



California High-Speed Rail **BRIEFING: June 25, 2020 Board Meeting Agenda Item #5**

TO: Board Members
FROM: Brian Annis, Chief Financial Officer
DATE: June 25, 2020
RE: Baseline Revision and Fiscal Year 2020-21 Budget Presentation

Recommended Actions

As required by the California High-Speed Rail Authority (Authority) Board Policy HSR11-001, the Authority's staff is presenting the Fiscal Year (FY) 2020-21 budget for review and approval by the Board. The requested budget for FY2020-21 is \$2.9 billion for the capital budget and \$73.6 million for the administrative budget. The budget includes a request for \$23 million to increase the Program Baseline to apply lessons learned by beginning pre-construction activities for those sections where the environmental process is completed (i.e., Records of Decision (RODs) have been certified examples of work include preliminary engineering, right-of-way mapping, and design advancement.

The proposed budget provides funding to continue the advancement of the Authority's priorities, including:

- Advancing construction work in the Central Valley on the Madera to Poplar Avenue segment, and environmental and project development work for the full Phase 1 system
- Furthering the Track and Systems procurement to continue our progress on meeting the ARRA Grant, with the understanding that Board action on bids will be after further legislative consultation
- Continue our mutually beneficial partnerships in the Northern and Southern areas of State to advance bookend and other local projects
- Implement lessons learned by beginning pre-construction work activities for segments where the environmental work is complete
- Pursue additional funding opportunities to prospectively "close the gaps" and expand electrified high-speed rail service to the Bay Area and Los Angeles

Background and Prior Board Action

At its May 15, 2018 meeting the Authority's Board adopted the 2018 Business Plan. The plan reemphasized the Authority's intent to:

- Initiate high-speed rail service in California as soon as possible.
- Make strategic, concurrent investment that will be linked over time and provide mobility, economic and environmental benefits at the earliest possible time.
- Position ourselves to construct additional segments as funding becomes available.

At its May 21, 2019 meeting, the Authority’s Board accepted the updated Program Baseline of \$15.6 billion. The Program Baseline was updated to reflect the scope, schedule and cost of the Authority’s priorities, including the refined scope of:

- Construction of the Central Valley Segment (Madera to Poplar Avenue), including track and systems; Completion of the Phase 1 environmental approvals; Early “Bookend” investments; and Program-wide support and contingency.

Also at the May 21, 2019 meeting, the Authority’s Board adopted the annual budget for FY2019-20 of \$2.3 billion for the capital budget and \$58.3 million (as adjusted for the enacted State budget) for the Administrative budget.

Baseline Discussion

Currently, the funded and approved Program Baseline is \$15.6 billion. This request includes a \$23 million increase to the Program Baseline. The Authority’s 2019 Project Update Report included a discussion on lessons-learned and one area of improvement was to better define the right of way necessary, and to advance other pre-construction activities, before initiating construction. The \$23 million would be used to apply those lessons learned and begin pre-construction activities for those segments in which RODs have been certified—examples of work include preliminary engineering, right-of way mapping, and design advancement.

Legal Approval

The Legal Office has reviewed this request and has concluded that the Board has the legal authority to approve the FY2020-21 Budget.

Budget and Fiscal Impact

This proposal requests a FY2020-21 capital budget of \$2.9 billion, which includes the advancement of scope already approved in May 2019 and an additional \$23 million for pre-construction activities.

The Total Program and FY2020-21 budgets reflect programmed and funded projects necessary to progress the Authority’s commitments and priorities. The updated program baseline prioritizes completing the ARRA Grant scope of work, the Central Valley Segment, and “Bookend” early investment projects, and begin early work for segments in which the environmental work is complete. In addition, the FY2020-21 Administrative Budget is reflected below.

Capital Outlay Budget (\$ in millions) - TOTAL PROGRAM BUDGET					
	Program Baseline as of May 2019	Program to Date Expenditures as of April 2020	Updated Program Baseline as of June 2020	\$ Change increase/ (decrease)	% Change increase/ (decrease)
Budget	\$ 15,613	\$ 6,592	\$ 15,636	\$ 23	0.1%

Capital Outlay Budget (\$ in millions) - FISCAL YEAR 2020-2021 PROGRAM BUDGET					
	FY2019-20 Budget	FY2019-20 YTD Expenditures as of April 2020	FY2020-21 Budget	\$ Change increase/ (decrease)	% Change increase/ (decrease)
Budget	\$ 2,255	\$ 1,173	\$ 2,903	\$ 648	28.7%

Administrative Budget (\$ in millions) - FISCAL YEAR 2020-2021 BUDGET

	FY2019-20 Budget	FY2019-20 YTD Expenditures as of April 2020	FY2020-21 Budget	\$ Change increase/ (decrease)	% Change increase/ (decrease)
Budget	\$ 58.3	\$ 32.9	\$ 73.6	\$ 15.4	26.4%
Positions	271		356	85	31.4%

REVIEWER INFORMATION	SIGNATURE
Reviewer Name and Title: Brian Annis, Chief Financial Officer	Signature verifying budget analysis: Original Signed 6/18/2020
Reviewer Name and Title: Alicia Fowler, Chief Legal Counsel	Signature verifying legal analysis: Original Signed 6/18/2020

Recommendations

Staff recommends Board approval of the \$23 million addition to the Program Baseline and the FY2020-21 capital budget of \$2.9 billion and the FY2020-21 Administrative budget of \$73.6 million.

Attachments

- Exhibit A – Current Program Baseline Cost Summary
- Exhibit B – Updated Program Baseline Cost Summary
- Exhibit C – Capital Outlay and Expenditures Report—FY2020-21
- Exhibit D, E & F – Administrative Budget for FY2020-21