

Short staffing hampers high-speed rail project

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Supporters and opponents of California high-speed rail agree on few things, but on this they concur: The hugely ambitious project is woefully understaffed.

Twenty-two administrative and support personnel oversee an army of private contractors -- a ratio so out of balance that a legislative advisory panel worries the shortfall could delay a project federally required to begin construction in the Central Valley late next year.

Even if it does start on time, some fear project costs will spiral out of control unless the state Legislature and the governor's office authorize the California High-Speed Rail Authority to hire more people to oversee hundreds of millions of dollars in consulting contracts.

But the staffing problem reaches beyond Sacramento budget politics. Years ago a decision was made to rely heavily on outside contractors as a way of ensuring independence and access to professionals experienced with high-speed rail. Had the strategy been to fold the project into CalTrans, for example, short staffing might never have been an issue.

Project officials and observers also point to the Obama administration's decision to allocate billions of federal dollars over a short period to the project, proposed to connect Anaheim with the Bay area with trains traveling up to 220 mph by 2020. They say that money came so suddenly and with such tight deadlines that the rail authority has had little time to scale up properly.

Hiring spree

Progress is being made on hiring nevertheless. The 2011-12 state budget gave the rail authority approval to hire 32 additional people -- the same number the authority requested, which would more than double the size of its staff. Jobs recently advertised include fundamental positions such as chief financial officer and chief counsel.

Still, members of the authority board and the legislative panel wonder whether the extra help will be enough, given the immensity of the task ahead.

Rail authority Chairman Tom Umberg said he did not know what the "optimum number" of staff members is. To him, the guiding principle behind hiring is to ensure transparency and accountability inside the authority.

Vice Chairwoman Lynn Schenk said that if the rail authority had project oversight comparable to the level provided within CalTrans, then "we should have dozens" of staffers at the top tiers.

"Will we get as many as we need?" she asked. "Probably not."

An alternative that she and others have proposed would give the rail authority personnel on loan from agencies including CalTrans. She is optimistic that such loans will still be made.

Already the staffing shortage has been blamed for poor public outreach and accounting missteps.

Last year, for example, the state Office of the Inspector General faulted the rail authority for paying out more than \$3 million in expenditures without first obtaining adequate supporting documents. The office blamed inadequate staffing (the rail authority had only about 11 employees at the time), even as it cited improvement in the agency's accounting practices.

Too much outsourcing?

Critics wonder whether it is even possible to bring in enough people to oversee a network of consultants as complex as the one the rail authority has already created.

Elizabeth Alexis, a leading critic of the project and co-founder of Californians Advocating Responsible Rail Design, said the central problem is that the rail authority has outsourced too many important functions, from financial analysis to environmental review and community outreach.

A related difficulty, she said, is that the agency relies on consultants to keep tabs on contractors who then contract out work to subcontractors, in some cases comprising up to four layers of oversight, all of them outside the rail authority.

"We actually see this as a primary problem with the project," she said.

"It's not just outsourcing," she added. "It's the way that the outsourcing has been done."

An early decision

Some of this is inherent to the structure settled on years ago, even before California voters created the quasi-independent rail authority with their approval of Proposition 1A in 2008.

Former board member Quentin Kopp, who was involved with California's high-speed rail dreams since before the proposition's passage, said the idea early on was to create a relatively small agency that would hire outside experts, as has been done with high-speed projects elsewhere in the world.

That approach led to repeated pleas to the state Legislature for funding, he said.

"We couldn't get staffing," he said. "I don't mean general counsel or CFO, but you need a professional who knows how to administer contracts, which means enforcing them, which means checking invoices, etcetera, and we didn't have anyone to do that."

Alexis and other critics say the rail authority's contracting flexibility has come at a high price. They assert that paying consultants public money creates the wrong financial incentive.

"It's a change order factory," she said.

Project critic Randal O'Toole, a policy analyst with the Cato Institute, a libertarian think tank based in Washington, said a better strategy would have been to create some kind of public-private partnership similar to a toll road that reverts to public ownership after years as a private asset. That way, he said, public sector participants are strongly motivated to make the project work.

As it stands, consultants have the opposite motivation, he said.

"It's other people's money," he said, "and so nobody has an incentive to be efficient."

Peer advice

Creating a public-private partnership to build and operate the rail project is just one of the staffing-related recommendations made recently by the California High-Speed Rail Peer Review Group.

The industry group, formed by the state Legislature to provide advice on the project, warned that the rail authority must strike a better balance between its own staff and outside consultants. Failure to do so "will ensure major problems of budget management, cost control, project accountability and schedule slippage," according to a letter by the group.

Part of the challenge originated well outside California, said the group's vice chairman, John Chalker, managing director with LM Capital Group LLC, a San Diego-based investment advisor that manages public and corporate pension plans.

Chalker said the rail authority was unprepared when the Obama administration's gave the rail authority more than \$3 billion in federal money over a period of only 16 months. He said that money came with demanding stipulations.

"What we've got here is a race in which, frankly, too much money has been thrown at them with too short a deadline for usage," he said. "They're inadequately staffed right now to handle that."

Schenk, the rail authority's vice chairwoman, agreed that the federal money -- along with voter approval of Proposition 1A -- put sudden pressure on a small group of people who for years had labored in obscurity.

"All of a sudden this becomes the biggest infrastructure project in California's history, and people wake up to it and all of a sudden they want information," she said.

Chalker pointed to other staffing-related challenges as well, including community outreach failings and other instances in which project consultants lacked proper accountability.

Fundamental tasks ahead

He said an even bigger challenge looms as the rail authority hurries to complete a business plan due before the Legislature in October. The plan will need to address key questions of how the train system will be modeled, a fundamental consideration the peer review group says should have been settled years ago.

Creating the business plan and the business model will require intensive work by top-quality personnel, he said.

"Those two items alone require some very skilled individuals to negotiate and draft those items, and a much larger staffing number -- whether it be contracted or internal -- than the authority (has) at its disposal."

He added that the business model could dictate the project's future staffing needs.

"Until you know that business model," he said, "you actually don't know what kind of skill set that you're looking for and what kind of people that you hire."