

2021 Proposition 1A Funding Plan

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February 9, 2021



Prop 1A Funding Plan

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Prop 1A Funding Plan

Summary

Summary

Staff is recommending that the Board approve the 2021 Proposition 1A Funding Plan, which would provide \$4.1 billion to fund construction work on the Central Valley Segment (CVS) – specifically the 119 miles of construction from Madera to Poplar Avenue – and will allow the Authority to use the more flexible Cap-and-Trade funds for other program priorities over time.

The Funding Plan is prepared in compliance with the Streets and Highways (S&H) Code, section 2704.08, subdivision (c), required under Proposition 1A to be submitted to the Director of Finance, the peer review group, and the Legislature.



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Key Information: Prior Prop 1A Funding Plans

Proposition 1A Funding Plans history

The Board has previously approved four Proposition 1A funding plans that have provided a total of \$3.7 billion in Proposition 1A funds, specifically:

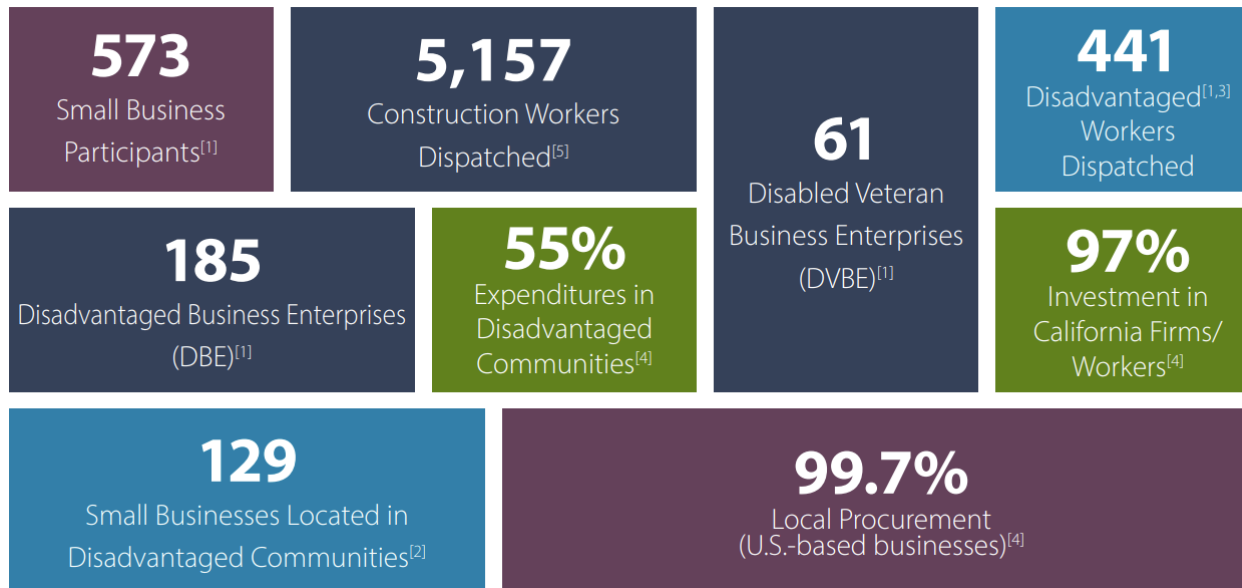
- \$2.6 billion for the Central Valley usable segment;
- \$600 million for the Caltrain Peninsula Corridor Electrification Project (PCEP) on the Peninsula Corridor Usable Segment;
- \$423 million for the Link US project on both the Burbank to Los Angeles Usable Segment and Los Angeles to Anaheim Usable Segment; and
- \$77 million for the Rosecrans/Marquardt Grade Separation Project on the Los Angeles to Anaheim Usable Segment.



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Key Information: Economic Benefits

One of the high-speed rail project's signature benefits is the on-going creation of jobs in designing, planning and constructing the system. Through June 2020, high-speed rail created the equivalent of about 60,000 full-time jobs and \$11.4 billion in economic impact, with the majority of the economic activity stemming from construction of the Central Valley Segment.



