

CALIFORNIA HIGH-SPEED RAIL AUTHORITY

Finance and Audit Committee

TRANSCRIPT OF PROCEEDINGS

SANTA CLARA COUNTY BUILDING

ISAAC NEWTON CENTER AUDITORIUM

70 W HEDDING STREET

SAN JOSE, CA 95110

TUESDAY, SEPTEMBER 17, 2019

11:30 A.M.

Reported by:
Susan Palmer

APPEARANCESCOMMITTEE MEMBERS

Tom Richards, Committee Chair

Nancy Miller, Committee Member

Ernest Camacho, Committee Member

BOARD MEMBERS

Lenny Mendonca, Board Chair

Henry Perea, Sr., Board Member

STAFF

Brian C. Annis, Chief Financial Officer

Joseph Hedges, Chief Operating Officer

Brian Kelly, Chief Executive Officer

Pam Mizukami, Chief Deputy CEO

Daniel Horgan, Programme Director WSP

Paula Rivera, Chief Audit Executive

PUBLIC COMMENT:

<u>INDEX</u>		<u>PAGE</u>
	<u>Public Comment</u>	--
1.	Consider Approving the July 16, 2019 Finance and Audit Committee Meeting Minutes	23
2.	Action Items from previous Finance and Audit Committee Meeting	N/A
3.	Executive Summary by Chief Financial Officer	6
	<ul style="list-style-type: none"> o Executive Summary o Accounts Payable Aging and Disputes Report o Cash Management Report o Administrative Budget & Expenditures Summary by Program o Administrative Budget and Expenditures Report o Capital Outlay Budget and Expenditures Report o Total Project Expenditures with Forecasts o Contracts & Expenditures Report o Projects & Initiatives Report o Summary of Financial Reports 	
4.	Year-End Close Process Audit Report for FY2017-18	52
5.	Operations and Project Update by Chief Operating Officer	23
	<ul style="list-style-type: none"> o Operations Report o CP 1 Monthly Status Highlight Report o CP 1 Performance Metrics o CP 2-3 Monthly Status Highlight Report o CP 2-3 Performance Metrics o Caltrans SR-99 Monthly Status Highlight Report o Caltrans SR-99 Performance Metrics o CP 4 Monthly Status Highlight Report o CP 4 Performance Metrics 	

INDEX (Cont.)PAGE

6.	Central Valley Update by Chief Operating Officer	31
7.	Current issues	N/A
	Adjourned	53

P R O C E E D I N G S

11:35 a.m.

PROCEEDINGS BEGIN AT 11:35 A.M.

SAN JOSE, CALIFORNIA, TUESDAY, SEPTEMBER 17, 2019

COMMITTEE CHAIR RICHARDS: Good morning, everyone. And welcome to the Finance and Audit Committee meeting for September for the California High-Speed Rail Authority. If the Secretary would note that we have a full house on the Committee with our two other Directors who are members of this Committee and also that our Chair and our new member, Henry Perea, are also in the house.

So welcome, Henry, I'm sure you'll be welcomed more, later.

So with the meeting called to order, we're kind of separated here, where's Brian Annis?

COMMITTEE MEMBER MILLER: He's right next -- oh, there he is.

COMMITTEE CHAIR RICHARDS: There you are. Thanks, Brian. We normally are, as you know, in a smaller room where we have everybody around a table. And so we're searching around to make sure people haven't escaped, so Brian, if you would -- yes.

Yeah, yeah, thank you. Yeah. And I was told a few minutes ago, and I need to state it, that there's no public comment cards presented today, so we have no public

1 comments and we're moving in to the agenda for today's
2 meeting. And we'll start out with our Chief Financial
3 Officer, Brian Annis, with the Executive Summary.

4 Good morning, Brian.

5 MR. ANNIS: Good morning, Mr. Chair and Members.
6 I'm going to read off the Executive Summary, which is Tab 3
7 of the agenda package.

8 And before I get started I want to publicly
9 acknowledge the Accounting Branch that has successfully
10 completed the year-end close of all the financials for '18-
11 '19 fiscal year by the Controller's deadline. And I think
12 we'd normally expect this to happen, but we're implementing
13 at the state level a new statewide financial system called
14 FI\$Cal, or the Financial Information System for California.
15 And that's being phased in. And it's created a lot of
16 challenges for departments, many departments, to meet the
17 timely year-end close. So again, I just want to
18 acknowledge the hard work of the Accounting Branch.

19 Moving into the Executive Summary on page 2, we
20 start with the Accounts Payable Aging and Dispute Report.
21 And I'm happy to report that we now have another month of a
22 good record of the Authority's not had an aged invoice for
23 23 months and has not made a penalty payment for 30 months.
24 And the Accounting Group continues to work very hard to
25 keep that good record.

1 Our disputes have fallen to 4.4 million, which is
2 a decrease of 239,000 from the prior month. And that's
3 down significantly from about a year ago; it used to exceed
4 20 million.

5 In terms of cash management ending in July our
6 cash balances for Proposition 1A were \$764 million. And
7 that's down about \$58 million. The Treasurer will be
8 selling bonds this fall. And we do expect the Treasurer to
9 sell some additional Prop 1A bonds to increase our cash
10 balances in that Prop 1A account.

11 Cap and Trade reflects reduction of about 2.5
12 million for the July month. That cash balance is \$2,220
13 billion. As it was reported to the Board through email
14 recently, we did receive preliminary results from the
15 August Air Resource Board Auction of Cap and Trade credits.
16 And our early estimates are that that'll produce \$145
17 million for the Authority. And when you combine that
18 August auction estimate to the prior three options that
19 would total 761 million for the last four. So we're in
20 recent times running at an annualized rate of Cap and Trade
21 proceeds a little bit above the 750 million mark. Again,
22 it's a 761 million.

23 Moving on to the next page and the administrative
24 budget, July of course is the first month of the fiscal
25 year. The 2019-'20 Administrative Budget that totals 56.2

1 million, which is an increase of 8.9 million or 19 percent
2 above the prior year. The prior year's budget was 47
3 million. The budget increase is primarily due to three
4 budget change approvals or budget change requests that were
5 submitted by the Authority and approved by the Legislature
6 last year.

7 Number one, there were five positions added to
8 enhance the Authority's IT security practices. There were
9 five positions in IT to begin transitioning some of the
10 Authority core IT functions from consultants to state
11 staff. And lastly there were 35 positions added, state
12 staff positions added to shift contract management,
13 administration budgeting of federal grants and accounting
14 services from consultant contracts to state staff. So in
15 total we added 45 state positions as we began this fiscal
16 year.

17 Through the month of July, which is 8.3 percent
18 of the fiscal year completed, we expended 2.8 million of
19 our total administrative budget. And that's against a
20 total of -- excuse me -- let me say that would be about 4.9
21 percent of fiscal year's total budget.

22 That under expenditure is due primarily to these
23 new state positions that have been created. And it'll take
24 a bit of time to fill the 45 new state positions, but we're
25 already started and we already have a few of the positions

1 filled.

2 Moving on to the next page Capital Outlay Budget
3 Summary, the approved budget for '19-'20 for capital outlay
4 is 2,255,000,000. That compares to last year's fiscal year
5 budget, which was 1.8 billion and the actual expenditures
6 last year were \$1.0 billion.

7 Our year-to-date capital outlay expenditures for
8 the month of July were \$48.8 million, which is 2.2 percent
9 of the capital outlay budget for the fiscal year. The
10 underutilization of budget is primarily due to low spending
11 within the project development and construction packages.
12 The report outlines the spending-by-design build contractor
13 package. Construction Package 1 was 7.6 million.
14 Construction Package 2-3 was 10 million. And lastly,
15 Construction Package was 10.2 million in July of 2019.

