

CALIFORNIA HIGH-SPEED RAIL AUTHORITY

BOARD MEETING

TRANSCRIPT OF PROCEEDINGS

MAIN MEETING LOCATION

CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES AUDITORIUM

1500 CAPITOL AVENUE

SACRAMENTO, CA 95814

SATELLITE LOCATION

CALTRANS DISTRICT 11 OFFICE

4050 TAYLOR STREET

SAN DIEGO, CA 92110

TUESDAY, AUGUST 9, 2016

10:00 A.M.

Reported by: Kent Odell

APPEARANCESBOARD MEMBERS

Dan Richard, Chairman

Tom Richards, Vice Chair

Lynn Schenk (Via phone)

Michael Rossi

Lou Correa (Via phone)

Daniel Curtin

Lorraine Paskett

STAFF

Jeff Morales, Chief Executive Officer

Janice Harlan, Board Secretary

Tom Fellenz, Chief Counsel

Ben Tripousis

Paula Rivera

Scott Jarvis

Russ Fong

Gary Griggs

Jon Tapping

PUBLIC COMMENT

Waseem Ahmed, Mayor, Chowchilla

John Chavez, Chowchilla City Council

APPEARANCES (Cont.)PUBLIC COMMENT (Cont.)

Larry Patterson, City of San Mateo

Brian Haddix, City of Chowchilla

Jim Hartnett, Caltrain

Paul Guerrero, APAC

Lee Ann Eager, Fresno Economic Development Corporation

Ivor Samson, SunnyGem, LLC

Bobby Khan, Madera County Economic Development Corporation

Alan Scott, Citizens for High-Speed Rail Accountability
(CCHSRA)

Frank Oliveira, CCHSRA

Shelli Andranigian, CCHSRA

Roland Lebrun

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P R O C E E D I N G S

10:08 a.m.

PROCEEDINGS BEGIN AT 10:08 A.M.

SACRAMENTO, CALIFORNIA, TUESDAY, AUGUST 9, 2016

CHAIR RICHARD: Welcome everybody and good morning. This meeting of the California High-Speed Rail Authority will come to order.

This morning we do have a remote site in San Diego to accommodate members who were unable to travel this morning for legitimate reasons and so we'll be accommodating that remote site.

And let me just first do a sound check. Director Schenk and Director Correa you're at that site in San Diego; is that right?

BOARD MEMBER CORREA: Yes.

BOARD MEMBER SCHENK: Yes, we are, Mr. Chairman.

BOARD MEMBER CORREA: This is Lou.

BOARD MEMBER SCHENK: Can you hear us?

BOARD MEMBER CORREA: Yes.

CHAIR RICHARD: Yes we can. I would say anything you can do to make it a little louder is better, but we can hear you. And may I also ask since that's a publicly-noticed site are there members of the public present with you at that site?

BOARD MEMBER SCHENK: There are no members of the

1 public at this time.

2 CHAIR RICHARD: Okay. There are no members of
3 the public there. And if that changes, of course I know
4 you'll let us know.

5 BOARD MEMBER SCHENK: Yes, we will. And,
6 Mr. Chairman, we will keep this on mute to minimize
7 background noise unless we have some comment to make.

8 CHAIR RICHARD: All right, thank you.

9 So before you put it on mute I'm going to ask the
10 Secretary to call the role.

11 MS. HARLAN: Director Schenk?

12 BOARD MEMBER SCHENK: Here.

13 MS. HARLAN: Vice Chair Richards?

14 VICE CHAIR RICHARDS: Here.

15 MS. HARLAN: Director Rossi?

16 BOARD MEMBER ROSSI: Here.

17 MS. HARLAN: Director Correa?

18 BOARD MEMBER CORREA: Here.

19 MS. HARLAN: Director Curtin?

20 BOARD MEMBER CURTIN: Here.

21 MS. HARLAN: Director Paskett?

22 BOARD MEMBER PASKETT: Here.

23 MS. HARLAN: Director Lowenthal -- is absent.

24 And Chair Richard?

25 CHAIR RICHARD: I'm here. I think Ms. Lowenthal

1 managed to sprain her ankle, which is unfortunate.

2 Mr. Curtin, will you lead us in the Pledge of
3 Allegiance to the Flag?

4 (The Pledge of Allegiance is made.)

5 CHAIR RICHARD: Thank you.

6 Okay. We will begin with the public comment
7 period. And as we do, I ask the staff to allow public
8 officials to speak first, and then we'll take the comments
9 in the order in which they are received.

10 So we'll start with Mayor Waseem Ahmed from the
11 City of Chowchilla followed by John Chavez, Council Member,
12 from Chowchilla.

13 Mayor Ahmed, I believe I mispronounced your name.
14 I'm sorry, sir.

15 MAYOR AHMED: Good morning. Thank you for giving
16 me the opportunity to speak before you this morning about
17 future options of the High-Speed Rail in the Chowchilla Wye
18 study area.

19 I will also speak of the strong relationship we
20 in Chowchilla have forged with our neighbors in Fairmead
21 and those in our surrounding agriculture community.

22 We continue to seek resolutions to the many
23 challenges the High-Speed Rail Project will have in our
24 area. That includes restructuring future community growth
25 and development, impact to the regional agriculture and

1 manufacturing economic engine, disruption in the building
2 upon our regional history and its social fabric and affect
3 upon long-existing family legacies and heritage of our
4 communities.

5 We truly appreciate the recent opportunities to
6 meet with the Chair and Vice Chair of the esteemed Board to
7 discuss methods to pull together a consensus to select the
8 best route possible for the High-Speed Rail in the
9 Chowchilla Wye study area. We followed those talks by
10 meeting with our Fairmead neighbors and with leaders in the
11 surrounding agriculture community. And we did achieve
12 substantial agreement.

13 The resulting consensus is that what works best
14 for affected parties, in the study area, is to align the
15 North-South Route along the Highway 59 Corridor. This
16 route reduces the significant impact upon the future of
17 Chowchilla and Fairmead and through productive agricultural
18 land. In effect, the impacts are lessened, along the route
19 as opposed to those in the Chowchilla vicinity.

20 Similarly, the majority opinion of the people in
21 Chowchilla and Fairmead region that was generated from our
22 well-attended local outreach meetings is to align the East-
23 West Route along Avenue 21. I want to emphasize that the
24 City of Chowchilla has consistently identified Avenue 21 as
25 the preferred high-speed rail route since 2010.

1 In conclusion it has been challenging to bring
2 all affected representatives in Chowchilla Wye study area
3 to gather to achieve the consensus I have presented to you
4 today. Though concerns may still exist, nonetheless we
5 believe that all the representatives recognize that the
6 best choice for the North-South Rail Route is along Highway
7 59. And that a majority of public opinion strongly
8 believes that Avenue 21 Route is the best East-West route
9 for the region.

10 Further, these two routes will better maintain
11 and improve the lives of the people who reside, work, farm
12 and play in our area. And provide a continuance of
13 enriching the regional history and family legacies. Thank
14 you.

15 CHAIR RICHARD: Thank you, Mr. Mayor.

16 Councilmember Chavez followed by Larry Patterson
17 from the City of San Mateo.

18 COUNCILMEMBER CHAVEZ: Good morning and thank
19 you. John Chavez, City Council of Chowchilla.

20 I'm here to read the remarks of the Fairmead
21 High-Speed Rail Authority or the Committee on the High-
22 Speed Rail. I am honored to speak on behalf of the
23 representatives from the Fairmead Community, our Chowchilla
24 neighbors, who could not make it to the meeting today.

25 The anticipated decision of the Board as to where

1 the High-Speed Rail Project route will align in the
2 Chowchilla Wye study area is of great interest to everyone
3 in Fairmead. This is particularly so, considering that
4 some proposed routes have the potential to eliminate key
5 elements of our community including our elementary school.

6 Fairmead is an unincorporated area of Madera
7 County and just one stone throw southeast of Chowchilla
8 city limits. They are the closest neighbors.

9 Fairmead has a long history that started with all
10 the promises of a booming Central California metropolis, as
11 a model farming community in 1912, by the Cooperative Land
12 and Title Company. By the mid-1930s groundwater challenges
13 caused the developers and promoters to abandon the
14 community, but the settlement was still home to many and
15 more families on the way. To quote from a July 2015
16 article in the National, "Fairmead is the kind of place
17 where people come to start anew, hoping to silence the
18 ghosts of hard times past."

19 Fairmead is a home to African-Americans whose
20 family migrated out the segregated Deep South more than
21 half a century ago, looking for farm work in places where
22 they could hold their heads high. There are immigrants
23 from Mexico hoping to promise for a better life for
24 themselves and their children. The community counts among
25 the citizens, the descendants of refugees from the Oklahoma

1 Dust Bowl. And it is also home to the elderly adventurers
2 looking for something new, for a little land and a lot of
3 quiet and woods, to live out their fixed-income retirement.

4 Despite the challenges that Fairmead's residents
5 face every day they're remaining diligent to survive,
6 remain a connection to their history that has been an
7 integral part of their agricultural heritage in the Central
8 Valley. Fairmead does not want to disappear like other
9 Central Valley settlements of the past, particularly when
10 there are opportunities to keep that from happening. This
11 is why the Fairmead community concurs with the consensus to
12 align the North-South Route on the high-speed rail along
13 the Highway 59 Corridor in the Chowchilla Wye area.

14 Further, Fairmead is also fully committed to
15 support the alignment of the East-West Route along Avenue
16 21. The section of both these routes will ensure that the
17 High-Speed Rail Project will bypass Fairmead and leave
18 intact a community that can continue to solve its
19 challenges and move toward a brighter and positive future.
20 The decision to relocate the routes away from Fairmead
21 vicinity will avoid the disruption of hundreds of people
22 who call Fairmead their home and want to do so in the
23 future.

24 Representatives of Fairmead have truly
25 appreciated the voice they have gained as a neighbor and as

1 a partner with the residents of Chowchilla to speak valid
2 and worthwhile solutions to the proposed routes to the
3 California High-Speed Rail Project. We in Fairmead
4 appreciate the opportunity to share our position, one of a
5 consensus with the City of Chowchilla and surrounding
6 agricultural neighbors with you the High-Speed Rail
7 Authority Board at today's meeting.

8 We hope that you will recognize our history and
9 consider Fairmead as a worthwhile part of the future of
10 Central Valley. We also hope that you will value as we do,
11 our history, merit, our ability to continue building our
12 legacy and the ones we have forged, the ones we want to
13 preserve as part of our lasting heritage. Thank you.

14 CHAIR RICHARD: Thank you, Council Member.

15 Larry Patterson, City of San Mateo.

16 MR. PATTERSON: Chair Richard, Members of the
17 High-Speed Rail Authority Board my name is Larry Patterson.
18 I'm the City Manager for the City of San Mateo. I'm here
19 to express my City Council's support for agenda item number
20 two, both the supplemental funding for the Electrification
21 Project, but also the 25th Avenue Grade Separation Project.

22 Just a few things about the project, first of all
23 I'd like to thank CEO Morales and your Regional Director,
24 Ben Tripousis, for help in moving this item forward. We've
25 been working with a variety of interested parties to get

1 this project forward. And really have a good project to
2 bring forward that provides some safety for the high-speed
3 rail blended system by grade-separating the 25th Avenue
4 Grade Separation. It is currently number eight on the
5 PUC's list for improvement.

6 We also are designing the project, so once you've
7 completed your evaluation of the blended system and
8 establish where the passing tracks might be, we're
9 designing to allow that at least be possible within this
10 segment of the rail right-of-way.

11 Second and, I think, in addition to that we've
12 designed a funding strategy that is unique. And proceeding
13 with the project now allows us to build the project
14 concurrent with the Electrification Project, which
15 ultimately would save about \$10 million in re-work if we
16 don't do it concurrently.

17 And then when we're talking about the project and
18 what we're requesting from the Authority, which is the \$84
19 million that's less than half of the total cost of the
20 Grade Separation Project. So we've brought together
21 funding, both from the City of San Mateo -- about \$12
22 million -- but also funding that we expect from the PUC,
23 because of the ranking of the project on their list and the
24 local half-cent sales tax funding for the remainder. So
25 we've brought together a funding strategy that I hope will

1 be a model for other agencies in bringing grade separation
2 projects forward where the whole responsibility is not
3 placed on the High-Speed Rail Authority itself.

4 The other thing I'd just add as a unique maybe,
5 aspect to this project is that we've had a number of
6 council members change in San Mateo over the period of time
7 we've working on this project. And throughout that time
8 the City Council has maintained a unanimous support for the
9 project. And they ask that you act favorably for item
10 number two, and particularly the Resolution 16-22, which
11 would provide the MOU between the High-Speed Rail Authority
12 and the City to advance the project. Thank you very much.

13 CHAIR RICHARD: Thank you, sir. And I think I
14 can express on behalf of all of us we appreciate the
15 cooperative effort from the City of San Mateo to help make
16 this thing move forward, especially on the grade
17 separations.

18 MR. PATTERSON: I appreciate that. It's been a
19 great experience for us. As I say, Ben has been very
20 helpful throughout the process, the Transportation
21 Authority staff and the JPB staff, which has actually
22 completed the design of the project. So it's been a
23 collaborative effort throughout. Thank you.

24 CHAIR RICHARD: Great. Thank you, Mr. Patterson.
25 I'm sorry, I don't know why this came in late,

1 Brian Haddix from the City of Chowchilla and he'll be
2 followed by Jim Hartnett from Caltrain.

3 I try to keep everything together, Mr. Haddix,
4 I'm sorry yours didn't come in with this.

5 MR. HADDIX: It was my fault. I submitted it
6 late.

7 CHAIRMAN RICHARD: Okay.

8 MR. HADDIX: Thank you very much for the
9 opportunity, Brian Haddix, City Administrator, City of
10 Chowchilla.

11 First, I'd like to say that I appreciate the
12 openness of the High-Speed Rail Authority and two of its
13 members in being able to work with the city. As you've
14 heard from the Mayor and the Council Member, this is about
15 looking forward to the future 50 years from now and having
16 a vibrant community that's not cut through by the rail.
17 And the ability to go around, whether it's through Highway
18 59 or Avenue 21 that goes around Fairmead and then goes
19 around Chowchilla, is vital.

20 We in the community have been working hard to
21 bring together our neighboring partners in the agricultural
22 region to try to find a consensus. And while it can be
23 challenging at times we will continue to do so, because
24 ultimately we're all partners in this grand venture.

25 I would like to also state that we look forward

1 to continuing to work with staff to hear about other
2 alternative routes. We've heard there might be another
3 route that's being proposed, that in the city we haven't
4 gotten notice of yet. But we'd like to be able to have all
5 of those aspects before us, so that when we look at how
6 these different routes impact the city we have complete
7 information in front of us.

8 So I just want to echo the fact that I appreciate
9 the openness of the Authority. And we look forward to
10 continued dialogue with staff as we try to find what's best
11 for the entire state and for our region as well. Thank
12 you.

13 CHAIR RICHARD: Thank you, Mr. Haddix. And I
14 appreciate those comments. I did speak with Ms. Gomez
15 who's going to be meeting with you tomorrow. And she's
16 going to walk through all the information that we have at
17 this point.

18 MR. HADDIX: Thank you.

19 CHAIRMAN RICHARD: Next I'd like to welcome one
20 of our former colleagues, Jim Hartnett, from Caltrain. And
21 as he comes to the podium I only want to point out that I
22 think you've got the votes, so you can probably only do
23 damage to your cause. But please feel free to comment as
24 you -- (Laughter.)

25 MR. HARTNETT: Thank you for that great vote of

1 confidence, Mr. Chair. It's a pleasure to be here, Mr.
2 Chair and Board Members. And I thank you for the
3 opportunity.

4 First, I am here in two capacities. One is as
5 the Executive Director of the Joint Powers Authority that
6 is Caltrain. And I'm also the Executive Director of the
7 San Mateo County Transportation Authority, which is the
8 local funding Authority that is contributing funds towards
9 the grade separation that Mr. Patterson described. And I'm
10 here in support of that aspect of agenda item two, as well.

11 San Mateo has been a remarkable partner and
12 developed local resources, including our Transportation
13 Authority and San Mateo tax funds to support this Grade
14 Separation Project, which is compatible with everything
15 that we're doing. And it makes tremendous sense to do it
16 this time, at the same time as electrification.

17 This is a great opportunity -- now speaking on my
18 Executive Director status for Caltrain -- this is a great
19 opportunity to advance not only regional rail, but the
20 statewide rail system. We intersect on our rail line with
21 the ACE, Capitol Corridor, Amtrak and BART. We have a
22 major effect on what they do in the peninsula in the
23 region.

24 In addition, what we're doing together in
25 electrification provides the opportunity to advance the

1 building blocks to a true statewide rail system. This is a
2 tremendous opportunity for the region and the state. I'm
3 obviously here in support of the agenda item two, but I am
4 so enthusiastic not only about the Electrification Project,
5 but about the benefits of High-Speed Rail to come. This is
6 a tremendous opportunity for our commuter rail service, for
7 the regional transportation system, and for the statewide
8 transportation system.

9 And in fact I think with the investment of all
10 the parties, not just high-speed rail, but our federal
11 funding partners, our state funding partners, our regional
12 funding partners and our local funding partners, the net
13 result of the investment will create a corridor that from a
14 High-Speed Rail perspective has independent utility. And
15 from my perspective as well it makes the corridor suitable
16 and ready for high-speed rail service. I think it's a key
17 feature of your investment.

18 And I'd be happy to answer any questions, but I
19 wanted to thank you for all your service, all the hard work
20 that you do. Not just in connection with the agenda item
21 that I'm interested in, but in connection with the entire
22 implementation of the high-speed rail system. I know it's
23 a difficult task, but I want you to know that you are very
24 much appreciated for all that you do. So thank you very
25 much.

1 CHAIR RICHARD: Thank you, Mr. Hartnett.

2 BOARD MEMBER PASKETT: Can I ask (indiscernible)?

3 CHAIR RICHARD: Yes. Well, the only reason I
4 hesitate is generally during the public comment session we
5 don't, but --

6 BOARD MEMBER PASKETT: Maybe we can call him back
7 up?

8 CHAIR RICHARD: Well, yeah. I don't think
9 there's much chance of chilling the free-speech rights of
10 Mr. Hartnett if we ask him questions.

