

# AGENDA

## ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD S. GORDON, CHAIR

WEDNESDAY, APRIL 18, 2012  
9:00 A.M. - STATE CAPITOL ROOM 447

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## ITEMS TO BE HEARD

### 2665 HIGH SPEED RAIL AUTHORITY

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#### ISSUE 1: REVISED 2012 DRAFT PLAN

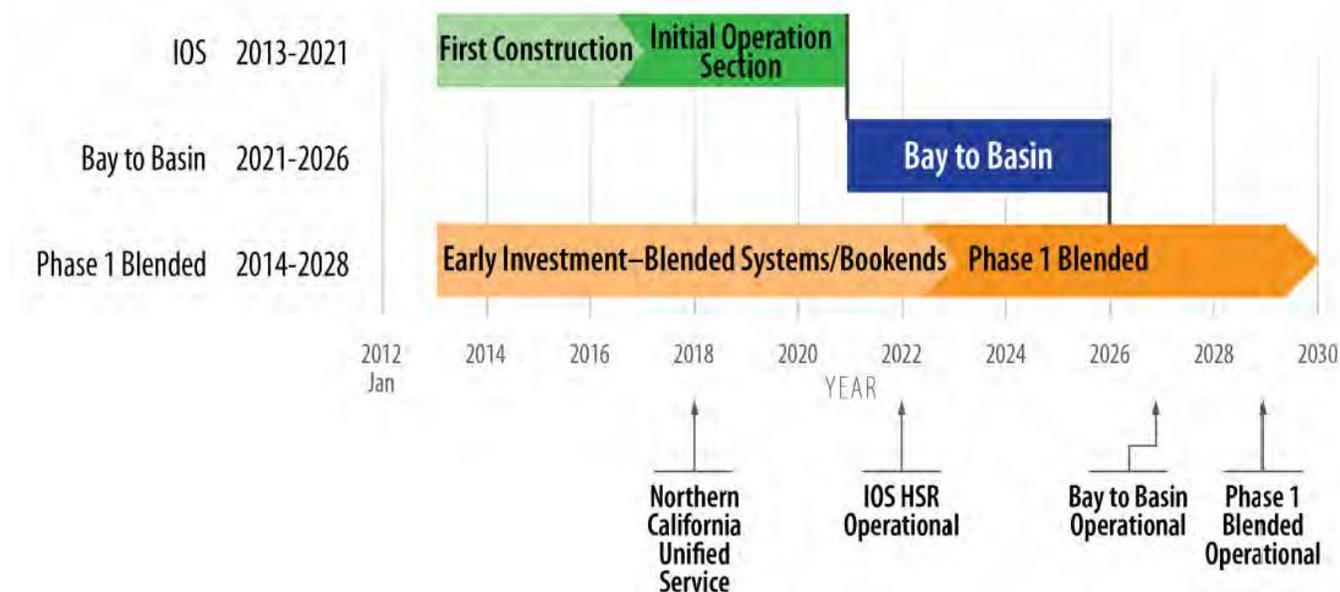
On April 2, 2012, the High Speed Rail Authority issued an update to the November 2011 Draft Business Plan.

#### BACKGROUND

On April 2, 2012, the High Speed Rail Authority issued an update to the November 2011 Draft Business Plan. The High Speed Rail Authority Board adopted the revised draft plan on April 12, 2012. The revision makes several key changes to the November Draft Plan:

- Defines the Initial Operating Segment of project to be Merced to San Fernando Valley, and proposes budget year appropriations to construction of this phase. Eliminates the proposal to build an Initial Construction Section (AKA "the train to nowhere") that was in the November draft plan.
- Adopts a "Blended Approach" for final build out, which means that High Speed Rail will use existing regional and commuter rail lines in urban and metropolitan areas for service, rather than building dedicated rail lines. This significantly reduces the costs of the project and shortens the project completion time.
- Invests High Speed Rail bond funding into improvements to the "bookends", existing rail in the Bay Area and Los Angeles, which allows existing rail users to see the benefits of High Speed Rail investment in the near future.
- Reduces the projected project cost to complete Phase 1 to \$68.4 billion for a "blended" approach from 98.5 billion "Full Phase" project cited in the early draft.
- Increase the stand-alone utility for the Central Valley segment by identifying interim improvements for existing regional and inter-city rail to utilize the Central Valley segment of the High Speed Rail through a new "Northern California Unified Service" approach.
- Updates the ridership projections, which continues to indicate that system could operate without a subsidy, even if the system is only able to attract the "low projections" scenario for ridership.
- Identifies AB 32 (Nunez, Pavley) Chapter 488, Statutes 2006, Cap-and-Trade funding as a back-up funding mechanism if other funding identified in the business plan, especially federal funds, do not materialize as the project moves forward.

