

CHSRA Admin/Exec Committee Meeting, July 30, 2010

Topic: Federal Funding Application

Provided by Kathy Hamilton with assistance from Rita Wespi.

NOTE: This transcript and accompanying audio begins approximately 40 minutes into the meeting. Most of this transcript is verbatim. Use the audio link to verify before quoting passages where exact accuracy matters.

Audio: <http://www.calhsr.com/wp-content/uploads/2009/05/Kopp1-office-7-30-2010.mp3>

Attendees: Chairman Kurt Pringle, members Quentin Kopp and Fran Florez, CEO Roelef van Ark, John Harrison from the Program Management team.

Location: This Committee meeting was held telephonically; access to the public was at three locations: San Francisco, Sacramento and Bakersfield.

Agenda: http://www.cahighspeedrail.ca.gov/images/chsr/20100719173417_AgendaJuly30ExecAdmin.pdf Federal Funding Application. Staff will present for the Committee to consider and approve funding applications for FY 2010 High-Speed Intercity Passenger Rail (HSIPR) Program. The Committee will be exercising the authority delegated to it by the board at the board's July 8, 2010 meeting.

Supporting material:

- July 30, 2010 memo from CEO to Exec/Admin Committee members titled, Federal HSIPR Funding Application for 2010.
http://www.cahighspeedrail.ca.gov/images/chsr/20100730084612_AgendaItem2-FederalFundingMemo.pdf
- FRA July 1, 2010 document titled, High-Speed Intercity Passenger Rail (HSIPR) Program; Notices.
<http://www.fra.dot.gov/downloads/PubAffairs/2010-15992.pdf>

Transcript: (begins approx. 40 minutes into the meeting.)

Van Ark goes through what the Authority asked for originally in ARRA application - 1.96 in total, 740 M for electrification, PTC and Communications- \$213M and station improvements -391million and some grade separations.

Van Ark: Caltrain would meet operational utility requirements although we stall on an open issue with the FRA. Although they allowed and have not given us anything in writing about this, they do query whether this does meet operational utility because the Caltrain service is not necessary an intercity operation.

But we do not have an alternative there at the moment and we continue using Caltrain as the independent utility operator for that particular segment.

Kopp: Excuse me, I infer then, means that there's no reasonable certainty of FRA acceptance of that convention.

Pringle: Mr. van Ark?

Van Ark: I don't believe, and I asked staff if there is anything else to say to it, I don't believe we've ever received anything in writing, but definitely verbally we have heard their concern about whether this particular service complies with an intercity service.

Kopp: thank you.

Pringle: As it relates to just the electrification portion or any of the individual projects that were part of the original ARRA application?

Van Ark: You mean particularly related to this particular segment?

Pringle. Yes

Van Ark: There is also a query about the feasibility of doing electrification to start off with , because doing electrification without a built out alignment or an agreed upon and constructed alignment, is not the normal logical engineering way of building a system of this type.

So the FRA does not really understand how we can be doing electrification. You will see our recommendation this time around is slightly different to the recommendation that was done before.

Pringle: Very good, then let's see that.

Van Ark: That means under section 2- we are saying for the 3.212 billion, as is obviously the case with Anaheim to Los Angeles, that money does not suffice to **go to [build each?]** segment.

We have redefined scope, working and starting with infrastructure improvements and grade separations and we are starting at 4th and King station and working in a southerly direction and with the money available we believe, I refer you to Figure 12., that we could do that work up to the orange portion up to Redwood junction. I must add to that we have costed this as an elevated or aerial structure. You are aware of the fact that there are some parts of our analysis and AA that have got the alternative trench as well as aerial. At this stage this costing has been done only on aerial. If it is to be a trench, we would not be able to go obviously as far as the 26 miles that have been shown.

We would also be doing the PTC, for the alignment, because we need signaling – the PTC – when you are doing the construction work it's good to have the right signaling in place so we can do the right supervision of the trains and switching of the trains.

4:55

In the south we believe we would have further funds available so that we could do approximately six miles of further (??) which is shown in the orange color there which is from Mountain View South to north of Fair Oaks Avenue, Santa Clara [sic]. Again this is based on aerial structure as opposed to trench or any other because they too still have the option of trench and aerial structure.

