

CALIFORNIA HIGH-SPEED RAIL AUTHORITY

BOARD MEETING

TRANSCRIPT OF PROCEEDINGS

DEPARTMENT OF HEALTHCARE SERVICES AUDITORIUM

1500 CAPITOL AVE.

SACRAMENTO, CA 95814

WEDNESDAY, MARCH 15, 2017

10:00 A.M.

Reported by:  
Kent Odell

APPEARANCESBOARD MEMBERS

Dan Richard, Chairman

Tom Richards, Vice Chair

Lynn Schenk

Michael Rossi

Bonnie Lowenthal

Lorraine Paskett

STAFF

Jeff Morales, Chief Executive Officer

Krista Jensen, Board Secretary

Thomas Fellenz, Chief Counsel

Michelle Boehm, Southern California Regional Director

Russell Fong, Chief Financial Officer

PRESENTERS:

Michelle Boehm, California High-Speed Rail Authority,  
Southern California Regional Director

Jeanet Owens, Senior Executive Officer for L.A. Metro

Jeff Morales, California High-Speed Rail, Chief Executive  
Officer

APPEARANCES (Cont.)PUBLIC COMMENT

James C. Ledford Jr., Mayor, City of Palmdale, CA

Michael Behen, Transportation Manager, City of Palmdale, CA

Yasunari Onodera, Toyota Tsusho America, Inc.

Alan Scott, California High-Speed Rail Accountability,  
CCHSRA

Ross Browning, CCHSRA

Bill Descary

Roland Lebrun

INDEX

|                                                                                                                                                                                                                                | <u>PAGE</u> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Roll Call                                                                                                                                                                                                                      | 5           |
| Public Comment                                                                                                                                                                                                                 | 6           |
| 1. Consider Approving the Board Meeting Minutes<br>From the February 14, 2017 Meeting                                                                                                                                          | 21          |
| 2. Consider Amending the Contract with the Los<br>Angeles County Metropolitan Transportation<br>Authority (Metro) to Share Project Development<br>Costs for the Integration of High-Speed Rail<br>at Los Angeles Union Station | 22          |
| 3. Update on the Early Train Operator Procurement                                                                                                                                                                              | 61          |
| 4. Update on the Central Valley and San Francisco to<br>San Jose Peninsula Corridor Segment Funding Plans                                                                                                                      | 68          |
| 5. Closed Session Pertaining to Litigation                                                                                                                                                                                     | --          |
| Adjourned                                                                                                                                                                                                                      | 82          |

P R O C E E D I N G S

10:09 a.m.

PROCEEDINGS BEGIN AT 10:09 A.M.

SACRAMENTO, CALIFORNIA, WEDNESDAY, MARCH 15, 2017

CHAIRMAN RICHARD: Good morning, this meeting of the California High-Speed Rail Authority Board will come to order.

Will the Secretary please call the roll?

MS. JENSEN: Good morning.

Director Schenk?

BOARD MEMBER SCHENK: Here.

MS. JENSEN: Vice Chair Richards?

VICE CHAIR RICHARDS: Here.

MS. JENSEN: Director Rossi?

BOARD MEMBER ROSSI: Here.

MS. JENSEN: Director Curtin?

BOARD MEMBER CURTIN: (Absent.)

MS. JENSEN: Director Paskett?

BOARD MEMBER PASKETT: Here.

MS. JENSEN: Director Lowenthal?

BOARD MEMBER LOWENTHAL: Here

MS. JENSEN: Chair Richard?

CHAIRMAN RICHARD: Here.

Please join me in the Pledge of Allegiance.

(The Pledge of Allegiance is made.)

1 CHAIRMAN RICHARD: Thank you.

2 BOARD MEMBER SCHENK: With the following  
3 exceptions, yeah.

4 CHAIRMAN RICHARD: We'll move to the public  
5 comment period. Okay. It seems like we have a pretty  
6 light list of public speakers this morning and, as always  
7 we will start with our elected representatives and then go  
8 in order.

9 I'm happy to welcome back Mayor James Ledford  
10 from the City of Palmdale. Mayor, good morning. He'll be  
11 followed by Michael Behen, Transportation Manager at  
12 Palmdale.

13 MAYOR LEDFORD: Good morning, glad to be here  
14 and Honorable Chair and Authority members, we appreciate  
15 your work. It's an exciting time, I think in certainly the  
16 State of California, but certainly in the City of Palmdale  
17 where we are really creating some great vision.

18 And I appreciate being able to go to the Land Use  
19 Committee meeting prior. I think these are great concepts  
20 that you're working with that are going to allow cities to  
21 participate in a greater vision and get buy-in. I think  
22 it's all fabulous, but first off, I wanted to thank Jeff  
23 and his staff who came down and met with us after our last  
24 meeting. We were able to start defining these issues out.  
25 We appreciate that and we think that that's very, very

1 beneficial.

2           We also believe that we do need help as a local  
3 entity. I mean, we're dealing with some various elements  
4 here that I think are important. Most maybe, is XpressWest  
5 possible coming to Palmdale. We're looking at two high-  
6 speed systems converging in our city and we think that  
7 requires some special attention and maybe a stakeholder  
8 committee out of this. It may really require some talk  
9 about how we can bring these various stakeholders,  
10 certainly California High-Speed Rail, Metrolink, Amtrak,  
11 Greyhound, certainly the City of Palmdale ABTA, our bus  
12 operator. These are all important stakeholders that can  
13 help us define this vision that is going to make a truly  
14 unique, I think, station in the State of California.

15           We really feel like we're in a unique position,  
16 because of these systems converging, an interstate system  
17 converging in Palmdale and certainly into the L.A. or  
18 Northern California market. We think that's an important  
19 factor.

20           We're also recognizing that -- I sit on the JPA  
21 for the High Desert Corridor and we did release a  
22 investment-grade ridership study that really put us in a  
23 very favorable position with the Northeast Corridor, which  
24 is probably America's number one. These numbers are  
25 compelling. We think it does have an effect on the

1 California High-Speed Rail system when you inject these  
2 numbers. I think it can be, certainly a great enhancement  
3 to what we believe is an upside certainly to the state, but  
4 the nation. This is important stuff when these  
5 intersections occur.

6 So again, our issue is primarily we're trying to  
7 avoid an east-west divide in our city. That's the  
8 challenge that we want to work together with you to do  
9 this. And we keep talking about a trench or below grade.  
10 We really want to look at those numbers. We want to look  
11 at this cost benefit and we think we have some other  
12 options that we'd like to also discuss to help again, come  
13 to a meeting of the mind, so our final design is something  
14 that our community can really embrace and live with and  
15 feel good about.

16 The same thing with we look at some grade  
17 separation work that we're doing out there and I think  
18 these are all part of the agenda, certainly. But we just  
19 want to reiterate these are some of our priorities and  
20 again, just working together. We appreciate the tough job  
21 you've got, no question about it, this is tough. But I  
22 believe in the State of California this is integral to our  
23 future. This is really the vision of California will be  
24 high-speed connectivity. And we want to be a part of it,  
25 so if we can continue to work forward I congratulate you

1 and look forward to the opportunity.

2 CHAIRMAN RICHARD: Thank you, Mayor.

3 MAYOR LEDFORD: All right.

4 CHAIRMAN RICHARD: Michael Behen, good morning.

5 MR. BEHEN: Good morning Mr. Chair, Members of  
6 the Board. Michael Behen, Transportation Manager of the  
7 City of Palmdale, appreciate the opportunity.

8 We're here again to show support for the project,  
9 support for the Board and also support for staff. And  
10 we're very thankful that CEO Morales and staff came out to  
11 meet with us. We had a very productive. It was a working  
12 meeting. It was in-the-field meeting and involved a lot of  
13 really good conversation. And we kind of came to whittling  
14 down our list of priorities, and so there were there three  
15 top items that we looked at.

16 And the first one was an integrated station. As  
17 the Mayor mentioned we've got a lot of modes coming into  
18 our station and so we want to make sure that we plan  
19 accordingly for that. The other one is maximizing land use  
20 development potential through design and that goes into  
21 looking at different design concepts for the grade  
22 separations and whatnot. And then also optimal access  
23 connectivity and circulation.

24 So a quick update on our station planning  
25 efforts. The City of Palmdale is working with a

1 consultant, Parsons Transportation Group, and we are coming  
2 with a form-based zoning concept around the station. We  
3 are focusing and emphasizing excellent transportation and  
4 land use integration and also heavy focus on economic  
5 development opportunities around the station. And our plan  
6 will be done around the fall, or early fall 2017 or early  
7 2018. And also, as part of this is, you know, our downtown  
8 in Palmdale is sort of lost and maybe through the planning  
9 process we will find it and rebirth it through the land use  
10 planning that we're doing now.

11 But again, I appreciate the opportunity to speak.  
12 Thank you.

13 CHAIRMAN RICHARD: Thank you, Mr. Behen.

14 Our next speaker, I apologize if I mispronounce  
15 your name, it looks to me like it's Yasunari Onodera? I  
16 hope I was close with that.

17 MR. ONODERA: It was perfect.

18 CHAIRMAN RICHARD: Good.

19 MR. ONODERA: Thank you. Good morning --

20 CHAIRMAN RICHARD: Good morning, sir.

21 MR. ONODERA: -- Mr. Chairman, Members of the  
22 Board, and CEO Morales. My name is Yasunari Onodera from  
23 Toyota Tsusho America, a trading and investment company  
24 within the Toyota Motor Group. And we have been preparing

1 to produce and supply the tracks that pull the California  
2 High-Speed Rail Project. And compared to the conventional  
3 ballasted track, a slab track has a tremendous life cycle  
4 cost advantage.

5           And I'm here today for two reasons. First of  
6 all, I'd like to thank the Members of the Board, especially  
7 Chairman Richard for your leadership. I have been  
8 attending this Board meeting almost every month for the  
9 past eight years. And eight years ago, of course  
10 Ms. Schenk was there, and also the former Chairs, Mr.  
11 Pringle and Mr. Diridon, was there too. And it was just  
12 after Prop 1A passed, and the Obama Administration  
13 announced the American Recovery and Reinvestment Act with  
14 \$10 billion of available funding for development of high-  
15 speed rail in the U.S.

16           And then headwinds started to blow and we began  
17 hearing increasing concerns and doubts about this project,  
18 back then during the public comments at these Board  
19 meetings. Then Mr. Chair, you turned it around and you  
20 reached out as many concerned individuals and communities  
21 in California to explain what the Authority's trying to  
22 accomplish. And we really feel you care about these  
23 individuals and communities and I really appreciate your  
24 dedication.

1 CHAIRMAN RICHARD: Thank you, sir.

2 MR. ONODERA: And I'm sorry, I need another 30  
3 seconds.

4 CHAIRMAN RICHARD: Okay. Just 30 seconds please,  
5 because I want to get through everybody who is speaking.

6 MR. ONODERA: Okay. I also would like to  
7 acknowledge and express my appreciation to Mr. Kanno from  
8 the Japanese Consulate General's Office in San Francisco  
9 who is sitting in the back. And he is returning to Japan  
10 next week.

11 CHAIRMAN RICHARD: Yes.

12 MR. ONODERA: And he has dedicated four years of  
13 his service in San Francisco to help California build in  
14 turn the first high-speed rail. Thank you.

15 CHAIRMAN RICHARD: Thank you.

16 MR. ONODERA: Thank you.

17 CHAIRMAN RICHARD: Thank you very much, sir.

18 Our next speaker is Alan Scott. He'll be  
19 followed by Ross Browning.

20 MR. SCOTT: Good morning, Alan Scott, Kings  
21 County, and Directors.

22 From the origin of the California High-Speed Rail  
23 Authority and Board in 1996, the perception has been plenty

1 of work has been completed in the last few years. What we  
2 know is there is no track, there is no train sets, no  
3 stations, colossal issues crossing the southern mountain  
4 range, no power, cost overruns, no monies, financial  
5 penalties, poor design, egregious land acquisition debacles  
6 that are going on right now in Corcoran. And a profusion  
7 of other conditions throughout the state, increasing the  
8 goal to a final collapse of this legacy.

9 In 21 years, since the inception of the  
10 Authority, you're 7 years behind schedule. And the one  
11 thing that keeps coming up that's paramount, I think, is  
12 this fact here. A key negative of this project is  
13 basically an exclusive elaborate quantity of PR bravado.

