

CALIFORNIA HIGH-SPEED RAIL AUTHORITY

BOARD OF DIRECTORS MEETING

MARCH 16, 20223

10:30 AM

LOCATION

California High-Speed Rail Authority
Department of Food and Agriculture Auditorium
1220 N Street
Sacramento, CA

Webcast available at www.hsr.ca.gov.

Public Comment by Zoom:

<https://hsr-ca-gov.zoom.us/j/84709042370>

Pursuant to Government Code section 11133, the California High-Speed Rail Authority's March 16, 2023, board meeting will be conducted in-person and via webinar. Board Members will participate in the meeting from Sacramento, CA, and individual remote locations. Members of the public can view the board meeting either in-person or online at <https://hsr.ca.gov/>.

Reported by:
M. Nelson

APPEARANCESBOARD MEMBERS

Tom Richards, Chair

Nancy Miller, Vice Chair

Lynn Schenk

Ernest Camacho

Martha M. Escutia

Emily Cohen

Anthony Williams

Henry R. Perea, Sr.

James C. Ghielmetti

EX OFFICIO BOARD MEMBERS

Assembly Member, Dr. Joaquin Arambula

Senator Lena A. Gonzalez

STAFF

Brian P. Kelly, Chief Executive Officer

Brian C. Annis, Chief Financial Officer

Alicia Fowler, Chief Counsel

Daniel Horgan, Deputy Chief Operating Office

Emily Cohen, Director

Britton Snipes, Board Secretary

Derek Boughton, Reporting Branch Chief

APPEARANCES (Cont.)PRESENTERS:

Tom Richards, Chair, Board and Finance & Audit Committee

Brian C. Annis, Chief Financial Officer

Daniel Horgan, Deputy Chief Operating Office

Derek Boughton, Reporting Branch Chief

Alicia Fowler, Chief Counsel

PUBLIC COMMENT:

David Schwegel, North America for True High-Speed Rail

Roland Lebrun, Self

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• The Authority will meet in closed session pursuant to Government Code section 11126(e) (1) & (2) (A) and (B) to confer with counsel with regard to the following litigation:	
• Burbank-Glendale-Pasadena Airport Authority v. California High-Speed Rail Authority (Sacramento Superior Court Case No.34-2022-80003821)	
• City of Millbrae v. San Francisco Bay Area Rapid Transit District; Peninsula Corridor Joint Powers Board; California High-Speed Rail Authority (San Mateo Superior Court Case No. 22-CIV-02713)	
• City of Brisbane v. California High Speed Rail Authority (Sacramento County Superior Court, Case No. 34-2022-80004010)	

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P R O C E E D I N G S

10:30 a.m.

PROCEEDINGS BEGIN AT 10:30 A.M.

CALIFORNIA, THURSDAY, MARCH 16, 2023

CHAIR RICHARDS: Good morning, ladies and gentlemen. And welcome to the March 16th meeting at the California High-Speed Rail Authority Board of Directors.

Before we call the roll, the meeting to order, I wanted to make an announcement that on behalf of the Board I want to thank Margaret Pena for her service on the Board. Margaret came on board, assimilated a whole lot of information very quickly, and was an absolute pleasure to work with. And it's with sadness that she is in the process of moving forward in another area of interest that she has, and we're looking forward to that announcement soon. So Margaret on behalf of myself certainly, and I'm sure for all the Board Members, thank you very much for your service.

I'd also like to announce that Ernie Camacho, after probably about a 45-day holiday rejoins the Authority as a Board Member and retains his appointment also on the Finance and Audit Committee.

So with those two announcements I will ask the Secretary to call the roll.

MR. SNIPES: Thanks, Mr. Chairman.

1 Director Schenk.
2 BOARD MEMBER SCHENK: Here.
3 MR. SNIPES: Chair Richards.
4 CHAIR RICHARDS: Here.
5 MR. SNIPES: Director Camacho.
6 BOARD MEMBER CAMACHO: Here.
7 MR. SNIPES: Vice Chair Miller.
8 VICE CHAIR MILLER: Here.
9 MR. SNIPES: Assembly Member Arambula.
10 EX OFFICIO BOARD MEMBER ARAMBULA: Here.
11 MR. SNIPES: Director Perea.
12 BOARD MEMBER PEREA: Here.
13 MR. SNIPES: Director Ghielmetti.
14 BOARD MEMBER GHIELMETTI: Present.
15 MR. SNIPES: Director Escutia.
16 BOARD MEMBER ESCUTIA: Here.
17 MR. SNIPES: Director Williams?
18 (No audible response.)
19 Senator Gonzalez.
20 (Off-mic colloquy.)
21 EX OFFICIO BOARD MEMBER GONZALEZ: (No audible
22 response.)
23 MR. SNIPES: Director Cohen.
24 BOARD MEMBER COHEN: Here.
25 MR. SNIPES: Mr. Chair, we have a quorum.

1 (Off-mic colloquy.)

2 CHAIR RICHARDS: Thank you. Did you also call
3 the roll for Director Arambula?

4 MR. SNIPES: Yes, sir.

5 CHAIR RICHARDS: You did? Okay, we didn't hear
6 it. We were -- sorry.

7 Thank you very much. We do have a quorum. And
8 before we move on to public comment as has been a policy,
9 Ernie, I don't know after 45 days of absence if you want to
10 address the Board with anything or if you'd like to just
11 move forward.

12 BOARD MEMBER CAMACHO: I'd just like to move
13 forward. Thank you very much for the record.

14 CHAIR RICHARDS: All right. Well, welcome back.
15 I suspect part of the reason you're back is because we so
16 glowingly provided tributes to you. And I think you're
17 probably back for some more, so we're happy that you're
18 back, Ernie.

19 BOARD MEMBER CAMACHO: Well, it was embarrassing
20 listening to them.

21 CHAIR RICHARDS: (Laughs.) All right. We'll now
22 move on to public comment.

23 MR. SNIPES: Thank you, Mr. Chairman.

24 Good morning, everybody. Before we begin public
25 comment for the California High-Speed Rail Board of

1 Directors meeting, I would like to go over some important
2 information.

3 For members of the public who have joined in
4 person and wish to provide public comment, you will be
5 called upon in the order that we have received your card.
6 If you're joining us via Zoom, and wish to provide public
7 comment, please use the raise your hand feature located at
8 the bottom of your screen. Or if you're dialing in by
9 phone, pressing the Number 2 will raise your hand and put
10 you into our queue.

11 Speakers will be called upon in the order that
12 their hands are raised. Once you are in the queue and your
13 name is called please click the prompt on the screen to
14 allow your microphone to be unmuted. If you're joining by
15 phone, you will be called upon by the last four digits of
16 your phone number. At that point you will hear a message
17 that your phone is being unmuted.

18 When it is your turn to speak please slowly and
19 clearly say your name, first and last name, and if
20 applicable state the organization you represent. Each
21 speaker will be given two minutes to speak, and I will
22 remind you when you have 15 seconds remaining.

23 Mr. Chair, we'll begin with the in-person
24 speakers. Our first speaker is David Schwegel.

25 CHAIR RICHARDS: Good morning, Mr. Schwegel.

1 MR. SCHWEGEL: Good morning. My name is David
2 Schwegel. I'm working with my colleague, Brent Van
3 Brocklin, down in San Diego to start a new nonprofit called
4 North America for True High-Speed Rail where we'll be
5 putting a lot of emphasis on going on retreats such as at
6 the Majestic Yosemite Hotel. We're tentatively looking at
7 November. And the idea is we want to get people together
8 to talk about some rather hot topics. Like what would it
9 take to get a huge influx of federal funding to the tune of
10 \$50 billion or 11-days' worth of defense spending. In
11 order to fast track this project, so that we can get it up
12 and running in advance so the Summer Olympics come to Los
13 Angeles in 2028.

14 And second off, I wanted to emphasize the value
15 of the US High-Speed Rail Association. I actually drove
16 929 miles back in November 2019 up to Microsoft
17 Headquarters for an amazing party. We had outstanding
18 keynote speakers that really drove the point home about
19 Cascadia High-Speed Rail with special emphasis on how they
20 are able to get funding from the private sector. And I
21 encourage us to partner with Cascadia High-Speed Rail to
22 explore extraordinary opportunities.

23 I also want to encourage attendance at the High-
24 Speed Rail Association's May conference coming up May 16th
25 to 17th in Washington D.C. Specifically, this is a great

1 opportunity to network with top notch congressional
2 representatives such as Seth Moulton, who has been a strong
3 supporter of the project. And we want to really emphasize
4 the value of getting the project up and running sooner
5 rather than later, so that the people will fall in love
6 with the project and want to encourage much more investment
7 in high-speed rail throughout the nation.

8 So once again, David Schwegel encouraging
9 attendance and participation. Last time I looked at the
10 docket there were around two dozen speakers that were
11 confirmed, and it looks like Mr. CEO is among the many
12 speakers that are confirmed. Thank you so much. Bye-bye.

13 CHAIR RICHARDS: Thank you, Mr. Schwegel.

14 MR. SNIPES: Mr. Chair, we will now move to the
15 Zoom participants.

16 Once again, if you're joining the meeting via
17 Zoom and wish to provide public comment please use the
18 raise your hand feature located at the bottom of the
19 screen. Or if you are dialing in by phone, pressing the
20 Number 2 will raise your hand and put you into the queue.

21 Speakers will be called upon in the order that
22 their hands are raised. Once you are in the queue, and
23 your name is called, please click the prompt at the bottom
24 of your screen to allow your mute -- your microphone to be
25 unmuted. If you are joining by phone, you -- we will call

1 on you by the last four digits of your phone number. At
2 that point you will hear a message that your phone is being
3 unmuted.

4 Each speaker will be given two minutes to speak.
5 I will remind you when you have 15 seconds remaining. When
6 it's your turn to speak, please speak slowly and clearly,
7 say your first and last name, and if applicable state the
8 organization you represent. Mr. Chairman, our first
9 speaker is Roland.

10 CHAIR RICHARDS: Good morning, Mr. Lebrun.

11 MR. LEBRUN: Good morning, Directors. Roland
12 Lebrun, San Jose. I really want to say, you know, my
13 excitement about seeing Mr. Camacho rejoining the Board.
14 And moving forward I really believe that this institutional
15 knowledge is going to be valuable to ensure that once we
16 get to Bakersfield, we do not repeat the same mistakes that
17 we made in Downtown Fresno. Thank you.

18 CHAIR RICHARDS: Thank you.

19 MR. SNIPES: Mr. Chairman, we have no other
20 attendees that would like to provide public comment.

21 CHAIR RICHARDS: All right. Thank you, Mr.
22 Secretary.

23 With that, ladies and gentlemen, we will move on
24 to today's agenda. Item Number One is the -- to consider
25 the Board's consideration of approving the February 16th

1 Board meeting.

2 BOARD MEMBER PEREA: So moved.

3 CHAIR RICHARDS: We have a motion, a second
4 please?

5 BOARD MEMBER ESCUTIA: Second. Second.

6 CHAIR RICHARDS: Okay, a motion and second.

7 Please call the roll.

8 MR. SNIPES: Director Schenk.

9 BOARD MEMBER SCHENK: Yes.

10 MR. SNIPES: Chair Richards.

11 CHAIR RICHARDS: Yes.

12 MR. SNIPES: Director Camacho.

13 BOARD MEMBER CAMACHO: Abstain.

14 MR. SNIPES: Vice Chair Miller.

15 VICE CHAIR MILLER: Yes.

16 MR. SNIPES: Director Perea.

17 BOARD MEMBER PEREA: Yes.

18 MR. SNIPES: Director Ghielmetti.

19 BOARD MEMBER GHIELMETTI: Yes.

20 MR. SNIPES: Director Escutia.

21 BOARD MEMBER ESCUTIA: Yes.

22 MR. SNIPES: Director Williams. (No audible
23 response.)

24 Director Cohen. (No audible response.)

25 CHAIR RICHARDS: Thank you. The item is passed

1 unanimously with one abstention. Moving on to Item Number
2 Two is the Expenditure Authorization Request. CFO Annis,
3 good morning.

4 MR. ANNIS: Good morning, Board Members. Brian
5 Annis, Chief Financial Officer, and I'm going to be co-
6 presenting this item with our Deputy Chief Operating
7 Officer, Daniel Horgan. We will be trading off on slides.
8 Next slide, please.

9 As a high-level summary of this item, Existing
10 Board Policy 11-001 directs Board approval of both the
11 Annual Fiscal Year Budgets and the Multi-Year Program
12 Baseline Budgets.

13 In December of 2021, the Board last approved a
14 multi-year budget, when it approved an Expenditure
15 Authorization of \$17.9 billion.

16 This is an action item today. Staff recommends
17 the Board approve a new Expenditure Authorization to allow
18 important civil construction, to advance on the 119-mile
19 segment between Madera and Poplar Avenue. And to
20 incorporate a \$25 million federal RAISE Grant that was
21 awarded after the last Expenditure Authorization by the
22 Board.

