

CALIFORNIA HIGH-SPEED RAIL AUTHORITY

BOARD MEETING

TRANSCRIPT OF PROCEEDINGS

DEPARTMENT OF HEALTHCARE SERVICES AUDITORIUM

1500 CAPITOL AVENUE

SACRAMENTO, CA 95814

WEDNESDAY, JUNE 14, 2017

10:00 A.M.

Reported by:
Kent Odell

APPEARANCESBOARD MEMBERS

Dan Richard, Chairman

Tom Richards, Vice Chair

Lynn Schenk

Daniel Curtin

Lorraine Paskett

Bonnie Lowenthal

Ernest Camacho

EX OFFICIO BOARD MEMBERS

Assemblymember, Dr. Joaquin Arambula

STAFF

Tom Fellenz, Chief Counsel & Interim Chief Executive Officer

Krista Jensen, Board Secretary

Michelle Boehm, Southern California Regional Director

Paula Rivera, Chief Audit Executive

Roy Hill, CH2M Hill (Rail Delivery Partner)

Paul Neal, Director of Commercial Activities

PRESENTERS:

Thomas Fellenz, Chief Counsel & Interim Chief Executive Officer

Michelle Boehm, Southern California Regional Director

Paula Rivera, Chief Audit Executive

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10:09 a.m.

PROCEEDINGS BEGIN AT 10:09 A.M.

SACRAMENTO, CALIFORNIA, WEDNESDAY, JUNE 14, 2017

CHAIRMAN RICHARD: Good morning, everyone. This meeting of the California High-Speed Rail Authority Board will come to order. Will the Secretary please call the roll?

MS. JENSEN: Director Schenk?

BOARD MEMBER SCHENK: Here.

MS. JENSEN: Vice Chair Richards?

VICE CHAIR RICHARDS: Here.

MS. JENSEN: Director Rossi?

BOARD MEMBER ROSSI: (Absent.)

MS. JENSEN: Director Curtin?

BOARD MEMBER CURTIN: Here.

MS. JENSEN: Director Paskett?

BOARD MEMBER PASKETT: Here.

MS. JENSEN: Director Lowenthal?

BOARD MEMBER LOWENTHAL: Here.

MR. JENSEN: Director Camacho?

BOARD MEMBER CAMACHO: Here.

MS. JENSEN: Senator Beall?

EX OFFICIO BOARD MEMBER BEALL: (Absent.)

MS. JENSEN: Assemblymember Arambula?

1 EX OFFICIO BOARD MEMBER ARAMBULA: Here.

2 MS. JENSEN: Chair Richard?

3 CHAIRMAN RICHARD: I'm here.

4 If they could make the mics a little less live,
5 we're getting a lot of reverb.

6 Director Camacho, will you lead us in the Pledge
7 of Allegiance?

8 BOARD MEMBER CAMACHO: Yes.

9 (The Pledge of Allegiance is made.)

10 CHAIRMAN RICHARD: Thank you.

11 I'd like to begin this morning by welcoming Dr.
12 Joaquin Arambula, Member of the California Assembly. As I
13 mentioned at the last Board meeting, the Legislature
14 enacted a bill by Assemblymember Frazier that provides for
15 *ex officio* members from the Legislature to sit on this
16 body. The Speaker of the Assembly designated Dr. Arambula
17 as the Assembly's member. And the Pro tem of the Senate
18 designed Senator Jim Beall as the Senate's member.

19 Senator Beall, I know couldn't be here this
20 morning, but I'm meeting with him later today. He's got a
21 very strong interest in the success of the program and we
22 will benefit from having additional oversight and support
23 from the Legislature.

24 Dr. Arambula, I don't know if you'd like to just
25 say a few words at this point.

1 EX OFFICIO BOARD MEMBER ARAMBULA: Just thanks
2 for having me and I'm looking forward to this.

3 CHAIRMAN RICHARD: Thank you, sir.

4 Well, he's certainly less verbose than the Chair,
5 that's for sure.

6 BOARD MEMBER CURTIN: Everybody's less verbose
7 than the Chair.

8 CHAIRMAN RICHARD: Yeah, I knew that was coming.

9 Okay. We will begin, as we do with the public
10 comment period, and I'm just looking to see if we have any
11 members of the -- any elected members. We don't, so we'll
12 take these in the order in which they were received. First
13 that'll be Mr. Roland Lebrun, followed by Steve Roberts and
14 then Allan Scott.

15 Good morning.

16 MR. LEBRUN: Good morning, Chair Richard and
17 Directors. I'd like to start the day by applauding you for
18 providing Secretary Kelly with a sensible framework for
19 expanding Prop 1A bonds in the Peninsula in compliance with
20 the Bond Act.

21 The second item I'd like to touch on is item
22 number three on today's agenda, and recommends that given
23 the current staff situation in Allen, California you
24 consider a member of the Peer Review Group as an alternate
25 for the TTAP Board Director position.

1 Last, but not least I'd like you to be aware that
2 the cities of San Jose, Morgan Hill and Gilroy already
3 have, or are currently in the process of joining San
4 Francisco in hiring qualified engineering firms capable of
5 developing world-class alternatives to those developed by
6 the now defunct Parsons Brinckerhoff.

7 In closing, I'm asking you to terminate the Rail
8 Delivery Partner contract at the earliest opportunity and
9 either award this contract to the Bechtel Consortium,
10 (phonetic) which was the only other qualified bidder back
11 in 2015 or reissue the RFP and start all over again.

12 Thank you very much.

13 CHAIRMAN RICHARD: Thank you, Mr. Lebrun.

14 Steve Roberts from RailPAC followed by Alan Scott
15 and then Lee Ann Eager.

16 MR. ROBERTS: Good morning Chairman Richard and
17 the Board Members, thank you for allowing me to address you
18 on behalf of --

19 CHAIRMAN RICHARD: Hold on one second, sir. Is
20 this gentleman's microphone working? Can people hear him
21 in the back?

22 UNIDENTIFIED SPEAKER: Yeah.

23 CHAIRMAN RICHARD: Okay. I'm sorry sir, go
24 ahead.

25 MR. ROBERTS: On behalf of the Rail Passengers

1 Association of California we have some suggestions for the
2 Early Train Operator RFP, not to overly complicate it or
3 detail it, but because of the long lead time and complexity
4 of the issues outlined.

5 To the general consulting services section under
6 Item 14 we suggest you add, "Contractor will take a lead
7 role in the development of a comprehensive information
8 reservation ticketing and fare calculation system."

9 The current California train/bus network is very
10 large with lots of city pairs, lots of schedules. When you
11 overlay high-speed rail and some commuter connections it's
12 going to be massive. It's going to be larger than any
13 airline network in the world, because of the number of city
14 pairs and schedules. You need to -- an early decision will
15 be whether to build your own California-centric reservation
16 system or to contract with one of the existing rail
17 reservation systems. And if you contract with one of the
18 rail reservation systems they all have to have a major
19 increase in their capacity.

20 The bottom line is that it's a long lead time
21 issue. Also, I'm assuming that you would want to connect
22 and do co-chairs with the airlines at Millbrae and Burbank.
23 In order to do that, you need to be able to talk to the
24 Global Distribution Systems, the old Worldspans and Apollos
25 and Sabers. So you're going to need to meet the protocols

1 of the International Air Transport Association. It's not a
2 major task, but it's a lead time task.

3 The next recommendation is to add to the general
4 consultation sections under station design, "Seamless
5 access for passengers with bicycles and baggage." To the
6 general consulting services section under rolling stock
7 design, "Capacity for passengers with bicycles and
8 baggage." The storage of bicycles is mentioned back in the
9 term sheet, but no reference is made to incorporating
10 bicycles or passenger baggage in station design or rolling
11 stock design.

12 I have visions -- I have experienced traveling on
13 BART in the small BART elevators, slow BART elevators. I
14 would hope you do something better than that.

15 CHAIRMAN RICHARD: Mr. Roberts, do you have
16 material that you can provide us? I just want to be fair
17 to everybody who's going to speak this morning.

18 MR. ROBERTS: Right, I did have an attachment,
19 there's copies of it. I'll finish up real quick.

20 CHAIRMAN RICHARD: Okay.

21 MR. ROBERTS: The last thing is not an RFP issue,
22 but it's a service integration issue, which was mentioned
23 in the RFP. And that is that oftentimes service
24 integration is due to problems, institutional problems,
25 financial problems. And the Authority should create a

1 mechanism to encourage the early train operator to identify
2 and elevate interagency policy issues that are barriers to
3 service integration as soon as they arise, and not try to
4 soldier through on it.

5 Thank you very much.

6 CHAIRMAN RICHARD: Thank you for your
7 suggestions, sir. I'll ask our Interim CEO to consider
8 those.

9 Good morning, Mr. Scott. And Mr. Scott will be
10 followed by Lee Ann Eager and then Stuart Flashman.

11 MR. SCOTT: Good morning, Mr. Chairman and Board
12 Members, Alan Scott Kings County. Again, I'm here to talk
13 about finances and some issues.

14 We begin with the state funded and unfunded debt
15 is at 1.3 trillion. That is 52 percent of the gross state
16 product of 2.5 billion -- trillion -- and the first word
17 should have been trillion, not billion. Not included in
18 the billions of dollars deferred maintenance and upgrades
19 to California's infrastructure to the extent California
20 government has not maintained investments in infrastructure
21 maintenance and upgrades to keep up with the normal wear
22 and tear and the pace of the expanding population. It has
23 passed this cost on to future generations who will have to
24 issue additional debt to pay for this expense.

25 What's more, beyond repair Governor Brown has

1 announced that the state has 187 billion unmet water and
2 transportation infrastructure needs. Where the money for
3 that?

4 May 1st the snowpack was 196 percent of the water
5 equivalent of 43.5 inches as reported by the Department of
6 Water Resources. The damage is coming up from the floods
7 and the water damage is -- I don't think we have any money
8 in the bank to even handle that. I don't know how that's
9 going to get paid for. The estimate right now from
10 Caltrans is 866 million. And following that, at a local
11 level cities and counties -- and this is right off the web
12 -- would need another 7.2 billion to bring their streets
13 and roads back up to working order.

14 The total cost over the next ten years will be
15 \$132 billion. Where's the money? And following up you
16 paid \$90 million for delays in CP1, the taxpayers' money.
17 But let me just move on down, the Oroville Dam, has got to
18 be a better problem there. You've got a problem with up in
19 the Bay Area on some minor stuff, which is probably out of
20 whack. BART is having overtime payment issues. Again,
21 they've now found three more people, four people
22 altogether, somewhere around \$600 million in overpayments
23 for janitors in BART.

24 The Coastal Highway 101 with the weather problems
25 that just came up, I have a friend that just drove down

1 from Ferndale and he reports that it's a mess up there,
2 absolutely a mess in Northern California.

3 CHAIRMAN RICHARD: Mr. Scott, I'm going to try
4 to keep everybody to about the same --

5 MR. SCOTT: Yeah, and I've got one more thing and
6 that's it. Thank you.

7 Let us not forget the proposed \$400 billion
8 healthcare bill pending, where's the money for that?

9 CHAIRMAN RICHARD: Okay. Thank you, sir.

10 As Ms. Eager comes up, Mr. Roberts, I did find
11 your letter. It was under my folio, so I just wanted to
12 make sure you knew that we had that. Thank you, sir.

13 Lee Ann Eager, good morning.

14 MS. EAGER: Good morning.

15 CHAIRMAN RICHARD: She'll be followed by Stuart
16 Flashman.

17 MS. EAGER: Wow, in between Mr. Scott and Mr.
18 Flashman, well. It's always a pleasure and welcome
19 Assemblyman Arambula, you will be a wonderful edition to
20 this Board.

21 For those of you who don't know, I'm the CEO and
22 President of the Economic Development Corporation in
23 Fresno. And we have been assisting with relocating about
24 178 businesses so far on the Alignment, and assisting with
25 333. And just recently, we had a very difficult relocation

1 and the behind-the-scenes finagling got to be so intense
2 that one day we finally just had to walk away and laugh and
3 say, "If people only knew." And I think the only one that
4 will ever really know is Diana Gomez.

5 But one of the things when we came out of that,
6 someone came to me and said, "Okay. You have to write a
7 book, really, when this is all over you have to write a
8 book." So I'm going to give you a couple of little
9 snippets out of this upcoming book. And hopefully, by the
10 time this is over I'll still be able to write.

11 One of those chapters will be about unforeseen
12 opportunities. And some of you had heard about our truck
13 driver school. And that came about, because John Lawson
14 who owns Lawson Truck and Oil, we were talking to him. We
15 were able to save his business; he gets to stay in
16 business. And we had said, "When high-speed rail's up and
17 running, will you be able to work on this project?" And he
18 said, "I can't. I don't have enough truck drivers." And
19 he said, "And no one in this valley has enough truck
20 drivers to be able to help with this project."

21 So we went to the Department of Social Services
22 and said, "We need a truck driving school. We need to put
23 our people who are actually unemployed into the truck
24 driving school." So the Welfare to Work folks, we are on
25 Cohort Number 19. We have about an 82 percent placement.

1 But in addition to that, step 2 to that story, is one of
2 the very first people who graduated from that class now
3 owns his own trucking business. He was on welfare three
4 years ago. He now owns his own business. He now bought
5 two trucks and he only hires people out of that particular
6 program to give people a chance.

7 And very quickly, the last chapter of that book
8 will be "Love Amongst the Rails." We had a gentleman who
9 owned a mini-storage and he's 92 years old. He didn't want
10 to retire, but the rail was going to make it so that he
11 couldn't keep his mini-storage. And he lived up above his
12 office and I went and visited him often, trying to get him
13 to make a deal.

