



AGENDA REPORT
SAN CLEMENTE CITY COUNCIL MEETING
 Meeting Date: April 3, 2012

Agenda Item 60K
 Approvals: [Signature]
 City Manager [Signature]
 Dept. Head _____
 Attorney JAT
 Finance _____

Department: City Manager
Prepared By: [Signature] Laura Ferguson, Assistant to the City Manager/Public Information Officer
Subject: RESOLUTION SUPPORTING ASSEMBLY BILL 1455 "HIGH-SPEED RAIL LEMON LAW"

Summary: Assemblywoman Diane Harkey has authored Assembly Bill 1455, the "High-Speed Rail Lemon Law" which would stop state debt funding on California's High-Speed Rail project. The proposed bill would remove the remaining balance under the \$9 billion segment for the high-speed rail project to an amount contracted as of January 2013. The bill, as amended February 9, 2012, would however, allow the local transit portion of \$950 million to remain available to local municipalities for rail transit uses. The high-speed rail project has become increasingly unpopular because of rising costs, inflated ridership numbers, millions spent on public relations and lack of progress. Unlike other major transportation infrastructure projects that have had dedicated funding streams, the high-speed rail has no money. Even the State Auditor's office released a second report in two years, which states that the high-speed rail project relies on uncertain funding sources and that "the program's overall financial situation has become increasingly risky."

Project Costs Have Tripled

Citizen and government entities have raised serious questions about project funding and costs which now range from \$98.5 to \$117 billion for Phase I between San Francisco and Los Angeles-Anaheim. This represents a tripling of the costs, initially projected at \$33.5 billion (paid for with a combination of 1/3 state funds, 1/3 federal funds and 1/3 private funds). Voters passed Proposition 1A "The High Speed Rail Act of 2008", which limited the investment from California taxpayers to \$9.95 billion in general obligation bonds to fund the first stage of a high-speed rail link between Los Angeles and San Francisco (with extensions to San Diego and Sacramento). Voters were assured there would be no state subsidy, and that the riders would pay for the system. According to the Legislative Analysts, operating costs, estimated at over \$1 billion per year, may need to be absorbed by taxpayers. Also obscured was the fact that construction costs would be in the hundreds of billions and require private investment, future government funding, and local funding. In reality, the project lacks sufficient private, public or debt funding to complete even a requisite operating segment, as required under Proposition 1A.

Poll Shows Voters Want A Second Chance

Recent data from Field Poll, a public opinion research organization, suggested that a vast majority of voters would like a second chance to revote on California's proposed high-speed railroad whose projected costs are rising. In fact 64% of Californians surveyed want the opportunity for a revote. Furthermore, 59% of those voters say that they would repeal the \$9.95 billion bond, if they could vote on it again. The poll was conducted from November 15-27, 2011 among a random sample of 1,000 registered voters in California. A revote requires obtaining 2/3 vote of the Legislature or accumulating funding to gather signatures and campaign. Senator Doug LaMalfa (Richvale) also introduced SB 22, a bill that would authorize a revote on whether the project should be funded.

California Supreme Court Ruling

The California Supreme Court ruled that the ballot language for Proposition 1A was not only misleading, but the California High Speed Rail Authority, the agency responsible for the state's high-speed train project, admitted to using government funds to lobby Congress and the State Legislature. Congress has since withdrawn any future funds from the project; the Legislative Analyst Office has called into question the legality of the financing for the proposed first leg of construction; and, the California High-Speed Rail Peer Review Group created by the Legislature to analyze the feasibility of the proposed high-speed rail system concluded it "represents immense financial risk" because there is no identifiable source of reliable funding.

Project Increases State Debt Service

The high-speed rail project has the potential to double the state debt, and use valuable resources that could otherwise be applied to local transportation needs. State debt service is now at 8% of General Fund Revenues and expected to increase to over 10% in the near future. California has one of the worst credit ratings in the nation and what occurs at the state level impacts local government. The state continues to struggle with cash flow shortages, infrastructure decay, and education cuts, and looks to local municipalities to foot the bill. High-speed rail also counts on local transportation dollars to augment the system.

Recommended

- Action:** STAFF RECOMMENDS THAT the City Council: Adopt the Resolution in support of Assembly Bill 1455 which would remove the remaining available balance of the \$9 billion in state debt funding for the high speed rail project, while allowing for the \$950 million segment allowed for local transportation to remain available for future funding.
- Fiscal Impact:** N/A
- Attachments:** Resolution, AB 1455 Bill Text and Project Location Map
- Notification:** Governor Jerry Brown, Assemblywoman Diane Harkey, Congressman Ken Calvert
Senator Mark Wyland, California High-Speed Rail Authority and League of California Cities

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RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE,
CALIFORNIA, SUPPORTING AB 1455 (HARKEY) HIGH SPEED RAIL LEMON
LAW

WHEREAS, voters approved Proposition 1A in November 2008 providing for a \$9.95 billion bond, of which \$9 billion was approved to fund high speed rail from San Francisco to San Diego in California; and