23 Staff anticipates coming back in the future for
24 additional program baseline budget adjustments as
25 additional federal grants are received, or as additional

1 work is ready for procurement if that needs a change to the
2 Expenditure Authorization. Next slide, please.

3 So at the last Board vote on the multiyear budget
4 in December '21, there was acknowledgment that there was a
5 decision still pending that might affect our program, that
6 might affect our budget. One of those was the legislative
7 appropriation of the remaining Prop 1A bond funds. At that
8 time 4.2 billion of bond appropriations, were pending. And
9 after that Board action in '21, in June of 2022, the
10 Legislature did appropriate the full 4.2 billion of Prop 1A
11 funds. So, that has been resolved.

12 We also indicated at the time that we're
13 continuing to apply for federal grants, and in fact we
14 received that \$25 million RAISE grant for design
15 advancement on the Madera to Merced segment.

16 Lastly, we pointed at multiple Construction
17 Package 1, Construction Package 2-3 commercial issues where
18 we had significant design changes to our major structures.
19 Those needed to be resolved, and resolving those would
20 greatly reduce risk and inform our final budget to complete
21 the work. Daniel Horgan is going to talk more about those.

22 So in all these three areas we have made
23 advancements, received additional federal grants, received
24 the Prop 1A funds. So as anticipated, we're back. We're
25 also coming at -- with this timing because our existing

1 contingencies are near exhaustion. So to continue the
2 work, to continue to direct the contractor to begin work on
3 new structures that have not yet been completed, utility
4 work that that's upcoming, that requires more budget, we're
5 coming to you now requesting an augmentation to the to the
6 budget.

7 I do want to say however, that increasing costs
8 for large capital projects is not unique in this current
9 environment. The Legislature, when they approved the
10 Proposition 1A bonds last year, put an additional \$2.5
11 billion to help our local partners, our regional partners,
12 complete their capital construction projects. And that
13 includes -- and in fact, the State Transportation Agency
14 awarded this 2.5 billion last month, and it's going to
15 projects such as the Caltrain Electrification Program to
16 close the funding gap that project had.

17 I know, the ACE forward project in the Central
18 Valley received some money as did some projects with LA
19 Metro in the south. So we are in a -- have been through a
20 high inflationary environment that's affected projects,
21 other projects in California and also internationally.
22 Next slide.

23 This is a summary of the current Board approved
24 baseline budget. Again, at the bottom you see the 17.9
25 billion total. We break it into about six line items. At

1 the top is the 13.6 billion that's associated with
2 construction on the 119-mile segment. We've segregated
3 from that the \$76 million amount that goes with the 2021
4 RAISE grant in the City of Wasco to improve Highway 46 and
5 how that road passes under both the freight railroad and
6 the high-speed rail line.

7 We have a Phase 1 environmental balance. So this
8 is our environmental clearance work outside the 119-mile
9 segment: 841 million are book end projects, 1.3 billion,
10 other funded scope 1.9 billion. That includes things like
11 our program wide support, specific contingency items,
12 reserves required by the federal grant and also some
13 historical Phase 2 expenditures.

14 Lastly, the Board when they adopted the last
15 expenditure, authorization approved us going forward on
16 design advancement on the Merced extension, the Bakersfield
17 extension. And also executing design contracts for the
18 four stations we'll be constructing in the Central Valley.
19 So that was the 178 million and all those contracts are now
20 executed and the work is underway.

21 I believe with the next slide we transition to
22 Mr. Horgan.

23 MR. HORGAN: Good morning, Chair Richards and
24 Board members. Okay, so since December '21, the last
25 Expenditure Authorization, the Authority has actively

1 engaged with all the contractors to resolve commercial
2 issues and to agree to revised baseline schedules. Whilst
3 we were doing this inflation escalation was at a 40-year
4 high, which obviously increased costs.

5 If we look at each one of the contracts, CP4 is
6 the most advanced. The definition is almost 100 percent
7 complete. That's in a very good position and we signed two
8 significant third-party agreements in the last month, which
9 will ensure that this contract is complete in summer of
10 this year.

11 CP1 and CP2-3 have been significantly defined as
12 well. Most of the major commercial issues and scope
13 additions have been included. They are probably at the
14 state of definition that CP4 was one year ago.

15 In the past year, Brian Annis and myself at the
16 F&A Committee have updated the F&A Committee on contingency
17 balances and change orders as we execute them. Okay, next
18 slide please.

19 Okay, finishing the 119-mile segment. Okay, here
20 we're in a good position. In terms of land we're now at 96
21 percent of all land provided to the design build
22 contractors to complete this work. And similarly with
23 utilities we're at 53 percent utilities relocated.

24 In terms of estimations, we've got our new
25 estimates and incorporate all the construction work updates

1 to include final designs. Utility designs are at almost 90
2 percent as well.

3 We've obviously agreed to new schedules with the
4 contractor of CP1, CP2-3, and CP4. And obviously COVID has
5 played its part as well in impacting schedules.

6 So in the next slides, I'm going to talk
7 specifically about CP1, CP2-3, and CP4. But there are
8 three issues that are really driving the cost increases.

9 The first one is the higher global escalation in
10 inflation, which we all experience. And the second one is
11 scope. This is scope as we define the job refines that got
12 into the utility designs. There's been additional
13 requirements from third parties. We're very close to the
14 end of that. And then we've made provision for additional
15 contingency as well for all of these changes. Next slide,
16 please.

17 BOARD MEMBER CAMACHO: Oh Daniel, I don't mean to
18 stop, but can we go back to that last slide?

19 MR. HORGAN: Yes.

20 BOARD MEMBER CAMACHO: You know, I hear over and
21 over again -- Brian Annis said it and you're saying now --
22 higher inflation, global inflation. But that really didn't
23 start until after 2020. 2021 we took a jump from 1.4
24 percent of inflation to about 7 percent in '21. '22 it was
25 reduced to about 6.5 and projected into '23 is about 2.7

1 percent.

2 So our costs didn't start to rise, because of
3 inflation. It started before the inflation started, so
4 what were the elements that caused that? The cost to
5 raise, I mean to become higher in the past years?

6 MR. HORGAN: I think, Ernie, if you recall during
7 2022 we executed a significant number of very large change
8 orders including the intrusion protection barrier for CP2-
9 3, which was 144 million. Then we executed the Hanford
10 Superstructure, which was 244 million. And we executed the
11 Deer Creek change order, which was 205 million. In
12 addition, we executed five or six significant change orders
13 in CP1, which would total almost 600 million. They were
14 all negotiated during 2022 when escalation was just taking
15 off, and nobody could predict at that stage where it was
16 going to end. So there was significant risk.

17 BOARD MEMBER CAMACHO: And I agree with you with
18 that. But if we look at where our costs originated, we had
19 -- just looking at CP1 for a second. CP1 started with an
20 original bid back in whatever that date was, somewhere
21 around a billion or so. Right now we're at 500 percent
22 greater costs, five times that. CP2-3 is closer to \$6
23 billion, so we're at about four times their bid.

24 So much of those costs were not spent just in
25 '22. They were a result of the years prior to that. So is

1 it -- was it the method of contract that we used? I know
2 that we're using a design bid, and I hope that we learn
3 from our past mistakes in going forward with that type of
4 mechanism to contract out. Design bid has not been
5 fruitful for us in moving forward and it certainly has cost
6 us a great deal of money.

7 CHAIR RICHARDS: Ernie, and I -- this is Tom -- I
8 agree with that. I think this is just worth delving into a
9 bit more right now. And I think your point's well taken
10 with regards to the term of the inflation that Mr. Horgan
11 has mentioned.

12 So, Brian, do you want to add some more to that?
13 Brian Kelly?

14 MR. KELLY: Yeah, I think the question is a very
15 good one, and it's something that we've talked about at
16 this Board in prior hearings, and particularly as we've
17 done construction updates. And certainly into the last
18 presentation last month, where we talked about where we are
19 in the project update record.

20 And so I think this history is very important,
21 because this is the single most important lesson learned
22 for the Board, I think for management, as we go forward on
23 this project. And that is fundamentally the driver of the
24 costs since the time the contracts were awarded, come down
25 to really two important elements.

1 One is that not enough preconstruction work was
2 done prior to the contracts being awarded. Which means
3 particularly in a design build project you have awarded a
4 contract, and then you are finishing work like right-of-way
5 procurement, design, utility relocations, and finalizing
6 third-party agreements. Candidly, that is out of sequence
7 and we've learned that lesson, the very hardest way you can
8 possibly learn that lesson. Because when you start to then
9 update and complete that work, after the contracts are
10 awarded, that is when the scope is realized. When you
11 finish design, when you finish right-of-way, when you
12 finish third-party agreements, and you do it after the
13 contract then you see the impacts on the scope. And when
14 we define the scope finally, with all of that stuff done,
15 then you see the impacts. And that's what we have come
16 back to the Board with, first in December of '21 and now
17 today, finalizing what it looks like from the work that
18 wasn't done sequentially in the right order before.

19 And again, as we look forward on future
20 construction contracts like our extension to Bakersfield,
21 our extensions to Merced, we are doing it differently. We
22 are now with the Board's direction we have entered already
23 the early design advancement to bring those designs out to
24 what we call configuration footprint or 30 percent. In
25 that process we identify 100 percent of the right-of-way we

1 will need. We identify the utilities that need to be
2 relocated. We identify all the third-party agreements that
3 are needed. And we execute those before we enter the next
4 construction contracts.

5 And then we have to align the right procurement
6 method. Is it design build? Is it design bid build? Is
7 it construction management, general contractor? There are
8 various ways we can go at this. And we want to align the
9 best procurement to the best need.

10 And we probably want to do smaller contracts
11 going forward. We do not have to bite off 65-mile
12 stretches or 32-mile stretches. We can do them in smaller
13 bites, get more bidders and execute this stuff more
14 efficiently. That's what we've learned. It's taken a long
15 time to learn it, but that's why we are where we are. We
16 understand this. And we're practicing things differently
17 going forward.

18 CHAIR RICHARDS: Well, thank you Brian. That is
19 helpful.

20 BOARD MEMBER ESCUTIA: (Overlapping) Chairman, I
21 have a -- if Mr. Camacho is finished, Mr. Chairman, I have
22 some questions on this issue of change orders.

23 CHAIR RICHARDS: Sure, I'll make sure that I get
24 to you next, Martha.

25 BOARD MEMBER ESCUTIA: All right.

1 CHAIR RICHARDS: Ernie, did you have anything
2 else?

3 BOARD MEMBER CAMACHO: Well, I just wanted to get
4 some clarification. We're still -- we're looking at the
5 119 miles, which is part of our agreement; is that correct?

6 MR. KELLY: Yes.

7 CHAIR RICHARDS: Yes.

8 BOARD MEMBER CAMACHO: Okay. Now in the ARRA
9 agreement, and I just so might -- I'm not sure about this,
10 but in the original ARRA agreement what we were supposed to
11 do is to design it, to design and have something with track
12 installed. So is that still part of our plan and if so,
13 have we taken those costs into consideration?

14 CHAIR RICHARDS: Yes.

15 BOARD MEMBER CAMACHO: But we have not -- now
16 we're just putting out a bid for our track and systems.
17 How are we going to segregate those two?

18 MR. KELLY: I'm not sure I understand the
19 question. How are we going to segregate which?

20 BOARD MEMBER CAMACHO: Well, are we going to
21 segregate --

22 CHAIR RICHARDS: In the estimated cost for the
23 119 miles is the track and systems?

24 MR. KELLY: The cost that's in front of us right
25 now is to complete the civil works with risk contingency at

1 a peak, what we call a probability 65 percent level.
2 That's what we have in front of us now. In the project
3 update report, we outlined all the costs, including the
4 cost that we estimate for the track and systems.

5 I would say that unlike how we did track and
6 systems or started to do it in 2019, in a procurement that
7 we ultimately canceled, my expectation is that going
8 forward we're going to do it in a more segmented way. We
9 will do smaller bites on how to move the track forward,
10 because we now know that there's a time difference between
11 when the CP4 commercial work will be done, and construction
12 work will be done, and when CPs 1 and 2-3 will be done.
13 So, we probably want to start tracking installation sooner
14 on CP4, extended as far as we can and then wait for the
15 civils to complete on the others before we add it there.

16 So it is it's not part of this budget
17 augmentation specifically, but it's in our broader budget,
18 which we've outlined in the project update report.

19 BOARD MEMBER CAMACHO: I guess that's where my
20 question was heading. Is this request including the
21 tracking, which is it is not. And so this is just for
22 civil work?

