



DRAFT

FINANCE AND AUDIT COMMITTEE MEETING MINUTES

January 18, 2024

Webcast at:

www.hsr.ca.gov

The meeting of the California High-Speed Rail Authority (Authority) Finance and Audit Committee Meeting was called to order on January 18th at 8:30 A.M. at 1220 N Street, Sacramento, CA and by Zoom. The Meeting Minutes were prepared in the order items were presented during the meeting.

Committee Members Present:

Ms. Nancy Miller, Vice Committee Chair

Mr. Ernie Camacho, Committee Member

Mr. James Ghielmetti, Committee Member

Staff Present:

Mr. Brian Annis, Chief Financial Officer

Mr. Brian Kelly, Chief Executive Officer

Ms. Alicia Fowler, Chief Counsel

Mr. Daniel Horgan, Deputy Chief Operating Officer

Mr. Britton Snipes, Board Secretary

Mr. Dennis Kim, Director of Real Property

Public Comment

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

Item #1 – December 6th Meeting Minutes

The December 6th, 2023, Meeting Minutes were moved for approval by Committee Member James Ghielmetti and seconded by Committee Member Ernest Camacho. The meeting minutes were approved by all committee members present.

Item #2 – Executive Summary by Chief Financial Officer

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

Question (Accounts Payable Aging and Disputes):

Member Camacho asked could you explain what the dispute summary is?

Response:

Mr. Annis responded when invoices are submitted by the contractors, if we disagree with the appropriateness of one of their, or part of their, invoice, it is disputed. We do not pay any disputed amounts when we pay the invoice, but we do pay the undisputed amounts. Then those disputed amounts are further discussed with the contractors and ultimately there will be an agreement to withdraw that dispute or an agreement that it is appropriate to pay.

Question:

Member Camacho asked do we pay out of sequence? If, hypothetically, invoice #4 is being disputed and it is not adjudicated within 30 days or so and invoice #5 or #6 comes in, do we pay out of sequence?

Response:

Mr. Annis responded yes, we would. For the invoice in your example, we would pay the undisputed amount of invoice #4 within the timeline required and that would not delay the subsequent invoice payments.

Question (Cash Management Report):

Member Camacho asked during the acquisition period on right-of-way, when we were buying pieces of property, I suspect that we bought excess property which was used for staging and now that construction has started and has gone through that area, that property is going to be considered surplus. Are we going to be selling those properties?

Response:

Mr. Annis responded yes. Sometimes for the reason you explained, or sometimes the seller will want to sell the entire parcel and we only need a portion of the parcel. We want to buy half, but the seller will only be willing to sell the whole thing. There are various circumstances where we may have land that we do not ultimately need for the high-speed rail operations. We have been conservative in sales because we want to make absolutely certain we do not need the parcel for any high-speed rail operations. We have not been selling a lot. We want to make sure we do not need it for a track connection with the freight line, or for track and systems. We have not sold a huge number of parcels but ultimately, once we move a little further in the project and have full certainty over what we need and do not need, Mr. Kim will be selling more parcels and we will see some amount of revenue in from those parcel sales.

Question:

Member Camacho asked so we will be able to anticipate some type of revenue to come back to the Authority at some point?

Response:

Mr. Annis responded that is correct. We have sold seven or eight so far. I think it is around a magnitude of a million dollars of proceeds we have received from sales. Most of the money in this account is from the lease payments on parcels that have tenants.

Question (Federal Funds and State Match Liability):

Member Ghielmetti asked is [the Federal State Partnership Grant] a lump sum or do we draw down on that?

Response:

Mr. Annis responded we drawn down. All Federal grants, for the most part, are reimbursement based. As we incur expenses, we will first pay the invoice with State funds and then we will submit the invoice to the Federal government. This new grant is 80% Federal funding and 20% State Match so that is a significant Federal share.

Item #3 – Central Valley Update by Deputy Chief Operating Officer

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

Question (Construction Packages Design-Build Expenditures):

Member Camacho commented for CP1 the expenditures are \$23.9 million and for CP2-3 they are \$125 million. What is the significance in terms of the lack of activity in CP1 compared to CP2-3?