<b>PLAN FOR BUILDING HIGH SPEED RAIL</b>
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The Business Plan identifies three phases for the project:

1. **Initial Operating Segment**— 300-mile segment from Merced to the San Fernando Valley. The plan envisions that High Speed Rail Service begins on this segment in 2022 and that it would include connections with regional/local rail for blended operations, so riders could transfer to other rail systems. The business plan also identifies closing the rail gap between the Bakersfield and LA Basin as a priority for this phase. The Authority reports that it will accelerate environmental review work on that gap.
2. **Bay to Basin**— 410 miles of High Speed Rail service from the San Jose to the San Fernando Valley, expected to beginning in 2026.
3. **Phase 1 Blended**— 520 miles of service that allows a one-seat ride from San Francisco's Transbay Terminal to downtown Los Angeles that would begin in 2028. While this is the last Phase of the project to be completed, the revised business plan begins making investments in "blended" activities in the near term, as these investments result in immediate benefits for users of existing regional and commuter rail systems.

The Business plan also mentions Phase 2 of the project, which would provide 800 miles of services that would include San Diego and Sacramento, as well as linking to several existing rail systems this would occur after Phase 1 is completed.

The map below, prepared by HSRA, illustrates the funding for Initial Operating Segment and Blended early investments, proposed in the budget. The final Phase 1 Blended route would link San Francisco to Los Angeles.



## FUNDING

The Business plan articulates the fund approach for the Phase 1 Blended implementation, and then offers several different scenarios by which the \$68.4 billion "Planning Case" could be stressed if the project takes longer to complete, ridership is lower than expected, or if construction costs are higher.

### "Blended Approach" Significantly Less Costly than "Full Phase Build Out"

The movement to the "Blended Approach" in the new draft reduces the costs from the \$98.5 billion "Full Phase Build out" identified in the November Approach significantly. This reduction is primarily due to elimination of costly separate rail line construction in populated areas, instead the system would use existing rail lines for High Speed Service.

### Apples-to-Apples Revised Plan Reflects Lower Expected Costs

However, there are other changes in the new plan that also reduce the expected costs. As an apples-to-apples comparison, the \$68.4 billion is \$9.8 billion lower than the \$78.2 identified in the November 2011 Draft Plan for the "Blended Approach" for the following reasons:

- \$4 billion in net reduced costs by avoiding the extension of High Speed Rail service to Anaheim net the new costs associated with extending services to the Transbay Terminal.
- \$3.8 billion reduction in expected costs by adjusting inflations figures to match current trends.
- \$2 billion in reduced costs by completing portions of the project earlier than previous proposed in the 2011 November plan.

The new draft plan estimates that a "Full Phase" construction of Phase 1 would cost \$91.4 billion.

### Funding Sources

The Plan provides the following picture of funding sources for the \$68.4 billion anticipated costs:

<b>Source of Funds</b>	<b>\$ in millions</b>
Federal Support	\$41,890
State Bond Funding (Prop 1A)	8,200
Private Capital	13,118
Other Funds	4,931
Net cash flow from operations	238
<b>Total Sources</b>	<b>\$68,377</b>

As expected, the plan includes Cap-and-Trade revenue generated by AB 32 (Nunez, Pavley) Chapter 488, Statutes 2006, as a possible funding source for the High Speed Rail System. However, the plan does not commit to that funding source as a definite source of funding for the system. The Authority has commented that it views the Cap-and-Trade funding as a back-stop funding source if federal funding does not materialize. According to the Authority, the federal government typically provides between 50 and 80 percent of the funding for landmark transportation projects, the business plan assumes a 61.3 percent federal funding.