23 MR. KELLY: That's correct.

24 BOARD MEMBER CAMACHO: Okay. And I just want to
25 make sure the Board is aware of that. Thank you.

1 MR. KELLY: Yep.

2 CHAIR RICHARDS: Thank you, Ernie.

3 Director Escutia.

4 BOARD MEMBER ESCUTIA: Thank you, Mr. Chairman.

5 You know, basically, I think, Ernie brings up the issue
6 that we discussed last time in the Board meeting, or maybe
7 it was two Board meetings ago, in which I remember very
8 clearly Director Lynn Schenk said that we really must
9 concentrate with laser focus. Those were her words,
10 "concentrate with a laser focus" on just building the 119
11 miles, you know, obviously targeted there. And let's just
12 do it. You know, that's the test track and that's the
13 obligation that that we have owed upon ourselves as a
14 result of the ARRA agreement.

15 So I really, really do hope that that we go back
16 to that comment made by Ms. Schenk, that the 119 miles are
17 the first priority. You know, I'm even willing to tell you
18 as a Southerner that I don't care about any additional
19 resources to Southern California. Let's just save money
20 and concentrate on the 119 miles.

21 And right now as a non-transportation person, but
22 as a citizen, I'm very scared because of change orders that
23 I'm not aware of. I don't know, you know -- for the CP1 to
24 go from less than a billion to now over 5 billion, a 500
25 percent increase in heaven knows what, a couple of years,

1 is just stunning. And I as a Board Member would want to
2 have greater anticipated knowledge of these change orders,
3 where they're headed, and what we are doing.

4 And I'm glad to see that in Mr. Annis's
5 presentation on page 15, one of the bullets there on page
6 15 in his presentation the bullet says increased governance
7 for change orders and dispute resolution. To me when I
8 read the words "governance" I assume that maybe it includes
9 the Board to be involved in how these change orders are
10 determined. Because right now, I feel as I indicated, very
11 scared. I feel that there's a big amount of money out
12 there lurking that somehow is not accounted for here.

13 And I would just state that this effort towards
14 increased governance involving change orders, is one that
15 truly, truly incorporates the Board Members as much as
16 possible. I mean, even if we could have a special session
17 to just discuss change orders, both past as well as present
18 as well as anticipated, that I think would be very helpful.
19 So that we're not caught basically reading the newspaper
20 like, "Oh, my God. You know, there's more anticipated
21 costs in this project." Thank you.

22 CHAIR RICHARDS: Thank you, Director Escutia.

23 BOARD MEMBER PEREA: Mr. Chairman, I have a few
24 questions and comments.

25 CHAIR RICHARDS: Yes, Director Perea?

1 BOARD MEMBER PEREA: Yeah, thank you.

2 And Member Escutia, just to pick up on one thing
3 you said right now. You know, by policy we did move a lot
4 of discretion on change orders based on a threshold to
5 Administration. We can change that policy and either
6 reduce the amount or just require that all change orders
7 come to the Board. And whether they come to the Board, or
8 they come to a special committee, subcommittee, I mean
9 that's for us to decide. But, you know, if the Board
10 wishes to have more discretion we need to return back to
11 eliminating the policy that gave away some of the
12 discretion that we have.

13 But my main point that I want to talk about on
14 this -- page six is I mean, I agree with what Brian
15 indicated in terms of the process moving forward. I'm very
16 comfortable with how we're moving forward with
17 construction. But it seems like the 119 mile CP1
18 especially seems to be the thorn in our side that the cost
19 has just gone out of control. But I agree also with Member
20 Schenk's comment about being laser focused on CP1. We have
21 to be or we won't finish.

22 And I know on this particular slide it says we've
23 completed 53 percent of utility relocations, which is good,
24 with another 21 percent underway. But I think in tying it
25 to the agenda item, and of course, completing construction

1 last month we did talk about it. And I hope all Board
2 Members did receive a copy of -- and I know they were sent
3 -- a copy of the document that we had requested with
4 respect to just CP1: what the outstanding issues were in a
5 breakdown of showing what had been completed, what was in
6 progress and what had not yet started.

7 And if I can just go to -- and this is a Brian
8 Annis question. And Brian, I apologize. I sent you an
9 email this morning indicating I was going to ask you this
10 question when we did F&A, but it seems it may be more
11 appropriate now. In PG&E, just for example, we have 144
12 projects that are not started yet, utility relocations.
13 And we have 29 in progress, wet utilities do we have 63
14 (indiscernible) started, and 115 in progress.

15 So my question to you, and it'll be my monthly
16 question is how are we moving the needle on those
17 particular issues including AT&T and Telecom? Because if
18 we can't definitively say when we are going to complete
19 those or where we are in progress, we're going to be seeing
20 a lot of change orders, a lot of delays, a lot of cost
21 increases. So it's good to say the 63 percent completed
22 and 21 percent underway, but that really doesn't tell us
23 anything.

24 And so, my question to all of you is, to staff,
25 is based on the numbers that we received last month how

1 have we moved the needle in each of those areas for AT&T,
2 PG&E, wet utilities and Telecom?

3 MR. HORGAN: It's a good question, Henry. So we
4 have appointed Dennis Kim, as the -- he's the Director of
5 Right-of-Way, but now he is also the executive in charge of
6 third parties. So Dennis is putting together a detailed
7 strategy for every single utility, all the precursor
8 activities, what we need to do to get each one moved. And
9 that plan is near finalization. And we intend to
10 incorporate more detail in future Central Valley status
11 reports, which will be read out to the F&A Committee on a
12 monthly basis.

13 MR. KELLY: I'd add to that --

14 (Overlapping colloquy, multiple voices.)

15 MR. KELLY: Henry, I would add to that, that we
16 have formed at the management level we've formed a third-
17 party task force. Dennis is chairing that work right now.
18 We identified in that, 66 broad third-party issues that
19 we've had to work through. We'll populate that further
20 when we get further along on the strategy that he is
21 putting together for all the third-party matters.

22 But out of those 66 issues, I believe, as of
23 yesterday or sorry 67 issues that were on that tracker as
24 of yesterday 64 of them were completed. Three are
25 outstanding. One of them I'm in direct dialogue with

1 senior people at AT&T about. You're right, there are
2 several independent issues that are PG&E related that we
3 are working through. And we're happy to -- I'm happy to
4 bring back to the Board more detail on the specific
5 utility-by-utility approach that we're making towards this.

6 The other area is with our freight partners
7 namely a UP that mostly affects CP1. And we have advanced
8 some important things in the last couple of weeks with them
9 to allow us to move forward on the intrusion protection
10 barrier work. It's called the missing two-and-a-half mile
11 work.

12 And finally we got them to approve something on
13 the status of, for lack of a better word, the status of
14 dirt on the Tulare Underpass, which with that approved that
15 work is now beginning as well.

16 So we're very focused on the third-party issues.
17 You are correct to say that is the precursor work that must
18 be done for us to advance the construction. And we're
19 putting together a more detailed strategy on how we'll move
20 each of the utilities. But we do have in place now a
21 taskforce on this. We're evaluating the key issues. We
22 have an escalation ladder in place that sometimes comes all
23 the way up to me, with senior executives from the
24 utilities. And we are making progress on this like we
25 haven't before.

1 BOARD MEMBER SCHENK: Mr. Chairman?

2 CHAIR RICHARDS: Yes, Director Schenk.

3 BOARD MEMBER SCHENK: (Indiscernible.)

4 BOARD MEMBER PEREA: Thank you, Brian. And I
5 appreciate all the work staff is doing (indiscernible) --

6 CHAIR RICHARDS: Say again, Henry, I'm sorry.

7 BOARD MEMBER PEREA: Maybe, could I -- Yeah, can
8 I just finish my last comment here?

9 CHAIR RICHARDS: Yes.

10 BOARD MEMBER PEREA: Brian, I do appreciate all
11 the work that staff is doing. And if I could just ask
12 Daniel, when you complete that report I mean that's fine to
13 send it to F&A. But that that report should go to every
14 Board Member, not just F&A. Okay?

15 MR. HORGAN: Yes.

16 BOARD MEMBER PEREA: And at least from my
17 perspective I don't need to see all the nuts and bolts of
18 what all the staff work is being completed. That's your
19 bailiwick. What I'm interested in is again the document
20 that staff prepared and gave us at the last meeting for
21 these four entities.

22 And again I'll just use PG&E as an example. What
23 I want to know is, of the 144 that would not have started
24 as of last month when I get that report I'd like to say --
25 or at least see of that 144 are they still not started or

1 have 20 started? Then I just need to see a date when it
2 started, when do you think it's going to be done? And
3 that's really all I need to know. I don't need to know all
4 the work you're doing. That's your thing.

5 But I really -- I think the Board really needs to
6 see this on a monthly basis, because if we don't move this
7 needle we're going to be sitting here two years from now
8 still saying CP1 is not much further along. So
9 (indiscernible) --

10 MR. KELLY: Henry, we will update that document
11 and get it to the Board before the next hearing. Okay?

12 BOARD MEMBER PEREA: Before when?

13 MR. KELLY: Before the next hearing.

14 BOARD MEMBER PEREA: Hearing, okay. Thank you.

15 MR. KELLY: Okay. Yeah.

16 CHAIR RICHARDS: Thank you, Director. Thank you,
17 Director Perea.

18 Director Schenk?

19 BOARD MEMBER SCHENK: Yeah. Henry, thank you.
20 Because those are exactly the issues that I wanted covered.
21 And I appreciate the underscoring that needs to come to the
22 whole Board, not just those of you on F&A.

23 It's harkening back, Brian, to what you said
24 about the mistakes we made in the past. This is very much
25 a part of it. And especially with the utility relocation

1 issues, too painful to recount, and I won't do it. But
2 just to echo strongly what Director Perea has asked for as
3 a real top priority in terms of reporting to the full
4 Board. So thank you for that, Henry.

5 BOARD MEMBER PEREA: Thank you. You're welcome.

6 CHAIR RICHARDS: Okay. Any other comments or
7 questions from Board Members at this point? All right --

8 BOARD MEMBER SCHENK: You know, Tom --

9 CHAIR RICHARDS: Yes?

10 BOARD MEMBER SCHENK: -- one of things I'll say,
11 I'm sorry. You know, the issue of change orders is very
12 important to all of us. But I think it is incumbent on
13 management and staff to address the concerns of Director
14 Escutia. And we do have a new Director. I won't call
15 Ernie a new Director, but Director Cohen, so that we bring
16 people to, if not a comfort level, a baseline level of
17 where we are on change orders.

18 And so if the staff or management could come up
19 with a reasonable way of bringing in -- and I know, you
20 know we have to be careful of special meetings and how many
21 directors meet at one time. But for those who would like
22 to participate in something where we get a tutorial -- or
23 maybe that's too pejorative, but a back and forth on the
24 change order. So that everybody is at a comfort level that
25 they understand where we've been, where we are, and where

1 we're going on it.

2 MR. KELLY: Director Schenk --

3 BOARD MEMBER ESCUTIA: Thank you, Director
4 Schenk. I really appreciate that. And I agree with her
5 comments. That that would be so wonderful for us to get
6 some kind of comfort level and not be running scared. At
7 least I'm running scared as to what's to be expected in
8 future change orders.

9 MR. KELLY: Director Schenk if -- and Director
10 Escutia, if I could just say to that? I would remind the
11 Board that in September of 2021 we restructured how we do
12 the change order process, involved bringing in a control
13 change committee. That process includes an escalation
14 element of what level of change order gets approved by what
15 level of management, and what our reporting requirements
16 are with the Board. So why don't we, again we can do it at
17 the next hearing, or we can do it in between however the
18 Board wants to do it. But I'm happy to go through where we
19 are on that process. And exactly every element of that
20 process for how we deal with change orders.

21 I do want to remind the Board, and I want to be
22 clear with the public as well, because we executed a
23 contract for the 119 miles for each of the construction
24 packages, that we made scope changes after that contract.
25 Everything we do requires a change order. Everything we do

1 requires a change order. So I just want to be clear that
2 change orders are being executed, because things changed
3 after the contract was let. And what we are doing is we're
4 getting all of that scope in the contract and executing it
5 to completion. And the only way we can do that is through
6 change order. And so I just want to set expectations like
7 you all do. Change orders are here and they will be here
8 until the work is done, because we are defining things
9 after the fact.

10 And that -- again that's the lesson from the 119
11 that we will not continue going forward. But the good news
12 is we're toward the end of that definition. We have most
13 of the -- almost all of the major ones solved. And as we
14 do this budget adjustment going forward, you know we think
15 this is sufficient to cover what we need to finish the 119.
16 And I candidly, in five years of being here, I have not
17 been able to say that before. And so I'm more confident
18 today.

19 BOARD MEMBER SCHENK: Yeah, and Brian at least
20 for myself, I understand that and appreciate that. And as
21 I say, I know it was painful for us to go through that.
22 But unlike the management that does this day in day out
23 sometimes the Board just needs a little refresher --

24 MR. KELLY: Absolutely.

25 BOARD MEMBER SCHENK: -- and an update on where we

1 are.

2 MR. KELLY: Yes, ma'am.

3 BOARD MEMBER SCHENK: Because I for one am
4 comfortable with the process that we adopted based on our
5 terrible experience in the past. So thank you.

