

CALIFORNIA HIGH-SPEED RAIL AUTHORITY

BOARD OF DIRECTORS MEETING

January 18, 2024
9:30 a.m.

Main Location
Department of Food and Agriculture
Auditorium
1220 N. Street,
Sacramento, CA 95814

Public Comment by Zoom:
<https://hsr-ca-gov.zoom.us/j/82556394605>

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The California High-Speed Rail Authority's January 18, 2024, board meeting will be conducted in-person and via webinar. Board Members will participate in the meeting from The Department of Food and Agriculture, 1220 N Street, 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

Henry Perea

James Ghielmetti

Anthony Williams

Emily Cohen

EX OFFICIO BOARD MEMBERS

Assembly Member, Dr. Joaquin Arambula (Absent.)

Senator Lena A. Gonzalez (Absent.)

STAFF

Brian Kelly, Chief Executive Officer

Alicia Fowler, Chief Counsel

Brian Annis, Chief Financial Officer

Christine Inouye, Chief Engineer of Strategic Delivery

Derek Boughton, Reporting Branch Chief

Dennis Kim, Director of Real Property

Daniel Horgan, Deputy Chief Operating Officer

Britton Snipes, Board Secretary

APPEARANCES (Cont.)PRESENTERS:

Brian Annis, Chief Financial Officer

Christine Inouye, Chief Engineer of Strategic Delivery

Derek Boughton, Reporting Branch Chief

Brian Kelly, Chief Executive Officer

Committee Vice Chair Miller, F&A Committee A/Chair

PUBLIC COMMENT: (*for Zoom / Online Participants)

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P R O C E E D I N G S

9:30 a.m.

PROCEEDINGS BEGIN AT 9:30 A.M.

CALIFORNIA, WEDNESDAY, JANUARY 18, 2024

CHAIR RICHARDS: Good morning, ladies and gentlemen. And welcome to the Board meeting for the California High-Speed Rail Authority, January 18th, 2024.

We'll first call the meeting to order and ask the Secretary to call the roll.

MR. SNIPES: Thank you, Mr. Chairman.

Director Schenk.

BOARD MEMBER SCHENK: Here.

MR. SNIPES: Chair Richards.

CHAIR RICHARDS: Here.

MR. SNIPES: Director Camacho.

BOARD MEMBER CAMACHO: Here.

MR. SNIPES: Vice Chair Miller.

VICE CHAIR MILLER: Here.

MR. SNIPES: Assemblymember Arambula. (No audible response.)

Director Perea.

BOARD MEMBER PEREA: Here.

MR. SNIPES: Director Ghielmetti.

BOARD MEMBER GHIELMETTI: Here.

MR. SNIPES: Director Escutia. (No audible

1 response.)

2 Director Williams. (No audible response.)

3 Senator Gonzalez. (No audible response.)

4 Director Cohen.

5 BOARD MEMBER COHEN: Here.

6 MR. SNIPES: We have a quorum.

7 CHAIR RICHARDS: Thank you.

8 And if I could ask our Vice Chair, Vice Chair
9 Miller, to lead us in the Pledge of Allegiance.

10 VICE CHAIR MILLER: Of course, please stand.

11 (Whereupon the Pledge of Allegiance was recited.)

12 CHAIR RICHARDS: Thank you.

13 And as we do at each meeting, we will start with
14 public comment. First if the Secretary will advise the
15 people in the audience and those calling in how they can
16 address us. And Mr. Secretary, you're on.

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

18 Good morning, everybody. Before we begin public
19 comment for the High-Speed Rail Board of Directors meeting,
20 I would like to go over some important information.

21 For members of the public who have joined us in
22 person and wish to provide comment, you will be called upon
23 in the order that we have reserved your card. If you're
24 joining the meeting via Zoom and wish to provide public
25 comment, please raise your hand using the feature in the

1 bottom left of your screen. Or if you're dialing in by
2 phone pressing the number 2 will raise your hand and put
3 you into our queue. Speakers will be called upon in the
4 order that their hands are raised.

5 Once you are in the queue, and your name is
6 called, please click the prompt at the bottom of your
7 screen to allow your microphone to be unmuted. If you are
8 joining by phone, we will call on you by the last four
9 digits of your number. At that point, you will hear a
10 message that your phone is being unmuted.

11 Each speaker will be given two minutes to speak.
12 I will remind you when you have 15 seconds remaining. When
13 it is your turn to speak, please slowly and clearly say
14 your first and last name, and if applicable state the
15 organization that you are representing.

16 Mr. Chairman, we do not have any in-person
17 speakers at this time. And we do not have any online
18 speakers at this time.

19 CHAIR RICHARDS: I guess we've lost our mojo.
20 What has happened? There must be somebody responsible for
21 that.

22 Well with that then ladies and gentlemen, we will
23 move into today's agenda. Agenda Item Number One is to
24 consider the approval of the December 6th, '23 minutes.

25 BOARD MEMBER CAMACHO: So moved.

1 BOARD MEMBER UNKNOWN: (No audible response.)

2 CHAIR RICHARDS: A motion and a second. Please
3 call the roll.

4 MR. SNIPES: Director Schenk.

5 BOARD MEMBER SCHENK: (No audible response.)

6 MR. SNIPES: Chair Richards.

7 CHAIR RICHARDS: Yes.

8 MR. SNIPES: Director Camacho.

9 BOARD MEMBER CAMACHO: Yes.

10 MR. SNIPES: Vice Chair Miller.

11 VICE CHAIR MILLER: Abstain.

12 MR. SNIPES: Director Perea.

13 BOARD MEMBER PEREA: (No audible response.)

14 MR. SNIPES: Director Ghielmetti.

15 BOARD MEMBER GHIELMETTI: (No audible response.)

16 MR. SNIPES: Director Escutia. (No audible
17 response.)

18 Director Williams. (No audible response.)

19 Director Cohen.

20 BOARD MEMBER COHEN: Yes.

21 MR. SNIPES: The motion carries.

22 CHAIR RICHARDS: Thank you.

23 Ladies and gentlemen, Item Number Two this
24 morning is the consideration of approving the Updated Total
25 Expenditure Authorization Request of our Chief Financial

1 Officer, Mr. Annis.

2 Good morning, Brian.

3 MR. ANNIS: Good morning, Mr. Chair and Board
4 Members. So we're coming to you today with a -- I'm sorry,
5 did I jump the gun? Okay. We're coming to you today with
6 a --

7 UNIDENTIFIED SPEAKER: I just showed up. I just
8 jumped in, that's all.

9 MR. ANNIS: We're coming to you today with this
10 expenditure authorization request really, because of the
11 recent award of significant federal grants. We received
12 four federal grants in 2023, totaling about 3.3 billion.
13 The match requirement for those federal grants is about 900
14 million, so we have about 4.1 billion of new activity we're
15 ready to proceed with because of these federal grants.

16 In fact, Christine Inyoue comes after me with
17 part of that to advance final design. So we're coming to
18 you now so we can advance work as quickly as possible on
19 some of the newly funded scope. Next slide, please.

20 Just as a background for the Board, the Board
21 Policy 11-001 directs Board approval of the annual fiscal
22 year budget and multiyear program baseline budgets, or
23 sometimes we call them also expenditure authorizations.
24 The Board last approved an expenditure authorization in
25 March of 2023. And the amount approved was a \$20 billion.

1 Staff with this item is recommending the Board
2 approve a new authorization level of \$26 billion, an
3 increase of about 6 billion, again mostly generated because
4 of the federal grant awards. And also to update for some
5 of the 2023 project update report numbers as well. And
6 I'll go through those in more detail.

7 Again, we come to you today instead of later,
8 because we are able to get some of this work going very
9 quickly because some of the work would be based on current
10 contracts where we can issue a Notice to Proceed. Or in
11 the case of advancing design or in the case of right-of-
12 way, get to work very quickly as well with appraisals on
13 some of those early right-of-way efforts. Next slide,
14 please.

15 This is a little further detail on the Board
16 action in March of '23. Again, that action increased the
17 expenditure authorization to 20 billion. Really it was
18 supported by an action the Legislature had taken in the
19 prior year to appropriate the remaining 4.2 billion of Prop
20 1A bond funds in March. We did not comprehensively adjust
21 the program baseline budget for all costs in the 2023
22 Project Update Report. We focused on completing the civil
23 construction work CP1 through 4 and limited the adjustment
24 at that time to the CP1 through 4 civil work. Next slide,
25 please.

1 BOARD MEMBER CAMACHO: Brian, does that --
2 quickly -- does that mean that we've expended all the Prop
3 1A money?

4 MR. ANNIS: We have not yet expended all Prop 1A
5 money. We think it'll be that 4.2 billion would be fully
6 spent probably sometime in the '24-'25 fiscal year.

7 BOARD MEMBER CAMACHO: Okay.

8 MR. ANNIS: So this slide is just a status or a
9 summary of where we are today before this requested action,
10 again 20 billion is the expenditure authorization. I want
11 to note that most of that is that Central Valley civil
12 construction, the track and systems work. Also though it
13 does include the bookend funding, about 1.3 billion that's
14 the Caltrain electrification, LA Union Station, etc. It
15 also includes some early efforts that the Board authorized
16 on configuration level design on Merced to Bakersfield
17 extensions, and also the station design in that area as
18 well up to a configuration level. Next slide.

19 So a lot has happened since March of '23. So the
20 January 2024 expenditure authorization we're requesting
21 today would incorporate those major updates of again the
22 3.3 billion of federal grant awards, and we'll go through
23 those on the next slide. We note though, at a high level
24 that the federal grants in our not only advancing design
25 and construction on Merced to Bakersfield, but very

1 significantly are also provided funds for the six high-
2 speed rail train sets that of course the Board had issued,
3 approved the issuance of the Request for Qualifications
4 late last year.

5 Those procurements have advanced again the RFQ.
6 The Rail Systems Engineering Services Contract the Board
7 approved last year has been executed. And of course, the
8 Board's also approved the release of the track and systems
9 design contract. And there'll be many more procurements
10 coming to the Board this spring around train sets and track
11 and systems as well. Next slide.

12 So our four federal grant awards in 2023 are as
13 follows. The big one of course, Fed-State Partnership
14 awarded in December. That's 3.074 billion. It includes
15 six train sets, train set facilities, construction of the
16 Fresno station, final design and right-of-way acquisition
17 for the Merced and Bakersfield extensions, and funding to
18 extend construction into Bakersfield. That's about a 13-
19 mile extension that the Federal Government chose to focus
20 on there. It gets as near the Bakersfield airport from
21 Poplar down to 13 miles down near -- again, I think it's
22 just to the west of Highway 99 near the airport.

