



DRAFT

**FINANCE AND AUDIT COMMITTEE MEETING MINUTES
May 15, 2018**

**Santa Clara County Board of Supervisors Chambers
West Hedding Street
Room 157
San Jose, CA 95110**

The Finance and Audit Committee of the California High-Speed Rail Authority (Authority) Board met on May 15, 2018 at 12pm.

Committee Board Members Present:

Mr. Michael Rossi, Chair
Mr. Tom Richards

Authority Staff Present:

Mr. Tom Fellenz, Chief Counsel
Mr. Brian Kelly, CEO
Mr. Russell Fong, CFO
Mr. Joe Hedges, COO
Mr. Scott Jarvis, Chief Engineer
Ms. Paula Rivera, Chief Auditor
Mr. Mark McLoughlin, Director of Environmental Services
Ms. Patty Nisonger, CIO
Ms. Kristina Assouri, Chief, Real Property and Third Party

Rail Delivery Partner Staff Present:

Mr. Roy Hill, Chief Program Officer

Minutes prepared in the order items were presented during the meeting.

Agenda Item: January 16, 2018 Meeting Minutes

- Reviewed and discussed at this meeting.

Agenda Item: Action Items from Previous Finance and Audit Committee Meeting

Mr. Rossi welcomed everyone. Mr. Rossi started the meeting by stating that there's a series of questions in the minutes from the last meeting, not many, but we'd like answers to those questions. Mr. Rossi said on page two regarding IT, it states that it will be done by May 24 from the attached sheet, it looks like it (Cost Management System) has been done. Ms. Nisonger replied the Cost Management System is still on track for a go live date on May 25, not May 24. Mr. Rossi asked if she is comfortable that we're there and we're not going to have this discussion again? Ms. Nisonger responded that as we speak all the expenditure data through March of this year is in there. After some

tweaking, it's been tested, users have been trained and we're good to go. Mr. Rossi stated that is great and asked if there are any questions? Mr. Richards asked how this is going to impact you year-round? Mr. Fong responded it would impact tremendously, in a good way. It is a step forward to a single point of contact for all data which is what we've been striving for, for five years now. Mr. Richards stated, so we're not going to do it by hand any more. Mr. Fong responded that very minimal amounts will be done by hand.

Mr. Rossi advised there are several other issues that we'll get to with the Ops Report. Mr. Rossi addressed Mr. Jarvis stating, on the same page, regarding Critical Parcels, on tab 13, page three. That looks good. Is it good? A lot of things that look good aren't actually good. Mr. Hedges began to reply to Mr. Rossi, "Sir". Mr. Rossi stated, hold on Joe, I'm asking Mr. Jarvis. Mr. Jarvis responded, we've provided the Critical Parcels summary to you and as far as Right of Way goes, it's been transitioned to Kristina Assouri. We have been making progress, but I don't think we've seen a big spike in productivity. Mr. Rossi stated the weekly results are slow, but when looking at the percentages, how many are in real criticality? Mr. Jarvis replied that the criticality is the key. Mr. Rossi stated even now it looks reasonably good. Mr. Jarvis advised it is improving, but week by week it's tough to measure. One of the things that we do need to get better at is the definition of Critical Parcels. It's been kind of loose, our definition. The date has been based upon the critical path of the construction of the project. Mr. Camacho stated anytime this question is asked, it's always been the aggregate amount of parcels as opposed to what is contiguous.

Mr. Hedges commented that to improve the delivery of Right of Way, as you are aware, we've restructured Right of Way out of the Chief Engineering Division into a stand-alone division underneath Kristina Assouri. She is basically the authority over Right of Way. She is the one who, for the last month and a half, has been pushing Right of Way. What we have done is redefine the definition of Critical Parcel to that of scheduled. You will understand basically what you see on all three of the CP's currently. We are working with them, following court type action items, that focus the Right of Way procurement and the issues of Right of Way third party, specifically to that of critical path. The goal, right now, is to work to free up type one and type two structures especially in CP2-3, to allow us to begin construction with regards to this summer, and that's what we are currently pushing. It is becoming a logical construction format, of the definition of criticality. We are also pushing to try and complete all the Right of Way within this fiscal year with a little spill over about a month or so, into the next fiscal year. To drive Right of Way into completion, that will allow us to focus Right of Way forward of us, to start procuring those Critical Parcels for the next series of construction projects, so to not repeat the mistakes that we have now. The optimum idea would be to have clear alignment with utilities and Right of Way as we put out the next set of design requirements.