16 Moving on to the next page, Contract and
17 Expenditures Report, the Authority has 195 active contracts
18 valued at \$6.8 billion in value. Our small business rate
19 was 21.3 percent in July. That's relatively constant from
20 the prior month of 21.1 percent and up a bit from the prior
21 year, which was 20.7 percent.

22 On Projects and Initiatives Report, there are
23 three changes that are highlighted in your Executive
24 Summary. One is we have dropped the listing for the
25 financial systems or FIMs Project. I reported that the

1 state is transitioning now to the statewide FI\$Cal budget
2 and accounting system. We're implementing that well. And
3 in addition to that statewide accounting systems, we have a
4 project cost system called EcoSys. And that's been
5 implemented and we're able to reconcile the two systems,
6 the statewide system that again links to the Controller,
7 ultimately and is the Department of Finance Accounting
8 system of record. But because it doesn't have the same
9 ability to drill into project detail we have the EcoSys
10 system that works well with FI\$Cal now.

11 And again, we're not listing the FIM system as a
12 third system, because we're having good implementing of our
13 FI\$Cal and EcoSys.

14 Two other points are listed here for the Northern
15 California San Francisco to Jose segment. The schedule
16 shows a change in status from satisfactory to caution and a
17 two-month delay is highlighted as a caution that is still
18 being worked on.

19 And lastly Bakersfield to Palmdale continues to
20 reflect a high status, because of what was reported in the
21 last month's report that there's additional engagement
22 going forward now, with the Cesar Chavez National Monument
23 along that segment to address some of the concerns of that
24 facility.

25 The last page of the summary is the contingency

1 summary. In May, the Board adopted a new Baseline Fund
2 Plan of 15.6 billion. And that included total contingency
3 amount of 3.6 billion. This report monthly updates the
4 Board on the use of contingency. And through July, 391
5 million of that contingency has been used leaving a
6 remaining contingency of 3.2 billion.

7 The report additionally reports use of
8 contingency for items that cost of 25 million. And that's
9 the second half of the page on the left side. Three
10 contingency settlements or amendments were made over 25
11 million. The first was a \$31 million use of contingency
12 for the CP2-3 design-build contract. And this had to do
13 with a design for construction for the bridge design on
14 some of the grade separations for open abutments. The
15 second one was 126 million approved for the CP-1 design-
16 build that had to do with time delays and the new schedule
17 for that contractor.

18 And lastly, 55 million was approved for a 2.5
19 year time extension for the CP2-3 project construction
20 manager Arcadis.

21 So that concludes the Executive Summary of the
22 Finance Report. And I'm happy to answer any questions.

23 COMMITTEE CHAIR RICHARDS: Thank you, Brian. And
24 before you sit down or I ask my colleagues if they have any
25 questions of you, I just wanted to mention to the public --

1 and I've had similar conversations with both members, other
2 members of our Committee here -- Brian has noted in his new
3 role that we've got a reasonably complex presentation here
4 that is composed of more pages than we can generally count
5 in a half of a day. These reports were developed from the
6 outset of this Committee or piecemeal one-by-one as we
7 needed additional information. And I think that all three
8 members on the Committee share your concern about the
9 unwieldiness of this.

10 And I'll look forward to meeting I think with you
11 and our Chief Operating Officer between now and the next
12 meeting. I'll report back to the other members of the
13 Committee as appropriate, but we'll hopefully see a pared-
14 down and a more understandable and perhaps clearer picture
15 of where we are while at the same time not compromising the
16 information that's necessary to ensure that the reports are
17 as accurate as they can be made.

18 So at any rate, I thank you for that heads up,
19 Brian, and for your leadership on that, and also with Joe.
20 So with that do we have any members or any questions for
21 Mr. Annis from any of the members of the Committee?

22 Ernie?

23 COMMITTEE MEMBER CAMACHO: The Cap and Trade
24 dollars that you refer to, those are Cap and Trade that we
25 got for extending to 2030, correct?

1 MR. ANNIS: That's correct. So this, there's
2 four auctions a year. And there was a bill that passed in
3 2017, AB 398, that extended the program from 2020 to 2030.
4 And that changed the nature of the auction proceeds we'd
5 been seeing. Prior to that the legislation passing we'd
6 seen very auctions, several under 10 million of proceeds to
7 High-Speed Rail. And since that bill passed, the auctions
8 have averaged at a level that between 700 million and 750
9 million. And in fact for the last four, as I reported, the
10 average is 761 million of annual proceeds.

11 So it has been more robust since that legislation
12 passed.

13 COMMITTEE MEMBER CAMACHO: And maybe this is a
14 question for Brian Kelly. Is there a possibility of going
15 back to Legislature to get (indiscernible) to maybe 2040-
16 2050?

17 MR. KELLY: There's always a possibility to ask.
18 (Laughter.) But I think more importantly here I think what
19 Brian is reflecting is that AB 398 that passed the
20 Legislature in 2017 had a very stabilizing effect on Cap
21 and Trade auctions. And while we've been limited in our
22 Business Plan, for example in the 2018 Business Plan and
23 again in the 2019 Project Update Report, to assume no more
24 than 500 million per annum from Cap and Trade, there has
25 been roughly two years of auctions since 398 passed. And

1 we're bringing in an excess of 750 million per year.

2 So I do think it does speak to how we talk about
3 what our assumptions should as we're in the 2020 Business
4 Plan. And that's work we'll be doing with the Department
5 of Finance as we go forward. And that then opens
6 additional opportunities.

7 COMMITTEE MEMBER CAMACHO: Well, that's the first
8 part of the question. The second part of the question is,
9 if in fact we can get this -- if we could get it extended,
10 there is nothing that prevents from us borrowing against
11 that on our futures and it'll certainly help cash flow.

12 MR. KELLY: We indicated in the 2018 Business
13 Plan that we were interested in a floor of Cap and Trade
14 money available to the project and the ability to finance
15 against it. And those remain important elements for us
16 that we will continue the conversation on as we get into
17 2020.

18 COMMITTEE MEMBER CAMACHO: One last question that
19 has more to do with the numbers that you gave us. The
20 numbers that you gave us for construction of 7.6, 10
21 million and 2.2 million, those are all numbers for
22 construction that is CP1, CP2-3 and 4. Those are numbers
23 that are for construction for July, until the end of July.
24 We continue to get -- Brian, it's difficult for us to
25 understand where we are if we don't have something that's

1 more current. And this goes back to project control system
2 that we continue to do partially manually and partially
3 automated.

4 But for a program this size, it just seems to me
5 that we should have numbers that are more current,
6 especially since we were promised a real jump into the
7 summer months for activity. So we don't know how dire the
8 straits are in terms of where we are if we're looking at
9 numbers that are 45 of 60 days old.

10 MR. ANNIS: Well, the Chair mentioned looking at
11 some of our reporting to see if we can make it more
12 efficient. One of the things we're looking at in that
13 context is could we release the F&A documents a bit
14 earlier? It still does take time to collect all the
15 invoices, get the raw data in there and then put it into a
16 format that's reportable to the Board and fully reconciled,
17 so that will continue to take some amount of time. But
18 again, we're looking at whether there's an opportunity to
19 accelerate it a bit.

20 And I think as part of our discussion of making
21 the reporting mature more efficient that could cut down on
22 some of that processing time.

