

May 2019 Baseline Update

Russ Fong, Chief Financial Officer

Roy Hill, Deputy Chief Operating Officer

May 21, 2019



MAY 2019 UPDATED PROGRAM BASELINE

- **Cost and risk evaluation updating the 119 mile segment between Madera and Poplar.**
- **Focuses the Authority's delivery priorities:**
 - » Meeting our commitments to our federal partners
 - ✓ Deliver the 119-Mile Central Valley Segment, and
 - ✓ Phase 1 Environmental Program by December 2022
 - » Maintains our commitment to bookend projects in Northern and Southern California.



BOARD ACTIONS

- **4 Board actions for consideration implementing Updated Program Baseline:**

- A.** Accept: Portion of Updated Program Budget

- ✓ Central Valley including Track & Systems - \$12.4B
- ✓ Phase 1 Records of Decisions balance - \$0.8B
- ✓ Bookends/Early Investments - \$1.3B
- ✓ Other Funded Scope - \$1.1B
- ✓ Total – \$15.6B

- B.** Accept: Mitigation strategy due to lack of Federal engagement

Environmental Clearance CEQA First Strategy - updated Record of Decision (ROD) dates

- C.** Approve: Amendments to 2 major contracts and 7 budget adjustments to Updated Baseline delivery plan

- D.** Approve: CEO's Delegation of Authority to manage Project Contingency within the Updated Program Baseline



UPDATED PROGRAM BASELINE BUDGET

- **Capital Cost Review of Central Valley Segment**

- Updated cost review and moving from P10 to risk-based P70 confidence level increases budget by \$1.8 billion
- This is a 17% increase over the 2018 Program Baseline of \$10.6B
- There are three main drivers from 2018 Program Baseline to 2019 Updated Baseline:
 - 9.3% \$990M - additional risk contingency
 - 4.5% \$477M - revised cost estimates
 - 3.4% \$362M - scope changes
- Total - \$1.8 billion
- Creates a more prudent contingency of \$1.52 billion to manage risks

