merced and the North San Joaquin Valley

Commenters expressed significant concern about Merced not being included in the initial operations as described in the Silicon Valley to Central Valley service. They sought a stronger commitment in the final 2016 Business Plan to early high-speed rail

service to Merced as well as advancing connectivity projects in the North San Joaquin Valley.

2. North of Bakersfield Station Location and Connections to Bakersfield

A number of comments were received calling for a stronger commitment in the final 2016 Business Plan to providing earlier high-speed rail service to Bakersfield. Comments suggested that, for a variety of reasons, the interim terminus identified for the Silicon Valley to Central Valley line (at a north of Bakersfield station) would be problematic. Questions were raised about ridership impacts, connectivity to Bakersfield and potential effects on its development objectives, and potential ramifications on the ongoing environmental clearance into the City of Bakersfield.

3. Extending High-Speed Rail Service from San Jose to San Francisco

Commenters called for a stronger commitment in the final 2016 Business Plan to the extension of service from San Jose to San Francisco. These commenters also sought clarification regarding the commitment to the Transbay Transit Center/Downtown Extension.

4. Early Investments in the Burbank to Los Angeles/Anaheim Corridor

Commenters called for a clear reaffirmation of a commitment to the 2012 Memorandum of Understanding (MOU) between the Authority and Southern California regional transportation agencies. They also sought clarity on the process for advancing specific improvements identified in the 2012 MOU and in the Draft 2016 Business Plan.

Subject Matter Comments

These comments largely addressed the technical building blocks of the Draft 2016 Business Plan. While the Authority described in great detail how it would construct and deliver the Silicon Valley to Central Valley line, these comments addressed the plans for after this line had been delivered. Specifically, these comments can be broken into three areas: ridership projections for the Silicon Valley to Central Valley line; funding for the remainder of the Phase I system; and, the eventual private sector investment needed to deliver Phase I. These issues are addressed below. At the April 21 meeting, staff will present options for the Board's consideration and deliberation, and seek guidance for addressing the issues in the final 2016 Business Plan.

1. Ridership Forecasts for the Silicon Valley to Central Valley Line

Several commenters raised questions about the ridership forecasts for the Silicon Valley to Central Valley line and whether the related revenue forecasts could be reasonably predicted to support operating the line without a subsidy as defined in Proposition 1A.

2. Funding for the Remainder of the Phase I System

In various legislative hearings, the Legislative Analyst Office and Legislative Committees raised questions regarding funding for the completion of the rest of the Phase I system beyond the Central Valley to Silicon Valley line. Committees in both

the Senate and Assembly called for more expansive discussion of funding options and strategies.

3. Private Sector Investment

Commenters suggested a more robust description of how private sector investment factors into the 2016 Business Plan and how it will be leveraged to help fund construction of the full Phase I system.

4. Phase II Planning and Cost Estimate

Commenters called for clearer commitment to the advancement of the Phase II extensions to San Diego and Sacramento and discussion of interim measures to improve service and connectivity in those areas. Separate comments sought information the estimated cost of the Phase II extensions.

Recommendations

Staff recommends that the Board, based on its review of all the comments received and staff presentations at Board meetings, deliberate and direct staff appropriately.

Attachments

- Draft 2016 Business Plan
- Draft 2016 Business Plan Comment Summary Dashboard
- Draft 2016 Business Plan Comments Received (February 18-April 18, 2016) ([link](#))
- Draft 2016 Business Plan Errata Sheet