14 Moving on to some other items, the wind storm  
15 damage right now, the last I heard the other day on the  
16 news was it was upwards to \$50 billion in repairs. Does  
17 the California Treasury have that much money on hand?  
18 Unfortunately, a sounder estimate would more likely be \$100  
19 billion to fix these issues. However, missing in this  
20 estimate is the upcoming historical, and I might add,  
21 astronomical snowpack melt. My guess is it's not scheduled  
22 within the budget of that \$50 billion.

23 The debt obligations in the state are beyond  
24 comprehension and unfortunate, placing more burdens on the  
25 taxpayers defying conventional thought. If the California

1 Executive and Legislative branches persist in working from  
2 feel-good freebie governments then our state is financially  
3 doomed. The classic example would be the two-and-a-half  
4 mile Bay Bridge at 6.5 times over budget. The current  
5 estimate of your project is \$64 billion. The chances of  
6 what the experts said back in a state hearing in March  
7 27th, 2014 that upwards to 7 percent is the actual figure,  
8 somewhere between 2 and 7, so 64 is not the good number.

9 I've just got a few more minutes if you don't  
10 mind, four seconds?

11 CHAIRMAN RICHARD: Well, yeah.

12 MR. SCOTT: The concerns in Southern California,  
13 there's an increased seismic activity report that just was  
14 released the other day. We've got a problem there if  
15 something happens. Unfortunately, I hope it doesn't  
16 happen, but if it does, we've got a major problem within  
17 the state.

18 Curiously, around the country and around the  
19 world your project is not getting a very good name. I've  
20 got a package about that thick in the last two weeks of  
21 stuff against your project. In about a week ago, the  
22 Governor was at a press conference, said he's doubling down  
23 on this project. Right now, you have 119 miles from a weed  
24 patch north of Madera to a productive agricultural  
25 environment some 119 miles downstate halfway between two

1 fine vibrant cities creating a no-brainer question. We  
2 must kill it now.

3 CHAIRMAN RICHARD: Mr. Scott, I gave the other  
4 gentleman an extra 30 seconds, so I need you to wrap it up.

5 MR. SCOTT: And I understand that and thank you  
6 very much. And it's always a pleasure.

7 CHAIRMAN RICHARD: Thank you, sir.

8 Okay. Next is Ross Browning followed by Bill  
9 Descary.

10 Good morning, Mr. Browning.

11 MR. BROWNING: Yes, good morning, Mr. Chairman,  
12 Board Members. I'd like to take a few minutes today and  
13 revisit some things that have been visited before and a  
14 couple of them I've even spoken about before. But I'd like  
15 to put it in a format that was introduced by our attorney,  
16 Mike Brady. And I did not ask Mike Brady if I could use  
17 his format, but I'll settle that up with him later.

18 And the thing that is promises made, promises not  
19 kept, it's very straightforward. Prop 1A made certain  
20 promises to the voters and people in the State of  
21 California. We maintain or I maintain for this, that Prop  
22 1A is promises not kept. To the example, the dollars. We  
23 were told in Prop 1A it would cost 33 billion. Now,  
24 billion is a number followed by 12 zeros. That's a big  
25 number.

1           We were told that we could have this wonderful  
2 train system running from north to south, south to north,  
3 for \$33 billion. Sounded like a deal, I voted for it. It  
4 came out after it passed, scant days later, it was already  
5 at \$43 billion costs estimated and nothing had been done  
6 yet. Costs kept going up and up and up. It finally ended  
7 up at 89, between \$98 and \$119.6, I think it was, billion.

8           Brown Jr. came with an eraser, his magical  
9 Eberhard Faber engineering school of train design, and  
10 erased it and brought the total down to \$68 billion. This  
11 is a promise not kept to us. We were told that there would  
12 be private investors picking up about a third of the 33  
13 billion. That was a promise made. Promise kept? I  
14 haven't seen one of them. And we've asked you people  
15 before who have told us that yes indeed, you had private  
16 investors lined up just chomping at the bit, but you won't  
17 identify them. They're not there. A promise not kept.

18           And we have been told -- let's talk about a  
19 little bit of the performance statute. We were told that  
20 the system would operate between San Francisco and Los  
21 Angeles and make the run in 2 hours and 40 minutes. It  
22 didn't say, "Around 2 hours and 40 minutes." It didn't  
23 say, "Under 3 hours." It said very specifically, "2 hours  
24 and 40 minutes." That was a promise made. We have nothing  
25 to go by now except your word, but there are documents out

1 there, and statements have been made by the people on the  
2 staff, that it will be under 3 hours. That's a promise not  
3 kept.

4 CHAIRMAN RICHARD: Mr. Browning, I'm just going  
5 to hold you to the same thing I'm holding everybody else  
6 to, so I've given you almost an extra minute, so.

7 MR. BROWNING: So wrap it up, I'm almost there.  
8 Yeah, that's good. Time-wise you can't make a standard,  
9 those are promises made but not kept. Thank you.

10 CHAIRMAN RICHARD: Thank you, sir.

11 Our next speaker is Bill Descary followed by  
12 Roland Lebrun.

13 MR. DESCARY: I'm Bill Descary. Mr. Chairman and  
14 Board, with funding sources evaporating and private funds  
15 totally lacking, it is prudent to inventory the High-Speed  
16 Rail Project. That's this project, not high-speed rail per  
17 se.

18 For years, we've been told high-speed rail is  
19 California's transportation solution for a host of reasons  
20 such as dramatic population growth, better air quality, and  
21 less congestion. Meanwhile population growth questions  
22 abound, air quality will deteriorate throughout decades of  
23 construction, and the Central Valley Alignment does nothing  
24 to resolve congestion especially along Interstate 580, the  
25 405 or Interstate 5 to Los Angeles. The alignment via

1 Palmdale is off the mark when the objective is Bay to Basin  
2 in 2 hours and 40 minutes.

3 We were told high-speed rail would alleviate  
4 airport congestion, that airport expansion wasn't feasible.  
5 Recently ground was broken on a new \$1.6 billion terminal  
6 at LAX for providing 12 additional gates. Regional  
7 airports such as Ontario are underutilized.

8 As Californians, automobiles are in our culture.  
9 We build houses with two and three-car garages meaning  
10 total cultural change is needed to suddenly opt for travel  
11 by rail. Back in 2012 at a legislative hearing, I  
12 characterized the High-Speed Rail Business Plan as 239  
13 pages of hype and hope. Hope that funding would somehow  
14 happen. Unfortunately, hope is not a plan.

15 Currently we're being told at every High-Speed  
16 Rail open house there are 119 miles under construction when  
17 in fact, construction is occurring only at several sites  
18 and factually, there are 119 miles under contract for  
19 construction in CPs 1 through 4. Construction Package 5 to  
20 lay track on the 119 miles are years away.

21 It is questionable if current funding will  
22 complete the first segment from Madera to a temporary  
23 station in Shafter. Without funding for train sets there  
24 is no ridership and therefore there is no revenue between  
25 these two points. Any completed sections of track could at

1 best, be used by Amtrak.

2           The expenditure of billions and all the property  
3 owners' agony known as high-speed rail would essentially be  
4 for naught. It's time for someone in the Sacramento inner  
5 circle to think about Governor Brown's legacy and tell him  
6 to stop the deception and stop the train. Governor should  
7 not want this mess on his record. Thank you.

8           CHAIRMAN RICHARD: Thank you, sir.

9           Roland Lebrun?

10           MR. LEBRUN: Good morning, Chair Richard and  
11 Members. So what I'd like to do is to follow up on the  
12 conversation we had last December about the issue of  
13 compatible platform heights. And what I have here is a  
14 letter from the Peer Review Group that's addressed to the  
15 Legislature that comments on the funding plans and on the  
16 early operator. And I'm going to read to you, the third  
17 paragraph on the third page. And it says right here:

18           "We have recommended in past letters that the  
19 Authority consider adopting bi-level trains from the  
20 outset, because the loading platform level would be  
21 consistent with the lower level used by Caltrain and  
22 Metrolink and ACE if they are joint operations in the  
23 future. In our discussions, the Authority indicated that  
24 they will consider input from the new system operator. And  
25 we recommend that this issue be addressed carefully, before

1 the High-Speed Rail Authority commits itself to a rolling  
2 stock feed design."

3           And where I'm going with this here, because I'm  
4 going to ask you two things, is first of all I'm going to  
5 that the Authority immediately write a letter to Mr.  
6 Hartnett and apologize for what happened to the Caltrain  
7 procurement. Because you're crippling Caltrain and that is  
8 the primary reason why this effigy from the FTA will never  
9 come true, okay? We're losing two hundred seats per train.  
10 I use Caltrain. I've got a problem with that.

11           And the second thing I'm going to respectfully  
12 ask is that you ask that Mr. Tripousis write a \$20 million  
13 check to Caltrain for the money we have spent on this so  
14 far, so that we can go back to square one. Thank you, very  
15 much.

16           CHAIRMAN RICHARD: Thank you, Mr. Lebrun. We can  
17 probably get Ben to write that check. I don't know, but I  
18 understand your point.

19           That completes our public comment period. I want  
20 to thank members of the public for coming here today.  
21 We'll move to our regular agenda.

22           Before we do I'd like to just recognize two  
23 folks. We have with us today a representative of our  
24 funding partners, the Federal Railroad Administration from  
25 the Department of Transportation, Jamie Rennert is here.

1 And you may have other staff people here, but anyway thank  
2 you and we appreciate the great partnership with FRA.

3 And it was also mentioned by somebody, one of the  
4 people who's been very helpful to us has been Masao Kanno  
5 working at the Consul General's Office in -- the Consul  
6 General of Japan in San Francisco.

7 Kanno-san, we wish you well going back to Japan  
8 on your next assignment, so thank you for all your support.  
9 So thank you.

10 We'll move now to the regular agenda. The first  
11 thing would be the consideration of adoption of the Board  
12 minutes from the last meeting. Do I have a motion?

13 BOARD MEMBER SCHENK: So moved.

14 BOARD MEMBER ROSSI: Second.

15 CHAIRMAN RICHARD: Moved by Director Schenk,  
16 seconded by Director Rossi, I'm getting ahead of myself.

17 Could I have the Secretary please call the roll?

18 MS. JENSEN: Director Schenk?

19 BOARD MEMBER SCHENK: Yes.

20 MS. JENSEN: Vice Chair Richards?

21 VICE CHAIR RICHARDS: Yes.

22 MS. JENSEN: Director Rossi?

23 BOARD MEMBER ROSSI: Yes.

24 MS. JENSEN: Director Curtin?

25 BOARD MEMBER CURTIN: (Absent.)

1 MS. JENSEN: Director Paskett?

2 BOARD MEMBER PASKETT: Yes.

3 MS. JENSEN: Director Lowenthal?

4 BOARD MEMBER LOWENTHAL: Yes.

5 MS. JENSEN: Chair Richard?

6 CHAIRMAN RICHARD: Yes.

7 Okay. Item two is consideration of an amendment  
8 to contract with the Los Angeles County MTA for shared  
9 project development costs for high-speed rail at the Los  
10 Angeles Union Station.

11 Michelle Boehm is going to present. Ms. Boehm,  
12 good morning.

13 MS. BOEHM: Good morning. I'm here on item  
14 number two, which is an amendment to the contract with L.A.  
15 Metro for support of project development costs for the Link  
16 US project.

17 Last February we came and received your approval  
18 to enter into an initial contract and today I am here to  
19 ask for an amendment to that contract in the amount of  
20 \$3,726,102. This amendment is being requested specifically  
21 to advance project aspects, so that we would be prepared to  
22 go directly into construction at the time that we complete  
23 the environmental clearance and the design-build package.  
24 Specifically, we want to advance early utility relocation  
25 activities and we also want to advance the design of the

1 bridge across the 101, so that we can reduce the risk of  
2 the project moving forward.

3           This project is of great regional significance in  
4 Southern California. It is currently the number one ranked  
5 project on the MOU list, because of the positive impact it  
6 would have for all passenger rail service in Southern  
7 California. And we are currently designing it as an  
8 integrated station, so that in the future high-speed rail  
9 service would also use the Union Station as our Los Angeles  
10 station.

