



Brian P. Kelly

FROM THE CEO

“It Always Seems Impossible Until it is Done.”

– Nelson Mandela

On February 12, 2020, the California High-Speed Rail Authority (Authority) issued its Draft 2020 Business Plan for public review. Shortly thereafter, the world changed. This updated Revised Draft 2020 Business Plan must be looked at through the lens of the past year. It’s been a year of:

- Unprecedented challenges;
- Adverse impacts—some temporary, some lasting; and
- Record-level progress in spite of the challenges.

And, as we look forward, there is new opportunity to build on that progress and significantly advance the program. This Plan lays out that path forward.

Just a month after our draft was released, the World Health Organization declared the coronavirus outbreak a pandemic and subsequently, on March

19th, Governor Newsom issued a stay-at-home order to protect the health and well-being of all Californians and slow the spread of COVID-19. Almost a year later, the dramatic impacts of the pandemic continue to affect all we do.

I opened my CEO letter in the Draft 2020 Business Plan by stating, “Nothing worth doing is easy.” In these last few months, that statement has taken on a whole new meaning. At the same time, I emphasized that delivering California high-speed rail is worth doing to expand California’s economic prosperity, improve mobility and combat the effects of climate change. That is still true.

The Authority Adapted Quickly to the Pandemic

Putting the health and safety of the public and our employees and contractors as the highest priority, we adapted quickly to address the immediate circumstances associated with the pandemic. Within 10 days, more than 90 percent of our administrative organization was effectively teleworking. In March, we shifted our public meetings to a virtual format and in April, our Board of Directors held its first online meeting.

At our construction sites, we worked closely with our contractors and labor groups to implement safety standards to protect essential workers while they advanced the construction work. We reduced in-person business meetings and travel. In short, we adjusted how we do business to ensure our business gets done.

However, COVID-19 has impacted our program. The High-Speed Rail Authority has not been spared nor is it alone in being impacted by COVID-19. Although we are not yet an operating passenger service, the pandemic has affected virtually every aspect of our organization and program:

- We deferred the adoption of our final 2020 Business Plan by nearly a year to provide more time to assess risks, conduct further project reviews, provide more opportunity for public comment on our work, and to accommodate necessary legislative oversight;
- We have quarantined nearly 250 workers, adversely affecting our construction progress;
- The Cap-and-Trade revenues available to this project were reduced by \$288 million (recovery of these revenues is expected from future Cap-and-Trade auctions);
- Our procurement process for the Track and Systems contract has been delayed by several months (contract scope is anticipated to change, as noted in this Revised Draft 2020 Business Plan);
- We granted requests from local communities and other stakeholders to extend the public comment periods for our environmental reviews to allow more time for agencies and jurisdictions to prepare comments;
- Many California courts either closed or severely reduced their hours, which delayed filings and court dates, slowing our right-of-way acquisition schedule as a result; and
- The uncertainty surrounding the depth and duration of this pandemic will continue to present us with numerous risks to be recognized, managed and mitigated.

These impacts have affected both our schedules and costs. We will need more time to complete all the work for each of the three construction packages in the Central Valley. We anticipate reaching substantial completion on the first 22-mile segment (Construction Package 4) in about 15 months; the other two construction packages (Construction Package 1 and Construction Package 2-3) will take us into 2023. Our costs for these construction packages are up by about \$330

million over our current budget and, because of the risk and uncertainty that lays ahead, we propose to increase our contingency budget considerably. Moreover, to mitigate risks affecting our Track and Systems procurement, we propose to change the timing, approach to construction and phasing of the track installation. These actions will mitigate cost risks and improve construction efficiency.

We have commenced conversations with the Biden Administration on these matters. Because the project is advancing, as noted below, we believe we can work with our federal partner on our revised schedule and restore federal investment in this program.

The pandemic has challenged and humbled us, but it has not defeated us, nor has it diverted us from our mission. By virtue of preparation, hard work, agility and blessing, the Authority has expanded the number of construction sites open and has increased the number of workers dispatched to those job sites throughout the pandemic. As the work continues to advance, we will create more well-paying jobs and more economic opportunity for Californians and small and disadvantaged businesses.