6 MR. KELLY: Thank you.

7 BOARD MEMBER ESCUTIA: And also, Brian, you know
8 I'm also keenly aware that some of these change orders are
9 a result of changes in scope, because we demanded those
10 changes. There also could be change orders as a result of
11 time delays, because rights-of-ways had not been secured.
12 I get that.

13 So it would be also good if, when we get this
14 refresher, to get maybe a percentage breakdown of what type
15 of change order are we dealing with?

16 MR. KELLY: Sure.

17 BOARD MEMBER ESCUTIA: Are we dealing with change
18 orders dealing because of scope changes that we made? Are
19 we dealing with change orders, because of time delays that
20 were basically caused by not securing rights-of-way, etc.
21 So I'm fairly aware of that. I just want to get my arms
22 around in more detail for that as to the status right now.
23 But more importantly what are we expecting in the future?

24 MR. KELLY: Perfect, we will -- I am happy to
25 prepare that for you, the Board members, as well as the

1 utility status that Director Perea has for us.

2 CHAIR RICHARDS: All right, thank you,
3 colleagues.

4 VICE CHAIR MILLER: Chair Richards?

5 CHAIR RICHARDS: Yes.

6 VICE CHAIR MILLER: I just want to say one thing,
7 that I agree with what -- I'm sorry, I'm at an airport, but
8 with what my Board Members, my fellow colleagues, have
9 said.

10 But I also want to thank staff, because I know
11 that given this change order process expand, we know that
12 it's been kind of our standard way of proceeding in these
13 last few years because of the nature of how it started.
14 And it is good, I think, to come back and refresh all of
15 our memories every year or so about how we're doing it.
16 And what we're doing, and what to expect, particularly
17 given the uncertainty always of future.

18 But I do want to say that on the F&A Committee we
19 do get reports monthly about where we are on right-of-way,
20 where we are on third-party arrangements. And I think it
21 would be a good idea to have those provided to the Board.
22 I think, as we already said, I agree with that every month.
23 Because they are very enlightening, and actually they're
24 very encouraging. So thank you.

25 CHAIR RICHARDS: Thank you, Vice Chair Miller.

1 Any other comments or questions? (No audible
2 response.) Let me just make one comment for the public
3 more than people on the Board, because you're well aware of
4 it. So through all of this you hear a good deal of concern
5 and justifiably from not only management, but quite clearly
6 our colleagues on the Board. For the public looking at the
7 history of this, so how did this happen?

8 There's nobody around the Board here who would
9 not have endorsed a process in which the development and
10 construction of this project would not have followed the
11 standards that you would expect in the construction and
12 development industry. What happened here, for those of you
13 who weren't paying -- or not paying attention, but weren't
14 aware, was that when the State of California accepted ARRA
15 funds from the federal government that goes back to the
16 Obama administration. Along with that acceptance was a
17 requirement that those funds be expended by September of
18 2017. So in that period of time there was no time to
19 delay. The fact is that at that point we did not have a
20 fully -- not even close to a fully detailed and paid for
21 right-of-way. We also didn't have the full design of what
22 we were going to build.

23 So what we did do is we moved forward, so as to
24 abide by the grant requirement of September of '17. And
25 that all got complicated by, as many of you might recall, a

1 number of lawsuits which impacted the timing of the
2 construction portion of what we were attempting to
3 accomplish. And a number of those lawsuits, as you may
4 recall, dealt with CEQA, the California Environmental
5 Quality Act.

6 So if you could put a put together in a big pot
7 all the things that could come before any project, you have
8 seen them all here. What you should not walk away from is
9 believing our having any concern that it was done without
10 anybody on the Board recognizing the challenges. And given
11 the alternatives of not having that requirement to complete
12 the spending of the ARRA funds by September of '17 I would
13 tell you; I feel confident that there's not one Board
14 Member today, or in the past, who would have supported
15 moving forward on a construction. It was the only way to
16 abide by the grant agreements with the federal government
17 to spend the money timely.

18 That did occur and it has cost everybody dearly.
19 But what it's really cost in many ways is -- and the
20 biggest impact in my mind -- is on the time impact
21 analysis. The delays, which have been incredibly costly
22 and are a part of the change order package. And those
23 delays are the result of all the things that I mentioned
24 before. We didn't have the design, didn't have the right-
25 of-way, didn't have the CEQA approvals moving forward. And

1 we used a contract for design, or for construction, called
2 Design Build. That I would only speak for myself, but I
3 believe around the table we'd have you -- we'd find it very
4 -- we'd be very hard pressed to move forward with a design
5 build concept for construction in the future. The idea was
6 to basically transfer liability from the government to the
7 private sector. And I would say that what we've proven is
8 that doesn't work.

9 So what you see going forward, and it's not that
10 it's not in place now, we just haven't started new
11 construction. But we have moved to define what it is that
12 we are having to do, and can't play catch up doing out of
13 sequence what should have been done before.

14 So, I've often thought so did California benefit
15 from anything? I think that it's clear that if you take
16 into account the TIAs, that is the time delays which are
17 the most difficult for me to stomach, there was still
18 substantial value to this project. And to the state of
19 California, which would be the way you would look at it.
20 That's to suggest was it the right thing to keep the money
21 or send it back to the federal government? So I think that
22 we made the right decision. It's costly that it's taken so
23 long to catch up. But that's kind of where we are, and I
24 think where we're going.

25 And so I don't want anybody out there to be

1 concerned about the fact that these sorts of things are
2 ongoing. These things occurred years ago and have caught
3 up as a result of getting the project fully designed,
4 changing right-of-way where necessary, and it's been done
5 in a number of places. And all those things ended up
6 costing money.

7 At the same time the only way we could make it to
8 September of '17 work is we had to have the contract signed
9 and contractors out on the job. So when you can't provide
10 to the contractors the tools in which to move forward such
11 as right-of-way, that's where one of the big ways that time
12 impact analyses, that is delay chart costs, come about.

13 So it's not that it's not that anything that we
14 have done in the past was totally unknown. We've tried the
15 best we could to manage it. And in the future it's a whole
16 lot better when we don't have to manage it, because we
17 don't start until we've got all of the various parts of the
18 of the process of development construction in the proper
19 order. And move forward only when we're ready to do so,
20 because we've got a project designed and a right-of-way
21 purchased.

22 So I think we are unified as a Board with regards
23 to how we got here, what we need to ensure that -- and with
24 management and staff, how we move forward without this
25 occurring again. But I am confident that we clearly know

1 the right way to do it. And we need to just finish where
2 we have been in the past and that's pretty well defined at
3 this point.

4 So with that, Mr. Horgan?

5 MR. HORGAN: Thanks.

6 Okay, so I'm going to take you through the
7 specific impacts on the CP1 package, then CP2-3, and then
8 CP4. So in the Business Plan 2022, we identified eight
9 significant commercial issues on CP1 that needed
10 resolution. All of those have been resolved. In fact, the
11 last one, Church Avenue, was resolved just two weeks ago.
12 That is presently going through governance. Obviously
13 whilst we were negotiating these change orders, inflation
14 was at an all-time high.

15 Then we've had to add new scope as well. We had
16 a sweeper package, which was originally intended to be a
17 separate contract, and that was also added to the CP1
18 contract. Then we had what we call the missing two-and-a-
19 half miles. That was the two-and-a-half miles adjacent to
20 SR 99. That included guideway and intrusion barrier. So
21 that's also been added to the CP1 contract.

22 Then as we advanced utility designs and finalized
23 discussions with third parties that increased costs and
24 time delays in several areas.

25 Then obviously with all of these impacts, the

1 contract end date has slipped. So we have the time impacts
2 which are, as Tom said, quite significant.

3 Then we've also provided additional contingency
4 for the above changes. Okay on CP2-3, next slide, please.

5 CP2-3 in the Business Plan 2022 there were four
6 significant commercial issues identified. Three of those
7 have been resolved and are included in the contract. That
8 is the Hanford viaduct superstructure, the intrusion
9 protection barrier, and Deer Creek. All of those are
10 significantly advanced in construction as we speak. Cross
11 Creek is an arbitration. And that the contractor will
12 start construction on Cross Creek as well in the coming
13 months.

14 So, inflation obviously has had an impact on all
15 these change orders, because they were all negotiated last
16 year.

17 Again, utility designs, impacts from freight
18 railroads, third parties have increased scope and costs.
19 Again, time impact associated with a new completion date,
20 which is March 2026. And we've provided additional risk
21 contingency for all of the above. Next slide, please.

22 CP4, obviously we're getting close to the end.
23 But again change orders that were negotiated in 2022
24 increased escalation and inflation impacts. Utility
25 designs, which are at 97 percent complete have had an

1 impact on cost and scope. And we've also made a provision
2 for additional risk contingency based on the above.

3 Now, I'm going to hand you back to Brian Annis.

4 CHAIR RICHARDS: Do you want to go home and shave
5 first?

6 MR. ANNIS: Yeah. (Laughter.) A couple of
7 financial tables I wanted to go through. The one you're
8 seeing now, a summary of construction project cost
9 increases, the current budget first is indicated for each
10 CP specifically.

11 I did want to clarify the CP budgets. The
12 baseline budgets are not exclusively the design build
13 contracts. They also include the right-of-way needed for
14 these packages. They include in some cases some Caltrans
15 work. If you remember Caltrans delivered the Highway 99
16 relocation portion.

17 And then we have also the project construction
18 manager contracts and other contracts associated with our
19 local partners: the freight railroads, some compensation we
20 paid to the cities and other utilities in the area. So we
21 have the base of this construction package work of about
22 9.9 billion.

23 Of our augmentation being requested today we
24 classify about 1.2 billion as being additional cost or no
25 one cost. These are the things that Daniel and others have

1 mentioned in this presentation, the additional cost we'll
2 have for the adjusted schedules. Some of the additional
3 utility work as those final utility relocations are being
4 designed. So there's some additional dollars for those.
5 And then just the final work that we're not characterizing
6 as major change orders, but just the final detail of
7 completing the work.

8 We have --

9 BOARD MEMBER ESCUTIA: So, Brian. Brian, before
10 you go on that figure of the additional cost that includes
11 the change orders?

12 MR. ANNIS: That is correct. It will be adding
13 1.2 billion to the budget, and no one cost for the change
14 orders and other costs associated with finishing the
15 construction packages. So we're --

16 BOARD MEMBER ESCUTIA: And this figure is
17 basically the additional costs, you know, starting from the
18 baseline of this December '21 budget authorization,
19 correct?

20 MR. ANNIS: That's correct.

21 BOARD MEMBER ESCUTIA: All right. And obviously
22 in the past, there's some change orders have already been
23 approved and paid. And obviously in the future there will
24 probably be more change orders that will be approved and
25 paid.

1 All right, so for right now, based on this
2 baseline of December 2021st, the increase in change orders
3 and whatever additional costs, known costs above budget, is
4 at 1.1 billion total for all the CPs. So that's where you
5 are counting basically -- for my clarity -- that's where
6 you are counting the change orders. In that column,
7 correct?

8 MR. ANNIS: That's correct. And with the
9 amendment that also includes some contract amendments that
10 would be outside of the construct the design build
11 contracts.

12 BOARD MEMBER ESCUTIA: Okay. No, yeah I just
13 wanted to know where exactly where we are accounting for
14 the change orders. And you just answered the question.
15 Thank you, Brian.

16 MR. ANNIS: Sure, sure.

17 The next column over we have additional
18 contingency. So these are dollars that when we apply our
19 industry standard risk analysis to achieve -- we call it in
20 the project update report, the Probability 65 or P65 level.
21 This is really the recommended standard for industry to
22 budget additional dollars for risk. That's the 906
23 million.

24 So the net change here from current budget,
25 baseline budget, to what's requested today is an addition

1 of 2 billion, 73 million, that's the second to the last
2 column, would bring the budget for the CP work -- again
3 design build contracts and other contracts to just shy of
4 \$12 billion on the far right.

5 And then at the bottom of this table we're
6 indicating a accounting change here to reflect the \$25
7 million raise grant award where we would formally bring in
8 that additional \$25 million of federal dollars into the
9 baseline plan.

10 BOARD MEMBER PEREA: Mr. Chairman, I have a
11 question.

12 CHAIR RICHARDS: Go ahead, Director Perea.

13 BOARD MEMBER PEREA: Yeah, thank you.

14 Brian, so I can understand on CP1 additional
15 costs of 453 million, how does that number relate to the
16 approximately 553 issues that are on this list that are
17 utility issues that are either in progress or yet to be
18 started. How does that number correspond to that red
19 (sounds like) number?

20 MR. ANNIS: Well I know there's AT&T issues, PG&E
21 issues -- excuse me. So those are the staff estimates what
22 we'll need to complete that work. And so that is part of
23 this number. So the idea is that yeah completing those
24 utilities is part of the 453 million.

25 BOARD MEMBER PEREA: Okay, but for the year, for

1 this particular year, budget year, is that 453 million
2 cover all of them or half of them or a quarter? I mean I'm
3 trying to get the relation between that number -- the two
4 numbers.