### Funding the Initial Operating Section

The Business Plan articulates the rationale for the funding requested in the 2012-13 Spring Fiscal Letter in the context of the Initial Operating Segment. The plan anticipates a total cost of \$31.3 billion to complete the Merced to the San Fernando Valley. Overall, the business plan identifies the following funding plan for completing the operating segment:

<b>Source of Funds</b>	<b>\$ in millions</b>
Federal Support	\$23,581
State Bond Funding (Prop 1A)	7,100
Other Funds	650
<b>Total Sources</b>	<b>\$31,331</b>

### Uses of the \$9.95 billion Prop 1A funding

The chart below illustrates how the \$9.95 billion of Proposition 1A funding would be used, as proposed in Business Plan and the Spring Fiscal Letters:

<b>Funding</b>	<b>\$ millions</b>
Total Proposition 1A Authorized Funding	\$ 9,950
Connectivity Set-Aside	950
New "Bookend" Construction	1,100
<i>---Southern California</i>	<i>500</i>
<i>---Northern California</i>	<i>600</i>
Construction Proposed in Fiscal Letter	2,609
Planning Costs	900
<b>Remaining Balance</b>	<b>\$ 4,391</b>

### Ridership

The 2012 Revised Business Plan includes revised ridership numbers for the Phase 1 "Blended" approach. The reliability of the ridership model was affirmed by checking the model using actual ridership numbers in the Northeast corridor. The revision yielded slightly lower ridership numbers than in the November Business Plan. The revised ridership projections expect a positive net operating cash flow, for several different ridership scenarios, which means that the system would not require an operational subsidy to operate.

#### ANAHEIM

As widely reported, the Revised Business plan did not include \$5.5 billion of expected costs for the extension High Speed Rail Services from Los Angeles to Anaheim. However, on April 12, 2012, after adopting the Revised Business Plan, the Authority adopted a resolution to begin exploring, in concert with local rail authorities, strategies to extend "Blended" High Speed Rail Service for this segment. According to the Authority, one challenge facing the authority is that existing inter-city rail service utilizes freight lines, so there are additional changes to provided "blended service" on this particular rail segment.

#### CEQA AND HSRA

The Administration may propose changes to the CEQA process for the High Speed Rail process. According to the Administration, High Speed Rail would be largest project ever reviewed through the CEQA process. The Administration is considering crafting statutory language that would facilitate the CEQA review that may be submitted for Legislative consideration later in the budget process.

**STAFF COMMENT**

The Revised plan is a definite improvement over the previous draft version. The Authority has responded to feedback, criticism, and public input with changes that make the overall plan stronger.

In particular, the use of the "Blended Approach" has three major benefits. First, it results in a major reduction in total project costs, which reduces the overall project risk. Second, it reduces the impact of the route on developed urbanized areas, as it reduces the need for additional right-of-way and infrastructure. Finally, it allows existing intercity and regional rail users to see the benefits of the investment into the High Speed Rail project.

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**Staff Recommendation: Informational item, No Action Required**

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**ISSUE 2: SPRING FISCAL LETTER—HSRA CONSTRUCTION AND PLANNING**

The High Speed Rail Authority has requested \$6.1 billion for construction and planning as part of the budget.

**BACKGROUND**

On March 30, 2012, the Department of Finance issued a Spring Fiscal letter that included funding for both construction and planning for a combined appropriation of \$6.1 billion. This request is in two parts, detailed below.

**CONSTRUCTION FUNDING REQUEST**

The Spring Fiscal letter requests \$5.85 billion to begin construction on a portion of the Initial Operating Segment. Of this amount, \$3.241 billion would be federal ARRA funding and \$2.609 billion would be of Proposition 1A bond proceeds. The first section to be constructed is approximately 130 miles from Madera to the northern outskirts of Bakersfield. The IOS is approximately 300 miles going from Merced to the San Fernando Valley.

The Spring Fiscal Letter also includes budget bill language that: (1) reflect the Authority's ability to manage the project, (2) confirms State Public Works Board (SPWB) oversight and (3) extend the encumbrance period to June 30, 2018, which is consistent with the project schedule.