Mr. Rossi asked, is that your new role Ms. Assouri?

Ms. Assouri replied the committee has basically asked for us to identify, so we have provided copies that I can share with you of how, not just the critical path, but how they are identified by the design construction team based on a resource loaded schedule. Right of Way does not set criticality, but I do believe that that's a misnomer. We do prioritize any designation by the design builder in that resource loaded schedule that is approved by the authority schedule that's pursuant to the design building unit. Prioritizing means, to Director Camacho's perspective, we need to get contiguous parcels, parcels that mean folks can go out and do some work, deliver the work that they need to. I have the critical line-up here, and we are, so everybody is clear and I think everybody is, we do not eliminate any step in the Right of Way process because something is deemed a design based critical path parcel. It means that we've shepherded it through the process, we have two control agencies that we have to navigate through, that is the commitment that we're making, hence the reason why it was pulled out. The other notion where we're trying to make sure that we better manage the parcel count all together, we have

rough order of magnitude based on an F&A report that we provide. The copies that you have show about 574 parcels and I know this number is changing as we acquire more each week. Part of the challenge has been that we need to meter off at the delivery side at the design and construction side where we are now picking parcels and saying, pursuant to the design builder agreement, we have discretion to say we will pursue that refinement because everything that the design builder attempts to touch or refine, means we count it as a parcel and we have to chase that down and put it through this queue. At this point we are making some more business decisions, if you will, being more mindful about the environmental impact, the Right of Way impact, simply because the design builder has a good engineering solution doesn't mean we're going to add it to the queue. So, I expect with the trinity, if you will, of Right of Way, engineering, and environmental weighing in on that decision, we could push back effectively pursuant to the agreement to say design builder, work within the footprint we've already secured for you, because we've secured already a lot, so that this number doesn't keep exponentially increasing. In short, the tail is not wagging the dog anymore and that's where we want to be with the board, so that's what we're going to be chasing now.

Mr. Richards asked if the reports are going to be summarized for something we'll be looking at every month?

Ms. Assouri responded she can do that on a monthly basis and that's transparent government, so we need to be able to report that both to the F&A and to the wider board and that's where we need to be. I can give you the parcel count, I can tell you the forecast date of when we're achieving that delivery date but I will tell you that when you see a parcel date that is deemed critical by the design builder, if they put a design hold on it which means they're still thinking it through, I still have 12 months from when they unhook me and I still have to chase it. My 12 month clock stops when they tell me to stop. So, we're not chasing unnecessarily and that's part of the tail wagging the dog. We want to be able to chase the parcels, everything is critical at this point, this is what I want to communicate to the committee is, everything with 574 parcels in the first segment, it's all "critical" in quotes.

Mr. Rossi asked when you look at the numbers on tab 13, page 3, show me how that works? After the agenda it says executive summary, the next page it says ROW acquisition and there's a chart, it tells us about the total parcels. In CP 1 you've got 85% of all parcels. If you were to break out the remaining parcels, what percentage of those are critical? Ms. Assouri responded of the remaining 119 parcels, if we're going to have a proper count, then CP1 ABC and D should be included together for the cumulative CP 1 parcel count. We have about 119 parcels left, about 20 of those are design-build critical path identified, and that's the list that I'll run for you. That was, I believe, the question that was asked so literally by owner by when we can deliver the parcels to the design builder, that's the report that I brought and I'm happy to share that with you.