23 I'd just note here we've received some questions
24 recently on this. So we did apply for the second track on
25 the 119-mile segment. The Federal Government did not fund

1 that with this particular Fed-State Partnership Grant.
2 They chose instead to focus on an additional 13 miles of
3 construction toward Bakersfield. So you know, we continue
4 to look for funding for that second track. I know that the
5 Legislature, the Board, wants to see that built as a two-
6 track system initially. And it makes a lot of sense to do
7 so, so we'll continue to explore a future federal grants
8 for that. Or if we don't receive those then we'll explore
9 the option of state funding to support the second track
10 construction.

11 BOARD MEMBER PEREA: So as we put out our Track
12 and Systems RFP, or we're going to be putting out for two
13 tracks or one track?

14 MR. ANNIS: Well, because that's a multistage
15 procurement, the first step will be bringing on the
16 contractor to design, so they'll design it as a as a two-
17 track system. And then the first action in construction
18 would be for CP4, for I think in about a year. So at that
19 point we would need to identify the funding, and we would
20 with that contractor negotiated price for starting with the
21 CP4 construction.

22 And again, the hope is by that time we'll have
23 identified the state funds or the federal grant awards to
24 go ahead and build it as a two-track system.

25 BOARD MEMBER PEREA: Okay, that's going to be a

1 problem.

2 MR. KELLY: Well, it's the reality of not having
3 all our funding in place. And so what we're -- our
4 intention is to build a two-track electrified system for
5 all 171 miles. And the interesting thing about what the
6 Federal Government did on this grant, it's a very good
7 grant for us, but they extended the -- as Brian indicated,
8 they give us money to extend further into Bakersfield for
9 two tracks into Bakersfield. So we're going to build two
10 tracks along the entire thing. We have to work through the
11 chronology of how it's done based on available funding.

12 And so that's the way we're going to do it. But
13 ultimately, when we're in service we want to build a two-
14 track electrified system regardless of the costs.

15 BOARD MEMBER PEREA: What's the dollar amount for
16 that second track?

17 MR. KELLY: It's about 1.4 roughly for that
18 second track.

19 BOARD MEMBER PEREA: Okay, thank you.

20 BOARD MEMBER GHIELMETTI: We're still short money
21 to finish this whole segment. We don't have all the money.
22 We're probably about \$7 billion short, that we still have
23 to find to finish this segment from Bakersfield to Merced
24 as a two-track system. So the Board's got to go after it
25 and get the rest of these funds, so we can finish this

1 thing.

2 MR. KELLY: Yeah, I think it's --

3 BOARD MEMBER PEREA: Over time, but initially
4 we're going to be designing the construction of two?

5 MR. KELLY: Yes, two tracks. It makes all the
6 sense in the world to build the initial operating segment
7 as two tracks.

8 BOARD MEMBER PEREA: Yeah.

9 MR. KELLY: And so that's what we've indicated
10 we're going to do. Look, the entirety of this project from
11 day one is about been scrambling to find money to do what
12 we need to do. And candidly, we've been wildly successful.
13 And so we're going to continue to be.

14 And so, as Jim indicated, last year we put out
15 the Project Update Report. We updated the cost estimate to
16 get the 171 mile segment done. We indicated there was an
17 \$8 to \$10 billion gap. We identified a five-year federal
18 funding strategy to get about 8 billion in federal funds.
19 And in the first two years of that five-year strategy we're
20 at 3.4 billion. And so we're going to continue to keep
21 going back.

22 And we're very clear, and you'll hear us say as
23 we get to the Business Plan and things that are coming up
24 next on the horizon, that we still need to stabilize state
25 funding for this project, because our only source of

1 ongoing money expires in 2030. And that's got to get
2 stabilized, so we can do all the things we need to do. And
3 those are the conversations that we're going to have in
4 front of us.

5 But I don't want to -- at the same time I
6 certainly don't want to undervalue what the Federal
7 Government just did. Because you're going to see a chart
8 shortly I think here, about how it changed our future just
9 with this one grant in terms of what we can fund. It's
10 amazing. And we've got to just keep going at it and keep
11 fighting the fight and keep working to get it done.

12 (Overlapping colloquy. Yeah, no question.)

13 CHAIR RICHARDS: I think you can make it even
14 stronger than that. The Federal Government, our management
15 team in looking at the IGA determined what we thought we
16 could compete for in 2023. And the Federal Government
17 funded exactly what we thought we could compete for, so
18 there was no more that we could have asked for in the
19 federal state partnership. But the key is now what happens
20 in '24-'25 in the balance of the IGA.

21 BOARD MEMBER SCHENK: Mr. Chairman?

22 CHAIR RICHARDS: Yes?

23 BOARD MEMBER SCHENK: If I could just comment?

24 You know, having seen the various expenditure
25 authorizations over the years this is a good news one.

1 This is one I'm real happy to see, and don't -- think that
2 it portends good things for the future. It puts us in the
3 right momentum. So, you know, we were so used to sort of
4 negative reports, and this one is very positive. So I'm
5 very pleased to see it. Thank you.

6 CHAIR RICHARDS: Thank you, Director Schenk.

7 MR. ANNIS: Yeah, and three other grant awards to
8 mention here on the slide. The CRISI Award of 202 million
9 for six grade separations in the City of Shafter, the RAISE
10 Grant for 20 million, Fresno historic depot renovation.
11 And lastly, a grant that is small in award amount, but it's
12 significant ongoing because we've been accepted into the
13 FRA's Corridor Identification and Development Program. So
14 that comes with an automatic award of 500,000, which isn't
15 a lot of money. However, being in the program is putting
16 us in the priority for future work. We've been accepted in
17 really one of the national priority corridors, so that will
18 be helpful for future planning grants. It'll be helpful
19 for future construction grants, because we've been
20 prioritized.

21 MR. KELLY: And Brian, just to be clear for the
22 Board and the public, that prioritization in that Corridor
23 ID Program, tell people what the scope of that corridor is.

24 MR. ANNIS: Sure, so this is the Phase 1 Corridor
25 from San Francisco to Los Angeles, Anaheim. So that full

1 corridor has been brought in. So again we think when we
2 apply for future, you know, advancing design work, planning
3 efforts, all of that will be in a higher ranking, because
4 we're part of this Priority Corridor Program. All right.
5 Next slide, please.

6 So in addition to the new federal grant awards,
7 as mentioned, the last expenditure authorization provided
8 updates for the PUR related to the civil construction.
9 What we're asking now is that we do the other components of
10 the '23 PUR track and systems is, again for the single
11 track is what we've included in the baseline to date,
12 because that's what the federal ARRA grant requires. So
13 there was an adjustment for the second track.

14 And this came up earlier in the discussion, about
15 1.4 -- I'm sorry, this number, 1.4 billion is in the PUR
16 for the single track.

17 The other construction work in the Central
18 Valley, 127 million. It includes things like ongoing
19 property management, freight rail coordination, State Route
20 46 work we're doing in coordination with Caltrans.

21 And lastly, Program Management and Support/Other.
22 This includes ongoing support contracts for the Central
23 Valley and program wide. So this is our Project Delivery
24 Partner, all the other contracts that assist us in our
25 efforts -- not just for the Central Valley construction,

1 but also for managing our remaining two environmental
2 clearances. The other statewide work that includes things
3 like the Business Plan and other statewide efforts. Next
4 slide, please.

5 VICE CHAIR MILLER: Can I just ask, Brian, on the
6 second track? I know you're not asking for that funding,
7 or that authorization at this time. But it's just an
8 authorization. We don't necessarily have to have funding
9 for that to budget for it, right?

10 MR. ANNIS: Well, historically the baseline
11 budget or the expenditure authorization as I see it, it's
12 been part of our funded program. So we have for Merced to
13 Bakersfield at the P65 level at a \$35 billion budget, if
14 you will. But what we're proposing is to bring into the
15 expenditure authorization those components as they have
16 their funding identified specifically.

17 VICE CHAIR MILLER: I understand that. I just
18 don't want anyone to get the impression that we're not
19 thinking two tracks.

20 MR. ANNIS: Right.

21 VICE CHAIR MILLER: Right?

22 MR. ANNIS: Correct.

23 VICE CHAIR MILLER: Okay.

24 MR. ANNIS: So again this is just a summary in
25 numbers of what we talked about, of primarily the federal

1 grant awards that are resulting in the changes here.
2 Again, going from 20 billion in the current authorization
3 to 26 billion with the new authorization. Next slide.

4 So that the next slide gets to the funding, we
5 have to support this, and this is our stack chart of
6 different funding sources. So about in the middle of the
7 chart in purple is our new grant funds, about \$3.3 billion.
8 And then as we get in the top three or four blocks we get
9 to Cap-and-Trade. We feel fairly certain given the last
10 few years of Cap-and-Trade that our funded program is
11 solidly around \$28.7 billion now with the new federal
12 grant. And that's assuming Cap-and-Trade stays the level
13 it has been the last two years of about a billion dollars a
14 year coming to the Authority.

15 We do note the last two Cap-and-Trade trade
16 auctions have been very robust. And those if we continue
17 at the level of the last two auctions, the Authority would
18 be bringing in closer to 1,250,000,000 a year. So we do,
19 in this chart, show that level as well. These are the kind
20 of the boxes on the top left of the form here. Again, kind
21 of as a baseline number you might consider 28.7 billion.
22 If Cap-and-Trade trade was lower by 250 million a year that
23 would drop to a 27 billion funded program. Again, if it's
24 higher it's 30.5 billion.

25 Relative to our 8 billion federal target we've

1 again brought in 3.3. That would leave 4.7 billion. So
2 again, success on achieving the 8 billion target would
3 bring us to about 35 billion again with the high Cap-and-
4 Trade assumption. So really in all scenarios here
5 presented with ranges of Cap-and-Trade, we have sufficient
6 funding for this baseline program we're asking the Board to
7 adopt.

8 Again, 26 billion in expenditures and we think,
9 you know, most likely about 28.7 billion in revenues. So
10 about an extra 2.7 billion of revenues.

11 I'll note, you know, we're reserving a lot of
12 those future revenues to match future grants. So that
13 amount may be something around 2 billion would match 2
14 billion of state funds, would match the 4.7 billion of
15 future federal awards. But still again I think a good
16 picture of funding for the scope we're bringing to you
17 today.

18 And, you know, back to the second track
19 discussion, you know certainly if Cap-and-Trade stays at
20 the robust level we've seen in the last two auctions, I
21 think there's a pathway there to see using some state funds
22 to fund that second track cost as well. But I'd like to go
23 another year or so and see how we do with federal funds,
24 come back to the Board when construction is ready to start
25 on track and systems.