The actual budget bill is listed below:

**Proposed Construction Budget Bill Language:**

**2665-306-0890**—For capital outlay, High Speed Rail Authority, payable from the Federal Trust Fund.....\$3,240,676,000

*Schedule:*

(1) 20.01.010-Initial Operating Segment, Section 1—Acquisition and Construction..... 3,240,676,000

*Provisions:*

1. The project identified in this item may be managed by the High-Speed Rail Authority.
2. The project identified in this item is subject to review by the State Public Works Board.
3. Notwithstanding Section 1.80 of this Act, the appropriation made in this item is available for encumbrance until June 30, 2018.

**2665-306-6043**—For capital outlay, High Speed Rail Authority, payable from the High-Speed Passenger Train Bond Fund.....\$2,609,076,000

*Schedule:*

- (1) 20.01.010-Initial Operating Segment, Section 1—Acquisition and Construction..... 2,609,076,000

*Provisions:*

1. *The project identified in this item may be managed by the High-Speed Rail Authority.*
2. *The project identified in this item is subject to review by the State Public Works Board.*
3. *Notwithstanding Section 1.80 of this Act, the appropriation made in this item is available for encumbrance until June 30, 2018.*

**WHY APPROPRIATE \$5.85 BILLION  
Now?**

Clearly the High Speed Rail Authority will not be able to spend \$5.85 billion in 2012-13. The Authority and the Department of Finance believe that this level of appropriation is appropriate because it would allow California to fully match the federal ARRA funds already allocated to California and provide sufficient appropriations to cover the Authority's strategy for land acquisition and construction. The Authority intends to appropriate between \$1.5 to \$2 billion for design-build contracts that it is in the process of establishing. The Authority also anticipates a large up-front expenditure on land acquisition and cites the example of an anticipated cost of close to \$400 million of likely land acquisition just in and around Fresno to illustrate the need for funding.

<b>PLANNING FUNDING REQUEST</b>
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The Spring Fiscal Letter includes \$252.5 million for acquisition and design activities, which is programmed by segment. The chart below illustrates the proposed funding source and uses of funding:

Segment/Item Number	Acquisition - Environmental		Preliminary Design	
	2665-304-0890	2665-304-6043	2665-305-0890	2665-305-6043
San Francisco - San Jose	\$5,135,000	\$5,135,000	\$74,000	\$74,000
San Jose - Merced	0	0	0	0
Merced - Fresno	2,297,000	2,297,000	4,987,000	4,987,000
Fresno - Bakersfield	3,119,000	3,119,000	8,246,000	8,246,000
Bakersfield - Palmdale	0	0	195,000	195,000
Palmdale - Los Angeles	2,566,000	2,566,000	0	0
Los Angeles - Anaheim	4,299,000	4,299,000	0	0
Los Angeles - San Diego	0	37,055,000	0	19,068,000
Merced - Sacramento	0	29,700,000	0	24,176,000
Altamont Pass	0	20,375,000	0	16,055,000
Project Mgt/Agency Costs	10,894,000	19,521,000	6,542,000	7,305,000
<b>Total</b>	<b>28,310,000</b>	<b>124,067,000</b>	<b>20,044,000</b>	<b>80,106,000</b>

According to the Department of Finance, the amounts requested reflect the total funds necessary to complete the Environmental Impact Report (EIR)/Environmental Impact Statement (EIS) and determine the preferred high speed train route for all nine segments currently in process and to complete 30 percent design for the Merced to Fresno and Fresno to Bakersfield segments. Some funding for preliminary design is necessary to conclude the EIR/EIS process. For the Merced to Fresno segment, acquisition funding is necessary to work on the junction with the San Jose to Merced segment and to complete work necessary for certification from local agencies. While construction of some segments will be some years out, completing the EIR/EIS and selecting the preferred route in advance allows communities to incorporate the finalized high speed train route into their master plans and may provide some protection from further development.