5 MR. ANNIS: Sure, sure. So just in context, in
6 the Finance and Audit Committee material we indicate how
7 much is left in the baseline. So I believe for CP1 there's
8 about 170 million left in the baseline contingency. We do
9 have the change order coming forth. That the last one for
10 CP1 -- Church Avenue -- thank you, Daniel. Yeah, so Church
11 Avenue is coming up. There's other small ones, so we're
12 pretty close to exhausting our current CP1 contingency.

13 So with this 453 million we handle the work
14 that's still needed in the future, including the estimates
15 of what we need to fully complete the AT&T, PG&E, etc.
16 Those utility relocations plus the design build work
17 through completion, project construction manager work
18 through completion. So that's in there.

19 And then again the next column, the 392 million
20 is an indication of the P65 calculated contingency that's
21 prudent for budgeting.

22 BOARD MEMBER PEREA: Okay just so I'm clear so
23 I'm not confused moving forward that -- so that additional
24 \$453 million should cover the costs for the remaining
25 utilities on that list that we provided?

1 MR. ANNIS: That's correct.

2 BOARD MEMBER PEREA: Okay.

3 MR. ANNIS: Next slide, please.

4 This is similar information just in a different
5 format. This is just to suggest looking at our total
6 existing Expenditure Authorization, 17.9 billion. We add
7 this 2.1 billion as described on the prior page, and that
8 would reset our total Expenditure Authorization at \$20
9 billion, 10 million at the bottom. Next slide.

10 This is a bar chart on our revenue, and this is
11 provided to really respond to a question that might come
12 on, do we have money to support this baseline expenditure
13 budget? And the answer is yes. This is similar to a chart
14 in the project update report.

15 There's a couple of different funding levels
16 indicated with the arrows that point left on the top of
17 this. Let me focus on the one in the middle, which is our
18 Cap-and-Trade revenue. If Cap-and-Trade continues to come
19 in as it has over the last year, year and a half, we would
20 expect that our current funding in total was \$25.2 billion.
21 If a Cap-and-Trade falls and comes in lower than it has
22 been coming in, in the last year and a half or so, we have
23 a lower range which is this 23.5 billion.

24 But again what's been requested here is a
25 expenditure authorization of 20 billion. So we believe

1 we're -- have sufficient funding to cover that. Next
2 slide.

3 I won't go over this slide in much detail. This
4 is just how we allocate our different funding sources from
5 federal funds to Cap-and-Trade funds to Prop 1A bond funds
6 across the different funding elements. Just highlighted at
7 the bottom here we show this 20 billion dollar new budget
8 about the middle column of numbers. So this is just
9 provided for additional details on how we plan to use
10 different colors of money for different project components.
11 Next slide, please.

12 MR. HORGAN: Okay, so what have we accomplished
13 since the last request for budget authorization? CP4
14 contract, which you said is the most advanced is on
15 scheduled for completion to summer. We've opened 12
16 overbridges over our alignment as well to traffic in 2022.

17 We had a record construction labor on site in
18 October of '22. That was 1,318 workers. We have also
19 received revised baseline schedules from all CPs. And
20 presently we're doing a detailed analysis of the time
21 impact assessments for CP1 and CP2-3.

22 There have been as outlined earlier, significant
23 commercial issues on CP1 and CP2-3 have been negotiated and
24 put into the contracts via change order. Our reliability,
25 our right-of-way team under Dennis Kim, have ensured

1 greater reliability and delivery of right-of-way, so we got
2 96 percent of all parcels delivered to the design build
3 contracts.

4 Utility designs are approaching 90 percent
5 complete and relocations are now as of this moment, they're
6 actually 55 percent complete. We have, as Brian said
7 earlier, we've implemented a task force for third parties
8 and utilities. This task force has been in operation for
9 the past six months, and they are focusing on all the
10 significant utilities that require extra effort. Also,
11 Brian Kelly has been engaging at an executive level with
12 AT&T and PG&E to resolve issues.

13 We've also developed closer and more effective
14 working relationships with resource agencies to ensure that
15 we are complying with all our environmental requirements.
16 Next slide, please.

17 BOARD MEMBER CAMACHO: Let me ask a question,
18 Daniel.

19 MR. HORGAN: Yes, sir.

20 BOARD MEMBER CAMACHO: The first bullet point CP4
21 is planned for completion in the summer of 2023. Last year
22 in '22, we had anticipated at least from the beginning of
23 '22, that CP4 would be completed and '22. Now it's
24 bleeding into '23 and six months into '23. Do we have a
25 plan B in the event that it's not finished in '23?

1 MR. KELLY: Ernie, this is Brian. I just want to
2 respond to that, that we had identified earlier a
3 completion date for substantial completion of CP4 by March
4 1st of 2023. All of the 11 structures that we have in CP4
5 for our assets, for the things we need to build for the
6 high-speed rail system, are substantially complete today.

7 What we have finished and has taken a little bit
8 more time to finish, was negotiations with two irrigation
9 districts: the North Kern Water District, and the
10 Semitropic Water District. Not on structures that are
11 really ours, but on their structures that we need to move.
12 And the process for us reconstructing those structures,
13 getting designs approved by them, getting right-of-way
14 agreed to by them. And I'm going to update this in the CEO
15 report, but two necessary written agreements to get that as
16 a precursor, to get that work done, were just executed in
17 February and March. That was the thing that pushed us a
18 bit.

19 The other thing that pushed us slightly was some
20 of the wet weather in December and January pushed back some
21 of the work that we had going on and it caused some delay.
22 But we believe now with the execution of the written
23 agreements with both Semitropic and North Kern, our
24 expectation is that we will meet a summer 2023 substantial
25 completion date. And then final completion, going through

1 punch list and all that will take a little bit more time.
2 But that's where we are now. And we're more confident with
3 those written agreements behind us.

4 BOARD MEMBER CAMACHO: Well yeah, the substantial
5 completion is a funny term. And I've been in business for
6 40 Some years and that's always been a -- you know, we can
7 knock out 90 percent of the construction, but it's the last
8 10 percent is the one that that hangs us out. So if in
9 fact we finish with the majority of CP4, with the work that
10 we have to do to, I mean will that delay us if we don't end
11 -- or we don't complete it in '23? Can we get a cleanup
12 contractor to come in and finish that work into '24, if
13 that would be necessary?

14 MR. KELLY: Yeah Ernie, I would just say that
15 remember the other CPs are a bit later. So there's
16 certainly some room between CP4 and the other ones although
17 -- and I would also say that there is some utility
18 relocation work that we will be not using this contractor
19 for but another. What we tried to achieve with this
20 contractor and make sure that we can move forward on, is
21 getting enough of the guideway work done and completed in
22 those assets, so we can start to move forward on the
23 installation of track. And so that's the immediate thing
24 that we are aiming for in 2023.

25 And some of the almost peripheral or ancillary

1 utility movements that are outside of that guideway, we've
2 de-scoped some of that from this contractor. And we'll do
3 separately later because it's not necessary to move to
4 track installation. So that's kind of the approach we've
5 had on CP4 to date.

6 And again, there is some room overall without
7 much delay because the other CPs won't conclude until '26.
8 But we do want to get track going as early as we can. And
9 CP4 is the -- is clearly going to finish well in front of
10 the other two.

11 BOARD MEMBER CAMACHO: Well, that was my concern.
12 I guess my question was will this delay the track and we
13 can begin track anyway, and finish the rest of the work
14 outside of that?

15 MR. KELLY: Yes. I mean, the short answer to
16 that is yes.

17 BOARD MEMBER CAMACHO: Yeah. Thank you.

18 BOARD MEMBER PEREA: Okay. And what is a
19 substantial completion date for CP1, 2 and 3?

20 MR. KELLY: Sorry, I missed the --

21 CHAIR RICHARDS: The completion dates are CP1,
22 and 2 and 3.

23 MR. KELLY: The substantial completion date right
24 now for CP4 is -- we're saying summer because it's we're
25 working through, mitigating some schedule with the

1 contractor. We're hoping to bring that into the end of
2 June or early July.

3 On 1 and 2-3, we are in the negotiation now on
4 what we call the final time impact analysis. We've
5 received and conditionally approved a schedule from CP1
6 that is December of '25. And we've received and approved a
7 conditional -- conditionally approved a schedule from the
8 contractor on 2-3 that is March '26. And we are going
9 through some review of that, again, conditionally approved
10 it.

11 We are going through some review of that with the
12 contractor now. So it'll settle one way or the other a
13 couple of months in one direction or the other. And so
14 that's why for now, and in the project update report, we
15 just said 2026 without getting more specific. Because
16 we're in the final settlement discussions, which we hope to
17 conclude in the April-May timeframe.

18 But '26, is what we're saying. I'm confident
19 it'll be '26. Some might move up to '25. But again that's
20 some of the things that we are in negotiations within real
21 time.

22 BOARD MEMBER PEREA: Thank you.

23 CHAIR RICHARDS: Mr. Horgan, go ahead, please.

24 MR. HORGAN: Okay. Next slide, please.

25 Okay. So what do we tend to do? What are we

1 planning to do to deliver on time and on budget? Which is
2 obviously everybody's aim on a project to deliver on time
3 to budget. So we've got a whole list of goals on the left-
4 hand side: finish to scheduled, finish to budget, maintain
5 high quality, and I'll talk more about things in a moment.
6 Maintain our good safety record, ensure that we fully
7 comply with all our environmental requirements, and
8 obviously, get some more positive publicity from the
9 program.

10 So how are we going to do this? One of the
11 things we're going to do when Dennis Kim is leading this
12 initiative with third parties, we are going to have much
13 greater detail on our analysis of progress on third
14 parties. This is significant, because third parties and
15 utility relocations are really the number one thing we need
16 to get done to complete this job on time. So we are
17 working at that. Dennis has got a plan for a significant
18 database, which will help us move forward.

19 And as Brian said earlier we have increased
20 governance. So the change control committee has been
21 enhanced even more, so much so that now it also looks at
22 every directive letter, in case that directive letter will
23 have a significant cost impact.

24 We're also looking at the third-party task force,
25 which is up and running. It's proving to be very

1 effective. And we're going to engage more at an executive
2 level with not alone PG&E and AT&T, but Brian is also going
3 to be starting to engage with the freight railways, that's
4 BNSF and Union Pacific Railroad.

5 Okay. Then we're going to -- in terms of
6 quality, quality is obviously a very important issue for
7 us. So we have changed how we're implementing quality
8 management. It used to be that because it was a design
9 build contract it was more -- supervision was more
10 witnessing. But now we're doing our own independent
11 inspection and testing. And we are engaging much more
12 significantly with the contractor and playing a very active
13 role. And that's being headed up by our new Director of
14 Engineering, Brian Maroney. So that's a significant
15 activity to ensure that we get the quality that we need.

16 Another initiative which is about to start, it
17 has started in the quality area, is basically training.
18 Training all our staff to a higher standard and providing
19 continuous evaluation. So we've already rolled out
20 training and quality inspection. And we're going to roll
21 out training in other areas as well in the coming year.

22 And obviously the final issue is to achieve scope
23 definition. So we are getting very close to final scope
24 definition. And we want to finalize the scope definition
25 in the coming months. Thank you.

1 MR. KELLY: Dan, if I could just add one thing.
2 The other thing that I just don't want to miss is that
3 again this is relative to where we've been on the 119. But
4 as we -- and I appreciate the comment from Director Escutia
5 earlier that our focus is getting the 119 done. To be very
6 clear that is the first thing that we owe the federal
7 government who gave us significant money to get that work
8 done. So we are focused on getting that done.

9 But as we look forward to the next construction
10 elements, be they the track and systems element or the
11 extensions, we are keenly focused on getting as much of the
12 risk defined earlier in the process. And mitigated and
13 addressed earlier in the process well before we're in the
14 construction or the procurement element. And I just can't
15 emphasize enough how important that I think that is to make
16 sure that we deliver things in a way that is much more
17 efficient and more successful going forward.

18 So we have an opportunity to do that, and we're
19 taking the steps now to make sure we do that. So I just
20 wanted to add those points. Thank you.

21 MR. HORGAN: Thank you.

22 Brian.

23 MR. ANNIS: That concludes the presentation. We
24 do have an additional slide just reiterating the -- what's
25 in the recommended Board resolution. So we're requesting

1 Board approval to adjust the baseline or the expenditure
2 authorization to \$20 billion, 10 million.

3 CHAIR RICHARDS: All right, thank you very much,
4 Mr. Annis.

5 Colleagues on the Board, we'll start off. Do we
6 have a motion for approval?

7 BOARD MEMBER WILLIAMS: I'll move approval.

8 CHAIR RICHARDS: Director Williams, is there a
9 second?

10 BOARD MEMBER PEREA: Second.

11 CHAIR RICHARDS: Seconded by Director Perea.
12 Thank you. Any discussion?

13 All right, Mr. Secretary, please call the roll.

14 MR. SNIPES: Director Schenk?

15 BOARD MEMBER SCHENK: Yes.

16 MR. SNIPES: Chair Richards.

17 CHAIR RICHARDS: Yes.

18 MR. SNIPES: Director Camacho.

19 BOARD MEMBER CAMACHO: Yes.

20 MR. SNIPES: Vice Chair Miller. Vice Chair
21 Miller? (No audible response.)

22 CHAIR RICHARDS: We might have lost her.

23 MR. SNIPES: Director Perea.

24 BOARD MEMBER PEREA: Yes.

25 MR. SNIPES: Director Ghielmetti.

1 BOARD MEMBER GHIELMETTI: Yes.

2 MR. SNIPES: Director Escutia. Director Escutia?

3 (No audible response.) Director Williams.

