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EXEMPT FROM FEES PER
GOVERNMENT CODE §6103

13 *Attorneys for Plaintiffs John Tos, Quentin Kopp,*
14 *Town of Atherton, County of Kings, Morris Brown,*
15 *Patricia Louise Hogan-Giorni, Anthony Wynne,*
16 *Community Coalition on High-Speed Rail,*
17 *Transportation Solutions Defense and Education Fund,*
18 *and California Rail Foundation*

19 **IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA**
20 **IN AND FOR THE COUNTY OF SACRAMENTO**

21 JOHN TOS, QUENTIN KOPP, TOWN OF
22 ATHERTON, a municipal corporation,
23 COUNTY OF KINGS, a subdivision of the State
24 of California, MORRIS BROWN, PATRICIA
25 LOUISE HOGAN-GIORNI, ANTHONY
26 WYNNE, COMMUNITY COALITION ON
27 HIGH-SPEED RAIL, a California nonprofit
28 corporation, TRANSPORTATION SOLUTIONS
29 DEFENSE AND EDUCATION FUND, a
30 California nonprofit corporation, and
31 CALIFORNIA RAIL FOUNDATION, a
32 California nonprofit corporation,
33 Plaintiffs

34 vs.

35 CALIFORNIA HIGH SPEED RAIL
36 AUTHORITY, a public entity, BOARD OF
37 DIRECTORS OF THE CALIFORNIA HIGH-
38 SPEED RAIL AUTHORITY, and DOES 1-20
39 inclusive,
40 Defendants

No. 34-2016-00204740

Entitled to calendar precedence under
C.C.P. § 526a

PLAINTIFFS' REQUEST FOR JUDICIAL
NOTICE IN SUPPORT OF EX PARTE
APPLICATION FOR TEMPORARY
RESTRAINING ORDER AND ORDER TO
SHOW CAUSE RE: PRELIMINARY
INJUNCTION

[Code of Civil Procedure §527]

Date: March 17, 2017

Time: 1:30 PM

Department: 54

Action filed: December 13, 2016

Trial Date: Not Yet Set

1 Plaintiffs John Tos, Quentin Kopp, Town of Atherton, County of Kings, Morris Brown,
2 Patricia Louise Hogan-Giorni, Anthony Wynne, Community Coalition on High-Speed Rail,
3 Transportation Solutions Defense and Education Fund, and California Rail Foundation hereby
4 request that the Court take judicial notice of the following documents:

5 1. Under California Evidence Code § 451(a), The full text of AB 3034 from the 2008
6 session of the California Legislature, as enacted and chaptered. A true and correct copy of that
7 statute, as printed out from the Continuing Education for the Bar's legal database, is attached
8 hereto as Exhibit A.

9 2. Under California Evidence Code § 451(a), The full text of AB 1889 from the 2016
10 session of the California Legislature, as enacted and chaptered. A true and correct copy of that
11 statute, as downloaded from the California Legislature's official website, is attached hereto as
12 Exhibit B.

13 3. Under California Evidence Code § 452(c), The Central Valley Segment Funding
14 Plan as finally approved by the California High-Speed Rail Authority on January 12, 2017. A true
15 and correct copy of that document is attached hereto as Exhibit C.

16 4. Under California Evidence Code § 452(c), A letter from Mr. Michael Cohen,
17 Director of the California Department of Finance to Mr. Jeff Morales, Chief Executive Officer of
18 the California High-Speed Rail Authority, dated March 3, 2017 granting approval of the Central
19 Valley Segment Funding Plan. A true and correct copy of that document is attached hereto as
20 Exhibit D.

21 Dated: March 11, 2017

22 Michael J. Brady

23 Stuart M. Flashman

24 Attorneys for Plaintiffs

25 by: 
26 Stuart M. Flashman

Exhibit A

CHAPTER 267
FILED WITH SECRETARY OF STATE AUGUST 26, 2008
APPROVED BY GOVERNOR AUGUST 26, 2008
PASSED THE SENATE AUGUST 7, 2008
PASSED THE ASSEMBLY AUGUST 13, 2008
AMENDED IN SENATE AUGUST 6, 2008
AMENDED IN SENATE JULY 10, 2008
AMENDED IN SENATE JULY 7, 2008
AMENDED IN SENATE JUNE 26, 2008
AMENDED IN ASSEMBLY APRIL 21, 2008
AMENDED IN ASSEMBLY APRIL 9, 2008

INTRODUCED BY Assembly Members Galgiani and Ma
(Principal coauthors: Assembly Members Davis and Parra)
(Coauthors: Assembly Members Adams, Aghazarian, Arambula, Beall, Berryhill, Caballero, Charles?Calderon, Carter, Coto, De?Leon, Dymally, Houston, Huffman, Karnette, Leno, Lieu, Maze, Mullin, Price, Ruskin, Saldana, Solorio, Torrico, and Wolk)
(Coauthors: Senators Alquist, Cedillo, Florez, Kuehl, Scott, Simitian, Steinberg, Torlakson, and Wiggins)

FEBRUARY 22, 2008

An act to add Sections 185033, 185035, and 185037 to the Public Utilities Code, to add Chapter 20 (commencing with Section 2704) to Division 3 of the Streets and Highways Code, and to repeal Sections 1, 2, 3, and 4 of Chapter 697 of the Statutes of 2002, relating to financing a high-speed passenger train system by providing the funds necessary therefor through the issuance and sale of bonds of the State of California and by providing for the handling and disposition of those funds, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 3034, Galgiani. Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century.

Existing law, Chapter 697 of the Statutes of 2002, as amended by Chapter 71 of the Statutes of 2004 and Chapter 44 of the Statutes of 2006, provides for submission of the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century to the voters for approval at the November 4, 2008, general election. Subject to voter approval, the act would provide for the issuance of \$9.95 billion of general obligation bonds, \$9 billion of which would be available in conjunction with any available federal funds for planning and construction of a high-speed train system pursuant to the business plan of the High-Speed Rail Authority, and \$950 million of which would be available for capital projects on other passenger rail lines to provide connectivity to the high-speed train system and for capacity enhancements and safety improvements to those lines.

This bill would repeal the above-referenced provisions and enact new provisions submitting a \$9.95 billion general obligation bond act to the voters for approval at the November 4, 2008, general election for the same purposes. The bill would revise and recast the

previously proposed bond act. The bill would refer to construction of a high-speed train system consistent with the authority's certified environmental impact reports of November 2005 and July 9, 2008, rather than with the final business plan of June 2000. The bill would revise the descriptions of route corridors of the proposed high-speed train system. The bill would require excess revenues from operation of the high-speed train system beyond the amount needed for operating and maintenance costs and financing obligations, as determined by the authority, to be used for construction, expansion, improvement, replacement, and rehabilitation of the high-speed train system. The bill would require that not more than 10% of high-speed rail bond proceeds be used for environmental studies, planning, and preliminary engineering activities and that not more than 2.5% of high-speed rail bond proceeds be used for administrative expenses, except as specified. The bill would generally require the authority to complete various funding plans and financial analyses, as specified, prior to submitting a request for appropriation of bond funds for eligible capital costs and prior to committing bond proceeds for expenditure for construction and real property and equipment acquisition, but would also provide that up to 7.5% of high-speed rail bond proceeds may be used for specified expenditures outside of those requirements. The bill would require the authority to give priority in selecting corridors for construction to those corridors that are expected to require the least amount of bond funds as a percentage of total cost of construction, among other considerations. The bill would provide for the bonds to have a final maturity of not more than 40 years.

This bill would require the bond measure to appear first on the November 4, 2008, general election ballot and to be designated as Proposition 1A. The bill would specify the ballot label and title and summary to be used for the measure.

Existing law creates the High-Speed Rail Authority with specified powers and duties relative to the development and implementation of a high-speed train system. Existing law makes the Department of Transportation responsible for improving and maintaining the state highway system.

This bill would require the authority to revise its business plan by September 1, 2008, as specified, and to submit the revised plan to the Legislature. The bill would also require the authority to establish an independent peer review group for the purpose of reviewing the planning, engineering, financing, and other elements of the authority's plans and issuing an analysis of appropriateness and accuracy of the authority's assumptions and an analysis of the viability of the authority's funding plan for each corridor. This bill would, for any project along the high-speed rail network, authorize the authority to contract with the department to perform project design and engineering services, including construction inspection services, as defined.

Existing law authorizes the authority to, among other things, enter into contracts for the design, construction, and operation of high-speed trains upon approval by the voters of a specified financial plan.

This bill would provide that approval by the voters of the Safe, Reliable High-Speed Passenger Train Bond Act constitutes approval of a financial plan for purposes of that provision.

This bill would declare that it is to take effect immediately as an urgency statute.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 185033 is added to the Public Utilities Code, to read:

185033. The authority shall prepare, publish, and submit to the Legislature, not later than September 1, 2008, a revised business plan that identifies all of the following: the type of service it anticipates it will develop, such as local, express, commuter, regional, or interregional; a description of the primary benefits the system will provide; a forecast of the anticipated patronage, operating costs, and capital costs for the system; an estimate and description of the total anticipated federal, state, local, and other funds the authority intends to access to fund the construction and operation of the system; and the proposed chronology for the construction of the eligible corridors of the statewide high-speed train system. The revised business plan shall also include a discussion of all reasonably foreseeable risks the project may encounter, including, but not limited to, risks associated with the project's finances, patronage, construction, equipment, and technology, and other risks associated with the project's development. The plan shall describe the authority's strategies, processes, or other actions it intends to utilize to manage those risks.

SEC. 2. Section 185035 is added to the Public Utilities Code, to read:

185035. (a) The authority shall establish an independent peer review group for the purpose of reviewing the planning, engineering, financing, and other elements of the authority's plans and issuing an analysis of appropriateness and accuracy of the authority's assumptions and an analysis of the viability of the authority's financing plan, including the funding plan for each corridor required pursuant to subdivision (b) of Section 2704.08 of the Streets and Highways Code.

(b) The peer review group shall include all of the following:

(1) Two individuals with experience in the construction or operation of high-speed trains in Europe, Asia, or both, designated by the Treasurer.

(2) Two individuals, one with experience in engineering and construction of high-speed trains and one with experience in project finance, designated by the Controller.

(3) One representative from a financial services or financial consulting firm who shall not have been a contractor or subcontractor of the authority for the previous three years, designated by the Director of Finance.

(4) One representative with experience in environmental planning, designated by the Secretary of Business, Transportation and Housing.

(5) Two expert representatives from agencies providing intercity or commuter passenger train services in California, designated by the Secretary of Business, Transportation and Housing.

(c) The peer review group shall evaluate the authority's funding plans and prepare its independent judgment as to the feasibility and reasonableness of the plans, appropriateness of assumptions, analyses, and estimates, and any other observations or evaluations it deems necessary.

(d) The authority shall provide the peer review group any and all information that the peer review group may request to carry out its responsibilities.

(e) The peer review group shall report its findings and conclusions to the Legislature no later than 60 days after receiving the plans.

SEC. 3. Section 185037 is added to the Public Utilities Code, to

read:

185037. (a) Notwithstanding any other provision of law, for any project along the high-speed rail network, the authority may contract with the department to perform project design and engineering services, including construction inspection services.

(b) For purposes of this section, "project design and engineering services, including construction inspection services" means preliminary engineering, planning, prebid services, right-of-way acquisition, preparation of environmental documents, preparation of plans, specifications, and estimates, construction inspection including surveying and materials testing, quality control inspection including highway and utility relocation, and grade separations.

SEC. 4. Section 1 of Chapter 697 of the Statutes of 2002, as amended by Section 1 of Chapter 71 of the Statutes of 2004, is repealed.

SEC. 5. Section 2 of Chapter 697 of the Statutes of 2002, as amended by Sections 1 and 2 of Chapter 44 of the Statutes of 2006, is repealed.

SEC. 6. Section 3 of Chapter 697 of the Statutes of 2002, as amended by Section 3 of Chapter 44 of the Statutes of 2006, is repealed.

SEC. 7. Section 4 of Chapter 697 of the Statutes of 2002, as amended by Section 4 of Chapter 44 of the Statutes of 2006, is repealed.

SEC. 8. (a) The continuing growth in California's population and the resulting increase in traffic congestion, air pollution, greenhouse gas emissions, and the continuation of urban sprawl make it imperative that the state proceed quickly to construct a state-of-the-art high-speed passenger train system to serve major metropolitan areas.

(b) The High-Speed Rail Authority, after extensive studies and analysis, proposes the construction of a high-speed train system that serves major population centers in the state and that links regional and local transit systems to form an integrated transportation system throughout the state. The system will link all of the state's major population centers, including Sacramento, the San Francisco Bay Area, the Central Valley, Los Angeles, the Inland Empire, Orange County, and San Diego.

(c) The high-speed train system proposed by the authority will cost about one-third of what it would cost to provide the same level of mobility and service with highway and airport improvements and will contribute significantly toward a reduction in air pollution and global warming.

(d) The high-speed train system, once it is completed and becomes operational, will contribute significantly toward the goal of reducing greenhouse gas emissions and other air pollutants and will help reduce California's dependence on foreign energy sources.

(e) The high-speed passenger train bond funds are intended to encourage the federal government and the private sector to make a significant contribution toward the construction of the high-speed train system.

(f) It is the intent of the Legislature that the entire high-speed train system shall be constructed as quickly as possible in order to maximize ridership and the mobility of Californians, and that it be completed no later than 2020, and that all phases shall be built in a manner that yields maximum benefit consistent with available revenues.

SEC. 9. Chapter 20 (commencing with Section 2704) is added to Division 3 of the Streets and Highways Code, to read:

CHAPTER 20. SAFE, RELIABLE HIGH-SPEED PASSENGER TRAIN BOND ACT

Article 1. General Provisions

2704. This chapter shall be known and may be cited as the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century.

2704.01. As used in this chapter, the following terms have the following meanings:

(a) "Committee" means the High-Speed Passenger Train Finance Committee created pursuant to Section 2704.12.

(b) "Authority" means the High-Speed Rail Authority created pursuant to Section 185020 of the Public Utilities Code, or its successor.

(c) "Fund" means the High-Speed Passenger Train Bond Fund created pursuant to Section 2704.05.

(d) "High-speed train" means a passenger train capable of sustained revenue operating speeds of at least 200 miles per hour where conditions permit those speeds.

(e) "High-speed train system" means a system with high-speed trains and includes, but is not limited to, the following components: right-of-way, track, power system, rolling stock, stations, and associated facilities.

(f) "Corridor" means a portion of the high-speed train system as described in Section 2704.04.

(g) "Usable segment" means a portion of a corridor that includes at least two stations.

Article 2. High-Speed Passenger Train Financing Program

2704.04. (a) It is the intent of the Legislature by enacting this chapter and of the people of California by approving the bond measure pursuant to this chapter to initiate the construction of a high-speed train system that connects the San Francisco Transbay Terminal to Los Angeles Union Station and Anaheim, and links the state's major population centers, including Sacramento, the San Francisco Bay Area, the Central Valley, Los Angeles, the Inland Empire, Orange County, and San Diego consistent with the authority's certified environmental impact reports of November 2005 and July 9, 2008.

(b) (1) Net proceeds received from the sale of nine billion dollars (\$9,000,000,000) principal amount of bonds authorized pursuant to this chapter, upon appropriation by the Legislature in the annual Budget Act, shall be used for (A) planning and engineering for the high-speed train system and (B) capital costs, as described in subdivision (c).

(2) As adopted by the authority in May 2007, Phase 1 of the high-speed train project is the corridor of the high-speed train system between San Francisco Transbay Terminal and Los Angeles Union Station and Anaheim.

(3) Upon a finding by the authority that expenditure of bond proceeds for capital costs in corridors other than the corridor described in paragraph (2) would advance the construction of the system, would be consistent with the criteria described in subdivision (f) of Section 2704.08, and would not have an adverse impact on the construction of Phase 1 of the high-speed train project, the authority may request funding for capital costs, and the

Legislature may appropriate funds described in paragraph (1) in the annual Budget Act, to be expended for any of the following high-speed train corridors:

- (A) Sacramento to Stockton to Fresno.
- (B) San Francisco Transbay Terminal to San Jose to Fresno.
- (C) Oakland to San Jose.
- (D) Fresno to Bakersfield to Palmdale to Los Angeles Union Station.
- (E) Los Angeles Union Station to Riverside to San Diego.
- (F) Los Angeles Union Station to Anaheim to Irvine.
- (G) Merced to Stockton to Oakland and San Francisco via the Altamont Corridor.

(4) Nothing in this section shall prejudice the authority's determination and selection of the alignment from the Central Valley to the San Francisco Bay Area and its certification of the environmental impact report.

(5) Revenues of the authority, generated by operations of the high-speed train system above and beyond operating and maintenance costs and financing obligations, including, but not limited to, support of revenue bonds, as determined by the authority, shall be used for construction, expansion, improvement, replacement, and rehabilitation of the high-speed train system.

