April 18, 2016

To: HSR Authority
Subject: Comments on the 2016 Draft Business Plan
From: Kathy Hamilton, author of www.thehamiltonreport.com
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EXECUTIVE SUMMARY:

The Authority's newest plan is incomplete and inadequate. The Rail Authority must face the truth, they do not have the available finances to build even the first segment despite what they say. They simply have the rest of the federal finances which is estimated to be about $2.6 billion of which around $1.7 billion expires September 31, 2017 and as Dan Richard confirmed at a Legislative meeting in April, there is no flexibility on a date extension for the ARRA funds. The rest of the funds have a December 31, 2018 end date.

Despite this reality the Authority board, their personnel and consultants "spin" they have over $20 billion dollars, which includes 25% of cap-and-trade auction proceeds and is estimated at $500 million per year. But the Rail Authority is counting on collection of cap-and-trade funds until 2050 and the current legislation only allows collection of those funds until 2020. Plus the funds are the subject of two lawsuits. One, which challenges the existence of the program since it was not passed by a 2/3rds vote since they consider the proceeds of the auction a tax. The other challenges the high-speed rail project's validity as a receiver of cap-and-trade funds since it will pollute for decades. It should be paying fees for its construction process since it's a polluter. They should not be receiving benefit from the program.

The Project was supposed to be funded by about 1/3 each of state bond funds, federal funds and private investment. Here's an interesting preamble written by then state Senator Alan Lowenthal himself which gives you a flavor of the intentions of how the project was envisioned to proceed. Here's the link to the report written before the Prop 1A vote in 2008. http://stran.senate.ca.gov/sites/stran.senate.ca.gov/files/FINALHSRREPORT.pdf

How does the project survive? It appears that the Authority is on the winning side of political monkey business in Sacramento so it seems no matter how bad this program is, no Democrat has the nerve to stand up to the Governor or the Governor's wife, Anne Gust Brown who is rumored to be the puppet master behind the curtains.

Fear of political repercussions keeps the Democratic representatives in line. I am an independent voter but it appears that the Democratic majority in the California Legislature has proved extremely detrimental much like the Republican majority in DC. Both situations are bad. Our Democratic representatives are not taking care of their fiduciary obligations to their constituents.

I will go through various topics now.

THE MONEY: HOW THE AUTHORITY PLANS ON PAYING FOR THE FIRST LEG OF THE PROGRAM:

You have to look at both available capital and cost of the project. Do you have the money to fund the real cost of construction? The answer is no. The rail authority expects to build the Initial Operating Segment headed north for $20.6 billion. It certainly is an "iffy" proposition. One, there is no assurance the segment will actually cost $20.6 billion since it's been years since the project segments have been base-lined. Two, the Authority doesn't have $20.6 billion dollars. Let's look at the source of the funds that the Authority says it "has."

- Authority says it has $3.165 billion in Federal grants

Problem: Today they don't have all $3.165 billion because they've spent some. That figure represents the total of the American Recovery and Reconstruction ACT (ARRA) grants plus the FRA grant of $928 million, called 2010 funds. Today, the total of the Grants must be adjusted down and the remaining balance estimated based on their spending over the past several years.

Based on an FRA report published at the end of January, they should have about $2.6 billion or less left of the total amount of grant funds. http://www.thehamiltonreport.com/downloads/2015-12-30-CHSR-Grant-Update-Status-Briefing-Jan-2016.pdf On page 19 of this report it shows they have spent $855 million of FRA funds. They had a total of $3.48 billion, which leaves around $2.6 billion at the end of January.

Note on page 20 in the same report the Authority hasn't updated State fund spending since 8/21/2015. That's $371 million, which includes Prop 1A funds for planning and environmental spending and Cap-and-Trade fund spending. Why haven't they updated that number?

- Authority believes it "has" $2.609 billion in Proposition 1A bond proceeds

Problem: This money has been appropriated but can't be spent. The Rail Authority admits on page 3 of the September 2015 Semi Annual Operations Report they can't get the bond funds because lawsuits are preventing access. But in reality its the rail authority's fault since it hasn't completed a second funding plan nor has the environmental work been finished (completion target December 2017) or the funding found for neither the new or for that matter the old operating segment.

- **The Authority plans on going after $2.9 billion in additional federal funds** so they can extend the line to Bakersfield and to 4th and King in San Francisco, not

Transbay Terminal. In addition, it would cost another $3-4 billion to extend it there. Here's the temporary southern end station in Shafter closer to Bakersfield. A must see youtube.

Problem: Unless the Authority accumulates some small federal grants that the Federal Railroad Administration is in charge of doling out, it is highly unlikely Congress will allocate more funds to the high-speed rail program. Here's Congressman Jeff Denham's comment on the new business plan, "Now that the California High Speed Rail Authority is finally acknowledging what the rest of us have known for years, tunneling through the Tehachapi's is going to cost them billions more than they have. They must stop their efforts to put down tracks that will never connect in other parts of the state."

Congress is never going to allocate more money to a project that lacks the ridership numbers, speeds, private funding and voter support once promised. Without the billions in funding they need, the Authority's change in plans amounts to nothing more than wishful thinking." http://california.realestaterama.com/2016/02/22/denham-statement-on-california-high-speed-rail%E2%80%99s-route-change-ID04605.html.

- The Authority will seek an appropriation for $4.166 billion in Proposition 1A bond proceeds to help fund capital costs for this first high-speed rail line

Problem: This is all the remaining Prop 1A funds left, all their eggs are in this one basket. If the Authority doesn't get new federal funds or private investment funds, they plan on matching Prop 1A funds with state cap-and-trade funds. If so, where's the money for Southern California?

- The draft business plan says, "We will use Cap and Trade proceeds received through 2024 to help fund the capital costs for the Silicon Valley to Central Valley line. We estimate this amount to be $5.341 billion including amounts spent to date. "

Problem: AB 32 currently ends in 2020 and there are two lawsuits challenging the use of this money. See a broader section on Cap-and-Trade later in this letter.

LAO'S REVIEW OF THE PLAN

Here is the LAO's actual review of the business plan.
http://www.lao.ca.gov/reports/2016/3394/HSR-Draft-Business-Plan-Review-031716.pdf

They are concerned that the business plan does not address where the funding for entire Phase one system will come from, they are concerned about the funding for the IOS North from Shafter to San Jose & 50% of the funding is coming from cap-and-trade funds which are not authorized beyond 2020. They are not enamored with the temporary station of Shafter since there are no services available for travelers.

There is also no money for that temporary station to be built and no mention of it in the environmental studies.

The LAO also say this:

"The Legislature may want to consider defining specific segments of the system and requiring future business plans and other legislative reports to provide information on the cost and schedule of these fixed scopes of work. This would make it easier to track changes over time and understand the reasons for cost changes. In addition, state law requires HSRA to identify the capital costs related to the planned system, but not other costs. The Legislature will want to consider requiring future business plans to include all costs associated with the planned system and construction of the various segments, such as financing and administrative costs."

HAS THE ENTIRE PROJECT REALLY HAD A REAL REDUCTION IN COST OR A SUBSTANTIAL REDUCTION IN SCOPE?

The Authority says the entire project's reduced costs are based on low bids not actual construction. Remember these are just bids, which could be artificially low in order to capture the business. They also point to value engineering as a way they saved money on the cost projections. However they don't know what the true cost will be since they have not built any one segment. Also since one segment can be very different than another, how could you ever predict that subsequent segments will have the same cost savings.