1 MR. KELLY: Hey, Brian, and Board Members, I just
2 want to make one comment, because you're going to hear me
3 reference some of this later in this hearing when I talk a
4 little bit about the upcoming Business Plan. I do think
5 one thing that that chart reflects is something that
6 especially with the reinvigoration, if you will of our
7 federal partnership, we really have to solidify the state
8 side of the equation. It's good to have Cap-and-Trade
9 dollars. And it's good to see Cap-and-Trade be as vibrant
10 as it has been the last two years. And it looks like
11 that's going to continue.

12 And we're happy with that, but there are things
13 about the instability that makes it hard to manage a major
14 infrastructure project. For example, some years it could
15 be down. Some years it could be up. We've had rough years
16 and good years. And that just makes it really hard to
17 predict and stay on task with certain work that we do. And
18 so we've talked in prior Business Plans, we will certainly
19 talk to the next Business Plan, but it's especially true
20 now with the Federal Government reengaged in this project
21 to really stabilize as soon as we can that Cap-and-Trade
22 number. That Cap-and-Trade trade figure.

23 And that means either working closely with the
24 Legislature and policy makers to extend the Cap-and-Trade
25 Program beyond 2030. Or to find other ways where we can

1 finance out of those future revenues. Because if we can
2 pull some money forward, we can make some decisions earlier
3 to do some things. We can also take advantage of
4 innovative federal financing options that you must have a
5 repayment source for in a long-term funding option like
6 extended Cap-and-Trade or some other version of stable
7 state funding is going to be necessary to do that.

8 So I don't want to solve all those problems
9 today. But I just want to say it's really good to see what
10 Cap-and-Trade is doing. However, for a mega project that
11 is a multiyear mega project like this one we really do need
12 to stabilize that state side of the equation. It's just a
13 task in front of us we've got to get to.

14 BOARD MEMBER GHIELMETTI: How much further out it
15 would we have to extend Cap-and-Trade in order to sell
16 bonds?

17 MR. KELLY: Well, again in my humble opinion it's
18 you want something for decades, not a couple of years to
19 sell bonds against. You know, when I think about Caltrans
20 or other they have a constant funding source in gas tax
21 revenues that never go away. And they have an ability to
22 use financing options to finance against those revenue
23 streams for purposes of bringing dollars forward and
24 completing work sooner. And so you really need a permanent
25 source or something that's going to be at least through a

1 2050 timeline, in my view, to be able to finance against
2 that kind of revenue stream.

3 You know, the nice thing about Cap-and-Trade is
4 we are one entity that receives funding to build green
5 clean projects, but there are many. We would get 25
6 percent of a quarterly auction or annual auction revenue.
7 So there's a lot of others who are interested in Cap-and-
8 Trade trade being extended. And it's just really important
9 that it's done relatively soon. That it's done in a very
10 comprehensive way. And importantly for us, I think it's
11 done in a way where we can finance off that revenue stream.

12 It's really important for us to be able to bring
13 dollars for and really take advantage of innovative federal
14 programs that are low cost periph (phonetic) loans, TIFIA
15 loans, RRIF loans. These kinds of things that you can do
16 to advance certain elements of the program at really low
17 cost and very favorable repayment rates. So that's just
18 something that's before us that has to get done.

19 BOARD MEMBER SCHENK: Mr. Chairman?

20 CHAIR RICHARDS: Yeah.

21 BOARD MEMBER SCHENK: Yeah, so thank you for
22 bringing that up, Brian. That was exactly where I was
23 going. First of all, just a preliminary question, Brian,
24 who does the price prognostication about Cap-and-Trade? Is
25 that someone in Finance or is that where do we get our

1 information from?

2 MR. ANNIS: Yeah, I think there's not really an
3 official prognosticator in this case. You know, as an
4 auction mechanism the entity that runs it, the Air Board,
5 avoids predicting future. I think they feel that's more
6 appropriate for an auction. Department of Finance tends to
7 be very conservative in their future projections, and
8 really wants to see more of the money in. So they tend to
9 build in a fairly low number in each budget for the
10 assumption of future Cap-and-Trade. So we're really basing
11 these numbers on actual observed revenue coming into the
12 system.

13 So again the last two years annualized for high-
14 speed rail is \$998. Million, right? So that's at the
15 billion level. And the last two auctions, I think
16 annualized would be about 1,238,000,000. So again we think
17 are kind of our approach here -- and we're kind of in a
18 sense creating a bit of our own observation of what the
19 market's doing and using that as the forecast, because we
20 don't have an official administration forecast per se.

21 BOARD MEMBER SCHENK: Well, all the more reason
22 to underscore what Brian's talking about, the instability.
23 So I have a bit of heresy here as a former Secretary of
24 Transportation for California. Maybe one way to start
25 looking, and I know the Highway Lobby and everybody will go

1 nuts just listening to me say this. But as a stable source
2 we might start looking at the gas tax. I mean, we're going
3 to be taking hopefully lots of cars off the road. And
4 there might be a way. It's not something that I've flushed
5 out here today, but every ultimate policy change starts
6 with the kernel of an idea. So I'm just going to throw
7 that out. And obviously I'll talk to you and staff more
8 about this later.

9 CHAIR RICHARDS: Thanks, Director Schenk.

10 BOARD MEMBER GHIELMETTI: Mr. Chairman? Yeah, I
11 think the Board's position ought to be trying to get the
12 Legislature to extend Cap-and-Trade for at least 30 years,
13 so that we can move forward and use bond financing to move
14 these projects forward. And so I would like to see some,
15 you know, maybe a group from the Board start meeting with
16 the Transportation Committee in the Senate and the
17 Assembly, and try to educate them towards making that
18 happen.

19 CHAIR RICHARDS: I think that's a good idea.
20 Thank you, Director Ghielmetti.

21 Anybody else? (No audible response.) Thank you,
22 go ahead, Brian.

23 MR. ANNIS: Sure. I think there's just a couple
24 more slides, so next slide, please.

25 So this is just a detailed slide that gives you

1 individual funding sources split into project development,
2 and construction with subtotals. And then we show at the
3 bottom our bookend projects and funding source.

4 So as you all know, kind of the second to the
5 right column where we show the change most of the dollars
6 in that column are the federal grant levels. And then Cap-
7 and-Trade is also up as an expenditure. And that's because
8 when the Board acted in March, we built in the full 4.2
9 billion of Prop 1A, so that's already incorporated into our
10 assumptions of expenditures. So here all the state match
11 is coming from Cap-and-Trade. So that's why that state
12 fund sources up here. So again 6 billion is the addition
13 requested here. And next slide.

14 And this is a concluding slide. So again in
15 accordance with the existing board policies we've brought
16 this action item to the Board to request an increase to the
17 expenditure authorization by 6,084,000,000 to a new total
18 of 26,094,000,000 to budget additional funds for the newly
19 awarded federal grants and other adjustments from the 2023
20 Project Update Report.

21 BOARD MEMBER PEREA: Mr. Chairman? Mr. Chairman?

22 CHAIR RICHARDS: Yes?

23 BOARD MEMBER PEREA: Have you or a delegation of
24 our Board met with the new Speaker yet?

25 CHAIR RICHARDS: Say that again, please.

1 BOARD MEMBER PEREA: Have you met with the new
2 Speaker yet?

3 CHAIR RICHARDS: I have set up an appointment.
4 It's not -- I've asked to have an appointment set up, but
5 have not met with him yet. Yeah.

6 BOARD MEMBER PEREA: Okay.

7 BOARD MEMBER PEREA: Thank you.

8 BOARD MEMBER COHEN: It might also be wise, first
9 and foremost, the Speaker. But to go talk to the full
10 caucus at some point, and we probably should do that
11 regularly, semi-regularly. Just to get in front of them to
12 make sure that they have understanding and buy-in with the
13 project and the challenges, and are forward thinking with
14 it for us.

15 CHAIR RICHARDS: Thank you, Director Cohen.
16 Anybody else? Okay. All right. This is -- go
17 ahead. Did you have something else?

18 VICE CHAIR MILLER: I was going to move the item.

19 CHAIR RICHARDS: Thank you. This is an action
20 item. Do we have a motion for approval? (No audible
21 response.)

22 CHAIR RICHARDS: Okay, a motion and a second.
23 Mr. Secretary, please call the roll.

24 MR. SNIPES: Director Schenk.

25 BOARD MEMBER SCHENK: (No audible response.)

1 MR. SNIPES: Chair Richards.

2 CHAIR RICHARDS: Yes.

3 MR. SNIPES: Director Camacho.

4 BOARD MEMBER CAMACHO: Yes.

5 MR. SNIPES: Vice Chair Miller.

6 VICE CHAIR MILLER: Yes.

7 MR. SNIPES: Director Perea.

8 BOARD MEMBER PEREA: (No audible response.)

9 MR. SNIPES: Director Ghielmetti.

10 BOARD MEMBER GHIELMETTI: Yes.

11 MR. SNIPES: Director Escutia. (No audible
12 response.)

13 Director Williams.

14 BOARD MEMBER WILLIAMS: Aye.

15 MR. SNIPES: Director Cohen.

16 BOARD MEMBER COHEN: Yes.

17 MR. SNIPES: The motion carries.

18 CHAIR RICHARDS: Thank you very much.

19 And we've just noted that Director Williams has
20 joined the meeting and was here for the discussion on the
21 previous item.

22 Next on our agenda today we have to consider the
23 Approval of the Issuance of the Second Notice to Proceed
24 for the Merced to Madera Project Section. I'm going to ask
25 our CEO to introduce this before Ms. Inouye comes up.

1 MR. KELLY: Thank you, Mr. Chairman, Board
2 Members. This is a follow on to the adoption by the Board
3 some time ago to move forward with advancing the design
4 work for the extensions to Merced and Bakersfield. We
5 structured each of those under Notices to Proceed. And we
6 have advanced and are on schedule to reach a 30 percent
7 design, draft design period now as 2023 has ended. A draft
8 design, what we call a configuration footprint, for the
9 extensions both into Merced and Bakersfield.

10 Christine Inouye who heads up our work is the
11 Strategic Delivery Lead, and is really what I call our
12 looking forward person here, will do the presentation on
13 this. But when the Board authorized us to move forward on
14 the design work, again we set it up in three different
15 NTPs. We've been advancing two of those three.

16 And just following on what Brian Annis just went
17 through, because we got that federal grant, specifically
18 that grant covered now bringing the design work up to 100
19 percent for the extensions into Merced and Bakersfield. So
20 what Christine is going to lay out for the Board Members
21 today is our proposal to advance for the Merced extension
22 to 100 percent design.

23 And again now that we've got the federal grant
24 about 80 percent of those dollars will be funded with
25 federal dollars. So that's what's before you here. And

1 with that I'll ask Christine Inouye to come up and do the
2 presentation.

