



# INFORMER

# 16, November 2007

Professional Engineers in California Government

## CALTRANS VACANCIES

When the fiscal year began last July, Caltrans had several hundred vacancies in its Capital Outlay Support program. The new State Budget authorized 425 additional person-years (new hires) to help deliver the transportation program.

The Legislature has become concerned that Caltrans was not filling those vacancies or budget authorization, resulting in a hearing by a Subcommittee of the Senate Budget and Fiscal Review Committee.

The Legislative Analyst and Committee staff reported that Caltrans only hired 149 employees thus far this fiscal year but has 700 vacancies. Part of the explanation was the lack of significant progress in selling the bonds needed to fund construction projects resulting from voter approval of Proposition 1B a year ago, which authorized \$20 billion in additional transportation funding. For the current fiscal year, the Legislature authorized \$4.2 billion in Prop 1B spending but only \$600 million has been allocated to be spent.

The Caltrans representative assured the Committee that Caltrans has adequate staff on board to accomplish the projects on time and plans to hire 400 employees between now and the end of the fiscal year next June. They explained that construction cost increases and other factors reduced the need for adding additional staff, although the department has awarded contracts for about 85% of their outsourcing budget allocation.

Caltrans' staffing and outsourcing is always an important issue in developing the State Budget and accomplishing the transportation program. This hearing in early December by the legislative Subcommittee demonstrates the interest and concern of the Legislature in expending the authorized bond and other funding to accomplish the transportation program on time.

## AFTER THE FIRES...

State engineers, engineering geologists, and other PECG members were heavily involved in remediation and restoration activities following the October fires throughout Southern California. As members of the Burned Area Emergency Response (BAER) Teams, they worked with numerous other specialists to identify potential threats to life, property, infrastructure, water quality, wildlife, fisheries, etc. Potential dangers include increased risk of rockfall, debris flows, flooding, and erosion. Team recommendations included road stabilization, culvert repair, sandbagging, soil stabilization, and hydro-mulching.

PECG extends thanks and appreciation to all state employees and others who went to the fire areas and acted quickly to develop solutions to the many potential impacts of the devastating fires.



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# PUBLIC-PRIVATE PARTNERSHIPS

The theory behind Public-Private Partnerships is that transportation or other projects could be built with private funds, reducing the reliance on tax revenues or government-issued bonds to fund needed transportation facilities. In some states, private money (most often from Australian, French, or Spanish banks) buys a public roadway, then collects the tolls for subsequent decades. Another approach, which has been used twice in California, is to allow a private entity to design, build, and inspect a new roadway or an added toll lane to an existing facility, then collect the tolls into the future to pay for it and to provide a return or profit to the investors.

On November 27, the Governor issued a press release, once again touting the desirability of using Public-Private Partnerships (PPP) to finance infrastructure projects to reduce traffic congestion by supplementing public funds.

Last year, the voters approved several bond measures to reduce traffic congestion and make other infrastructure improvements. There is no doubt that additional funding from any source is most welcome. Essentially, under PPP, a private entity is granted the authority, through legislation, to design, build, and inspect a transportation facility. At that point, meaningful public involvement stops. The private entity designs the facility, a member of the consortium builds it, and then inspects its own work. Not surprisingly, these projects have not worked out well.

On November 19, a new privately-funded toll road was opened east of San Diego. Originally slated to be completed in early 2003,

it was more than four years late. The design-build contract was awarded at \$360 million (including an additional connector to the north). The final cost exceeded \$800 million. In 2006, the Legislature agreed to authorize tolls to be awarded to the private entity for an additional ten years, costing "hundreds of millions of dollars in additional tolls" to the public, according to the Department of Finance. Essentially, these cost increases were due to a lack of public involvement in the design, construction, and inspection of the facility.

An earlier privately-funded project, a toll lane on Route 91 in Orange County, was awarded through a "fixed price" design-build contract for \$57 million. The ultimate cost was \$130 million. The taxpayers finally stepped in and purchased the facility for \$207 million. Currently, tolls are \$10, or about \$1 per mile, to pay off the excessive cost of the project.

Other problems with PPP include conflicts between basic interests. Toll roads depend on congestion to encourage motorists to pay the toll to drive on the facility so investors can receive a return on their investment. However, the public interest is to reduce congestion. This typically leads to some sort of clause in the contract with the private entity to prohibit improvement of public roads in the surrounding area. As a result, on the Route 91 project, traffic congestion in the area became so bad that the public had to pay \$207 million to buy it out.

Thus far, no one has come up with a solution to this basic conflict between public interest and private profits.

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