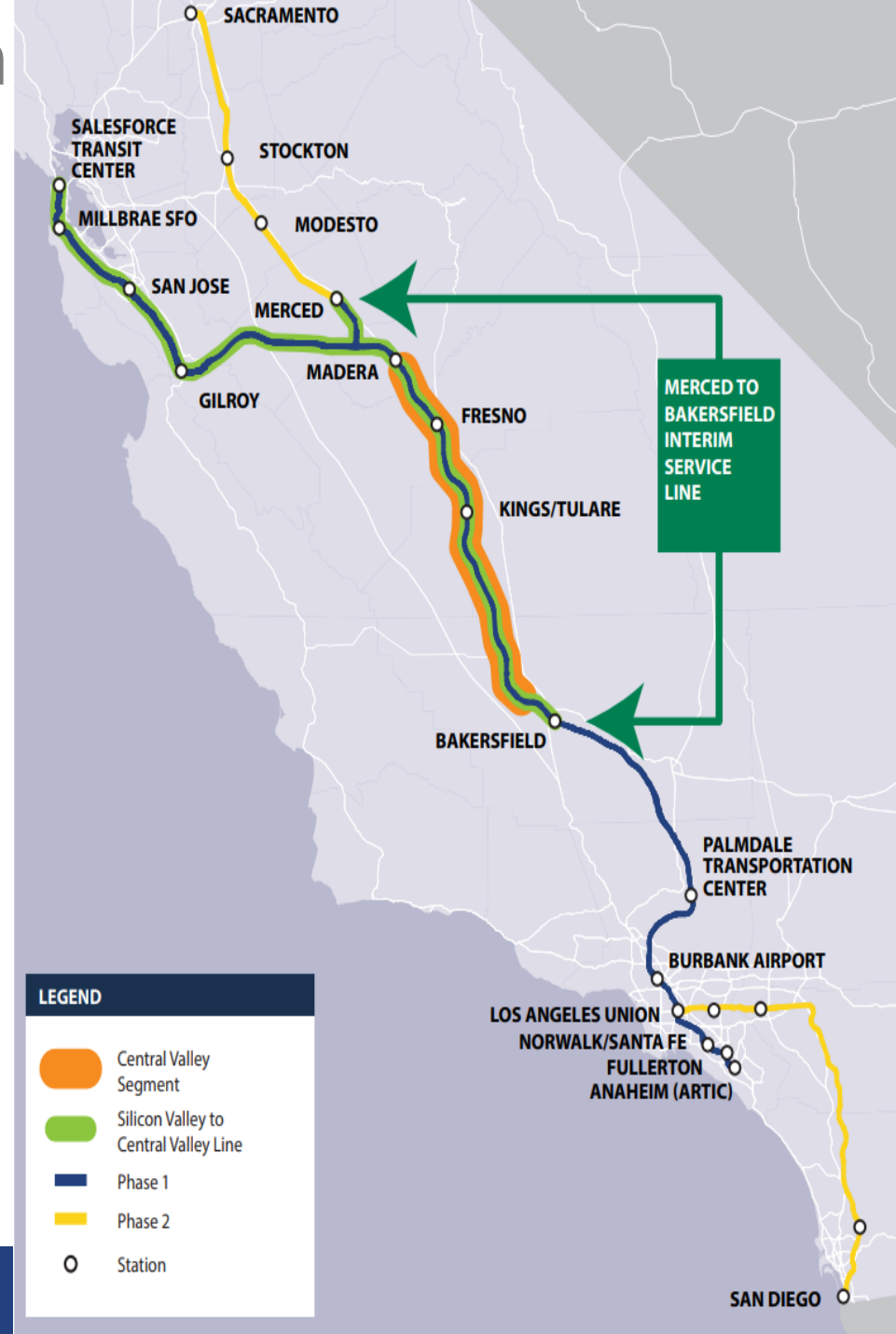
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Key Information: Usable Segment

The additional Prop 1A funds are needed for the Central Valley because federal ARRA funds are fully expended, prior Prop 1A funds have been fully expended (or accrued), and Cap-and-Trade cash balances are expected to be exhausted during the 2021-22 fiscal year.

With the new Prop 1A funds, project construction in the Central Valley will continue, and jobs will increase.