3 Thanks, Christine.

4 MS. INOUE: Good morning, and thank you for
5 that, for the introduction.

6 Good morning, Chair Richards and the Board of
7 Directors. I'm Christina Inouye, the Chief Engineer of
8 Strategic Delivery here at the Authority. And today I'll
9 be presenting Agenda Item Number Three, Consider Providing
10 Approval to Issue Notice to Proceed-2 for the Merced to
11 Madera Project.

12 The Authority is recommending approval to issue
13 NTP-2 for Merced to Madera, High-Speed Rail Contract 2202.
14 NTP-2 will result in continuing design services with
15 Stantec Consulting and Services Incorporated to complete
16 final design and construction ready documents. This is a
17 significant step for the authority and a major milestone
18 towards completing the Merced Extension and the early
19 operating segment connecting Merced, Fresno, and
20 Bakersfield. Next slide.

21 NTP-2 will advance the project into Stage 4 of
22 our stage project delivery process. This is the early
23 works and the right-of-way stage. The NTP-2 services will
24 include final design and construction ready documents,
25 construction staging plan and constructability reviews,

1 updated travel time enhancements, updated project risks,
2 construction schedules, and cost estimates. We'll also
3 begin securing the environmental permits during this stage
4 of the work. Next slide.

5 NTP-2 begins at R Street in Merced and continues
6 south to the north end of CP1. This is the entire length
7 of the Merced to Madera Project. The NTP-2 contract value
8 is \$103.4 million. And this is the same amount reported to
9 the Board at the time of the RFQ and contract award in
10 2022.

11 The work is planned to be completed in two years,
12 with some overlap planned with NTP-1 and NTP-3. Next
13 slide.

14 The M2M Project has made great progress since
15 we've awarded the contract in 2022. This past October,
16 Stantec submitted the draft configuration footprint to the
17 Authority on schedule.

18 In December, and after review, the Authority
19 accepted the draft configuration footprint also on
20 schedule.

21 Value engineering, and value analysis workshops
22 were conducted in the fall to challenge and analyze the
23 design, looking to improve performance, value, quality and
24 to reduce costs. Final decisions on the value engineering
25 and value analysis items are planned for next month. And

1 the items will be incorporated into the final design.

2 Cost estimation workshops were also conducted.

3 Next slide.

4 Alignment workshops to optimize the design and
5 enhance the travel time were conducted last summer and the
6 right-of-way parcels for the MTM section have been
7 completed or have been identified.

8 Right-of-way acquisition activities are planned
9 to begin this spring along with the completion of all of
10 our third-party agreements.

11 And lastly, Stantec is exceeding all of our small
12 business utilization goals. I'm happy to report that
13 Stantec has achieved 39 percent small business, 13-and-a-
14 half disadvantaged business enterprise, and 7 percent DVBE.
15 Next slide.

16 NTP-2 will be funded with the federal state
17 partnership grant, which was awarded to the Authority in
18 December. The grant will fund approximately 80 percent of
19 the total cost of the final design, which is about \$82.7
20 million.

21 The related Board item requesting approval to
22 augment the expenditure authorization related to this new
23 federal grant included the scope of NTP-2 and final design.
24 Next slide.

25 The key contract dates are shown here. We signed

1 the contract in October of '22, and quickly issued NTP-1.
2 NTP-3 was issued in May of 2023. And with the Board
3 approval, we anticipate issuing NTP-2 in mid-April of this
4 year. And then work on the final design will begin once
5 NTP-2 is issued. Next slide.

6 And that concludes the presentation. Thank you
7 for your time and your consideration. Happy to take any
8 questions.

9 BOARD MEMBER GHIELMETTI: Mr. Chairman?

10 MS. INOUYE: Yes.

11 BOARD MEMBER GHIELMETTI: Would this contract
12 enable us to do any right-of-way acquisition?

13 MS. INOUYE: Yes, we are actually ready to begin
14 right-of-way acquisitions activities as soon as we get the
15 NTP-2, so yes.

16 BOARD MEMBER GHIELMETTI: Will we have to be in
17 60 percent design in order to do that?

18 MS. INOUYE: We actually can begin on some of the
19 full acquisition parcels. And then once the project
20 reaches 60 percent design, we'll have certainty for those
21 that are anticipated to be partial acquisitions.

22 BOARD MEMBER GHIELMETTI: Thank you.

23 BOARD MEMBER CAMACHO: Mr. Chairman, just a quick
24 comment?

25 CHAIR RICHARDS: Yes. Go ahead, Ernie.

1 BOARD MEMBER CAMACHO: Yeah, I appreciate the
2 presentation, by the way. And the observation is the speed
3 at which you made the presentation allows us to digest
4 information a little easier. Some of our presenters
5 presented a lot more quickly. And for some of us, we don't
6 digest information as quickly. Your presentation is much
7 easier to digest. Thank you.

8 MS. INOUYE: Thank you.

9 BOARD MEMBER CAMACHO: Yeah.

10 CHAIR RICHARDS: Thank you, Director Camacho.
11 Any other questions or comments?

12 BOARD MEMBER PEREA: Motion approved.

13 CHAIR RICHARDS: Okay, we have a motion and a
14 second.

15 Please call the roll.

16 MR. SNIPES: Director Schenk.

17 BOARD MEMBER SCHENK: (No audible response.)

18 MR. SNIPES: Chair Richards.

19 CHAIR RICHARDS: Yes.

20 MR. SNIPES: Director Camacho.

21 BOARD MEMBER CAMACHO: Yes.

22 MR. SNIPES: Vice Chair Miller.

23 VICE CHAIR MILLER: Yes.

24 MR. SNIPES: Director Perea.

25 BOARD MEMBER PEREA: Yes.

1 MR. SNIPES: Director Ghielmetti.

2 BOARD MEMBER GHIELMETTI: Yes.

3 MR. SNIPES: Director Escutia. (No audible
4 response.)

5 Director Williams.

6 BOARD MEMBER WILLIAMS: Aye.

7 MR. SNIPES: Director Cohen.

8 BOARD MEMBER COHEN: Yes.

9 CHAIR RICHARDS: Thank you.

10 And Ms. Inouye, if you wouldn't mind letting our
11 contractor Stantec know how much we appreciate the fact
12 that they have not only met, but exceeded our small
13 business goals. And I think that since it's ever come to
14 the Board when this policy was put in place years and years
15 ago, I don't think we've ever had a report of a contractor
16 exceeding meeting and exceeding those goals. So it's not
17 lost on this Board. Thank you.

18 MS. INOUE: Thank you.

19 CHAIR RICHARDS: Okay. Moving on now, ladies and
20 gentlemen, to Item Number Four today is the Economic Impact
21 Analysis of the High-Speed Rail Project's Investments. And
22 Mr. Boughton, good morning.

23 MR. BOUGHTON: Good morning. Thank you, Director
24 Richards, and Chair, Members. Given Director Camacho's I
25 will try and make this as brief as possible. Try and beat

1 Christine's time.

2 So I'm here today to go over --

3 CHAIR RICHARDS: Is there a chance you can just
4 raise that as high as you can? Either that or shrink
5 yourself about four to six inches, I don't know. Whatever
6 is easier.

7 MR. BOUGHTON: I'll just lean forward a little
8 bit.

9 So I'm here today go over the 2023 Economic
10 Impact Analysis. This updates the report that we've done
11 since 2017, through the 2023 fiscal year, '22-'23 fiscal
12 year through June. So all together we've analyzed every
13 year expenditure data or investment in this project from
14 2006 until June 2023. Next slide.

15 So this report that we're going to go over today,
16 again highlights the expenditure up until June 2023. And
17 we also analyze projected costs and economic impacts for
18 the future based on the Business Plan or the Draft Business
19 Plan data. Next slide.

20 So we have three major economic indicators that
21 we calculate. The first is Job-Years, which is the
22 equivalent of a one-year long full-time job supported by
23 the project. So for example, one employee worker for five
24 years equals five job years, and five employees working for
25 one year would also equal five job years. So for ease of

1 use I'm going to say "jobs" going forward onto this
2 presentation.

3 We also have Labor Income, which includes all
4 forms of employment income including compensation: wages,
5 benefits and payroll taxes that firms like the High-Speed
6 Rail pays their employees. And/or income earned by self-
7 employed workers or unincorporated sole proprietorships.

8 And finally, we had the big number, the Economic
9 Output, which is an estimated value of all economic
10 activity taking place as a result of our investment in this
11 project. So \$1 invested in high-speed rail sparks several
12 additional activities in addition to labor income,
13 including the purchases of goods and services. And it
14 basically it measures the economic ripple of our investment
15 into the State of California. Next slide.

16 And how we get to those indicators are measured
17 by the accumulation of three effects. By having Direct
18 Effects, which are direct investment from the High-Speed
19 Rail to our contractors and employees. Next we have
20 Indirect Effects, which is the second level down which
21 includes investment from contractors and employees into
22 things like concrete, steel, supplies, transportation
23 components, computer components, that type of thing. And
24 then finally, we have Indirect Effects, which are further
25 ripples where you have like employees and contractors

1 spending on housing and groceries and further kind of gross
2 domestic product type of ripples. Next slide.

3 So we've, as I said earlier we've been doing this
4 report since 2017. And we're continuing the same modeling
5 method that uses industry standard models. We use a
6 software called IMPLAN that we put in our expenditure
7 inputs, and it produces the outputs as I talked about
8 earlier.

9 This year the only really solid or the notable
10 change is what's called the Muriel (phonetic) Model, which
11 more accurately predicts expenditures and impacts within
12 regions of the state. So not to get too into it, but it
13 does a much better job of showing where these impacts hit,
14 and how the interplay between regions comes into play.

15 When we first did this analysis we had a lot of
16 different groups peer review our report. And we continue
17 to tout that review, since we've maintained the same model
18 and methodology since 2017. Next slide.

19 So what we've analyzed to date for this report is
20 \$11.2 billion of investment, again from 2006 until June of
21 2023. So that's the input model, or input number that we
22 use to calculate our expenditures. We also use projections
23 going forward based on the Business Plan data, and we'll
24 talk about that in a few slides. Next.

25 So one of the great benefits of this project

1 especially is the impacts, the positive impacts
2 economically and socioeconomically of our investments into
3 disadvantaged communities throughout the state. California
4 recognizes specific geographic areas as disadvantaged
5 communities based on a series of indices that include
6 pollution burden, sensitive populations, and socioeconomic
7 factors. In this last year alone we spent 66 percent of
8 our investment in disadvantaged communities, which is a not
9 insignificant number.

10 All told, throughout this project since 2006
11 we've had 56 percent of our 11.2 billion directly invested
12 into disadvantaged communities, which again is a massive
13 number. Next.