Pringle: Very good, Mr. Van Ark. Just one moment, I'd like to have a clarification made.

John Harrison with Program Management team: Just for clarification in graphic Fig 12 actually should have shown for that southern section, the section just north of the one drawn in orange from Mountain View down to North Fair Oaks that six mile section to section seven. It was inadvertently colored the wrong section.

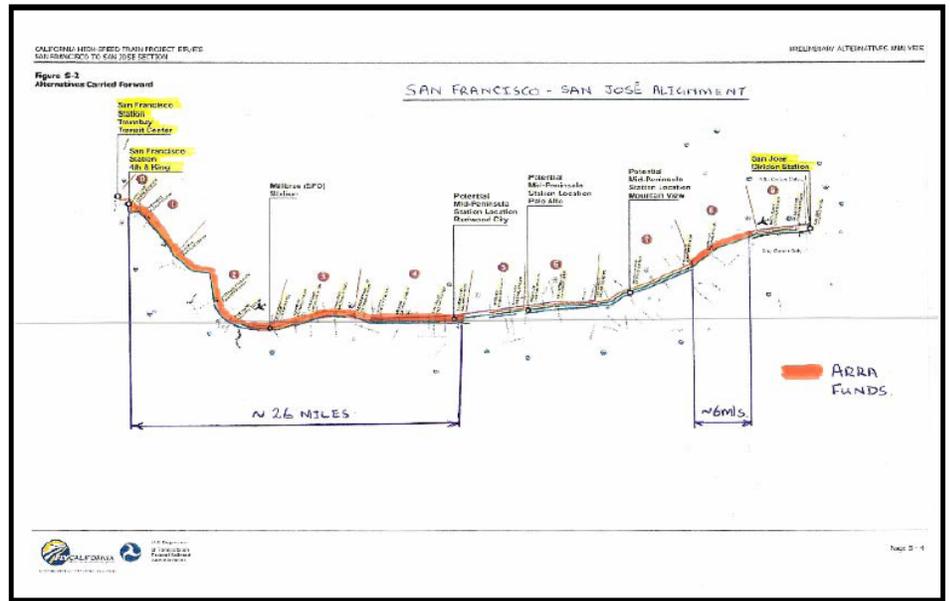


Figure 12

Pringle: So you are saying, the map where it's orange the section to the left of that section 7 should be in orange and that would be the six mile section you are referencing.

Harrison: Yes.

Proceed, Mr. Van Ark.

6:20 Van Ark: So the new grant application would be for electrification of the alignment. And as I mentioned for Caltrain and High Speed Train, to provide two tracks that would be electrified, although construction although infrastructure will be built so the tracks could be electrified at a later date. Construction of the Millbrae station and integration thereof. Again we have not used trench pricing in this because that would become a lot more expensive. And the operational utility would be for the Caltrain service. Signaling would be as the FRA requirements.

As Judge Kopp mentioned already, we obviously we would seek from the FRA that they would finally accept Caltrain service as an intercity section; as of this time we don't have that clarified.

Pringle: We're at the end of section D (4), any questions of the board members? Kopp and Florez say no.

Van Ark: Page 13, so general comment. You can well understand that in each one of these segments we have to work and the team is still working on ensuring that we have the right cutover points where we would ensure independent utility. And you can also understand that each one of these will therefore end up with a slightly different cost range. Our calculations have shown that what we have shown to be in green -- the extensions we recommend, that would be in the region of approximately 1 billion to 1.4 billion we would our cost requirements to cover the new extensions and therefore we would need to get 1 to 1.4 billion of funds to build those.

As the FRA has request for a minimum of 20% matching and as we know that a higher percentage of matching will be seen by the FRA as a positive indication that the state of the authority is committed to these projects, we recommend that only 30% of the Prop 1 bond proceeds be used for the second round. So that means more than the minimum of 20% but also less than the 50% that was previously offered. The reason for this is we believe that to some extent the 9 billion that we have in Bond Prop 1, bond proceeds may be needed further along when we fund other sections of this project because most of the FRA funding over the years will require at least, more or less in the magnitude of 20%, maybe less, there's some indications it could be a bit less, but will require matching and therefore we must make sure that we use the 9 billion correctly and that we will have sufficient matching funds as we move forward to be able to secure the magnitude of federal funding that we believe, and you know is in our business case, for this particular project. Therefore our recommendation to the board committee is that we match with 30% on our new application. Therefore our application would be for approx. \$700 million to 1 billion of the aforementioned 1 billion to 1.4 billion figures that are under the first bullet point.