11           So when this project is completed in the early  
12 term, this project is a project that has multiple benefits,  
13 because it's a project that can be completed so that  
14 regional rail services can use that in advance of high-  
15 speed rail concluding our work to bring the project into  
16 Union Station. So it's really a win-win project. It will  
17 reduce the amount of time that locomotives wait in this  
18 station from 20 to 30 minutes to under 10 minutes. And it  
19 is also key to unlocking all of the potential that one of  
20 our other early actions projects, the Rosecrans-Marquardt  
21 project brings to the fore, because it unlocks the ability  
22 to run 32 more regional rail trains in the area.

23           So this is really an example of a win-win  
24 project. Today it improves all rail, in the future it  
25 accommodates high-speed rail. Thank you.

1           CHAIRMAN RICHARD: Okay. And I just want to make  
2 sure I understand the amendment. We already have an  
3 agreement with them right, so this an amendment of an  
4 additional \$3 million?

5           MS. BOEHM: Correct.

6           CHAIRMAN RICHARD: Or 3.7, what's driving the  
7 amendment? I just am not sure I'm completely clear on  
8 that.

9           MS. BOEHM: Correct. So this amendment is  
10 specifically to advance components of the design further  
11 than a typical design package, so that we could go into  
12 early construction. This is for the utility relocation  
13 package and this is also specifically, so that we can  
14 advance to full design, the bridge crossing over the 101  
15 and obtain all of the approvals from Caltrans to do that.

16           As you would imagine, building a multi-track  
17 train track over the active 101 Freeway will be very  
18 complex. And so we want to advance that to 100 percent  
19 design with this amendment, so that we can go directly into  
20 construction with the agreements from Caltrans. So those  
21 are additional items that were added to the scope.

22           CHAIRMAN RICHARD: Okay. So, I'm sorry again, so  
23 we had an agreement with them to do joint design work?

24           MS. BOEHM: Correct.

25           CHAIRMAN RICHARD: On what I presume would be

1 like a design-build approach originally?

2 MS. BOEHM: Correct.

3 CHAIRMAN RICHARD: And what you're saying is that  
4 at this point what you want to do is to, instead of design-  
5 build on that, you want to on the overcrossing take that  
6 design back in-house, advance it to 100 percent design, so  
7 we can go to construction. And that's the increment of the  
8 3.7?

9 MS. BOEHM: Correct. Yes, so basically that  
10 component of the project would be at 100 percent design.  
11 It could still be awarded with the design-build package,  
12 but the design-builder would not now have the risk of  
13 finalizing the design and obtaining the Caltrans approvals.  
14 So it would be eligible for construction upon award of that  
15 construction contract.

16 So as you know, design-build typically takes  
17 something to about 30 percent --

18 CHAIRMAN RICHARD: 30 percent.

19 MS. BOEHM: -- 15 to 30 percent, so this is  
20 advancing that.

21 CHAIRMAN RICHARD: So Mr. Morales, I'm just  
22 trying to understand why?

23 CHIEF EXECUTIVE OFFICER MORALES: Right, yeah  
24 sure. And we have Jeanet Owens from Metro is here also and  
25 also our think that our piece if a proportional share of

1 the increased cost.

2 MS. BOEHM: Correct.

3 CHIEF EXECUTIVE OFFICER MORALES: That's another  
4 point to make, but right it is as you said. As the  
5 planning, the environmental clearance, and the preliminary  
6 design proceeded it became clear that in order to address  
7 the issues of getting over the 101 with a multi-track  
8 structure, it was going to be more complicated to work out  
9 the traffic issues and everything else. And the strong  
10 desire to avoid having to do multiple constructions, to do  
11 it all at once.

12 And so based on discussions with Caltrans,  
13 between us, Metro and Caltrans, it was decided that the  
14 best way to address the risks for that was rather than  
15 waiting and doing the final design of the bridge under a  
16 design-build contract, was to do it now. And use all of  
17 those issues, so that we could get the full environmental  
18 clearance and then go forward with it as a fully designed  
19 element.

20 It's really just because as you can imagine, that  
21 stretch of the 101 right there by Union Station is some of  
22 the most heavily traveled road in the state. And the  
23 sensitivities of working out all the issues of construction  
24 staging, placement of columns, all those things are much  
25 better done early rather than waiting to do it. So it's

1 shifting a cost that would have occurred later in the  
2 process, bringing it up earlier into the process.

3 CHAIRMAN RICHARD: And when's the construction  
4 actually slated to be done on that; is that funded?

5 MS. BOEHM: The full construction is not  
6 currently funded although this is a commitment under the  
7 MOU, so some of our 500 million Southern California MOU  
8 would go to the construction. And we are working with  
9 Metro to finalize the full construction.

10 CHIEF EXECUTIVE OFFICER MORALES: And Metro is  
11 looking at a staged approach to the construction as well,  
12 so that this project, that the construction of the bridge  
13 could take place separate from other elements of the  
14 station construction. So again, another reason for  
15 advancing this piece of work.

16 CHAIRMAN RICHARD: Well, I think the only reason  
17 I'm asking this question is I'm trying to understand as we  
18 sequence money that's going out the door, wanting to just  
19 make sure that we avoid a situation where we're doing a  
20 bunch of work now for something that if it's not fully  
21 funded we may have to go back and do a redesign if other  
22 things happen in the area, or we may have to go back and  
23 redo the environmental work.

24 So I mean, I understand we're trying to push  
25 everything forward, but I just think that given where we

1 are we need to make sure that we're fully understanding are  
2 we -- I mean, this is like the equivalent of just in time  
3 production stuff. I mean, you don't want to have big  
4 inventories built up.

5 So what is the need to do this now. And I'm  
6 asking these questions fully recognizing that we have a  
7 very strong partnership with L.A. Metro and I want to  
8 respect what they're looking at as well. But why right now  
9 if we don't have the funding yet to do the actual  
10 construction?

11 CHIEF EXECUTIVE OFFICER MORALES: Well, let me,  
12 there are again a few different elements to that. And you  
13 may recall the Union Station Project and certainly what the  
14 Authority got involved in originally were what used to be  
15 called the run-through tracks.

16 CHAIRMAN RICHARD: Sure, SCRIP and run-through.

17 CHIEF EXECUTIVE OFFICER MORALES: SCRIP, it's  
18 been renamed I don't know how many times, but it's --

19 CHAIRMAN RICHARD: Right, at least three.

20 CHIEF EXECUTIVE OFFICER MORALES: -- at least  
21 three, yeah. And then it's evolved into the much bigger  
22 total project of the Union Station improvements, which  
23 involve and include changes in the concourse and the  
24 station itself.

25 This piece of work is directly attached to the

1 run-through tracks to allow the trains to continue north  
2 and come back out rather than doubling back. So then what  
3 this would also allow is then the separate funding of, and  
4 construction of the run-through tracks element of the  
5 project. And that's part of what Metro's looking at now,  
6 is how to stage that. We just met with the Washington LAT  
7 two weeks ago, I believe on this, and they're looking at  
8 how advance elements and this would be the first element to  
9 go to construction potentially.

10 CHAIRMAN RICHARD: Okay. My last question on  
11 this, and then I'll turn to other Board Members is I know  
12 it's only 3.7 million on top of whatever. But is this  
13 money coming out of our billion dollars or MOU commitment,  
14 or is this separate?

15 CHIEF EXECUTIVE OFFICER MORALES: This is  
16 separate. The MOU money is for construction purposes, not  
17 for preliminary so this is coming out of preliminary  
18 preconstruction funding that we have.

19 CHAIRMAN RICHARD: Okay. Other members?

20 VICE CHAIR RICHARDS: Yes, Mr. Chair.

21 CHAIRMAN RICHARD: Vice Chair Richards?

22 VICE CHAIR RICHARDS: Thank you. Just a couple  
23 of questions, what I'm confused about, and I would echo  
24 everything that the Chair said with regards to the  
25 relationship with Metro and the importance of LAUS to not

1 only Southern California, but to our system. If I recall,  
2 I mean when we did this last year I think it was that we  
3 had the contract or the agreement was an amount not to  
4 exceed 15 million. So that's one, so I don't understand  
5 why wasn't this already contemplated in the 15 million?

6 And secondly, I think in the staff report it  
7 talks about, and I agree with what the Chair said also, I  
8 mean it's not a lot of money. But either it's not being  
9 explained carefully enough or what we've read just doesn't  
10 make sense. How has it already been contemplated in our  
11 2016 Business Plan? It says that this is already  
12 contemplated, so that must be the 3.7 million is what I'm  
13 reading. Was that already contemplated? I don't remember  
14 it. I mean, I don't remember all the numbers, but I don't  
15 remember that (indiscernible) --

16 BOARD MEMBER ROSSI: Well, if it's something that  
17 is in the Business Plan, you don't have to ask for the  
18 increase (indiscernible) --

19 VICE CHAIR RICHARDS: That's exactly right.

20 BOARD MEMBER ROSSI: This is just --

21 CHIEF EXECUTIVE OFFICER MORALES: Well, it's a  
22 procedural issue. I think where Director Rossi is going is  
23 right, because it's amending a contract we have to come  
24 back to the Board even though the amounts were anticipated.

25 VICE CHAIR RICHARDS: The 3.7 million was --

1 CHIEF EXECUTIVE OFFICER MORALES: The 3.7.

2 VICE CHAIR RICHARDS: -- already anticipated?

3 Okay. That part I did not recall in the Business Plan.

4 CHIEF EXECUTIVE OFFICER MORALES: Right, right.

5 And because again what we're doing is pulling forward a  
6 piece of work that we had anticipated in a subsequent  
7 contract. And so we're changing the scope and the amount  
8 of the contract, because the original contract, the "not to  
9 exceed" assumed getting only to 30 percent design on the  
10 structure. We're going to go in partnership with Metro to  
11 100 percent, so it's pulling that money forward in the  
12 process. But the money was assumed in the 2016 Plan, to be  
13 there just at a later stage.

14 VICE CHAIR RICHARDS: Okay. All right, I guess  
15 just the way I read it last year is that I thought what  
16 you'd come before us for was a not to exceed 15 million,  
17 and that was our total exposure.

18 CHIEF EXECUTIVE OFFICER MORALES: Oh, okay. No,  
19 that was for the scope of work getting to the 30 percent  
20 design being able to go out to a design-build contract.

21 VICE CHAIR RICHARDS: I see.

22 CHIEF EXECUTIVE OFFICER MORALES: And so what has  
23 changed is taking this element and essentially going and  
24 doing full design on it. So it is a change in direction,  
25 but the assumption had been that we would have funded our

1 share of doing that additional work, just later.

2 BOARD MEMBER ROSSI: I would like to --  
3 (indiscernible) no, go ahead.

4 CHAIRMAN RICHARD: Director Paskett?

5 BOARD MEMBER PASKETT: So I am very encouraged  
6 with Jeff's work and Michelle's work in this area. And  
7 while it is a change, it's a minor change in the context of  
8 our entire budget. I don't think that we give enough  
9 attention to the Southern California piece of it at the  
10 Board level. And so I'm thrilled that you've taken a look  
11 at this and that you're seeing it as an opportunity to  
12 accelerate a very small amount of work to potentially be  
13 ready to construct and potentially to pursue the  
14 environmental documents. And so I'm enthusiastic about it.  
15 I'm a little disappointed that you're getting so much  
16 scrutiny for such a minor shift that could have such a  
17 tremendous impact for the L.A. area and Union Station.

18 One of the things that you mentioned in this is  
19 the idling, can you explain that again?

20 MS. BOEHM: Yes, so if you take a look at the map  
21 behind you, you can see what the project is. Right now all  
22 of the purple tracks shown on the right-hand side of the  
23 screen don't exist, so all of the trains operating in  
24 Southern California come into Union Station from the tracks  
25 on the left side. They come in and out through the same

1 set of tracks. And because of that it requires the trains  
2 to come in and wait at the platforms the next opportunity  
3 after they bring on their passengers for the next  
4 opportunity to get out of the throat, which is much  
5 narrower and fewer tracks.

6 And so this means that when the Metrolink trains  
7 and the Surfliner trains are coming in they're typically  
8 spending 20 to 30 minutes at the platform faces. And  
9 during this time they don't shut those engines off, they  
10 continue to idle. So this also has a large positive air  
11 quality impact for the region when this project is  
12 completed. And that's really why this project rose to the  
13 top as the number one project on that 2012 Memorandum of  
14 Understanding list that we have with the Southern  
15 California partner agencies.