14 One of the things he didn't have was a
15 bookkeeper, so he hired a young, lovely 78-year-old
16 bookkeeper. And she came to assist him and finally a deal
17 was made and I went on his last day to make sure that
18 everything was okay. And he said, "Well, I just have to
19 tell you, we got married, we have moved to the Coast, and
20 we're living happily ever after." So high-speed rail does
21 have a good ending. Thank you.

22 CHAIRMAN RICHARD: Thank you, Ms. Eager.

23 Okay. I'm sure with another uplifting story like
24 that will be Stuart Flashman.

25 MR. FLASHMAN: Good morning, Board Chair Richard

1 and Board Members, I'm afraid I can't top that.

2 I do want to start by just sort of a form of
3 technical thing, which is that Mr. Fellenz has some papers
4 for you, which I just gave him. And I think you've already
5 seen those papers. This has to do with the lawsuit against
6 the High-Speed Rail Authority and against the State of
7 California on the latest funding plans that were approved
8 back in December. And I want to say a few words about
9 those and specifically about the funding plans that you
10 have before you today. Those funding plans and the one you
11 have before you today are all relying on AB 1889 to say
12 they comply with Prop 1A.

13 And with all due respect to the Assembly Member
14 the California Legislature has no authority to reinterpret
15 a ballot measure that's been approved by the voters of
16 California. That's something for the courts. It's not for
17 you. It's not for the Legislature. It's basically for the
18 courts to determine what did the voters intend when they
19 approved that ballot measure? And if they intended
20 something the Legislature has no authority to change that.
21 And regardless of what the Legislature may try to do, it
22 can't be successful. And you should be aware of that. You
23 should be aware that the Legislature's interpretation of a
24 ballot measure, some nine years after it was approved by
25 the voters, has no value.

1 And if you doubt that you should ask an attorney.
2 In fact, you should be asking your attorney in general
3 about approving these funding plans, because you need to
4 know whether they comply or not. Because if you go ahead
5 and approve these and they are unconstitutional and you
6 went ahead without any concern about the legality of what
7 you are doing, that is not taking due care. And that's one
8 of your responsibilities as Board Members, is to take due
9 care.

10 So I would urge you not to approve the funding
11 plan today, because that funding plan is for something that
12 is by no stretch of the imagination anywhere close to being
13 suitable and ready for high-speed train operation. Thank
14 you.

15 CHAIRMAN RICHARD: Thank you, Mr. Flashman.

16 I'll just note that I did get the papers. They
17 were put in an unstamped envelope in my mailbox, which I
18 think is kind of a no-no. But anyway, we'll move on from
19 there.

20 Mark Zabaneh, I believe it is. And if I
21 mispronounce that sir, I apologize.

22 MR. ZABANEH: You did a very good job.

23 CHAIRMAN RICHARD: Thank you, and then Ross
24 Browning afterwards. Good morning, Mr. Zabaneh.

25 MR. ZABANEH: Good morning Chair Richard and

1 Directors. I'm speaking here for item number three. I'm
2 Mark Zabaneh with the Transbay Joint Powers Authority. I'm
3 the Executive Director. On behalf of the TJPA Board I
4 would like to thank the California High-Speed Rail
5 Authority for considering our invitation to join the TJPA
6 as a new member of the agency.

7 As you know, the Transbay Program is being
8 developed in two phases, Phase I being the construction of
9 the Transit Center for Bus Operations and Phase II being
10 the development of the Downtown Extension that would bring
11 Caltrain and high-speed rail from the current Caltrain
12 terminus at 4th and King Station into the Transit Center.

13 The Transit Program is at somewhat of a
14 transition point with the first phase nearing completion
15 and bus operations expected to start in the spring of next
16 year. We're hoping to start by March of 2018 with bus
17 operations. At this juncture, with Phase I nearing
18 completion the TJPA desires to ensure that the agency has
19 the strategic leadership to develop federal, state,
20 regional and local consensus and support to successfully
21 deliver Phase II and bring trains to the Transit Center in
22 the quickest, most efficient and most cost-effective way
23 possible.

24 To that end, the TJPA Board strongly believes
25 that the California High-Speed Rail Authority's membership

1 in the TJPA will facilitate the consensus and support that
2 is critical to successfully complete the Downtown
3 Extension, especially given that the California High-Speed
4 Rail Authority is a major stakeholder. I want to say
5 shareholder too, stakeholder in the development and
6 operations of the Downtown Extension.

7 CHAIRMAN RICHARD: If you're offering us shares
8 we can talk.

9 MR. ZABANEH: Plenty of stocks (laughter) So
10 with that, I really hope that the Board today will accept
11 this invitation and join the partnership charged with
12 implementing this crucial piece of rail network in Northern
13 California. Thank you very much. I'll be happy to answer
14 any questions you may have now or when the item comes up.

15 CHAIRMAN RICHARD: Thank you very much, sir. I
16 appreciate your coming today.

17 Ross Browning? Good morning.

18 MR. BROWNING: Good morning, Mr. Chairman and
19 Board Members.

20 I'm going to cancel all this stuff in the front
21 and just get back to some nitty-gritty. At a hearing last
22 Wednesday, the judge decreed that this family that I have
23 talked about and will continue to talk about, to be out of
24 their home by mid-August with nowhere to go. What has
25 occurred leading up to this decision?

1 This family was given a list of five contractors
2 to select to rebuild their home. They selected three that
3 had Better Business Bureau endorsements and submitted these
4 data to your minions, only to have them refuse and accuse
5 them of being in collusion with the contractors to raise
6 the bids. These are your recommended business partners,
7 nice group.

8 They were offered a home that the Authority had
9 previously condemned and thereafter only to find out that
10 they no longer needed the home. The inspection of the
11 house found that it had been stripped of all copper wiring
12 and they had no clue as to how long it would take to repair
13 this wiring, to get an inspector and to get a Certificate
14 of Occupancy.

15 At the last hearing an issue of rural lifestyle,
16 which was chosen and the judge just said, "You'll just have
17 to have a lifestyle without horses and without the rural.
18 You can do it in Visalia." "Well, the kids go to school in
19 Corcoran." The judge says, "They have schools in Visalia.
20 I'll give you two weeks more to get the kids there in
21 Visalia." "We have family and friends here." "Go visit
22 them when you want, just drive over." "We live -- " I
23 mean, "We work in Corcoran." "Just drive over, it's only
24 40 miles round trip, two cars." So either change jobs or
25 learn how to drive 40 miles.

1 At some point in all of this your people could
2 have given more time to them and put them in a direction
3 that they hadn't up until then. But they just sat there
4 like bumps on a log in this hearing while they watch the
5 family unit be systematically and thoroughly, albeit
6 legally, destroyed. They have worked with the Authority,
7 sometimes leading and most of the time following, only to
8 have the Authority change direction with little or no
9 notice.

10 What am I leading up to in all of this? Mr.
11 Richard, you came to our house, you parked your vehicle,
12 you walked over and we said, "Hi." And everybody had a
13 great time and you said, "I will make you whole. I will
14 see that you come out of this whole." It looks like we
15 have a different definition of whole.

16 So here's a family that's hurting. They have
17 nowhere to go. They can either board out their horses
18 while they've spent all their money on lawyers trying to
19 fight this thing. There are solutions, but the people that
20 they meet with change direction on them all the time.

21 CHAIRMAN RICHARD: Okay. Mr. Browning, let me do
22 this, sir?'

23 MR. BROWNING: Okay.

24 CHAIRMAN RICHARD: I'm going to ask our CEO to
25 work with Ms. Gomez. I'd appreciate getting sort of a full

1 explication of the facts and we're constantly trying to
2 make sure that the process that we have are fair, but all
3 processes can be improved. So I appreciate your bringing
4 this to our attention. I'm going to ask our staff to look
5 into this and get back to us on it, okay?

6 Thank you.

7 MR. BROWNING: Yeah, thank you.

8 CHAIRMAN RICHARD: Okay. We will, okay.

9 UNIDENTIFIED SPEAKER: Okay. Yeah, we'll be
10 happy to do that.

11 CHAIRMAN RICHARD: Okay. Thank you.

12 That is the last speaker card that I have and so
13 with that we will conclude the public comment period. I
14 want to thank everybody for coming and some people come
15 from long distances to speak before us today.

16 We'll now turn to our regular agenda. And why
17 don't we do item one and two. And then we'll have you do
18 this.

19 Okay. So the first is this being June it's the
20 annual season for the election of Board Officers. And I
21 think what we'll do is I'll first open the Office for Vice
22 Chair and ask for nominations for --

23 BOARD MEMBER PASKETT: May I nominate Mr.
24 Richards, Tom Richards.

25 CHAIRMAN RICHARD: Tom Richards. Okay.

1 BOARD MEMBER SCHENK: Second.

2 BOARD MEMBER CAMACHO: Second.

3 CHAIRMAN RICHARD: Okay. Tom has been nominated
4 by Director Paskett, seconded by Directors Schenk and
5 Camacho. Are there other nominations?

6 (No audible response.)

7 Okay. With that, we'll close. Will the
8 Secretary please call the roll?

9 MS. JENSEN: Director Schenk?

10 BOARD MEMBER SCHENK: Yes.

11 MS. JENSEN: Vice Chair Richards?

12 VICE CHAIR RICHARDS: I'll abstain. (Laughter.)

13 MS. JENSEN: My apologies, just trying to keep
14 the humor.

15 Director Curtin?

16 BOARD MEMBER CURTIN: Yes.

17 MS. JENSEN: Director Paskett?

18 BOARD MEMBER PASKETT: Yes.

19 MS. JENSEN: Director Lowenthal?

20 BOARD MEMBER LOWENTHAL: Yes.

21 MR. JENSEN: Director Camacho?

22 BOARD MEMBER CAMACHO: Yes.

23 MS. JENSEN: Chair Richard?

24 CHAIRMAN RICHARD: Yes.

25 Congratulations.

1 BOARD MEMBER SCHENK: And condolences.

2 CHAIRMAN RICHARD: Now, you get to do the next
3 one.

4 VICE CHAIR RICHARDS: All right. We'll now take
5 the nominations for Chair of the High-Speed Rail Authority.

6 BOARD MEMBER PASKETT: I'd like to nominate
7 Mr. Richard.

8 BOARD MEMBER SCHENK: And second.

9 VICE CHAIR RICHARDS: By Ms. Paskett and a second
10 by Director Schenk, any other nominations?

11 CHAIRMAN RICHARD: Please. (Laughter.)

12 VICE CHAIR RICHARDS: Hearing none, please call
13 the roll.

14 MS. JENSEN: Director Schenk?

15 BOARD MEMBER SCHENK: Yes.

16 MS. JENSEN: Vice Chair Richards?

17 VICE CHAIR RICHARDS: Yes.

18 MS. JENSEN: Director Curtin?

19 BOARD MEMBER CURTIN: Yes.

20 MS. JENSEN: Director Paskett?

21 BOARD MEMBER PASKETT: Yes.

22 MS. JENSEN: Director Lowenthal?

23 BOARD MEMBER LOWENTHAL: Yes.

24 MR. JENSEN: Director Camacho?

25 BOARD MEMBER CAMACHO: Yes.

1 MS. JENSEN: I thought it better not to call
2 Chair Richard. (laughter).

3 CHAIRMAN RICHARD: Okay.

4 VICE CHAIR RICHARDS: All right then, thank you.
5 So it's unanimous. Welcome back, Mr. Chairman.

6 CHAIRMAN RICHARD: Thank you.

7 VICE CHAIR RICHARDS: That was really very
8 enthusiastic. Thank you very much.

9 CHAIRMAN RICHARD: Yes. Thank you.

10 Actually, I appreciate my colleagues who have got
11 a lot of work to do this year. This is going to be a very
12 pivotal year. And I think we've got a great Board and I'm
13 looking forward to working with everybody, so thank you.

14 Let's just deal with the minutes. And then we're
15 going to interpose an item before we move to number three.
16 Can I have a motion on the minutes for the last meeting?

17 BOARD MEMBER CAMACHO: So moved.

18 BOARD MEMBER SCHENK: Second.

19 CHAIRMAN RICHARD: Moved by Director Camacho,
20 seconded by Director Schenk. Will the Secretary please
21 call the roll?

22 MS. JENSEN: Director Schenk?

23 BOARD MEMBER SCHENK: Yes.

24 MS. JENSEN: Vice Chair Richards?

25 VICE CHAIR RICHARDS: Yes.

1 MS. JENSEN: Director Curtin?

2 BOARD MEMBER CURTIN: Yes.

3 MS. JENSEN: Director Paskett?

4 BOARD MEMBER PASKETT: Yes.

5 MS. JENSEN: Director Lowenthal?

6 BOARD MEMBER LOWENTHAL: Abstain.

7 MR. JENSEN: Director Camacho?

8 BOARD MEMBER CAMACHO: Yes.

9 MS. JENSEN: Chair Richard?

10 CHAIRMAN RICHARD: Yes. Thank you.

11 Before we turn to the rest of the Regular Order,
12 I wanted to spend a few moments talking about the changes
13 that we have, they're very exciting, for the program itself
14 in terms of leadership positions at the Authority.

15 And it's a dynamic organization and people leave,
16 but new people come. And we've been very, very fortunate
17 that there are three people that we can talk about who
18 joined the organization that I want to take a moment to
19 highlight. I was going to mention one and then
20 Mr. Fellenz, as the acting CEO, will talk about some of the
21 other staff leadership.

22 But as you know, we have a partnership agreement
23 and it's called the Rail Delivery Partner. It's a major
24 contract that integrates with our own staff. And it's a
25 way to expand the reach of the Authority for the management

1 of the multi-billion dollar construction program that we
2 have, without building up a huge state staff, and also to
3 be able to quickly access experience from not only
4 nationally, but from around the world.