11 MR. HARTNETT: I'll be here at your call.

12 CHAIR RICHARD: Well, why don't you go ahead?

13 BOARD MEMBER PASKETT: Why don't we wait? I'll
14 call -- are you going to stick around?

15 MR. HARTNETT: (Indiscernible)

16 CHAIR RICHARD: Yeah, there's going to be a
17 presentation on this.

18 BOARD MEMBER PASKETT: Yeah.

19 VICE CHAIR HARTNETT: So maybe we can call you
20 back up during the presentation and berate you a little bit
21 more?

22 MR. HARTNETT: Sure.

23 CHAIRMAN RICHARD: That'll be good.

24 MR. HARTNETT: Okay. Thank you.

25 CHAIR RICHARD: Thanks, Mr. Hartnett.

1 Paul Guerrero from APAC followed by Lee Ann
2 Eager.

3 MR. GUERRERO: It's interesting the timing that
4 you called me right after Mr. Hartnett, because I wanted to
5 comment on the Memorandum of Understanding between the
6 High-Speed Rail and the Joint Powers Board. And I'm
7 representing Ms. LaCome, who can't be here today, so I'm
8 speaking on her behalf of APAC.

9 And on or about 2013, I believe the Board issued
10 a Memorandum of Understanding with the Joint Powers Board
11 to electrify Caltrain. And along the line they started
12 work on that. In September of 2013, they issued a Notice
13 to Proceed with the electrification of the corridor. And
14 in May of 2014 they issued a Request for Qualifications.
15 They narrowed that down. And finally in 2016, they issued
16 a contract for the electrification to Balfour Beatty
17 Infrastructure.

18 Despite the High-Speed Rail's funding, and your
19 30 percent goal that contract came out with a promise to
20 attempt -- to attempt to meet 7 percent -- not 7 percent,
21 not a commitment for 7 percent, but a promise to attempt
22 it'd meet 7 percent, despite the fact that a number of
23 minority and small businesses contacted the low bidder and
24 attempted to participate in this contract.

25 Besides that, it would be up to the Joint Powers

1 to have -- prior to contracting to have done an
2 environmental justice study. I don't know if they did or
3 not, but the bigger question for this Board is why in June
4 of this year, 2016, the Board went out, issued a contract
5 to do an environmental justice study on the San Francisco
6 to San Jose Corridor, after the contract has been out and
7 so forth -- out to bid. The environmental justice study
8 comes before the contract is out to bid, not after, and at
9 the same year of the award. And shouldn't that have been
10 something that the Joint Powers Board did before the
11 contract went out to bid?

12 And the bigger question is why is this Board
13 throwing away up to 100 grand? I know what an
14 environmental justice study costs, throwing away 100 grand
15 for a study that should have been done by somebody else,
16 and which is done three years too late.
17 So Mrs. LaCome asked me to ask you, if she could get a copy
18 of the Memorandum of Understanding between you and them.
19 Maybe it's on their computer, I don't know, on your end
20 about that, but if someone could contact her and make
21 arrangements to get her that. Thank you.

22 CHAIR RICHARD: Thank you Mr. Guerrero. It is a
23 public document, but it's on the website.

24 (Colloquy off mic regarding MOU.)

25 Ms. Eager?

1 MS. EAGER: Good morning.

2 CHAIR RICHARD: Good morning.

3 MS. EAGER: I was in San Diego last week talking
4 to some folks at the World Trade Center down there about
5 similarly interesting things that we're doing together
6 going forward on international trade and foreign direct
7 investment. And, of course, the conversation went to High-
8 Speed Rail and how that ties in with everything we're
9 doing. And they were so excited about, "Gosh, is there
10 some way you can speed this along, so that here in San
11 Diego that we can get this sooner or later?"

12 And I was up in San Francisco and talking to some
13 folks there about the same things, about the opportunities
14 that are coming our way, and then I came home and -- oh
15 gosh, I was not going to cry today -- and talked to some
16 folks that had some negativity, of course, about this
17 project and about where we go, going forward.

18 And I thought about in Spain the folks who were
19 on the outskirts. And they were begging the country to
20 bring the train to them, because they knew what was
21 happening on that first line. And for us who were on that
22 first line to be complaining about where it's going and how
23 it's going -- and I have to say I'm one of those "every day
24 on the ground working" and I know this project is not
25 perfect. But instead of turning our back and saying, "We

1 don't want it anymore," what you do is you jump in and you
2 help and you fight and you make it as best as we possibly
3 can. And no project is ever going to be perfect.

4 There's always going to be things in state
5 infrastructure projects that we need some help, especially
6 local folks, to jump in and do this. But when I hear
7 things like, "Gee, it's not going fast enough, they didn't
8 meet their deadlines," but these are from the same folks
9 who sued the High-Speed Rail and slowed it down.

10 And then I see people saying, "Well, gee I didn't
11 get any input into how this is going," from the same folks
12 who don't jump in and help and will not talk to High-Speed
13 Rail.

14 And so for me I guess I'm getting a little
15 disheartened, which is huge for me, because I don't
16 usually. But what if we all used that same emphasis -- we
17 would all use that same energy, to do this together? To
18 make sure that this project helps all of us, because I can
19 tell you around the world how this has changed communities
20 like mine.

21 And my community, I'm saying is the Valley,
22 because it's not just about Fresno. It's not just about
23 Fresno County. It's about the Valley in general. And
24 having been there my whole life and born and raised there
25 and understand the poverty and the fight that we do every

1 day to get out of that? And then to have this chance for
2 us to be able to find something finally that's going to
3 change that for us.

4 And I think I just told the gentleman up here
5 it's not about the train and it's not all about the
6 maintenance facility, it's about that connectivity that
7 gets us out of where we are today. And we haven't had
8 anything in our lifetime, nor will we ever, that's going to
9 do this.

10 And for the EDC every year we have an annual
11 event and it's kind of whatever the sign of the time is,
12 going forward. And for this year it's going to be, "A
13 moment in time." And that's going to be our theme. And
14 that's because I truly believe that 50 years from now
15 people are going to say, "When was that moment that it all
16 changed for the Central Valley? When was that moment that
17 we were able to get out of that high unemployment, high
18 poverty and do something completely different?" and I think
19 this is that moment.

20 And I encourage everyone in the Valley, all of my
21 friends, to get together and let's just really make this
22 happen. Thank you.

23 CHAIR RICHARD: Thank you, Ms. Eager.

24 Ivor Samson followed by Bobby Kahn.

25 MR. SAMSON: Thank you, Mr. Chairman and Members

1 of the Board. My name is Ivor Samson and I'm here on
2 behalf of SunnyGem, an almond processing facility in Wasco,
3 California.

4 As you probably know for roughly the last year or
5 close to a year-and-a-half we've been working fairly
6 closely with Diana Gomez and Don Grebe. And I have to say
7 on behalf of myself and SunnyGem they have been courteous,
8 they have been responsive, and they've been very
9 professional to deal with. And we appreciate that. Our
10 issue was not with Ms. Gomez or Mr. Grebe, it's with the
11 direction that this is taking and so I wanted to make that
12 very, very clear.

13 High-Speed Rail has offered two designs crossing
14 the SunnyGem property: one on a berm with an opening in
15 front of the SunnyGem loading dock and processing plant.
16 Another on what I'm going to call a viaduct, elevated
17 pillars like a lot of BART in the Bay area. And the intent
18 of this is to minimize the interference with SunnyGem's
19 operations.

20 We've had two onsite meetings with High-Speed
21 Rail folks as well as your construction and design people
22 to kind of walk through it on the ground with our engineers
23 and your engineers. And we have determined that it just
24 simply won't work. It's a good try, we appreciate it, but
25 it won't work. It's going to result in a shutdown of the

1 plant.

2 In a July 12 letter to Mr. Grebe, we offered what
3 we thought was a constructive alternative. We suggested
4 building at grade on the SunnyGem property, which we
5 understand would save about \$65 to \$80 million over
6 constructing a berm or a viaduct. Save that money, because
7 building a berm or a viaduct is essentially a waste of
8 money. It's not going to save the plant.

9 Move the processing plant to SunnyGem's property
10 on the north side away from High-Speed Rail construction.
11 And we believe that that plant is going to have to be moved
12 anyway. Ms. Gomez asked me if I had any idea what it's
13 going to cost. At this point I honestly don't. To
14 paraphrase somebody it's going to be huge, I know that, but
15 I don't know how much.

16 CHAIR RICHARD: Let me see your hands,
17 Mr. Samson.

18 MR. SAMSON: I'm sorry?

19 CHAIR RICHARD: No, never mind. Go ahead.

20 (Laughter.)

21 MR. SAMSON: Bad attempt at a joke.

22 CHAIR RICHARD: Yes.

23 MR. SAMSON: We believe that this could be a win
24 for SunnyGem. We believe it could be a win for High-Speed
25 Rail and a win for the City of Wasco, which is on record as

1 not wanting either the viaduct or the berm.

2 And in my letter to Mr. Grebe I proposed a
3 meeting to discuss how this might be implemented, what the
4 issues are or how we might start down this path. Less than
5 two weeks later on July 25th I got a response that pretty
6 much rejected our proposal out of hand, with less than two
7 weeks to evaluate it.

8 Mr. Grebe said he didn't want to meet until after
9 an appraisal had been. And I understand an appraisal's
10 kind of in process. But the purpose of an appraisal at
11 this point quite frankly is preparation for eminent domain.
12 And we had suggested going on a different path.

13 Mr. Grebe wrote that the appraisal will consider,
14 "The impacts of the taking, but they don't consider a total
15 taking of the facility." And I respectfully disagree with
16 that. You know the railroad business. We know the almond
17 business. And we believe it is going to be a take.

18 CHAIR RICHARD: Mr. Samson, can I just interject
19 at this point? I'm trying to be fair with everybody with
20 time this morning. And I want to make sure that you put
21 your concerns on the record in front of the Board. I
22 suspect it's true of my colleagues, I did read your letter,
23 which is making many of these points. And what I'd like to
24 try to do is see if we could wrap this up at this point.
25 But I think you and I are probably due for another

1 conversation, because I have had conversations with the
2 staff as recently as yesterday about your correspondence.

3 So if it's okay, Ivor, what I'd like to do is
4 just make sure you get your on the record -- as I think
5 you've done -- that your client does not feel that there's
6 a resolution at this point, is suggesting something else.
7 But I want to make sure that we try to keep to a short
8 schedule this morning.

9 MR. SAMSON: Sure. In 30 seconds since you've
10 read the letter I suggested in that letter, in fact I
11 respectfully requested that High-Speed Rail take another
12 look at it. And we have a meeting to discuss the proposal,
13 good, bad or indifferent. Right now I'm afraid we're on a
14 path to litigation. That doesn't help anybody. And I
15 think we all need to make every good-faith effort to see if
16 there's a constructive, non-confrontational solution.
17 Thank you.

18 CHAIR RICHARD: Thank you, Mr. Samson. I
19 appreciate that.

20 Bobby Kahn from the Madera County Economic
21 Development Corporation followed by Alan Scott.

22 MR. KAHN: Mr. Chairman, Members of the Board, my
23 name is Bobby Kahn. I'm the Executive Director of the
24 Madera County Economic Development Commission. And I also
25 sit as a trustee on the State Center Community College

1 District Board.

2 I'm here to represent the Wye Madera Coalition,
3 which a coalition of local leaders and elected officials.
4 Unfortunately, there's a Board of Supervisors meeting
5 conflicting with today's meeting, so the rest of the
6 Coalition was not able to attend. But we just wanted to
7 reemphasize the Madera County's sites for the heavy
8 maintenance facility. And we feel that the proximity to
9 the Wye gives a distinct advantage to Madera County as it
10 creates a more efficient operational cost for the high-
11 speed rail.

12 Also we wanted to make sure that you were fully
13 aware of the fact that the sites that we have in Madera are
14 all under single ownership. They are zoned and ready to be
15 delivered, which would also reduce the time and costs of
16 acquisition.

17 Our workforce is a ready and able workforce.
18 Madera Unified School District, which just went on record
19 supporting the heavy maintenance facility in Madera County,
20 is a leader in the San Joaquin Valley on career technical
21 education programs. They are graduating over 200 students
22 a year that are industry ready to become electricians,
23 welders and other needed trades people that would be
24 working on the heavy maintenance facility.

25 In addition, the State Center Community College

1 District just passed a \$485 million state school bond, of
2 which \$40 million of that will be dedicated to the Madera's
3 Community College Center. And part of that funding will be
4 an expansion of the Center for Advanced Manufacturing where
5 they can double the size of that facility, add new and more
6 sophisticated equipment, and produce even more
7 sophisticated workers that can enter into the field of the
8 trades.

9 We're also closely located next to UC Merced and
10 California State University of Fresno.

11 And we would just like to go on record that we
12 would like to also invite you and any of the Board Members
13 to come down and tour the sites, tour Madera County, and
14 see what we have to offer. And I think you'll find it a
15 very, very conducive place to do business. And I thank you
16 for your time.

17 CHAIR RICHARD: Thank you very much, Mr. Kahn.

18 Alan Scott followed by Frank Oliveira.

19 MR. SCOTT: Good morning, Mr. Chairman.

20 CHAIR RICHARD: Good morning, Mr. Scott.

21 MR. SCOTT: Board Members, Alan Scott, Kings
22 County, CCHSRA coming before you again with some serious
23 concerns regarding the competency of this extremely
24 politically machinated disastrous megaproject.

25 My concerns are many and time does not allow me

1 to expand. I'll begin with fiscal deficiencies --

2 CHAIR RICHARD: Mr. Scott?

3 MR. SCOTT: I'm missing --

4 CHAIR RICHARD: No, sir. I was just going to ask
5 you to speak more closely to the microphone, so that your
6 remarks can be heard.

7 MR. SCOTT: Oh, into this? Sorry, my apologies.

8 CHAIR RICHARD: That's all right.

9 MR. SCOTT: I'll begin with the fiscal
10 deficiencies. In fact, the fact you do not have more money
11 today, tomorrow, actually normally have never had enough
12 money to complete anything. Proof of this fact is your
13 serious lack of project completion after four years on CP1.
14 As of today, basically you're pretty much at zero.

15 In December 2015, you began the process of
16 transitioning from a statewide convoluted project where now
17 you're lucky if you even get over 200 miles an hour on any
18 sustained distance.

19 To further demonstrate these concerns in May we
20 went to Los Banos and discovered the following: that now
21 instead of 220 miles an hour everything was going to be at
22 200 miles an hour. Yet I have attended probably over 30 or
23 40 open-house sessions and it's always been 220. Now it's
24 200. So why is the San Jose to Wasco or Shafter 200 miles
25 an hour; what changed?

1 I'd like to comment on the bookends. And after
2 watching a video of the San Francisco Board -- part of the
3 San Francisco Board of Supervisors meeting the other day --
4 I think this comes under fruition. And now San Francisco
5 is short \$16.2 billion in funds, and it appears from what I
6 saw on the video over 30 minutes that a number of the
7 supervisors did not know that they were short \$16.2
8 million. There's a serious question there. I didn't see
9 the whole meeting, because I didn't have access to it, but
10 there is a problem. And it appears the whole scope of that
11 meeting was to get more accountability and transparency.
12 We've heard that before.

13 Another serious consideration that I'm going to
14 talk about right now is the Transbay Terminal. Originally
15 it was \$2 billion. Now, it's \$4.5 billion and it looks
16 like it's going to go up. And I guess the City of San
17 Francisco gave -- or the County had to put another \$250
18 million into it and no surprise here, another Bay Bridge
19 debacle.

20 Furthermore, the HSR system does not connect to
21 the terminal; it's short by 1.3 miles. Then a story came
22 out just recently, it appears that a nearby 58-story
23 Millennium Towers nearby there is experiencing major
24 subsidence issues. I understand it's sunk 16 inches. I am
25 not sure if that's correct or not, but that was the

1 information I had.

2 In closing, the issue is simple and continues to
3 validate the question that government has got their hands
4 in places where they never should be allowed. And that is
5 any and all megaprojects.

6 Thank you very much for your time. I appreciate
7 that.

8 CHAIR RICHARD: Thank you, Mr. Scott.

9 Frank Oliveira followed by Shelli Andranigian.

10 MR. OLIVEIRA: Good morning, Board.

11 CHAIR RICHARD: Good morning.

12 MR. OLIVEIRA: Frank Oliveira, Citizens for High-
13 Speed Rail Accountability.

14 The reason for my trip to Sacramento today was to
15 discuss with you or to ask questions about the scope of
16 what design-build means on the ground, so that we could
17 better understand things, to work with your staff who are
18 designing things on the ground.

19 However, I went to the Finance Committee meeting
20 today. And I want to compliment the Finance Committee on
21 the meticulous planning, explanation of their planning,
22 their mitigations, their forecasting what's going to happen
23 next, their contingency planning. It was very impressive
24 listening to them work today.

25 The thing that surprised me though after just --

1 well the focus of the Finance Committee seemed to be about
2 spending the ARRA money and being able to have it spent by
3 the date that it sunsets. That said, what was missing to
4 me was a discussion about Cap and Trade and the most recent
5 Cap and Trade auction and the deficit that that created in
6 funding. What I did not hear at the Finance Committee
7 meeting today was a contingency plan on what to do if the
8 next Cap and Trade auction falls far short like the last
9 one. I did not hear anything about that.

10 It's my understanding that this project is --
11 between Shafter and San Jose -- is being funded on ARRA
12 money, which is being spent in advance of your match;
13 potentially Prop 1A money, if a second funding plan is ever
14 done -- but there will be lawsuits once that happens -- and
15 Cap and Trade money.

16 The Cap and Trade money is a needed cash flow, I
17 believe for you, in my un-expert terms. You need that
18 money to be able to pay for the projects that you're going
19 -- that you're on now, I believe, so that you can claim
20 money back from the federal government on the ARRA money, I
21 believe.

22 So my question is what I did not hear, and I
23 don't see on the agenda for the Board today -- and the
24 Board got a pass last month, because the Board did meet --
25 what's going to happen if there's future Cap and Trade

1 deficits at their auctions like the one that just happened?
2 What's going to happen to this project if Cap and Trade
3 isn't extended beyond 2020? What's going to happen to the
4 2040 timeline that's listed in your Business Plan that
5 you're expecting to receive Cap and Trade money? Where's
6 the federal match going to come from?