23 COMMITTEE MEMBER CAMACHO: No, I mean it just
24 doesn't -- we just don't know where we are currently. And
25 we might speculate, but we know that there's a lot of

1 activity starting to happen or happened. And we just don't
2 -- you know, based on the numbers that we see here it makes
3 it more difficult for us to tell what we really need in the
4 field.

5 MR. ANNIS: Thank you.

6 COMMITTEE CHAIR RICHARDS: Thank you, Ernie.

7 Brian?

8 MR. KELLY: I just wanted to comment too that I
9 think that there's two elements to getting the data more
10 refreshed for the members.

11 One is as Brian mentioned, he's going through an
12 efficiency exercise with Joe Hedges on making sure that the
13 financial information and the on-the-ground construction
14 information is well put together and coordinated as we
15 present it to the F&A.

16 The second element might be timing of our
17 hearings and when the information is made available. That
18 might be something I'll have to address with the Chair
19 about when we have our hearings. Because moving that date
20 in the course of the month might -- and when we make the
21 data originally available -- might shrink the number of
22 days between when the data is available to us and when you
23 have it, so we can shrink that 45-day window.

24 COMMITTEE MEMBER CAMACHO: We could even have a
25 hard number for construction dollars, and have a guesstimate

1 on the remaining or where we are, if in fact there is
2 activity happening in 1, 2-3 or 4. So it just gives us a
3 better sense of how much activity we have out there.

4 COMMITTEE CHAIR RICHARDS: Director Miller?

5 COMMITTEE MEMBER MILLER: I appreciate those
6 comments. I just know that in my firm we don't get
7 invoices out for the previous month until usually the 10th
8 business day of the next month, so I understand how hard it
9 is to know what's being spent and what's being invoiced
10 until a few days after.

11 So I'm actually not as concerned about timing but
12 I am a little bit concerned about the numbers and whether
13 or not we're seeing -- because I think Director Camacho's
14 point is a good one. We were expecting increases in
15 construction in the summer and here we are and we don't
16 know whether we really -- and maybe this is for a complete
17 Board meeting. But it's a concern, which should be
18 addressed either at this meeting or the full Board meeting
19 about what is going on and are we going to meet the targets
20 that we had.

21 I have one other question and that has to do with
22 the move from satisfactory to caution on one of our legs.
23 I believe, sorry I believe it's San Francisco, if you could
24 just explain that? It's in the notes, it's at page 5.

25 MR. ANNIS: Sure.

1 COMMITTEE MEMBER MILLER: It's the Northern
2 California region.

3 MR. ANNIS: Yeah, I know there's been a two-month
4 caution added to that schedule. I would have to defer to
5 Capital Outlay group to give you a little more detail on
6 that.

7 COMMITTEE MEMBER MILLER: Is that coming in full
8 Board meeting, Joe? Or should I ask now or should we wait?

9 MR. HEDGES: (Indiscernible.)

10 COMMITTEE MEMBER MILLER: Okay. I asked it.

11 COMMITTEE CHAIR RICHARDS: Okay. We'd like you
12 to address it when you come up, Joe, rather than right now.
13 We'll wait until your report, thank you.

14 COMMITTEE MEMBER MILLER: Thanks. That's all I
15 had. Thank you.

16 COMMITTEE CHAIR RICHARDS: Okay. Thank you,
17 Director Miller.

18 BOARD MEMBER PEREA: I have one question.

19 COMMITTEE CHAIR RICHARDS: Yes, Henry.

20 BOARD MEMBER PEREA: On page 3 on the total
21 authorized positions I understand the reason for the 31
22 percent bump, because of the additional positions. Do you
23 have listing of what those positions are and where they're
24 allocated throughout the organization, number one?

25 And number two, even looking at previous 18

1 percent seems like high-vacancy rate considering the size
2 of the organization. So who does recruiting and what is
3 the specific plan and timeline to get all these positions
4 filled?

5 MR. ANNIS: Sure. Well, a couple things. One is
6 we have tended to have a higher-than-average vacancy rate
7 within a growing organization over time. And we were, I
8 think, fairly close to at least meeting the statewide
9 average at the end of the last fiscal year. The statewide
10 average is about 15 percent vacancy and we had 18 percent
11 at the end of the fiscal year.

12 However, we don't want to -- we want to exceed
13 that. We want to fill beyond 85 percent of our positions.
14 The 45 added, I think you asked where they're placed?

15 BOARD MEMBER PEREA: What are they, and what are
16 the positions and where are they placed within the
17 structure?

18 MR. ANNIS: Right. Right, so there's about 18 in
19 financial area, in my unit and there about 12 in project
20 delivery and about 10 in the IT area.

21 And I think Pam, who's our Chief Deputy CEO, and
22 she's going to give you a little more detail on where we
23 are in hiring to fill our vacancies.

24 MS. MIZUKAMI: Good morning. Hi, I'm Pam
25 Mizukami. So we have some great news. The report that you

1 folks have reflects about a 31 percent which is 85
2 vacancies, but I'm happy to report since last Friday we
3 actually hired 10 people. And so now we are down to -- we
4 went from 31 percent to 27 percent, which is an improvement
5 of 4 percent. So of those, we have 75 positions. And of
6 the 75, we have 42 that we consider active recruitment.
7 And when I mean active recruitment, what I mean is that
8 they are either pending offers or we're in the interview
9 process or we're doing backgrounds on them.

10 And then of the remaining 33, those are the ones
11 that we're working with the programs to get the duty
12 statements our or we are advertising for those positions.
13 And so what we're looking is actively recruiting. We
14 actually are attending job fairs, so that we can get folks
15 in and try to find folks to apply for these positions. And
16 I will say that it's looking good. It's not easy, but we
17 consider we can't -- take our time and keep on going out
18 there are advertise and try to recruit the best folks to
19 come to our program.

20 BOARD MEMBER PEREA: Okay. Do you do
21 recruitments internally or is it state personnel?

22 MS. MIZUKAMI: Yes. We have our Human Resources
23 Branch that we do that with. Also, for instance in our
24 audits area we have some vacancies, so actually we will
25 have like some subject matter experts. Say maybe a person,

1 maybe our Chief in Audits might go, our HR folks, or maybe
2 Program Delivery actually attending these job fairs, so
3 they can go out there and recruit folks.

4 BOARD MEMBER PEREA: Okay. Now would you say the
5 statewide average is 15 percent vacancy?

6 MS. MIZUKAMI: Yeah.

7 BOARD MEMBER PEREA: Is that an acceptable rate
8 for us or should we be lower than that?

9 MS. MIZUKAMI: It should be probably lower, but
10 because we just received these new positions that's
11 probably why it's increased, but we will reconsider that.
12 And we also have some that are Governor Appointee positions
13 also. So within now we have like five that are vacant, I
14 believe, that we have that are still actively recruiting
15 under exams.

16 BOARD MEMBER PEREA: Okay. If you could give us
17 at least or get me a list of what we're recruiting for and
18 where you're at, that would be great.

19 MS. MIZUKAMI: Sure. Okay.

20 BOARD MEMBER PEREA: Thank you.

21 COMMITTEE CHAIR RICHARDS: Thank you, Director
22 Perea. Thank you, Pam.

23 MS. MIZUKAMI: Thank you.

24 COMMITTEE CHAIR RICHARDS: I think on the earlier
25 comments, Brian, I think what we're going to shoot as a

1 goal, shoot for as a goal, is to have information at least
2 on construction and on right-of-way that is as recent as
3 the end of the previous month, end of the previous month
4 prior to each F&A meeting.