Mr. Rossi stated so what I want to see, I think that's great, but that doesn't do me much good. This is an oversight committee, not an operating committee. I'm going to want to see a breakout that talks about total parcels, which ones are critical and when they're critical by, when are you going to achieve that end result that you just talked about? Can that be done for the next meeting? Ms. Assouri replied absolutely and just to clarify, when the design builder assigns a parcel, when the design builder assigns that parcel design-build critical path, that doesn't mean that they get to pick the date by which they need it. Mr. Rossi stated, I understand exactly what it means. I just want you to tell me what you're going to do. Ms. Assouri replied yes, we can absolutely do that.

Mr. Rossi asked who will give the update on the Dragados/Flatiron situation? Mr. Hedges responded for Dragados/Flatiron we met with their executives to establish dialogue with their executives. We have a plan in place right now. It's a two-phase plan, the first phase is basically to get construction started. The focus basically is to just articulate the linking and understanding what critical path is.

Linking that to critical path, those parcels that are essential to starting with type one and type two structures. We have that plan in place, the team is focusing on breaking those structures free, which is occurring as we talk. I expect construction to be underway between three and four type one type and two structures I'd say by the end of June. Mr. Richards asked if this would occur with no permitting problems or delays? Mr. Hedges replied the issues that we've picked were called the low hanging fruit. We sat down and decided that to get into the rodeo, go through this, look at the critical path where we're at with these various structures, pick the eight that are the lowest hanging fruit, focus on those eight to gain momentum and start, and then we'll come back in and follow along with the schedules and come back and finish off the remaining fifty plus structures. That's going to redefine the critical path then we'll have to come back in and relink those parcels to that critical path. It's going to be a little bit of evolution as in to be able to do this, but the idea right now is to eliminate impact. In the impact, the biggest place we are suffering right now is delay. Once we have construction underway then that impact should start to diminish. We also, underneath the authority of Mr. Fellenz, have a forensic review underway in CP 2-3 which we started this week so that we can go back and evaluate our risk exposure with all the ongoing delay that we currently have.

Mr. Fong moved on to Risk Management and commented that a risk analysis was done to create the baseline but we need to do a review of that, there's some things that have been moving around which our Risk Manager believes that we should have to basically do another risk analysis overlay. Mr. Hill stated the risk analysis we've done is part of the baseline, it's been established, but we believe especially with what Mr. Hedges has been talking about on the CP packages and a number of other items, if we overlay the risk at this stage we may end up with an inflated number, we do not want to create a high number but continue to look at it realistically and come back with that risk overlay again. That's what we intend to do. Mr. Richards asked how long of a deadline will it take you to complete? Mr. Hill stated that given the changes that are happening on the CP's, he hesitates, but he would say three months for the process we should set for ourselves. Mr. Rossi responded, I have to ask you this question, since you're running Monte Carlo, and I saw the explanation in the Business Plan, what happens if there's only 999 <indistinct>? Yes, you're off by a standard deviation.

Mr. Fong moved on to Small Business and stated Ms. Rodriguez came here to give us a Small Business update. Ms. Rodriguez commented she would like to talk first about professional services contracts because we execute our contracts in two different forms. For professional services, those, as of December and even looking into March as well from the last reporting period, we're hovering right close to 30%, we're at 28.97% then we went back up to 29%. That's expected, those contracts come fully baked with a small business plan so we expect them and the contract managers who work with them to execute those plans. Design-build is where you see the numbers at a lower scale, and that is what we expect. They design their packages, then they go out and construct them. They hover at different ranges, CP 1 is obviously the furthest along so they're doing the best at 23.17%. The other two, not so much, they will pick-up as construction continues. In one of the previous meetings you also asked about veterans. I want to happily report that on both professional services and on our design-build, we're over 3% on both, which is meeting and exceeding the state's goal. Last week I want to also say that Brian Kelly, Pam Mizukami, Tom Fellenz, and I met with some of the leaders of our Business Advisory Council, you often see them at board meetings, they came to us with some ideas and some suggestions that would help up maybe remove some barriers as we move into future contracting so the goal is to work with them at an executive level, see what we can do to get creative to remove those barriers and then maybe affect some changes to make it easier for small business to work on our program.

Mr. Camacho asked why is it that when you talked about their construction contracts, they don't start until things gear up? They're the last to come on but they're the first ones to go? When in fact if there's a change order of some sort or for whatever reason, we wait for everything to build up and

they're the last to come on, but if there is a change in contract, they're the first ones to be released which then will in fact impact our numbers by quite a bit.