I would like to once again point out that the way we are applying for these funds -- and the way we have been recommended by the FRA to apply for these funds -- it would be an enhancement of the original ARRA application but obviously it is therefore more important that we clear **[our ??]** next year because at the end of the day, a bigger amount of money would be, in some way or other, not directly but indirectly linked to the project being given a go ahead, when we achieve our ROD / NOD next year. With those few bullets being cleared, our recommendation to the board committee is as written. We request that the executive enactment committee approve the recommended **[approach taken]** by staff to apply for the proposed financial year 2010 HSR additional funding and that the committee approve that staff do all the detailed work to meet the submittal date and deadline of August 6, 2010.

Pringle: Ok, thank you very much for that presentation. A couple of questions I have, one would be, you do reference it in bullet point 3 on your general comments, and you did mention it very clearly but this is all dependent -- and I think it is something that probably should be discussed or articulated very clearly - - that this is all dependent upon getting environmental clearance by the ARRA deadline not only for ARRA fund expenditure but for Fiscal 2010 dollars that we are applying for now. And you feel that that is where we must focus and we have no other alternative?

Van Ark. You are correct, if that is directed to me, Mr. Chairman. Yes, first this is the request and the recommendation of the FRA. Obviously the next funds do not necessary in themselves, need to meet the EIR deadline. But the way we have structured the approach, if we do not get the 3.3 billion, of which half are ARRA, obviously we would not be able to build the first portions which have independent utility if we do not get that particular ARRA money, we would also not be able to do anything with the new applied funds because they would not offer independent utility to the project.

13:30

Pringle: That's where one of my questions also is. It seems that there are some projects that, even though 100% of those funds may not be spent in that section, there are some projects in a couple sections at least that could be built that do have independent utility in a standalone basis. You did suggest FRA is very concerned about spreading around the money too much and not getting the level of independent utility in completeness in each these sections, both of the ARRA funds and the additional fund request. But have we at this time at all, discussed with FRA, where there may be some portions of

the project that can be done, that do meet their requirements so that we're not focusing all the money in one section at a time.

I hear their preference, but I just want to make sure we understand clearly that we've explored the option of possibly not using all the money in one section.

15:00 Van Ark. We have discussed with the FRA, and yes we could apply for the new funding completely independently of the four segments that we applied for ARRA funding. It is the recommendation of the FRA, there is nothing that prevents us other than some time restrictions, obviously, because doing the work on 4 segments is a mammoth task, but making a completely independent application not linked to ARRA is allowed.

Pringle: I don't know if I'm suggesting that. But I am trying to see if at the end of the day, let's say we receive our maximum award on these funds. I see for a lot of reasons some of the challenges that would be if all of the money were spent in one segment. I certainly see why FRA would want that to occur and actually I also see why we at HSR might want to see that occur but I also see where people throughout the state may not necessarily see that as necessarily advantageous.

Pringle: Any questions, Mr. Kopp?

16:30

Kopp: I am interested in the process between now and Aug 6th. The board has delegated authority to this committee. You request the committee to accept the recommendation which includes completion of the application -- of the so called new funding -- at an amount that is uncertain except for the parameters of \$700 million to \$1 billion. Is that accurate?

Van Ark: Yes, that's accurate.

Kopp: What will the process between now and August 6th consist of, from your standpoint, number one, and from the committee's standpoint in regard to defining the dollar amount of the funding request.

Pringle: I would like to just ask Mr. Kopp. Are you wondering how the request will be submitted -- if the request would be submitted to the FRA with all of the 4 new fund proposals and then allow the FRA to determine which they seek to fund or how much they wish to spend? Is that what you're asking?

Kopp: That's an additional question. My initial question, is how will the amount be defined in terms of the anticipated procedure, at the staff level and if any further participation at this committee level.