(c) Capital costs payable or reimbursable from proceeds of bonds described in paragraph (1) of subdivision (b) include, with respect to the high-speed train system or any portion thereof, all activities necessary for acquisition of interests in real property and rights-of-way and improvement thereof; acquisition and construction of tracks, structures, power systems, and stations; acquisition of rolling stock and related equipment; mitigation of any direct or indirect environmental impacts of activities authorized by this chapter; relocation assistance for displaced property owners and occupants; other related capital facilities and equipment; and such other purposes related to the foregoing, for the procurement thereof, and for the financing or refinancing thereof, as may be set forth in a statute hereafter enacted. The method of acquisition of any of the foregoing may also be set forth in a statute hereafter enacted.

(d) Proceeds of bonds authorized pursuant to this chapter shall not be used for any operating or maintenance costs of trains or facilities.

(e) The State Auditor shall perform periodic audits of the authority's use of proceeds of bonds authorized pursuant to this chapter for consistency with the requirements of this chapter.

2704.05. Subject to Section 2704.18, the proceeds of bonds issued and sold pursuant to this chapter shall be deposited in the High-Speed Passenger Train Bond Fund, which is hereby created.

2704.06. The net proceeds received from the sale of nine billion dollars (\$9,000,000,000) principal amount of bonds authorized pursuant to this chapter, upon appropriation by the Legislature in the annual Budget Act, shall be available, and subject to those conditions and criteria that the Legislature may provide by statute, for (a) planning the high-speed train system and (b) capital costs set forth in subdivision (c) of Section 2704.04, consistent with the authority's certified environmental impact reports of November 2005 and July 9, 2008, as subsequently modified pursuant to environmental studies conducted by the authority.

2704.07. The authority shall pursue and obtain other private and public funds, including, but not limited to, federal funds, funds from revenue bonds, and local funds, to augment the proceeds of this chapter.

2704.08. (a) Proceeds of bonds described in paragraph (1) of

subdivision (b) of Section 2704.04 shall not be used for more than 50 percent of the total cost of construction of each corridor or usable segment thereof of the high-speed train system, except for bond proceeds used for the purposes of subdivision (g).

(b) Not more than 10 percent of the proceeds of bonds described in paragraph (1) of subdivision (b) of Section 2704.04 shall be used for environmental studies, planning, and preliminary engineering activities.

(c) (1) No later than 90 days prior to the submittal to the Legislature and the Governor of the initial request for appropriation of proceeds of bonds authorized by this chapter for any eligible capital costs on each corridor, or usable segment thereof, identified in subdivision (b) of Section 2704.04, other than costs described in subdivision (g), the authority shall have approved and submitted to the Director of Finance, the peer review group established pursuant to Section 185035 of the Public Utilities Code, and the policy committees with jurisdiction over transportation matters and the fiscal committees in both houses of the Legislature, a detailed funding plan for that corridor or a usable segment thereof.

(2) The plan shall include, identify, or certify to all of the following:

(A) The corridor, or usable segment thereof, in which the authority is proposing to invest bond proceeds.

(B) A description of the expected terms and conditions associated with any lease agreement or franchise agreement proposed to be entered into by the authority and any other party for the construction or operation of passenger train service along the corridor or usable segment thereof.

(C) The estimated full cost of constructing the corridor or usable segment thereof, including an estimate of cost escalation during construction and appropriate reserves for contingencies.

(D) The sources of all funds to be invested in the corridor, or usable segment thereof, and the anticipated time of receipt of those funds based on expected commitments, authorizations, agreements, allocations, or other means.

(E) The projected ridership and operating revenue estimate based on projected high-speed passenger train operations on the corridor or usable segment.

(F) All known or foreseeable risks associated with the construction and operation of high-speed passenger train service along the corridor or usable segment thereof and the process and actions the authority will undertake to manage those risks.

(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.

(d) Prior to committing any proceeds of bonds described in paragraph (1) of subdivision (b) of Section 2704.04 for expenditure for construction and real property and equipment acquisition on each corridor, or usable segment thereof, other than for costs described in subdivision (g), the authority shall have approved and concurrently submitted to the Director of Finance and the Chairperson of the Joint Legislative Budget Committee the following: (1) a

detailed funding plan for that corridor or usable segment thereof that (A) identifies the corridor or usable segment thereof, and the estimated full cost of constructing the corridor or usable segment thereof, (B) identifies the sources of all funds to be used and anticipates time of receipt thereof based on offered commitments by private parties, and authorizations, allocations, or other assurances received from governmental agencies, (C) includes a projected ridership and operating revenue report, (D) includes a construction cost projection including estimates of cost escalation during construction and appropriate reserves for contingencies, (E) includes a report describing any material changes from the plan submitted pursuant to subdivision (c) for this corridor or usable segment thereof, and (F) describes the terms and conditions associated with any agreement proposed to be entered into by the authority and any other party for the construction or operation of passenger train service along the corridor or usable segment thereof; and (2) a report or reports, prepared by one or more financial services firms, financial consulting firms, or other consultants, independent of any parties, other than the authority, involved in funding or constructing the high-speed train system, indicating that (A) construction of the corridor or usable segment thereof can be completed as proposed in the plan submitted pursuant to paragraph (1), (B) if so completed, the corridor or usable segment thereof would be suitable and ready for high-speed train operation, (C) upon completion, one or more passenger service providers can begin using the tracks or stations for passenger train service, (D) the planned passenger train service to be provided by the authority, or pursuant to its authority, will not require operating subsidy, and (E) an assessment of risk and the risk mitigation strategies proposed to be employed. The Director of Finance shall review the plan within 60 days of its submission by the authority and, after receiving any communication from the Joint Legislative Budget Committee, if the director finds that the plan is likely to be successfully implemented as proposed, the authority may enter into commitments to expend bond funds that are subject to this subdivision and accept offered commitments from private parties.

(e) Subsequent to approval of the detailed funding plan required under subdivision (d), the authority shall promptly inform the Governor and the Legislature of any material changes in plans or project conditions that would jeopardize completion of the corridor as previously planned and shall identify means of remedying the conditions to allow completion and operation of the corridor.

(f) In selecting corridors or usable segments thereof for construction, the authority shall give priority to those corridors or usable segments thereof that are expected to require the least amount of bond funds as a percentage of total cost of construction. Among other criteria it may use for establishing priorities for initiating construction on corridors or usable segments thereof, the authority shall include the following: (1) projected ridership and revenue, (2) the need to test and certify trains operating at speeds of 220 miles per hour, (3) the utility of those corridors or usable segments thereof for passenger train services other than the high-speed train service that will not result in any unreimbursed operating or maintenance cost to the authority, and (4) the extent to which the corridors include facilities contained therein to enhance the connectivity of the high-speed train network to other modes of transit, including, but not limited to, conventional rail (intercity rail, commuter rail, light rail, or other rail transit), bus, or air transit.

(g) Nothing in this section shall limit use or expenditure of

proceeds of bonds described in paragraph (1) of subdivision (b) of Section 2704.04 up to an amount equal to 7.5 percent of the aggregate principal amount of bonds described in that paragraph for environmental studies, planning, and preliminary engineering activities, and for (1) acquisition of interests in real property and right-of-way and improvement thereof (A) for preservation for high-speed rail uses, (B) to add to third-party improvements to make them compatible with high-speed rail uses, or (C) to avoid or to mitigate incompatible improvements or uses; (2) mitigation of any direct or indirect environmental impacts resulting from the foregoing; and (3) relocation assistance for property owners and occupants who are displaced as a result of the foregoing.

(h) Not more than 2.5 percent of the proceeds of bonds described in paragraph (1) of subdivision (b) of Section 2704.04 shall be used for administrative purposes. The amount of bond proceeds available for administrative purposes shall be appropriated in the annual Budget Act. The Legislature may, by statute, adjust the percentage set forth in this subdivision, except that the Legislature shall not increase that percentage to more than 5 percent.

(i) No failure to comply with this section shall affect the validity of the bonds issued under this chapter.

2704.09. The high-speed train system to be constructed pursuant to this chapter shall be designed to achieve the following characteristics:

(a) Electric trains that are capable of sustained maximum revenue operating speeds of no less than 200 miles per hour.

(b) Maximum nonstop service travel times for each corridor that shall not exceed the following:

(1) San Francisco-Los Angeles Union Station: two hours, 40 minutes.

(2) Oakland-Los Angeles Union Station: two hours, 40 minutes.

(3) San Francisco-San Jose: 30 minutes.

(4) San Jose-Los Angeles: two hours, 10 minutes.

(5) San Diego-Los Angeles: one hour, 20 minutes.

(6) Inland Empire-Los Angeles: 30 minutes.

(7) Sacramento-Los Angeles: two hours, 20 minutes.

(c) Achievable operating headway (time between successive trains) shall be five minutes or less.

(d) The total number of stations to be served by high-speed trains for all of the corridors described in subdivision (b) of Section 2704.04 shall not exceed 24. There shall be no station between the Gilroy station and the Merced station.

(e) Trains shall have the capability to transition intermediate stations, or to bypass those stations, at mainline operating speed.

(f) For each corridor described in subdivision (b), passengers shall have the capability of traveling from any station on that corridor to any other station on that corridor without being required to change trains.

(g) In order to reduce impacts on communities and the environment, the alignment for the high-speed train system shall follow existing transportation or utility corridors to the extent feasible and shall be financially viable, as determined by the authority.

(h) Stations shall be located in areas with good access to local mass transit or other modes of transportation.

(i) The high-speed train system shall be planned and constructed in a manner that minimizes urban sprawl and impacts on the natural environment.

(j) Preserving wildlife corridors and mitigating impacts to wildlife movement, where feasible as determined by the authority, in order to limit the extent to which the system may present an

additional barrier to wildlife's natural movement.

2704.095. (a) (1) Net proceeds received from the sale of nine hundred fifty million dollars (\$950,000,000) principal amount of bonds authorized by this chapter shall be allocated to eligible recipients for capital improvements to intercity and commuter rail lines and urban rail systems that provide direct connectivity to the high-speed train system and its facilities, or that are part of the construction of the high-speed train system as that system is described in subdivision (b) of Section 2704.04, or that provide capacity enhancements and safety improvements. Funds under this section shall be available upon appropriation by the Legislature in the annual Budget Act for the eligible purposes described in subdivision (d).

(2) Twenty percent (one hundred ninety million dollars (\$190,000,000)) of the amount authorized by this section shall be allocated for intercity rail to the Department of Transportation, for state-supported intercity rail lines that provide regularly scheduled service and use public funds to operate and maintain rail facilities, rights-of-way, and equipment. A minimum of 25 percent of the amount available under this paragraph (forty-seven million five hundred thousand dollars (\$47,500,000)) shall be allocated to each of the state's three intercity rail corridors.

The California Transportation Commission shall allocate the available funds to eligible recipients consistent with this section and shall develop guidelines, in consultation with the authority, to implement the requirements of this section. The guidelines shall include provisions for the administration of funds, including, but not limited to, the authority of the intercity corridor operators to loan these funds by mutual agreement between intercity rail corridors.

(3) Eighty percent (seven hundred sixty million dollars (\$760,000,000)) of the amount authorized by this section shall be allocated upon appropriation as set forth in this section to eligible recipients, except intercity rail, as described in subdivision (c) based upon a percentage amount calculated to incorporate all of the following:

(A) One-third of the eligible recipient's percentage share of statewide track miles.

(B) One-third of the eligible recipient's percentage share of statewide annual vehicle miles.

(C) One-third of the eligible recipient's percentage share of statewide annual passenger trips.

The California Transportation Commission shall allocate the available funds to eligible recipients consistent with this section and shall develop guidelines to implement the requirements of this section.

(b) For the purposes of this section, the following terms have the following meanings:

(1) "Track miles" means the miles of track used by a public agency or joint powers authority for regular passenger rail service.

(2) "Vehicle miles" means the total miles traveled, commencing with pullout from the maintenance depot, by all locomotives and cars operated in a train consist for passenger rail service by a public agency or joint powers authority.

(3) "Passenger trips" means the annual unlinked passenger boardings reported by a public agency or joint powers authority for regular passenger rail service.

(4) "Statewide" when used to modify the terms in subparagraphs (A), (B), and (C) of paragraph (3) of subdivision (a) means the combined total in the state of those amounts for all eligible

recipients.

(c) Eligible recipients for funding under paragraph (3) of subdivision (a) shall be public agencies and joint powers authorities that operate regularly scheduled passenger rail service in the following categories:

- (1) Commuter rail.
- (2) Light rail.
- (3) Heavy rail.
- (4) Cable car.

(d) Funds allocated pursuant to this section shall be used to pay or reimburse the costs of projects to provide or improve connectivity with the high-speed train system or for the rehabilitation or modernization of, or safety improvements to, tracks utilized for public passenger rail service, signals, structures, facilities, and rolling stock.

(e) Eligible recipients may use the funds for any eligible rail element set forth in subdivision (d).

(f) In order to be eligible for funding under this section, an eligible recipient under paragraph (3) of subdivision (a) shall provide matching funds in an amount not less than the total amount allocated to the recipient under this section.

(g) An eligible recipient of funding under paragraph (3) of subdivision (a) shall certify that it has met its matching funds requirement, and all other requirements of this section, by resolution of its governing board, subject to verification by the California Transportation Commission.

(h) Funds made available to an eligible recipient under paragraph (3) of subdivision (a) shall supplement existing local, state, or federal revenues being used for maintenance or rehabilitation of the passenger rail system. Eligible recipients of funding under paragraph (3) of subdivision (a) shall maintain their existing commitment of local, state, or federal funds for these purposes in order to remain eligible for allocation and expenditure of the additional funding made available by this section.

(i) In order to receive any allocation under this section, an eligible recipient under paragraph (3) of subdivision (a) shall annually expend from existing local, state, or federal revenues being used for the maintenance or rehabilitation of the passenger rail system in an amount not less than the annual average of its expenditures from local revenues for those purposes during the 1998-99, 1999-2000, and 2000-01 fiscal years.

(j) Funds allocated pursuant to this section to the Southern California Regional Rail Authority for eligible projects within its service area shall be apportioned each fiscal year in accordance with memorandums of understanding to be executed between the Southern California Regional Rail Authority and its member agencies. The memorandum or memorandums of understanding shall take into account the passenger service needs of the Southern California Regional Rail Authority and of the member agencies, revenue attributable to member agencies, and separate contributions to the Southern California Regional Rail Authority from the member agencies.

Article 3. Fiscal Provisions

2704.10. (a) Bonds in the total amount of nine billion nine hundred fifty million dollars (\$9,950,000,000), exclusive of refunding bonds issued in accordance with Section 2704.19, or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this chapter and

to be used to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds, when sold, shall be and constitute a valid and binding obligation of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal of, and interest on, the bonds as the principal and interest become due and payable.

(b) The Treasurer shall sell the bonds authorized by the committee pursuant to this section. The bonds shall be sold upon the terms and conditions specified in a resolution to be adopted by the committee pursuant to Section 16731 of the Government Code.

2704.11. (a) Except as provided in subdivision (b), the bonds authorized by this chapter shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law, Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code, and all of the provisions of that law apply to the bonds and to this chapter and are hereby incorporated in this chapter as though set forth in full in this chapter.

(b) Notwithstanding any provision of the State General Obligation Bond Law, each issue of bonds authorized by the committee shall have a final maturity of not more than 40 years from the date of original issuance thereof.

2704.12. (a) Solely for the purpose of authorizing the issuance and sale of the bonds authorized by this chapter and the making of those determinations and the taking of other actions as are authorized by this chapter, pursuant to the State General Obligation Bond Law, the High-Speed Passenger Train Finance Committee is hereby created. For purposes of this chapter, the High-Speed Passenger Train Finance Committee is "the committee" as that term is used in the State General Obligation Bond Law. The committee consists of the Treasurer, the Director of Finance, the Controller, the Secretary of Business, Transportation and Housing, and the chairperson of the authority. Notwithstanding any other provision of law, any member of the committee may designate a representative to act as that member in his or her place and stead for all purposes, as though the member were personally present. The Treasurer shall serve as chairperson of the committee. A majority of the committee shall constitute a quorum of the committee, and may act for the committee.

(b) For purposes of the State General Obligation Bond Law, the authority is designated the "board."

2704.13. The committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this chapter in order to carry out the actions specified in Sections 2704.06 and 2704.095 and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be issued and sold to carry out those actions progressively, and it is not necessary that all of the bonds authorized be issued and sold at any one time. The committee shall consider program funding needs, revenue projections, financial market conditions, and other necessary factors in determining the term for the bonds to be issued. In addition to all other powers specifically granted in this chapter and the State General Obligation Bond Law, the committee may do all things necessary or convenient to carry out the powers and purposes of this article, including the approval of any indenture relating to the bonds, and the delegation of necessary duties to the chairperson and to the Treasurer as agent for the sale of the bonds. Any terms of any bonds issued under this chapter may be provided under an indenture instead of under a resolution, as determined by the committee.

