

First, I'd like to thank Senators Lowenthal and Simitian for holding this legislative hearing, and for taking such an active role in this project that has the potential to help keep the development of high-speed rail in California on track. We appreciate the opportunity to be here, and especially to hear from the residents and community leaders of the Peninsula, an area of the state where Proposition 1A enjoyed some of its strongest support.

I'd also like to thank the California state Legislature and in particular the state Senate, in general, for its historic support for high-speed rail both in terms of policy and budget proposals. It's only with the help of that sustained support over the years that the High-Speed Rail Authority has been able to bring this project to the stage where we are today, at the forefront of high-speed rail development in this country.

As you know, the goals of constructing this additional mode of transportation in our state are simple and profound:

- One is to create the foundation for continued economic growth in our state as the global economy grows more complex and California's population continues to increase.
- Another is to promote energy independence and efficiency, while address climate change and environmental quality.
- And of course, we aim to foster livable communities connected by an efficient network of multiple modes of transportation working in concert.

The High-Speed Rail Authority, whose governing Board is comprised of five gubernatorial appointments and four legislative appointments – including two appointees of the state Senate – is the state entity charged with planning, developing, constructing and operating a high-speed rail network in the state. To that end, we have a responsibility to the people of the state and to the Legislature to lay out a plan for how we anticipate accomplishing those goals.

That brings us to the Business Plan, which we submitted to the Legislature December 14.

Before discussing the elements of the document, I want to frame it appropriately – as a snapshot of the project as we know it and anticipate it to be today. The Authority has developed a two previous business plans – in 2000 and 2008 – and those, too, were snapshots of the project at those points. This is a document that will continue to be refined and that will change, as is the nature of a dynamic project of this size and scope. As we do so, the Authority

is committed to routinely updating the Legislature – more frequently even than is required by recent legislation.

This time around, we were able to develop the business plan with the benefit of a number of very significant events having taken place over the preceding 13 months. First, the voters of the state in November 2008 approved Proposition 1A. Second, President Obama made a strong public commitment to the development of high-speed rail in America and included \$8 billion in the American Recovery and Reinvestment Act for that purpose. Additionally, over the year since the 2008 business plan, the Authority completed significant amounts of the work necessary to move this project forward such that, today, each and every section of the planned system has entered the environmental review phase, including the Sacramento-to-Merced section which just this week began the public scoping meeting process.

These developments allowed us to develop a more thorough business plan that has – above and beyond what previously plans had – a commitment of a significant portion of the project's cost and a timeline to guide us.

I'll start with the timeline. Previously, the Authority did not have a certain timeline. We could not have said whether we planned to build the system in 2012 or 2030 or beyond. Today, we are awaiting a decision on federal stimulus dollars, which bring along with them a timeline for the use of those funds. That timeline is to complete environmental reviews by September 2011, obligate the funds (enter into construction contracts) by September 2012, and complete the stimulus-funded projects by September 2017. That is not a detailed timeline of our entire project, but it is more than we had previously and something to build from. Today, we are still at a relatively early stage of this project's development, so there are many milestones that, today, we can't tell you with certainty. We can't say, for example, with certainty, when we plan to purchase train sets. But the thumbnail sketch provided by the stimulus funds gives us something to build off of and to refine. And we've included this in our Business Plan.

Now, with a timeline to work from, we were able to put together a much more realistic cost estimate. Previously, we'd talked about the cost of the project in terms of current-year dollars. So, the 2008 business plan referenced year-2008 dollars. But of course, we didn't build the system in 2008. So, falling in line with what the federal government required of us within the Recovery Act application process, we calculated the cost of the project in terms of years-of-expenditure dollars – what will the cost be, considering inflation, in the years in which we are actually planning to spend the money. We were only able to do this because of the timeline we now have. This is discussed within the Business Plan.

Of course, a more realistic project cost allows us to develop a more viable financing plan. We discuss in detail in the Business Plan our financing options and our expectations that we will finance the project from a variety of sources – the state bond dollars, federal funding, some

local participation, and private investment. Again, we are at an early stage in the development of this project, so we've yet to receive commitments from the federal government for the amount of investment we anticipate; and we have yet to sculpt exactly what a public-private partnership will look like. We discuss in the Business Plan the need to continue to lobby the federal government for funds, to begin the process this year of inviting the private sector to submit its interest in the project, and to work with local governments on their level of partnership.

There are many other elements of the Business Plan, and I'll address just a few that in recent weeks have gotten attention.

Ridership/Ticket Prices

In the Business Plan, we discuss potential ridership scenarios. It's necessary that at this early stage we discuss potential ridership because it affects the system's operations and the system's potential operations affect our environmental review. Additionally, in order to garner interest in the project from the private sector, we want to show that it would generate an operating revenue surplus. But at this point, those are just scenarios. The decisions on ticket pricing, and thereby on ridership, will not be made for several years down the road, and that will be a process in which our Board, and certainly the Legislature and the public, as well as our private operating partner, will be involved.

Risk Management

Another area that has been discussed, chiefly by the Legislative Analyst's Office, is risk management. In this Business Plan, we identify a range of risks to the completion of this project, and we acknowledge that as we move from the environmental review phase, there are more detailed discussions we must have about risk mitigation.

The Authority has already begun taking steps to address risk management, by moving toward a reorganized structure and adding, at a very senior level accountable directly to our chief executive, a risk management program. This is discussed within the Business Plan.

Oversight

Oversight is key to this project. It's critical that we remain accountable and transparent every step of the way, especially where public dollars and decisions regarding those dollars are involved. And, I say this to you personally as a former newspaper reporter who expects government to be accountable.

To that end, this project has a tremendous amount of oversight, beginning with our 9-member Board comprised of gubernatorial and legislative appointees. Of course Proposition 1A contained oversight requirements, including the establishment of an independent Peer Review Committee to review engineering, financing and other plans as we request state bond dollars

and to advise the Legislature on the use of those bond dollars. There, of course, is budgetary oversight, legislative oversight... and with the award of federal stimulus dollars, there will be oversight by the federal government and by our state's own Inspector General and Recovery Act Task Force.

We embrace oversight, we ask for it, and we know that it is critical to improving this project and ensuring that it gets done right.

Public Outreach

That's a good segue to the public.

With the increased spotlight put on this project largely by the promise of stimulus dollars, we have benefitted from increased public attention. I say "benefited" because prior to the past year, much of the public was not focused on this project – rightly so as it was only a hope. But there is no way we can build a piece of infrastructure of this nature without public involvement. So, I say "benefited" because now we certainly are seeing that public involvement that we need and want as we design and build this historic system.

Now, the Authority must do more when it comes to outreach. We must increase our activity, and improve its quality. That's part of why my position with the Authority was created. It's why we are working to bring aboard a new outreach and communications team. And it's why when Mayor Pringle, of Anaheim, took over as Board Chairman 5 months ago, he made it clear that working with the Legislature, working with our partner agencies, working with cities and counties in order to better reach out to the public and hear their thoughts and concerns – this is a top priority for the Authority. It's discussed in the Business Plan that we are working to improve our efforts, and that's certainly a part of the Business Plan I anticipate being able to improve upon in the very near future.

When it comes to Outreach, there are already some things we are doing right here in the Peninsula. And here with me today is Bob Doty, the Authority's point person in this region of the state. So, I'd like to turn it over to him to take over from there.