18:30 Van Ark: The answer to that is this is work in progress. There are two parts to your question. One is the actual final costing. It is a work in progress at the moment on all four segments as you can understand it is a lot of work.

Secondly there are a tremendous amount of paperwork, return on investment calculations, benefit calculations, the forms that have to be filled in for each one of these 4 applications, as well as the motivational documentation that has to be formulated so there is a tremendous amount of work but you are correct, our request at this date is whether you could give us the approval to continue and to submit the application based on our recommendation to you today.

Pringle: With no further action of this committee, you are asking for that authorization to be made today.

Van Ark: I am, Mr. Chairman, between now and the 6th of August, it is just a continuation of the finalization of the documentation.

Pringle: Does that answer your question, Mr. Kopp.

Kopp: Yes. What about the other question articulated by the chairman?

Van Ark: Mr. Chairman, can you please restate the question.

Pringle: So your request will be not a range dollar request but in fact a specific request for each of the additional funds for each of the additional segments.

Van Ark: --each one will have a different figure because each one will have a different cut out of that. And those figures will finally end in the range that we've indicated to you. There will be four different applications, and four different figures. You're correct.

Pringle: Any other questions, Mr. Kopp?

Kopp: No.

20:48 Florez: Question that's been posed to me. Request for clarification on Fresno/Bakersfield sections on page 7; I have someone in the room with a question; maybe I can articulate it myself. Regarding Fig 6 & 7. Can you clarify that?

Van Ark: when we use the \$2.3 B ARRA, for the section Bakersfield to Fresno, we in fact end up at W Clinton Ave. That means we would like to extend that section – which is now the Bakersfield to

Fresno section - into the Fresno-Merced section, according to the green line in Figure 6. So in fact the 2 segments of this solution would be linked together and we would alter the section in Fresno, and we would have a complete link of line of approximately 130 miles starting outside Hageman Road outside of Bakersfield all the way to Fresno, coming up to Borden and Row 26, Avenue 18 and thereon. The 2 would merge in our recommendation.

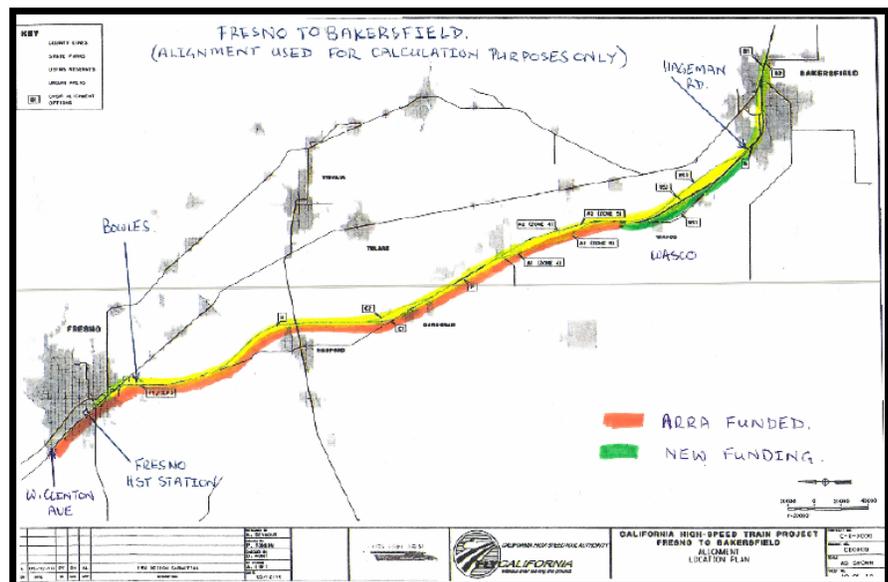


Figure 7

22:35 Troy [public commenter]: Is that Fig 6 different from Figure 3 in the Merced-Fresno section?

is it different from that figure – I think it's only different in that it's not the entire figure, it's just a portion of what would be in fig 3. And it would connect the southern section further north and make that interconnection – is that correct, Mr. van Ark?

Van Ark: Repeat the question?