5 The person who was heading the RDP effort, the
6 Rail Delivery Partner effort, for -- I'm sorry, but I'm
7 still going to call it Parsons Brinckerhoff. I know it's
8 now WSP or whatever it is, but I haven't figured that out
9 yet. And I'll get those initials mixed up.

10 But in any case, the person who was heading that
11 was Gary Griggs, a very fine gentleman I had worked with on
12 a certain transportation project in the Bay Area years ago.
13 And he had retired. I'm very pleased that the leadership
14 at PB and we appreciate having their CEO here today, Mr.
15 Kelly, who brought in one of their top people, Roy Hill,
16 who started on June 12th.

17 Now, Mr. Hill hails from the United Kingdom. I
18 did ask him whether he was coming here voluntarily or
19 whether a Brexit vote had meant that he felt compelled to
20 leave. He assured me it was the former. But he's got more
21 than 30 years of senior management experience in project
22 management and business development. He's been involved
23 with many, many projects, successfully delivering complex
24 infrastructure projects throughout Europe, Asia, the Middle
25 East and the U.S.

1 He previously, and this is the most critical to
2 what we're doing, held the position of Interim CEO for HS2
3 Limited. That basically stands for High-Speed Rail 2
4 Limited. It's the high-speed rail line that's being built
5 in the United Kingdom, 55 billion British pounds, which
6 sounds like a lot. But it's actually worth a little less
7 than it was a few months ago, but that's just an inside
8 joke.

9 Anyway, he was at CH2M Hill in charge of their
10 European region. And just has tremendous experience in
11 everything from the London Tideways tunnels to the Thames
12 Water Program delivery and so forth. So Mr. Hill, welcome
13 to California. Welcome to the Program and if you'd like to
14 just take a moment and introduce yourself. We're very
15 pleased to have you and the experience you have,
16 particularly with high-speed rail.

17 MR. HILL: Thank you, Chair Richard. It's an
18 honor and privilege to be here. My Visa of 850 pages
19 allowed me to arrive this week, which is a great process.
20 I think it was achieved in record time. But I am
21 absolutely honored and privileged to be part of this great
22 program.

23 A lot has been achieved to date. And that stands
24 for what has been done as a great team. But also, as the
25 Chair said previously, this is a pivotal year and the

1 program moves into a new phase. And I look forward to
2 being part of a great team and leading a great team. And
3 these things do have challenges and I think we've heard a
4 few this morning.

5 I could tell you that the HS2 Program in the
6 U.K., if I did a word search with California High-Speed
7 Rail, you would swap them completely. They're
8 interchangeable. The same challenges, the same problems,
9 the same issues, but equally the same great benefits can be
10 achieved for the country. So I look forward to being part
11 of it. Thank you.

12 CHAIRMAN RICHARD: Thank you, Mr. Hill.

13 And Mr. Fellenz, I think you've added from the
14 top people in the organization, which critical as we move
15 forward here.

16 MR. FELLEENZ: Yes, we have Mr. Chairman and Board
17 Members. We recently added a couple of new members to our
18 Executive staff that we're really pleased to have, who have
19 excellent backgrounds that are coming with a real
20 enthusiasm for our project and really appreciated.

21 The first is Patti Nisonger. And maybe you can
22 stand up and --

23 CHAIRMAN RICHARD: Welcome.

24 MR. FELLEENZ: -- yes, and she is our new Chief
25 Information Officer. And she was in a temporary position

1 for a short time and now she is permanently our Chief
2 Information Officer. She retired from AT&T in 2006. She
3 has over 25 years in leadership experience, covering large
4 team management and program management experience, with
5 various positions, all of which are going to be very
6 helpful for us. It's the IT Acquisitions Project Delivery,
7 Chief of Program Management Office, It Services Division.
8 And she also worked at Caltrans for their 12 districts,
9 providing services when she came to the state.

10 And in her role as Chief Information Officer,
11 she'll manage the aspects of our program's informational
12 technical services, which is really important for us to be
13 very organized and state-of-the art. And she will provide
14 leadership for the development and implementation of these
15 IT technologies, policies, processes and procedures that
16 will govern every aspect of our programs.

17 So we're really happy to have you, Patti. Thank
18 you so much for joining us.

19 And then secondly, we have a new Chief
20 Administrative Officer, Rosemary Sidley, again coming to us
21 with a vast array of experience. We're really fortunately
22 to have her. She came from the California Highway Patrol
23 and held numerous positions there, including Facility
24 Section Commander, Personnel Services Section and Human
25 Resources Section Commander. She has 30 years of

1 experience with the state service, covering all aspects of
2 administration including facilities, human resources,
3 fiscal budget analysis, policy development and
4 implementation.

5 And while she's working with us as the Chief
6 Administrative Officer she'll develop, manage and provide
7 direction and oversight for these various functions
8 including business services, procurement for contracts -- a
9 big part of our program -- EEO, human resources, policies
10 and records managements, so really a key role. We're so
11 pleased to have you, Rosemary.

12 CHAIRMAN RICHARD: Welcome both of you. We
13 appreciate your coming to work here and there's a lot to
14 do. You won't be bored.

15 Mr. Fellenz, very good. Thank you.

16 MR. FELLEENZ: Thank you.

17 CHAIRMAN RICHARD: Okay. Let's move through the
18 rest of the regular agenda. Item three, consider
19 appointing a designee to the Transbay Joint Powers
20 Authority Board. Mr. Fellenz, you're going to present
21 this?

22 MR. FELLEENZ: Yes.

23 CHAIRMAN RICHARD: It looks like you're going to
24 be at the mic for a while down here on the next three
25 items.

1 Ms. Rivera, you have time to get an auditor joke
2 ready before your time comes up. I just wanted to let you
3 know we'll be expecting one.

4 MS. RIVERA: I was studying it. (Laughter.)

5 CHAIRMAN RICHARD: Okay. Good.

6 Mr. Fellenz?

7 MR. FELLEENZ: Yes. Mr. Chairman and Board
8 Members. Agenda item three is to consider an appointment
9 of a designee on the Transbay Joint Powers Authority.
10 Recently, the Joint Powers Authority invited us to become a
11 Board Member on their Board. We think it's really
12 important and an opportunity for us to be involved in the
13 Transbay Center, which is a northern terminus of our high-
14 speed rail system, in San Francisco downtown.

15 That project is underway, right now, and we will
16 be using the Caltrain corridor to link into the Transbay at
17 some point in time as a Phase II. They're now working on
18 the bus terminal. And it's important for us to join at
19 this time we feel, because we're going to have a lot of
20 involvement if we join now, to kind of shape the decision
21 making that will lead to the entrance into the facility
22 that we'll be using along with Caltrain on their tracks.

23 They have passed a resolution, inviting us. And
24 just to give you a little bit of background about the
25 Transbay Program, there's various funding sources. One of

1 which was we were involved in and that was the submission
2 of the grant request for the ARRA Funds. And in that
3 request it included some funds for the Transbay Terminal,
4 which was \$400 million that was directly provided to them.
5 And they've been using those funds.

6 And we, as a Member of this Board, if you choose
7 to approve this item, we'll have authority to now involve
8 ourselves with briefing from this point forward as a voting
9 member. There are a number of voting members: three from
10 the City of San Francisco, one from the Alameda, Contra
11 Costa Transit District and one from Caltrain, presently.
12 So we'll be added to that. And there is one non-voting
13 member that's an Ex-Officio Member from Caltrans.

14 There are budget implications. We would only be
15 subject if we join, to any sort of fees or expenses that we
16 would be assessed as one of the members. But we do have no
17 liability for any debts or obligations that would be
18 imposed on the Authority itself.

19 CHAIRMAN RICHARD: Just to make sure, we would
20 have no liability.

21 MR. FELLEENZ: No, none. Yes, no liability. So
22 only this Authority itself would bear those liabilities.
23 So I would be happy to answer any questions. We have
24 attached the Joint Power Agreement that put in place the
25 Transbay Authority. And also the bylaws are attached as

1 well. And we ask that you consider and accept this
2 invitation.

3 There's a couple of things that I want you to
4 consider. First is it could be either one of you as a
5 Board Member to be a Board Member on this particular Board,
6 or it could be a staff member. And there's a mixture of
7 both on the Board. Some of the organizations have staff
8 members, some have Board Members. So I leave it to you to
9 deliberate on that and give us some direction.

10 CHAIRMAN RICHARD: Okay. Before I turn to
11 members, I just make two quick points.

12 The first is you referenced the fact that in the
13 Stimulus Act and ARRA Funding Grant Agreement, \$400 million
14 was provided for the Transbay Transit Center. It's always
15 a good time to remind people that that really was an
16 accomplishment of Leader Nancy Pelosi, who spearheaded
17 that. And she gets credit for that \$400 million investment
18 in the Transbay Transit Center that was I think really
19 critical to get it going.

20 The second thing is I just wanted to let
21 colleagues know that when this request came in I checked
22 with Secretary Kelly, because given the multi-faceted
23 nature of the transportation services going into the
24 Transbay Transit Center, I wanted to see whether or not it
25 was more appropriate for this to be done at the State

1 Transportation Agency level. And I think they're very
2 comfortable with this Board taking the lead on it. So that
3 might have been a question in some people's minds and we
4 did run the tracks on that.

5 So with that, let me open it up to -- Ms.
6 Paskett, you were kind of leaning forward. Do you have a
7 question? Or do you just always do that?

8 BOARD MEMBER PASKETT: Well you know me well,
9 Dan, so thank you for being intuitive.

10 No, I've read this Board package and I've talked
11 to Mr. Fellenz and I agree with the recommendation that's
12 at the end of it. And I move the item.

13 CHAIRMAN RICHARD: Okay. We'll take it as moved.
14 But I want to make sure that other members have a chance to
15 hear questions and comments.

16 Ms. Schenk?

17 BOARD MEMBER SCHENK: Yeah. Thanks, no. Just
18 that we did discuss this in the briefing and I appreciated
19 the background efforts here. So do we have a motion?

20 CHAIRMAN RICHARD: We have a motion if you want
21 to second it.

22 BOARD MEMBER SCHENK: Sure. I'll second it,
23 yeah.

24 CHAIRMAN RICHARD: All right, moved by Director
25 Paskett, seconded by Director Schenk.

1 BOARD MEMBER SCHENK: We're quite a team today,
2 huh?

3 BOARD MEMBER PASKETT: Right.

4 CHAIRMAN RICHARD: Director Lowenthal?

5 BOARD MEMBER LOWENTHAL: We are not going to
6 designate the individual today, just --

7 CHAIRMAN RICHARD: Well, we are not. Except
8 that if a Member of this Board had a strong interest in
9 serving that capacity, I think this would be the time for
10 that person to say it. So the Board can either designate
11 the person or we can delegate that designation to the
12 staff. So maybe that's the first question.

13 BOARD MEMBER PASKETT: Well, the way I read the
14 Board letter, Mr. Chair, is if that is the direction or did
15 I read it incorrectly? That we're designating it to the
16 CEO.

17 CHAIRMAN RICHARD: That we're delegating it to
18 the CEO, right. But I was just going to --

19 MR. FELLEENZ: We drafted it that way, but we
20 could certainly change it --.

21 BOARD MEMBER PASKETT: I'm very comfortable with
22 that. You'll report in periodically?

23 MR. FELLEENZ: Yes.

24 And I think that makes sense to me. Yeah.

25 CHAIRMAN RICHARD: I think so too, but I didn't

1 want to be presumptuous, because I thought there might be a
2 member who might have a specific interest in this and if
3 so, that they would have that opportunity.

4 Ms. Schenk?

5 BOARD MEMBER SCHENK: Yeah. No, I just think it
6 would be better to have a senior staff person represent.

7 CHAIRMAN RICHARD: I'm good with that, yeah.
8 Okay.

9 MR. FELLEENZ: Okay. So in the interest of
10 efficiency, I'm appointing Ben Tripousis, our Regional
11 Director to that spot.

12 CHAIRMAN RICHARD: Is that going to change
13 anybody's vote? (Laughter.)

14 MR. FELLEENZ: I've already spoken to him. Just
15 to let you know, I have had that discussion with Ben. He's
16 happy to do this, so he would be the representative.

17 CHAIRMAN RICHARD: Okay.

18 MR. FELLEENZ: Periodically, he'll be at the mic
19 here reporting about it.

20 CHAIRMAN RICHARD: Okay.

21 BOARD MEMBER SCHENK: Happy or just willing?

22 MR. FELLEENZ: Yes. Oh, no. He's happy about it.

23 CHAIRMAN RICHARD: All right, moved and seconded.
24 Any other questions or comments, suggestions?

25 (No audible response.)

1 Okay. Secretary, please call the roll.

2 MS. JENSEN: Director Schenk?

3 BOARD MEMBER SCHENK: Yes.

4 MS. JENSEN: Vice Chair Richards?

5 VICE CHAIR RICHARDS: Yes.

6 MS. JENSEN: Director Curtin?

7 BOARD MEMBER CURTIN: Yes.

8 MS. JENSEN: Director Paskett?

9 BOARD MEMBER PASKETT: Yes.

10 MS. JENSEN: Director Lowenthal?

11 BOARD MEMBER LOWENTHAL: Yes.

12 MR. JENSEN: Director Camacho?

13 BOARD MEMBER CAMACHO: Yes.

14 MS. JENSEN: Chair Richard?

15 CHAIRMAN RICHARD: Yes.

16 Okay. We're now going to move to item four,
17 which is perhaps the most important thing on the agenda
18 today, because it's a demarcation of the program moving
19 from the construction phase only into the initial
20 beginnings of commercialization. And that, I think is
21 something that is very exciting for a number of reasons.