16 And that also contributes to our interest in  
17 moving it forward.

18 BOARD MEMBER PASKETT: Michelle, does it also  
19 have in addition to the air quality benefits for that area,  
20 which are heavily impacted, does it also have a greenhouse  
21 gas emission reduction benefit from the idling?

22 MS. BOEHM: Correct, yes.

23 BOARD MEMBER PASKETT: I'm encouraged by this.  
24 It may feel like to some of my fellow Board Members that  
25 this is a significant shift in the Business Plan. But I

1 see you and Jeff, who's worked closely with the MTA and  
2 others in Los Angeles, looking at an opportunity, making a  
3 very slight adjustment, and trying to be ready to respond  
4 in the event that we can plan this. If our metric is we  
5 shouldn't do anything unless it's fully funded then we  
6 should probably apply that to every decision that comes  
7 before us, which I'm not sure that we do.

8 But we've met separately. I've spent quite a bit  
9 of time on this in the last couple of months and I'm happy  
10 that you brought it to the Board. And I move the item.

11 CHAIRMAN RICHARD: Well --

12 BOARD MEMBER SCHENK: Mr. Chairman?

13 CHAIRMAN RICHARD: Hold on, I just want to be  
14 really clear here. I mean, as a person who has spent a lot  
15 of time with SCAG and a lot of time defending the Southern  
16 California MOU I just want to make sure we're focused on  
17 what it is we're focused on here. Nobody disputes the  
18 benefit of the Run-Through Track Program and nobody  
19 misunderstands that it's the top priority for the region.  
20 We're not here debating whether or not that's a good or a  
21 bad thing to do. The question is the efficiency of  
22 spending money, so really there are two things that just I  
23 know it's only a small amount, but it's indicative of two  
24 things that I think merit some thought.

25 First, is we're shifting from a design-build

1 approach to a 100 percent design approach. I'm probably  
2 ignorant of this, but I'm not aware of any other part of  
3 the system where we've done that. And so that to me is  
4 something that needed to be explained.

5           Secondly, we spent money in the Central Valley  
6 doing right-of-way acquisition appraisals. And we got  
7 delayed and we had to go back and redo those appraisals,  
8 which cost us money and it cost us time.

9           So this isn't about whether or not this is a good  
10 project. It's not about whether or not we want to do  
11 things in Los Angeles. Just, there's two pieces of this  
12 and I just have to say, I think the presentation could have  
13 just said, "We're wanting to make an amendment to something  
14 to do these following things." I'm really not interested  
15 in arguing about the SCRIP project, because there's nothing  
16 to argue about there. It's a very important project that  
17 needs to be done. It needs to be done for L.A. It needs  
18 to be done for us.

19           I'm just focused on two things: one is a design  
20 philosophy question, why are we going from design-build, 30  
21 percent design looking to the private sector to give us  
22 innovations, to 100 percent design in-house? And whether  
23 it's 3.7 million or 370 million that's a policy question.

24           And then the second thing is just on the timing.  
25 I certainly understand getting ready for things, but if the

1 timeframe between the action and the actual ability to  
2 accomplish is too long we risk having to go back and do it  
3 again. And so that's the total focus that I have, which is  
4 on the management of this enterprise, not its value.

5 Director Rossi first and then we'll go from here.

6 BOARD MEMBER ROSSI: Go ahead, Lynn.

7 BOARD MEMBER SCHENK: No, go ahead, Mike.

8 BOARD MEMBER ROSSI: Well, I'm going to take a  
9 slightly --

10 CHAIRMAN RICHARD: (Indiscernible)

11 BOARD MEMBER SCHENK: Yeah, you keep looking  
12 left, that's your inclination.

13 BOARD MEMBER ROSSI: All right, I take a slightly  
14 different view than my esteemed colleague to my immediate  
15 left.

16 BOARD MEMBER PASKETT: Not surprising.

17 BOARD MEMBER ROSSI: (Laughs) \$3 plus million is  
18 a lot of money to me. And I also think that we have to be  
19 very careful as we move forward from this point on, what we  
20 agree to pull forward from some other part of the plan at  
21 some other time or any other changes to what the 2016 Plan  
22 calls for. Because the funding mechanisms within the 2016  
23 Plan have also changed and we haven't addressed those  
24 changes yet, so every dollar is important until we have a  
25 deep look at the existing requirements that we've agreed

1 to. The 125 deliverables, all of them are going to be very  
2 difficult to deliver given the funding situation.

3 So looking at these as one-offs is not fiduciary  
4 correct, nor is it financially appropriate. And we need to  
5 look at this as a holistic exercise in my opinion, because  
6 we already know that we've had three auction periods of Cap  
7 and Trade that haven't come as we projected. Now, they'll  
8 come back as that gets settled, but as you look at all  
9 those changes, you can't just look at what we're spending.  
10 You've got to look at what we said we'd have to spend and  
11 we haven't done that yet. So if we do a series of one-off  
12 approvals that aren't dramatically important at this point  
13 and time to what we're doing then we have to at least know  
14 what we're committing everyone to here.

15 That's not your issue and I don't mean it to be  
16 your issue. That's this Board's issue --

17 MS. BOEHM: Understood.

18 BOARD MEMBER ROSSI: -- that we should be looking  
19 at. And so I think we need to be very, very careful about  
20 what we do until we fully understand and deep dive the  
21 existing Business Plan and the things we've agreed to  
22 commit, to spend monies on.

23 CHAIRMAN RICHARD: I know Director Schenk was  
24 next, go ahead and then (indiscernible) --

25 BOARD MEMBER SCHENK: Oh, okay. I know, I must

1 be mellow today, because I agree with everything everyone  
2 says, but especially what Lorraine was talking about. But  
3 before I get to why, I just have a couple of quick  
4 questions, Michelle.

5 So you're saying that sort of stage right run-  
6 through tracks, and I know very well it doesn't exist,  
7 that's the part for the Surfliner, used to be called the  
8 San Diegan?

9 MS. BOEHM: Correct.

10 BOARD MEMBER SCHENK: And then that's the push-  
11 pull thing?

12 MS. BOEHM: Correct.

13 BOARD MEMBER SCHENK: And yeah, it's terrible,  
14 okay. Well, why is this recommendation being made? Will  
15 it speed things up, is there an exponentially different  
16 result that would come from this that would be beneficial  
17 for particularly those run-through tracks? I mean, I'm  
18 just trying to understand the why of it first.

19 MS. BOEHM: Correct, yes. Our partner, L.A.  
20 Metro is leading this project. They are the owner of the  
21 station --

22 BOARD MEMBER SCHENK: Yes.

23 MS. BOEHM: -- and as the owner they're advancing  
24 it.

25 BOARD MEMBER SCHENK: By the way, we could have

1 owned that, but that's another story. Back in 1980 there  
2 was an MOU with Mayor Bradley for Caltrans to acquire the  
3 station and then it didn't happen. But sorry, I digress.

4 MS. BOEHM: And so our partners, L.A. Metro saw  
5 that opportunity, in 2012 they purchased it. And they are  
6 advancing this project and based on their current analysis  
7 and what they're looking at for their regional plans, and  
8 in light of the fact that they did recently approve Measure  
9 M in L.A. County, they believe now they have the  
10 opportunity to advance this project.

11 BOARD MEMBER SCHENK: Does that mean speed it up?

12 MS. BOEHM: Yes.

13 BOARD MEMBER SCHENK: Can we say, speed it up?

14 MS. BOEHM: Yes, that means speed up this  
15 project, so it can be done.

16 As you also know something on the City of L.A.'s  
17 mind is the potential 2024 Olympics, so there are a lot of  
18 projects like this that they're looking at to speed up, so  
19 that they could be constructed in time for that, should  
20 that happen. And so this is one of those key projects,  
21 because it literally is the heart of the Southern  
22 California mobility corridor, right from San Luis Obispo  
23 all the way down to San Diego.

24 BOARD MEMBER SCHENK: Right.

25 MS. BOEHM: And so their engineers in concurrence

1 with our engineers have determined that by advancing this,  
2 and as Jeff mentions frontloading basically, instead of  
3 spending the \$3 million after the award of the contract,  
4 which L.A. Metro will award, they will hold the contract.  
5 They believe that a few pieces of it should be advanced, so  
6 that the construction could start right away. They will  
7 still more broadly do the project as a design-build, but  
8 they're advancing unique pieces so that they would be ready  
9 for construction and so that they could minimize the risk.

10           And they do feel like that they're minimizing the  
11 risk of the process to get Caltrans to approve that as well  
12 as the utility relocation process, which is also part of  
13 this. Those tend to be things that are very risky and can  
14 extend project schedules dramatically, so based on their  
15 overall analysis they are recommending and moving forward  
16 with this path.

17           BOARD MEMBER SCHENK: So here's the point, I mean  
18 Commissioner Rossi and our Chairman are absolutely right.  
19 You can't do this stuff piecemeal, can't do it when we've  
20 got to have -- this is a policy-setting Board. But there  
21 is a bigger issue here that involves not only Los Angeles,  
22 but the entire Southern California area. And obviously the  
23 Olympics is a very big issue, not just for L.A., but again  
24 for the whole Southern California area.

25           And I think when we look at these one-off items

1 we need to have the full story of why we would be taking  
2 this kind of an action. But in fact, in Southern  
3 California for those who aren't from that area, and when I  
4 say Southern I mean San Diego, Long Beach, L.A., there is a  
5 definite feeling and an increasing press coverage of  
6 abandonment that everything is focused on the Central  
7 Valley and Northern California. And in fact, we are. I  
8 mean, that's the truth of it. So something like this is a  
9 much bigger deal than just the amount of money that we're  
10 talking about and sort of the getting away from what should  
11 be our pretty standard policy.

12 So I would support it.

13 CHAIRMAN RICHARD: Thank you, Director.

14 Director Lowenthal?

15 BOARD MEMBER LOWENTHAL: Yeah, I'd like to know a  
16 little more about the Regional Connector. Will that be  
17 finished, when will that be finished?

18 MS. BOEHM: Jeanet?

19 MS. OWENS: By 2024.

20 MS. BOEHM: The Regional Connector will be  
21 completed in 2024?

22 MS. OWEN: Yes.

23 MS. BOEHM: A lot of things are coalescing on  
24 that date.

25 BOARD MEMBER LOWENTHAL: So that's part of why we

1 need the planning now.

2 MS. BOEHM: Correct.

3 BOARD MEMBER LOWENTHAL: Of course, I'm waiting  
4 to come up from Long Beach to the Red Line seamlessly, but  
5 not until 2024?

6 MS. OWENS: Yes.

7 BOARD MEMBER LOWENTHAL: And so --

8 CHAIRMAN RICHARD: Ms. Owens, why don't you  
9 introduce yourself?

10 MS. OWENS: Jeanet Owens, Senior Executive  
11 Officer for L.A. Metro on the Regional Rail.

12 Yes, we are working very hard to expedite the  
13 Regional Connector.

14 BOARD MEMBER LOWENTHAL: Has the plan for the  
15 Regional Connector changed since we started working with  
16 Metro?

17 MS. OWENS: It has slightly changed. We have  
18 worked with the FTA in changing the revenue service date  
19 from 2023 to 2024.

20 BOARD MEMBER LOWENTHAL: And also where do we  
21 stand with our planning process after we leave Union  
22 Station? Is that pretty much set right there, it looks  
23 like it goes is it under or over through a commercial area  
24 next to the L.A. River?

25 MS. OWENS: Yes, well pretty much what we're

1 setting here in the Link Union Station is the maximum  
2 envelope, just so to keep in mind to give you the maximum  
3 flexibility to limit any further changes by environmentally  
4 clearing the maximum envelope, so that we can make as many  
5 changes as we can allowed without any additional cost. So  
6 that was one, because that has been very important to us as  
7 well as to you, Chairman Richard, so we understand that.

8           The difference on these particular run-through  
9 tracks, it's over the U.S. 101. We have worked very  
10 closely with Caltrans Sacramento Headquarters as well as  
11 our local District 7. And we know that we can no longer  
12 widen this freeway. This freeway will remain the same as  
13 it is. In addition to that, that includes keeping the  
14 existing onramps and off ramps that are directly adjacent  
15 to these run-through tracks on both ends, the Northbound  
16 101 and the Southbound 101.