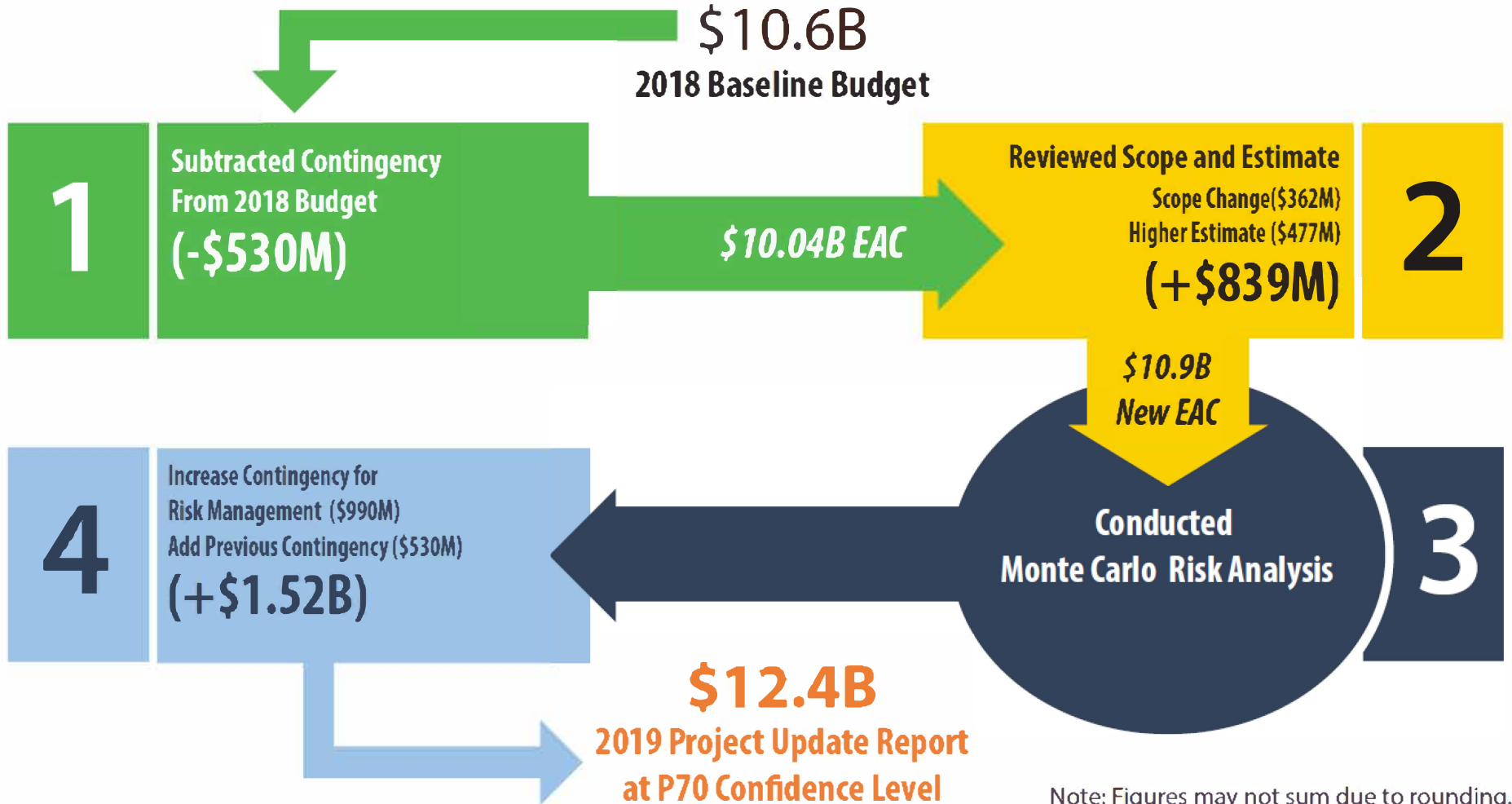


CENTRAL VALLEY COST RANGE BASED ON MONTE CARLO ANALYSIS

- **P70 confidence level creates a more prudent contingency to manage risks**



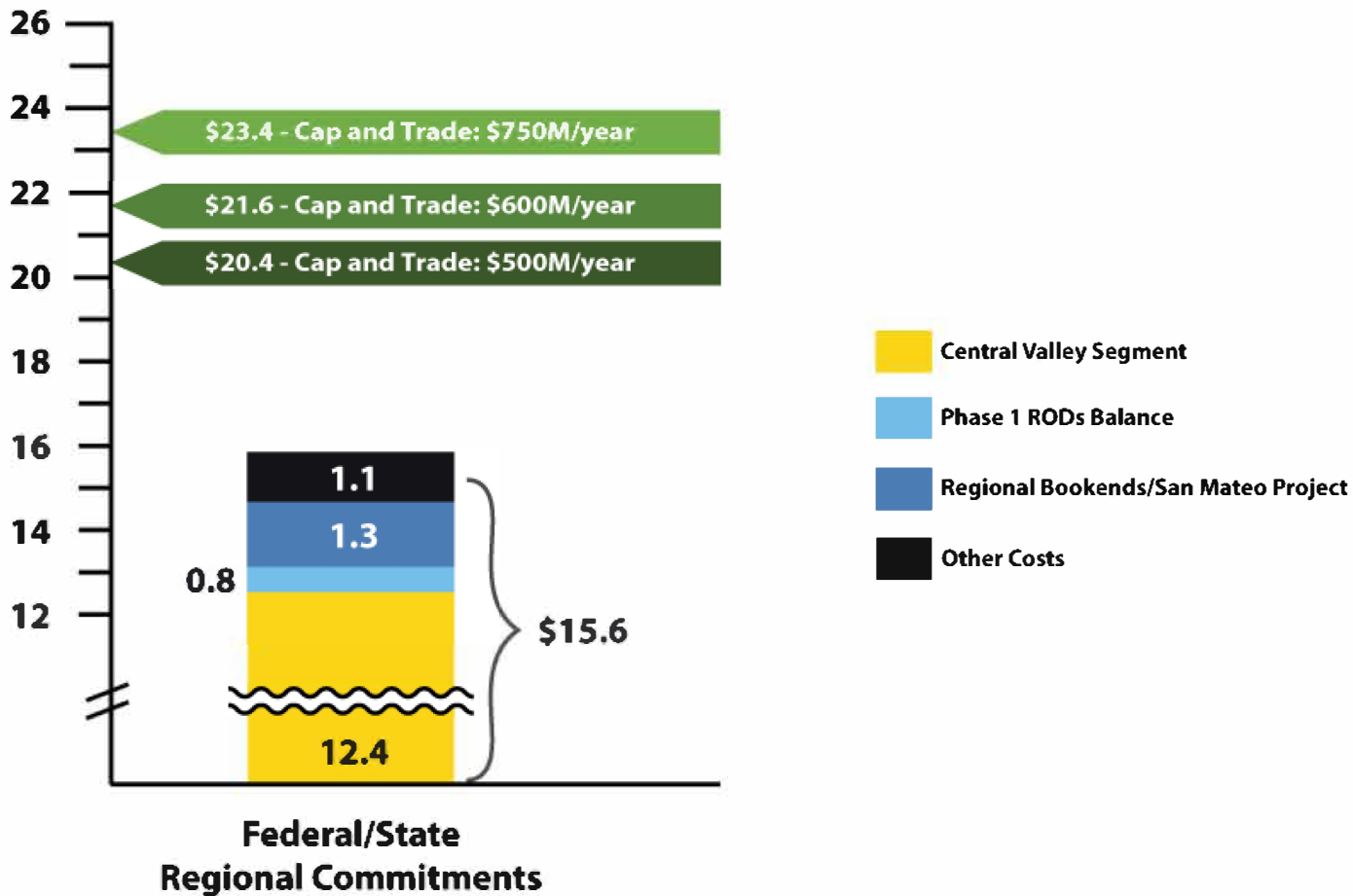
2019 BASELINE - CENTRAL VALLEY SEGMENT SCOPE, COST AND RISK UPDATE



Note: Figures may not sum due to rounding.