22 So this is about the release of requests for
23 proposals for an early train operator. Mr. Fellenz?

24 MR. FELLEENZ: Yes, thank you Mr. Chairman and
25 Board Members. If you recall we've had a couple

1 presentations already on this particular activity that's
2 happening, which is the selection of an early operator to
3 work with us. First, we had a report in the fall about our
4 plan to go ahead with this. It's also mentioned in the
5 Business Plan that this is a priority for this Board to
6 have an early operator procurement. And then back in
7 December of 2016 you approved an RFQ for the early
8 operator.

9 The result of the RFQ is we had five teams
10 qualified to receive this RFQ if you decide to approve it.
11 And those teams are listed right here: China HSR ETO
12 Consortium, DB International U.S., FS First Rail Group,
13 Renfe and Stagecoach Group and the various candidates in
14 those consortiums are listed below the titles.

15 And this procurement is a two-phased procurement.
16 That's first phase in the RFQ is to ask them to -- and work
17 with us alongside us to help us with the procurements for
18 the train operations including track and systems, civil
19 infrastructure, train operations, so they provide advice to
20 us over a five-to-six year period. And the amount of money
21 that we have set aside for this advice is \$30 million over
22 that time period.

23 They'll be producing a financial plan during that
24 five-year period, where they're going to lay out their plan
25 for operations including how they would attract passengers,

1 their business model and other aspects of how it would be
2 all financed, ridership and revenue studies.

3 And so at the end of that first phase, then we'll
4 go into Phase II. And this is going to be negotiated at
5 the time -- and this is contemplated in the RFP -- that
6 they would take up the early period of ridership revenue
7 ramp up and then slightly beyond that, so that they can get
8 operations up and running. And at the end of that period,
9 which is undefined at this time. Because over the next
10 five or six years, we will determine how long that will
11 take for them to have this ramp-up period where the
12 ridership goes from virtually nothing, because we just
13 opened the system, to a point where no subsidy is required.
14 Which means that the ridership revenue pays for maintenance
15 and operation.

16 So this Phase II is to be negotiated later. And
17 if we can't come to terms in that negotiation period, then
18 we just go out with another procurement to competitively
19 bid for an early operator to run the train, as a commercial
20 enterprise during that period of time.

21 At the end of the ramp-up period, which we'll
22 decide the term during that later negotiation, we will then
23 go out with a longer procurement to have a permanent
24 operator of probably in the neighborhood of 20 to 30 years.
25 We haven't really locked that down at this point. And they

1 and others can then compete for that as well. So really,
2 three different phases to get into operation: this
3 consulting period of five-six years, early operation and
4 ramp-up period and then the final long-term procurement
5 with maybe one of these operators, maybe not, after we go
6 through a competitive procurement.

7 So that's the format of it. And there's a lot of
8 detail with the RFP, which is attached here. We have a
9 competitive process. For this first phase, there's three
10 parts to the evaluation and for a total combined score of
11 1,000 points. And it's really broken down into three
12 pieces.

13 The first is approach and methodology technical
14 presentation that they will produce in writing. And then
15 secondly, there's a cost proposal. The cost proposal is
16 really the rates that they would charge for the various
17 experts they would bring to the table for that five year
18 period. And then we finally have an interview process that
19 we will evaluate their ability to perform during that
20 period to help us shape the program to a point where we
21 succeed when we get to the ridership phase.

22 And we think it's important to bring them early,
23 which is the early operator. Because if they are part of
24 our program now we can have a much better opportunity to
25 have someone imbedded in our team who will be ultimately,

1 possibly, the operator if the this other negotiations
2 happen later. And so they really have an interest and
3 stake in it. And so we think that's really of great value
4 to the program.

5 CHAIRMAN RICHARD: Let me just -- if I might just
6 expound on that last point just a bit and then take
7 comments and questions from members. Because I think this
8 is really important that I want to make sure that the
9 public understands what it is we're doing here.

10 First of all, in talking to people who have been
11 involved in major project development, they often talk
12 about the gap between the project design and it's
13 constructed and then somebody comes in to operate it. And
14 then looks at it often and says, "Gee. Why did they design
15 it this way? Why did they do that?" And what we're doing
16 here is to bring, to infuse, commercial thinking into the
17 design, right now.

18 So some of you may recall that several months
19 ago, I asked us to hold up on going out for the
20 architectural services for the Fresno Station, well why did
21 I do that? Well, because the Japanese tell us that they
22 get 32 percent of their revenues from the real estate
23 development and the commercial activities around their
24 stations. So we could have a world class architect who
25 could design a station, but wouldn't it be better to have

1 somebody who can say, "If you want to design the station so
2 you maximize commercial opportunities, both within the
3 station and around it here's how the galleries should be
4 designed. Here's how the pathways should be designed.
5 Here's how the entrance and egress should be designed.
6 Here's how it should be oriented."

7 So again -- and where do we put the heavy
8 maintenance facility? Well, yeah we could make a decision,
9 but it would be good to have somebody who has -- yes I
10 know, Fresno, I understand. (Laughter.) But it would be
11 good to have somebody tell us that that's commercially the
12 right place, not just because nice people are from Fresno.

13 So let me just take it one step further. When
14 people ask how we are going to fund a \$62 or \$64 billion
15 High-Speed Rail Program, our analysis, our economic
16 analysis shows that over the first 30 years the net present
17 value of the excess revenues that this program should throw
18 off, based on very scrubbed down analytical work, is
19 somewhere between \$12 and \$20 billion. I'm looking at Russ
20 Fong and I'm looking at Gary nodding (i.e. his head),
21 which is good.

22 So what that means is, at some point we're going
23 to ask the private sector to write us a check for
24 approximately that amount, which will help us build a third
25 of -- that's a third of the cost of the system. Those

1 people will look at what we've designed. They will look at
2 what we've built so far. And they will say, "Am I really
3 going to be able to earn this money or are there things in
4 the design that limit me?" And if they think that the
5 latter is true, they're not going to write us a check for
6 \$20 billion. They're going to want to write us a check for
7 \$15 billion or some number less than that.

8 The more we can infuse commercial thinking into
9 the design now, the smaller the risk discount we might
10 suffer against the future revenues that this project
11 produces. So as far as I can tell, this is unique in that
12 people generally don't come into a project at this phase
13 with commercial operators.

14 And I know Danny Curtain has spent a lot of time
15 thinking about this. And we want to make sure that we're
16 not just hiring another consultant, but that we're bringing
17 people on who will have skin in the game. Because if they
18 do this right the ideas and the suggestions that they give
19 us, will be the things that they have to live with, if
20 they're the early operator, to start it up.

21 And if they do successfully get to that second
22 phase, they will have to decide, "Okay. Obviously there
23 will be a loss the first year or two. How long do I need
24 to be able to recover that and earn the money I want to
25 earn?" The better the design, the better their

1 suggestions, the more they live with that, the faster that
2 process will happen.

3 So there is a direct line of sight between the
4 design and the construction today and the ultimate
5 commercial operation. And as Mike Rossi likes to say,
6 "We're not just building a rail road, we're building an
7 enterprise here."

8 Our charge, under the Bond Act, is to build
9 something that will be economically self-sustaining. Not
10 just to get it into the ground. So the idea is that one of
11 these teams with international experience will help us do
12 that, and build it in a way that it will maximize the
13 chances for commercial success. So I just wanted to take a
14 moment and emphasize this, because I wasn't kidding before
15 when I said I think this is a real inflection point for the
16 program.

17 So I apologize for going first. And let me just
18 stop and turn to my colleagues and any comments that they
19 would have or questions for Mr. Fellenz. Let me start with
20 Mr. Camacho.

21 BOARD MEMBER CAMACHO: Several questions, I mean
22 because I read through the procurement. It started off as
23 an RFQ, so we selected based on quals. And now we are into
24 an RFP and then we are going to go into best value. Help
25 me understand that.

1 MR. FELLEENZ: So the RFQ was -- the purpose of
2 that is to make sure that the teams were qualified to be
3 part of this procurement, that they had the personnel, the
4 experience, the financial backing to deal with the ramp-up
5 period. And having gone through that whole process we
6 found that actually all five who submitted statements of
7 qualifications in the RFQ process would be able to compete
8 and could possibly be the early operator for it.

9 Now, we give them the contract itself, the RFP.
10 And this is a description of what they're supposed to
11 submit for their proposal in a competitive nature with all
12 five. And then that will be scored. There's a technical
13 aspect, a financial, and a --

14 BOARD MEMBER CAMACHO: I get that, but so we're
15 going from RFQ to an RFP --

16 MR. FELLEENZ: Right.

17 BOARD MEMBER CAMACHO: -- which is price based by
18 the nature of the definition of an RFP. Then we go into a
19 statement, "The preferred partner may be," -- "The selected
20 may be based on a bid selection in conjunction with the
21 qualitative factors." What are those factors and how do we
22 make that clear to the people who are going to respond to
23 this RFP what we're looking for?

24 MR. FELLEENZ: There's a number sections in here
25 that talk about the factors that we're looking for. We

1 want to know their approach and methodology in submitting
2 the financial plan to us. We expect them to kind of guide
3 us how they would approach this enterprise, this commercial
4 enterprise, as Chairman Richard has said. And so this is
5 part of the qualitative evaluation.

6 The quantitative, or the pricing, is really a
7 function of what types of services will we get out of this
8 procurement? Because they'll give us their rates and we
9 can see how many hours we'll get and the type of people.

10 The other important thing is who is going to be
11 on their team. What are their backgrounds? What are their
12 qualifications? Because they will be embedded with us and
13 we want the top notch people from around the world that
14 have the early operator or have operation experience to be
15 --

16 BOARD MEMBER CAMACHO: I happen to agree with the
17 Chairman Richard, it's an opportunity to infuse technical
18 thinking into a design. But when I look at the budget that
19 we're talking about, we're talking about a \$30 million
20 budget spread over five or six years. So how much
21 technical expertise are we really buying for \$5 million?
22 And is that enough, or does that limit their thinking? I
23 mean are they going to bring the best minds and best ideas,
24 best practices, a world-class system, type of thinking for
25 perhaps \$5 million a year?

1 And, you know, I'm not encouraging necessarily
2 that we spend more money to spend more money. But I don't
3 want to be put in a position that we get what we pay for.
4 And we've limited the proposers by setting an arbitrary
5 budget of \$30 million. I'd like to understand how that
6 came about.

7 MR. FELLEENZ: Well, we do have the Rail Delivery
8 Partner that has a lot of experience with high-speed rail
9 from around the world. And they've brought expertise to
10 the table as well. But they're not assisting us as part of
11 the operations phase at this point in time. That will be
12 the early operator that will do that.

13 So there'll be a fewer number of people on this
14 team, because as you point out, the dollar value is not
15 very high compared with all the other activities that we're
16 doing. But the important thing is that they set up a plan
17 for this commercial enterprise. And the plan is something
18 that we would look at and evaluate in this process.

19 So it's a small team embedded, and they're
20 looking at all the procurements that we're putting out.
21 And what type of capital costs would there be for
22 replacement, for maintenance, because they're going to have
23 to take the ridership revenue and be responsible for paying
24 maintenance and operations. And so they have to look at
25 ridership as another element, so they'll be doing these

1 activities. And of course, looking at the work that we've
2 already done and will continue to do, over the next five-
3 year period.

4 So it's a small team, evaluating everything that
5 we have done and doing their own independent analysis of
6 how this could function as a commercial enterprise.
7 Because then they'll come in with the financial backing to
8 take the next phase, which is the ramp-up period.

9 BOARD MEMBER CURTIN: Chairman Richard --

10 BOARD MEMBER CAMACHO: Are they limited by this
11 RFP itself? Or can the proposer submit an alternative
12 proposal, which may be higher in cost, which exceed our \$30
13 million, or thinking out of the box?

14 CHAIRMAN RICHARD: Well, I was just going to
15 make one point, which I hope was correct. And I'm not as
16 hesitant as I would be if Mike Rossi was here, who would
17 slap me. But Tom might. But I think this goes back to
18 something.

19 Danny Curtin have spent many hours talking about
20 this and one of the things that I would hope is that
21 because of the second phase, and at least the way I think
22 about the second phase, is that the operator would say to
23 us, "Okay. I've given you all this technical advice. Now
24 I want to start the system up." And my thinking is that
25 negotiation is going to be about, "I want to recover my

1 cost and I want to earn X percent return." And then we
2 will arm wrestle with them over how long that should take
3 and what that return level is.

4 But that should be very lucrative for them. And
5 so my hope is that in this first phase of competition, we
6 will actually see people taking some risks to give us more
7 than \$5 million a year worth of engineering expertise, if
8 they really want that carrot at the end. And in addition
9 to just being able to earn their rate of return and meet
10 their return hurdle. They will also be in a position of
11 starting up the first high-speed rail road in the United
12 States of America.

13 BOARD MEMBER CAMACHO: There's a lot of certainly
14 gain for them to invest and have skin in the game, as you
15 put it. But what I'm suggesting is even to think out of
16 the box in terms of the procurement itself that we not
17 limit them necessarily only to this type of an RFP. But to
18 allow them to bring to the table an alternative proposal
19 that will -- they may even have much more skin in the game
20 by an alternative proposal. It may cost us more money, but
21 I think that we can approach it.

22 The way you're suggesting it, certainly it will
23 have the leg up going forward, on the second phase. But
24 from the very beginning for them to bring us something that
25 might -- again we can evaluate it based on this. And an

1 alternative proposal saying they may have more skin in the
2 game by offering many more services and much more
3 information.

4 CHAIRMAN RICHARD: Well, let me turn to
5 Mr. Fellenz in both his capacities as the Interim CEO and
6 as our permanent Chief Counsel, because I think that gets
7 into some procurement structure issues that I don't want to
8 opine on and trip over some legal issues. But Tom, what's
9 your reaction to that?