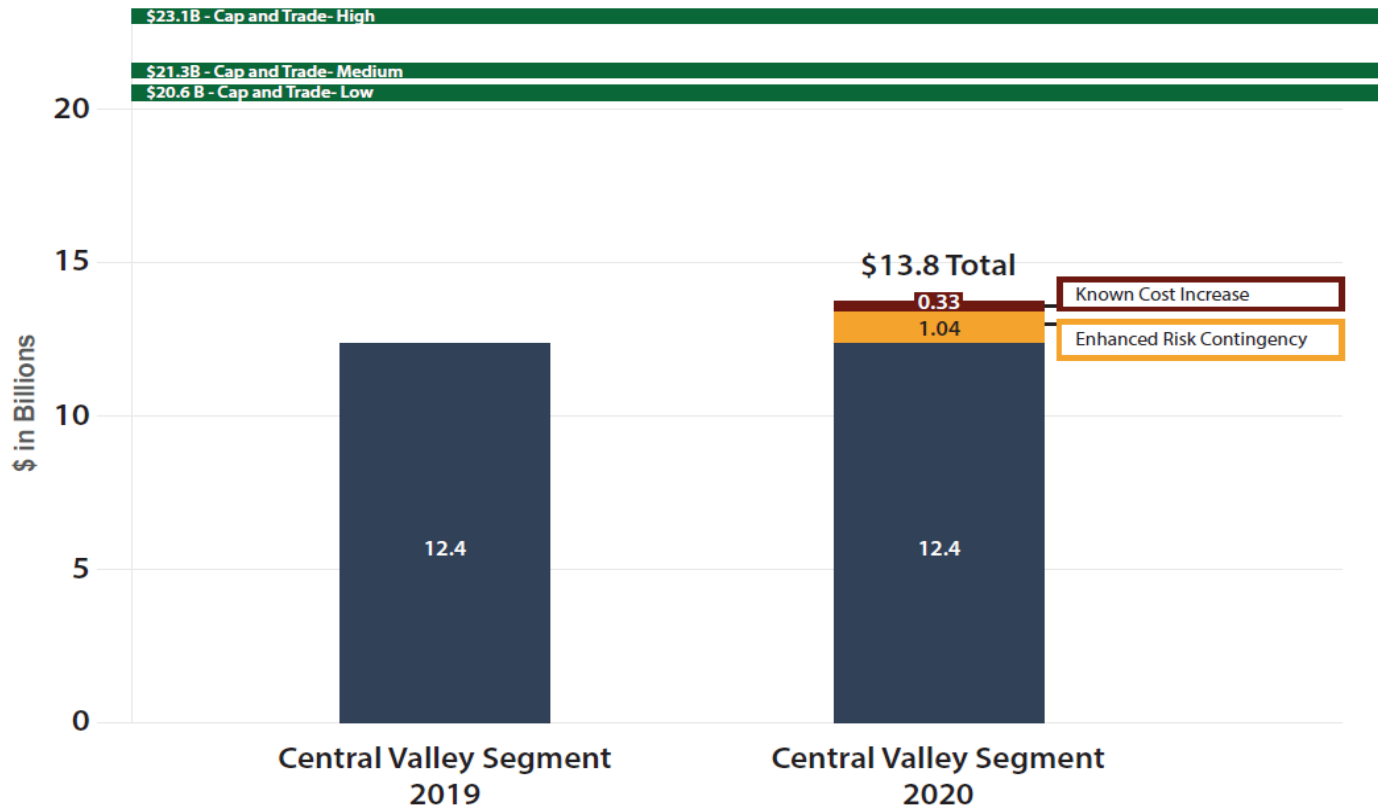
Without these funds, contractors will have to lay off workers and close job sites.



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Key Information: Construction Estimate Update

Known costs of ongoing construction have increased by \$330 million from the 2019 estimate and a further \$1,040 million has been added for an enhanced risk contingency increasing the total budget from \$12.4 billion to \$13.8 billion. Moreover, to mitigate risk affecting the track and systems procurement, these estimates include proposed changes to the timing, approach to construction, and phasing of track and system installation. These actions will mitigate cost risks and improve construction efficiency.