The Department of Finance contains budget bill language to make transferring funding between phases possible. According the Finance, previous budgets for the Authority have linked appropriations with a given year's cash flow needs. This approach to budgeting capital outlay has created significant complications for managing of the project, leading to work stoppages and schedule slippage. With few exceptions, capital projects are appropriated in phases (e.g. Acquisition, Design, Construction) in order to provide the funds necessary to allow the project to move at its pace without arbitrary stoppages to complete a specific milestone within the time authorized to encumber the funds. The SPWB is tasked with on-going oversight of the projects to keep them in scope, schedule and budget.

<b>PLANNING BUDGET BILL LANGUAGE</b>
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The Spring Fiscal Letter contains provisional language that is replicated in all four budget items for planning and acquisition, which reference each other. For discussion, the agenda displays the provisions for 2665-304-0890 only.

*Proposed Budget Bill Provisional Language for 2665-304-0890*

**2665-304-0890**—For capital outlay, High Speed Rail Authority, payable from the Federal Trust Fund.....\$28,310,000

*Schedule:*

(1) 20.15.010-San Francisco to San Jose—Acquisition.....	5,135,000
(3) 20.30.010-Merced to Fresno—Acquisition.....	2,297,000
(4) 20.40.010-Fresno to Bakersfield—Acquisition.....	3,119,000
(5) 20.45.010-Bakersfield to Palmdale—Acquisition.....	0
(6) 20.50.010-Palmdale to Los Angeles—Acquisition.....	2,566,000
(7) 20.60.010-Los Angeles to Anaheim—Acquisition.....	4,299,000
(8) 20.99.010-Project Management and Agency	
Costs—Acquisition .....	10,894,000

*Provisions:*

1. The projects identified in this item may be managed by the High-Speed Rail Authority.
2. The projects identified in this item are subject to review by the State Public Works Board.
3. Notwithstanding any other provision of law, each project in Schedules (1) to (7), inclusive, shall be the same as the respectively coded project in Schedules (1) to (7), inclusive, of Items 2665-305-0890, 2665-304-6043 and 2665-305-6043. For a given project, funds appropriated in this item may be transferred to the same project in Item 2665-305-0890. These transfers shall require the prior approval of the Department of Finance.
4. Notwithstanding any other provision of law, the project in Schedule (8) shall be the same as Schedule (8) of Item 2665-305-0890 and Schedule (11) of Items 2665-304-6043 and 2665-305-6043. Funds appropriated in Schedule (8) of this item may be transferred to the same schedule in Item 2665-305-0890 upon approval of the Department of Finance.

<b>STAFF COMMENT</b>
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**Construction**

The key budget decision facing the Subcommittee is whether to authorize the construction funding and if so, under what conditions. Assuming that an appropriation for construction is approved in the budget, the Subcommittee should consider what level of Legislative oversight is appropriate going forward. Under the proposed budget bill language, the Authority would have sufficient appropriation to begin several years of construction and would have no requirement to report to the Legislature.

The Subcommittee could improve legislative oversight by either appropriating only a portion of the \$5.85 billion or adding reporting language to the budget bill. There are advantages and disadvantages to each approach.

Typically, the legislature appropriates the full amount for transportation projects before construction begins. This practice reflects the difficult reality matching the State's budget process with the challenges dealing with the multi-year cash needs and large projects. In addition, since most large projects have multiple funding sources, having the appropriation up-front provides stability to the overall project.

The legislature has already used reporting language to compel the authority to issue several reports; most recently last year's in AB 105 (Committee on Budget (A)), Chapter 6, Statutes of 2011, last year's transportation budget trailer bill.

The Subcommittee may wish to explore options for crafting the right balance of oversight provisions that would allow the project to move forward, but would insure the Legislature can maintain its key role in oversight.

### **Planning**

Staff recommends that if the planning funding is adopted that the budget bill language be changed to require the Department of Finance to provide the Legislature a report if funding is moved between phases.

