



DRAFT

FINANCE AND AUDIT COMMITTEE MEETING MINUTES

November 18, 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 November 18th 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
Ms. Nancy Miller, Vice Committee Chair
Mr. Ernest Camacho, Committee Member
Mr. Jim Ghielmetti, Committee Member

Staff Present:

Mr. Brian Kelly, Chief Executive Officer
Mr. Brian Annis, Chief Financial Officer
Ms. Natalie Daniel, Assistant Financial Officer
Ms. Paula Rivera, Chief Auditor
Mr. Ramadan, Board Secretary

Public Comment

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

Item #1 – October Meeting Minutes

The October 21, 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

Chair Richards commented that there will be a Central Valley Construction Update in the Board Meeting later today; therefore, there will not be a Central Valley Update in the Finance and Audit Committee Meeting.

Item #3 – Pre-Award Review of HSR 20-36 – Fresno Historic Station

Chief Auditor Paula Rivera presented the Pre-Award Review of a proposed contract for the Historic Fresno Station Seismic and Accessibility Renovation.

Question:

Member Richards asked if the pre-award review is done every time we have selected a party from the Request for Qualifications (RFQ) process?

Response:

Ms. Rivera replied yes. Each time there is an RFQ a pre-award is performed.

Question:

Member Richards asked if the pre-award is reviewed by the contract manager prior to the review from the Audit Office?

Response:

Ms. Rivera responded that the reviews are simultaneous. The contract manager is reviewing the proposal for general form for what has been proposed in preparation for negotiations, while the Audit Office is reviewing the proposal for compliance to the federal regulations and with the agreement provisions. The reviews are done concurrently.

Question:

Member Richards asked if the Audit Office generally sees this many issues when reviewing other pre-awards? Are they reasonably common?

Response:

Ms. Rivera responded yes. The things we found are very common and quite unremarkable. Many of them would have been caught during negotiations if we didn't have a pre-award because the two things are being performed concurrently. We report everything we find just to aid the contract manager in their negotiations.

Question:

Member Camacho asked if the Audit Office only does a pre-award review on the Request for Qualifications (RFQ) because the Request for Proposal (RFP) includes the price?

Response:

Ms. Rivera replied, that is correct.

Item #4 – Financial Reports Executive Summary

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

Question:

Member Richards asked where the \$4 million appropriation for the Rail Property Management Fund came from?

Response:

Ms. Daniel responded that there was an additional bill passed in September, called SB 170, that amended the 2021 Budget Act.

Question:

Member Richards asked if the 55 vacant positions under the Rail Deliver Partner (RDP), are going to remain vacant or if they are actively working on filling the positions?

Response:

Ms. Daniel responded that it's a bit of a moving target because the RDP positions are calculated by determining a three-month moving average, and it's based on hourly usage that the RDP is logging. A lot of time, RDP staff are not working full-time or they work a different number of hours. So, when we are comparing them, we're using full-time equivalents which is assuming a full-time position hour base.

Question:

Member Camacho asked if expenditures for CP 2-3 include construction costs for the month and change orders from the past?

Response:

Mr. Annis responded that for most change orders, they define future work. There are some cases that contractors have done some work at risk. And in those cases, if the work has already been completed, the change order can be paid at that time because, again, the work is in the past. We don't pay for future work. We pay for work already completed.

Question:

Member Camacho asked if the expenditures for the month include work done outside of the reporting period?

Response:

Mr. Annis replied, if it's a change order that has to do with work done in the past, it's possible that work was in the reporting month or, in some cases, it might have been the prior two months or maybe three months.

Question:

Member Camacho asked if there is a possibility of double reporting expenditures for work that has been completed? For example, if 50 percent of the work was done in June, did we pay them any of that amount in June? Do we take credit for that ongoing construction?

Response:

Mr. Annis replied no. Some of our disputes, as we've talked about, have been in the cases of contractors submitting work that has to do with change orders that aren't executed yet, and we reject those, or we dispute those. So, we would not show a double payment of this work.

Question:

Member Richards asked if reported expenditures are for invoices from the previous month?

Response:

Mr. Annis responded that, typically, the invoice for the prior month comes in two weeks or so into the new month and it's reviewed. The Prompt Payment Act requires payment in 45 days of an undisputed invoice. So, often we'll get the invoice in a following month, and pay it the month after that.

Question:

Member Camacho asked if there is a disputed invoice, does that pull the invoice out of that 45-day Prompt Payment Act cycle?

Response:

Mr. Annis replied that is correct. So, if it's a disputed invoice the Prompt Payment Act deadline does not apply.

Item #5 – Central Valley Update

Chair Richards reminded all Committee Members that there will be no Central Valley Update in the F&A Meeting. An in-depth report on Central Valley construction will be provided in the Board Meeting later today.

Having no further business, the meeting was adjourned at 9:07 AM.

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