5 And the other suggestion that CEO Kelly mentioned
6 with regards to rescheduling meetings for next year is our
7 Chairman's challenge with trying to get -- keep everybody
8 who would be affected by that on board. But we really need
9 to have the information on construction and right-of-way,
10 not -- in terms of its timeliness not more than two or
11 three weeks after the end of the previous month. Thank
12 you.

13 BOARD MEMBER PEREA: Okay. Thank you.

14 COMMITTEE CHAIR RICHARDS: For my colleagues, are
15 there any questions with regards to Agenda Item No. 3
16 beyond what we have now discussed before Operations Report?

17 Ernie do you have any?

18 COMMITTEE MEMBER CAMACHO: Nothing. No thanks.

19 COMMITTEE CHAIR RICHARDS: Nancy?

20 COMMITTEE MEMBER MILLER: No, I don't. Thank
21 you.

22 COMMITTEE CHAIR RICHARDS: Since I jumped over
23 approving the minutes for the July meeting we'll entertain
24 a motion for approval of the July 16th minutes.

25 COMMITTEE MEMBER CAMACHO: Second.

1 (Off mic colloquy and noise.)_

2 COMMITTEE CHAIR RICHARDS: We have a motion and
3 second and approval of the minutes (indiscernible) and one
4 abstention.

5 BOARD MEMBER PEREA: And I abstained from that
6 vote.

7 COMMITTEE CHAIR RICHARDS: I'm sorry?

8 BOARD MEMBER PEREA: This is on the minutes,
9 correct? Yeah, I'll abstain on it.

10 BOARD CHAIR RICHARDS: Henry, to vote the
11 Committee has just (indiscernible) --

12 BOARD MEMBER PEREA: Right. Okay.

13 BOARD CHAIR RICHARDS: I'm sorry.

14 COMMITTEE MEMBER MILLER: Yes, I abstain. Thank
15 you.

16 COMMITTEE CHAIR RICHARDS: All right.

17 Then with that then Joe, you're up.

18 MR. HEDGES: Good afternoon with a couple of
19 ticks on this side of noon, now, so very rare that you can
20 say good morning and good afternoon today in the same F&A
21 meeting.

22 Let me start basically walking through the F&A
23 Report. We'll start at Tab 14, which is the Executive
24 Summary. And then we'll just methodically just walk our
25 way through. Let us start with basically with page 1 or

1 page 3, which is basically the Execution Summary of ROW
2 Acquisition. We continue to make good progress in ROW, but
3 as reported there are 468 new ROW actions. That does not
4 equate to parcels tick. (phonetic) Right now, the staff is
5 going through, is what I call the final answer, the final
6 determination that was predominately generated from
7 utilities. And this was basically on the strategy that I
8 briefed three few months ago of pushing on the designs.

9 If you pushed on the designs then that basically
10 would establish the final footprints for the whole
11 alignment. And that's what's been done. Now, with that I
12 say 468, we're currently going through each parcel, mapping
13 it to see if it falls within our existing land or if it's
14 outside on requiring an additional take. We're also at
15 established teams, with each of the CPs to allow us then in
16 the extreme critical issues as in to see if we can find
17 technical solutions as in to move these utilities
18 completely within the land that we own.

19 So thus the issue only becomes not an
20 acquisition, but just merely a land right conveyance to
21 each of the utilities. That process is ongoing. We're
22 working again hand-in-glove with of the DBs. This is part
23 of the reset of the RBS schedules, right? When we put in
24 basically this new acquisition, then that will tell us than
25 what's on critical path. We're going through each CP in a

1 cyclic process right now to figure out what is the critical
2 path that's partial to look at strategies as in to minimize
3 these impacts. That's ongoing.

4 Next month I'll come back to you with a new
5 acquisition plan that will tie basically back to a strategy
6 of what we have to do to achieve the final take with
7 regards to real property.

8 COMMITTEE CHAIR RICHARDS: I appreciate your last
9 comment, because that going to be request of this Committee
10 for next month. So thank you, Joe.

11 MR. HEDGES: So we'll come back, give you a
12 detailed brief, and I'll reset content basically of what's
13 in currently right now. And it's also going to reset the
14 content as into the definition of what is a critical
15 parcel, a parcel that is on critical path.

16 COMMITTEE CHAIR RICHARDS: And that will include
17 forecast performance dates, correct?

18 MR. HEDGES: Absolutely, sir. And I'll tell you
19 right now, we have currently -- we have gone thru all of
20 ROW processes, using Lean Six Sigma. We have streamlined
21 them and compressed them with the staff. Based off those
22 requirements, we have added some additional staff, in the
23 process of adding additional staff, and we've moved some --
24 part of the additional staff has established some very
25 tight production control that we're using with the rest of

1 the CPs.

2 COMMITTEE CHAIR RICHARDS: Did I read also -- I
3 mean the critical path parcels are requested to be placed
4 as critical path by the contractors; is that correct?

5 05:56

6 MR. HEDGES: Yeah. We're looking for -- every
7 time we're looking for solutions for these critical paths.
8 One of the solutions that we have is the use of
9 administrative settlements. That if it makes a good
10 business decision as in to try to accelerate this
11 acquisition through this, with maybe with a little bit of
12 added cost on our part as to avoid impacts with the way,
13 then it might make good business sense to do so. We're
14 allowed to do that with regards to our ability to that --
15 with (indecipherable). We want to document that we want to
16 have proof of necessity.

17 COMMITTEE CHAIR RICHARDS: But is it -- is it did
18 I read in here somewhere also that at this point in time
19 none of the DB contractors, design-build contractors, have
20 requested any parcels to be on critical path?

21 MR. HEDGES: Right now they have told us that
22 there are parcels right now with the current logic. What
23 we have done in each of the CPs we have started the genesis
24 of the rebase line schedules. In doing so, what we've done
25 is we've linked our logic. And in doing that we went back

1 and looked for opportunity for what I call non-heroic
2 acceleration. Non-heroic acceleration is the ability to
3 use early start packages as to move up start of
4 foundations, the start of guideway right, at the earliest
5 possible date.

6 Right now we have new found cooperation with each
7 of the design builders. Their executives from all the way
8 down to the project level have been very supportive of this
9 concept. At each product we have implemented what I call a
10 site walk-down, which is a joint production meeting with
11 both design-build contractors and the state as to work
12 through issues to resolve all of our issues one at a time
13 as to get to that inflection point that allows us then to
14 come to full wrap of construction. Each issue is being
15 dealt with methodically, one at a time. And we're getting
16 remarkable success.

17 I will articulate as remarkable success is that
18 of what's contained in this document currently right now.
19 CP2-3 has exceeded this month its financial expectations.
20 We have just invoiced for 18 million as kind of a brief
21 over summery. CP4 for two months in a row has achieved 8
22 million invoice, which is approximately 2 percent of the
23 contract value, which is right at industry standard.

24 That's kind of the overview.

25 COMMITTEE MEMBER CAMACHO: Is the -- all right,

1 I'm a little confused about this. Are these 460 particles
2 within the 119 miles?

3 MR. HEDGES: They're not 468 parcels.

4 COMMITTEE MEMBER CAMACHO: Okay. Whatever they
5 are.

6 MR. HEDGES: They're the 468 actions, okay?
7 They're not -- when we use term "parcel" in our definition
8 to require acquisition, there are 468 actions. Are they
9 within our right-of-way, the existing what we own? And
10 this the answer some of the article that was written by the
11 *L.A. Times* why have we've not gotten rid of our non-
12 operational property. I've kept that intentionally for
13 this, for emergencies.