Troy: Is that additional work north of that original ARRA Fresno to Bakersfield section – the green line – is that the same that's depicted in Fig 3 of the Merced to Fresno section?

Van Ark: It is in fact part, but be careful. You must always look at where we've applied the ARRA funds. And the fig 6 shows where we would like to extend with the new findings based on the Bakersfield to Fresno start, whereas fig 2 & 3, this particular fig 3, shows where we would recommend to start the additional funding work when you start at Castle Air Force Base, which is north of the Merced section.

Pringle: So this would be similar to the southern section of the Merced to Fresno portion.

VA: It's an either/or. You either have fig 3, or you have fig's 6&7.

Pringle: But they're not contradictory?

VA: They're not contradictory. They're will be 2 separate applications. One would be based on fig 3, which would start at Castle AFB and go all the way up to just before Fresno where it connects to the BNSF line, whereas the other one – figs 6&7, which starts outside of Hageman Rd outside of Bakersfield, go all the way to Fresno and end up at Road 24, Ave 18 1/2. It's an either/or situation, we would not do both, obviously. There would be two scenarios: either, or.

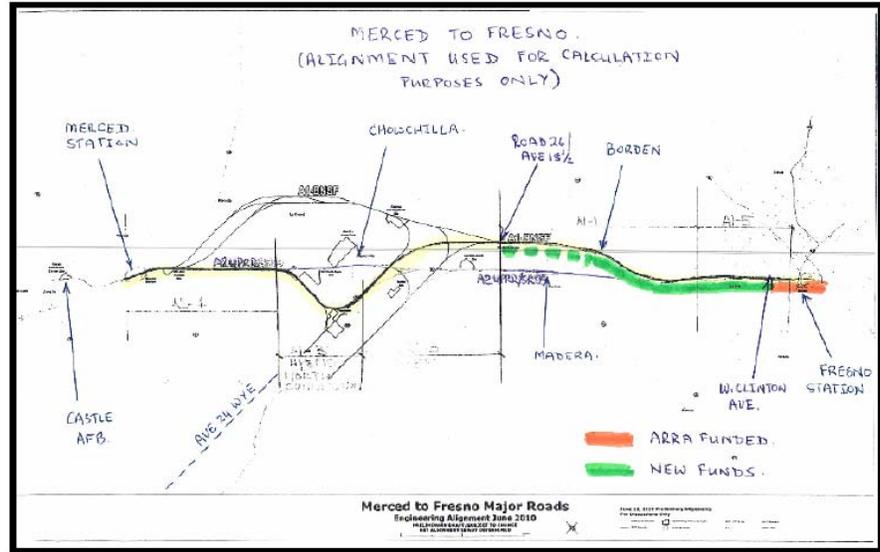


Figure 6

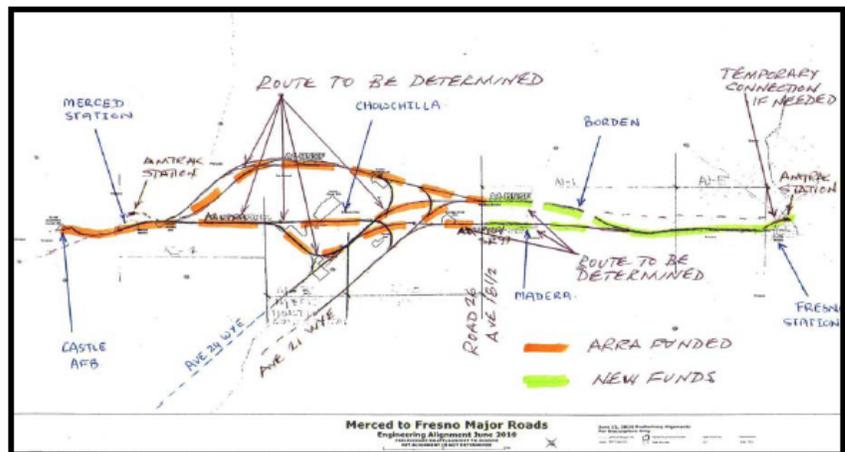


Figure 3

Pringle: Ms. Florez, does that answer your question?

Florez: We have one other person who has a question.