7 Those questions -- I'd like somebody to answer
8 those questions if possible. It's stuff that the public
9 should know. Thank you.

10 CHAIR RICHARD: Thank you, Mr. Oliveira.

11 Ms. Andranigian followed by Roland Lebrun.

12 MS. ANDRANIGIAN: Hi. Good morning Chairman
13 Richard, CEO Morales and Members of the California High-
14 Speed Rail Authority Board. My name is Shelli Andranigian
15 and I am a native Californian. I last addressed many of
16 you at the marathon meeting in Los Angeles over a year ago
17 -- a belated welcome to new Board Members, Ms. Paskett and
18 Ms. Lowenthal.

19 To bring everyone up to speed, in May 2011 I
20 inadvertently found out our family farms located in South
21 Fresno County were in the pathway of the proposed
22 California High-Speed Rail. This happened when I went to a
23 meeting to support others in the pathway. I love trains,
24 still do, but wasn't happy with the way those directly
25 impacted were being treated. Little did I know, my life

1 from this day forward would run on a nonexistent train
2 schedule; the journey has not been a smooth one thus far.

3 There also seems to be a consistent underlying
4 theme that although everyone affiliated with the project
5 wants the world to know they are ready to proceed with the
6 largest infrastructure project of its kind they are
7 actually still completely unprepared to do so.

8 This past decade I've also run across politicians
9 at almost every level who care more about their party line
10 and their personal gain from the train instead of putting
11 their constituents first. I commend those who do care
12 about those they represent and these individuals come from
13 both sides of the aisle. Rail, much like water and most
14 every other issue, is a nonpartisan one.

15 Last week I set aside a total of three days to
16 properly accommodate a survey team along with an appraiser
17 and right-of-way team. Everyone was cordial and pleasant.
18 However, survey stakes placed on one of the properties on
19 Wednesday a.m. were already old news by the time of Friday
20 morning's appraisal. We were told at the latest inspection
21 that this is to be expected in a design-build project. The
22 surveyors will be back again in a few weeks or more once
23 everything is figured out. I know one neighbor who has had
24 their property surveyed multiple times thus far.

25 Twenty-one summers ago I took my first of several

1 trips on high-speed rail lines while overseas. I honestly
2 don't believe that 21 summers from now, regardless of
3 whether I am still here or not, those behind the scenes at
4 the California High-Speed Rail Authority will actually be
5 prepared to move forward to provide high-speed rail here
6 across our golden state let alone the rest of America.

7 Meantime, those of us in the immediate pathway
8 will have irreparable harm done to our lives, livelihoods,
9 and properties by those unprepared to complete the task at
10 hand, all in the name of progress. Thank you and safe
11 travels.

12 CHAIR RICHARD: Thank you.

13 Roland Lebrun?

14 MR. LEBRUN: Good morning, Chair Richard and the
15 Directors. The first thing I'd like to start with is talk
16 about transparency. You have heard a lot about it today
17 and I'm going to start by echoing Mr. Oliveira's comments.

18 So I just also came out of Finance and Audit and
19 all the reports are clearly laid out. I can search a
20 document. I can find what I'm looking for. It doesn't get
21 any better than this. Thank you, Mr. Rossi.

22 Moving on to agenda item number two, it's like
23 entering the dark zone. The presentation that you're going
24 to see in a minute is not on the website, which means I
25 cannot comment on it. Mr. Tripousis's memo is protected,

1 which makes it impossible to search let alone find it on
2 the Internet unless you happen to know where it is.
3 Copying and pasting elements of the memo is forbidden,
4 which makes it very difficult for me to copy and paste the
5 best elements and highlight some issues with the MTC and
6 the Caltrain Board of Directors. Here are a couple of
7 examples.

8 The Caltrain electrification in the Peninsula
9 violates three tenets of the Bond Act. It does not go to
10 Transbay. It does not increase the speed above 79 miles an
11 hour. And it does not increase capacity to 12 trains an
12 hour. So the question is why are we wasting \$600 million
13 on something that will have to be ripped out later? Is
14 your real intention to acquire the Caltrain right-of-way on
15 the cheap or are you just looking for somebody else to help
16 you out, freeing up Prop 1A bonds to AB 1889?

17 Moving on to the San Mateo MOU, this has got
18 absolutely nothing to do with grade separation. We
19 discussed this at length at the LPMG in April in San
20 Carlos. What this has to do is reconnecting Bay Meadows
21 with the Hillsdale Shopping Center period, thus the end of
22 discussion. This is what we're doing here. But we also
23 understand that what Mr. Patterson is doing there is to
24 insert a nylon platform in the middle of the main line.
25 Not only that they're actually going to shift their entire

1 main line to the west to make room for this mess. How are
2 we ever going to be able to get between San Jose and San
3 Francisco in 30 minutes if this keeps on going on?

4 And last comment I'd like to make -- it's one for
5 the Board Members -- is that I will be available for
6 questions later if any of the Board Members are interested
7 in hearing the truth. Thank you very much.

8 CHAIR RICHARD: Thank you, sir.

9 I have no other green cards. Let me just ask our
10 colleagues in San Diego if any members of the public
11 appeared at that site and if so, if they have requested an
12 opportunity to speak.

13 BOARD MEMBER SCHENK: Thank you, Mr. Chairman.
14 No, there are no (indiscernible) to the public. And no one
15 has requested a time to speak.

16 CHAIR RICHARD: All right. Thank you, Director
17 Schenk. With that the public comment period will be
18 closed. We'll move on to the regular agenda items. First,
19 will be item one and we will not be considering the May
20 10th meetings, because with Ms. Lowenthal's absence we
21 still don't have the five members who were there to be able
22 to vote on that.

23 So consideration of the meetings of the June 14th
24 minutes, may I have a -- excuse me, consideration of the
25 minutes of the June 14th meeting -- may I have a motion?

1 BOARD MEMBER PASKETT: So moved.

2 CHAIR RICHARD: Okay. And a second?

3 BOARD MEMBER ROSSI: Second.

4 CHAIR RICHARD: Okay, it was moved by Ms. Paskett
5 and seconded quietly by Mr. Rossi or I'm sorry, by Vice
6 Chair Richards and so -- it was Rossi? Okay. Moved by Ms.
7 Paskett, seconded by Mr. Rossi sotto voce, I think they
8 say.

9 And will the Secretary please call the roll?

10 MS. HARLAN: Director Schenk?

11 BOARD MEMBER SCHENK: Yes.

12 MS. HARLAN: Vice Chair Richards?

13 VICE CHAIR RICHARDS: Yes.

14 MS. HARLAN: Director Rossi?

15 BOARD MEMBER ROSSI: Yes.

16 MS. HARLAN: Director Correa?

17 BOARD MEMBER CORREA: Yes.

18 MS. HARLAN: Director Curtin?

19 BOARD MEMBER CURTIN: Yes.

20 MS. HARLAN: Director Paskett?

21 BOARD MEMBER PASKETT: Yes.

22 MS. HARLAN: And Chair Richard?

23 CHAIR RICHARD: Yes. Thank you.

24 Item two is the Consideration of the Peninsula
25 Corridor Improvement Plan. And as listed there, this is

1 both the funding agreement for the Electrification Project
2 as well as an MOU with the San Mateo for grade separations
3 and passing tracks.

4 Mr. Tripousis, good morning.

5 MR. TRIPOUSIS: Good morning, Mr. Chair. Thank
6 you, Board Members. I'm very pleased to bring this item
7 forward to advance the Peninsula Corridor Improvement
8 Program and as well as advancing blended service in the
9 Caltrain Peninsula Rail Corridor.

10 Staff is asking for --

11 CHAIR RICHARD: Before you start, Mr. Tripousis?

12 MR. TRIPOUSIS: Yes, sir?

13 CHAIR RICHARD: Let me just say I found your --
14 the staff memo on this to be extremely comprehensive. I
15 thought it was very well done and I want to congratulate
16 all the people who worked on that. I also appreciated the
17 staff following the new protocol of "sign-offs" from the
18 relevant parties.

19 So I don't want to cut off anything you have to
20 say, but I do want to say that my colleagues I'm sure have
21 read the memo, so if you can hit the highlights and then
22 open it up to questions promptly.

23 MR. TRIPOUSIS: Absolutely. In fact, I'm very
24 happy to cut to the chase if you will, Mr. Chair, certainly
25 not wanting to have any negative effect on your perception

1 of the item.

2 Staff is asking Board approval to execute the
3 agreement regarding commitments toward the Peninsula
4 Corridor Electrification Project, the Seven Party MOU, and
5 approval to enter into a contract with the Peninsula
6 Corridor Joint Powers Board to pay the Authority's portion
7 of the State's both \$600 million in Prop 1A funds, and an
8 additional potential \$113 million in funding committed to
9 the Caltrain Electrification Project.

10 And finally, as you've heard from Mr. Patterson
11 and others, to fund the agreement with the City of San
12 Mateo for the Grade Separation Project at 25th Street. In
13 fact, it's a Grade Separation Project that will clear three
14 grade crossings -- 25th, 28th and 31st Streets -- improving
15 access and operation for the system, accommodating future
16 passing tracks in that location, and in fact a very vital
17 section of the Peninsula Corridor for future blended
18 service.

19 And importantly, as Mr. Patterson points out, it
20 establishes a terrific relationship with the local
21 community who both wants it there and is very much
22 supportive of our efforts toward grade separating and the
23 program.

24 As you pointed out, Mr. Chair, I'd also like to
25 acknowledge Tom Fellenz; Jim Andrew; and Boris Lipkin who

1 contributed to developing this project -- this presentation
2 rather -- Caltrain Executive Director, Jim Hartnett;
3 Caltrain Counsel, David Miller and Joan Cassman; San Mateo
4 City Manager, Larry Patterson and their Public Works
5 Director, Brad Underwood, who were all instrumental in
6 negotiating this agreement and moving the item forward.

7 I'm happy to answer any questions and move it
8 forward, given the Board's understanding of the item.

9 CHAIR RICHARD: Okay. Mr. Morales wanted to make
10 a comment.

11 CHIEF EXECUTIVE OFFICER MORALES: Mr. Chairman,
12 just real quickly, I think that this is a very important
13 step forward in implementing the statewide program
14 envisioned and approved by this Board.

15 We'll hear later today about the ongoing
16 construction in the Central Valley. We're also advancing,
17 with our partners, key projects in Southern California.
18 And now this program, which electrification has tremendous
19 benefits for the region in the Peninsula in terms of
20 mobility, the doubling of capacity ultimately on this
21 system, GHG reductions there and safety improvements
22 particularly with the San Mateo piece.

23 And again it really underscores we are in fact
24 moving forward with the Statewide Rail Modernization
25 Program and following through on the commitments made by

1 the Board and by the Legislature to implement these
2 programs.

3 And I would just add one other thanks to that, to
4 Steve Heminger at the MTC, who has played a very important
5 role in coordinating the regional approach on all of this.
6 And this is definitely a partnership with the region, with
7 Caltrain, with all of the other agencies there.

8 CHAIR RICHARD: Thank you, Mr. Morales.

9 I was at one point going to also add to the list
10 of people to thank with Mr. Heminger on there. And also I
11 think I want to recognize the leadership of State
12 Transportation Secretary Brian Kelly, and his team, Brian
13 Annis and Chad Edison, everybody working together with the
14 Peninsula JPB folks. You know, when you have partnerships
15 there are a lot of tough issues and people who are
16 committed to work through those.

17 So thank you, Mr. Morales, for those comments.

18 With that, let's turn to questions. First up
19 would be Ms. Paskett and Mr. Hartnett, if you could be
20 prepared to answer any questions?

21 BOARD MEMBER PASKETT: I think I may have had my
22 question answered, I'm happy to ask it. I would move staff
23 recommendation on this item.

24 CHAIRMAN RICHARD: Okay.

25 BOARD MEMBER PASKETT: My question was -- in the

1 Board materials there were many valuable pieces of
2 information as you noted, Chair Richard. There's a
3 reference to the greenhouse gas emission reductions,
4 because of diesel conversion to electrification. So my
5 question was around the total emission reductions that we
6 will realize through this conversion.

7 And Mr. Hartnett, if you'd like to answer that,
8 feel free. I think it's important to underscore that,
9 because of many objectives we have with our project this is
10 one of the more important. I think I gave you enough time
11 to get the right answer.

12 MR. HARTNETT: Well, I actually don't have the
13 specific figure in mind. I know it's a ton. We have it in
14 all our materials and I'll be happy to get it to you. It's
15 a great feature of our program.

16 You know, we talk a lot about what it does in
17 terms of the capacity and efficiency, but what it really
18 does for the entire community is change the nature of the
19 environment in which our over 19 million riders ride
20 through each year. We already, with what we do, take over
21 430 million road miles off the road each year at our
22 current capacity, but we're doing that with a diesel fleet.

23 And to do that with an electric fleet is going to
24 be such a game changer that it is going to have tremendous
25 benefits not just for our region, but you know how -- the

1 ripple effect of all of that. So we're really proud of
2 what we're going to be able to accomplish there.

3 BOARD MEMBER PASKETT: And maybe what I -- this
4 is getting ahead a little bit, but I do want our Executive
5 Director to answer it, because I think he does have the
6 answer. That's how good he is.

7 MR. HARTNETT: Yeah, I know it's in the materials
8 it's just I lost it on the drive up this morning as I was
9 coming here.

10 BOARD MEMBER PASKETT: And maybe as you answer
11 that you can go back to Mr. Guerrero's question earlier
12 regarding the environmental justice issue, because I think
13 that also deserves an answer.

14 CHIEF EXECUTIVE OFFICER MORALES: Sure. On the
15 GHG reductions, the reductions initially are 80,000 tons
16 and the CO2 equivalent's a year and then growing to about
17 180,000 as the system gets fully implemented. So it's a
18 significant contribution for the region.

19 MR. HARTNETT: That comports with the figures we
20 have, yes.

21 CHIEF EXECUTIVE OFFICER MORALES: And on
22 Mr. Guerrero's points I'll ask Tom Fellenz to -- or is Jim
23 going to respond? There were two issues, I think one on
24 the environmental justice, and then on the DBE Program.

25 MR. HARTNETT: So I'm not totally sure partly of

1 what he was referring to, we are doing another disparity
2 study which we regularly do. And so that's just an ongoing
3 feature of what we do both for our Caltrain and for our
4 SamTrans organizations.

5 CHAIR RICHARD: I think he's referring, I'm going
6 to guess, to --

7 MR. HARTNETT: I understand that, but the study
8 that we're doing now is a disparity study.

9 CHAIR RICHARD: No, but I think he is referring
10 to Title 6. Federally-funded programs need to comply with
11 Title 6, which involves environmental justice analyses.

12 MR. HARTNETT: I understand that, but he talked
13 about having just a recent environmental justice study.
14 And what I'm saying is what we are doing is --

15 CHAIR RICHARD: Oh, you (indiscernible) recent
16 study is disparity?

17 MR. HARTNETT: Yes we're doing a disparity study.

18 CHAIR RICHARD: Very good.

19 BOARD MEMBER PASKETT: Well, Mr. Hartnett's
20 correct, there were two issues raised. One was the goals,
21 which relate back to the disparity study and the
22 environmental justice aspect of it, which relates to a
23 second category.

24 MR. HARTNETT: Yeah, right. So but I was
25 thinking that he was mistaken in terms of what we were just

1 most recently doing, because what we're most recently doing
2 is a disparity study. I will get back to him on any other
3 questions that he has, but as to the goals we have a
4 separate program of goals that is largely driven for
5 Caltrain by the federal requirements, because most of our
6 funds come from --

7 CHAIR RICHARD: I'm sorry, Mr. Lebrun.

8 MR. HARTNETT: -- the federal sources.

9 CHAIR RICHARD: I'm going to ask you -- I know
10 you're trying to be helpful, but --

11 (Technical issues interrupt meeting briefly.)

12 CHAIR RICHARD: Let's hold on one second. Okay,
13 thanks, go ahead.

14 MR. HARTNETT: So the goals that we set are
15 prescribed by our federal program, because that is largely
16 where we get our funds. And so we do have the federal
17 requirements that we comply with in terms of our goal
18 setting. And so that's what we have done and we look at
19 that each year, but we do have to comply with the federal
20 requirements and that's what we do.

21 BOARD MEMBER PASKETT: And may I interrupt and
22 add that because this is a new program and a new project,
23 the disparity studies don't have a long history. And so
24 because it is relatively new we're charting a new path with
25 our federal oversight agency that it's important to do it

1 the right way and the way that this state would expect it
2 to be done to reflect our population. But I think it's
3 important to explain that, because it's somewhat
4 complicated. And it relates back, in part, the fact that
5 this is blazing a bit of a new trail for us.

6 MR. HARTNETT: Well, and we just recently had a
7 report to our Board on the disparity study as well, so
8 we'll make sure that you have all the updated information
9 that we have. Thank you.

10 CHAIR RICHARD: Thank you.

11 Let me turn now to our remote site in San Diego.
12 Director Schenk -- or do you have a question for Mr.
13 Tripousis?

14 BOARD MEMBER CORREA: I don't have a question.

15 BOARD MEMBER SCHENK: Well, I don't have a
16 question, just a comment. As most of the Board knows,
17 maybe the new members don't, that I was opposed to this
18 blended issue from the beginning. I didn't believe and
19 don't believe that the law allows for it, but I'm nothing
20 if not a student of practical and political reality. And I
21 was on the losing side of that issue. And so rather than
22 cast a symbolic "no" vote consistent with my prior position
23 I will be inconsistent. And because this train has left
24 the station, as they say, I will be supportive of the staff
25 recommendation.

1 CHAIR RICHARD: Thank you, Ms. Schenk.
2 Questions from my colleagues here in Sacramento,
3 Mr. Curtin?

4 BOARD MEMBER CURTIN: I share with Jeff Morales
5 the enthusiasm for this development. It's been awhile
6 coming. I think it's a great thing. It actually begins to
7 make it look like we're going to have a system that goes
8 statewide here.