UPDATED BASELINE FORECAST AT P70 AND TOTAL AVAILABLE FUNDING



UPDATED BASELINE SUMMARY

Segment, Scope and Cost at P70

Central Valley Segment	CP 1 Project	\$4.0
	CP 2-3 Project	\$3.3
	CP 4 Project	\$1.1
	SR99	\$0.4
	CVS Track	\$1.0
	CVS Systems, Stations, Heavy Maintenance Facility and Balance	\$1.6
	Project Development & Program-wide Support	\$1.0
Central Valley Segment Total	\$12.4B	
Commitments Outside the Central Valley	Phase 1 RODs	\$0.8
	Bookends / Early Investments	\$1.3
	Other Funded Scope	\$1.1
Updated Program Baseline Total	\$15.6B	

Note: All values presented are approximate and rounded to the nearest hundred million

BOOKEND AND EARLY INVESTMENT COMMITMENTS OUTSIDE THE CENTRAL VALLEY

Caltrain Electrification	\$714M
San Mateo Grade Separation	\$84M
Rosecrans/Marquardt Grade Separation	\$77M
Link Union Station	\$423M
Total	\$1,298M

MITIGATING IMPACT FROM LACK OF FEDERAL ENGAGEMENT

Environmental CEQA First Strategy with updated Record of Decision (ROD) dates

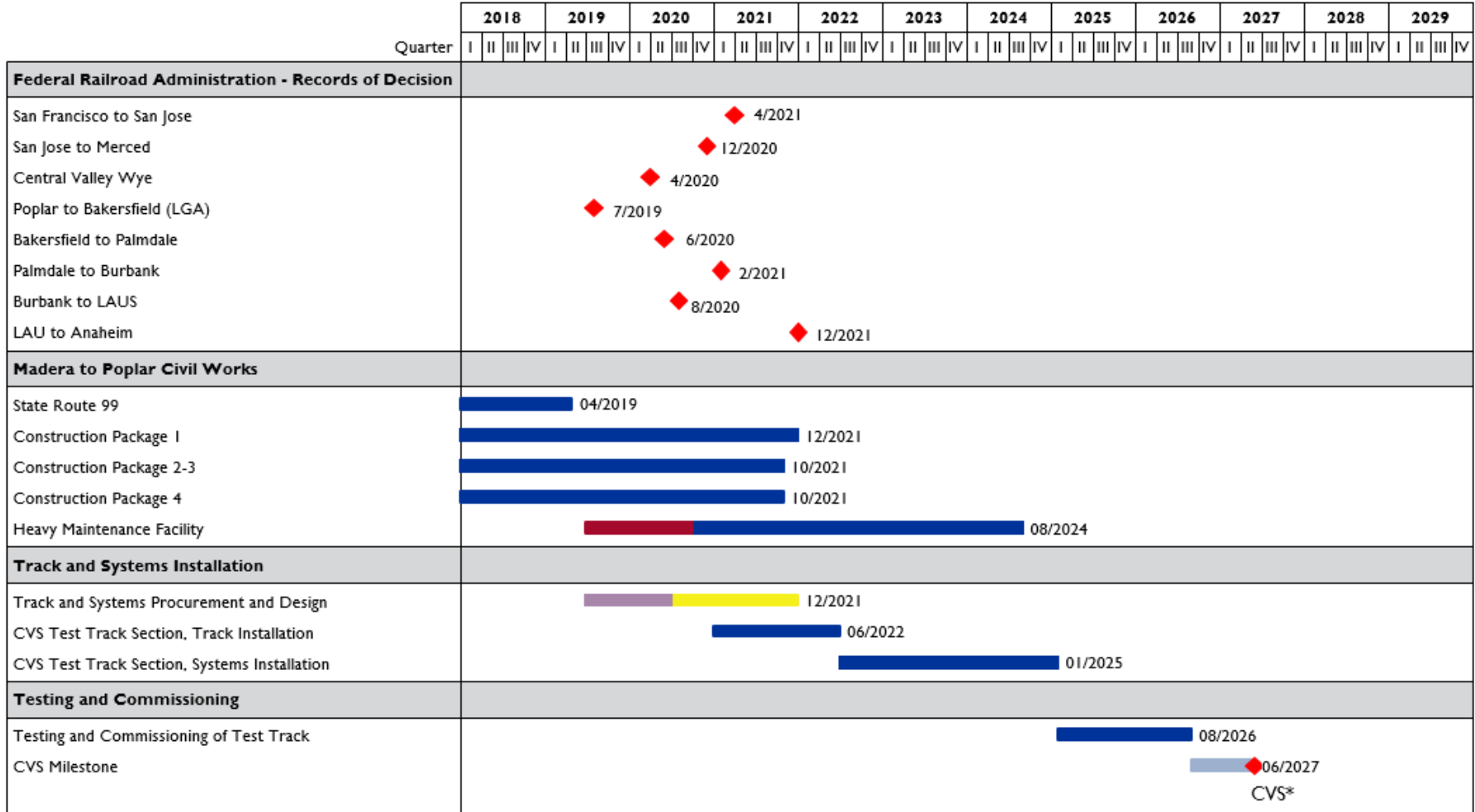
- The Authority to circulate Draft EIR/EIS and pivot to “CEQA First” Strategy to obtain NOD
- As of May 1, 2019 FRA disengagement affects schedule as a day for day delay

