



DRAFT

FINANCE AND AUDIT COMMITTEE MEETING MINUTES

April 22, 2021

Webcast at:

www.hsr.ca.gov

The meeting of the California High-Speed Rail Authority (Authority) Finance and Audit Committee Meeting was called to order on April 22nd at 8:30 A.M. via webinar due to Governor Newsom's State of Emergency declaration regarding the COVID-19 outbreak and in accordance with Executive Order N-25-20 and the Guidance for Gatherings issued by the California Department of Public Health. The Meeting Minutes were prepared in the order items were presented during the meeting.

Committee Members Present:

Mr. Tom Richards, Committee Chair
Mr. Ernest Camacho, Committee Member
Mr. Jim Ghielmetti, Committee Member
Ms. Nancy Miller, Committee Member

Staff Present:

Mr. Brian Kelly, Chief Executive Officer
Mr. Brian Annis, Chief Financial Officer
Mr. Joseph Hedges, Chief Operating Officer

Public Comment

An opportunity for public comment was made at the outset of the meeting.

Item #1 – March Meeting Minutes

The March 25, 2021 Meeting Minutes were moved for approval by F&A Committee Member Camacho and seconded by Committee Member Ghielmetti and approved unanimously by all members.

Item #2 – F&A Committee Chairman's Remarks, Initiatives, and Updates

Committee Chair Richards had no remarks, initiatives, or updates to present.

Item #3 – Financial Reports Executive Summary

Chief Financial Officer Brian Annis presented the Financial Report Executive Summary to the F&A Committee Members.

Question:

Chair Richards asked if there was any concern regarding the drop in the value of in-process invoices for the month?

Response:

Mr. Annis responded that the March expenditures are expected to exceed the February expenditures, so in this case that value of in-process invoices doesn't reflect a decline. It may be a timing fluctuation.

Item #4 – Central Valley Update

Chief Operating Officer Joe Hedges presented the Central Valley Status Report to the F&A Committee Members.

Question:

Chair Richards asked if the Central Valley Status Report would be updated for the revised baseline (Rev 2) in May?

Response:

Mr. Hedges responded that he is hoping to have the revised baseline included in the July Report which will include May data, but more time may be needed.

Question:

Chair Richards asked if Mr. Hedges has kept the City of Fresno informed of his construction schedule?

Response:

Mr. Hedges responded that the City is heavily involved. We require their coordination and collaboration to ensure that when we do close a street, we are immediately able to implement construction. He does not want to repeat mistakes from the past.

Question:

Chair Richards asked Mr. Hedges to discuss what the reduction in risk contingency will be between now and June?

Response:

Mr. Hedges responded that they are focusing on resolving some key change orders in CP 1 (15.5, Golden State, BNSF access roads, Belmont and McKinley). These change orders in CP1 are predominately the result of third-party inputs that go back to the original award of the project. There are also a series of legacy commercial issues in CP 2-3. He would like to brief the board on the legacy issues in the following Board Meeting.

Mr. Kelly added that in the Board Meeting later, he will request that we provide a broad construction update (CP by CP) to the Board in the May meeting. As we are getting to 100% design and scope is accounted for, we now know the specific commercial issues that need to be settled going forward, so he is looking for a comprehensive construction update to the Board in the May meeting.

Question:

Chair Richards asked if 100% design means the design-build contractors have completed the design and the Authority has reviewed and agreed to it?

Response:

Mr. Hedges responded that designs are reviewed by the Authority and the associated third parties. This review ensures comprehensive buy-in when establishing the footprint of the project and define the right-of-

way needs. At this point, there is very little fluctuation in the right-of-way numbers because we have come to a consensus on design.

Mr. Kelly added that CP4 is at 100% design, which required 14 construction packages. The other two (CP1 and CP2-3), are at 92.5% design and those will conclude in April according to Joe and his team.

Question:

Chair Richards asked if the right-of-way schedule goes out far enough? We are looking at like a two-year period to complete the receipt of all the right-of-way.