17           Metro is also building a new bus rapid system on  
18 the Silver Line. It's called the El Monte-Patsaouras Bus  
19 Plaza area, which is immediately south of Union Station  
20 abutting the off ramp on the northbound area of the U.S.  
21 101. So this area is very constrained. The run-through  
22 tracks have to land in the existing median of the U.S. 101  
23 Freeway.

24           We have a Gold Line, existing Gold Line if you  
25 can see that yellow, that yellow run-through tracks? That

1 is our existing Gold Line, that service, and will connect  
2 to the Regional Connector. So we felt very confident and  
3 at the recommendation of Caltrans to advance this to 100  
4 percent design just so that we avoid -- in the Patsaouras  
5 Bus Plaza work that we have done, we only had that at 30  
6 percent design. And when we hired a design-builder,  
7 Caltrans has noticed some things that needed to be changed.  
8 And that caused a year-and-a-half delay on the project and  
9 approximately \$10 million in change order just for that  
10 specific work.

11 And so because we have taken lessons learned to  
12 heart, we know what it means and so now we thought it would  
13 be best to take Caltrans' recommendation and advance this  
14 to 100 percent design given the constraints. There is  
15 really no room for creativity or changes in this particular  
16 segment.

17 CHAIRMAN RICHARD: Well, let me just say -- Ms.  
18 Lowenthal, I didn't mean to cut you off.

19 BOARD MEMBER LOWENTHAL: No, thank you.

20 CHAIRMAN RICHARD: First of all, I want to thank  
21 you for that explanation and I also just want to explain to  
22 you what was driving part of my concern. And I need to say  
23 this carefully, because we have a very, very strong  
24 partnership with Caltrans. But we're working with Caltrans  
25 on a highway relocation in the Central Valley and we've

1 already had to go back and make some adjustments in our  
2 budget and costs on that.

3           They had a different managerial approach than  
4 design-build. And I'm not saying that that managerial  
5 approach was the reason for those cost increases, but I  
6 don't know. So I get very concerned if we're moving off of  
7 a design-build approach unless there is a good reason. And  
8 what you just explained was that in your view, there's very  
9 limited room for creativity from a design-builder given the  
10 physical constraints there. And so I hope you understand  
11 that our question was simply is there an inherent or kind  
12 of unknown policy shift here without understanding what the  
13 implications were.

14           So from my standpoint, and again having spent  
15 many hours in front of meetings at SCAG and other places,  
16 reassuring people that our commitment to the MOU in  
17 Southern California is secure, you know, I have absolutely  
18 no lack of clarity as to the importance of the run-through  
19 tracks. So our issues are really administrative and  
20 managerial, but thank you very much for that.

21           I'm going to make a suggestion here, and again I  
22 know that there's a tendency when there's a small number,  
23 that people sort of understand that sometimes those get  
24 bigger or more scrutiny than big numbers. But there are  
25 just two things before we go forward on this.

1           First, I appreciate the staff following what the  
2 Board had asked, and so we do have a sign-off on this from  
3 the CFO, from Russ Fong. I'm going to look at him in the  
4 audience and just try to get a thumbs up or thumbs down on  
5 the question that came from Directors Rossi and Vice Chair  
6 Richards. That I understand that this is a change to a  
7 contract, but is this 3.7 million within the budget that  
8 had been approved as part of the 2016 Business Plan, or is  
9 it incremental?

10           Okay. So for the record, Mr. Fong is indicating  
11 that it was within the budget. So I think that that's an  
12 important first thing to understand and obviously if there  
13 was anything that was not in the budget then we would  
14 either expect not to see your signature in that box or that  
15 there'd be some explanatory material seeking us to change  
16 the budget in an explicit way.

17           The second thing is I'll be okay supporting this  
18 for me personally, because of the explanation that this may  
19 be an area where a design-build approach is not likely to  
20 result in innovation. But I want to make it very clear  
21 that in the future if there's anything that comes to us  
22 that is moving off of that design-build or creating any new  
23 type of management approach, that's a policy issue. It  
24 needs to be identified and articulated to the Board and  
25 explained and justified as to why. I don't care if it's

1 3.7 million or what number it is, just because it has  
2 implications in terms of the risk that the organization is  
3 taking vis-a-vis the risk that others are taking.

4 So with those things, and again emphasizing this  
5 isn't about the merits of the project, but really about our  
6 processes I can for myself live with this. I can't speak  
7 to any other Board Members. Are there other Board Members  
8 who want to speak or Mr. Morales has something to say?

9 CHIEF EXECUTIVE OFFICER MORALES: I appreciate  
10 those suggestions and would just note in terms of some of  
11 the comments made about piece-mealing or taking things kind  
12 of ad hoc, I want to assure the Board that's not the case  
13 here. That the capital cost contribution that the  
14 Authority would make to this project is out of the 500  
15 million that was appropriated by the Legislature for  
16 Southern California.

17 CHAIRMAN RICHARD: Right.

18 CHIEF EXECUTIVE OFFICER MORALES: It would not  
19 come out of Cap and Trade or any other funds. It's those  
20 funds that were specifically appropriated for this. It  
21 will certainly be within the 500 million. We have not  
22 worked out the details with Metro of what the final cost of  
23 this element of the project is, so that's why we don't have  
24 an exact number. But we're in no way committing --

25 CHAIRMAN RICHARD: Right, that was my

1 expectation.

2 CHIEF EXECUTIVE OFFICER MORALES: -- funds that  
3 are in any way intended to go elsewhere or otherwise  
4 impacting the plan on this. And again, our share of this  
5 is so that as Metro proceeds with its environmental,  
6 because this is also environmental work and planning work  
7 and design, this is to accommodate the high-speed rail  
8 elements of that work. So that we're not left behind  
9 frankly, because otherwise Metro could be in the position  
10 of advancing the project without us. That's not their  
11 intent. That's not our intent and but it's to keep pace  
12 with them as they move us forward.

13 CHAIRMAN RICHARD: Okay.

14 VICE CHAIR RICHARDS: So is that what could  
15 happen if we didn't approve this today?

16 CHIEF EXECUTIVE OFFICER MORALES: We'd have a lot  
17 more discussions certainly there with them, of it. It  
18 could affect the overall project schedule certainly if we  
19 don't approve it. And if it raises the question of whether  
20 it --

21 VICE CHAIR RICHARDS: Jeff, if it remained the  
22 way it had been before on a design-build, would the other  
23 70 percent have come out of the capital costs that we had  
24 already through the legislative process that's already been  
25 committed, would that then have come out of the capital 500

1 million? Or would it still have come out of the separate?

2 CHIEF EXECUTIVE OFFICER MORALES: It would have,  
3 assuming it had gone as a design-build, it most likely  
4 would have come out of that 500 million.

5 VICE CHAIR RICHARDS: Okay. So I'm just still  
6 not sure, Russ, I don't understand where the -- two things.  
7 One, I couldn't agree more with what Director Rossi said  
8 with regards to things have changed since we approved the  
9 Business Plan last year. We haven't gotten down in the  
10 weeds on determining how we need to redirect every dollar  
11 that we've got to respond to that.

12 And secondly, if that's the case if our  
13 contemplation was with the Business Plan, any additional  
14 design work would have come out of the 500 million. Where  
15 is this 3.75 roughly number coming from if it's already in  
16 the Business Plan? I'm not sure why that was?

17 CHAIRMAN RICHARD: You really don't need to put  
18 your jacket on to address the Board. (Laughter.)

19 VICE CHAIR RICHARDS: This has become a work  
20 session.

21 CHAIRMAN RICHARD: But I do need to borrow that  
22 tie for Friday.

23 MR. FONG: Russ Fong, your Chief Financial  
24 Officer, good question. So what we have is within our 2016  
25 budget. What we're doing here is shifting funds, so what

1 are we going to spend first versus others? Mr. Rossi has a  
2 great point, we have a limited source of funding, so just  
3 what we're looking for you is guidance is this a priority?  
4 Is this something we want to fund?

5 BOARD MEMBER ROSSI: And that's the point. I  
6 think Jeff, I either misunderstood you or we're just  
7 talking past each other in that the fact that 500 million  
8 is allocated doesn't mean anything. The dollars have to  
9 actually be there.

10 MR. FONG: Right.

11 BOARD MEMBER ROSSI: And so the dollars are not  
12 fungible from the perspective of -- or let me put it  
13 another way -- they're fungible, but they aren't  
14 identified. Therefore, yeah there's an allocation, but I'm  
15 a huge believer in Southern California being the driver of  
16 the economy in the state regardless of what Silicon Valley  
17 says.

18 But the fact of the matter is that whatever the  
19 allocations are, there are only so many dollars. And so  
20 you have to decided as we move through changes, I'm just  
21 asking a simple question, as you look at the overall budget  
22 how do you decide whether this is something we need to do  
23 today versus other things that need to be done even more  
24 and the dollar pool has shrunk? That's the question.

25 I'm certainly not against doing this. I'm trying

1 to figure out how we make a rational fiduciary decision  
2 with the data we've been given. That's all.

3 CHAIRMAN RICHARD: Can I just offer one thing,  
4 just one clarification?

5 BOARD MEMBER ROSSI: Yes.

6 CHAIRMAN RICHARD: The 500 million here actually  
7 was appropriated by the Legislature from Prop 1A funds.  
8 And so in essence what's happened is that they have fenced  
9 off 500 million, which was part of our commitment.

10 BOARD MEMBER ROSSI: But you've got to get the  
11 Prop 1A funds.

12 CHAIRMAN RICHARD: You do have to, yeah so  
13 somebody's going to have to do a D Plan and all that, but  
14 all I'm saying is those funds are only available in  
15 Southern California.

16 BOARD MEMBER ROSSI: Right, and I don't have a  
17 problem with that. That doesn't answer the question.  
18 Dollars are dollars.

19 CHAIRMAN RICHARD: Right.

20 BOARD MEMBER ROSSI: We don't have the Prop 1A  
21 funds unless there's a line item here I haven't seen, which  
22 means that whatever dollars are going to do this are coming  
23 from someplace else as we sit. So then how does that  
24 impact other things that we have on our priority to get  
25 this thing done?

1           I'm just saying it would seem to me to be more  
2 rational to sit down and take a hard look at the numbers  
3 and make that decision, not on a one-off basis.  
4 Fiduciarilly and financially our obligations to the  
5 taxpayers of the state seem to me, to dictate that.

6           MR. FONG: Yeah, and not to be confused, you have  
7 spending authority and then you have cash and we need to  
8 look at both of them. So we do have the authority, and so  
9 if the Board approves this agenda item we have the  
10 authority to spend it. But the cash and the money has to  
11 come from somewhere and we just shift our priorities.

12           So when we come to the Board I like for you to  
13 think of, when you're approving agenda items, you're  
14 approving that this is a priority and then we shift the  
15 funds. Because there is a cash balance we have to look at  
16 and then also do we have the approving authority. And  
17 they're two separate things.

18           CHAIRMAN RICHARD: Yeah, and for me, I mean the  
19 way I look at this is there's \$500 million of Prop 1A money  
20 for Southern California. Prop 1A money by its legal terms  
21 can only be 50 percent or less of any specific expenditure.  
22 And so that means that before that money could be spent  
23 somebody, presumably in Southern California is going to  
24 have to come up and say, "Okay. Here is our match for that  
25 Prop 1A money." And then we would have to go through the

1 process of drawing down the Prop 1A money.

2           So I don't have any problem with that and I also  
3 don't have any problem with the notion that of the \$500  
4 million in Southern California probably the number one  
5 priority project for the region, which will ultimately be  
6 critical for us, is the run-through tracks. So I may have  
7 a slightly different view than my colleague, Mr. Rossi, but  
8 I'm going in the same direction, which is if it were not  
9 for the fact that that money is fenced off I believe that  
10 the region's going to come up with their share, because of  
11 the import of this project. Then I see that as all working  
12 together.

13           But I was a little concerned because the 3.7,  
14 which is a small amount but indicative, is outside of the  
15 500 million. That's coming from planning funds, which also  
16 could come from Prop 1A monies, but I don't know that they  
17 are. I don't know where that is coming from. So all I  
18 know is you said it's part of the budget. That's fine.