Environmental Project Sections	2018 Baseline Revision 0 ROD Dates	CEQA First Strategy		FRA Grants NEPA Assignment (May 1, 2019)
		Decision Date to Split Documents	NOD Date	Updated Baseline ROD Date
San Francisco to San Jose	Mar-21	Mar-20	Mar-21	Apr-21
San Jose to Merced	Nov-20	Dec-19	Nov-20	Dec-20
Central Valley Wye	Jul-19	Complete	Feb-20	Apr-20
Locally Generated Alternative	Oct-18	Complete	Complete	Jul-19
Bakersfield to Palmdale	Jun-20	Jul-19	May-20	Jun-20
Palmdale to Burbank	Jan-21	Dec-19	Jan-21	Feb-21
Burbank to LAUS	Jul-20	Sep-19	Jul-20	Aug-20
LAUS to Anaheim	Oct-19	Oct-20	Nov-21	Dec-21



UPDATED BASELINE SUMMARY SCHEDULE

➤ As of May 1, 2019 FRA disengagement affects schedule as a day for day delay



■ Procurement
 ■ Design//Manufacturing
 ■ Contractor Procurement
 ■ Design and Construction
 ■ Schedule Risk

*CVS is defined as 119-mile segment between Madera and Poplar Avenue



THERE ARE 2 CONTRACT AMENDMENTS THAT REQUIRE BOARD APPROVAL AND 7 SPECIFIC BUDGET ADJUSTMENTS TO NOTE

Contract amendments require Board Approval

Contract	Firm Name	Start Date at award	Original End Date at award	Current End Date	Proposed New End Date	Original Value at award	Current Contract Value	Proposed New Value	Delta Between Current Value and New Proposed Value	2018 Baseline Budget	Amendment Type	Board Item?
HSR 08-05	Parsons Transportation Group (PTG)	12/9/2008	6/30/2019	6/30/2019	6/30/2021	\$ 55,000,000	\$ 80,240,000	\$ 80,240,000	\$ -	\$ 80,640,000	Time	Yes
HSR14-39	STV Corporate	2/1/2015	1/31/2021	1/31/2021	6/30/2022	\$ 51,000,000	\$ 63,483,097	\$ 67,529,252	\$ 4,046,155	\$ 67,529,252	Time, Scope and Cost	Yes

Budget adjustments require Board Approval

Contract	Budget Line Item	Start Date	Proposed New End Date	2018 Baseline Approved Value	Amended Value as of Feb 28, 2019	Updated Baseline Values	Delta	Updated Baseline Budget	Board Item?
FUTxx-xxx	CPI Civil Works Additional Budget	N/A	N/A	\$ 466,883,272	\$ 466,883,272	\$ 1,065,765,353	\$ 598,882,081	\$ 1,065,765,353	Yes
FUTxx-xxx	SR99 Civil Works Additional Budget	N/A	N/A	\$ 43,300,000	\$ 43,300,000	\$ 60,111,897	\$ 16,811,897	\$ 60,111,897	Yes
FUTxx-xxx	CP2-3 Civil Works Additional Budget	N/A	N/A	\$ 442,042,435	\$ 442,042,435	\$ 731,692,697	\$ 289,650,262	\$ 731,692,697	Yes
FUTxx-xxx	CP4 Civil Works Additional Budget	N/A	N/A	\$ 107,799,785	\$ 107,799,785	\$ 238,458,749	\$ 130,658,964	\$ 238,458,749	Yes
FUTxx-xxx	CPI PCM Additional Budget	N/A	N/A	\$ -	\$ -	\$ 37,562,577	\$ 37,562,577	\$ 37,562,577	Yes
FUTxx-xxx	CP2-3 PCM Additional Budget	N/A	N/A	\$ 33,000,000	\$ 33,000,000	\$ 80,585,722	\$ 47,585,722	\$ 80,585,722	Yes
FUTxx-xxx	CP4 PCM Additional Budget	N/A	N/A	\$ 19,963,972	\$ 19,963,972	\$ 26,192,312	\$ 6,228,340	\$ 26,192,312	Yes



