



## **California High-Speed Rail Authority** **BRIEFING: January 18, 2024, Board Meeting** **Agenda Item #2**

**TO:** Board Chair, Tom Richards, and Authority Board Members  
**FROM:** Brian Annis, Chief Financial Officer  
**DATE:** January 18, 2024  
**RE:** Consider Approving the Updated Total Expenditure Authorization Request

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### **Summary**

In accordance with existing Board Policy HSRA11-001, which directs Board approval of the annual Fiscal Year and Multi-Year Program Baseline Budgets, staff recommends Board approval of:

- An updated Expenditure Authorization of \$26.094 billion which is an increase of \$6.084 billion from the previously approved Expenditure Authorization of \$20.010 billion.

In July 2023, the Board approved the 2023-24 Fiscal Year Budget. In March 2023, the Board last approved the multi-year budget, when it approved an Expenditure Authorization of \$20.010 billion.

Staff recommends Board approval of the proposed revised Expenditure Authorization of \$26.094 billion. The augmentation requested would add scope and budget related to new federal grant awards in 2023, and also costs included in the 2023 Project Update Report (2023 PUR) that were not requested at the time of the March 2023 Expenditure Authorization. This action would allow the new federal grant funds to go to work advancing the project as soon as possible.

### **Expenditure Authorization Discussion**

In March 2023, the Board approved an increased Expenditure Authorization from \$17.937 billion to \$20.010 due to update cost estimates from the 2023 PUR related to completing civil construction on CP 1 through CP 4.

A key component of this March 2023 requested increase was the availability of Proposition 1A funds that were approved by the State Legislature subsequent to the December 2021 Expenditure Authorization.

The March 2023 action did not comprehensively adjust the Program Baseline Budget for all costs in the 2023 PUR, because major federal grant applications and awards were pending and additional analysis was underway on procurement approaches for track and systems, and trainsets.

Authority Staff is coming to the Board with this Expenditure Authorization request now, because there have been major advancements since March 2023:

- In the largest show of support to date for the project, the Biden-Harris Administration awarded the Authority a

record amount of new grants - totaling over \$3.3 billion - to advance construction in California's Central Valley.

- These federal grants will not only advance design and construction in the Merced to Bakersfield segment, but also fund the purchase of high-speed trainsets and the Fresno high-speed rail station.
- Procurements have advanced in 2023 with a Request for Qualifications (RFQ) released for trainsets, a Rail Systems Engineering Services contract executed, and a track and systems design procurement released.
- In 2024, staff will bring to the Board a Request for Proposal (RFP) for trainsets and additional track and systems procurements including construction contracts.

The Authority was awarded the following federal grants in 2023:

- **State-Federal Partnership (FSP) Grant** for \$3.074 billion for six trainsets & trainset facilities, construction of the Fresno station, final design and right-of-way acquisition for the Merced to Bakersfield extensions, and funding to extend construction into Bakersfield. The total project cost is \$3.842 billion, including match.
- **Consolidated Rail Infrastructure and Safety Improvements (CRISI) Grant** for \$202 million was awarded for the final design, right-of-way acquisition, and construction activities for improvements to six (6) grade crossings. The total project cost is \$292 million, including match.
- **RAISE Grant** for \$20 million was awarded for Historic Fresno Depot Renovation and Plaza Activation. The project will renovate, modernize, and preserve the Historic Fresno Passenger Depot. The total project cost is \$33 million, including match.
- **Corridor Identification and Development (Corridor ID) Grant** for \$500,000. The primary benefit of this award is inclusion in the Corridor ID Program, which represents a prioritization of nationwide passenger rail projects for future support and funding.

The 2023 Project Update Report (PUR) provided a comprehensive cost and schedule update for the work in the Merced to Bakersfield segment.

The costs included in the PUR estimate, but not covered in the March 2023 Expenditure Authorization, include the following costs:

- **Track and Systems and related** – additional costs to build the single track and related systems on the 119-mile segment as required by the federal ARRA grant. A trainset certification facility and the Fresno Historic Depot is also included in this category. (A second track is planned to be constructed concurrently, but since funding is still being identified, no budget adjustment for that is requested at this time.)
- **Other Construction Package (CP) Work** – Includes costs outside the current CP work for ongoing property management, freight rail coordination, and State Route 46 work with Caltrans.
- **Program Management and Support / Other** – Includes ongoing support contract work for the Central Valley and Program-wide. Additionally includes contingencies and reserves, and project development.