19           And I'm going to be fully supportive of the hard  
20 look that my colleagues to my left want to give to where we  
21 are right now --

22           BOARD MEMBER ROSSI: Right.

23           CHAIRMAN RICHARD: -- in light of recent events  
24 on the Cap and Trade front. So I mean, for me I'm  
25 satisfied that this is outside of the resources that we can

1 look at potentially reallocating, because it's already been  
2 set aside by the Legislature. Others may not see it that  
3 way. But, again I'm focused on the process and making sure  
4 that we're very disciplined in how we look at this.

5 BOARD MEMBER ROSSI: You actually, by the way Mr.  
6 Chairman, you can't look at it that way, because it's not  
7 the way it is. Financially, it's money that you can't  
8 access at this point and time, so it isn't blocked off.  
9 What's blocked off is still blocked off and hasn't been  
10 used. So in a financial sense these are other dollars that  
11 could be used for other things.

12 CHAIRMAN RICHARD: I don't think I'm going to  
13 agree with that, but we can have that conversation offline.

14 BOARD MEMBER ROSSI: Just ask our CFO.

15 CHAIRMAN RICHARD: Well, it can't be used outside  
16 of Southern California.

17 BOARD MEMBER ROSSI: No, that which we haven't  
18 got yet can't be used outside of Southern California. What  
19 we're about to do is use dollars that can be used anywhere  
20 we use --

21 CHAIRMAN RICHARD: The 3.7 million?

22 BOARD MEMBER ROSSI: Yes.

23 CHAIRMAN RICHARD: I agree with that.

24 BOARD MEMBER SCHENK: So Mr. Chairman, do you  
25 need some kind of a motion or?

1           CHAIRMAN RICHARD: Okay. Well, I think we need a  
2 motion and then people will vote how they want to vote.

3           BOARD MEMBER SCHENK: Yeah, did you want to  
4 incorporate any amendments to that motion or was that just  
5 -- that was just there?

6           CHAIRMAN RICHARD: No, I just figured that by  
7 saying that, that we would get the message, so.

8           BOARD MEMBER SCHENK: Okay. Well, I will move  
9 it.

10          BOARD MEMBER PASKETT: Second.

11          CHAIRMAN RICHARD: Okay. It's been moved by  
12 Director Schenk, seconded by Director Paskett.

13                   Secretary, please call the roll.

14          MS. JENSEN: Director Schenk?

15          BOARD MEMBER SCHENK: Yes.

16          MS. JENSEN: Vice Chair Richards?

17          VICE CHAIR RICHARDS: No.

18          MS. JENSEN: Director Rossi.

19          BOARD MEMBER ROSSI: No.

20          MS. JENSEN: Director Paskett?

21          BOARD MEMBER PASKETT: Yes.

22          MS. JENSEN: Director Lowenthal?

23          BOARD MEMBER LOWENTHAL: Yes.

24          MS. JENSEN: Chair Richard?

25          CHAIRMAN RICHARD: I'll vote yes.

1           Okay. I think the staff understands that these  
2 are not things that we're just going to gloss over.

3           MS. BOEHM: Thank you. Yes.

4           BOARD MEMBER SCHENK: That was a good discussion.

5           CHAIRMAN RICHARD: Did we get five votes?

6           BOARD MEMBER ROSSI: No.

7           CHAIRMAN RICHARD: No? Okay. I'm sorry, Mr.  
8 Curtin's not here. So well I think staff is free to bring  
9 it back next month and maybe try to address some of these  
10 issues.

11           BOARD MEMBER SCHENK: Do you need the five votes  
12 or is it a majority of those present?

13           CHAIRMAN RICHARD: No, you need five.

14           BOARD MEMBER SCHENK: You need the five.

15           CHIEF EXECUTIVE OFFICER MORALES: Because we  
16 don't have all the members.

17           (Off mic colloquy.)

18           CHAIRMAN RICHARD: Does this have to be done  
19 today?

20           Ms. Owens, could you come back up? What's your  
21 timing?

22           MS. OWENS: Yes, Mr. Chair, we are going to the  
23 Metro Board on March 23rd in regards to the approval of  
24 this agreement, of this action.

25           BOARD MEMBER PASKETT: Mr. Chair, can you hold

1 the vote up open?

2 CHAIRMAN RICHARD: Well, I can hold a vote open.

3 BOARD MEMBER ROSSI: To the end of the meeting.

4 CHAIRMAN RICHARD: Yeah, I mean we've --

5 BOARD MEMBER ROSSI: Let me suggest something  
6 else here, Mr. Chair?

7 CHAIRMAN RICHARD: Okay. Mr. Rossi?

8 BOARD MEMBER ROSSI: If we make as part of this  
9 approval, this recommendation, that before we do any  
10 further transactions of this nature we will do a deep dive  
11 of the financials: where we are, where the budget is, and  
12 what we can do. I'll change my vote.

13 CHAIRMAN RICHARD: Okay.

14 BOARD MEMBER ROSSI: Is that okay with you?

15 CHAIRMAN RICHARD: I presume that the authors  
16 would --

17 BOARD MEMBER SCHENK: I accept that.

18 CHAIRMAN RICHARD: -- accept that as an  
19 amendment?

20 BOARD MEMBER PASKETT: I think that's very  
21 reasonable. I agree with my fellow Board Member Rossi and  
22 I trust and respect him on the financial analysis.

23 I'm pushing this today, because it might be too  
24 little too late, but I was very disappointed in the  
25 direction of the Business Plan from last year in

1 deemphasizing Southern California. This is a change in  
2 policy and Mr. Rossi's correct, we actually have to look at  
3 every penny right now, because of where we are with the  
4 budget and finances.

5 But this is an opportunity to work with the MTA  
6 and to work with the region on the top priority project,  
7 and the timing is very sensitive. I've had some  
8 (indiscernible) in fact, because of Michelle and Jeff and  
9 so it's a good compromise. But I just want to say in the  
10 adopted Business Plan, I'm just so disappointed that we do  
11 very little for Southern California and this is one  
12 opportunity to do something that's extremely significant.  
13 So I appreciate Mr. Rossi's flexibility.

14 BOARD MEMBER ROSSI: Thank you. I also want part  
15 of the amendment to be that by the end of the workday  
16 today, we will find 3.75 of savings that will come out of  
17 the budget.

18 CHAIRMAN RICHARD: Why don't we express it this  
19 way?

20 BOARD MEMBER ROSSI: Nope, that's exactly the way  
21 I want to express it.

22 CHAIRMAN RICHARD: Okay.

23 BOARD MEMBER ROSSI: I don't want any wiggle  
24 room. That's it.

25 CHAIRMAN RICHARD: Well, my only question is, I

1 think lawyers would call that a condition subsequent. I'm  
2 not sure what happens if that doesn't happen by the end of  
3 the --

4 BOARD MEMBER ROSSI: I will take the commitment  
5 from the CFO as done.

6 CHAIRMAN RICHARD: Okay. So Russ, you're  
7 deferring your salary for the rest of the year, so that  
8 Mike can come up with the 3.? (Laughter.)

9 Okay. So the amendment as I understand it, is as  
10 follows, the amendment to the motion is that the motion  
11 would pass with two additional provisions. The first is  
12 that this Board will do a detailed analysis, a review of  
13 current resources to determine priorities for expenditures  
14 across the program. And the second is that the staff would  
15 essentially find, offsetting 3.75 million in savings, from  
16 program dollars.

17 CHIEF EXECUTIVE OFFICER MORALES: Or to  
18 demonstrate that the capacity is there to fund it, that  
19 there's free capacity. Does that -

20 BOARD MEMBER ROSSI: Nope.

21 CHIEF EXECUTIVE OFFICER MORALES: Okay, that's  
22 fine.

23 CHAIRMAN RICHARD: Okay. Russ, do you think you  
24 can find that?

25 MR. FONG: (No audible response.)

1 CHAIRMAN RICHARD: Okay.

2 Okay. As amended, Secretary please call the  
3 roll?

4 MS. JENSEN: Director Schenk?

5 BOARD MEMBER SCHENK: Yes.

6 MS. JENSEN: Vice Chair Richards?

7 VICE CHAIR RICHARDS: No.

8 MS. JENSEN: Director Rossi.

9 BOARD MEMBER ROSSI: Yes.

10 MS. JENSEN: Director Paskett?

11 BOARD MEMBER PASKETT: Yes.

12 MS. JENSEN: Director Lowenthal?

13 BOARD MEMBER LOWENTHAL: Yes.

14 MS. JENSEN: Chair Richard?

15 CHAIRMAN RICHARD: Yes.

16 That's five, okay.

17 Ms. Owens, thank you for bearing and Ms. Boehm,  
18 thank you. Okay. I think that turned out to be an  
19 important discussion.

20 BOARD MEMBER SCHENK: A very good discussion.

21 CHAIRMAN RICHARD: Yeah, I appreciate my  
22 colleagues' contributions to that. And Mr. Rossi, I  
23 appreciate your creative way to try to get to a good result  
24 on that.

25 BOARD MEMBER ROSSI: Even though my esteemed

1 colleague to my left hit me. (Laughter.)

2 CHAIRMAN RICHARD: We're going to park you two  
3 next to each other each meeting.

4 BOARD MEMBER PASKETT: I hope so.

5 CHAIRMAN RICHARD: Okay. Next we turn to a very  
6 important topic and one that I think defines the creativity  
7 and innovation of the way that this Authority is  
8 approaching the development of the high-speed rail system  
9 as a commercial enterprise. And that's our effort to bring  
10 on an early train operator to infuse commercial ideas into  
11 the design.

12 Mr. Morales, you have a presentation on this.

13 CHIEF EXECUTIVE OFFICER MORALES: Yes, and I  
14 won't presume based on the last, to assume this will be  
15 quick, but my intent is to have a quick discussion on this,  
16 really an update.

17 CHAIRMAN RICHARD: Are you asking for money at  
18 this point?

19 CHIEF EXECUTIVE OFFICER MORALES: No, I'm not  
20 asking for a dime.

21 CHAIRMAN RICHARD: It might go well.

22 CHIEF EXECUTIVE OFFICER MORALES: Yes. Last  
23 month, as you noted Mr. Chairman, one of the important  
24 elements of the Business Plan was a commitment and an  
25 intention to bring on an early operator to assist us in

1 moving the whole program forward. To have their active  
2 engagement in the development of the other procurements  
3 that will affect the commercial viability of the  
4 operations, so to be engaged in the procurement of the  
5 rolling stock. To be engaged in the issues relating to  
6 systems integration and other things as we go forward. And  
7 then to carry us through the early, the initial operations,  
8 during the ramp-up period.

9           We had some discussion at the Board meeting last  
10 month that was constructive, but also raised some questions  
11 about clarity. And I just wanted to report back where we  
12 are on that. Based on the Board discussions we did provide  
13 further clarification out to potential bidders and we also  
14 took questions and provided answers from potential bidders  
15 to clarify any of those questions. And we are proceeding.

16           We have also amended the date for submission of  
17 Statements of Qualification. They are now due the first  
18 week of April and so we're looking forward to receiving  
19 those submissions in just a few weeks.

20           Now, being a believer in a picture being worth a  
21 thousand words this is the bulk of what I want to just  
22 focus on. And this was the subject of some of the concern  
23 at last month's, but what the scope of the engagement of  
24 the early operator will be.

25           And if you look at Operations as involving three

1 phases, the first phase being the early engagement to  
2 provide management consultant services, essentially again  
3 to feed into the other procurements, to help develop  
4 operations, planning. Then moving into the actual ramp-up  
5 operations and then ultimately the long-term operations.  
6 Which our cornerstone of the Business Plan is that those  
7 long-term operations, which will generate net positive cash  
8 flow and which will be entered into through a long-term  
9 concession, which we'll receive funding upfront for and  
10 help participate in the capital expansion of the system,  
11 those are separate.

12           What we are looking for in this procurement are  
13 phases one and two, the early engagement of an operator to  
14 carry us through those steps. That's the clarification we  
15 provided to ensure there was no misunderstanding among  
16 potential bidders, also to make sure the Board was in  
17 agreement that that's what we were doing. And I think  
18 we've moved ahead with that and so just wanted to make sure  
19 that the Board was aware that we have provided that  
20 clarification to the bidders.