CURRENT CHALLENGES

- **Lack of engagement by Federal Railroad Administration**
 - » Federal Grant December 2022 deadline risks
 - ✓ Phase 1 Environmental Clearance is impeded
 - ✓ Legacy Central Valley Construction Package (CP) 1-4 issues impacting timely Track delivery
- **Construction Progress**
 - » Resolving and progressing pre-construction activities (Third Parties, Environmental Clearance and Right-of-Way) impacting design-build contracts
- **Future Funding**
 - » Funding availability impacts Phase 1 delivery



KEY NEAR-TERM BOARD ACTIONS

Issue	Board Decision Dates
Procurement Decisions	
Track and Systems – Request for Qualification	June 2019
Track and Systems – Request For Proposal	August 2019
Geographic Location Decisions	
Maintenance of Way Operations Control Center Heavy Maintenance Facility	October 2019



CAPITAL OUTLAY & EXPENDITURES REPORTS

- **Capital Outlay and Expenditures Report – Total Program Budget**
- **Capital Outlay and Expenditures Report – Fiscal Year 2019/2020**
- **Administrative Budget Summary**
 - » Office
 - » Activity
 - » Positions



CAPITAL OUTLAY & EXPENDITURES REPORT

Total Program

Capital Outlay Budget (\$ in millions)

	Program Budget as of 2017-18	Program to Date Expenditures as of June 2018	Program Budget as of 2018-19	Program to Date Expenditures as of February 2019	Program Budget as of 2019-20	FY18-19 to 19-20 Budget	
						\$ Change increase/ (decrease)	% Change increase/ (decrease)
	C	D	E	F	G	(G - E)	(G-E) / E
Bond Fund (Prop 1A) - Project Dev. Phase I	\$ 523.6	\$ 375.9	\$ 526.3	\$ 392.1	\$ 526.3	\$ -	0.0%
Bond Fund (Prop 1A) - Project Dev. Phase II	\$ 51.2	\$ 41.8	\$ 48.5	\$ 40.6	\$ 48.4	\$ (0.1)	(0.2%)
Federal Trust Fund (ARRA) - Project Dev	\$ 511.4	\$ 478.6	\$ 487.3	\$ 487.3	\$ 487.3	\$ -	0.0%
Federal Trust Fund (Brownfields) - Project Dev	\$ 0.6	\$ -	\$ 0.6	\$ 0.0	\$ 0.6	\$ -	0.0%
Cap and Trade - Project Dev	\$ 239.5	\$ 125.1	\$ 453.6	\$ 125.6	\$ 618.1	\$ 164.5	36.3%
PROJECT DEVELOPMENT SUBTOTAL	\$ 1,326.3	\$ 1,021.4	\$ 1,516.3	\$ 1,045.6	\$ 1,680.7	\$ 164.4	10.8%
Bond Fund (Prop 1A) - Construction	\$ 2,609.1	\$ 1,024.4	\$ 2,609.1	\$ 1,472.3	\$ 2,609.1	\$ 0.0	0.0%
Federal Trust Fund (ARRA/FY10) - Construction	\$ 2,969.8	\$ 2,065.8	\$ 2,993.8	\$ 2,059.7	\$ 2,988.4	\$ (5.4)	(0.2%)
Cap and Trade - Construction	\$ 1,675.2	\$ 473.1	\$ 5,445.4	\$ 496.5	\$ 7,234.5	\$ 1,789.1	32.9%
CONSTRUCTION SUBTOTAL	\$ 7,254.1	\$ 3,563.3	\$ 11,048.3	\$ 4,028.5	\$ 12,832.0	\$ 1,783.7	16.1%
Local Assistance (Bookends)	\$ 1,100.0	\$ -	\$ 1,100.0	\$ -	\$ 1,100.0	\$ -	0.0%
Total Budget	\$ 9,680.4	\$ 4,584.7	\$ 13,664.5	\$ 5,074.1	\$ 15,612.7	\$ 1,948.2	14.3%

- As noted in the Project Update Report, the Total Program Budget increase of \$1.9B or 14.3%, from \$13.7B to \$15.6B, is due to additional contingency (\$1B), cost increases (\$477M), and scope change (\$362M).
- April-2019 Capital Outlay Report has data as of February 28, 2019
- The Total Program Budget prioritizes the ARRA Grant Scope of work, completing the CVS, and Bookend Corridor projects, which is consistent with the previous methodologies for the Capital Outlay Report.
- The Cap and Trade Appropriation has been increased to a total of \$11.422 billion which reflects one-time 2014-15 Budget Act appropriations of \$650 million, auction proceeds to date of \$1.772 billion, and the forecasted Cap and Trade auction proceeds through December 2030, at \$750 million per year (\$9 billion remaining), in line with the 2018 Business Plan as noted in the April-2019 Capital Outlay Report.
- Final FY2018-19 spend and accruals may impact FY2018-19 YTD values and FY2019-20 budget if invoices are delayed due to SCO timelines.