Response:

Mr. Horgan responded there were some exceptional change orders issued on CP2-3 as Mr. Kelly said earlier. We had change orders for bonds, insurance, and we had a catch-up change order as well for Conejo. CP1 actually has had some good billing months previously so it was just a bit of a slow down because of the railroad moratorium, but that will pick up in January and February.

Question:

Member Camacho asked how much of CP2-3 is actual construction as opposed to the change orders that were passed?

Response:

Mr. Horgan responded approximately \$50 million.

Mr. Kelly commented the Flash Report indicates that CP1 Construction goes up about \$9 million next month.

Question (Utility Relocations Status):

Member Ghielmetti asked on the 316 that are not yet started, are they all located in one place?

Response:

Mr. Horgan responded no, they are distributed in CP1 and CP2-3. There are a lot of them in the City of Fresno which is densely populated with utilities.

Question:

Member Ghielmetti asked are we getting close to getting them started?

Response:

Mr. Horgan responded this year we will get a proportion of those started but not all of them. We have to work through a sequence of activities as well. We have got quite a few in the Jensen Trench and the Fresno Trench. For example, at Church Avenue we have about 25 utilities there and we are working through them in sequence because they are at various levels and we have got to do water, electric, and gas in sequence.

Question:

Member Ghielmetti asked do think we can start 50% of them?

Response:

Mr. Horgan responded I think we will probably start slightly less than 50% of them in 2024.

Question (CP Real Property/Right-of-Way):

Member Ghielmetti asked are we going to finish the Right-of-Way this year?

Response:

Mr. Horgan responded no.

Mr. Kim responded I think what we found is that all of these go in sequence. If a design changes, then we have to start that process over. What we are finding is that a lot these will get done this year but there are items within the schedule that are slated for 2025 as well.

Question:

Member Ghielmetti asked approximately how many will we have left at the end of 2024?

Response:

Mr. Kim responded I do not know that number offhand. Currently, we are right around 30 at the end of the year, so we only have about 30 left.

Comment (Utility Relocations):

Mr. Kelly commented you said 1,520 out of 1,836 are moved or in the process of being moved, that is about 83%.

Response:

Mr. Horgan responded that is correct.

Question:

Member Camacho commented that a lot of the numbers we received earlier from Mr. Annis reflected numbers going through December. The numbers you are providing us today is going through November. It does not do us much good to try to understand where we are when we are 45 or 60 days behind on these numbers. Why can we not get a better update or at least closer to where we actually are?

Response:

Mr. Horgan responded those numbers will be provided in the final slide in the Flash Report because they are preliminary and they come in late.

Question (Real Property/Right-of-Way):

Vice Chair Miller asked on Real Property we are at 98%, is that correct?

Response:

Mr. Horgan responded that is correct.

Question:

Vice Chair Miller asked the right-of-way we were talking about was really utility right-of-way, correct? We have two sets of slides we are going through which is Real Property and the other is Utility Relocations.

Response:

Mr. Horgan responded we have two types of right-of-way. One is right-of-way which we are buying and the other is right-of-way that we are getting from the railroads.

Question:

Vice Chair Miller commented it used to be that we were up here on Real Property Acquisitions, that that was our real critical issue. But that seems to be behind us now, is that correct?

Response:

Mr. Horgan responded that is correct.

Mr. Kelly commented in 2021 and 2022 we reformed the way we manage the right-of-way process, and the management of the Right-of-Way Division. We set 60-day, 90-day, 180-day goals. We also changed the process to start a condemnation sooner so that the need for a property for the project is clear. That helped expedite negotiations for moving forward. Our overall right-of-way needs for this project, are 98.5% done. Some of the ones that are left are vexing. The issue that comes up with new right-of-way, which Mr. Kim was referencing earlier, is that sometimes if you have a design change to accommodate a utility relocation, you may need more right-of-way. However, as we go through new designs, we are looking to do so in a way that does not involve new right-of-way. That is why the right-of-way numbers have been consistent in terms of what our parcel needs are. We are 98.5% through it--1.5% left to go. It is not so much whether it is done in 2024 or 2025, it is whether it is done to meet our construction schedule and we are all driving toward that objective.

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

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