

# California's high-speed rail: A schedule under stress

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It's been almost seven years since California voters approved Proposition 1A, a \$9.9 billion bond measure to help build a statewide high-speed rail system.

It's been more than five years since the Obama administration made its first commitment of federal stimulus and transportation money to the California High-Speed Rail Authority for the ambitious bullet-train project. It's been two years since the rail authority's board awarded a billion-dollar contract for construction of its first 29-mile section in Fresno and Madera counties.

Dan Richard, California High-Speed Rail Authority board chairman, talks to reporters prior to the board's June 9 meeting in Los Angeles. | Tim Sheehan  
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And it's been more than five months since Gov. Jerry Brown signed a ceremonial chunk of steel rail in downtown Fresno to mark the start of work on the first construction segment.

There's a pattern here — a string of milestones passing month by month, year by year, and hundreds of millions of dollars spent over the past decade on planning, engineering, environmental analysis, right of way acquisition and administrative costs. For all of that, the only tangible work visible to the public has come in the past year with the demolition of buildings and relocation of utilities like storm drains in the path of the rail route.

That's supposed to change Tuesday as crews using heavy equipment begin building pilings for a viaduct — an elevated bridge for high-speed trains — to span the Fresno River, Highway 145 and Raymond Road near the BNSF Railway freight tracks on the eastern edge of Madera.

It's yet another milestone — one that comes more than three years after it was originally contemplated — in a schedule under stress.

In 2009, following the passage of Proposition 1A, long-departed leadership from the rail authority anticipated commencing construction in 2012 on a rail system for electric trains dashing between San Francisco and Los Angeles by way of the San Joaquin Valley. Those trains were expected to carry passengers by 2020. Now, the earliest that trains are proposed to move passengers is 2022, and then only in what the rail authority has dubbed its "initial operating segment" between Merced and Burbank. The prospect for a nonstop, one-seat ride from downtown Los Angeles to San Francisco without switching trains isn't forecast until 2028 at the earliest. And there is no projected schedule for developing Phase 2 of the system, which would extend routes to Sacramento, the Inland Empire and San Diego — additions that once were forecast for completion by 2030.

In the meantime, there are logistical, financial, political and legal challenges that threaten to derail what is widely regarded as the largest infrastructure project in California's history.

## Schedule constraints

Supporters see the high-speed rail project as a visionary system, a "game changer" that will revolutionize passenger



travel among the various population centers of the state, including the geographically and economically isolated cities of the central San Joaquin Valley. Critics decry it as poorly planned, too expensive and unnecessary, frequently sprinkling the term “boondoggle” into their conversations.

The development schedule itself represents one of the most immediate risks. About \$2.2 billion in federal stimulus money comes with strings requiring that it be fully spent on construction in the Valley by Sept. 30, 2017 — a scant 26 1/2 months away.

While the first construction contract was awarded in June 2013 to a consortium of Tutor Perini/Zachry/Parsons for the Fresno-Madera section, the state has been painstakingly slow in buying or acquiring the land it needs for the railroad right of way. That has delayed accumulating a critical mass of property for initial construction, and there are still two more sections in the Valley to build. Earlier this year, the authority awarded a contract valued at about \$1.37 billion for construction of its second segment, a 65-mile stretch from the south end of Fresno to the Tulare-Kern county line. That contract is expected to be finalized and signed by this week. And the authority is seeking bids for its third stretch reaching southward to Shafter.

Ron Tutor, CEO of Tutor Perini Corp., blamed right-of-way problems for stalling construction work on the first section for 18 months and said he wanted to negotiate with the rail authority over compensation for the delay. “I really won’t be able to get going with anything of consequence on high-speed rail until probably June or July of this year,” he told investment analysts in a February conference call.

For more than a year, the company has had new cranes, bulldozers and other equipment in a staging yard in northwest Fresno. Jim Laing, project manager for Tutor Perini, said last fall that the company had invested “at least \$10 million” in new equipment to comply with clean-air regulations. But until recently, much of that machinery has been idle.

“California high-speed rail has generated virtually no cash flow because all we’ve been doing is designing and engineering and meeting and scheduling,” Tutor told analysts in a May conference call.

It’s an issue the rail authority is acutely aware of. The right-of-way delay “is the single biggest risk for us, risk defined as potential delay or cost increase,” authority CEO Jeff Morales said this spring in a visit to Fresno. In recent months, the agency has hired additional right-of-way consultants to speed the process of appraisals and purchase offers to property owners.

We’ve been clear that we were slow out of the blocks on right-of-way acquisition for the first section. The reasons don’t matter now. We’re trying to get on schedule.

Dan Richard, California High-Speed Rail Authority board chairman

The State Public Works Board, on behalf of the authority, has also accelerated its approval of resolutions authorizing eminent domain or condemnation to get right-of-way property. Since December 2013, the board has adopted 230 resolutions encompassing about 625 acres of land in Fresno, Madera, Kings and Tulare counties.

