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December 22, 2011

Chairman Thomas J. Umberg
Board of Directors
California High-Speed Rail Authority
770 L Street, Suite 800
Sacramento, CA 95814

Dear Chairman Umberg:

On behalf of the Orange County Transportation Authority (OCTA), we appreciate the opportunity to review and comment on the California High-Speed Rail Draft 2012 Business Plan (Plan). As the only public agency to provide a financial contribution to the environmental clearance effort, OCTA has a vested interest in the California High-Speed Rail (CHSR) project, especially since the designated southern terminus for Phase 1 of the CHSR project is in Orange County.

The Plan is a marked improvement over the 2009 Plan and attempts to address many of the previous areas of concern raised by the Legislature, the Peer Review Group, the Legislative Analyst's Office (LAO), and affected communities. We are pleased that the Plan includes the blended approach as requested by OCTA and Los Angeles County Metropolitan Transportation Authority (Metro) in spring 2010. The plan recognizes the importance of existing passenger rail service providers and the need to link those systems with the CHSR project. We believe this is the key to the successful implementation of CHSR in Southern California, and the retention of federal support for this project. Linking into the existing successful rail services will provide the needed connectivity to regional transit systems to enable the full potential of the CHSR system.

While the Plan represents a more realistic assessment of the CHSR project, there remain areas of serious concern that should be addressed prior to submission to the Legislature and certainly prior to implementation. Below is a summary of our comments/ concerns:

- **Phased Delivery Approach:** We are pleased with the introduction of the phased delivery approach as it represents a more realistic delivery model and includes the blended operations approach as requested by OCTA and LA Metro; however, this approach begins with construction in the Central Valley instead of the Anaheim to San Fernando Valley and San Francisco to San Jose segments, often referred to as the bookends

of the system, which show much higher ridership and revenue, as well as providing connectivity to the most urbanized areas of the state. While there may be requirements which justify initial expenditures on the Central Valley, we believe it more prudent for the California High-Speed Rail Authority (CHSRA) to begin with project implementation at the bookends of the system. This approach will maximize the investment of the scarce state and federal funds and provide critical connections to the existing passenger rail systems in southern and northern California. If new track is constructed outside of the bookends in southern and northern California, it should be added between the San Fernando Valley and Bakersfield to connect the Pacific Surfliner and San Joaquin intercity rail corridors. This important infrastructure would fill the gap in passenger rail service which now exists between Los Angeles and Bakersfield.

- **Project Schedule:** We understand that the updated schedule aligns with the phased delivery approach, adding 13 years to the full Phase 1 project. Unfortunately, this change in schedule leads to significant cost increases due to inflation and escalation and it puts the existing funding sources in jeopardy due to timely use. Additionally, the updated schedule includes no contingency for project delay that may be caused by environmental clearance, legal challenges, gaps in funding, or limited availability of construction materials and qualified technical resources.
- **Cost Increase:** While we are aware that the previous cost estimate was in base year dollars and the updated cost estimate now includes normal escalation and inflation, the cost increase is significant. As stated in the business plan, the increased cost also does not address worst case scenarios for mitigations that may be required through the environmental process nor is it based on the high end of the range presented in 2010 dollars. These potential cost changes could be significant and should be addressed through contingency planning.
- **Funding/Financial Plan:** The funding plan is largely speculative and lacks any firm commitment of funding beyond the initial construction section. The current secured funding is not adequate to build either of the Initial Operating Sections, which the Plan states are the driving force behind attracting any private funding and future public funds. Additionally, the Plan relies heavily on scarce public funds on the front end of the project and could place the CHSRA in direct competition with existing rail service providers given the identified potential fund sources. This is of great concern to OCTA as it will directly impact existing and future planned programs. Specifically we are very concerned about the

assumptions on the use of federal Congestion Mitigation and Air Quality and Regional Surface Transportation Program funds that OCTA utilizes for highway and transit projects. In addition, the use of federal New Starts funds for the high-speed rail (HSR) program presents direct competition to OCTA and other local transportation agencies that rely on this program for the development of new fixed-guideway projects.

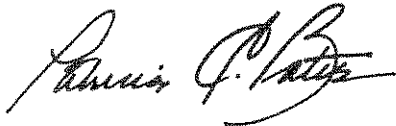
- **Compliance with Proposition 1A:** Proposition 1A Section 2704.08(c)(2) specifically states that any funding plan submitted to the Legislature “shall include ... all of the following,” and items A through K are listed. Subdivision H requires that, “The corridor or usable segment thereof would be suitable and ready for high-speed train operation.” “Corridor” is specifically defined in Section 2704.01 and refers to a “high-speed train system,” which is defined in Subsection (e) of 2704.01 as a “system with high-speed trains and includes ... power system, rolling stock...” among other items. Additionally, Subsection K of 2704.08(c)(2) requires that, “The Authority has completed all necessary project-level environmental clearances necessary to proceed to construction.” As noted by the LAO’s November 29, 2011 report on the Plan, it would appear that there are serious questions that need to be fully analyzed as to whether the funding plan truly complies with the requirements set out in Proposition 1A.
- **Operational Assumptions:** The operating assumptions include some very aggressive service levels of up to nine trains per hour. This is likely to result in unnecessary frequency. The projected operating surplus of over \$1 billion per year is also speculative and based on an optimum number of trains; in our view, it is simply too optimistic.
- **Cost Comparisons:** The cost comparisons made in the Plan are based on a theoretical maximum of HSR capacity. More concerning is that the Plan does not include a build vs. no-build option for HSR and ignores existing capacity and other tools for managing congestion; in addition, the Plan compares a \$98 billion investment in HSR to a \$171 billion future investment in airports/roadways for equivalent capacity, but does not account for the roadway/airport work investment that will be required both with and without HSR.

The CHSR project represents the single largest public works project in California history, requiring extensive coordination and investment. OCTA is pleased to see the enhanced level of coordination between the CHSRA and existing service providers and railroad owners. However, we have grave

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concern over what appears to be missing elements and unrealistic components of the Plan. We also urge the CHSRA to address the serious concerns regarding the Plan raised by the LAO prior to submission of this Plan to the Legislature. OCTA would further appreciate adequate responses to the issue raised in the letter. This project has the potential to provide significant improvements to California's transportation infrastructure, but must be done with prudent planning and judicious use of public funds.

Sincerely,

A handwritten signature in cursive script, appearing to read "Patricia F. Bates".

Patricia Bates
Chairman

PB:jlb

c: Board of Directors
Executive Staff