14 And for some of the indicator impacts we've
15 supported over 92,000 jobs to date, or at least as of June
16 2023. So each year that number grows as we continue to
17 invest our dollars into this project. Next,

18 BOARD MEMBER PEREA: Excuse me, is that number
19 based on man hours? And not actually that number of people
20 working, actually working?

21 MR. BOUGHTON: Yeah, it's an output of a model
22 basically where it counts hours and through dollars
23 invested, right? So it's an output of all of our
24 investments and including the direct, indirect, and induced
25 effects. So it's not as simple to say it's directly hours

1 involved, but it's a standard economic modeling number that
2 supports that, if that helps clarify it.

3 So yeah, I wouldn't say directly hours involved,
4 but it is definitely model supported.

5 BOARD MEMBER PEREA: Okay.

6 MR. BOUGHTON: Next.

7 So our Labor Income invested to date is 7
8 billion. Again, that's directly income to our contractors
9 or employees. And then the continued effects of that
10 investment into other income, labor income effects from the
11 induced, indirect, and that from the Authority's
12 investment. Next.

13 Then the big number, the Economic Output, \$18.4
14 billion of economic output that this project has supported
15 or generated since 2006. Again, that's only for our
16 dollars currently invested, 11.2 billion. Next.

17 One of the benefits of this analysis is that we
18 attribute the dollars and investments and impacts to where
19 these expenses are incurred throughout the state. So this
20 slide will show the different regions that we apply the
21 expenditures to, and where these impacts are felt.
22 Obviously the Central Valley is the largest one. That's
23 where most of the expenditures are occurring and where the
24 construction is ongoing. So we have to date \$7.7 billion
25 of economic output just for the Central Valley.

1 We also have the Bay Area, Sacramento, LA and
2 then we also have calculations for the rest of California.
3 And again we apply the investments to where they are
4 occurred. So it's a good snapshot of up and down the
5 state, all the positive economic benefits this project has
6 generated so far. Next slide.

7 So the next couple slides we're going to talk
8 about projected impacts. Previous ones were recognized
9 impacts through our direct investment. The next few are
10 with our projected Business Plan data. So we're going to
11 predict the impacts for the whole project. Next slide.

12 I won't go through all the numbers again to make
13 this quicker. The Central Valley we project to have \$69.6
14 billion of Economic Output once this project is complete.
15 Again, that's just for our direct investment in completing
16 the project, not for operations. Next slide.

17 Northern California is projected to have at 53.4
18 billion in economic output. Next slide.

19 Southern California is 80.3 billion in economic
20 output projected. Next slide.

21 And then so for this slide breaks it down by what
22 we can consider active projects. So Merced to Bakersfield
23 Project, an economic output project of 70.3 billion. The
24 Valley expansion, 43.9 billion additional for Phase 1
25 builds out 89 billion. So all told for Phase 1, \$203.6

1 billion projected economic impact with 945,000 jobs
2 supported. Next slide.

3 So that's it in a nutshell. Again, the Central
4 Valley is obviously the major place where the investment
5 has occurred although it has occurred throughout the state.
6 We've had \$7.7 billion in economic activity alone in that
7 region. And again, over half of our investment has
8 impacted positively, disadvantaged communities, which again
9 is a major benefit to this project and I think something to
10 be applauded. I think that that's it if you've got any
11 questions.

12 CHAIR RICHARDS: (Indiscernible) Yeah, just thank
13 you, Mr. Boughton.

14 Any questions from Members of the Board?
15 Director Schenk?

16 BOARD MEMBER SCHENK: Thank you. Not really a
17 question, but thanks for the good news. And this really is
18 something that we should be touting, and those who are
19 benefiting should be touting it.

20 Also, I'd like to just build on what Director
21 Cohen had said, in meeting with expanded groups of
22 legislators. We see this good news, we understand it, and
23 those of us who have been able to see the what you would
24 call induced economic impact in other countries. When I
25 lived in Japan or traveling in Spain it's profound. And we

1 can't expect that people who aren't involved as we are,
2 will understand that. So it's up to us to help educate.
3 And I think this is exactly the kind of thing that we ought
4 to be taking to not just the Speaker, but as Director Cohen
5 has mentioned to an expanded group of legislators. And
6 calling on those who are impacted, so positively to get out
7 there in their communities and spread this as well, up and
8 down the state. Because that's the kind of support that
9 will help us as we look to expanded stable sources of
10 funding. So thank you for this.

11 MR. BOUGHTON: Thank you.

12 CHAIR RICHARDS: Thank you, Director Schenk.

13 Any other questions or comments? Yes, Director
14 Cohen.

15 BOARD MEMBER COHEN: Thank you for this report
16 and equally good and important news. And just to add to
17 that, excuse me, I think in addition to the Legislature, we
18 need to meet with organizations up and down the state that
19 represent I mean, effectively any constituency. Because
20 everybody would be impacted by this I would argue, some
21 more than others but everybody would be impacted positively
22 by high-speed rail.

23 There was a beautiful piece I just wanted to
24 highlight for those that may not have seen it done.
25 Forgive me, I forget actually who covered it, but it was

1 around the impact that high-speed rail is having and will
2 have for Fresno. And what struck me about it that I
3 thought was so important is it tells the story really well.
4 So that people can envision how high-speed rail will impact
5 them, their communities, and the state.

6 And we need to win the hearts and minds of people
7 across California for this project. And to do that they
8 have to be able to see it. They have to be able to see it
9 and envision it. That will help them want to pay for it,
10 but we need to be thinking about the human-centered story
11 of high-speed rail. When we're talking about dollars, when
12 we're talking about the unsexy stuff, for lack of a better
13 word, we need to be remembering the people that we have to
14 win. And so we really do need to start meeting with
15 coalitions up and down this state in big ways. And
16 reminding people that high-speed rail is happening and will
17 happen for them and will transform their life and the life
18 of their community. So I just want to highlight that
19 Fresno piece for anybody that didn't have a chance to see
20 it and read it. Do you remember?

21 MR. KELLY: Yeah, I do. That was in "CalMatters"
22 is where that piece appeared.

23 BOARD MEMBER COHEN: Who isn't reading
24 "CalMatters"?

25 CHAIR RICHARDS: Thank you, Director Cohen.

1 Any other questions or comments? Mr. Boughton,
2 thank you very much.

3 This is just an information item, ladies and
4 gentlemen. Moving on to Item Number Five is the Business
5 Plan Update and CEO Kelly.

6 BOARD MEMBER PEREA: Mr. Chairman, when does the
7 Business Plan come to us for approval?

8 CHAIR RICHARDS: The Business Plan?

9 BOARD MEMBER PEREA: Yeah.

10 CHAIR RICHARDS: Yeah, it'll be April, next month
11 I suspect.

12 MR. KELLY: Yeah, in fact I'm going to give you a
13 little summary of that now. The Business Plan will be -- a
14 draft of it will be made public in the first week of
15 February. It comes to the Board. And then the Board, as
16 you will recall Director Perea, the Board has a public
17 hearing on this at the end of February. We'll take public
18 comments for the next 60 days. And then the Board will
19 direct changes that it wants to the document. And it will
20 be before the Board for approval at the April hearing.

21 BOARD MEMBER PEREA: Okay.

22 MR. KELLY: So that we can submit it to the
23 Legislature by the statutory deadline of May 1st. So we'll
24 come back to you guys in that timeline.

25 So I appreciate the question. I did want to just

1 spend a minute giving a bit of a summary about the upcoming
2 Business Plan. Again, it's become sort of an annual
3 exercise for us. And when I started here, the Business Plan
4 was the big document where we updated where we are on cost
5 and schedule and all those things. And then I think with
6 the combination of COVID, and candidly us getting more
7 definitional on exactly what we're building and how we're
8 going to move forward with it, we sort of had a merging of
9 the Project Update Report, which is an odd-year report we
10 put out, with the Business Plan in even-numbered years.

11 And one of the things that's occurred is the
12 Project Update Report has now become the more comprehensive
13 document. It's the document where we are really laying out
14 more comprehensive updates about where we've been, where we
15 are, what the reset is on scheduling costs. And the
16 Business Plan is now almost updating what the last Project
17 Update Report said. That again is a combination of I think
18 the impacts of COVID that mess with our timelines a little
19 bit. But also the fact that we got very definitional about
20 what we're trying to do, starting with the 2019 Project
21 Update Report. And so that that shifted a little bit how
22 we do the work. That said, next slide, our first slide
23 here.

24 The Business Plan is required by statute every
25 two years and even numbered years. It includes limited

1 updates to forecasts that we know at the time, and as I
2 said the COVID impacted the release date, although we're
3 now back on more of a regular schedule. Our 2023 Project
4 Update Report provided more -- gives us a little bit more
5 time to work through forecasts and estimates. And that
6 report was one where we really did a major update of both
7 cost estimates and schedule for the program in the 2023
8 Project Update Report that we put in to me it was a
9 keystone document that really are redefined the
10 foundational work that we have before us. It updated as I
11 said, the cost and schedule estimates for the Merced to
12 Bakersfield segment. And specified that the Merced to
13 Bakersfield segment would be built as a dual track
14 electrified railroad with a shared station in Merced. And
15 that has since become a statutory requirement for the
16 program. So again, that definition came forward in that
17 plan.

18 Now as we come forward with the Business Plan
19 it's just 10 months later since we last did the Project
20 Update Report. There here is significant progress that
21 we'll be reporting in the Business Plan. You will see that
22 we still aligned with the project, with the 2023 PUR
23 direction scheduled budget and vision and where we plan to
24 go. And notably with the 3.1 billion federal funds granted
25 in December how that has changed our landscape a little bit

1 for the better. And we'll talk a bit about that in this
2 plan.

3 There's also extensive discussion in this
4 upcoming Business Plan about risk identification,
5 management and mitigation. It's one of the things that we
6 have, I think, done much better at the Authority. We spend
7 a lot of time now on enterprise and program risk
8 identification, management and mitigation. And the program
9 will -- the Business Plan will talk a bit about that. Next
10 slide, please.

11 So again, reminding that March again 10 months
12 ago we did a major program restatement with the '23 Project
13 Update Report. We set a target for the schedule of the
14 early operating segment to be ready for service between
15 2030 and 2033. We updated cost estimates. We set a
16 funding strategy that informed the Legislature about how we
17 would move forward on this. And how we'd work with our
18 federal partner to bring dollars to the program.

19 We established in the PUR new ridership estimates
20 that reflected changes to California's population, which is
21 much more stagnant today than it's been. And also impacts
22 of COVID on transit and rail ridership. We established all
23 of that in the 23 PUR.

