



DRAFT

FINANCE AND AUDIT COMMITTEE MEETING MINUTES

December 6, 2023

Main Location

**Department of Food and Agriculture Auditorium
1220 N Street
Sacramento, CA**

Webcast at:

www.hsr.ca.gov

The meeting of the California High-Speed Rail Authority (Authority) Finance and Audit Committee Meeting was called to order on December 6th at 8:30 A.M. at 1220 N Street, Sacramento, CA. The Meeting Minutes were prepared in the order items were presented during the meeting.

Committee Members Present:

Mr. Tom Richards, Committee Chair
Mr. Ernie Camacho, Committee Member
Mr. James Ghielmetti, Committee Member

Staff Present:

Mr. Brian Annis, Chief Financial Officer
Ms. Alicia Fowler, Chief Council
Mr. Daniel Horgan, Deputy Chief Operating Officer
Mr. Britton Snipes, Board Secretary
Ms. Paula Rivera, Chief Auditor

Public Comment

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

Item #1 – November 2nd Meeting Minutes

The November 2nd, 2023, Meeting Minutes were moved for approval by F&A Committee Chair Tom Richards and seconded by Committee Member Ernest Camacho. The meeting minutes were approved by all committee members present.

Item #2 – Audit Report by Chief Auditor

Chief Auditor Paula Rivera presented the Pre-Award Reviews for HSR22-10 (Central Valley Heavy Maintenance Facility Environmental Services) and HSR23-21 (Rail Systems and Engineering Services) to the F&A Committee Members.

Question (Rail Systems and Engineering Services):

Chair Richards asked when people do submit, they have indirect costs or whatever costs that they put into their proposals that need to be adjusted, is there some sort of indoctrination that the contractors and subcontractors go through first, so they know what is acceptable and not acceptable? If you were not doing this, we would potentially be signing contracts that could be overpaid, I have not noted many that were underpaid. What is the reason for that?

Response:

Ms. Rivera responded it depends on the sophistication of the company and their experience working with other governmental agencies. If we see a firm that has worked with CalTrans and Water Resources and maybe VTA or BART, then they have a lot of experience with the federal regulations and indirect rates. Then it is a quick check to see that we are all of the same understanding. If it is a firm that has not done work with a government before, especially in an actual cost situation where they cannot just bill commercial rates, then it is an education process. That is where I think the Pre-Award is very valuable. We have an opportunity to educate those firms that do not interact with the government often so we can get them started in the right direction, understand what an adequate accounting system is, what is necessary to be able to support the billings. Then once a contract is executed, we offer a presentation to the prime and all the subs about the specifics of the indirect rates. Once you are under contract, then we have a presentation that goes through resources that are available, how to calculate an indirect rate, what sort of information you need, time sheets, trial balances, that sort of thing. The Pre-Award really just helps us at this stage.

Item #3 – Executive Summary by Chief Financial Officer

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

Question (Accounts Payable Aging and Disputes):

Member Camacho asked is there a reason that the auction was so high?

Response:

Mr. Annis responded yes; it is the settlement price of the allowances. The settlement price in the auction was about \$38 per allowance. When the Cap-and-Trade program began more than decade ago, the prices were more like \$12 an allowance. This \$38 mark is above the minimum price that the Air Board sets. Every year they do reduce the number of allowances that are offered for sale. It is that market pressure that the industry either has to figure out how to reduce emissions and if they cannot the auction mechanism is going to push prices up, so that is what is happening.

Item #4 – Central Valley Update by Deputy Chief Operating Officer

Chair Richards announced that the Central Valley Update would be replaced by the Construction Update during the Board Meeting and would not presented during the F&A Committee Meeting.

Having no further business, the meeting was adjourned at 8:52 A.M.

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