2704.14. There shall be collected each year and in the same

manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year. It is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act which is necessary to collect that additional sum.

2704.15. Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this chapter, an amount equal to the total of the following: (a) that sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this chapter, as the principal and interest become due and payable, and (b) the sum necessary to carry out Section 2704.17, appropriated without regard to fiscal years.

2704.16. The board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account, in accordance with Section 16312 of the Government Code, for purposes of this chapter. The amount of the request shall not exceed the amount of the unsold bonds which the committee has, by resolution, authorized to be sold for the purpose of this chapter, less any amount borrowed pursuant to Section 2701.17. The board shall execute such documents as required by the Pooled Money Investment Board to obtain and repay the loan. Any amount loaned shall be deposited in the fund to be allocated by the board in accordance with this chapter.

2704.17. For the purpose of carrying out this chapter, the Director of Finance may authorize the withdrawal from the General Fund of an amount or amounts not to exceed the amount of unsold bonds which have been authorized by the committee to be sold for the purpose of carrying out this chapter, less any amount borrowed pursuant to Section 2704.16. Any amount withdrawn shall be deposited in the fund. Any money made available under this section shall be returned to the General Fund, plus the interest that the amounts would have earned in the Pooled Money Investment Account, from the sale of bonds for the purpose of carrying out this chapter.

2704.18. All money deposited in the fund which is derived from premium on bonds sold shall be available to pay costs of issuing the bonds, and to the extent not so needed, together with accrued interest derived from sale of the bonds, shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

2704.19. The bonds may be refunded in accordance with Article 6 (commencing with Section 16780) of the State General Obligation Bond Law. Approval by the electors of the state for the issuance of bonds shall include approval of the issuance of any bonds issued to refund any bonds originally issued or any previously issued refunding bonds.

2704.20. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this chapter are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

2704.21. Notwithstanding any provision of this chapter or the State General Obligation Bond Law, if the Treasurer sells bonds pursuant to this chapter that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes under designated conditions, the Treasurer may maintain separate accounts for the bond proceeds invested and the investment earnings on those proceeds, and may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other

payment required under federal law, or take any other action with respect to the investment and use of those bond proceeds, as may be required or desirable under federal law in order to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

SEC. 10. Section 9 of this act shall take effect upon the adoption by the voters of the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century, as set forth in Section 9 of this act.

SEC. 11. (a) Section 9 of this act shall be submitted by the Secretary of State to the voters at the November 4, 2008, general election, notwithstanding the requirements of Sections 9040, 9043, 9044, and 9061 of the Elections Code or any other provision of law.

(b) Notwithstanding Sections 13115 and 13117 of the Elections Code, the bond measure described in subdivision (a) shall be placed as the first ballot measure on the November 4, 2008, general election ballot and shall be designated as Proposition 1A.

(c) Notwithstanding any other provision of law, all ballots of the November 4, 2008, general election shall have printed thereon as the ballot label for Proposition 1A the following:

"SAFE, RELIABLE HIGH-SPEED PASSENGER TRAIN BOND ACT. To provide Californians a safe, convenient, affordable, and reliable alternative to driving and high gas prices; to provide good-paying jobs and improve California's economy while reducing air pollution, global warming greenhouse gases, and our dependence on foreign oil, shall \$9.95 billion in bonds be issued to establish a clean, efficient high-speed train service linking Southern California, the Sacramento/San Joaquin Valley, and the San Francisco Bay Area, with at least 90 percent of bond funds spent for specific projects, with federal and private matching funds required, and all bond funds subject to independent audits?"

At the appropriate location on the ballot, in the manner prescribed by law, there shall be provided the opportunity for voters to indicate whether they vote for or against the measure.

(d) Notwithstanding Sections 13247 and 13281 of the Elections Code, the language in subdivision (c) shall be the only language included in the ballot label for the condensed statement of the ballot title, and the Attorney General shall not supplement, subtract from, or revise that language, except that the Attorney General shall include the financial impact summary prepared pursuant to Section 9087 of the Elections Code and Section 88003 of the Government Code. The ballot label is the condensed statement of the ballot title and summary and the financial impact summary.

(e) Where the voting in the election is done by means of voting machines used pursuant to law in the manner that carries out the intent of this section, the use of the voting machines and the expression of the voters' choice by means thereof are in compliance with this section.

(f) (1) Notwithstanding any other provision of law, the Secretary of State shall use the following as the ballot title and summary for Proposition 1A:

"SAFE, RELIABLE HIGH-SPEED PASSENGER TRAIN BOND ACT.
Provides long-distance commuters with a safe, convenient, affordable, and reliable alternative to driving and high gas prices.
Reduces traffic congestion on the state's highways and at the

state's airports.

Reduces California's dependence on foreign oil.

Reduces air pollution and global warming greenhouse gases.

Establishes a clean, efficient 220 MPH transportation system.

Improves existing passenger rail lines serving the state's major population centers.

Provides for California's growing population.

Provides for a bond issue of \$9.95 billion to establish high-speed train service linking Southern California counties, the Sacramento/San Joaquin Valley, and the San Francisco Bay Area.

Provides that at least 90% of these bond funds shall be spent for specific construction projects, with federal and private sector matching funds required.

Requires that use of all bond funds is subject to independent audits.

Appropriates money from the General Fund to pay bond principal and interest."

(2) Notwithstanding any other provision of law, the language in paragraph (1) shall be the only language included in the ballot title and summary, and the Attorney General shall not supplement, subtract from, or otherwise revise that language, except that the Attorney General shall include the financial impact summary prepared pursuant to Section 9087 of the Elections Code and Section 88003 of the Government Code.

(g) The Secretary of State shall include, in the ballot pamphlets mailed pursuant to Section 9094 of the Elections Code, the information specified in Section 9084 of the Elections Code regarding the bond act described in subdivision (a). If that inclusion is not possible, the Secretary of State shall publish a supplemental ballot pamphlet regarding the bond act described in subdivision (a), to be mailed with the ballot pamphlet. If the supplemental ballot pamphlet cannot be mailed with the ballot pamphlet, the supplemental ballot pamphlet shall be mailed separately.

(h) Notwithstanding Section 9054 of the Elections Code or any other provision of law, the translations of the ballot title and the condensed statement of the ballot title required pursuant to Section 9054 may be made available for public examination at a later date than the start of the public examination period for the ballot pamphlet, provided that the translations of the ballot title and the condensed statement of the ballot title must remain available for public examination for eight days.

(i) Notwithstanding Section 13282 of the Elections Code or any other provision of law, the public shall be permitted to examine the condensed statement of the ballot title for not more than eight days. Any voter may seek a writ of mandate for the purpose of requiring any statement of the ballot title, or portion thereof, to be amended or deleted only within that eight-day period.

SEC. 12. Notwithstanding any other provision of law, the bond act proposed by Section 2 of Chapter 697 of the Statutes of 2002, as amended by Sections 2 and 3 of Chapter 71 of the Statutes of 2004 and Sections 1 and 2 of Chapter 44 of the Statutes of 2006, shall not be placed by the Secretary of State on the November 4, 2008, general election ballot, or, if already on the ballot, shall be removed therefrom.

SEC. 13. Approval by the voters of the Safe, Reliable High-Speed Passenger Train Bond Act shall constitute approval of a financial plan for purposes of Section 185036 of the Public Utilities Code.

SEC. 14. This act is an urgency statute necessary for the

immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to replace the provisions of a general obligation bond measure on the November 4, 2008, general election ballot that would authorize the issuance and sale of bonds for the financing of a high-speed passenger train system and for other related purposes with a new measure for similar purposes, it is necessary that this act take effect immediately.

Exhibit B

Assembly Bill No. 1889

CHAPTER 744

An act to add Section 2704.78 to the Streets and Highways Code, relating to transportation.

[Approved by Governor September 28, 2016. Filed with Secretary of State September 28, 2016.]

LEGISLATIVE COUNSEL'S DIGEST

AB 1889, Mullin. High-Speed Rail Authority: high-speed train operation.

Existing law creates the High-Speed Rail Authority with specified powers and duties relative to the development and implementation of a high-speed train system. Existing law, pursuant to the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century, approved by the voters as Proposition 1A at the November 4, 2008, statewide general election, provides for the issuance of \$9.95 billion for high-speed train capital projects and other associated purposes. The bond act requires the authority to expend the proceeds of the bond act pursuant to certain planning and reporting requirements, which require the authority to approve that the corridor or usable segment would be suitable and ready for high-speed train operations.

This bill would provide for the purposes of a certain required funding plan that a corridor or usable segment thereof would be "suitable and ready for high-speed train operation" if specified conditions are met. The bill would also require the authority to include in its business plan and project update report information describing the use of these bond proceeds demonstrating that the investments made are consistent with the authority's current business plan and advance the development of the Phase I blended system as described in the business plan.

The people of the State of California do enact as follows:

SECTION 1. (a) In passing AB 3034 (Chapter 267 of the Statutes of 2008), the Legislature placed before the voters the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century (Proposition 1A), which was approved and provides \$9 billion to initiate the construction of a high-speed train system connecting the San Francisco Transbay Terminal to Los Angeles Union Station and Anaheim and linking California's major population centers.

(b) Additionally, Proposition 1A included \$950 million for intercity, commuter, and urban rail systems that will ultimately provide connectivity to the high-speed train system.

(c) In 2012, the High-Speed Rail Authority released the Revised 2012 Business Plan, which called for near-term investments in northern and southern California, known as the “Bookends,” which would enable high-speed trains to share infrastructure with existing passenger rail service providers as part of a blended system, and is consistent with Proposition 1A.

(d) Also in 2012, using the Revised Business Plan as a guidepost, the Legislature passed and the Governor signed SB 1029 of the 2011–12 Regular Session (Chapter 152 of the Statutes of 2012), appropriating over \$7.5 billion in state and federal funding to begin construction of the project in the central valley and in the Bookends, and for local connectivity projects throughout the state.

(e) Of the amount appropriated, the Legislature dedicated \$1.1 billion to passenger rail projects on the system’s Bookends that will ultimately be part of the blended system utilizing shared infrastructure.

(f) In 2013, the Legislature passed and the Governor signed SB 557 of the 2013–14 Regular Session (Chapter 216 of the Statutes of 2013), which reaffirmed the Legislature’s commitment to investments in the Bookends.

(g) It is the intent of the Legislature, in appropriating funding for initial investments, that these projects should proceed to construction in the near-term to provide economic benefits, create jobs, and advance improved, safer, and cleaner rail transportation and that these initial investments are consistent with and further the goals of Proposition 1A.

(h) Consistent with Proposition 1A, these early investments will enable passenger train service providers to begin using the improvements on a corridor or useable segment thereof while additional work is completed to enable high-speed train service.

(i) Furthermore, it is the intent of the Legislature that nothing in this act relieves the High-Speed Rail Authority from its duties under Proposition 1A, including the submission to the Director of Finance of the plan required pursuant to subdivision (d) of Section 2704.08 of the Streets and Highways Code.

(j) As established in Proposition 1A, the required plan shall be informed by the work of one or more independent financial services firms, financial consulting firms, or other consultants, pursuant to paragraph (2) of subdivision (d) of Section 2704.08 of the Streets and Highways Code.

(k) This act clarifies that early investments in the Bookends and elsewhere along the system, as defined in SB 1029 of the 2011–12 Regular Session (Chapter 152 of the Statutes of 2012), which will ultimately be used by high-speed rail trains, are consistent with the intent of the Legislature in appropriating funding and is consistent with Proposition 1A.

SEC. 2. Section 2704.78 is added to the Streets and Highways Code, to read:

2704.78. (a) For purposes of the funding plan required pursuant to subdivision (d) of Section 2704.08, a corridor or usable segment thereof is “suitable and ready for high-speed train operation” if the bond proceeds, as appropriated pursuant to Senate Bill 1029 of the 2011–12 Regular Session

(Chapter 152 of the Statutes of 2012), are to be used for a capital cost for a project that would enable high-speed trains to operate immediately or after additional planned investments are made on the corridor or useable segment thereof and passenger train service providers will benefit from the project in the near-term.

(b) In each report prepared pursuant to Sections 185033 and 185033.5 of the Public Utilities Code, the authority shall include information describing the use of bond proceeds appropriated by Section 2.00 of the Budget Act of 2012, as added by Section 3 of Chapter 152 of the Statutes of 2012, demonstrating that the investments made are consistent with the authority's current business plan and advance the development of the Phase I blended system as described in the business plan.

Exhibit C



CALIFORNIA
High-Speed Rail Authority

Central Valley Segment Funding Plan

Final – January 1, 2017

www.hsr.ca.gov

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Glossary of Key Defined Terms

California High Speed Rail Program Phase 1 (“Phase 1”)	The corridor of the high-speed rail system from Los Angeles and Anaheim to San Francisco including the blended system between San Francisco and San Jose.
California High Speed Rail Program Silicon Valley to Central Valley Line (“Valley to Valley Line”)	As defined in the 2016 Business Plan, the section of the California High-Speed Rail System that runs from San Jose Diridon Station to just north of Bakersfield.
Funding Plan	The plan prepared by the Authority herewith to meet the requirements of S&H section 2704.08, subdivision (d), specifically part (1) for the Usable Segment that is the subject of this Funding Plan.
FRA Agreements	Authority grant agreements with the federal government numbered FR-HSR-0009-10-01-06 (ARRA Agreement, Amendment 6) and FR-HSR-0118-12-01-00 (FY 10 Agreement).
Proposition 1A (Prop 1A) or the Bond Act	The “Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century” (the Bond Act), approved by voters in November 2008. The Bond Act authorizes \$9.95 billion in GO bonds to pay for the capital costs of the high-speed rail system and improvements to regional services which will connect to the system. The Bond Act is codified in Streets and Highways Code (S&H) section 2704 et seq.
SB 1029	SB 1029, passed by the California State Legislature and signed by Governor Brown in July 2012, appropriates Federal and State funding for the Central Valley Segment. The appropriation includes the \$2.6 billion in Prop 1A funds that are the subject of this Funding Plan.

Acronyms and Abbreviations

AB	Assembly Bill
ARB	California Air Resources Board
ARRA	America Recovery and Reinvestment Act
Authority	California High-Speed Rail Authority
BNSF	Burlington Northern Santa Fe
CO	Changer Order
CP	Construction Package
DB	Design Build
DBE	Disadvantaged Business Enterprise
DRB	Disputes Resolution Board
DVBE	Disabled Veteran Business Enterprise
EIR/EIS	Environmental Impact Report/Environmental Impact Statement
FRA	Federal Railroad Administration
GHG	Greenhouse Gases
GGRF	Greenhouse Gas Reduction Fund
GO	General Obligation
NEPA	National Environmental Policy Act
PRIIA	Passenger Rail Investment and Improvement Act of 2008
Prop 1A	Proposition 1A, also known as the “Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century”
RFP / RFQ	Request for Proposals / Request for Qualifications
ROD	Record of Decision
SB	Senate Bill
S&H Code	Streets and Highways Code
SCC	Standard Cost Category
SJJPA	San Joaquin Joint Powers Authority
STO	State Treasurer’s Office
YOE	Year of Expenditure

Introduction

Proposition 1A, the “Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century” (the Bond Act) was approved by voters in November 2008. The Bond Act authorizes \$9.95 billion in general obligation (GO) bonds to pay for the capital costs of the high-speed rail system and improvements to regional services which will connect to the system. The Bond Act is codified in Streets and Highways Code Section (S&H) 2704 et seq. S&H 2704.08, subdivision (d) requires that, prior to committing any proceeds of bonds described in paragraph (1) of subdivision (b) of Section 2704.04 for expenditure for construction and real property and equipment acquisition on each corridor, or usable segment thereof, other than for costs described in subdivision (g), the authority shall have approved and concurrently submitted to the Director of Finance and the Chairperson of the Joint Legislative Budget Committee the following: (1) a detailed funding plan for that corridor or usable segment thereof...(as further described herein); and (2) a report or reports prepared by one or more financial services firms, financial consulting firms, or other consultants, independent of any parties, other than the authority, involved in funding or constructing the high-speed train system, making certain indications.

Purpose of the Funding Plan

The California High-Speed Rail Authority (Authority) has prepared this Streets and Highways (S&H) Code Section 2704.08 subdivision (d) Funding Plan for the Central Valley segment currently under construction, which is the Usable Segment described in **Section A**, in satisfaction of the above-referenced requirement in the S&H Code for the commitment of \$2.609 billion of Proposition 1A (Prop 1A) bond proceeds for expenditure for construction activities and real property and equipment acquisition.