4 BOARD MEMBER WILLIAMS: Aye.

5 MR. SNIPES: Director Cohen?

6 BOARD MEMBER COHEN: Yes.

7 MR. SNIPES: Mr. Chair, the motion carries.

8 CHAIR RICHARDS: All right, thank you. Thank
9 you, colleagues.

10 Moving on to the next item on our agenda we will
11 move on to our CEO Report, Mr. Kelly.

12 MR. KELLY: I think the next item is the --

13 CHAIR RICHARDS: Oh, I'm sorry. I'm sorry
14 (indiscernible). It's only because it was so thick.

15 MR. KELLY: You're welcome.

16 CHAIR RICHARDS: The Economic Impact Analysis
17 Report. Good morning.

18 MR. BOUGHTON: Good morning. Thank you, Chair
19 Richard and Board Members. My name is Derek Boughton. I'm
20 with the Authority's Financial Office. I'm here today to
21 present the '21-'22 Economic Impact Analysis. The
22 Authority continues to make substantial, impactful
23 investments into this project and to the State of
24 California.

25 CHAIR RICHARDS: Is it possible you get a little

1 bit closer to your --

2 MR. BOUGHTON: Yeah, sure.

3 BOARD MEMBER CAMACHO: Yeah, thank you.

4 MR. BOUGHTON: I'll lean forward a little bit.

5 The Authority is proud of this investment, and
6 that this project has made economically to the men and
7 women of the state, to the hundreds of small businesses
8 supported by this project, and to the billions invested in
9 disadvantaged communities up and down the state. So that
10 since 2017 the Authority has produced the economic impact
11 analysis reports. And we produce them every year.

12 We have analyzed all the fiscal year expenditures
13 since 2006. So this report I'm going over today is for the
14 '21-'22 fiscal year, so ending in June '22. We also
15 include a forecast for future economic impacts that are
16 based on the 2022 project update report data. Next slide,
17 please.

18 So we have three main indicators that we capture
19 in our analysis. The first is job years. They are the
20 equivalent of a number of one-year long jobs supported by
21 the project. For example, one employee working for five
22 years is five job years, or five employees working for one
23 year is also five job years. That's different than the
24 jobs created number that we tallied at the Authority. The
25 number is 10,000 currently. Job years takes into account

1 the length of time, so for a project like ours that is
2 lengthy it's certainly important to capture economically
3 the value of these jobs over a lengthy period of time.

4 The second impact is labor income, which includes
5 all forms of employment income including compensation, your
6 wages, benefits and payroll taxes that firms have paid to
7 employees. And income earned by self-employed workers or
8 unincorporated sole proprietorships.

9 And finally we have the big one, which is
10 economic output. Which is an estimated value of all the
11 value of economic activity taking place as a result of our
12 investment. Our dollars invested in High-Speed Rail
13 brought several activities in addition to labor income,
14 such as the purchase of goods and services, and value
15 created from these active activities. Next slide.

16 So in order to come up with our impacts there's
17 three main effects that we calculate or capture through our
18 modeling. They are direct effects, which essentially is
19 our Authority's direct investment into employees, or
20 contractors, through salaries or manufacturing or
21 production.

22 Then conversely indirect effects is the next
23 level down where the contractor, for example, purchase
24 concrete or steel or supplies or transportation.

25 And then finally we have induced effects, which

1 essentially is the money spent by the contractors and High-
2 Speed Rail employees on your housing, groceries, retail,
3 that type of thing. So it's the ripple of the economy from
4 our investment. Next.

5 Just a little bit about our research methods. So
6 we gathered historical invoice data from the prior three
7 fiscal years to determine the project activity where
8 there's construction, support, professional services, that
9 type of thing. And also quite an important aspect of this
10 analysis is the geographic location. We apply these
11 impacts where they are spent and where they're invoiced to
12 the project. So that's what the deep dive of the invoices
13 allows us to apply the benefits where they occurred up and
14 down the state.

15 And since we have consistently produced this
16 report with consistent methods, we continue to tout our
17 peer reviews that we received back in 2017 from UOP,
18 Department of Finance, Department of Labor, our peer review
19 group, amongst others. Next slide.

20 So what we've analyzed to date is this big chart
21 or big bar on the right, so \$9.8 billion of investment from
22 2006 until June of 2022. So that's our program
23 expenditures over that time. That's what we've analyzed
24 for the first part of the impacts. Next slide.

25 One of the things like I said earlier we're

1 really proud about is the investment into disadvantaged
2 communities. So California recognizes these specific
3 geographic areas as disadvantaged communities based on a
4 series of indices that include pollution, burden, sensitive
5 populations, and socio economic factors. Disadvantaged
6 communities are defined as those that score in the top 25
7 percent of the most impacted by pollution and socio
8 economic conditions.

9 So this bar chart at the bottom here shows our
10 annual impact to our investment into disadvantaged
11 communities. To date all told it is about 56 percent of
12 our total investment has fallen into these disadvantaged
13 community areas, which is a major investment. We are
14 considering \$9.8 billion invested so far. Next slide.

15 So since 2006 until June 2022 we've had 80,000
16 job years support on this project, with over 9700 of them
17 coming last year alone. Next slide.

18 So this chart shows the increase of the job years
19 by fiscal year, again getting us to the 80,000 mark on the
20 right with 9,700 coming from this last fiscal year we've
21 analyzed. Next slide.

22 For the same time period, 2006 to 2022, we've had
23 \$6 billion of labor income. With 830 million occurring in
24 last year alone. Does this work? Oh, it really does.
25 Okay. Next slide.

1 So this graph here, again similar to the other
2 one shows the labor income over the last fiscal years
3 against the 6.0 billion. last year. Again, \$830 million
4 impacted. Next slide.

5 So again all told for our investment as of June
6 2022, and we've had \$16 billion of economic output
7 throughout the state, with \$2.3 billion coming last year.
8 Next slide.

9 And this chart here shows the economic impacts by
10 fiscal year. Again we're up to \$16 billion, which is a
11 pretty impressive number with the 2.28 billion coming last
12 year. Next slide.

13 This is one of the best parts of this analysis,
14 which again applying our impacts up and down to state
15 geographically. Through our data mining we apply these
16 impacts where they occurred and kind of in real time. So
17 we analyze these regions: Sacramento region, Bay Area,
18 Central Valley, Southern California and then the rest of
19 the state. Logically, the Central Valley is where most of
20 the activity, or the largest activity has occurred. To
21 date we've supported about 34,500 job years in Central
22 Valley, with about 6.4 billion of investment there. Next
23 slide.

24 In the second half of our analysis, our future
25 projections -- so we've, like I said earlier we projected

1 based on the 2023 per data by segment. So you have the
2 Central Valley segments here, Merced to Fresno, and Fresno
3 to Bakersfield, for a combined total of 323,000 job years
4 and then \$64.8 billion of economic output. Next slide.

5 Northern California, San Francisco to San Jose,
6 San Jose to Merced, again, 229,000 job years with \$48.5
7 billion projected in (indiscernible). Next slide.

8 And then Southern California from Bakersfield to
9 LA to Anaheim. So we got 302,000 job years projected with
10 \$68.2 billion of economic output. Next slide.

11 So all told, again this is based on the 2023 per
12 data, we have a total Phase 1 estimated impact of 855,000
13 job years with an economic output of \$181.4 billion. Next
14 slide.

15 So to wrap up we continue to see our investments
16 ripple through the economy, again up and down the state. A
17 large portion of it in disadvantaged communities. We
18 support jobs across all functions from environmental
19 clearance and engineering construction planning. Over
20 half, like I said 56 percent of them, coming in
21 disadvantaged communities, which is a key number for us
22 especially for our use of Cap-and-Trade funds.

23 In the Central Valley region alone there's again,
24 \$6.4 billion in economic activity that has benefited the
25 region and its workers. Next slide.

1 BOARD MEMBER CAMACHO: Yeah, Derek?

2 MR. BOUGHTON: Yes.

3 BOARD MEMBER CAMACHO: Yeah, Ernie Camacho. In
4 one of the slides, I think in slide seven, and I think you
5 make reference here that we're spending 50 to 64 percent of
6 the annual expenditures are in the disadvantaged
7 communities. How was that broken out?

8 MR. BOUGHTON: So basically when we gather our
9 geographic data on where this money is being invested, it's
10 a little bit different than just looking at the
11 expenditures in our F&A items. Because our data is
12 gathered by where the invoices are sent to and the
13 Authority's investments are paid to. So we overlay that
14 distribution against the disadvantaged communities map.

15 So that's where we see our -- if you go --
16 there's a page in our economic impact report, the full
17 report that's linked at the end of this presentation that
18 kind of shows our layout of our expenditures with the
19 disadvantaged communities, where they're laid. So they're
20 basically -- a lot of our alignment, especially our current
21 work, are in the large part of the disadvantaged community
22 area. So that's how we kind of get to that number.

23 BOARD MEMBER CAMACHO: Okay, but in the Central
24 Valley or in Fresno area, or any one of those areas if
25 you're saying 50 to 64 percent of the annual expenditures

1 are occurring there, is that contractual? Is that benefits
2 to the community, improvements to the community? One of
3 the things that we probably don't do enough of is take
4 credit for the things that we -- how we're improving these
5 communities. Is that part of those dollars that you're
6 spending?

7 MR. BOUGHTON: Yeah, it's direct invested
8 dollars. So it's not solely contractual. It's not
9 pledged. It's actual dollars spent. So these communities
10 are getting direct benefits and investment from this
11 project to these local areas. And like I said, it ripples
12 through the economy and has produced a lot of economic
13 benefit to these areas. So yeah it is solely money paid
14 out to date.

15 BOARD MEMBER CAMACHO: Okay. Would you get us a
16 breakout, not now, but at a later date, get us a breakout
17 as to where those dollars were actually spent.

18 MR. BOUGHTON: Yes. We have been, in whatever
19 kind of format you request we've pretty much produce. So
20 we can get it in any geographic area you want.

21 BOARD MEMBER CAMACHO: Okay, thank you.

22 MR. BOUGHTON: Yes.

23 So the last slide is really just the links to our
24 different projects. And I wanted to thank the team that
25 helped produce this. Our fleet staff and our consultants:

1 KPMG, STEER, WSP. They've lended their expertise and their
2 experience with this, so it's been a nice combined effort.

3 And do we have any other questions on this? (No
4 audible response.) Okay.

5 CHAIR RICHARDS: I was answering a Board Member.
6 So anyway any questions for the Economic Impact Analysis?

7 BOARD MEMBER WILLIAMS: Mr. Chair?

8 CHAIR RICHARDS: Yes, please. Director Williams?

9 BOARD MEMBER WILLIAMS: This is probably more of
10 a comment than a question. But first of all, thank you for
11 this. It's always helpful to see the immediate economic
12 impact. Obviously, we're still in the construction phase
13 of this project. Ultimately, we all know, we will get to
14 an operational phase of this project.

15 And I was just struck, so I'm struck by seeing
16 this and how impactful this is to see the economic activity
17 that happens again in part of a state, the largest number
18 of being in that Central Valley. You know I think it was
19 current. I can't remember the exact location. But at any
20 rate it reminded me of what I saw when I participated in an
21 international conference last year on High-Speed Rail and
22 the impacts -- economic impacts that have occurred
23 throughout the world where these projects have successfully
24 launched.

25 And I was struck, in particular by Japan where

1 like here in California, it started out in small segments
2 around the country. And historically when you look at --
3 and I wish -- I'd love to be able to share with my
4 colleagues. But you look at essentially a heat map of that
5 project that is developed over time. And as it became
6 operational, the economic impact of those regions of the
7 country increased dramatically.

8 So you brought a major transportation system on
9 the ground that people could use, that stimulated regional
10 economic growth. Other rail and other forms of
11 transportation that connected to it that expanded those
12 economic hotspots around the country. Where in the early
13 60s they were focused in the major cities, Tokyo and some
14 of the other major cities, as you saw that system expand
15 outward and connect the country you saw that economic
16 impact spread out across the country.

17 So I'm very hopeful as a kid of the Central
18 Valley, I can't wait to see what we -- the change. Let's
19 take a picture right now of the economic heat map of
20 California. And you'll see it clustered in the Bay Area,
21 Southern California, which is great, I live in Southern
22 California. But I'm looking forward to once we have this
23 system fully operational in seeing, not that those areas
24 diminish, but that the economic activity increases in the
25 Central Valley. And we have a system, and we have a much

1 more dispersed heat map of economic activity in California.