9 But I do want to ask about the funding, the
10 increase in the funding a little bit, because it seems like
11 a pretty large increase. And I'm wondering if the scope of
12 the work has expanded to justify some of that or just the
13 original analyses were not thorough enough or just didn't
14 have their grip on the cost? Because I'm glad to see our
15 percentage of we're sort of leveraging more money, but the
16 cost has gone up dramatically, so could you give a little
17 sense of what happened there?

18 MR. TRIPOUSIS: Thank you, Director Curtin.

19 It really is a byproduct of a more detailed
20 evaluation of the cost of electrification in the Peninsula
21 Corridor. The original estimates that Caltrain had
22 completed on the project and the elements -- all the
23 infrastructure components of electrification established
24 the original \$1.4 plus budget for the project.

25 The 2016 reevaluation took a closer look at each

1 of those components. Obviously there is some cost
2 escalation in the time that it's taken to move the program
3 forward and secure all the funding for it. It's important
4 to note as the memo points out that all of the other
5 funding partners have taken action --

6 BOARD MEMBER CURTIN: Yeah, I see that.

7 MR. TRIPOUSIS: -- to commit their additional
8 funds to this and the proportional share for the Authority
9 is the \$113 million. But it really is largely based on the
10 reevaluation of the infrastructure components to deliver
11 electrification.

12 BOARD MEMBER CURTIN: Okay, because there always
13 seems to be a lag time. So that doesn't really seem to be
14 a valid escalation of the cost, because it took us so long
15 to get from here to there. We all know it's going to take
16 a couple of years, so that should have been sort of written
17 into the process.

18 And I have to admit I'm a little concerned that
19 it wasn't evaluated more thoroughly of an understanding of
20 the cost, because every time we do this we open ourselves
21 up to a, "Well gee, the costs are going up."

22 MR. TRIPOUSIS: I should also note that the
23 Caltrain team, the Joint Powers team, has gone through a
24 very exhaustive best-and-final-offer process with the
25 design-builder. So they worked very hard to reduce the

1 overall costs of the design-build project itself.

2 CHIEF EXECUTIVE OFFICER MORALES: And I would
3 just add we built provisions into our agreement for
4 continued value engineering and for cost savings then to be
5 shared among the parties.

6 BOARD MEMBER CURTIN: Well, since it's a design-
7 build I'm assuming --

8 CHIEF EXECUTIVE OFFICER MORALES: Right.

9 BOARD MEMBER CURTIN: -- that hopefully we've
10 kind of evolved in our knowledge of how to operate under
11 design-build and we will extract as much of the benefit of
12 that economically speaking as opposed to constantly sort of
13 picking and changing. This is an important consideration.

14 CHAIR RICHARD: And I'd just like to have a
15 little bit of pronoun control here, because when you say
16 "we" this program is going to be managed and accomplished
17 by the Peninsula Joint Powers Board and the Caltrain team.
18 We're a funding partner. We are a responsible agency under
19 CEQA, but just so we're all clear this is not one where
20 "we" or "our team" are going to be -- we don't have any
21 direct involvement with the contract or the contractor.

22 Our interests -- and I think it's important to
23 note this -- is that as part of the agreement, if the Board
24 adopts it what we get, which is really critical for us, is
25 we get essentially the right-of-use of this corridor, the

1 entry into the corridor for our purposes, for potential
2 blended service. That's really the key here.

3 So the quid pro quo, if you will -- and I'm
4 looking at our General Counsel, who will correct me if I'm
5 wrong -- is that by virtue of the direction of the
6 California Legislature that we construct this project
7 within the existing corridor to the greatest extent
8 possible. And that we explore the use of blended service
9 on that corridor consistent with the objectives and
10 purposes of the Bond Act.

11 That this vote today would be that we would
12 provide a funding contribution in return for which we would
13 have the rights to operate in that corridor. And in fact,
14 the Peninsula JPB would even transfer access rights that
15 they might get from private rail operators in the corridor
16 now, to us so that we would have those as well.

17 So to state it plainly we're sharing in the costs
18 of developing a corridor that could benefit Caltrain and
19 provide the corridor for High-Speed Rail. And this is our
20 funding contribution, which by the way is billions and
21 billions and billions of dollars below what it would cost
22 us to build a separate stand-alone set of tracks.

23 And I'll just comment on the cost growth. All of
24 us are disappointed to see cost growth in this, but I think
25 it's probably less of a surprise to see it when you're

1 talking about building in an urban -- a highly dense,
2 highly built-up urban corridor where you have everything
3 from commercial interests to environmental justice
4 interests. And you have an operating railroad at the same
5 time. This is one of the things that makes the
6 electrification of Amtrak in the Northeast Corridor so
7 expensive. It's an ongoing operating action there.

8 And I would say that in the meetings that we've
9 had with Jim Hartnett and his team some of the issues that
10 were driving some of the costs with where they were trying
11 to balance minimizing disruption to their citizens by
12 narrowing the construction window, we've pushed pretty hard
13 on those issues to get them to be as accommodating as
14 possible to the construction schedule. And again, they
15 still have a responsibility to protect their riders.

16 But I think that there have been a number of
17 efforts. Yes, it's true their estimates of costs have
18 grown, but they've also been able to pull back on a lot of
19 that cost growth by working, using design-build concepts to
20 get this underway. But it really is a partnership where
21 for the BART coming into the urban area we can use this
22 corridor. That's been demonstrated and it could save us,
23 ultimately, a lot of money and also the ability to just
24 build.

25 Trying to get a stand-alone set of tracks

1 permitted through that part of California was going to be
2 enormously difficult, which is one of the reasons the
3 legislature said, "We want you to look at using the
4 existing corridor."

5 BOARD MEMBER CURTIN: Well you may remember I'm a
6 pretty big fan of the blended sections in the urban areas.
7 And I didn't want my comments to reflect negatively on
8 that. I always get a little bit nervous when I see an
9 expansion of the costs, but I think it's an absolutely
10 critical, fundamental portion of the system. Nobody was
11 ever going to blow through the Peninsula at 220 miles an
12 hour. You wouldn't be able to stop, for crying out loud,
13 by the time you got to San Jose. So this is a very
14 critical development, it's really very good news. I'm glad
15 to see it's underway. And I certainly support the
16 proposal.

17 And Dan, thank you for straightening it up,
18 because it wasn't clear on me that we're not actually
19 overseeing this project. We're just participating in it.
20 But since we're actually participating with money we have a
21 little bit to say, so I just wanted to make sure that we
22 keep that in mind.

23 CHAIR RICHARD: Well, actually we have a lot to
24 say, right.

25 Okay. No, thanks.

1 BOARD MEMBER CURTIN: Thanks.

2 CHAIR RICHARD: Mr. Rossi?

3 BOARD MEMBER ROSSI: I may have missed this, so
4 clarify this for me, we're a funding partner? What are we
5 committed to as a funding partner?

6 MR. TRIPOUSIS: Investing in the electrification
7 of the Corridor.

8 BOARD MEMBER ROSSI: No, I understand that. As a
9 funding partner in a financial sense we're committed to
10 fund this commitment. Are we committed to fund overrides?

11 CHAIR RICHARD: Overruns.

12 MR. TRIPOUSIS: No. No, we are not. In fact,
13 Mr. Fellenz and Mr. Andrew have done a great job in the
14 agreement, I believe, of ensuring that the commitment that
15 we identify and that the Board approves today is our line
16 in the sand, if you will. That we have done our due
17 diligence both with the Caltrain team, and they have with
18 their contractor, to ensure that we are working toward the
19 costs that we've identified here. And our commitment is as
20 it's described here.

21 BOARD MEMBER ROSSI: So our commitment is for
22 whatever this amount is -- x?

23 MR. TRIPOUSIS: Yes, sir.

24 BOARD MEMBER ROSSI: We move down the road in
25 construction. And with all due respect, Jim, I'm not

1 suggesting this is the case -- I'm just putting up a straw
2 dog -- there are increased costs. It's not managed well,
3 because we're not managing anything. We don't have any
4 oversight. We have no veto power?

5 MR. TRIPOUSIS: Well I'd actually amend that
6 slightly. There is an Oversight Group that is represented
7 by each of the funding partners --

8 BOARD MEMBER ROSSI: So do we have --

9 MR. TRIPOUSIS: -- so we'll engaged in
10 (indiscernible) --

11 BOARD MEMBER ROSSI: -- do we have veto power?

12 MR. TRIPOUSIS: We certainly have directive
13 power.

14 BOARD MEMBER ROSSI: I didn't ask that. Do we
15 have veto power?

16 MR. TRIPOUSIS: Direct veto power? I believe we
17 do. I think that working with --

18 BOARD MEMBER ROSSI: Mr. Fellenz, do we have veto
19 power?

20 CHAIR RICHARD: Come to the microphone.

21 MR. FELLEENZ: No, we don't have veto power.
22 We're one of the funding partners and there is --

23 BOARD MEMBER ROSSI: Look, I'm just trying to
24 understand potential risk here, because as I read this we
25 don't really discuss that. We need this segment to be

1 built. We're committed to X as a funding partner, as Ben
2 said. We move down the road with all due respect to Mr.
3 Hartnett there, it's not managed well, there are cost
4 overruns, and we don't have any say in that we've got a
5 problem.

6 CHAIR RICHARD: Can I just clarify your question
7 Mr. Rossi? When you say -- and believe me, I understand
8 your concern and I support it, but I just want to make sure
9 we're precise -- when you say we don't have any veto power,
10 I mean the question is that we can't be compelled under
11 this agreement to provide more money?

12 BOARD MEMBER ROSSI: To provide more money,
13 right. I got that. That's not the question.

14 CHAIR RICHARD: So I'm not sure --

15 BOARD MEMBER ROSSI: The question is whether or
16 not we can be compelled? We're not going to walk away from
17 this project if it starts to have problems, because we need
18 to complete it.

19 CHAIR RICHARD: Right.

20 BOARD MEMBER ROSSI: So it's not a matter of
21 being compelled by the document, it's being compelled by
22 the practicalities of building the project. And I'm just
23 trying to understand, knowing that is the case, how much
24 control we have in trying to be sure that the appropriate
25 oversight is in place to ensure that we don't end up with

1 that problem?

2 CHAIR RICHARD: That's the precision I wanted to
3 question (indiscernible)

4 CHIEF EXECUTIVE OFFICER MORALES: So let me -- a
5 few things. One, within the budget -- the new budget,
6 which we are contributing to -- there is contingency
7 established in the budget to help address potential issues
8 in construction. There has been an --

9 BOARD MEMBER ROSSI: Okay. On that
10 (indiscernible) okay?

11 CHIEF EXECUTIVE OFFICER MORALES: Sure.

12 BOARD MEMBER ROSSI: So have we run our risk
13 assessment of those contingencies?

14 CHIEF EXECUTIVE OFFICER MORALES: No, not in the
15 detail that we would ours.

16 BOARD MEMBER ROSSI: Okay.

17 VICE CHAIR RICHARDS: So Jeff, I just wanted to
18 clarify, is the contingency you're talking about the
19 contingency in the project that's held by Mr. Hartnett's
20 organizations or what contingency are you talking about?

21 CHIEF EXECUTIVE OFFICER MORALES: Yes. That's in
22 the total budget managed by Caltrain and it's actually
23 required by the FTA, Tom, and so that level has been
24 negotiated with the FTA as part of their requirements.

25 VICE CHAIR RICHARDS: Okay. Do we know what the

1 number is as we stand here today, Ben? Do we know what the
2 contingency number is?

3 MR. TRIPOUSIS: It's 20 percent, I believe is
4 where -- and Mr. Hartnett can correct me if I'm wrong --
5 but it's 20 percent. And that was the FTA Directive.

6 VICE CHAIR RICHARDS: Okay.

7 CHIEF EXECUTIVE OFFICER MORALES: And that's tied
8 to the federal grant as a requirement?

9 VICE CHAIR RICHARDS: Yeah.

10 MR. TRIPOUSIS: That's correct.

11 CHIEF EXECUTIVE OFFICER MORALES: We do have
12 processes, one place we do have a veto -- in the agreement
13 that you're being asked to consider the initial step is to
14 issue a limited notice to proceed upon contract execution
15 for design work and for some limited advance material
16 acquisition. That's to, again further define the scope,
17 identify if any issues come up. But also --

18 BOARD MEMBER ROSSI: Uh-huh, kind of like what we
19 did.

20 CHIEF EXECUTIVE OFFICER MORALES: I'm sorry?

21 BOARD MEMBER ROSSI: Kind of like what we did.

22 CHIEF EXECUTIVE OFFICER MORALES: Right, exactly.
23 Very much like this Board did.

24 The other thing it does is gets us to the point
25 the federal government is expected to finalize its

1 commitment to the project sometime around the end of the
2 year or early next year. And so we wanted to make sure
3 that before the project proceeded to full notice to
4 proceed, that that was secured.

5 And there is a provision in here that if there is
6 a delay in the federal they cannot issue the full notice
7 without our concurrence. So that's a veto on that, which
8 was very specifically to control that risk, but everyone
9 agreed that that the right thing to do.

10 And then third there is built into the process as
11 was mentioned, ongoing oversight of all the funding
12 partners. That doesn't have veto authority per se, but it
13 gets us into the regular progress of the project. We get
14 to see weekly reports.

15 VICE CHAIR RICHARDS: (Indiscernible) according
16 to the funding partners, so we're well-advised of what's
17 going on in the project. If there's problems we're going
18 to be one of the first (indiscernible)?

19 CHIEF EXECUTIVE OFFICER MORALES: Right, exactly.

20 And then finally, unless I can think of something
21 else, but finally the agreement is also very clear that
22 there is no obligation on the part of any of the funding
23 partners to cover any cost increase and that should there
24 be a cost increase. Well, let me say first there is an
25 affirmative obligation on the part of Caltrain with us

1 working in oversight, to contain the costs and for us to
2 work jointly to try to even reduce them if at all possible.
3 But that if there are cost increases that has to -- there's
4 nothing in this that triggers any obligation on anyone's
5 part to a specific amount or to any amount to cover that.
6 So it would be a new, separate discussion, if that does
7 occur.

8 BOARD MEMBER ROSSI: So look, number one, I
9 support this. But I think that we need to do some homework
10 in the Authority. We need to set up a set of processes so
11 that we truly do track this contract, so that we are not
12 caught unawares. And we are good partners with my good
13 friend Jim over there, so that we can opine in a rational,
14 reasonable way as to whether or not the project's getting
15 out of hand because of the fact that there is a limit on
16 what we are committed to is not a limit other than in a
17 legal sense. But in the pragmatic sense of building this
18 project once we start down this road we're in.

19 So we need to be sure from our side that we have
20 built the appropriate reporting mechanisms to understand
21 exactly what's going on and to protect our interests. That
22 isn't a suggestion that you don't have your own exercise.
23 But as you well know we have a fiduciary responsibility to
24 be sure that we take care of this exercise.

25 And there is too much of what Mr. Curtin talked

1 about a minute ago of, "Well, we've had an increase and
2 it's because of the delays." That's exactly -- and that's
3 not a criticism of you, Ben, we probably didn't structure
4 our initial thought processes harshly as we should have, so
5 be it.

6 But going forward we need to be very, very
7 careful, because the fact that this commitment is for this
8 amount of dollars is not very important. Once you start
9 spending these dollars we're not -- we have got to be sure
10 we're on top of this. And I don't wish to vote on this
11 project in a positive manner without a commitment that
12 we're going to give within the next couple of months. In
13 the next Board meeting I want to have a probability
14 analysis on a risk basis done on this funding, on this
15 project.

16 CHAIR RICHARD: You know Mr. Rossi, I appreciate
17 those comments. And what comes to mind is when I was just
18 back with Mr. Morales and the team at the Federal Railroad
19 Administration, which is in the position of being a funding
20 partner of our project I was surprised but pleased to learn
21 that they ran their own parallel risk-management process
22 from their perspective looking at our project. Now there
23 were times when there were a number of things that maybe
24 our assumptions were different or whatever, but it was --

25 BOARD MEMBER ROSSI: But ours is better.

1 CHAIR RICHARD: Well, and actually I think ours
2 were better. But I just felt good that our funding partner
3 was running their own independent assessment and they
4 worked with Mr. Tapping and so forth, because it just meant
5 that there was another set of eyes.

6 BOARD MEMBER ROSSI: Right, absolutely.

7 CHAIR RICHARD: Because as good as we are there's
8 always something where somebody might have a different
9 perspective of and so forth.

10 So I think what you're suggesting, thinking about
11 that -- and I'm hoping that our friends at Caltrain don't
12 see any problem with this is -- I think you've uncovered a
13 very important point here, which is that as we go forward
14 we shouldn't just write the check. But we should be
15 looking at this in the same way that we're looking at our
16 project, which is constantly evaluating the risk, so that
17 we can -- and I don't think anybody can question what you
18 said. There's a legal reality and then there's a practical
19 reality. Nobody wants to be sitting here facing a half-
20 finished project, so we need early warning systems for
21 that. And if we can --

22 BOARD MEMBER ROSSI: And I would thank
23 Mr. Morales (indiscernible) there's enough exercise here
24 that we can do some important stuff, we just need to get it
25 structured internally.

1 CHIEF EXECUTIVE OFFICER MORALES: Can I just say
2 something?

3 CHAIR RICHARD: Yes, Mr. Morales?

4 CHIEF EXECUTIVE OFFICER MORALES: I did think of
5 two other things.

6 Actually under the appropriation, condition of
7 the appropriation in SB 1029 of the \$600 million, is a
8 requirement for the development of a Project Management
9 Plan that then is submitted to the Department of Finance
10 before the bond funds can be expended. So and that will
11 get into a lot of the particulars.

12 And we have already, in fact assigned an internal
13 project manager to be our person directly overseeing it.
14 It's an expert from the Network Rail Group in the UK, who
15 is an expert in electrification projects.

16 So I think we're putting all the pieces into
17 place to do what we should be doing and what you're asking
18 us to do and we'll come back with a full report, on as
19 those pieces come together, and regularly update the Board
20 on where we are.

21 BOARD MEMBER ROSSI: With those considerations
22 not part of the recommendation, but with those
23 considerations as an overarching thought process I'm happy
24 to move this.