Californians Advocating Responsible Rail Design CARRD group, who fights for transparency, community engagement and correct process, says this about the cost estimates in their article: http://calhsr.com/california-high-speed-rail-an-exercise-in-constantly-moving-goalposts/

"*Our own analysis says it is 3 years late and at least 20% over the original budget. The Authority tells everyone that everything is coming in under bid. At first glance, this seems right. The contract bids are lower than engineer's estimates. Great, except for one thing. The engineer's estimates are for an entirely different scope of work than the actual contract bids."*

Later in this comment letter I will discuss the real way the Authority "reduced" it's cost. In a nutshell making these numbers work was primarily accomplished by excluding many items that were in the previous business plans.

Two days before the release of the business plan the Authority personnel asked the board for contingency costs.

At the February 16, 2016 board meeting, https://www.youtube.com/watch?v=edJUp7Kp0eY&feature=

youtu.be HSR staff ask for a contingency increase of $150 million for CP-1 (10% of the budget) for the ICS we forecast the need for another $260 million (5% of the budget) in the contingency.

Another way that demonstrates how costs are going up are illustrated in a LA Times article: http://www.latimes.com/local/california/la-me-bullet-change-orders-20160328-story.html The contractor team on the first segment [29 miles] has sent the rail authority a log that includes more than 300 pending change orders and notices, about 200 of which we don't know if they accepted or rejected nor the exact cost ramifications. The rail authority has approved about $14 million so far in change orders, and the logs from Tutor Perini include an additional $51.7 million that the company has estimated.

This is confirmed by the Authority's own documents. It verifies it has hundreds of unprocessed change orders from Tutor Perini, per the Finance, and Audit committee notes see page 5. .http://www.hsr.ca.gov/docs/brdmeetings/2016/brdmtg_030816_FA_Committee_Meeting_Mins_022016_DRAFT.pdf

At the April 4, 2016 Senate Housing and Transportation Hearing Senator Richard Roth questions the Authority members about instructing URS to hold the costs at the same level as in the 2012 business plan. Richard and Morales did not directly answer Roth's question. They admit there is a legal dispute with URS at the 18-minute marker.
https://www.youtube.com/watch?v=rYq34TFI75Y&feature=youtu.be

Here is a letter by URS, which shows the seriousness of the situation. This was collected from a public records request.
http://www.thehamiltonreport.com/downloads/4-13-16/URS-letter-response-2014-05-05.pdf

See the segment from the Assembly Budget meeting on April 6, 2016, where Representative Jim Patterson questions Dan Richard

and Jeff Morales about project funding and discusses other financial issues such as adding debt to the project by financing revenue streams of cap-and-trade.
https://www.youtube.com/watch?v=iBziL_H0xOc&feature=youtu.be

Can the Authority list out all the reductions in scope that they have eliminated since the 2014 Business Plan?

Even friends of the project such as the Metropolitan Transportation Commission (MTC), in between high-fives and verbal applause for the new business plan which most friends of transit projects do, they discuss many issues about the current business plan they are not fond of. They state this:

"We also observe that the capital cost figures include significant proposed scope and funding changes, which include a reduction of funding support for the Transbay Transit Center/Downtown Extension project from $2 billion to $0.5 billion, the removal of aerial guideways at the San Jose station and the removal of dedicated guideway at Millbrae. Additionally it appears that all of the high-speed rail cap-and-trade funds are being used for the high-speed line itself. "

Green Caltrain another friend of the project says this:
http://www.greencaltrain.com/2016/02/high-speed-rail-to-bay-area-first-how-will-this-affect-the-caltrain-corridor/

The capital plan leaves out or defers a number of key investments on the Peninsula

- no funding for Caltrain capacity increases (longer platforms and longer trains), which will be needed to keep up with ridership growth in the early 2020s, and which HSR representatives had offered without commitments as compensation for supporting compatible platforms.
- reduced funding for the Downtown Extension to Transbay. The business plan appendix notes that the allowance toward DTX

had been reduced by $1.5 billion, though there is a $550M allowance "for work done by others for Transbay connection"

- up to $500 Million for grade separations on the Peninsula "that may be required as environmental mitigation" – but not until after 2030
- no funding for a mid-Peninsula station yet, even if a city wants a station

Wisely they state in the article*, "*We need regional funding to move forward on Caltrain capacity improvements, grade separations, and DTX sooner than that. And it is prudent for Caltrain to be looking to potential backup plans in case there are challenges with High Speed Rail's financial support for electrification."

In Cindy Bloom's comments, MBA out of Southern California says in her March 30, 2016, http://www.thehamiltonreport.com/downloads/4-13-16/Cindy-Bloom-2016_BP-February_18_April_4_2016.pdf , that there are many items that are MIA, no longer included in the Draft Plan:

Bloom says this, *"It is essential to note that there are many items excluded from the cost estimates that could conceivably push the project way beyond its current projection of $64.2, even with all the built- in contingencies:*

- *Finance charges (entire project)*
- *CHSRA administration costs (entire project)*
- *Five mile track from Santa Clara to San Jose for UPRR (SF to SJ)*
- *Structural modifications to 4 existing tunnels (SF to SJ)*
- *Conversion of Caltrain platfoms to level boarding except for stations shared with HSR (SF to SJ)*

- *Platform extension to 1400 feet (SF to SJ)*
- *Blast protection zone (Bakersfield to Palmdale)*
- *Metro/UPSS agreements for shared used (Burbank to Union Station)*
- *Burlington North Santa Fe Railroad's Hobart yard expansion (Burbank to Union Station) "*

So one can assume if all these items that are missing were added back in, the cost would be considerably over what the Authority is reporting today. Add new honest base-lining of each segment coupled with the costing of complications the Authority has discovered to date such as change orders, increased contingency costs, subsidence issues, earthquake faults and the need for increased tunneling, the project would easily soar beyond $80 billion. Then there's the question of not enough capital to build and if the Authority must wait, time will increase the costs even more.

In Cindy Bloom's report she offers these observations about the project, many echoed by the LAO.

"Although the CHSRA has properly included several contingency margins, at the same time it has also failed to include many necessary line items which could consume their $3.4 billion "savings" and possibly push the project's cost back up and possibly beyond the 2014 BP's estimate of $67.6 billion. Additionally, the 2016 BP states that CHSRA will seek to secure loans and financing, yet it has excluded any interest or finance charges in its 2016 BP estimate. For example, interest expense on a $5.3 billion loan[2] will incur approximately $5 – $5.2 billion in interest expense. The Prop 1A bond of $9.95 billion will incur $9.4 billion in interest charges that will be repaid from the General Fund. It is unclear where the interest charges on any debt beyond the Prop 1A bond issue will

be budgeted; the only true known is that there will be billions of dollars in interest and the taxpayers will be held accountable for repayment.

Another item of concern is that these costs are the capital costs only—they exclude overhead, administrative costs, and a portion of planning costs. For total expenditures, CHSRA is on track to spent $2.5 billion from inception through June 30, 2016. Of this, $138 million for administrative costs[3] is not part of the capital costs/budget."

MORE ABOUT FINANCING-IOS NORTH

This was also addressed in the April 6, 2016 Legislative meeting. The securitization plan would reap $5.2 billion immediately if they were able to get someone to lend them money from the cap-and-trade revenue stream. Dan Richard said that the Legislature has given them permission to finance the cap-and-trade revenue stream. Some of the legislators balked at this approach. The other choice, according to Dan Richard, is "a pay as you go plan", frankly a ridiculous option since this would take 10 years to accumulate $5 billion dollars if in fact the Legislators vote for an extension of cap-and-trade, if in fact the 25% equals $500 million since the pot of money will no doubt drop as polluters learn how to create less pollution and third, if in fact the Authority does not lose either Cap-and-Trade lawsuits. The chance that everything will go the Authority's way is miniscule.