2 So thank you for this. This is showing the early
3 potential of that just in terms of the construction. So I
4 appreciate that.

5 MR. BOUGHTON: Yeah, that is a good point as
6 well. It is the estimates that we provided are based on
7 construction costs only. The Financial Office is in the
8 process of estimating impacts of operations as well in the
9 future. So we will hopefully have some along those lines
10 shortly for our grants as well. But yeah, it -- this is --
11 these large numbers are great. They're solely on
12 construction. So yeah, the additional costs for operations
13 is going to be amazing. We'll see. Thank you.

14 BOARD MEMBER CAMACHO: No, Derek and Brian Kelly,
15 this is probably the -- my question was kind of to dovetail
16 on what Anthony was saying. Is that we are taking
17 advantage of the winds that were that are occurring in the
18 community, so we need to be able to demonstrate and to
19 promote the things that we're doing and the things that
20 we're accomplishing from High-Speed Rail. I think that we
21 -- you know, we're losing some opportunities by not doing
22 that. If we can start to measure the economic impact that
23 may be very helpful to our cause.

24 CHAIR RICHARDS: Agreed. Thank you. Any other
25 comments?

1 Mr. Boughton, great job. Thank you very much.

2 All right, now Mr. Kelly.

3 MR. KELLY: Can you hear me, Mr. Chairman? Yes.

4 Good.

5 CHAIR RICHARDS: Loud and clear.

6 MR. KELLY: Thank you. Mr. Chairman and Members,
7 I'm going to do a presentation just on the CEO Report,
8 which I do at each of our hearings. And I'm hoping that
9 this one will focus a little bit on one of the biggest
10 things that we need to collectively, both the Board,
11 management, our stakeholder groups, and others, need to
12 focus on as a high, high, high priority for us in 2023.
13 And that is our pursuit of federal funds to get our work
14 done.

15 As the Board knows, and as we have briefed with
16 the Board before, the advancement in the enactment of the
17 Infrastructure Investment and Jobs Act, the IIJA, presents
18 a remarkable opportunity for the Authority. The first I've
19 seen really since the ARRA grants that occurred now some 14
20 or 15 years ago. So it's been a while. But with the
21 passage of the IIJA we have a great opportunity to
22 reestablish that important partnership with the federal
23 government to ensure we can move our work going forward.

24 So I did want to spend some time with the Board
25 members, and make you aware of what we're doing, what's

1 pending at the federal government now, and what grants and
2 the structure of the grant applications that we'll be
3 pursuing as we go forward.

4 I also want to thank Brian Annis, a whole group
5 of folks, Sheila DeZarn and Barbara DeLand, and others. We
6 have new folks helping us in the grant area now. But this
7 is a really important place for the Authority over the
8 course of the next 12 to 18 months. And so I wanted to
9 again spend time on this and talk about how we are pursuing
10 federal funds in this really once in a generation
11 opportunity. So let's move to the next slide.

12 So the first slide here is to let you know what
13 is pending. We started applying for grants. I mean, once
14 the IIJA was on the radar screen, the instruction from me
15 to the staff here is, we're not going to let a federal
16 NOFO, or NOFA opportunity, Notice of Funding Opportunity,
17 or Notice of Funding -- what's a NOFA --Availability, thank
18 you. But any NOFO or NOFA opportunity was going to pass
19 without us participating.

20 And what we identified originally in the IIJA was
21 about six different discrete funding grant programs that
22 were relevant to this program. Some of them were focused
23 on grade separations. Some of them were focused on station
24 development. Some of them are focused on just capital
25 investments. So we identified about six, and the

1 authorization for those six programs over the next five
2 years, amount to about \$75.5 billion authorized.
3 Appropriated to date is just under 40 billion. So there's
4 a great opportunity for us to go after these funds.

5 So we started this in 2022. We've been awarded
6 two grants, two RAISE grants to date, for a total of 49
7 billion, I'm sorry, 49 -- I'll take the B -- no, but \$49
8 million that has helped us with discrete advancements on
9 some of the work that we're doing.

10 And we have pending now what you see on this
11 chart here on this slide, which is under the rail crossing
12 elimination agreement in something called the Consolidated
13 Rail Safety CRISI grants. We have applied for a combined
14 amount of just about \$300 million for the design, and
15 construction of some grade separations in the City of
16 Shafter. This is actually the beginning of capital
17 investment south as we would head into Bakersfield. But we
18 had this opportunity and so we identified these as a place
19 for some of the specific grade separation projects that are
20 in front of us.

21 Also part of the CRISI Grant, in 2022 is a grant
22 request to get federal money for a workforce training
23 facility we have in Selma, that Director Perea and Director
24 Richards were key in establishing. The Authority has spent
25 about a million dollars roughly a year to participate in

1 the worker training in that facility. We want to extend
2 that indefinitely. So we're applying for about 2 million
3 more from the federal government. It's been visited by the
4 FRA Administrator who was very positive about what we're
5 doing there. And so we've asked for some federal funds to
6 see that going. And we're willing to commit additional
7 dollars from the Authority to see that happen.

8 We've also got a RAISE grant pending now, for the
9 Fresno Historic Depot, which is some improvement to the
10 existing facility there. A historic building that needs
11 some seismic upgrades, but can also be available for some
12 community events and community activity before we're
13 actually in full service there.

14 So pending right now at the Federal Government,
15 about 325 million in grant applications. Let me move to
16 the next slide.

17 BOARD MEMBER ESCUTIA: Wait, wait --

18 MR. KELLY: Sure.

19 BOARD MEMBER ESCUTIA: Before you go there,
20 Brian, if I may? Well, it says I can't start the video.
21 But okay so I'll just go like this. Usually, when I hire
22 lobbyists, you know, to represent USC I always get an
23 advocacy plan. So I'm assuming that you have an advocacy
24 plan by our federal lobbyists as to who they're going to
25 lobby, goals and timetables, and just really identifying

1 the boots on the ground. The reason why I think that's
2 critical, is because then we get a sense as to who they're
3 lobbying and when, especially if it involves some
4 congressional members. You know, some of us have access to
5 some of those congressional members, and we might be able
6 to supplement your efforts.

7 MR. KELLY: Director Escutia, I appreciate that
8 point. And I just want to say that we are developing now a
9 key advocacy plan, a broad advocacy and stakeholder
10 involved plan for the grant applications. Particularly
11 focused on not -- less the ones that are pending right now,
12 but really what we're heading to in 2023. Which is, by
13 the end of April, I think it's April 21st, we have the
14 application due for what's called the federal state
15 program, which I'm going to get into in just a minute here.
16 But as we do that, that application for most is going to be
17 large, it'll be in the billions. And we've already done
18 significant work with the FRA on what that will look like,
19 which is the chart that I want to pull up right now.

20 But I just -- to speak your specific point, we
21 will be coming back to you all and talking to you about how
22 we advocate. What I wanted to do, because I think it's a
23 better approach is to get as specific as we can about the
24 ask. In other words, get our application put together.
25 Make sure everybody understands exactly what we're asking

1 for. And then put in place a broad advocacy plan that will
2 involve everybody on this Board, our management team, the
3 Board, our stakeholder groups, as well as our
4 representation in Washington.

5 So I do appreciate the question. And as we
6 develop the specific grant application, we will be coming
7 forward with an advocacy plan that will accompany that.

8 BOARD MEMBER ESCUTIA: All right, thank you.

9 MR. KELLY: Sure. So this chart looks a little
10 bit complicated, but I want to because there's a lot of
11 color and letters, but I want to simplify this as much as
12 we can. On the left column there where you see the yellow
13 dots. That is the extent is all of the work between or the
14 geographical locations kind of north to south between
15 Merced and Bakersfield. And the blue box at the top are
16 the different phases of construction.

17 So you see environmental approval is the far
18 left, advanced design to 30 percent right-of-way, final
19 design to 100 construction, track and systems. These are
20 all the components that we'll need to get an operating
21 system not just for testing on the 119 miles, potential
22 operations sooner, but ultimately to operate the system
23 between Merced and Bakersfield the full 171 miles.

24 And so what this shows is, if you look at the
25 middle section Madera to Poplar Avenue, which is the 119

1 miles the dark green is what's been completed. And the
2 dark green and light green combined is what's funded and
3 already underway. So you can see that much of the Madera
4 to Poplar Avenue work is advancing and we're through, or at
5 least funded for the first track of -- track and systems.

6 Our initial application, which is identified on
7 here as the letter A. As we get to the April application
8 for the first round of the federal-state funding, we are
9 intending to seek dollars for all of these elements that
10 are part of the letter A. So what that means is, in the
11 first round of applications, we will seek funding for
12 right-of-way and other early work, and for the final design
13 to 100 percent for both the Merced and Bakersfield
14 extensions.

15 We will seek funding for the track and systems
16 for the second track, those are the three As on the right
17 side, the second track on the 119 miles.

18 And then we're also seeking funding for all of
19 the train sets that we will need, or federal funding for
20 train set procurement, which we will need for both testing
21 and ultimate operations. We want to get trainsets in this
22 now, because trains are a long lead item, they take some
23 time to manufacture. We want to get trains available to us
24 in time for testing on a 2028 timeline, and operations as
25 early as we can in the 2030 timeline.

1 So that is A. And then B is just the next year.
2 How we expect the federal government to do this program is
3 each year they'll put out a new round of Notice of Funding
4 Opportunities or Availability. And in the first phase is
5 A. B -- the letter B indicated by the sort of tan color
6 toward the top of the fourth row in our civil construction.
7 That's what we will focus on in our next round of seeking
8 funds. And that is for the civil construction work north
9 toward Merced. And as we get to the next round the
10 following year, phase C, we'll cover things like
11 construction toward both Merced and Bakersfield, and
12 additional track for each of those segments, and so forth.

13 So at the bottom is phases, A, B, C, D, and D1
14 and 2. And each of it (indiscernible) ultimately gets of
15 this entire chart would be green, complete. And we need
16 and we've indicated in the project update report that we
17 need federal funding to get there. And we've been very
18 clear about that. And our objective, and our goal is over
19 the course of the next five years, we have a goal of
20 achieving about 8 billion in federal funds for this.

21 Our initial application for the federal state
22 program, I mentioned that we have 300 million pending now.
23 The federal state program, we will apply for on the order
24 of about \$3 billion, just under about 2.8. And again,
25 that'll be for all the things that are on A.

1 The other thing I think I want the Board to know
2 is that this chart has been the product of communication
3 we've had between our staff and the Federal Railroad
4 Administration. And some of us, the Board Chairman, and
5 myself, and Brian Annis were at a meeting last October with
6 the US Department of Transportation, where we talked about
7 what was then a mega grant application. We had -- the mega
8 grant didn't go particularly well for the State of
9 California. But the good thing was immediately after that
10 meeting the FRA reached out to us and said what we need is
11 an understanding of how you guys will apply for money over
12 the next five years, what you will apply it to, and what
13 your milestones and deliverables will be. And that's what
14 this chart reflects.

15 And I would just say that to date it's been very
16 well received by the FRA. It is the product of that
17 communication over the last several months. And it really
18 does reflect our strategy going forward. Next slide,
19 please.

20 Again, I may have verbalized all of this already,
21 so I'll move through it really quickly. But again we
22 developed this grand step strategy to leverage available
23 state matching funds to maximize the federal awards. A
24 couple of things about this project that make it uniquely
25 qualified for a good candidate for federal funding now is

1 aside from all the benefits, including those economic
2 benefits that you just heard about, is that the project now
3 is well -- these elements of the project are well through
4 the environmental process. We're into design and for much
5 of this we're into construction. And what that means is
6 the federal dollars we get we can put to work immediately.
7 There's no waiting for another approval phase, these
8 dollars can get to work. So that's an important element
9 for us.

10 The other thing that's important to know about
11 the -- particularly the federal state program is there's a
12 large segment of the United States, the Northeast Corridor,
13 where there's a lot of rail and a lot of transit that I
14 don't expect to play very much in this program going
15 forward. Because that geographic area got a separate
16 amount of money in the IIJA just for that program. So we
17 will not be competing with everybody from the Northeast
18 quarter for the remaining available funds.

19 Again, we worked this through with the FRA staff
20 in terms of what our process looks like. We've targeted 8
21 billion in federal awards over the six programs over the
22 course of the next five years. We have matched money
23 through Cap-and-Trade funding and some of the bond funds
24 but again, mostly Cap-and-Trade funding going forward.

25 Currently, in California we are spending -- the

1 State of California is funding 85 percent of this program.
2 And this is a federal state program. And usually federal
3 state funded projects have a much more equitable share
4 distribution between the feds and the state.

5 If we get everything we want out of this program
6 in terms of what we are applying for, California will still
7 be funding about 65 percent of the program.