CAPITAL OUTLAY & EXPENDITURES REPORT

Fiscal Year 2019/2020

Capital Outlay Budget (\$ in millions)							FY18-19 to FY19-20 Budget	
	FY2017-18 Budget	FY2017-18 YTD Expenditures as of June 2018	FY2018-19 Budget	FY2018-19 YTD Expenditures as of February 2019	FY2019-20 Budget	\$ Change increase/ (decrease)	% Change increase/ (decrease)	
	C	D	E	F	G	(G - E)	(G-E) / E	
Bond Fund (Prop 1A) - Project Dev. Phase I	\$ 107.5	\$ 73.5	\$ 112.5	\$ 41.1	\$ 80.2	\$ (32.3)	(28.7%)	
Bond Fund (Prop 1A) - Project Dev. Phase II	\$ 5.8	\$ 6.2	\$ -	\$ -	\$ -	\$ -	0.0%	
Federal Trust Fund (ARRA) - Project Dev	\$ -	\$ 3.9	\$ -	\$ -	\$ -	\$ -	0.0%	
Federal Trust Fund (Brownfields) - Project Dev	\$ 0.6	\$ -	\$ 0.6	\$ 0.0	\$ 0.5	\$ (0.1)	(16.7%)	
Cap and Trade - Project Dev	\$ 44.1	\$ 33.9	\$ 43.8	\$ 10.6	\$ 157.4	\$ 113.6	259.4%	
PROJECT DEVELOPMENT SUBTOTAL	\$ 158.0	\$ 117.5	\$ 156.9	\$ 51.7	\$ 238.1	\$ 81.2	51.8%	
Bond Fund (Prop 1A) - Construction	\$ 1,108.1	\$ 951.2	\$ 1,360.6	\$ 468.6	\$ 999.5	\$ (361.1)	(26.5%)	
Federal Trust Fund (ARRA/FY10) - Construction	\$ -	\$ (12.1)	\$ -	\$ -	\$ -	\$ -	0.0%	
Cap and Trade - Construction	\$ 145.5	\$ 87.8	\$ 76.9	\$ 41.9	\$ 732.8	\$ 655.9	852.9%	
CONSTRUCTION SUBTOTAL	\$ 1,253.6	\$ 1,026.9	\$ 1,437.5	\$ 510.5	\$ 1,732.3	\$ 294.8	20.5%	
Local Assistance (Bookends)	\$ 226.1	\$ -	\$ 192.5	\$ -	\$ 284.7	\$ 92.2	47.9%	
Total Budget	\$ 1,637.7	\$ 1,144.4	\$ 1,786.8	\$ 562.2	\$ 2,255.1	\$ 468.3	26.2%	

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- The Total Program Budget prioritizes the ARRA Grant Scope of work, completing the CVS, and Bookend Corridor projects, which is consistent with the previous methodologies for the Capital Outlay Report.
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- Final FY2018-19 spend and accruals may impact FY2018-19 YTD values and FY2019-20 budget if invoices are delayed due to SCO timelines.



ADMINISTRATIVE BUDGET

Summary by Office

Administrative Budget (\$ in thousands)							FY18-19 to FY19-20 Budget	
	FY2017-18 Budget	FY2017-18 Expenditures	FY2018-19 Budget	FY2018-19 YTD Expenditures as of Feb-2019	FY2019-20 Budget	\$ Change increase/ (decrease)	% Change increase/ (decrease)	
	A	B	C	D	E	(E - C)	(E - C)/C	
Executive Office	\$ 2,165	\$ 1,360	\$ 2,488	\$ 1,220	\$ 2,520	\$ 32	1.3%	
Administration Office	\$ 8,300	\$ 6,994	\$ 6,411	\$ 4,076	\$ 6,515	\$ 104	1.6%	
Strategic Communications Office	\$ 1,054	\$ 725	\$ 1,738	\$ 885	\$ 1,774	\$ 36	2.1%	
Financial Office	\$ 4,159	\$ 3,255	\$ 5,160	\$ 2,410	\$ 5,046	\$ (114)	(2.2%)	
Legal Office	\$ 3,251	\$ 1,969	\$ 3,238	\$ 1,258	\$ 3,285	\$ 47	1.5%	
Program Delivery Office	\$ 17,500	\$ 13,746	\$ 21,460	\$ 10,826	\$ 21,430	\$ (30)	(0.1%)	
Audit Office	\$ 2,428	\$ 1,307	\$ 1,678	\$ 799	\$ 1,621	\$ (57)	(3.4%)	
Legislative Office	\$ 590	\$ 538	\$ 636	\$ 395	\$ 627	\$ (9)	(1.4%)	
Risk Management & Project Controls Office	\$ 940	\$ 904	\$ -	\$ -	\$ -	\$ -	0.0%	
Information Technology Office	\$ 4,102	\$ 3,799	\$ 4,411	\$ 2,202	\$ 8,865	\$ 4,454	101.0%	
External Affairs Office	\$ 878	\$ 549	\$ -	\$ -	\$ -	\$ -	0.0%	
Total Budget	\$ 45,367	\$ 35,146	\$ 47,220	\$ 24,071	\$ 51,684	\$ 4,464	9.5%	
TOTAL POSITIONS	226		226		236	10	4.4%	