Response:

Mr. Hedges replied that we can acquire around 40%-60% of the remaining 490 parcels. The other 60%-40% will have to go through the condemnation process, which will be subject to the schedule of others. We have accounted for that in the new RBS schedule and we have a contingency plan to help isolate the right-of-way impacts. My strategy is to figure out a way to get work going even if it is out of sequence. We also need to be conscious of the coordination and permitting needed to be able to work adjacent to BNSF. When we shift over into the new baseline schedules the delinquent parcels will be pushed out and the delinquency will not be as impactful as shown by this slide.

Question:

Member Miller asked if we helped City of Wasco submit a grant to help deal with that demolition issue?

Response:

Mr. Hedges replied we did.

Question:

Member Miller asked Mr. Hedges have we heard on that?

Response:

Mr. Kelly replied we submitted a grant to seek federal funding to finish some work around SR-46 which includes the mitigation of the farmworkers housing issue. We have pursued that grant I believe the awards are going to be announced next week. So, we are pending on that right now.

Question:

Member Camacho asked Mr. Kelly does that take care of the demolition of that shelter that they were talking about?

Response:

Mr. Kelly responded yes. We reached an agreement with them well before I got here in 2016 moving forward on building new farmworker housing, which we spent \$10 million to do. That is now open, and the farmworkers have been relocated. The contemplation of demolition was never considered so the remaining buildings on the old site is definitely a problem. So, while there has been a lot of finger pointing, my view is we ought to be working together and collaboratively to get to a reasonable solution. That is why we came up with the federal grant idea and we have garnered support from elected officials on pursuing that grant. We will look forward to hearing the answer next week.

Question:

Member Miller asked if the hold up on the grading permit from City of Wasco was linked to the demolition issue?

Response:

Mr. Kelly replied that it sounds like they have linked them on some of those. We will see how that goes and if the grant falls through we are going to have to continue to work on the matter with the city. I think Mr. Hedges and the construction team will work on some mitigation efforts there.

Question:

Chair Richards asked for more information on the Dover Avenue change order?

Response:

Mr. Hedges responded that we were not able to deliver the right-of-way in accordance to the acquisition plan, so we are creating out of sequence work for them. He will have to pull the exact change order for details, but the essence of the change order is that it has allowed Dover to start as we wait for a piece of right-of-way to be developed.

Question:

Member Camacho asked if these change orders are T and M contracts?

Response:

Mr. Hedges responded no. These are all lump sum firm fixed price.

Question:

Member Camacho asked if the change orders are in addition to the contracts normal scope?

Response:

Mr. Hedges answered yes. They are all change orders that add contract value.

Question:

Member Ghielmetti asked what the percentage of total change orders are relative to the original contract amount? For example, what is the total amount we have issued in change orders versus the original contract in CP 2-3?

Response:

Mr. Hedges replied that if you go to page 38 of the Central Valley Status Report you can see that we have executed \$752 million dollars of change orders on CP 2-3, compared to the original contract price of \$1.365B.

Question:

Member Ghielmetti asked how we have reached a point where CP 2-3 has 50% of the original contract price in executed change orders? What is the back story?

Response:

Member Miller replied this is all part that going after federal money before we had right-of-way or even project design done.

Mr. Kelly added that this is part of what he wants to cover in our construction update we will give to the Board next week. You have heard me say that getting into construction too early and not having the scope entirely accounted for, which is part of years and years of third-party agreements, has resulted in the scope being largely redefined since the original contracts. We have been finalizing that scope so we can advance

the construction and this is captured through the change order process. That is why those are up, because the final scope of the work is being defined well after the construction contracts were in place. We have to execute change orders and we are coming to the end of that process.

Having no further business, the meeting was adjourned at 9:40 AM.

The Authority additionally posts on its website transcripts from F&A meetings, which detail the discussion, questions, and answers from the meeting.