25:30 Bob Schnade from Kern County: As you mentioned, the utility qualification for the FRA in the Bay area is in doubt. If it is not accepted, do you have another fallback strategy where another position, for example Anaheim to Fullerton might be filled with those funds if they are not qualified under independent utility conditions or is that money now lost? Do you have a fallback strategy? And will FRA allow you to submit a new grant application if it's not qualifying?

Pringle: All of these are fallback positions. There are four proposals that have been presented. In each of the proposals there is a use of 100% of the available ARRA funds presented under what's known as point 2 in each of the four proposals. And in each of the four proposals under point 3, is what is being proposed for the new funds in fiscal year 2010 appropriations.

So if any of these segments don't meet their September 2011 environmental clearance or if the FRA says any of these segments cannot proceed, then each of the other segments has a stronger position to receive that funding. So if somewhere along the way, any one of those segments falls out for any of those reasons, then the remaining 3, 2, or 1 segment would certainly be able to utilize those funds.

Pringle: Are there other questions on this?

Schonbrunn: I have one.

Pringle: Who's this?

Schonbrunn: David Schonbrunn from TRANSDEF, actually I have two. My first question --

Kopp: -- I don't know, this is a committee meeting, but I guess this is a free for all, so I --

Pringle: I would just as soon not have "a free for all." Mr. Kopp, do you want to ask this gentleman's question?

Kopp: I don't mind asking his question and I suggest he write it out.

Schonbrunn: It's kind of complicated to write down.

Kopp: Let me ask you this Mr. Chairman without getting stuck on formalities. Do we under the law entertain public comment following completion of Mr. van Ark's presentation?

Pringle: Well, we haven't traditionally in the committee meeting but I certainly would like to make sure all the questions are answered and I'd like to do that in the best way possible.

Kopp: May I suggest then that the chair deem this public comment and entertain comment. I don't know that there's an obligation to answer a question as such but at least the content of the public comment can suggest a subject which Mr. van Ark or someone else can respond to.

Pringle: Certainly let's try to do that. We heard folks in Kern. I certainly would welcome people here in Sacramento or San Francisco if they have a question.

Kopp: Mr. Schonbrunn has a comment or question, whatever you want to call it.

Schonbrunn: Two of them. The first is an observation that while the presentation was oriented toward answering questions of utility in relation to FRA, it was entirely silent in relation to eligibility for matching bond funding from Prop 1A. In particular the elements of 2704.08 C, D, F [and later added 2704.01 G] raised questions about the need for prioritization process for different segments and that has clearly not occurred. Also the question of whether in the discussion of cut over points, these segments that are being proposed under ARRA funding represent usable funding under Prop 1A, it would appear that some of them do not contain two stations, in that instance they don't qualify as a usable segment and can't receive matching bond funding. That was my first comment.

My second and final comment is that if there is a notice of determination of Caltrain's Electrification EIR, it is not going to include High Speed Rail within its project description, which begs the question how is that going to fit within the time line that is called for under ARRA funding guidelines.

Pringle: Thank you for your comments. Any more questions?

31:00 Howard Strassner, Sierra Club: When you spend some of these billions on one section, there may be some time savings on Amtrack. It would be useful for you to tell everyone how many minutes or half hours you're going to save on the Amtrak route so that people could see some benefit to their 9 billion dollars as early as possible.

Pringle: I believe Mr. van Ark isn't that referenced under independent utility as a part of the application?

Van Ark: That will be done, it is being prepared, and the calculations are being done and will be part of the submission.

Kathy Hamilton: There is a question about the definition of usable section thereof. In Prop 1A it talks about usable sections as far as high speed rail and I believe that we had listened, back in July and August to Tony Daniels, who stated that no one section can be used for High Speed Rail until all sections are built. I'd like to find out your definition of usable section, because that's quite different from independent utility as the federal government requests.

Pringle: I will make sure that we ask the attorney general's office continue to fully explain that and have that explanation available for you.

Pringle: Any other questions in San Francisco?

Kopp: There is not to be.

Pringle: Is there a motion on the staff's recommendation?

Kopp moves to recommend the 3 staff recommendations for the committee.

Pringle: I hear unanimous response on the motion. The motion passes.