



THE DEPUTY SECRETARY OF TRANSPORTATION  
WASHINGTON DC 20590

February 26, 2016

Mr. Jeff Morales  
Chief Executive Officer  
California High-Speed Rail Authority  
770 L Street, Suite 1160  
Sacramento, CA 95814

Dear Mr. Morales:

The purpose of this letter is to apprise you of the status of the grant funds obligated by the Federal Railroad Administration (FRA) to support High-Speed Intercity Passenger Rail projects, pursuant to the American Recovery and Reinvestment Act (ARRA) of 2009. Under ARRA, the California High-Speed Rail Authority (CHSRA) received \$2,552,556,231 in funding to establish high speed passenger rail service as a viable transportation alternative to existing options.

The FRA's statutory authority to spend, or outlay, these funds expires on September 30, 2017. After that date, any remaining unspent funding will be returned to the U.S. Department of the Treasury, and will no longer be available for use on this or any other project. To allow time for processing the final invoices, FRA requests that grantees target all project expenditures to be completed and invoiced by June 30, 2017.

In advance of the approaching deadlines, it is critical that project sponsors take aggressive steps to execute their implementation schedules in a timely manner, and to ensure that all parties, including contractors and subcontractors, are mindful of critical action dates both in completing work and in completing billing and invoicing responsibilities.

Across the project portfolio, the responsible and efficient spend-out of project funds is ultimately dependent on the timely delivery of the project itself. In that spirit, the U.S. Department of Transportation (DOT) has identified a series of specific actions that we believe are necessary to accelerate project delivery and associated outlays.

In order to reach the monthly spending rates necessary to spend all ARRA funding prior to the September 2017 deadline, it is imperative that CHSRA begin continuous heavy construction in multiple locations as soon as possible. There are a few key steps that we recommend you should take to speed up overall program delivery:

- Increase the rate of right-of-way (ROW) acquisition to reduce or eliminate any construction delays due to lack of access to needed property. Along these lines, please provide FRA documentation by March 31, 2016, demonstrating a significant increase in

the ROW acquisition rate beyond the current rate of approximately 25 to 30 parcels per month;

- Work with the Construction Package 1 design-build contractor to promptly finalize the revised construction schedule to include methods to mitigate any lost time and accelerate project delivery;
- Work with Caltrans to obtain a final construction schedule for State Route 99 to avoid any risk of lost time;
- Work with the Construction Package 2-3 design-build contractor to promptly finalize the construction schedule, and to identify and implement ways not only to cut final design time as much as possible, but also opportunities to get early construction activities underway; and
- Promptly finalize negotiations needed to execute the full Notice to Proceed for the recently awarded Construction Package 4 design-build contractor so that this contract will proceed to construction as quickly as possible.

Please ensure that DOT and FRA have final copies of all revised, approved schedules, and documented proof of mitigation or acceleration strategies identified or implemented. Also, please provide an updated contact list for key staff in every area of Program implementation (e.g. ROW acquisition, environmental clearance and permitting, construction, etc.). In addition, please provide the following:

- A revised Funding Contribution Plan (FCP) that covers the quarter ending December 31, 2015, and does the following:
  - Shows a program completion date by which CHSRA is assured it can accomplish the full scope of work under the grant. This appears to be no earlier than 2019, as CHSRA submitted in the prior quarter;
  - Demonstrates realistic spending projections through consistency with the revised construction schedules and spending associated with the monthly levels of activity;
  - Corrects errors showing State-only expenditures in past months in which FRA was invoiced for reimbursement. These months include the period from December 2014 through May 2015;
  - Reconciles the State Expenditure to Date, shown as a "State Use" amount per month, with actual State expenditure that have been reported. For instance, the December 2015 FCP v1A reflects the sum of all State Uses from 8/1/2010 (page 13) to December 31, 2015, (page 19) to be \$400,588,000. However, page 5 of the December 2015 v1A Budget reflects State Expended to Date (through December 31, 2015) as \$273,386,474.

- A revised budget that covers the quarter ending December 31, 2015, which reflects the total budgeted amount sufficient to complete the ARRA Grant and Fiscal Year 2010 Grant scopes of work, including sufficient contingencies; and
- An updated ARRA Spend forecast that shows consistency with the updated FCP, and with the additional detail to be provided in the updated ROW working capital advance request. The ideal format would be a Financial Plan that includes a summary of all actual costs through completion, a summary of cost changes, a summary of schedule changes and trends, and risks and mitigation strategies, to be approved by the CHSRA Chief Executive Officer and the Chief Financial Officer prior to submission to FRA

In response to your request for DOT and FRA assistance in speeding up program delivery and ARRA expenditure, DOT has determined that some assistance related to ROW acquisition may be an appropriate and reasonable way to expedite real estate reimbursements related to the project. Along these lines, the DOT is amenable to evaluating a working capital advance covering a period of up to 3 months. If approved, this will provide CHSRA with certainty of available funds during periods of low cash flow.