The honest approach would admit that the project does not have funding even for the first IOS and stop spending now. Better yet go back to the voters with a reconfigured plan, with the use of private railroads through a franchise agreement, which was originally envisioned that from the beginning. One they can plan, build and run a profitable rail system if that is possible.

Richard informed the Assembly Members that the San Jose to Shafter would produce an operating profit in the April 6th meeting. The entire Assembly meeting can be viewed at http://media-12.granicus.com:443/ondemand/calchannel/calchannel_68991cfd-e79c-4bd0-b2a4-72d6c280421f.mp4

That statement is absolutely ridiculous since the Authority will not have the ridership it needs to be self-supporting. It seems that the Authority is willing to make public statements like this since there is no punishment for being completely wrong or even outright lying, even though the stakes are enormous for California and US taxpayers.

See more comments about the business plan from the Peer Review Group. http://www.cahsrprg.com/files/25-March-letter-from-PRG.pdf

They say this*: "The ability of the Authority to finance the IOS north to San Jose depends on assumptions about: (a) significantly lowered construction costs, (b) availability of Proposition 1A funding, (c) spending the full amount of federal American Recovery and Reinvestment Act (ARRA) funding; and, most important, (d) the authority's ability to securitize Cap and Trade (C&T) funding when needed in the future."*

CAP-AND-TRADE FUNDS, OTHERWISE KNOWN AS THE "EVERYTHING FUNDS."

The fact is the comments the Metropolitan Transportation Commission (MTC) made are right, cap-and-trade funds are being spent on the project (IOS North) itself that doesn't leave any of these funds as the backup plan for the Prop 1A funds, which are unavailable at this time. The money needed for the Transbay Terminal in San Francisco or the advance improvements for Caltrain's electrification or improvements in Southern California just isn't there.

Remember cap-and-trade funds are promised first to the feds as matching funds since Prop 1A funds are not available and there isn't going to be any left for anything else. Therefore saying you are going to use them to build transportation projects in Southern California or use them as a substitute for Prop 1A funds for Caltrain electrification or projects in Southern California is not truthful.

The LAO confirms problems with future cap-and-trade funds:

Availability of Future Cap-and-Trade Revenue Could Require Legislative Actions. "About half of the funding identified for the proposed IOS is from cap-and-trade auction revenues after 2020. Current law does not appear to authorize the program's continuation beyond 2020. Thus, without legislative action, the cap-and-trade funds HSRA plans to use to build the IOS would likely not be available. The Legislature will want to consider whether to approve the cap-and-trade program beyond 2020 based on the merits."

See the position paper written by the LAO on the subject of cap-and-trade. http://www.lao.ca.gov/reports/2016/3328/cap-trade-revenues-012116.pdf

The LAO points out in their newest report about the draft business plan that there is a significant problem since there is no statement as to where the dollars are coming from for the entire segment from Los Angeles to San Francisco Transbay Terminal. There is a $44 billion dollar gap.

Here is the LAO's actual review of the business plan. http://www.lao.ca.gov/reports/2016/3394/HSR-Draft-Business-Plan-Review-031716.pdf

They are concerned about the funding for the IOS North from to San Jose- 50% of it is coming from cap-and-trade funds, which are not authorized beyond 2020. They are not enamored with the temporary station of Shafter since there are no services available for travelers.

They also say this:

"The Legislature may want to consider defining specific segments of the system and requiring future business plans and other legislative reports to provide information on the cost and schedule
of these fixed scopes of work. This would make it easier to track changes over time and understand the reasons for cost changes. In addition, state law requires HSRA to identify the capital costs related to the planned system, but not other costs. The Legislature will want to consider requiring future business plans to include all costs associated with the planned system and construction of the various segments, such as financing and administrative costs."

In a Senate Housing and Transportation Meeting held on April 4, 2016 .Senator Ted Gaines (R) asks the LAO about the stability of the funding. https://youtu.be/kuB2ECon1hc

Ross Brown who is a member of the LAO and an expert in cap-and-trade suggests two factors about the pot of money, the number of allowances auctioned off will likely decline and the price. What is the price in the long term.

Here is an editorial written by Gaines after this meeting on April 14, 2016. http://www.redding.com/opinion/speak-your-piece/high-speed-fail-3068a8b9-f5c2-1921-e053-0100007f92ce-375737791.html

So since there's lot of uncertainty about this source of money:

Where is the back up plan, Plan B so to speak, under the risk section, if the Authority does not get continuing cap and trade funds beyond 2020?

Where's the back up plan if you lose one or both of the two lawsuits against the cap-and-trade program?

The Pacific Legal Foundation challenges the viability of the program since they believe it is in fact a tax and should have been approved by 2/3 vote. Then there is the TRANSDEF case, it challenges the use of the cap-and-trade funds for the high-speed rail project since it will not save GHG gases for decades plus it will not be operational by 2020 which is the date by which projects are supposed to reduce the GHG gases to 1990 levels. http://transdef.org/HSR/ARB.html

The LAO adds in order to get a lump of cash over $5 billion dollars that the Legislature would also need to take steps to facilitate the securitization of cap-and-trade auction revenues. April 4, 2016, Senator Lois Wolk, the Peer Review Group's director Lou Thompson, and the LAO made comments about this securitization using cap-and-trade dollars. Wolk is very reticent about this subject of securitization and wants to know where the beef is. The LAO revealed that the Authority had $7 billion dollars in financing costs in the current business plan. https://www.youtube.com/watch?v=xTK8-13P7iY&feature=youtu.be

As Lou Thompson, Chairman of the Peer Review Group, reiterated in the previous youtube, here is what Barclays Bank answered in response to the most recent Expressions of Interest (EOI). This is what the Authority must be able to do before they get their hands on large amounts of capital from cap-and-trade revenues. http://www.hsr.ca.gov/docs/about/doing_business/EOI/EOI_Barclays_Bank_PLC.pdf

No long-term stand-alone cap-and-trade financing is possible until ***four threshold issues*** are resolved:

- CARB and CHSRA must prevail against pending legal challenges to the cap-and-trade auctions and to the use of GGRF revenues for the high-speed rail project,

- The Authority must create the "plumbing" in law to support borrowing against GGRF revenues
- The Legislature and CARB, respectively, must extend the cap-and-trade program in law and regulation beyond 2020
- The Legislature must protect the 25% of GGRF revenue flowing to the Authority from future impairment by the Legislature as long as financing obligations are outstanding

What's the backup plan if the cap-and-trade funds go away and there's no more money? Dan Richard explains in the April 4th Legislative Meeting that they would have the first segment built and it could be tied in with Amtrak to give independent utility. He mentions that there was a Federal Railroad Administration (FR) meeting about independent utility around the 6 mm of this youtube. https://www.youtube.com/watch?v=rYq34TFI75Y&feature=youtu.be This independent utility factor is a requirement in order for the state to receive ARRA funds.

Question: **Do you think the public would have agreed to financing the building of the project using funds meant for environmentally friendly projects"**

And what are the chances that the project will obtain an extension and with a 2/3 vote? The LAO recommended a 2/3 vote would make the program was safer from the court challenge by the Pacific Legal Foundation now at the appellate level.

LIKELIHOOD OF PRIVATE INVESTMENT

See the board's comments after they received 36 responses from private industry from the most recent Expressions of Interest (EOI) proposal. See financial expert and Board member Michael Rossi's statement at the May 12, 2015 Board Meeting https://w itww.youtube.com/watch?v=MxeSHZ9DoxQ (1 minute) It appears the responses reaped nothing. October 6, 2015- whole discussion- 30 minutes https://youtu.be/1cHIEZ5ydtY

Remember any private investor will do an investment grade ridership report devoid of any spin or exaggeration. This will assure no one will ever invest in this system.