25 CHAIR RICHARD: Okay. Well, Ms. Paskett moved

1 it, so if I can mark you down as second --

2 BOARD MEMBER ROSSI: I'm happy to second it.

3 CHAIR RICHARD: -- that'll be good.

4 Vice Chair Richards, did you have any other
5 questions or comments?

6 VICE CHAIR RICHARDS: Well, you all have pretty
7 much covered all of them. But just for everyone to -- so
8 the major portion of what we're doing here is the funding
9 is actually legislatively mandated, correct?

10 MR. TRIPOUSIS: That's correct.

11 VICE CHAIR RICHARDS: Okay. And with regards to
12 the San Mateo request that's not legislatively mandated?

13 MR. TRIPOUSIS: It is not. It's reflected in our
14 Business Plan.

15 VICE CHAIR RICHARDS: Right, I understand. And
16 that was my next point.

17 Everything that we're discussing here has been
18 incorporated in the 2016 Business Plan. That without
19 question we all recognize the importance of the blended
20 approach, which is the adopted approach that we've taken on
21 since I think, 2012. This is an important step in moving
22 that forward in an area of California where we are planning
23 on moving first. So it's not by any means early.

24 I think where I was going a few moments ago,
25 also, was to ensure that we've got appropriate and timely

1 reporting on what's going on. And that shouldn't be just
2 this project. It would seem, Mr. Chair, it should be on
3 any funding that we are providing to third-party agencies
4 of resources that are coming through this organization.
5 And so it shouldn't be something that's just being levied
6 on Caltrain and the associated agencies, but all of what
7 we're doing in Northern and Southern California. Because
8 it would seem to me we do have the obligation to ensure
9 that the funding is being adequately managed and reported
10 if there are problems.

11 I think it would also be important for staff to
12 have a familiar, working knowledge of what happens if there
13 are -- what the plans are on behalf of Caltrain if there
14 are overruns. What's going to keep the project on track,
15 because we simply cannot afford it not to make the point at
16 which it's concluded. And I don't think we've got the
17 resources to add to it. And we certainly don't have the
18 obligation.

19 MR. TRIPOUSIS: Well to that point, Vice Chair
20 Richards, we virtually have our team embedded with the
21 Caltrain team. We meet with them on a virtually weekly
22 basis. As I mentioned, we will have oversight meetings
23 related to the project itself. But we would have ongoing
24 discussions with their team, both about the electrification
25 project, and the future blended service as our

1 environmental review moves forward.

2 VICE CHAIR RICHARDS: Okay. I would think that
3 the additional information, Mike, ought to be directed to
4 the Finance and Audit Committee and then on to the Board.

5 CHIEF EXECUTIVE OFFICER MORALES: We will
6 incorporate into the existing format at F and A, a report
7 on this implementation of this project.

8 VICE CHAIR RICHARDS: Okay. That would be great.

9 And then Jon -- wherever Jon is -- can weigh in
10 on how you assess the risk.

11 Thank you, Ben.

12 MR. TRIPOUSIS: Thank you.

13 CHAIR RICHARD: Any other comments?

14 BOARD MEMBER PASKETT: Well, I just -- I don't
15 know if this practical, but should we amend the resolution
16 to include the reporting?

17 CHAIR RICHARD: I was going to suggest that
18 unless Mr. Rossi -- I thought I heard Mr. Rossi say -- and
19 I don't want to put words in his mouth -- that he didn't
20 need to see an amendment in the resolution as long as we
21 get a commitment from the staff that --

22 BOARD MEMBER ROSSI: No. I don't want to change
23 the -- let's get this done. I think there's a commitment
24 by the Authority's (indiscernible) that we will do this,
25 this way.

1 The only thing I would further ask, Jeff, is when
2 you do report that to F and A report it as a separate
3 section, so it's (indiscernible) on?

4 CHIEF EXECUTIVE OFFICER MORALES: Right, yes.

5 BOARD MEMBER ROSSI: That would be great, for all
6 -- as Tom says all the third parties.

7 CHAIR RICHARD: All the third parties.

8 VICE CHAIR RICHARDS: Almost the same way that we
9 report on the Highway 99 relationship with Caltrans.

10 BOARD MEMBER ROSSI: Right, yeah.

11 CHAIR RICHARD: Right, okay.

12 Well, so I'm going to ask that -- we have two
13 separate resolutions in front of us and I'm going to ask
14 for separate votes on each one. The first one is -- and
15 I'm going to assume that the moving parties moved each of
16 them, so --

17 BOARD MEMBER PASKETT: Yes.

18 BOARD MEMBER ROSSI: Yes.

19 CHAIR RICHARD: -- moved by Ms. Paskett, seconded
20 by Mr. Rossi, for Resolution 16-21, which is the adoption
21 of the CEQA Findings of Fact and Statement of Overriding
22 Considerations in connection with funding of the Peninsula
23 Corridor Joint Power Board Peninsula Corridor
24 Electrification Project. And as part of this first
25 resolution, approval to execute the Peninsula Corridor

1 Joint Powers Board Funding Agreement, execute a Seven Party
2 Supplement to the 2012 Caltrain MOU and to Contract with
3 the Peninsula Caltrain Joint Powers Board for the
4 Authority's supplemental funding for electrification. And
5 that's all contained in Resolution 16-21.

6 So would the Secretary please call the roll?

7 MS. HARLAN: Director Schenk?

8 BOARD MEMBER SCHENK: Yes.

9 MS. HARLAN: Vice Chair Richards?

10 VICE CHAIR RICHARDS: Yes.

11 MS. HARLAN: Director Rossi?

12 BOARD MEMBER ROSSI: Yes.

13 MS. HARLAN: Director Correa?

14 BOARD MEMBER CORREA: Yes.

15 MS. HARLAN: Director Curtin?

16 BOARD MEMBER CURTIN: Yes.

17 MS. HARLAN: Director Paskett?

18 BOARD MEMBER PASKETT: Yes.

19 MS. HARLAN: Chair Richard?

20 CHAIR RICHARD: Yes.

21 Okay, now also moved by Director Paskett,
22 seconded by Director Rossi, is Resolution 16-22 which is
23 the approval to enter into a Funding Memorandum of
24 Understanding with the City of San Mateo for the San Mateo
25 Grade Separation Project on the Caltrain and High-Speed

1 Rail Authority blended system corridor.

2 Will the Secretary please call the roll?

3 MS. HARLAN: Director Schenk?

4 BOARD MEMBER SCHENK: Yes.

5 MS. HARLAN: Vice Chair Richards?

6 VICE CHAIR RICHARDS: Yes.

7 MS. HARLAN: Director Rossi?

8 BOARD MEMBER ROSSI: Yes.

9 MS. HARLAN: Director Correa?

10 BOARD MEMBER CORREA: Yes.

11 MS. HARLAN: Director Curtin?

12 BOARD MEMBER CURTIN: Yes.

13 MS. HARLAN: Director Paskett?

14 BOARD MEMBER PASKETT: Yes.

15 MS. HARLAN: Chair Richard?

16 CHAIR RICHARD: Yes.

17 Okay. With that thank you, Mr. Tripousis.

18 MR. TRIPOUSIS: Thank you.

19 BOARD MEMBER ROSSI: Thanks, Ben.

20 CHAIR RICHARD: Thank you, Mr. Hartnett, Mr.

21 Miller, all the people who worked on this, Mr. Morales and

22 staff, Mr. Fellenz, Mr. Andrew. We had a lot of folks

23 working on this and this is a very important step forward

24 for the program, so thank you.

25 VICE CHAIR RICHARDS: And all the cooperation and

1 hard work with Mr. Hartnett and his organizations. Thanks,
2 Jim.

3 CHAIR RICHARD: Okay, we will turn now to the
4 next item in the agenda, which is item three, consideration
5 of the Fiscal Year 2016-17 Audit Plan and also
6 acknowledging the Internal Quality Assurance Self-
7 Assessment for Fiscal Year 2015 and '16.

8 BOARD MEMBER ROSSI: So moved.

9 VICE CHAIR RICHARDS: Second.

10 CHAIR RICHARD: Well, I'm sorry, I have an
11 amendment to the motion. (Laughter.)

12 I asked Ms. Rivera, before she came up here,
13 whether she had any more auditor jokes to bring to us. And
14 to my great chagrin and disappointment her answer was no.
15 I really think it's imperative that all future
16 presentations by Ms. Rivera to the Board must include at
17 least one auditor joke.

18 BOARD MEMBER ROSSI: I will amend my motion to
19 include that.

20 VICE CHAIR RICHARDS: Second.

21 MS. RIVERA: I will get busy researching auditor
22 jokes.

23 CHAIR RICHARD: In all seriousness first we
24 should ask Ms. Rivera is there anything she would like to
25 say about the matter before us? And then I had at least

1 one point, but I'll turn to my colleagues.

2 So, Ms. Rivera?

3 MS. RIVERA: Thank you.

4 I wanted to note that this is my annual Board
5 agenda item. Each year I bring the Audit Plan to the Board
6 for their approval. And I bring our Internal Quality
7 Assessment to the Board to be able to report the results.

8 I wanted to note that this year's Audit Plan
9 reflects an increase in staffing of six auditors. And the
10 majority of those resources are dedicated to performing
11 incurred cost audits, which are audits of the many
12 contracts that we have.

13 Our total audit team is now thirteen and we have
14 three vacancies. The Audit Plan reflects that we'll able
15 to complete the first ten priorities with our current
16 staffing, but we are working diligently to fill the
17 remaining vacancies.

18 And the second portion of what I bring to you is
19 the results of our Internal Quality Assessment, which show
20 that we are meeting the international standards for the
21 professional practice of internal auditing.

22 CHAIR RICHARD: Excuse me one second, Ms. Rivera.
23 We've got some spurious noise here.

24 (Brief pause to handle noise interference.)

25 BOARD MEMBER ROSSI: Go ahead.

1 MS. RIVERA: Okay. We did an Internal Quality
2 Assessment looking at our work papers and while we found
3 that the results meet audit standards we have some
4 improvement that we'd like to make in meeting our own
5 standards, which are above what the international standards
6 are. So I bring the results of that to you today.

7 So are there any questions?

8 CHAIR RICHARD: Let me just ask in San Diego,
9 Director Schenk or Director Correa, do you have any
10 questions for Ms. Rivera on the Audit Plan or the Self-
11 Assessment Quality Assurance Report?

12 BOARD MEMBER SCHENK: Thank you, no questions.

13 BOARD MEMBER CORREA: No questions as well.

14 CHAIR RICHARD: Okay, thank you.

15 My colleagues here?

16 (No audible response.)

17 I just had one comment that I made to Ms. Rivera
18 before the meeting, which I'll just repeat here, which is
19 that in her report she indicates that the items to be
20 subject to Audit Review in the coming year that with
21 present staff they will commit to doing items 1 through 10
22 on the list, but that as staff vacancies are filled they
23 will complete the rest of the list. And I asked her to
24 just come back to the Board, which she assured me she will
25 do on a quarterly basis anyway, and just let us know if

1 those vacancies are not filled and there's any delay or
2 potential disruption in moving forward with that. So for
3 the record I just wanted to point that out.

4 BOARD MEMBER PASKETT: Just a quick question?
5 You mentioned that you added some staff. In the memo in
6 our Board Package it says that we don't meet our internal
7 standards on the Review. Did you add those staff with the
8 goal of improving the quality standards?

9 MS. RIVERA: That's kind of my typical audit
10 answer. We didn't add them to comply, but the addition of
11 the auditors will help us to comply. We added the staff to
12 address the workload.

13 BOARD MEMBER PASKETT: Okay. Is that the reason
14 for being below -- okay.

15 MS. RIVERA: The reason that we're -- oh.

16 BOARD MEMBER PASKETT: That's fine.

17 And Jeff, I don't know if you want to just --

18 MS. RIVERA: So our audits, the Internal Review
19 was looking at how our work papers are put together. So
20 the review found no deficiencies in the way we conduct our
21 audits. We need to focus additional efforts in how we
22 document our efforts. So it's a documentation situation
23 and that's where we're deficient. It wasn't in the conduct
24 of the audits.

25 CHIEF EXECUTIVE OFFICER MORALES: Right. And

1 there was some discussion of this at the F and A Committee.
2 And as was discussed there the cure to this -- can I say
3 correction -- the correction is basically a checklist just
4 to make sure that all the -- you know, I guess the end
5 result was the auditors found that auditors need to be
6 audited sometimes themselves. But just document it, making
7 sure the paperwork is all in place, right? It wasn't a
8 substantive problem. It was just some of the paperwork
9 wasn't completed. That will be fixed.

10 The addition of staff, as Paula indicated, was to
11 be able to cover the workload. And we had added six
12 additional staff was what was approved in the budget. And
13 I believe we've hired four to date?

14 MS. RIVERA: Yes.

15 CHIEF EXECUTIVE OFFICER MORALES: Right, and are
16 in the process of filling the remaining two vacancies.

17 CHAIR RICHARD: You stepped on my line. I was
18 going to say, "Dare I say that you wanted your work papers
19 to be auditable?" So that's it, okay.

20 BOARD MEMBER CURTIN: Dan, could I ask just what
21 might be a fundamentally ignorant question, but I'll throw
22 it out there anyway. "Design refinement process?"

23 MS. RIVERA: Uh-huh?

24 BOARD MEMBER CURTIN: What exactly does that
25 mean? "Assess the economy and efficiency of the design

1 refinement processes." Are we talking about internal
2 numerical issues or are we talking about instruction
3 changes?

4 MS. RIVERA: Construction changes.

5 BOARD MEMBER CURTIN: Okay.

6 CHIEF EXECUTIVE OFFICER MORALES: That's getting
7 at the question of as the design-builders propose changes
8 how efficiently are we processing that in terms of
9 reviewing all those plans?

10 BOARD MEMBER CURTIN: Yes.

11 CHIEF EXECUTIVE OFFICER MORALES: And so it's
12 really about the interaction between us and the design-
13 builder.

14 BOARD MEMBER CURTIN: (Indiscernible) because
15 that's one of my favorite topics to be blunt about it.

16 So let me ask another question, "project
17 controls," I'm assuming that's also on the construction
18 side?

19 MS. RIVERA: Yes.

20 BOARD MEMBER CURTIN: All right. And then "Draft
21 Agreement Reviews, review draft contracts for applicable
22 fiscal provisions if clearly defined with deliverables and
23 due dates."

24 MS. RIVERA: Yes.

25 BOARD MEMBER CURTIN: So those are the contracts

1 themselves?

2 MS. RIVERA: Correct. Although those aren't the
3 design-build contracts, those are to the other: the project
4 construction management, third-party contracts, regional
5 consultant contracts.

6 BOARD MEMBER CURTIN: Okay. Right, I have just a
7 continuing nagging sort of anxiety about we're checking all
8 the boxes and everybody's kind of meeting the auditing
9 boxes, but the fundamental issue of delivering the product
10 is where I'm getting anxious about. And at some point, I
11 mean I don't -- with all due deference to the Audit
12 Committee, because I'm really confident that there's a lot
13 of knowledge there and they're covering this pretty
14 carefully, I just want to see if we can get to -- and I
15 think I'm going to raise this a little bit after the next
16 presentation about how do we get to a product delivery
17 process?

18 BOARD MEMBER ROSSI: What?

19 BOARD MEMBER CURTIN: As opposed to --

20 BOARD MEMBER ROSSI: Oh, I'm sorry, I didn't hear
21 you?

22 BOARD MEMBER CURTIN: -- a product delivery
23 process, so that -- and maybe I'm not articulating it very
24 well and I should wait a little bit. But I just wanted to
25 raise those questions, because I didn't understand the

1 definitions of these "design refinement process, etcetera."
2 So I'll wait till after the next presentation to get to my
3 point. Thanks.

4 CHAIR RICHARD: Okay. Do we have a motion on --

5 BOARD MEMBER ROSSI: Yeah, it's been moved and
6 seconded.

7 VICE CHAIR RICHARDS: Seconded.

8 CHAIR RICHARD: Okay. It's been moved and
9 seconded, I'm sorry, by Mr. Rossi and Vice Chair Richards.
10 Can the Secretary please call the roll?

11 MS. HARLAN: Director Schenk?

12 BOARD MEMBER SCHENK: Yes.

13 MS. HARLAN: Vice Chair Richards?

14 VICE CHAIR RICHARDS: Yes.

15 MS. HARLAN: Director Rossi?

16 BOARD MEMBER ROSSI: Yes.

17 MS. HARLAN: Director Correa?

18 BOARD MEMBER CORREA: Yes.

19 MS. HARLAN: Director Curtin?

20 BOARD MEMBER CURTIN: Yes.

21 MS. HARLAN: Director Paskett?

22 BOARD MEMBER PASKETT: Yes.

23 MS. HARLAN: Chair Richard?

24 CHAIR RICHARD: I'm sorry, yes.

25 Okay. Thanks, Ms. Rivera.

1 Next is item four, consider awarding the contract
2 for Geotechnical Site Investigation Services in the Silicon
3 Valley to Central Valley Line.

4 Mr. Jarvis, who optimistically asked for 25
5 minutes on this item, will not get it. Mr. Morales, do you
6 want to --

7 CHIEF EXECUTIVE OFFICER MORALES: Yeah, I think
8 we can shortcut this I think considerably. In June the
9 Board approved the issuance of an RFQ to go out for these
10 services and this was with the idea of conducting
11 geotechnical work upfront, which will then save us on the
12 back end as we get into the design and construction. We've
13 proceeded with the procurement, as authorized by the Board.
14 And have come back pretty quickly here with a proposed
15 award in compliance with the Board direction.

16 And so we would just ask your approval to execute
17 the contract.

18 CHAIR RICHARD: Okay, questions on this,
19 colleagues here?

20 BOARD MEMBER PASKETT: I'm going to keep them to
21 myself --

22 CHAIRMAN RICHARD: Well, you don't have to.

23 BOARD MEMBER PASKETT: -- in the interest of
24 time, but maybe it's not a question. Are the potential
25 awardees here today?

1 CHIEF EXECUTIVE OFFICER MORALES: I don't think
2 so.

3 MR. JARVIS: Kleinfelder, yes.

4 MALE SPEAKER: Yes, we are.

5 CHIEF EXECUTIVE OFFICER MORALES: Oh, yes.
6 There.

7 BOARD MEMBER PASKETT: So if it does get approved
8 today I would just ask that you do what you can to recruit
9 from within the communities impacted for this work. It's
10 not a question it's more a preference.