- The FY2019-20 budget increased from \$47.2M to \$51.7M, an increase of \$4.5M or 9.5%. The increase in funding supports 10 new IT positions (\$1.378M) and the standard operating expense compliments (\$200K), security software and hardware purchases along with maintenance licensing costs (\$741K), consulting services for security tool implementation (\$650K), database infrastructure and cloud agreements along with licenses and maintenance costs (\$1.34M). Other changes include shifts in administrative funding to cover increased salaries and other expenses (\$145K).
- FY2018-19 budget and expenditure data as of February 28, 2019.
- As of Oct-2018, the Authority implemented the Program Management Plan (PMP). The organizational changes include: (1) the Risk Management and Project Controls Office merged into the Program Delivery Office, (2) the Government Relations Office was changed to the Legislative Affairs Office, and (3) the External Affairs Office and the Communications Office were merged to create a Strategic Communications Office.
- The Authority submitted a Budget Change Proposal that was included in the Governor's May Revision update to the legislature. The proposal requests 35 new state positions and \$4.5M in Prop 1A for contract administration and management, and the financial office, with an offsetting reduction to consultant resources. This proposal is progressing through the legislature and if approved, the budget will be updated accordingly.



ADMINISTRATIVE BUDGET

Summary by Activity

Administrative Budget (\$ in thousands)						FY18-19 to FY19-20 Budget	
	FY2017-18 Budget	FY2017-18 Expenditures	FY2018-19 Budget	FY2018-19 YTD Expenditures as of April 2019	FY2019-20 Budget	\$ Change increase/ (decrease)	% Change increase/ (decrease)
	A	B	C	D	E	(E - C)	(E - C)/C
Salaries and Wages	\$ 22,663	\$ 20,100	\$ 23,821	\$ 13,902	\$ 24,921	\$ 1,100	4.6%
Benefits	\$ 10,701	\$ 9,338	\$ 11,856	\$ 6,692	\$ 12,283	\$ 427	3.6%
General Office Expense	\$ 401	\$ 153	\$ 378	\$ 76	\$ 238	\$ (140)	(37.0%)
Board Costs	\$ 176	\$ 49	\$ 176	\$ 30	\$ 176	\$ -	0.0%
Printing	\$ 103	\$ 92	\$ 55	\$ -	\$ 113	\$ 58	105.5%
Communications	\$ 153	\$ 152	\$ 145	\$ 90	\$ 175	\$ 30	20.7%
Postage	\$ 20	\$ 5	\$ 20	\$ 0.84	\$ 20	\$ -	0.0%
Travel, In-State	\$ 582	\$ 483	\$ 561	\$ 242	\$ 516	\$ (45)	(8.0%)
Travel, Out-Of-State	\$ 75	\$ 32	\$ 77	\$ 0.60	\$ 57	\$ (20)	(26.0%)
Training	\$ 236	\$ 142	\$ 238	\$ 61	\$ 203	\$ (35)	(14.7%)
Rent - Building And Grounds	\$ 1,860	\$ 1,527	\$ 1,552	\$ 1,185	\$ 2,184	\$ 632	40.7%
Consulting and Professional Services: Interdepartmental	\$ 3,476	\$ 1,202	\$ 3,363	\$ 721	\$ 3,949	\$ 586	17.4%
Consulting and Professional Services: External	\$ 3,099	\$ 163	\$ 2,941	\$ 353	\$ 2,689	\$ (252)	(8.6%)
Consolidated Data Centers	\$ 776	\$ 693	\$ 953	\$ 380	\$ 1,003	\$ 50	5.2%
Information Technology	\$ 1,046	\$ 1,015	\$ 1,084	\$ 337	\$ 3,157	\$ 2,073	191.2%
Total Budget	\$ 45,367	\$ 35,146	\$ 47,220	\$ 24,071	\$ 51,684	\$ 4,464	9.5%
TOTAL POSITIONS	226		226		236	10	4.4%