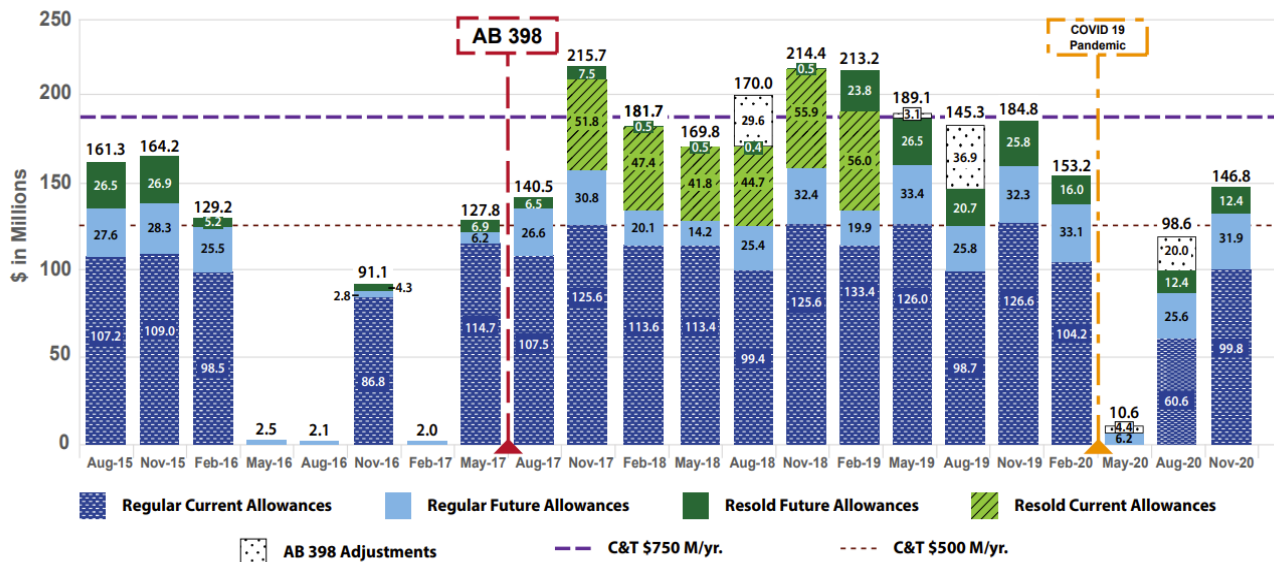
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Key Information: Covid-19 Impacts on C&T

Covid-19 Cap-and-Trade Impacts

The COVID-19 pandemic has caused shocks to the Cap-and-Trade markets, resulting in lower auction proceeds and project funding from the last three quarterly auctions.