10 MR. FELLEENZ: So I think I understand you to say,
11 "Well, can we restructure it? Can the submittal, the
12 proposal itself, suggest something different than what we
13 have outlined here?" And generally speaking, the answer
14 would be "no." That we've kind of set the limits for the
15 procurements, so all the players -- all five -- know what
16 they're supposed to be submitting.

17 As opposed to an unsolicited proposal, where they
18 can just propose whatever they would like. Because
19 otherwise we wouldn't be able to fairly compare each one of
20 them. So we internally, have decided this makes sense for
21 us at this time. And it's not to say that we can't
22 continue to look at this procurement, look up the contract
23 with an eye on maybe that we want something different. But
24 this --

25 BOARD MEMBER CAMACHO: But this is formulated

1 under a 2016 Plan and we all agreed to this. And this was
2 based on variables in the future. Those variables have
3 changed. Many things have changed based on the decisions
4 made in 2016, or 2017, going perhaps into 2018. Things
5 have changed that I think we need to think out of the box.

6 When I look at some of the assumptions that we
7 base much of our information on -- ridership as an example,
8 which you and I have had endless conversations on -- we
9 took an approach, a very conservative approach, on
10 ridership. Ridership is going to pay for our system, a
11 part of that. And should be dependent on it.

12 CHAIRMAN RICHARD: Huh-uh, it should be pay for
13 all of it.

14 BOARD MEMBER CAMACHO: But yet we took ridership,
15 as I looked at the numbers I thought that there was
16 something wrong, because they seemed to be abnormally
17 conservative. And in fact they were. As I asked
18 questions, we never included any tourism, or out-of-state
19 travel, coming to the State of California, in any of our
20 projections.

21 To me, that makes absolutely no sense, because we
22 have 150 to 200 million people coming to the state of
23 California every year. I can tell you when I go into
24 Europe, I ride high-speed rail. I go into China, I ride
25 high-speed rail, or Japan. For the novelty, number one,

1 and also to get to a place from A to B in a quicker
2 timeframe. So for us not to have taken into consideration
3 tourism into some of our projections makes absolutely no
4 sense. And maybe you can help me out, help me understand
5 that.

6 MR. FELLEENZ: We did consider that when we did
7 the ridership calculations. And we decided to take the
8 conservative approach. And that was really the premise of
9 not including tourism.

10 BOARD MEMBER CAMACHO: But that doesn't help with
11 investors or anyone else, when they look at this if our
12 numbers are abnormally conservative.

13 CHAIRMAN RICHARD: Well, Mr. Camacho, can I just
14 -- let me just get a couple of other members in here,
15 because I want to come back to your main point about
16 innovation and flexibility, which is what I think I'm
17 hearing you talk about here. And maybe we can do that.

18 But let me just ask first Director Schenk and
19 then Director Curtin.

20 BOARD MEMBER SCHENK: Thank you. Actually, one
21 of the early points that Director Camacho made was a
22 question of mine too. It seemed like a modest number for
23 what we are asking of these, and this is a really important
24 step and a very good step and an innovative step in itself.
25 But you know the \$30 million seemed like a small sum.

1 So just so that I understand, we're going to have
2 the pre-operation, right? Then the operation which will
3 have a ramp-up period and then a follow-on after the ramp-
4 up period within, which the successful bidder will have an
5 opportunity to recoup. Am I understanding that correctly
6 or not?

7 MR. FELLEENZ: So the ramp-up period would be --
8 the Phase II, which is the early operation, the term of
9 that will be determined during negotiations. And that term
10 will reflect the ramp up to get to a non-subsidy state.
11 And then beyond that to have them recover whatever losses
12 they may have sustained during the ramp-up period because
13 the ridership was too low to pay for all the maintenance
14 and operational costs.

15 We don't know that that period is, exactly right
16 now. We've looked internally and have some idea. But this
17 really, since they would be the commercial operator, it's
18 really their decision as to what that period would be.
19 Which is get a ridership state, where you have no subsidy
20 and then beyond that to recover the losses.

21 We will do our own calculation. And this is part
22 of the negotiation with Phase II. And so they will be able
23 to receive all the ridership revenue proceeds, or most of
24 them -- and again that isn't completely determined --
25 during that period, that Phase II period. And so the

1 length of that period will realize in some sort of gross
2 revenue. And so we're going to have to determine whether
3 that's the right deal for us. And this is part of the
4 negotiation that goes back and forth with us.

5 If we believe, either the early operator or
6 ourselves, after this initial consulting phase believe that
7 this isn't going. We can't come to a meeting of the minds.
8 We can just opt out. And then we can put it out as another
9 competitive procurement for this early operation recovery
10 period. And then beyond that, there's a Phase III where
11 that's like a 30-year operation.

12 BOARD MEMBER SCHENK: Yeah, that's down the line.

13 MR. FELLEENZ: Yes.

14 BOARD MEMBER SCHENK: But so the pre-operation
15 period of the six years, and the 30 million, so there's
16 some thought that that is a small number and they will
17 recoup more of that then in the next phase?

18 MR. FELLEENZ: Yes, they could. They absolutely
19 could recover some of that in this next phase, but we're
20 really paying for the personnel that they have on an hourly
21 basis, which is the \$5 million a year. And admittedly, it
22 would be a small group.

23 BOARD MEMBER SCHENK: Yeah. It sounds like a
24 small number. Okay. Thanks.

25 CHAIRMAN RICHARD: Director Curtin and then Vice

1 Chair Richards.

2 BOARD MEMBER CURTIN: Thank you, Chairman
3 Richard.

4 CHAIRMAN RICHARD: And I apologize for speaking
5 for you before, so please feel free to say that I got it
6 wrong.

7 BOARD MEMBER CURTIN: As long as I can confirm
8 what you're saying was not in some weird -- I don't even
9 want to get into that -- politics. We'll just leave it
10 right where it's at.

11 I want to first of all, reiterate what Dan was
12 saying about the commercial thinking that's associated with
13 this and how critical it is at this phase. And I also want
14 to say I sympathize with the concerns of Director Camacho,
15 but I've raised these issues and had these discussions for
16 quite some time with Dan and others.

17 And while I have some concerns about this, the
18 more critical element for me now is that we get this RFP
19 out and we get an early operator onboard. I would like to
20 have seen this two months ago on board ready to go, but we
21 are at a very, very critical phase of high-speed rail. And
22 I do want to express my concerns a little bit, but I want
23 to preface that by saying it is so fundamentally important
24 to get this RFP out. I believe the teams that have put in
25 their RFQs represent some of the best potential in the

1 world.

2 And I think we need to get this on, get it moving
3 and get these people onboard as soon as possible for all
4 the reasons that Dan had mentioned and others. But I want
5 to tell you my concerns were that the commercial thinking,
6 which I believe is the critical element, has to do with
7 money at risk. And my concerns about this RFP were that we
8 did not put the at-risk element early enough in the
9 process.

10 We have an advice process for five or six years
11 and a negotiation process. And I agree with Tom, that you
12 really can't pin down what the risk is going to be during
13 the ramp-up period. We have one statutory requirement that
14 we cannot subsidize operations. That is the fundamental
15 at-risk component of this early operator. It could be \$100
16 million. I believe our analysis had a potential of \$140
17 million at risk, during the ramp-up period. I don't think
18 anybody's going to really know exactly what that is until
19 there's a ramp-up period.

20 My concerns were that we weren't digging into the
21 risk appetite enough in this proposal. I've raised those.
22 We've discussed them. I thought an at-risk portion should
23 be more evident in the beginning of this. The \$30 million
24 amount that Director Camacho is referencing, I thought was
25 rather arbitrary. It just doesn't seem to make sense to me

1 in the five-or-six-year period. But to be honest with you,
2 I think all of those things can be overcome during the
3 process.

4 And I think we have five good teams. I think
5 they're going to look at this very carefully. And I
6 believe we're going to get some very, very solid responses.
7 Now, if they want to bring innovative approaches about
8 taking some risk up front, I think that would be welcome.
9 But I don't believe we can actually make our valuation on
10 that, but we should certainly look into that and be
11 receptive to any ideas that come in that process.

12 For me, the earlier at-risk component brings the
13 critical commercial thinking to the table. If we simply
14 have a time and material advice process, well, there's a
15 likelihood that that team's not really going to have to
16 live with their own advice. And to me that's one of the
17 fundamental differences, but I believe that's going to be
18 worked out in this process. To me, it's so fundamental
19 that we get them onboard early now, that the rest is kind
20 of details that will get worked out.

21 To that end, I want to talk slightly about the
22 evaluation, because again I think the 30 million is sort of
23 an arbitrary number. It's hard to figure out how you
24 squeeze \$5 of \$6 million a year into this process. But I
25 do want to point to two evaluation components. One is the

1 Small Business Utilization Plan, which is 100 points out of
2 1,000, so it's not insignificant. I don't think that's
3 really an evaluation process. I think that's a yes or no
4 process. I believe we have a -- I don't know if it's
5 statutory or it's a policy or what.

6 CHAIRMAN RICHARD: Well, we've established that
7 it's a 30 percent goal with small businesses.

8 BOARD MEMBER CURTIN: Right, so that's not like,
9 "Show us your Plan and we'll give you 100 points." If one
10 of the teams doesn't have that plan, they don't get any
11 points. It's not a question of, "Well, it's a pretty good
12 plan. We'll give you 80. It's a great plan, we'll give
13 you 110." That's the kind of thinking I'm a little worried
14 about. Now that we've established the predevelopment, at a
15 certain nominal amount, we're sort of restricting the
16 evaluation in a weird way.

17 The cost proposal for the first year, I don't
18 quite understand. And I want to reiterate, I'm not saying
19 with any of these that I want to hold this up and come back
20 next month, absolutely not, absolutely not. We've got to
21 get this out the door.

22 And lastly, I want to talk to you about the
23 activity description and the timing on this. I don't want
24 to see this happening in December. I don't want to see the
25 new team in December. I would like to see it much earlier

1 than that. I've looked at this timeline and some parts of
2 it I don't quite understand. It looks like it's prepared
3 to deliver a vote to the Board in November. I think that's
4 -- if we could do it in October, better. If we could have
5 a special meeting in early October better, to deal with
6 just this one issue.

7 I don't know why they need a month between the
8 release and the pre-bid conference? They all know what
9 they're doing. Let's say we put out the RFP and we have
10 the pre-bid conference almost simultaneous, like two weeks.
11 All you need to do is get your airline tickets and bring
12 your team in and let's have the pre-bid conference. So I
13 want to really encourage the expedition of the timeline
14 here.

15 I'm going to make a motion to pass this measure,
16 but I also want to say that we need to have a sense of
17 urgency on getting this team on board. Especially now,
18 because we are in the process of doing some very important
19 things in terms of the leadership of this organization.
20 That to me is the fundamental one.

21 I had concerns about the at-risk element. I
22 thought it should have been put earlier on the team and see
23 which teams were ready to accept that risk. What their
24 risk appetite might be. But I'm more than willing to go
25 along with this proposal. And hopefully, the negotiation

1 and the teams that we are dealing with bring a good faith
2 effort to it. So I'm going to move it. And hopefully the
3 discussion moves in that direction.

4 CHAIRMAN RICHARD: Maybe when you move it Danny,
5 you can have a provision in there that the staff are to
6 reevaluate the schedule and see if there's a way to look at
7 that.

8 BOARD MEMBER CURTIN: Well, I would rather do --

9 CHAIRMAN RICHARD: I understand and we shouldn't
10 do it arbitrarily here, but I think if you --

11 BOARD MEMBER CURTIN: Exactly. I don't think the
12 schedule is in the motion, if I'm mistaken.

13 CHAIRMAN RICHARD: No, but it's in the RFP.

14 BOARD MEMBER SCHENK: It is in the RFP.

15 BOARD MEMBER CURTIN: It is in the RFP?

16 CHAIRMAN RICHARD: Right.

17 BOARD MEMBER CURTIN: Well, yeah. We have a
18 couple of days that I would hope --

19 CHAIRMAN RICHARD: Yeah. You can ask them to
20 just take a look at it. I don't think we want to chase
21 anybody away, because all of a sudden they can't meet the
22 schedule. But I think your point about moving this
23 organization to something that's operating on a much
24 faster, more urgent timeframe is very appropriate.

25 So anyway, you can make your motion.

1 BOARD MEMBER CURTIN: Okay. I can appreciate
2 that, that that would be considered part of my motion.

3 CHAIRMAN RICHARD: Yeah. Okay.

4 Vice Chair Richards?

5 VICE CHAIR RICHARDS: Thank you, Mr. Chairman.

6 I agree with much of what Director Curtin and
7 Director Camacho have said. Let me just ask you a couple
8 of questions. In the RFQ, was there any mention at all
9 about the proposed compensation?

10 MR. FELLEENZ: Well, it --

11 VICE CHAIR RICHARDS: As far as you recall, was
12 the \$30 million mentioned anywhere in the RFQ?

13 MR. FELLEENZ: Oh yes. It's --

14 CHAIRMAN RICHARD: So in the RFQ?

15 VICE CHAIR RICHARDS: In the RFQ.

16 MR. FELLEENZ: Was there? Boy.

17 CHAIRMAN RICHARD: I don't think it was.

18 VICE CHAIR RICHARDS: I don't think it was
19 either.

20 (Off mic colloquy.)

21 VICE CHAIR RICHARDS: Okay. So I happen to think
22 that's pretty meaningful that it wasn't, because we got
23 what appears to be five very competent, qualified
24 respondents. So one of the -- just for nothing more than
25 it was a term, but the determination of \$30 million and

1 whether it was arbitrary or not, that's how it's been
2 referred to. I'm concerned about if it was arbitrary.