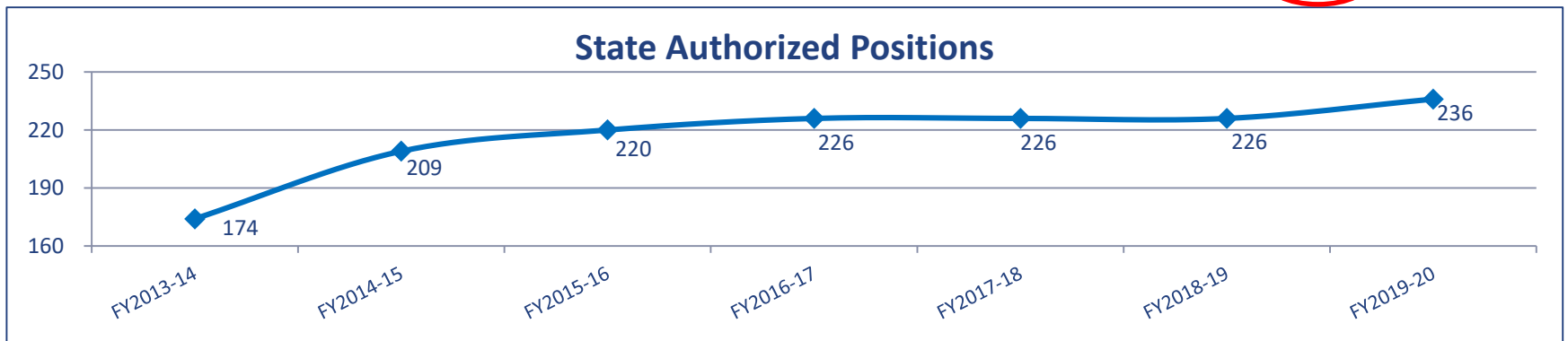
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ADMINISTRATIVE BUDGET

Summary - State Positions by Office

Office	FY16-17	Change	% Change	FY17-18	Change	% Change	FY18-19	Change	% Change	FY19-20	Change	% Change
Executive Office	6.0	1.0	20.0%	7.0	1.0	16.7%	7.0	1.0	14.3%	8.0	1.0	14.3%
Administration Office	32.0	1.0	3.2%	37.0	5.0	15.6%	37.0	5.0	13.5%	35.0	(2.0)	-5.4%
Strategic Communications Office	11.0	-	0.0%	7.0	(4.0)	-36.4%	7.0	(4.0)	-57.1%	10.0	3.0	42.9%
Financial Office	49.0	-	0.0%	29.0	(20.0)	-40.8%	29.0	(20.0)	-69.0%	29.0	-	0.0%
Legal Office	10.0	1.0	11.1%	10.0	-	0.0%	10.0	-	0.0%	10.0	-	0.0%
Program Delivery Office	64.0	(1.0)	-1.5%	95.0	31.0	48.4%	95.0	31.0	32.6%	102.0	7.0	7.4%
Audit Office	13.0	6.0	0.9	13.0	-	0.0%	13.0	-	0.0%	13.0	-	0.0%
Legislative Office	4.0	-	-	4.0	-	-	4.0	-	0.0%	4.0	-	0.0%
Risk Management and Project Controls Office	4.0	-	-	4.0	-	-	4.0	-	0.0%	-	(4.0)	-100.0%
Information Technology Office	-	-	-	15.0	15.0	1.0	15.0	15.0	100.0%	25.0	10.0	66.7%
External Affairs Office	-	-	-	5.0	5.0	1.0	5.0	5.0	100.0%	-	(5.0)	-100.0%
Regional Director's Office	20.0	(1.0)	-	-	(20.0)	(1.0)	-	(20.0)	0.0%	-	-	0.0%
Strategic Initiatives	1.0	1.0	-	-	(1.0)	(1.0)	-	(1.0)	0.0%	-	-	0.0%
Rail Operations and Maintenance	12.0	(2.0)	-14.3%	-	(12.0)	-100.0%	-	(12.0)	0.0%	-	-	0.0%
Total Authorized Positions	226	6	2.7%	226	-	0.0%	226	-	0.0%	236	10.0	4.4%



- The FY2019-20 budget includes two IT Budget Change Proposals for 10 new positions for IT security and IT transition.
- Reallocation of positions varies year-to-year due to reorganizations to align with the Authority's long-term strategy.
- Historical fiscal year data is as of June in each respective fiscal year and FY2017-18 data is as of April 30, 2018.



PROPOSED CHANGE TO CEO DELEGATION OF AUTHORITY (DOA)

- **Current DOA:**

- » Limited to managing existing contingency for Design-Build Construction Packages 1,2/3 and 4

- **Proposed Change:**

- » CEO has authority to transfer project contingency, as contained within the updated program baseline and developed through a risk-informed Monte Carlo simulation to a “P70” confidence level, to existing contracts for expenditures
- » CEO’s delegation to approve and execute new contracts up to \$25 million without Board approval for any action consistent with the Updated Baseline will remain the same
- » The CEO will inform the Chair of the Board of Directors of any transfers of project contingency above the level established by the Board
 - » Staff recommended level: \$25 million

- **Why it’s Important:**

- » Improve execution process to carry out the responsibilities of the Authority within the Accepted Updated Program Baseline and governance structure



THANK YOU

Comments and Questions



Headquarters

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