GHG Emissions- The train will take decades to be effectively GHG positive. The construction costs were never included in the report that the Authority and PB wrote. That is the focus of the lawsuit by TRANSDEF http://transdef.org/HSR/ARB.html

The Authority will not use all renewable energy sources. Why? Because they don't have the money to do so. Take note of what the Peer Review Group (PRG) said in their letter dated August 14, 2013, which is one of the last documents located at the end of the 2014 Business Plan. http://www.cahsrprg.com/files/Final-Aug-14.pdf

The PRG say this, "the Authority has made two further commitments; first, the system will be operated with 100% renewable energy; and, second, the Authority assumes that the renewable energy will be generated from a mix of 20% solar, 40% wind, 35% geothermal and 5% biogas (see report, page 10)." "We believe these should be understood as laudable goals, not fixed requirements. The current project does not include an allowance for the investment needed to construct and operate the necessary additions to generating and transmission capacity and there is no clear way that the Authority can ensure that the planned mix actually happens."

STABILITY OF CONTRACTORS AND MYSTERY PAYMENTS

Why did the state of California agree to pay Tutor Perini $32 million before they were required to?

"The violation of the debt covenant should draw attention to a change

in the payment terms for the CP 1 construction contract (First segment of the California high speed rail project) this summer. The "earned value" / invoiced amount of the contract jumped suddenly this summer. Project officials said that this did not represent additional work that had been done, but rather a change in how Tutor Perini was being compensated. The September 2015 operations report stated," The increase in CP 1 earned value during the August pay period is primarily a result of revising the way the Contractor is compensated for administrative overhead incurred to date." This was a substantial change."

It appears from the Glass House Research Report by mystery financial people, declares that Tutor Perini may be in trouble financially. **https://www.scribd.com/doc/305119241/GlassHouse-Research-TPC**

Here is a CARRD post about the stability of the Tutor Perini operation. http://calhsr.com/tutor-perini-lost-money-on-a-cashflow-basis-in-2015-again/

Does the Rail Authority check on the financial health of contractors chosen to lead major project work for the High-Speed Rail system?

AUDIT AND FINANCE SUB-COMMITTEE MEETINGS:

The Audit and Finance committee does not have the authority to check on the progress of environmental reviews and frankly should not be checking on acquisition process either. Here's a sample of an Operations report, http://www.hsr.ca.gov/docs/brdmeetings/2016/brdmtg_021616_Operations_Report.pdf It appears this sub-committee discusses every aspect of the project. This is quite a substantial meeting with lots of detail, not easily accessible before the public at large since they are early in the morning and in rooms usually so small it would be hard to be welcoming to any visitor. Some of the detail and subjects should be discussed at the primary High-Speed Rail Meeting or with other sub-committee meetings that are meant to discuss those other items. One does not expect to hear a discussion about environmental progress at a committee meeting that concentrates on finance. The Authority had other subcommittees at one time. An Operations or Administration subcommittee meeting, might have been more appropriate places to discuss these items.

These meetings should be at bare minimum be audio taped and should be posted and made available to the public.

HIRING SMALL BUSINESSES.

In the most recent April 12th, 2016, contractors came forward to report to the board they are as much as 8 months behind in receiving payments for their work. One business owner told the board she had to cash in in her 401K in order to pay her people. Maybe Parson Brinckerhoff can afford to carry on without payment, but small businesses cannot afford it.

Funny, these reports found at the Finance and Audit committee show they are not behind at all, expect for some disputed bills. http://www.hsr.ca.gov/docs/brdmeetings/2016/brdmtg_041216_FA_Accounts_Payable_Aging_Report.pdf Many of the reports look good, are very slick and frankly hard to understand unless you have a finance degree but in this case, it is clearly inaccurate. This doesn't sound like a board interested in working with small businesses.

SOUTHERN CALIFORNIA PROMISES

The Authority promises the Legislature that they still intend to spend up to $4 billion dollars on early development in the South, yet there are no funds beyond the $500 million in Prop 1A funds appropriated in the July 2012 SB 1029 bill which was part of bookend spending.

Since the Prop 1A funds are not available, other than connectivity funds, there is nothing for Southern California. Dan Richard and Jeff Morales explain in the April 4, 2016 Senate Housing and Transportation Meeting to Senator Richard Roth that they have a commitment to fund the $500 million promised. When will they see the money? Jeff Morales says by 2020.

Also in this clip the Authority Senator Richard Roth questions the Authority members about instructing URS to hold the cost estimates to the 2012 business plan. Richard admits a legal dispute with URS at the 18-minute marker after they were questioned about cost estimates.
https://www.youtube.com/watch?v=rYq34TFI75Y&feature=youtu.be

See the LA Times article featuring issues with funding for Southern California. http://www.latimes.com/local/lanow/la-me-ln-bullet-train-doubts-20160328-story.html URS reported that their costs were estimated $1 billion higher than the 2012 Business Plan.

Where exactly do you plan on getting money for Southern California from since all your money (feds and cap-and-trade) is going to the IOS North and matching federal grant spending?

INADEQUATE RIDERSHIP FOR THE IOS NORTH:

It is a requirement in Prop 1A that the any HSR segment built have enough ridership to pay it's own operating costs. According to several experts the ridership that the Authority projects is not a realistic number.

For instance Professor James Moore from USC, Institute of Industrial & Systems Engineers gave a very technical explanation as to why the Authority's ridership doesn't work out in the Draft 2016 Business plan. His comment is currently on pages 197-206 of the April 4th version of public comments to this draft plan. His comments were submitted

April 3, 2016. The pages may change when the rest of the comments are posted however Professor Moore's comments should not be missed.

His comments cover issues, which include use of Per Passenger Mile (PPM) and Per Seat Mile (PSM) metrics, inadequate ridership survey data, and the misuse of Monte Carlo modeling. He states that**, "** No survey data has been used to validate Authority projections."

He also states, *"It is unclear how the similar projections for the Initial Operating Segment (IOS) North period of operations were created. These projections should not be predicated on the mature market penetration characterizing the Phase I system. Specifically, the supporting documents show a ridership projection of about 7.6 Million in 2025, but this appears to reflect a mature penetration of this marketplace. These values appear to have been extrapolated from the Cambridge Systematics Ridership and Revenue forecasting results for a period in which the assumptions that underlie these results do not apply.*

There do not appear to have been any surveys of potential customers to estimate the level of interest in riding the HSR system between San Jose and Bakersfield in combination with the bus and conventional rail services that would be required to complete the journey into the LA Basin and the San Francisco Bay Area. Given the lack of such a survey or further model estimation efforts based on such a survey, how was the mature penetration forecast for the IOS North marketplace developed? Who developed these "mature penetration" projections?"

In another comment from Mark Powell, retired chemical engineer, who did an in-depth study on the ridership issue gives some prospective to this complicated issue. His entire comment can be found on the Authority's site and The Hamilton Report's special document list.: http://www.thehamiltonreport.com/downloads/4-13-16/Powell-Ridership-etc-Draft-2016-Business-Plan-One.pdf

There are many other observations regarding the business plan in these two articles.

http://www.thehamiltonreport.com/review-of-chsra-2016-business-plan-part-1/

http://www.thehamiltonreport.com/review-of-chsra-2016-business-plan-part-2/

It is key per Prop 1A that the project be self-sustaining financially and that means it has to have the ridership to support it and therefore will require an operating subsidy to run it. Mark Powell comments about overstated ridership on March 28, 2016 currently on page 227:

"In order to understand the Authority's new ridership numbers, it's insightful to look at past projections. In 1996, Charles River Associates conducted the first statewide high-speed rail ridership study for the Authority's predecessor – the Intercity High-Speed Rail Commission. Quoting from the Commission's High-Speed Rail Summary Report and Action Plan (December 1996): "To ensure investment grade results, the forecasts were subject to extensive peer review." This investment grade ridership study envisioned 1.9 million riders on the San Francisco to Bakersfield segment. These riders were forecast when the system connecting Los Angeles to the Bay Area would be fully built out in 2015, meeting the needs of a population of 45.7 million Californians.