14 So we'll use that non -- when we can we'll use
15 that non-operational property and we'll try to solve some
16 of these utility problems.

17 COMMITTEE CHAIR RICHARDS: Nancy?

18 COMMITTEE MEMBER MILLER: So of the 416 we're not
19 sure whether or not --

20 MR. HEDGES: 468.

21 COMMITTEE MEMBER MILLER: Sorry, 468, we're not
22 sure whether or not we already have the parcels?

23 MR. HEDGES: No, we're not sure. And it's a very
24 -- each parcel, you have to go through and meticulously map
25 the utility footprint to the land that we own to see to

1 verify is it in, is it out. The next question is can we
2 come up with a technical engineering solution to slide that
3 utility back on completely to our property.

4 COMMITTEE MEMBER MILLER: Understood. So is this
5 the end of the right-of-way analysis for utilities?

6 MR. HEDGES: This should be, I would say is the
7 99 percent solution, right? We again have pushed on design
8 as in to get these final footprints. There might be
9 anomalies of one and two that we get out as we do basically
10 advance our construction to find that we have something
11 that's hidden, right?

12 COMMITTEE MEMBER MILLER: Right, understood.

13 HEDGES: Like (indiscernible) -- but I would say
14 it's about a 99 percent solution.

15 COMMITTEE MEMBER MILLER: Okay. Thank you.

16 COMMITTEE CHAIR RICHARDS: Say Joe, what are the
17 implications to the program and to the state if the
18 contractors haven't designated or requested a designation
19 of any of the parcels as being critical?

20 MR. HEDGES: Again, is it's a question -- this is
21 very, very, complex. Each of the CPs is a little bit
22 different. Each of them is -- you have to go through each
23 piece of these 468s, to include the existing right-of-way
24 inventory that we have right now as in to figure out what
25 is critical, noncritical. I only want to declare parcels

1 that are critical that are actually on critical path.

2 When we are -- the exercise that we're going
3 through right now is what I call schedule dense, making the
4 schedule as dense as can, which is done by creating these
5 working groups that keep cycling through the schedules,
6 looking for opportunities to improve the logic for the
7 state; if we can move up our ROW, our acquisition, as in to
8 slide the critical path as to advance the acceleration.

9 Remember the key element in project management is
10 that of the schedule. The schedule tells you the plan.
11 And that's as of date what we've been lacking right now is
12 that joint plan that allows us then to be able to make the
13 determination as in to what the impact the delay is. Is it
14 a contractor-caused delay? Is it state-caused delay? But
15 mostly important, it allows us to see what are the actions
16 that need to occur both in state and contractor, both
17 sides, that advance these projects and allow us to get to
18 100 percent construction without impacts.

19 COMMITTEE CHAIR RICHARDS: So are you saying then
20 if they haven't asked for the designation of the critical
21 path parcel and they don't meet the schedule that's on
22 them?

23 MR. HEDGES: No, I'm not saying that, sir. Right
24 now I want to make the absolute determination as in to what
25 is critical path. I want to take a very methodical,

1 rigorous approach as to take these schedules and to make
2 them as dense as we can. What's on critical path is not a
3 declaration, basically, by the contractor. It's by going
4 through the schedule, making a determination jointly as we
5 work through these schedules as to figure out exactly what
6 is on critical path. I'm taking no one's word what is on
7 critical path, what is not on critical path.

8 COMMITTEE CHAIR RICHARDS: Okay. Would you just
9 make sure you address that in the ROW Report next month,
10 because I think the documents suggests that it's the
11 requirement of the contractor to request that it be placed
12 on the critical path. And I was surprised to see that
13 there have been no requests. So if you would just address
14 that clearly and what that means to us, means to the
15 project, and what the obligations are either for the
16 Authority or the exposure to the contractor by not doing
17 so.

18 MR. HEDGES: I will, sir.

19 COMMITTEE CHAIR RICHARDS: Okay. Thank you.

20 MR. HEDGES: No. But sir I apologize, ma'am,
21 that -- let me introduce my counterpart. This is Daniel
22 Horgan. Daniel is the new Executive Program Director for
23 WSP, for the REP. Daniel has been with us for about a
24 year, okay? He's been working in diligently in the Valley
25 as a part of this get to work, push the Valley forward.

1 Daniel and I both agree that his optimum place is
2 in the Valley with a focus of to achieve ARRA. So Daniel
3 has basically been down in the Valley, driving the train,
4 literally, from the front seat. His help has just been
5 immense. So like I said, he's not new. He's been here for
6 a year. He knows the status. He's well versed, willing to
7 step into the WSP. He's made a huge impact as of date
8 already.

9 COMMITTEE CHAIR RICHARDS: All right. Thank you,
10 Dan.

11 MR. HEDGES: Dan, do you want to say anything?

12 MR. HORGAN: Well, this is my first Board
13 meeting, so it's all a bit sort of amazing and exciting.
14 And working in the Central Valley is amazing. We are doing
15 some great things. We have some challenges, but in the
16 past year we've made significant ground. I'm very
17 confident going forward we'll make significant ground. We
18 have challenges. We're identifying them. We're overcoming
19 them. We're being methodical. And we are making progress.

20 But you know I'm very confident we will meet
21 ARRA, but we do have some challenges we will meet head on
22 and we will resolve them. So thank you and I'm going to do
23 my best.

24 COMMITTEE CHAIR RICHARDS: Thank you, Dan.

25 COMMITTEE MEMBER MILLER: Thank you so much.

1 MR. HEDGES: He's always doing his best.

2 COMMITTEE CHAIR RICHARDS: Just please put dates
3 on as many of the things that you can possibly put
4 performance dates, so that we can clearly understand in
5 F&A, and the Board what we can expect in the future.

6 MR. HEDGES: Absolutely, sir. And that's
7 basically what the Office of Program Delivery is all about.
8 And when we come up with this new kind of condensed --
9 which I've already said -- F&A Report you'll be able to see
10 that very soon. Very self-explanatory to see what we're at
11 with regards to the schedules of ROW, what we're hitting
12 and what we're missing. We have -- our desire is to be
13 absolutely transparent. Just to tell the story as the
14 story is occurring.

15 So let me kind of go here to page 5. Page 5 is a
16 good summary of the second piece of the fulfillment of the
17 ARRA commitment as part of the Office of Program Delivery.
18 And that is basically the ROD and NOD fulfillment. Right
19 now, the good news as we all know and you're getting
20 briefed today, is we have NEPA assignment. Okay, woohoo.

21 Now what's that allowed us to do -- remember we
22 broke as regards to the FRA engagement we broke -- we did a
23 CEQA First Strategy. Now we're merging these back, but as
24 a result of that CEQA First Strategy we reported when we
25 did it there was going to be a day-for-day delay until we

1 either NEPA assignment or FRA engaged again. So we've lost
2 some months, a couple of months, on each of these and
3 there's been a little bit of slide.

4 We'll publish those schedules next month. And
5 we'll go through the schedules one-by-one. But what's
6 impressive is, out of this is, is we're applying our
7 lessons learned. And that is the guys who are out in the
8 field, and the gals who are out in the field, they're some
9 of the hard, hard problems that we're currently struggling
10 with in execution. Let me point out some of those for you
11 right now.

12 Caesar Chavez, working hand-in-glove on Caesar
13 Chavez as to figure out what is the optimum route, the
14 guideway around through Caesar Chavez, so that that does
15 not become an encumbrance to construction. The same thing
16 at Una Lake, okay? So the process is working very well.
17 Very proud of what -- the work that the teams are doing and
18 that's kind of the reason we're here today. Two preferred
19 alignments as a result of this process, as the result of
20 strategic development and environmental working together.