3 I'm concerned about where did it come from? And
4 what sort of discussions and decision making was there in
5 putting together, if there was in fact a schedule with the
6 intent of trying to define well how much is \$30 really the
7 right number? Because what we've done over and over in
8 looking at contracts for consultants for this project, this
9 would be quite a low contract or estimate of a contract.
10 For an activity that we've all agreed and strongly agreed
11 here, is absolutely critical for moving this project
12 forward timely in a commercial way. So apparently
13 somebody's going to respond to this right now.

14 MR. FELLEENZ: Yep. Paul Neal's our Director of
15 Commercial Activity.

16 VICE CHAIR RICHARDS: Good. All right, Mr. Neal?

17 MR. NEAL: Chairman and Directors, I think the
18 fee of 30 million was arrived at by an assessment of the
19 type of expert the team had considered would be appropriate
20 for what we were asking of the early operator recognizing
21 that we were asking them to come in as a partner to the
22 Authority and the RDP, to set up the future operational
23 business. But also recognizing that there was already a
24 staff in the Authority and RDP, who would be carrying out
25 the bulk of, for example, the design work if we take the

1 stations as an example, but asking the early operator to
2 provide critical advice on certain aspects of that design.
3 Not taking over the whole design process, because for
4 example some of it would not be of direct interest to the
5 early operator. But the commercial aspects of that design
6 of the station, for example, would be.

7 So we're not asking the early operator to take
8 over the whole design of the future business. But to
9 concentrate on those elements of the future operation,
10 which has a commercial aspect to them, which would
11 therefore enable them to maximize the terms from the fare
12 box and the (indiscernible) revenues. So we can future
13 monetize the business. So it's very much a complementary
14 partner to the existing Authority and RDP and the other
15 consultants, such as the Financial Advisor. So that was
16 how we arrived at the approximation of 10-to-20 staff at
17 that sort of five million per annum.

18 But also in the industry outreach we did before
19 the RFQ, we recognized that many of these international
20 operators, their core business is actually operating
21 railroads in their home country or in other franchised
22 areas. They're not set up to be consultants. So they have
23 to draw these key personnel from their operating business.
24 So they're not necessarily going to be able, even if we
25 wished them, to send hundreds of people to us.

1 What we want is their very best experts and
2 advisors to come in and be part of the team. Not
3 necessarily to take over the whole operation at this
4 moment. So that was how we arrived at that figure.

5 VICE CHAIR RICHARDS: So does that leave you
6 confident with that 10-to-12 or 20 people that it may be,
7 and some of their best staff, that we're getting everything
8 we need to help bring the commercial aspect of this project
9 to fruition?

10 MR. NEAL: That would be our professional
11 judgment. And also they would be able to rotate these key
12 staff, so it wouldn't be 10 people from day one all through
13 the five years. As we move through the phases of the
14 program, we would be able to bring in supplementary staff.
15 So there would be a core team, which would be with us
16 through the duration. But specialist people could be added
17 or removed as appropriate.

18 VICE CHAIR RICHARDS: Well, I certainly agree
19 with and endorse the at-risk component of what we're trying
20 to accomplish here unless it's at the cost of seeing these
21 respondents walk away from the opportunity here. Because
22 it's simply -- if they determine it makes no feasible sense
23 when they're taking on what amounts to a 20 percent, a one-
24 in-five chance of actually being selected.

25 MR. FELLEENZ: So Director Richards, we did just

1 check and the \$30 million was reflected in the RFQ.

2 VICE CHAIR RICHARDS: Okay. So there was --

3 MR. FELLEENZ: I think it was, yes. So they were
4 aware of that.

5 VICE CHAIR RICHARDS: Okay. That's very
6 important.

7 MR. FELLEENZ: So they were aware of that. We
8 checked.

9 VICE CHAIR RICHARDS: All right.

10 BOARD MEMBER CURTIN: Mr. Chairman?

11 VICE CHAIR RICHARDS: I just had wanted one
12 other thing. I'm certainly concerned about that. I'm
13 encouraged that that was in the RFQ. My hope would only be
14 that for whatever reason people responded, recognizing
15 maybe 30 million was there over five years, if they were
16 not going to be awfully interested in that but at least to
17 stay in the game to this point. If that's your complete,
18 professional opinion based upon all the years of expertise
19 and experience you've got, that's certainly encouraging.

20 It's just for a project of this scale and for
21 taking it in a commercial direction, it just seems awfully
22 low. And I'm just like Director Camacho, we're not trying
23 to give away money. We just want to make sure that we're
24 getting the best people to provide the advice and bring us
25 to a commercial finality, so that we can operate.

1 One other thing I do want to just mention, and I
2 noted it in the Stagecoach Group PLC proposal, I would like
3 to believe -- and I suspect it would be the case -- when I
4 see that the likelihood there is that they may be proposing
5 on behalf of either a new U.S.-based entity or a one of
6 their shell organizations. I would encourage you to be
7 looking very carefully at who is bearing the risk.

8 I don't think we want, if the implication there
9 could potentially be that we're dealing with a shell
10 corporation that's not, I would think, certainly not what I
11 would be looking for.

12 CHAIRMAN RICHARD: That's right.

13 MR. NEAL: Okay. Well, that would be a key part
14 of the evaluation process going forward.

15 VICE CHAIR RICHARDS: Okay.

16 CHAIRMAN RICHARD: Okay. I have a thought on
17 this, but after Director Curtain comments then I was going
18 to make a proposal. So Director Curtin?

19 BOARD MEMBER CURTIN: Okay. Well, I just sort of
20 want to reiterate we've been going through this \$30 million
21 number. That's why I didn't think it was in the RFQ and I
22 was concerned about it then. But the reality for me was
23 the at-risk element.

24 And the ramp-up period is when you're not allowed
25 to subsidize operations, that's what we cannot do, but the

1 post ramp-up period is where the team that is our early
2 operator begins to see revenue and then fundamentally
3 that's why you can't negotiate that now. We're not quite
4 sure how long that will take. There's so many variables.
5 But the real issue is their return. What return they're
6 looking for an over what time period: 10, 20 years, can
7 they last? Will they last? And I thought that the early
8 investment, in terms of a workforce, would be part of that
9 recovery period. But it would put the at-risk period more
10 up front.

11 Having had all those discussions, I think we just
12 need to move along here. The teams that are prepared to
13 come at \$30 million over a five-or-six-year period and then
14 negotiate what is potentially a long-term investment, we've
15 just got to take at face value that they're prepared to do
16 that. If they end up investing more time than we're
17 authorized to allocate they can certainly build that up
18 into their post ramp-up return.

19 Lastly, I want to reiterate what Mr. Fellenz said
20 about this is not really a cost factor for the agency,
21 because we hopefully will take this \$30 million out of
22 somebody else's hide. But I will look directly right now.

23 CHAIRMAN RICHARD: I think I'm looking right at
24 the rows where they're nervous back there.

25 Assemblymember Arambula?

1 EX OFFICIO BOARD MEMBER ARAMBULA: I won't be too
2 long on this, but I wanted to focus on the scoring
3 mechanisms if I could and understand why you focused on the
4 Small Business Utilization Plan as a 10th of the scoring.
5 It seems as if the intent is over the entirety of the
6 project and not each section, and so I'm wondering why a
7 10th of the entire scoring of this RFP is focused on that
8 Plan?

9 MR. FELLEENZ: Well, the Board has adopted a 30
10 percent goal policy that we take very seriously. And so we
11 embed this within all of our RFPs as a requirement. And to
12 make it a serious response from them and a thorough and
13 serious response and a real commitment, we have placed that
14 10 percent. So we want it to be large enough that it's a
15 serious commitment by them and that they prove that to us,
16 in their proposal in some manner. And we're convinced that
17 they are making that commitment, even though as you point
18 out it's for both phases.

19 CHAIRMAN RICHARD: So I was going to, in
20 listening to all of my colleagues here I wanted to just put
21 this on the table. And I do it carefully, because there's
22 been a lot of thinking that's gone in to this. And I
23 appreciated your responses and the thoughtfulness of them.
24 But I also think it was compelling what Director Camacho
25 said about trying to bring in innovation, so I wondering, I

1 wanted to just put this on the table. Can we do an
2 analogue of what we do with our design-build construction
3 contracts? Where we go out and we tell people that here is
4 the contract, I mean here's the design. But you can come
5 in and propose alternative means of compliance, if you
6 will.

7 So what I'm thinking is can -- and I'm also
8 completely with Danny Curtin that I don't want to send this
9 back and have it come back here. I think we need to do
10 this today and we need to get it going, but I'm wondering
11 if we can authorize you to add a module that just says,
12 "This is the 30 million that's out there. But if you want
13 to come in and tell us that for X amount more you would do
14 Y services, then we will evaluate that." And we're not
15 going to guarantee you that we will take that, but it puts
16 the onus on them to be innovative and to show that that's
17 cost effective.

18 I think what it also does -- I'm most concerned
19 about what my colleague Tom Richards said, which is we've
20 gotten to this point where we've now qualified five
21 international teams from around the world. From the
22 Chinese who have built the most miles of high-speed rail to
23 the Spaniards and the Italians and the British. I mean,
24 we've got just a tremendous access here. What I don't want
25 to do is to wake up and find that of these five teams only

1 one bid. And so I think we would then regret that and we'd
2 go back and ask ourselves what we did wrong and we'd go
3 back through the process again. And Danny Curtin would be
4 taking the -- well I was going to say a pipe, but he's a
5 carpenter, so he'd be taking a two-by-four and whacking us
6 up the head.

7 BOARD MEMBER CURTIN: It could be a hammer, Dan.
8 (Laughter.)

9 CHAIRMAN RICHARD: I think that sounds even
10 worse.

11 So colleagues, I was just thinking that we go
12 with the basic structure that the staff has put together,
13 but we add a module that directs the staff to say to the
14 extent that you want to propose something in addition, you
15 tell us what that is. We'll allow an innovation module and
16 we won't guarantee that we will make our evaluation based
17 on that. But if you're compelling enough then we might.

18 Now, I should ask the staff first, do you see
19 technical problems with doing this before I get people
20 excited about it, or?

21 MR. FELLEENZ: So one challenge I think for the
22 staff is that we would need to know if we were adding more
23 options or services or potential activities --

24 CHAIRMAN RICHARD: We're not.

25 MR. FELLEENZ: You're not? Then we would need to

1 know how much authority we have in terms of dollars.

2 CHAIRMAN RICHARD: Well, I think what would
3 happen is you would come back to the Board and you would
4 say to us either a), "We want to award the \$30 million
5 contract to such and such a firm and oh, by the way, we got
6 these other proposals, but we didn't find them compelling."

7 MR. FELLEENZ: Okay.

8 CHAIRMAN RICHARD: Or you would come back and
9 say, "We now want to award a contract of X amount, because
10 we found that some of these proposals were compelling. And
11 we think that we should do that." So either way it comes
12 back to the Board. There's governance and oversight. You
13 make your evaluation. We get to decide whether we agree
14 with that.

15 VICE CHAIR RICHARDS: And if I may Mr. Chairman,
16 so putting on your legal hat Tom, are we able to do that?
17 Which I don't know if that actually changes the basis on
18 which we went out with the RFQs. If we did something like
19 that would we have to, in essence republish and start all
20 over?

21 MR. FELLEENZ: Well, we're about to publish the
22 RFP.

23 VICE CHAIR RICHARDS: I'm talking about the RFQ.

24 MR. FELLEENZ: No, that was just --

25 VICE CHAIR RICHARDS: People who may not have

1 responded, because now that I know that the 30 million was
2 in there they'd say, "Well, for \$30 million, we're just
3 simply not interested." But if you had said it's \$30
4 million and now become innovative and you can propose in
5 addition to that, do we have any exposure with the
6 challenges?

7 MR. FELLEENZ: I don't believe so, because the RFQ
8 to compete for the RFQ -- or RFP -- but they didn't know
9 the provisions of the RFP yet. How would we be structured,
10 so we can shape it now which is really the reason that
11 we're presenting it to the Board. So you can see exactly
12 what the RFP is and if you would like to see some
13 adjustments or changes to that, we can do that at this
14 time.

15 Then we release it, officially release it, then
16 that would be what everyone's competing with or for. And I
17 think what you're doing is you're suggesting some of these
18 changes to have more innovative -- a chapter on innovative
19 proposal -- additional, innovative proposals. And we can
20 certainly put something in there. We'll have to think
21 internally about what kind of parameters or guidance, so
22 there's some kind of what we're looking for.

23 BOARD MEMBER CURTIN: Can I add an idea, because
24 I think we're changing the conversation here and it's
25 getting me a little anxious. The issue for me originally

1 was --

2 CHAIRMAN RICHARD: Averse, I think is the word.

3 BOARD MEMBER CURTIN: No, anxious, at risk. This
4 is not changing the at risk, this is saying, "Are we
5 getting the innovation that we really like?" What I'm
6 saying is that we have really good teams here. I believe
7 you have enough in this to evaluate and come up with a
8 high-quality team. We're not adding to the at-risk
9 component by changing the number or saying, "Gee, if you
10 want more and you're going to bring more resources, we can
11 negotiate more money."

12 What the key is, is getting the best team and
13 then really finding a way to move them. And they should be
14 finding a way to move as in an innovative way as possible.
15 We're not going to figure that out on this Board at this
16 point and time. But if we had 20 million, if we make it a
17 range from 30 to 100 million, what's your best ideas,
18 they've looked at this at \$30 million. We need to pick the
19 best team and then we need to hope that they have the
20 capabilities and the motivation to fight for the contract
21 on the ramp-up and delivery period. That's the key.