Advancing the Work through Unprecedented Challenges

Despite COVID-19 and with no engagement from the federal government, the Authority made major advances, as shown in Exhibit 0.0:

- In November 2020, we hit an all-time high of 1,208 daily workers dispatched to 35 open job sites in the Central Valley, almost doubling the number of workers dispatched at the start of the pandemic;
- Since 2018, we have doubled the total number of construction jobs created by the project, from roughly 2,600 to more than 5,200;

Exhibit 0.0: Where We Are Today



- In that same period, we have nearly tripled the number of structures that are either under construction or completed, and we have increased the miles of guideway cleared for construction by 60 percent;
 - We dedicated \$423 million in Proposition 1A bond funds to the reconstruction of the Los Angeles Union Station, helping to transform it into a world-class multimodal hub; and
 - We environmentally cleared two segments in the Central Valley (all of Merced to Bakersfield) and issued environmental drafts on four more segments in the Bay Area and Southern California, covering more than 420 miles of the San Francisco to Los Angeles/Anaheim system.
2. Substantial completion of the first construction package in the Central Valley (Construction Package 4), a 22-mile stretch through Kern County to Poplar Avenue;
 3. Environmental clearance of our first two segments into Los Angeles County with the Record of Decision (ROD) for Bakersfield to Palmdale planned in the second quarter of 2021 and for Burbank to Los Angeles in the fourth quarter of 2021;
 4. Award of the Track and Systems contract in 2021 with work commencing in 2022;
 5. Commencement of advanced design work, right-of-way mapping, and identification of utility relocation work needed for the Bakersfield and Merced extensions; and
 6. Construction completed or underway on 83 of 93 structures and on 106 of 119 miles of guideway by the end of 2021.

Imagine what we could have accomplished if we had not been faced with a pandemic. That said, I am extraordinarily proud of the team's ability to adjust and advance the project, remain productive and keep Californians working.

What's to Come in 2021

These broad areas of progress will culminate in very significant milestones and actions by the Authority over the next 12-15 months. While the challenges of the first construction packages have been fully documented and discussed, our work on this program now reflects a turning of the tide away from yesterday's challenges and toward tomorrow's opportunities.

Upcoming important milestones include:

1. 100 percent of the required state match for \$2.5 billion in federal American Recovery and Reinvestment Act (ARRA) funds achieved in the first quarter of 2021 (22 months ahead of deadline);

Improving Risk Management

More than anything, the pandemic has reconfirmed the importance of recognizing, managing and mitigating risk. This plan reflects our understanding of this reality. To better manage risk, as we describe in Chapter 6, we are taking three specific steps:

1. Increasing our risk contingency in our Program Baseline budget;
2. Establishing an Enterprise Risk Management program at the Authority, including the creation of a risk committee and strengthening our expertise in risk analysis under the direction of a newly appointed Director of Risk Management and Project Controls; and

3. Implementing a Stage Gate project development and delivery program to bring more structure and rigor as projects advance through planning, design and into construction; this approach will help us better understand, manage and mitigate risks before starting future construction contracts.

These steps reflect greater organizational maturity, our commitment to apply lessons learned from the program's nascent beginnings at the very start of the Central Valley construction and an approach to future decision-making grounded in a comprehensive risk framework.

Road Map Ahead

In our Draft 2020 Business Plan released last February, we described how we would advance the project from the first 119-mile construction segment in the orchards of the Central Valley to a 171-mile operating line between the cities of Merced and Bakersfield. Legislators and the California High-Speed Rail Peer Review Group asked that we look more closely at this approach, re-evaluate the ridership forecasts and take actions to mitigate risks.

We have done that and have reaffirmed that an interim operating segment between Merced and Bakersfield, as the first building block for delivering high-speed rail passenger service in California, is appropriate. While we develop that segment, we will also advance design work statewide to prepare to expand the system out of the Valley, northwest to the Bay Area and south to Los Angeles and Anaheim, as funding becomes available. To do

this, we propose making additional investments statewide, as we articulate further in this plan.

The Vision Is More Important Now Than Ever

Building the nation's first truly high-speed rail system linking the Bay Area to Los Angeles and Anaheim, including the communities in the Central Valley, is essential for California. Completing the work is in California's interest to maintain its position as a global leader when it comes to economic prosperity and opportunity, job creation, combating climate change, and building world-class infrastructure.

Our job now is to advance the work we have started to keep Californians working, recover from the impacts of a global pandemic and progress this transformative project. We are turning the corner from the struggles of early construction and toward a more disciplined, methodical and steady way of doing business. We look forward to moving from the orchards to the cities of the Central Valley and then beyond, to the Bay Area and Southern California. We will work closely with the Biden Administration, Congress, the Legislature, and our statewide partners to make it happen. It will take time, perseverance, further investment, and vision.

And it will feel impossible—until it is done.



Brian P. Kelly
Chief Executive Officer