### **Background and Prior Board Action**

At its March 16, 2023, meeting, the Authority's Board approved a total Expenditure Authorization of \$20.010 billion, which was an increase of \$2.073 billion relative to the previous Total Expenditure Authorization of \$17.937 billion adopted in December 2021, consisting of known cost increases and risk contingency increases for Construction Package (CP) 1, CP 2-3, and CP 4. At that time, staff indicated they would be coming back to the Board for additional Expenditure Authorization authority as new federal grants were received and additional work became ready for procurement.

At its July 27, 2023, meeting, the Authority's Board adopted the fiscal year 2023-24 Capital Outlay Budget of \$1.825 billion and the Administrative Budget of \$95 million (subject to adjustments by the Department of Finance to the enacted State budget).

**Legal Approval**

The Legal Office has reviewed this item and finds that it meets the legal requirements for the action sought.

**Budget and Fiscal Impact**

The updated Expenditure Authorization reflects programmed and funded projects necessary to progress the Authority’s commitments and priorities. This includes additional funds for newly awarded federal grants and other budget adjustments from the 2023 Project Update Report.

<b>Capital Outlay (\$ in millions) - TOTAL PROGRAM EXPENDITURE AUTHORIZATION</b>						
	Expenditure Authorization as of March 2023*	Program to Date Expenditures as of November 2023	Expenditure Authorization as of January 2024	\$ Change increase/ (decrease)	% Change increase/ (decrease)	
	A	B	C	(C-A)	(C-A)/A	
Bond Fund (Prop 1A) - Project Dev. Phase I	\$564	\$564	\$564	\$0	0.0%	
Bond Fund (Prop 1A) - Project Dev. Phase II	\$42	\$42	\$42	\$0	0.0%	
Federal Trust Fund (ARRA) - Project Dev	\$466	\$466	\$466	\$0	0.0%	
Federal Trust Fund (Brownfields) - Project Dev	\$1	\$1	\$1	\$0	0.0%	
Cap and Trade - Project Dev	\$795	\$406	\$844	\$49	6.1%	
2022 Federal RAISE Grant - Merced Ext Design	\$25	\$0	\$25	\$0	0.0%	
<b>PROJECT DEVELOPMENT SUBTOTAL</b>	<b>\$1,893</b>	<b>\$1,479</b>	<b>\$1,942</b>	<b>\$49</b>	<b>2.6%</b>	
Bond Fund (Prop 1A) – Construction	\$6,809	\$4,339	\$6,809	\$0	0.0%	
Federal Trust Fund (ARRA/FY10) - Construction	\$3,009	\$2,080	\$3,009	\$0	0.0%	
Cap and Trade – Construction	\$6,977	\$2,911	\$9,715	\$2,738	39.2%	
2021 Federal RAISE Grant – SR 46 Construction	\$24	\$0	\$24	\$0	0.0%	
2023 Federal State Partnership (FSP) Grant	\$0	\$0	\$3,074	\$3,074	100.0%	
2023 Federal CRISI Grant – Shafter Grade Separations	\$0	\$0	\$202	\$202	100.0%	
2023 Federal Raise Grant – Fresno Historic Depot	\$0	\$0	\$20	\$20	100.0%	
2023 Federal Corridor ID Grant	\$0	\$0	\$1	\$1	100.0%	
<b>CONSTRUCTION SUBTOTAL</b>	<b>\$16,819</b>	<b>\$9,330</b>	<b>\$22,854</b>	<b>\$6,035</b>	<b>35.9%</b>	
Bond Fund (Prop 1A) - Bookend Projects	\$1,100	\$547	\$1,100	\$0	0.0%	
Cap and Trade - Bookend Projects	\$198	\$198	\$198	\$0	0.0%	
<b>LOCAL ASSISTANCE SUBTOTAL</b>	<b>\$1,298</b>	<b>\$745</b>	<b>\$1,298</b>	<b>\$0</b>	<b>0.0%</b>	
<b>Expenditure Authorization</b>	<b>\$20,010</b>	<b>\$11,554</b>	<b>\$26,094</b>	<b>\$6,084</b>	<b>30.4%</b>	