In 2012, Prop 1A bond proceeds in the amount of \$2.6 billion were appropriated by the Legislature in Senate Bill 1029 (SB 1029). In making its appropriation, the Legislature chose to use Prop 1A funds to match the concurrent appropriation of federal funds to begin construction of the high-speed rail system. This Funding Plan follows the Legislature’s direction by using the appropriated funds to pay for the ongoing construction in the Central Valley that SB 1029 authorized.

Consistent with the Legislature’s appropriation, the Authority proposes to use these Prop 1A bond proceeds for the segment of the system that covers the length of the existing construction contracts (construction packages (CPs) 1-4). This segment consists of 119 miles of civil works as well as the systems, communications, yards, buildings and stations for the Authority to be able to start testing trains on it once construction is completed.

This segment will serve as the foundational backbone for the statewide high-speed rail system and serve as the test track that will be necessary before service can begin on the Silicon Valley to Central Valley Line (Valley to Valley Line) as described in the 2016 Business Plan. There is currently no other place in this country to test trains at speeds of 200mph and higher so completing this segment is essential to bringing high-speed rail to California. Access to the funding that is the subject of this Funding Plan is critical to maintaining momentum on the ongoing construction in the Central Valley and providing the required matching funds under the terms of the Federal grant agreements.

This Funding Plan covers the use of the Prop 1A funds that were requested under the S&H Code section 2704.8, subdivision (c) Funding Plan that was approved on November 3, 2011 (Resolution HSR#11-23). Since then, the Legislature has appropriated those funds and the Authority has advanced the project through the environmental process, acquired right of way, and relocated utilities, has broken ground, and significant construction is underway.

Overview of the Central Valley Segment

The Central Valley segment that is the subject of this Funding Plan incorporates an alignment from approximately adjacent to the Madera Amtrak Station to Poplar Avenue in Shafter as described in the Final Environmental Impact Reports/Environmental Impact Statements (FEIR/EIS) for the Merced-Fresno and Fresno-Bakersfield sections. The segment includes two stations that are environmentally cleared at Fresno and Kings/Tulare. The segment will be a fully electrified high-speed rail segment suitable and ready for high-speed train operations that, upon completion, could be put into use by one or more passenger rail service providers. The segment will first serve as the nation's first test track for high-speed trains (over 200mph) and the Authority will run high-speed revenue service over the segment once it completes the Valley to Valley Line, as described in the 2016 Business Plan. As required under the Federal grant which the Prop 1A funds are matching, if the development of the Valley to Valley Line is significantly delayed then the existing state Amtrak service could use the segment on an interim basis to provide faster service to their customers, as was described in the Authority's Business Plans. However, this is a back-up option and not the primary goal of completing this segment.

The Authority is currently delivering the Central Valley infrastructure through a series of contracts. The first contracts that the Authority let were design-build (DB) contracts for construction of the civil works for the segment. These contract packages include CP 1, CP 2-3, and CP 4. All of these contracts have been fully executed and work is underway with heavy construction ongoing. The Authority is now seeking the remainder of the appropriated funds through this Funding Plan in order to continue to advance these contracts and to be able to procure systems, power and track to complete the full build-out of the test track on the way to completing the Valley to Valley Line.

Organization of the Funding Plan

This Funding Plan is organized consistent with the requirements of S&H Code section 2704.08, subdivision (d).

Section A: Usable Segment - defines the 119-mile Central Valley segment as the Usable Segment.

Section B: Sources of Funds and Anticipated Timing of Receipt - describes the sources of funds to be used for the construction and acquisition activities for the segment.

Section C: Projected Ridership and Operating Revenue - includes a discussion of ridership and revenue forecasts when the Authority plans to run service on the segment after it is connected to the Valley to Valley Line. It also provides an overview of the ridership of the existing San Joaquin service that could run on the infrastructure in case the Valley to Valley Line is significantly delayed.

Section D: Construction Cost - describes the construction and acquisition cost estimates for the segment.

Section E: Material Changes - describes the material changes between the Funding Plan prepared pursuant to S&H Code section 2704.08, subdivision (c) on November 3, 2011 and this Funding Plan.

Section F: Terms and Conditions - describes the terms and conditions of the agreements that the Authority has or plans to enter into with regard to the completion of the Central Valley segment.

A. The Usable Segment

Streets and Highways Code section 2704.08, subdivision (d)(1)(A) requires identification of the corridor, or usable segment thereof, and the estimated full cost of constructing the corridor or usable segment thereof. A usable segment is defined in section 2704.01 as a portion of corridor that includes at least two stations.

Overview of the Usable Segment

The Usable Segment that is the subject of this Funding Plan is the part of the high-speed rail system now under construction stretching from approximately adjacent to the Madera Amtrak station to Poplar Avenue in Shafter. As required, this section includes at least two stations in Fresno and at Kings/Tulare. This Funding Plan includes all of the necessary high-speed rail components to be able to test and run high-speed rail trains over the segment. Additionally, the segment could be connected to the existing BNSF line on both ends to run Amtrak service over the corridor, should the completion of the Valley to Valley Line be significantly delayed. Funds are specifically reserved in the Federal grant for this purpose.

Construction Elements

The total expenditure for completion of this segment is estimated to be \$7.813 billion in Year of Expenditure dollars (YOES). This includes all items that will enable the Authority to test and run high-speed trains on the segment. Specifically, the expenditures will include the following:

- Civil Works
- Track
- Railroad Infrastructure
- Signaling
- Overhead catenary system
- Communications systems
- Positive train control
- Heavy Maintenance Facility
- Stations (Fresno and Kings/Tulare)

The purchase of high-speed rail trains is not part of completing the Usable Segment but will be part of the Authority's implementation of the Valley to Valley Line. The trains will utilize this Usable Segment as a test track in order to enable the rolling stock, signaling system, and the electrification system to be tested and commissioned and for all of those systems to be certified. To purchase the trains, the Authority will request an additional appropriation of \$865 million in Prop 1A funds or will use \$865

million from the continuous appropriation the Legislature provided in SB 862. Those funds (if Prop 1A) will be part of a future Funding Plan that the Authority will submit.

Exhibit A-1 – Central Valley Segment Capital Cost Projections

Capital Costs	2015\$	YOES
Central Valley Segment	7,161	7,552
Heavy Maintenance Facility	234	261
Total Central Valley Segment Capital Cost	7,395	7,813

Components of the Usable Segment

The Central Valley segment that is under construction has been adopted by the Authority’s Board as a Usable Segment upon approval of this Funding Plan. The segment will cover 119 miles of new high-speed rail alignment. As adopted by the Board, the segment will include substructure, bridges, track, systems and communications, yards, buildings and stations constructed to high-speed rail standards and will be suitable and ready for high-speed rail operations. Construction of Central Valley segment civil works has been ongoing since 2013 with over \$3 billion of contracts awarded to design-build contractors.

CP 1 is the first construction contract executed on the Valley to Valley Line portion of Phase 1 of the high-speed rail system. The CP 1 construction area is a 32-mile stretch between Avenue 19 near the city of Madera (approximately adjacent to the existing Madera Amtrak station) and East American Avenue in Fresno County. It includes 20 grade separations, 2 viaducts, 1 tunnel and a major river crossing over the San Joaquin River. Construction is under way at multiple active sites and will expand in the coming months to other areas. The scope and boundaries of CP1 are presented in **Exhibit A-2**. For more information on CP1 please refer to: http://www.hsr.ca.gov/Programs/Construction/about_construction_package_1.html

Exhibit A-2. 1 CP 1 Project Scope and Boundaries



Source: *About Construction Package 1*

http://www.hsr.ca.gov/Programs/Construction/about_construction_package_1.html

CP 2-3 is the second construction contract executed on the Central Valley segment. The CP 2-3 construction area extends in excess of 65-miles from the terminus of CP 1 at East American Avenue in Fresno County to approximately one mile north of the Tulare-Kern County line. CP 2-3 includes approximately 36 grade separations in the counties of Fresno, Tulare and Kings, including viaducts,

underpasses and overpasses. Work in this section is currently underway with construction progressing. The scope and boundaries of CP2-3 are presented in **Exhibit A-3**. For more information on CP2-3 please refer to:

http://www.hsr.ca.gov/Programs/Construction/about_construction_package_2_3.html

Exhibit A-3. CP 2-3 Project Scope and Boundaries



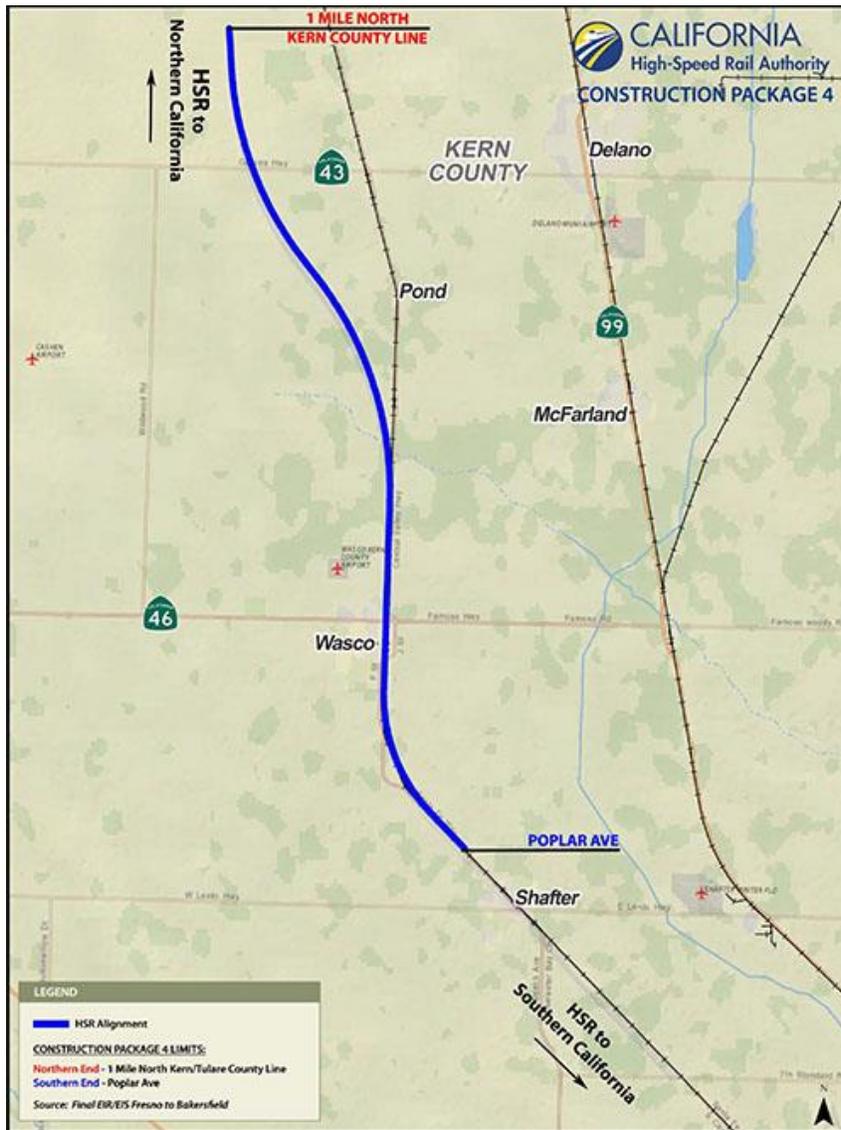
Source: About Construction Package 2-3

http://www.hsr.ca.gov/Programs/Construction/about_construction_package_2_3.html

CP 4 is the third construction contract executed on the Silicon Valley to Central Valley Line. The CP 4 construction area is a 22-mile stretch bounded by a point approximately one mile north of the Tulare/Kern County Line at the terminus of CP 2-3 and Poplar Avenue to the south. CP 4 work will include construction of at-grade, retained fill and aerial sections of the high-speed rail alignment and relocation of four miles of existing BNSF tracks.

The scope and boundaries of CP4 are presented in **Exhibit A-4**. For more information on CP4 please refer to: http://www.hsr.ca.gov/Programs/Construction/about_construction_package_4.html

Exhibit A-4. CP 4 Project Scope and Boundaries



Source: About Construction Package
http://www.hsr.ca.gov/Programs/Construction/about_construction_package_4.html

The remaining elements that will enable the Central Valley Segment to perform as the first high-speed rail test track have yet to begin procurement but will be delivered consistent with the Authority's Business Plan through subsequent procurements once civil works have advanced further. These remaining elements include the following:

- Stations and passenger platforms
- Traction power (including the overhead contact system and all of the necessary substations, switching stations, and paralleling stations) capable of achieving design speeds of 250 mph and operating speeds of 220 mph.
- Communications system including fiber-optic cables and radio communications
- Signaling system and related on-board equipment for the trains
- The operations control center
- Warning system to detect, report, and where appropriate, autonomously mitigate safety events such as earthquakes, broken rails, intrusions by unauthorized persons/objects, high temperatures, high winds, and flooding.
- Supervisory Control and Data Acquisition System
- Closed Circuit Television System
- Direct Line Telephone System
- Passenger information system at each station tied to the operations control center and signaling system to ensure accurate and current information.

Legislative Counsel Conclusion

In June 2012, the Office of Legislative Counsel (a nonpartisan public agency that provides legal services to the Legislature and others) concluded that the Central Valley segment qualified as a 'usable segment' under the Bond Act. The Legislature considered this opinion in making the appropriation in SB 1029 and the Authority is submitting this Funding Plan consistent with the Bond Act and the Legislature's direction. The Legislative Counsel wrote:

"Moreover, while it is clear that eventually the HSR system is to be used by electrified high-speed trains (subd. (a), Sec. 2704.09), there are several provisions of the bond act that contemplate use of newly constructed high-speed rail line segments for passenger train service, as distinguished from high-speed train service. (see para. (3), subd. (f), Sec. 2704.08, referring to "the utility of those corridors or usable segments thereof for passenger train services other than the high-speed train service"; see sub para. (1), para. (2), subd. (e), Sec. 2704.08, referring to "one or more passenger service providers ... using the tracks or stations for passenger train service"; and see subpara. (e), para. (2), subd. (d), Sec. 2704.08, referring to "one or more passenger train providers ... using the tracks or stations for passenger train service"). Thus, with respect to the service that may be expected to operate on a line that is constructed with Proposition 1A HSR funds, the bond act makes a distinction between "high-speed train operation" and "passenger train service," ... Based on the foregoing, we think that operation of a conventional passenger train service on the track and structures constructed for high-speed rail is contemplated and

authorized by the bond act as an interim measure until further progress is made on construction of the HSR system that will allow operation of a commercially viable high-speed train service...

It is our understanding that the initial 130-mile segment, as proposed to be constructed by the authority, would include two stations, Fresno and Kings/Tulare, and that it would be designed to be used on an interim basis by the Amtrak San Joaquin conventional passenger train service until additional segments of the HSR system are constructed and the operation of a commercially viable high-speed train service can be implemented. Accordingly, it is our opinion that the initial 130-mile segment would qualify as a "usable segment" under the bond act."¹

¹ Legislative Counsel Bureau's Opinion, June 8, 2012. Note that the opinion analyzed use of the Central Valley segment infrastructure without electrification or advanced signaling systems by an interim Amtrak San Joaquin diesel service. While this Funding Plan has evolved that concept to actually build full high-speed rail infrastructure, the concept and viability of an interim operation of passenger service on the infrastructure before commercial high-speed rail operations (as analyzed by the Legislative Counsel) still applies.

B. Sources of Funds and Anticipated Time of Receipt

Streets and Highways Code section 2704.08, subdivision (d)(1)(B) requires identification of the sources of all funds to be used and anticipated time of receipt thereof based on offered commitments by private parties, and authorizations, allocations, or other assurances received from governmental agencies.

This section describes the sources of funds, summarizes key conditions to receipt of funds, including timing constraints and matching funds requirements, and presents the anticipated time of receipt of such funds.

Prop 1A bond funds in the amount of \$2.6 billion were appropriated by the Legislature in SB 1029. In making its appropriation, the Legislature also provided guidance for how it (and the people of California) want the system to be developed in compliance with the requirements set out in Prop 1A. The Authority's plans follow the Legislature's direction in delivering the system and using the funds that were appropriated. The Authority has been using the Federal funds that were appropriated for the ongoing construction in the Central Valley. This Funding Plan is being submitted to begin using the appropriated Prop 1A funds to match those Federal funds.

Overview of Sources of Funds

The Authority has identified the following funding sources, totaling \$7.813 billion, to fund construction of the Central Valley test track, the Usable Segment that is the subject of this Funding Plan. The segment is funded from three sources:

- (1) Prop 1A bond appropriations totaling \$2.609 billion;
- (2) Matching Federal grants totaling \$2.970 billion; and
- (3) State Cap-and-Trade Proceeds totaling \$2.234 billion.

Both Prop 1A bond funds and matching Federal grant funds were appropriated in the fiscal year 2012-13 Budget Act (see Senate Bill 1029, enacted in July 2012). The State Cap-and-Trade Proceeds were appropriated in 2014 through a one-time appropriation in SB 852 and a continuous appropriation in Senate Bill 862, as described in detail, below. The total amount of funds to be used to complete the segment is \$7.813 billion.