11 So moved staff's recommendation.

12 CHAIR RICHARD: Okay, it's been moved.

13 BOARD MEMBER ROSSI: Second.

14 CHAIR RICHARD: Moved by Ms. Paskett and seconded
15 by, was that Mike?

16 CHIEF EXECUTIVE OFFICER MORALES: That was a very
17 brief presentation. It couldn't get any briefer, I don't
18 think he even cleared his throat.

19 CHAIR RICHARD: He meant to say 25 seconds, not
20 25 minutes.

21 Will the Secretary please call the roll?

22 MS. HARLAN: Director Schenk?

23 BOARD MEMBER SCHENK: Yes.

24 MS. HARLAN: Vice Chair Richards?

25 VICE CHAIR RICHARDS: Yes.

1 MS. HARLAN: Director Rossi?

2 BOARD MEMBER ROSSI: Yes.

3 MS. HARLAN: Director Correa?

4 BOARD MEMBER CORREA: Yes.

5 MS. HARLAN: Director Curtin?

6 BOARD MEMBER CURTIN: Yes.

7 MS. HARLAN: Director Paskett?

8 BOARD MEMBER PASKETT: Yes.

9 MS. HARLAN: Chair Richard?

10 CHAIR RICHARD: Yes.

11 BOARD MEMBER CURTIN: So I didn't actually want
12 to ask a question during the presentation, but I do want to
13 ask a sort of a clarification, if I might, Dan?

14 CHAIR RICHARD: Sure. Please.

15 BOARD MEMBER CURTIN: You know, in our Business
16 Plan we have a pretty clear statement that we need to get
17 an operator on board as soon as possible. And it sort of
18 brings me to the whole premise here is that we're issuing
19 contracts on a project-by-project or a discreet project-by-
20 project basis. And my concern is we don't have anybody
21 who's really in it yet who's going to make their money on
22 the basis of an operating train. And I wanted to ask Jeff
23 to see if he could clarify it a little bit for me.

24 I know it's in our Business Plan to try to get an
25 operator on board who will take an overview of the whole

1 process with the idea that they want to keep the costs
2 down, so that when the train is up and running they will be
3 the ones who will make money on operating the train, not
4 building the discreet portions of it. So most of our
5 contracts, if not all, even though they're design-build are
6 time and material-based and not operationally-based, so to
7 speak.

8 So we're meeting all the auditing goals, but I
9 don't think we're extracting the kind of economies that we
10 need to extract until we get somebody who has oversight on
11 this project, whose oversight has to do with they're going
12 to make money at the end of the process not in the building
13 portion of the process.

14 So I'm not sure if this is a question for you or
15 for Jeff, but where are we on the operator process here?
16 That we've really highlighted in our last Business Plan
17 that we need to get an operator on board as early as
18 possible. I know there's discussions that have been
19 happening and it would be a tremendous development as we go
20 along.

21 CHIEF EXECUTIVE OFFICER MORALES: Sure. Well,
22 it's even before the Business Plan when the Board approved,
23 and we proceeded with the procurement of the RDP contract,
24 one of the changes in that was to really reflect the shift
25 toward operations. And so within the RDP scope and on

1 their team are people who have operational experience,
2 meant to help us better anticipate in those issues.

3 But you're right there. They don't have skin in
4 the game in terms of ultimately operating the system. So
5 right, the Business Plan did say that. And the advantages
6 of doing it and the reasons it was discussed in the
7 Business Plan were among other things that the operator
8 ideally should be in a position to help shape the
9 procurements, because they will ultimately be responsible
10 for that.

11 BOARD MEMBER CURTIN: And the longer we go
12 without that the less they can help shape that.

13 CHIEF EXECUTIVE OFFICER MORALES: And to focus on
14 integration issues and all of those things that will be
15 necessary. So we are proceeding on several fronts.

16 We are having numerous discussions with potential
17 operators. And by that I mean people who are in the
18 business of operating trains around the world whether or
19 not they would ultimately be the ones bidding for the work
20 here. But to get their input, their views of what their
21 level of interest might be, what sort of participation and
22 under what terms. And then we are in the process of
23 developing a procurement document specification to bring an
24 operator on.

25 One of the things, which we will need to do, I

1 think, and any operator is going to need to know not only
2 what it is they're inheriting in terms of physical
3 infrastructure, but also what sort of conditions might be
4 placed upon them in an operating environment. The Business
5 Plan assumes a pretty free rein for a private operator in
6 terms of fare structure, schedule, things like that.

7 But one of the things we will be bringing to the
8 Board soon would be some policy direction in terms of
9 setting guidelines for governance of the operation, so that
10 as we move forward in the procurement process they'd
11 understand the ground rules and exactly what level of
12 engagement would the Board have in fare policy, what level
13 of engagement would the Board have in an operating schedule
14 and things like that, so that they can understand what they
15 would be bidding on and what conditions they'd be operating
16 under.

17 So that's something we would anticipate bringing
18 to the Board in the next few months, so this fall, to begin
19 that process of setting those guidelines.

20 BOARD MEMBER CURTIN: So, having said that, that
21 makes a lot of sense. I'm very excited to hear about these
22 developments, because I think with the Peninsula sort of
23 moving along here. And our focus on from San Jose to the
24 Central Valley, at least in my mind and in a lot of the
25 people I talk to, they see a very -- I mean, a plan really

1 is starting to look like it could be put together here: San
2 Francisco, Fresno, Bakersfield, that makes a lot of sense
3 to people. And we've heard both sides of that
4 conversation.

5 We're looking for people who are prepared to put
6 some skin in the game, take some risk. And the fundamental
7 issue will be how they make that back on operations, not on
8 construction. So I want to just urge some caution that we
9 don't scare everybody to death with a strict set of
10 regulations on how they go about making money out of this
11 process. Because we don't want them to make too much, but
12 they need make some or they won't put any skin in the game.
13 So maybe that's the sort of just the general guideline.

14 CHIEF EXECUTIVE OFFICER MORALES: Right. The
15 Board has been very clear that an operator would have very
16 significant flexibility to operate the system the way it
17 should be operated. And I think the point of developing
18 the principles or policies would be to reaffirm that, not
19 to lay on governance, but to clarify what the governance
20 would be.

21 BOARD MEMBER CURTIN: Good. Okay, because I was
22 a little concerned there for a second. Yes, okay.

23 BOARD MEMBER ROSSI: But you've got to be careful
24 here, because we're having a sort of an odd conversation.
25 There isn't any operator today who's going to put skin in

1 the game and certainly nothing significant. It's just not
2 going to happen. And Jeff's right, we're going to put
3 together some stuff. But at the end of the day it won't
4 make any difference, because the operator, the private
5 sector is going to decide what they need to make. And
6 regardless of what we say they're going to tell us what
7 their IRR will have to be and what the multiple will have
8 to be.

9 So there are two ways to look at this. One is
10 that someone comes in and puts skin in the game and they
11 get to operate the place. And whatever your phased-in
12 series of earnings and whatever the level is and how much,
13 what percentage you get here, how much you get there,
14 whatever those things are, they are.

15 That is not happening anytime soon. What might
16 happen in a realistic sense is hiring somebody as an
17 operator from the point of view of putting together all of
18 the disparate pieces from the perspective of how a business
19 might be run. To some degrees that's what Gary is trying
20 to do, as we sit. But whoever that person is, should we
21 hire that person, should we go that route, won't have a
22 priority on whatever the bidding is for the concession once
23 we complete the capital construction.

24 And so we have to be a little careful, because
25 there are just certain things that won't happen.

1 CHAIR RICHARD: Well, I think the most important
2 part of this dialogue is that as Director Curtin pointed
3 out our Business Plan contemplates that we bring in
4 somebody -- and I'll say it this way, I hope accurately --
5 with operating experience to help us with system
6 integration questions to help optimize the rail car
7 payment, system design, and so forth. And that moving
8 forward that is something that's very important.

9 And Mr. Morales said that the staff is working on
10 that. And so I'd just like to pick up on Mr. Curtin's
11 point and urge that that be brought to us sooner rather
12 than later. And then we can have a more fulsome discussion
13 of the risk-reward continuum and where on that point this
14 operator would be. And Mr. Curtin will have full
15 opportunity to engage on his thoughts and so forth.

16 But I think the key thing out of this is to be on
17 a schedule to move that forward, because it does implement
18 a key part of our Business Plan.

19 VICE CHAIR RICHARDS: Yeah. And I think it's
20 also correct what Director Rossi has just been saying. I
21 think that what we should be prepared to hear at that
22 presentation is it's likely an organization that we're
23 hiring. It's not going to be one that's contemplating
24 putting money in until we get way down the road. And maybe
25 even working in operation to prove revenue before that

1 actually occurs in order for us to maximize the amount of
2 revenue that we can generate through the sale of the
3 concession.

4 BOARD MEMBER ROSSI: Thanks for the presentation.

5 MR. JARVIS: Oh, you're welcome. You look like
6 you're enthralled.

7 CHAIR RICHARD: I believe we're moving to the
8 next item.

9 VICE CHAIR RICHARDS: Maybe we're starting to
10 pretend we know more about what we're doing than we really
11 ought to.

12 CHAIR RICHARD: So let's move briskly to the next
13 item, which is an update on the construction in the Central
14 Valley.

15 MR. JARVIS: Yes. Thank you. And I'm pleased to
16 have the opportunity. I'm going to start out and I'm going
17 to say the obvious, that this is really a team effort to
18 get to the point that we've been at in construction with
19 our design-builders and our project and construction
20 management team and our Rail Delivery Partner and Authority
21 and all of our sub-contractors and sub-consultants. And I
22 think you'll see that we've really made some significant
23 progress.

24 So there is a slide behind you.

25 CHIEF EXECUTIVE OFFICER MORALES: Yeah, also

1 there is a presentation up behind here if you wanted to --

2 MR. JARVIS: Yeah, and so it really is happening
3 and so what is happening? What's the overall scope?

4 Well, the overall scope is we have about 119
5 miles under contract with design-builders. And from a
6 geographic perspective that's Madera to north of
7 Bakersfield and that's approximately \$3 billion in
8 investment. And that is just the investment of the
9 original design-build contract amount. That does not
10 include all of the various project delivery support
11 contracts that go along to support that design-build
12 program.

13 So we're going to talk about the seven active
14 sites that we have ongoing as you can see the list here.
15 And all of those are structure locations. And the reason
16 for that is that is that one, those locations take the
17 longest to complete, so obviously it makes sense to start
18 those early. And that's where most of the construction
19 cost resides. So it starts from the north with the Fresno
20 Viaduct, which is farthest along of our structures and then
21 south to the Cedar Viaduct. And the five other project
22 sites with ongoing work in between.

23 One of those project sites with significant work
24 is the State Route 99 location. And in 2013 the Authority
25 and Caltrans entered into an agreement for the realignment

1 of two-and-half-miles of State Route 99 in Fresno. And
2 that was to accommodate the High-Speed Rail. So
3 construction and support cost estimates at that time
4 resulted in an agreement of \$225.9 million. And as the
5 project's design advanced the cost estimate was updated,
6 resulting in an increase of \$35 million. So this cost
7 increase was accounted for and budgeted in the estimates
8 included in the 2016 Business Plan.

9 And so now we're going to look at a video of the
10 construction sites at all seven of the locations.

11 (VIDEO: Opens with music followed by voice over.)

12 FEMALE NARRATOR: "Hard work is paying off at
13 High-Speed Rail project sites in the Central Valley. Since
14 the start of construction more than a year ago, the project
15 now has seven active sites with more to come in the fall."

16 "The Fresno River Viaduct continues to take
17 shape, now much of it a freestanding structure. Concrete
18 continues to be poured to finish the bridge deck on both
19 sides of State Route 145. Work across the highway will
20 begin soon along with construction of the abutment."

21 "Our newest project site is also one of the
22 fastest moving. This is the Cottonwood Creek Viaduct,
23 located just south of the Fresno River Project. This is a
24 250-foot-long bridge, stretching from north of Avenue 13 to
25 south of Avenue 15 in Madera County. Concrete is being

1 poured for the eight columns in the creek bed."

2 "Work is underway on both sides of the Union
3 Pacific tracks that cross the San Joaquin River. The San
4 Joaquin Viaduct will include a pergola and arches forming
5 the northern gateway of the High-Speed Rail entering
6 Fresno. At this time engineers are reviewing plans to
7 start foundation work in the riverbed. Rebar cages have
8 already been tied and will be placed once drilling work
9 concludes."

10 "Progress is easy to see at the 99 Realignment.
11 Just three short months ago the southbound State Route 99
12 off ramp to Golden State Boulevard was nothing but dirt.
13 Now the roadway is open to traffic."

14 "Other paving activities are also wrapping up at
15 McKinley and Clinton Avenues, as the early work is nearly
16 complete."

17 "Granite Construction has been awarded the
18 contract for the next phase, which includes the demolition
19 and rebuilding of the Clinton Avenue Overpass."

20 "Foundation work has been completed for a few
21 sections of the Fresno Trench. You can even start to see
22 where the Trench will eventually run. Crews are currently
23 waiting for clearance from Union Pacific to begin
24 excavation work. They received permits to begin shoulder
25 improvements on State Route 180. This work is necessary to

1 allow rerouting of traffic during the construction of a
2 passageway under the highway."

3 "This animation has been shared with the public
4 and local media to help them understand the traffic impacts
5 this project will create."

6 "After more than 40 166,000 pound girders were
7 placed on the Tuolumne Bridge in June, form work is
8 underway to create molds for the bridge deck. Crews are
9 working to complete this portion of the bridge by October.
10 Work will then start on either end of the bridge to connect
11 it to the city streets."

12 "Nine rebar cages reach into the sky at the Cedar
13 Viaduct in South Fresno. Concrete is being poured to
14 complete those columns. Drilling is now moving north
15 across North Avenue, where more columns will be
16 constructed."

17 (VIDEO CLOSES: Instrumental Music Plays)

18 MR. JARVIS: Okay. In addition to those seven
19 sites continuing to advance, the current plan is for
20 construction to also start at the locations listed on the
21 slide in the coming months. And so there's really an
22 impressive amount of work that's ongoing on CP1 in the
23 Central Valley.

24 Just a real quick update on CP2-3, that is
25 progressing as well, field activities have begun. The

1 opening project office in Selma and they're doing a lot of
2 the preconstruction activities with design, meeting with
3 third parties, and preparing for their work on the
4 structures and the roadway improvements.

5 Also, as far as some of the specific field
6 activities for CP2-3 there's the property acquisition, the
7 clearing, grubbing and demolition, utility relocation and
8 geotechnical work to inform the design. And that's what
9 the photos are there, the geotechnical work for design
10 purposes.

11 And let's not forget we do have Construction
12 Package 4 awarded and so mobilization is taking place
13 there. An office is expected to be opened in September in
14 Wasco. And they are also performing the preconstruction
15 activities of preliminary design, property acquisition and
16 stakeholder meetings.

17 Right-of-way, although there is much attention
18 that has been given to right-of-way acquisition, and
19 there's no denying it's been a challenge for us, but it's a
20 challenge that we have actively managed in partnership with
21 our design-builders to get to this point of construction.
22 There really has been steady progress of right-of-way
23 acquisition throughout the Central Valley, enabling the
24 construction that you saw to continue.

25 And Gary Griggs will provide a more detailed

1 summary of that coming up, but we just wanted to highlight
2 at a high level that right-of-way is certainly moving
3 forward in a positive way. And in part of that, really
4 there are a lot of positive stories related to that. And
5 the story of the Cosmopolitan Italian Grill in Fresno is
6 one of those stories.

7 We previously reported about the relocation of
8 the family-owned business. And this is a historic
9 restaurant. It's for over 100 years has served patrons near
10 Fresno and G Street and Downtown Fresno. And it just
11 celebrated its grand opening at their new location. And so
12 with the help of the Fresno City Council, the Fresno
13 Economic Development Committee, the Cosmo's Restaurant was
14 able to stay in Downtown Fresno. And its new restaurant
15 has been opened for over two weeks and jam-packed with
16 patrons.

17 We have some personal experience of that. I mean
18 there's been Authority managers, a right-of-way manager
19 recently attempted to eat lunch there, the line was out the
20 door even though he arrived early. So it's really
21 wonderful just to see the robust business that is already
22 taking place at this new location for the Cosmopolitan
23 Grill.

24 Also, there was over 20 Fresno area businesses
25 that took part in the construction of the new business.

1 And of course, that further helped to stimulate the Fresno
2 economy.

3 And as far as some of these right-of-way stories,
4 we also have a story of Main Event Graphics. And that's a
5 printing shop in Fresno. And they had to be relocated to
6 make room for the High-Speed Rail. And they just held a
7 ribbon-cutting ceremony at their new facility. And here is
8 their story.

9 (VIDEO: Opens with music followed by voice over.)

10 AL PEREZ: (Owner, Main Street Graphics) "You
11 know, that was scary at first, because we only heard horror
12 stories."

13 NARRATOR: "Al Perez is the owner of Main Event
14 Graphics in Fresno. He was one of the first businesses
15 that had to make way for High-Speed Rail."

16 AL PEREZ: "When I first heard about it like a
17 year and a half went by and we were just like, "Man, this
18 is -- this is not going to happen."

19 NARRATOR: "But it is happening. And as it
20 happens..."

21 AL PEREZ: "I got to say that it came right on
22 time.

23 NARRATOR: "Al was already planning to move. He
24 wanted to move next to a church in Downtown Fresno.
25 Instead he moved into a church, just blocks from his old

1 location."

2 AL PEREZ: "And I started seeing crosses all over
3 the place on the floor. It was a church. Right there, we
4 knew it for us."

5 NARRATOR: "But those few blocks have made a
6 world of difference."

7 AL PEREZ: "That other area was like, rough, man.
8 Like there was issues, like often. And right here, even
9 though it's around the corner it's like nobody even knocks
10 on our door. Man, it's crazy how calm it is."

11 NARRATOR: "Calm on the outside, but busy inside,
12 busy printing more t-shirts than ever."

13 AL PEREZ: "This thing runs 1,000 t-shirts an
14 hour. This is the beast, right here. (Music plays) And
15 we were able to add more equipment. We were able to take
16 on bigger, bigger contracts, couldn't do that before in the
17 other place. It was too small."