Ms. Rodriguez replied for the small businesses, we have a contract compliance team for the design-build contractors, they are out in the Fresno office, they have a whole change order so if the scope of a contract was written off or given to a small business, the responsibility that the contract compliance unit has is to ensure that the design builder goes back and gets that scope of work in another contract somewhere else to a small business of that same DBE or DVBE or small business, whatever that designation was.

Mr. Camacho stated on some of the veterans I think we're double counting, are you double counting because some of them are small businesses? Ms. Rodriguez responded that the state of California recognizes a DVBE in a separate containment as a small business however some of them are both. When they ask us, the small business goal for the state is just 25%. In that sense when you are just reporting on the small business, you can count DVBE's. Now DVBE's are counted in a separate report that we give every year to the state of California, to DGS, and that is then the designation for just DVBE, so we are following the state's process in counting those.

Mr. Camacho stated it doesn't mean it's a good process, it just means it does allow for double counting and that's exactly what's happening, I've seen it over and over again. I'd like to ensure that we aren't double counting. Ms. Rodriguez responded that the state has a 25% goal. The 3% is carved out of the 25% so it's not a 28% goal, the state allows that 3% to come out of the 25%. But I agree with you, I think that's something that may require legislative changes. Mr. Camacho commented that the veterans, it sounds like we are doing better than we are, and I suspect we're not doing that good. Mr. Rossi stated I would disagree with Mr. Camacho in this regard, it's not double counting, it's two separate definitions, and the result of the two definitions under the law, you don't get a double count, you're a veteran in a small business. It's still a small business, it doesn't make any difference and its still veterans. Mr. Camacho stated he would rather have a distinction saying that. I've seen six firms that are in fact veterans and they are not necessarily small businesses. Mr. Rossi advised they don't show up as a small business, they should show up as a veteran but they won't show up as a small business Mr. Camacho responded if he was a veteran and a small business, you could show up twice as a small business because you are a small business. All I'm saying is I wish there could be a distinction because we aren't doing as well as we think we are with one of those categories with the double counting. Mr. Rossi responded that's not true, because of the definitions, you are doing as well. The fact you happen to be a small business and a veteran, that's a twofer. We have to do it under the law which is why she's stuck. Is that it? Ms. Rodriguez replied yes.

Agenda Item: Financial Reports

Mr. Fong moved on to the financial reports and stated we haven't met for four months so I want to go over a couple of highlights on the reports. First on the aged reports, it's been seven consecutive months, we've had zero aged invoices but if you've noticed we've included disputes. We've had a challenge on disputes since January, the last time we met, we had about \$16 million. Mr. Rossi asked Mr. Fong, if you're going to talk about disputes please go to tab four, page 1. When I look at where the disputes are, it's embarrassing. The RDP is 47% of disputes, we have resources agencies are at 11%, third party agreements I get, and the regional consultants are at 9%. We should not be getting any disputes here, certainly not from this length. Mr. Fong stated we did discuss this at our last executive meeting this week and I anticipated this would be going down, but it didn't. I just wanted to highlight it until we resolve this problem. Mr. Richards and Mr. Rossi responded that was fair.

Mr. Fong moved onto the Cash Management Report, stating we have a total of \$2.15 billion; \$1.2 in

Prop 1A and \$945 million in Cap and Trade.

Mr. Fong Moved onto the Admin Budget. At 75% of the year done, we're at 57.5% spent, last year we were at 56% so it's very consistent, basically due to vacancies. Our vacancy rate for two months has stayed at 17.3%, it's still a little bit higher than where we want to be. The statewide average for the state of California has climbed to 16.8%, so it's not too far off from the state but we definitely want to fill our vacancies.

Mr. Fong moved onto the Capital Outlay Budget. Again, at 75% of the budget year completed, we're at 51% budget spent. Total project expenditures we've now spent \$4.459 billion of which construction is about \$3 billion, program delivery is \$1.2 billion, and admin is about \$200 million.

