

Amendment #1 to the Council of Fresno County Governments 2006 Measure C Expenditure Plan

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Amendment #1 to the Fresno County Measure "C" Expenditure Plan transfers \$25 million from the 2006 Measure "C" Expenditure Plan's Alternative Transportation Program to a newly created Measure "C" High-Speed Rail Facilities Program. These funds will be used to provide capital for a variety of uses associated with development of the High-Speed Rail Maintenance Facility including but not limited to:

- Land acquisition
- On/Off site infrastructure (sewer, water, public utilities, etc.)
- Transportation infrastructure (street and intersection improvements, interchange improvements, grade separations, etc.)
- Planning, design, development and related facilities
- Directly related facilities

Upon approval of this amendment the current balance of the Measure C Alternative Transportation Program (\$7,068,023 as of July 1, 2010) would be transferred to a new Measure C High-Speed Rail Facilities Program account. All future funds formerly accrued to the Alternative Transportation Program will then be allocated to the High-Speed Rail Facilities Program until the \$25 million threshold is met, or should bonds be issued, until the bonds are paid back.

The Council of Fresno County Governments and the Fresno County Transportation Authority will oversee expenditures from the Measure C High-Speed Rail Facilities Program to ensure funds are spent within Fresno County for any of the allowable expenses relative to the Heavy Maintenance Facility.

It is anticipated that the California High-Speed Rail Authority will complete their Environmental Impact Reports and award the Heavy Maintenance Facility contract on or around December 2011.

Disclaimer: No Alternative Transportation funding that is transferred to the High-Speed Rail Facilities Program account, is to be "utilized" for any Heavy Maintenance Facility related use prior to Fresno County receiving the award of the High-Speed Rail Heavy Maintenance Facility. Should the Fresno Region not be chosen by the California High-Speed Rail Authority for the location of the High-Speed Rail Heavy Maintenance Facility, Amendment No. 1 will be made null and void, and the High-Speed Rail Facilities funds will be returned to the Alternative Transportation Funding Program.

Potential Bonding Scenarios and Fiscal Impacts

The current account balance (as of April 2010) in the Measure C Alternative Transportation Program is \$7,068,023. Depending on the “point in time” in the future, when the California High-Speed Rail Authority would need to access and utilize the \$25 million from the newly established High-Speed Rail Facilities Program account, there is likely to be the need for a Revenue Bond issuance by the Fresno County Transportation Authority (FCTA) to generate the remaining balance needed.

The amount of bonding to occur would be dependent on how much revenue is needed to bridge the gap between what is actually available in the Alternative Transportation Program account balance and the \$25 million pledged. For example, if the FCTA were to issue a revenue bond today, it would look like this:

$$\begin{array}{r} \$ 25,000,000 \text{ (Target Amount)} \\ - \quad \$ 7,068,023 \text{ (Account Balance)} \\ \hline \$ 17,931,977 \text{ (Amount to be Bonded)} \end{array}$$

Therefore, the FCTA would need to issue a revenue bond in the amount of \$17,931,977 in order to have the full \$25 million available to the High-Speed Rail Authority. As with all borrowing (the issuance of revenue bonds by a public entity is, in fact, borrowing from future projected revenues), there are financing costs which will be incurred. Depending on the amount of the bond issuance and the time allotted for payback, these borrowing costs may range from 40% to 50% of the total amount borrowed. Based on an average of the last three years (FY 2007/08 thru 2009/10), the Alternative Transportation Program is adding approximately \$3 million per year to the account. So for every year we can delay borrowing funds, we will reduce the amount needed to borrow by a like amount. It should be noted that selling \$18 million in bonds could add up to \$9 million in costs above the initial \$25 million.