Hindsight proved that the California Department of Finance's Demographic Research Unit (DRU), which provided this forecast in May 1993, was wildly optimistic with their population forecast. Now ***in the 2016 Business Plan the Authority envisions 11 million riders a year – 6 times the original estimate – for that same segment in 2028,*** *while the DRU now predicts a state population of only 43.4 million.*

Mark Powell, performs extensive research and writes a blog, Against

California High-Speed Rail, has uncovered these facts. He believes that the Commission's contractor, Charles River Associates, back in 1996, was more objective than today's projections because construction costs were expected to be much lower and there would have been little pressure to inflate ridership numbers to justify the project. The ridership numbers went up and down in subsequent years but always higher than Charles River Associates' 1996 original 1.9 riders for the San Francisco to Bakersfield segment. As a point of reference, California's population in 2015 was actually 39 million, not the projected 45.7 million, and is now expected to grow to 52 million by 2060.

A critical look at the 2016 Business Plan shows how the Authority envisions ridership of the mature Phase 1 system ramping up at 1.1% per year during the years 2035 and 2060 with no signs of slowing. In fact, the current DRU forecast (December 2014) shows that California's population is expected to grow at less than half this rate during this period and slowing to only .3% per year by 2060. "The Authority's excessive ridership growth rate yields higher profits that play into the Authority's lie about private capital someday funding construction," declares Powell."

MORE WORKERS WILL TRAVEL FROM THE CENTRAL VALLEY TO SAN JOSE. REALLY?

At the Local Policy Makers Meeting held March 24, 2016, Dan Richard and Mayor Pat Burt sparred about the north IOS. Is it really 40 minutes, are the tickets affordable, will this create sprawl and can cap-and-trade funds be used beyond 2020.

https://youtu.be/M2dbiOtlZQI

(19 minutes)

Mayor Pat Burt of Palo Alto asked substantial questions of Dan

Richard about the newest business plan. Palo Alto is located in the midst of high-tech companies and Dan Richard made a claim that the high-speed rail train was going to act as a commuter line that would enable a worker to go from Fresno to a Silicon Valley job in about 40 minutes.

The problem that the 40-minute trip time takes a person only to Diridon Station, which is hardly the heart of the Silicon Valley. Pat Burt explained that the trip time would really be 2X that, or around 80 minutes. Plus Burt asks the cost of a ticket for a worker to get to work everyday obviously questioning the affordability for a lower cost tech worker. Dan Richard hesitates and gives the standard comment. 85% of discounted airline fares but finally gives the answer of $83 one way.

Being conservative, the fare is $70 each way because it's shorter than SF Transbay to LA Union Station and perhaps given a discount of a monthly pass. $140 per day X 20 business days, $2800 per month equals $33,600. No company is going to subsidize this level of commuting expenses. The high-speed rail service is a service for the wealthy, not as a commuter train for the middle class.

Dan Richard says during this meeting that ultimately the fare will be up to the private sector operator. So no matter what the Authority has said in the past about fares is speculation since it will be out of their hands. Note there is no high-speed rail stop planned for the heart of the Silicon Valley. Burt also questioned Richard about cap-and-trade funds beyond 2020 and if in fact the wording of a fully funded IOS North was truthful. Please see the 19 minute video. https://youtu.be/M2dbiOtlZQI

How can the Authority claim that people will live in Fresno and take a 40-minute train into Silicon Valley?

In addition environmental groups are concerned this travel from the Central Valley to the Peninsula will promote sprawl. In a Wired magazine article, Kathryn Phillips, Director of Sierra Club California said this. “I have some concern that this will discourage decision makers to emphasize the benefits of people being able to travel quickly from 100 miles away, instead of providing affordable housing to those living nearby.

She also wonders at the wisdom of putting cap-and-trade money into the high-speed rail, saying “That money should be put into projects that get you near term emissions reductions as soon as possible.”

TRAVEL TIME REQUIREMENTS:

We have to look a little at history first. Sometimes looking at the past can define what the truth is before it became necessary to hide the truth. For instance back in 2011, former CEO Roelof van Ark said travel time from San Jose to San Francisco can’t be accomplished in 30 minutes. He also added there was no way to transition stations that the train is not stopping at which is a requirement of Prop 1A.

Van Ark stated this before the Senate on 4-28-2011 at a Senate Transportation & Housing Committee Hearing. In this video Van Ark also defines what’s expected to satisfy the Prop 1A requirements. He talks about a real running express train-one that runs from San Francisco Transbay to LA Union Station, perhaps in the middle of the night, but still a real train operating.

LINKs :
https://www.youtube.com/watch?v=Pm2WpFLsfqY&list=UULpiKaBjaacPw7g5K1nkRXw See the four minute marker, Van ark says we can’t make 30 minute time requirement and they can’t transition stations and it won’t be going 125 mph. Secondary link: Video from the Senate: http://24.104.59.141/channel/viewvideo/2391
Today’s definition of travel time is a lot more complicated.

Today the Rail Authority seems to think it merely has to show that it’s they’ve designed a system that makes it technically possible to achieve a certain time so that "someday" it can make 30 minutes between San Jose and 4th and King in San Francisco and someday it can make 2 hours and forty minutes from LA Union Station to 4th and King in San Francisco. BTW Judge Kenny in the recent case admonished the Authority for not using San Francisco Transbay as the northern terminus. At the Tos/Fukuda/Kings County hearing, the Authority's manager's, Frank Vacca's declaration says that the travel time can be made by a computer model if it operated unencumbered without Caltrain trains on the tracks and without adding in realistic and unexpected delays.

Remember there is no wiggle room on the travel times between certain cities. AB 3034 and Prop 1A says this, **Maximum nonstop service travel times for each corridor that shall not exceed the following:**

(1) San Francisco-Los Angeles Union Station: two hours, 40 minutes. (2) Oakland-Los Angeles Union Station: two hours, 40 minutes. (3) San Francisco-San Jose: 30 minutes. (4) San Jose-Los Angeles: two hours, 10 minutes. (5) San Diego-Los Angeles: one hour, 20 minutes. (6) Inland Empire-Los Angeles: 30 minutes.

This craziness around the wording "designed to achieve" is almost insulting but there is no two ways about it, you must make those travel times listed above as soon as the system is built.

The Peer Review Group, who at times acts as a friendly consulting group to the Authority, explains the complicated explanation. But bottom line even the Peer Review Group says the trains won't operate at the required travel time now. That's what people care about. How quick can I get to my destination now, not maybe in 20 years.

"Capacity simulations completed jointly by Caltrain and the Authority show that interactions between Caltrain and potential HSR schedules will produce an actual non-stop HSR run time from San Francisco to

San Jose of 37 to 39 minutes during hours of normal operation (see "Caltrain/California HSR Blended Operations Analysis," March 2012, page 50). Again, we note that this is a different question than the TPC analysis oft he minimum travel time that could be achieved based on the system's design parameters.