21 It's also important, you'll hear today, is with
22 regards to the firewall of the NEPA off that we want to
23 make sure that we want to be sure that we protect our NEPA
24 assignment. And that we're fulfilling all of our CFR
25 responsibilities.

1 So underneath Brian's leadership, we're
2 establishing those policies, those procedures as to ensure
3 that when the FRA does come back and audit us, that we're
4 bullet proof.

5 Now if you can kind of go with me to page 7,
6 where it talks about the Executive Summary of contract
7 management. Right now each of the CPs are heavily engaged,
8 each of the CPs, all the way up to the Executive level.

9 COMMITTEE CHAIR RICHARDS: Do you have anything
10 to say about the third-party agreements, because Joe that
11 was the page before, 6.

12 MR. HEDGES: Sir, the -- oh, third-party, excuse
13 me, third parties. Third parties, it's -- I kind of put
14 this is, it's a thousand issues that we're solving 25 at a
15 time concurrently.

16 Now, our third-party agreements are coming into
17 focus. As we speak right now, last month as an example,
18 with SoCal Gas we resolved the issues. PG&E keeps pushing
19 forward. We made tremendous leaps and gains with regards
20 to UPRR and you're seeing that basically strengthen our
21 relationships throughout.

22 So we just, as of yesterday, are addressing the
23 independent irrigation districts. Remember where you
24 encumber these utilities. When we're on the guideway
25 predominantly the utility conflicts are that of ID, for the

1 majority of them, irrigation districts. These are
2 associated with agriculture water lines are cutting across.
3 So these are a matter of negotiating each individual master
4 agreement with each of the IDs. We're doing that. We're
5 finalizing that right now.

6 This predominantly is as simple as putting
7 casing, as to be able to allow us to put pipes underneath
8 our alignment.

9 Now at road crossings, typically these are where
10 the nonagricultural utilities are, you know, the high-
11 density type stuff. Because in these existing road
12 easements is where you have the PG&E utilities, the gas
13 utilities in these common easements. They conflict into
14 these major structures.

15 So that again is great strides, CP1, a good
16 example of this is with AT&T. AT&T right now is working
17 double shifts, pushing up as in to clear our trenches. The
18 trenches are extremely important to CP1, because CP1 is not
19 only the clear alignment as we can dig the trenches but as
20 to make availability occur that we can construct the
21 guideways with.

22 COMMITTEE CHAIR RICHARDS: So do you have a
23 schedule of third-party agreements that are in the process
24 of being prepared and/or (indiscernible) --

25 MR. HEDGES: We can, sir. What's interesting is

1 that some of these third-party agreements are just not
2 third-party agreements, but we are also having to negotiate
3 master agreements. We have to go back. It's a multiple
4 step process where you have to go back and negotiate
5 encroachment, templates, JUA templates. It's usually a
6 series of like four or five actions. All of them are
7 typically litigious. And we'll just keep gnawing through
8 them one at a time. But I can give you our strategy, our
9 approach, which is tied exactly to the priority in our get-
10 to-work per CP, what are the critical things, these
11 easements -- these agreements that we need to knock out as
12 in to be able to get them to advance.

13 So again, is your definition of critical parcel,
14 critical agreements also, sir.

15 COMMITTEE CHAIR RICHARDS: Okay. I think that's
16 what of concern to us, and certainly of interest, is to
17 understand when you're expecting that the third-party
18 agreements will be done. So that we can share the
19 enthusiasm that you may have with regards to schedule, so
20 that's what is important for us.

21 So when we hear the narratives that's certainly
22 helpful, but we need to know what you know or what you're
23 thinking in terms of the forecast for completion and
24 execution of those agreements. So that we know that the
25 project continues moving.

1 MR. HEDGES: Absolutely, sir, and we'll be happy
2 to --

3 COMMITTEE CHAIR RICHARDS: I'm not trying to give
4 you a whole lot more work to do. I assume you've got some
5 sort of a working document that you use. I don't care if
6 you provide whatever you can provide, but just so you can
7 give us the comfort so we understand what you and it's
8 easier for us to (indiscernible) --

9 (Overlapping colloquy.)

10 MR. HEDGES: We have those, sir, already. We'll
11 be happy to share them with you.

12 COMMITTEE CHAIR RICHARDS: Okay. Great.

13 MR. HEDGES: It isn't a big issue for us.

14 COMMITTEE CHAIR RICHARDS: All right. Thank you,
15 Joe.

16 MR. HEDGES: It just isn't reflected in F&A right
17 now.

18 Contract management, shifting to page 7 now, is
19 that what you're seeing is an overall strategy as part of
20 this pushing these construction projects up. It's right
21 now dealing with a lot of tough commercial issues that have
22 not been dealt with.

23 Example, CP1 is in a hardened trench, which is an
24 issue that dates back to 2014. Recently, we just finished
25 those negotiations. And we'll present up through the

1 Executive Committee to the Board, okay? But those things
2 are ticking off one at a time. And by doing this we've
3 reassured our commitment basically to partnership with
4 regards to the design builders as in to make sure that we
5 are resolving these issues, these impacts that are
6 predominantly the result of additional scope.

7 As we determine this additional scope as to make
8 sure that it gets addressed and into the contracts, because
9 what's important here is to account holistically to the end
10 of the schedule. And I want to make sure as we go through
11 and we get these re-RBSs (phonetic) that all the additional
12 scope is accounted for in this time. So that we have this
13 contract completion, that we know what it is and we're
14 pushing towards it.

15 We haven't been able to do that as of date, as we
16 go through and push these issues through. I'm pretty
17 confident right now that all that scope is known to include
18 staircases, the conduits, to get all this known, get it in
19 place so that we can get out of the way and get us to
20 complete construction. That's why you're seeing some of
21 these large schedules.

22 And then two, we've been able to negotiate time
23 impact analysis, as in to bring these contracts current as
24 to resolve all the disputes with regards to impacts and to
25 keep them fresh. And the schedule, this exercise with the

1 RBS and schedules, allows us then to monitor who is
2 responsible for the ongoing delay if there is a delay. Or
3 where there are opportunities that we can push up and
4 achieve that magical 2, 3 percent of construction
5 value. What you're currently saying right now on CP4. It
6 is working.

7 Now, if you might give me the grace here to step
8 into page 11, we've already talked about the right-of-
9 way. What you are going to see in these next 11, 13, 15,
10 it's refocusing these slides to that what is the critical
11 ROW. What is an execution for right-of-way. Remember that
12 there's two pieces of right-of-way that we have to be
13 focused on. That is we're only focused right now on one
14 piece and that is right now in parcel acquisition.

15 But the other piece that's just as critical to
16 that is the land conveyance rights. Making sure that we're
17 conveying land rights, because as we convey the land rights
18 that ensures that it's usually a prerequisite element in
19 most of our master agreements to be able to start the
20 moving of these utilities. You want to focus on both
21 elements.

22 The predecessor activity to the land conveyance
23 rights, land conveyance, is that of owning land or having
24 those master agreements that allows us to convey that land,
25 i.e. with the railroads.

1 Okay. So as we're kind of marching through the
2 report, we can all the way basically through page 33, talk
3 to basically 34. The expenditures, this is probably best
4 summarized with regards to the CPs, with regards to the
5 expenditures. If you go back to Tab 22, 22 and I'll talk
6 about this in each of the CPs, where we're at with regards
7 to expenditures, the planned expenditures.