Justification for Reallocation of Measure C Funds from the Alternative Transportation Funding Program to a Newly Established High-Speed Rail Maintenance Facility Program

For nearly 100 years, since at least 1918, the city of Fresno has sought to consolidate the Burlington Northern Santa Fe (BNSF) and the Union Pacific (UP) railroad corridors so that freight trains don't travel through the middle of neighborhoods, disrupting the quality of life for Fresno citizens. In order to address these long standing concerns, the 2006 Measure C Expenditure Plan approved by Fresno County voters, included an Alternative Transportation Funding Program which provides that 6% (estimated to be approximately \$106 million) of the overall \$1.7 billion in revenues generated by Measure C be reserved to provide matching funds for the consolidation of rail lines through Fresno.

Historically, the long standing challenge of rail consolidation has always been the cost to accomplish it. The most recent estimate provided by the *Fresno Freight Rail Realignment Study-May 2010* identifies six alternatives ranging from \$803 million to almost \$1.4 billion using what the study says were conservative assumptions about land costs and the two railroads' willingness to adjust their operations. Given the financial and technical constraints identified, even the most ardent supporters of rail consolidation believe rail consolidation is impossible for the foreseeable future and the life of Measure C.

The 2006 Measure C Expenditure Plan Implementing Guidelines for the Alternative Transportation Program state that a biennial evaluation of rail consolidation, including its feasibility and likelihood for securing additional funding must be completed. The implementing guidelines also state that if rail consolidation is not programmed with construction imminent within 15 years after the Measure passes, the funds would revert to grade separation projects that coordinate with transit improvements and provide the greatest amount of congestion relief and air quality benefit.

It is the consensus of our elected officials that given the financial and technical impediments to achieving rail consolidation, that reallocating a portion of the Alternative Transportation Program funding to the High-Speed Rail Facilities Program is both justified and warranted. The Heavy Maintenance Facility project was an unknown option when the extension to Measure C was being developed in 2006. Therefore, it had not been considered for funding in the Measure, but is now a preferred project over grade separation options due to the economic benefits for the Fresno County region. However, this amendment proposes to reallocate only one fourth of the funds available in the Measure C Alternative Transportation Program to the Measure C High-Speed Rail Facilities Program, leaving approximately \$75 million for grade separations throughout the county.

What is the High-Speed Rail Heavy Maintenance Facility?

The California High-Speed Rail Authority has developed a Strategic Plan for development of the high-speed rail system in California. This Plan identifies the area between Merced and Bakersfield as the most logical location for a High-Speed Rail Heavy Maintenance Facility.

A heavy maintenance facility is an integral component of the California High-Speed Rail Project. Specifically, this facility is assumed to support the assembly, testing and commissioning of the train sets as they arrive from the manufacturer prior to the start-up of Phase 1 operations and then transition to the full operation of a "typical" high-speed rail heavy maintenance workshop. During its useful life, the heavy maintenance facility may support the following examples of facility functions:

- Assembly
- Testing and Commissioning

- Train Storage
- Inspection
- Maintenance
- Retrofitting
- Overhaul

High-Speed Rail Heavy Maintenance Facility Benefits to the Fresno County Region

A High-Speed Rail Heavy Maintenance Facility would significantly add much needed, high wage jobs, benefits for existing business sales and services, and added Gross Metropolitan Product (GMP). As indicated by the High-Speed Rail Authority, the facility would provide an additional 1,500 to 2,300 new workers to run the facility once it is completed. It is projected these new jobs will generate \$110 million annual direct payroll revenues for local workers and our economy.

The long-term economic impact of high-speed rail will grow over time, as service is fully implemented and savings in travel time, expenses, pollution emissions and congestion reduction are realized.

Having the High-Speed Rail Heavy Maintenance Facility located in Fresno will also support the growth of technology clusters, educational focus, and regional branding for future industry related opportunities. The educational opportunity alone will attract students nationwide to receive their degrees in these areas of expertise.

There will also be an impact for business tourism. We could expect visitations from companies and individuals who want to tour or study the maintenance facility. This impacts hotels, restaurants and the likes of any tourism attraction.

Lastly, the facility will be an important fixture for our local economy. Once sited, it can't feasibly be moved to a better location in the future. It is a permanent facility—the first of its kind in our nation.

Map of Statewide HSR System

