



DRAFT

FINANCE AND AUDIT COMMITTEE MEETING MINUTES

September 15, 2022

Location

Department of Healthcare Service

1500 Capitol Ave

Sacramento, CA

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 September 15th at 8:30 A.M. at 1500 Capitol Avenue, Sacramento, CA. 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

Staff Present:

Mr. Brian Kelly, Chief Executive Officer

Mr. Brian Annis, Chief Financial Officer

Mr. Daniel Horgan, Deputy Chief Operating Officer

Ms. Alicia Fowler, Chief Counsel

Mr. Moamen Ramadan, Board Secretary

Public Comment

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

Item #1 – August Meeting Minutes

The August 18, 2022 Meeting Minutes were moved for approval by F&A Committee Member Camacho and seconded by Committee Vice Chair Miller and approved unanimously.

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:

Vice Chair Miller asked if a reported change order for guideway construction on the SR99 realignment was within our contingency budget.

Response:

Mr. Annis confirmed that the change order is within the contingency budget under the Construction Package 1 contingency allocation.

Question:

Chair Richards asked if we have a correlation between the percentage of design-build contracts that have been expended versus the percentage of construction work completed for each of the construction packages (CP's)?

Response:

Mr. Annis responded that on page 4 of the Executive Summary we report the expenditure as a percentage of current contract value for each of the construction packages. Regarding earned value metrics, we do have that reported in the Central Valley Status Report for CP 4. We plan to add similar reporting for CP 1 and CP2-3 in the coming months. We are waiting for the last few large change orders so that we have an established schedule and cost for those with the contractor.

Question:

Chair Richards asked if the reason the small business utilization rate has not reached our goal of 30% is due to low construction expenditures? If that is the reason, when will construction expenditures ramp up?

Response:

Chief Executive Officer Kelly stated that the small business utilization rate has seen almost a 50 percent increase since we started reporting the percentage in 2015 (from 16.2% to 23.3%). He also advised that where you typically see the 30% utilization rate reached is on Professional Services contracts rather than the Construction contracts. This is also true with Caltrans as Construction contracts tend to lag well below the 30% small business utilization number. When combining the Professional Services contracts and the Construction contracts we will likely get a net total of around 23% to 25% utilization. However, the Authority's small business utilization compared with Caltrans is absolutely on par if not exceeding their metrics. Also, the participation rates differ depending on federal or state funding, which is why we began the conversation some time ago on how we report these things to make sure that we can reflect we're meeting all the applicable goals. We know there is a broad goal of 30% utilization, and we will continue to work hard to get to that objective. I expect it will creep there rather than leap there.

Question:

Member Camacho asked if the Authority's small business utilization numbers were a blended rate of Construction and Professional Services contracts?

Response:

Mr. Kelly replied that they are.

Question:

Member Camacho asked if we segregated the small business numbers for Construction and Professional Services contracts would they not be as great compared to Caltrans?

Response:

Mr. Kelly responded that Caltrans reports small business utilization differently than we do. They report their small business participation rates based on the dollar that is used on the contract. If a state dollar is used, they report it one way and if a federal dollar is used, they report it another way. We have a different goal that was set by the Board back in 2015, which is 30% small business utilization across all contracts. We are working hard to reach that goal and on the Professional Services contracts we are at about 30%. On the Construction contracts it is something less than that because they fall around the typical construction participation rates.

Item #4 – Central Valley Update

Deputy Chief Operating Officer Daniel Horgan presented the Central Valley Status Report to the F&A Committee Members.

Question:

Chair Richards asked if Chief Executive Officer Kelly had any additional comments on utilities?

Response:

Mr. Kelly stated that he would like to explain where we are on a month-to-month basis and the importance of this utility issue getting resolved so that the flood gates can flow more freely on the construction pace. Looking at the past five months of 2021 compared to the first 5 months of 2022, our monthly construction expenditure rate is up about 35%. That is a significant improvement. However, the key reason we are not seeing the free flow of pure construction on CP 1 and CP 2-3 is because we are working hard to advance utility relocations in these areas, and there are many of them. As these get solved, the construction numbers will pick up. There is a significant amount in Fresno on CP 1. There are about 992 there, where about 33% are done, 30% are underway, and about a third are yet to be started. That is where we are, but it is also important to know that on the pace of utility relocations we will set our record for the most done in a year (200). Next year our goal is 300, so we are moving these at a pace we never have before. This is a delicate exercise but its one we are advancing on. As we get the scope defined on CP 1 and CP 2-3 it will be entirely about moving these utilities before we start seeing construction at a pace we all want to see it at. That's what is in front of us, and I just want to point out the importance of the utility relocation issue.

Question:

Member Camacho asked if the Chief Executive Officer Kelly was engaged in the right-of-way activities? He also asked what lessons can be learned so we are not in a similar position with right-of-way in the future?

Response:

Mr. Kelly responded that he is engaged in the activities and the lessons learned are not to repeat the process that was done on the early construction packages. We have implemented a stage gate process going forward, so we will not commence construction without right-of-way entirely in hand and without utilities identified and relocated.

Having no further business, the meeting was adjourned at 9:01 AM.

The Authority additionally posts on its website a link to a recording of the F&A meeting, which detail the discussion, questions, and answers from the meeting.