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**Staff Recommendation: Hold Open**

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2. The funds appropriated in this item shall be available for capital improvement projects 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, pursuant to Section 2704.095 of the Streets and Highways Code.
3. The funds appropriated in this item shall only be made available for expenditure upon the enactment of a \$3.2 billion appropriation in Budget Act Item 2665-306-0890 and a \$2.6 billion appropriation in Item 2665-306-6043 for the Initial Operating Segment of the High Speed Rail System.
4. Funds appropriated in this item shall be available for expenditure no sooner than 30 days after all of the following conditions are met:
  - a. The California Transportation Commission, in consultation with the California High-Speed Rail Authority, updates and adopts program guidelines to ensure eligible projects are consistent with the early investment in the Phase 1 blended system strategy identified the April 2012 California High-Speed Rail Revised 2012 Business Plan.
  - b. The Commission, in consultation with the Authority, develops a draft program of projects consistent with the guidelines developed pursuant to (a).
  - c. Commission staff presents the draft program of projects to the Authority, at a scheduled board meeting, for review and comment. Commission staff shall address and incorporate comments in the program presented to the Commission for adoption.
  - d. Upon adoption of the program of projects by the Commission, the Department of Finance shall review the program of projects and notify the Joint Legislative Budget Committee in writing of a list of projects to be funded and the amount of funds to be expended.”

**2660-304-6043**—For capital outlay, Department of Transportation, payable from the High-Speed Passenger Train Bond Fund \$106,000,000

Schedule:

(1) 30-Mass Transportation. 106,000,000

Provisions:

1. These funds shall be available for allocation by the California Transportation Commission until June 30, 2014, and available for encumbrance or liquidation until June 30, 2018.
2. The funds appropriated in this item shall be available for capital improvement projects 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, pursuant to Section 2704.095 of the Streets and Highways Code.
3. The funds appropriated in this item shall only be made available for expenditure upon the enactment of a \$3.2 billion appropriation in Budget

*Act Item 2665-306-0890 and a \$2.6 billion appropriation in Item 2665-306-6043 for the Initial Operating Segment of the High Speed Rail System.*

4. *Funds appropriated in this item shall be available for expenditure no sooner than 30 days after all of the following conditions are met:*
  - a. *The California Transportation Commission, in consultation with the California High-Speed Rail Authority, updates and adopts program guidelines to ensure eligible projects are consistent with the early investment in the Phase 1 blended system strategy identified in the April 2012 California High-Speed Rail Revised 2012 Business Plan.*
  - b. *The Commission, in consultation with the Authority, develops a draft program of projects consistent with the guidelines developed pursuant to (a).*
  - c. *Commission staff presents the draft program of projects to the Authority, at a scheduled board meeting, for review and comment. Commission staff shall address and incorporate comments in the program presented to the Commission for adoption.*
  - d. *Upon adoption of the program of projects by the Commission, the Department of Finance shall review the program of projects and notify the Joint Legislative Budget Committee in writing of a list of projects to be funded and the amount of funds to be expended.*

#### **ADDITIONAL BOOKEND INVESTMENTS**

While the Revised Business Plan indicates that the Authority plans to use \$1.1 billion of Proposition 1A funding for "investment in the bookends", the Spring Fiscal Letter does not appropriate these funds. According to the Administration, the bookend investment funds would be used for construction. On April 12, the High Speed Rail Authority considered two MOU's for both Northern and Southern California for this bookend investment. From these MOUs it appears that connectivity funding and the new bookend funding are critical to the effort to electrify Caltrain.

#### **MTC MOU for Electrification of Caltrain**

The Authority and the MTC have adopted a plan to allocate \$1.5 billion for electrification and new train signals for Caltrain based on a MOU between several regional agencies, including the Peninsula Corridor Joint Powers Board (which operates Caltrain), San Francisco County Transportation Authority, San Mateo County Transportation Authority (Samtrans), Santa Clara Valley Transportation Authority (VTA) and the Transbay Joint Powers Authority. The High Speed Rail Authority would pay \$106 million from Proposition 1A connectivity and \$600 million in additional Proposition 1A bookend funding for construction. The proposed budget bill language does not appropriate the Proposition 1A bookend funding, but it is possible that the \$106 million of connectivity funding could be allocated from the connectivity funds that are proposed from appropriation in this section. The Administration notes it is not submitting a funding request for this project as the environmental review work has not yet been completed.

***Southern California Bookend Investment***

The Authority adopted a MOU framework for bookend investment in Southern California. The framework commits the Authority to allocate \$1 billion of additional "bookend" funds by 2020 for blended construction projects in Southern California that are included on a \$2.7 billion "priority improvement list" attached to the MOU. The Administration notes it is not submitting a funding request for this project as the environmental review work has not yet been completed.

