

California High-Speed Rail Peer Review Group

Kome
Ajise

William
Ibbs

Fredrick
Jordan

Stacey
Mortensen

Bijan
Sartipi

Beverly
Scott

Lou
Thompson
Chairman

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The Honorable Toni G. Atkins
Senate President Pro Tem
State Capitol Building
Room 205
Sacramento, CA 95814

The Honorable Anthony Rendon
Speaker of the Assembly
State Capitol Building
Room 219
Sacramento, CA 95814

The Honorable Scott Wilk
Senate Republican Leader
State Capitol Building
Room 305
Sacramento, CA 95814

The Honorable James Gallagher
Assembly Republican Leader
State Capitol Building
Room 4740
Sacramento, CA 95814

Dear Honorable Members:

This letter reviews a funding plan submitted by the California High Speed Rail Authority entitled “2022 Proposition 1A Funding Plan, September 2022.” The letter is also based on a report by the Authority’s Independent Financial Advisor (PFAL) entitled “Independent Financial Advisor Report to the California High-Speed Rail Authority Regarding: Proposition 1A Funding Plan,” September 4, 2022. The letter is submitted to the Legislature by the California High-Speed Rail Peer Review Group pursuant to Section 185035 of the Public Utilities Code which provides in part:

- (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.

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

The Funding Plan documents discuss both an initial segment of track between Madera and Poplar Avenue (19 miles north of Bakersfield) and a larger project between Merced and Bakersfield. The Peer Review Group has reviewed these documents. We conclude as follows:

To the extent that the current funding plan request is narrowly limited to completing a 119-mile, single-track rail line between Madera and Poplar Avenue with associated stations but without electric traction, it is feasible (though not without risk because cost estimates are not fully up to date) for the Authority to complete this work within existing and reasonably projected resources, including Cap and Trade proceeds. This would largely fulfill the State's commitment to the U.S. Department of Transportation under the ARRA agreement as amended.

We are unable to make a similar finding of feasibility with respect to the broader proposal to complete a two-track line, with electric traction and high-speed rolling stock and associated stations, between Merced and Bakersfield along with agreements among the State, the Authority and the San Joaquin Joint Powers Authority (SJJP) as to their respective roles in funding the required construction in the Merced area and funding support for operating the services. It would be premature to make such a finding for several reasons.

- Construction costs and schedules, especially on the Merced to Madera and Poplar Avenue to Bakersfield segments, are outdated and are subject to considerable uncertainty.
- There has been no bidding experience with the contracts involving trackwork and rolling stock and, in fact, the Authority has announced it will need to reformulate its proposed approach to the track, signaling and electrification contract.
- Potential Federal funding has not been committed.
- The operating and funding agreements with the State and SJJP are neither complete nor committed, though we do commend the parties for the work completed so far.

The Authority will issue its 2023 Project Update Report (PUR) in March. That report should furnish a better basis for addressing the concerns above. We will review the 2023 PUR and the related updated funding plan and report our findings to the Legislature at that time.

Sincerely,



Louis S. Thompson
Chairman, California High-Speed Rail Peer Review Group

cc: Hon. Lena Gonzalez, Chair, Senate Committee on Transportation
Hon. Patricia C. Bates, Vice Chair, Senate Committee on Transportation
Hon. Laura Friedman, Chair, Assembly Transportation Committee
Hon. Vince Fong, Vice Chair, Assembly Transportation Committee
Toks Omishakin, Secretary, California State Transportation Agency
Gabriel Petek, State Legislative Analyst
Samuel Assefa, Director, Governor's Office of Planning and Research
Tom Richards, Chairman, California High-Speed Rail Authority
Brian Kelly, Chief Executive Officer, California High-Speed Rail Authority
Members, California High-Speed Rail Peer Review Group