For all these reasons, it is unlikely that trains would actually be scheduled to run during normal hours of operation within the 30-minute or 2 hours 40 minute limits at the completion of the Phase I Blended system. The Authority's service plans, ridership forecasts and 0&0 cost estimates include allowance for these factors and assume longer operating travel times than the times that the system is being designed to achieve. ***The Authority believes this is consistent with the Proposition 1A requirements*** *and the anticipation of various levels of services (e.g. express service, local service and other options)."*

See the Peer Review group letter, unfortunately not numbered, on the second/third page after the cover letter.
http://www.cahsrprg.com/files/Final-Aug-14.pdf

Judge Kenny reveals in his final decision that he questions the Authority's numbers for two reasons. 1. They used 4th and King and not Transbay Terminal and 2. There was unexplained monkey business with travel time estimates which dropping it from 32 minutes to 30 minutes. Read the judges decision and specific commentary in regard to the travel time. http://www.thehamiltonreport.com/ca-high-speed-rail-court-decision-putting-the-disappointing-ruling-in-perspective/

ENVIRONMENTAL WORK:

Why does the Rail Authority insist on clearing all ten segments of the high-speed rail project when they don't have the funds to do one? The clearance of these segments, which may not be built for decades, will hang over the heads like a sword to all those homeowners and businesses in those areas. Senator Joe Simitian once offered this observation when the Authority was attempting to environmental clear a segment in Northern California that the Authority might never build, that is, a four-track system up a narrow corridor between San Jose and San Francisco.

Plus the Authority is about five years behind in their environmental work and the first EIR was done in 2005 and it's getting old, it's getting stale, maybe a new one is needed.

Is the Authority using federal environmental planning only using NEPA or is the Authority following CEQA?

If the Authority is not following CEQA what is the back up plan should the State Supreme court rule in the Friends of Eel River case that CEQA must be followed? This might be a massive risk that the Authority has not identified if they are only following NEPA.

RAILROAD ISSUES

Where are the agreements with UPRR that are necessary to build the IOS North as well as the expanded IOS North heading into Transbay Terminal in SF? It appears from the business plan that the Central Valley has all agreements in place but one but the IOS North appears to be lacking agreements. If the Authority has negotiated those agreements, I would like a copy of them.

Specifically what kind of intrusion barriers has UPRR demanded in the Central Valley that will forecast what may be required in the IOS North?

What will these railroad agreements ultimately cost the Project?

SECURITY:

There is virtually no security plan included in the business plan and naturally no money allocated to it. There are screening processes in place in some areas in Europe today so discounting travel time because no security is needed on trains compared with air travel is not correct.

SHAFTER AS A TEMPORARY STATION:

You cannot have this station since it's not in the environmental report and there is no construction money available to do build it. The LAO agrees that it is imprudent to do this for many reasons including the fact that the riders will not have services available to them at this location and suggests shortening the route to the last legal station in Wasco/Hanford. Dan Richard admitted that they were considering a change to this location at the April 6th Assembly Budget #3 meeting.

OVERSIGHT BY THE LAO?

In the past year the Authority has had their oversight reduced, not increased. http://www.breitbart.com/california/2015/06/17/ca-dems-use-budget-to-reduce-oversight-of-high-speed-rail/ " The Democrats used a trailer bill dealing with the state budget to implement measures that would require spending reports from managers of the rail project to be sent to the legislature every two years instead of twice per year."

But they need more supervision not less. According to the breitbart.com article, " Republicans charged that Democrats are letting the project continue minus the necessary supervision. Sen. Jeff Stone (R-Temecula) said that projects as large as the high-speed rail project "need more oversight, and not less," according to the *Sacramento Bee*.

Senator Leno on June 16, 2015, also said the new provisions could be reversed if it was needed. Senator Leno, that bill needs to be reversed now. See Leno's statement around 2 min 28 second mark. https://www.youtube.com/watch?v=3smrnFHnmJ8

Sen. Mark Leno (D-San Francisco) protested: "There's no lack of transparency. We're making this change just for efficiency."

The Peer Review Group stressed the need for supervision of the project by an outside source. They say in their March 28, 2016 statement for the Assembly's Transportation committee*, "We have repeatedly emphasized that, if this massive project goes ahead, there will be a need for very thorough oversight to ensure that the promised benefits emerge and the potentially large risks to the state are managed. The Legislature may want to consider creating a select committee to ensure legislative oversight continuity. In addition, we believe this requires a dedicated and continuing oversight staff effort with adequate resources, possibly lodged within the LAO, though the exact location can certainly be discussed. The stakes for the state are far too high to rest solely on periodic oversight hearings and audits." Here is the letter prepared for the March 28, 2016 meeting. http://www.cahsrprg.com/files/Thompson-statement-March-28-2016.pdf*

But here's the problem with this request. No one pays attention to the LAO or in fact any criticism, which show inadequacies of the project. See my article on the LAO reporting- http://www.thehamiltonreport.com/tip-toeing-around-chsras-2016-business-plan-legislative-analyst/

Here is an example of what the LAO wrote before the July 2012 appropriation vote.

See the LAO's comments way back in 2011 prior to the funding of the first leg of the project. http://www.lao.ca.gov/reports/2011/trns/high_speed_rail/high_speed_ rail_051011.pdf High-Speed Rail is at a Critical Juncture. That was five years ago and the project still rocks on.

My fear is that assigning a supervising body will allow the Legislature to check off a box that says, we've provided supervision. But if the Legislature won't do anything with the information that comes out of the committee, as has been the case, then all this supervisory committee will do is to document the failure of yet another mega project, part 2 so to speak of Lessons Learned about the Bay Bridge, except this time, there's a lot more at stake. This project is much bigger and a lot more expensive. It will also document the failure of the Legislature to do anything to correct the situation. But in the end, no one goes to jail, there are no consequences for head government officials, legislators and agency personnel who deliberately deceive, outright lie and push for a damaging project. How about passing a law about this one, Legislature?

There have been many reports written by the LAO, which were ignored. There have been various requests for audits and they have been denied. This is simply a political exercise unless this stops now and the Legislature recognizes it's fiduciary responsibilities. Without this change in attitude, the appointment of a committee to supervise the High-Speed Rail project will be for naught.

So here's an example of one of things the Authority promised the Legislature as part of reduced supervision. It's a "dashboard" set up, which is supposed to be a quick and easy way to see if the Rail Authority is on track in important areas but they kind of forgot some of it is a subjective call. Frankly the Authority can't be trusted with subjectivity. See CARRD's review of the Authority's dashboard approach. It would seem someone is trying to pull the wool over the public's eyes. See the ARRA fund button and how they categorized their progress. http://calhsr.com/california-high-speed-rail-an-exercise-in-constantly-moving-goalposts/ The CARRD group says this, "They should be seriously in the red zone- and someone should be in trouble. They will not spend more than $1.6 billion which was the forecast – the number will be less than $800 million."

So much for the Authority's self–monitoring their project.

Here's what the Peer Review Group posted on their site: http://www.cahsrprg.com/files/Peer-Review-Group-report-ARRA-actual.pdf This is what the Rail Authority analyzed and produced to help fill the gap of the absence of reporting.

Personally I am in favor of having an administrative body, like an LAO team continuously monitoring the project, reporting quarterly but there MUST be action on their findings. The institutional memory of this project is very poor with representatives coming in and out of the capitol. Since the public lost Senator Lowenthal, Senator Simitian and Senator DeSaulnier, there has been no Democratic representation monitoring this project.

The Auditor needs to be called in to monitor the project, regardless of whether Prop 1A funds, other state funds or federal funds are being obligated or spent. This project will cost billions of taxpayers' dollars for a dirt mound in order to make good on campaign promises to spend money on projects that will only advantage contractors and consultants and a handful of construction workers.

REVENUE AND OPERATING COSTS:

I believe the Authority is using flawed methodology in the newest draft business plan. I have read four comments, which I would like to associate myself with. Professor James Moore, the Kings County commentary, Cindy Bloom, William Grindley's comments and specific parts of MTC commentary listed below:

These items must be addressed. In the case of the MTC and the Professor James Moore commentary, this is not the first time these issues have been raised and it's just plain dishonest not to address these issues now. The only reason those concerns are not being addressed is to deliberately show a lower risk factor. The Monte Carlo system is questionable at best for financial analysis.