22 And by changing it now I think we're just
23 starting to look into a rabbit hole, try to define it. I
24 think you guys have, at least from what I can tell feel
25 you're going to get a high-quality team out of this bid,

1 then these questions have to be answered in the next three-
2 to-five years when you go to the negotiations.

3 I'm very concerned about changing any number,
4 because I know that it would be, "Like well if we knew it
5 was going to be from 3 to 100 or if we knew it was going to
6 be ..." we didn't really put it out right. So I'd really
7 just like to move the motion with the idea that we're going
8 to quicken the delivery time. And then put the burden on
9 RDP and the leadership to make sure that this works out and
10 we got the best team.

11 The key here is getting the best team, not 30
12 million or 50 million. That's why it was always
13 significant and what time the at-risk portion of this comes
14 into play? We're past all that, I think. And I think we
15 really need to move --

16 BOARD MEMBER SCHENK: Second.

17 BOARD MEMBER CURTIN: -- without too much --

18 CHAIRMAN RICHARD: Director Schenk wanted to
19 talk, but I just want to say that that actually felt like
20 getting hit with a hammer. So go ahead.

21 BOARD MEMBER SCHENK: You have a competitor for
22 wordiness, Mr. Chairman. But I agree, but certainly what
23 Director Curtin is saying about the best team is the bottom
24 line for all of us. But it raises a question, Tom, and I
25 don't know if it violates any areas of confidentiality.

1 But to me what is missing here are the Japanese. They were
2 the first, the best in class at the time, they have been
3 participating all along. And yet, they're not on this
4 list. Is there anything that we can learn from this
5 omission or absence?

6 MR. NEAL: Yeah, as the Board knows there will be
7 a number of capital procurements following the early train
8 operator including the tracking systems and the high-speed
9 rail train sets. So our understanding or our belief would
10 be that some of the other bidders who aren't on this list,
11 perhaps the Japanese, are waiting for some of these other
12 procurements. So people have had to make a choice, do they
13 go for the early train operator or do they perhaps want to
14 come in on the train sets or --

15 BOARD MEMBER SCHENK: Well, they're not going to
16 be precluded are they?

17 CHAIRMAN RICHARD: Yeah, well that was the
18 concern. They are.

19 BOARD MEMBER SCHENK: They are?

20 MR. NEAL: Yeah.

21 MR. FELLEENZ: If they were to help us shape and
22 put out any particular procurement, which we want them to
23 be involved in, in all our decisions. So if we went out
24 with a train set procurement, if they provided advice to us
25 or tried to help shape that they would then be precluded.

1 So that --

2 CHAIRMAN RICHARD: Yeah, that was my
3 understanding.

4 MR. FELLEENZ: -- so there's kind of a choice
5 there that they have to make.

6 CHAIRMAN RICHARD: Right, that was my
7 understanding as well, which is that they want to be able
8 to do that.

9 Okay. Were there other questions?

10 VICE CHAIR RICHARDS: I would only, I think that
11 Director Curtin's comments are pretty compelling. I'm
12 still concerned about the 30 million. That's somewhat
13 tempered by the fact that it was in the RFQ.

14 I was just looking again at the schedule for
15 delivery of this event to the Board. And I would encourage
16 you, and I don't think it necessarily unless it does need
17 to be part of a motion. But to try to shorten it up as
18 much as possible, because I don't know what we're going to
19 get at the end of the process. And so if that becomes an
20 issue it may delay what we're trying to accomplish here.

21 But Danny, I mean I hear you loud and clear, and
22 I think that it's compelling. And I'm still frankly
23 concerned about the amount, but if they knew it we're going
24 to have to wait and see what we get.

25 CHAIRMAN RICHARD: Let me just turn to Director

1 Camacho, because he raised this question (indiscernible)

2 BOARD MEMBER CAMACHO: One last question, so if
3 we move forward, which I happen to agree with all of the
4 Directors who have supported moving this today -- which I
5 do as well -- does this preclude us during the RFP process,
6 then to solicit to change some of the language
7 (indiscernible) to encourage alternative proposals?

8 CHAIRMAN RICHARD: I think we'd be foreclosed. I
9 mean, we've got to decide today whether we're going to --

10 MR. FELLEENZ: Once we release it, I think we
11 would have to make those changes before the release.

12 BOARD MEMBER CAMACHO: Well, that's what I'm
13 talking about, at the time of release?

14 MR. FELLEENZ: Yes.

15 BOARD MEMBER CAMACHO: So that RFP does not
16 affect us moving forward on this procurement?

17 CHAIRMAN RICHARD: I want to make sure that
18 you're hearing the question he's asking, so that there's no
19 misunderstanding. Because my sense is that if we vote to
20 authorize you to release this we're talking about days or
21 hours before this goes out the door, right?

22 MR. FELLEENZ: Yes.

23 CHAIRMAN RICHARD: So I think Director Camacho's
24 asking if there's an opportunity to rework this beforehand.
25 And I don't think that's contemplated, so I don't want to

1 hear a yes answer to something that in fact is a no.

2 MR. FELLEENZ: Right, so there's a possibility to
3 rework it. But it may have to go back to depending on --

4 BOARD MEMBER CURTIN: But my motion is to not
5 rework it.

6 MR. FELLEENZ: And I'm hearing that you want this
7 to move forward.

8 CHAIRMAN RICHARD: Yeah.

9 BOARD MEMBER CURTIN: But my motion is to not
10 rework it, in case anybody's hearing that.

11 MR. FELLEENZ: Right and I'm hearing that you want
12 this to move forward.

13 CHAIRMAN RICHARD: Yeah.

14 BOARD MEMBER CURTIN: Yes.

15 MR. FELLEENZ: So unless you can clearly say,
16 "Well we want this changed in RFQ," and the motion is based
17 on what you presented plus this change, I mean then we
18 could do that. But I think it's very complicated.

19 CHAIRMAN RICHARD: Yeah, but I just wanted to
20 make sure that Director Curtin wasn't thinking his motion
21 said one thing and Director Camacho was thinking that the
22 motion said something else.

23 MR. FELLEENZ: Yes, right, right.

24 CHAIRMAN RICHARD: So I just want to be clear
25 with that.

1 MR. FELLEENZ: So what I'm hearing is that we will
2 go out with what we have.

3 CHAIRMAN RICHARD: Right.

4 MR. FELLEENZ: With the idea that we would try to
5 press the schedule --

6 CHAIRMAN RICHARD: Well, I think right now we go
7 out with what we have unless this Board, just right now,
8 tells you to do something explicitly different.

9 MR. FELLEENZ: That's right. That's right,
10 absolutely yes.

11 CHAIRMAN RICHARD: Director Paskett, you had
12 something?

13 BOARD MEMBER PASKETT: I do. I'm concerned about
14 the schedule, so I want to underscore with Director
15 Richards --

16 CHAIRMAN RICHARD: You're concerned it's too long
17 or too short?

18 BOARD MEMBER PASKETT: It's too long, so I just
19 want to underscore Director Richards' point. And I don't
20 want to amend the motion or request an amendment to the
21 motion, but I do want to ask Mr. Fellenz if it's possible
22 to truncate the schedule?

23 MR. FELLEENZ: We could do our best.

24 MR. NEAL: I think the key is to give the bidders
25 a sufficient period of time to put their bid together, so

1 that's the core of the time. I think we'll talk about it
2 and I would certainly think there's a possibility to
3 shorten some of the time for the staff evaluation of those
4 bids when they come in. And we would look also at the
5 Board schedule for coming back.

6 So I think well we need to -- it's already
7 compressed, because as you know we did miss a Board meeting
8 for good reason, so but we can look at this, can't we Tom?

9 MR. FELLEENZ: Yes. Yes.

10 CHAIRMAN RICHARD: I appreciate that thinking,
11 which is squeeze it on our side, not on the contractor's
12 side.

13 BOARD MEMBER PASKETT: Right.

14 MR. NEAL: Right.

15 MR. FELLEENZ: Yes, exactly.

16 BOARD MEMBER CAMACHO: Yes, Mr. Chairman?

17 CHAIRMAN RICHARD: Yeah?

18 BOARD MEMBER CAMACHO: If in fact we can make
19 these changes, which is in part of a published RFP, why is
20 it we can't make the other changes?

21 MR. FELLEENZ: Well, what we're doing is we're
22 just --

23 BOARD MEMBER CAMACHO: I understand. I
24 understand. What I'm asking for is some simple language to
25 amplify perhaps the need for an alternative proposal. And

1 I get it, I don't want to stop this procurement, but I'm
2 just trying to understand the reluctance to make changes to
3 the RFP. When in fact, you were agreeing to make changes
4 here?

5 CHAIRMAN RICHARD: I think, Director Camacho if I
6 might? I think that is not so much a staff issue as what
7 I'm hearing from the Board dynamic is -- and I was very
8 convinced by what you said, and I was also very convinced
9 by what Danny Curtin said, which is your saying, "I'm
10 concerned this is too small. And I'm concerned that we're
11 not going to get the best thinking that we can get at this
12 level."

13 And Director Curtin is saying, "I'm concerned
14 that if we mess around with it we won't really get anything
15 else," because where he really wants to see us driving them
16 is hey you guys may have to put up some skin in the game at
17 risk that you hope to catch back later down the road. So
18 I'm hearing him saying let's not change it. Let's go with
19 this and then let's have these people basically see who
20 wants to really take a little bit of risk if that's what
21 it's going to take.

22 And I am hearing the staff saying we're not
23 asking them to do the engineering. We're asking them to
24 provide an advisory look over the shoulder, and so
25 therefore it's not the same metric as if we were buying

1 engineering services per se.

2 So what I'm trying to do is see if there's a
3 solution set that harmonizes all those. There may not be,
4 we may just have to vote on the different approaches. But
5 that's what I was trying to get to. I don't think it's so
6 much a question of is the staff unwilling to do it. I
7 think it's really now I'm hearing there's two different
8 approaches on the Board.

9 BOARD MEMBER PASKETT: Dan, can I --

10 CHAIRMAN RICHARD: Yeah.

11 BOARD MEMBER PASKETT: -- or Mr. Chairman, sorry.

12 CHAIRMAN RICHARD: Dan is fine.

13 BOARD MEMBER PASKETT: Okay. May I while we have
14 a pending motion --

15 CHAIRMAN RICHARD: Yeah.

16 BOARD MEMBER PASKETT: -- propose a thought to
17 you as we do with some of the other boards?

18 There appears to be some pretty important
19 outstanding issues. There's time sensitivities, but there
20 is also the scope on the amount. I agree with Mr. Curtin
21 that we have had many presentations on this and we have had
22 the opportunity to look at it. And I'm concerned that
23 we're late. But I also agree with my colleague, Mr.
24 Camacho, that we don't want to make a mistake.

25 And I'm wondering if a compromise would be to

1 allow us to move forward. But ask the Chair to designate a
2 working group from the Board with Mr. Curtin, Camacho to
3 work closely with the Executive team to address these
4 issues we don't currently have at High-Speed Rail, I know.
5 But it might be an opportunity to allow it to move forward,
6 but allow the Board a little more active oversight on an
7 important issue in the meantime.

8 CHAIRMAN RICHARD: Well, I'm not adverse to that,
9 but I think we've got the issues on the table today. And
10 I'm just wondering --

11 BOARD MEMBER PASKETT: Bolster the question --

12 BOARD MEMBER CURTIN: Yeah, Mr. Chairman, I'm
13 sorry.

14 CHAIRMAN RICHARD: Yeah.

15 BOARD MEMBER CURTIN: I don't want -to
16 (indiscernible) debate.

17 CHAIRMAN RICHARD: But you want to
18 (indiscernible) debate?

19 BOARD MEMBER CURTIN: -- we're going to take the
20 pencil and start playing around. And every time that we
21 make a little change it's going to have ramifications.

22 I have personally tried my best, I got my points
23 in. We spoke. This is the decision. I think it's
24 defensible in every respect and I think it will lead us to
25 the best team. And if we start playing around again we're

1 going to delay this. I know how it works, we've done it
2 too many times. So this is too critical to work on at the
3 Board up here.

4 CHAIRMAN RICHARD: Well, let me just --

5 BOARD MEMBER CURTIN: We've worked on it for
6 months and months.

7 CHAIRMAN RICHARD: -- let me just say this. I --

8 BOARD MEMBER CURTIN: Two years ago, I believe
9 this was actually proposed in some form.

10 CHAIRMAN RICHARD: Well, this has always been a
11 very thoughtful and a very collegial Board and a lot of
12 things we do, we were able to come together on, but that
13 doesn't mean that everything is. And I think on this one,
14 try to find a way to bridge, but I think there are two
15 different ideas here. And I don't want the staff to get
16 stuck in the middle with it. I don't want to delegate to
17 the staff, a disagreement in philosophical approach on the
18 Board. So I think we've just got to make a decision.

19 And Director Camacho, I understand where you're
20 coming from. And I'd like to try to get there, but I think
21 at this point what I'm sensing is a majority of the Board,
22 and we're about to have a vote, feels like we just ought to
23 go forward with this as it is. And you know, hold our
24 breath and hope that we're getting the good competition.
25 And that what you want will be embodied in the bids as

1 people are looking at the broader opportunity.

2 BOARD MEMBER SCHENK: And certainly staff has
3 gotten the message. I think they understand what the
4 concerns are that we have, so.

5 BOARD MEMBER CAMACHO: So I'll move the motion,
6 sir.

7 CHAIRMAN RICHARD: It's already moved. '

8 BOARD MEMBER CURTIN: I moved it.

9 CHAIRMAN RICHARD: Well, why don't you -- we'll
10 write you as a second.

11 BOARD MEMBER CAMACHO: Okay. With the provision,
12 just so that we know that going forward with these
13 procurements, especially as we're dealing with car
14 procurements or any of the others, that we start to think
15 of the staff -- out of about from the staff perspective.
16 Because we're going to be asking these kinds of questions,
17 so that we embody this type of thinking.