24 We also updated our baseline budget and schedule,
25 including a schedule for the completion of the Construction

1 Packages 1, 2-3 and 4. As you see there 2026, 2026, and
2 2023 for the respective construction packages, and we set
3 those targeted goals for critical procurements such as
4 track and systems, train sets, and stations. And I say a
5 lot here and I'm updating you about the Business Plan, but
6 I'm talking a lot about the PUR. Because this '24 Business
7 Plan is working off of that document directly. And a lot
8 of what we said in that PUR is what we're still reporting
9 how are we doing against that. And that's what the
10 Business Plan is aligning. So next slide here.

11 Major accomplishments since the release of the
12 2023 Business Plan. One, of course, the big news is we've
13 been awarded. And not just the last award, but we were
14 awarded several grants in the last 11 months that total
15 about \$3.3 billion. We advanced procurements to move the
16 project forward toward operations. Our first construction
17 package covering 22-and-a-half miles is really reaching
18 substantial completion.

19 Our construction jobs now exceed 12,200 in 2023.
20 In 2018, that was a 2,500. So construction jobs have come
21 a long, long way.

22 We exceeded our goals for the percentage of
23 right-of-way parcels acquired at 98 percent.

24 And as we talked about a little bit earlier in
25 the Finance and Audit Committee, we set a calendar year

1 record for the number of utilities we relocated in a single
2 year at 254.

3 Designs for the extensions to Merced and
4 Bakersfield are on schedule, meeting our contract
5 milestones for well now the Board has just taken action to
6 allow us to advance the design to Merced. So very key
7 accomplishments since the 2023 PUR came out. In the '24
8 Business Plan we'll talk a bit about those.

9 Is there a question?

10 VICE CHAIR MILLER: Mr. Chair, may I ask a
11 question?

12 CHAIR RICHARDS: Yes.

13 VICE CHAIR MILLER: Just how it's Caltrain
14 electrification going in the Bay? San Francisco to
15 (indiscernible)?

16 MR. KELLY: Yeah. So that's a project that costs
17 about \$2.9 billion. We are contributing about 733 million
18 for that from both Prop 1A dollars and from Cap-and-Trade
19 trade dollars. Their scheduled for completion is the end
20 of 2024.

21 VICE CHAIR MILLER: I would add that bullet.

22 MR. KELLY: Yeah, so (indiscernible).

23 VICE CHAIR MILLER: Because that's going to be --

24 MR. KELLY: You will see that in the Business
25 Plan.

1 VICE CHAIR MILLER: Great.

2 MR. KELLY: But yeah, so that's the other thing
3 is some of those bookend investments like that one, they've
4 already finished the major grade separation in the
5 Peninsula. Grade separation in LA is advancing and will be
6 completed in '25. The thing that we have more work to do
7 on bookends is the work on the LA Union Station with Metro.
8 But all of those updates will be included in the Business
9 Plan.

10 Again, key updates just for us that we will cover
11 in the Business Plan on where we are in the Valley.
12 Advancements across all the major activities consistent
13 with the direction of the '23 PUR you see, sorry, on the
14 next slide, if I can jump to the next slide.

15 This is the scorecard again on where we stand on
16 the construction of each construction package in the Valley
17 in terms of where we are on slide 5 with design completed,
18 where right-of-way stands, utility relocation structures,
19 all of that overall contract value spent versus contract
20 value. So all of these things will be updated in the '24
21 Business Plan. Next slide, please.

22 Other things we will cover, again I think
23 importantly the cost and schedule are generally remaining
24 consistent with the 2023 Project Update Report. The cost
25 estimates are really unchanged from the PUR released just

1 as I said 11 months ago.

2 While the cost estimates are unchanged the
3 Business Plan will talk about the cost risk for each of the
4 construction packages. And the Bay Area will be the
5 highest cost risk is tied to CP2-3. It's both the largest
6 construction package and the one that was impacted most by
7 the 2022-2023 flooding.

8 We have a major trade change order with that
9 contractor that's in arbitration. An arbitration decision
10 will be made later this spring on that one. There are
11 third-party issues that we're still resolving on 2-3.

12 And the final revised baseline schedule, even
13 though we know we're going to hit the 2026 schedule,
14 getting it down to the specific date and month is still in
15 negotiation. So those things have to conclude on 2-3.
16 That's the biggest risk area on our cost issues.

17 The Phase 1 Cost Updates are pending completion
18 of environmental documents for two Southern California
19 sections, Palmdale to Burbank and LA to Anaheim. And as
20 has been our policy, we typically update in total the full
21 cost estimate of Phase 1 once that environmental work is
22 completed. Next slide.

23 We will update further on ridership numbers in
24 the Business Plan too here. And you will recall that one
25 of the big things that you saw in the PUR was a reduction

1 in ridership. On these charts before you here, the yellow
2 box is what we reported in the 2023 PUR in terms of
3 ridership.

4 In terms of the Central Valley, the Merced to
5 Bakersfield segment, that segment we've done some system
6 optimization given the ridership numbers that were in the
7 PUR. So we're seeing a ridership number now at about 7.8
8 million a year. That's compared to if you don't build the
9 electrified system, the regional transit and rail ridership
10 in that region in 2030, would be about 2.8 million riders.
11 We still think there's a huge public benefit on moving
12 forward with the Central Valley system.

13 On Valley to Valley things are really relatively
14 consistent, slightly up the ridership between what we
15 reported in the PUR and what we will be seeing in the
16 Business Plan. And when you look a little bit further out
17 into Phase 1, it's down a little bit, but we're still
18 hovering around 30 million riders a year once we are in
19 full Phase 1 development. And there are a couple of things
20 that are important about this.

21 For both the Central Valley -- or sorry, the
22 Valley to Valley stretch and the Phase 1 stretch when
23 you're going from Silicon Valley into the Central Valley
24 and for all of Phase 1, these are still revenue-generating
25 projections given these ridership values.

1 And just to put a little context to these values,
2 in Valley to Valley about 12 million riders a year just to
3 give that some comparison. In the Northeast Corridor,
4 which is the busiest passenger rail corridor in America,
5 the inner-city system run by Amtrak carries about 12-and-a-
6 half passengers a year. So Valley to Valley would be
7 consistent with that number.

8 And then once you're in Phase 1, LA to San
9 Francisco, you're carrying about two-and-a-half times the
10 numbers of riders that are there now in the Northeast
11 Corridor. So we'll talk about this a bit in the Business
12 Plan. Next slide.

13 BOARD MEMBER PEREA: Brian?

14 MR. KELLY: Yeah?

15 BOARD MEMBER PEREA: Brian, just briefly, as
16 we're building the system out when we complete the Valley
17 to Valley, when they hit Merced, how do the folks connect
18 into the Bay Area? What's the system, the process?

19 MR. KELLY: You mean, when we're first at the
20 171?

21 BOARD MEMBER PEREA: Yeah.

22 MR. KELLY: Yeah, the key connection point will
23 be the Merced Station, where there will be two systems that
24 will join the high-speed train in Merced. One of them is
25 the San Joaquin conventional rail system that will take

1 passengers either north to Sacramento, or northwest to
2 Oakland. The other one that's coming not to Merced yet,
3 but will be there at around the same time, is the ACE
4 commuter service that goes from San Jose into the Central
5 Valley now, but it'll go further into Merced. And the idea
6 is that it will meet at that redesigned, rebuilt Merced
7 station. And there'll be a simple cross platform transfer
8 to go from there to those other destinations north.

9 The other thing I've got to say, and this is
10 important, the development of our system down there and
11 that connection with those connecting services, provide
12 about 18 trips, rail trips per day. And just to give that
13 some context, today the Amtrak service, the daily service
14 is about 8 trips per day. So what you're getting is a lot
15 more ridership opportunities, a lot more service, because
16 we're coming there. And working with those connecting
17 services.

18 BOARD MEMBER PEREA: Yes, as Member Cohen was
19 saying I mean other than we really have to step up our game
20 in educating the legislators, the other side of the coin is
21 the public. And there's a lot of people who ask, "Okay,
22 great, Merced to Bakersfield, but then what?"

23 MR. KELLY: Yeah.

24 BOARD MEMBER PEREA: And we do have it then, we
25 have plans (indiscernible).

1 MR. KELLY: (Overlapping colloquy)
2 (indiscernible).

3 BOARD MEMBER PEREA: We need to get more active
4 in letting people know about it.

5 MR. KELLY: Yes, next slide. Sorry, next slide
6 here. There we go.

7 Of course, the big news between the PYR and the
8 Business Plan was the grant awarded the federal funds. And
9 just to be specific, I know we talked about this, but there
10 were specific things that the grant funded. And we will be
11 very specific about that in the Business Plan.

12 It did fund the purchase of six electric high-
13 speed trains, both two for testing and commissioning. And
14 then four additional ones for full operations.

15 It did fund the design and construction of train
16 set facilities. It did fund the design and construction of
17 the Fresno station.

18 It did fund the final design and right-of-way
19 acquisition for the Merced and Bakersfield extensions, part
20 of which you just authorized us to advance on.

21 And it did fund the Civil Works traction power
22 track overhead catenary system and systems for the
23 Bakersfield Interim Extension deeper into Bakersfield. So
24 this grant was very meaningful for us in terms of moving
25 forward. I think Brian Annis mentioned this earlier, it's

1 about 3.1 billion in total for the grant. We matched that
2 with about 900 million or so of state funds. And so you're
3 getting a value of built in excess of 4 billion, for the 3
4 billion or so in federal funds. Next slide.

5 BOARD MEMBER CAMACHO: Yeah, Brian?

6 MR. KELLY: Yeah?

7 BOARD MEMBER CAMACHO: Going back to your slide.
8 There was talk in the past, I think Bruce Armistead made in
9 one of his presentations and you had alluded to this, that
10 we might be piggybacking our train set procurement with
11 that of Brightline. Are we still doing that or not?

12 MR. KELLY: I'm going to say that that's still a
13 possibility. Brightline is making a decision on what
14 manufacturers they are going to go forward with. I think
15 it is public that the two manufacturers that are qualified
16 to provide our trains are two that Brightline's in
17 negotiations with. So there may still be an opportunity,
18 and we're in discussions with Brightline. spoke with them
19 last week about a potential for how we might be able to do
20 some things together. It's not settled yet, but it's still
21 something we're evaluating.

22 BOARD MEMBER CAMACHO: So that will depend upon
23 us buying the same from the same manufacturer, obviously.

24 MR. KELLY: Yeah, it would, it would.

25 BOARD MEMBER CAMACHO: Okay.

1 MR. KELLY: And again that's not -- we're in a
2 procurement right now. And so I don't want to get too far
3 out on that.

