

Congress of the United States
Washington, DC 20515

November 3, 2015

Gregory Kelly
Chief Executive Officer
Parsons-Brinckerhoff
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Mr. Pierson,

Reporting in the Los Angeles Times from Sunday October 25, 2015, in an article titled “\$68-billion California bullet train project likely to overshoot budget and deadline targets”¹ cites a confidential 2013 report compiled by your firm outlining the costs and project delivery times for phase 1 of the California High Speed Rail project (project). The report estimates “the cost of building the first phase from Burbank to Merced had risen 31% to \$40 billion. And it projected that the cost of the entire project would rise at least 5%.” This on top of more than doubling in cost from initial promises of \$33 billion when the State presented the issue to voters on 2007.

Given the magnitude of the project, we have questions regarding the stewardship of Federal funds by the California High Speed Rail Authority (Authority). The California State Auditor raised serious concerns regarding the financial and oversight risks associated with the project in January 2012.² Especially since the report cited by the Los Angeles Times notes that “Parsons Brinckerhoff briefed state officials on the [new] estimate in October 2013... But the state used a lower cost estimate when it issued its 2014 business plan four months later.”

According to the Times, the 2013 report followed on another warning from your firm issued to the Authority in 2012 that raised concerns over the true costs and issues in tunneling through the Tehachapi Mountains. Specifically the report notes that *‘seismotectonic complexity ... may be unprecedented’* and that the rail route would be crossing faults classified as *‘hazardous.’* Further we are outraged that the Authority has chosen to hide this document from the public in the wake of a request under California’s public records act.

¹ L.A. Times, “\$68-billion California bullet train project likely to overshoot budget and deadline targets” October 25, 2015, <http://www.latimes.com/local/california/la-me-bullet-train-cost-final-20151025-story.html>

² California State Auditor, *High Speed Rail Authority Follow-Up: Although the Authority Addressed Some of Our Prior Concerns, Its Funding Situation Has Become Increasingly Risky and the Authority’s Weak Oversight Persists.* January 24, 2012

Congress appropriated, and the Federal Railroad Administration (FRA) obligated, \$3.9 billion to the California High-Speed Rail Authority (Authority) for Phase 1 of the project. In December 2012, the FRA amended its grant agreement with the Authority, allowing the FRA to provide the Authority with payment in advance of the State's matching funds, a departure from standard Federal/local cost share agreements where funds must be spent concurrently. Congress requested an FRA IG report over this fact who concluded that FRA lacked the relevant safeguards and "expose[d] Federal funds to greater risk".³

Parsons Brinckerhoff (PB), Inc., has been the primary consulting agency for the Authority since 2006 and has earned nearly \$300 million since signing the initial contract.⁴ On June 10, the Authority announced they would enter into a Rail Delivery Partner contract with PB valued at \$700 million.⁵ In all, your firm will be responsible for upwards of \$1 billion in taxpayer dollars.

We have long warned that the Authority is not being honest with the public about the true costs of constructing High Speed Rail in California. It is alarming that the Authority's lead consultant would raise warnings with the Authority that would subsequently be hidden from the public. Due to your status as the lead contractor for the agency, and the fact that you have won contracts valued at \$1 billion of taxpayer dollars we request the following information immediately.

1. Please provide the 2013 report cited by the Los Angeles Times in its October 15, 2015 article in which your firm reported to the Authority on expected delays and cost overs, including all draft and final reports submitted.
2. Of great concern to the undersigned is the fact that the Authority ignored your projected cost increased and misled the public by publicizing the lower cost figures in its 2014 business plan. Please provide a list of individuals who were briefed by your firm on the 2013 report and when they were briefed so we can determine the veracity of Mr. Morales's claim that he was unaware.
3. Please provide the 2012 report your firm presented to the Authority on the complexities and seismic realities of tunneling through the Tehachapi Mountains.
4. Please include in your response any supporting documents you believe support your conclusions.

³ FRA IG, *FRA Improved Its Guidance on High Speed Rail Grant Agreements, but Policies and Procedures for Amending and Monitoring Grants Remain Incomplete Federal Railroad Administration*, Report No. ST-2015-038, April 1, 2015

⁴ Fresno Bee, "High-speed rail agency approves \$700 million deal for consultant" June 9, 2015, <http://www.fresnobee.com/news/local/high-speed-rail/article23637232.html>

⁵ California High Speed Rail Authority, Press Release, "Rail Delivery Partner Contract Awarded to International Team High-Speed Rail Embarks on New Phase of Program", June 10, 2015

The American taxpayers deserve the truth. It's been clear for years that California high-speed rail would blow past every cost estimate and every construction deadline they've set for themselves. We look forward to your timely response. Please do not hesitate to reach out to Bret Manley in Rep. Denham's office (bret.manley@mail.house.gov, 202-225-4540) should you have any questions.

Sincerely,



JEFF DENHAM
Member of Congress



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Member of Congress



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Member of Congress



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Member of Congress



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Member of Congress



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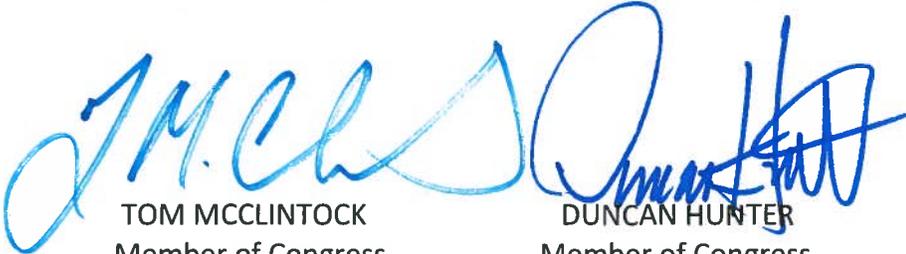
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CC:
Dan Richards, California High Speed Rail Authority
The Honorable Jerry Brown, Governor, California