Mr. Fong moved onto the Contract and Expenditures Report. Ms. Rodriguez gave an update on where we're at on our small business report, we currently have 252 active contracts, quite a few down from the last time we met, totaling about \$5.67 billion. Finally, we have our Projects and Initiatives report. The last time we met in January we had 9 reds but I'm happy to report that we currently only have 2. Mr. Rossi asked before you continue, on Contracts and Expenditures Report, is it normal that the total value of the contracts goes up and the total number goes down, are we consolidating? Mr. Fong responded he wouldn't say it's consolidating. It's eliminating contracts that we're not using, a part of that exercise is to make sure that we're using our funds wisely. A lot of the smaller ones are going away. I also want to point out that's one of the things that Pam Mizukami has done since she's been here.

Mr. Fong moved to Projects and Initiatives. Last time we met in January we had seven reds now we only have two. I must report that Ms. Nisonger gave the status that all of these were in the IT area. Ms. Nisonger commented on the IT projects, last time we met there were 10, we're down six because three were completed, and one actually merged in with another one. Mr. Rossi stated let's hit on that with the Operations Report, Ms. Nisonger, is that ok? Ms. Nisonger replied sure.

Mr. Fong stated that concludes the financial reports along with the operations reports.

Mr. Rossi referenced tab 4, and advised he would think, you would want to get most of these. On tab 7, I have a question, when you look at risk management, it is at 77.5% then you look down at footnote 32, and you are transferring budget, how much authority do you have within the authority to transfer line items? Mr. Fong stated for the administrative budget, each department does have the ability to transfer within itself as long as the net result does not increase. Mr. Rossi asked if you could put everything on one line? Mr. Fong responded there are some restrictions like salary and benefits have to stay the same, but a lot of the resources can change, all the ones that you see below all the supplies, training, stuff like that. Mr. Richards asked who monitors that? Mr. Fong advised the budget office and myself, everything has to go through the budget office. Mr. Richards asked Finance signs off with the budget office? Mr. Fong replied correct, to make sure that we're using appropriate funds and transferring funds appropriately.

Mr. Rossi moved to tab 11, page two of this report, what's fascinating to me is that you have an end date for locally generated alternative F-B which was just changed from 10/4 to 10/31, doesn't matter how you keep your records, it just seems a little odd to me not bothering to change that and if you look at page three, about what you're to tell me the recent construction package two, three and four? Mr. Hill replied CP 2-3 was covered previously with Joe as far as a critical path, change orders, etc. We're trying to go through CP4 with the same approach, we're looking at four key areas to release major parts of land that can construct in bigger plots. Mr. Rossi stated if you look on page four, what's happening in the Southern California region on Palmdale/ Burbank, the budget rating is going in the

wrong direction I guess. It's says immediate corrective action required. Mr. Hill commented the ROD programs in general, we've now established the on-going challenge to establish the FRA dates, and the preferred alternative dates. We do have a schedule for all these sections now including this one, there's a number of things relating to the baseline. Mr. Rossi asked if this will get changed when you release the baseline? Mr. Hill responded absolutely. Mr. Rossi asked if that's going to be the answer to all most all of these questions? Mr. Hill replied yes.

Mr. Rossi commented that this was fair enough, and we don't have to reinvent the wheel. Mr. McLoughlin, on page six, environmental mitigation management and assessment application. Mr. McLoughlin replied yes. Mr. Rossi asked if the date is now 2/28/19. Mr. McLoughlin stated yes, for full acceptance and completion. As you can see in March, we've launched the last iteration, and Patti can comment also, but that will be the last piece of that. Mr. Rossi advised it's been a long time. Mr. McLoughlin responded that December would be the end date. Mr. Rossi commented ok.