As of Friday, the authority reported that of the 1,079 properties needed in its first two construction sections, it has secured legal possession of 257 and is beginning its efforts in Kern County for the third section.

Tutor said in May that he’s more optimistic as well. “I met personally with the principals of high-speed rail and we are satisfied there’s enough right of way out there that we can get a major cost-effective start and that they’ll be able to stay ahead of us so they won’t impact us any longer,” he told investment analysts.

## **Financial concerns**

The September 2017 deadline for spending the federal stimulus money is critical because any funding not spent by

that time goes back to the Federal Railroad Administration. The \$2.2 billion is in addition to about \$929 million in federal transportation funds and about \$2.5 billion in state money from Prop. 1A or other state sources. The combination of funds gives the rail authority about \$6.3 billion to build 120 to 130 miles of the rail line in the Valley from Madera to Bakersfield.

What remains uncertain is where the agency anticipates getting the money it needs to keep building the rest of the system. Cost projections for the Merced-Burbank “initial operating segment” are pegged at about \$31 billion, while the price tag for the entire Phase 1 line from San Francisco to Los Angeles is forecast to be about \$68 billion. The authority has yet to offer any estimate of what Phase 2 extensions to Sacramento and San Diego will cost.

“I have an increasing level of confidence in the funding for the first operating segment,” said Dan Richard, the board’s chairman. He cited a stream of money from the state’s cap-and-trade greenhouse gas reduction program that amounted to about \$500 million this year, “and we haven’t even started putting together what we think we can get from leasing space in our right of way” or to tenants in stations. Richard added that the authority’s engineers are also looking for ways to reduce the construction costs of the project.

The cap-and-trade money, he said, has spurred interest from private-sector companies; while none have yet signed on to help underwrite any portion of the project, Richard said he believes private investment will materialize once the first operating segment is running. “I can’t sit here and say I know where every dime is coming from, but we have a good idea of where about three-quarters of it is coming from,” Richard said. “Of all the challenges the program faces, I worry most about right-of-way acquisition.”

(The Federal Railroad Administration) knows where we are and what we’re doing, and we’re in agreement that we’re on track to meet all of our requirements.

Jeff Morales, California High-Speed Rail Authority CEO

Neither Richard nor Morales say they are concerned about being able to use up the federal money before the 2017 deadline because the state’s grant agreements allow California to spend the stimulus funds before putting up its own matching funds. Richard added that with major construction finally getting started on the Fresno-Madera section, and a contract ready for the Fresno-Tulare/Kern section, spending will accelerate rapidly. “As we move into (the second contract), we’ll see burn rates that are doubling and tripling because we’ll be working on different parts of the 120 miles at the same time.”

But front-loading the federal money doesn’t sit well with some members of Congress who are harsh critics of project.

## **Political pitfalls**

Rep. Jeff Denham, R-Turlock, and Rep. Doug LaMalfa, R-Richvale, last week passed an amendment to a House transportation funding bill that would forbid the Federal Railroad Administration from allowing the tapered match of money by California. Denham is the chairman of the House Transportation subcommittee on railroads, pipelines and hazardous materials.

“No longer will (the rail authority) be able to accept a hamburger today for payment on Tuesday,” Denham said in a press release — a jab referring to hamburger-loving freeloader Wimpy from “Popeye” cartoons.

LaMalfa added that “California’s high-speed rail project is no closer to being built than it was seven years ago. ... Considering that it’s tripled in cost, lacks a credible funding plan, and is opposed by most California voters, it’s farther from completion than it’s ever been.”

The amended transportation bill, HR 2577, was later passed by a narrow margin on a 216-210 vote and sent on to the U.S. Senate. It represents the latest attempt by Denham and other House Republicans to bar the federal government from allocating any more money for the project and to take back money already approved.

The rail authority noted that none of Denham's previous efforts have succeeded to become law and leaders expressed skepticism that this time would be different — but this is the first time it's passed the House with Republicans also in control of the Senate.

## **Legal challenges**

Count on a phalanx of lawsuits to add to uncertainty over the state's efforts.

Kings County, Hanford resident Aaron Fukuda and farmer John Tos are continuing the fight they started in late 2011 over the rail authority's compliance with voter-approved Prop. 1. Among the key points likely to be decided by a Sacramento County Superior Court judge later this year are their contention that the yet-to-be-built system can never deliver the promised 2-hour-40-minute nonstop ride from downtown San Francisco to downtown Los Angeles; that it cannot run without any type of public subsidy; and that sharing upgraded and electrified commuter rail tracks in the Bay Area is substantially different than what voters approved.

There are also four lawsuits pending over the rail agency's approval last year of a route and environmental certification for its Fresno-Bakersfield section. Similar challenges are likely as each additional section of the rail program — in the Bay Area, Bakersfield-Palmdale, Palmdale-Burbank, Burbank-Los Angeles — come up for environmental certification and approval in the next few years.

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