First MTC states this," The Draft Plan currently combines the "Medium Revenue" scenario with the Medium Cost scenario as the basis of it's break-even analysis. To address uncertainty in both the operating costs and forecasted revenue from operations, MTC recommends additional sensitivity analysis that uses either a "Low Revenue/Medium Cost "scenario or a "Medium Revenue/High Cost" Scenario in order to provide a more conservative break-even point.

Next Professor James Moore from Stanford University submitted a comment about the Business plan on April 3, 2016.. **The Authority must be realistic about the worst-case scenario as far as revenue.** This was pointed out to the Authority for the 2014 Business Plan. MTC quote about profit likelihood. And the Professor at Stanford University. He references the comments Professor Evan Porteus of the Stanford University Business School submitted for the 2014 business plan located on page 721 of the 825 page PDF. Record #182.

According to James Moore, "i*n the Monte Carlo simulations that Prof. Porteus reviewed, the quantities simulated were assumed to be statistically independent. But in Section 6 of the 2014 Business Plan (pp 51-52), the scenarios for revenue and O & M costs were assumed to be perfectly positively correlated. This dictated, as he pointed out, that if the revenues were low, then so were the O & M costs. Enforcing the statistical independence the Authority claims on this portion analysis requires accounting for the possibility of low or medium revenue along with high O & M costs, or high revenue with low or medium O & M. Professor Porteus point out that it is not intellectually honest to assume that (i) different O & M cost categories in the same year and O & M costs in the same category* *but in different years, are statistically independent; a (ii) on different routes within a year and revenues between years are statistically independent, while, (iii) assuming total O & M costs in a year are perfectly correlated with total revenues in that year.*

Professor Porteus recommended enriching the analysis in Section 6 (Financial Analysis and Funding) of the Draft 2014 Business Plan by displaying outcomes that involve uncorrelated instances of revenues and costs. In particular, he believed that the 2014 Plan should include, among other scenarios, the outcomes of (1) high revenue along with low O&M and (ii) low revenue along with high O&M cost, along with the likelihood of each outcome.

This analysis should probably be executed as a decision tree. For example, if ridership is higher than expected in the current month, this indicates that ridership is likely to be higher than expected in the following month, so increasing staffing (and O & M costs) would be appropriate to ensure acceptable levels of service.

The implication of Professor Porteus' recommendations is that the model would likely lead to substantially different results in the break-even analysis, as the model captures more realistic outcomes. It appears that this work has not been done as part of the 2016 Business Plan. Given that the Authority has been informed by Professor Porteus of the inconsistency in their methods and given that they persist in their modeling practices, I conclude that the current use of the modeling tools in the Draft 2016 Business Plan still conform to Professor Porteus' definition of intellectual dishonesty. It certainly conforms to mine.

In addition on February 25, 2016, the Kings County Government submitted their opinion of how using the Monte Carlo system is a risk. They submitted this:

"Reliance on Monte Carlo simulation is dubious. Many financial experts warn against reliance on Monte Carlo simulation because it fails to account for the fact the future investment performance depends on as much on the sequence of future investment returns as on the average of those returns. According to Julie Crawshaw in an article in Wealth Management Magazine (www.wealthmanagement.com accessed February 24, 2016) in assessing risk, Monte Carlo simulation spreads potential losses across the full investment period, without giving consideration to the possible impact of multiple simultaneous loss years. A comparison may be draw to climactic conditions. An analysis of the Long-term impact of California droughts, for example, would be skewed if we assume that droughts happen at regular intervals without multiple dry years scenarios like the current one.

According to Crawshaw, Monte Carlo simulation also fails to treat a starting position as an action position, instead treating it as one scenario amongst many. Thus based upon the Authority's figures, HSR may well operate at a loss in its anticipated first year of 2025 with fare box revenues estimated at $186 to 339 million, and projected operation and maintenance costs running between $268 and $306 million. However, Monte Carlo simulation assumes that a loss is merely one scenario among many, and gives equal weight to it without any analysis of the actual likelihood of a loss or its impact on future years or the ability in future years to compensate for the loss. In fact, here the Authority first calculates the likelihood of profits in future years, and the assumes that those profits will be adequate to cover initial year losses, without instead factoring the need to replay losses into calculations of future year profitability."

So one has to ask if the Authority was aware of this defect and how it could use Monte Carlo to assume profitability knowing this about the program?

What is the risk to the taxpayers of California if the Monte Carlo plan fails?

What happens to the people who made the decisions that end in a failure of this system and the waste of billions of dollars?

See the extensive report, titled the," To Repeat Report" by William Grindley and William Warren. This report shows why the project will require a subsidy forever with exaggerated revenue and extremely low operating costs that will not result positive cash flow. They compare Europe's systems and Amtrak's fast trains and show how unrealistic the Authority's estimates are. **http://www.cc-hsr.org/assets/pdf/ToRepeatReport2ndEditionDec172012.pdf**

THE COST OF DOING NOTHING:

There was an analysis prepared by Parsons Brinckerhoff April 2012 widely distributed and quoted by project proponents. It is not a valid report in the way this analysis is being used.

http://www.thehamiltonreport.com/downloads/4-13-16/Powell-Myth-2-cost-of-doing-nothing-see-page-5cmb.pdf

Mark Powell wrote an amazing piece about the bogus work that was put together by the Authority's consultants so the project could make statements about the dire condition the state will be in if they don't build the high-speed rail project. However the report that Parsons Brinckerhoff wrote explained the report's goals but they are not an assessment of whether the state would need to or choose to build this infrastructure if it did not build high-speed rail. It says something entirely different:

Comparison of Providing the Equivalent Capacity to High-Speed Rail through Other Modes, dated April 2012. Quoting directly:

"This analysis was designed to answer the following questions:
1. What is the people-carrying capacity of the 520-mile Phase 1 HSR system?

2. What would be the composition and cost of providing this same capacity increase through freeways and airports?

Some of the factors in the report were also brought up by the City of Burlingame many years ago. http://www.calhsr.com/wp-content/uploads/2010/02/Burlingame-Comments-on-Draft-2012-Business-Plan-for-HSR.pdf In their letter they state that the Authority's report included these assumptions:

12 trains per hour in each direction

1000 seats per train

19 hours of operation every day

70% average load factor for trains.

The city goes on to say, "These assumptions would mean a train leaving San Francisco and Los Angeles every five minutes, loaded with 700 passengers, 19 hours a day, 365 days a year. This "maximum throughput capacity" analysis yields 115 million passengers a year that Parsons Brinckerhoff (PB) then needs to "accommodate" with larger airports and more highway lanes. This astounding number is completely divorced from any reality over the next 50 years, even by CHSRA forecasts. Undeterred, PB concludes that to provide equivalent new capacity through investment in highways and aviation would cost California almost twice as much ($177 billion) as the phase 1 high-speed rail system" and would require approximately: 2300 miles of new highways, 115 new airport gates and 4 new airport runways.

They asked that this flawed analysis be excluded from the draft business plan back in 2012.

TRANSPARENCY OR LACK THEREOF:

The perfect framing for this segment was announced on April 13, 2016. It appears the California High-Speed Rail Authority (CHSRA) has won the Independent Institute's first California Golden Fleece Award for its lack of transparency and history of misleading the public about key details of the state's "bullet-train" project, which no longer reflect what voters approved in 2008. Here's the link to the Rail Authority "honor." http://blog.independent.org/2016/04/13/californias-high-speed-rail-authority-wins-dishonor-of-the-california-golden-fleece-award/

One comment made by Cindy Bloom, MBA from Southern California is priceless and very much in the spirit of this section.

