



Elaine M. Howle *State Auditor*

CONTACT: Margarita Fernández | (916) 445-0255 x 343 | MargaritaF@auditor.ca.gov

California High-Speed Rail Authority

Its Flawed Decision Making and Poor Contract Management Have Contributed to Billions in Cost Overruns and Delays in the System's Construction

Background

Created in 1996 to plan, build, and operate high-speed intercity passenger rail service, the High-Speed Rail Authority (Authority) has been planning the nation's first bullet train promising to transform how Californians travel across the State. The Authority's plans for the system have evolved over time from a high-speed dedicated system spanning over 700 miles to a plan that involves blending—sharing existing infrastructure with other rail operators—to offset rising cost estimates. Construction is currently underway on the system's first segment in the Central Valley.

Key Findings

- Despite being aware of risks associated with beginning construction before completing critical planning tasks, the Authority began construction in 2013—a decision that has led to contract changes, project delays, and cost overruns.
 - » Cost overruns for three active Central Valley projects reached \$600 million in June 2018, and the Authority estimates an additional \$1.6 billion in costs to complete them.
 - » Contract changes have resulted in significant time delays, and the Authority has had to continually extend expected completion dates, pushing them back from 2018 to March 2022.
- The Authority risks losing \$3.5 billion in federal grant funds if it fails to complete construction by December 2022—it must work twice as fast over the next four years to meet this deadline.
- Since the Authority has now exhausted all feasible options to use existing infrastructure, its ability to mitigate future cost increases is in doubt.
- The Authority needs to improve its contract management to control soaring costs.
 - » It has 56 contract managers to manage hundreds of contracts worth over \$5 billion, yet there is high turnover, little oversight, and only three managers serve in these roles full time.
 - » We found significant problems with how it reviews invoices, monitors deliverables, approves changes, and manages construction oversight contracts.
 - » It relies heavily on outside consultants to manage certain contracts, but these consultants may not have the best interests of the State as their primary motivation.

Key Recommendations

- Establish formal prerequisites for beginning construction before executing its next construction contract to prevent avoidable cost overruns and project delays.
- Provide quarterly updates to the Legislature detailing the progress of its Central Valley construction to enable decision makers to track its progress in meeting the federal deadline.
- Improve its contract management by hiring and assigning full-time and experienced contract managers who are state employees, monitoring contract managers compliance with policies, and holding contract managers accountable for their performance.

The Authority Must Work Twice as Fast as to Meet the Federal Deadline