Exhibit B-1. Funding Sources to Complete the Central Valley Segment²

Funding Sources	Funding Amounts (\$ millions)
State General Obligation Bond Funds - Proposition 1A	\$2,609
State funds - Cap-and-Trade	\$2,234
State Funds Subtotal	\$4,844
American Recovery and Reinvestment Act of 2009 (ARRA)	\$2,041
High-Speed Intercity Passenger Rail Program for Fiscal Year 2010 (FY 10)	\$929
Federal Funds Subtotal	\$2,970
All Funding Sources Total	\$7,813

Sources: SB 1029, SB 862, ARRA and FY 10 Agreements and September 2016 Funding Contribution Plan (subject to FRA approval)

All the physical elements contemplated in this Funding Plan related to electric high-speed trains running, including for testing, on the Central Valley segment (e.g., electrification equipment, etc.) are not necessary for San Joaquin service to operate. Without those elements, the total cost of the Central Valley segment would be \$6.69 billion and would be covered by the \$2.609 billion in Prop 1A funds, the \$2.97 billion in federal funds, and \$1.11 billion in Cap-and-Trade proceeds.

Beyond the funding sources listed above, the Authority's Grant Agreements with the Federal government contain provisions for an Interim Use Reserve. The Interim Use Reserve is designed to cover costs that would be incurred to allow interim service to run on the corridor. These elements could include track connections and associated communications and signaling, interim stations, operations control, and maintenance, if necessary. The funds allocated to this Interim Use Reserve are 100 percent Federal funds. These funds ensure that the usable segment will be put into use by passenger train service, as required in Prop 1A.

As part of implementing the Valley to Valley Line, the Authority plans to submit an additional Funding Plan to request \$865 million in Prop 1A funds, or to use \$865 million from the continuous appropriation the Legislature provided in SB 862, for the purchase of high-speed trains. The trains are a long-lead time item so procurement will start as described in the 2016 Business Plan. Those funds, if Prop 1A, will be matched using the Federal and Cap-and-Trade funds that are part of this Funding Plan but that go

² Does not include already-expended project development costs (e.g. environmental clearance).

beyond (so are not needed to match) the \$2.6 billion in Prop 1A funds included here as described in **Exhibit B-1** above.

The following sections describe the sources of funds in more detail and the anticipated time of receipt of those funds based on expected commitments, authorizations, agreements, allocations, or other means.

Bond Proceeds

The California High-Speed Rail Program will use proceeds from the sale of State GO bonds authorized under the “Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century” that voters approved in 2008. This section outlines the process by which GO bond proceeds can be accessed by the Authority.

The Bond Act authorizes the State to issue \$9.95 billion of GO bonds, \$9 billion of which will be used to develop the high-speed rail system. Prop 1A bond proceeds currently fund the environmental, planning, engineering, and administrative operations of the Authority and also will contribute to the construction of the high-speed rail system and real property and equipment acquisition. As discussed above, SB 1029, passed by the California Legislature and signed by Governor Brown in July 2012, appropriated Federal and State funding including the \$2.6 billion of Proposition 1A bond funds that are the subject of this Funding Plan for construction in the Central Valley.

The remaining \$950 million authorized under Prop 1A is allocated for capital improvements to commuter and intercity rail lines. This portion of Prop 1A bond proceeds may be used for connectivity, preliminary engineering, right-of-way acquisition, and the construction of tracks, structures, power systems, and stations. Additionally, rolling stock and related equipment, as well as other capital-related facilities and equipment, may be purchased with these bond funds for those systems. SB 1029 also appropriated the rest of these funds for statewide rail modernization and they have been put into use by local project sponsors.

In addition, Prop 1A stipulates that bond proceeds may not be used for more than 50 percent of the total cost of construction of each corridor or usable segment of the system.

On an ongoing basis, the Authority works with the Department of Finance to develop cash flow projections for the Authority’s funding needs. The Authority completes a biannual bond survey that is submitted to the Department of Finance to identify its needs for bond proceeds for the next five fiscal years.

The Department of Finance includes the Authority’s information as part of its cash flow projections for all state GO bonds, which are submitted to the State Treasurer’s Office (STO). The Proposition 1A bonds are sold as part of a combined issuance of State GO bonds for a variety of voter-approved purposes.

Anticipated Timing - Bond Funds

Prop 1A Bond funds will be used for pay-go funding of construction contracts. The Authority’s cash flow needs are projected on a quarterly basis which allow it to plan for forthcoming expenditures. The

Authority will work with Department of Finance and the STO to coordinate bond sales in order to provide adequate and timely funding for active projects. This follows the process that the State uses to sell GO bonds for infrastructure projects.

Cap-and-Trade Proceeds

The Legislature appropriated 25% of the annual auction proceeds of the Cap-and-Trade Program for the high-speed rail program, which are deposited in the Greenhouse Gas Reduction Fund (GGRF). Due to the nature of the Program, the annual auction proceeds are variable and may impact the Authority's funding stream but for planning purposes we use an average annual amount to account for that variation.

In June 2005, Governor Schwarzenegger issued an executive order to set a greenhouse gas (GHG) reduction target of 80% below 1990 levels by 2050. In 2006, Governor Schwarzenegger signed into law the California Global Warming Solutions Act of 2006 (Assembly Bill (AB) 32) which committed California to reducing its GHG emissions to 1990 levels by 2020.

The California Air Resources Board (ARB) was charged with developing a market-based strategy to reach these goals. To plan strategies for reducing emissions, ARB develops a Scoping Plan, which is updated on a five-year basis. In the Scoping Plan, ARB developed the Cap-and-Trade Program as the centerpiece of its GHG reduction strategy and created a market for GHG emissions that covers roughly 85% of the GHG emissions in the State. In addition, ARB identified several complimentary measures that will reduce GHG emissions from California's major economic sectors that are not directly covered under the Cap-and-Trade Program.

The Cap-and-Trade Program develops caps for annual emissions and then auctions emissions allowances to businesses covered by the cap. These auctions generate revenues that are then deposited in the GGRF and are used for a variety of programs aimed at reducing emissions. On June 20, 2014, the Governor signed the Budget Act of 2014 (SB 852 and SB 862), which included an appropriation of proceeds from the State's Cap-and-Trade Program to various programs and projects that will reduce greenhouse gas emissions in furtherance and accordance with AB 32. Specifically, SB 852 appropriated \$872 million in Cap-and-Trade auction proceeds from the GGRF in Fiscal Year (FY) 2014-15, with \$250 million going to the high-speed rail project. SB 862 also directed a \$400 million loan repayment to the Authority based on the project's financial needs. These one-time appropriations are further augmented by SB 862, known as the Cap-and-Trade Expenditure Plan (Plan), which established a programmatic structure for the continuous appropriation of annual Cap-and-Trade proceeds from the GGRF including 25% of all proceeds for the high-speed rail program. In making the continuous appropriation, the Legislature determined that these funds could be used to pay for planning and construction costs for the Phase 1 Blended System and/or to repay loans made to the Authority.

On September 8, 2016, Governor Brown signed Senate Bill 32 (SB 32) which required the state to cut emissions at least 40 percent below 1990 levels by 2030 as an interim goal on the way to achieving the original reduction goal set out in the 2005 Executive Order and as part of the State's compliance with

the Paris Agreement to reduce emissions by 2050. ARB will decide on the best strategies for the state to meet this new target.

Anticipated Time of Receipt – Cap-and-Trade

Annual Cap-and-Trade proceeds received during the construction period will be used directly for construction activities on a pay-go basis. This will allow the maximum amount of funding to be contributed directly to project costs during this time. The Authority receives its allocation of receipts on a quarterly basis.

In FY 2015-16, the first year of the continuous appropriation, the Authority received \$457 million in Cap-and-Trade proceeds. The cash balance as of November 1, 2016 in the Authority's portion of the GGRF stands at \$874 million.³ The 2016 Business Plan estimates that on average the Authority will receive \$500 million of Cap-and-Trade proceeds per year. At that rate, by FY2018-19, the Authority will receive the necessary funds to complete the test track.

Federal Funding

The Passenger Rail Investment and Improvement Act of 2008 (PRIIA) established the framework for the national high-speed rail and intercity passenger rail programs. In February 2009, President Obama signed the American Recovery and Reinvestment Act (ARRA) of 2009. Using PRIIA as a framework, Congress appropriated through ARRA an investment of \$8 billion for new high-speed and intercity passenger rail grants. Congress continued to build upon this ARRA funding by making available through annual appropriations in FY 2010 an additional \$2.1 billion for high-speed and inter-city rail across the country, bringing the total program funding to \$10.1 billion. California's program has received \$3.48 billion or 34 percent of these federal funds. Of this amount, approximately \$2.97 billion is committed to construction in the Central Valley. These funds are governed by the Authority's grant agreements with the Federal Railroad Administration (FRA), which were recently amended to better match the program's current status.

Anticipated Time of Receipt – Federal Funding

The ARRA and FY 2010 funds have been awarded and appropriated, making them available for project expenditures. The FRA agreed to provide the State with payments consistent with a Funding Contribution Plan described in the ARRA Grant Agreement, where such payment may temporarily exceed the State's contributory matching fund percentage. The State remains responsible for ensuring that the matching contribution at project completion is not less than the contributory matching fund percentage agreed to in the Grant Agreement. The current arrangement anticipates using ARRA funds first then matching with state funds. FY 2010 funds will then be used for project completion.

³ The Cap-and-Trade balance includes \$400 million that is available to the Authority pursuant to Health and Safety Code 39719.1.

C. Projected Ridership and Operating Revenue

Streets and Highways Code section 2704.08, subdivision (d)(1)(C) specifies inclusion of a projected ridership and operating revenue report.

The Authority plans to operate trains on the Valley to Valley Line after completing the testing and commissioning process on the test track. The Authority is not planning to run stand-alone service on the Central Valley Segment.⁴

San Joaquin Service Overview

The Amtrak San Joaquin service runs between the San Joaquin Valley, Sacramento, and the Bay Area. The San Joaquin service runs through the following counties: Sacramento, Contra Costa, Alameda, San Joaquin, Stanislaus, Merced, Madera, Fresno, Kings, Tulare, and Kern; with approximately eight million residents total.

The Amtrak San Joaquin service currently operates seven daily roundtrip trains (with the seventh added in June of 2016), with five running between Oakland and Bakersfield and two between Sacramento and Bakersfield. The San Joaquin service is the fifth busiest intercity passenger rail service in the nation, with nearly 1.2 million passengers a year.

From Bakersfield to Oakland, the San Joaquin service includes thirteen stops (315 miles) and from Bakersfield to Sacramento the service includes ten stops (282 miles). The minimum scheduled running time between Oakland and Bakersfield is currently six hours and five minutes with an average speed of 52 mph. Between Sacramento and Bakersfield, the minimum running time is currently five hours and ten minutes with an average speed of 55 mph. Maximum speed for the service is 79 mph.

Amtrak Thruway buses connect passengers from Bakersfield to Southern California destinations, from Stockton to Sacramento, and from Emeryville to San Francisco. Additional Amtrak Thruway buses are

⁴ The Authority's 2016 Business Plan and its associated technical reports include extensive analysis of the ridership and revenue forecasts on the Valley to Valley Line. These documents can be found here:

http://hsr.ca.gov/About/Business_Plans/2016_Business_Plan.html

Additionally, further technical information on the Authority's ridership and revenue forecasts is available on the Authority website here:

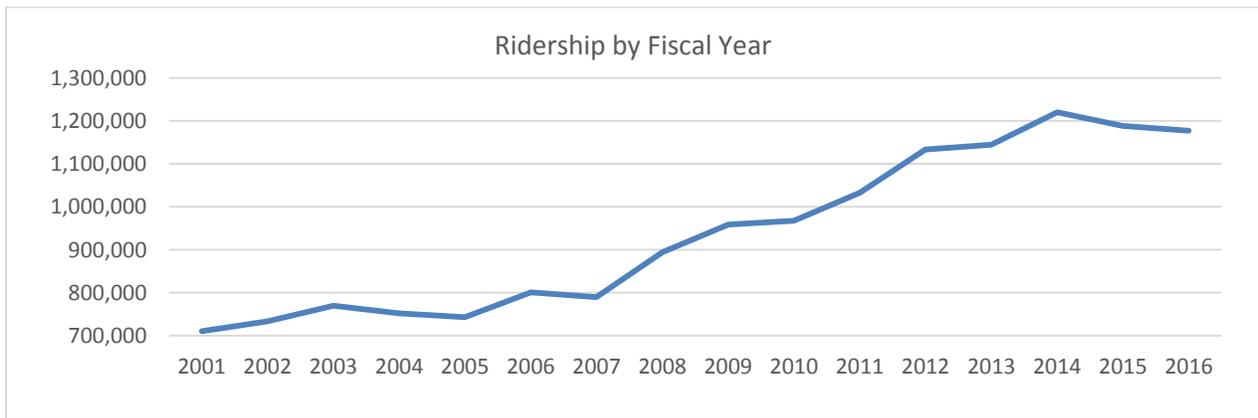
http://hsr.ca.gov/About/ridership_and_revenue.html

available at Oakland, Martinez, Merced and Hanford for other destinations around the state. Nearly 45% of passengers used the Amtrak Thruway bus service on one end of their travel.

Ridership and Operating Revenue

Ridership and operating revenue on the San Joaquin service has increased dramatically over the past 15 years. As **Exhibit C-1** indicates, ridership has increased 66% since 2000 and 47% since 2006.

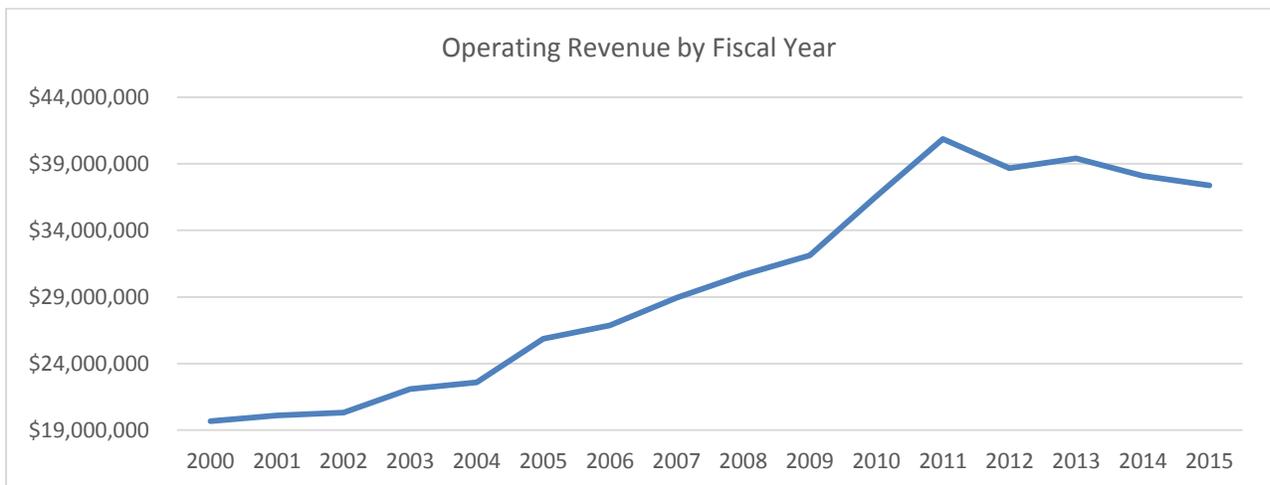
Exhibit C-1. San Joaquin Ridership



Note: Data is from several sources and includes slight difference in fiscal year definitions.

Operating revenues show a similar trend since 2000, with revenue increasing 90% since 2000 and 44% since 2006.

Exhibit C-2. San Joaquin Operating Revenue



Note: Data is from several sources and includes slight difference in fiscal year definitions.

Future Growth and Opportunity to Operate on High-Speed Rail Infrastructure

Only short-term projections are available for the San Joaquin service. Based on the San Joaquin Joint Powers Authority (SJJPA) 2016 Business Plan, Amtrak projects that for Federal FY'17 ridership will be 1.25 million (a six percent increase from their forecast for Federal FY'16) and operating revenue will be \$41 million (a one percent increase from their forecast for Federal FY'16).

The SJJPA is also currently working with the State to secure funding for capital improvements and operating funds for an 8th daily roundtrip trip (potentially a mid-corridor start and end) that would increase ridership and revenue. There is also strong potential for additional service to Sacramento, depending on time of day, according to the SJJPA 2016 Business Plan.