***Northern California Unified Service***

The Authority has begun work crafting an MOU with Northern California rail systems in the Central Valley to develop the Northern California Unified Service concept mentioned in the Revised Business Plan.

**STAFF COMMENT**

In the past two years, the Governor has vetoed connectivity funding appropriated by the Legislature. The Administration comments that it believes that while safety and capacity upgrades to existing rail systems are an allowable use of connectivity funding, it believes that projects that enhance connectivity of these systems to the High Speed Rail System must be the priority. CTC and the Administration are discussing whether the budget bill language that requires the CTC to readopt guidelines for expenditure of these connectivity funds is necessary to reflect this belief.

The Subcommittee should consider whether it is beneficial to appropriate funding for the two "bookend" MOU agreements this year, if the Legislature appropriates other HSRA construction funding in the budget bill. Staff believes that many of the arguments made by the Administration to justify the appropriation of \$5.8 billion for construction in the budget bill would generally apply to the MOU bookend agreements as well. Given the large number of stakeholders that would need to make substantial financial commitments for these bookend projects to begin, an appropriation would provide more certainty that these projects will move forward as outlined in the MOU.

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**Staff Recommendation: Hold Open**

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**2660 DEPARTMENT OF TRANSPORTATION****2665 HIGH SPEED RAIL AUTHORITY****ISSUE 4: BCP'S FOR HSRA OPERATIONS**

The Governor's Budget includes 5 BCPs for a total of \$6.6 million and 19 positions to increase staffing, combined with proposals to continue funding for outreach, project management and financial contracts. In addition, Caltrans has one proposal to receive reimbursement from the Authority for legal work associated with property acquisition.

**BACKGROUND**

The Governor's Budget includes five BCPs for High Speed Rail, totaling \$6.6 million and 19 new positions. The chart below summarizes these requests:

BCP	Description	Total Cost (Thousands)	PYs
Staffing Increase	Additional staff for Governmental Affairs, Legal, Environmental and Planning, Human Resources, Business Services, Grant Administration, Information Technology, Communications and Accounting	\$1,860	19
Interdepartmental Baseline	Represents costs associated with interdepartmental agreements with Department of Justice, Department of General Services, and the Department of Finance	670	
Public Information and Communications Services	Continuation of contracted services for statewide environmental outreach and communications services	500	
Program Management Oversight	Continuation of existing contract with TY Lin for Program Management Oversight	3,000	
Financial Consulting	Continuation of existing Financial Consulting contract, additional funding requested in Spring Fiscal Letter, as noted below	750	
Total		<b>\$6,780</b>	

**Caltrans BCP for Legal Support for HSRA**

The Governor's Budget also proposes \$3.1 million and eight positions at Caltrans to provide legal support and services to the High Speed Rail Authority for land acquisitions. These funds are reimbursed by HSRA from federal and bond funds.

**Workforce Cap**

The Governor's Budget also reflects a \$196,000 reduction and 2.5 positions that were removed in accordance with the 2010 Workforce Cap Executive Order.

**SPRING FISCAL LETTER****Financial Consultant Services (Issue 101)**

The Spring Fiscal Letter includes and appropriation of \$1,750,000 to provide for a multi-year contract for financial services associated with the high-speed rail project. The Authority's financial consultant, KPMG, will continue and update project funding strategies as they evolve, analyze existing and future revenue sources, provide procurement support for acquisition and design-build contracts, and assist the Authority with risk management. Combined with the \$750,000 in the Governor's Budget, this proposal will provide a total of \$2,500,000 in 2012-13 for this purpose.

**STAFFING AT HSRA**

As noted above, the Governor's Budget included a request for 19 new positions for the Authority. This would increase the total positions from 51.3 PY in the current year to 69.3 PY in the budget year. According to the Authority, currently 33.5 positions are filled.

**STAFF COMMENT**

The Authority reports that is in the process of hiring several key administrative positions, like the CFO and Risk Management positions. The Authority indicated that it hopes to have these positions on staff in the coming months.

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**Staff Recommendation: Hold Open**

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