4 BOARD MEMBER CAMACHO: Right.

5 MR. KELLY: I just say it is something that's
6 been discussed. And again want to see what kind of
7 efficiencies that that possibility might bring.

8 BOARD MEMBER CAMACHO: Thank you.

9 MR. KELLY: Okay, next slide. Yeah, I just want
10 to show this, because again I think it's a bit of a graphic
11 depiction of how important that federal grant was.

12 On the left the box that's got most of that kind
13 of reddish brownish boxes. Looking at the left side of
14 this, it's not really too complicated. It's been in our
15 past Business Plan, we've talked about it here before. But
16 on the left side is the stretch of the Merced to
17 Bakersfield project. And across the top are the different
18 phases of the program.

19 And we put our funding strategy together in 2022,
20 and 2023, to go to the Federal Government and seek funding.
21 We identified through the blue and the brown unfunded
22 segments that we were hoping to fund with, ultimately what
23 would be that 8 billion, 5-year funding that we asked for
24 with phased development as we go forward on the project.

25 The dark green, on that chart is funded and

1 completed in the light green is funded. And so just with
2 the federal grant that came in you see the change in the
3 chart, right. And you go from the left to the right, and
4 the number of items that are now funded with just this
5 grant enables us to move forward on very important project
6 phases. Because this funding is available to us now.
7 Again, getting the design complete, starting to buy the
8 right-of-way for the extensions, buying train sets. All of
9 this now is something that we have in place.

10 And for those things that are not yet green,
11 getting back to our earlier conversation, those are the
12 areas that we'll focus on seeking additional federal and
13 state funding to get this work done. But again you can see
14 how important that grant was. Next slide.

15 In terms of what's next and key updates that
16 we'll also cover the Business Plan finishing CPs 1 through
17 4 design work on the Merced and Bakersfield extensions.

18 We'll continue the environmental review and
19 remaining project sections Palmdale to Burbank, LA to
20 Anaheim.

21 Advance work on the collaborative projects in
22 both Northern and Southern California, including project
23 updates on things like the Caltrain Electrification
24 Project, the grade separation projects. And other projects
25 of joint interest including stations like Diridon, or the

1 Portal in the Bay Area are important things that we are
2 continuing to work on. We'll update that a bit.

3 We'll talk a little bit about the executed
4 procurements that we have and the things we'll be advancing
5 to get the entirety of the Central Valley work done. And
6 again advancing station designs, and continue to advocate
7 for future funding. Next slide.

8 Again, just a schedule of things. A reminder
9 that when we first put out the draft plan in February it's
10 sort of management's sense of where the project is, and
11 where we are. That starts a 60-day public comment period
12 including a hearing that you will all host for the public
13 in February. We'll take public comment on this.

14 The Board will take in that comment over time,
15 direct the staff on changes you want to the Project Update,
16 or sorry, the Business Plan. We'll make those changes,
17 come back to the Board in April to execute those things and
18 to seek approval of the Business Plan. And that final
19 Business Plan is due to the Legislature on May 1st.

20 And so that is a summary of what's coming before
21 you as we get into February, March. And April. I'm happy
22 to answer any questions or move on.

23 CHAIR RICHARDS: Any questions for our CEO.

24 BOARD MEMBER PEREA: I have a couple.

25 CHAIR RICHARDS: Yes, Director Perea?

1 BOARD MEMBER PEREA: Brian, if I could suggest
2 that maybe it will be a chart in the plan. But legislators
3 they have a lot on their plate, and most times they get big
4 thick reports, they don't have the time to read them. So
5 are you going to have like a summary page, executive
6 summary that will even show a chart to show just the basic
7 timeline? We're going to have yeah substantial completion
8 by this point in 2026. We're going to have trains bought
9 by. We're going to have the track and rail systems
10 completed by here. In other words, just real simple.

11 MR. KELLY: (Overlapping colloquy.) Yeah,
12 totally. So yeah the front -- the plan is in production,
13 but you'll see there will be an executive summary at the
14 front. It'll have charts and graphs and things like that,
15 that show the key timeline dates to make sure that we're in
16 operations in our window that we have identified in the
17 Project Update Report. And so those things will all be in
18 the plan. And we're trying to condense as much of that
19 into the executive summary part to make it as simple read
20 as possible.

21 BOARD MEMBER PEREA: Yeah, there's a lot of -- I
22 mean you can find it all in here, but you have to look for
23 it.

24 MR. KELLY: Yeah.

25 BOARD MEMBER PEREA: If you could just have like

1 okay when in the train going to be bought. When's the
2 track going to be built. When there will be testing. That
3 way they can just see it. That'd be great.

4 MR. KELLY: Well certainly you have the timeline,
5 but as we discussed some of that is going to be funding
6 dependent. And we have to make sure that we get it.

7 BOARD MEMBER PEREA: Yeah, now the Track and
8 Systems RFP/ RFQ that was supposed to be out already; is it
9 out?

10 MR. KELLY: The Track and Systems Design is out.
11 We're in design or I'm sorry, you guys approved the RFQ for
12 the track and system design.

13 BOARD MEMBER PEREA: Right.

14 MR. KELLY: And we're out now (indiscernible) --
15 is Bruce here, (indiscernible) when we're coming back for
16 that?

17 UNKNOWN SPEAKER: January 22nd.

18 MR. KELLY: January 22nd, but are we coming back
19 to the Board for approval?

20 UNKNOWN SPEAKER: Yeah, we'll come back to the
21 Board.

22 MR. KELLY: In spring?

23 UNKNOWN SPEAKER: In the spring.

24 MR. KELLY: Okay, we'll be back in spring for the
25 approval of that actual contract. So you guys approved us

1 going out on that RFQ. And I think we've got to come back
2 and get you to approve the final award of that.

3 BOARD MEMBER PEREA: Okay, and what other pieces
4 are going out on track and systems, if any?

5
6 MR. KELLY: Yeah, well we'll be coming forward in
7 2024 for a couple of really key procurements. I mean, one
8 of them is obviously we want to move to the RFP on the
9 train system. On the track and system we'll be talking
10 about later in the year, coming back for the first
11 construction element of the track and systems, which will
12 probably include elements of CP4. Getting ready for that
13 construction element.

14 So, you know, design is first, but we'll be
15 coming back for some of the construction elements on this
16 as well.

17 BOARD MEMBER PEREA: Okay, great.

18 MS. FOWLER: Chair Richard, if I could --

19 CHAIR RICHARDS: Yes, please.

20 MS. FOWLER: -- make a comment on this very
21 topic.

22 I think just a reminder when these active
23 procurements are out staff, executives, the Board, it's
24 very important we not communicate with any of the folks
25 that are potential bidders just to ensure we don't have any

1 unfair, you know, problems that arise and cause protests.

2 BOARD MEMBER PEREA: And you let us know what
3 (indiscernible) right?

4 MS. FOWLER: We absolutely do. Thank you.

5 BOARD MEMBER SCHENK: And may I just add a note
6 to the bidders that they shouldn't try to communicate with
7 us.

8 VICE CHAIR MILLER: Right, because we're in that
9 process right now. With that may I?

10 So, Brian, so what I'm taking from this is are
11 what our numbers in the Project Update Report, the latest
12 one, are consistent. And we're not having an any change in
13 numbers in terms of our budget, our contingency or let us
14 know if there are.

15 MR. KELLY: Yeah, so what we're going to report
16 that we're in line with the PUR, which we are. But we're
17 also going to report where the risks are. And the one
18 thing that does change, and I had some conversation with
19 Director Cohen about this during the briefing yesterday, is
20 when we finish our environmental documents for each segment
21 we then update the costs for those segments. And in the
22 2023 PUR in the document we put out in March, we noted that
23 for example on Palmdale to Burbank when we finished that
24 environmental document we'll be at the upper range of that
25 segment's costs. So we won't be done with that work by the

1 time this plan is out. But we will shortly thereafter.

2 And so we're saying again in this plan the
3 estimate is here on where we're going to be on that. That
4 final cost estimation will be put in once the environmental
5 work is done. And we do that because during the
6 environmental process, the dollars change.

7 I'll give you three examples. When we did
8 Palmdale to Burbank, we had a half a billion dollar change
9 to get around the Chavez Monument. In Palmdale to Burbank
10 to meet the Army Corps' request to avoid Una Lake.

11 (phonetic) It's another \$5 or \$6 million impact. We do
12 environmental justice and mitigation measures that have
13 cost to them.

14 And more recently, we just talked to this Board
15 about a Supplemental Alternatives Analysis for LA to
16 Anaheim. And in doing that we actually reduced the cost of
17 that segment versus where we were earlier by several
18 billion dollars.

19 So we want to get the work done before we update
20 the costs. Just like we did in the PUR we're going to
21 indicate what those are here. And I'll just say this. In
22 the PUR, we estimated what Phase 1 costs will be in a
23 range. It's got a low, a base, and a high. And when we
24 complete all this environmental work, we will still be
25 within that range. That's what I can tell you.

1 VICE CHAIR MILLER: Okay, so that's a "no
2 significant changes to those numbers," correct?

3 MR. KELLY: Yeah, those haven't been changed in
4 (indiscernible).

5 VICE CHAIR MILLER: Okay, and same thing with
6 contingency?

7 MR. KELLY: That's right.

8 VICE CHAIR MILLER: Okay. Thank you.

9 MR. KELLY: Okay.

10 CHAIR RICHARDS: Thank you, Vice Chair Miller.

11 Any other questions or comments for our CEO?
12 Hearing none, this, ladies and gentlemen, was an
13 information item as is the next, and that's our CEO Report.

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

15 On the CEO Report I just want to update a couple
16 of key things, again mostly between our last time we were
17 together and now in some things that are coming up in front
18 of us. So jumping to the first slide we just talked a
19 little bit about this, but a reminder that our Statement of
20 Qualification Packages were received in November for the
21 train set procurements. We qualified both sets of teams
22 that submitted SOQs. That's Alstom Transportation, Inc.
23 and Siemens Mobility, Inc.

24 This step allows us to move forward to the
25 release the RFP, and the eventual procurement of state of

1 the art high-speed train sets capable of speeds in
2 operation of 220 miles per hour. The train set and related
3 services contract will be funded in part by the federal
4 state grant that we just got.

5 And the RFP is expected to come to the Board for
6 consideration. There's a change here, in April, not
7 February. We'll be back to the Board for the RFP in April
8 on this train set. Okay. So that's Update One. Next
9 slide.

10 BOARD MEMBER CAMACHO: Brian?

11 MR. KELLY: Yes?

12 BOARD MEMBER CAMACHO: One real quick question.
13 On the two manufacturers, obviously neither one of them are
14 US manufacturers. And I don't know that we have any US
15 manufacturers that build trains. But how are we getting
16 around the Buy America?