Once the high-speed rail infrastructure is completed and if it is available for an extended period of time beyond testing of high-speed trains, the Authority will explore options for how best to put the infrastructure into service. One such option would be to transfer the San Joaquin service from the existing BNSF line to run on that new infrastructure. The newly built line would allow for faster speeds, decreasing the end to end run time by as much as 45 minutes. Faster service would improve the attractiveness of the service, increasing both ridership and operating revenue. The additional revenue that this could generate would reduce the amount of needed operating subsidy by Caltrans.

D. Projected Construction Cost

Streets and Highways Code section 2704.08, subdivision (d)(1)(D) requires inclusion of a construction cost projection including estimates of cost escalation during construction and appropriate reserves for contingencies.

The cost to complete the Central Valley segment and prepare the track for system testing is **\$7.813 billion** in YOES. This is equivalent to \$7.395 billion in 2015\$. Out of this amount, \$1.434 billion has been spent through FY15/16 and \$6.379 billion in (YOES) remains. The capital costs include escalation which adds **\$418 million** to the cost. Contingencies in the estimate include both allocated and unallocated contingency. The allocated and unallocated contingencies add up to **\$923 million**.

As with any major construction project, capital cost projections are updated as the project progresses. Changes within the various line items to the capital cost projections for the portions of the Central Valley segment that are part of the grant agreement are updated quarterly and reported to the FRA as a requirement of the ARRA and FY10 grant agreements. Overall systemwide capital costs are updated through biannual Business Plans.

As described above, although not necessary for this Funding Plan and Usable Segment and as part of the Valley to Valley Line, the Authority plans to use funds appropriated in SB 862 or to submit a separate Funding Plan that would request Prop 1A funds to expand the system further and/or purchase the trains to begin service. The 2016 Business Plan estimates that the initial order of 16 trainsets will cost \$865 million.

Capital Cost Approach and Methodology

The capital cost estimate is a Class 3 estimate as defined by the Association for the Advancement of Cost Engineering. Class 3 estimates are typically prepared to form the basis for budget authorization, appropriation, and/or funding. As such, they provide the initial control estimate against which actual costs and resources are monitored. The level of engineering ranges from 10% to 40% complete and typically includes: horizontal and vertical alignments, typical cross sections, preliminary roadway and structure design, preliminary assessment of utility impacts, preliminary identification of systems facilities, development of environmental footprints and right-of-way requirements and initial constructability reviews. Further detailed information on the cost estimating process is located at: http://hsr.ca.gov/docs/about/business_plans/2016_Business_Plan_Basis_of_Estimate.pdf

The methodology used for generating the capital cost estimate is consistent with FRA guidelines for estimating capital costs. The FRA guidance enables FRA-funded projects to develop budget baselines that summarize to the Standard Cost Category (SCC). Where the level of design did not support quantity

measurements, parametric estimating techniques were utilized. Parametric estimating techniques utilize historical data and other industry published materials to develop unit pricing for similar work scope. The methodology includes:

Historical Bid Price Method: Historical bid prices are typically used to develop costs for common construction elements. When using this method, the time of bid and conditions of the historical project used for pricing is taken into account and factors applied as needed

Unit Cost Analysis Method: The estimated unit cost analysis method is typically used to develop costs for complex construction elements including but not limited to viaducts, retained earth systems, tunneling and underground structures. This method allows for unit costs to be developed based on current local construction and market conditions, such as changes which might affect productivity or the cost of labor or materials

Contractor Mark Ups: Contractor margin is added on top of the fully burdened direct construction cost to have a complete in place cost. This approach is based on the contractor's field staffing which includes indirect costs such as office spaces, field consumables, bonds, insurance, and contractor's home office overhead and margin.

Quantity Take Offs: The development of construction costs for each construction activity was identified and quantified from the preliminary design documents developed by the Authority and its consultants. The task of material quantity takeoffs involved preparation of estimated quantities either by direct measurement and calculation of construction elements that are shown in design drawings, sketches, electronically calculated from Computer-Aided Design and Drafting files, or established as an allowance quantity based on professional experience and judgment

Allocated and Unallocated Contingencies: Contingency is typically added to a particular item or group of items by the use of percentage multipliers. Contingency is generally greatest for the early stage of project development and decreases with advancement in the level of engineering design and pricing detail. During the preliminary design of the high-speed rail project, the limited level of design information that is available requires the use of contingency allowances that are allocated against specific construction or procurement cost categories. The percentage selected for a given cost category are generally based on level of definition of the scope of work involved and substantiated by professional judgment and experience relative to level of uncertainty and historical cost variability typically seen for work within a particular cost category.

For the purposes of this estimating program, contingency is divided into two major categories – allocated and unallocated. Additionally, the specific contract contingencies approved by the Board for each construction contract are included as part of the allocated contingency. These contingencies were set based on a risk management approach that quantified the risks involved in each contract based on Monte Carlo simulations. Reporting against the contingencies is provided monthly through the Board's

Finance and Audit Committee.

Allowances and Other Costs: Inclusion of allowances to account for environmental clearance (which have been achieved and are included in the amounts spent to date), temporary facilities, and right of way costs.

Program Management and Implementation: Program implementation costs are included to represent the costs of engineering, project and construction management, contract administration, permits and fees, and training/start-up/testing. These add-on costs are calculated as a percentage of construction costs including allocated contingency (applied individually and not cumulatively and excluding right-of-way costs) and presented under the Professional Services cost category in the estimate.

Capital Cost Estimates by SCC

The cost estimate has been broken out into ten cost categories consistent with the SCCs. **Exhibit D-1** below provides the capital cost estimate for the segment by cost category, including everything necessary to complete the Central Valley segment. This estimate was created specifically for purposes of this Funding Plan and reflects the precise scope described here.⁵

Exhibit D-1 – Central Valley Segment Capital Cost by Category⁶

Capital Costs	Cost to Complete		Expended Through FY15/16	Total Capital Cost
	(2015 \$)	(YOE \$)	(YOE \$)	(YOE \$)
10 TRACK STRUCTURES & TRACK	1,228	1,305	202	1,507
20 STATIONS, TERMINALS, INTERMODAL	137	145	4	148
30 SUPPORT FACILITIES: YARDS, SHOPS, ADMIN. BLDGS	106	118	-	118
40 SITEWORK, RIGHT OF WAY, LAND, EXISTING IMPROVEMENTS	1,619	1,750	798	2,549
50 COMMUNICATIONS & SIGNALING	292	309	-	309
60 ELECTRIC TRACTION	512	540	-	540
70 VEHICLES	-	-	-	-
80 PROFESSIONAL SERVICES	1,191	1,289	431	1,720
Subtotal	5,087	5,456	1,434	6,890
Total Contingency	874	923	-	923
Central Valley Segment Total	5,961	6,379	1,434	7,813

Note: Totals may not sum due to rounding.

⁵ This is a different summary of the cost estimates than what was included in the Business Plan since the scope and costs were built up in a different manner.

⁶ Does not include already-expended project development costs (e.g. environmental clearance).

All the physical elements contemplated in this Funding Plan related to electric high-speed trains running, including for testing, on the Central Valley segment (*e.g.*, electrification equipment, etc.) are not necessary for San Joaquin service to operate. Without those elements, the total cost of the Central Valley segment would be \$6.69 billion.

E. Material Changes

Streets and Highways Code section 2704.08, subdivision (d)(1)(E) requires inclusion of a report describing any material changes from the plan submitted pursuant to subdivision (c) for this corridor or usable segment thereof.

The Authority has continued to advance the program on all fronts since the release of the 2011 Funding Plan including in the areas of construction, environmental clearance, right-of-way acquisition, construction, funding, risk management and business model. This section discusses the changes between this Funding Plan and the Funding Plan submitted pursuant to S&H Code section 2704.08 subdivision (c) in November 2011.

Changes since the 2011 Funding Plan

Usable Segment

The Funding Plan submitted in November 2011 described two Usable Segments. The two Usable Segments described in the 2011 Funding Plan stretched from Merced to the San Fernando Valley and from San Jose and Merced to Bakersfield. Their descriptions as Usable Segments were aligned to the Draft 2012 Business Plan. This Funding Plan has updated the Usable Segment to more closely align with the Legislature's appropriation and guidance and the staging of the development of the entire Valley to Valley Line as described in the 2016 Business Plan. This Usable Segment also aligns with the construction that is currently underway in the Central Valley. This Usable Segment was included as part of both of the Usable Segments in the 2011 Funding Plan.

Funding and Appropriation

Subsequent to the release of the 2011 Funding Plan, SB1029 was approved by the Legislature and signed into law by Governor Brown on July 6, 2012. SB 1029 included the appropriation of the necessary Federal and State funding to begin construction and to match the Federal funds and the Prop 1A funds.

As discussed in **Section B** of this Funding Plan, in 2014, the Legislature approved SB 862, which continuously appropriated 25 percent of funds from the GGRF for the high-speed rail program. Additionally, the Authority received \$250 million in FY 2014-15 and \$400 million was made available starting in FY 2015-16. This provides the Authority with a continuous funding source for future sections of the project. For additional information, see **Section B** of this Funding Plan.

Construction Cost Projections

The 2011 Funding Plan included a construction estimate of \$6.0 billion, inclusive of \$150 million for pre-construction activities and right of way acquisition. The 2011 Funding Plan only contemplated the construction of civil works and track within the \$6.0 billion cost estimate. However, this Funding Plan incorporates the full complement of civil works, track, infrastructure, systems, power, heavy maintenance facility and stations that will provide a fully operational segment. The capital cost estimate for this entire scope of work is \$7.813 billion. This cost estimate has been revised to include up-to-date information from the executed contracts for CP 1, CP 2-3 and CP-4 infrastructure that will enable the segment to be ready for high-speed train system testing. Further information relating to the construction cost estimate can be found in **Section D** of this Funding Plan.

Business Model and Contracts

The Authority has executed the contracts for CP 1, CP 2-3 and CP 4 with bids coming in under engineer's estimates. See **Section F** of this Funding Plan for further information on these construction contracts and the business model.

Environmental Approvals

In order to proceed to construction, the Authority has completed all project-level environmental documents for this segment. These documents are as follows:

1. In September 2012 the FRA issued a Record of Decision (ROD) approving the "Hybrid Alternative" alignment for the Merced to Fresno project section, which was selected by the Authority's Board of Directors in May 2012. The Final EIR/EIS for the Merced to Fresno project section, which further describes the Hybrid Alternative, is available at:
http://www.hsr.ca.gov/Programs/Environmental_Planning/final_merced_fresno.html
2. In June 2014 the FRA issued a ROD approving the alignment for the Fresno to Bakersfield project section, which was selected by the Authority's Board of Directors in May 2014. The Final EIR/EIS for the Fresno to Bakersfield project section is available at:
http://www.hsr.ca.gov/Programs/Environmental_Planning/final_fresno_bakersfield.html

Risk Management Program

Since the 2011 Funding Plan was adopted, the Authority has implemented a robust Risk Management Program that uses state-of-the-practice risk management tools and analyses (such as Monte Carlo simulations) in order to flag early warning signs associated with potential risks related to construction and operation of high-speed rail service. These analyses are used to facilitate and drive prudent and timely risk response actions before program cost and schedule have the potential to be impacted.

- The Risk Management Program has a direct reporting relationship established with the Board Finance and Audit Committee. This direct reporting enables daylighting to the risk management approach and encourages informed decisions.
- Pre-bid schedule and cost risk analyses have been undertaken for each of the CPs. The identification of major risks and contingency recommendations in these pre-bid analyses were validated by the eventual contractor's scope and schedules.
- The risk management team is assisting other teams within the program in making significant decisions using a data-driven analysis approach. For example, the probabilistic analysis performed on the containment of railroad intrusion protection barrier walls provided us, the FRA, and adjacent railroads an additional mechanism to make informed decisions.
- Through ongoing efforts, various trends have been identified, both positive and negative, to the program cost and schedule milestones.
- The risk management team is working in concert with all parties involved in the delivery of the program to identify and implement risk mitigation strategies and potential savings such as alternative design and construction approaches.
- Lessons learned are being applied from early CPs to better quantify the uncertainties related to schedules and costs and improve the underlying risk analyses for future CPs and the program.

As discussed in the 2016 Business Plan, we have developed and implemented a risk management plan and a quality management system that are designed to manage and mitigate risks and to ensure that the high-speed rail program meets or exceeds acceptable industry and government standards. For more information on risk management refer to the 2016 Business Plan:

http://www.hsr.ca.gov/docs/about/business_plans/2016_BusinessPlan.pdf

F. Terms and Conditions of Agreements

Streets and Highways Code section 2704.08, subdivision (d)(1)(F) requires a description of the terms and conditions associated with any agreement proposed to be entered into by the authority and any other party for the construction or operation of passenger train service along the corridor or usable segment thereof.

The 2016 Business Plan describes the Authority’s business model, construction contracts, funding agreements, and the anticipated roles of various parties in the development of the California High-Speed Rail program, including for the Central Valley segment. This section of the Funding Plan includes both details of the existing agreements and contracts as well as a subsection on the overall business model.

The Authority has moved forward with a range of agreements necessary for construction of the segment. This section describes the funding agreements between the Authority and its federal funding and oversight partners; construction agreements (both executed and planned); and other agreements anticipated for delivery of the other elements of the Central Valley segment as part of the Valley to Valley Line (although contractually, these elements would not depend upon the Valley to Valley Line).

Funding Agreements

The Authority has entered into agreements with the FRA (FRA Agreements) in connection with the two federal grants that the Authority has been awarded. **Exhibit F-1** describes key elements and terms of the FRA Agreements (ARRA Agreement, Amendment 6 and FY 10 Agreement).

Exhibit F-1. FRA Grant/Cooperative Agreements – Key Relevant Elements and Terms

Key Elements	Key Terms
Parties to the Agreement	<ul style="list-style-type: none"> California High-Speed Rail Authority (Authority) US Department of Transportation, Federal Railroad Administration (FRA)
Agreements	<ul style="list-style-type: none"> FR-HSR-0009-10-01-06 (ARRA Agreement, Amendment 6) FR-HSR-0118-12-01-00 (FY 10 Agreement)

Key Elements	Key Terms
Performance Period	From 8/17/2010 to 12/31/2022 (ARRA) and from 12/16/2009 to 12/31/2022 (FY 10).
Total Funding Amount	\$3,481,176,231.00 total federal funds: \$2,552,556,231.00 from ARRA, and \$928,620,000.00 from FY 10 programs
Scope of Project	<ul style="list-style-type: none"> • As used in the FRA Agreements, the term “Project” refers to the overall effort identified in Section 8 of the ARRA Grant/Cooperative Agreement and as that term is defined in Subsection 1(h) of Attachment 2. (ARRA Agreement, Attachment 2, General Provisions) • The ARRA Agreement Statement of Work, Attachment 3 incorporates Tasks 1-4 which define preliminary engineering and environmental work and pre-construction activities for seven Phase 1 sections, as well as project administration and indirect costs. • The ARRA Agreement Statement of Work, Attachment 3 also incorporates Tasks 5- 10 which defines activities for construction of the Initial Central Valley Section including: (5) Program, Project, and Construction Management; (6) Real Property Acquisition and Environmental Mitigation; (7) Early Work Program; (8) Final Design and Construction Contract Work; (9) Interim Use Project Reserve; and (10) Unallocated Contingency. Note: Task 7 is no longer applicable.