21           Again, we've gone through a round of questions to  
22 ensure that any questions that they did have were answered.  
23 And we are now again, looking forward to receiving their  
24 submissions in about three weeks.

25           CHAIRMAN RICHARD: Thank you, Mr. Morales. And I

1 know that Director Curtin, who had a conflicting meeting  
2 this morning and couldn't be here -- he's at the California  
3 Water Commission dealing with another part of the state's  
4 infrastructure -- had raised some issues with this. And  
5 I've spent some time talking with him, and one of the  
6 points that I made to Director Curtin was that while we are  
7 at the Request for Qualifications stage right now -- and I  
8 think these clarifications that you're providing are  
9 important -- that it just highlights that when the staff  
10 comes forward with the actual Request for Proposals, I  
11 think we'll want to make sure that we have sufficient time  
12 for us to be talking about that and thinking about it.  
13 Because that's the thing that will really define the  
14 relationships and the risks that we're suggesting that  
15 people would be dealing with.

16           And so I think more than what is normally the  
17 case when the staff comes forward with an RFP we pretty  
18 much say, "Yeah, let's go out and see what we get." But on  
19 this one I think it would be very important for us to have  
20 a fulsome discussion at the Board about how the RFP is  
21 being constructed and what message we're sending to the  
22 potential respondents to that. So that we're clearly  
23 thinking about how we are articulating the risks that we  
24 want them to look at.

25           CHIEF EXECUTIVE OFFICER MORALES: Absolutely, Mr.

1 Chairman, and I would say the relationship with this early  
2 operator is arguably the single most important relationship  
3 the Authority will have with anyone, any contractor in the  
4 program. Because it really will define the commercial  
5 enterprise that we intend to enter into, so I think it's  
6 absolutely worth having a thorough discussion,  
7 understanding, and make sure that everyone is fully in sync  
8 with how we're moving forward. And what we're expecting of  
9 the bidders.

10 CHAIRMAN RICHARD: And the last question I have  
11 on this, and I'll turn to others, is are we getting input  
12 from potential participants related to how they would  
13 suggest that this be structured at this point, or are they  
14 just asking us questions?

15 CHIEF EXECUTIVE OFFICER MORALES: Some, of  
16 course, once we initiated the actual procurement we can't  
17 have the same sort of just open dialogue. We did, before  
18 initiating we had a lot of discussion and received input.  
19 Some of the questions we've received formally through the  
20 proceed, do at least kind of get at a structuring question  
21 and indicate certain preferences of how they think it  
22 should be structured. So in different ways, yes we've  
23 gotten input on that.

24 CHAIRMAN RICHARD: I'm sorry, I didn't mean to  
25 jump in front of colleagues. Questions for Mr. Morales?

1 BOARD MEMBER LOWENTHAL: No, I just want to thank  
2 you for separating those phases, because I would imagine  
3 you'll get more respondents than we would have earlier.

4 CHAIRMAN RICHARD: Okay. Any others?

5 BOARD MEMBER PASKETT: I do, Jeff, thanks for  
6 bringing this today. I heard bits and pieces at the last  
7 meeting, because the audio wasn't so great where I was at  
8 Union Station.

9 I agree with you this is probably the most  
10 significant contract or partnership that we will have. And  
11 the risk allocation and the structure of the relationship  
12 is important. I wonder, and this is probably more of a  
13 question for our Chair, if when you receive the responses  
14 and you're ready for a more detailed discussion, if there's  
15 an opportunity for a Board workshop --

16 CHAIRMAN RICHARD: Yeah.

17 BOARD MEMBER PASKETT: -- and a focused  
18 presentation, so we know about it, we can plan for it and  
19 be ready. That for me, on such a big decision, would be  
20 helpful.

21 CHAIRMAN RICHARD: I think that's a good  
22 suggestion, because I do think it merits some -- so I guess  
23 the question though is are you anticipating a Board  
24 workshop separate and distinct from a meeting where we  
25 would approve this or a workshop that would follow it? I'm

1 just trying to think through timing, because we may not  
2 have a meeting next month is the other thing.

3 BOARD MEMBER PASKETT: Yeah, okay. Either one's  
4 fine, it's always nice to have a focused discussion with  
5 details presented on a complicated topic. And then time  
6 for that to marinate in my brain before a decision --

7 CHAIRMAN RICHARD: So let me make --

8 BOARD MEMBER PASKETT: -- but I can think fast if  
9 you want me to. (Laughter.) It's just we don't have a lot  
10 of opportunity to hear the information and this is pretty  
11 important. And I share Director Curtin's questions and  
12 concerns that he raised at the last meeting.

13 CHAIRMAN RICHARD: So let me make this  
14 suggestion, Director Paskett, and see if it works for you  
15 and for others. Why don't we ask the staff to try to give  
16 the Board more than the normal amount of time for a Board  
17 Package on this, even if it's sent out separately? You  
18 know, give us a couple of weeks to look at it, so that  
19 Members can interact with the staff and so forth.

20 And then let's allocate a sufficient amount of  
21 time, you know, 45 minutes or even an hour if we need to,  
22 to really thoroughly go into it. Maybe the materials  
23 presented beforehand will satisfy everybody's questions and  
24 we won't need that. But I think those two things, not  
25 jamming people with the information just before the meeting

1 and making sure that the schedule of the meeting allows  
2 sufficient time for a thorough discussion about this issue,  
3 would be appropriate.

4 BOARD MEMBER PASKETT: Thank you.

5 CHAIRMAN RICHARD: Does that work for you,  
6 Lorraine?

7 BOARD MEMBER PASKETT: It does, thank you.

8 CHAIRMAN RICHARD: Okay. That's good.

9 Okay. Thanks, continue to think this, this is  
10 really great.

11 CHIEF EXECUTIVE OFFICER MORALES: I think so.

12 CHAIRMAN RICHARD: Okay. And then the next item  
13 is the update on the Central Valley and the San Francisco  
14 to San Jose Peninsula Corridor Segment funding plans.

15 CHIEF EXECUTIVE OFFICER MORALES: Great. So  
16 again, just an update, but with some progress reports as  
17 well.

18 CHAIRMAN RICHARD: You mean, half progress?

19 CHIEF EXECUTIVE OFFICER MORALES: Half progress,  
20 important progress and the important non-progress in some  
21 respects.

22 So back in December the Board approved two  
23 funding plans. The Bond Expenditure Plan is one for the  
24 Central Valley to provide the 2.6 million match for the  
25 federal funds and continue advancing that project. And

1 then the other to approve the 600 million that has been  
2 appropriated for the Peninsula for that project.

3           That then began, under Prop 1A, the 60-day review  
4 period that's called for, for the Director of Finance to  
5 review the plans and determine as it's phrased in the  
6 statute, whether those plans are likely to succeed and with  
7 input from the Joint Legislative Budget Committee. That  
8 input came into the Director of Finance, and on March 3rd,  
9 the Director of Finance provided two letters, which you  
10 have in your packets, one on each of the plans.

11           For the Central Valley, I'm pleased to say  
12 Department of Finance was able to approve the Plan, which  
13 means after a long wait and a lot of years, a lot of  
14 challenges, we are actually going out and the Treasurer  
15 will be selling bonds and we will be spending funds on the  
16 program as intended. And so that is moving forward. We're  
17 very pleased with that and it's a very important milestone  
18 for us in the program.

19           The Peninsula situations different as I'm sure  
20 everyone knows. The Full Funding Grant Agreement, which  
21 was part of the Funding Plan and assumed in this Board's  
22 approval of the 600 million, that went through all of the  
23 departmental reviews at the United States Department of  
24 Transportation, went through a 30-day waiting period  
25 basically for Congress to be advised of it.

1           At the conclusion of that 30 days the Federal  
2 Transit Administration advised Caltrain that it was  
3 deferring a decision on the Full Funding Grant Agreement.  
4 Because of that deferral the Department of Finance then was  
5 not able to give its final signoff on this Funding Plan to  
6 spend the bond funds, because the bond funds assumed the  
7 availability of the federal funds. And so in the letter  
8 you'll see that Director Cohen made it very clear that if  
9 the Full Funding Grant Agreement had been executed, he  
10 would have approved the expenditure of the bond funds. He  
11 was ready to do so, it met all the other requirements, but  
12 the failure to execute the Full Funding Grant Agreement  
13 made it impossible for him to sign off and say that the  
14 Plan can proceed. He also said, "The second that gets  
15 resolved, let me know and I'll get back to you and  
16 approve," an important element there.

17           But so what that means right now is the Central  
18 Valley moves forward. As I said the Treasurer will be  
19 selling bonds this spring and we'll spending them. And  
20 over the course of the coming year, the Peninsula Project  
21 we're waiting to see what happens in Washington basically,  
22 to see how that situation gets resolved.

23           So I don't have anything more specific to report  
24 at this point, but did want to make sure the Board was  
25 aware of where we were on those two pieces and answer any

1 questions you may have.

2 CHAIRMAN RICHARD: Yeah, let's see if people have  
3 questions. Ms. Paskett?

4 BOARD MEMBER PASKETT: Jeff, thank you for the  
5 report. I have questions and then maybe comments that may  
6 or may not be helpful. So my first question is, why the  
7 delay?

8 CHIEF EXECUTIVE OFFICER MORALES: So the letter,  
9 the Federal Transit Administration, the Acting  
10 Administrator -- there's not a new appointee in place --  
11 indicated that it was to allow for the new President's  
12 Budget to determine where transit funding and that grant  
13 therefore fit within the new President's Budget and whether  
14 they could enter into that commitment.

15 Not exactly clear when that will be known. There  
16 is what's called the "Skinny Budget" is supposed to be  
17 released tomorrow. It's not expected that that will give  
18 any level of detail, which would allow the FTA to move  
19 ahead and execute the grant. It will probably be May  
20 before that happens.

21 As you know though there was also in addition to  
22 that FTA letter, just before it there was a letter from 14  
23 Members of the Congressional Delegation, California  
24 Congressional Delegation, which urged Secretary Chao not to  
25 sign off on the grant until some additional reviews could

1 be done of the High-Speed Rail Program. Even though High-  
2 Speed Rail was not applying for this grant. And so we've  
3 got a combination of procedural issues and then other  
4 issues in Washington now, which will have made it less and  
5 less clear about what the timing for resolution of this is.

6 BOARD MEMBER PASKETT: So thank you for that. Is  
7 it your opinion that the delay and certain views was a  
8 reaction to the letter sent by those 14 Congressional  
9 Members?

10 CHIEF EXECUTIVE OFFICER MORALES: There is no  
11 question that it's played a role and it certainly  
12 complicates things going forward.

13 BOARD MEMBER PASKETT: And unfortunate, I've seen  
14 the letter from those 14 Congressional Members, I think  
15 that it was organized and led by the House Majority Leader  
16 Kevin McCarthy. It's disappointing to see that there's a  
17 lot of rhetoric coming out of D.C. regarding infrastructure  
18 and jobs, and the actions are the opposite with respect to  
19 this project.

20 Just with the letter and the resulting reaction  
21 by the new Administration and the resulting delay, do you  
22 know how much that's going to cost this project?

23 CHIEF EXECUTIVE OFFICER MORALES: The ultimate  
24 cost, of course, will depend on how long the delay is. And  
25 if it's just a delay or if it --

1 BOARD MEMBER PASKETT: (Indiscernible.)

2 CHIEF EXECUTIVE OFFICER MORALES: So Caltrain,  
3 after receiving this negotiated with its contractors.  
4 Because you'll remember, important to again remember, this  
5 is Caltrain's project. We are funding a piece of it, but  
6 Caltrain administers the contract. They've entered --

7 BOARD MEMBER PASKETT: But the letter that was  
8 signed by those 14 Congressional Members was focused on  
9 high-speed rail, wasn't it?

10 CHIEF EXECUTIVE OFFICER MORALES: There was, and  
11 there was a subsequent letter sent by, I believe it was 26  
12 Members of the Delegation responding to that letter and  
13 clarifying a lot of the things that were in that letter.  
14 There were a lot of errors and misimpressions, if you will,  
15 about that.