8 Remember, construction is an S curve, right? And
9 that's what we're pushing through right now is that the
10 expectation is that we would take a stair jump. That
11 doesn't happen in construction. Construction is building
12 ramp, building momentum to get to this inflection point,
13 right? At that inflection point we are predominantly in
14 design-build. We're predominantly in construction. And all
15 the issues of state impact have been resolved and that's
16 what we're pushing to right now, that inflection point.
17 When we get to that inflection point 95 percent of the
18 state impact will be resolved.

19 Now pushing up again is we spoke already on
20 basically the project as I move to page 38, 39, as we move
21 to the ROD and NODs. As I articulated already we'll
22 provide you an updated schedule that brings this current
23 and allows you then basically to move forward.

24 Brian already reported on the cost element, so
25 I'll try to avoid those. What you'll see on page 42 is

1 that schedule for the ROD and NODs revised and it'll allow
2 you to track. But right now overall, well within the
3 bounds of ARRA. There are no issues with regards to ROD
4 and NODs, being able to achieve ROD and NODs. And more
5 importantly, we will have achieved the ROD and NODs on the
6 two critical elements of to the north on the Wye and then
7 the LGA within a year's time frame. Allowing basically, if
8 you so desire, for construction to begin with regards to
9 eliminating a lesson learned as to allow us our buy-in
10 right-of-way immediately, which is an emphasis for us. Get
11 prepared for the future.

12 Again, you can see these schedules with regards
13 to each of the various sections. All of them are advancing
14 well. There is really no issues with regards to the ROD
15 and NODs other than like I said, is we're working through
16 some of these what I call rub points, but they're important
17 to work through in this process. That's what this process
18 is meant to do, is to find where have these rub points with
19 regards to Cesar Chavez, let's work through them. Let's be
20 amicable. Let's be good partners. Let's resolve these
21 issues once and for all and take our alignment into a
22 configurative alignment.

23 And that's the goal here, but the achievement of
24 the preferred alignment is the first step of having a
25 configured alignment. And any changes to that configured

1 alignment then forces us to go through a governance process
2 as to make those changes, as to elevate them up through the
3 (indiscernible) Executive Committee back up to the Board,
4 so that you are notified of any major changes with regards
5 to the changes to the preferred alignment.

6 It's governance. It's giving us structure. It's
7 keeping us focused. It's making sure that we have other
8 decisions documented and once and for all we do it right,
9 close our issues. Very, very happy with the work that the
10 staff is doing.

11 Moving back through this report --

12 COMMITTEE CHAIR RICHARDS: What page are you on,
13 Joe?

14 MR. HEDGES: I'm on basically right now about
15 page 56, 57. This is talking here about these agreements in
16 place. But more importantly, and we'll talk about this
17 later in each of the CPs, it's not just where these master
18 agreements are, is it's how we're executing these master
19 agreements. And that's the focus that I'll talk about in
20 the provisional sums of PG&E. Are we moving, are we taking
21 allocating money to each of these task orders and
22 allocating and executing that money as a progress that
23 allows you to see the progress that we're making on that
24 first order of work. Because remember, in that inflection,
25 at that inflection point is that first order of work.

1 We've got to get the utilities out of our way, so that we
2 can then start this construction. It just isn't merely the
3 agreements. The agreements are the first step to move
4 those utilities.

5 I want to highlight significant gains we made
6 with the railroads, with UPRR and BNSF, with regards to
7 refreshing those relationships. I have a lot of new
8 cooperation with them. A lot of issues that have been
9 stymied for years now are starting to break free and we're
10 starting to make some significant progress on some of the
11 designs, some of the design variance especially with UPRR.

12 COMMITTEE CHAIR RICHARDS: Okay. And you'll deal
13 with just the dates and all that sort of stuff in the
14 report you give us on third-party next year or next week or
15 next month, sorry.

16 MR. HEDGES: Yes, sir.

17 COMMITTEE CHAIR RICHARDS: Okay.

18 MR. HEDGES: Contract management, the highlight
19 of this, I don't want to overstep what Brian just briefed
20 on. But what's important here is to say is that the
21 governance, the baseline is working. Every change order
22 that we've executed has been with in the P70. We've been
23 able to account for it within the P70 line item by line
24 item. It's gone through the process of governance of the
25 (indiscernible) the Executive up to the Chairman as

1 delegation of authority.

2 So you're saying a very controlled, very
3 methodical opportunity of the use of contingency,
4 right? So we're right now basically applying known-unknown
5 contingencies, stuff that we've identified in solving the
6 problems. In doing so what you're going to see at the end
7 of this, at the end of each year, the ability to come in to
8 refresh our P70 curves. Possibly, hopefully, is to create
9 opportunity as risks are resolved that give us available
10 funding as to move forward in the program.

11 Again, I won't step over Brian with regards
12 to the contingency management that is already briefed
13 on. And this kind of takes us back to -- the best way to
14 talk about really expenditure of contingency is to step
15 back into basically tab 15. 15 then, is the genesis of
16 these tabs talks specifically about each of the CPs. now
17 I'll talk about each of the CPs and what we'll do is we're
18 going to talk, it's kind of a little bit confusing here,
19 we're going to talk about the CPs kind of overall
20 here. Then I'm going to ask that we direct you back to Tab
21 22, 22 has the best pictures to graphically show you where
22 we're at in the progress that's being made.

23 So CP1, what you see at CP1 is that we have
24 proved basically for the month of July about \$14.4 million
25 worth of invoices. That's slightly below the expectation,

1 all right?

2 Now, that was predominantly linked to third-
3 party agreements with regards to the counties. Being able
4 to access some of the roads to start hauling an outside
5 fill material as to offset the impact that I already spoke
6 to you about, AT&T. It's all been resolved. Work is
7 marching right now. Those issues have been resolved and if
8 you go back to Tab 22 -- if you will kind of bear with me
9 here, go to page 2.

10 Now, what 2 says is that top row here is what I
11 reported to the Board in March of this year on milestones,
12 what we would achieve, okay? The bottom row is basically
13 the actual structures and the actual guideways that we have
14 cleared. What you're seeing is stop right now we are
15 predominantly right on target and you'll see this trend
16 throughout all of the CPs. We are clearing sites, we are
17 making headway addressing issue after issue advancing.
18 Now, is it as fast as I want it to be? Absolutely not
19 right, but it's on our projections.

20 So the issue you can see here, we've made great
21 progress on structures clearing. We just put in a series
22 of basically drainage structures that have started within
23 the last month. They're Type 2 structures, but they are
24 critical structures because they are in the community. And
25 what ends up happening with these structures is this, is

1 that they are on county roads. You're not allowed to close
2 two bridges that are adjacent, close two roads, because it
3 creates too long a detour.

4 So the good news is this, we're able basically to
5 turn over one bridge to the county, give that away, no
6 longer our responsibility. And then open up a new site for
7 a second bridge to begin work. Now this is a critical
8 issue, especially in CP1 where we have a history of closing
9 roads that looks like for no purpose. if you go down to
10 the City of Fresno you will numerous roads that have been
11 closed for years with no construction on them. No more.

12 We close roads when we're ready to start
13 construction. We do not want to alienate the community.
14 We want to make sure that when we're ready to go we are
15 ready to go. We are using a check-off list now to go
16 through one of the time checking off into making sure that
17 roads open as a road closed. And when we open a road,
18 we're turning that road over, that real property over to
19 the authority that's going to manage it.