Key Elements	Key Terms
Delivery Responsibilities	<p>The Grantee (the Authority) is responsible for furnishing all personnel, facilities, equipment, and other materials and services (except as otherwise specified in the agreement) necessary to perform the Project, as set forth in the Statement of Work (Attachment 3), and any supplements thereto (<i>ARRA Agreement, Attachment 1 Section 2. Scope, and Attachment 3</i>)</p> <p>The FRA will provide, on an “as available” basis, one professional staff person, to be designated as the Grant Manager, to review work or work products in progress, and arrange for the review of the Project results upon completion. Since the award was made as a cooperative agreement, FRA has substantial programmatic involvement. Substantial involvement means that, after award, technical, administrative, or FRA programmatic staff will assist, guide, coordinate, or otherwise participate in Project activities. (<i>Attachment 1, Section 3. Awarding Agency Participation</i>)</p>
Payments	<p>The ARRA agreement includes three payment provisions – reimbursement basis, advanced payment and working capital advance as defined in Attachments 1 and 2, Section 7 - Payments. Upon receipt of a payment request and adequate accompanying information (invoices in accordance with applicable cost principles), FRA will authorize payment to the Authority providing the Authority: (i) is complying with its obligations under the Agreement, (ii) has satisfied FRA that it needs the requested Federal funds during the requisition period, and (iii) is making adequate and timely progress toward Project completion. If all of these circumstances are present, FRA may pay allowable costs incurred consistent with the detailed Project Budget.</p>
Environmental Responsibilities	<p>Under Task 1 and working collaboratively with FRA, the Authority is responsible for preparing the environmental analysis and documentation for each Project Section necessary to comply with the National Environmental Policy Act (NEPA), and other associated Federal environmental laws including, but not limited to, Section 106 of the National Historic Preservation Act, Section 4(f) of the Department of Transportation Act, Section 7 of the Endangered Species Act, and the General Conformity requirements of the Clean Air Act. The Authority is also responsible for complying with state laws as applicable that may</p>

Key Elements	Key Terms
	<p>include the California Environmental Quality Act.</p> <p>FRA is the lead Federal agency responsible for NEPA compliance and the Authority is the lead state agency responsible with complying with all applicable state environmental laws. The Authority and FRA are jointly responsible for ensuring that the environmental review process is being conducted in accordance with relevant environmental laws. As part of the environmental review process, the Authority maintains all documents developed or received by the Authority that support agency decision making and makes them available to FRA upon request.</p> <p>In addition, the Authority has agreed to additional detailed provisions about how the work will be conducted with respect to its environmental responsibilities for the Project.</p> <p><i>(Task 1 Environmental Review – Attachment 3, p 42)</i></p>
<p>Reporting Responsibilities</p>	<p>The Authority’s reporting responsibilities are found in Attachment 1, Section 11 – 12, Attachment 1B, Section 6 (ARRA Agreement, including progress reports, quarterly reports, and interim or final reports.)</p>
<p>Certification Responsibilities</p>	<p>The following are among the certification responsibilities imposed upon the Authority (or other agencies of the State of California, in some cases) under the provisions of American Recovery and Reinvestment Act of 2009 Clauses (<i>Grant/Cooperative Agreement, Attachment 1B</i>):</p> <ul style="list-style-type: none"> a. Maintenance of Effort Certification (Recovery Act Section 1201) b. Responsible Investments Certification (Recovery Act Section 1511) c. Appropriate Use of Funds Certification (Recovery Act Section 1607)
<p>Governance Responsibilities</p>	<p>The Grant/Cooperative Agreement incorporates federal governing regulations. The Authority acknowledges that its performance shall be governed by and in compliance with the following Administrative and Cost Principles for State, Local and/or Tribal Governmental Entities:</p> <ul style="list-style-type: none"> 1. 49 C.F.R. Part 18, “Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments” 2. OMB Circular A-87, “Cost Principles for State and Local

Key Elements	Key Terms
	Governments,” as amended.
Other Responsibilities	<p>The Grantee shall comply with the Buy America provisions set forth in 49 U.S.C. §24405(a) for the Project requiring the use of steel, iron, and manufactured goods produced in the United States, in accordance with the conditions therein set forth. <i>(Attachment 1, Section 17. Buy America)</i></p> <p>The Project also shall comply with various prevailing wage requirements. <i>(Section 16. Davis- Bacon Act Provisions)</i></p> <p>To the extent applicable, the Authority agreed to comply with any Federal regulations, laws, or policy and other guidance that FRA or the United States Department of Transportation may issue pertaining to safety oversight in general, and in the performance of the Agreement, in particular. <i>(Section 18. Safety Oversight)</i></p> <p>The Authority agreed to comply with all civil rights laws and regulations, in accordance with applicable Federal directives, except to the extent that the FRA determines otherwise in writing. <i>(Section 19. Civil Rights)</i></p>

Sources: ARRA Grant Agreement, No. FR-HSR-0009-10-01-06 (Amendment 6) and FY 10 Grant Agreement, No. FR-HSR-0118-12-01-00

As described in **Section A**, the Central Valley segment is being delivered through a series of agreements, commencing with multiple CPs summarized in **Section A** (See **Exhibit A-2**. Central Valley Segment – Planned Elements).

CP 1 is being delivered under a design-build (DB) model. See **Exhibit F-2** for key elements and terms of the Design-Build Construction Agreement for CP 1.

Exhibit F-2. Design-Build Construction Agreement for CP 1

Key Elements	Key Terms
Parties to the Agreement	<ul style="list-style-type: none"> California High-Speed Rail Authority (Authority) Tutor-Perini/Zachry/Parsons, a joint venture, comprised of Tutor Perini Corporation, Zachry Construction Corporation and Parsons Transportation Group (a wholly owned subsidiary of Parsons Corporation)

Key Elements	Key Terms
Agreement Number	HSR 13-06 (CP 1)
Purpose of Agreement	Design-build construction
Performance Period	2013 to 2019
Total Contract Price	Current Contract price is \$1,289,509,211, which consists of base bid of \$969,988,000 + \$53,000,000 provisional sums + \$266,521,211 in current change orders (CO). This CO amount includes the \$153,399,844 CO for the north extension and \$49,900,000 for the 17-month time extension. The change order for acceleration in the amount of \$13,612,000 has not been executed yet. <i>(Attachment B, p. 8 of 99 in Signature Document)</i>
Scope of Projects	<p>The scope of CP 1 consists of civil works for the at-grade and aerial track sections over a 32-mile section from Avenue 19 near the Madera Amtrak Station in Madera County to East American Avenue in Fresno County. It includes 20 grade separations, 2 viaducts, 1 tunnel and a bridge river crossing over the San Joaquin River. Major design and construction elements for CP 1 include the following areas:</p> <ul style="list-style-type: none"> • Surveys, Mapping and Geotechnical Studies • Site Clearing, Demolition and Removal of Hazardous Materials • Utility and Third Party Relocation • Railroad Relocation • Scheduling and Coordination • Grading, Embankment and Drainage • Structure Construction and Foundation Work • Environmental Compliance and Mitigation • Paving, Re-striping, Landscaping and Traffic Signals
Davis-Bacon Act	Compliance required <i>(Attachment H)</i>
Buy America	Compliance required <i>(Attachment J)</i>
Conditions of Payment	Pursuant to Invoicing and Payment Clauses of General Provisions for State Contracts and the Prompt Payment Act

Key Elements	Key Terms
Payment Bonds	100 percent of the Total Contract Price (<i>Attachment E, pg. 12 of 99 in Signature Document</i>)
Performance Bonds	50 Percent of the Total Contract Price (<i>Attachment F, pg. 24 of 99 in Signature Document</i>)
Guaranty	Parsons Corporation (Parent company of Parsons Transportation Group, a member of the Joint Venture) (<i>Attachment G, pg. 37 of 99 in Signature Document</i>)
Liquidated Damages	Cap on Liquidated Damages is 10% of the Total Contract Price (or \$128,950,321) (<i>Attachment B, page 8 of 99 in Signature Document</i>)
Small Business Participation	The Authority has established a 30 percent goal for Small Business participation, which includes goals of 10 percent for Disadvantaged Business Enterprises (DBE) and 3 percent for Disabled Veteran Business Enterprises (DVBE). Small Business participation on CP 1 includes 30-plus small businesses, or DBE/DVBE firms, working on the project. (<i>Fact Sheet</i>)
Disputes	The Contract provides for the establishment and operation of a Disputes Resolution Board (DRB) to assist in resolving disputes and claims among Authority, Contractor, and others in respect to the Project. (<i>Attachment I, pg. 91 of 99 in Signature Document</i>) If the Parties cannot resolve claims informally or through the DRB process, then either Party has the right to bring unresolved claims where the amount in controversy exceeds \$1,000,000 to mandatory binding arbitration.

For more information on CP 1 please refer to:

http://www.hsr.ca.gov/Programs/Construction/about_construction_package_1.html

CP 2-3 is being delivered under a DB model. See **Exhibit F-3** for key elements and terms of the Design-Build Construction Agreement for CP 2-3.

Exhibit F-3. Design-Build Construction Agreement for CP 2-3

Key Elements	Key Terms
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Key Elements	Key Terms
Parties to the Agreement	<ul style="list-style-type: none"> • California High-Speed Rail Authority (Authority) • Dragados/Flatiron, a joint venture, comprised of Dragados USA, Inc. and Flatiron West, Inc.
Agreement Number	HSR 13-57 (CP 2-3)
Purpose of Agreement	Design-build construction
Performance Period	2015 to 2019
Total Contract Price	<p>\$1,365,335,890 (includes Fixed Bid Price of \$1,205,335,890 and Total Provisional Sums of \$160,000,000, Hazardous Waste Remediation in the amount of \$29,232,000 is authorized for change orders. Presently, there is \$6,167,929 in executed change orders) (<i>Attachment B, pg. 7 of 186 in Signature Document</i>)</p>
Scope of Projects	<p>The scope of CP 2-3 consists of design and construction of civil works for a 65-mile section from the terminus of CP 1 at East American Avenue in Fresno to approximately one mile north of the Tulare-Kern County line. Major work elements include the design and construction of at-grade, retained fill and aerial sections of high-speed rail and will be performed in the following areas:</p> <ul style="list-style-type: none"> • <i>Project Management, Scheduling, Investigation and Coordination</i> • <i>Geotechnical Engineering and Seismology Studies and Surveys</i> • <i>Surveys, Mapping and Investigations,</i> • <i>Clearing and Demolition of ROW</i> • <i>Utility and Third Party Relocation, Including Railroads</i> • <i>Environmental Compliance and Mitigation</i> • <i>Grading, Embankment and Drainage</i> • <i>Structure Construction and Foundation Work</i> • <i>Paving, Re-striping, Landscaping and Traffic Signals</i> <p>(<i>Fact Sheet, June 2014</i>)</p>
Davis-Bacon Act	Compliance required (<i>Attachment H, pg. 67 of 186 in Signature Document</i>)

Key Elements	Key Terms
Buy America	Compliance required (<i>Attachment J, pg. 163 of 186 in Signature Document</i>)
Conditions of Payment	Pursuant to Invoicing and Payment Clause of General Provisions for State Contracts and Prompt Payment Act
Payment Bonds	100 percent of the Total Contract Price (<i>Attachment E, pg. 13 of 1869 in Signature Document</i>)
Performance Bonds	50 Percent of the Total Contract / Price (<i>Attachment F, pg. 17 of 186 in Signature Document</i>)
Guaranty	Dragados, S.A. (Parent company of Dragados USA, Inc., a member of the Joint Venture) and Flatiron Constructors, Inc. (<i>Attachment G, pg. 58 of 186 in Signature Document</i>)
Liquidated Damages	Cap on Liquidated Damages is 10% of the Total Contract Price (or \$136,533,589) (<i>Attachment B, page 7 of 186 in Signature Document</i>)
Small Business Participation	The Authority has established a 30 percent goal for Small Business participation, which includes goals of 10 percent for DBEs and 3 percent for DVBES. The Authority Board of Directors' decision is in accordance with agreements with the FRA that require the Authority to develop and implement a Small and Disadvantaged Business Enterprise Program to ensure that small businesses, including DBEs, have an opportunity to bid on the rail contracts and participate in construction of the project. (<i>Fact Sheet</i>)
Disputes	The Contract provides for the establishment and operation of a DRB to assist in resolving disputes and claims among Authority, Contractor, and others in respect to the Project. (<i>Attachment I, pg. 156 of 186 in Signature Document</i>) If the Parties cannot resolve claims informally or through the DRB process, then either Party has the right to bring unresolved claims to arbitration.
Fact Sheet	http://www.hsr.ca.gov/docs/programs/construction/CP2_3_factsheet_FINAL_061014.pdf

For more information on CP 2-3 please refer to:

http://www.hsr.ca.gov/Programs/Construction/about_construction_package_2_3.html

CP 4 is being delivered under a DB model. See **Exhibit F-4** for key elements and terms of the Design-Build Construction Agreement for CP 4.

Exhibit F-4. Design-Build Construction Agreement for CP 4

Key Elements	Key Terms
Parties to the Agreement	<ul style="list-style-type: none"> • California High-Speed Rail Authority (Authority) • California Rail Builders is a special purpose entity of Ferrovial Agroman US Corp
Agreement Number	HSR 14-32 (CP 4)
Purpose of Agreement	Design-build construction
Performance Period	2016 to 2019
Total Contract Price	Contract Price: \$337,247,000 + \$107,000,000 provisional sums for a total contract price of \$444,247,000. \$10,310,000.00 is also authorized for hazardous waste remediation change orders. Executed change orders to date = \$1,434,127 (<i>Executed Signature Document: Attachment B: Prices</i>)
Scope of Projects (from Scope of Work Package – Contract Requirements)	The scope of CP 4 consists of design and construction of civil works for approximately 22-miles through the Central Valley beginning one mile north of the Tulare-Kern County line at the southern terminus of CP 2-3 to Poplar Avenue. Major work includes but is not limited to the following: <ul style="list-style-type: none"> • Project management and administration • Utility Investigation, Coordination and Protection and Relocation • Demolition and Clearing of Right-of-Way • Code Assessment • Completing, Coordinating, Securing Approval and Executing Final Permitting and Utility Agreements • Survey and Mapping • Subsurface Investigations • Geotechnical Engineering and Seismology • Design, engineering and analysis • Estimating

Key Elements	Key Terms
	<ul style="list-style-type: none"> • Value Engineering and Possible Accepted Alternative Technical Concepts Coordination with Jurisdictional Authorities (i.e. governments, FRA, the California Public Utilities Commission, etc.) • Coordination with Adjacent Railroads (BNSF) • Coordination with Local Communities • Coordination with Adjacent High-Speed Rail Works
Davis-Bacon Act	Compliance required (<i>Attachment H: Signature Document</i>)
Buy America	Compliance required (<i>Attachment J: Signature Document</i>)
Conditions of Payment	Pursuant to Invoicing and Payment Clause of General Provisions for State Contracts
Payment Bonds	100 percent of the Total Contract Price (<i>Attachment E: Signature Document</i>)
Performance Bonds	50 Percent of the Total Contract Price (<i>Attachment F: Signature Document</i>)
Guaranty	Ferrovia Agroman, S.A. and Griffith Company (<i>Attachment G: Signature Document</i>)
Liquidated Damages	Cap on Liquidated Damages is 10% of the Total Contract Price (or \$44,424,700) (<i>Attachment B: Signature Document</i>)
Small Business Participation	<p>The Authority has established a 30 percent goal for Small Business participation, which includes goals of 10 percent for DBEs and 3 percent for DVBEs. The Authority Board of Directors' decision is in accordance with agreements with the FRA that require the Authority to develop and implement a Small and Disadvantaged Business Enterprise Program to ensure that small businesses, including DBEs, have an opportunity to bid on the rail contracts and participate in construction of the project. (<i>Fact Sheet</i>)</p>
Disputes	The Contract provides for the establishment and operation of a DRB to assist in resolving disputes and claims among Authority, Contractor, and others in respect to the Project. (<i>Attachment I: Signature Document</i>)
About CP 4	http://www.hsr.ca.gov/Programs/Construction/about_construction_package_4.html

For more information on CP 4 please refer to:

http://www.hsr.ca.gov/Programs/Construction/about_construction_package_4.html

Delivery Model Overview

The rest of this section describes the Authority's business model and overall delivery approach based on the 2016 Business Plan. The delivery model underpins the lease and franchise agreements that the Authority plans to enter for the construction and operation of the system. The delivery model for the Valley to Valley Line was developed based on best practices and industry feedback. Key objectives include:

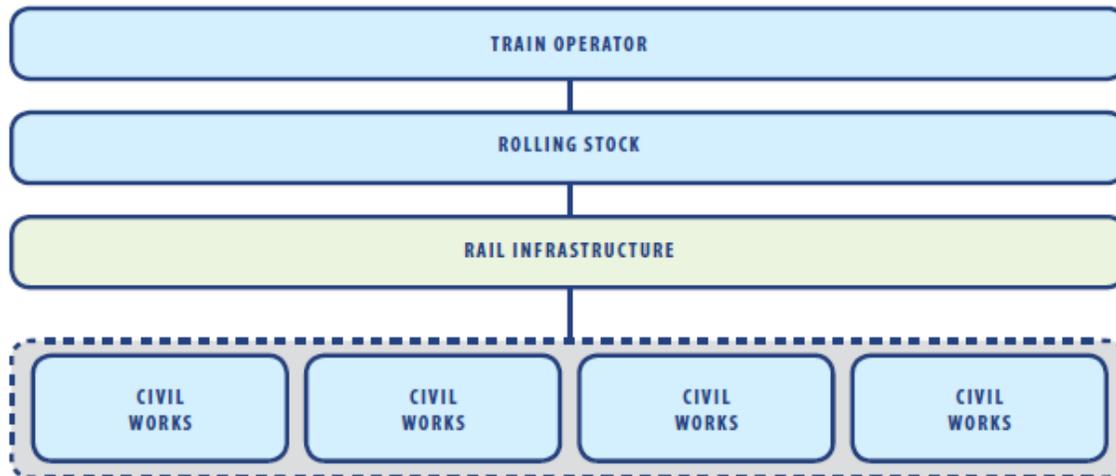
- Provide California citizens a highly safe, reliable and commercially successful system while reducing the cost of constructing and maintaining the system and transferring operations and asset performance responsibilities and related risks to the private sector.
- Designing, constructing and integrating complex component parts into a seamless, safe and commercially successful system. Work will be undertaken with two key private sector partners, a train operator and an infrastructure provider, to carefully manage technical and operational integration and connections between components and geographic segments to ensure efficiency and compatibility.