In order to formally process this request, please provide the following to DOT and FRA for consideration as soon as possible:

- Documentation that meets the requirements contained in 49 CFR Part 18.21, which includes a justification why CHSRA cannot meet the criteria for advanced payment, why reimbursement is not feasible because CHSRA lacks sufficient working capital, and a specific period of time for which working capital advance is necessary;
- Documentation that shows the projected number of parcels to be acquired during that specified period of time and the associated costs;

Additionally, FRA is awaiting further information from CHSRA on the potential northern extension of Construction Package 1 as another method to advance program delivery and expenditure of ARRA funds.

Thank you for your prompt attention to this matter. If you would like further information or assistance, please contact Todd McIntyre, FRA's Western Team Lead, by phone at 202-493-0413 or by e-mail at [todd.mcintyre@dot.gov](mailto:todd.mcintyre@dot.gov).

Sincerely,



Victor M. Mendez

**From:** Giovinazzi, Giles@DOT <Giles.Giovinazzi@dot.ca.gov>  
**Sent:** Wednesday, March 02, 2016 4:21 PM  
**To:** 'leslierifkin@spectrumdesi.com'; Gilliland, Barbara  
**Subject:** FW: ARRA-related Letter CA HSR Authority  
**Attachments:** CHSRA Response to Dep Sec Mendez Feb 26 Letter.pdf

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**From:** Giovinazzi, Giles@DOT  
**Sent:** Wednesday, March 02, 2016 2:34 PM  
**To:** 'amit.bose@dot.gov'  
**Cc:** [Todd.McIntyre@dot.gov](mailto:Todd.McIntyre@dot.gov)  
**Subject:** RE: ARRA-related Letter CA HSR Authority

Amit and Todd,

Attached please find an initial response to U.S. Department of Transportation Deputy Secretary Victor Mendez' February 26, 2016 letter from California High-Speed Rail CEO Jeff Morales. A comprehensive response will follow.

Giles

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**From:** [amit.bose@dot.gov](mailto:amit.bose@dot.gov) [<mailto:amit.bose@dot.gov>]  
**Sent:** Tuesday, March 01, 2016 7:10 AM  
**To:** Giovinazzi, Giles@DOT  
**Cc:** [Todd.McIntyre@dot.gov](mailto:Todd.McIntyre@dot.gov)  
**Subject:** ARRA-related Letter CA HSR Authority

Giles –

Here is the letter. If you have any questions, please give Todd a call.

Thanks,

Amit

March 2, 2016

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CHIEF EXECUTIVE OFFICER

The Honorable Victor M. Mendez  
Deputy Secretary  
U.S. Department of Transportation  
1200 New Jersey Ave., SE - 9<sup>th</sup> Floor, Rm. W91-307  
Washington, DC 20590

Deputy Secretary Mendez

I am writing to acknowledge receipt of your letter dated February 26, 2016 regarding the status of grant funds obligated by the Federal Railroad Administration to support High-Speed Intercity Passenger Rail (HSIPR) projects, pursuant to the American Recovery and Reinvestment Act (ARRA) of 2009. The California High-Speed Rail Authority (Authority) is preparing a comprehensive response that will meet all of the requirements outlined in your February 26, 2016 letter.

To date, the Authority has put almost \$900 million in ARRA funds to use creating jobs, economic opportunities, and advancing the nation's first high-speed rail system. The Authority has made tremendous progress in several key areas mentioned in your February 26, 2016 letter. For example, right of way acquisition has advanced considerably in recent months - over 600 parcels have been delivered to the design-build contractors, allowing for significant construction activity. Three major design-build contracts, totaling approximately \$3 billion are now in place; the first has over half a dozen major sites underway; the second is now moving into construction; the third is beginning and will see both design and construction underway this year.

Moreover, as a result of the Authority's 30 percent small business goal:

- 266 small businesses are under contract;
- 90 of those are disadvantaged business enterprises (DBE)
- 32 of those are disabled veteran business enterprises (DVBE); and
- Over 225 craft labor workers are on site.

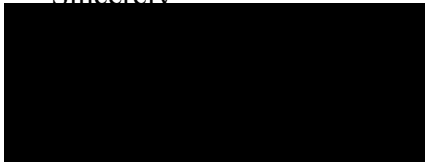
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Deputy Secretary Mendez  
March 2, 2016  
Page 2

The Authority is on target to expend all of its HSIPR ARRA funding before the statutory deadline, and we welcome the opportunity to provide a comprehensive response further detailing the tremendous progress we have made in partnership with the Department.

Sincerely



Jeff Morales  
Chief Executive Officer  
California High-Speed Rail Authority