WHEREAS, the California High Speed Rail Authority (CHSRA) business plan is not in keeping with what voters approved in 2008, nearly tripling the original cost, now estimated at \$98.5 to \$117 billion for construction costs for Phase I only (San Francisco to Los Angels-Anaheim) which does not include maintenance and operating costs; and

WHEREAS, the CHSRA ridership, revenue and job estimates have been inflated in order to continue to move the project forward; and

WHEREAS, the CHSRA has \$3.3 billion in federal funding awarded to construct high speed rail in the Central Valley with future funding sources unknown; and

WHEREAS, the proposed CHSRA business plan has suffered criticism and legal challenges from many communities that oppose the proposed route and the state's use of the power of Eminent Domain to destroy prime agricultural land, neighborhoods and existing business centers; and

WHEREAS, the Legislative Analyst's Office (LAO) identified a number of serious deficiencies with the CHSRA business plan related to compliance with the voter approved bond, Proposition 1A, funding, ridership, route, and overall viability of the project; and

WHEREAS, the California High Speed Rail Peer Review Group recommend that the legislature not approve the appropriation of the voter approved bond proceeds for the project; and

WHEREAS, the California State Auditor report released on January 24, 2012 states the high-speed rail network's overall financial situation has become "increasingly risky;" and

WHEREAS, any existing rail monies would be better used on the extension and expansion of existing regional and commuter passenger rail systems, and their maintenance; and

WHEREAS, AB 1455 would remove the remaining available balance of the \$9 billion in state debt funding for the high speed rail project, while allowing for the \$950 million segment allowed for local transportation to remain available for future funding.

NOW, THEREFORE, The City Council of the City of San Clemente does hereby resolve as follows:

Section 1. To support Assembly Bill 1455.

Section 2. The City Clerk shall certify to the passage and adoption of this resolution and enter it into the book of original resolutions.

PASSED AND ADOPTED this _____ day of _____, _____.

ATTEST:

City Clerk of the City of
San Clemente, California

Mayor of the City of
San Clemente, California

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STATE OF CALIFORNIA)
 COUNTY OF ORANGE) §
 CITY OF SAN CLEMENTE)

I, JOANNE BAADE, City Clerk of the City of San Clemente, California, do hereby certify that Resolution No. _____ was adopted at a regular meeting of the City Council of the City of San Clemente held on the _____ day of _____, _____, by the following vote:

AYES:

NOES:

ABSENT:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of San Clemente, California, this _____ day of _____, _____.

 CITY CLERK of the City of
 San Clemente, California

Approved as to form:

 City Attorney

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AMENDED IN ASSEMBLY FEBRUARY 9, 2012

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 1455

Introduced by Assembly Member Harkey

(Principal ~~coauthor~~ *coauthors*: Assembly Member ~~Members~~ *Members Garrick and Valadao*)

(Principal coauthor: Senator La Malfa)

(Coauthors: Assembly Members *Achadjian, Bill Berryhill, Donnelly, Grove, Hagman, Jeffries, Jones, Logue, Mansoor, Nielsen, Silva, and Wagner*)

January 9, 2012

An act to add Section 2704.30 to the Streets and Highways Code, relating to high-speed rail.

LEGISLATIVE COUNSEL'S DIGEST

AB 1455, as amended, Harkey. High-speed rail.

Existing law, the California High-Speed Rail Act, creates the High-Speed Rail Authority to develop and implement a high-speed rail system in the state, with specified powers and duties. Existing law, pursuant to the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century, approved by the voters as Proposition 1A at the November 4, 2008, general election, provides for the issuance of ~~\$9.95~~ \$9 billion in general obligation bonds for high-speed rail *purposes* and \$950 million for *other* related *rail* purposes. Article XVI of the California Constitution authorizes the Legislature, at any time after the approval of a general obligation bond act by the people, to reduce the amount of the indebtedness authorized by the act to an amount not less than the amount contracted at the time of the reduction or to repeal the act if no debt has been contracted.

This bill would reduce the amount of general obligation debt authorized for *high-speed rail purposes* pursuant to the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century to the amount contracted as of January 1, 2013.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 2704.30 is added to the Streets and
 2 Highways Code, to read:
 3 2704.30. Pursuant to Section 1 of Article XVI of the California
 4 Constitution, the amount of indebtedness authorized by Chapter
 5 ~~20 (commencing with Section 2704)~~ *this chapter for high-speed*
 6 *rail purposes pursuant to Section 2704.06* is hereby reduced to
 7 the amount contracted as of January 1, 2013, notwithstanding
 8 anything in that ~~this~~ chapter to the contrary. *This section does not*
 9 *apply to the amount of indebtedness authorized by this chapter for*
 10 *other rail purposes pursuant to Section 2704.095.*

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California High Speed Rail

Separating the Myth from the Reality



Article XVI of the California Constitution authorizes the Legislature, at any time after the approval of a general obligation bond act by the people, to reduce the amount of the indebtedness authorized by the act to an amount not less than the amount contracted at the time of the reduction or to repeal the act if no debt has been contracted.
AB 1455 – Harkey (Valadao/LaMalfa)

Prepared by: Gregson Porteous for the Assembly Republican Caucus January 2012

Edited by: Diane Harkey, Assemblymember 73rd AD

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