\*Includes administrative adjustments between Construction and Project Development

<b>REVIEWER INFORMATION</b>	<b>SIGNATURE</b>
Reviewer Name and Title: <b>Brian Annis</b> <b>Chief Financial Officer</b>	Signature verifying budget analysis:
Reviewer Name and Title: <b>Alicia Fowler</b> <b>Chief Legal Counsel</b>	Signature verifying legal analysis:

**Recommendations**

In accordance with existing Board policies, Staff recommends Board approval of an Expenditure Authorization as follows:

- Approve total Expenditure Authorization of \$26.094 billion, an increase of \$6.084 billion to the previously adopted Expenditure Authorization.

Staff will return to the Board to adopt further changes to the Expenditure Authorization as new federal grants are received, and when needed to advance procurements.

### **Attachments**

- Exhibit A – March 16, 2023, Total Expenditure Authorization
- Exhibit B – Proposed January 18, 2024, Total Expenditure Authorization

## EXHIBIT A – MARCH 16, 2023 TOTAL EXPENDITURE AUTHORIZATION

Item	Expenditure Authorization March 2023 (\$ in billions)	Notes
Central Valley Segment (CVS) including Track and Systems	15.722	CVS defined as 119 miles from Madera to Poplar Avenue, including contingencies for each construction package, includes ROD cost and Track and Systems (single track) for CVS
State Route 46 / New Federal RAISE Grant	0.076	With the new \$24 million federal grant awarded in November 2021, this project will be separately tracked.
Phase 1 Environmental (ROD) Balance	0.841	ROD balance for Phase 1 San Francisco to Los Angeles / Anaheim segments excluding CVS
Bookends/Early Investments	1.298	Includes Caltrain Electrification, San Mateo Grade Separations, Rosecrans/Marquardt Grade Separation and LinkUS
Other Funded Scope	1.895	Remaining Program-wide Support, Contingency, Interim Use, Project Reserve, historical Phase 2 expenditures
Bakersfield/Merced Extensions	0.178	Pre-construction activities: examples include preliminary engineering, right-of-way mapping, and design advancement
<b>Total</b>	<b>20.010</b>	<b>Total Expenditure Authorization March 2023</b>

- Expenditure dollars are in Year of Expenditure.
- Values have been rounded to the nearest million. Totals may differ due to rounding.

## EXHIBIT B – PROPOSED JANUARY 18, 2024 TOTAL EXPENDITURE AUTHORIZATION

Item	Expenditure Authorization January 2024 (\$ in billions)	Notes
Expenditure Authorization March 2023	20.010	Existing Expenditure Authorization including contingencies
Track & Systems, Trainset Certification Facility, Fresno Historic Depot	1.451	These costs were identified in the 2023 PUR, but excluded from the March 2023 Board Expenditure Authorization, due to a focus at that time on the civil construction packages. These adjustments are requested now to carry this full "P65" budget consistent with the risk-based budget for federal grant awards.
Other Construction Package Work (including property management, freight rail, and SR-46)	0.127	
Program Management & Support / Other, including Project Development, Project Reserve, Unallocated Contingency, etc.)	0.371	
<b>Subtotal with 2023 PUR Adjustments</b>	<b>21.960</b>	
FSP-National Grant Award Scope	3.842	Scope of \$3.074B FSP-National grant award (high-speed rail trainsets, trainset facilities construction, Fresno station construction, Merced and Bakersfield extensions final design and ROW acquisition, and Bakersfield extension civil works and track and systems construction).
CRISI Grant Award Scope	0.292	Scope of \$202M CRISI grant award for Shafter grade separation projects.
RAISE Grant for Fresno Historic Depot	0	No net budget change, but reflect award of \$20M grant
Corridor ID Grant	0	No net budget change, but reflect award of \$500k grant
<b>Grand Total</b>	<b>26.094</b>	<b>New Total Expenditure Authorization</b>

- Allocations by task are based on the March 2023 PUR; overall net zero adjustments will occur as contracts complete, are executed or are amended, and these are updated in Finance and Audit Board reports.