18 NARRATOR: "Al credits working with the High-
19 Speed Rail Authority and the Fresno EDC for helping him get
20 fair-market value for his old location and helping him
21 secure the new one. We should also mention Al didn't move
22 just one company, he moved two."

23 "Welcome to Main Event Boxing. If the printing
24 business has Al's mind, the boxing ring has his heart. For
25 ten years he has helped kids get off the streets and into

1 the ring. And for most of that time he and his partners
2 haven't made a dime."

3 AL PEREZ: "It was pure passion driving us. We
4 like to give back and provide outlets, you know, outlets
5 for this kids."

6 TOMMY AVALOS: (Business Partner, Main Event
7 Boxing) "It takes some of these kids off the streets and
8 gives them something to do. And they fall in love with it.
9 And a lot of them are becoming national champions,
10 professional fighters."

11 HECTOR LEONARDO: (Boxer, Team Madera) "It gives
12 me something to do every day. It keeps me out of trouble
13 and keeps my life together. Yeah, me and my brother are
14 both in this together and we're both hoping we become world
15 champions one day."

16 NARRATOR: "Moving the boxing ring to its own
17 location has allowed the printing business to grow,
18 expanding to add a sign business in the back. It's helped
19 the boxing club grow as well, celebrating its grand opening
20 in June."

21 AL PEREZ: "It's making money to support itself
22 and also the trainers right now. That wasn't the case
23 before. It was just pretty much a club and now it's
24 actually open to the public."

25 NARRATOR: "At one time Al might have feared that

1 moving for High-Speed Rail would have been a knockout blow
2 for both of his businesses. But now he says..."

3 AL PEREZ: "And it worked out perfectly, I
4 couldn't have been happier."

5 (VIDEO CLOSES: Instrumental Music Plays)

6 MR. JARVIS: All right, nice story.

7 So on the job fronts, the University of the
8 Pacific Eberhardt School of Business released a report in
9 May. And they reported that despite the drought in this
10 agricultural area the Fresno economy has experienced some
11 of the fastest job growths in the state, exceeding 3
12 percent in 2014 and 2015 while the unemployment rate
13 dropped to single digits -- only the fourth year in the
14 past 25 when unemployment has been below 10 percent in the
15 Fresno area.

16 So the report also emphasized that construction
17 on high-speed rail is entering a more intensive phase in
18 the Fresno area and will help keep the expansion going in
19 2016 and 2017.

20 So an aspect of that job growth is small business
21 participation on the construction packages with \$38 million
22 paid to date, to small businesses on CP1. And although
23 very early in its development nine small businesses are
24 working on CP2-3. And again, these numbers will continue
25 to grow as the Authority's construction progresses.

1 So in summary, the Construction Program at the
2 High-Speed Rail Authority has become quite robust and if
3 you ever want to get up to speed, visit BuildHSR.com. A
4 new logo has been designed to remind Californians that HSR
5 is indeed happening. And the site, it's really a one-stop
6 shop. It has a construction map, project pages, pictures
7 and videos.

8 So now, as Jeff Morales often tells me, "Let's go
9 build something."

10 CHAIR RICHARD: Okay, questions for Scott?

11 VICE CHAIR RICHARDS: Thank you, Scott, very
12 much.

13 CHAIR RICHARD: Questions from San Diego?

14 BOARD MEMBER SCHENK: Well, there's just one
15 about the construction portion of it, is that stream-lived
16 while construction is going on?

17 CHAIR RICHARD: Did you hear the question?

18 MR. JARVIS: Yes. We have cameras at two sites,
19 but it is not stream-lived to my knowledge. We might talk
20 to our communications people.

21 BOARD MEMBER SCHENK: Hello? I'm sorry, can you
22 hear me?

23 MR. JARVIS: Yes.

24 CHAIR RICHARD: Yeah. Go ahead, Lynn.

25 BOARD MEMBER SCHENK: All right. Did you say no

1 or yes? I missed that.

2 CHIEF EXECUTIVE OFFICER MORALES: Yeah, it's not
3 currently streaming. That is something we're working on
4 with the contractors to have cameras installed and to be
5 able to stream it live.

6 BOARD MEMBER SCHENK: Yeah, I think that would be
7 a really good idea. Actually the suggestion came from a
8 member of the media who supports this project greatly. And
9 said that -- and it resonated with me -- that if it were
10 streamed live it wouldn't just be people who are
11 immediately impacted, but others outside of the area could
12 see that there is actually progress taking place. So I'm
13 glad to hear that you're looking into that, Jeff.

14 CHAIR RICHARD: Good, other questions?

15 (No audible response.)

16 I just have one.

17 MR. JARVIS: Yes, sir?

18 CHAIR RICHARD: So I was reading in the "LA
19 Times" this morning something, and I was kind of confused,
20 because the story referred to the State Route 99 Relocation
21 Project. Now, last time I recall, even though we are
22 funding that isn't somebody else actually managing that
23 project?

24 MR. JARVIS: That is correct.

25 CHAIR RICHARD: And who would that be?

1 MR. JARVIS: That is Caltrans.

2 CHAIR RICHARD: Yeah, I have to go back and look,
3 because I'm not sure that I actually saw the word
4 "Caltrans" appear in the story or maybe it appeared
5 someplace that was kind of disconnected. But there was
6 nothing that I read that indicated that this was actually a
7 Caltrans-managed project. I just wanted, for the record,
8 to make sure that my understanding was correct.

9 MR. JARVIS: It is correct.

10 CHAIR RICHARD: Okay. That was my only question.

11 MR. JARVIS: Okay.

12 CHAIR RICHARD: Thank you, Mr. Jarvis.

13 MR. JARVIS: You're welcome.

14 CHAIR RICHARD: Had to do it, I'm sorry.

15 Okay, next item is the Quarterly Report of the
16 Finance and Audit Committee. Russ Fong?

17 MR. FONG: Good afternoon Mr. Chair, Board
18 Members and Mr. Morales, Russ Fong, your Chief Financial
19 Officer. Paula, Gary, Scott, Jon and I will present agenda
20 item six, which is the Finance and Audit Committee Update.
21 Today we're going to stress financial reporting, audits,
22 project status and risk management.

23 Let's start with financial reporting. I'm going
24 to go walk you through the executive summary and spend some
25 time going over the fiscal year '15-'16, year-end budgets

1 and newly established '16-'17 administrative and capital
2 outlay budgets. The executive summary targets those that
3 want a high-level overview of all the financial reports.
4 It highlights key performance data using trends of prior
5 month and prior year. The bullet points will list key
6 information. And the issue section will highlight, what I
7 think, the Board and stakeholders need to know.

8 Let's focus on Accounts Payable Aging Report, 10
9 of the last 12 months we've had a 0 balanced in age
10 reports. Over the past 12 months we've had only 2 aged
11 invoices. One was overdue 12 days and the other was 2
12 days. Let's put some context around this. Since fiscal
13 year '11 and '12 our annual expenditures have increased by
14 568 percent going from \$145 million per year to \$1 billion
15 per year. Over the same timeframe our late penalty
16 payments have decreased 90 percent going from \$295,000 in
17 fiscal year '11-12 to this year's \$28,000.

18 Even though our expenditures have drastically
19 increased our age invoices have almost been eliminated.

20 Moving on to our cash management report I'd like
21 to talk a little bit about Prop 1A cash. Bond sales do
22 occur for Prop 1A in the spring and the fall. We've
23 received \$56 million in the last bond sales of April 2016
24 and \$45 million in April 2015 for a current balance of \$16
25 million.

1 As we have previously reported our focus is to
2 spend federal funds first. We have primarily spent Prop 1A
3 on an administrative budget of \$41 million in project
4 development costs that are not eligible for federal funds.
5 We do anticipate spending more Prop 1A in fiscal year '16
6 and '17 as we have spent the majority of federal funds
7 allocated to the project development.

8 Moving on to Cap and Trade we have \$772 million
9 in Cap and Trade.

10 CHAIR RICHARD: Excuse me, if I could just -- I'm
11 sorry. I just want to make sure we're clear for the public
12 that the bond funds that we are spending, we're legally
13 allowed to spend on non-construction activities at this
14 point --

15 MR. FONG: That is correct.

16 CHAIR RICHARD: -- for planning and environmental
17 processes. That does not require a, what we call a
18 Subsection D Plan, so I don't want anybody to suddenly
19 misinterpret since everybody knows we have to go through a
20 number of steps to spend bond money for construction
21 purposes. These are under Subsection G, that is
22 permissible at this point.

23 MR. FONG: That is correct, Mr. Chair.

24 CHAIR RICHARD: Okay. Thanks.

25 MR. FONG: Moving on to Cap and Trade we

1 currently have a balance of \$772 million compared to last
2 month's \$637 million. Our Cap and Trade proceeds over the
3 last four auctions were \$161 million in August of 2015,
4 \$164 million in November of 2015, \$129 million in February
5 of 2016, and \$3 million in May of 2016 for a total of \$457
6 million.

7 Moving on to our Budget Expenditure Report I'd
8 like to focus on the administrative budget of \$41 million.
9 And just to remind folks the administrative budget consists
10 of personnel services, rent, travel, operating expenses
11 such as office supplies, training and IT. We just
12 completed fiscal year '15 and '16 and will introduce a new
13 budget in '16 and '17.

14 Some highlights for the year end '15-16, we spent
15 78 percent of our budget compared to last year's 81
16 percent. The lower percentage was due to a lag in
17 submitted interagency agreements and a vacancy rate of 23
18 percent a year ago due to 35 newly-established positions.
19 I am happy to report that we finished the year with a
20 reduced vacancy rate of 13.2 percent, which is below the
21 State of California's statewide vacancy rate of 13.9
22 percent.

23 Slide 6 shows a comparison, side-by-side
24 comparison, of our administrative budget for the year end
25 '15-'16 and an introduction of the new '16-'17 budget.

1 There was a slight increase of 2 percent, which is mainly
2 primarily due to increase in personnel services. The
3 administrative audit strategic planning offices had
4 increases while the financial office regional directors had
5 a decrease, based on historical spending patterns and
6 forecasts.

7 The next slide, 7, displays the same
8 administrative budget by line items, line items for general
9 office expenses, Board costs, printing, in-state travel and
10 training have increased. While out-of-state travel, rent,
11 building grounds, external contracts, have decreased again
12 based on historical spending patterns and forecasts.

13 Last on the administrative is our position count.
14 The Audits Office had received six newly established
15 positions in fiscal year '16-'17.

16 Moving on to our Capital Outlay Budget here are
17 some highlights for the '15-'16 year end. We spent 50
18 percent or \$936 million of our capital outlay budget of
19 \$1.875 billion. Last year we experienced delays in ROW
20 acquisition, which impacted the construction activities.
21 Currently, mitigation measures are in place to prioritize
22 critical parcels required for major construction work. As
23 a result spending is accelerating due to the ongoing
24 acquisition of ROW and the construction continues to
25 increase.

1 I'd like to show our side-by-side for fiscal year
2 '15-'16 and '16-'17. The new '16-'17 budget is 9 percent
3 less than last year, going from \$1.875 billion to \$1.707
4 billion for a difference of \$167 million.

5 In project development there are increases in
6 Prop 1A for Phase I and ARRA and a decrease in Prop 1A for
7 Phase II. In the construction side there's a decrease in
8 ARRA grant as the grant will expire in September of 2017.

9 Slide 11 displays our side-by-side comparison for
10 the capital outlay budget for the total program. The
11 increase on our total program budget of \$1.6 billion
12 represents an alignment with the 2016 Business Plan and the
13 addition of the \$1.1 billion for the bookends subject to
14 approval of the Funding D Plan.

15 Moving on to our Total Project Expenditures with
16 Forecast, the highlight here is our ARRA spend. The ARRA
17 grant gives us \$2.553 billion, which expires in
18 September of 2017. As of last week we have spent \$1.748
19 billion, which represents 69 percent of the grant funding
20 resulting in \$804 million or 31 percent remaining with 11
21 months to go before June 30th of 2017.

22 We'll need a minimum burn rate of \$73 million to
23 achieve our goal of full utilization of the grant by June
24 30th, 2017. With the current burn rate, which is an
25 average of the last three months, minus \$60 million for

1 one-time expenditures we are trending at a monthly burn
2 rate of \$117 million.

3 Contract and Expenditure Report, we currently
4 have \$4.6 billion in active contracts with a small business
5 utilization rate of 15.7 percent for the month of August.
6 As construction activities continue to progress we do
7 expect small business utilization rate to increase.

8 In our final slide the Project's Initiative
9 Report, we are tracking on a monthly basis the performance
10 of 32 internal projects and initiatives. Currently we have
11 14 that are satisfactory, 17 in caution, and 1 on hold.

12 This concludes my portion of the presentation.
13 I'll be happy to answer any questions.

14 CHAIR RICHARD: Okay, questions for Mr. Fong?

15 BOARD MEMBER PASKETT: Just a quick question I
16 had on the burn rate.

17 CHAIRMAN RICHARD: Okay.

18 BOARD MEMBER PASKETT: When you described the
19 ARRA spending, is it your conclusion that we will utilize
20 all of the grant?

21 MR. FONG: Yes. We are on target to achieve our
22 goal of full utilization, yes.

23 BOARD MEMBER PASKETT: Thank you.

24 CHAIR RICHARD: Director Schenk or Director
25 Correa in San Diego, any questions for Mr. Fong?

1 BOARD MEMBER SCHENK: No questions, thank you.

2 BOARD MEMBER CORREA: No question.

3 CHAIR RICHARD: Thank you, Russ.

4 Okay, Ms. Rivera.

5 MS. RIVERA: Okay. For my portion of the
6 presentation the first thing I'd like to highlight is some
7 reports that we've issued since our last update.

8 We issued an audit on design-build stipend and
9 alternative technical concepts. We issued a couple of pre-
10 award reviews where we're reviewing a cost proposal
11 submitted in response to a request for qualifications
12 before the contract is executed. We also issued a follow-
13 up and supplemental report to a previous contract
14 management audit that we performed. This was to follow up
15 on the prior report, but it was also to expand the universe
16 to include all contract managers.

17 Audits that we have currently in process, we have
18 an audit of the design-build process. And the objective is
19 to assure the risk model of design-build is maintained with
20 the Authority's role of design acceptance and oversight.
21 We have an audit in progress. It's continuous auditing of
22 the right-of-way process where we are looking at subsets of
23 the acquisition process to determine if the weekly
24 reporting is accurate and supported by progress.

25 We're finishing up an incurred cost contract

1 audit to determine if costs were billed and reimbursed were
2 allowable, reasonable and in compliance with the federal
3 regs and the contract terms.

4 A small business follow-up review to see if the
5 prior findings were addressed and the corrective actions
6 were implemented.

7 We are finishing up an audit of the year-end
8 close process as well, as we started in the early spring an
9 audit of the oversight of construction materials. And the
10 objective is to determine if processes and procedures are
11 adequate to assure construction materials meet standards
12 and specifications in the construction contracts.

13 We have an audit of Valley Fever mitigation and
14 oversight in process, to look to see that the contractors
15 are following the processes and the Authority has adequate
16 oversight of those processes.

17 We finished up, and I hope to be able to issue
18 today or tomorrow, a pre-award of right-of-way engineering
19 and surveying contract as well as a follow-up audit on a
20 procurement audit that we did last year to determine that
21 the findings were addressed and corrective actions were
22 implemented.

23 And here is brief list of some of the audits that
24 we have planned for fiscal year '16-'17.

25 Are there any questions?

1 CHAIR RICHARD: Questions?

2 (No audible response.)

3 San Diego, any questions?

4 BOARD MEMBER CORREA: No questions.

5 BOARD MEMBER SCHENK: Nothing, nope.

6 CHAIR RICHARD: I'm sorry?

7 I would just say Ms. Rivera, I'm interested in
8 the Valley Fever Mitigation Audit when that's done. I'd
9 appreciate getting a copy of that, especially if there's
10 any problems indicated.

11 MS. RIVERA: Okay.

12 CHAIR RICHARD: It's an important issue we want
13 to stay on top of, okay?

14 All right, thank you.

15 MS. RIVERA: Thank you.

16 CHAIR RICHARD: Mr. Griggs.

17 MR. GRIGGS: Thank you, Chairman Richard, Vice
18 Chair Richards, Director CEO Morales. Thank you for the
19 opportunity to talk about Program Delivery today. I'm Gary
20 Griggs, a Program Director for the High-Speed Rail.

21 Scott gave a very good presentation earlier
22 demonstrating the progress that's been made on
23 construction. As you see, a lot of heavy construction is
24 underway and we're also advancing environmental work for
25 the entire Phase I, the goal being there to have Phase I

1 cleared, all segments of Phase I cleared, so that funding
2 becomes available we can expand outside of the Valley-to-
3 Valley line into those other sections of Phase I.

4 We'd like to briefly discuss today right-of-way
5 environmental clearances, third-party agreements, and
6 construction.

7 Right-of-way, as we've talked a lot of, has been
8 a challenge. And we have a massive program here with
9 approximately 1,500 parcels to be cleared. And we're
10 making good headway on Construction Package 1, 65 percent
11 of those parcels having been cleared. We're working very
12 closely with the contractor, looking at establishing
13 priority construction locations and delivering parcels
14 consistent with that to advance construction as rapidly as
15 possible.

16 Construction Package 2-3, cleared 40 percent of
17 those parcels and working with the contractor again
18 closely, to establish construction priority zones. And
19 also re-base lining the right-of-way acquisition plans,
20 which is part of what we're required to do under those
21 contracts.

22 And then Construction Package 4 has just been
23 brought onboard. So we're working out the right-of-way
24 acquisition plan with them as well, so that we can move
25 forward as possible. I'd like acknowledge Alan Glen and

1 his team, who are leading the right-of-way effort here and
2 doing a phenomenal job in delivering on these projects.

3 We report to Finance and Audit on a monthly basis
4 and are tracking the right-of-way performance very closely,
5 as you can see, on this graphic. So month by month you can
6 see how we've performed historically. And then we forecast
7 ahead on a continuous basis, consistent with what we see in
8 our ability to deliver that right-of-way.