Mr. Rossi moved on to page 8. PMIS, do we actually think we can get this done on July 19, or is that going to be the 20? Ms. Nisonger replied the scope of this is for the professional services and third-party agreement. It is anticipated to be live, I'm hoping the system is actually deployed mid to late June and then clean-up in July. Mr. Rossi responded great, same question on the next page. Ms. Nisonger responded that's the infamous cost management system, that's the one I mentioned earlier. 5/25, we are on track at this point and time. Once the system is live with all of basically the 2016 Business Plan budget information, we will then start moving towards loading the 2018 Business Plan budget and aligning all that but the system is in fact ready at the end of this month, there will be a crosswalk to the new report as such. You asked earlier what the benefits are, I could highlight those just very briefly. Ultimately, what the system will do as they load expenditure data in there, it will enforce the business rules that have been built into it, meaning certain funds or certain start/end dates, and funds that might be created yet. Once the expenditures are loading in there, the system itself then will identify exceptions or things like that that need to be resolved before the month closes. Then the accounting staff will close the books within the system instead of manually the way they have been. The system will provide better traceability for any changes that have been made to anything either in hindsight it will have what was changed by whom and why, it will trace that for you. Then, the big goal I have for Mr. Fong is it will streamline the reporting. Once all of this is closed in there then he'll have almost an easy button for some of his reports. Mr. Fong commented, one button for all reports? Ms. Nisonger stated she said almost. Mr. Rossi agreed he heard that too.

Mr. Rossi moved to page 10. Can you tell me, Roy, since you're Program Delivery here, we don't have an organization and management plan? Mr. Hill responded we do have but it's an update being constructed now and developed for the program management plan that is now being developed with the reorganization, with Brian and Jill etc. Mr. Rossi stated ok, and that will be done by 6/30/18 for the next month. Mr. Hill responded I think at least the direction of travel with the outline of the old rule plan, I think it will take longer to do the whole detail of the plan. Mr. Hedges advised that we're going through it with the integrated project team we're putting together now that will put together the Project Management Plan, the PMP. We're going to give you a summary in June and keep moving forward. Mr. Rossi commented ok, note that down. Same with all these dates, I'm looking at here, I'd venture to guess they are going to change, right? On program, RDP Work Plan. Mr. Hill stated we're hoping on the work plan will be would be the same date. We're hoping to have work plan three July 1, so that should stay at the same date. Mr. Rossi responded ok.

Mr. Rossi then stated if you look at page 12, it's talking about these on hold. Mr. Hill commented Small business, disadvantaged businesses. Mr. Rossi advised that he finds that one unusual. Ms. Rodriguez stated one of the things my team has been working on is redrafting the small and disadvantaged business program, the actual document that guides the program. When this was written

we didn't have any context in place but now that we've had these three design-build contracts and all of those professional services, it's a good time to try and figure out how does the Authority actually execute the plan, how does it work with our contracting unit, how does it work with procurement, so that's all that is. The reason why it's on hold is because I was promoted and I didn't have an advocate to keep going along. They'll be hired in the next few months.

Mr. Rossi moved to the Operations Report. There's a lot of stuff in here that will change once you get all of the re-baseline data. Understanding that we'll move relatively quickly. You've already answered the Right of Way stuff on page three. There's a lot of things that you are now adding to this report. I don't know if that is in hopes that I will fall asleep as I read it so I won't get to the important stuff. I'd like you to start cutting it back down to a reasonable set of data. When you look at page six, if I'm reading CP 1 right and reading CP 2-3 right, I'm assuming because they've consumed 76% of time, 54% of budget, and 56% of time and 33% of budget, that it would not be unreasonable to assume that the delivery dates on these are going to be pushed out? Mr. Hedges responded, right now sir we're evaluating and as we just stated that the current date on regards to CP2/3 will move us out and fix that with all of our delays to August 2017, so all of those delays we're doing an evaluation as we currently speak so between and August and present, I will expect another contract modification to address the delays that we are currently occurring. Mr. Rossi replied, so the answer to my question is yes? Mr. Hill responded yes. Mr. Richards asked if that is in CP2/3 as opposed to CP 1 or are we looking at the same thing in C P1? Mr. Hedges replied that we're doing the same evaluation on all three of the CP's right now so we're sure that we're managing them properly. That's the goal and objective for all three. Mr. Richards stated that when you look through the documents here, it would imply to me that you're on schedule on CP 1 but not on the others. Mr. Rossi responded, yes that's what he just said, that we won't be over. Mr. Hedges stated in CP1 we also expect impact delay claims due to schedule. Mr. Richards asked is that right? Mr. Rossi replied yes, it's clear that CP 4 has a problem. Mr. Hedges stated critical path is still obviously in CP 2-3.