Through every stage of the process, the State will provide policy oversight and appropriately manage the program to ensure that the public's interests are served.

The delivery model consists of different strategies for delivering each of the major elements of a high-speed rail system – commercial and train operations, rolling stock, rail infrastructure (track, systems, and traction power), and construction of the civil works. Each element is unique and requires a delivery approach that is tailored to its characteristics and that, when combined, fit together into a commercially successful model. This subsection describes how our delivery model addresses each of these elements and the key tenets of each of the main contracts that the Authority plans to enter into.

The existing civil works contracts follow this delivery model and the remaining elements will be procured consistent with the approach laid out here. Details on the civil works contracts are included above.

Exhibit F-5. Delivery Model Structure



California High Speed Rail Operations

There will be one common operator for the entire system. While there are expected to be other users of joint system assets (for example in the Peninsula corridor), a single end-to-end operator will run the high-speed trains in California.

This operator will be procured early in the construction (Pre-Operations) phase under a flexible contract designed to support the maturing phases of the project. This will give the operator the opportunity to provide valuable input during the planning and development stages of the system that can increase asset performance and revenues while reducing costs. Key operating and cost risks will be transferred during the ramp-up phase and full revenue risk once revenues are proven. While the operator will be procured early, they will not begin to operate on the Central Valley segment until it is connected to a larger segment (i.e. the Valley to Valley Line) as described in other parts of this Funding Plan.

If the San Joaquin service will operate on the high-speed rail infrastructure, future agreements will describe the exact terms and conditions of that service's operations.

Rail Infrastructure (Track, Systems, Power)

Complex rail infrastructure elements, such as systems, track, traction power and overhead catenary should be compatible across the entire system and could be combined into a single procurement to enhance cost efficiency and reduce duplication and the number of integration points. Industry feedback was clear that the most integration and interface risk resides in the rail infrastructure components of a high-speed rail system. Through this contract, a major private sector company or consortium will be responsible for long-term rail infrastructure performance and integration with other elements of the system.

A single rail infrastructure provider will be procured under a long-term contract that could include financing. Feedback provided by industry indicated that there is strong opportunity to reduce construction and maintenance costs and improve performance through a model that uses large, integrated contracts combining construction and maintenance for several elements. The contract with the rail infrastructure provider will be on a long-term performance basis where payment deductions are incurred for failure to meet established objectives.

The initial procurement for the rail infrastructure will include the Central Valley segment as part of the Valley to Valley Line procurement and may include option pricing to extend the rail infrastructure to the rest of the Valley to Valley Line and the full Phase 1 build out. Providing the infrastructure for the Central Valley segment is not dependent on the rest of the Valley to Valley Line and could be delivered separately. The rail infrastructure provider will be a key long-term partner along with the operator and will be responsible for integrating the other elements of the high-speed rail system (rolling stock, civil works, facilities) such that the system works seamlessly both horizontally (across geographical segments) and vertically (between different elements). The infrastructure provider will be responsible for maintaining the underlying civil works across the system.

For further information relating to the procurement plan and the agreements for construction and operation of the system that the Authority plans to enter into please refer to the 2016 Business Plan: http://www.hsr.ca.gov/docs/about/business_plans/2016_BusinessPlan.pdf.

Appendix I – Source and Reference Documents

<u>Source and Reference Documents</u>
<p>Air Resources Board, Summary Results Reports</p> <p>http://www.arb.ca.gov/cc/capandtrade/auction/auction.htm</p>
<p>Air Resources Board, California Post Auction Public Proceeds Report</p> <p>https://www.arb.ca.gov/cc/capandtrade/auction/aug-2016/ca_proceeds_report.pdf</p>
<p>Air Resources Board, Estimate of State-Auctioned Allowances, by Fiscal Year, December 2, 2012</p> <p>http://www.arb.ca.gov/cc/capandtrade/stateauction.pdf</p>
<p>American Recovery and Reinvestment Act of 2009, Public Law 111-5 (February 17, 2009)</p> <p>http://www.gpo.gov/fdsys/pkg/PLAW-111publ5/pdf/PLAW-111publ5.pdf</p>
<p>Assembly Bill 32 (AB 32), Chapter 488, Approved by Governor on September 27, 2006.</p> <p>http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=200520060AB32</p>
<p>California High Speed Rail Authority, 2012 Business Plan</p> <p>http://www.hsr.ca.gov/docs/about/business_plans/BPlan_2012_rpt.pdf</p>
<p>California High Speed Rail Authority, 2014 Business Plan</p> <p>http://www.hsr.ca.gov/docs/about/business_plans/BPlan_2014_Business_Plan_Final.pdf</p>
<p>California High Speed Rail Authority, 2016 Business Plan</p> <p>http://hsr.ca.gov/About/Business_Plans/2016_Business_Plan.html</p>
<p>California High-Speed Rail Authority, Resolution HSRA11-22 and Resolution HSRA11-23 of November 3, 2011</p> <p>http://www.hsr.ca.gov/docs/brdmeetings/2011/November/brdmtg1111_agenda4_HSRA_1122.pdf &</p> <p>http://www.hsr.ca.gov/docs/brdmeetings/2011/November/brdmtg1111_agenda4_HSRA_1123.pdf</p>
<p>California High-Speed Train Program ARRA Grant, Grant/Cooperative Agreement No. FR-HSR-0009-10-01-06 (Amendment 6)</p> <p>http://www.hsr.ca.gov/docs/about/funding_finance/funding_agreements/HSRFRA_CooperativeGrantAgreement_Amendment6_051816_Redacted.pdf</p>

Source and Reference Documents

California High-Speed Rail Authority, Funding Contribution Plan, for June 2016 quarter

http://www.hsr.ca.gov/docs/about/funding_finance/funding_agreements/Q2_16_FCP_v4_3.pdf

California High-Speed Rail Authority, 2016 Business Plan Ridership and Revenue Technical Memorandum

http://hsr.ca.gov/docs/about/business_plans/2016_Business_Plan_Ridership_Revenue_Forecast.pdf

CP 1 Information

http://www.hsr.ca.gov/Programs/Construction/about_construction_package_1.html

CP 2-3 Information

http://www.hsr.ca.gov/Programs/Construction/about_construction_package_2_3.html

CP 4 Information

http://www.hsr.ca.gov/Programs/Construction/about_construction_package_4.html

Executive Order B-30-15, issued by Governor Brown on April 29, 2015

<https://www.gov.ca.gov/news.php?id=18938>

Final Environmental Impact Reports/Environmental Impact Statements (FEIR/EIS) for the Merced-Fresno section.

http://www.hsr.ca.gov/Programs/Environmental_Planning/final_merced_fresno.html

Final Environmental Impact Reports/Environmental Impact Statements (FEIR/EIS) for the Fresno-Bakersfield sections.

http://www.hsr.ca.gov/Programs/Environmental_Planning/final_fresno_bakersfield.html

Initial Central Valley Section: Madera County to Bakersfield (Kern County) of the California High-Speed Train Program FY 10 Grant, Grant/Cooperative Agreement No. FR-HSR-0118-12-01-00, November 18, 2011

http://www.hsr.ca.gov/docs/about/funding_finance/funding_agreements/FR-HSR-0118-12-01-00.pdf

Legislative Counsel Bureau, Opinion regarding high-speed rail project, June 8, 2012

Source and Reference Documents

Proposition 1A, the “Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century” (the Bond Act)

ftp://www.leginfo.ca.gov/pub/07-08/bill/asm/ab_3001-3050/ab_3034_bill_20080826_chaptered.html

Safeguarding California, California Air Resources Board, updated implementation action plans by sector

[http://resources.ca.gov/docs/climate/Safeguarding%20California_Implementation%20Action%20Plans%202015%20\(CNRA\).pdf](http://resources.ca.gov/docs/climate/Safeguarding%20California_Implementation%20Action%20Plans%202015%20(CNRA).pdf)

Senate Bill 862 (SB 862), Chapter 36, Approved by Governor on June 20, 2014.

http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201320140SB862

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Exhibit D



March 3, 2017

Jeff Morales
Chief Executive Officer
California High-Speed Rail Authority
770 L Street, Suite 620
Sacramento, CA 95814

Central Valley Segment Funding Plan

Dear Mr. Morales:

In 2008, California voters approved \$9.9 billion in bond funding for high-speed rail with the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century (Proposition 1A). Under Proposition 1A, as outlined in Streets and Highways Code Section 2704.08(d), the Director of Finance must review a funding plan for each corridor or segment to determine if “the plan is likely to be successfully implemented” prior to the Authority’s expenditure of Prop 1A bonds for construction under that plan.

The High-Speed Rail Authority submitted a funding plan for the Central Valley segment of the system to the Department of Finance on January 3, 2017. Proposition 1A requires that an independent consultant prepare a report assessing each funding plan. Finance has received and reviewed the independent consultant’s report on the Central Valley funding plan. Finance also received and reviewed comments by the Joint Legislative Budget Committee, other legislators, the Legislative Analyst’s Office, the Legislature’s California High-Speed Rail Peer Review Group, and the Community Coalition on High-Speed Rail. Finally, Finance received and reviewed the Authority’s response to the Legislative Analyst’s Office’s analysis of the plan, which attached the independent consultant’s supplemental report evaluating projections of revenue and operating profit/loss.

Requirements under the Funding Plan

Proposition 1A requires the Authority to submit a funding plan that specifies the usable segment, estimates segment construction costs, identifies funding sources, provides a report on projected ridership and operating revenue, describes changes since the preliminary 2011 funding plan, and outlines contract terms. These elements are reviewed below.

Usable Segment and Construction Costs

The Central Valley funding plan identifies the usable segment as from the Madera Amtrak station to Poplar Avenue in Shafter, including two high-speed rail stations at Fresno and Kings/Tulare. As for estimated construction costs, the plan indicates that this segment is estimated to cost \$7.8 billion. This amount includes \$6.7 billion for right-of-way acquisition, utility relocations and civil works construction and \$1.1 billion for electrification of the segment.

The Authority performs ongoing complex risk analyses to identify, manage and mitigate risks to the project. Specifically, the Authority models the various risks to determine their probability, analyzes the results of these models, and implements various risk mitigation strategies to manage the identified risks.

Under the terms of the federal grant agreements, the Authority submits quarterly funding plans for the Central Valley segment to the Federal Railroad Administration (FRA) for review and approval. The FRA reviews, assesses and approves the Authority's quarterly funding plans in the course of its duties as a grant manager of the federal funds in this plan. Additionally, in the process of managing the grant, the FRA performs routine reviews and analysis of the funding plans and other project information. The Authority manages the project and its associated risks by relying on contract terms, in-depth expenditures, and other information to ensure that the project stays on schedule and on budget. Recently an internal FRA risk update was released that included potentially different levels of cost risk for the Central Valley segment. This risk update was part of the FRA's ongoing high-level grant management process with the Authority that did not reflect the level and specificity covered by the quarterly funding plans. The Authority has not found the magnitude of cost or schedule risk as was indicated in the FRA risk update in its more detailed ongoing risk analyses. Further, the independent consultant's review of this plan indicated the cost estimates and contingencies in this plan are reasonable and found:

"the cost estimates for the Central Valley segment, including the allowances for contingency, to be adequate . . . and the funding to be sufficient to pay for those capital costs, even under a less favorable scenario than what the Authority assumes."

Funding Sources

The Plan for this segment identifies the amount, source, and estimated time of receipt for all construction funding. The plan indicates it will utilize \$3 billion in federal funds, \$2.6 billion in Proposition 1A bonds and \$2.2 billion of Cap and Trade auction proceeds to construct the segment.

As is the case with almost all major infrastructure projects, all of the intended funding is not yet in hand in the early stages of construction. However, the Legislature has already appropriated the full \$7.8 billion in funding. Consequently, there will be no delays in spending the funds once received. Upon the approval of this plan and the sale of state bonds, the Authority will have spent or have in hand more than two-thirds of the necessary funding.

- The federal funds identified for this segment are assured through two grant contracts between the Authority and the Federal Railroad Administration. As of December 2016, the Authority had spent over \$2.2 billion of the \$3 billion in federal funds programmed for this segment.
- Proposition 1A funds are required to be used for the high-speed rail system, and the \$2.6 billion will be available for expenditure upon approval of the funding plan and sale of the bonds.
- A total of \$1.2 billion in Cap and Trade auction proceeds has been appropriated to the Authority as of December 31, 2016. The Authority has expended \$259 million of this amount—including \$154 million on the Central Valley segment—as of December 31, 2016. The Authority therefore has an additional \$941 million in Cap and Trade funds to allocate to the Central Valley segment. The Authority's 2016 Business Plan has estimated \$500 million in future receipts annually from Cap and Trade. As the Department of Finance noted in the 2017-18 Governor's Budget Summary, Cap and Trade auctions

have experienced significant volatility over the past year, at least partially due to perceived legal uncertainties about the program's future beyond 2020. To address this, the Governor has proposed urgency legislation to confirm authority for the program beyond 2020.

The civil works portion of the Central Valley segment will be completed at an estimated cost of \$6.7 billion. With the federal and Proposition 1A funds, the Authority's already existing \$941 million Cap and Trade allocation will be sufficient to cover the majority of civil works costs, so that the Authority would only need \$5 million in future Cap and Trade proceeds to complete the civil works portion of the project. The remaining \$1.1 billion in construction costs are related to electrification and associated improvements, which may be completed as funding becomes available. Regardless of the pace of future Cap and Trade auctions, therefore, it is reasonable to assume that the Authority will have the remaining \$1.1 billion in Cap and Trade funds by the time it is needed to complete electrification of the segment and associated improvements.

Ridership and Operating Revenue

The funding plan notes that the Authority could allow the Amtrak San Joaquin service to use this segment, which would reduce overall run times and improve the attractiveness of its service. The independent consultant concluded that this segment "could accommodate the San Joaquin service" and that this "will not result in any unreimbursed operating or maintenance cost to the Authority." The Authority's 2011 funding plan and 2016 Business Plan also indicated the Authority's rail service will not require a subsidy.

In response to requests for additional analysis, the independent consultant prepared a supplemental report evaluating the Authority's projections of revenue and operating profit/loss for the funding plan. This report confirms the Authority's conclusion that the planned level of service on the Valley to Valley line is likely to be sufficient to operate without a subsidy after an initial start-up period.

Changes from the 2011 Funding Plan

The Central Valley funding plan is consistent with the Authority's 2016 Business Plan. The Authority lists the changes since the 2011 funding plan, including the prioritization of the completion of the northern segment, the addition of Cap and Trade funding, updated construction costs, and the inclusion of electrification in this segment.

Contract Terms

The funding plan includes a summary of the terms and conditions for the federal funding grant and construction agreements for this segment, as well as an overview of the Authority's approach to future contracts for the delivery of rail infrastructure and train operations.

Risk Management

In the funding plan, the Authority discusses the risks associated with this segment in the plan and outlines the risk management program they will utilize to monitor and mitigate these risks. The independent consultant reviewed the plan, identified risks, and offered strategies to address these risks. Additionally, the consultant concluded that:

"the Authority has a well-developed risk management process that includes industry standard risk identification, quantification and assessment procedures for the work elements that are in construction and ready for procurement."

Conclusion

Any transportation infrastructure project of this magnitude involves major risks—including possible funding shortfalls, cost overruns, and engineering challenges. The risks associated with this project are no different. The voters of California, the Governor, and the Legislature weighed those risks and chose to proceed with the project given its vast potential to address California's future transportation demands, increase the supply of affordable housing accessible to the state's job centers, reduce transportation's impact on the environment and address climate change, and spur the economies of disadvantaged communities. The specific risks associated with successfully completing the Central Valley segment are more limited because the bulk of funding is nearly in hand, and much work has already been completed.

The Authority has indicated it will continue to monitor risks to the project overall and the segment identified in the plan in its biennial Business Plans and Project Update Reports. Additionally, Proposition 1A requires the Authority to promptly update the Administration and Legislature when events occur that could endanger the completion of the segment outlined in the plan and provide options to address these challenges.

The Department of Finance will continue to monitor the Authority's management of the risks in the construction segment outlined in the plan by various means, such as:

- Regular review of project costs and progress through monthly Authority Board meetings, Public Works Board meetings, and Quarterly Federal Funding Contribution Plans.
- Review and monitoring of funding through quarterly Cap and Trade auction results, biannual bond sales, and the annual budget development process.
- The Authority's ongoing risk management process which includes continuous updates of cost analysis models for review by the Authority Board's Finance and Audit Committee.

Consequently, after thorough review, I find that the Central Valley funding plan submitted by the Authority is likely to be successfully implemented as proposed. The Authority may therefore enter into commitments to expend bond funds and accept offered commitments from private parties in support of the Central Valley segment.

Sincerely,



MICHAEL COHEN
Director