

Date: April 18, 2008

Committee Meeting Date: April 17, 2008

Board Meeting Date: May 1, 2008

BOARD MEMORANDUM

ACTION ITEM

TO: Santa Clara Valley Transportation Authority
Board of Directors

THROUGH: Michael T. Burns
General Manager

FROM: Kurt Evans
Government Affairs Manager

SUBJECT: Support Position for AB 3034 (Galgiani)

Policy-Related Action: Yes

Government Code Section 84308 Applies: No

RECOMMENDATION:

Adopt a support position for AB 3034 (Galgiani), which revises provisions in the existing Safe, Reliable, High-Speed Passenger Train Bond Act for the 21st Century to be submitted to the voters of California on November 4, 2008. Specifically, this bill: (a) amends and expands the descriptions of the route segments for the proposed high-speed train system; (b) makes \$9 billion in bond proceeds available for the entire 800-mile high-speed train route, rather than for just certain segments; (c) limits the amount of bond funds that could be spent on preconstruction activities; (d) requires detailed funding plans for each high-speed train system segment; and (e) establishes priorities and financial criteria for selecting construction segments.

BACKGROUND:

Rapid population growth, congested highways and constrained airports prompted California leaders to consider building a high-speed train system in the state along the lines of those that have been in operation for decades in Europe and Asia. In 2000, the California High-Speed Rail Authority, the agency responsible for planning, building and operating the state's high-speed train system, unveiled a plan for a system that would link all of the state's major population centers, including the Bay Area, Los Angeles, Sacramento, the Inland Empire, Orange County, and San Diego.

The High-Speed Rail Authority projects that trains operating at speeds of up to 220 miles per hour would transport riders from downtown San Francisco to Los Angeles in just under two and a half hours. The steel-wheel-on-steel-rail, electrically powered high-speed trains would rely on proven technology employed by systems in use in Europe and Asia. Supporters of the state's proposed high-speed train system contend that it would relieve highway and air traffic

congestion between Northern and Southern California, and significantly reduce transportation-related greenhouse gas emissions.

Late last year, the High-Speed Rail Authority released a draft program-level environmental document that recommends using an alignment over the Pacheco Pass to enter the Bay Area. This alignment would maximize service to Silicon Valley and dramatically improve the Caltrain commuter rail corridor.

To fund a core segment of the state's proposed high-speed train system, SB 1856 (Costa, 2002) and subsequent legislation provided for the submission of the High-Speed Passenger Train Bond Act to the voters of California for approval at the November 4, 2008, general election. Approval of the bond act is intended to provide state funding to initiate the construction of the 800-mile, high-speed train system. The bond act calls for the issuance of a total of \$9.95 billion in general obligation bonds, \$9 billion of which would be used in conjunction with federal and private funds for the planning and construction of the system. The remaining \$950 million would be available for capital projects on other passenger rail lines in California to provide connectivity to the high-speed train system, and for capacity enhancements and safety improvements to those lines.

DISCUSSION:

AB 3034 updates and expands upon the provisions of the High-Speed Passenger Train Bond Act enacted in the original 2002 legislation, and establishes additional fiscal controls on the expenditure of state bond funds to ensure that they are directed to construction activities in the most cost-effective and efficient manner. Specifically, the bill does the following:

- States the Legislature's intent that construction of the high-speed train system be consistent with the High-Speed Rail Authority's more recent November 2005 certified environmental impact report, rather than its June 2000 Final Business Plan.
- Clarifies that the \$9 billion in bond proceeds for the high-speed train system may be used for planning and eligible capital costs along the system's entire 800-mile route in order to provide the High-Speed Rail Authority with sufficient flexibility in terms of how to phase the construction of the system.
- Specifies that no more than 10 percent of the bond proceeds for the high-speed train system may be used for environmental studies, planning, engineering, and other preconstruction activities in order to maximize the amount of funds available for construction.
- Requires the High-Speed Rail Authority to have a detailed funding plan for each segment of the system that identifies the full cost of construction and the sources of revenue for that segment prior to awarding a construction contract for the segment.
- Provides that in selecting each segment for construction, the High-Speed Rail Authority must: (a) give priority to those segments requiring the smallest amount of bond funds as a percentage of the total construction cost; (b) consider the utility of that segment for other

passenger rail services; and (c) ensure that any other passenger services provided on that segment will not result in operating or maintenance costs for the authority.

- Requires complementary rail capital improvements funded from the \$950 million in bond proceeds allocated to intercity, commuter and urban rail systems to provide direct connectivity and benefits to the high-speed train system and its facilities, or to be part of the construction of the system.
- Requires operating revenues in excess of the amount needed to operate, maintain and complete construction of the high-speed train system to be deposited in the state's General Fund.
- Takes effect immediately to make the changes operative in time for the November 4, 2008, vote on the bond act.

The High-Speed Passenger Train Bond Act was initially scheduled for the 2004 general election. It was delayed until 2006 and then postponed a second time until November 2008. One of the reasons for these postponements was a reluctance on the part of Gov. Arnold Schwarzenegger to support the bond act.

Earlier this year, the Governor declared that he would be willing to support high-speed rail if certain changes were made to the bond act's implementation legislation. Given that the total high-speed train system is estimated to cost in excess of \$40 billion to construct, and the High-Speed Rail Authority's financial plan relies heavily on federal and private-sector investment in addition to state funds, the Governor principally wanted to make sure that the other partners come forward with their shares before the state issues its bonds. AB 3034 was introduced by two members of the Assembly who are strong supporter of high-speed rail, Cathleen Galgiani (D-Tracy) and Fiona Ma (D-San Francisco), in order to address the Governor's issues. The language of the bill was negotiated by the Administration, the High-Speed Rail Authority and the two Assembly members.

VTA has historically supported the concept of building and operating a high-speed train system to provide a competitive, long-distance travel option between Northern and Southern California as a way to relieve air traffic and highway congestion. In fact, several years ago, VTA partnered with four other organizations to establish the Silicon Valley High-Speed Rail Coalition to advocate not only for high-speed rail in general, but also for a Pacheco Pass alignment into the Bay Area. One of the advocacy principles in VTA's Board-adopted 2008 State Legislative Program is to support moving forward with the High-Speed Passenger Train Bond Act in November 2008. AB 3034 is consistent with that principle and, therefore, we recommend that the Board support this legislation.

ALTERNATIVES:

The Board of Directors could decide to adopt a position for AB 3034 that is different from the one being recommended, or could opt to take no position on this bill at this time.

FISCAL IMPACT:

There is no immediate fiscal impact associated with this recommendation.

STANDING COMMITTEE DISCUSSION/RECOMMENDATION:

The Administration and Finance Committee considered this item on April 17, 2008, and unanimously supported the staff recommendation with no comments.