<indistinct, reviewing numbers on a page>

Mr. Rossi commented the one that's good is SR-99.

<indistinct>

Mr. Rossi moved to pages 46-47. I'm reading these but I can't tell if I should be worried or not. Mr. Hill stated with the rebaseline, dates and costs will be revisited. Mr. Rossi replied fine and moved to page 50-51. Mr. Hill stated those pages would be the same. These will be updated. Mr. Rossi moved to page 61. This is you, Mark? Looking at these dates, they're going to be pushed out I take it? Mr. McLoughlin stated those will be updated with the rebaseline. Mr. Hill agreed.

Mr. Rossi moved to page 67. Can someone tell me what this? Total Other Expenditures, for what? I don't even remember seeing this chart. Can you take it out of the report, or explain it next time? Next, Risk, it says here, if remaining contingency is less than 10% of remaining contract, corrective action will be necessary. This has been below 10% for some time. Have we taken any corrective action? If we look at page 74, you have a similar problem, right? If you look at 70, 95 and 96 indicating ones that have and don't have a problem? Mr. Hill replied, I would propose that's answered by the rebaseline. Mr. Rossi responded, I would propose that that's not a good answer this time. Say you're doing an analysis regardless of where the rebaseline is. If you look at the other one, it says we're not anywhere close to 10%. I'm not sure if I'm reading it wrong. Pages 95 to 97. I assume on CP 1 you must have don't some analysis give how long this has been under 10%, so what is the result of that analysis? Mr. Hill stated his answer would be that that is part of the rebaseline, we are going to readjust the contingency needed to complete the program. Mr. Rossi asked why are you doing a

study on CP 2-3 on page 96 when you're not close. Mr. Hill responded there's an amount of contingency required given the amount of estimate to complete for future works, estimate to complete, etc. Mr. Rossi stated so what you're saying is that 10% is your break point and there's some number above that is still not comfortable.

Mr. Jarvis commented, when we look at the risks and trends, and the forward risks there is financial risk. Mr. Rossi responded ok. So, I've got a couple general questions. So when you get the baseline and Business Plan approved, how long will it take to get new operating reports out, new set of graphs, etc. So you'll get a whole new set of Ops? Mr. Fong replied yes, so we're shooting for July Operations Report to be updated since there are so many different types of graphs to make sure we get the right numbers. The actual budget will be in the June board meeting. The target for the Operations Report is to be updated in July if that's ok with you. That's tight.

Mr. Rossi stated yes, that works. One other thing, is the BOC. How is the BOC doing? Mr. Fong replied we've had ten BOC's so it's been ten months. We've looked at almost 80 items. If you recall, our focus was commercial, how does this impact the future enterprise value of our organization. Strong focus on the financial, not just budget but also cash flow, the procurement strategy to ensure that it's matching the Business Plan, and obviously make sure we're using public funds appropriately. I think it's going very well. It was tough in the beginning, but again we've gone through ten. We have one coming up this month. Anything that goes to the board with a budget impact does go through the BOC. Mr. Rossi stated that's good because that's important to ask. You want to be sure it maintains its independence as a committee. The other question is clearly I am assuming reading these reports that the indications for CP 1, CP 2-3, and CP 4 that those dates will be extended and I take it Roy, that's in the rebaseline.

Mr. Hill replied correct. Mr. Rossi stated ok, so we'll see all of that. Mr. Hill responded sorry, let me clarify. We have not due to contractual reasons reflected any new dates as a matter of commercial negotiation and settlement, but as part of the baseline exercise we have taken a probability of the impact of those things. Mr. Rossi stated fair enough. It would be hard for anyone to not to given time expended versus dollars unless you're going to bring them in really cheap. Mr. Hill replied there's a part of me that's an optimist.

Mr. Rossi stated ok. Anything else? Thank you very much.