16 BOARD MEMBER SCHENK: Can we just call them  
17 misrepresentations?

18 CHIEF EXECUTIVE OFFICER MORALES:  
19 Misrepresentations.

20 CHAIRMAN RICHARD: Yes.

21 BOARD MEMBER PASKETT: You're being so polite.

22 CHIEF EXECUTIVE OFFICER MORALES: I'm trying to,  
23 they were alternative facts I guess you could call them.

24 BOARD MEMBER SCHENK: Lies, alternative facts,  
25 right.

1 CHIEF EXECUTIVE OFFICER MORALES: And a key  
2 premise of the original letter was it certainly suggested  
3 that this grant was an 11th hour decision made by the Obama  
4 Administration and that we were the applicant, which of  
5 course neither of those was the case. This process has  
6 been underway for years and Caltrain is the applicant.

7 After receiving that notice, Caltrain worked with  
8 the two contractors it has on board, Balfour which is doing  
9 the electrification piece and Stadler, which is the railcar  
10 manufacturer. Those are the two elements of the project.  
11 They were able to negotiate an extension of the contracts.  
12 That doesn't come without a price though, and so they've  
13 extended the contracts through the end of June. That is  
14 going to cost about \$20 million. That's just a delay cost  
15 due to the lack of action there, so it's at least \$20  
16 million.

17 BOARD MEMBER PASKETT: Right, and we're  
18 rightfully concerned as Mr. Rossi pointed out, with \$3  
19 million.

20 CHIEF EXECUTIVE OFFICER MORALES: Right.

21 BOARD MEMBER PASKETT: And we have our own  
22 California Congressional Delegation, led by Mr. McCarthy,  
23 who's cost us \$20 million in delay. So I'm hopeful that  
24 the staff with their leadership can come up with an  
25 approach that prevents further expenditures and gets us

1 away from this, seems to me pure politics, for an important  
2 part of this.

3 And I'm disappointed that this is happening.

4 CHIEF EXECUTIVE OFFICER MORALES: I will also  
5 tell you Chairman Richard and I were in Washington last  
6 week and met with a number of Members about this and other  
7 issues. I was also at the American Public Transportation  
8 Association meeting. And this has sent shockwaves  
9 throughout communities around the country, because transit  
10 agencies that have been in the pipeline for grants for  
11 years now have to wonder could something like this happen  
12 to them? And in a case like this you're talking multiple  
13 sources of funds, you know, significant local funds that  
14 have been committed on the premise of federal matching  
15 funds being there. So it's an issue of real concern, I  
16 think for everything.

17 We are working very closely with Caltrain and the  
18 other funding partners to try to minimize any impact, but  
19 obviously we can't control what the outcome is there. And  
20 the real question is, will there be an answer?

21 BOARD MEMBER PASKETT: Jeff, to the extent that  
22 there is an impact caused by the actions of some of our  
23 Congressional Members, that should be communicated. We  
24 have a \$20 million delay. I think over 90 percent of the  
25 jobs on this whether it's utility relocation or other jobs,

1 are from California.

2 CHIEF EXECUTIVE OFFICER MORALES: Right.

3 BOARD MEMBER PASKETT: And they're from the  
4 communities in which we're doing these projects and so  
5 they're hurting their own communities from a jobs  
6 perspective. And they're hurting us financially, because  
7 of the politics that are being pursued.

8 And so while I know you're being diplomatic, and  
9 I know that I'm not, my hope is that -- and that's why I'm  
10 saying it today in our hearing -- my hope is that the  
11 public understands that the posturing is causing real money  
12 and has impacted jobs in our state. And that this agency,  
13 through the staff, not only tries to resolve a bad  
14 situation, but accurately communicates the impacts.

15 CHAIRMAN RICHARD: And I just if I might, I'd  
16 like to do two things. First, I'd like to associate myself  
17 with the remarks of my colleague, Ms. Paskett, who I think  
18 has laid this out very well. And let me just also say, I  
19 don't think we should sugarcoat any of this and as she  
20 didn't sugarcoat any of this. This was an unbelievably  
21 irresponsible act on the part of these members of Congress.  
22 First of all, to send a letter that was based on matters  
23 that were demonstrably untrue and urge the Administration  
24 to act on something that's predicated on things that are on  
25 their face, false, was just shocking.

1           They may have their issues with high-speed rail.  
2 I think they're wrong about that. I think they're on the  
3 wrong side of history. I think as Ms. Paskett pointed out,  
4 they're acting against the interests of their own  
5 constituents as she said. But, you know, beyond that, that  
6 had nothing to do with Caltrain. I mean, in fact it's  
7 shocking to me that members of Congress with all the  
8 resources of their staff, the Congressional research  
9 service and so forth, wouldn't understand that this grant  
10 was not made by the High-Speed Rail Authority. And in  
11 fact, was dealt with an entirely different part of the  
12 Department of Transportation, an entirely different  
13 program. Our funding partners are the Federal Railroad  
14 Administration. This grant was coming through the Federal  
15 Transit Administration. It had nothing to do with High-  
16 Speed Rail. It was a grant to increase capacity on a rail  
17 line that's at full capacity, that was the purpose of it.

18           So and I want to be very careful about one thing  
19 though. The Trump Administration has not acted on this yet  
20 other than to defer this. We haven't seen a policy  
21 expression from the Administration, so I think that the  
22 blame here needs to be firmly lodged with the Republican  
23 Congressional Members who asked the Administration to hold  
24 this off. And my hope is that, because the President is  
25 talking about infrastructure investment and killing or

1 deferring the Caltrain electrification is totally inimical  
2 to that, that the Administration will basically recognize  
3 the request for what it was, and ignore it.

4           So I just want to make sure we don't shoot at the  
5 wrong target at this point. And I think Ms. Paskett was  
6 very precise in assigning the blame where I think it  
7 belongs and I support her in that.

8           And I had the opportunity, as did Mr. Morales, to  
9 testify yesterday before a committee of our State Senate.  
10 And Chairman James Bell, who was one of the founding  
11 members of the Peninsula Caltrain Joint Powers Authority  
12 was outraged by this, because he knows the amount of work  
13 that was done. He also knows the burden that the people in  
14 that region have taken on themselves to fund Caltrain  
15 electrification and all the work that's been done over 20  
16 years to make this happen. To be undone at the last  
17 minute, by an errant, uninformed, factually incorrect  
18 assertion on the part of people for what can only be  
19 described as a political motivation.

20           So Lorraine, I apologize if I was less passionate  
21 about it than you are. (Laughter.)

22           BOARD MEMBER PASKETT: That's a first.

23           CHAIRMAN RICHARD: Yeah, we go way back,  
24 Ms. Paskett and I. Anyway, so with her I share the hope  
25 that -- I know Jeff and I were in conversations yesterday.

1 Transportation Secretary Kelly is very involved in this,  
2 the Governor's Office. The Governor himself has written to  
3 Secretary Chao asking to discuss this matter with her.

4 And, you know, this is something that the people  
5 of Silicon Valley are extremely concerned about. The  
6 businesses in Silicon Valley have been banging away for  
7 Caltrain electrification and other transportation  
8 improvements to deal with, real impediments to their  
9 business operations. So I don't see how anybody who  
10 purports to care about Silicon Valley, can take this  
11 action. Anyway...

12 BOARD MEMBER SCHENK: Well, I'll just say that I  
13 couldn't express it any better than you and Lorraine have.  
14 This is quite simply, and I'm not known for being  
15 diplomatic either, a despicable act of Republican  
16 Congressional politics at its worst. I just didn't think  
17 they could sink any lower, but they have.

18 And you were quite right in pointing out that  
19 where the blame lies here, and it's not with the  
20 Administration yet. And I hope that we are working  
21 closely, that is our staff, with the stakeholders along the  
22 corridor, with Silicon Valley, with McCarthy's District  
23 business leaders as well as the people who would stand to  
24 benefit economically, jobs, etcetera. To let them know  
25 what the truth is, because this is I've seen some low

1 things in my lifetime, but boy this is a new low.

2 CHAIRMAN RICHARD: You know what the irony is on  
3 this, the stated purpose of the letter was to try to impede  
4 the High-Speed Rail Program. If any of them had bothered  
5 to read our Business Plan, they would know that we can open  
6 an operating self-sustaining segment just to San Jose. So  
7 if they delay the Caltrain electrification, they don't  
8 impede the opening of an initial operating segment of high-  
9 speed rail. They only impede Caltrain.

10 Now, ultimately we need that corridor  
11 electrified, there's no question about it.

12 BOARD MEMBER SCHENK: Right.

13 CHAIRMAN RICHARD: But in the short term it  
14 doesn't accomplish what they wanted it to accomplish, so a  
15 classic case of shooting at somebody and hitting the  
16 hostage.

17 CHIEF EXECUTIVE OFFICER MORALES: Well, and not  
18 only that, but should the federal money not ultimately  
19 appear, and the state and region are forced to come up with  
20 alternative sources, that means \$647 million of other  
21 projects in the state don't happen in order to fund this,  
22 because the federal money will have been yanked. So it has  
23 ripple effects in multiple ways.

24 CHAIRMAN RICHARD: And I would only hope that  
25 those offsetting project impacts are not peanut butter to

1 cross all transportation projects, but are selectively  
2 applied in certain regions of the state.

3 BOARD MEMBER LOWENTHAL: Mr. Chair?

4 CHAIRMAN RICHARD: Madam Former Chair of the  
5 Assembly Transportation Committee, yes?

6 BOARD MEMBER LOWENTHAL: Thank you. Just a  
7 comment, I think we're all aware that this is a project of  
8 national significance and that all of the equipment used in  
9 construction comes from just about every Congressional  
10 District in the country. So my hope is that in a short  
11 amount of time, other Congressional Representatives around  
12 the country perhaps will lean on those who delayed this  
13 project, the electrification, to say, "We all need this.  
14 We need this for our districts, for the businesses in our  
15 districts that are making parts for construction equipment,  
16 ultimately for rail equipment." It is a project of a  
17 national significance.

18 And I think the other element to be aware of is  
19 how much we're improving freight movement in California.  
20 And, of course, that too is a national issue.

21 CHAIRMAN RICHARD: Well, the bottom line on this  
22 is that they wrote a letter trying to impede the High-Speed  
23 Rail Project. As a consequence, the Caltrain Project is  
24 delayed. The High-Speed Rail Project got its approval of  
25 its Subsection D Funding Plan and we are continuing to

1 build. So that's where things are.

2 Okay. Anything else Mr. Morales?

3 CHIEF EXECUTIVE OFFICER MORALES: That's it for  
4 the good news.

5 CHAIRMAN RICHARD: Okay. And that appears to  
6 complete our agenda today. I think that the closed session  
7 memo that was sent by our General Counsel is probably  
8 sufficient. And unless he thinks there's some new urgent  
9 matter then I'm going to suggest that we don't need to  
10 enter into a closed session today.

11 And with that we'll thank everybody and adjourn  
12 this meeting of the High-Speed Rail Board.

13 (Chair Dan Richard adjourned the Public Meeting of The  
14 High-Speed Rail Authority  
15 at 11:55 a.m.)

16 --oOo--

17

18

19

20

21

22

23

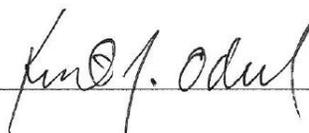
24

**REPORTER'S CERTIFICATE**

I do hereby certify that the testimony in the foregoing hearing was taken at the time and place therein stated; that the testimony of said witnesses were reported by me, a certified electronic court reporter and a disinterested person, and was under my supervision thereafter transcribed into typewriting.

And I further certify that I am not of counsel or attorney for either or any of the parties to said hearing nor in any way interested in the outcome of the cause named in said caption.

IN WITNESS WHEREOF, I have hereunto set my hand this 27th day of March, 2017.



---

Kent Odell  
CER\*\*00548

**TRANSCRIBER'S CERTIFICATE**

I do hereby certify that the testimony in the foregoing hearing was taken at the time and place therein stated; that the testimony of said witnesses were transcribed by me, a certified transcriber and a disinterested person, and was under my supervision thereafter transcribed into typewriting.

And I further certify that I am not of counsel or attorney for either or any of the parties to said hearing nor in any way interested in the outcome of the cause named in said caption.

IN WITNESS WHEREOF, I have hereunto set my hand this 27th day of March, 2017.



---

Myra Severtson  
Certified Transcriber  
AAERT No. CET\*\*D-852