17 MR. KELLY: Well, one Buy America is not for us
18 to get around. We're going to be in full compliance with
19 the Buy America provisions. And so the manufacturers' part
20 of this process is for them to tell us how they'll be in
21 compliance with Buy America. And so that'll be part of our
22 RFP review and process. Just for way of information for
23 folks Alstom does produce some trains in upstate New York.
24 And Siemens, among other places, produces conventional
25 trains anyway and light rail and other things here in

1 Sacramento. And so in other locations, I'm sure that I'm
2 not (indiscernible).

3 BOARD MEMBER CAMACHO: (Overlapping) But wasn't
4 that considered in the pre-qualification?

5 MR. KELLY: I'm not sure what you mean by
6 "considered"?

7 BOARD MEMBER CAMACHO: Well, when we evaluated we
8 made an evaluation as to whether or not they comply with
9 the requirements. Was that not part of an SOQ and part of
10 an evaluation that we would look at?

11 MR. KELLY: Yes, in terms of meeting the
12 requirements of the Buy America Act, we've been very clear
13 that the Act has to be met in this process, both for the
14 SOQ process and will continue through the RFP process.

15 BOARD MEMBER CAMACHO: So we have evaluated that.
16 Thank you.

17 MR. KELLY: Okay, next slide.

18 I am required, of course, to report to the Board
19 any contract adjustments or change orders that exceed 25
20 million, and so I've got a couple I'm going to run through
21 here.

22 Now the first is a contract amendment we did with
23 our Early Train Operator, that we extended the contract to
24 extend through really further into the operating part of
25 getting into Merced to Bakersfield. And so we extended the

1 contract through November of 2026. That was a \$47.6
2 million cost.

3 It's important to note that the Early Train
4 Operator is both our key advisor on how we get into
5 operations. The kinds of agreements we have to get into.
6 How we structure services between fare operators. They
7 also help us with ridership estimations and things like
8 that. And so the ETO is an important element or important
9 part of how we advance our work.

10 They're also providing us some international
11 background and flavor about how we approach cost and method
12 methodology as we look forward on cost estimating for the
13 system. And so we're going to rely on them to continue to
14 help us with that as we go forward. So we extended this
15 contract into the end of nearly into 2026. Next slide.

16 Our contractors under the contract can pass
17 through costs for both bonds that they're required to
18 carry, and the costs of carrying those bonds as well as
19 insurance cost recovery, insurance policies that they have
20 to carry for the project. It's common in all contracts,
21 but as we've extended the contracts pursuant to the Project
22 Update Report they carry through these costs. And so the
23 costs for both the change order for bond costs and for
24 insurance costs have been carried through. And that is a
25 passed through to the Authority, so we just executed those

1 in the last several weeks. And so 26.7 on bond costs and
2 33.9 on insurance costs. Next slide.

3 You know, we talk a lot about third parties.
4 Third parties as we work through construction and design
5 elements, we've got to make sure that we are meeting
6 requirements of our third party partners. And so we had a
7 couple of change orders in 2-3 that we executed last six
8 months really tied to third-party requirements.

9 Working closely with Caltrans on some bridge
10 requirements, the Authority revised the design of the north
11 approach section of the Tule River Viaduct. Combined two
12 aerial structures connected by the HSR embankment into a
13 single bridge consistent with Caltrans requirements. And
14 the approval of that change order allows the Authority to
15 compensate the contractor for those construction costs and
16 meet that third-party requirement, which we did under
17 Change Order 369.1, 33.7 million.

18 And then similarly, another third party, BNSF.
19 Many of our structures are right next to or along the BNSF
20 Alignment. And BNSF had requirements for separation
21 requirements between where their assets are and where ours
22 are. We've had to implement those into some design changes
23 before we get into construction on a couple of facilities,
24 the Tule River Viaduct issue.

25 So one is requiring a five-foot separation

1 maintenance offset between the unprotected high-speed rail
2 structure support and the BNSF right-of-way. But that was
3 39.5.

4 And then the next slide, also for BNSF
5 requirements there's a vertical clearance that goes along
6 with that too. They require a minimum vertical clearance
7 of 24 feet for the pergola over the existing BNSF track.
8 And to accommodate that we paid the contractor to meet that
9 third-party requirements, 35 million. Next slide.

10 AECOM, oh I do -- now getting into some more fun
11 news, if you will. I am happy to introduce you all to the
12 new Principal in Charge for AECOM, who will be our guide as
13 we go forward on navigating the future challenges and
14 opportunities with the projects. And so I'm going to ask
15 my friend Daniel Horgan to stand up who is now an employee
16 of AECOM. And so he's a familiar face to all of you. He
17 prior was with WSP, but he's been an invaluable resource
18 for us to move through this project. And we're thrilled
19 that he's made the transfer to a comm and will continue to
20 be working closely with us on this project.

21 Thank you, Daniel, and congratulations. Next.

22 I mentioned to you all that our very own Melissa
23 Figueroa was awarded from Women In Transportation Seminar,
24 the Sacramento Woman of the Year. There is a ceremony
25 coming up for that. I wanted to make sure the Board was

1 aware that, that she'll be recognized at a dinner and
2 ceremony on Wednesday, January 31st, 2024. The event
3 starts at 5:30 On that day. The dinner and ceremony is at
4 6:30. You can buy tickets online. And if you work through
5 Alice Rodriguez on our staff we can make sure that any
6 Board Member that wants to attend that can. But again that
7 is Wednesday, January 31st, at the Sheraton here in
8 Sacramento.

9 And that concludes my report, Mr. Chair.

10 CHAIR RICHARDS: Thank you, Mr. Kelly.

11 Any questions for our CEO or comments?

12 BOARD MEMBER PEREA: I have just one, Mr.

13 Chairman.

14 CHAIR RICHARDS: Yes, Director Perea?

15 BOARD MEMBER PEREA: Brian, it's my monthly Mr.

16 Kim question, but certainly you can answer it. Just you
17 know --

18 MR. KELLY: (Indiscernible.)

19 BOARD MEMBER PEREA: Yeah, we're hitting the
20 scheduling for substantial completion in 2026 for CP1.

21 MR. KELLY: Yeah.

22 BOARD MEMBER PEREA: And critical to that is that
23 resolution of those third-party issues that are critical to
24 that path. Are we on schedule with those?

25 MR. KELLY: Yeah, I mean all of the right-of-way

1 and utility relocation work that's in front of us, we are
2 scheduling and working to meet the ultimate construction
3 schedule. And so we're now in partnering these. I've got
4 a partnering meeting on Monday with the CP1 team. And
5 yeah, we are on schedule, 83 percent across all the CPS of
6 the utilities are now either moved or are in progress of
7 being moved today. And so our schedule going forward is
8 for us to continue to move those to meet the construction
9 and completion deadline.

10 BOARD MEMBER PEREA: Yeah, we're focused on it.
11 We've been talking and I know there's a ton of them that we
12 still need to do, but there's only a few of them that we
13 need to hit our 2026. And I think we're good there.

14 MR. KELLY: That's right. Dennis, is there
15 anything I missed though?

16 MR. KIM: (Indiscernible) you did a great job.

17 MR. KELLY: Was I eloquent?

18 MR. KIM: Yes, very eloquent. But just to add
19 though we had four utility relocations that were slated in
20 January for Belmont. And we achieved those at least a week
21 or several weeks early.

22 BOARD MEMBER PEREA: Perfect, yeah.

23 MR. KIM: So we're, under Brian Kelly's
24 leadership we're doing a great job.

25 BOARD MEMBER PEREA: Give him a raise. Give him

1 a raise, Brian. (Laughter.)

2 MR. KELLY: I'll pay him later. Thank you,
3 Dennis.

4 CHAIR RICHARDS: I think we're done.

5 MR. KELLY: Yeah, I think we're definitely done.
6 Thank you.

7 CHAIR RICHARDS: All right. Thank you, Brian.

8 Earlier today there was a Finance and Audit
9 Committee meeting, which Vice Chair Miller handled. And
10 she'll now give you a short report on today's Finance and
11 Audit Meeting.

12 VICE CHAIR MILLER: This will be very short,
13 because a lot of this information was already provided to
14 the Board. But the Capital Outlay in November was 186
15 million. And in December, we are looking at an estimate of
16 138 million. So our construction is going smooth and
17 accelerated.

18 Our Contingency is still 1.3 billion remaining,
19 which is on target. And we covered this. Utility
20 relocation we covered and right-of-way, we're at 98 percent
21 parcels delivered which is amazing. Thank you.

22 CHAIR RICHARDS: Thank you. Any questions for
23 Vice Chair Miller? (No audible response.) Thank you.

24 The final item on today's agenda is offering the
25 Members, if they if any Member has any comments that he or

1 she would like to make before the close of today's meeting.

2 Director Cohen?

3 BOARD MEMBER COHEN: I just wanted to highlight
4 something that the CEO said. I just wanted to congratulate
5 Melissa on that award. It's well deserved. You do
6 important work for high-speed rail every day. And the
7 industry, the broader, broader build industry needs more
8 women. So you're just a wonderful example to people and
9 just very, very well deserved.

10 CHAIR RICHARDS: Thank you, Director Cohen.

11 Anybody else this morning?

12 BOARD MEMBER PEREA: (Overlapping) Yeah, Mr.
13 Chairman, I just wanted --

14 CHAIR RICHARDS: Director Schenk? Director
15 Schenk, okay?

16 BOARD MEMBER SCHENK: Definitely.

17 BOARD MEMBER PEREA: -- to mention briefly --

18 CHAIR RICHARDS: Oh, you're going. Okay.

19 BOARD MEMBER PEREA: Yeah, the city of -- my
20 mainly trip to Japan, Tokyo, Japan in late March I'll be
21 meeting with some of their government officials and some of
22 the train folks. But their main purpose is to go and start
23 looking at housing, how housing and economic development
24 works around the train stations. So our plan is to go in
25 late March for that.

1 CHAIR RICHARDS: Great. Thank you, Director
2 Perea.

3 Anybody else this morning? (indiscernible)

4 Seeing nobody who has any other comments, ladies
5 and gentlemen, thanks for joining us today here and those
6 of you across the state. We appreciate your attendance and
7 we will see you next month. This meeting is adjourned.
8 Thank you.

9 (The California High-Speed Rail Authority

10 Adjourned at 11:08 a.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 4th day of February, 2024.



MARTHA L. NELSON, CERT**367

CERTIFICATE OF TRANSCRIBER

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.

I certify that the foregoing is a correct transcript, to the best of my ability, from the electronic sound recording of the proceedings in the above-entitled matter.



MARTHA L. NELSON, CERT**367

February 4, 2024