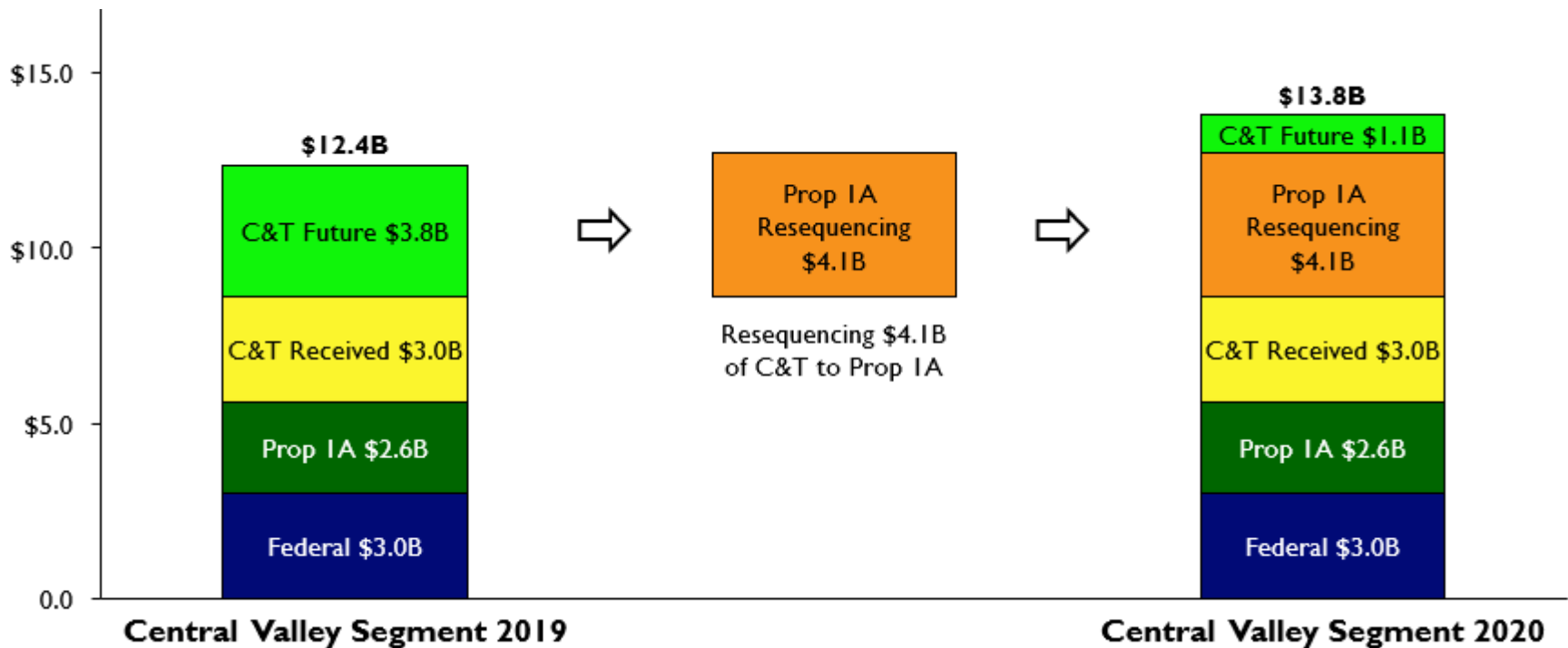
This resulted in the loss of more than \$288 million, relative to what auctions produced in recent years. These near-term revenue shortfalls may continue to grow as the pandemic goes on, even if revenues increase following recovery.



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Key Information: Use of Funds

Access to further Proposition 1A funding will allow for the resequencing of Cap-and-Trade Funds which are currently experiencing high volatility and relieve cash flow pressure in the short/medium term, particularly during FY2021-22



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Construction Estimate

Item	Total Budget
Construction Package 1 and State Route 99	\$5,254
Construction Package 2-3	\$3,727
Construction Package 4	\$1,175
Track and Systems	\$2,253
Program-wide Support	\$610
Program Wide Contingency	\$420
Interim Use Reserve	\$162
Project Reserve	\$46
Trainset Certification Facility	\$72
Central Valley Balance	\$56
Total	\$13.776

Note: line items above also include contingency



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Source of Funds

Funding Sources	Total
ARRA Grant	\$2,081
FY10 Grant	\$929
Prop 1A – Already Appropriated	\$2,609
Prop 1A – Requested Future Appropriations	\$4,100
Cap-and-Trade – Historical and Future	\$4,057
Total Funding	\$13,776



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Requirements of Funding Plan

Section	Description of Contents
A. Usable Segment	Describes the Central Valley Segment, previously selected and approved by the Authority for construction funding.
B. Lease or Franchise Agreements	Describes multiple agreements related to the funding, construction, and planning for operation of future passenger train service, as applicable, along the Usable Segment.
C. Capital/Construction Costs	Addresses updates to the projected capital costs for the Central Valley Segment and describes changes in key assumptions and methodologies.
D. Sources of Funding	Describes the sources of funding available to the Usable Segment and presents the amount and rationale for additional Proposition 1A bond proceeds requested in the Funding Plan.
E. Projected Ridership and Revenue Estimates	Describes the future initial operating service, interim services, and interim use/independent utility options available to the Authority.
F. Known or Foreseeable Risks	Presents various funding and program risks as reported by the Authority's risk management function.
G. Authority Certifications	Addresses statutory requirements for specific Authority findings and certifications related to the Usable Segment and the Funding Plan.



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Requirements of Funding Plan

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.



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CALIFORNIA HIGH-SPEED RAIL AUTHORITY

Questions?



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