9 So we do this for each of our construction
10 packages. This is for the ABC portions of Construction
11 Package 1. And this is for the northern extension, which
12 you approved awhile back. And we're starting out in
13 acquisition there and see some major opportunities for
14 construction activity there as we are able to clear right-
15 of-way.

16 And the same thing for -- this the Northern
17 Extension CP1-B that we're moving forward with and then
18 CP2-3 same thing, tracking closely, working closely with
19 the contractor to make sure that we get the right-of-way
20 cleared and advance the construction as quickly as
21 possible.

22 And then CP4, which as I mentioned is just
23 starting up although we have cleared some parcels already,
24 but that's very little activity yet on Construction Package
25 4 in terms of right-of-way.

1 In terms of environmental I'd like to acknowledge
2 Mark McLoughlin and his team who are leading the
3 environmental effort on the program. We, as you know, have
4 had two major environmental documents completed, the Merced
5 to Fresno and Fresno to Bakersfield. We do have
6 supplemental work ongoing in those two areas, in particular
7 in the Wye of up around Merced, and also the locally
8 generated alternative that we're looking down in the
9 Bakersfield area.

10 We're working very closely with our federal and
11 state partners, and especially the Federal Railroad
12 Administration, and also of the resource agencies to try to
13 expedite these environmental clearances as quickly as
14 possible.

15 We do have an aggressive goal in that we -- as
16 mentioned earlier clearing the entire Phase I, which
17 basically consists of ten environmental segments with a
18 target date of completion by December 2017.

19 This graphic shows you how we're tracking
20 performance and report to the Finance and Audit Committee
21 on a regular basis. Actually, we have the 12 segments
22 listed out here including the first two: Merced and Fresno,
23 Fresno-Bakersfield, which are completed and then the
24 additional ten, which we are working on right now to
25 complete.

1 And you can see across the top how we track this
2 on a deliverable phase basis starting with purpose and
3 need, then looking at alternative analyses, your selection
4 of preliminary preferred alternative, then publishing the
5 draft moving into the final and eventually getting our
6 Record of Decision.

7 So we're tracking each of these milestones very
8 closely and reporting on a monthly basis as to performance
9 and that work is proceeding well, with teams established
10 and working on each of those segments.

11 Quickly going through each of the segments, in
12 Northern California of both the San Francisco to San Jose
13 and San Jose to Merced segments, we do have on board now
14 our consultant team for engineering and environmental
15 services. So that work is proceeding and that's especially
16 San Jose to Merced is critical to our Valley-to-Valley
17 initial operating segment.

18 In the Central Valley we're working on the Wye
19 and an administrative draft is being written currently. We
20 also have the Central Valley electrical interconnections
21 work, which is vital to getting electrification to the test
22 track. And we're working very closely with our partner
23 there, with PG&E.

24 The heavy maintenance facility you're well aware
25 of. We've had a lot of discussion about that and looking

1 at alternative sites and planning as to how we proceed with
2 the HMF. And then of course the locally generated
3 alternative for the Bakersfield F Street is proceeding as
4 well.

5 In Southern California quite a number of
6 environmental segments are being considered there:
7 Bakersfield to Palmdale, a Supplemental Alternative
8 Analysis completed; Palmdale to Burbank, that analysis has
9 been completed as well and we're doing some further
10 development work in that area; Burbank to Los Angeles, same
11 thing, and Los Angeles to Anaheim, although supplemental
12 alternative analyses have been completed and brought before
13 the Board.

14 I'd like now to turn it back over to Scott Jarvis
15 to speak about third-party agreements in construction.
16 Before I do that I should ask if there are any questions.

17 CHAIR RICHARD: Questions for Mr. Griggs in San
18 Diego?

19 BOARD MEMBER SCHENK: No question.

20 CHAIR RICHARD: Colleagues here?

21 (No audible response.)

22 Thanks Gary.

23 MR. GRIGGS: Yeah, thank you.

24 MR. JARVIS: Thank you, Gary.

25 And yeah, I'm going to report on the status of

1 our third-party agreements and construction status. Our
2 third-party agreements are led by Paul Engstrom on a
3 statewide basis.

4 And some of the major accomplishments since the
5 last quarterly update is reevaluating the estimates for the
6 excluded and the provisional sum third parties. And we've
7 also continued to make progress towards the execution
8 toward the execution of the master and cooperative
9 agreements that are the Authority's responsibility. And
10 we've also greater defined our progress tracking for our
11 third-party agreements.

12 And so this is a summary of the status of the
13 agreements. And two main areas that I want to highlight,
14 if you look towards the middle and to the left a little
15 bit, the CP total, that's the Construction Package total,
16 the agreements. And in the middle there, there's a 4. And
17 so there's only four unexecuted agreements that exist for
18 the construction packages. So that really shows some
19 really good progress in this area.

20 And then also if you look towards the right, the
21 non-construction packages, because we don't have CPs in
22 these areas yet, you see some real good solid progress
23 since our last report of executing the -- unexecuted being
24 reduced from 383 to 300. And so if you take out the subset
25 on the far right of the Valley-to-Valley we already have 75

1 agreements executed for the Valley-to-Valley section.

2 Now on construction I just gave a pretty thorough
3 update on construction, so I'm going to go ahead -- and not
4 to diminish its importance -- but go ahead and move
5 through. Because we've talked about Construction Package 1
6 and the current worksites and the ongoing work on CP2-3 and
7 CP4 as well as the work activities that are ongoing.

8 BOARD MEMBER PASKETT: Can I interrupt?

9 MR. JARVIS: Yeah, sure.

10 BOARD MEMBER PASKETT: Is this in our packet?

11 UNIDENTIFIED SPEAKER: Yes.

12 BOARD MEMBER PASKETT: Okay.

13 VICE CHAIR RICHARDS: It was handed out
14 (indiscernible)

15 BOARD MEMBER PASKETT: I see, was it -- it was
16 handed out today?

17 CHAIR RICHARD: Yeah.

18 BOARD MEMBER PASKETT: With dense information
19 like this, it's easier for me maybe the night before?

20 MR. JARVIS: Sure.

21 BOARD MEMBER PASKETT: Because it's hard to
22 follow, especially when you have low blood sugar.

23 MR. JARVIS: Okay. So really the key on this,
24 this is for the CP1 contingency value is to look at the far
25 right, in the middle of the page, June of 2016. And you'll

1 note a significant decrease in the contingency balance
2 remaining for CP1, both in the dollar amount and in the
3 percentage itself. And this is primarily due to the
4 execution of the large delay resolution change order on CP1
5 that resolved all delays through 2015.

6 Now, this is the expenditures, the scheduled
7 performance index, for CP1. And the blue at the top and
8 the orange are the planned and forecast lines. And
9 although we continue to be behind that for CP1, because our
10 actual earned value is the yellow, you do see continued
11 progress upward in the spending on CP1 with that yellow
12 line. And that will continue to get steeper towards an
13 upward trend as we progress. So that's a positive in
14 increased spending.

15 CP2-3, I think really the takeaway for this as
16 far as the contingency value is to look at the bottom right
17 of the page and as of the end of June, we had a substantial
18 contingency of \$257 million or 22 percent of the contract
19 value remaining.

20 As far as the expenditures on CP2-3, we are
21 slightly above the FCP forecast at 216 million versus the
22 forecast of 209 million. We now do have an approved
23 schedule that we've been working on finalizing with the
24 contractor. So for future reports we will be reporting
25 against that approved schedule for this schedule

1 performance metric.

2 And on CP4, we have not started construction yet,
3 but we have set up the metrics themselves and we're
4 starting with a contingency amount of CP4 of about \$60
5 million or about 14 percent of the remaining work.

6 And similarly, for CP4 we've set up the framework
7 to be able to track the progress of the schedule moving
8 forward and that's what this represents.

9 So the overall summary with construction as shown
10 in the video, the progress continues to accelerate. We
11 have activity underway at multiple sites. I mean, one of
12 the things that Gary and I do want to emphasize is that we
13 believe we've improved the project management structure for
14 each of the construction packages. We've put a higher
15 level manager, a project director, on each of the projects
16 to manage these megaprojects onsite. And as was mentioned,
17 we're really focused on delivering the Central Valley
18 Construction Program as a building block for the Silicon
19 Valley to Central Valley line.

20 And then we continue to use our risk management
21 principles to mitigate the risks and resolve the challenges
22 that contribute to the pressure on the budgets and the
23 schedules.

24 So with that, I'm happy to answer any questions
25 that you might have.

1 CHAIRMAN RICHARD: Questions for Mr. Jarvis out
2 of San Diego?

3 BOARD MEMBER SCHENK: Nope, we're good.

4 BOARD MEMBER CORREA: Nothing.

5 CHAIR RICHARD: Okay. Yeah, I'd just make a
6 quick point, so the public understands when we talk about
7 having \$254 million of remaining contingency value on CP2-
8 3, that's a big number and that's a good number, because
9 that's the amount that's been set aside to protect against
10 overruns. And to the extent that that number doesn't
11 diminish over time it means the work is being done, but
12 we're not having to commit contingency for overrun.

13 So it might be otherwise be confusing that he
14 would say that it's good that we have that big a number,
15 but that's why and we're managing two of the contingencies
16 on the project.

17 Okay. Next, Mr. Tapping, risk management? Jon,
18 your biggest risk to manage is, as Ms. Paskett said, the
19 blood sugar is diminishing.

20 MR. TAPPING: I hear that, so the main take away
21 from this first slide is risk management's role in the
22 process. And I like to think of it as a four-legged stool.
23 You've heard from the financial performance, the audits and
24 review, and the contracts performance financial performance
25 is basically present -- measuring of present metrics -- to

1 see how we're doing. Audits and reviews is kind of in
2 arrears. We're looking at best practices and lessons
3 learned.

4 You heard from contract performance, again
5 looking at contract administration, present value, but risk
6 management is really looking ahead. So we wrapped that all
7 around in our risk management plan as really forward
8 looking and making risk-informed decisions based on looking
9 ahead. So that's really our goal where we have legislative
10 reporting requirements, 1029, which mainly deal with
11 identifying and reporting risks and quantifying risks. We
12 go beyond that where we are integrated into decision
13 making, risk-informed decision making, that's the vision of
14 our risk management program.

15 Next slide, these are just the major objectives.
16 First of all it's a systematic risk management, a
17 systematic process, a disciplined process, it's a
18 continuous process. By increasing transparency all
19 stakeholders can acknowledge the risks in a project and
20 then understand them. And also where we mitigate them, an
21 openness of how we mitigate them and buy into that process.

22 We also look at capturing opportunities as well
23 as risks. If we identify risk early we can mitigate them
24 by applying resources, there are numerous examples of that.

25 We also take a -- we look at other industry

1 approaches. Professor Flyvbjerg, for example, we're
2 looking at reference to classes in addition to our standard
3 bottoms-up approaches.

4 BOARD MEMBER ROSSI: Let me ask you a question,
5 when you say here on 6, "Receives external validation of
6 risk management approach," what does that mean to receive
7 external validation?

8 MR. TAPPING: Really we want to ensure, Mike,
9 that we continue with best practices.

10 BOARD MEMBER ROSSI: I understand that, but what
11 does it mean to receive external? Are we getting people to
12 look at it and say this is a --

13 MR. TAPPING: Yeah, they're looking at our
14 approaches. For example, the reference class approach that
15 we've used on the ridership and revenue, for example.

16 BOARD MEMBER ROSSI: And this includes Flyvbjerg?

17 MR. TAPPING: Yes.

18 BOARD MEMBER ROSSI: So the system that we are --
19 the model that we are using has been looked at and we have
20 received positive commentary by the professor?

21 MR. TAPPING: We've had dialogue, nothing formal.

22 BOARD MEMBER ROSSI: Yeah. So from the
23 professor, from the perspective --

24 MR. TAPPING: From his protégé actually --

25 BOARD MEMBER ROSSI: From his protégé?

1 MR. TAPPING: -- Mr. Alex Budzier.

2 BOARD MEMBER ROSSI: So the issue of constantly
3 using his name as someone suggesting that these projects
4 never work would be, in fact, inaccurate?

5 MR. TAPPING: Yeah.

6 CHAIRMAN RICHARD: You could say yes.

7 MR. TAPPING: I would say yes.

8 BOARD MEMBER ROSSI: Thank you.

9 MR. TAPPING: Let's move on. This is just kind
10 of a summary of the process of risk management. Again,
11 it's a disciplined approach and these are some of the tools
12 we used. I won't go into detail.

13 I want to talk about some of our accomplishments
14 during the last quarter. We've provided a number of
15 analyses that inform the Business Plan. For example, we
16 did a CP1 Cost Risk Update. We did a CP4 Risk Informed
17 Contingency Analysis, which ultimately the contingency was
18 approved by the Board. We've done a CP1 through 4 Third-
19 Party Cost Risk Analysis, again results incorporated into
20 the Business Plan estimates as were the Ridership Revenue
21 Life Cycle Break Even Analysis. We did some heavy
22 modeling.

23 So a lot of the analyses that we did over the
24 last quarter drove some of the decisions that we made in
25 the Business Plan in terms of strategy in executing our

1 program.

2 BOARD MEMBER CURTIN: Could I ask if that -- did
3 you just change that? Go back to the last slide.

4 MR. TAPPING: I think I did, yes.

5 BOARD MEMBER CURTIN: If the Ridership & Revenue,
6 Operation & Maintenance, Lifecycle, Break Even Risk
7 Analysis, was that specific to any portion of the Segment 1
8 or was it an overall --

9 MR. TAPPING: It was an overall analysis looking
10 primary at all of the options, yes.

11 BOARD MEMBER CURTIN: Okay.

12 BOARD MEMBER ROSSI: In fact, we would not build
13 a segment if we did not have -- because we can't, by the
14 requirements of Prop 1A, to build a segment that hasn't
15 been tested such that we are comfortable that it does not
16 require a subsidiary to operate.

17 MR. TAPPING: Right.

18 BOARD MEMBER ROSSI: So it's interesting,
19 actually the only individual segment that has to be run on
20 that basis is the first one. Because each subsequent one
21 would become part of a bigger whole, right?

22 MR. TAPPING: Right.

23 CHIEF EXECUTIVE OFFICER MORALES: So and that was
24 part of the decision to move to -- yeah.

25 BOARD MEMBER ROSSI: Right.

1 MR. TAPPING: Yeah, it drove part of that
2 decision in the Business Plan. So a lot of our work drove
3 decisions in the Business Plan as forward looking. I'd
4 like to emphasize that, so I've got a busy quarter ahead.

5 I received another assignment from Mr. Rossi to
6 look at the Caltrain contingency, so that that's one issue
7 we'll be doing. But we're also continuously updating our
8 contingency draw-down curves for CP1, CP2-3 and CP4 to see
9 if there's any risk that may have materialized since we did
10 our first assessment and mitigation strategies.

11 We're also involved in some of the procurement
12 assessments that are ongoing. We talked about early
13 operator, but we're also looking at rolling stock in terms
14 of a Decision-Tree Analysis. And what might make sense
15 from a procurement standpoint is we move forward and
16 execute the Business Plan.

17 We also want to focus more -- we have been
18 focusing on the CPs, but now as a result of the Business
19 Plan and our execution of the program, Valley-to-Valley has
20 become very prominent in our work. So we're undergoing a
21 Schedule and Cost Risk Analysis having to do with the
22 Valley-to-Valley section. So that will help drive some of
23 the procurement decisions, how we allocate contingency to
24 each project and also how we may mitigate schedule or cost
25 risks associated with that segment.

1 So to wrap it up, again the Finance and Audit
2 structure where we have this four-legged stool that reports
3 to the Finance and Audit Committee essentially, I think is
4 a robust checks and balances. I am autonomous. I report
5 directly to the Board yet I am well integrated into the
6 team in terms of providing risk assessments to help drive
7 risk-informed decisions.

8 And so again, focusing early identification of
9 issues on the risk management side and I'll take any
10 questions at this point.

11 CHAIR RICHARD: Okay. Question for Mr. Tapping?

12 (No audible response.)

13 In San Diego, any questions for Mr. Tapping?

14 BOARD MEMBER SCHENK: No. Thank you, Mr. Chair.

15 BOARD MEMBER CORREA: Nope, no questions.

16 CHAIR RICHARD: Colleagues here?

17 (No audible response.)

18 MR. TAPPING: Thank you.

19 CHAIRMAN RICHARD: Thanks, Jon.

20 BOARD MEMBER ROSSI: Thanks, Jon.

21 CHAIRMAN RICHARD: I think I continue to be
22 proud, I think we all do, of the risk management functions
23 that we have here. So it's a --

24 BOARD MEMBER SCHENK: Agreed.

25 CHAIRMAN RICHARD: Okay. With that I think we've

1 completed the Update. I appreciate everybody's patience in
2 going through this, this morning. But I think having these
3 quarterly updates is important, although let me echo what
4 Director Paskett said, which is for those of us who are not
5 on the Finance and Audit Committee and don't have the
6 intimate familiarity with this, it's a lot of information.
7 So if we can try to get a 24 or 48-hour advanced copy of
8 it, you know, people do read these things. And so we'd
9 like to do that, it's good.

10 And then I think we can probably also have a
11 better dialogue with staff when people have a chance to
12 absorb it. But it's good information, public information,
13 and transparency into the project, so we appreciate the
14 work that everybody put into it.

15 With that, colleagues unless there's objection,
16 I checked with both our CEO and our General Counsel, there
17 was one item for the closed session, which I think we can
18 just roll over into a report directly to us from Mr.
19 Fellenz. And so without any other items, at this point we
20 will declare the meeting adjourned and we will thank
21 everybody for participating today.

22 Thank you.

23 BOARD MEMBER SCHENK: And thank you, Mr.
24 Chairman, for allowing this accommodation.

25 CHAIRMAN RICHARD: Well, get better fast. We'll

1 see you.

2 BOARD MEMBER SCHENK: Thank you.

3 BOARD MEMBER CORREA: Thank you.

4 CHAIRMAN RICHARD: All right.

5 (Chair Dan Richard adjourned the Public Meeting of The

6 High-Speed Rail Authority

7 at 12:52 p.m.)

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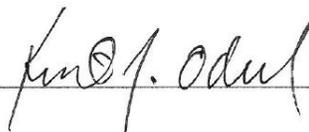
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Kent Odell
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