

**DRAFT**

**FINANCE AND AUDIT COMMITTEE MEETING MINUTES**

**August 13, 2020**

**Webcast at:**

[www.hsr.ca.gov](http://www.hsr.ca.gov)

The meeting of the California High-Speed Rail Authority (Authority) Finance and Audit Committee Meeting was called to order on August 13<sup>th</sup> at 8:30 A.M. via webinar due to Governor Newsom's State of Emergency declaration regarding the COVID-19 outbreak and in accordance with Executive Order N-25-20 and the Guidance for Gatherings issued by the California Department of Public Health. The Meeting Minutes were prepared in the order items were presented during the meeting.

**Committee Members Present:**

Mr. Tom Richards, Committee Chair  
Mr. Ernest Camacho, Committee Member  
Ms. Nancy Miller, Committee Member

**Staff Present:**

Mr. Brian Kelly, Chief Executive Officer  
Mr. Brian Annis, Chief Financial Officer  
Mr. Joseph Hedges, Chief Operating Officer

**Public Comment**

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

**Item #1 – April Meeting Minutes**

The June 25, 2020 Meeting Minutes were moved for approval by F&A Committee Member Ernest Camacho and seconded by Committee Member Nancy Miller and approved unanimously.

**Item #2 – F&A Committee Chairman's Remarks, Initiatives, and Updates**

Committee Chair Richards informed the committee that next month's F&A package will include recalculated forecasts using the revised baseline schedules.

**Item #3 – Financial Reports Executive Summary**

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

**Question:**

Member Richards asked if there was any expectation to use commercial paper.

Response:

Mr. Annis responded yes, we do anticipate using our full Prop 1A bonds. Through commercial paper we will access \$79M for Central Valley Construction and \$9M for Project Development work.

Question:

Member Richards asked if there was an update on the state's austerity program.

Response:

Mr. Annis replied that we have confirmed that Department of Finance (DOF) will implement a formal budget adjustment through two Executive Orders to reduce the current administrative budget (\$73.6M). One for salaries due to two-day furloughs and one for an efficiency reduction of the budget by 5%. When that occurs, we will provide a reporting update to the F&A Committee.

Question:

Member Richards asked if the austerity program will have any substantial impacts on the Authority's move towards more state employees and reduction of consulting costs.

Response:

Mr. Annis replied the Administration has not implemented a hiring freeze to date. If they did implement one, we would see if they might allow us to get an exemption due to the savings from consulting costs. In past experience, there are warranted exemptions for budget savings, public safety, things like that.

Question:

Member Camacho asked how you determine which consultant positions will be replaced with state employees?

Response:

Mr. Annis replied that we estimated the cost savings from the consultants in each area. Chief Executive Officer Kelly added that there was a criterion for how we did the Form to Function review. This stemmed from the November 2018 State Auditor's Review, which stated there were a few areas that had consultants doing work that was more appropriate for state staff. The Authority reviewed the statute which identifies where you should and shouldn't use consultants. Generally, consultant work should be used in areas where there is a certain expertise that you can't otherwise find in state service, or for urgent work, or temporary work that must be done on a temporary basis. The Authority conducted a division-by-division review that helped identify several areas where we could adjust be more consistent with the statute.

Question:

Committee Member Camacho asked if percentage of completion for CP's could be added to Executive Summary, under the Capital Outlay Budget Summary.

Response:

Mr. Annis replied yes, we can add for next month's report.

Question:

Committee Chair Richards asked what the "with Forecasts" meant in the section title of Total Project Expenditures with Forecast.

Response:

Mr. Annis advised that he will change the section title to Total Project Expenditures for next months report.

Question:

Committee Chair Richards asked if there is any concern that the government (Federal Railroad Administration) will refuse our request for approval of ARRA grant match submittals.

Response:

Mr. Annis indicated that grant submittals are in line with the Federal Railroad Administration's requested data and format standards. Their discontinuing of reviews for our submittals seems tied to the broader issue of our FY10 Grant that is in litigation.

Question:

Committee Member Camacho asked if small businesses can be part of the larger construction projects, which are the CPs?

Response:

Mr. Annis replied correct. They could be both subcontractors to the DBs and other contracts outside of the DB direct contracting.

Question:

Committee Members Camacho and Richards asked if it would be possible to get more current numbers for construction expenditures as we approach the ARRA deadline, even if they are estimates.

Response:

Mr. Kelly replied that the timeliness of the F&A reporting is tied to when the data becomes available to the Authority through invoicing and other things. The Authority is pushing forward on the rebaseline schedule to keep the contractors on pace to meet the ARRA deadline, as well as pushing our environmental documents forward. We are also conducting enhanced risk assessments that take cost and risk into account so we can brief the Committee prior to the end of year Business Plan.

Mr. Annis added that we can look into providing preliminary numbers for the recently closed month on the day of F&A Meeting.

Question:

Committee Chair Richards requested that any material changes having an adverse effect on ARRA deadline completion, be reported to the F&A Committee.

Response:

Mr. Annis agreed.

**Item #4 – Central Valley Update**

Chief Operating Officer Joe Hedges presented the Central Valley Status Report to the F&A Committee Members.

Question:

Member Camacho asked when the will civil work be completed?

Response:

Mr. Hedges replied that for the Type 2-structures and some Type 1-structures, we will be pushing right up to ARRA (mid-2022). Chief Executive Officer Kelly also added track and systems will start sooner and there will be an overlap of 5-mile segments and civil work into 2022.

Having no further business, the meeting was adjourned at 9:47 AM.

The Authority additionally posts on its website transcripts from F&A meetings, which detail the discussion, questions, and answers from the meeting.

770 L Street, Suite 620, Sacramento, CA 95814 • T: (916) 324-1541 • F: (916) 322-0827  
For further information, visit the California High-Speed Rail Authority web site at <http://www.hsr.ca.gov/>