8 So again we think our ask is fair, we think it's
9 equitable. And it's our ability to match the federal funds
10 again that make us a very strong candidate for these
11 dollars. We have available funds to match and put these
12 dollars to work.

13 I mentioned that the with the Phase A priority
14 list including the work on the 119 mile segments, the
15 double track, funding train stets, getting right of work --
16 right-of-way and other early work done on the Merced
17 extensions. This is primarily what our grant application
18 will be focused on as we go forward. Next slide.

19 Again, this is just another slide that shows some
20 of the deadlines for the grant applications that are in
21 front of us in 2023. The first one is coming up very
22 quickly. It's a smaller program. It's really for getting
23 corridors' early planning dollars, if you will, into
24 corridors that we know will be interested in. So we're
25 applying it's a \$500,000 relatively small planning one to

1 get into what's called the Corridor ID program. And it's
2 at least an acknowledgement by the federal government that
3 we will be working together on corridor development.

4 So some of our future corridor things will be
5 part of that whether it's finishing Bakersfield and Merced,
6 or extending to some of the other sections, we want to get
7 these corridors in the priority list for future funding.
8 So that's the March 27th deadline.

9 I mentioned the federal state one, this is the
10 biggest pot in the IIJA, and all applicants have to be
11 inner city rail providers. That application is due April
12 21st. We are in the development of that now.

13 And then future rounds of all of those bipartisan
14 infrastructure law programs will help us fund phases B
15 through D on the chart that I showed earlier. And again
16 those will -- as those come forward, we will again be very
17 active, no NOFO or NOFA will go forward without us being
18 participants in that.

19 And so fundamentally, that's where we are.
20 That's our approach right now to federal funding. I want
21 to pause here before I go on with the rest of the CEO
22 Report and just ask and see if there's any questions from
23 the Board.

24 CHAIR RICHARDS: Any questions for our CEO thus
25 far?

1 BOARD MEMBER CAMACHO: Yeah, Brian. One quick
2 question. On the grant funds are we also going to be
3 competing against our neighboring state in Brightline?

4 MR. KELLY: Yeah I mean I anticipate -- you know,
5 Brightline, when it first came forward, you might recall
6 Ernie, was going to be a private only operator and
7 developer of that project. And I think what they've seen
8 and what we've seen with other High-Speed Rail projects
9 around the globe, and certainly around the country, trying
10 to do this stuff private-only is difficult because the
11 capital needs are so big. So I am expecting that
12 Brightline will be an applicant for some of these funds.
13 And I believe that will likely apply through the Nevada
14 Department of Transportation, not through California. But
15 I do think they will also be an applicant for funds here.

16 BOARD MEMBER CAMACHO: Well I mean, realizing
17 that they are going to take the I-15 to Rancho Cucamonga
18 and be able to hook up with the Metro Link, which is using
19 a lot of the things that we have helped develop. And so
20 it's disheartening to see that that we have another
21 neighbor competitor.

22 MR. KELLY: Yeah, although I would say just the -
23 - you know, something that's a little bit different there.
24 Their route is not along our alignment. It's their own
25 alignment. They're going east to west, ours is the north

1 to south -- from Nor Cal to Southern California. It again,
2 it's electrified High-Speed Rail, which is generally
3 supported here.

4 I do think you know, what's important to us is
5 that we achieve things that are efficient together like
6 interoperability of equipment, interoperability of station
7 requirements and things like that for that future where we
8 may be sharing some stations and maybe even sharing some
9 routes. We're not there yet. But I see a future where
10 operational considerations for the two of us are going to
11 have to be combined and considered.

12 BOARD MEMBER CAMACHO: They will also be able to
13 share ridership.

14 MR. KELLY: No doubt. Especially where there are
15 places like Palmdale. If they're coming from the east, and
16 at the stop there, we're bringing folks from the north or
17 the South there becomes the ridership benefit of meeting in
18 a single location with the two different routes get really
19 beneficial to both parties. And so there's reasons to
20 figure that out.

21 BOARD MEMBER CAMACHO: Thank you.

22 (Overlapping colloquy, multiple voices.)

23 BOARD MEMBER SCHENK: Brian. Hello? Brian.

24 MR. KELLY: Yes.

25 BOARD MEMBER SCHENK: Oh sorry, Ernie. Were you

1 not finished? Hello?

2 MR. KELLY: Go ahead, Lynn. I think Ernie is
3 finished.

4 BOARD MEMBER SCHENK: Okay. Thanks, Brian.
5 Well, I don't want to get too deep in the weeds about our
6 conversation yesterday. But building on what Martha said
7 about an advocacy plan, as I said yesterday the advocacy
8 team is going to be pretty critical. And you know, it's
9 never just one person for one agency or decision maker.
10 And it's really critical that we be very strategic in the
11 team that we put together. It doesn't have to be something
12 for the next 10 years, but certainly for this go round. We
13 need to take a fresh look at the whole team.

14 MR. KELLY: Agreed.

15 BOARD MEMBER PEREA: Brian, I just have one quick
16 question. And you may have covered this before, but why
17 did Brightline pivot to where they're going now as opposed
18 to Palmdale?

19 MR. KELLY: They had a -- well, they were never -
20 - their initial operating run was from not quite Palmdale,
21 but Victorville to Las Vegas. And, you know, I think
22 candidly for lack of a better term, they had trouble
23 selling bonds and getting investors to invest with that
24 ridership number between Victorville and Vegas. And I
25 think pivoting to Rancho Cucamonga gave them a better

1 ridership portfolio. It improved things from an investment
2 level. And I think that's primarily why they made that
3 move.

4 BOARD MEMBER PEREA: Okay, thank you.

5 MR. KELLY: Sure.

6 Any other questions on the federal strategy?

7 CHAIR RICHARDS: No.

8 MR. KELLY: No? Okay.

9 CHAIR RICHARDS: Go ahead.

10 MR. KELLY: I'll roll quickly through one more
11 item. And then just a note -- a sort of personal note for
12 the Board --I did mention I just wanted to update the
13 Construction Package 4 as I know, we've talked about
14 certainly in F&A Committee and in prior Board presentations
15 like last month. We're working really hard to get the CP4
16 package to final completion. I want to recognize and thank
17 the legal team, and Dennis Kim in his work as real property
18 and the head of the third-party agreement team.

19 They really executed in the last month, two key
20 written agreements we had to get done, utility agreements
21 with irrigation districts, the North Kern Water Storage
22 District, and the Semitropic Water Storage District. Both
23 of these have facilities that we need to move to make sure
24 that we can come through that area. We have to also
25 preserve their very important work that they do on

1 supplying water to growers in that area. And so it's been
2 a delicate conversation. It's been long and coming. It's
3 been a tough negotiation. But getting these agreements
4 done both with the North Kern Water District and Semitropic
5 will help us advance.

6 This is work again, not on our facilities, but on
7 theirs. And it's important that this work got done and
8 with these agreements, we're confident that we can move
9 forward on the construction. So it's very important stuff.
10 And I want to do acknowledge that.

11 And then lastly I just wanted to make a note on
12 an unfortunate development, if you will, that came to my
13 attention last Thursday on March 9th. And that was news
14 that we had lost a consultant who worked very closely with
15 our staff on this project. And I wanted to just
16 acknowledge the work of Peter Humphreys, who came to us
17 through WSP, but did a lot of work for this program on the
18 commercial side.

19 Peter suffered a heart attack I believe it was on
20 Thursday, March 9th. That's when I was notified. And he
21 passed, and I wanted to just spend a moment to acknowledge
22 that he worked on this project for several years in the
23 commercial space. In the interactions I had with Peter I
24 found his counsel invaluable, both to the Authority and to
25 me on commercial issues including how we properly value

1 change orders and things that are in front of us. There's
2 a lot of commercial analysis that goes into that. And
3 again, in my experience I found his counsel to be smart,
4 always well analyzed, and very well presented. And in
5 short, he just inspired confidence in me. And I felt like
6 when I've got input from Peter I felt really good about
7 where we were going and how we were going to solve an
8 issue. And so his loss is a great loss to the Authority.
9 And it's deeply felt by both the state staff and his
10 consultant colleagues. And I just wanted to acknowledge
11 his great work.

12 I also wanted to publicly express my sincerest
13 and deepest condolences to his family and his loved ones.
14 And I wanted to ask Mr. Chairman, with your approval, if we
15 could adjourn today's meeting in Peter's memory. So thank
16 you.

17 CHAIR RICHARDS: We shall, and thank you very
18 much for all of that. And our thoughts also from the Board
19 members to his family.

20 MR. KELLY: Thank you, Mr. Chairman.

21 CHAIR RICHARDS: All right. Any further
22 questions or comments for Mr. Kelly? (No audible
23 response.) Thank you very much, colleagues. Thank you,
24 Brian.

25 We'll just very quickly go over just some of the

1 numbers that we reviewed today on the Finance and Audit
2 Committee meeting with regards to the project.

3 Very quickly in terms of cash available, we've
4 got -- these numbers by the way, are as of January the 31st
5 -- cash available, about 1.7 billion, 1.6 of that is from
6 Cap-and-Trade. What's not included in the January numbers
7 is the result of the November, and then the result of the
8 February auction of Cap-and-Trade. The expectations are
9 that the Authority will receive approximately 239 million
10 from the November auction and approximately 221 million
11 from the February auction.

12 And in addition to that, the Treasurer's Office
13 is in the process of issuing commercial paper and selling
14 Proposition 1A bonds which is expected to bring to the
15 Authority over the next several months about an additional
16 \$1.5 billion.

17 The administration budget for the Authority in
18 January, in the spent was \$6 million. It's about a million
19 higher than the same month the previous year. The basis
20 for that is the filling of about 45 vacant positions on the
21 Authority staff.

22 Capital outlay for the month of January was 81.2
23 million of which 63.8 of that were designed build
24 expenditures. The preliminary numbers, and these are
25 preliminary for the month of February, the 81.2 billion --

1 or million excuse me, that we spent in January is expected
2 to be about 102.5 million.

3 The contingency summary which will be impacted by
4 the action that the Board took earlier today for
5 contingency, we had at the end of January, 271 million.
6 With that Expenditure Authorization that the Board acted on
7 today, that will be adjusted, and those new numbers will be
8 represented in next month's reporting to you.

9 Labor was lower in January, likely the result of
10 the weather, down to 874 workers was on the site per
11 average daily, decrease of about 90 from the month before.
12 There are only 86 at the end of January, 86 parcels
13 remaining to be purchased. 2,213 have been purchased and
14 delivered out of a total of 2,299 which are necessary, or
15 in other words 96 percent of the total requirement by the
16 Authority for the CP1, 2 and 3 -- 1, 2-3, and 4.

17 Utility relocations completed are at 53 percent.
18 We've had some discussion on this earlier in this meeting,
19 so I won't belabor that at this point. Any questions on
20 any of that from any of my colleagues?

21 All right, hearing none ladies and gentlemen, we
22 are going to adjourn to a closed session. After that
23 closed session, which we're expecting to last approximately
24 20 minutes I'll come back out to report to you on any
25 findings that we may or may not have had that need to be

1 reported to the public.

2 So in about 20 minutes hopefully that will occur.
3 If you would like to wait, you can get an update on that at
4 that point. With that we will now adjourn I think
5 somewhere upstairs, to a closed session, and we'll be back
6 hopefully in about 20 minutes.

7 (Off the record at 12:34 p.m.)

8 (On the record at 12:52 p.m.)

9 CHAIR RICHARDS: Ladies and gentlemen, this is
10 the California High-Speed Rail Authority Board of Directors
11 meeting. We have just concluded a Board closed session,
12 and the Board had -- there was no action taken and we have
13 nothing to report.

14 So with that, ladies and gentlemen, thanks for
15 joining us. We'll see you hopefully next month. Have a
16 good weekend. The meeting is adjourned.

17 (The California High-Speed Rail Authority
18 adjourned at 12:52 p.m.)

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CERTIFICATE OF REPORTER

I do hereby certify that the testimony in the foregoing hearing was taken at the time and place therein stated; that the testimony of said witnesses were reported by me, a certified electronic court reporter and a disinterested person, and was under my supervision thereafter transcribed into typewriting.

And I further certify that I am not of counsel or attorney for either or any of the parties to said hearing nor in any way interested in the outcome of the cause named in said caption.

IN WITNESS WHEREOF, I have hereunto set my hand this 30th day of March, 2023.



MARTHA L. NELSON, CERT**367

TRANSCRIBER'S CERTIFICATE

I do hereby certify that the testimony in the foregoing hearing was taken at the time and place therein stated; that the testimony of said witnesses were transcribed by me, a certified transcriber and a disinterested person, and was under my supervision thereafter transcribed into typewriting.

And I further certify that I am not of counsel or attorney for either or any of the parties to said hearing nor in any way interested in the outcome of the cause named in said caption.

IN WITNESS WHEREOF, I have hereunto set my hand this 30th day of March, 2023.



Myra Severtson
Certified Transcriber
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