20 BOARD MEMBER PEREA: So where in this report
21 would we find information related to those specific road
22 closures, where they're at?

23 MR. HEDGES: We can, I can show you -- we have it
24 detailed. Remember, this is just a very overview summary of
25 the metrics. I have this much (indicating) on each of

1 these projects when it comes to KPIs. I have site maps
2 that show the environmental conflicts, road conflicts, we
3 measure everything. We have very tight control of what's
4 happening and what is not happening.

5 We, Daniel and I are, personally involved
6 weekly. I'm down in the Valley two to three days a week to
7 oversee this meetings, these short meetings myself. And to
8 ask the questions, the three Ws: what, when and who's
9 responsible, let's get this ball rolling.

10 It happens every other week at each site, not
11 just -- it's both state and DBs standing side by side.

12 BOARD MEMBER PEREA: Yeah, I'd like to meet with
13 you when you're down in the Valley.

14 MR. HEDGES: Sir, I would love to show you.

15 BOARD MEMBER PEREA: Yeah.

16 MR. HEDGES: I've had executives with me with
17 regards to both sides, actually HNT's presence coming in to
18 see the stuff. You know, the highest compliment that I've
19 got so far is I brought Lon Tudor (phonetic) to CP1. And
20 he thumped me on the back of the head and he goes, "This is
21 what we need, Joe. You're pushing this stuff forward." He
22 gave a very positive report out to Brian.

23 COMMITTEE CHAIR RICHARDS: Joe, in the interest
24 of time if you could wrap up on CP1, and let's get to 2-3.

25 MR. HEDGES: Yes, sir. So again is what you are

1 seeing here at CP1 is its opening, progress is being made.

2 Now CP2-3, that'll jump you to Tab 17. What
3 you're seeing in CP2-3 is that we approved the invoice of
4 just under \$17.7 million, which is one of the highest
5 invoices as to date. The site is opening right now. But
6 what's very impressive, you go back to Tab 22 -- go back to
7 Tab 22 --

8 COMMITTEE CHAIR RICHARDS: I tell you what I
9 would add, Joe, for next month --

10 MR. HEDGES: Yeah.

11 COMMITTEE CHAIR RICHARDS: -- if you're going to
12 want us to flip back and forth, let's just put them right -
13 - let's put your metrics right next to these reports, so we
14 don't keep flipping them.

15 MR. HEDGES: In the new format, Sir, it all is as
16 clear.

17 COMMITTEE CHAIR RICHARDS: Okay.

18 MR. HEDGES: What's important on CP2-3, is what
19 you see is this okay, is that there are 45 miles -- 45
20 miles -- of alignment that's under construction right
21 now. That's very impressive, 45 miles. It's hard to
22 contemplate how far -- I can't get through it in one site
23 visit, okay? So there's substantial work and right now
24 more importantly, they are basically right now in full
25 production making the precast beams in advance of starting

1 construction. We are thinking ahead. So again, that kind
2 of summarizes up 2 ,3.

3 CP4, again that's CP4 is into Tab 20. What you
4 see there is the approved July invoice was at \$10.2
5 million. Now what's impressive about this is we are
6 holding at these numbers. CP2-3 right now has substantial
7 work basically ongoing throughout. And what's more
8 important is that the ongoing issues with CDFW have been
9 resolved. We've been able to amend our current permits
10 that has allowed some of these top issues -- remember there
11 is a CP1 permit and a CP2-3/CP4 environmental permit.

12 So all -- we're just basically working hand-in-
13 glove and I'm appreciative to Chuck, the Director at CDFW
14 for his cooperation and support. We've resolved all those
15 issues and CP2-3 we are starting what is the critical path
16 of the program, which is these long viaduct
17 structures. Predominantly Canao, Deer Creek, Cross Creek,
18 we resolved all the issues that has allowed the design to
19 go in full swing. And we're trying to accelerate right now
20 the foundation packages, so that we can we can work as soon
21 as possible.

22 CP4, you're saying that, the Wasco Viaduct which
23 is the major structure there is underway. And what's
24 impressive as you go down into -- it's a new strategy that
25 we've employed down there, is that you'll see what I call

1 speed bumps in the alignment. Where we hit basically
2 utilities, which is nearly protective in place and
3 (indiscernible).

4 As we are resolving those conflicts, we are going
5 to come back and close that guideway, all right? Is it a
6 little bit out of sequence in construction? Yes, right but
7 it's keeping and maintaining our off-tempo. We've accounted
8 for this in all of the RPS schedules.

9 And that's basically the report, sir.

10 COMMITTEE CHAIR RICHARDS: Any questions from
11 members of the Committee ?

12 (No audible response.)

13 All right, Joe, thank you very much. I only
14 would suggest one thing, I know that (indiscernible)
15 according to Brian Annis last year was about 83.3 a month
16 at a billion a year; is that right, Brian?

17 MR. ANNIS: (Nodding.)

18 COMMITTEE CHAIR RICHARDS: Okay. And so this
19 year our budget is 188 million a month.

20 MR. HEDGES: Understood, sir, but again as --

21 COMMITTEE CHAIR RICHARDS: In our first month we
22 hit 2.2 percent of what should have been about 8.3.

23 MR. HEDGES: Understood, sir.

24 COMMITTEE CHAIR RICHARDS: All right, Thank you.
25 If we can now ask our Internal Audit Manager

1 Paula Rivera to come forward, and this is on Item Number 4,
2 which is our audit on the year-end close.

3 By the way, this is Tab No. 13. Hi, Paula.

4 MS. RIVERA: Good afternoon.

5 So I wanted to let you know that we completed an
6 audit of year-end close process for the Financial
7 Office. The purpose of our audit was to review the year-
8 end close process and assess the Financial Office's FI\$Cal
9 compliance with that process. Our audit objectives were to
10 determine if the year-end process is adequate to ensure no
11 material misstatements in the fiscal year-end statements
12 and if accruals adhere to the Government Accounting
13 Standards Board and state's year-end close requirements.

14 So what we did was a process audit and we found
15 that the Financial Office has an adequate process in place
16 that should ensure no material misstatements and accruals
17 are accounted for in accordance with the requirements.

18 COMMITTEE CHAIR RICHARDS: Thank you.

19 Questions for Paula?

20 COMMITTEE MEMBER MILLER: Thank you. I
21 appreciate it.

22 COMMITTEE CHAIR RICHARDS: Thank you very much,
23 Paula.

24 MS. RIVERA: Thank you.

25 COMMITTEE CHAIR RICHARDS: Other than current

1 issues, which I don't think we have any other than
2 everything is a current issue, at any rate that concludes
3 the business of the Finance and Audit Committee, unless
4 either of my colleagues have anything you want to add? Or
5 Mr. Chairman, Brian, do you have anything?

6 (No audible response.)

7 COMMITTEE CHAIR RICHARDS: All right, the meeting
8 is adjourned. Thank you very much. We'll reconvene with
9 the Board meeting at 1:00 o'clock. Thank you.

10 (The California High-Speed Rail Authority Finance and
11 Audit Committee Meeting was adjourned at 12:44 p.m.)

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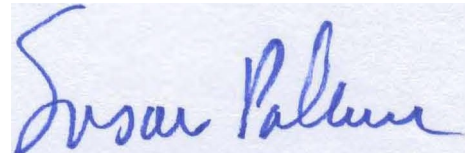
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SUSAN PALMER
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REPORTER

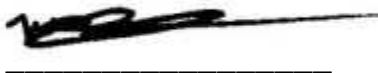
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Myra Severtson
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