"Your agency frequently boasts of its transparency and this 2016 draft business plan is just that: Transparent. It is easy to recognize when a fiscal target is set and then input variables are manipulated. Your 2016 draft business plan is a textbook case of fudging numbers. Congratulations!"

Many of these examples below have to with the fight to obtain documents from the Authority and demonstrate the struggle to get them. If the Authority had nothing to hide they would not hinder, purposely obstruct or deliberately delay the fulfillment of requests under the Public Records Act.

The Authority commonly labels their documents with a draft stamp which was a predominate practice in the building of the Bay Bridge.explained In a January 24, 2014 legislative hearing called "Lessons Learned," it was disclosed that engineers were told whenever possible not to put anything in writing, not paper or email, communicate orally to avoid issues from being discovered through the public records act. If they did put something in writing, they labeled many draft.

In some cases those attempting to get information about the Rail Project, didn't get documents for as much as 7 months. The High-Speed Rail Authority is following in the Bay Bridge Project's footsteps and purposely delays the public getting documents. Coincidently the Rail Authority is headed by CEO Jeff Morales who was one of the directors of the Bay Bridge project. The Rail Authority has gone to extreme measures of not only causing delays but also even changing formats in monthly progress reports to hide issues.

In a tweet from the Californians Advocating Responsible Rail Design (CARRD) they show the deliberate attempt to remove key information categories from these important reports in order "to avoid confusion in public records request." The Authority told their consultants to remove the categories of **Major/Key Issues & Areas of Concern/Risk Management.** This change at the time directly contradicted the auditor requests for more information. One would think the companies involved, even the federal government, would like a written track record of the issues for a project of this magnitude.

The draft loophole is being used today to delay responses to public records requests, which is not intended by the existing law. The Draft exception is only allowed under very specific circumstances. This has become an obvious attempt to hide information. This law should be tightened up with substantial fines added especially if found to be habitual deliberate attempt to delay or deceive with even imprisonment for those who engage in repeated and deliberate violations of the Public Records Act. Without drastic consequences, the same offenders have no reason to stop their behaviors and in many instances breaking the law. It actually comes down to theft of public trust and public funds. Currently the only recourse is for the public to sue the agency that is violating the law. Since most people won't do that, the agencies that violate the law get away with it.

Here is a prime example of delaying the release of the December 2015 year-end Funding plan report due to the FRA quarterly that happened in February and March of 2016. They did not use the draft excuse this time, they just kept delaying the release of a key document by saying it wasn't available yet.

The report was in fact received by the FRA on 2/22/2016 according to this document I received from federal sources in Washington DC. See page 20 of this report and the notation where the information was received. http://www.thehamiltonreport.com/downloads/2016-02-26-CHSR-Grant-Update-Status-Briefing-March-2016.pdf

As it turns out I sent in my original request on Feb 23rd, coincidently the day after the FRA received the report I requested. After a delay, the Authority tells me on March 4th that they are delaying the "determination" of the request for two weeks. (BTW without an explanation of why they were invoking this delay, which they must do.) So I couldn't even get a "determination" of when they would release the information to me until March 17, 2016 and then they said on that date, "The Authority has determined that the December 2015 Funding Contribution Plan is not yet available." When it is available it will be posted on the Authority's website here. http://www.thehamiltonreport.com/downloads/4-13-16/Hamilton-FINAL-031716.pdf

I questioned what " available" meant. Does that mean it's not available to me? Long story short, after I received the FRA report dated in March 2016 and saw the notation on page 20 indicating it was received by the FRA on February 22nd, I knew then the Rail Authority really had meant the report was not available to me.

This was an outright lie and a violation of the Public Records Act. They released the 2015 report to me and others who had a similar requests in, within a couple of days since they knew, we knew.. http://calhsr.com/wp-content/uploads/2016/01/FCP-Report-Sept-2015-v1.5.pdf

We always suspected they were doing this kind of thing but never had outright proof as was the case here. So what were they hiding?

- In the report it shows they are asking for an extension of one year for their 2010 funds about $928 million with an expiration date of 12/31/2018 and then some really curious wording about ARRA funds, which has a September 30, 2017 expiration date.

The report also stated this, *"The Authority is requesting a one-year extension to the period of performance as a contingency to allow for potential use for testing and demonstration of high-speed service and/or integration with an Initial operating Segment. The proposed one-year extension does not reflect a change in any contractual delivery schedule." (This was referring to the ARRA money)*

I've asked three times what this means. I've asked them to give me an example and they have not been forthcoming with what that wording means yet and it's been nearly a month. With the Authority you are allowed to comment, you are allowed to ask questions but they do not have to answer your questions whether you are press or a private citizen. This is the way they operate whether it's a direct question, calling the Authority on the phone or at a board meeting or at a community meeting in the field.

In addition they deny there were cover letters or a narrative to this very complicated report with lots of pages with very tiny numbers. I have a public records request working for all communication on this report, which of course has been extended another two week since the Authority does not want to give me this information. This extension is becoming standard operating practice these days.

I'm left to believe if they had nothing to hide, they wouldn't be trying so hard to do so.

SUMMARY:

It appears the Authority has made several big mistakes in many key areas such as revenue, ridership, and cost projections. In fact in all the primary areas important for a viable project. They have attempted to hide the true status of the project by the draft stamp and dragging their feet to slowly release documents that should be publicly available without delay in order to reduce their impact.

When dealing with the Authority, one is left wondering if how they act are calculated missteps in order to purposely deceive or they are caused by lack of knowledge or just plain mistakes. It seems these are more than random mistakes because they always are in the favor of the Authority.

In some cases the facts are so much against the project it is impossible to understand how it continues except that the Governor and his wife Anne want it for Brown's legacy.

While our legislators worry about their own skin and career, everybody is forgetting about fiduciary responsibility, which everyone expects from their representatives. This seems like a perfectly impossible situation for the public in the state of California.

Many years ago a public comment was made in Palo Alto public meeting by a gentleman named Arnold Thackery from Menlo Park, simply said, "How bad does it have to get."

That question haunts me since I fear the Legislature will not take action no matter how bad it gets, since everyone is waiting for someone else to do the deed. All the legislators, regardless of party, know it's a bad project. The hope is it will implode on it's own eventually die because time runs out on Federal Funds, the Authority loses a decisive lawsuit or someone is elected as the Governor who understands the project must end. One of those things will happen but not before billions of dollars are wasted and lives of the public are destroyed by the senseless taking of land which there is no money to built on.

Too bad some elected officials don't have the courage to end it earlier before more damage is done. Too bad they believe that the few jobs that this project is providing for the consultants and unions trump the taxpayers that will be damaged financially and in some cases personally.

All bills offered to move or stop the Authority funding are always turned down. Of course they are offered by the Republicans in Sacramento since they have no political consequences.

We need changes in Sacramento now. I am an independent voter but I can see the effects of an imbalanced Legislature since those currently in power are afraid to do the responsible thing. Just because the Democratic Party has been at odds with the Republican Party forever, does not mean the Republicans are not completely right on this subject. They do not have the burden of backlash from the Governor in future political runs.

And finally just in time for the perfect ending for my comments, the high-speed rail project was just granted the dishonor of receiving the Golden Fleece Award.

The California High-Speed Rail Authority (CHSRA) has won the Independent Institute's first California Golden Fleece Award for its lack of transparency and history of misleading the public about key details of the state's "bullet-train" project, which no longer reflect what voters approved in 2008

http://blog.independent.org/2016/04/13/californias-high-speed-rail-authority-wins-dishonor-of-the-california-golden-fleece-award/

No recipient could be more deserving.

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