18 CHAIRMAN RICHARD: And I think this is where the
19 staff workshop, the Board workshop excuse me, Board
20 workshop that we want to do prior to getting too far into
21 the next Business Plan, you know, maybe a series of Board
22 workshops where we can set aside time on the agenda so that
23 we can have these kinds of discussions that you're talking
24 about. And we can then infuse into the staff thinking the
25 policy directions from the Board, would be a way to not

1 arrive at this juncture in the future.

2 BOARD MEMBER CAMACHO: Sure. And Directors, you
3 made a comment of having maybe 20 people just \$5 million
4 procurement or \$30 million procurement, but if I look at
5 the full-time equivalent billing rates you're probably
6 looking at best, 10 people. So it's not really 20 people
7 or less than 10, so we really are not engaging a lot of
8 money. But I think that we need to just think from a staff
9 perspective, out of the box, as we're going to be asking
10 them to do.

11 CHAIRMAN RICHARD: But they do have an
12 opportunity to recover that and I think what I'm hoping is
13 that they make an investment in this first phase that they
14 try to recover in the second phase. And that will be
15 (indiscernible).

16 BOARD MEMBER CAMACHO: Okay. Good.

17 CHAIRMAN RICHARD: Okay. So the motion, I'm
18 going to restate the motion. The motion is to move forward
19 with the procurement, as laid out by the staff with also
20 the requested staff. That it look at shortening time on
21 the staff side to the extent that that's feasible, okay?

22 It's been moved and seconded. Will the Secretary
23 please call the roll?

24 MS. JENSEN: Director Schenk?

25 BOARD MEMBER SCHENK: Yes.

1 MS. JENSEN: Vice Chair Richards?

2 VICE CHAIR RICHARDS: Yes.

3 MS. JENSEN: Director Curtin?

4 BOARD MEMBER CURTIN: Yes.

5 MS. JENSEN: Director Paskett?

6 BOARD MEMBER PASKETT: Yes.

7 MS. JENSEN: Director Lowenthal?

8 BOARD MEMBER LOWENTHAL: Yes.

9 MR. JENSEN: Director Camacho?

10 BOARD MEMBER CAMACHO: Yes.

11 MS. JENSEN: Chair Richard?

12 CHAIRMAN RICHARD: Yes.

13 Thank you all and I appreciate the staff input on
14 this. I think it was helpful to the Board.

15 The next item is important, however it is not
16 going to take 30 minutes. I can assure you of that. I
17 think that the Board Members know this item, so Tom why
18 don't you make a brief presentation on it?

19 BOARD MEMBER PASKETT: And I'll move it. I'll
20 allow you to make it, but I'll move it. I've read the
21 materials and support it.

22 CHAIRMAN RICHARD: Make a brief presentation.

23 MR. FELLEENZ: Sure. Well, okay we do have a few
24 slides. Do you want to see that or --

25 CHAIRMAN RICHARD: No.

1 BOARD MEMBER PASKETT: No. We've already seen it
2 all. We know it.

3 CHAIRMAN RICHARD: Yeah, here's one thing I want
4 to do with this, okay? Because we heard a public comment
5 this morning from an attorney representing plaintiffs or
6 challenging the actions on this, and so I would like to put
7 a couple of things in the record before we go forward with
8 just a brief colloquy.

9 So first and foremost, while I appreciate the
10 fact that the gentleman stood up here and propounded on
11 what the law is I generally think that's the province of
12 judges and not lawyers for one side. So whether this is
13 legitimate or not is really going to be determined
14 elsewhere, however the statement was made that we should
15 check with our lawyer before we act on this.

16 So first of all, Mr. Fellenz, would it be your
17 expectation that before the Legislature enacted a measure
18 like this that they would receive advice from Legislative
19 Counsel?

20 MR. FELLEENZ: Yes, it would.

21 CHAIRMAN RICHARD: That would be my expectation
22 as well.

23 CHAIRMAN RICHARD: Without going into any matters
24 that you might have told us that would be privileged and
25 confidential, is it generally your position in your other

1 capacity as Chief Counsel, that if this Board were about to
2 enact something that you felt were contrary to the
3 provisions of the Bond Act, that you would so advise us?

4 MR. FELLEENZ: Yes, I would.

5 CHAIRMAN RICHARD: Okay. And yet this matter is
6 on the agenda before us today; is that right?

7 MR. FELLEENZ: That's correct.

8 CHAIRMAN RICHARD: Okay. I just wanted to --

9 MR. FELLEENZ: And I have signed off on this item
10 as well, as your Chief Counsel.

11 CHAIRMAN RICHARD: You signed off on it as well,
12 as Chief Counsel. Okay. Just in case it ever came up I
13 just thought that it would be good that the Board, in fact,
14 had those facts in front of it before it cast its vote.

15 BOARD MEMBER PASKETT: Well, I'll move again.

16 CHAIRMAN RICHARD: We move again.

17 VICE CHAIR RICHARDS: And I'll second it.

18 CHAIRMAN RICHARD: Okay. Then let's --

19 BOARD MEMBER LOWENTHAL: Mr. Richard?

20 CHAIRMAN RICHARD: Yes? I'm sorry.

21 BOARD MEMBER LOWENTHAL: Yeah, I just want to
22 thank the Southern California staff for working on this for
23 years and years and years. This has really been the most
24 problematic intersection based on the railroad, so it's
25 wonderful that we're going to get this done.

1 CHAIRMAN RICHARD: Thank you.

2 And Director Lowenthal makes a very important
3 point. As I understand this is like the first or second
4 most dangerous at-grade crossing on the PUC's list?

5 BOARD MEMBER LOWENTHAL: The first. It's number
6 one.

7 CHAIRMAN RICHARD: And so this is the top of the
8 list. And just so everybody understands what we're doing
9 here, we are devoting high-speed rail funds to make an
10 early investment to grade separate, so that it will be
11 prepared for high-speed rail in the future. But will
12 benefit and save people's lives in the interim. You snuck
13 a picture in, anyway.

14 MR. FELLEENZ: I snuck a picture in, because I
15 just thought it was very illustrative of what we're doing
16 here. So you can see the at-grade existing on the top and
17 then the after condition. So we're taking the road and
18 going over the BNSF passenger line corridor making it much
19 safer.

20 CHAIRMAN RICHARD: You didn't show in the first
21 one, the car about to be hit by the train, that would have
22 been more compelling.

23 MR. FELLEENZ: That's right.

24 CHAIRMAN RICHARD: Okay. It's been moved and
25 seconded, Secretary please call the roll.

1 MS. JENSEN: Director Schenk?

2 BOARD MEMBER SCHENK: Yes.

3 MS. JENSEN: Vice Chair Richards?

4 VICE CHAIR RICHARDS: Yes.

5 MS. JENSEN: Director Curtin?

6 BOARD MEMBER CURTIN: (Absent from dais.)

7 MS. JENSEN: Director Paskett?

8 BOARD MEMBER PASKETT: Yes.

9 MS. JENSEN: Director Lowenthal?

10 BOARD MEMBER LOWENTHAL: Yes.

11 MR. JENSEN: Director Camacho?

12 BOARD MEMBER CAMACHO: Yes.

13 MS. JENSEN: Chair Richard?

14 CHAIRMAN RICHARD: Yes.

15 And I'd like the minutes to show that Director
16 Paskett was especially enthusiastic about this one.

17 BOARD MEMBER PASKETT: I was and I am.

18 CHAIRMAN RICHARD: As was Director Lowenthal.

19 Okay. Ms. Boehm, I'm sorry you didn't get to
20 make your presentation, but all the better.

21 Ms. Rivera, do you dare come up here now?\

22 VICE CHAIR RICHARDS: And I would only suggest on
23 behalf of Ms. Rivera that this is not the least important
24 agenda item before us today.

25 CHAIRMAN RICHARD: In fact, I think it's a very

1 important agenda item, so Ms. Rivera, welcome.

2 MS. RIVERA: Thank you. Shall I start with the
3 joke or end with the joke?

4 VICE CHAIR RICHARDS: Please start.

5 CHAIRMAN RICHARD: It depends on whether you want
6 to soften us up or if you're afraid of what will happen.

7 MS. RIVERA: An auditor was asked to audit the
8 corner shop. He reported back, "There are four."

9 CHAIRMAN RICHARD: He reported back what?

10 MS. RIVERA: There are four.

11 BOARD MEMBER PASKETT: There are four.

12 (Laughter.) I like that one. I think that might be your
13 best to date.

14 MS. RIVERA: I had help.

15 CHAIRMAN RICHARD: Very good. Well, actually
16 that's kind of pertinent to what this is all about; isn't
17 it?

18 MS. RIVERA: It is, so good morning.

19 CHAIRMAN RICHARD: Good morning.

20 MS. RIVERA: I'm here today to bring the results
21 of the Audit Office's first External Peer Review. Over the
22 last few years we've been building the Audit Office. We
23 brought the Audit Charter in 2014, to you. We hired
24 auditors and began performing audits and at the time we
25 determined that our audit should follow audit standards,

1 Generally Accepted Government Auditing Standards or the
2 International Standards for the Professional Practice of
3 Internal Auditing is applicable.

4 And those standards require that we have a
5 Quality Assurance Program to ensure that our audits comply
6 with the standards. We've developed the Quality Assurance
7 Program including putting together an audit manual, which
8 provides a consistent methodology for the performance and
9 documentation of our audits. Two years ago we started
10 performing internal assessments of our compliance and we
11 brought those results to the Board in 2015 and 2016.

12 Audit standards also require that we have an
13 external assessment of our Quality Assurance Program and
14 today I'm bringing the results of that assessment to you.
15 The External Peer Review was performed by the California
16 Association of State Auditors, which is a volunteer
17 organization.

18 I'm proud to convey that the Peer Review team
19 found our internal quality control system was suitably
20 designed and operating effectively. Everyone in the Audit
21 Office put a lot of hard work and concentrated effort into
22 this accomplishment.

23 The Peer Review team also made some observations
24 and suggestions for improvement, two of which related to
25 the Audit Charter. Therefore, today I ask your approval of

1 revisions to the Audit Charter. The review team
2 recommended we clarify in the Audit Charter the CEO's
3 responsibilities and list the services provided by the
4 Audit Office. We also took that opportunity to include
5 changes that came about in some audit standards last
6 December, and then some name changes.

7 Do you have any questions for me?

8 CHAIRMAN RICHARD: Members?

9 BOARD MEMBER PASKETT: No, it looks great.

10 BOARD MEMBER SCHENK: Congratulations.

11 MS. RIVERA: Thank you.

12 VICE CHAIR RICHARDS: Mr. Chairman, I would only
13 like to compliment Ms. Rivera and her entire team. They
14 have done consistently outstanding work. And as this Board
15 knows we review all of the team's work at the A&E --

16 CHAIRMAN RICHARD: F&E, F&A.

17 VICE CHAIR RICHARDS: A&E, Architecture and
18 Engineering, I've got my other hat on right now. The F&A
19 Committee, this latest wind here gives us in essence a full
20 seat at the table of those organizations that specialize in
21 providing internal audits through state agencies. And you
22 should be congratulated, Paula. It's wonderful and we're
23 happy you're not going to have to put the disclaimer on
24 your audits from this point forward.

25 MS. RIVERA: Thank you. I'll pass that on.

1 VICE CHAIR RICHARDS: With that I'd make a motion
2 for -- or is it approval or just --

3 CHAIRMAN RICHARD: I think it's approval.

4 MS. RIVERA: Yes, approval.

5 BOARD MEMBER CAMACHO: Second.

6 CHAIRMAN RICHARD: Okay. It's been moved by Vice
7 Chair Richards, seconded by Direct Camacho. Will the
8 Secretary please call the roll?

9 BOARD MEMBER SCHENK: Yes.

10 MS. JENSEN: Vice Chair Richards?

11 VICE CHAIR RICHARDS: Yes.

12 MS. JENSEN: Director Curtin?

13 BOARD MEMBER CURTIN: Yes.

14 MS. JENSEN: Director Paskett?

15 BOARD MEMBER PASKETT: (Absent from the dais.)

16 MS. JENSEN: Director Lowenthal?

17 BOARD MEMBER LOWENTHAL: Yes.

18 MR. JENSEN: Director Camacho?

19 BOARD MEMBER CAMACHO: Yes.

20 MS. JENSEN: Chair Richard?

21 CHAIRMAN RICHARD: Yes.

22 Thank you very much. I certainly share my
23 colleagues' comments about the importance of the work you
24 do and the excellence of the way you do it, so thank you.

25 Okay. With that, we've completed the public

1 session agenda. The Board will now enter into closed
2 session in the room off to the right. Colleagues will try
3 to keep it fairly compact, but this will be about personnel
4 matters. And then I'll come back and report afterwards if
5 there are any actions from the closed session.

6 So with that, we'll be in recess to closed
7 session. Thank you.

8 (The Board convened into Closed Session at 12:06 p.m.)

9 VICE CHAIR RICHARDS: Okay. The meeting is
10 reconvened of the California High-Speed Rail Authority
11 Board of Directors for June 154, 2017.

12 The Board has just completed its closed session.
13 We took no action in doing the closed session and there's
14 nothing to report out to the public. Our meeting is
15 adjourned. Thank you.

16 (The Board reconvened from Closed Session at 1:19 p.m.)

17 Having no further business, Vice Chair Tom Richards
18 adjourned the Board Meeting at 1:19 p.m.)

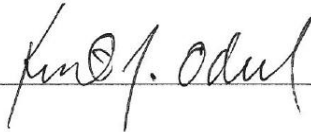
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REPORTER'S CERTIFICATE

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 June, 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 June, 2017.



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